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## **Pampa Energía and Edenor Q4 2016 Conference Call**

Presenting:

Leandro Montero, CFO of Edenor

Lida Wang, Investor Relations Manager 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 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 fourth quarter of 2016. 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.

As usual, we will focus on the main events that have taken place in the fourth quarter of 2016. Given the utmost importance to the fact that the Integral Tariff Revision Process was completed, I will begin by this point.

Thus, on January 31 this year, our regulator (the National Regulatory Entity for Electricity) issued Resolution No 63, which approved a new tariff scheme, which set our new Distribution Added Value or VAD for the following 5-year period. The new income was established by applying the New Replacement Value methodology (NRV), for which the Government evaluated our presentation and established a Capital Base, which is a little bit lower than the one we had submitted in our proposal, reaching an amount of 34 billion pesos. The difference is mainly explained by the fact that the ENRE has excluded the fully depreciated assets from the Regulatory Net Asset Base. The rate of return applied was 12.46% before taxes, which had been previously stated by the ENRE last year. The ENRE also established a non-automatic mechanism to adjust tariffs, as it did within the original concession contract and the Memorandum of Agreement, in order to preserve the economic and financial sustainability of the Company in the event of prices fluctuations in the economy. This mechanism includes a combined formula of wholesale and consumer price index, which trigger the adjustment on tariffs when the result is above 5%. Moreover, stated that the remuneration acknowledged to EDENOR was 12.5 billion pesos as of December 2015, which adjusted to February 2017 values reaches to 17.2 billion pesos.

Furthermore, in accordance with the Ministry of Energy and Mining (MEyM) request, the ENRE determined a VAD increase in three stages, establishing an initial maximum increase of 42% to be applied as from February 1, 2017, and then a 19% in November 2017 and a 17% increase in February 2018. The ENRE should acknowledge us the difference in VAD resulting from the application of the gradual tariff increase recognized by the RTI in 48 installments as from February 1, 2018, which will be incorporated to our income as from said date.



Finally, in connection with the quality standards, the ENRE approved new parameters, with the purpose to achieve the end of the 2017-2021 period with an acceptable quality. In this regard, it determined a penalties regime to be applied in the event of noncompliance of the quality rates required.

Under the same issue, on February 1, 2017, the Secretariat of Electric Power published Resolution No 20-E, by means of which it approved the Summer Seasonal Rescheduling for the Wholesale Electric Market corresponding to the period held between February 1 and April 30, 2017.

In this regard, the Secretariat established the power and electricity reference prices for the different categories of customers, which will be in force as from March 1, 2017. It also included a discount for the reference prices, exclusively for the month of February 2017.

The second issue we must definitely share with you is the current situation of the provisional remedies held in 2016 against the Ministry of Energy and Mining Resolutions No. 6 and 7 and ENRE Resolution No. 1 (which authorized our new tariff schedule in force since February 2016). As I have mentioned in the previous conference call, since May 2016 the Company was notified by several courts of the Province of Buenos Aires about provisional remedies granted to individual and collective customers. In connection with the two main provisional remedies corresponding to the districts of Pilar and La Matanza, these were in force up to October 24 and November 11, respectively, upon the expiration of their term.

On the other hand, on December 26th, 2016, the Ministry of Energy and Mining instructed CAMMESA to issue credit notes in order to compensate the negative effects generated by these legal remedies. One of these credits consists in the difference between the application of the seasonal prices established by Resolution No 6 and the energy prices set in force until January 2016, for the period February – June 2016, amounting a gain of 271 million pesos. The other one corresponds to the VAD recognition of the tariff schedule established by Resolution No 1 issued by ENRE, amounting an income of above 1.1 billion pesos, for the period between February and November 2016, when the injunctions lost effect.

Regarding the billing of Pilar and La Matanza customers during the provisional remedies term, we will re-invoice on behalf of CAMMESA, once the conditions and periods for the billing have already been set out by the ENRE.

