

Central Puerto S.A.

3Q 2021 Results Conference Call

Wednesday, November 10, 2020, 10:00 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 Third Quarter Ended on September 30, 2021. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. Please note that 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](http://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 is worth noting that financial statements for the third quarter ended on September 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 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 laws. 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; Milagros Grande, Financial Manager; and Nicolas Macchi, Investor Relations Officer.

And now, I'll 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 on the results of the third quarter 2021 and then answer any questions you may have. I would like to begin today's call by analyzing the recent events, comment on the progress of our expansion projects and analyze the operating figures of the quarter. Milagros will present the latest financial news and results.

First of all, I want to highlight the new Resolution Number 1037 of 2021, which was published in the Official Gazette on November 02, 2021. The Secretary of Energy upon verifying in state

of high energy supply requirement by Brazil due to the drought in the area, create an export account where the income margin for the electricity energy exports operations will be accumulated and will be applied in the financing of the energy infrastructure projects.

In addition, this resolution established an additional and transitory remuneration for the spot generating agents included in Resolution 440 that will cover economic transactions between September 01, 2021, and February 28, 2022. The amount of this additional remuneration will be defined by the Secretary of Energy through the future regulatory instruction not published yet.

Now going to Page 3, I would like to talk about Terminal 6 San Lorenzo cogeneration plant, the latest project in Central Puerto expansion plant. On August 15, 2021, we finally reached the commercial operation of the Terminal 6 steam turbine, commencing operation as a combined cycle and started the cell energy under the PPA signed with CAMMESA. Additionally, after the fine-tuning of the steam pipe, the steam supply contract starts on October 31, 2021.

Due to the strong impact of COVID-19 and the related restrictions, we suffered a delay of 53 days in reaching the commercial operation date set in the PPA. On August 23, 2021, CAMMESA informed the penalty of US\$4.4 million will apply for the delay of the 53 days. The company reject it and sent all the evidence of the COVID-19 extraordinary impact to Secretary of Energy and CAMMESA to reverse such penalty.

With this new power plant finished since 2018, we successfully accomplished the construction of two cogeneration plant of 484 megawatts of thermal energy and seven wind farms of 374 megawatts of renewable energy with an investment over US\$900 million. Another important development to highlight is that Central Puerto published its third sustainability report where the economic, social and environmental management and actions taken during 2020 are described.

Now I would like to comment on the latest development in the industry, as you can see on Page 4 and 5, in terms of installed capacity, the system reached 42.589 megawatts in the third quarter of 2021, resulting in a 3% increase compared to the third quarter of 2020. Based in the new thermal units, which raised 2% and the renewable projects that grew 25%, our plants, Terminal 6 and Genoveva I wind farm are part of the new capacity, which commenced operations in this period.

As of September 30, 2021, the installed capacity is divided in 59% thermal and 25% hydro, 4% nuclear and 11% renewable. In third quarter of 2021, energy generation increased 11% to 37.058 gigawatts hour compared to the third quarter of 2020, mainly due to a 24% increase in thermal, a 17% increase in nuclear and 14 -- 40%, sorry, increase in renewables, partially offset by a decrease of 33% in hydro.

Overall, improvement was due to a higher demand and more exports. Thermal and renewables rise was due to a new capacity installed. In contract, the drop in the hydro's generation is related to the drops that the region has experienced in the past months, and consequently delivers lower flows. During the third quarter of 2021, the main source of energy generation continued to be the thermal and hydro with a share of 64% and 15%, respectively. Meanwhile, renewables keep growing and represent 12% three points more than the third quarter of 2020.

Finally, on Page 5, energy demand increase 5% up to 34.446 gigawatts hour compared to the third quarter were great demand residential and commercial rise 16% and commercial grew 4%. This was partially offset by 1% decrease in the residential. The increase in commercial and rate demand segment in the third quarter 2021 is attributed to the recovery of the economy, activity, and lower restriction imposed by government compared to the same period of the previous year. All three months of the quarter show comparative increases.

