



## **Central Puerto**

Central Puerto SA

2Q 2022 Results Conference Call

Monday, August 8, 2022, 11:30 A.M. Eastern

### **CORPORATE PARTICIPANTS**

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

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

**Federico Bozhori** – *Financial Controller*

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**CONFERENCE CALL PARTICIPANTS**

**Frank McGann**, *Bank of America*

**Ezequiel Fernández López**, *Balanz Capital*

**PRESENTATION****Operator**

Good morning, and welcome to the Central Puerto Conference Call, following the Results Announcement for the Second Quarter Ended on June 30, 2022. All participants will be in a listen-only mode. Should you need any 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](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 the financial statements for the second quarter ended on June 30, 2022 include the effects of inflation adjustment. Accordingly, the financial figures mentioned during the call, including the data from previous periods and the growth comparisons have been stated in the terms of Argentine pesos at 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 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; and Enrique Terraneo, Chief Financial Officer; and Federico Bozhori, Financial Controller. Today's presentation will be carried out by Federico, as Fernando has a cold and has lost his voice.

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

### **Federico Bozhori - 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 results for the second quarter of the 2022. After the presentation, we will answer any question 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 second quarter of the 2022.

First, I would like to comment on the latest regulatory news in industry. On April 21st, the Secretariat of Energy issued the Resolution Number 238/22, which updated remuneration prices for energy and capacity of units under spot energy framework. Remuneration values increased by 30% retroactively to February '22. And an additional 10% increase on June 2022.

This resolution also eliminated the Use Factor adjustment that reduced the capacity payment calculation for the units with lower dispatch, paying all generation units regardless dispatch. In our steam turbines with low dispatch, this change implies an improving of 30% in their capacity payments.

Secondly, I would like to mention the following update regarding Central Puerto. Central Puerto successfully bid in CAMMESA's auction for 10 megawatts of dispatch priority for our Parque Solar San Carlos Project under MATER framework, located in San Carlos, Salta province.

Now, I would like to comment on the main metrics of industry as you can see on Pages 2 and 3. In terms of installed capacity, the system reached 42,882 megawatts in the second quarter of the 2022, resulting in a 1% increase compared to the second quarter of 2021, mainly based in new renewal project developed. As of June 30, 2022, the installed capacity continued to be 59% Thermal, 25% Hydro, 12% Renewable and 4% Nuclear.

In the second quarter of the 2022 energy generation increased 1.8% to 34,486 gigawatts compared to 33,872 gigawatts in the second quarter of the 2021, mainly due to an increase of 41% in Hydro, a 12% increase in Renewable, partially offset by an 8% decrease in Thermal and 15% decrease in Nuclear.

Renewables rise was due to the new installed capacity and Hydro is related with the increase in Rio Uruguay waterflows that softened the droughts that the region had experienced last year. For thermal units, there was low dispatch due to the increase of Hydro and an overall lower availability of 77% for the second quarter of the 2022, as compared to 83% in the second quarter of the 2021. As from Nuclear's source, the decrease was related with the shutdown maintenance of Atucha II nuclear plant.

During the second quarter of the 2022, the main sources of energy generation continued to be Thermal and Hydro, with a share of 60% and 22%, respectively, while Renewables were 13% and Nuclear were 6%.

In the first half of the 2022, energy regeneration increased 1.4% to 70,205 gigawatts compared to 69,204 gigawatts in the first half of the 2021, mainly due to an 18% increase in Renewables, an 8% increase in Nuclear and 4% in Hydro, partially offset by a decrease of 3% in Thermal.

Finally, as you can see on Page 4, energy demand increased 6% up to 34,948 gigawatts compared to 32,858 gigawatts in the second quarter of the 2021, where Commercial User grew 7%, Residential grew 7%, Great Demand grew 4%.

As of the second quarter of the 2022, demand structure was 46% represented by Residential users, 27% by Commercial activity and the remaining 27% was related to Great Demand Industrial/Commercial. In the first half of the 2022, the composition remained stable with 46% for residential, 28% for Commercial and 27% linked to Great Demand Industrial/Commercial.

