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Buenos Aires, March 13, 2018 (10 am Eastern Time)

## **Pampa Energía and Edenor Q4 2017 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 our fourth quarter 2017 jointly earnings conference call for 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 quarter. 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.

In first place I will refer to the recent tariff increases that are effective as from December 2017 and February 2018, fulfilling the distribution fee adjustment that arose with the Comprehensive Tariff Review.

On November 30, last year, the ENRE through Resolution No. 603 established the new power capacity reference prices, stabilized prices for energy and transportation, as well as the new social tariff and the new tariff system encouraging savings. Thus, a new tariff scheme was effective as from December 1, 2017.

Furthermore, the resolution approved the new distribution costs considering the 18% second step of the staggered update under the Tariff Review and an 11.6% inflation adjustment for the first semester 2017, and including the retroactive effects on these adjustments over consumptions recorded in the months of August through November last year. This retroactive effect amounted to 754 million pesos, which was billed in two installments, in December 2017 and January 2018, and accounted for in full as of December 31, 2017.

In the same vein, the second relevant matter we have to mention is that on January 31, this year, pursuant to Resolution No. 33 the ENRE established a new tariff scheme effective as from February 1, 2018, including new power capacity reference prices, and new stabilized prices for energy and transportation.

In turn, it approved the new distribution costs with the last 18% tranche under the Tariff Review, an 11.9% inflation adjustment for the second semester 2017, and a negative adjustment of 2.51% related to the "E" stimulus factor, as well as a proportional deferred income for a total amount of 6.3 billion pesos of the staggered tariff update applied in the period February 2017 – January 2018, which is recoverable in 48 monthly installments since February this year.



Additionally, it informed that the average tariff value amounts to 2.4627 pesos per KWh.

Turning into another subject, on January 18<sup>th</sup>, this year, the merger of Central Térmica Loma de la Lata ("CTLL") with IEASA and EASA, controlling companies of Edenor, could be completed after obtaining the necessary approvals by regulators with the unanimously approval by CTLL's shareholders' meeting, which put on record that as from the Meeting's date and until the registration of the final merger agreement, Loma de la Lata's Board of Directors will take on EASA and IEASA's management.

Loma de La Lata and IEASA and EASA are currently conducting the necessary procedures before the applicable entities in order to obtain the authorizations, registrations and recordings necessary for CTLL to operate as the continuing company in the merger.

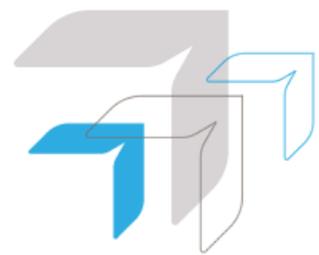
Meanwhile, on September 22<sup>nd</sup>, last year, the Board of Directors of Pampa Energía (PESA) approved the merger of certain subsidiaries of the group, including Central Termica Loma de la Lata (the acquiring company of EASA), into PESA, as the acquiring or absorbing company. The effective date of the merger was set on October 1<sup>st</sup>, last year, when the transfer to PESA of the totality of the acquired companies' equity took effect, with all the latter's rights and obligations, assets and liabilities becoming incorporated into the acquiring company's equity; all that, subject to the corporate approvals required under the applicable regulations and the registration with the Public Registry of Commerce of both the merger and the dissolution without liquidation of the acquired companies.

Then, on December 26, last year, we were served notice of the request for authorization to modify our controlling class "A" shares.

Last but not least, on December 4<sup>th</sup>, last year, Moody's Latin America issued a report raising the local rating of our 2022 Corporate Bonds from Baa2.ar to Aa3.ar at local rating, and the global rating from B3 to B1, with a stable outlook; as well as the rating for shares from Category 2 to Category 1. These raises followed Moody's recent upgrading of the rating of Argentina's Government Bonds from B3 to B2, along with the rise of the sovereign ceiling in foreign currency from B2 to B1.