Moreover, as of the date of this conference call and since February 1 this year, we are applying the new Tariff Scheme set in force by Resolution 63 resulting from the Tariff Revision process to all of our customers.

To conclude the relevant events, and in connection with the salary discussion with the unions for 2016, the Company agreed a 6% salary increase retroactive to November 2016, and two non-remunerative payments of 6 thousand pesos, payable in January and February 2017. Another 6% increase will be effective since March 2017.

Moving to the financial statements, the equity of the Company as of December 31 increased to 366 million pesos, from the negative amount of 317 million pesos recorded on September 2016.



The negative results recorded by the Company as of December 2016 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. Our shareholders' shall decide to reduce the number of shares maintaining the proportionality of the holdings. For this decision, they should consider if there would be any possibility or not to recover the equity value in the near future and taking into account the new regulatory framework.

Now, taking into consideration the results of Edenor in the fourth quarter of 2016, net sales increased by 345%, reaching about 4 billion pesos, compared to 891 million pesos for the same period in 2015. This increase was mainly due to the new tariff structure applicable since February 2016, through ENRE Resolution No. 1, partially offset by a negative impact in sales of 215 million pesos, resulting from the provisional remedies issued by the courts of the districts of 'La Matanza' and 'Pilar', suspending the mentioned above Resolution. However, the tariff was normalized according to the abrogation of the remedies as from October 24, 2017, in the case of 'Pilar' and November 11, 2017, in the case of 'La Matanza'. Regarding to the volume of sales, the energy sold decreased 5.2% to 5,139 GWh in the fourth quarter of 2016 from 5,422 GWh in the fourth quarter of last year, due to an 8% decrease in residential demands and a 6.5% in small commercial demands.

The electricity power purchases increased 173% to 1.3 billion pesos in the fourth quarter of 2016 compared to 474 million pesos in the same period of the year before, mainly due to a growth in the average purchase price of approximately 282% since February 1, 2016 through Energy and Mining Ministry Resolution No 6. This growth was partially offset by a reduction of 82 million pesos due to the negative effect in the purchases cost since the grant of the injunction reliefs explained above for La Matanza and Pilar districts.

The amount of the electricity purchases for the present quarter of 2016 also includes a credit of 271 million pesos, corresponding to the recognition of the difference between the energy price paid to CAMMESA at the tariff set in force by Resolution No 6, and the price billed to the customers, at the tariff valid until January 2016, for the period February-June 2016, because of the before mentioned injunctions reliefs.

Operating expenses increased approximately 1.2 billion pesos as a result of the raise in ENRE penalties and salaries and social security taxes, totalizing an amount of approximately 782 million pesos, which represents about 68% of the whole increase. As I mentioned in the previous conference call, ENRE penalties increased due to the changes in the estimation introduced by Note No. 120,151 of the regulator issued in April 2016. The increase can be basically explained by the application of a new method of calculation, which establishes that penalties should be based on the VAD that corresponds to the date on which the event occurs and that the Company should begin considering interests over these penalties. This means a charge of about 456 million pesos in the fourth quarter this year. With respect to salaries and social security taxes, the rise of 326 million pesos is mainly attributable to the increase in employee compensation granted during 2016.

Edenor's net operating income increased by 722 million pesos amounting a gain of 1.28 billion pesos in the fourth quarter of 2016 compared to a gain of 559 million pesos in the same period last year. This positive result was mainly explained by the credits issued by CAMMESA mentioned



before, which totalized an approximate gain of 1.4 billion pesos, and corresponds to the retroactive effect of the judicial remedies.

This result was partially compensated by a 94.7% increase in operating expenses explained above, and a reduction of 1.2 billion pesos in the amounts obtained through SE Resolution 32/15.

Finally, the net income of the period shows an increase of 450 million pesos, amounting a gain of 654 million pesos in the fourth quarter of 2016, compared to a gain of 204 million pesos in the same period last year, principally due to the operating results explained before and to a lower loss of 449 million pesos in financial results caused by a lower exchange rate difference in cash and cash equivalents of 627 million pesos. These positive outcomes were partially compensated by a negative result of the income tax provisions for an amount of 328 million pesos.