Going now to our key performance indicators for the quarter as you can see on Page 5. Energy generation in the second quarter of the 2022 was 4,280 gigawatts of electricity, 14% higher than the same period of the 2021. The increase was mainly caused by a 39% increase in energy generation from thermal units, mainly from Terminal 6 due to high dispatch related to the combined cycle full operation and higher dispatch of Puerto steam turbines. 45% decrease in energy generation from the Hydro plant Piedra del Aguila, due to the lower water inflows of Limay River compared with the second quarter of the 2021. 4% decrease in energy generation from renewable units due to lesser wind resource.

Regarding the availability of our thermal units during the first quarter of the 2022, it reached 83% in line with the strong availability history of the Central Puerto's equipment. As a reference, the market average availability for thermal units for the second quarter of 2022 was 77% according to the data from CAMMESA.

Steam production increased 104%, totaling 585,645 tons produced during the second quarter of the 2022, compared to 287,484 tons during the second quarter of the 2021, due to the commissioning of the Terminal 6 cogeneration plant.

Going now to our key performance indicators for the first semester in the first half of the 2022, energy generation increased 23% to 8,865 gigawatts compared to the 7,218 gigawatts for the same period in 2021. As a reference, domestic energy generation increased 1% during the first half of the 2022, compared to the first half of 2021, according to the data from CAMMESA. Increase in the energy generated by Central Puerto was due to an increase of 37% in electricity generation for thermal units mainly due to Terminal 6 new generation and the recovery to the average production of the Siemens branded combined cycle of Lujan de Cuyo plant, 5% increase in the energy generation from renewable unit. This was partially offset by 16% decrease in energy generation from the Hydro plant Piedra del Aguila due to lower inflows of Limay river.

During the first half of the 2022, machine availability for thermal units reached 83%, compared to 89% in the same period of the 2021, due to above mentioned extraordinary maintenance in Lujan de Cuyo Cogeneration and one steam turbine from Puerto site, certain small failures and unavailability in some steam turbines. As a reference, the market average availability for thermal unit for the same period was 76%, according to the data from CAMMESA.

Steam production increased 90%, totaling 1,046,308 tons produced during the first half of the 2022, compared to 549,515 tons during the first half of the 2021 due to the commission of Terminal 6 cogeneration.

And now, I will comment on the financial highlights.

First, I would like to comment on certain key financial information related to Brigadier Lopez Financial Trust. On April the 5th of the 2022, the existing financial debt under the Brigadier Lopez Financial Trust was cancelled. The scheduled maturity of this indebtedness was August 2022 and was cancelled in April as a liability management policy with the aim to reduce financial costs.

I will now comment on the result of the second quarter of the 2022.

Going now to the results for this quarter as you can see on Page 9. Our revenues were ARS 19.1 billion as compared to ARS 20.1 billion during the second quarter of the 2021.

This 5% decrease was mainly due to, first, a 37% decrease in Spot/Energia sales which totaled ARS 6.4 billion in the second quarter of the 2022 as compared to ARS 10.2 billion in the second quarter of 2021, due to higher inflation than price adjustment, and lower generation from the Hydro plant, Piedra del Aguila scheduled maintenance of certain steam turbines from Puerto site, and the commitment of Terminal 6 plant and the beginning of that contract, partially offset by, first, a 79% increase in Steam sales, which totaled ARS 1.1 billion in the second quarter of 2022, compared to ARS 0.6 billion in the second quarter of the previous year, due to a 104% production increase. And second, a 26% increase in sales on the contracts, which amounted to ARS 11.1 billion during the second quarter of the 2022, as compared to ARS 8.8 billion in the second quarter of the 2021, due to a higher generation of Terminal 6, and better performance of wind plants despite a higher inflation's adjustments over the peso's depreciation in the period.

Going to Page 10. We can see the changes in our EBITDA, excluding impairment and FONI FX difference and interests, which was ARS 12 billion in the second quarter of the 2022 compared to ARS 11.3 billion of the second quarter of the 2021. This 6% increase was driven by the following changes.

First, a 5% decrease in revenue explained before. Second, a 5% decrease in the cost of sales that totaled ARS 10.5 billion compared to ARS 11 billion in the second quarter of the 2021, primarily driven by lower operational costs. And third, an 8% increase in administrative and selling expenses that totaled ARS 1.3 billion during the second quarter of the 2022 compared to ARS 1.2 billion in the second quarter of the 2021.

