



Central Puerto S.A.

4Q 2023 and FY 2023 Results Conference
Call

Monday, March 11, 2024, 11 A.M. Eastern
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, *Balanz Capital*

PRESENTATION**Operator**

Good morning, ladies and gentlemen welcome to Central Puerto's fourth 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 were converted from Argentine Pesos to U.S. dollars for comparison purposes only. The exchange rate used to convert Argentine Pesos to U.S. dollars was the reference exchange rate reported by the Central Bank for U.S. dollars for the end of each period. The information presented in U.S. dollars is for the convenience of the reader only and you should not consider these translations to be representations that the Argentine Peso amounts actually represent these U.S. dollars amounts or could be converted into U.S. dollars at the rate indicated.

Finally, it is worth noting that the financial statements for the **fourth quarter ended on December 31st, 2023**, include the effects of the inflation adjustment.

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 - Agenda

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 Full year 2023 and 4th quarter of 2023.

Taking a moment of your attention to review today's agenda, I would like to begin the presentation by addressing shortly the main figures of the year 2023 and the 4Q23, followed by a quick updated of the regulatory framework and an overview of the Argentine energy sector, and then, move on to analyze the evolution of our operational and financial results. Finally, at the end of the presentation, we will be happy to address any questions you may have.

Slide 4 – Key Figures

Before going into a more exhaustive analysis of the evolution of our financial and operational results, let me briefly review the main figures of the Central Puerto group for the year 2023 and the fourth quarter of 2023.

As you may know with the acquisition of Central Costanera, performed at the beginning of this year and, the Guañizul solar farm, on October 2023, the group's installed capacity has jumped by 49% Y/Y to 7.2 GW of installed capacity.

Furthermore, energy generation amounted to almost 21 TWh in 2023 and 5.2 TWh in the quarter, increasing by 19% and 10%, respectively, with regards to the same periods last year.

Thus, during 2023 the Central Puerto group has become the largest private energy generation company in Argentina, both in terms of installed capacity and energy generation, completing a diversified portfolio of assets across all power generation technologies.

With regards our financials results, it should be noted that the sharp devaluation that occurred at the end of 2023 caused the depreciation of the local currency to be much higher than the inflation of the period. Given Central Puerto's accounting methodology, all items in pesos must be adjusted for inflation to the year-end currency, while the company reports its results in dollars by converting them at the end of period official exchange rate, thus causing a non-cash impact that affects the comparability of our financial results and being more significant in the analysis of the 4Q23 figures.

In that connection, revenues for the year amounted to 537 million dollars, decreasing 5% compared to 2022, and to 98.0 million dollars in the 4Q of the year, contracting 19% compared to the same period of the previous year, while Adjusted EBITDA reached 277 million dollars, showing a 36% decrease versus 2022 and 45 million dollars in the quarter, being 34% lower to the last quarter of 2022.

Net income for the period was positive in 193 million dollars and 155.8 million dollars in 2023 and 4Q23 respectively, affected by one-time effects that impacted positively in 4Q as we will see in detail later in the presentation.

Finally, after a satisfactory year in terms of our management of our debt profile, and dividends distributions, net debt as of December 31, amounted to 244 million dollars, showcasing a net debt leverage ratio of only 1.0 times.

Slide 5 – Regulatory Update

Now moving to the most recent Regulatory updates, it is worth mentioning the following Resolutions:

On September 6 of 2023, the Secretariat of Energy issued Resolution No. 750/2023, which updated remuneration prices for energy generation and power capacity for units not committed in a Power Purchase Agreement (PPA), increasing remuneration values by 23% since September 2023.

Furthermore, on November 2, 2023, the Secretariat of Energy issued Resolution 869/2023, which updated remuneration prices for the same units by 28%, since November 2023.

Finally, in February 2024 the Secretariat of Energy issued Resolution No. 9/2024 updating remuneration by 74% since February 2024.

It should be noted that combined cycles that operates in the spot market and are not committed in a PPA, are remunerated with a special regime introduced by means of Resolution 59/23, issued in February 2023. Under this scheme, the power capacity of these generation units is partially paid in US Dollars while the energy generation is fully dollarized.

