



Central Puerto S.A.

1Q 2023 Results Conference Call

Monday, May 15, 2023, 11 A.M. Eastern Time

CORPORATE PARTICIPANTS

Fernando Bonnet – *Chief Executive Officer*

Enrique Terraneo – *Chief Financial Officer*

Federico Bozhori – *Financial Controller*

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CONFERENCE CALL PARTICIPANTS

Martin Arancet, *Balanz Capital*

PRESENTATION**Operator**

Good morning, and welcome to the Central Puerto Conference Call following the results announcement for **the first quarter ended on March 31, 2023**. 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. 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 website 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 IFRS and are stated in Argentinian pesos, unless otherwise noted. 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 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 Federico Bozhori, Financial Controller.

And now I will turn the call over to Federico Bozhori. Mr. Bozhori, you may begin.

Federico Bozhorri - Financial Controller

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 first quarter of 2023 and then 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 and the most recent financial news and results.

I would like to mention the following updates regarding Central Puerto.

On December 12 of 2022 to resolution 826 of 2022, the secreted of Energy authorized generators a tariff increase of 25% in February of the 2023 and 28% in August of the 2023 to spot energy. On February 7 of 2023, through resolution 59 of the 2023, the Secretariat of energy authorized generators that have combined cycle units to adhere to the agreement on availability of power and improvement of efficiency with the aim of encouraging the necessary investments of major and minor maintenance of the machines. Through this agreement, the adhered generators undertake to achieve at least 85% availability of average monthly power in exchange for a new power and generation price. In the case of power, an amount of \$2,000 per megawatt month is established plus the sum in pesos corresponding to 85% and 65% of the power established in resolution 826 of 2022 for the periods of spring, autumn and summer, winter respectively. Additionally, the price for generated energy is set at \$3.5 dollars per megawatt in the case of using gas and at \$6.1 dollars per megawatt for alternative fuel like diesel.

New investments and acquisitions.

In line with our growth strategy, focused on new opportunities in the energy sector and other business in which Argentina shows strong competitive advantages, we have performed the following transactions:

On February 17, 2023, Proener S.A.U. acquired from Enel Argentina S.A, 75.68% of the capital and voting stocks of Enel Generación Costanera S.A. called Central Costanera. The transaction price amount \$48 million dollars. By taking possession of Central Costanera, Central Puerto reinforces its growth in Argentina, consolidating as market leader in the generating sector. The value of Central Costanera represents a unique opportunity as a strategic asset the growth potential of each acquisition is based on the operational and corporate synergies, experience management and knowledge in technical and operational field.

On May 3 of the 2023 Proener S.A.U. acquired 100% of the capital stock and votes of Empresas Verdes Argentina S.A., Las Misiones S.A. and Estancia Celina S.A, consisting of 88,063 hectares geographically located in the center of the province of Corrientes, of which approximately 26,000 hectares are planted with pine out of a total of approximately 36,000 plantable hectares. The company is focused on increasing its environmental performance and contributing to global decarbonization objectives.

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 43,278 megawatts in the first quarter of 2023 compared to 42,821 megawatts in the first quarter of 2022, resulting in 1% increase.

As of March of the 31st of 2023, the installed capacity is divided in 59% thermal, 25% hydro, 4% nuclear and 12% renewables. In the first quarter of 2023, energy generation increased 8% to 38,627 gigawatts per hour compared to 35,719 gigawatt hour in the first quarter of 2022, mainly due to,

(i) first, a 1% increase in thermal generation, second, a 74% increase in higher generation, which was partially offset by: (i), a 28% decrease in nuclear generation and (ii), a 3% decrease in renewable generation.

The increase in thermal generation was mainly due to higher dispatch. The average system availability was 73% in the first quarter of 2023 compared to 76% in the first quarter of 2022. The increase in hydro generation is mainly related with the increase in the inflow of the Parana River. In contrast, in the case of generation from nuclear sources, the decrease is related with a severe technical failure in Atucha II.

