



Central Puerto S.A.

2Q 2023 Results Conference Call

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Time

CORPORATE PARTICIPANTS

Fernando Bonnet – *Chief Executive Officer*

Enrique Terraneo – *Chief Financial Officer*

Pablo Calderone – *Corporate Finance & Investor Relations Manager*

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CONFERENCE CALL PARTICIPANTS

Martin Arancet, *Balanx Capital*

PRESENTATION

Operator

"Good morning, ladies and gentlemen welcome to Central Puerto's second quarter 2023 Earnings webcast. 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 Relations Support section on the company's corporate website at www.centralpuerto.com. In addition, a replay of today's call may be accessed by accessing the Webcast link at the same section of the Central Puerto's website.

Before we proceed, please be aware that all financial figures were prepared in accordance with IFRS and are stated in Argentine Pesos, unless otherwise noted. It is worth noting that the financial statements for the second quarter ended on June 30th, 2023, 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 take into consideration that certain statements made by the Company during this conference call and answer to your questions may include forward-looking statements, which are subject to risks and uncertainties that could cause actual results to be materially different from the expectation contemplated by industry remarks, thus 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 Pablo Calderone Corporate Finance & Investor Relations Manager.

And now, I will turn the call over to Pablo Calderone. Please Pablo, you may begin."

Pablo Calderone – Corporate Finance & Investor Relations Manager

Slide 3:

Thank you, very much, and good morning, to you all.

We're joining you today with our management team from Buenos Aires, Argentina to comment on our results of the 2nd quarter of 2023.

Taking a moment of your attention to review today's agenda, I would like to begin the presentation by addressing the latest developments of the company during the period, then move on to analyze the evolution of the Argentine energy sector during the quarter, and finally delve into Central Puerto's operating and financial results. At the close of my presentation, we will be happy to address any questions you may have.

Slide 4:

To begin with and in line with our strategy to increase our environmental performance and contribute to the global decarbonization goals, on May 3rd, 2023, Proener, one of our subsidiaries., acquired 100% of the capital stock and votes of the forestry companies Empresas Verdes Argentina S.A., Las Misiones S.A. and Estancia Celina S.A., which contribute a total of 88,000 hectares geographically located in the center of the province of Corrientes, of which approximately 36,000 hectares are productive and 26,000 already counts with pine plantations.

Following the recent acquisition of Central Costanera, and in order to comply with the provisions of the Capital Markets Law and the CNV Rules, on March 17th, 2023, Proener promoted and made a tender offer to all the holders of voting shares of Central Costanera.

The tender offer was open from May 30th, 2023 until June 12th, 2023 and the Notice of Results was published on June 13th, 2023, by virtue of which it was informed that over 65 thousand shares of the Company participated in the tender offer. Consequently, Proener's shareholding in the Company represents now 75.69% of the Company's capital stock. The shares of those holders of Central Costanera that did not participate in the tender offer continue to be outstanding and trading in the Buenos Aires Stock Exchange.

With this acquisition, Central Puerto reinforces its growth in Argentina, consolidating its position as market leader in the power generation sector.

Slide 5:

Now, let's use the next two slides to analyze the evolution of the Argentine energy market during this quarter.

As we can see in slide 5, the country's installed generation capacity increased by 1% or 524 MW reaching 43,405 MW, compared to 42,881 MW in the 2Q22. This increase in capacity was mainly due to the incorporation of 349 new MW from renewable sources, increasing 7% vis a vis the same period 2022, of which 237 MW corresponds to solar photovoltaic projects, 96 MW to wind farms, 12 MW to renewable hydro projects, 3 MW to biomass and finally, 1 MW of biogas generation units.

In turn, thermal capacity sources recorded a net 1% increase or 175 MW, as a combination of the incorporation to the system of 780 MW of new combined cycles and the decommissioning of 567 MW and 38 MW of gas turbines and diesel engines respectively.

Slide 6:

Now moving to the analysis of the power generation and demand of the period.

In the second quarter of the year, energy generation in the local market decreased by 7% to 32,046 GW per hour compared to the same quarter 2022, with a 12% and 8% reduction in thermal and hydro generation respectively, partially offset by an increase in energy supply from nuclear sources of 3% and from renewables of 1%. In addition, a 13% increase in imports from neighboring countries, mainly from Brazil, contributed to the lower overall local power generation of the period.

