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## **Pampa Energía and Edenor Q1 2017 Conference Call**

Presenting:

Leandro Montero, CFO of Edenor

Lida Wang, Investor Relations Manager 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 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 2017. 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.

In connection with the main relevant events that have occurred during the last three-month period, we will focus first on the capital stock reduction situation we have been facing since December 2016.

Due to the fact that our negative retained earnings as of December 31, 2016, exceeded 100% of our reserves and more than 50% of our capital stock, we were required to mandatorily reduce our capital stock, in accordance with the Argentine Corporations Law No. 19,550. As of the date of this report, in light of the recent completion of the Integral Tariff Review process through Resolution No. 63, effective as from February 1, 2017, our board of directors is currently analyzing the impact thereof on our financial position, estimating that the expected future revenues will allow us to revert this situation. Indeed, on April 18, this year, the issue was discussed in our shareholders' meeting, and it was decided not to approve the capital stock reduction at that time.

However, it was determined that, if our quarterly negative results for the periods ending in March and June 2017 exceed 100% of our reserves and more than 50% of our capital stock, falling again under the purview of Section 206 of the Argentine Corporation Law, our board of directors will call for an extraordinary shareholder's meeting to reconsider the capital stock reduction.

As of March 31, 2017, the company improved its quarterly results allowing us to avoid mandatory Capital Stock Reduction situation.

The second issue we like to share with you is that on March 29, 2017, Electricidad Argentina or EASA shareholders' meeting approved the merger by absorption between Central Térmica Loma de la Lata S.A., as merging and surviving company, and EASA and IEASA S.A. (EASA's majority shareholder) as the absorbed companies, which will be dissolved without liquidation. Accordingly, the merger plan was approved as well as the merger consolidated financial statements. It's worth



mentioning that such companies, Central Térmica Loma de la Lata, EASA and IEASA, belong to the same group, Pampa Energía, as wholly-owned subsidiaries.

In accordance with the applicable regulations, EDENOR and EASA informed the regulator agency, the ENRE, and requested the corresponding authorization. As of the date of this press release, the merger process is still ongoing and is expected to take a few months to be fully performed.

Regarding the shareholders' meeting I mentioned before, the annual appointment of our Board of Directors was approved. Most of members remained the same, except for the appointment of Carlos Alberto Lorenzetti as Independent Regular Director to replace Ricardo López Antonelli, whose term of office expired on December 31 2016. At the same time, six new Independent Interim Directors were appointed: Diana Mondino, Santiago Aguilar, José María Tenaillon, Ignacio Álvarez Pizzo, Juan Martín Monge Varela and Carlos Rodríguez Lubary. Likewise, Messrs. Ricardo Torres' and Gustavo Mariani's positions as Chairman and Vice president were renewed, respectively. Regarding the Audit Committee, the same members of the precedent fiscal year continued by means of the appointment of Eduardo Llanos, Maximiliano Fernández and Lucas Amado as regular members.

On the other hand, the Shareholders' Meeting also approved the 'long term incentive plan' addressed to Edenor's staff with the purpose of keeping and attracting key staff and promoting the highest performance by offering company's shares to the executive and management levels and other key employees. The plan will be managed and executed by an implementing committee consisting of three members of the Company's Executive Committee, which, in April of each year will decide on the implementation of the plan for the respective calendar year and issue the corresponding annual granting resolution.

Another important event I would also like to share with you is that on March 28th, 2017, the Secretary of the International Centre for the Settlement of Investment Disputes (the CIADI) registered the discontinuation of the arbitration initiated in August 2003 by EDF International and EASA, our controlling and majority shareholder, against the National Government related to the breach of the concession contract by the latter, as a consequence of the passing of the Public Emergency Law and the reform of the foreign exchange Regime N°25.561.

