

Buenos Aires, August 11th, 2014 (10 am Eastern Time)

Pampa Energía and Edenor Q2 2014 Conference Call

Presenting:

Leandro Montero, CFO of Edenor

Mariano Batistella, IRO 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 lately took place and then briefly review the results of the second quarter of 2014. 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 during this quarter, on June 2014, the scope of Resolution 250 issued in 2013 was extended by the Secretariat of Energy with Note 4,012 by which we recorded an income of 736 million pesos and net interests of 108 million pesos regarding the period between October 2013 and March 2014 for the partial recognition of higher costs owed under the Cost Monitoring Mechanism, which had a positive impact on the operating result but it did not mean any cash inflow. It's worth mentioning, that the compensation granted this quarter represents nearly half of our current operating deficit.

Also, under this Resolution we were able to partially reduce our debt owed to CAMMESA for about 1 billion pesos, compensating the credits accounted for costs recognition. Part of this is compensated with our PUREE debt.

Moving to our current tariff situation, as of today we have requested thirteen additional increases under the CMM beginning in May 2008, twelve of which have been already recognized by the ENRE, or the Regulator. It's worth mentioning that even though, under the terms of the Adjustment Agreement, these thirteen increases should have been incorporated into our tariff structure in May and November every year as from 2008 onwards, Value Added Distribution in our tariffs remains the same since then.

Additionally, in May this year, the Ministry of Labor issued Resolution 836 by which it established a wage increase for unionized workers of 15% retroactive to May 2014 and a cumulative 10% increase since July 2014, as well as increases in seniority payment and other benefits. These increases are supposed to be included in a future CMM recognition.

As a consequence of this Resolution, in July of this year, we subscribed a financial and pledged credits agreement with CAMMESA, by which we are entitled to receive the necessary funds to cope with the salaries increases described above. The future Sale Settlements in excess to be issued pursuant to Resolution 250/13 will be pledged for the loans provided. As of today, we have received the first installment of 90 million pesos with no pledge by the moment, which was used to finance the salaries increases for the month of May, June and July.

Finally, it's worth mentioning that our liquidity level and working capital remain severely affected with a deteriorating trend, due mainly to both, the continuous increase of our operating costs and mandatory capex that are necessary to maintain the level of service and the delay in obtaining rate increases or any other recognition of our real higher costs. At this point, last measures taken as Resolution 347 in 2012 and Resolution 250 in 2013 are being insufficient to restore the balance that the economic and financial equation of the public service requires.

Despite of the fact that the Company, as an extreme action, has been forced to finance its operating deficit and negative cash flows with partial payments to CAMMESA for energy purchases, we cannot assure that this source of financing will be enough and so, that this situation will be sustainable in the following months, unless any measure increasing our income or inflow were taken in the very short time. As this situation continues to deteriorate, we were forced to revise our investment plan in order to prioritize mandatory capex and those that affects our operation.

So going now to the results of Edenor, in the second quarter of 2014 net sales increased about 4%, reaching 853 million pesos compared to 820 million pesos in the same period of 2013. This variation was mainly due to the increase in the volume of energy sold.

Besides that effect, we registered a decrease in our electric power purchases, mainly as a consequence of the decrease in the cost of mobile generation which was partially recognized as distributed energy since November 2013, working as a pass-through with significant lower cost for the Company.

Operating expenses increased approximately 283 million pesos mainly due to an increase in labor costs generated by salaries increases granted in January 2014, under the eighteen-month union agreement reached last year, and an additional 15% effective from May 2014 under the mandatory Resolution 836 issued by the Ministry of Labor, with similar impact in third party fees for those contractors with unionized employees. Additionally, we had an increase in consumption of materials due to higher level of repairs to our grid during the first half of 2014 and the increases in supplies prices.

In line with the operating losses accounted for during the latest quarters, and as a consequence of the increase in operating expenses, we had a net operating loss before CMM recognition of 662 million pesos in the second quarter of 2014 compared to a 408 million pesos loss in the same period

of 2013. Both results were basically impacted by higher operating expenses as explained before and an increase in penalties accrued.

Finally, taking into account (i) the difference of about 1.5 billion pesos with respect to 2013 in the partial recognition of CMM pursuant to Resolution 250 and additional Notes, considering that the effect in 2013 included the full amount for the period between May 2008 and February 2013, (ii) the increase in operating costs described above (iii) the increase in net financial expenses including commercial interests of 187 million pesos due to a higher debt with CAMMESA and higher exchange differences of 37 million pesos, and (iv) the income tax gain of 177 million pesos, Edenor reported a net income of 15.8 million pesos in the second quarter of 2014, compared to a net income of 1.8 billion pesos in the same period of 2013.