Related to Edenor's adjusted EBITDA, it resulted in a gain of almost 1.5 billion pesos in the fourth quarter of 2016, compared to a gain of 282 million pesos for the same quarter of 2015, due to the credits issued by CAMMESA explained before related to the retroactive recognition effect.

Finally, regarding Edenor's capital expenditures, during the fourth quarter of 2016 our investments totalized 694 million pesos, from which a 70% corresponds to network infrastructure and expansion and the remaining 30% to network maintenance.

This allowed us to end 2016 with a total Capital Expenditure of 2.7 billion pesos, which is in line with the aggressive CAPEX plan we have been carrying out during the last three years.

So this concludes my review on Edenor, I will now leave you with Lida Wang, Investor Relations manager 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**

Hi and thank you Leandro. I will give a quick recap of all what has been going on since our last call on November.

We started 2017 with a great achievement, the issuance of our first Bond Notes Series 1 of Pampa Energía for 750 million dollars, highlighting the fact that we received offers of purchase of 4 billion dollars, more than 5 times compared to the amount issued. The initial price was at discount of the face value at 99.136%, with an annual fixed coupon rate of 7 and a half percent, yielding 7 five eights percent and maturing in 10 years. As we said before, we are proud because not only thanks to our proactivity we acquired a terrific company with great assets, this transformational milestone is also validated in the international investment community by letting us to price our bond within the yield of Argentine sovereign bonds. This transaction marks another successful placement under our active capital markets participation, in addition to our exchange follow-on in November of last year and the 500 million dollar bond issued on last July under the former Petrobras Argentina, again with yields very close to sovereign's.

Besides this bond issuance, with the proceeds from operating cash flow and own cash position, in February we fully repaid the Syndicate Loan used to partially finance the acquisition, being no



outstanding amounts left under this credit facility and thus completely settled all financing engaged for the acquisition.

Also, regarding the merger process between Pampa as the continuing company with Petrobras Argentina and two other fully-owned subsidiaries as the absorbed entities, on January 16 we got clearance from all regulatory entities to publish the merger prospectus, thus on February 16 we were able to hold the shareholders' meeting of Pampa and Petrobras Argentina, in which the merger was approved using the same ratio that was used in the voluntary Exchange Offer dated on last November, which was 0.5253 ordinary shares of Pampa for each ordinary share of Petrobras Argentina. Therefore, once the merger exchange offer is fully executed, Pampa will issue 101,873,741 ordinary shares (or 4.1 million ADRs), raising Pampa's capital stock to 1,938,368,431 ordinary shares (or 77.5 million ADRs) following the effect of the merger. As of today, regulatory actions and Argentine SEC's instruction to subscribe the merger before the Public Registry are pending, so until then Petrobras Argentina's stock will continue to be listed. Let me highlight that as of November 1, 2016 both companies are working as one, consolidating all the synergies in one company and former Petrobras Argentina will no longer issue financial information by itself, being all contained in the financial statements filed by Pampa.

Moving on to the latest news regarding the acquisition of former Petrobras Argentina, on November 21, 2016 and based on the stock purchase agreement signed on May 2016, Pampa and Petrobras Brazil carried out certain adjustments to the final price, setting it at 900.4 million dollars for the 67.2% of Petrobras Argentina.

Moving on to the normalization process, as we always mentioned before, tariff review for our regulated utility businesses is key for Pampa. The process for electricity normalization had a big step forward with the release of the new tariff schedules and regulatory frameworks set for the next five years for Edenor –which was previously reviewed by Leandro- and Transener.

Transener has been granted 13 and 17 times tariff increase from their current schedules for Transener and Transba, respectively, beginning on February of this year. The aggregated capital base recognized by the regulator was 734 million dollars, approximately 35% less than Transener's proposal, resulting in regulatory revenues of almost 300 million dollars and OPEX of about 107 million dollars at FX of 16 pesos per dollar.

