

Buenos Aires, August 13<sup>th</sup>, 2015 (10 am Eastern Time)

## Pampa Energía and Edenor Q2 2015 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 usually do, myself Leandro Montero will be presenting for Edenor first, and then Mariano Batistella 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 second quarter of 2015. 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.

So going to the relevant events of Edenor during this quarter, on June 29<sup>th</sup>, the Energy Secretariat established that the amounts owed to CAMMESA would be recalculated under new criteria. Based on this Note, the Company agreed with CAMMESA the total amount owed for commercial debt, and on July 22<sup>nd</sup> CAMMESA issued the corresponding instruments under the form of Sale Settlements with Maturity Dates to be Determined to document the compensation established by resolutions N° 250 and 32 this year. The net result of this agreement was a profit of AR\$254 million, mainly due to the recalculation of interests taking into account the currently determined debt. These interests had been added in the “Financial Expenses” line item in the Statement of Comprehensive Income (loss) of the Financial Statements in previous periods.

Moving to the main events with impact in our operating expenses, in June 8<sup>th</sup> the Company entered into an agreement for an 18-month period with both Unions (the Electric Light and Power Labor Union and the Association of Supervisory Personnel of Energy Companies), together with Edesur and the Ministry of Labor, Employment and Social Security, pursuant to which was established for the first year, a retroactive salary increase of 16%, since May 1<sup>st</sup> and a non-cumulative 11.8% since September 1st, this year. Additionally, the agreement establishes another 11.9% increase for the period May to October in 2016, to be calculated over the salaries of April 2016.

As I mentioned in the last Conference Call, the Mutuum Agreement with CAMMESA to provide the necessary financing to cover the Extraordinary Investment Plan was extended again for an additional amount of AR\$460 million, totalizing an available amount of approximately AR\$2.5 billion.

As of June 30, this year, this debt amounts to AR\$909 million, comprised of AR\$831 million principal and AR\$77 million in accrued interest.

Regarding the Equity situation of the Company, the financial statements for the second quarter, as of June 30, presented an equity of above AR\$1.1 billion as a consequence of a net gain for the period of AR\$725 million, completely superseding the mandatory stock reduction situation we entered in December 2014 when negative results consumed 100% of our reserves and more than 50% of our share capital.

Finally, it's worth mentioning that on June 29<sup>th</sup>, Mr. Edgardo Volosín tendered his resignation as Chief Executive Officer of the company, for strictly personal reasons. This resignation was effective since July 1<sup>st</sup>. In consequence to this event, the Company's Chairman of the Board, Mr. Ricardo Torres, became also its CEO. Nevertheless, Mr. Volosín will continue acting as regular member of the Company's Board of Directors.

So, moving to the results of Edenor in the second quarter of 2015, net sales increased about 5.5%, reaching about AR\$900 million, compared to AR\$853 million in the same period of 2014. This variation was mainly due to an increase in volume of energy sold and in revenues related to the application of Resolution 347 and from the right of use on poles. The energy sold volume grew up about 3.2%, mainly due to an increase of 10.4% in medium commercial customers and a 8.3% increase for industrial demand.

The electricity power purchases increased 1.7% to AR\$477 million in the second quarter of 2015 compared to AR\$469 million in the same period of last year, basically due to the increase in energy sales described above, partially offset by a decrease in energy losses and a reduction in mobile generation.

Operating expenses increased approximately AR\$206 million as a result of the raise in salaries and social security taxes, amounting a loss of AR\$195 million, which represents about 95% of the total increase.

Edenor's net operating income increased AR\$142 million amounting a gain of AR\$215 million in the second quarter this year compared to a gain of AR\$74 million in the same period of 2014. This positive result was due to the income increase obtained through Resolution 32 issued this year of approximately AR\$1.1 billion. This additional income is composed basically by AR\$942 million obtained from the difference between the "theoretical" tariff schedule and the current tariff schedule, and AR\$130 million from the PUREE funds that has been considered as part of Edenor's income since February. These results were impacted by higher operating expenses as explained before.

Finally, the net income of the period shows an increase of AR\$239 million, amounting a gain of AR\$255 million in the second quarter of 2015, compared to a gain of AR\$16 million in the same period last year, mainly due to the income recognition of Resolution 32 described above, and to an increase of AR\$327 million in financial results, principally due to the profit obtained with the recalculation interests owed under the commercial debt with CAMMESA.

Related to Edenor's adjusted EBITDA, it resulted in a gain of AR\$313 million in the second quarter this year, compared to a loss of AR\$479 million for the same quarter of 2014. This amount includes for 2015, about AR\$1.1 billion of additional income of Resolution 32, including PUREE funds.

To wrap up, regarding Edenor's capital expenditures, during the second quarter of 2015 our investments increased about 28% reaching AR\$487 million compared to AR\$369 million in the same period of 2014, mainly focused on grid enhancements, new connections and 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 the debt transactions made by our subsidiaries. Last week, our thermal plant Loma de la Lata issued AR\$258 million at 27.75% interest rate for the first six months and Badlar plus 4.5% for the remaining fifteen months, maturing bullet in 21 months. The proceeds were fully used to refinance debt of Loma.

