



# aes Argentina

## 1Q - 2021 Earnings Report



June 15, 2021

## AES ARGENTINA FIRST QUARTER 2021 RESULTS & HIGHLIGHTS

- AES Argentina Generación S.A. (AES Argentina, AAG, or the Company) reported a Gross Profit for the first quarter of 2021 of AR\$1,839 million, a 27% decrease compared to the same period in 2020.
  - The positive contribution of the wind assets Vientos Bonaerenses and Vientos Neuquinos in addition to higher generation at San Nicolás plant boosted revenues in the first quarter of 2021 compared to the same period last year, which was more than offset by the accounting ARS purchasing power adjustment on 2020 energy and capacity revenues.
  - Regulatory changes in effect from February 2020 involved freezing and reduction in tariffs perceived by the Company's legacy plants under Energía Base market framework. Tariffs were converted from US Dollars into Argentine Pesos with monthly adjustments for inflation, however this measure was temporarily postponed amid the COVID-19 pandemic.
- AAG reported AR\$2,459 million in EBITDA for the first quarter of 2021, 109% higher than the same quarter of 2020.
  - The main driver of the increase in EBITDA was the reduction in Trading Expenses due to a bad debt provision registered in the first quarter of 2020, related to AR\$-denominated account receivables accrued between 2013 and 2017 with CAMMESA.
- The Company reported a Net Income of AR\$632 million for the first quarter of 2021, a AR\$715 million increase compared to the AR\$83 million Net Loss for the first quarter of 2020.
- During the first quarter of 2021, FONINVEMEM collections, including interest, totaled approximately US\$12 million, net of VAT.
  - During the first quarter of 2020 FONINVEMEM 1 and FONINVEMEM 2 were fully repaid, with FONINVEMEM 3 remaining outstanding until April 2026, when it will be fully repaid.
- Wind Project Progress:
  - The 100MW Vientos Bonaerenses project was completed in February 2020.
    - Vientos Bonaerenses is 80% contracted under a RenovAr PPA and 20% contracted with C&I customers under MATER PPAs
  - The 100MW Vientos Neuquinos project was completed in September 2020.
    - Vientos Neuquinos is fully contracted with C&I customers under MATER PPAs

As of February 1, 2020, the company's functional currency was changed to AR\$ as a result of regulatory changes to the Energía Base framework included in Resolution 31/2020, explained in this report.

## REVIEW OF FIRST QUARTER 2021 RESULTS

Income Statement (AR\$ Million)	1Q		
	2021	2020	Var (%)
Operating Revenue	4,948	5,259	(6)%
Cost of Sales	(3,109)	(2,730)	14 %
<b>Gross Profit</b>	<b>1,839</b>	<b>2,529</b>	<b>(27)%</b>
Administrative Expenses	(376)	(447)	(16)%
Trading Expenses	62	(1,775)	(104)%
Other income and expenses	(23)	10	(331)%
<b>Operating Income</b>	<b>1,502</b>	<b>317</b>	<b>373 %</b>
Financial Income	972	1,057	(8)%
Financial Expense	(809)	(987)	(18)%
Effect of FX differences	174	(61)	---
Inflation effect	(1,206)	(427)	182 %
Income from Investments in Associates	21	43	(51)%
<b>Income (Loss) before Taxes</b>	<b>654</b>	<b>(56)</b>	<b>(1,259)%</b>
Income Tax	(22)	(27)	(17)%
<b>Net Income</b>	<b>632</b>	<b>(83)</b>	<b>(858)%</b>
<b>EBITDA</b>	<b>2,459</b>	<b>1,178</b>	<b>109 %</b>

It is worthy to note that numbers in the analysis along with business explanations are presented in AR\$ rounded to millions; therefore, differences may arise with the financial statements which are presented in thousands AR\$ as of March 31, 2021, to comply with local authorities' requirements. AR\$ Figures have been adjusted for local inflation to be presented in AR\$ of equal purchasing power as of March 31, 2021.

## Generation

The Company generated 1,928 GWh during the first quarter of 2021, an 8% increase compared to the same period last year. Total thermal generation grew 9%, while hydro generation fell 19% between both periods. Thermal generation increased due to higher coal-fired dispatch at San Nicolás in the first quarter of 2021, in addition to higher dispatch at Paraná. These increases were the result of lower gas availability in the system, lower nuclear capacity availability, as well as higher energy exports to Brazil. The 97GWh increase in generation at Vientos Bonaerenses and Vientos Neuquinos wind farms also helped drive the growth in output. Vientos Bonaerenses started operations in the fourth quarter of 2019 and reached full operations in February 2020, increasing 19GWh production and Vientos Neuquinos which started operations in stages in June 2020 and reached full operations in September 2020, added 78GWh in the period. Drier hydrology at Alicurá led to a decrease in hydro generation.

