

Central Puerto S.A.

2Q 2021 Results Conference Call

Thursday, August 12, 2020, 11:00 A.M. Eastern  
Time

**CORPORATE PARTICIPANTS**

**Fernando Bonnet** – *Chief Executive Officer*

**Enrique Terraneo** – *Chief Financial Officer*

**Milagros Grande** – *Financial Manager*

**Nicolas Macchi** – *Investor Relations Officer*

## **Presentation**

### **Operator**

Good morning, and welcome to the Central Puerto conference call following the results announcement for the Second Quarter Ended on June 30, 2021. [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 web site at [www.centralpuerto.com](http://www.centralpuerto.com). A replay for today's call may be accessed by accessing the webcast in the Investor Support section of the Central Puerto corporate web site.

Before we proceed, please be aware that all financial figures were prepared in accordance with IFRS and are stated in Argentinean pesos, unless otherwise noted. It is worth noting that the financial statements for the quarter ended on June 30, 2021 include the effects of the inflation adjustment. 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 of the end of the reporting period.

Also, please note that certain statements made by the company during this 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 laws.

To follow the discussion better, please download the webcast presentation available on the company's web site. Please be aware that some of the numbers mentioned during the call may be rounded to simplify the discussion.

On the call today for Central Puerto is Fernando Bonnet, Chief Executive Officer; Enrique Terraneo, Chief Financial Officer; Milagros Grande, Financial Manager; and Nicolas Macchi, Investor Relations Officer.

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

### **Fernando 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 on the results of the second quarter 2021 and then answer any question you may have. I would like to begin today's call by analyzing the recent developments, comment on the progress of our expansion project and analyze the operative figures of the quarter. Milagros will present the latest financial news and results.

First of all, I want to focus on the new resolution 440 published by the Secretary of Energy on May 21, which establish a price adjustment of the spot market remuneration scheme. In general terms, the resolution update the values to be collected by the generating agents in a 29% increase

compared to the existing values. It's worth to remark that this tariff increase was below the inflation of 40.7% reached between the last studies review in February 2020 and February '21 when this new remuneration becomes applicable. Additionally, this new resolution repealed the Article 2 of the Resolution 31, which established an automatic inflation assessment for the spot market remuneration. In that sense, new tariff increases will require a new resolution from the Secretary of Energy.

Moving now to page three. During the quarter, we have continued with the construction of the new Terminal 6 San Lorenzo cogeneration plant. The expected progress was affected by the effects and restrictions imposed due to the second wave of COVID-19 that strongly impacts Argentina and especially Santa Fe province since April. In this context, we suffer a higher level of positive cases on the strategic staff on site, and additionally, we face several restrictions, delays and rescheduling on incoming flights of the main constructor specialist. Despite all of these difficulties, we expected to reach the commercial operation of the full project during the third quarter of 2021. It's important to remark that since November 2020, the plant obtained partial commissioning of its gas turbine of 269 megawatts selling energy under the spot market regulation. Once the commercial operation for the full project is achieved, the plant will be remunerated under a 15 year PPA on the energy side and sell the steam to a private off-taker and they're also a 15 year contract.

Moving now to our key performance indicator for the quarter, as you can see on page four, energy generation during the second quarter of 2021 was 3.74 gigawatts of electricity, 40% higher than the same period of 2010. This increase was mainly due to first, 739 gigawatt rise in thermal units production due to a higher generation from the recovery to average production of our Luján de Cuyo's Siemens branded combined cycle due to a failure of its main transformer in the second quarter of 2020 and due to a higher production of the steam turbines in Terminal 6 gas turbine. Second, a 238 gigawatts increase in generation from our Piedra del Águila hydro plant related to an exceptional higher dispatch during May '21 because of the lack of gas -- of natural gas. And third, an 89 gigawatts rise in renewable generation from the new wind farms Manque, Los Olivos and La Genoveva I.

The steam production during the second quarter of 2021 increased 5% due to a good performance of Luján de Cuyo cogeneration plant. Regarding the availability of our thermal units during the second quarter 2021, it reached 90%, in line with a strong availability history of Central Puerto equipment. The comparison with the 82% reached during the same quarter of 2020 shows the unavailability of Luján de Cuyo's Siemens combined cycle related to the failure of its main transformer. As a reference, the market average availability for the thermal unit, for the second quarter 2021 was 82% according to data from CAMMESA.

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

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

Thank you, Fernando. I will start referring to some recent financial news for the company, and then comment on the results of the second quarter of 2021. On February 25, Central Bank extended until December 31, 2021, the FX regulatory restrictions established by Communication

"A" 7106, through the issuance of Communication "A" 7230. The installments, under the Syndicate loan signed with Citibank, JP Morgan and Morgan Stanley maturing on June, September and December 2021 were under the scope of such regulation.

On June 15, the company has signed a new amendment, which provides for the modification of the amortization schedule, rescheduling 60% of the installments maturing in June, September and December 2021 and extending the final term of the loan to January 2024. The current schedule, including this amendment and the one dated December 2020, contemplates monthly repayments until January 2022, an amortization in June 2023 for \$34 million and the last one in January 2024 for \$55 million. Dividend restriction for 2021 and limitation of a maximum of \$25 million for 2022 remains without modification. For 2023, the dividend distribution allowed is \$20 million.

