

Central Puerto S.A.

4Q 2021 and 2021 Fiscal Year Results Conference
Call

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Time

CORPORATE PARTICIPANTS

Fernando Bonnet – *Chief Executive Officer*

Enrique Terraneo – *Chief Financial Officer*

Milagros Grande – *Financial Manager*

Nicolas Macchi – *Investor Relations Officer*

Presentation

Operator

Good morning, and welcome to the Central Puerto's conference call following the results announcement for the Fourth Quarter Ended on December 31, 2021 and Full-Year 2021. All participants will be in a listen-only mode. [Operator Instructions]. Please note this event is being recorded. If you do not have a copy of the press release, please refer to the Investor Support section on the company's corporate website at www.centralpuerto.com. A replay of today's call may be accessed by accessing the webcast in the Investor Support section of the Central Puerto's 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 fourth quarter ended on December 31, 2021, 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 of the end of the reporting period.

Also, please note that certain statements made by the company during the 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 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; Milagros Grande, Financial Manager; and Nicolas Macchi, Investor Relations Officer.

And now I'll turn the call over to Fernando Bonnet. Mr. Bonnet, you may begin.

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Thank you very much. Good morning, and welcome. We are joining you today with our management team from Buenos Aires, Argentina to report on the results of the fourth quarter 2021 and the full-year and then answer any questions you may have. I would like to begin today's call by analyzing the recent events, the industry in general and finally, the operating figures of the fourth quarter and full-year 2021. Milagros will present the most recent financial news and results.

First of all, I would like to comment on the last development in the industry. As you can see on Page 3, in terms of installed capacity, the system reached 42,989 megawatts in the quarter 2021, resulting in 2% increase compared to the fourth quarter 2020, mainly based in new renewable

projects which added 1,000 megawatts to the system with a breakdown of 70% wind and 30% solar.

As of December 31, 2021, the installed capacity continued to be 59% thermal, 25% hydro, 12% renewables and 4% nuclear. In fourth quarter 2021, energy generation increased 1% to 35,530 gigawatts hours compared to 35,133 gigawatt hours in the fourth quarter 2020, mainly due to a 1% increase in hydro, 22% increase in renewables and 45% increase in nuclear, partially offset by a decrease of 7% in thermal.

Renewables rise was due to a new installed capacity, and nuclear's improvement is due to a higher availability of Atucha II, which had its maintenance during fourth quarter 2020. For thermal, there was an overall lower availability, 78% for the fourth quarter 2021 compared to 82% from the third quarter of 2021 and 79% in the fourth quarter of 2020. During 4Q2021, the main sources of energy generation continued to be thermal and hydro, with a share of 60% and 18%, respectively. Meanwhile, renewables kept growing and represented 14%, 2% more than 4Q2020.

Finally, on Page 4, energy demand increased 6% up to 33,472 gigawatts hour compared to 31,432 gigawatts in the fourth quarter of 2020, where the industry and grid demand rise 7%, the commercial demand grew, and the residential demand increased in 6%. There were increases in all demand segments. The rise in commercial and industrial demand in the fourth quarter of 2021 is attributed to a recovery of the economy activity and lower restrictions imposed by the government. All three months of the quarter show comparative increases.

As of fourth quarter of 2021 and in terms of the tractor, 44% is represented by residential users, 28% is represented by commercial and the remaining 27% is related to grid demand and industrial. Going now to our key performance indicators for the quarter. As you can see on Page 5, energy generation during the fourth quarter 2021 was 27 gigawatts hour of electricity, 2% lower than in the same period of 2020. The decrease was mainly caused by a 29% drop in energy generation from decrease of water inflow in Argentina and the Louisiana plant due to a significant decrease of water inflow as the result of the drop in Argentina and the region: and two, a 3% decrease on renewal generation mainly due to a lower win in some of our wind farms.

This was partially offset by a decrease -- by an increase, sorry, of 5% from our thermal units due to Terminal 6 full operation and a higher availability of our Mendoza steam and gas turbines. Steam production during the fourth quarter 2021 increased 36%, totaling 360,411 tons produced due to a good performance of Lujan de Cuyo generation plant and Terminal 6 full operation. Regarding the availability of our thermal units during the fourth quarter 2021, it increased 88%, in line with the strong availability history of Central Puerto's equipment.

As a reference, the market average availability for the thermal units for the fourth quarter 2021 was 78%, according to data from CAMMESA. Finally, I will refer to our key performance indicators of the full year as stated on Page 6.