Continuing with Page 10. We can see that the consolidated net income was ARS 2.4 billion in the second quarter of the 2022, compared to a consolidated net loss of ARS 7.2 billion in the same period of the 2021. In addition to the above mentioned factors, net income was negatively impacted by, first, an increase in financial expenses which amounted to ARS of 6.9 billion during the second quarter of the 2022, compared to ARS 4.7 billion in the second quarter of 2021, mainly due to an increase in foreign exchange difference, and the higher depreciation of Argentine pesos during the quarter.

Second, an increase of net monetary position loss, which amounted to ARS 4.8 billion during the second quarter of the 2022, due to a higher inflation during the second quarter of 2022, and higher balance of monetary assets, and positively impacted by, first, the decrease in impairment charge of property, plant and equipment that totaled ARS 6.4 billion during the second quarter of the 2021.

Second, a 155% increase in foreign exchange difference on operating assets, mainly related to FONI trade receivables, that generated a ARS 4.6 billion gain during the second quarter of the 2022, compared to ARS 1.8 billion gains during the second quarter of 2021, due to a higher deposition of the Argentine peso during the quarter.

Third, an increase in financial income that amounted to ARS 2.2 billion in the second quarter of the 2022, compared to ARS minus 0.3 billion in the second quarter of the 2021, mainly due to higher financial assets results in the second quarter of the 2022.

Fourth, lower income tax expenses that amounted to ARS 1.1 billion in the second quarter of the 2022, compared to ARS 5.5 billion in the second quarter of the 2021. Additionally, the share of profit of associates was ARS 0.3 billion gain during the second quarter of 2022 compared to a loss of ARS 0.7 billion in the second quarter of the previous year.

FONI collections related to trade receivables for Vuelta de Obligado Plant totaled ARS 2.1 billion in the second quarter of the 2022, as compared to ARS 3.9 billion in the second quarter of the 2021. The amounts are being collected on time and according to the signed contract.

Going to Page 11, you can see our cash flow for the second quarter of the 2022. Net cash provided by operating activities was ARS 16.9 billion. This includes ARS 2.1 billion in collection from Vuelta de Obligado's installments.

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

### **Operator**

We will now begin the question-and-answer session. To ask a question you may press \*1 (star key) on your phone at this time. 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 whilst we pause for questions.

Thank you. Your first question is coming from Frank McGann of Bank of America. Frank, please ask your question.

### **Frank McGann**

Okay, great. Thank you very much. A couple of questions if I could. One is just, what are the current plans for any stoppages or maintenance in the second half of the year? And also, you know what are the – you know is there any change in demand that you would expect in the second half versus what you've been seeing in the – as overall trends in the first half?

And then, if I could ask one additional question, the – overall you know Hydro situation for period that I get, I think you mentioned in the release that there was some improvement starting in June, I was just wondering how important that is – how much better you see the overall conditions as you're looking into the third quarter, and that plant, I believe the contract you have expires next year, just wondering if there's any talks going on with the government or plans for a possible renewal of the contract you have for the plant.

### **Fernando Bonnet - Chief Executive Officer**

Okay, Frank, thank you. Thank you for your questions. Owing to your first question, we are not seeing an important maintenance for the rest of the year, of course, we have small maintenance, regular ones, but not, nothing is significant for the rest of the year in terms of our Equipment, Thermal or Hydro, we are not seeing a big maintenance for the rest of the year. On September, we have an intervention of – next year, September, next year, we have an intervention of our combined cycle in Buenos Aires, this is the first big maintenance that we face for our equipment.

In terms of demand, we are seeing some recovery of the demand. In fact, the Industrial demand are on the levels – more or less on the levels of the 2019 completely recovered after COVID. We are not seeing much more increase in terms of demand, especially if we think that we are seeing some of the acceleration on the industry growth, and in terms of Residential demand, we will need to know how the – these subsidies restrictions will apply the new scheme that the government announced.

