



Central Puerto SA

3Q 2022 Results Conference Call

Thursday, November 10, 2022, 11 A.M.  
Eastern Time

**CORPORATE PARTICIPANTS**

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

**Federico Bozhor** – *Financial Controller*

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**Federico Bozhor**, *Financial Controller*

**CONFERENCE CALL PARTICIPANTS**

**Martin Arancet**, *Balanx Capital*

**PRESENTATION****Operator**

Good morning, and welcome to Central Puerto Conference Call following the results announcement for the third quarter ended on September 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's worth noting that the financial statements for the third quarter ended on September 30, 2022, 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 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 the Central Puerto is Fernando Bonnet, Chief Executive Officer; and Federico Bozhor, Financial Controller.

And now, I will turn the call over to Federico Bozhor. Mr. Bozhor, 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 our side of Argentina to report the results for the third quarter of 2022. After the presentation, we will answer any questions you may have. I would like to begin today's call by analyzing the recent events that the industry in general and finally, the operating figures of the third quarter of the 2022.

I would like to mention the following updates regarding Central Puerto. Central Puerto successfully bid in CAMMESA's auction for 10 MW of dispatch priority for our Parque Solar San Carlos Project under MATER framework, located in San Carlos, Salta province. Regarding Brigadier Lopez plant, Central Puerto is negotiating with an engineering company expecting to start the works related with the completion of the combined cycle power plant from the first quarter of 2023. Fix SCR, a Fitch Ratings subsidiary, decided to modify the long-term Issuer Debt Rating of the company from Category A+ with a stable outlook, high credit quality to a category AA- with a stable outlook very high credit quality.

On October 13 of 2022, the company's Board of Directors approved the acquisition of shares issued by the company. The maximum payable price for the shares will be \$5.40 per American Depository Receipt on the New York Stock Exchange, up to a maximum of Ps. 167 per share in Buenos Aires stock exchange.

On September 30, 2022, the shareholders of Central Puerto decided to amend section 4 of the company's bylaws regarding its corporate purpose with the aim of not only having a primary line of business, the energy generation, and to broaden the scope and consider other industries such as mining, forestry, and agriculture.

Now I would like to comment on the main metrics of the industry, as you can see on Page 3. In terms of installed capacity, the system reached 42,899 MW compared to 42,589 MW in the third quarter of the 2021, resulting a 1% increase mainly based in new renewal projects developed.

As of September 30th, 2022, the installed capacity continued to be 59% thermal, 25% high growth, 12% renewable, and 4% nuclear. In the third quarter of the 2022, energy generation decreased 10% to 33,452 GWh compared to 37,059 GWh in the third quarter of 2021, mainly due to: First, a 21% decrease in thermal; second, a 19% decrease in nuclear, partially offset by an increase of 30% hydro and 3% in renewables. Thermal decrease was mainly due to a lower dispatch related to an increase of hydro dispatch and minor to a lower availability of certain machines.

Regarding the generation from nuclear source, the decrease was related with the shutdown maintenance of Atucha I and Embalse nuclear power plant and a technical problem with Atucha II turbines. In contrast, the increase in the hydro generation is mainly related with the increase of the rivers Uruguay's and Paraná's water flows that softened the growth that the region has experienced last year. As for the renewal energy, the increase in a generation was related with the increase in the in-store capacity and its subsequent energy demand.

During the third quarter of 2022, the main sources of energy generation continue to be thermal and hydro, with a share of 57% and 22%, respectively, while renewals were 14% and nuclear was 7%. Finally, energy demand increased 1%, up to 34,730 gigawatts compared to 34,454 gigawatts in the third quarter of 2021, while commercial demand grew 5% and residential decreased 1%. As of the third quarter of 2022, the demand structure was 46%, represented by residential users, 27% by commercial activity, and the remaining 27% was related to great demand industrial/commercial.

Going now to our key performance indicators for the quarter. As you can see on Page 5, energy generation during the third quarter of 2022 was 3,932 gigawatts, 14% higher than the same period of 2021. The increase was mainly caused by first, a 17% increase in energy generation from thermal units, mainly from Terminal 6 due to high dispatch related to the combined cycle full operational higher dispatch of Puerto's steam turbines, partially offset by the extraordinary maintenance in TG27 of the Lujan de Cuyo Cogeneration. Second, 21% increase in energy generation from the hydro plant Piedra del Águila due to higher water flows of Limay river compared with the third quarter of 2021.

