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Pampa Energía and Edenor Q4 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 usual, we will focus first on the main events that lately took place and then briefly review the results of the fourth quarter of 2014. 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 the fourth quarter of 2014 the application of the Resolution 250/13 was extended through the notes 486/14 and 1,136/14 corresponding to the period April to December 2014, which recognized to the Company, revenue for higher cost for a total amount of 1,5 billion pesos principal and 49 million pesos in accrued interest. This measure has a positive impact on the operating result, allowing the Company to reverse the negative equity presented as of September 30, 2014, but it does not mean any positive cash inflow. Furthermore, these increases have not yet been incorporated into the tariff structure, as is established in the terms of the Adjustment Agreement. However, we were able to partially reduce our debt with CAMMESA in 1.2 billion pesos and to partially compensate the debt recorded under the PUREE for a total amount of 406 million pesos.

Regarding the Financial deficit mentioned above and as we informed in our last conference call, in July 2014 we subscribed a credit 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 405 million pesos under this agreement.

In this sense, later in September, we subscribed an additional credit agreement with CAMMESA in order 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. The credit agreement had an initial amount of 500 million pesos but later on December 2014, and

subsequently to year-end, on January 2015, it was extended for an additional amount of 1.2 billion pesos, these totalized an available amount for capital expenditure of 1.7 billion but it should be highlighted that it includes investments for the 2015-2017 period. As of today, we have received under this agreement 661 million pesos into the FOCEDE account.

Moving to the financial statements for the fourth quarter, as of December 31, 2014, the Company presented an equity of 385 million pesos as a consequence of a net loss for the year of 780 million pesos, which evidence the need to restore the economic and financial equation.

Furthermore, the negative results recorded by the Company as of December 31, 2014 consume 100% of the reserves and more than 50% of its share capital; therefore the Company is subject to compliance with the provisions of Section 206 of the Argentine Business Organizations Law which provides for the mandatory capital stock reduction. Ours shareholders' shall decide to reduce the number of shares or the nominal value of shares maintaining the proportionality of the holdings.

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 cover 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 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 capital expenditures in order to prioritize mandatory capex and those that affects our operation taking into account the level of funds received from CAMMESA and the available liquidity which are uncertain.

So going now to the results of Edenor, in the fourth quarter of 2014, net sales decreased about 2.5%, reaching 850 million pesos, compared to 872 million pesos in the same period of 2013. This variation was mainly due to a decreased in volume of energy sold.

We recorded also a decrease about 0.5% in our electric power purchases, mainly as a consequence of a decrease in the volume of energy sold, partially compensated by an increase in energy losses.

Operating expenses increased approximately 238 million pesos mainly due to the salaries raises and increases in payments for seniority and working modality recognized in 2014, which totalized approximately a 45% increase in personnel costs in the fourth quarter of this year in comparison with the same period the year before, representing an estimated impact for a total amount of 235 million pesos in the fourth quarter. Additionally, we have increased our payroll through hiring personal from part of our contractors; in the same line, fees for contractors' services increased for about 23 million pesos, also related to salary raises to unionized employees, and consumption of materials was increased by 9 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 898 million pesos in the fourth quarter of 2014 compared to a 509 million pesos loss in the same period of 2013. Both results were basically impacted by higher operating expenses as explained before.

Finally, the net income of the period shows an increased in income of 683 million pesos, amounting a gain of 664 million pesos in the fourth quarter of 2014, compared to a loss of 19 million pesos in the same period of 2013, mainly due to an increase in income as a result of the recognition of higher cost through the application of the Resolution 250/13 and subsequent Notes for a total amount of 816 million pesos, also as a consequence of an increase in deferred income tax of 101 million pesos, a decrease in financial expenses for commercial interest for an amount of 60 million pesos and in exchange differences of 132 million pesos due to a lower depreciation of the local currency against the US dollar; these effects were partially offset by an increase in other expenses due to the recognition of higher cost from FOCEDE for an amount of 97 million pesos.

