## Pampa Energía Q3 2020 Conference Call

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Presenting:
Gustavo Mariani, CEO
Gabriel Cohen, CFO
Lida Wang, Investor relations and sustainability officer

Hello everyone and thank you for joining our conference call. I hope you all are safe and well.

For the interest of time, I will make a brief summary of the quarter's key figures, the impact of COVID-19 and the latest events since our last call. We will focus on power and E&P, as TGS and Edenor already held their calls earlier this week. Our CEO Mr. Mariani and CFO Mr. Cohen are both here and joining us for Q&A.

Before we begin, let me remind you that Pampa's figures follow US Dollar as functional currency. In the case of Peso-linked subsidiaries such as our utilities, their figures are adjusted by inflation and shown in dollars at the end of each reporting period FX. Also, you can see in this slide which businesses are included when we talk about of Pampa consolidated and Pampa restricted group, a definition we use for covenant purposes.

Compared to last quarter, Q3 has not been so hectic as the lockdown is easing up and the economy rebounded, gradually improving but still not back to pre-Covid-19 levels. During Q3, the Argentine economy is estimated to have fallen by around 11% year on year, better than 19% recorded in Q2. We expect the normalization keep coming along as the country is entering into a more flexible quarantine phase.

Pampa achieved robust figures this quarter as a result of higher pricing due to winter peak season, solid operational performance across all our businesses and the contribution from our new CCGT at Genelba, which is billing a 15-year PPA.

Because of the uncertain environment at upstream, culmination of expansionary investment cycle at power generation, opex discipline and higher sales, our operating cash flow boosted during Q3 2020, helping to keep buybacks and offset the payment delays from Cammesa experienced in the quarter.

And finally, a few weeks ago the Government announced a new gas incentive scheme to foster investments for domestic production, although the official regulation has not been released yet. Beforehand, we believe this should be accretive to our upstream business.

So, let's start commenting the quarter's key takeaways. As shown on slide 5, revenues increased 5% year on year to 689 million dollars, mainly contributed by Genelba's new PPA and because of the strong real devaluation in Q3 last year affecting our utility businesses, partially offset by lower fuel self-supply as CAMMESA took over most of the Grid's fuel consumption, lower prices and volumes of oil and gas sold and lesser spot prices and dispatch. In Q3 20 around 45% of our sales were dollar-linked, but roughly 70% in EBITDA terms, mainly coming from our core businesses, PPA-power capacity followed by E&P.

Adjusted EBITDA maintained stable by only reducing 3% year on year, amounting 234 million dollars for the quarter, mainly explained by lower E&P price and volume, tariff freeze at utilities and lesser legacy at power generation, partially offset by Genelba PPA, lower E&P opex and royalties related to activity downturn and the dilution of peso-nominated costs because of FX depreciation. Quarter on quarter, EBITDA almost doubled thanks again to Genelba's CCGT PPA, the peak season having higher spot prices for power and gas, and increased sales at Edenor. As we show on right below, electricity takes 71% of the consolidated adjusted EBITDA, mostly led by power generation, while oil and gas exposure take 29%, driven by gas and TGS.

Moreover, as shown in the chart left below, in the third quarter of this year our capex decreased significantly compared to last year, mainly because drilling and completion activities at E&P are on standby due to uncertain pricing environment, compared to the shale activities in Q3 last year, and also because we finished Genelba Plus's expansion project. Edenor's capex increased year on year due to steep real depreciation in Q3 2019, partially offset by the lockdown restrictions, tariffs freeze and higher bad debts impacting Edenor's capex.

On slide 6, during Q3 the lockdown effect diluted over the Argentine power grid, thanks to winter season. The average demand reached 15 GW, 2 to 3% lower than previous years, but better than other sectors of energy industry or GDP. Industries are still the most impacted by quarantine, especially non-essential, while distCos were hit because of collapse in SMEs' consumption, but partially offset by residential demand due to stay at home order and colder weather. As we are entering spring, electricity demand is expected to give in.

