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## Pampa Energía and Edenor 4Q 2013 Conference Call

Presenting:

**Leandro Montero, CFO of Edenor**  
**Mariano Batistella, IR Officer of Pampa Energía**

**Leandro Montero:** Thank you very much. Good morning everyone and thanks for joining us on this joint conference call of Pampa Energía and Edenor. As we did last conference call, myself Leandro Montero, will be presenting for Edenor first, and then Mariano Batistella will present for Pampa Energía.

As usually, we will focus first on the main events that took place in the last months and then briefly review the results of the fourth quarter of 2013. As you know, you can always call anybody of our team for more details on the results of the period or any doubts you might have.

So going to the relevant events of Edenor in the quarter, during December 2013 our network has worked up to its maximum capacity levels due to the worst heat wave of the last century which affected the city of Buenos Aires and its surroundings, generating power outages in certain points of our concession area. We used all of our human and material resources to deal with the extraordinary weather emergency that lasted for nearly a month. Due to the intensity of this climate phenomenon, the total residential demand increased 22% compared to December 2012, 4 times higher than the historical average growth for that month of 4.6%, with an extraordinary peak developed between December 16 and 22, which was the highest energy consumption throughout history. In spite of this, the power outages that affected our concession area, by no means affected the entire neighborhoods, but involved specific cases, blocks or set of buildings, and on December 30<sup>th</sup>, the service was normalized.

As a consequence of this, the ENRE issued Resolution 1/2014 imposing us the payment of a compensation for each client depending on the duration of the interruption, increasing in a 100% for those users who have been affected by interruptions of their supply for the years 2010 and 2012. The total compensation amounts to 78 million pesos.

Also connected with this situation, in January 2014, we were notified of Resolution 3/2014 issued by the Argentine National Planning, Public Investment and Services Ministry, whereby any investment with funds from the FOCEDA, will be authorized by that Ministry, providing the necessary instructions in connection with the performance and completion of works and investments.

In November 2013, the scope of Resolution 250/13 was extended due to Note 6,852/13, obtaining an additional partial recognition of our costs for an amount of 724 million pesos for the period between March and September 2013, having a positive impact on the operating result. This resolution did not mean any positive cash inflow but it allowed to partially reducing the debt owed to CAMMESA.

With respect to our tariff's situation, we have requested twelve additional increases under the CMM beginning in May 2008, where eleven of them have been ratified by the ENRE and have been applied retroactively to amounts owed to the Company until September 2013 stated by Resolution 250/13 and subsequent Note 6852/13, but have not been transferred to the current rate.

Moving to Eden's Sale reported during the first quarter, as of today Eden's Sale Trust purchased in the open market 66.5 million US\$ principal amount of our Notes due 2022 and 10 million US\$ principal amount of our Notes due 2017. In this way, the Trust is close to get the goal of purchases.

Finally, in December 2013 the Extraordinary Shareholders' Meeting of Edenor approved to absorb its subsidiary Emdersa Holding, as well as all the documentation and information required for such purpose by the applicable regulations. This merge is effective since October 1st 2013 and had no impact on the Company's Financial Statements.

With respect to the results of Edenor, we are presenting standalone figures in 2013 taking into account the divestiture of Aeseba's assets this year.

So going now to the results of Edenor, in the fourth quarter of 2013, net sales increased about 8%, reaching 872 million pesos, compared to 810 million pesos in the same period of 2012. This variation was mainly due to the additional income from the Resolution 347 set by the government in November 2012, which represents approximately 104 million pesos. Besides that effect, we registered an increase in the volume of energy sold of about 6%.

Operating expenses also increased approximately 367 million pesos mainly due to an increase in labor costs due to salaries increases granted in 2013, a rise in remuneration for services from contractors, also related to increases to unionized employees, and an increase in ENRE fines and penalties as I mentioned in the relevant events.

In line with the operating losses accounted for during the latest quarters, Edenor had a net operating loss without considering the effect of Resolution 250/13 and Note 6852/13 of 509 million pesos in the fourth quarter of 2013 compared to a 223 million pesos loss in the same period of 2012. Both results were basically impacted by higher operating expenses which could not be totally offset by sales increases.

Finally, Edenor reported a net loss of 19 million pesos in the fourth quarter of 2013, compared to a net loss of 390 million pesos in the same period of 2012.

This was mainly as a consequence of the partial recognition of costs increases stated by Note 6852 in November 2013 of 724 million pesos, positive interests of 25 million pesos and

a gain obtained by Aeseba's sale trust due to the repurchase of Edenor Notes due 2017 and 2022 of 23 million pesos. This was partially offset by the increase in costs explained before, exchange differences of 92 million pesos, commercial interests accrued to CAMMESA of 34 million pesos and a 62 million pesos in income tax loss.

In 2013 we retained under PUREE concept 492 million pesos, 81 million pesos more than the 411 million pesos registered in the same period of 2012.

Regarding Edenor's capital expenditures, during the fourth quarter of 2013 it reached 398 million pesos, including FOCEDE funds, vis-à-vis 198 million pesos in the same period of 2012.

Finally, in relation to Edenor's adjusted EBITDA there was a loss of 288 million pesos in the fourth quarter of 2013, compared to a loss of 50 million pesos of the same quarter of 2012.

So this concludes my review on Edenor, I will now leave you with Mariano Batistella, investor relations officer of Pampa Energía, who will review other relevant events of the group, as well as the consolidated results. After that, we will be open for questions.

