

Central Puerto S.A.

1Q 2022 Results Conference Call

Friday, March 13, 2022, 11:00 A.M. Eastern Time

CORPORATE PARTICIPANTS

Fernando Bonnet – *Chief Executive Officer*

Enrique Terraneo – *Chief Financial Officer*

Milagros Grande – *Financial Manager*

Presentation

Operator

Good morning, and welcome to the Central Puerto Conference Call following the Results Announcement for the First Quarter Ended on March 31, 2022. All participants will be in a listen-only mode. [Operator Instructions]. Please note, this event is being recorded. If you do not have a copy of the press release, please refer to the Investor Support section on the company's corporate website at www.centralpuerto.com. A replay of today's call may be accessed by accessing the webcast in the Investor Support section of the Central Puerto corporate website.

Before we proceed, please be aware that all financial figures were prepared in accordance with the IFRS and are stated in Argentinian pesos, unless otherwise noted. It's worth noting that the financial statements for the first quarter ended on March 31, 2022, include the effects of the inflation adjustments. Accordingly, the financial figures mentioned during the call, including the data from previous periods and the growth comparisons, have been stated in terms of Argentine pesos at the end of the reporting period.

Also, please note that certain statements made by the company during the conference call are forward-looking statements, and we refer you to the forward-looking statements section of our earnings release and recent filings with the SEC. Central Puerto assumes no obligation to update forward-looking statements, except as required under applicable securities law.

To follow the discussion better, please download the webcast presentation available on the company's website. Please be aware that some of the numbers mentioned during the call may be rounded to simplify the discussion. On the call today from Central Puerto is Fernando Bonnet, Chief Executive Officer; Enrique Terraneo, Chief Financial Officer; and Milagros Grande, Financial Manager.

And now I will turn the call over to Fernando Bonnet. Mr. Bonnet, you may begin.

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Thank you very much. Good morning, and welcome. We are joining you today with our management team from Buenos Aires, Argentina to report results for the first quarter 2022. After the presentation, we will answer any questions you may have. I would like to begin today's call by analyzing the recent events, the industry in general and finally, the operating figures of the first quarter 2022. Milagros will present the most recent financial news and results.

First, I would like to comment on the latest regulatory news in the industry. On April 21, the Secretary of Energy issued a resolution SE No. 238/2022, which updates remuneration prices for energy and capacity of units under Energia Base regulatory framework. Remuneration values increased by 30% retroactively to February 2022, and an additional 10% increase will become effective in June 2022. The resolution also eliminates the use factor adjustment that's reduced the capacity payment calculation for the units with lower dispatch. In our steam turbines with low dispatch, this change implies an improving of approximately 30% in their capacity payments.

Now I would like to comment on the main metrics of the industry, as you can see on Page 4. In terms of installed capacity, the system reached 42,871 megawatts in the first quarter 2022, resulting in a 1.4% increase compared to the first quarter of 2021, mainly based in a new renewable project developed. As of March 31, 2022, the installed capacity continued to be 59% thermal, 25% hydro, 12% renewables, and 4% nuclear.

In the first quarter of 2022, energy generation increased 1% to 35,719 gigawatts hour compared to 35,332 gigawatts hour in the first quarter of 2021, mainly due to a 37% increase in nuclear, 24% increase in renewables and 2% increase on thermal, partially offset by a decrease of 25% in hydro.

Renewables rise was due to a new installed capacity and nuclear is due to higher Atucha I and Atucha II availability. For thermal units, there was an overall lower availability, 76% for the first quarter 2022 as compared to 81% in the first quarter of 2021. During the first quarter of 2022, main sources of energy generation continue to be thermal with a 65% share on hydro and renewables represented 13.9% and 13.6% respectively, while nuclear was 7.3%.