Third, an 8% decrease in energy generation from renewal units due to lesser wind resource and minor failures in some wind turbines. Regarding the availability of our thermal units during the third quarter of 2022, it reached 81% 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 third quarter of 2022 was 78%, according to data from CAMMESA.

Steam production increased 90%, totaling 568,557 tons produced during the third quarter of the 2022 compared to 298,997 tons during the third quarter of 2021 due to the commissioning of the Terminal 6 cogeneration plant.

And now I will comment on the results of the third quarter of 2022. Going now to the results for this quarter. As you can see on Page 7, our revenues were Ps. 20.3 billion as compared to Ps. 24.3 billion during the third quarter of 2021. This 17% decrease was mainly due to first, a 35% decrease in Spot/Energía Base Sales, which totaled Ps. 7.5 billion in the third quarter of the 2022 as compared to Ps. 11.5 billion in the third quarter of 2021. Due to higher inflation than the price adjustment and scale maintenance of certain steam turbines from Puerto side.

Second, a 2% decrease in sales under contracts, which amounted to Ps. 11.2 billion during the third quarter of 2022 as compared to Ps. 11.4 billion in the third quarter of 2021, due to a higher inflation's adjustment over the peso's depreciation in the period. Also, it was impacted by a Termination of Brigadier Lopez PPA contract in August of 2022, partially offset by increases in sales due to Terminal 6 combined cycle completion, partially offset by a 15% increase in the Steam Sales, which totaled Ps. 0.9 billion in the third quarter of 2022 compared to Ps. 0.8 billion in the third quarter of 2021 due to a 90% production increase.

Going to Page 7, we can see the changes in our EBITDA excluding Impairment & FONI FX Difference and interests, which was Ps. 13.8 billion in the third quarter of 2022 compared to Ps. 11.8 billion in the third quarter of the 2021. This 16% increase was driven by the following changes. First, a 17% decrease in revenue expense partially offset by a 13% decrease in the cost of sales that totaled Ps. 11.1 billion compared to Ps. 12.7 billion in the third quarter of the 2021, mainly due to a decrease in amortization charge, decrease in maintenance expenses, and decrease in insurance costs.

A 26% decrease in administrative and selling expenses that totaled Ps. 1.5 billion in the third quarter of 2022, primarily driven by a decrease in fees and remuneration for services and decreases in taxes among other expenses. Adjusted EBITDA was Ps. 20.7 billion in the third quarter of the 2022 compared to Ps. 14.6 million in the third quarter of the 2021. This increase was mainly due to the above-mentioned variation and a 5.1 billion increase in foreign exchange difference on operating assets, mainly related to FONI trade receivables that generated Ps. 6.8 billion compared to Ps. 1.7 million gain during the third quarter of the 2022 due to a higher depreciation of the Argentine peso during the quarter and lower trade receivables balances maintained.

Third, a 24% increase in interest from clients which totaled Ps. 2.1 billion during the third quarter of the 2022 compared to Ps. 1.7 billion in the third quarter of 2021 mainly related to an increase in the interest rate applied by CAMMESA for payments delay. As of September 30th, the delay was 20 days.

Four, an increase in our operating results, mainly due to lower non regained credits recovered in the fourth quarter of the 2021 and 0.7% billion of FX differences on accounts receivables, 0.5 billion increase in commercial interest from account receivables. All these variations were partially offset by a 7% decrease in the depreciation and amortization that totaled Ps. 4.4 billion during the third quarter of 2022 as compared to Ps. 4.3 billion during the third quarter of the 2021.

As a result, adjusted EBITDA, excluding FX difference and interests related to FONI trade receivables and impairment on property, plant, and equipment, was Ps. 13.8 billion in the third quarter of the 2022 compared to Ps. 11.8 billion in the third quarter of 2021. Continue, we can see that the consolidated net income was Ps. 4.5 billion in the third quarter of 2022 compared to a consolidated net income of Ps. 4.9 billion in the same period of 2021.

In addition to the above-mentioned factors, net income was negatively impacted by: First, an increase in financial expenses, which amounted to Ps. 10.3 billion during the third quarter of 2022 compared to Ps 3.8 billion in the third quarter of the 2021, mainly due to an increase in foreign exchange difference mainly due to a higher depreciation of the Argentine peso during the quarter. Second, an increase of net monetary position loss of 8.2 billion, which amounted to Ps. 8.5 billion during the third quarter of the 2022 due to a higher inflation during the third quarter of 2022 and a higher balance of monetary assets, partially offset by the share of profit of associates with Ps. 0.2 billion gain during the third quarter of 2022 compared to a gain of Ps. 0.3 billion in the third quarter of 2021.

