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Pampa Energía and Edenor Q3 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 third 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, and as we informed in our last conference call, in July this year we subscribed a financial and pledged credits agreement with CAMMESA, in order to receive the necessary funds to cope with the salaries increases established by the Resolution 836 issued by the Ministry of Labor in last May. As of today, we have received 213 million pesos under this financing.

In this sense, later in September, we subscribed an additional financial and pledged credits agreement with CAMMESA, for an initial amount of 500 million pesos in order to provide the financing to cover the capital expenditures considered by the Company which could not be afford with the current tariff scenario, nor with the revenue from Resolution 347 which resulted insufficient. Subsequent to the third quarter closing, CAMMESA has disbursed under this Mutual Fund a total amount of 200 million pesos.

Moving to the financial statements for the third quarter, as of September 30, the Company presented a negative equity of 267 million pesos which evidence the need to restore the economic and financial equation of the public service concession.

Regarding this issue, after the period-end, on October 9th, the Energy Secretariat issued Note 486 extending the effects of Resolution 250 issued in 2013, partially recognizing the costs owed under the Cost Monitoring Mechanism for the period April - August 2014.

This measure, which will be booked in the fourth quarter, has a positive impact on the operating and financial results of 834 million and 36 million pesos, respectively, but it does not mean any positive cash inflow. However, it allows the Company to partially reduce the debt with CAMMESA for 682 million pesos and to partially compensate the debt registered under the PUREE for 188 million pesos.

Should the Company have been able to record the effects of this note as of September 30, the Company's Equity would have amounted to about 600 million pesos and the Loss for the period would have been 574 million pesos.

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 during the last two years, like the Resolution 347 and Resolution 250 are not being sufficient 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 a mixture of partial payments for energy purchases and Mutual Funds from CAMMESA, we cannot assure that these sources 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 are 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 third quarter of 2014, net sales increased about 9%, reaching 995 million pesos, compared to 912 million pesos in the same period of 2013. This variation was mainly due to the effect of the removal of subsidies related to the seasonal price for certain tariff categories during winter and higher sales to industrial clients.

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 332 million pesos mainly due to the salaries raises and increases in payments for seniority and working modality, which totalized approximately a 45% increase for personnel costs this year in comparison with the same period the year before, representing an estimated impact for a total amount of 238 million pesos in the quarter; in the same line, fees for contractors' services increased for about 43 million pesos, also related to salary raises to unionized employees, and consumption of materials was increased by 19 million pesos due to higher level of repairs to our grid and increases in supplies prices during 2014.

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 588 million pesos in the third quarter of 2014 compared to a 416 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.

Finally, taking into account (i) the increase in operating costs described above (ii) the decrease in net financial expenses including lower exchange differences of 29 million pesos, and (iii) a gain of 150 million pesos for a lower income tax charge this year, Edenor reported a net loss of 721 million pesos in the third quarter of 2014, compared to a net loss of 513 million pesos in the same period of 2013.

Related to Edenor's adjusted EBITDA, it resulted in a loss of 389 million pesos in the third quarter of 2014, compared to a loss of 215 million pesos of the same quarter of 2013. As usual, these figures include funds retained under PUREE concept which totalized 128 million pesos during the third quarter of 2014, compared to 133 million pesos registered in the same period of 2013, before accounting reclassification by 75 million pesos.

Finally, regarding Edenor's capital expenditures, during the third quarter of 2014 our investments increased about 75% reaching 395 million pesos compared to 225 million pesos in the same period of 2013, mainly focused on grid enhancements and tele-control and systems projects.

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 August.

First, let me start with Loma de la Lata in our generation segment. On last September we amended the bond due on 2015 which was entirely held by the ANSES (the National pension fund). In that sense, we extended the maturity from 2015 to 2018, and also defined that any prepayment made by Loma would be applied to principal maturing in chronological order.

Moreover, and aiming to achieve a more efficient leverage structure, we have prepaid 120 million dollars of said bond, which was financed through bank calls, available cash and the issuance of new debt, as I will explain shortly. Therefore, as of today the outstanding amount of principal due on 2018 is 59 million dollars.