Let me remind you all that Transener's previous tariff increase was on 2006 and due to the lack of tariffs and integral review, since November 2010 Transener started to collect funds acknowledging higher costs, which helped to sort out the operation of the company throughout this challenging years. However, these credits were adjusted with official indexes while real costs did not. Though the credits run out on May 2016, collections from Cammesa kept coming but they were slow and just the fair amount to survive, not enough to normally conduct the business and carry out the necessary investments. These collections without credits offsetting were also damaging our balance sheet by increasing our liabilities. At the end of December of last year, the Ministry of Energy extended the credits from December 2015 to January 2017, acknowledging a total amount of costs variation for 2 billion pesos, thus avoiding negative net worth at Transener's balance sheet. Had we offset the collections with this credit, as of the end of 2016 the outstanding amount of credits should be around 936 million pesos in total for Transener and Transba – but stopped accruing higher costs since the integral tariff review took place. Transener is not certain how this outstanding



credit would be collected. In addition, Transener is currently analyzing the tariff review impact and assessing the course of action to be taken.

Moving on electricity normalization, since February of this year our legacy 'old' capacity will be remunerated under a new pricing scheme of capacity and energy payment by technology and size, in which besides an increase in real terms it will be paid in dollars instead of pesos. Also, the credit-form remuneration is eliminated, being the sales collected in cash in the next 45 days after settlement according to CAMMESA Procedures. This should further improve the working capital, which already did so during 2016 as the days of sales outstanding have been normalized from a pick of 105 days, decreasing to the current average of 45 days of sales outstanding. The new scheme is focused on availability rather than energy dispatched, encouraging units to be available in order to collect the maximum amount. For Pampa's thermal units the monomic price increases roughly by 42%, while the hydro monomic price increases by 80% approximately. The implementation of this new scheme will be gradual and in November of this year should be fully implemented onwards.

We have been demanding a change of remuneration for legacy capacity for many years, in which in our portfolio of assets represents 83% of our total current installed capacity and the total Grid's 70%. Though the prices are far from new capacity's (around 50%), this new scheme results in a huge improvement in quantity and quality of revenues, narrowing the distortion with new capacity and helping the assets to stay in good fit.

Also, on March 8 the Ministry of Energy issued the Resolution 49E, in which it granted a roughly 34% tariff increase in relation to the current schedules to our oil transportation affiliate OldelVal, in force as of March 2017 for the next five-year period of 2017 to 2021. It is worth to mention that OldelVal's tariffs are denominated in dollars and the last tariff increase was set on December 2013.

By now, the only outstanding tariff review process is TGS's, which on December 2 of last year presented their final proposal before public hearing, requesting a regulatory asset base of 2.1 billion dollars, revenues for 580 million dollars and OPEX of about 110 million dollars as of September 2016 FX. As of today, the schedules resulting from the integral tariff review have not been disclosed but as per the Resolution 31 of 2016, it should be in force as of April of this year.

Continuing with TGS, when we signed the sale contract of TGS back on July 2016, we also agreed an option due on February 2017 to receive the rights of the CIESA Trust, that holds 40% of CIESA, the controlling company of TGS, in exchange of 40% of CIESA shares under the former Petrobras Argentina's ownership. On January 17, 2017, Pampa executed that option, being the indirect participations of the co-controllers of TGS unaltered after the exchange, which was approved by ENARGAS on December 2016. In addition, on January 17, 2017 Pampa collected the outstanding purchase price of 80 million dollars plus interests from the buyers.

Talking about collections, on November 30, 2016 it was published the Decree No. 1204, in which approved the payment of the pending compensations from the Small Refiners Program and revoking it. Our affiliate company, Refinor, was a participant of that Program and on March 1, 2017 collected almost 54 million dollars in nominal value of Bonar 2020 sovereign bonds, with market value of more than 60 million dollars.



