



Central Puerto

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Fourth Quarter 2017 Earnings Call and
Webcast

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CORPORATE PARTICIPANTS

Jorge Rauber – *Chief Executive Officer*

Fernando Bonnet – *Chief Financial Officer*

PRESENTATION

Operator

Good afternoon and welcome to the Central Puerto Conference Call Following the Results Announcement for the Fourth Quarter ended December 31, 2017. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star (*) key followed by zero (0).

After today's presentation there will be an opportunity to ask questions. 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 note that certain statements made by the Company during this conference call are forward-looking statements, and we refer you to the forward-looking statement 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. In addition, all financial figures were prepared in accordance with the IFRS and are stated in Argentinian pesos unless otherwise noted. On the call today from Central Puerto is Jorge Rauber, Chief Executive Officer; and Fernando Bonnet, Chief Financial Officer. And now, I will turn the call over to Jorge Rauber. Mr. Rauber, you may begin.

Jorge Rauber

Okay, thank you and welcome everyone. We are joining you this morning with our executive team from Buenos Aires, Argentina to report on our 2017 fourth quarter and full-year results and to answer any questions. 2017 has proved to be an outstanding year for Central Puerto, where the Company continued to be the largest generators of the private power sector in Argentina, reaching a market share of 19% of the total generation of the segment; a fact that has placed Central Puerto above important generation companies in our country. Our geographically and technologically diversified asset base has allowed us to achieve a stable operational performance throughout time. Our balanced portfolio of 3663 MW of installed capacity in hydro, combined cycles, steam turbines, and cogeneration units has exceeded market average availability, reaching 90% in 2017 and achieved high levels of efficiency, favorably positioning our assets along the system's power dispatch curve.

Our growth strategy is based on three clear pillars - expansion in conventional energy, expansion in renewable energy, and industry normalization and there has been positive news during 2017 related to all of them. The Company has achieved a 510 MW expansion in awarded capacity with two new thermal plants, Lujan de Cuyo y Terminal 6 – San Lorenzo totaling 423 megawatt of new capacity in cogeneration units and with one wind project – La Genoveva - that adds 87 MW of capacity to the wind portfolio of 234 MW. In addition, it is worth mentioning that there has been significant progress in the construction of La Castellana and Achiras renewable projects, with a capacity of 147 MW. In terms of industry normalization, the Ministry of Energy has approved changes in Energia Base framework, setting energy prices in U.S. dollars, thus significantly increasing the Company's revenues and setting the ground for a promising revenue performance during 2018. And more recently, under the new regulatory frame work of "Mercado a Termino de Energias Renovables", CP Renovables, the renewable subsidiary of Central Puerto, has been granted access to the grid for La Castellana II and Achiras II wind projects, adding the possibility to sell 46 MW of new power capacity.

We are comfortable saying that Central Puerto's attractive growth profile is in line with Argentina's potential in renewable energy represented by an estimated 5.6 GW of renewable capacity yet to be auctioned, or added in the private market, by 2025, according to the Renewable Energy Law. Central Puerto has a solid financial position and a strong cash flow generation that creates a solid platform for new auctions and growth opportunities.

These flows are complemented by FONINMEM receivables that provide additional liquidity and that will be significantly higher once Vuelta de Obligado plant starts operations, reaching almost to \$100 million US dollars in 2018 and 2019. In addition, we are considering additional sources of funding. The sale of La Plata plant that was successfully transferred during the first quarter of 2018, together with a potential sale of our interest in Ecogas, will be used to fund ongoing thermal projects during 2018. To give more color on the latter, the Company is analyzing the possibility to sell up to a 100% of its position in the third natural gas distributor in Argentina, through one or more potential public offerings in national and/or international markets. In order to facilitate the transaction and maximize value for our shareholders, the controlling companies might be merged and listed in an international stock exchange. Further news will be announced if the transaction proceeds.

We are excited about 2018. We are prepared for the next steps and looking forward to capturing market opportunities and monetizing Central Puerto's full potential.