As I mentioned before, and to finance part of the prepayments, Loma issued new bonds for 147 million pesos at Badlar plus 4 to 5% margin, of which 96 million pesos are due on 2016 and 51 million pesos on 2017. Loma also issued a dollar-linked bond for 30 million dollars at 6.25% maturing in 2020. The dollar-linked bond will capitalize interests until October 2016, and then will pay interests quarterly.

Finally, yesterday Loma signed a syndicated loan of 450 million pesos at Badlar modified plus 5.75%. The loan will be repaid in 8 quarterly installments, being the first one maturing in 12

months. The proceeds from the loan will also be used to prepay the 2018 bond, for 50 million dollars. So after this, we will have reduced the 2018 dollar bond to around 16 million dollars only.

Moving to another relevant event in the generation segment, on September we signed a new agreement with the Secretariat of Energy aiming to increase the thermal generation capacity, by which we committed to add 115 MW in Loma de la Lata comprised of two engines of 15 MW in total and a gas turbine of 100 MW, with an estimated investment of 750 million pesos.

The Project will be financed through Credits that we already hold against CAMMESA (the Wholesale Electricity Market) and also new credits to be generated until 2015. Any remaining amount will be covered with cash. In that sense, the proportion of cash invested, plus credits originally assigned to the expansions of Loma and Piquirenda, will be remunerated by a Supply Agreement to be signed with CAMMESA under Resolution 220, the same dollar scheme under which the current steam turbine of Loma is selling its energy. The proportion financed with the remaining Credits will be remunerated according to the pricing scheme established in Resolution 529. Finally, we have committed to drop the claims to collect those credits once they are finally used to finance the Project.

Moving to the Transmission segment, on September Transener and Transba signed new contracts with Cammesa which grant a new loan for an amount of 863 million pesos, corresponding to the recognition of higher costs during the period of January 2013 to May 2014. As you know, Transener and Transba have been financing part of their operations with the collection of these cost recognition credits.

Moving to oil and gas, on October our subsidiary Petrolera Pampa issued 77 million pesos at Badlar plus 3.95% maturing in one year, which is being used to fund the investment plan. Remember that Petrolera Pampa has a 150 million dollars 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 10 are already in production, with around 400 thousand cubic meters per day of natural gas production. From the 80 million dollars we have committed to invest during this year, as of September we had already done 60 million dollars.

Finally, in relation to the Opportunities Assignment Agreement signed back in September 2006 between Pampa and the executives Marcelo Mindlin, Damián Mindlin, Gustavo Mariani and Ricardo Torres, in which they committed to offer to Pampa on a preferential basis and until September of 2014 any investment opportunity relating to the energy sector, having the executives fulfilled all the terms of the Agreement, it has now expired.

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 third quarter of 2014 we presented a negative EBITDA of 56 million pesos, compared to a negative EBITDA of 109 million pesos in 2013, mainly due to increases of 93 million pesos in generation, 14 million pesos in transmission and 44 million pesos in holding, which were partially offset by a decrease of 98 million pesos in distribution.

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 177 million pesos in the third quarter of 2014, compared to 85 million pesos in 2013. This was mainly given by an increase in the energy generated by Loma and also by the effect of the peso devaluation on our denominated contract through which we sell the energy to CAMMESA.

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 111 million pesos, compared to 45 million pesos in the third quarter of 2013. Also, we include the difference between actual collected amounts versus accrued sales corresponding to said Agreements for 18 million pesos in the third quarter of 2014 versus 22 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 14 million pesos, versus 20 million pesos on the same period of last year.

Moving on briefly to the distribution segment which was previously reviewed by Leandro, during the third quarter of 2014 the EBITDA decreased by 98 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.

The holding segment presented an EBITDA of 80 million pesos in the third quarter of 2014, compared to 37 million pesos in the same period of 2013. This increase was given by a 52% increase in the production of natural gas, which as I mentioned before already includes production coming from the agreement with YPF.

Finally, in terms of net income, Pampa presented a consolidated loss of 187 million pesos in the third quarter of 2014, of which a profit of 96 million pesos corresponds to the shareholders of the Company, compared to a loss of 161 million pesos in the same period of 2013. The 2014 third quarter results were also affected by the reversal of the impairment of property, plant and equipment at our thermal plant Piedra Buena for 88 million pesos.

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