Regarding the status of our power generation expansion projects, between December and January of this year Piedra Buena's expansion and Pampa Eólico I Corti wind farm signed the power supply contracts with Cammesa for 10 and 20 years, respectively, so now all our awarded projects have their corresponding sale contracts.

Regarding our Pampa Eólico I Corti 100 MW wind farm, on March 12 we agreed to sell 50% of the developing company Greenwind to Valdatana Servicios y Gestiones S.L.U., an investment vehicle led by Castlelake L.P., a private equity global investment company that manages private funds, for a total consideration of 11 million dollars. Therefore, our financing efforts regarding this project will be softened due to the incorporation of a co-investor.

Continuing with news in E&P segment, on March 6 the Ministry of Energy issued the Resolution 46E, in which aims to incentivize investments for natural gas production from unconventional reservoirs in Neuquina Basin, by creating the Encouragement Program valid since its publication until end of 2021. For each participating company, this Program sets a compensation mechanism for the unconventional gas volume produced in Neuquina Basin –whether is tight or shale-, calculated from the minimum guaranteed price for the Program and the weighted average sale price collected from the domestic market for each company. The Minimum Price will be 7.5 dollars per million of BTU for 2018, decreasing by 50 cents of dollars per million of BTU per year until reaching 6.0 dollars per million of BTU for 2021.

In addition, this Program stipulates a more agile payment method, where there is an initial disbursement of 85% of the theoretical compensation resulting from projections, and then it is adjusted by the real production, which could be positive or negative. Finally, from the compensation entitled for each concession, it will be paid 88% to the companies and 12% to the province corresponding for each concession participating the Program.

This new resolution 46 confirms the direction of our strategy, amends and complements Plan Gas and provides certainty to gas prices until 2021. To participate in this program, it is required to submit an investment plan before the corresponding provincial authority and later confirmed by the Ministry of Energy.

Finally, in light of all passed transactions and with the aim of aligning personnel performance with Pampa's strategic plan and creating a transparent and direct link between value creation for the shareholder and personnel remuneration, on February the Company approved the creation of a compensation plan payable in shares. The committee in charge of its implementation are misters Marcelo Mindlin, Gustavo Mariani, Damián Mindlin and Ricardo Torres, who are not beneficiaries of the Plan.

Among the beneficiaries of 2017-2019 Plan, there are executive directors, certain directors and managers of Pampa. The beneficiaries could be altered through time. To fund this Plan, the board of the Company approved the repurchase of shares of Pampa, that as of today amounts to 193,000 ordinary shares and 92,280 ADSs, bought at an average price of 28.49 pesos per ordinary share and 46.36 dollars per ADR. It is worth to mention that this amount of shares covers the payment of 2016 and 2017 fiscal years' compensation Plan.



Now, regarding Pampa's consolidated results, first of all let me remind you that in the fourth quarter of 2016, Pampa's figures consolidate former Petrobras Argentina's results during October and shown merged as of November.

So moving on to the results, in the fourth quarter of 2016 we recorded an EBITDA of 4.2 billion pesos, compared to a EBITDA of 1.5 billion pesos in the same period of 2015, mainly due to increases of 326 million pesos in power generation, 944 million pesos in electricity distribution, 2.2 billion pesos in oil and gas segment, 70 million pesos in petrochemicals and 100 million pesos in intersegment eliminations, partially offset by reductions of 371 million pesos in refining and distribution and 613 million pesos in holding and others.