The upgrading of the ratings, in our case, was based on the improvement of our financial indicators that have already been materialized throughout 2017, reflecting the first phase of the tariff increase implemented through the RTI at the beginning of the last year. In addition, said upgrading incorporated Moody's vision that the second phase of the RTI process will be fully applied with the recent publication of the new tariff scheme.

Now, taking into consideration our results in the fourth quarter of 2017, net sales increased by 71%, reaching about 6.8 billion pesos, compared to 4 billion pesos for the same period in 2016. This increase is mainly explained by the application of the first and second step of the tariff increase resulting to the Comprehensive Tariff Review and, to a lesser extent, to the inflation adjustment of the distribution costs (CPD). The first distribution fee adjustment, which was limited to 42%, became effective as from February 1, 2017, whereas the second adjustment of 18%, granted pursuant to Resolution No. 603, entered into effect on December 1, 2017, one month later than the date stipulated in the Tariff Review. Furthermore, the 11.6% first semester inflation adjustment



stipulated in the RTI to be effective as from August last year, was also delayed until December 2017. Despite this delay, the retroactive effect of both adjustments was added in real terms to the new tariff scheme, effective as from December 1, 2017. It amounted to 754 million pesos and was fully accounted for as of December 31, last year, but was billed in two installments in the months of December 2017 and January 2018.

On the other hand, the impact on income resulting from the deferral of revenues due to the gradual recognition of VAD adjustments has not been accounted for yet in our financial statements, amounting approximately 4.9 billion pesos for the period between February 1 to December 31, 2017. This proceeds will be incorporated in 48 monthly installments into our distribution fee as from February this year, plus the corresponding inflation adjustment.

The increase in the amount of sales from services was partially offset by a 1.5% decrease in the volume of energy sold, which reached to 5 TWh in the fourth quarter last year, against 5.1 TWh for the same period in 2016, mainly due to a decrease of 3.9% in residential customers' demand as well as a 3.7% decrease in medium commercial customers' demand, partially offset by a 1.7% and a 0.4% increase in the demand by industrial and wheeling system customers, respectively. As far as the residential demand is considered, the lower consumption is associated with weather conditions, as during the months of November and December last year, temperatures were on average 0.6 °C lower than in 2016, with a lower occurrence of extremely high temperatures. Furthermore, the decrease in consumption by medium commercial customers is mainly attributable to a slight fall in the economic activity in specific sectors and to a more rational use of energy. On the other hand, industrial and wheeling system customers presented a growth in line with the positive variation of the industrial production index. Besides, Edenor's customer base increased by 2.9%.

The electricity power purchases increased 177% to 3.6 billion pesos in the fourth quarter last year compared to 1.3 billion pesos in the same period 2016, mainly due to an approximate 182% increase in the purchase average price resulting from the entry into force, in February and December last year, of the new seasonal prices for electricity, set forth by Resolution No. 20 and No. 1,091 of the Secretariat of Electricity Energy. However, it is important to note that the reference seasonal price was still subsidized for residential customers, where the subsidy was approximately 44% of their system's average generation cost. Additionally, even though the energy loss rate remained substantially unchanged, reaching 16.4% in the fourth quarter last year against 16.2% in the same period 2016, its associated cost increased by 138% following the application of the new seasonal price for its determination.

Meanwhile, operating expenses remained roughly flat, with a 1.2% quarter-on-quarter decrease, reaching 2,410 million pesos in the fourth quarter last year, against 2,438 million pesos in the same period 2016. This is accounted for by a 293 million pesos decrease in penalties resulting from changes introduced by ENRE Note No. 125,248, both in fines' calculation methodology and in the criteria for their adjustment. This effect was offset by a 162 million pesos increase in salaries, social security taxes and pension plans as a result of the staggered salary increases granted by the Company during 2017, in line with inflation; a 119 million pesos surge in fees and remuneration for services, mainly attributable to the incorporation of the meter reading personnel into the "Luz y Fuerza" union and higher collection costs and taxes as a result of the application of the new tariff



scheme; and, lastly, a 26 million pesos increase in depreciations due to the growth of fixed assets during last year.