Moving to power generation segment as seen on slide 7, during the third quarter of 2020 we posted an adjusted EBITDA of 132 million dollars, very similar to Q3 last year, mainly given by Genelba Plus CCGT's contribution, higher B2B renewable sales as well as lower costs related to lower energy purchases and the deval impact on our Peso-nominated expenses. These effects were partially offset mainly by the reduction and pesification of spot prices as from February 2020, without any inflation adjustment. Quarter on quarter, peak pricing for spot energy and higher dispatch in Q3 20 contributed to the 39% increase in EBITDA. While spot energy comprises 59% of our capacity, only represented 18% of our power generation EBITDA in the quarter, and will keep shrinking once Ensenada Barragán expansion is online.

Generation in Q3 20 was 3% lower year on year, in line with lower electricity demand in the national grid. Our three combined cycles at Loma and Genelba, as well as our wind farms, achieved high levels of load factor, but the thermal units that solely depended on gas such as Piedra Buena and our northwestern units were mostly not required, in addition to lower generation of our hydro units. Because of the winter and hence, reduced gas supply for power generation, our efficient dual fuel units Parque Pilar and Ingeniero White were highly requested. Quarter on quarter, power generation raised by 16% mainly because of the seasonality.

Despite the demand contraction witnessed in the country, the power generation business model relies on capacity payment, so lower dispatch does not much impact on the revenue making as long as availability is outstanding, especially for PPA-based energy. The availability rate in Q3 2020 reached 98.6% with an installed capacity of 5 GW operated by Pampa, very similar to year on year and quarter on quarter performance.

Regarding our remaining expansions in the pipeline, our key project now is the closing to CCGT at Ensenada Barragán thermal power plant, as you can see on slide 8. This is a 280 MW CCGT project at the south of Greater Buenos Aires, which is a critical infrastructure for Argentina's grid. We've already placed the purchase order for the cooling tower, so currently we are working on cementing its foundation base. We are also finishing the turbine's building, installing the main pipelines and prepaying all remaining equipment. 250 people are right now at the site, working with the strictest protocols in place to minimize circulation of COVID.

National gas consumption rebounded as expected because of winter, but domestic production is severely depleting due to weak investment landscape that began about a year and a half ago. The graph we see in the slide shows the evolution of production and dependency on gas imports and liquid fuels to fulfill the demand, which are more inefficient, paid with hard currency, way more expensive than local gas, etc. As the domestic production increased, imports reliance shrank – until 2020. In Q3, the production fell 10% year on year, covering demand deficit with liquid fuels, as LNG and Bolivian gas were taken at maximum capacity. Should this situation prevail, depletion would come along and the country would need to restore the LNG facility that was dismissed in 2018, plus increase liquids consumption, all in detriment of reserves, subsidies and GDP. However, the implementation of Plan Gas 4 should be soon and reverse this trend.

So, moving on to the results on E&P, as you can see on slide 10, in Q3 2020 we posted an adjusted EBITDA of 36 million dollars, 31% lower than in Q3 2019, mainly because of lower prices and to a lesser extent, production volume, partially offset by lesser costs and royalties.

In terms of operating efficiency, we recorded 23 million dollars of lifting cost, 44% improvement compared to Q3 last year, mainly driven by devaluation, efficiency and lower activity at less competitive blocks given current market prices. Measured by unit, we reached a lifting cost of 5 and a half dollars per boe produced, contributed by the outstanding productivity at El Mangrullo block. Should we become more active as we did this quarter, lifting cost may go higher but most of the savings are efficiencies gained to the segment.

Despite the tough environment, our oil and gas production decreased only 6% year-on-year but increased 7% quarter on quarter in Q3 2020, reaching 47 thousand barrels of oil equivalent per day, of which 91% is composed by natural gas. The quarter on quarter rebound is explained by seasonality.

On the oil side, which represented almost 20% of the segment's revenue in the quarter, volume sold decreased 11% year-on-year to 4.2 thousand barrels per day, mainly due to the decline in demand and prices because of the lockdown, resulting in activity standby, partially offset by conventional production from Chirete block, which last month was granted to Pampa and High Luck a 25-year exploitation concession in Los Blancos field.

During Q3 2020 crude oil prices decreased by 18% year-on-year, reaching 40 dollars per barrel, bouncing back from the fall caused by COVID-19 in Q2. Despite domestic demand collapsed due to the lockdown, Pampa was able to export almost 75% of its production at a discounted price on Brent. 53% of our oil production is Escalante heavy oil, which is sweet and given the current clean fuels trend is pricing premium. However, last September local market started to recover and we resumed sales.