The waiver of the claimants was a condition within the Memorandum of Agreement regarding Edenor's Contractual Renegotiation, which had to be fulfilled after the issuance of the tariff schedule resulting from the Integral Tariff Review process, which was approved by means of Resolution No. 63 issued by the ENRE, effective as of February 1 2017.

Furthermore, and in connection with the breach by the National State of the Memorandum of Agreement entered into in February 2006, on April 26th, this year, Edenor was notified that the Ministry of Energy and Mining ('MEyM') established that the Secretary of Energy ('SEE'), with the participation of the Tariff Policies Coordinating Authority and the ENRE, should determine within a 120 days term, the existence of pending obligations up to the effective date of the tariff schedules resulting from the Integral Tariff Review process. In such case, the treatment to be given to said obligations should be stated.



Moving now to fines and penalties concerns, on March 29th, 2017, the ENRE established a new methodology for the calculation through Note No. 125.248, determining that fines must be valued according to the KWh values in effect as of the first day of the semester during which the event giving rise to the penalty occurred or the KWh value in effect as of the day of occurrence of the event in the case of penalties arising from specific events. This change, which was necessary for a more adequate operation of the sanctioning regime, allowed us to account for a positive adjustment to the provision for fines and penalties of 414 million pesos.

In addition, this note determined a new mechanism for updating fines and penalties. Firstly, penalties accrued and not imposed during the Transition Period of the Adjustment Agreement must be updated using CPI instead of the interest rate of the National Bank, as stated by Note. 120,151 of the ENRE issued in April last year. The application of this new measure resulted in a negative impact of 173 million pesos for the company. Secondly, those fines and penalties accrued and imposed since the date of issuance of the Note No. 120.151 through the completion of the ITR Process on February 1, 2017 must also be updated using the CPI. In both cases, the adjustment will become part of the penalty principal amount.

To conclude the relevant events occurred during the last quarter, On April 26th, this year the Senate passed by unanimous vote a bill created by the Representatives Chamber aimed at guaranteeing the free-of-charge and permanent electricity supply to the individuals designated as electricity dependents who, due to health problems, require medical equipment to avoid life or health risks. The law establishes that the customer registered as 'Electricity dependent due to health issues' will be exempted from paying connection rights and shall be granted with a free-of-charge and special tariff treatment in the supply of electrical energy under National jurisdiction, by the acknowledgment of the total amount of the service billing. To this end, the law states that the Executive Power will allocate the budget required.

Now, taking into consideration the results of Edenor in the first quarter of 2017, net sales increased by 79.5%, reaching about 5.4 billion pesos, compared to 3 billion pesos for the same period in 2016. This increase is mainly explained by the tariff increase applied as from February 1, 2017 through the completion of the Integral Tariff Review, by means of Resolution No. 63/2017. As regards to the volume of sales, the energy sold decreased 2.5% to 5,527 GWh in the first quarter of 2017 from 5,666 GWh in the first quarter of last year, basically due to a fall of 4.0% in small commercial demands and in industrial and wheeling system demands.

The electricity power purchases increased 92.3% to 2.5 billion pesos in the first quarter of 2017 compared to 1.3 billion pesos in the same period of the year before, mainly due to an increase in the average purchase price of approximately 184% since February 1st, 2017 pursuant to Resolution No. 20-E of the Secretariat of Electric Energy.

Operating expenses increased by 34 million pesos, basically due to an increase of 331 million pesos in salaries and social security taxes, 121 million pesos in fees and compensation for services and 40 million pesos in allowances for the impairment of trade and other receivables, partially compensated by a 537 million pesos decrease in accrued fines and penalties, due to the application of the new methodology of calculation for penalties set forth by the regulator's Note 125.248 mentioned before.



With respect to salaries and social security taxes, the rise of 333 million pesos is mainly due to the increase in employee compensation granted during 2017, amounting to a total outcome of 1,067 million pesos.