To give a brief review of our main operating metrics, we can highlight that during the fourth quarter of 2017 our total generation from continuing units was 4039 GW reaching a total of 15,626 GW for the full year. This production represents an increase of 18% in the quarter and 7% in the full year in relation to the same periods of the previous year. The main reason for these increases is the strong recovery of the generation of our hydro power plant in Piedra del Aguila, given that the previous year was the worst year in generation since its start of operations, due a sharp decrease in the water inflows of the Limay and Collón Curá rivers. In annual terms, the generation of this hydro plant grew 58% and during the fourth quarter the growth was 170%, which shows a clear normalization in the generation of this plant. This growth was slightly offset by lower generation of our thermal units, especially by steam turbines, which had a 3% drop in annual terms and 13% in the fourth quarter of the year. In annual terms, for 2018 we expect similar levels of generation of those observed during the year 2017.

Our units continue to show very good levels of availability which, according to the current remuneration scheme, allows us to generate significant amount of revenues. During the fourth quarter of 2017, the average availability factor of our thermal units was 92%, compared to 80% in the fourth quarter of 2016, and considering the full year this factor was 90%, while in 2016 was 76%. These values represent a very important strength for our Company, given the aforementioned impact on revenues, as well as showing that our units contribute strongly to maintaining the reliability of the entire Argentine power system.

With this, I will ask Fernando to continue with the presentation.

Fernando Bonnet

Well, thank you Jorge. Going to the financial performance of the fourth quarter and the full-year 2017, the Company performed exceptionally in terms of results, both considering the fourth quarter of 2017 and the full year. I will focus on the main items of results and their comparison with the previous periods. Please bear in mind that the following amounts refer to continuing operations and exclude the results related to La Plata plant.

Talking about revenues, during the fourth quarter of 2017, the total revenue was 1,935 million pesos, which represents an increase of 114% over the same period of the previous year and 25% over the previous quarter. In particular, the huge increase compared to the fourth quarter of the previous year was driven mainly by: A tariff increase that set higher prices for energy generation and units availability and denominated them in US dollars; an 18% increase in the energy generated; an increase of 13% in the average exchange rate; an amount of 149 million pesos for a retroactive capacity payment related to Guaranteed Bid Capacity from previous quarters, corresponding to some of our steam units that were billed and collected during the fourth quarter, and finally; an amount of 143 million pesos for the collection in advance of remuneration originally due in 2018 and 2019. So, excluding these last two extraordinary items, the increase over the fourth quarter of 2016 would be 81%, which also it's a very favorable evolution.

Regarding the full-year 2017, total revenue was 5,957 million pesos, which means an increase of 67% over the previous year. This increase was mainly driven by the price increase mentioned before that became gradually effective as of February, May, and November 2017; and an increase of 7% in the energy generated. Considering that since November, the Company is receiving the final price of the capacity remuneration established by the current regulation, we expect an important increase in the revenues for this concept for the full year of 2018 compared to the full year of 2017.

Looking at our EBITDA, during the fourth quarter of 2017, our EBITDA was 1,315 million pesos, which represents an increase of 179% over the same period of the previous year and 34% over the previous quarter. This variation was driven primarily by the increase in revenues mentioned before, but was partially offset by an increase of cost of sales driven by an increment in some dollar denominated expenses, considering the peso's devaluation of 13% during 2017, and an increase in compensation to employees mainly related to collective bargain agreements. Regarding the full year of 2017, our EBITDA was 3,390 million pesos, which means an increase of 47% over the previous year. Conceptually, the main causes of this variation are those mentioned in the previous comparisons. Additionally, the aforementioned increases were offset by a decrease in other operating Income due to a one-time gain of 520 million pesos registered in 2016 in connection with a revision of the book value of certain receivables from CAMMESA.

Moving to the net income, during the fourth quarter of 2017 our net income was 1,414 million pesos, which means an increase of 287% over the same period of the previous year. This increase was driven primarily by the increase in EBITDA mentioned before and, additionally, by the increase in the valuation of our investments in Ecogas and TGM. This higher valuation impacts on the item Share of Profit of Associates. Regarding the full year 2017, our net income was 3,494 million pesos, which means an increase of 98% over the previous year. In addition to the reasons mentioned before, this increase was driven mainly by an increase in the results of financial investments.