Arriving to our net operating income, it had a decrease of 634 million pesos, recording profits for about 646 million pesos in the fourth term last year, against profits for 1.3 billion pesos for the same period in 2016. This negative variation was mainly due to the fact that in the fourth quarter 2016 an extraordinary positive result was disclosed on account of purchase loans and VAD, in order to compensate the effect of the precautionary measures passed during that year, in the amount of 271 million pesos and 1,126 million pesos, respectively.

This decrease was partially offset by a 508 million pesos increase in the margin resulting from the tariff update granted by the RTI as from February 2017.

Regarding our financial results, they experienced a 48.5% decrease, with an approximate 444 million pesos' loss in the fourth quarter last year, against 299 million pesos' loss for the same period 2016. The main reason was the acceleration in the domestic currency depreciation rate against the U.S. Dollar, which caused a negative impact due to the exchange differences in the amount of 91 million pesos, and higher financial interest charges payable, in the amount of 46 million pesos, as our financial debt is denominated in U.S. Dollars, in addition to the interests accrued by the new loan disbursed in October 2017. Another fact to take into account is the change in the methodology for disclosing penalty interest, in the amount of ARS 48 million pesos, which was included within our operating expenses during 2016.

Finally, net results showed a 631 million pesos decrease, reaching a 22 million pesos profit in the fourth term last year, against a 654 million pesos profit for the same period in 2016. This is mainly explained by lower results due to resolutions in the amount of 1.1 billion pesos, which were partially offset by an increase in the gross margin as a result of the tariff update under the RTI. Furthermore, an improvement in results due to lower Income tax charges in the amount of 148 million pesos was recorded because of the new applicable income tax rates for the deferred income tax projections, partially offset by a 145 million pesos decrease in financial results.

Talking about Edenor's adjusted EBITDA, it reached to a gain of 794 million pesos in the fourth quarter last year, but 672 million pesos lower than the same period 2016. This is mainly due to the fact that the fourth quarter 2016 included an extraordinary compensation for precautionary measures in the amount of ARS 1.1 billion pesos and a reclassification of financial interest on the balance of sanctioned penalties for a total amount of 48 million pesos.

Excluding the retroactive effect, EBITDA in the 4<sup>th</sup> quarter 2016 would have resulted in a gain of 480 million pesos under normalized basis. This means a 65% increase in EBITDA, to reach the before mentioned 794 million pesos in the fourth quarter 2017.

Regarding Edenor's capital expenditures, during the fourth quarter last year our investments totaled about 1.3 billion pesos, compared to 694 million pesos in the same quarter 2016, resulting an 86% increase. From that total, 64% corresponds to network infrastructure and expansion, and the remaining 36% to network maintenance.



The increase in investments results from our ambitious plan for the 2017-2021 period, which was affected in its first year of implementation by the partial deferral of the revenues increase granted by the RTI. Consequently, we have drawn up an investment plan in line with this new scenario, which is currently being strictly executed.

Taking into account our energy losses, they showed a slight increase, reaching 16.4% in the fourth quarter last year in comparison with 16.2% for the same period 2016. Its cost in pesos increased in 183 million quarter-over-quarter, as a result of more than a 100% growth in its cost, due to the application of the new seasonal price, amounting a loss of 316 million pesos for the fourth term last year.

Furthermore, in the fourth quarter last year we continued taking actions to reduce energy losses on two fronts: on the one hand, Market Discipline actions (DIME) were intensified aiming to detect and normalize irregular connections and electricity theft and frauds and; on the other hand, there was an increase in the installation of Inclusion Meters (Energy Integrated Meter, MIDE) to foster consumption self-management and the integration of users having an irregular income, at the same time encouraging the reduction and prevention of irregular connections. We expect to intensify these actions until reaching expected levels with the purpose of meeting the outlined loss reduction goals.