Net operating income increased 578 million pesos amounting to a gain of 817 million pesos in the first quarter of 2017 compared to a gain of 238 million pesos for the same period in 2016. This positive result was mainly explained by the tariff increase of 42% granted in February 2017, partially offset by the increase in the purchase price mentioned before.

Finally, the net income of the period shows an increase of 546 million pesos, amounting to a gain of 421 million pesos in the first quarter of 2017, compared to a loss of 125 million pesos for the same period last year, principally due to the operating results explained before and to a lower loss of 401 million pesos in financial results caused by a lower exchange rate difference.

Related to Edenor's adjusted EBITDA, it resulted in a gain of 611 million pesos in the first quarter of 2017, compared to a gain of 674 million pesos for the same quarter of 2016. Due to material and retroactive changes in the calculations of penalties by our regulator, we have adjusted those amounts of the EBITDA.

Finally, regarding Edenor's capital expenditures, during the first quarter of 2017 our investments amounted to 760 million pesos, from which an 80% corresponds to network infrastructure, expansion, and the remaining 20% to network maintenance.

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

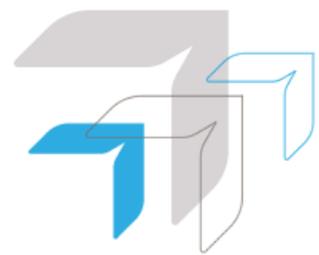
**Lida Wang**

Good Morning everyone and thank you Leandro. I will give a quick recap of all what has been going on since our last call on March.

Let's begin with news of full tariff review processes from our utility subsidiaries, of which from Edenor it has been already reviewed by Leandro.

On March 30, the National Gas Regulatory Agency ('ENARGAS') issued Resolution I-4362, in which approved a new tariff scheme applicable to TGS as from April 1, 2017. Should the tariff increase granted in a single installment, the increase would have been 214% on the natural gas transportation fee and 37% on the Charge for Access and Use ('CAU'). Hence, the annual regulatory revenues were set at around 8.4 billion pesos, OPEX at 1.5 billion pesos and regulatory EBITDA around 6.9 billion pesos. The granted regulatory asset base was 32 billion pesos as of December 2016, which is equivalent to 2 billion dollars yielding a regulatory after tax return of 8.99%. Revenues are subject to a non-automatic mechanism for updates every six months linked to the Wholesale Price Index, which is calculated by the Argentine Institute of Statistics and Censuses ('INDEC').

Keep in mind that this business segment used to contribute almost 390 million dollars of EBITDA back in 2001, which was almost 90% of the total, and the capacity of transportation back then was



2.2 bcf per day, being the largest gas transporter of the country. Last year, after 15 years of breach of the concession agreement by the past government administrations, regulated EBITDA amounted to 61 million dollars last year, only a 36% of the total and during total tariff freeze it reached to a minimum of 12% in 2014. Despite this unfavorable context, the business managed to grow its capacity by 32%, currently servicing almost 2.8 bcf per day. The long-term recovery of this regulated business is key for the country as the main domestic production of gas is coming from Neuquina, San Jorge and Austral basins, as well as the main supplier of external gas to cope with the increasing demand, the imports of LNG, are fed from Bahia Blanca Panamax port through TGS pipeline system. To overcome many years of underinvestment due to the lack of tariffs, the resolution also considers that the company shall make quality, safety and reliability investments for the next five years for approximately 6.8 billion pesos, four times the capex made in the gas transportation segment during the past five years.

Though with the issuance of this ENARGAS resolution the RTI process has ended, it is still subject to the approval of the several governmental authorities involved, including an upper and lower houses committee with members from the National Congress, and up to the National Executive Branch to approve and ratify the 2017 Contract Renegotiation Memorandum of Understanding signed by TGS.

Moreover, the Ministry of Energy issued Resolution 74, pursuant to the new transitory agreement executed on March 30 between TGS and the National Government, setting a limitation on tariff increases resulting from the RTI process, which is applying it in three stages. The first stage will be effective as from April 1 of this year and involves a 58% average tariff increase, which represents a 6% increase in the final residential end-user bill. The remaining stages will be granted next December and April 2018.