**Mariano Batistella:** Thank you Leandro and good morning everyone. I'll begin with the relevant events of Pampa, which for this quarter were not many.

First, in relation to Petrolera Pampa, our oil and gas subsidiary, as you know on last November we approved to increase its capital by up to 60 million ordinary shares, with one vote per share, through a public offer in Argentina. In January of this year the capital increase was completed for a total amount of 100 million pesos, being all the shares subscribed by Pampa's shareholders. As you may remember, for the capital increase Pampa assigned the subscription rights to all of the shareholders of Pampa as of October 15<sup>th</sup>, allowing them to invest directly in the oil and gas business.

Moving on to debt operations, a couple of weeks ago our thermal plant Güemes issued AR\$60 million pesos at Badlar plus 5% maturing in 2016, which was used to refinance debt. Also, on December of last year, Güemes refinanced a syndicated loan of AR\$79 million pesos in two tranches, AR\$61 million pesos at BADCOR plus 5% and AR\$18 million pesos at a fixed interest rate of 29%. The syndicated loan has an average life of around 2 years.

Finally, related to Loma de la Lata, we have finished collecting the full amount from the insurance companies in relation to the accident occurred on November of last year, totaling AR\$245 million pesos, of which AR\$122 million pesos were accrued in this quarter.

Going to the consolidated results of Pampa, first of all let me remind you that under International Standards we are no longer consolidating line by line 50% of Transener as we used to do under Argentine GAAP, and therefore participation in this business is shown all together in one line of the income statement called "Results for participation in joint businesses". Nevertheless, you will see that in the business breakdown by sector and EBITDA, we are including 50% of Transener in the transmission sector, as done previously

under Argentine GAAP. Moreover, we are still not including TGS in our figures, given that we haven't been approved yet to co-control CIESA, which is pending an administrative stage at the antitrust authority.

So moving on to the results, in the fourth quarter of 2013 we presented a negative EBITDA of AR\$104 million pesos, compared to a negative EBITDA of AR\$15 million pesos in the same period of 2012, mainly due a higher loss of AR\$230 million pesos in distribution and AR\$10 million pesos in the holding segment, which was partially offset by increases of AR\$88 million pesos in generation and AR\$63 million pesos in transmission.

The higher EBITDA at our generation segment was mainly given by a higher EBITDA of Loma de la Lata, which as you know restarted operations of the combined cycle last June, presenting an EBITDA of 111 million pesos in the fourth quarter of 2013 compared to 8 million pesos in same period of 2012. Also, remember that since February of 2013 we are being recognized a higher remuneration for the old energy generated. The EBITDA of the generation segment does not include, however, the collection of the insurance of Loma that I previously mentioned, for AR\$122 million pesos in the fourth quarter of 2013.

The EBITDA at our transmission segment rose AR\$63 million pesos compared to the fourth quarter of 2012, mainly due to a higher accrual in this quarter from the Instrumental Agreement which amounted to AR\$141 million pesos, compared to AR\$20 million pesos in the fourth quarter of 2012. Also, we include the difference between actual collected amounts versus accrued sales corresponding to said Agreement for AR\$3 million pesos in the fourth quarter of 2013 versus AR\$7 million pesos in the same period of 2012. Plus we also include the income recorded as financial result related to the fourth line for AR\$11 million pesos, versus AR\$9 million pesos on the same period of last year.

Moving on briefly to the distribution segment which was previously reviewed by Leandro, during the fourth quarter of 2013 the EBITDA decreased by AR\$230 million pesos on a consolidated basis compared to the same period of 2012, mainly due to increases in Edenor's operating, labor and third party costs, and penalties.

The holding and others segment presented an EBITDA of AR\$15 million pesos in the fourth quarter of 2013, compared to AR\$24 million pesos in the same period of 2012. This reduction was given by a lower EBITDA at the holding level as a result of lower fees collected to the generation companies, partially compensated by an increase of AR\$10 million pesos in Petrolera Pampa's EBITDA. The increase in Petrolera Pampa's EBITDA was given by an increase of 43% in the production of natural gas from the agreements done with Petrobras and Apache.

Finally, in terms of net income, Pampa presented a consolidated loss of AR\$124 million pesos in the fourth quarter of 2013, of which a loss of AR\$99 million pesos corresponds to the shareholders of the Company, compared to a loss of AR\$268 million pesos in same period of 2012.

Last, I want to comment briefly on the Argentine peso devaluation that occurred last January of around 20%, and its impact on our business.

First of all, with respect to generation, around 80% of our debt is dollar nominated, and it's basically related to the financing of the expansion of Loma de la Lata, which currently amounts to US\$165 million dollars. Nevertheless, most of our EBITDA is coming from the new generation capacity installed in Loma de la Lata, Güemes, and Piquirenda which is also dollar linked. Therefore, in terms of cash flow we are hedged, having both revenues and debt in dollars. Nevertheless, we'll have the impact of the devaluation on the stock of debt.

In the case of Transener and Edenor, with dollar nominated debts of 143 million and 209 million respectively, they will have the impact of the devaluation on their net income and cash flows as well, since their income is full in pesos.

Finally, Petrolera Pampa's debt is almost all in pesos, while its revenues are dollar linked.

So this concludes our review of Pampa and Edenor, we are now open for questions. Thank you.