Regarding renewal energy, the decrease in generation was related to lesser wind resource. Energy demand increased 14% to 39,490 gigawatts hour compared to 34,513 gigawatt hour in the first quarter of 2022, in which residential demand grew 25%, commercial, 7% and large industrial commercial demand up 4%.

Going now to our key performance indicators for the quarter. As you can see on Page 6, energy generation during the first quarter of 2023 was 5,137 gigawatt hour, 12% higher than the same period in the 2022.

The increase in the energy generated by Central Puerto was due to, first, a 15% increase in energy generation from thermal units, mainly from the acquisition of Central Costanera partially offset by lower generation of Puerto site, second, an 8% increase in energy generation from the hydro plant Piedra del Águila due to higher inflow of Limay and Collón Cura rivers, partially offset by third, a 7% decrease in energy generation from renewable units due to lesser wind resource.

During the first quarter of 2023, availability for thermal unit was 73% compared to 84% in the same period of the 2022 due to lower generation due to the technical pages of Puerto site steam turbines.

As a reference, the market average availability for thermal units for the same period was 73% according to data from CAMMESA. Steam production decreased 6% totaling 435,055 tons produced during the first quarter of 2023 compared to 460,735 tons during the first quarter of the 2022 due to lower demand of our client Terminal 6 S.A.

Going now to the results for this quarter. As you can see on Page 8, our revenues decreased Ps. 27.9 billion in the first quarter of 2023 as compared to Ps. 35.1 billion in the first quarter of 2022. This 20% decrease was mainly due to first, a 36% decrease in sales under contracts, which amounted to Ps. 11.7 billion during the first quarter of the 2023 as compared to Ps.18.4 billion in the first quarter of 2022.

- (i) It was impacted by the ending of Brigadier Lopez TG PPA contract in August of 2022 and negatively impacted by a higher inflation adjustment of the peso depreciation in the period. It's worth to mention that the impact related to the ending of Brigadier Lopez TG PPA contract, will be recovered with a new PPA contract for the Brigadier Lopez steam turbine when we finish the closing of the combined cycle by the end of 2024.
- (ii) Second, a 7% decrease in Spot/Energia Base Sales revenues from resolution 826/22 SE section, which totaled Ps. 13.3 billion in the first quarter of 2023 as compared to Ps. 14.3 billion in the first quarter of the 2022, negatively impacted by a higher inflation adjustment over the tariff increase in the period and due to lower generation mainly for technical failures of Puerto site steam turbines of Ps. 2.8 billion, partially offset by Central Costanera revenues of Ps. 1.8 billion.
- (iii) Third, a 23% decrease in steam sales, which totaled Ps. 1.3 billion in the first quarter of 2023 compared to Ps. 1.7 billion in the first quarter of 2022.
- (iv) Fourth, forestry segment, that total 1 billion in revenues during the first quarter of 2023.

We can see the changes in our adjusted EBITDA of Ps. 29.8 billion in the first quarter of the 2023 compared to Ps. 32.2 billion in the first quarter of 2022. The 7% decrease was driven by the following changes:

- (i) First, the above-mentioned drop in revenues,
- (ii) Second, 16% increase in administrative and selling expenses that totaled Ps. 2.4 billion in the first quarter of the 2023 as compared to Ps. 2.0 billion in the first quarter of 2022. For Central Puerto, the deviation is mainly driven by Ps. 0.17 billion increases in the third-party services Ps. 0.11 billion from Central Costanera and Ps. 0.05 billion are coming from forestry segment.
- (iii) Third, 9% increase in cost of sales that totaled Ps. 17.0 billion in the first quarter of 2023 compared to Ps. 15.5 billion in the first quarter of 2022. The revision is mainly explained by including Central Costanera for Ps. 1.3 billion and forestry segment for Ps. 0.6 billion, partially offset by a reduction in Central Puerto of Ps. 0.6 billion, mainly driven by lower third-party services and insurance costs in the first quarter of 2023.
- (iv) Fourth, 3% increase in depreciation and amortization at total Ps. 6.0 billion during the first quarter of the 2023 as compared to Ps. 5.8 billion during the first quarter of 2022. Ps. 6.4 billion increase, mainly explained by: (i) first, foreign exchange difference on operating assets, mainly related to FONI trade receivables that generated a positive variation of Ps. 3.4 billion during the first quarter of 2023, Ps. 9.4 billion in the first quarter of 2023 compared to Ps. 5.9 billion during the first quarter of 2022 due to a higher depreciation of the Argentine peso during the quarter. (ii) Second, an increase in Ps. 4 billion due to a fair value recognition and biological assets from forestry segment. (iii) Third, Ps. 1 billion decrease in other income results due to an insurance recovery in the first quarter of 2022.

