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Buenos Aires, May 15, 2018 (10 am Eastern Time)

## **Pampa Energía Q1 2018 Conference Call**

Presenting:

Lida Wang, Investor Relations Officer at Pampa Energía

Good morning everyone and thanks for joining our conference call. Since this quarter we are only presenting Pampa, and as you may now Edenor's conference call took place yesterday. So we'll briefly review key figures and news per business segment and head to Q&A. As you know, you can always call me or Margarita for more details on the results or any doubts you might have.

In order to objectively report the financial performance of each business segment, as from 2018 and for the comparative periods, Pampa's corporate expenses that used to be reported under holding and others segment, will be redistributed among the operating segments –that is, power generation, oil and gas, refining and marketing and petrochemicals-. Also, in spite of being the divestments closed after the Q1 18, we are not considering discontinued operations figures in the actual and comparative figures.

So, as you can see on slide 4, beginning with the Adjusted EBITDA, in the first quarter of 2018 we recorded an EBITDA of 7.7 billion pesos, 151% more compared to an EBITDA of 3.1 billion pesos in the same period of 2017. Both actual and comparative quarter do not consider the figures from divested assets.

The large variation was due to increases of 1.3 billion pesos in power generation, 2.1 billion pesos in electricity distribution, 474 million pesos in oil and gas segment, 55 million pesos in refining and distribution, 35 million pesos in petrochemicals segment and 616 million pesos in holding and others plus intersegment eliminations.

The higher EBITDA of 1.3 billion pesos at our generation segment was mainly given by the update in the legacy capacity remuneration, which currently is 77% of our total 3.8 GW installed capacity. During the entire Q1 2018 the legacy capacity was billed under the new scheme with full fare remuneration, while in the Q1 2017 only February and March were billed under the minimum remuneration and January 2017 was AR\$-nominated under the former and lower pricing scheme. Peso devaluation also positively impacted our EBITDA, since our entire segment invoices in dollars, in addition to increased power generation performance by 8% year on year, mainly contributed by Loma de la Lata's new gas turbine #5 -online since August of last year- and the 15 MW enhancement at the combined-cycle steam turbine –that turbine originally set to guarantee 178 MW, but because of technical problems in other turbines in the world, the contractors recommended to modify them, being finally restored as of January of this year. Also, the outperformance was due to higher dispatch at Pichi Picún Leufú hydro power plant and Güemes and Piedra Buena thermal power plants, plus the new power plants under PPAs we commissioned last year under the fast track tenders. The increases were partially offset by lower dispatch at the Plus open cycle turbine in Genelba power plant and lower dispatch at Los Nihuales and Diamante hydro power plants because of low water flow.

Also, we managed to maintain an outstanding availability rate of 97% with increased installed capacity, which is higher in comparison with 87% achieved in the same quarter of last year, mainly because of Piedra Buena's recovery from last year's outages from maintenances.



Before I move on from power generation, I wanted to give you a quick update of our expansion projects. We began in Q4 last year with Genelba's closing to combined-cycle for 383 MW as soon as we got awarded, and as you can see in the picture we've just finished setting the ground and about to start with the proper construction. This plant will be operating as open cycle in Q2 2019 and as combined cycle in Q2 2020.

In the renewable front, we've just began with the construction of Pampa Energía and De la Bahía wind farms for 106 MW, which is due second quarter of next year. Remember that this two farms' electricity will be sold to large users through private PPAs, targeting their need to comply with the National Renewables Law. And regarding to the Corti wind farm, we have everything ready to begin operations, on time with the committed COD. Again, we are proud of achieving this milestone of commissioning our first wind farm at Pampa, a significant one for the country but also sticking with the committed dates as we did in the other projects, remarkable compared to other peers' projects.

Moving on briefly to the distribution segment which was previously reviewed by Leandro yesterday in Edenor's earnings call, during the first quarter of 2018 the EBITDA increased by 2.1 billion pesos compared to the same period of 2017, mainly because of the full fare billing on the distribution tariff granted within the comprehensive review (RTI) as from February 1, 2018, plus the cost variations recognized in August 2017 and February 2018 of cumulative 25%. Additionally, as from February 2018 Edenor started invoicing 2 out of the 48 installments generated by the gradual application of 2017's tariff increase. The sales increase is also explained by the growth in SMEs and industrial demand, which pay higher tariff compared to residential's, partially offset by the decrease in residential consumption mainly due to elasticity demand to tariff increase and slightly lower temperature compared to Q1 17.