This lower power generation in 2Q23 vis-a-vis 2Q22 was a direct consequence of a 6% contraction in energy demand, which was essentially driven by a 10% decrease in residential demand as a result of milder temperatures recorded during the quarter compared to the same period of last year. As an example of this phenomenon, the average temperature in May 2023 was 16.4 °C, while in the same month of the previous year it was 13.8 °C while the historical average for the same month stands at approximately 14.6 °C.

The decrease in demand prompted a lower thermal dispatch, which was also negatively impacted by lower availability rates of certain power stations, registering an average availability of 74% in the 2Q23 vs. 77% in 2Q22. The lower thermal dispatch was compensated with more nuclear and renewable generation, as commented before.

The increase in nuclear generation was mainly due to greater energy production from the nuclear plant Atucha I and, to a lesser extent, from Embalse, while the Atucha II Nuclear plant is still under maintenance and is expected to be back in operations in coming months. Regarding renewable energies, the increase in generation was related to the increase in installed capacity. Finally, the lower hydro generation was primarily a result of a lower water flow in the Uruguay and Parana rivers, which was mainly driven by the lack of rainfalls and the consequent drought that hit the center and north of the country during the first half of 2023.

Slide 7

Going now to our key performance indicators for the quarter, on slide 7, during the 2Q23, Central Puerto's operated power generation increased by 11% to 4,762 GW per hour, compared to 4,280 GWh in the 2Q22.

It should be noted that this increase includes the incorporation of 953 GWh generated by Central Costanera, which was acquired during the previous quarter. Thus, when excluding the power generation from Central Costanera, power generation in 2Q23 decreased by 11%, representing a drop of 4 p.p. beyond the 7% contraction of the market as previously explained. This was mainly due to a 14% lower thermal generation as a consequence of a lower availability of the steam turbines at the Central Puerto site and a lower dispatch of its combined cycle.

In turn, during the quarter wind generation recorded a 2% increase in a year over year comparison due to a higher capacity factor of our wind farms on the back of higher wind rates, while hydro generation at Piedra del Aguila increased by 1% driven by a higher water flow of the Limay and Collón Curá rivers.

Regarding thermal availability, for better understanding, let's break it down by technology. The availability of our steam/gas turbines was 57% in the quarter, compared to 73% in the same period of 2022. Combined cycles availability reached 84% in the 2Q23, compared to 95% in the 2Q22. The 2023 figures are impacted mainly by a lower availability of some steam turbines, specially those of Central Costanera, and the shutdown of the Buenos Aires Combined Cycle at the same power station. Thus, when excluding

Central Costanera from the quarter over quarter comparison, the availability of Central Puerto's steam/gas turbines would reach 73% and that metric for combined cycles would be 96%.

It is worth to mention that the Buenos Aires Combined Cycle is expected to enter in maintenance by the end of this month and to be back in service by the end of the next quarter.

Finally, steam production in the quarter decreased by 4%, amounting to 560 million tons, compared to the 586 million tons in 2Q22, mainly due to the lower demand from YPF's Lujan de Cuyo refinery.

Slide 8:

Before going into a more exhaustive analysis of the evolution of our main financial metrics, let me briefly review the consolidated results of the Central Puerto group during the second quarter of 2023.

Our consolidated revenues in the quarter amounted to 38.7 billion pesos, decreasing 6% compared to the same period of the previous year.

Adjusted EBITDA, which excludes foreign exchange difference and interests related to FONI trade receivables and the variations in fair value of biological asset from our forestry segment totaled 17.1 billion pesos, being 34% lower to the Adjusted EBITDA of the second quarter 2022.

Net income for the period was 4.3 billion pesos, recording a decrease of 14% vis a vis the 5.1 billion pesos of the second quarter 2022.

At the same time, during the quarter we continued deleveraging the company despite the recent acquisitions. As a result, the group's total consolidated debt was reduced by 22% to 87.2 billion pesos, while the net debt position as of June 30th declined to 24.3 billion pesos.

Slide 9:

Now, zooming in our revenues analysis, as you can see on slide 9, these amounted to 38.7 billion pesos in the quarter, as compared to 41.3 billion pesos in the same period 2022.