The collection of a fair and reasonable rate will allow the development of a sustainable business over time, and securing the provision of an essential public service for Argentina's energy matrix.

Moving on, in the past April Transener filed a Motion for Reconsideration and Appeal against the full tariff schemes granted on February. Because of the significant differences between the tariff proposals submitted by Transener and the granted outcome, Transener is requesting the Regulator to further increase the granted capital base by approximately 50% and regulatory revenues by 28% in a consolidated basis, among other considerations. We are uncertain about the response timing that the Regulator will take.

Also, regarding the merger process between Pampa and former Petrobras Argentina, we passed all the necessary corporate and legal steps, leaving the merger completion to the Argentine Corporate Registry IGJ to fulfill the transaction, which is still pending. Once it is finished, former Petrobras Argentina's shares listed in Buenos Aires and New York stock exchanges will be automatically swapped to Pampa's at the merger ratio approved by the Securities and Exchange Regulator.

Moving on to news related to debt, on April 7 at Pampa's annual Shareholders Meeting, it was approved the extension of the debt issuance program for up to 2 billion dollars and the amendment of its terms and conditions so as to authorize not only the issuance of simple non-convertible bonds, but also with the possibility of issuing a bond convertible into common shares or ADRs for up to 500 million dollars.



The issuance of this Convertible Bond is subject that Pampa's ADRs have a minimum quoted price of 60 dollars per ADR, and the strike price may not be lower than the ADR's quoted price at the time of issuance plus a 30% conversion premium.

As the leverage of the Company is still quite low compared to other peers in the industry, as well as the capital demands would become higher if Pampa engages in further expansion projects of any kind, the management wants to be ready to capture as much capital at the most optimal way possible, and diversifying the sources of funding.

In the meantime, to reach an efficient debt structure, the Company redeemed all debt that is high yielding: Loma's series 3 and C for 309 million pesos, former EASA's par bond for 4 million dollars and Petrolera Pampa's series 7, 8 and short-term notes series 14, for a total of 1 billion pesos, as well as Santander's loan for 105 million dollars.

Now, regarding Pampa's consolidated results, first of all let me remind you all that in the first quarter of 2017, Pampa's figures fully contains former Petrobras Argentina's results as it was merged from November of last year.

So, in the first quarter of 2017 we recorded an EBITDA of 3.9 billion pesos, compared to an EBITDA of 1.6 billion pesos in the same period of 2016, mainly due to increases of 556 million pesos in power generation, 1,511 million pesos in oil and gas segment, 269 million pesos in refining and distribution, 98 million pesos in petrochemicals and 26 million pesos of intersegment eliminations, partially offset by reductions of 52 million pesos in electricity distribution and 135 million pesos in holding and others.

The higher EBITDA of 556 million pesos at our generation segment was mainly given by a larger electricity dispatch in Pampa's generation units, which increased by 87% quarter over quarter. This effect was mainly due to the inclusion as of August 2016 of Pichi Picún Leufú Hydroelectric Plant, Genelba Thermal Power Plant and EcoEnergía Co-Generation Plant, which during the quarter contributed sales by 1,674 GWh out of the total 4,276 GWh sold. Moreover, the higher sales was also driven by the commissioning of the new 105 MW gas turbine at Loma in July 2016 plus higher dispatch of Nihuiles due to greater water inputs as well as higher dispatch and lesser maintenance and unavailability stops in Güemes, Piquirenda and Piedra Buena. In addition, it also positively impacted the higher prices in pesos (linked to dollars since February of this year) for the legacy capacity remuneration following the application of Resolution 19E, compared to 2016's old pricing scheme which contained one month of 2015's old prices, as well as the peso devaluation, which mainly impacts our US dollar contracts through which we sell the energy to CAMMESA and Energía Plus. These effects were partially offset by increasing operating costs from labor and maintenance services.