Finally, as far as financial debt is concerned, as of December last year, the outstanding principal of our dollar-denominated financial debt amounts to 226 million dollars, of which 176 million dollars correspond to our Senior Notes 2022, and 50 million dollars to the bank loan taken out with ICBC Dubai Branch for a term of 36 months and a 6-month Libor rate plus a spread of 2,75% semi-annual incremental.

So this concludes my review on Edenor. I will now leave you with Lida Wang, Investor Relations Manager at Pampa Energía, who will express on other relevant events of the group, as well as the consolidated results. After that, we will be open for questions.

**Lida Wang**

Good morning everyone and thank you Leandro. I will give you a short recap of events since our last call on November of last year. This is a quite abnormal quarter since as required by IFRS standards, our financial statements are unconsolidating the results coming from the assets agreed for sale. Although transactions' closings are yet pending, we are reporting them as discontinued operations.

So, beginning with the Adjusted EBITDA, we are showing the figures including the discontinued operations, so the investor can reconcile figures with past reporting. As you can see on slide 4, in the fourth quarter of 2017 we recorded an EBITDA of 5.2 billion pesos, compared to an EBITDA of 4.1 billion pesos in the same period of 2016.

The large variation was due to increases of 845 million pesos in power generation, 51 million pesos in oil and gas segment, 484 million pesos in refining and distribution, 478 million pesos in holding and others plus intersegment eliminations, partially offset by 671 million pesos in electricity distribution and 108 million pesos in petrochemicals segment.



The higher EBITDA of 845 million pesos at our generation segment was mainly given by the update in the legacy capacity remuneration, which currently is 77% of our total installed capacity, billing under the new scheme in US dollars. In the same period of last year, legacy capacity was remunerated in pesos and at lower dollar terms. Peso devaluation also positively impacted our EBITDA, since our entire segment is set to invoice in dollars, in addition to the commissioning of new generation machines: Loma's gas turbine #5, Parque Pilar and on December of last year, we began operations at Ingeniero White for 100 MW, therefore successfully completing the committed 305 MW under 2016's thermal fast track tenders. We are proud to say we achieved the operation date before the scheduled date, and as the other projects we delivered on or before time, this is remarkable compared to other peers' projects.

All these positive effects were partially offset by a 22% lower dispatch quarter over quarter, mainly because of Genelba's CCGT working at 50% during the entire quarter, but the positive news is that the faulting gas turbine has been replaced and the CCGT is back to normality since the beginning of 2018. Also, the quarter's generation was affected by a major maintenance at Loma's steam turbine, as well as lower dispatch at Piedra Buena. The decreases were partially offset by higher electricity production at Pichi Picún Leufú's hydro, that is recovering from a drought in 2016. Also, we managed to maintain an availability rate of 81% with increased installed capacity, which is higher in comparison with 79% of the same quarter of last year.

Last in Power Generation news, we are adding other 2 wind farms in Bahía Blanca area to the projects' pipeline, for a total of 100 MW and an investment of 140 million dollars. We are one of the few companies to have dispatch priority clearance by CAMMESA, so through this expansion we would be selling the electricity directly to private large users, taking advantage of the new term market for renewable energy and diversifying our customer base and generation source. Besides organic growth, we keep seeking to expand this business that we consider core to Pampa's strategy, staying alert of new opportunities in the sector, especially at the M&A from the Government assets' divestments.

Moving on briefly to the distribution segment which was previously reviewed by Leandro, during the fourth quarter of 2017 the EBITDA decreased by 671 million pesos on a consolidated basis compared to the same period of 2016, mainly because of the gradual application of the RTI tariff increase set in February 2017 in addition to last year's one-time income recognition by CAMMESA because of the injunctions.

