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Pampa Energía and Edenor Q1 2016 Conference Call

Presenting:

Leandro Montero, CFO of Edenor

Lida Wang, Chief of Investor Relations at 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 usually do, myself Leandro Montero will be presenting for Edenor first, and then for this quarter, Lida Wang will present for Pampa Energía.

First, we will focus on the main events that lately took place and then briefly review the results of the first quarter of 2016. As you know, you can always call any member of our team for more details on the results of the period or any doubts you might have.

On April 15, this year, the regulator (ENRE) issued the Note number 120,151, establishing that all fines and penalties imposed by the ENRE after this date must be valued according to the KWh values in effect as of the last date of the semester or period during which the event giving rise to the penalty occurred, including any increases or adjustments applicable to our “remuneration” at such date. In addition, fines and penalties that fall within the purview of the Note will accrue interest from the last date of the semester on which the event giving rise to the penalty occurred until the date they are paid by us. Because of this note, the Company accounted for an adjustment of approximately 250 million pesos regarding the penalties of the last semester, this is the September 2015 - February 2016 period, and in addition registered the amount of 129 million pesos to reflect the accrued interest according to the Note terms.

Then, by means of Resolution number 31 of the ENRE issued on March 28, we were instructed to compensate the small residential customers (T1R) who had been affected by the power outages occurred during the period between February 12 and February 18, this year. The amount of such compensation depends on the duration of each relevant power outage. The total compensation to be paid to our residential customers amounts to 73 million pesos.

Moving to the normalization of the sector started with the new tariff schemes issued in January, on April 1, this year, the ENRE issued Resolution number 55, which approves the 2016 Integral Tariff Revision Program and establishes the criteria and methods to be applied in the Integral Tariff Revision process, as well as the compensation and penalties regulation together with the tentative schedule, including details of the working plan to be submitted.

In our opinion, the ITR process will have to factor in a revised analysis of our distribution costs, modifications to our quality of service standards and penalty scheme and, finally, a revision of our

asset base and rate of return, and the balances and other issues resulting from the measures recently adopted by the Argentine government to provide us with temporary and partial relief.

Finally, the Ordinary and Extraordinary General Shareholders' meeting held on last April 28th appointed the permanent and alternate members of the Board of Directors and Audit Commission. In connection with the Board of Directors, new ten Class B and C members were appointed, five as permanent directors and five as alternate directors.

Now, taking into consideration the results of Edenor in the first quarter of 2016, net sales increased 209%, reaching about 2.9 billion pesos, compared to 969 million pesos for the same period in 2015. This variation was mainly due to the tariff increase obtained since February 1, this year, which meant not only a higher Distribution Added Value with impact in the Company's margin, but also, an increase in the cost of energy included in the tariff. At the same time, the volume of energy sold in GWh increased about 2.0%. Regarding to the volume of sales, the energy sold reached to 5,671 GWh in the first quarter of 2016 from 5,567 GWh in the first quarter of last year, basically due to an increase of 6% in medium commercial customers and a 3% growth in industrial and wheeling system customers.

The electricity power purchases increased 152% to 1.3 billion pesos in the first quarter of 2016 compared to 523 million pesos in the same period of the year before, mainly due to the purchase price increase effective as from February 2016.

Operating expenses increased approximately 829 million pesos as a result of the raise in salaries and social security taxes and ENRE penalties as a consequence of the accounting effects of the Note 120,151 issued by the ENRE I described before; the sum of these two effects amounted to a loss of 734 million pesos, and represents about 89% of the total increase. As I mentioned in the previous conference call, the raise in salaries is basically explained by an increase in salaries agreed with unions last year, of which a 27.8% has already become effective as from September 2015, and there is still an 11.9% remaining raise that will be executed this month. Regarding ENRE penalties, the increase can be basically explained by the application of the new method of calculation, which establishes that penalties should be based on the Distribution Added Value that corresponds to the date on which the event occurs.

Edenor's net operating income decreased 678 million pesos amounting a gain of 238 million pesos in the first quarter of 2016 compared to a gain of 916 million pesos in the same period last year. This negative result was due to an increase in operating expenses as described above, and to a reduction in the amounts obtained as subsidies under Resolution 32 issued by the Secretariat of Energy in March 2015 and Cost Monitoring Mechanism increases, which were discontinued sin February 1st this year.