Moving on briefly to the distribution segment which was previously reviewed by Leandro, during the first quarter of 2017 the EBITDA decreased by 52 million pesos on a consolidated basis compared to the same period of 2016, mainly because operating costs outpaced the gradual application of RTI tariff increase set in February of this year.

In the oil and gas segment, during the first quarter of 2017 we continued with our investment plan budgeted for this year of 70 wells drilled and completed, being our main focus the development of



blocks with tight gas reservoirs located in Neuquina basin, which are Rincón del Mangrullo, El Mangrullo, Rio Neuquén and Sierra Chata. In the tight gas blocks, during last quarter we drilled 9 wells and completed 6 wells, keeping a similar pace to 2016's campaign. Hence, our consolidated gas production run rate keeps very close to December 2016 performance, being the last quarter average of 7.9 million cubic meters per day. As we said before, these blocks and their associated reservoirs are prospective, creating an upside potential that we plan to keep the same strategy over our investment plan throughout 2017.

In addition, as we said in the last call, this quarter we must highlight the exploration campaign, where we began to assess the shale gas potential within our assets by drilling a horizontal well targeting Vaca Muerta. In said well which we drilled and cased a 2,500 meters horizontal leg in Parva Negra Este area. We expect results of this well in the next few months.

Pampa's E&P is working very hard to achieve by early 2018 an approximately 15% increase gas compression, treatment and delivery capacity in Mangrullo and Sierra Chata areas. The engineering stage is finished and currently in the process of long lead items procurement. We are also expanding Sierra Chata gas gathering system to optimize and allow new wells connection.

Regarding crude oil, it is important to highlight that this investments were made considering a benchmark IRR and domestic and international pricing environment. Hence, we have been only focusing our development efforts at Medanito block. The production run rate is also very close to the one reported on Q4 16, being 23 thousand barrels per day of quarter average.

Finally, we began negotiations with provincial authorities to obtain new unconventional concessions in blocks Sierra Chata and El Mangurullo. This investment plan we expect will secure the new Plan Gas provisions within our operated gas portfolio of assets Therefore, as explained in the last call, we may secure the floor price of 7.5 dollar per million of BTU on 2018 and declining by 50 cents of dollar each year until 2021.

Regarding the results, in the first quarter of 2017 we posted an adjusted EBITDA of 2.1 billion pesos, compared to 581 million pesos in the same period of 2016, mainly due to the production increase through the inclusion of Petrobras Argentina since August 2016 from its activities in the Neuquén Basin, which contributed 51 thousand barrels of oil equivalent per day out of the total 72 thousand barrels of oil equivalent per day produced in Q1 17, composed by 173 million cubic feet per day of natural gas production and almost 19 thousand barrels per day of crude oil production. These figures include PELSA. In addition, Petrolera Pampa's gas production increased 26% quarter over quarter to 106 million cubic feet per day plus 4 thousand barrels per day of oil production, mainly as a result of our partnership with YPF in the Rincón del Mangrullo block and the service provided in Medanito La Pampa. In total, during the first quarter of 2017 Pampa produced on average 23 thousand barrels of crude oil and 279 million cubic feet of gas per day in Argentina.

Gas prices improved in pesos due to the effect of the peso devaluation impacting our US dollar sales price also contributed in the segment's performance, partially offset by higher operating costs from higher production volume. Keep in mind that Petrolera Pampa was conceived as a sole gas upstream company, being almost all its production sold to wholesale market such as industrials, power plants and Cammesa, achieving during Q1 2017 an average sale price of 7.4 dollars per million of BTU. In the case of former Petrobras Argentina and PELSA's production 66% is linked to



gas upstream, having an important weight from Plan Gas subsidy but a broader price range since it sells to residential as well, achieving 5.2 dollars per million of BTU. On weighted average, Pampa's consolidated sale price of gas during the quarter was 6.1 dollars per million of BTU.

