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Pampa Energía and Edenor Q3 2015 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 third 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 highlights for the period, under the agreement entered into in June this year between the Ministry of Labor, Employment and Social Security, Edesur, the Electric Light and Power Labor Union, the Association of Supervisory Personnel of Energy Companies and the Company, in September 2015 became effective the additional non-cumulative 11.8% salary increase, totalizing the 27.8% increase agreed for the year.

Then, On November 9th, the Company's Board of Directors approved the extension of the Technical Assistance Agreement originally executed in August 2006, and extended in 2010, between Edenor and Electricidad Argentina. In compliance with the Capital Market Law, the Company's Audit Committee expressed its approval to the mentioned addendum.

Finally, under the Loan and Guarantee Assignment Agreement with CAMMESA to provide the necessary financing to cover the Extraordinary Investment Plan, the Fifth and Sixth Amendments were subscribed for an additional amount of 447 million pesos, totalizing an available amount of 2.9 billion pesos to partially finance the investment plan for the period 2014-2017.

As of September 30th, 2015, these debt amounts to 957 million pesos, comprised of 832 million pesos principal corresponding to the effective disbursements under the loan and 125 million pesos in accrued interest.

Moving to the financial statements for the third quarter, as of September 30, the Company evidenced an equity above 1.3 billion pesos as a consequence of a net gain for the period of 939 million pesos. The positive results recorded by the Company in the nine-month period ended in September 30th, reverse the mandatory stock reduction situation we entered into on December 2014 when negative results consumed 100% of our reserves and more than 50% of our share capital.

Now, taking into consideration the results of Edenor in the third quarter of 2015, net sales increased about 4.8%, reaching 1,043 million pesos, compared to 995 million pesos for the same period in 2014. This variation was mainly due to an increase in volume of energy sold, a growth in revenues related to the application of Resolution 347 and a higher income from the right of use on poles. The energy sold volume grew up about 6.6%, basically due to an increase of 13.7% in small commercial customers, an 7.7% in residential customers and an 7.1% increase in medium commercial customers, what reflects the relative low prices of the energy sold.

The electricity power purchases increased 8.6% to 548 million pesos in the third quarter of 2015 compared to 504 million pesos in the same period of 2014, mainly due to the increase in energy sales described above, partially offset by a reduction in mobile generation.

Operating expenses increased approximately 172 million pesos as a result of the raise in salaries and social security taxes, amounting a loss of 127 million pesos, which represent about 74% of the total increase. As I mentioned before the full impact of the increase in salaries agreed with unions took place in September this year when the remaining 11.8% salary increase became effective.

Edenor's net operating income increased 1,139 million pesos amounting a gain of 552 million pesos in the third quarter of 2015 compared to a loss of 588 million pesos in the same period last year. This positive result was due to the income increase obtained through Resolution 32 issued in March this year, which amounted to 1,421 million pesos. This amount includes 1,283 million pesos of additional income obtained from the difference between the "theoretical" tariff schedule and the current tariff schedule, and 138 million pesos from the PUREE funds that are considered as part of Edenor's income. These results were impacted by higher operating expenses as explained before.

Finally, the net income of the period shows an increase of 935 million pesos, amounting a gain of 214 million pesos in the third quarter of 2015, compared to a loss of 721 million pesos in the same period last year, mainly due to the income recognition of Resolution 32 described above, partially offset by a decrease of 56 million pesos in financial results, principally due to higher interest expense in connection with Cammesa Mutuum Agreement.

Related to Edenor's adjusted EBITDA, it resulted in a gain of 635 million pesos in the third quarter of 2015, compared to a loss of 389 million pesos for the same quarter of 2014. This amount includes 1,421 million pesos of additional income of the Resolution 32/15.

Finally, regarding Edenor's capital expenditures, during the third quarter of 2015 our investments increased about 32% reaching 521 million pesos compared to 395 million pesos 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 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. I'll begin with the relevant events of Pampa since our last call on August.