In line with our actions for energy recovery, we experienced a 3% increase of registered clients year on year, mainly because of the installation of special Inclusion Meters to foster consumption self-management and the integration of users having a non-regular income.

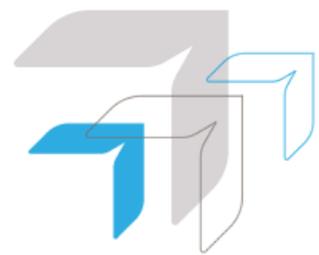
Losses showed a slight increase, reaching 16.3% in the first quarter 2018 compared with 16.2% for the same period 2017, but its associated cost increased by 147% year on year due to the application of the new seasonal price that, by the way, still subsidized compared to the full cost of generation.

In the oil and gas segment, in the first quarter of 2018 we posted an adjusted EBITDA for continuing operations of 1.8 billion pesos, 36% higher than in Q1 2017. This variation is mainly due to improved oil and gas prices in US Dollar and Argentine Peso as an effect of the devaluation, partially offset by lower crude oil production, mainly because of the service termination at Medanito La Pampa block by the end of October 2017, in addition to higher lifting costs because of the effect from Peso devaluation over US\$ denominated costs. The EBITDA considers OldelVal's EBITDA adjusted by 23.1% ownership, which contributed 29 million pesos.

Our production in Argentina in Q1 2018 declined 8% compared to Q1 2017, reaching 45.9 thousand boe per day, composed by 247 mcf per day of natural gas (90% of total production) and 4.7 thousand boe per day of crude oil (10% of total production).

The gas production in Q1 2018 remained stable year on year, and also quarter on quarter, where Q4 17's gas production excluding the divested assets was 244 mcf per day. This was mainly due to the increase in the drilling activity at El Mangrullo, Río Neuquén and shale development at Parva Negra Este blocks, offset by the natural decline of the block and a lower drilling rate at Rincón del Mangrullo block.

During Q1 2018 our weighted average sale price was 6.3 dollars per million BTU, of which 23% was contributed by the Plan Gas subsidy. This price is slightly higher than the same period in 2017, mainly because of the greater incremental production recognized under Plan Gas second generation, which considers declining rates to the baseline production, unlike the Plan Gas for unconventional gas. Keep in mind that Pampa's Plan Gas second generation ends on June 2018, after that the unconventional production at our fields in Neuquina basin



will qualify the new Plan Gas, of which the incremental amount defined in the new scheme is lower and so its contribution to the pricing, but it is offset by the increasing price paid from demand, especially from residential and gas for cars as they are converging towards import parity.

In the oil side excluding divested assets, the decline in production of 4 thousand boe per day responds mainly to the end of Petrolera Pampa's service at Medanito La Pampa block and in a lesser extent to the natural decline in the mature El Tordillo oilfield block. During Q1 18 the crude oil sale price increased by almost 4 dollars year on year, reaching 58.5 dollars per barrel, because since October 2017 the domestic price fully converged and moves with international price of barrel.

During the first quarter of 2018 we continued with our investment budgeted plan for the year of 92 wells to be drilled and 83 to be completed, being in both cases more than 50% targeting unconventional gas. As of March 2018, 13 wells were drilled and 17 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 Q1 2018 we drilled 5 wells and completed 6 wells. Hence, Q1 18 gas production run rate kept very similar to the past quarters performance.

In that sense, YPF, our partner in the blocks Rincón del Mangrullo and Río Neuquén, already submitted to the Neuquén authorities the investment plan as required by the new Plan Gas and in the case of Río Neuquén block, the plan was approved by the provincial authority. Regarding the concessions' extension in Sierra Chata and El Mangrullo blocks, we expect to conclude the negotiation for license extension in the short term, so will be joining the new Plan Gas with the committed investment approved by the provincial authorities. Once all investment plans are approved, they need to be validated by the Ministry of Energy.

In addition, regarding our shale activities, in Parva Negra Este, block in which we drilled and completed a well to Vaca Muerta with 2,500 meters of horizontal branch. As of April 2018 the production of that well is above 6 mcf per day, which is evacuated through Sierra Chata through a pipeline, producing steadily with potential for growth. The accumulated production is 1 bcf so far. Moreover, on April 2018 we requested one-year extension of its exploratory license and we are waiting for the clearance from the provincial authorities.