The higher EBITDA of 326 million pesos at our generation segment was mainly given by a larger electricity dispatch in Pampa's generation units, which increased by 94% quarter over quarter. This effect was mainly due to the inclusion as of August 2016 of Pichi Picún Leufú Hydroelectric Plant, Genelba Thermal Power Plant and EcoEnergía Co-Generation Plant, which during the quarter contributed sales by 1,624 GWh out of the total 3,763 GWh sold. Moreover, the higher sales was also driven by the commissioning of the new 105 MW gas turbine at Loma de la Lata in July 2016 plus, in a lesser extent, to a higher dispatch of Nihuiles and Diamante due to greater water inputs and pumping activity as well as lesser maintenance and unavailability stops in Güemes and Piquirenda. In addition, it also positively impacted the higher prices in pesos for the legacy capacity remuneration from the application of Resolution 22, compared to 2015's old pricing scheme, as well as the peso devaluation, which impacts our US dollar contracts through which we sell the energy to CAMMESA and Energía Plus. These effects were partially offset by increasing operating costs from labor and maintenance services.

Moving on briefly to the distribution segment which was previously reviewed by Leandro, during the fourth quarter of 2016 the EBITDA increased by 944 billion pesos on a consolidated basis compared to the same period of 2015, mainly due to CAMMESA's acknowledgement of 1.1 billion pesos to the effect of injunctions, caused by not applying the tariff increases from February to October and November 2016 to La Matanza and Pilar districts, partially offset by the increase in operating costs.

In the oil and gas segment, during the fourth quarter of 2016 we continued with our investment plan, which was mainly focused on the development of blocks with tight gas reservoirs located in Neuquina basin, being Rincón del Mangrullo, El Mangrullo, Rio Neuquén and Sierra Chata. In the tight gas blocks, during 2016 35 wells were drilled and 34 wells were finished, shifting our consolidated gas production to 7.8 million cubic meters per day as of December 2016. These blocks and their associated reservoirs are prospective, creating an upside potential that we plan to keep the same strategy over our investment plan during 2017.

In addition, in 2016 an exploration campaign of two wells were drilled in Parva Negra Este, as we began to assess the shale gas potential in said block. For 2017, we will continue with this incipient exploration activity by drilling a horizontal well targeting Vaca Muerta.

Regarding crude oil, the investments carried out during 2016 were mainly focused on Medanito and Jagüel de los Machos Río Negro blocks, drilling 10 wells of which one of them was exploratory and turned out to be successful, and drilling another 12 wells at PELSAs blocks of which one of



them was exploratory. It is important to highlight that these investments were made considering a benchmark IRR and domestic and international pricing environment.

Finally, addressing the surface facilities, a compressing engine that was under overhaul began operations at Río Neuquén area, raising compression capacity to 3.3 million cubic meters per day. The utilization rate of this installed capacity was 100%.

Regarding the results, in the fourth quarter of 2016 we posted an adjusted EBITDA of 2.6 billion pesos, compared to 320 million pesos in the same period of 2015, mainly due to the production increase through the inclusion of Petrobras Argentina since August 2016 from its activities in the Neuquén Basin, which contributed 54 thousand barrels of oil equivalent per day out of the total 77 thousand barrels of oil equivalent per day produced in Q4 16, composed by 5 million cubic meters per day of natural gas production and almost 24 thousand barrels per day of crude oil production. These figures include PELSAs. Moreover, quarter over quarter Petrolera Pampa's gas production increased 1 million cubic meters per day plus 4 thousand barrels per day of oil production, mainly as a result of our partnership with YPF in the Rincón del Mangrullo block and the service provided in Medanito La Pampa. In total, during the fourth quarter of 2016 Pampa produced on average 28 thousand barrels of crude oil and 8.3 million cubic meters of gas per day. However, due to the divestments carried out last October 2016, the production run rate as of December 2016 and going forward is on average 26 thousand barrels of crude oil and 7.8 million cubic meters of gas per day.

Oil and gas price improvements in pesos due to the effect of the peso devaluation impacting our US dollar sales price also contributed in the segment's performance, partially offset by higher operating costs from higher production volume. Keep in mind that Petrolera Pampa was conceived as a sole gas upstream company, being almost all its production sold to wholesale market such as industrials, power plants and Cammesa, achieving during Q4 2016 an average sale price of 7.3 dollars per million of BTU. In the case of former Petrobras Argentina and PELSAs' production only 66% is linked to gas upstream, having better pricing quarter over quarter due to Plan Gas subsidy but a broader price range since it sells to residential as well, achieving 5.3 dollars per million of BTU. On weighted average, Pampa's consolidated sale price of gas during the quarter was 6.1 dollars per million of BTU.