In 2021, generation remained stable with 4,382 gigawatts produced compared to 4,331 gigawatts for the same period of 2020, where the mining variation were an increase of 7% or 687 gigawatts

in the thermal machines due to Terminal 6 production. The recovery to average operation of the Siemens brand combined cycle in Lujan de Cuyo from the failure occurred in the second quarter of 2020 and a higher generation from the steam and gas turbines from Mendoza power plant and Buenos Aires power plant.

And two, 18% or 240 gigawatt increase in renewals as a result of the full previous operation of Genoveva I, Manque and Olivos. This was partially offset by a 25% or 177 gigawatt decrease in hydro generation from Piedra del Aguila due to a lower water flow as explained before. Steam production improved 12% and reached 1,208,823 tons during 2021 compared to 1,810,959 tons of 2020 as a result of Lujan de Cuyo good performance and Terminal 6 full operation.

During 2021, availability of our thermal units remains stable, 89%, same -- as the same period of 2020, showing a robust average availability in the last years and performing above the average of the market, which was 81% for the CAMMESA.

And now I will turn the call over to Milagros, who will comment on the financial highlights.

Milagros Grande - Financial Manager, Central Puerto S.A.

Thank you, Fernando. I will now comment on the results of fourth quarter of 2021 and the full year. Going now to the results for this quarter, as you can see on Page 8, our revenues were Ps. 14.1 billion as compared to Ps. 14 billion during the fourth quarter of 2020. This 1% increase was mainly due to: first, a 32% increase in sales under contract, which totaled Ps. 9.5 billion in the fourth quarter of 2021 as compared to Ps. 7.2 billion in the fourth quarter of 2020, mainly due to the full COD of Terminal 6 and La Genoveva I.

And second, a 6% increase in steam sales, which totaled Ps. 0.38 billion in the fourth quarter of 2021 compared to Ps. 0.36 billion from the same period of 2020.

Higher Inflation adjustment over the peso depreciation during this period conceived a 36% increase of the steam reduction as per Terminal 6, COD and Mendoza's good performance.

This was partially offset by a 36% decrease in spot sales Energia Base, which resulted in a Ps. 3.9 billion in the fourth quarter of 2021 as compared to Ps. 6 billion in the fourth quarter of 2020 due to a lower hydro generation and a decrease in production from Central Puerto combined cycle and some of its steam turbines. These were partially offset by the temporary additional income related to Resolution 1037. It is important to highlight that during fourth quarter of 2020, Terminal 6 produced as an open cycle and was remunerated under Energia Base's resolution.

Moving to Page 9, we're going to see the changes in our EBITDA, excluding impairment on FONI FX difference and interest, which was Ps. 11.1 billion in the fourth quarter of 2021 compared to Ps. 9.2 billion of fourth quarter of 2020.

This 26% increase was driven by the following changes. First, a 29% decrease in administrative and selling expenses totaling Ps. 0.9 billion in the fourth quarter of 2021 as compared to Ps. 1.3 billion in the fourth quarter. This was mainly due to a Ps. 0.2 billion drop in taxes and a Ps. 0.1 billion reduction in maintenance expenses. Second, an 11% in depreciation and amortization that

totaled Ps. 2.8 billion during the fourth quarter of 2021. Third, 285% decrease in foreign exchange difference on operating assets, mainly related to trade receivables due to a lower depreciation of the Argentine peso in this quarter; fourth, the reverse of CAMMESA's penalty related to Terminal 6 totaling 4.4 million; and fifth, the positive result from the sale of property, plant and equipment.

On Page 10, we can see that consolidated net income was Ps. 0.85 billion compared to a consolidated net income of Ps. 0.82 billion in the same period of 2020. In addition to the factors mentioned before, the net income was affected by. First, a lower financial income that amounted Ps. 1.3 billion in the fourth quarter of 2021 compared to Ps. 3.5 billion in the fourth quarter of 2020, mainly due to the reductions of net gains on financial assets at fair value. Second, a higher income tax for the period, which grew 50%, a totaled Ps. 2.4 billion in the fourth quarter of 2021 compared to Ps. 1.6 billion in fourth quarter of 2020. This was mainly due to the changes in the corporate income tax rate and the cancellation of the certain deferred tax assets. And third, was positively impacted by lower financial expenses which amounted Ps. 2.7 billion during the fourth quarter of 2021 as compared to Ps. 9 billion in the fourth quarter of 2020. As there were less foreign exchange difference due to a lower depreciation of the Argentine pesos during the quarter and a lower U.S. dollar denominated debt balance.