First, it should be noted that in this quarter, revenues of the Central Puerto Group include those corresponding to the recent acquisitions of Central Costanera and the forestry companies, which contributed with 4.9 and 1.8 billion pesos respectively. Thus, when excluding these effects, the variation in revenues would be a 23% decrease or 9.3 billion pesos, mainly due to the following factors:

- (i) a 35% or 8.3 billion pesos reduction in sales under contracts mainly as a result of the end of the Brigadier Lopez gas turbine PPA contract in August 2022 and, to a lesser extent, to the negative impact of a higher inflation rate compared to the peso depreciation of the period;
- (ii) a 23% or Ps. 0.5 billion contraction in steam sales, as production level decreased in line with the lower demand from YPF's Lujan de Cuyo refinery; and
- (iii) a 3% or Ps. 0.4 billion decrease in Spot/Legacy energy sales which amounted to Ps. 13.3 billion in 2Q23 compared to Ps. 13.7 billion in the 2Q22, mainly driven by a 65% increase in remuneration (by means of Res. 826/22) that was below the inflation rate of the period, all of this being partially offset by the implementation of Res. 59 on march this year which partially dollarized combined cycles remuneration and, to a lesser extent, the recognition of fuel cost from CAMMESA.

Slide 10:

Moving now to slide 10, for a better understanding on the evolution of our Adjusted EBITDA. During 2Q2023, the group's Adjusted EBITDA reached 17.1 billion pesos, including the Adjusted EBITDA of the recently acquired Central Costanera and forestry companies for 1.3 and 1.2 billion pesos, respectively. Thus, on a consolidated basis, the adjusted EBITDA of the quarter recorded a contraction of 34% compared to the 25.8 billion pesos in 2Q2022.

When analyzing the Adjusted EBITDA excluding acquisitions, we can observe that the variation is mainly explained by:

- (i) the previously mentioned drop in revenues,
- (ii) a 21% or 3.0 billion pesos increase in cost of sales, explained primarily by a higher consumption of materials and spare parts due to the maintenance performed on the gas turbines at the Lujan de Cuyo Plant,
- (iii) an 8% increase or Ps. 0.2 billion pesos in SG&A, mainly driven by higher third-party services and personnel cost, partially offset by,
- (iv) an 85% increase or 1.3 billion pesos in other operating results, mainly due to higher interest accrued on receivables from CAMMESA.

Slide 11:

Moving to the next slide, Consolidated Net Income for the quarter amounted to 4.3 billion pesos, decreasing 14% on a year over year basis. In addition to the lower Adjusted EBITDA of the period, the net income was impacted by a combination of:

- (i) a higher loss on net monetary position of 4.1 billion pesos, partially offset by better results on our associate companies of the ECOGAS group for 0.2 billion pesos.
- (ii) an increase of 2.1 billion pesos in income tax, which is basically the result of higher deferred income tax, an adjustment to the provision of the previous period with respect to the amount actually paid in the current period, partially offset by a lower current income tax.

Being partially offset by:

- (iii) a lower loss in net financial results, accounting for a positive variation of 6.2 billion, pesos driven by a gain in the fair value of financial assets, partially offset by higher net interest and negative foreign exchange differences;
- (iv) higher positive foreign exchange differences and interest related to the FONI receivables, for 3.9 billion pesos; and
- (v) higher positive results from an increase in the variation of the Fair Value of the Biological Assets from our forestry segment.

Slide 12:

Finally, going to slide 12, we can see the evolution of our Cash Flow during the first half of the year.

Operating cash flow totaled 26.4 billion pesos as a result of the Adjusted EBITDA of the period, coupled with 5.9 billion pesos in collection of interest from clients, including FONI receivables and 3.8 billion pesos in positive working capital variations, being all partially offset by income tax payments of 8.8 billion pesos.

Net cash used in investing activities was 12.2 billion pesos, mainly due to a 16.2 billion pesos deployed in the acquisitions of companies made during the first half of the year; coupled with 2.4 billion pesos in investments in property, plant, and equipment and, 0.7 billion pesos in inventory purchases, being all partially offset by 6.6 billion pesos from the selling of short-term financial assets, and a collection of 0.6 billion in dividends during the period.