Regarding gas, as we can see on slide 11, Q3 20 reached an average of 264 million cubic feet per day of volume sold, 15% lower year-on-year, mainly due to lower trading and to a lesser extent, 5% interannual decrease on production. Compared to last quarter, volume sold recovered 4% as production raised to attend winter demand despite challenging prices.

Lower pricing impacts negatively on the breakeven equation, thus producers respond with a lesser drilling rate and higher depletion takes place. And because of that, production was lower at our gas-bearing blocks, but were partially offset by increases at El Mangrullo, a block with outstanding productivity fully owned and operated by us. In Q3 20, El Mangrullo reached 174 million cubic feet per day of gas production, 13% higher than Q3 19 and contributing close to 70% of our overall gas, ranked the fourth largest gas producing block at Neuquina basin. Moreover, 6% of our production was shale gas from the completion of two horizontal wells at El Mangrullo block last year. As we are not connecting more wells, shale production will keep diluting.

During third quarter 2020, our average price for gas was 2.5 dollars per million BTU, 25% less than Q3 2019, explained by the sharp reduction on CAMMESA's winter reference price for gas fired at thermal plants, also affecting the industrial and spot prices. Though CAMMESA prices during Q3 2020 were around 2.5, reflecting the high demand due to winter season, since October with spring season prices are roughly 2 dollars or less, back again to the lowest in years and barely covering the replacement cost, impacting the investment horizon.

Also, as you can see right below, our production year to date is skewed towards CAMMESA, but placing an increasing share for vertical integration, as we've been procuring own gas for Genelba Plus CCGT's dispatch, rising from the last call's 14% sale share to 22%. The exports to Chile ended on mid-May and we are awaiting Secretary of Energy's clearance to resume.

Due to primarily uncertainties in gas prices, we reassessed our activities with no drilling and completion registered in Q3 20, in line with the sector.

Moving on the bottom line of the P&L, Pampa reported a consolidated gain of 78 million dollars in the third quarter of 2020, whereas in the same period of 2019, 116 million dollars was reported, mainly explained by Edenor and power legacy's credit and liability regularization agreements, and lower operating margin in oil and gas, partially offset by higher profit in our equity income.

Finally, moving on to slide 13, our sound balance sheet grants us some degrees of freedom during this challenging environment. In this slide we show all the layers of the Company, from restricted group to consolidated figures, but for covenant purposes let's focus on the restricted group, that is primarily Pampa parent company.

We continued optimizing every aspect of our indebtedness, highlighting that during Q3 2020 Pampa engaged in all peso incremental borrowing of 64 million dollars, including deval effect. We also repurchased bonds for 34 million dollars face value. Therefore, the restricted group gross debt recorded 1.6 billion dollars in September, similar to last June.

The gross debt is 86% denominated in US dollar, which was 89% in June 2020, bearing an average interest rate of 7.7%. Average life decreased from 5.3 years to 4.9 years. The cash amounted to 352 million dollars, which is 11% lower than the 393 million dollars in June 2020, mainly due to buybacks and deterioration of working capital as DSO reached to 92 days combined with higher billing, offset by positive operating cashflow and net peso borrowing. The restricted group's net debt remained similar to last quarter below 1.3 billion dollars and net leverage ratio stayed at 2.8 times.

After Q3, we paid at maturity 23 million dollars of Peso debt, in addition to 8 million dollars face value of bonds buyback, and some share buybacks. It is worth highlighting that the cumulative maturities from now until 2022 amount to 249 million dollars, of which 92% is denominated in Pesos.

Pampa consolidated with affiliates recorded a net debt of 1.5 billion dollars, 2 times net leverage ratio, similar to last June. After Q3, Edenor paid last loan amortization of 13 million dollars; Barragán redeemed 130 million dollars of debt securities and amended its amortization schedule, which once approved will ease the maturity profile for the next two years.

Regarding share buybacks, next month we are holding a shareholders' meeting to ask to cancel treasury shares up to 6.4 million ADRs. As of today, we hold 5.6 million ADRs in treasury, thus our outstanding capital amounts to 58.2 million ADRs. Also, the Board approved a new program for up to 30 million dollars, with price cap of 12 dollars per ADR.

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