With regards the TerConf bidding process, although the Company was awarded with projects for 516 MW of power capacity at its unit Central Costanera, as of today the contracts has not been signed and the process is under review of the new administration.

Slide 6 – Market Overview Installed Capacity

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 6, the country's installed generation capacity increased by 2% or 847 MW reaching 43.8 GW, compared to 42.9 GW in the 4Q22. This increase in capacity was mainly due to the incorporation of 396 new MW of wind technology (+12%) and 280 new MW of solar photovoltaic projects (+26%). Biogas and biomass slightly increased during the quarter, adding 6 MW and 3 MW, respectively. Finally, thermal capacity sources recorded a net increase of 162 MW (+1%) as a combination of an addition of 735 MW on new combined cycles and the decommissioning of 537 MW and 36 MW in gas turbines and diesel engines, respectively.

Regarding energy generation in 4Q23, it dropped 4% to 34.8 TWh, compared to 35.1 TWh in 4Q22, in line with the 4% decrease in energy demand. The lower demand of the period was mainly covered with more generation of nuclear (+7% y/y), hydro (+5% y/y) and renewable (+2% y/y) sources, resulting in a lower thermal requirement (-14% y/y). The increase in nuclear power generation was mainly explained by the Atucha II power plant, which was unavailable during the last quarter of 2022 due to a maintenance program that last until mid-2023. In addition, the Embalse power plant also supplied a significant more generation during the 4Q23 vis-à-vis 4Q22. The increase in hydro generation is a phenomenon that started by mid-2023 do to higher rainfall in comparison to 2022, year that was particularly affected by a severe drought. As a result, Litoral and Comahue hydro plants have been generating significantly more in 2023 vis-à-vis 2022. Speaking specifically of the 4Q23, the Uruguay River recorded an increase of 484% in its flow rate y/y, while the Nequén and Limay rivers rose their flow rates by 49% and 37% y/y, respectively.

Slide 7 - Market Overview Demand & Generation

Focusing now on the demand, as you can see electricity consumption decreased 4% during the 4Q23 compared to 4Q22. This was essentially driven by a 5% decline in residential consumption on the back of milder temperatures during the period, especially in December, when consumption fell by 10% with respect 2022. With regards Industrial demand, this contracted by 5% as a consequence of a lower economic activity in the period. It is worth noting that the local demand was covered with local energy generation, substantially decreasing imports by 97%.

Slide 8 - Central Puerto Operating Metrics

Going now to our key performance indicators for the quarter, on slide 8, we can see that energy generated by Central Puerto rose by 10% to 5.2 TWh, compared to 4.7 TWh in 4Q22.

It should be noted that this increase includes the incorporation of 856 GWh generated by Central Costanera, which was acquired in February 2023, as well as the 73 GWh produced by Guañizuil II A solar farm acquired last October, which were not part of the group as of 4Q22.

In the 4Q23, the increase in hydro energy generation from Piedra del Aguila was once again noteworthy, reaching 1,678 GWh and standing 21% above 4Q22 levels, as a direct result of the increase in the flows

of Limay and Collon Curá rivers (+37% and +13%, respectively) compared to 4Q22, when river flows were still affected by the drought that impacted the country in 2022.

Finally, renewables energy generation increased by 12% in 4Q23 vis-a-vis 4Q22, being fully explained by the 73 GWh generated by Guañizuil II A solar plant, which was partially offset by a 5% contraction in wind generation as a result of lower wind resource during the period.

As previously stated, higher availability of hydro and nuclear generation and as well as the lower energy demand during the period, prompted lower thermal dispatch. However, as you can see, Central Puerto's thermal availability remains high when compared to market average, reflecting our high-quality standards and operation policies as well as equipment efficiency.

Slide 9 - Revenues

Now, zooming in our revenues analysis, as you can see on slide 9, these amounted to 98 million dollars in the quarter, as compared to 121 million dollars in the same period 2022.

It should be noted that the gap between inflation and devaluation in the period has negatively affected the 4Q23 figures at a non-cash level, due to the company's accounting methodology and the conversion into dollars using the end of period official exchange rate, making the comparison with the previous year more complex to analyze.