As a result, Adjusted EBITDA excluding FX difference, interests related to FONI trade receivables and biological assets fair value recognition was Ps. 16.5 billion in the first quarter of the 2023 compared to Ps. 26.3 billion in the first quarter of 2022. In Q1 of 2023, adjusted EBITDA includes Ps. 0.8 billion from Central Costanera since March 2023 and Ps. 0.4 billion from Forestry segment.

We can see that consolidated net income was Ps. 0.1 billion in the first quarter of the 2023, compared to a consolidated net income of Ps. 9.8 billion in the first quarter of 2022. In addition to the above-mentioned factors, net income was negatively impacted by:

- (i) First, an increase of Ps. 7.3 billion in net monetary position loss, which amounted Ps. 13.7 billion during the first quarter of the 2023 due to a higher inflation compared to Ps. 6.4 billion loss in the first quarter of the 2023.
- (ii) Second, an increase in share of the loss of associates of Ps. 0.3 billion in the first quarter of the 2023 amounted Ps. 0.7 billion in the first quarter of the 2023 compared to Ps. 0.4 billion in the first quarter of 2022.
- (iii) Third, an increase in financial expenses, which amounted to Ps. 14.7 billion during the first quarter of the 2023 compared to Ps. 9.6 billion in the first quarter of 2022, mainly due to an increase in foreign exchange difference due to a higher depreciation of the Argentine peso during the quarter, partially offset by an increase in financial income that amounted to Ps. 6.8 billion in the first quarter of the 2023 compared to financial income Ps. 3.5 billion in the first quarter of 2022, mainly due to higher financial asset results in the first quarter of 2023.
- (iv) Fourth, an increase in depreciation and amortization of pesos Ps. 0.2 billion in the first quarter of the 2023

and positively impacted by,

- (i) First, lower income tax that amounted to Ps. 1.4 billion loss in the first quarter of the 2023 compared to Ps. 3.7 billion loss in the first quarter of the 2022.
- (ii) Second, an increase of Ps. 3.5 billion on foreign exchange differences and interest related to Foni trade receivables.
- (iii) Third, fair value recognition forestry segment, biological assets that amounted Ps. 4 billion.

FONI collections totaled Ps. 3.9 billion in the first quarter of 2023, including VAT associated to FONI trade receivables for Vuelta de Obligado Plant compared to Ps. 4 billion of the first quarter of the 2022, representing a total of Ps. 3.9 billion in which Ps. 0.5 billion corresponds to Central Costanera. The amounts are being collected on time and according to the signed contract.

Going to Page 12, you can see our cash flow for three months of 2023.

Net cash provided by operating activities was Ps. 5.6 billion during the three months of 2023. This cash flow arises from (i) Ps. 1.5 billion gain from the pretax income obtained during the three months of the

2023. (ii) adjustments to reconcile profit for the year before income tax with net cash flows of Ps. 10.5 billion gain. (iii), Ps. 2.7 billion gain in collection of interest from clients, including the ones from FONI. (iv) insurance recovery is Ps. 0.1 billion, (v) partially offset by with Ps. 2.1 billion loss in variations in other non-financial asset inventories and biological assets. (vi), Ps. 5.7 billion variation in Trade Accounts Payable, Other Accounts Payable, Other Non-Financial Liabilities and Employee Benefit Liabilities. (vii) income tax paid of Ps. 1.4 billion.