Moving to the cash flow, our cash flow from operating activities totaled 2,389 million pesos in 2017. Operating incomes increased significantly, providing 3,111 million pesos, compared to 2,100 million pesos in 2016. This increase was partially offset by an increase of 1,057 million pesos in trade and other receivables. However, we must note that this was only because of the increase in revenues due to both higher prices and more energy sold. Collection times remained stable during the whole period, with no delays from CAMMESA.

Looking now to collections, our FONINVEMEM collections totaled 351 million pesos during 2017, approximately \$21 million dollars, including VAT. We must remember that this cash flow is additional to our existing EBITDA, since these collections correspond to the sales made in

previous years, and thus, they don't have an impact on our P&L. In terms of CAPEX, the largest portion of our CAPEX was allocated to the expansion of our power capacity. CAPEX for this purpose totaled 3,366 million pesos, of which 884 million pesos were allocated to the thermal projects, specifically, to the acquisition of two gas turbines from Siemens for the Luján de Cuyo cogeneration project; and 2,511 million pesos were to the renewable projects. In Central Puerto's CAPEX, existing power capacity totaled 169 million pesos and we also had CAPEX for the corporate purpose of 21 million pesos.

In terms of net cash position as of December 31, 2017, the Company and its subsidiaries had cash and cash equivalents for 89 million pesos, and other current financial assets of 1,111 million pesos. Loans and borrowings were almost 0 for Central Puerto, while its subsidiary, CP Renovables, had loans totaling 1,985 million pesos received for the construction of the Achiras and La Castellana wind farms from the IFC and IIC.

Finally, during the first half of 2018, Central Puerto expects to receive dividends in proportion to its interest in TGM. In the fourth quarter of 2017, YPF and TGM closed an agreement in which YPF agreed to pay to TGM \$114 million in order to end a claim against YPF. So we expect to receive an additional cash flow from this source. We have there a stake of 20%.

So this is the final segment, so thank you and now we invite you to make any questions for our team, and some additional insight.

QUESTIONS AND ANSWERS

Operator

We will now begin the question-and-answer session. To ask a question you may press star (*) one (1) on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star (*) then two (2). At this time we will pause momentarily to assemble our roster.

Our first question comes from Frank McGann. Please go ahead.

Frank McGann

Yes, good day. Thank you. Two questions if I could. One, just in terms of the new plants, I got cut off for part of the call so maybe you said this, but the new contracts that you have for the renewable plant projects that you announced, could you just comment perhaps on the pricing for those and any other terms that might be available that you could share?

And then secondly, just looking forward at this stage in terms of new projects beyond those. Do you think at this stage that, are you expecting more auctions and that that will be the key way to contract going forward or are you thinking perhaps individual private term contracts will be the way to, for most of the new expansions that you would have?

Jorge Rauber

Okay, thank you Frank. For our renewable projects, the pricing mechanism, we have a PPA signed with CAMMESA. The PPA has 20 years of extension. The pricings are, basically what the government does is they conduct a auction where we offer our prices and the ones that are the lower prices are the ones who are awarded during that auction process. In terms of pricing, what we have is a price of \$61.5 per MWh in the case of like La Castellana, which was our first project. The second one is \$59.38 per MWh for Achiras. And the last one is \$40.9 per MWh in the case of La Genoveva, which is the last project we won and has to be, is expected to be signed

in the coming months. In terms of the thermal market, this is an active term where we have already sort of 6 MW of basically, they needed the transmission access to the grid. We have 46 MW available to offer for the term market. That consists of two additional projects, La Castellana II and Achiras II, so we are currently negotiating with the customers in order to reach an agreement and sell that additional capacity.

Looking forward, we see this market, the renewable market of the market, which is, would show us which intention of the government is, where the governance is heading for in terms of regulation. So what we expect, the government currently is working on a new regulation for the thermal market but we should expect that the market will be close to be, I mean similar to renewable with some active market terms and probably instead of having auctions conducted by the government, with the thermal market very active for the customer to contract their needs in terms of power.

Frank McGann

Okay, okay. Thank you very much.

Operator

Once again, if you'd like to ask a question please press star (*) then one (1).

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

CONCLUSION

Jorge Rauber

Well thank you to everyone for your interest in Central Puerto and your continued support to our Company. We encourage you to please call us at any time for any information. Thank you and have a good day.

Operator

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