Also, Petrolera Pampa signed a syndicated loan for AR\$765 million, of which AR\$615 million will accrue interest at modified Badlar plus 5.75% and AR\$150 million will accrue interest a fixed rate of 30%. The loan will be repaid in 10 quarterly installments, the first one maturing in 15 months, and the proceeds are being used to finance the company's investment plan with YPF in Rincón del Mangrullo. As you know, in 2013 we signed an agreement with YPF to invest US\$150 million, which was amended last May and increased to a total investment of PEPASA of around US\$350 million to be done until 2017. In relation to this agreement, as of June we have drilled 52 wells, with around 0.8 million cubic meters per day of natural gas production during the quarter. Overall, including the agreement with Petrobras and Apache, as of June we had 84 productive wells with around 1.2 million cubic meters per day of natural gas production also during the quarter.

Moving to another relevant event in the generation segment, a month ago the Secretariat of Energy published Resolution 482 increasing the prices for electricity generation, implying an increase for Pampa of around 26% for the remuneration paid in cash by CAMMESA. The new price scheme is retroactive as of February 2015. Those price increases affect most of our generation assets, except for our expansion projects which are selling the energy in US dollars.

The Resolution also adds a Non-Recurring Maintenance charge for hydroelectric generators and an additional concept named Fund for the FONINMEM 2015-2018 Investments. This last remuneration will exclusively finance capacity expansion projects which are subject to approval by the Secretariat of Energy. Additionally, Resolution 482 adds a system of incentives based on energy production and operational efficiency.

On another matter, last June we received the final award regarding the claim held against Isolux in relation to the closing to combined cycle of Loma de la Lata, granting us a compensation for damages in the amount of around US\$50 million, which is reduced to US\$15 million after offsetting credits and debits between the parties.

Also regarding Loma's combined cycle, at the end of May Loma was notified by the United Nations Framework Convention on Climate Change of the issuance of almost 300 thousand carbon credits. Let me remind you that said project was registered on March 2013 and allows Loma to issue approximately 650 thousand carbon credits per year for 7 years, renewable to a total period of 21 years. Unfortunately, as you know, there's currently no market to sell these credits and the price is virtually zero.

Moving on to TGS, last June Enargas, the National Gas Regulatory Authority, issued a resolution which grants TGS a 44% tariff increase for gas transportation 73% increase for operation and maintenance charge that TGS collects with regards to certain pipelines. Both charges are retroactive to May 2015.

Regarding Pampas's consolidated results, first of all let me remind you that we are still not including TGS in our figures. Also, in compliance with the IFRS standards, as of this quarter we began reporting a separate oil and gas segment, composed entirely by our subsidiary Petrolera Pampa.

So moving on to the results, in the second quarter of 2015 we presented an EBITDA of AR\$860 million, compared to a negative EBITDA of AR\$63 million in 2014, due to increases of AR\$17 million in generation, AR\$798 million in distribution and AR\$111 million in oil and gas, partially offset by a decrease of AR\$3 million in the transmission segment.

The higher EBITDA at our generation segment was mainly given by (i) the higher prices for old capacity remuneration from the application of Resolution 482 which I previously explained, for which we recorded a retroactive amount of AR\$89 million and also due to (ii) the peso devaluation which impacts our US dollar contracts through which we sell the energy to CAMMESA and under Energía Plus. This effects were partially offset by cost increases and lower electricity dispatch in Loma and Piedra Buena due to programmed maintenances and lower availability of natural gas, which as you know is being administered by CAMMESA.

In the transmission segment, the EBITDA was almost stable during the second quarter of 2015 versus the same period of last year, showing only a AR\$3 million decrease in the quarter due to higher collections corresponding to the Renewal Agreements which were compensated cost increases during the period.

Moving on briefly to the distribution segment which was previously reviewed by Leandro, during the second quarter of 2015 the EBITDA increased by AR\$798 million on a consolidated basis compared to the same period of 2014, mainly due to the application of Resolution 32.

The oil and gas segment presented an EBITDA of AR\$164 million in the second quarter of 2015, compared to AR\$54 million in the same period of 2014. This higher EBITDA was given by higher gas sales mainly from our association with 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 second quarter of 2015 we produced an average of 1.2 million cubic meters per day, versus 467 thousand cubic meters in the same period of 2014, which represents an increase of 156%. From this production, around 63% came from the agreement with YPF during this quarter.

Finally, our holding segment presented a negative EBITDA of AR\$8 million in the second quarter of 2015, almost the same amount as the same period of 2014.

It is important to note that the results of the holding segment are impacted by the variation of the market value of TGS ADR. During the second quarter of 2015 we presented a loss due to this of AR\$191 million, compared to a gain of AR\$120 million in the same period of last year.

Finally, in terms of net income, Pampa presented a consolidated gain of AR\$203 million in the second quarter of 2015, of which AR\$61 million corresponds to the shareholders of the Company, compared to AR\$310 million in the same period of 2014. As we have mentioned before, this quarter's results include the AR\$1.1 billion pesos impact at Edenor's P&L thanks to Resolution 32 explained by Leandro. And also, this quarter presents higher losses for the variation of TGS ADR of AR\$311 million.

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