Third, an increase on income tax expenses that amounted to Ps. 3.0 billion in the third quarter of 2022 compared to Ps. 1.9 billion in the third quarter of 2021 and positively impacted by: first, an increase in financial income that amounted to Ps. 9.4 billion in the third quarter of 2022 compared to financial income Ps. 0.5 million in the third quarter of 2021, mainly due to higher financial asset results in the third quarter of 2022 of Ps. 8.6 million; second, (ii) higher FX difference and interest in FONI receivables in Ps. 4.5 billion.

FONI connections related to trade receivables for Vuelta de Obligado Plant totaled Ps. 2.5 billion in the third quarter of 2022 as compared to Ps. 5.8 billion in the third quarter of 2021. The amounts are being collected on time and according to the signed contract.

Going to Page 13, you can see our cash flow for nine months of 2022. Net cash provided by operating activities was Ps. 35.2 billion during the nine months of 2022. This cash flow arises from the first Ps. 21.2 billion from the other operating results net obtained during the nine months of 2022. Second, Ps. 8.2 billion in collection of interest from clients, including the one from FONI, third Ps. 2.2 billion in variations in other non-financial assets and inventories. Fourth, insurance recoveries of Ps. 1 billion and fifth, adjustment to reconcile profit for the year before income tax with net cash flows which was Ps. 11.0, which was partially offset by Ps. 4.60 billion variation in trade accounts payable, other accounts payable, other nonfinancial liabilities, and employee benefit liabilities, and income tax expense of Ps. 3.8 billion.

Net cash used in investing activities was Ps. 25.5 billion in nine months of 2022. This amount was mainly due to, first Ps. 24.8 billion losses from the investment in short-term financial assets. second, Ps. 0.5 billion in payments for the purchase of property, plant, and equipment, which was partially offset by Ps 0.1 billion obtained in the sale of property, plant, and equipment and Ps. 0.1 billion in dividends collected. Net cash used in financial activities was Ps. 9.3 billion in the nine months of 2022. This amount was mainly

the result positive of Ps. 0.6 billion, bank and investment accounts overdraft paid, offset by Ps. 5.8 billion in loans paid mainly related to the loans received for expansion projects and Ps. 3.8 billion in interest and financial expenses paid mainly related to those loans.

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

### **Operator**

Thank you very much. We'll 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.

Thank you. Your first question is coming from Martin Arancet from Balanz Capital.  
Martin, your line is live.

### **Martin Arancet - Balanz Capital**

Hi, well, first of all, thank you for the materials as always. I have four questions. Sorry for the stand. I would like to go over them one by one, if that's okay.

My first question is that, if I'm not mistaken, there have been some extensions on electrical power plant concessions to 2025. If you could give us any updates on the discussions regarding Piedra del Águila and if you think that you will see a similar extension?

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

Okay. Thank you, Martin, for your questions. Yes, we can go one by one.

The first one regarding the concession of Piedra del Águila hydro plant. We have been talking with the Government with the new Secretary of Energy about that. They are still getting in place because they assume a few months ago, so we are analyzing the point, they have perhaps different approach from the previous Secretary of Energy.

So, they want to analyze indeed, all the consequences that to extend the concession or not to extend, which is related to the claims that all the owners of the concession have, related to the freezing of the prices and the restriction to contract the electricity of those power plants that was allowed in the original concession. So they're analyzing this, and they will come to us with a conclusion perhaps early the beginning of the year or early next year. But today, we don't have any insight about how they're going to proceed.

We assume that, or we can assume that, whenever the time of the finalization gets close, perhaps they will use that one-year extension that you mentioned as gaining time to finalize the analysis, but we don't have any information yet or any concrete information to conclude that.

### **Martin Arancet - Balanz Capital**

Okay, very clear, well my second question is about the Brigadier López project. If you could comment on the expected COD, and the price for energy and capacity payments?