Our crude oil production, which I was commenting before, that reached to 23 thousand barrels of daily production is entirely loaded to our refinery in Bahía Blanca. The Peso denominated barrel of oil price decreases compared year over year, as the dollar denominated barrel is going down because the country shrank the spread between the domestic and international prices, currently selling at a price of 55 dollars per barrel.

Downstream business, comprised by refining, distribution and petrochemicals segments came along with the acquisition of former Petrobras Argentina, which were not shared businesses within the original portfolio of assets of Pampa.

In the first quarter of this year, refining and marketing posted an adjusted EBITDA of 269 million pesos, which considers Refinor's EBITDA adjusted by ownership, a company where Pampa holds 28.5% stake.

In operating terms, total sales volume of refined products totaled 473 thousand m3 in Q1 2017, a little lower level to the 485 thousand m3 recorded in Q1 16, but gross margin during Q1 17 increased to 15% over sales, in comparison to 3% of gross margin reached in Q1 16, mainly explained by improvements in sales prices of refined products and lower costs from the purchase of barrels of crude oil, which converged to export parity, partially offset by higher nominal exchange rate, larger operating costs and increase in the diesel oil imports' price.

In petrochemicals we posted an adjusted EBITDA of 98 million pesos during the first quarter of 2017. In operating terms, total sales volume increased by 5% in Q1 17, totaling 123 thousand tons in Q1 2017, mainly due to higher exports because of improvements in the international prices, partially offset by lower domestic sales due to decrease in local demand and competition with import products. The gross margin in Q1 17 declined to 9% over sales in comparison to 19% margin reached in the same period of 2016, mainly due to higher costs of sales that outpaced the increase in the average sales price, partially offset by the improvement of international commodity prices, as well as depreciation of Argentine Peso in Q1 17 since prices that are nominated in US dollars.

Finally, our holding and others segment presented a negative EBITDA of 125 million pesos in the first quarter of 2017, compared to a gain of 10 million pesos in the same period of 2016. This is mainly due to the addition of former Petrobras Argentina's corporate structure since August 2016, which contributed higher operating expenses of 502 million pesos. Had not considered Petrobras Argentina effect, the negative EBITDA is also explained by higher third party fees and expenses as a result of the acquisition of Petrobras Argentina.

In addition, on first quarter of 2017 our indirect stake in TGS through former Petrobras Argentina is recorded at the holding and others segment as 'Results for participation in joint businesses'. We remove this equity net income and add back TGS's EBITDA adjusted by our indirect ownership participation of 25.5%, posting 293 million pesos in the quarter. This figure is higher than same period in 2016, mainly explained by the transitional tariff increase of 200.1% for gas transportation



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business and the margin improvement in the liquids segment, due to prices as well as nominal exchange rate. Again, keep in mind we started to consider TGS's ownership adjusted results as of the takeover of former Petrobras Argentina.

Moreover, on first quarter of 2017, the results from our participation in Transener no longer are shown as a sole segment but they are recorded under the line 'Results for participation in joint businesses' of holding and others segment. Likewise, we remove this equity net income by adding back Transener's EBITDA adjusted by our indirect shareholding of 26.3%, contributing 252 million pesos in the quarter, compared to 42 million pesos in the same period of 2016, mainly explained by the application of RTI tariff scheme as of February of this year and acknowledgment of higher costs. As of March 31, 2017, Transener still holds 189 million of outstanding collections from the CAMMESA credit granted at the end of last year. We expect to fully collect this amount throughout next quarter.

Finally, in terms of net income, Pampa presented a consolidated gain of 2.3 billion pesos in the first quarter of 2017, of which 1.9 billion pesos corresponds to the shareholders of the Company, compared to the gain of 608 million pesos in the same period of 2016.

So this concludes our presentation. Now, I will turn the word to the operator, who will open the floor for questions. Thank you.