Net cash used in investment activities was Ps. 6.4 billion in the first three months of 2023. This amount was mainly due to, (i), Ps. 7.3 billion from Central Costanera acquisition; (ii) Ps. 1.4 billion on investments in CapEx, partially offset by Ps. 2.3 billion gain in sale of financial assets.

Net cash used in financing activities was Ps. 1.1 billion in the first three months of the 2023. This amount was mainly the result of, (i), short-term financing representing Ps. 5.6 billion, partially offset by (ii) Ps. 0.8 billion of dividends paid, (iii) Ps. 1.4 billion in debt service amortization of existing loans mainly related to expansion projects. (iv), Ps. 2.3 billion in interest in financial expenses, mainly related to those loans.

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

Operator

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

Your first question for today is coming from Martin Arancet at Balanz Capital.

Martin Arancet - Balanz Capital

Hi. Well, thank you for the presentation and for the materials as always. I have four questions. I would like to run them on one, if that's okay. My first question is about EVASA acquisition. I was wondering how much did you pay for the company and if you did come with cash or debt also if it was had a hard dollar payment abroad.

Fernando Bonnet - Chief Executive Officer

Okay. Thank you for your questions. In terms of the payment of Evasa acquisition, we cannot provide that information because we signed a confidential agreement with the seller. So we are not allowed to comment on the pricing. And in terms of payment, we pay abroad. Yes.

Martin Arancet - Balanz Capital

Okay, thank you. And a follow-up, maybe what EBITDA do you estimate for these new forest?

Fernando Bonnet - Chief Executive Officer

Well, in terms of EBITDA, the -- more or less the idea or the decision that we take was the same that they were implementing the base we're implementing is to conserve the forest and to increase the quantity of hectares that we plant. So, we are not, we are not selling the trees right now, we expect a better convenient exchange rate and a better convenient price. So, we are using the cash flow to increase the planted hectares.

So we are not having the cash EBITDA that we have received from these. Also, Masisa and Evasa acquisitions are not relevant for Puerto right now, for this year, at least, we expect start cutting the trees in next years coming and increase EBITDA in both moments, but right now it's almost not relevant for Puerto, what these two acquisition brings.

Martin Arancet - Balanz Capital

Okay. Then any updates that you can share with regarding the Brigadier Lopez expansion? And also, if you could give us an expected CapEx for 2023 and 2024.

Fernando Bonnet - Chief Executive Officer

Okay. In terms of Brigadier Lopez, we are working with the EPC constructor right now in terms of reaching a contract with them. We expect to have this contract signed, I think, in two months from now, and we expect to have the plant working in the combined cycle at the end of 2024. In terms of CapEx, we don't have the number yet about the Brigadier Lopez expansion, but will be around 130-something million dollars.

Martin Arancet - Balanz Capital

Right, my last question then is about the new resolution 59. I was wondering what power plants did you add to that. And how much additional EBITDA do you expect from this resolution?

Fernando Bonnet - Chief Executive Officer

Okay. In terms of the plants, we signed the contracts for the combined cycle of Buenos Aires, the combined cycle of Mendoza, the combined cycle of Costanera: Mitsubishi and the combined cycle of the Siemens one, the small one, which is in Costanera. And we expect depending on the evolution of the dollars, of course, and the evolution of the rest of the regulation. You know that the portion that we set in dollars is not the whole remuneration, it's a portion. It's \$2,000 per megawatt. The rest will come will keep coming from -- we're still coming from the spot prices that the Secretaria established. But if we can have an increase, trying to reach the inflation and the dollar is not yet -- not getting lower than inflation in the future, we expect an increase of around \$13 million dollars, between \$13 million and \$15 million in the 12-month period of new EBITDA coming from this new regulation.

Martin Arancet - Balanz Capital

Very clear, thank you.

Fernando Bonnet - Chief Executive Officer

You are welcome.

Operator

Again, if you have a question, please press *then 1.

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

Fernando Bonnet - Chief Executive Officer

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.

Operator

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