Moreover, on April 4 we closed the sale to Vista of Pampa's oil-bearing blocks, announced back in January 2018. The final price reached almost 399 million dollars, paid by Vista upon the closing. The divested production reported for the quarter drop 4% to 19.8 thousand boe per day due to liquids production decline but offset by gas production increase, and the adjusted EBITDA posted 814 million pesos in Q1 2018, 24% higher than Q1 2017, mainly due to better crude oil prices and the devaluation, partially offset by lower oil production and the end of Plan Gas subsidy for gas production in PELS, as it expired on December 31, 2017.

So with the proceeds from this transaction, we rather to align the capital to our strategy and develop 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.

Also this quarter we managed to settle a conflict that EcuadorTLC, our fully-owned subsidiary established in Ecuador, held with other members of the Bloque 18 Consortium against the Government of Ecuador. In exchange of not pursuing an award the Consortium got in their favor, Ecuador agreed to waive fiscal and labor claims to EcuadorTLC amounting more than 132 million dollars and pay 54 million dollars before June 2018. So far 34 million dollars have been collected.

Finally on oil and gas segment, on April 3 the Ministry of Energy through resolution 97 approved the procedure for the cancellation in 30 equal consecutive installments of the compensations owed under Plan Gas until Q1 18, payable as from January 1, 2019. Pampa holds 148 million dollars approximately in credits, and on May 2 we granted consent and acceptance to the resolution.



The refining and marketing segment for continuing operations, which is basically Refinor's EBITDA adjusted by 28.5% ownership, contributed to Pampa 53 million pesos in Q1 18, compared to a EBITDA loss of 3 million pesos recorded in the same period of 2017.

On May 9, the Company closed the sale to Trafigura of the Bahía Blanca refinery, the Caleta Paula logistics plant, the lubricants plant and the gas stations' network operated under 'Petrobras' branding. The latter two will be gradually transferred as Trafigura rebrands them with 'Puma Energy' trademark. The price after adjustments amounted to 125 million dollars, which is on top of the sale of three plots where Pampa-owned gas stations operated for a total amount of 41 million dollars. Pampa also transfers personnel, including corporate staff and avoids to disburse capital for rebranding and compliance of clean fuels regulatory capex.

The divested assets sales' volume of refined products totaled 452 thousand m3 in Q1 2018, 6% lower than Q1 2017, mainly due to lower load factor at the refinery, imports of diesel oil, partially offset by higher sales of asphalts and IFOs due to the market activity and prices improvement. The adjusted EBITDA posted 232 million pesos in Q1 2018, 180% higher year on year mainly because sale prices improvement in Argentine Peso thanks to the end of the Producers and Refiners' Agreement, partially offset by higher cost of diesel oil imports and crude oil as raw material.

In petrochemicals, we posted an adjusted EBITDA of 49 million pesos during the first quarter of 2018, 35 million higher compared to the same period in 2017, 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 customs for 171 million pesos and excludes the gain from the penalty to Oil Combustibles due to its failure to deliver raw gasoline.

In operating terms, total sales volume of our petrochemicals segment decreased by 30% in Q1 18, totaling 87 thousand tons compared to Q1 17. This decrease mainly responds to the halt in the reforming plant as Oil Combustibles is not delivering the raw material of virgin naphtha, affecting not only the lower production of reforming products for domestic sales but also for export, in addition to the lower export sales of octanes followed by styrene products and the decline in styrene products' demand mainly due to the increase in the international prices.

Finally, our holding and others segment presented an adjusted EBITDA of 988 million pesos in the first quarter of 2018, compared to 351 million pesos in the same period of 2017. This is mainly due to higher income from fees and the adjusted EBITDA by ownership from TGS and Transener, partially offset by higher third party fees and labor costs.

**TGS's** EBITDA adjusted by our indirect stake of 25.5% contributed to Pampa 690 million pesos in the quarter from an implicit total of 2,707 million pesos, significantly higher compared to Q1 17, mainly due to the tariff increase resulting from the RTI for gas transportation business, being implemented 181% cumulative since April to December of 2017, that is, two out of three installments plus PPI 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.

Also, on March 27 after the approval from several ministries and the National Congress, the National Government executed the Integral Renegotiation Agreement for the license signed by TGS on March 2017, therefore ending the RTI process initiated in April 2016. Effective as from April 1, the ENARGAS passed the last installment of the tariff increase, which represents a 50% increase in tariff schemes applicable to TGS' natural gas transportation utility and the Charge for Access and Use, that involved a 7% increase for end users.