Finally, the net income of the period shows a decrease of 595 million pesos, amounting a loss of 125 million pesos in 2016 first quarter, compared to a gain of 470 million pesos in the same period last year, mainly due to the operating results explained above and to a decline in financial results caused basically by the effect on our debt of the devaluation in the first quarter this year of the Argentine peso related to the US dollar.

Related to Edenor's adjusted EBITDA, it resulted in a gain of 338 million pesos in the first quarter of 2016, compared to a gain of 366 million pesos for the same quarter of 2015. This amount includes in 2016, 513 million pesos of additional income of the Resolution 32/15 and its adjustment for January, the last month effective.

To end up, regarding Edenor's capital expenditures, during the first quarter of 2016 our investments increased about 88% reaching about 629 million pesos compared to 334 million pesos in the same period of 2015, mainly focused on grid enhancements, new connections and maintenance and improvements.

So this concludes my review on Edenor, I will now leave you with Lida Wang, chief of Investor Relations at 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.

Lida Wang: Thank you Leandro and good morning everyone.

Lots of developments have happened since our last call on March. As you may know, consequently after the approvals obtained from Pampa's and Petrobras Brazil's board of directors, last week we signed the SPA contract acquiring the controlling 67.2% stake of Petrobras Argentina, for a base price of 892 million dollars. The base price is subject to agreed adjustments, likely non material, until the closing. As we signed the SPA contract, we deposited 20% of the base price in an escrow account, being the remaining to be paid at the closing.

Let me give you a quick glimpse of Petrobras Argentina: Petrobras Argentina is one of the leading players in Argentina's oil and gas upstream, with a daily production of 28 thousand barrels of oil and 7 million cubic meters of gas - 60% gas, 40% oil. They also participate in refining and distribution business, with a refinery installed capacity of 30 thousand barrels per day plus a retail network of 260 gas stations across the country. In Petrochemicals segment, Petrobras Argentina operates two plants, being the only national integrated producer of styrene, synthetic rubber, polystyrene and BOPS. In Gas & Energy segment, Petrobras Argentina controls almost 1,200 MW of power generation capacity through 2 thermal gas-fired plants and 1 hydro plant, increasing Pampa's capacity by more than 50% with premium quality assets. Petrobras Argentina also holds the other 25.5% of TGS, the largest gas transportation company and one of the leading natural gas liquids producer of Argentina. Last 2016 Q1, Petrobras Argentina posted 2.4 billion pesos of EBITDA and a net income of 931 million pesos.

To tap this ticket, Pampa will fund with a combination of: own cash of up to 220 million dollars, up to 250 million dollars from the sale of TGS - if completed prior to the closing and I'll explain more details later, up to 700 million dollars of financing from a consortium of banks, private financing of up to 225 million dollars - of which we have 140 million dollars committed from YPF, and financing from a vehicle controlled by the controlling shareholders of the Company of up to 150 million dollars.

As a part of the deal and after Petrobras Argentina is taken over by Pampa, Petrobras Brazil will remain as a partner as they agreed to acquire 1/3 of the rights and obligations of Río Neuquén block for 72 million dollars. Likewise, YPF will acquire another 1/3 of Río Neuquén for the same amount. So, the former Petrobras Argentina, YPF and Petrobras Brazil will team up in an ambitious investment

plan of approximately half billion dollars in Río Neuquén, one of the best and most prospective gas fields in Argentina, to be spent in the near short-term at prorate of each partner's stake in the block.

Together with 1/3 of Río Neuquén, YPF also acquired the 80% of Petrobras Argentina's stake in Aguada del Arena block, another area with high gas potential in Neuquén basin. After the completion of the mentioned sales, Pampa Energía together with the former Petrobras Argentina would hold 8% of Argentina's total gas production, an important market share placing us as one of the country's leading oil and gas upstream companies.

Moreover, after the closing Petrobras Brazil agreed to acquire 100% of the rights and obligations under the Operating Agreement entered into by Petrobras Argentina Bolivian Branch and Yacimientos Petrolíferos Fiscales Bolivianos, in relation to the Colpa and Caranda blocks. We assigned a negative value of 20 million dollars for this assets.