As of the third quarter of 2021, and regarding the demand structure 47% is represented by residential users, 26% by commercial activity and the remaining 27% is related to the great demand residential and commercial.

Moving now to our key performance indicator for the quarter, as you can see on Page 6. Energy generation during the third quarter 2021 was 3.440 gigawatt hour of electricity, 12% lower than the same period of 2020. The decrease was mainly caused by 582 gigawatts hour drop in the hydro generation from Piedra del Águila due to lower water inflows in the Limay and Collón Curá rivers. This was partially offset by 107 gigawatt hour rise in the energy generation from renewable units, primarily as a result of Genoveva I full operation and 13 gigawatts hour increase in the thermal production, mainly due because Terminal 6 starts operation.

Steam production during the third quarter increased 4% due to a good performance of Lujan de Cuyo's cogeneration plant. Regarding the availability of our thermal units during the third quarter of 2021, it reached 90% in line with the strong availability history of Central Puerto equipment and shows an improvement from the 89% of the third quarter of 2020. As a reference, the market average availability for thermal units for the third quarter of 2021 was 82% according to data from CAMMESA.

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

**Milagros Grande - Chief 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 for the third quarter of 2021. On September 3, 2021, Vientos La Genoveva II and CPR Energy Solutions, both subsidiaries of Central Puerto, met all requirements and conditions established in the financial documents for the project completion. As a result, the corporate guarantee granted by Central Puerto to each project was released.

Going now to the results of this quarter. As you can see on Page 8, our revenues were Ps. 13.3 billion as compared to Ps. 13.8 billion during the third quarter of 2020. This 4% decrease was mainly due to a 6% decrease in sales under contracts, which totaled Ps. 6.3 billion in the third quarter of 2021 as compared to Ps. 6.6 billion in the third quarter of 2020. This was due to a higher inflation adjustment over the peso depreciation for same period. And despite the higher generation produced by Terminal 6 and Genoveva I. Also an 8% drop in steam sales, which totaled Ps. 0.5 billion in the third quarter of 2021 compared to the same period of 2020, also due inflation versus depreciation variations and despite the production's increase.

Going to Page 9, we can see changes in our EBITDA, excluding impairment and FONI FX difference and interest, which was Ps. 6.5 billion in the third quarter of 2021 compared to Ps. 9.6 billion in the third quarter of 2020. This decrease was due to a 26% or Ps. 1.4 billion increase in the cost of sales and 25% or Ps. 0.2 billion rise in the administrative and selling expenses.

The increase in cost of sales was primarily driven by a 45% or Ps. 0.6 billion increase in purchases of materials and spare parts, and 20% or Ps. 0.9 billion increase in cost of production, mainly due to an increase in depreciation, a rise in fees and compensation services and more materials and spare parts.

In other results, we can mention 38% decrease in foreign exchange difference on operating assets, mainly related to trade receivables due to a lower depreciation of the Argentine peso in the quarter and lower trade receivable balances and also the negative result of Ps. 1.2 billion for provision charges, which also impacted the adjusted EBITDA.

Going to Page 10, the consolidated net income was Ps. 2.7 billion compared to a consolidated net income of Ps. 3.5 billion in the same period of 2020. In addition to the factor mentioned before, the net income was affected by lower financial income that amounted Ps. 0.3 billion in the third quarter of 2021 compared to Ps. 1.4 billion in the third quarter of 2020, mainly due to Ps. 1.2 billion reduction of net guidance on financial assets at fair value.

Net income was also positively impacted by lower financial expenses, which amounted Ps. 2.1 billion during the third quarter of 2021 compared to Ps. 6.7 billion in the third quarter of 2020 as there were less foreign exchange difference, which decreased Ps. 3.9 billion, mainly due to lower depreciation of Argentine peso during the quarter and lower dollar denominated debt balance.