In the oil and gas segment, in the fourth quarter of 2017 we posted an adjusted EBITDA of 2.3 billion pesos, similar to the EBITDA recorded at Q4 2016, all including discontinued operations. This variation is mainly due to improved gas sales price in US Dollar and Argentine Peso as an effect of the FX devaluation, partially offset by lower hydrocarbons production, mainly because of the service termination at Medanito La Pampa block by the end of October 2017 and partial divestments of certain blocks in October 2016. The EBITDA considers OldelVal's EBITDA adjusted by 23.1% ownership, which contributed 32 million pesos.

Our total production in Q4 2017 declined 12% compared to Q4 2016, reaching 68 thousand barrels of oil equivalent per day, composed by 284 million cubic feet per day of natural gas production and 20.7 thousand barrels of oil equivalent per day of crude oil and LPG production.



The decrease in gas mainly responds to the divestments mentioned before in 2016, partially offset by higher level of domestic gas production at El Mangrullo and Río Neuquén blocks due to better pricing. During Q4 2017 our weighted average sale price was 6.2 dollars per million BTU, 43 cents higher than the same period of 2016, mainly because of a higher level of incremental production recognized under Plan Gas and higher pricing from demand. Keep in mind that Pampa hold Plan Gas second generation, which expires on June 2018 and incentives all kinds of gas additional production. After that our tight gas production will be joining the Plan Gas for unconventional resources, which contribution is lower but it is offset by the increasing demand price, especially from residential and gas for cars as they are converging to 7 dollars per million BTU mostly by 2019.

In that sense, YPF, our partner in the blocks Rincón del Mangrullo and Río Neuquén, submitted to the Neuquén authorities the corresponding investment plan as required by the Plan Gas for unconventional resources. Once these investment plans are approved, they will need to be validated by the Ministry of Energy. Regarding the licenses' extension in Sierra Chata and El Mangrullo blocks, we are still negotiating with the provincial authorities to obtain new and extended unconventional licenses as mentioned in the previous call.

In the oil side, the decrease in production is mainly due to the termination of Petrolera Pampa's service at Medanito La Pampa block by the end of October 2017, the decrease in Venezuela's blocks production and the decline in the mainly mature oil-bearing blocks of Pampa and PELSAs. Quarter over quarter the crude oil average sale price dropped by more than 2 dollars, reaching to 55 dollars per barrel, which did not help the declining crude oil production. As from October 2017, the Agreement for the Transition to International Prices of the Argentine Hydrocarbon Industry was lifted, allowing the domestic price of crude oil barrel to be used as raw material for refining to be determined based on free domestic market rules. The oil production is entirely loaded to the refinery in Bahía Blanca.

During the fourth quarter of 2017 we continued with our investment plan budgeted for 2017 of 76 wells drilled and completed. As of December 2017, 75 wells were drilled and 69 were completed. Our focus is the development of blocks with tight gas reservoirs, which are Rincón del Mangrullo, El Mangrullo, Río Neuquén and Sierra Chata. In the tight gas blocks, during last quarter we drilled 5 wells and completed 6 wells, achieving 35 wells drilled and 30 wells completed throughout 2017. Hence, our consolidated gas production run rate keeps very similar to the past quarters performance.

In addition, this quarter we must highlight the exploration campaign in Parva Negra Este, in which we drilled and completed a well with 2,500 meters of horizontal branch. This well drilled to Vaca Muerta is currently being tested with an accumulation of 40 days of gas production, 83 days after the start of flowback production. As of December 31, 2017, the production is above 8 million cubic feet per day and producing steadily, with potential for growth, and the current production is connected to Sierra Chata block through a pipeline. Parva Negra Este block's accumulated production recorded 200 million cubic feet.

Regarding our proven developed and undeveloped reserves, it is worth pointing out that as of December 2017 we reached 167 million barrels of oil equivalent, of which 75% is natural gas, all of them in Argentina and 84% corresponding to Pampa. This 16% increase was mainly given by



the 35-year license extension at Rincón del Mangrullo, exploration activities and higher historical gas prices that derisked reserves. Given the current conditions in Venezuela, our reserves there are valued at zero.