Finally, as you can see on Page 5, energy demand increased 4.3% up to 34,520 gigawatts hour compared to 33,087 gigawatts hour in the first quarter of 2021. Where commercial users grew 7%, residential grew 5%, rate user grew 4% and industry keeps the same level at the first quarter of 2021. Rises in different demand segments in the first quarter of 2022 were related to the recovery of the economy activity and lower COVID-related restrictions. As of first quarter of 2022, demand structure is 45% represented by residential users, 29% by commercial activity and the remaining 26% is related to industrial and commercial great demand.

Going now to our key performance indicator for the quarter. As you can see on Page 5, energy generation during the first quarter of 2022 was 4,585 gigawatts hour of electricity, 32% higher than the same period of 2021. The increase was mainly caused by 36% increase in energy generation for thermal sources, specifically Terminal 6 San Lorenzo power plant full operational as a combined cycle and higher dispatch of Central Puerto steam turbines due to a higher demand, partially offset by certain unavailability of Lujan de Cuyo cogeneration and 26% increase in Piedra del Águila due to CAMMESA's decision to increase dispatch regardless the low water inflows reducing the dam level.

Steam production during the first quarter of 2021 increased 76% totaling 461,000 tonnes produced due to Terminal 6 and Lorenzo Power Plant full operation and good performance of Lujan de Cuyo cogeneration plant. Regarding the availability of our thermal units during the first quarter of 2022, of which 84%, in line with the strong availability history of Central Puerto's equipment. As a reference, the market average availability for thermal units for the first quarter 2022 was 76% according to data from CAMMESA.

And now I will turn the call over to Milagros, who will comment on the financial highlights.

Milagros Grande - Financial Manager, Central Puerto S.A.

Thank you, Fernando. First, I would like to comment on certain key financial information related Brigadier Lopez Financial Trust. On April 5, 2022, the existing financial debt under the Brigadier Lopez Financial Trust that was acquired together with power plant was cancelled. As of December 2021, the amounts due under this Trust were \$32 million. This financial debt accrued interest at an annual rate equal to the greater of LIBOR plus 5% or 6.25%. The scheduled final maturity of this indebtedness was August 2022 but was cancelled in April as a policy of liability management, reducing financial costs.

I now will comment on the results of the third quarter of 2022. Going now to the results for this quarter, as you can see on Page 7, our revenues were Ps. 17.2 billion as compared to Ps. 15.8 billion in the first quarter of 2021. This 8.8% increase was mainly due to an 8% increase in Energia Base sales, which totaled Ps. 7 billion compared to Ps. 6.5 billion in the first quarter of 2021, because of a 19% increase in generation and a rise of 30% in tariff under the new Resolution 238/2022, which is lower than inflation that reached 55.1% in the last 12 months.

Also, there was a 7% increase in sales under contracts, which totaled Ps. 9 billion in the first quarter of 2022 as compared to Ps. 8.4 billion in the first quarter of 2021, mainly due to the full COD of Terminal 6 San Lorenzo Power plant, which represented an increase in generation of 523 gigawatts hour as compared to 35 gigawatts hour in the first quarter of 2021. And finally, a 93% increase in Steam Sales, which totaled Ps. 0.8 billion in the first quarter of 2022, representing a 76% increase in production compared to Ps. 0.4 billion from the same period of 2021.

Moving now to Page 8, we can see the changes in our EBITDA, excluding impairments and FX difference and interests, which was Ps. 12.9 billion in the first quarter of 2022 compared to Ps. 10.2 billion in the first quarter of 2021. This 27% increase was driven by the following changes, a 9% increase in revenue as stated before. A 6% decrease in costs of sales that totaled Ps. 7.6 billion in the first quarter of 2022 as compared to Ps. 7.99 billion in the first quarter of 2021, mainly due to lower operational costs. A 19% decrease in administrative and selling expenses that totaled Ps. 1 billion during the first quarter of 2022 as compared to Ps. 1.2 billion in the first quarter of 2021. And finally, to a 22% other operating results that totaled Ps. 4.4 billion during the first quarter of 2022 compared to Ps. 5.6 billion mainly due to the insurance recoverable [indiscernible].