If that will be 400 gigawatts remain was only per month or per two months that will depend on how the demand will be reduced in terms of not having the subsidies. So, for predicting, the demand of the Residential demand for future we will need to have more information about the implementation of this new scheme. But we are not seeing a big rise on the demand for the next month anyway.

In terms of Piedra del Aguila, as you mentioned, we are seeing better inflows, especially during this winter, the snow is higher than we expected in Neuquén. So, we are seeing more inflows. But we are ready. We are not in the top of the dam. So, we already recovering the level of the dam. And depending on how this that – there is no continuous under rain during the summer.

Perhaps we will see in – we will have more information to see if we have – we come back to the medium levels of the – of production or not. I think today is too early to say that we are in the middle of the year or we are in the draw year. But, in fact, we are seeing an improvement, but we don't know yet if this improvement will keep – or will continue in the – during the summer.

And your last question is regarding the concession. We had some talks with the government, but the previous administration in terms of energy, I mean, right now with the new authorities, we think we need to start again and the Ministry of Economy. We then talked with him about that. So, I think we need to start again with the discussions and see which is – which are the expectations the new ministry have about the concessions.

And I think we need to start again with these meetings and these talking's in order to have more information to give to you and the market. Right now, is too early to have an impression or to give some color about that. But, of course, we – is something that we have on our agenda, so we expect to start talking about that soon with this new ministry and the new people in charge of electricity and energy. So, we will have more information perhaps in the next quarter.

**Frank McGann**

Okay. If I could follow-up just quickly, could you remind us what percentage of EBITDA if you can disclose it, Piedra del Aguila represents? And what percentage of EBITDA is currently in US dollar PPAs if you have the number?

**Fernando Bonnet - Chief Executive Officer**

Yes, yes, yes. Right now, with all the – I'm going to answer the second first. Right now with all the equipment that we have under construction installed, more or less 70% – between 70% to 75%, depending on how Piedra del Aguila works and how Piedra del Aguila generates is, in dollars, and the rest is in pesos at the spot. So, the percentage are dramatically changed after our finishing, the construction of the project that we started constructing during 2017 and 2018. And in terms of EBITDA Piedra del Aguila is around \$30 million, let's say this roughly, the number of the EBITDA of Piedra del Aguila.

**Frank McGann**

Okay, thank you very much.

**Fernando Bonnet - Chief Executive Officer**

You're welcome.

**Operator**

Thank you.

Your next question is coming from Ezequiel Fernandez from Balanz. Ezequiel, over to you.

**Ezequiel Fernández**

Good morning, everybody. Thank you for the materials and the presentation. Very complete as always. I have actually five questions. Sorry for the extension, but they should be quick, I promise. I would like to go one by one, if you don't mind. The first one is related to the CAMMESA payment day. How are they right now? And – or how they closed the quarter? And what happened in this – in July and the early August?

**Fernando Bonnet - Chief Executive Officer**

Okay, let's go for that. Thank you for your question. In terms of the quarter, the payments are starting to get better, in fact, that was with the previous administration in economy. So coming from 30 days of delay, we reached almost 15 days of delay until June, then with the change in the administration, we suffer more delays at the beginning, because some signing problems, people that renewal, of course, the renewal, the staff in terms of economy and Secretariat of Energy.

And we see increased the delay to 45, 50 days of delay. And with these new change of – in economy, we are seeing delayed of 60 – 60 days more or less, expecting that with when the people get in office and start working again normally, we expect to reduce again these delays are now perhaps again with 30 – between 15 and 30 days of delay.

**Ezequiel Fernández**

Okay, great. Then regarding Lujan de Cuyo. I know that you have been working during the past quarters on different structural fixes. I don't know if the situation is resolved by now?

**Fernando Bonnet - Chief Executive Officer**

Sorry, you can repeat – you, I mean, some maintenance, what is your question about?

**Ezequiel Fernández**

Yes, about the level of overall availability of Lujan de Cuyo which had some issues?  
On the quarters.

**Fernando Bonnet - Chief Executive Officer**

Okay, yes.



Yes, yes, yes. Yes, last quarter at the end of the quarter is, specifically in June, we suffered a failure in our unit – one of the units of the cogeneration, the number 26, the TG number 26.