Regarding the strategic divestments, we carried out lately, on January of this year we agreed to sell to Vista Oil & Gas our direct ownership of 58.88% at PELSA, 3.85% of PELSA's blocks and 100% at Medanito and Jagüel de los Machos oil-bearing blocks for a price of 360 million dollars plus standard adjustments. The transaction is subject to certain conditions precedent, including the approval of Vista's shareholders meeting, so it is still pending of closing. Though we were not actively seeking to divest these assets, we received this offer that made us to reassess our position in oil production within our Company's strategy. We rather focus this resources to the development of our tight and shale gas resources, which we see with much more potential because as long as the country continues importing of LNG to cover consumption, gas margins are implicitly protected by the import parity as it is the marginal price to cover the gas supply deficit.

The refining and marketing segment posted an adjusted EBITDA of 405 million pesos, compared to a EBITDA loss of 79 million pesos recorded in the same period of last year, all including discontinued operations. The variation is mainly because of lower crude oil cost, which reached its convergence toward export parity, in addition to the improvement on refined products' sale price, due to the suspension of the Producers and Refiners' Agreement. The EBITDA considers Refinor's EBITDA adjusted by 28.5% ownership, which contributed to Pampa 45 million pesos.

In operating terms, sales volume of refined products totaled 443 thousand m3 in Q4 17, 7% lower than Q4 16, mainly due to lower load factor at the refinery and imports of diesel oil, as a result of a decline in demand, partially offset by higher sales of asphalts and IFOs due to the market activity improvement.

Regarding the other strategic divestments we carried out in the refining and marketing of fuels segment, this one was thoroughly analyzed even before we took over the former Petrobras Argentina. We knew that the current scale and structure of the segment lacked of competitiveness and therefore, it required to increase size to achieve sustainability, so we either have to choose as binary as scale up or divest in this business. We worked throughout 2017 in both options, but as we couldn't acquire a company with the desirable size to continue betting in the business, we decided to divest for 90 million dollars plus adjustments and Trafigura is the buyer. The closing of this transaction is also pending.

In petrochemicals, we posted an adjusted EBITDA loss of 38 million pesos during the fourth quarter of 2017, 108 million less compared to the same period of last year, mainly due higher operating and raw materials' costs, mostly denominated in US Dollar, that increased at a faster pace than international pricing references, denominated in US Dollar as well. The adjusted EBITDA does not consider a contingencies' update with San Lorenzo customs from former Petrobras Argentina, for 121 million pesos.

In operating terms, total sales volume of our petrochemicals segment decreased by 18% in Q4 17, totaling 104 thousand tons compared to Q4 16. This decrease mainly responds to lower domestic sales of octanes followed by styrene products, in addition to lower exports of reforming products, partially offset by higher exports of SBR because of international prices' improvement.



Finally, our holding and others segment presented an adjusted EBITDA of 248 million pesos in the fourth quarter of 2017, compared to a loss of 221 million pesos in the same period of 2016. This is mainly due to higher fees charged to our subsidiaries, adjusted EBITDA by ownership from TGS and Transener, in addition to higher third party fees and legal costs incurred in Q4 16 for the acquisition of former Petrobras Argentina.

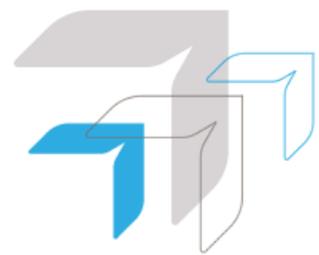
TGS's EBITDA adjusted by our indirect stake of 25.5% contributed to Pampa 403 million pesos in the quarter from an implicit total of 1,581 million pesos, 66% higher compared to Q4 16, mainly due to the tariff increase resulting from the RTI for gas transportation business, being implemented 181% cumulative since April to December of last year, that is, two out of three installments plus costs variation adjustment. Moreover, the margin improvement in the liquids processing segment, which was due to higher prices as well as sales volumes, contributed to the EBITDA's performance in TGS.