On Page 9, we can see the consolidated net income that was Ps. 4.8 billion compared to consolidated net income of Ps. 1 billion in the same period of 2021. In addition to the factor mentioned before the net income was affected by positively by less financial expenses amounted Ps. 4.7 billion in the first quarter of 2022 compared to Ps. 10.8 billion in the first quarter of 2021, mainly due to a reduction of indebtedness and the corresponding interest yield.

Negatively by higher income tax for the period, which grew from Ps. 0.7 billion in the first quarter of 2021 compared to Ps. 1.8 billion in the first quarter of 2022. A loss related to exposure to the change in purchasing power of the currency this totaled Ps. 3.1 billion compared to Ps. 0.3 billion in the first quarter of 2021.

FONI collections related to trade receivables for Vuelta de Obligado Plant totaled Ps. 2 billion in the first quarter of 2022 as compared to Ps. 1.7 billion in the first quarter of 2021. The amounts are being collected on time according to a signed contract.

Moving to Page 10, you can see our cash flow for the first quarter of 2022. Net cash provided by operating activities was Ps. 8.1 billion. This including Ps. 2 billion in collection from [indiscernible]. Net cash used by investing activities was Ps. 6 billion mainly due to acquisition of short term financial assets.

Thank you. And now we invite you to ask any question you may have.

Operator

[Operator Instructions]. The first question is coming from Martin Arancet from Balanz Capital. Martin your line is live.

Q: Thanks. Martin Arancet here from Balanz Capital. First of all, congratulations on the results. I have four questions. I would like to run them one by one. My first question is we saw a great quarter in terms of revenue probably due to high thermal dispatch. We will have expect that OpEx will have risen as well with the section production, although OpEx was flat quarter-over-quarter, if you can comment with from this situation, please?

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Okay. Thank you Martin for your question. Regarding the dispatch of our thermal units. We are seeing -- we have a adjure in the Comahue area. For the hydros, we are seeing much more dispatch of our steam turbines than in the past years. So we are -- and additionally, the more fuel that we are using because the lack of gas somehow, we are seeing much more dispatch of our steam turbines, not because they are -- have a better cost because they are -- in terms of necessity in the region, especially in the AMBA region, we are seeing that effect. So since that we maintain that draw is maintained in the Comahue. We will see the more or less the same dispatch of our steam turbines. And additionally, the other important thing is the gas -- the natural gas quantity.

If we see -- we start seeing more LNG coming from Escobar, perhaps the units will receive less dispatch. But its depending on that, depending on the hydro in Comahue and natural gas available in Santa Fe region, especially. And the other thing is the OpEx. We would see perhaps a little bit more OpEx, but nothing, I think, significantly talking about the steam turbines. We can see perhaps some increase, especially in steam turbine number 8 and number 7, but nothing significantly. In the other hand, we will face not this year, but the next one, the 2024 and 2025 for the combined cycle, we will need to face the lifetime expansion, but not for '22.

Q: Okay. Right. Well, my second question is about the availability, there were certain issues affecting thermal availability in January. Are you seeing this situation as fully resolved or are you still working on structural fixes?

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

No. This -- yes, as you mentioned, we have an extraordinary maintenance in our cogeneration plant in Lujan de Cuyo, this cogeneration was entered online in 2019. It's a new one. So we didn't expect that failure. We are doing with the manufacturer, the analysis about what happened with the -- specifically was the failure in the gearbox. This already resolved that was solved in January, but we are liking the what happened with that gearbox, but it's not a normal failure. So the gearbox was replaced. So we have a new one, but we are analyzing what was the cost of that. But we are not expecting any additional failure there.

Q: Okay. Right. My third question is regarding [indiscernible]. We are getting near the maturity base according to the relations on rate. Will it be up to this core and to site or reduction or extended concessions? Or should it be up to the next 12 months after 2022?