Funding collections totaled Ps.3.2 billion in the third quarter of 2021, including VAT associated to the FONI trade receivables for Vuelta de Obligado power plant compared to Ps.2.1 billion of third quarter of 2020. The amounts are being collected on time and according to a signed contract.

Going to Page 11, you can see our cash flow for nine months of 2021. Net cash provided by operating activities was Ps.16.8 billion. This included Ps.3.2 billion in collection from Vuelta de Obligado installments. Net cash used by investing activities was Ps.4.3 billion, mainly due to the construction of Terminal 6, loss from the sale of the short-term financial assets, partially offset by the sale of property, plant and equipment. Additionally, on the financing side, Ps.12.6 billion were used for payment of loan for Ps.8.7 billion and interest and other loan costs for Ps.3.5 billion. Thank you. And now we invite you to ask any questions to our team.

### **Operator**

We will now begin with the question-and-answer session. [Operator Instructions] Your first question is coming from Martin Arancet from Balanz Capital. Your line is live.

**Q:** Hi, Martin Arancet from Balanz Capital. First of all, thank you for that as always. I have two questions, if I may. First of all, do you have any projects on site going forward given your cash

generation from now on? And my second question is, we have real sale in earnings calls an improvement in commercial payments. What do you see on that area going forward?

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

Okay. Thank you. Thank you for your questions and your interest. First of all, after having finished Terminal 6, in fact, we are having some additional or closing CapEx on Terminal 6, remaining CapEx, so we expect to finish the project completely during this month. Apart from that, we are analyzing different alternatives. One of them is the close of the combined cycle of Brigadier Lopez. We are analyzing that. We're analyzing the financing opportunities for that. And we are analyzing the evolution of the COVID-19 issue in order to have more clear path to start a new construction project.

As you know, the problem during the construction of Terminal 6 regarding the COVID, not only the illness, in fact, the restriction that the government established bring a lot of cost and difficulties in the construction. So we are analyzing all of this. And we have projects on the pipeline, as I mentioned. Perhaps the first one is the closing of the combined cycle of Brigadier Lopez.

And apart from that, we are expecting, as I mentioned, how the COVID issue follows, how the financial possibilities in the market came. And then we'll see additional projects. Renewables also requires increase in the grid. In Argentina, there is no much more capacity on the grid to install new capacity of renewables.

So we are analyzing different options, but we don't have any confirmed yet. So we expect in the next month after the Elections, after the COVID-19 issue is more clear, we will have more -- we can clarify more how the new projects will come. But as I mentioned, we have a pipeline there, but we need to wait until we have more clarity about those issues.

The next question is regarding the payments, the commercial payments. We see -- as you mentioned, we see a reduction in the delay. In fact, we are nowadays in 20, 25 days of delay. We came from 40, 35, 40 days of delay in the previous month. So we are -- we reduced -- we see a reduction there. Now they need to increase the budget for the subsidy that the treasury sent to CAMMESA. So perhaps we need to wait until when they can increase the budget in order to have more we can clarify if we can maintain those reductions or those days of delay or we'll see some increase.

Additional, the good news of the -- of what we are seeing is that is CAMMESA is exporting energy to Brazil, so they have an inflow of money there because of that, they established these energy established this new regulation about that, how they can use that money. But we need to wait until, as I mentioned, until if the treasury increased the budget for the subsidies that send to CAMMESA in order to have more color about the delays. But we are confident that we can maintain on these delays between 25 and 30 days of delay we are seeing now.

**Q:** Okay. One follow-up question, if I may. Those renewable projects that you are considering, will this be under matter?

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

Yes, yes. We are analyzing -- there are not big ones because there is some limitations in terms of the -- as I mentioned, the capacity, the grid capacity. So I see some expansion of the project that we already have, more expansions to serve private contracts, yes.

**Q:** Okay. Thank you very much.

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

Okay, thank you.

**Operator**

Thank you. [Operator Instructions] 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 to 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.