Thus, having in mind this effect, the variation in revenues results from a combination of:

- (i) A 2 million dollars sales contribution from the forestry companies acquired in December 2022 and May 2023.
- (ii) A 11% or 11.6 million dollars decrease in sales under contracts, which totaled 42.7 million dollars in the quarter compared to 54.3 million dollars in the 4Q 2022, mainly as explained by the previously mentioned effect between inflation and currency devaluation and to a lesser extent to a lower generation from our wind farms on the back of lower wind resource, being partially offset by the consolidation of the Guañizul II A solar farm, which contributed with revenues of 2.7 million dollars in the quarter.
- (iii) A 19% or 11.3 million dollars contraction in Spot/Legacy sales which amounted to 48.1 million dollars in 4Q23 compared to 59.4 million dollars in 4Q22, driven by a combination of the consolidation of Central Costanera's figures which contributed with sales of US\$13.4 million and higher energy dispatch from Piedra del Aguila hydro power plant, all this being fully offset by the effect between inflation and currency devaluation, that was mentioned before and a lower remuneration in US dollars, and lower generation from thermal units on the back of the lower demand of the period and the higher availability of hydro and renewable resources.
- (iv) A 15% or 0.7 million dollar decrease in steam sales, which totaled US\$3.8 million in the quarter compared to US\$4.5 million in the 4Q22, despite a 25% increase in volumes being fully explained by the non-cash effect between inflation and currency devaluation.

Slide 10 - ADJ. EBITDA

Moving now to slide 10, for a better understanding on the evolution of our Adjusted EBITDA. During the fourth quarter 2023, the group's Adjusted EBITDA amounted to 45.2 million dollars, including results of Central Costanera and the forestry companies. Thus, on a consolidated basis, the adjusted EBITDA of the quarter recorded a contraction of 34% compared to the 68.1 million dollars in the 4Q22.

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

- (i) the previously mentioned drop in revenues.
- (ii) a 13% or 5.8 million dollars reduction in cost of sales, explained basically by i) the previously mentioned effect between inflation and currency devaluation and ii) the reclassification of consumption of certain materials and spare parts allocated to the maintenance works carried on the cogeneration units of Lujan de Cuyo plant; both partially were offset by higher employee compensation, energy purchases and materials consumption and spare parts on acquisitions.
- (iii) a US\$4.8 million dollars increase in Other operating results, excluding interest and FX differences from FONI program receivables and the variation in fair value of biological assets from our forestry segment, mainly due to legal and other acquisition-related expenses.
- (iv) a 9% or US\$1.1 million dollars increase in SG&A, excluding depreciations and amortizations, due to: (i) an increase in compensation to employees related to acquisitions and (ii) taxes on bank account transactions.

Slide 11 - Net Income

Moving to the next slide, Consolidated Net Income for the quarter amounted to US\$155.8 million dollars, increasing by almost 12 times on a year over year basis. Despite of the lower Adjusted EBITDA of the period, the net income was positively impacted by:

- (i) A 144 million dollars increase related to non-cash effects being the most notorious the recovery of impairment of property, plant and equipment and intangible assets of 54.4 million dollars as opposed to the negative charge of 79.2 million dollars recorded in 4Q22, and the 6 million dollars increase in the fair value of our biological assets.
- (ii) Higher positive foreign exchange differences and interest related to the FONI receivables, for 72 million dollars; and
- (iii) A 21 million dollar increase due to the gain recorded as a result of the valuation at fair value of the companies acquired during the period for almost 90 million dollars in comparison with also a positive gain of 69 million dollars in 4Q22.

Being partially offset by:

- (iv) A 69.8 million dollars increase in net, negative financial result mainly driven by higher negative foreign exchange differences on financial liabilities partially offset by better results from holding financial assets at fair value and better results on associates.

Slide 12 – Cash Flow

Now, going to slide 12, we can see the evolution of our Cash Flow during the year 2023:

This way, **Operating Cashflow was positive in 222 million dollars** due to the Adj.EBITDA generated in the period, a 52.5 million dollars in collection of interest from clients, including those related to FONI program and almost 10 million dollars in positive working capital variations, partially offset by a 65-million-dollar payment of income tax.