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Well, that's -- as you mentioned, we -- contractually, we don't have an option to extend. So it's a negotiation that we need to have with the government, with the national government is the government, is the one that give us the concession. So the contract doesn't specifically set a cloud that allowed us to extend automatically. So we need to discuss with them. We are entering a discussion, of course. But as you can imagine, all the problems in the federal administration led that discussion a little bit apart.

The end of the concession, and specifically in the case of Piedra del Aguila is after the election, the 2023 election and even after the change of government because it's after the 10th of December. So I don't know. We are talking with this government and -- but we didn't have any advances in terms of a new concession. We are talking additionally in terms of technical things like what we need to do if we extend the concession, what CapEx we need to do, and but not specifically having any advance in terms of a new concession period.

Q: Okay. So it would be left to next one. And my last question, sorry. Do you have any updates on plan capacity expansions either by Brigadier Lopez or any material initiatives?

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Yes. We are -- seems that the COVID issue is something that is -- I don't know if it's really control, but it's already not a big issue like in the past. We're analyzing, yes, we're analyzing the closing of the Brigadier Lopez combined cycle. We are in early stages because we need to go back with the EPC constructors and start seeing -- of course, we have much more information because we already operate the unit.

So we have much more information than in the past. So we need to go back to the EPC constructor at that time and start working again in analyzing which the CapEx that we need to do and the process itself because, as you know, it's about -- we already have almost everything in terms of CapEx. So it's much more civil works and labor that we need to put there. But yes, we

are standardizing again the possibility. Of course, we don't see nothing this year, but would be next one.

Q: So it could be something that you tackle in the next quarters, maybe?

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Sorry, can you repeat?

Q: It could be something that you tackle in the next quarters?

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Yes, yes. But we are in very early stages right now.

Q: Okay. Thanks. That's all on my part. Thank you very much.

Operator

[Operator Instructions]. And we did have another question come in from John Barnett from Barnett & Associates. John your line is live.

Q: Thank you. I was wondering if you guys can provide some commentary regarding your capital expenditure requirements? And is there any deferred capital expenditures that you guys have been holding off on -- and if there's any sort of forward-looking plan for expansion capital expenditures? Thank you.

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Okay. Thank you for your question. We are -- in terms of regular CapEx or maintenance CapEx of our units, you need to separate the combined cycles, which we have a contract with the manufacturer, with the factor that we expand the CapEx in terms of how many hours we operate. So there, we don't have any CapEx to stay so.

As I mentioned previously, in the year 2024 and 2025, we are -- we need to do an extraordinary CapEx, which is the lifestyle extension of this combined cycle, the combined cycle of Buenos Aires and combined cycle of Mendoza. So, but we are not postponing any CapEx in terms of combined cycles.

In terms of the steam turbines, as you may know, these are units that are -- have more than 50 or so. So we are performing all the CapEx to keep them operate in operation. But of course, if you want to extend the lifetime of that unit, we need to talk about something completely different and amounts that are not covered by the regulation today. So in terms of day-by-day operation in the inter banks, we are doing the things to keep them operate in good operation, but we can assume that this will keep the unit's operating for, I don't know, five or 10 years. If you want to do so or the government want to do that, we need to talk about different remuneration.

And in terms of expansion, as I mentioned, we are standardizing again the closing of [indiscernible], which is one opening cycle that we have, and we want to close in a combined cycle, we already have this steam turbine there. So the main CapEx of that is related to the installation and on the civil works. That is around -- we are not having the quotation, the new quotation from the EPC constructors that we are talking about they are of \$150 million, but this is not for this year, as I mentioned previously. Apart from that, we are analyzing additional renewable projects, but we are not having any concrete project there. We have only development, but nothing concrete for this quarter or the next one.

Operator

Okay. Thank you. This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Bonnet for any closing remarks.

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Thank you, everyone, for your interest in Central Puerto. We encourage you to call us for any information that you may need. Have a great day. Thank you.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.