Related to Edenor's adjusted EBITDA, it resulted in a loss of 692 million pesos in the fourth quarter of 2014, compared to a loss of 288 million pesos of the same quarter of 2013. As usual, these figures include funds retained under PUREE concept which totalized 131 million pesos during the fourth quarter of 2014, compared to 154 million pesos registered in the same period of 2013.

Finally, regarding Edenor's capital expenditures, during the fourth quarter of 2014 our investments increased about 52% reaching 606 million pesos compared to 398 million pesos in the same period of 2013, mainly focused on grid enhancements, new connections and other investment 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 Pampa's relevant events since our last call on November.

First, let me start with the debt transactions made by our subsidiaries. Last week our thermal power plant Güemes issued Bond Notes for AR\$91 million pesos maturing bullet in 18 months at 28% interest rate for the first nine months and Badlar plus 5% for the remaining nine months. The proceeds were basically used to refinance debt maturing in March in Güemes.

Likewise, at the end of February Petrolera Pampa issued AR\$51 million pesos at 27.5% interest rate for the first nine months and Badlar plus 5% for the remaining nine months, maturing bullet in 18 months. Moreover, Petrolera Pampa also issued US\$19 million dollars under a dollar-link scheme, due on 2017 at a fixed interest rate of 5%, and a short-term note of one year for AR\$90 million pesos at 28% fixed rate. All the proceeds are being used to fund the company's investment plan. Remember that Petrolera Pampa has a US\$150 million dollars capex plan under the agreement with YPF, of which US\$70 million dollars correspond to 2015. In relation to said agreement, to date we have drilled 22 wells of which 15 are already in production, with around 450 thousand cubic meters per day of natural gas production coming from those wells. Also, we are currently analyzing together with YPF the possibility to increase the investment agreed for 2015.

Moving to another relevant event in the generation segment, remember that on last September we signed an 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 with a total investment of around AR\$930 million pesos. The project will be mainly financed through a loan given by CAMMESA, which at our option can be cancelled either in cash or with credits that we have against CAMMESA, for approximately AR\$780 million, and the remaining will be financed with our own resources. As of today, we have already received AR\$466 million pesos of CAMMESA financing.

As we go to Pampas's consolidated results, 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.

So moving on to the results, in the fourth quarter of 2014 we presented a negative EBITDA of AR\$325 million pesos, compared to a negative EBITDA of AR\$115 million pesos in 2013, mainly due to higher losses of AR\$403 million pesos in distribution, partially offset by increases of AR\$80 million in generation, AR\$26 million pesos in transmission and AR\$86 million pesos in holding and others segments profits.

The higher EBITDA at our generation segment was mainly given by a higher EBITDA of Loma de la Lata, which presented AR\$201 million pesos in the fourth quarter of 2014, compared to AR\$111 million pesos in the same period of 2013. This was mainly given by the effect of the peso devaluation on our US dollar contract through which we sell the energy to CAMMESA, partially offset by a lower generation due to a programmed a maintenance in CTLL. Moreover, the EBITDA in generation was

also impacted by higher prices paid to the all of our generators thanks to the increase applied through Resolution 529, in effect as of February of last year.

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 AR\$140 million pesos, compared to AR\$98 million pesos in the fourth quarter of 2013. Also, we include the difference between actual collected amounts versus accrued sales corresponding to said Agreements for AR\$5 million pesos in the fourth quarter of 2014 versus AR\$3 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 AR\$14 million pesos, versus AR\$11 million pesos on the same period of last year.

Moving on briefly to the distribution segment which was previously reviewed by Leandro, during the fourth quarter of 2014 the EBITDA decreased by AR\$403 million 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 AR\$101 million in the fourth quarter of 2014, compared to AR\$15 million in the same period of 2013. This increase was given by a 93% 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 gain of AR\$1.1 billion in the fourth quarter of 2014, of which AR\$728 million corresponds to the shareholders of the Company, compared to a loss of AR\$99 million in the same period of 2013. The 2014 fourth quarter results include AR\$1.5 billion profit in the distribution segment due to higher recognition of cost increases, compared to AR\$720 million recognized in the same period of 2013. It also includes a gain for the recognition of a higher recoverable value for credits our generators have against CAMMESA, with an impact in net income of AR\$362 million in the fourth quarter of 2014.

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