We have the same issue that we had, we faced last year with the 27 unit, the other one, which is a failure in the gear box, the gear box connects the turbine with the generator and we need to change according to Siemens, which is the provider, we need to change some pieces of this gear box and we are – expect that the whole process, we need to bring the pieces, these are very big pieces, we need to bring it in a special cargo.

So, we have several delays in terms of the – to find a plane to bring the pieces. So, we are expecting to get the unit online again in the middle of August, I think 20 – not 20, let's say, 15 – between 15 and 19 of this month.

We are not expecting to have any more problem with the gear box, because we are changing the main components. So, we are not expecting to have more failures related to this gear box.

**Ezequiel Fernández**

Okay, great. Regarding the San Carlos projects in Salta, congratulations on that. It's 10 megawatts. I don't know if you can share with us any CapEx expectation for the project? And if you could break that down in terms of how much is the panels and the construction and how much is for the transmission payment that you have to make to CAMMESA?

**Fernando Bonnet - Chief Executive Officer**

Okay, okay. In terms of the – this new project, we, as you mentioned, we get granted for the capacity for 10 megawatts. This is – we are receiving the – we have a more or less the non-budget prices, we are receiving right now – in this month, the confirmed CapEx, but we expect with the number that we already have around \$10 million on CapEx that we expect to deploy at the end, perhaps the first 30% at the end of the year and then the rest in the next two quarters.

In terms of – as I said, this is small project connected in 33 kilowatts line, so, there is no much more CapEx related to transmission line. The main components, as you mentioned, are the panels and trackers, that is the main components of the cost that I mentioned to you, more or less 70% related to that. And the rest is the civil works to install and run some connection, but not the big portion of connection there. You know in terms of the capacity payment. Sorry.

**Ezequiel Fernández**

Okay. No, no, I was exactly referring to that the amount of money that you need to pay to CAMMESA for the transport –

**Fernando Bonnet - Chief Executive Officer**

Yes. In terms of the capacity payment is around \$150,000 per quarter.

The amount of capacity payment that we need to pay to CAMMESA. The duration of this project will be around between 15 and 18 months.

**Ezequiel Fernández**

Okay. So, it's \$150,000 per –

**Fernando Bonnet - Chief Executive Officer**

Quarter

**Ezequiel Fernández**

Per quarter until you finish construction?

**Fernando Bonnet - Chief Executive Officer**

Yes.

**Ezequiel Fernández**

Okay, that's great. And I don't know if you have any updates regarding the Brigadier Lopez closing?

**Fernando Bonnet - Chief Executive Officer**

We're still working on that. We are analyzing very in detail, the quantity of CapEx and, of course, we are analyzing in detail, all the COVID complexity in order to have the project ready to launch whenever we finish that analysis. And additionally, we are making a huge analysis about how the equipment is contained – was maintained by ENERSA. So that takes time for us, and we are working with Siemens on that, but we are in a preliminary stage of analysis and trying to be ready when the conditions – economic conditions and the COVID conditions get more clear for us to launch the project. But we are not launching yet.

**Ezequiel Fernández**

Great. I have a final one related to dividends. I understand that you're still limited by some of the covenants on the loans that you took. If we could expect that you know to be changed at some point in time this year or the next one?

**Fernando Bonnet - Chief Executive Officer**

We are not expecting for this year for sure. The next one, we will see. In the next one, we need to – we have to pay some portion of the loan, \$35 million dollars. And I think there we can have some release. We need to analyze if we can reach all that number and pay all that number, we can have some release on that restriction, but not for this year for sure.

**Ezequiel Fernández**

Okay, that's great. Thank you very much for your time. That was very clear.

**Fernando Bonnet - Chief Executive Officer**

Thank you for your question and your interest.

**Operator**

Ok ladies and gentlemen if you have a question please press \*1 on your phone at this time. I don't know gentlemen, if you've got any questions that have come through on the webcast that you'd like to look at? Okay, we appear to have no further questions in the queue on the phone lines.

I will hand back over to the management for any closing remarks.

**Fernando Bonnet - Chief Executive Officer**

Okay. 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

**Operator**

Ladies and gentlemen, the conference has now concluded. Thank you for today – attending today's presentation. You may now disconnect your phone lines and have a wonderful day.