First, let me start with the debt transactions carried out by our subsidiaries. During the last couple of weeks, our thermal power plant Loma de la Lata issued two series of bond notes under inciso k scheme, a regulation that catalogues these issuances as productive investments and which large institutional investors are obliged to invest part of their portfolios. In total, AR\$858 million pesos were issued, maturing bullet in three to five years and at Badlar interest rate. The proceeds will be used to partially finance the 120 MW expansion that we are doing in Loma and to other future generation projects.

Regarding the expansions in Loma, it is estimated that the commissioning of the 105 MW gas turbine will take place in January 2016, while the installation of the MAN engines for 5 MW of installed capacity is currently at the engineering and feasibility stages, being its commissioning estimated by the third quarter of 2016.

Moving to another relevant event, last month the Board of Directors of TGS considered that the condition within the loan granted to Pampa Energía back in October 2011 was fulfilled, being the loan settled for a total amount of US\$34 million dollars, including interests.

As a consideration for said settlement, Pampa fully and unconditionally transferred to TGS the rights and obligations arising from the arbitration proceedings, which were initiated by the former foreign shareholders of TGS against the Argentine Republic before the International Centre for Settlement of Investment Disputes ICSID, an entity belonging to the World Bank

And related to Transener, on September 17 new addendas to the Renewal Agreement were signed, in which it was agreed the financial needs for the current fiscal year and 2015's capex plan for AR\$432 million pesos and AR\$187 million pesos for Transener and Transba, respectively, as well as it was established that additional non-reimbursable financial resources will be granted to both companies, destined to the capex plan.

Regarding Pampas's consolidated results, first of all let me remind you that we are still not including TGS in our figures.

So moving on to the results, in the third quarter of 2015 we presented an EBITDA of AR\$1.1 billion pesos, compared to a negative EBITDA of AR\$72 million pesos in the same period of 2014, due to increases of AR\$27 million pesos in transmission, AR\$1 billion pesos in distribution and AR\$157 million pesos in holding and others, partially offset by a decrease of AR\$4 million pesos in the generation segment.

The slightly lower EBITDA at our generation segment was mainly given by a lower electricity dispatch, which is mostly due to programmed maintenances and lower availability of gas and in Loma and Piedra Buena, and also due to increasing operating costs. As you know, fuel for old capacity generation is provided by CAMMESA. These effects were partially offset by higher prices for the old capacity remuneration from the application of Resolution 482 and the peso devaluation which

impacts our US dollar contracts through which we sell the energy to CAMMESA and under Energía Plus.

In the transmission segment, the EBITDA grew 44% during the third quarter of 2015 versus the same period of last year, mainly because of the higher accrual of revenues corresponding to the Renewal Agreement and an increase in the Fourth Line operation and maintenance remuneration as a result of the application of Resolution 272, which updates the pricing scheme as of December 2014. These effects were partially offset by labor cost increases during the period.

Moving on briefly to the distribution segment which was previously reviewed by Leandro, during the third quarter of 2015 the EBITDA increased by AR\$1 billion pesos on a consolidated basis compared to the same period of 2014, mainly due to the application of Resolution 32.

Finally, our holding and others segment reported an adjusted EBITDA of AR\$221 million pesos in the third quarter of 2015, compared to AR\$64 million pesos in the same period of 2014. This higher 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 third quarter of 2015 we produced an average of 1.8 million cubic meters per day, versus 708 thousand cubic meters in the same period of 2014, which represents an increase of 152% quarter over quarter. The agreement with YPF, signed in 2013 and initially committed to invest US\$150 million dollars, later was extended in May and increased to a total investment of Petrolera of around US\$350 million dollars to be done until 2017. As of September of this year, under this JV we have drilled 70 wells, with around 1.3 million cubic meters per day of natural gas production during the quarter. Overall, including the agreement with Petrobras and Apache, as of September we had 103 productive wells.

Finally, in terms of net income, Pampa presented a consolidated profit of AR\$176 million pesos in the third quarter of 2015, of which AR\$40 million pesos corresponds to the shareholders of the Company, compared to AR\$96 million pesos in the same period of 2014. As we have mentioned before, this quarter's results include the AR\$1.4 billion pesos impact at Edenor's P&L thanks to Resolution 32 explained by Leandro.

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