In relation to Edenor's adjusted EBITDA, it resulted in a loss of 479 million pesos in the second quarter of 2014, compared to a loss of 194 million pesos of the same quarter of 2013. As usual, these figures include funds retained under PUREE concept which totalized 114 million pesos during the second quarter of 2014, compared to 150 million pesos registered in the same period of 2013.

Finally, regarding Edenor's capital expenditures, during the second quarter of 2014 our investments increased about 32% reaching 369 million pesos compared to 280 million pesos in the same period of 2013, mainly focused on grid enhancements and network maintenance and improvements.

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 since our last call on May.

First, let me start with news in the generation segment, where the Secretariat of Energy published at the end of May the Resolution 529 increasing around 35% the prices for electricity generation, in place retroactively as of February 2014. Those price increases affect most of our generation assets, except for our expansion projects which are selling the energy in US dollars.

Moreover, said Resolution adds a new remuneration item aimed to cover non-recurring maintenance for thermal power plants, which is also applicable since February 2014 and is calculated as a variable charge based on the electricity generated. This remuneration will exclusively finance major capex and it is subject to approval by CAMMESA and the Secretariat of Energy.

Resolution 529 also establishes that all power plants and electricity sold under contracts with differential remuneration regulated by the Secretariat of Energy, with exception of Energy Plus contracts, cannot renew its natural gas provision contracts at maturity, being the fuel provided solely by Cammesa.

Moving on to our thermal plant Piedra Buena, remember that last April we signed a new loan with Cammesa for an estimated amount of 100 million dollars, plus VAT, to be used for mayor maintenance in the power units. As of today, Piedra Buena has collected from Cammesa 28 million pesos, which are being settled with the accrual of the new maintenance remuneration item from Resolution 529 previously mentioned.

Going to debt issuances, on June our oil and gas subsidiary Petrolera Pampa issued 525 million pesos at Badlar interest rate maturing in three years, which is being used to fund the investment plan. Remember that Petrolera Pampa has a 150 million capex plan under the agreement with YPF, to be invested between 2014 and 2015. In relation to said agreement, up to date we have drilled 16 wells of which 6 are already in production, with around 210 thousand cubic meters per day of natural gas production.

Finally, on the Shareholder's Meeting of Pampa held on June 17, it was approved the appointment of David Kary, Juan Cuattromo and Gerardo Paz as new alternate directors of Pampa. Moreover, Gerardo Paz is considered as 'non-independent'.

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 second quarter of 2014 we presented a negative EBITDA of 113 million pesos, compared to a negative EBITDA of 142 million pesos in the same period of 2013, mainly due to increases of 255 million pesos in generation and 94 million pesos in transmission, which were partially offset by decreases of 289 million pesos in distribution and 31 million pesos in holding and others segment.

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 on June 2013, presenting an EBITDA of 191 million pesos in the second quarter of 2014, compared to 8 million pesos in same period of 2013. Also, a higher EBITDA at Piedra Buena of 90 million pesos, which was given by its higher availability and dispatch, together with the higher generation prices previously explained.

The higher EBITDA at our transmission segment was mainly due to a higher accrual in this quarter from the Instrumental and Renewal Agreement which amounted to 104 million pesos, compared to 32 million pesos in the second quarter of 2013. Also, we include the difference between actual collected amounts versus accrued sales corresponding to said Agreements for 35 million pesos in the second quarter of 2014 versus 4 million pesos in the same period of last year. Plus, we also include the income recorded as financial result related to the Fourth Line for 21 million pesos, versus 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 second quarter of 2014 the EBITDA decreased by 289 million pesos on a consolidated basis compared to the same period of 2013, mainly due to increases in Edenor's operating, labor and third party costs compared to the frozen tariffs.

The holding and others segment presented a negative EBITDA of 12 million pesos in the second quarter of 2014, compared to a positive 19 million pesos in the same period of 2013. This decrease was given by an increase of 59 million pesos in Petrolera Pampa's net operating costs, which was partially offset by 144% increase in the sales of natural gas, plus 15 million pesos from the Natural Gas Excess Injection Encouragement Program.

Finally, in terms of net income, Pampa presented a consolidated gain of 325 million pesos in the second quarter of 2014, of which 310 million pesos corresponds to the shareholders of the Company, compared to 932 million pesos in the same period of 2013. As you are aware, both results in our net income were mainly affected by the higher cost recognition in distribution segment from the application of Resolution 250 and its extension Notes.

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