Net cash used in financing activities was negative in Ps. 21.5 billion pesos, basically as the result of: (i) 12.1 billion pesos in debt service amortizations, primarily related to the Brigadier Lopez syndicated loan; (ii) along with 5.9 billion pesos in interest and other financing costs related to long-term loans; (iv) the cancellation of overdrafts in checking accounts for 2.4 billion pesos and 1.1 billion pesos in dividends paid.

Consequently, our cash position as of June 30th, 2023, amounted to 4.5 billion pesos, which if current investments in financial assets are included, our total current liquidity amounts to 24.3 billion pesos.

With this I conclude the presentation and now we invite you to ask any questions to our team.
Thank you for your attention.

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."

The first question is coming from Martin Arancet at Balanz Capital. Martin your line is live, please go ahead.

Martin Arancet - Balanz Capital

Hi. Well, first thank you for the materials as always and for taking my questions. I have five questions. Sorry for the extent. I will try to be quick. I would like to run them one-by-one, if that's okay. My first question is regarding the Piedra del Aguila conversation; the government gave an extension on the concession of the assets, so it could be the next government, the one that determines the future of those assets. Do you think it is a taking decision to move those plants to government control? Or could we still see a new auction or an extension of the current concessions? And what is your estimate of EBITDA per year in Piedra del Aguila?

Fernando Bonnet - Chief Executive Officer

Okay. Hi, Martin, thank you for your interest and your questions. Regarding Piedra del Aguila, as you say, this government established an extension of the concession, that extension has two phases: 60 days first and another 60 days coming after. And that will give our good or end of concession in February or April next year.

So, as you mentioned, the government that will analyze the extension or not extension will be a new government. And we need to know who will be the new government, it seems not so clear who will be the new government. But we have been talking with different references from the candidates and the perception that we have is that they need to analyze in detail. They don't have an answer yet about what to do with this concession, but they need to answer -- to analyze that in deeply indeed that do not take a decision like the transfer to ENARSA or to move a nationalization process without analysis.

And taking in the consideration of the claims that the concession, the actual concessions has and the relation with the province and the other thing is the investment that these concessions need to have to extend another 30 years of operations. So, in any case that we have been talking with the different reference of the oposition, we talk about taking this extension of one year that the concession has as a possibility, not only two months or three months, the one that this government took. But taking this year of extension to analyze in deep all the aspects.

So we are confident that we can have that extension and then start talking how to proceed with this concession in the near future. So we are optimistic that we will have the opportunity to discuss that with the next government. And EBITDA that you mentioned is around -- that's depending because it's in pesos, so with the new devaluation we need to recheck, but it's around USD 30 million per year.

Martin Arancet - Balanz Capital

Very clear. Thank you. My second question then regarding results of this quarter. Revenue increased quarter-over-quarter probably partially due to the acquisition of Central Costanera, but results were affected by an increase in OpEx that more time compensated the additional revenue. Could you give us some color on the additional OpEx if it was related to Costanera? And what are your expectations of getting to more normalized levels?

Fernando Bonnet - Chief Executive Officer

Yes. No. Yes, it's affected by not only Costanera, it's affected by the big maintenance that we are doing in our combined cycles, especially in our combined cycles of cogeneration. In fact, our cogeneration of Lujan de Cuyo that we perform a big maintenance there. We are performing a big maintenance also in September in the Costanera combined cycle. And we are having an extraordinary maintenance in the small combined cycle of Costanera is Buenos Aires combined cycle, Siemens combined cycle is a small one that suffered a failure extraordinary failure in March. So, we are having a big maintenance of our units, Costanera and Lujan de Cuyo plant, that are the reason of the increase that you see in the OpEx.

Martin Arancet - Balanz Capital

Okay. So, in the maintenance of September, we could see increased OpEx also next quarter and probably going back to normalized levels by the year-end?

Fernando Bonnet - Chief Executive Officer

Yes. Yes, you will see some increases, but we are paying this big maintenance or we and ENEL previously since September or October last year, so we are paying in advance. So you will see an increase on CapEx, but not the cash flow because have been paying most of the cash of the CapEx in advance.

Martin Arancet - Balanz Capital

Okay. Perfect. Thanks. My third question then, the government just devalued the official FX by more than 20%, as you just mentioned. Do you expect CAMMESA payment days to be the main tool that government could use to cushion the blow on the increased subsidy?