Another important point to mention is that the company has identified as signs of potential impairment of its property, plant, and equipment, the change in tariffs established for the spot market by Resolution 440 explained before by Fernando. The company has estimated that the book value of the Brigadier López Thermal Plant and the combined cycle plant located in Luján de Cuyo exceed its recoverable asset value. Therefore, an impairment charge was determined and recorded in the consolidated income statement for the six-month period ending June 31, 2021, for an amount of 3.9 billion pesos. Last, on June 16, 2021, the Argentine Government issued Law No. 27,630 which established changes in the corporate income's tax rate, effective for fiscal year beginning on January 1, 2021, which affected our consolidated net income.

Moving now to the result for this quarter. As you can see on page five, our revenues were 12.3 billion, as compared to 10.8 billion during the second quarter of 2020. This 14% increase was mainly due to a 39% increase in Spot Sales and Energia Base which totaled 6.2 billion pesos in the second quarter of 2021 as compared to 4.5 billion in the second quarter of 2020, due to higher power generation from the hydro plant Piedra del Aguila, the recovery to average production of the Siemens branded combined cycle of the Luján de Cuyo plant, the steam turbines, and Terminal 6. It is important to highlight that the average adjustment approved by the issuance of Resolution 440 mentioned before was 29% compared to an inflation of 26.1% [ph] for the full year of 2020. Also, the increase was due a 30% increase in the steam sales, which totaled 0.4 billion pesos in the second quarter of 2021, compared to 0.3 billion in the second quarter of 2020, as the steam production increased 5% in the quarter. This was partially offset by a 5% decrease in sales under contracts, which amounted to 5.4 billion during the second quarter of 2021, as compared to 5.7 billion in the second quarter of 2020.

Going to page six, we can see the changes in our EBITDA, excluding impairment of FONI FX difference and interest, which was 6.9 billion in the second quarter of 2021, compared to 7.2 billion in the second quarter of 2020. This decrease was due to a 33% increase in the cost of sales that totaled 6.7 billion compared to 5.1 billion pesos in the second quarter of 2020, which was partially offset by the above-mentioned variations in revenues. The rise in the cost of sales was primarily driven by a 31% increase in cost of production, which totaled 5.6 billion pesos in the second quarter of 2021 as compared to 4.2 billion pesos in the second quarter of 2020, mainly due to an increase in maintenance expenses of 0.6 million pesos. Administrative and selling

expenses were reduced 10% in real terms, saving in more than 80 million pesos during the second quarter of 2021 as compared to the same period of 2020.

Going to page seven the consolidated net loss was 4.4 billion compared to the consolidated net income of 3.3 billion pesos in the same period of 2020. In addition to the factors mentioned before, the net income was affected by a 3.2 billion pesos or 496% increase in impairment of property, plant and equipment and intangible assets related to the Brigadier Lopez and Lujan de Cuyo's plants, a 76% decrease in foreign exchange difference on operating assets, mainly related to trade receivables, that generated a 1.1 billion pesos gain during the second quarter of 2021, compared to 4.6 billion pesos during the second quarter of 2020 due to a lower depreciation of the Argentine peso during the quarter and lower trade receivables balances maintained.

As reference, in the second quarter of 2021, the Argentine peso depreciated 3.77%, compared to 9.19% during the second quarter of 2020. A 6% decrease in interest from clients which totaled 0.091 billion pesos during the second quarter of 2021, compared to 0.096 billion pesos of second quarter of 2020, mainly related to lower receivables balances and lower Libor Rate. 2.4 billion or 266% increase in income tax expenses that amounted 3.4 billion pesos in the second quarter of 2021 compared to 0.9 billion in the second quarter of 2020 mainly due a recent changes in the corporate income tax rate explained before.

Lower financial income that amounted 0.2 billion loss in the second quarter of 2021 compared to 2.1 billion pesos gain in the second quarter of 2020, mainly due to interest rate swaps losses and the net income on financial assets at fair value in the second quarter of 2020. And last for a lower financial expenses which amounted to 2.9 billion during the second quarter of 2021, compared to 7.5 billion in second quarter of 2020, as there were less foreign exchange difference, which decreased from 6.2 billion pesos in the second quarter of 2020 to 2.1 billion pesos for second quarter of 2021, mainly due to a lower depreciation of the Argentine peso during the quarter and a lower debt balance denominated in dollars.

Additionally, the share of profit of associated was 0.4 billion pesos loss during the second quarter of 2021 compared to loss of 0.1 billion in the second quarter of 2020, mainly due to lower results from the operations of Ecogas due to lack of tariff adjustments for the natural gas distribution business. Finally, the gain on net monetary position totaled 0.02 billion pesos during the second quarter of 2021, as compared to 0.2 billion pesos in the second quarter of 2020. FONI collections totaled 2.4 billion in the second quarter of 2021, associated to the FONI trade receivables for Vuelta de Obligado Plant, compared to 2.0 billion of second quarter of 2020. The amounts are being collected on time and according to the signed contract.

Going to page eight, you can see our cash flow for the first half of 2021. Net cash provided by operating activities was 6.6 million pesos; this included 3.6 billion pesos in collections from Vuelta de Obligado. Net cash used by investing activities was 0.6 billion pesos mainly due to the construction of Terminal 6. Additionally, on the financing side, 6 billion pesos were used for payment of long-term loans for 4.7 million pesos, and interest and other loan costs for 2.3 million pesos, partially offset by 1 billion pesos bank and investment account overdraft obtained.

Thank you. And now we invite you to ask any questions to our team.

**Operator**

[Operator Instructions] This concludes our question and answer session. I would like to turn this call back over to Mr. Bonnet for closing remarks.

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

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

**Operator**

This conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines at this time.