Our crude oil production, which I was commenting before, that reached to 28 thousand barrels of daily production is entirely loaded to our refinery in Bahía Blanca. Although peso denominated barrel of oil price increases, dollar wise is going down as the country is slowly shrinking the spread between the domestic and international prices, currently selling at a price of 55 dollars per barrel.

Downstream business, comprised by refining, distribution and petrochemicals segments came along with the acquisition of former Petrobras Argentina, which were not shared businesses within the original portfolio of assets of Pampa.

In the fourth quarter of this year, refining and marketing posted a negative adjusted EBITDA of 371 million pesos, the EBITDA does not consider the accounting profit derived from the liability removal from Oil Companies' Agreement dated back in 2003, which we carried out due to the Purchase Price Allocation of former Petrobras Argentina into Pampa's statements. This adjustment in consolidated basis has a neutral impact as oil and gas segment also registered a loss from credit removal for the same concept. In operating terms, total sales volume of refined products decreased



16% totaling 476 thousand cubic meters in the fourth quarter of 2016, mainly due to decreases in crude oil volume, IFOs sold to the shipping sector, fuel oil sold to the energy industry and lower volume of diesel oil and gasoline, which are mainly sold to brokers and gas stations.

Whereas, petrochemicals posted an adjusted EBITDA of 70 million pesos during the fourth quarter of 2016, figure that does not consider the 166 million pesos loss from the update of contingencies referred to this segment, again as a result of the Purchase Price Allocation of Petrobras Argentina. In operating terms, total sales volume of our petrochemicals segment declined 8% in the fourth quarter of 2016 totaling 127 thousand ton. These reductions mainly respond to lower domestic sales due to decrease in local demand and competition with imports, as well as lower exports because of international prices decline and larger overseas supply.

Finally, our holding and others segment presented a negative EBITDA of 220 million pesos in the fourth quarter of 2016, compared to a gain of 393 million pesos in the same period of 2015. This is mainly due to the addition of former Petrobras Argentina's corporate segment since August 2016, which contributed higher operating expenses of 401 million pesos. Had not considered Petrobras Argentina effect, the negative EBITDA is also explained by higher third party fees and labor costs as a result of the acquisition of Petrobras Argentina.

In addition, on fourth quarter of 2016 our indirect stake in TGS through former Petrobras Argentina is recorded at the holding and others segment as 'Results for participation in associates'. We remove this figure and add TGS's EBITDA adjusted by our indirect ownership participation of 25.5%, posting 243 million pesos in the quarter. This figure is higher than same period in 2015, mainly explained by the transitional tariff increase of 200.1% for gas transportation business and the margin improvement in the liquids segment, due to prices as well as nominal exchange rate. Again, keep in mind we started to consider TGS's ownership adjusted results as of the takeover of former Petrobras Argentina.

Moreover, on fourth quarter of 2016, the results from our participation in Transener no longer are shown as a sole segment but they are recorded under the line 'Results for participation in joint businesses' of holding and others segment. Likewise, we remove this figure by adding Transener's EBITDA adjusted by our indirect shareholding of 26.3%, contributing 36 million pesos in the fourth quarter of 2016, compared to 10 million pesos in the same period of 2015, mainly explained by acknowledgment of higher costs.

Finally, in terms of net income, Pampa presented a consolidated gain of 1.3 billion pesos in the fourth quarter of 2016, of which 982 million pesos corresponds to the shareholders of the Company, compared to the gain of 2.1 billion pesos in the same period of 2015.

So this concludes our presentation. Now, I will turn the word to the operator, who will open the floor for questions. Thank you.