**Fernando Bonnet - Chief Executive Officer**

Okay. In terms of Brigadier López, as Federico mentioned, we are working with an EPC provider, an engineering company to sign a contract to close the cycle, and with Siemens also, which is the steam provider. We don't have yet the timing of the closing. We expect to have a close contract with them at the end of the year or the beginning, perhaps January next year, so we can expect a timing for the completion in terms of between 22 and 24 months from that -- when we close the contract. So that could be the timing. So, we don't have yet the confirmation because, as mentioned, we don't close the deal, but you can consider that time in 22, 24 months after we sign the contract. And in terms of -- and the other part of your question was about the PPA, sorry?

**Martin Arancet - Balanz Capital**

Yes. The energy and capacity payments

**Fernando Bonnet - Chief Executive Officer**

The PPA regarding Brigadier Lopez, you mentioned?

**Martin Arancet - Balanz Capital**

Yes.

**Fernando Bonnet - Chief Executive Officer**

Okay. Yes, whenever we close the cycle, the combined cycle, we start receiving a PPA for the steam turbine, not the gas turbine. The gas turbine, the PPA related to the gas turbine finished on August this year. So right now, the GT is receiving the base payments, the energia base payments. But whenever we close the combined cycle, we start receiving a PPA for 10 years related to the steam turbine. The PPA is around \$22,000 per megawatt of capacity.

**Martin Arancet - Balanz Capital**

And for energy?

**Fernando Bonnet - Chief Executive Officer**

The value payment. The value of the payment is \$8 per megawatt.

**Martin Arancet - Balanz Capital**

Great, thanks. Well my third question then is regarding the legacy remuneration if you can tell us what are you expecting for next year, we have seen that they have been running the high inflation in the last couple of years, we see the need of a real catch up to keep up with maintenance or is there still room to grow as fast as we have seen growing this couple of years?

**Fernando Bonnet - Chief Executive Officer**

Okay, in terms of well, depend on the units, in terms of steam turbines, we need to do some maintenance in terms of keep them operating, in operation. And we expect to have some maintenance related to the

TV6, the steam turbine 6 and we expect to have a maintenance of our combined cycle, not next year, the Buenos Aires combined cycle, not next year, the next one in 2024. And we are discussing with the government additional remuneration to do those maintenances, especially the combined cycle, which is which imply a life extension, in fact.

So, we need to perform maintenance in the boiler and big maintenance in the boiler. And we are talking with the government related to having additional remuneration to cover that life extension maintenance. It's the same. It's not only Central Puerto, it's the same for all the combined cycles that were installed in the '90s at the beginning of 2000.

All these combined cycles are reaching the lifetime limit, so they need an extension. And because of that, all the generators are working together. So we have a remuneration or additional remuneration to cover those maintenances. But this is more or less what we are talking about in terms of maintenance. The combined cycle of Mendoza, the lifetime extension comes in 2025. So, we are not expecting big maintenance on this combined cycle for these two years to come.

**Martin Arancet - Balanz Capital**

Okay, so if I understood correctly, it's like additional payments only for maintenance, it's not like you're expecting like less remuneration to go above inflation. Is that right?

**Fernando Bonnet - Chief Executive Officer**

No, yes, that are two parts of the remuneration. We are, of course, talking with the government in terms of increasing or to maintain the remuneration in real terms. But we are talking about additional maintenance. This is for the normal operations. So we are talking with the Government related to an additional increase in this year for the resolution 238. That implies the maintenance and the operation, the current maintenance and the current operation, not implies a life extension of the combined cycles.

In that sense, we expect -- we don't have a confirmation yet, but we expect another increase in the Energia Base prices for this year, and we are talking about what's going to happen in next year, trying to set some increases in advance, not working below the inflation that has happened this year. So we are working towards that. We expect to have a confirmation for a new increase this year and then set a path of increases for the next one.

**Martin Arancet - Balanz Capital**

Okay, very helpful. My last question then, if you are considering paying dividends next year?

**Fernando Bonnet - Chief Executive Officer**

Yes, that is under analysis, and we are giving all the information and all the consideration related to that to our shareholders, and it's a possibility. Yes, not closed yet, but we need to discuss that with our shareholders for this possibility, Central Puerto has a positive cash flow generation. So it's a possibility, yes.

**Martin Arancet - Balanz Capital**

Thank you very much for timing and that's all on my side.





**Fernando Bonnet - Chief Executive Officer**

Thank you for your questions.

**Operator**

Ladies and Gentlemen, if you do have any questions or comments, please press \*(star key) 1 on your phone at this time. Okay, there appear to be no further questions in the queue. This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Bonnet for any 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.