FONI collection totaled Ps. 1.87 billion in the fourth quarter of 2021, including BAT, associated with the FONI trade receivables for Vuelta de Obligado Plant. The amounts are being collected on time and according to the signed contract.

Going to Page 11, you can see our cash flow for 2021. Net cash provided by operating activities was Ps. 26 billion. This included Ps. 8.9 billion in collection from Vuelta de Obligado installments. Net cash used by investing activities was Ps. 6.9 billion, mainly due to the construction of Terminal 6, loss from the sale of short-term financial assets, partially offset by the sale of property, plant and equipment. Additionally, on the financing side, Ps. 19.2 billion were used to loan payments for Ps. 12.9 billion and interest payments for Ps. 4.2 billion.

Finally, on Page 12, we can see the key financial figures for the full year. Revenues decreased 1% to Ps. 57.1 billion for 2021 compared to Ps. 57.5 billion during 2020. The decline in revenues was mainly affected by a lower hydro generation as described before, offset by a greater production from thermal and renewable sources mainly due to Terminal 6 and La Genoveva I. Another positive impact that couldn't offset inflation impact on costs was the 29% tariff increase for Energia Base and the temporary additional income related to 1037 Resolution during the last quarter of the year.

Adjusted EBITDA, impairment and FONI FX, adjusted EBITDA, excluding impairment and FONI FX difference and interest for the 2021 reached Ps. 35.3 billion compared to Ps. 39.4 billion in 2020, mainly due to a lower gross profit and operating income as a result of the higher cost of sales related to more purchase of fuel and spare parts and increase of cost production. Also, it was negatively impacted by a lower FX difference and interest on trade receivables.

Finally, consolidated net loss was Ps. 0.6 billion in 2021 compared to a gain of Ps. 10.5 billion in 2020, mainly due to losses on net monetary position, less financial income as a result of lower

guidance on financial assets, higher taxes and losses from associates, particularly from Ecogas. All this was partially offset by lower financial expenses. FONI collections totaled Ps. 8.2 billion during 2021.

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

Operator

Certainly, ladies and gentlemen, the floor is now open for questions. [Operator Instructions]. The first question comes from Frank McGann from Bank of America. Your line is live.

Q: Okay. Great, thank you very much for the presentation. I was wondering if you could just perhaps discuss what you think or how -- as you look out over the next -- over the four quarters of 2022, do you have expected maintenance that will affect the plan that would affect the level of generation that you could have? And comparing year-over-year versus last year, how should -- are there any specific periods that are going to have better comparisons or any additional generation that we could expect from any of the units as we go out over the next several quarters?

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Okay. Thank you, Frank for your question. In terms of new maintenance or CapEx during this year 2022, we are not expecting the maintenance period for our equipment, the combined cycles. The fact that the major maintenance took place last year in 2021. So we are not expecting big maintenance for the combined cycles, the one in Buenos Aires and the other in Mendoza. In terms of generation, we are not seeing a big change on hydro. We see more or less that we are having this low inflow.

So the hydro will -- we are not seeing a recovery there or this a big recovery. And in terms of thermal, of course, we are expecting more generation for our Terminal 6 project, which has started operation in October as a combined cycle last year. And for this unit, yes, we expect an increase on the generation to having that combined cycle operating in full during the 2022. I don't know if you have another question, but I think this is more or less what we expect for the generation.

Q: Okay, I thought if I could just maybe ask two other questions. Just in terms of hydro, no major improvement expected, but I don't know if you've seen any signs at all of any change in the outlook there? Obviously, we can't predict the weather going forward. But just what you've seen so far? And then secondly in terms of exports, what is the status right now of benefits that you can receive for any exports as we're looking forward?

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Sorry, you mean exports, energy exports?

Q: Exports of energy, yes, yes. There was a credit, I believe you would see for some exports, I just -- how important that is? Or is that -- or how that actually, how that's working? If you could just kind of go through that would be helpful.

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Yes, the government established a scheme last year at the end of the year that allowed -- not us but allowed them to make some export and share with us some part of the income. That operates from September. We have some benefit there in September, October and November. Yes, like \$5 million there of additional income for us. But with the increase of consumption in Argentina, the recovery of the industry in Argentina, we need -- as you may know, we need -- we have a peak of consumption during the last year and the beginning of this one.

And this exportation was stopped since November. So, since November, we are not exporting anymore. And we are not seeing more exportation, especially because the lack of fuel that we are suffering now, the lack of natural gas and the lack of diesel here in Argentina. So, we are not expecting new exportation in the near future.

Q: Okay, great. Thank you very much. Very helpful.