Net cash flow in financing activities was negative in 135.0 million dollars in 2023. As a result of (i) a 156 million dollars in debt service amortizations, primarily related to the pre-cancellation of the Brigadier Lopez syndicated loan and the principal maturity of the Manque and Olivos dollar linked bond and overdraft cancellations; (ii) 41 million dollars paid in interest and other financing costs and, (v) and 29 million dollars paid in dividends, being all partially offset by 103 million dollars in financing obtained in the period, mainly from the issuance of the Senior notes Series A for US\$47.2 million and Series B for US\$50.0 million.

Finally, **Investing activities amounted to 109 million dollars during 2023.** This amount is mainly explained by (i) 71 million dollars expend for the acquisitions of companies performed during the period; (ii) 26.5 million dollars in net investment in short-term financial assets and 18 million dollars in investments in PP&E.

Consequently, our cash position as of December 31st, 2023, amounted to US\$16.7 million, which if current investments in financial assets are included, our total current liquidity amounts to 127.8 million dollars.

Slide 13 – Debt Maturity Schedule

To conclude with the presentation, in this slide I would like to bring to you our debt maturity schedule, but in particular, I would like to highlight the successful liability management carried out during October that considerably alleviated our debt maturities for the year 2024.

In that connection, on October 17th the Company issued its first international bond for a total amount of US\$50 million with a 2-year tenor, allowing us to partially prepay, only two days later, US\$ 49 mm of the outstanding US\$55 million of the Syndicated loan signed with Citibank, JP Morgan and Morgan Stanley which was fully paid later on early January this year. This not only permitted us to refinance short-term debt maturities, extending its life and reducing financial cost, but also help us to lift dividend payment restrictions that were imposed as covenants of the syndicated loan.

In line with that strategy, we made 4 dividend distributions between November 2023 and January 2024 for a total of 220 million dollars.

Finally, the year 2024 looks clear of major debt maturities, these amounting to only 59 million dollars, and being manageable for the company. As you can see the company has actively work on this relief and to improve its balance sheet, that despite dividends distributions, our net debt leverage ratios remains at a low 1 times net debt EBITDA.

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.

Operator

Thank you. Our first question is coming from Martin Arancet with Balanz Capital. Your line is live.

Martin Arancet - Balanz Capital

Hi, thank you for taking my questions. I connected late, so I apologize in advance if I ask something that you already explained. I have four questions and I would like to run them one by one if that's okay. First, regarding Brigadier Lopez, have you closed a deal with the constructor to start the project?

Fernando Bonnet - Chief Executive Officer

Hi, how are you? Thank you for your question. Yes, we started the construction of the closing of the combined cycle of Brigadier Lopez during February this year. So, we expect the finish of the closing of Brigadier Lopez after 2025. So, we expect for the end of the 2025. And the working is in progress. So, we already set the initial payment to the constructor, EPC constructor. And I think we're going to reach in time all the scale that we have been discussing with them. Because we take a lot of early discussion with them, more than 16 months working in advance with them in order to analyze.

As you know, Brigadier Lopez is an open cycle right now. But all the equipment was purchased by ENARSA like fifth or six years ago. So, we performed a huge work with them in advance to understand in which condition are the equipment, reviewing all the engineering documents. So, we set a huge work in advance to be ready and to minimize the timing for the closing.

Martin Arancet - Balanz Capital

That's perfect. And how much CapEx do you expect for that project?

Fernando Bonnet - Chief Executive Officer

It's around \$150 million including VAT.

Martin Arancet - Balanz Capital

Right. Then my second question, we heard that CAMMESA's payment dates are close to 120 days. Have you been able to talk to CAMMESA regarding payments? Do you expect some improvement? And also could you comment on a possible indexation of less amortization to inflation, so as to not depend on price hikes by resolutions?

Fernando Bonnet - Chief Executive Officer

Well, as you mentioned, payments of CAMMESA are coming less frequent than in the past, especially after devaluation the total amount of the whole building for the electricity sector goes high and the payment of the distribution company is coming in less amount because they don't receive also an increase. So, we are seeing right now we have in fact and paid around 1.5 transactions. If you consider the new one coming tomorrow we'll have 2.5 transactions unpaid for the things that we have been talking with the government.