Furthermore, in compliance with the provisions of the Argentine capital markets law (*Ley de Mercado de Capitales*) relating to mandatory tender offer to be made in the event of change of control and indirect acquisition, prior to the closing of this transaction the Company will launch a mandatory cash tender offer for the minority shareholders of Petrobras Argentina.

As I mentioned before when explaining on how we would tap this acquisition ticket, the Company has the necessary funds to fulfill the bid and the cash offer. In addition, the Company is also evaluating the alternative of, simultaneously with the launching of the cash offer, offer a voluntary exchange of Petrobras Argentina's shares into Pampa's shares. Both the cash and exchange offerings, as well as the call for shareholders' meeting to deliberate on the corresponding capital increase, will be promptly submitted for approval of the board of Pampa and duly reported to the market, in accordance with the requirements established in the Argentine capital markets law, the Argentine Securities & Exchange Commission CNV regulations and applicable US laws and regulations.

In the long-term horizon, after the closing and completion of the cash and exchange offerings, the Company is also assessing the possibility of merging Pampa with Petrobras Argentina, being Pampa the surviving entity. In the event of carrying out said merger and after thorough analysis, we would submit for its approval to both companies' boards and shareholders.

Acquiring Petrobras Argentina is a huge milestone for Pampa, which not only would significantly increase the size of the company, but also would place us as one of the key players in Argentina's energy sector and a fully integrated energy privately-owned company in Latin America. Our strategy going forward is to significantly, among many other things, grow our focus in gas production, a business that we believe is going to play a dominant role in the next few years in Argentina.

Also, as related to what I mentioned before, on April 22 Pampa agreed with Harz Energy, a subsidiary of Grupo Neuss, a 45-day exclusivity period to complete the sale of the stake and rights held in TGS, representing the 25.5% of its share capital, for 250 million dollars. Harz Energy paid an amount of 3 million dollars as a consideration for the Exclusivity Period, which will be deducted from the purchase price.

Moving to the last news towards normalization in the utilities sector set by the new government, on March 30 the Secretariat of Electric Energy issued Resolution 22, in which increases the prices for old generation as of February 2016. For Pampa's generation units, said resolution represented an average increase of 42%, in comparison with the previous pricing scheme under Resolution 482/15.

Also, TGS was granted a 200.1% tariff increase in gas transportation as of April 2016, in line with Resolution 31 issued by the Ministry of Energy and Mining, in which also encourages an integral tariff review ('ITR') by April 2017. Said increase must be taken on account of the ITR and subject to compliance with the mandatory investment plan for the next 12 months, to be overseen by the ENARGAS.

And in electricity distribution, it was issued Resolution 55, which details was previously reviewed by Leandro.

Going to more news on generation, specifically in Loma de la Lata power plant, with the presence of Argentina's Vice President Gabriela Michetti, the Governor of Neuquén Province Omar Gutiérrez, national and provincial authorities and executives from the Company, on May 2 we inaugurated the new 105 MW gas turbine at Loma, which increased its installed capacity to 645 MW. The total investment was 1.1 billion pesos. The new LMS-100 gas turbine manufactured by General Electric is the same model as the expansion gas turbine in Güemes, built with the most advanced technology available, which allows a high efficiency and flexibility.

Currently the commissioning of this new gas turbine is delayed, but the lost profits incurred are being covered by GE, the contractor, because we engaged with them in an EPC contract. Anyway, we expect to start commercial operations soon.

Moreover, in our goal of supporting the development of renewable energies in the country, on April 18 Loma acquired the 100% of share capital of Greenwind, for 2 million dollars. Greenwind is the developer of Corti project, a 100 MW installed capacity wind farm to be built in Bahía Blanca, south of Buenos Aires province. Greenwind holds the right to usufruct a 1,500 hectares field, in which the wind have been measured during the last four years.

And regarding the arbitration award against Isolux, Loma has been able to collect the total compensatory agreed amount of 16 million dollars, including interests and expenses, leaving no remaining due amounts from Isolux.

In relation to debt transactions, last month our subsidiary Petrolera Pampa issued short-term notes VCPs Series 14 for an amount of 296 million pesos, bullet in 12 months and at Badlar plus 590 basis. Also, on March Petrolera Pampa was granted by ICBC a new productive loan for 300 million pesos, aiming to repay a loan with the same bank granted back on July 2015. The loan will be repaid in 10 quarterly increasing installments beginning on January 2017, at a combined 33% fixed rate for the first year and at variable rate of BADCOR plus 575 basis for the remaining period.