Operator

Thank you. [Operator Instructions] Your next question is coming from Martin Arancet from Balanz Capital. Your line is live.

Q: Hi, thanks. Martin Arancet from Balanz Capital. First of all, thank you for the materials on posting in my questions, I have three questions. I want to line them one by one, if that's okay with you. First, I would like to ask, where do you see this year capacity factor for thermal units? In this sense, do you think that the lack of gas or a substitution for diesel can pose availability problems in thermal units, given the recent hike in international prices?

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Okay. First, the capacity factor is another change that the government introduced last year. They established depending on -- they eliminate the penalty in the capacity factor for the thermal units that are not fully dispatched. That was due in September and goes through February this year. We are having some conversations with the government, with the Secretary of Energy. And they say that they're going to maintain that elimination. So the capacity factor will be the same for the units that are full dispatch and the units that have less dispatch.

So this is a good news because these units are, as you mentioned, with the lack of gas, these units can operate -- the old units can operate with few -- so we see for the future, a lot of dispatch, we have not to have the same dispatch of the combined cycle, but concentrate in some periods of the year, a lot of dispatch of those units especially when we have, as I mentioned, lag on natural gas. During the summer, we see a lot of dispatch on those units with fuel. And we see for the future, especially we have lack of liquid gas coming from abroad.

We will see a lot of dispatch on those units and during the winter also. So yes, we are -- this is a good news, having this additional income to maintain those units in good shape, to be ready for this complicated period that we see as a winter period with low natural gas in Argentina, low -- and more price or more higher prices in terms of liquid gas and of course, diesel oil.

Q: Just to clarify. So, you see availability factor maintaining last year?

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Yes.

Q: Okay, great. Well, my second question is what you think the main cash uses will be in the near-term and in this sense also, we have seen an increased activity in the margin market with new projects being announced as of late. Are you looking into possible investments here? And could you tell us a bit about how the transmission rights options work? We understand this is like demand impairment right now to below premium renewals in Argentina.

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Yes, yes we are looking for new projects in terms of renewals. We are developing, in fact, projects. The big problem right now for us is that we are seeing an increase on prices, especially related to the transportation cost, the shipping cost. We are seeing shipping costs twice or -- in some cases, twice and in some cases 5x higher than the one that we see when we perform our power plants, our renewables plants during 2019 and 2020. So not all the projects are profitable for us in terms of if you need to construct the line, if you need to construct a substation with transformers.

And with the prices right now that we are seeing in the market, not all the projects are profitable as we want. Despite that, we are developing. We are trying to reach -- or to find the best projects to move forward. We are looking very carefully those actions, as you mentioned. Right now, our small options, if you see 400 megawatts was the last one. There is not much space there in line. So we are seeing different alternatives going to solar, wind programs projects released some capacity.

Of course, we are willing to have an alternative there. And the second question you made is how these auctions work, I think. These auctions work -- you need to -- first you need to establish or request the access and to maintain the access or gain the access and then maintain you need to pay. And how much do you need to pay is regarding or this is something that you need to go and auction. So if you have confidence there, you need to make your auction. How do you want to pay -- how much do you want to pay in quarters, that is four megawatts and paying quarters, and you need to make auction. You have a base price which is \$500 per megawatt. And then you need to go beyond that on an auction to compete with the other one that won the same transportation line.

Q: Okay, great. Thanks and my last question is regarding CapEx. What you will expect for this year?

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Well, in terms of maintenance CapEx, the same that we are seeing in the past. We are not having a huge maintenance CapEx for 2022. In 2023 and 2024, the thing is different because we have the extension of life of our combined cycle in Buenos Aires and in 2024 the one that we have in Mendoza. But for 2022, we are not expecting much more CapEx in terms of maintenance that we see in 2021.

In terms of new project, it depends, depends on as I mentioned, if we can have a good project in terms of renewables that we can go and see and win those transmission auctions. We'll have perhaps an additional CapEx. But right now, it's difficult to say because we are not seeing that is a good moment to enter right now, but it could change.

Q: Okay, thanks. And one last question, someone or something that you already mentioned. You said that you received \$5 million for the export fund to Brazil in 2021?

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

Yes, that was the money that we collect for this new regime that the government established. But this regime goes from September to February, this is over. We don't have much more opportunities there.

Q: Thank you, thank you very much.

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

You're welcome.

Operator

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

Fernando Roberto Bonnet - Chief Executive Officer, Central Puerto S.A.

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. Thank you.

Operator

Thank you, ladies and gentlemen. This concludes today's event. You may disconnect at this time, and have a wonderful day. Thank you for your participation.