We don't have a clear view, but they believe after the tariff increase for residential customers, industry and commercial having taken place from February, so the new tariff will start being collected by distribution companies in April. So the government believes that with these regularizations, the money will start coming again and they will start normalizing the payments. The thing is, what's going to happen on March, this month, I think is the one that we see some perhaps doubts about how many money will come

from the government. We talked with them, we expressed that all the generators, as you know, the generators are worried about that and how they're going to move all the investments, all the payments that we need to make in terms of CAPEX, in terms, of course salaries and operational costs.

And we passed the worry to the government. They are working on that. They believe that the distribution companies can pay or pay higher amounts that they have been paying in the past, but we are not having any detail about that. So, we cannot give you any detail about how they want to be normalized. But for sure they expect on April receiving all the payments from the distribution companies with the new tariff and then this will have of course, keep me the subsidies, because the government is still having subsidies or subsidizing the electricity for some segments of the consumption.

But the real question mark is, what's going to happen in March. We believe that the government will need to put additional money in March to maintain the 60 days of delay and not increase that timing. In fact, we are using our lines, our credit lines in order to increase that buffer that delay of CAMMESA. We are using our short-term lines with the banks to buffer that delays.

Martin Arancet - Balanz Capital

Very clear. So, you think that the system cannot wait until April to normalize payments? They need something now.

Fernando Bonnet - Chief Executive Officer

Yes. We need, in fact, we need something. Now it's coming. Something coming. Last Tuesday, the government paid a portion of the November transaction and we ask for new money coming in next weeks. Yes.

Martin Arancet - Balanz Capital

Okay. Thank you. Next, my third question then is, the Governors of Neuquén and Rio Negro have claimed provincial rights on natural resources. I don't know if you have any comments on the current situation of Piedra del Aguila and how that might move forward?

Fernando Bonnet - Chief Executive Officer

Yes, we are working with the Secretariat of Energy and ENARSA and because they establish a finish or a deadline for the finish of the concession and transfer of the asset to the Secretariat of Energy and then to ENARSA. The due date is in April. But as we have been talking with them, it's not possible to finish all the work that we need to do in order to trespass and discuss all the things that we need to discuss with them to trespass the assets in a proper way.

So they are thinking to extend to make another extension, but it's not already established. But they are thinking on that. I don't know how many months, additional months they will give us, but the time is coming and the work is not finished. So, we expect another extension, perhaps I don't know a month, an additional month.

Martin Arancet - Balanz Capital

Okay. So the end of the concession seems like a second decision, but the exact moment is not clear. Is that right?

Fernando Bonnet - Chief Executive Officer

Yes, the idea is -- the government maintained the same idea to pass or to put all the assets of the concessions in ENARSA and then to make a new concession process after they have normalized, or at least a little bit more normalized sector with this transformation that they have been talking, these new rules established. When they establish the new rules, they think that they will move forward in new concessions. But in the transition, they will keep the concessions assets in ENARSA.

Martin Arancet - Balanz Capital

Very clear. Thank you. And then my final question then, what do you think is going to happen with the projects of the TerConf auction? Do you have any color on whether those PPAs are going to get signed?

Fernando Bonnet - Chief Executive Officer

Yes, I have . I can give you some color. It's not already clear, but if you think about the delays in getting the PPA signed, I think the government is analyzing in detail if they need all this capacity or not, or if they don't have or they need all the capacity how they can establish a new process or a new system to promote that capacity being installed. So, if you ask me, I think this process... I don't see the government awarding all that capacity. In fact, they want to own a scheme of private PPAs, try to canalize the PPAs between distribution companies, bid users and generators to promote that. So, I don't see the whole capacity getting signed or getting moved in the way that the former government established.

But at the end of the day, in some areas, the capacity is needed. So perhaps the government are evaluating how they can perhaps promote the installation of this capacity in the areas that are needed, but with a different scheme.

Martin Arancet - Balanz Capital

Yes. So it's like probably the TerConf auction is going to be canceled and probably a new auction with distribution companies, but that's not something that the government has said. It's just a thought. Okay, very clear. Thank you.

Fernando Bonnet - Chief Executive Officer

Okay.

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

Thank you. Ladies and gentlemen, this does conclude today's call. You may disconnect at this time and have a wonderful day. And we thank you for your participation.