Finally on the news recap, on April 29 Pampa's Shareholders' Meeting approved the appointment of Clarisa Lifsic, Santiago Alberdi, Javier Campos Malbrán and Julio Suaya de María as Independent Directors, replacing Hector Mochón, Emmanuel Álvarez Agis, Lucía Belén Gutiérrez and Eduardo

Setti. Moreover, as Alternate Independent Directors were appointed José María Tenailon, Mariano González Álzaga and Juan Francisco Gómez. Regarding the Audit Committee, Santiago Alberdi and Clarisa Lifsic were appointed in replacement of Marcelo Blanco and Héctor Mochón. On May 10, the Board of Pampa approved the designation of Marcelo Mindlin as Chairman and Gustavo Mariani as Vice Chairman of the Company.

Regarding Pampas's consolidated results, first of all let me remind you that we are still not including TGS in our figures and because we co-control Transener, we only consider 50% of its adjusted EBITDA.

So moving on to the results, in the first quarter of 2016 we presented an EBITDA of 1,353 million pesos, compared to a EBITDA of 833 million pesos in the same period of 2015, mainly due to increases of 56 million pesos in generation and 517 million pesos in oil and gas segment, partially offset by decreases of 6 million pesos in transmission, 31 million pesos in distribution and higher losses of 16 million pesos in holding and others segment.

The higher EBITDA at our generation segment was mainly given by higher prices for the old capacity remuneration from the application of Resolution 22, compared to 2015's first quarter prices that were under an older resolution than 482, as well as the peso devaluation which impacts our US dollar contracts through which we sell the energy to CAMMESA and under Energía Plus. These effects were partially offset by a lower electricity dispatch, which is mostly due to technical problems and lower availability of gas in our thermal units, and also due to increasing operating costs. As you know, fuel for old capacity generation is provided by CAMMESA.

In the transmission segment, the EBITDA fell 6 million pesos during the first quarter of 2016 versus the same period of last year, mainly because the increasing operating costs outpaced the accrual of revenues corresponding to the Renewal Agreement, plus the fact that as of January 2015 Transener stopped recording recurring financial income on the Fourth Line's retroactive canon, registering instead its O&M remuneration as sales. The interests on the Fourth Line registered in the Q1 15 corresponds to a one-time retroactive adjustment to the canon.

Moving on briefly to the distribution segment which was previously reviewed by Leandro, during the first quarter of 2016 the EBITDA decreased by 31 million pesos on a consolidated basis compared to the same period of 2015, mainly because the Resolution 32's income and the tariff increase to end-users were not able to offset the operating and energy purchasing costs.

In the oil and gas segment, in the first quarter of 2016 we posted an adjusted EBITDA of 645 million pesos, compared to 127 million pesos in the same period of 2015. This EBITDA was mainly given by higher natural gas sales from the joint venture between Petrolera Pampa and YPF in Rincón del Mangrullo, as well as the effect of the peso devaluation impacting our US dollar sales price. In that sense, during the first quarter of 2016 we produced an average of 2.1 million cubic meters per day, versus 906 thousand cubic meters in the same period of 2015, which represents an increase of 136% quarter over quarter. The agreement with YPF, signed in 2013 and initially committed to invest 150 million dollars, later was extended in May of 2015 and increased to a total investment from Petrolera of around 350 million dollars to be done until 2017. As of March, under this JV we have 97 productive wells, with around 1.7 million cubic meters per day of natural gas production during the quarter.

Overall, including the agreement with Petrobras and Apache, as of March we had 131 productive wells.

Finally, our holding segment presented a negative EBITDA of 30 million pesos in the first quarter of 2016, compared to a loss of 14 million pesos in the same period of 2015.

Finally, in terms of net income, Pampa presented a consolidated profit of 673 million pesos in the first quarter of 2016, of which 608 million pesos corresponds to the shareholders of the Company, compared to 902 million pesos in the same period of 2015. This was mainly due to higher losses from financial liability's exchange rate difference and interests, as a result of Peso depreciation against US Dollar, partially offset by higher profits from results and exchange rate difference from the holding of financial instruments.

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