Fernando Bonnet - Chief Executive Officer

I don't know, really. In fact, CAMMESA was reducing the delays that we suffered in May and June. For example, we have delay there of 60 days. And right now, we are in around 30 days of delay in payments from CAMMESA. And also, the government as you say, the devaluation impact, of course, because the cost of fuel and some contracts that are set in dollars. But in the other hand, the government increased the tariff or apply the full increase and the segmentation itself in tariff that implies an impact of an increase on higher segments of the population.

So I don't know really if we have -- we can suffer -- the good news is that we are ending the winter period in which the fuel and gas oil that we use increase, and that implies a huge quantity of money for CAMMESA, and we are ending that cold periods and the reduction of the bills, the CAMMESA bills, are important. So, I don't know. We are not expecting for sure, increase in delays more than 60 days that was a higher than we see on May and June. But we are now if we can go something like 40 or 45 days, but not more than that.

Martin Arancet - Balanz Capital

Very clear. And you were just talking about this big maintenance. So I want to ask about from availability it came at 71% lower than in the previous quarter. Where do you see availability after this big maintenance works in 2024?

Fernando Bonnet - Chief Executive Officer

Yes. Well, the 71% is an average. So you have there a different combination of equipment and places. If you see only the combined side of Central Puerto excluding Costanera, you reached 95% or 96%, which is our normal availability when you combine with the Costanera combined cycles, the one that I mentioned, the central Buenos Aires combined cycle was affected. So, the percentage will reduce to 84%. So whenever we can solve the problem of Buenos Aires, I think the -- and Buenos Aires is all combined cycle. So we are suffering some problems of the end of life of this combined cycle.

But on the other hand, the Mitsubishi combined cycle is very reliable. So if you exclude the Central Buenos Aires combined cycle, the availability of the combined cycles and relatively new units are very, very good. With Buenos Aires, well, we are working to get in line. But it's an old combined cycle. So for sure, we'll see some ups and downs with this unit. But not the big ones and Mitsubishi and GE and Siemens combined cycles are very, very reliable.

In other hand, the steam turbines especially the Costanera ones have a very a low availability this quarter related to long periods of maintenance related to some problems with the boilers that we are hoping that we can reduce the frame, the timing of this of these interventions, of this maintenance and the boilers to replace the tubes that got broken. And we expect to see better timing or better performance on that maintenance and reduce the unavailability for the next quarters.

Of course, they are all units, as you know, and the same as the steam turbines of Puerto so the availability is not so high like combined cycles. But we expect to reach similar levels or close to similar levels to steam turbines of Central Puerto, which are around 70%, 75% of availability in terms of steam turbines. So, we are confident that we can increase that availability in next quarters.

Martin Arancet - Balanz Capital

Okay. So probably closer to Central Puerto all normalized levels of around 80%, 85%, something like that?

Fernando Bonnet - Chief Executive Officer

Yes, yes. In average, yes. But you need to -- if you separate this better, because excluding Buenos Aires combined cycle, the one of Costanera, the small one that I mentioned that is unavailable right now. You will see availability around 90% in the combined cycles and between 88% and 90% for the combined cycles. And for the steam turbines, we are expecting to see something related to 68% to 70% something. That are the numbers that we expect the Central Buenos Aires is more unpredictable, as I mentioned, because it's at the end of its life and we don't have a full maintenance with Siemens. It's only a reduced target of maintenance, because they do not produce all the parts of this combined cycle. So, excluding that combined cycle, we are confident that we can reach good levels of availability.

Martin Arancet - Balanz Capital

Very clear. Thank you. And my last question then, you got additional land for forest. How much EBITDA per year do you expect for that line of business, all the four together, the one that you already got and this new one?

Fernando Bonnet - Chief Executive Officer

Well, as I mentioned last quarter, this forest lands are almost cutting the same that they are planting. So the EBITDA right now is around USD 2 million or USD 3 million per year, because we are increasing our hectares planted. So, we are investing on new hectares planted. But right now is, as I mentioned, is USD 2 million or USD 3 million. We expect when we finish this process of planting new hectares, an EBITDA around USD 10 million, around USD 10 million and USD 15 million, between USD 10 million and USD 15 million.

Martin Arancet - Balanz Capital

Thank you. That's all from my side.

Fernando Bonnet - Chief Executive Officer

Yes.

Operator

Thank you. 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.