Because TGS's Integral Agreement is still not in force, the increases are vested under transitory status until the Agreement is approved by Congressional committee, which is estimated to be in April of this year. On February 20 TGS made a presentation before a public hearing, in which they presented a 42% tariff increase schedules resulting from the third and final hike plus costs variation calculated until February 2018. The ENARGAS have not released the final tariff schedules yet.

Moreover, Transener's EBITDA adjusted by our indirect shareholding of 26.3% contributed 327 million pesos in the fourth quarter of 2017, from an implicit total of 1,241 million pesos. This figure is almost 9 times higher than same period in 2016, mainly explained by the application of RTI tariff scheme as of February 2017 and acknowledgment of higher costs applicable as of December 2017 but retroactive to August of 2017, date that costs variation should have been applied according to the RTI. Moreover, Transener was granted the second costs variation increase in February 2018. The next update is due on August 2018.

Moving to the latest news in the segment, since the acquisition of former Petrobras Argentina, Pampa began a corporate reorganization process in order to make the Company's structure more efficient and simple, synergies of costs and generate operating cashflow at the parent and not through the subsidiaries. In this regard, on December 21 the Boards of the involved Companies in the merger approved the exchange ratios, among them the previously announced exchange ratio of 2.2699 shares of Pampa for each share of Petrolera Pampa.

As we are awaiting for completion of the corporate reorganization's first stage, that began with the collapse of former Petrobras Argentina in November 2016, on February 28 we received a notification from the CNV, the Argentine SEC, that an Argentine federal criminal court was conducting an investigation on ANSES, the Argentine pension fund, regarding their sale of Petrobras Argentina's share during the mandatory tender offers Pampa was obliged to make in 2016 in compliance with the Capital Markets Law. Because of that criminal investigation, the court resolved that the CNV and I quote "must not take any measure and/or definitive resolution regarding the merits of the case without prior authorization from this Court, in relation to the filing that is being processed in the CNV regarding the corporate reorganization of Pampa Energía S.A.". We highlight that the Court's investigation is not over any of the tender offers, the merger or Pampa whatsoever. The delay in the registration of the merger directly affects the minority shareholders of Petrobras Argentina locally and overseas, that are waiting for the share swap to



take place once the merger is duly registered. The Company have filed all the corresponding documents and responded all the inquiries made by the CNV in duly time. In light of this development Pampa vows to continue taking the necessary measures to promote and obtain the registration of the merger.

Therefore, once all the corresponding regulatory and corporate approvals are obtained, the merger transactions are duly registered before the Argentine Public Registry, the share capital will be composed by 2,083 million Shares of Pampa, representing a 7% dilution.

In terms of net income, Pampa presented a consolidated gain of 1.7 billion pesos in the fourth quarter of 2017, of which 1.5 billion pesos corresponds to the shareholders of the Company, compared to the loss of 982 million pesos in the same period of 2016. This is mainly explained by the better pricing as a result of tariff reviews, increases in remuneration and FX effect, partially offset by higher operating costs and financial net exchange differences from peso devaluation.

Finally, moving on to news related to debt in slide 14, it is worth highlighting that the leverage of the Company is still quite low compared to other peers in the same industry. As of December 31, 2017 the gross consolidated debt including affiliates debt at ownership, reached to 2.2 billion dollars, of which 92% is denominated in US dollar and 84% placed at the parent, as we are collapsing certain subsidiaries. Net of cash, net debt amounts to 1.3 billion dollars. The average interest rates are 7.2% in US\$ and 22.4% AR\$; average life is below 6 years.

Given the sale transactions at the refining and marketing and crude oil exploration and production segments, the resulting cash inflow allows the Company to comfortably face the defined strategic investments. Therefore, the Company considers that it is unnecessary to issue a bond convertible into common shares, which terms and conditions were approved by the Company's Board of Directors on June 2017.

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