Moreover, on April TGS was granted a concession to build and operate a gathering gas pipeline crossing different blocks in the Vaca Muerta formation operated by well-known producers such as Total, Pluspetrol, Shell, Exxon, YPF, PAE and us. Additionally, TGS will build and operate a gas conditioning plant at the end of the gathering pipeline but before the injection to the main pipeline. The Vaca Muerta project will have a 57 miles long pipeline, with a transportation capacity of 1.3 bcf per day, extendable to 2 bcf per day. The conditioning plant will have an initial capacity of 177 mcf per day, extendable in modules. The first stage of the Vaca Muerta Project will require a 250 million dollars investment, and will take 19 months to be built.

In the case of **Transener**, its EBITDA adjusted by our indirect shareholding of 26.3% contributed 311 million pesos in the first quarter of 2018, from an implicit total of 1,180 million pesos, 23% higher than same period in 2017, mainly explained by the application of RTI tariff scheme in only one installment as of February 2017 and the cost variation update in August 2017 and February 2018 of 24% cumulative. The next update for the cost variation is due on August 2018.

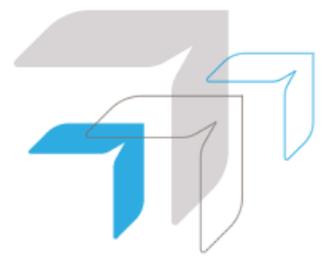
Moving to the latest news in the segment, regarding the collapse of former Petrobras Argentina, we obtained all the pending approvals needed to execute the merger and yesterday we announced the share exchange of the outstanding 10% of Petrobras Argentina shares into Pampa's. Therefore, Pampa will issue 102 million out of the 246 million ordinary shares needed for the two mergers. Remember that the second merger collapsing Petrolera Pampa and some power generation companies Loma, Güemes and the hydros' holdcos was approved by shareholders last April 27. Therefore, once the second merger is duly registered before the Argentine Public Registry, the share capital will be composed by 2,083 million shares or 83.3 million ADRs of Pampa.

Moreover, in light of the market turbulence worldwide and in Argentina, and therefore the divergence between the assets' implicit and market value, as well as we take into consideration the strong cash position and fund availability the Company holds today, on April 27 the Board of Pampa approved the repurchase of own shares up to 200 million dollars, being the maximum 10% of share capital and the maximum price of 50 pesos per ordinary share or 60 dollars per ADR. As of today, the Company repurchased 851 thousand ADRs at an average price of 53.20 dollars per ADR, thus the share capital of Pampa net of repurchases will be 2,061 million ordinary shares. Edenor and TGS followed and they also have share repurchase program for 40 million dollars and 1.7 billion pesos, respectively.

In terms of net income attributable to the owners of the Company, Pampa presented a consolidated gain of 3 billion pesos in the first quarter of 2018, compared to 1.9 billion pesos in the same period of 2017. 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 the performance of financial instruments.

Finally, moving on to news related to debt in slide 16, we must highlight the low leverage of the Company compared to other peers in the same industry and within the country, as a result of an active liability management. Just two weeks ago and despite the markets turbulence, our gas midstream affiliate TGS was able to issue a seven-year 500 million bullet bond at 6.80 yield to maturity, an outstanding pricing that was very tight to the sovereign. The issuance was oversubscribed by more than 6 times, highlighting the importance of timing and management. The proceeds will be used to cancel the 2020 bond with 9 5/8 fixed rate, amounting to 207 million dollars in total. The remainder will be used to finance the Vaca Muerta midstream project we were talking about moments ago.

As of March 31, 2018 the consolidated gross debt including affiliates at ownership reached to 2.3 billion dollars, of which 93% is denominated or linked with US dollar and 80% is placed at the parent. As we did with the corporate expenses, in our Earnings Release you can see how we are redistributing the debt and cash among our operating businesses at the parent to properly reflect their capital structure. The average interest rates are 6.6% in US\$ and 22.2% for AR\$ debt; average life is below 6 years.



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Cash including the sales proceeds collected between April and May amounts to US\$1.6 billion, therefore net debt is reduced to 690 million dollars. The strong cash position allows the Company to comfortably face strategic investments in its core businesses power generation and gas upstream.

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