Net Generation by Plant (GWh)	1Q		
	2021	2020	Var (%)
Paraná	1,113	1,053	6 %
San Nicolás	294	212	39 %
Alicurá	275	323	(15)%
Cabra Corral	25	32	(22)%
El Tunal	10	14	(29)%
Ullum	28	47	(40)%
Sarmiento	1	23	(96)%
Vientos Bonaerenses	104	85	22 %
Vientos Neuquinos	78	—	---
<b>Total Generation / Sales</b>	<b>1,928</b>	<b>1,789</b>	<b>8 %</b>

## Operating Revenue

Contracted wind energy sales under the RenovAr PPA with CAMMESA and MATER PPAs with private customers, as well as Energía Base energy sales at San Nicolás boosted revenues in the first quarter of 2021 compared to the same period last year, which was more than offset by the accounting adjustment for inflation on 2020 energy and capacity sales. These effects led to a 6% decrease in operating revenues to AR\$4,949 million in the first quarter of 2021.

Resolution 31/2020 was enacted by Argentina's Secretariat of Electric Energy in February 2020, modifying the regulatory framework for the Energía Base market, under which the Company's thermal and hydro assets operate. The new framework modified the pricing scheme established by Resolution 1/2019. Energy and Capacity rates were converted from US Dollars under Resolution 1/2019, into Argentine Pesos under Resolution 31/2020. An inflation mechanism was established for the new AR\$-denominated rates to be adjusted on a monthly basis, however this measure was temporarily postponed amid the COVID-19 pandemic. Energy Rates were merely converted into AR\$ while Capacity rates were converted into AR\$ and reduced. An additional payment was introduced rewarding plants that generate energy during hours of peak thermal demand on the system. For more details see the Regulatory Risk section of this report or Note 3.a of the Financial Statements.

Operating Revenue (AR\$ Million)	1Q		
	2021	2020	Var (%)
Energy Sales	2,304	2,269	2 %
Capacity Sales	1,704	2,616	(35)%
Contracts Sales	887	295	201 %
Other Revenue	54	79	(32)%
<b>Total Operating Revenue</b>	<b>4,949</b>	<b>5,259</b>	<b>(6)%</b>

## Cost of Sales

Cost of Sales reached AR\$3,109 million in the first quarter of 2021, a 14% increase compared to the same period in 2020, mainly attributable to higher fuel cost, higher maintenance costs, in addition to an increase in insurance costs and higher depreciation due to the start of operations of the wind farms.

The 39% increase in San Nicolás' generation resulted in higher Fuel Costs associated to coal generation. It is important to mention that as per Resolution 12/2019, enacted in December 2019, the company can no longer opt to source its own natural gas for its plants, as was permitted under Resolution 70/2018, leaving CAMMESA as the sole supplier for natural gas. The Company does not incur costs for the natural gas and diesel fuel supplied by CAMMESA. The Company continues to source its own fuel for the coal fired units (1, 2 and 5) at San Nicolás.

Cost of Sales (AR\$ Million)	1Q		
	2021	2020	Var (%)
Fuel cost	958	724	32 %
Maintenance	334	272	23 %
Operating costs	49	14	250 %
Personnel costs	322	351	(8)%
Insurance	375	292	29 %
Depreciation	786	738	7 %
Rights and royalties	37	66	(44)%
Amortization of intangible assets	100	99	1 %
Purchases of energy and power	12	16	(23)%
Operator Fee	26	40	(34)%
Transmission charges	18	28	(36)%
Fees and remuneration to third parties	20	31	(35)%
Others	71	59	21 %
<b>Total Cost of Sales</b>	<b>3,109</b>	<b>2,730</b>	<b>14 %</b>

## Gross Profit

Gross Profit in the first quarter of 2021 reached AR\$1,839 million, a 27% decrease compared to the same period last year. This fall was mainly driven by lower Energía Base Rates as a result of Regulatory changes partially offset the increase in energy sales at San Nicolás and sales from the wind farms.

## Administrative & Trading Expenses

Administrative and Trading Expenses reached AR\$314 million in the first quarter of 2021, compared to the AR\$2,221 million registered in the first quarter of 2020. The 86% decrease is primarily due to a bad debt provision registered in the first quarter of 2020, related to AR\$-denominated account receivables accrued between 2013 and 2017 with CAMMESA. For more details on the provision for bad debt please see Note 14.3 of the Financial Statements.

Administrative & Trading Expenses (AR\$ Million)	1Q		
	2021	2020	Var (%)
Personnel costs	103	93	11 %
Depreciation	48	34	41 %
Taxes, rates and contributions	154	201	(23)%
Operator fee	114	128	(11)%
Fees and remuneration to third parties	45	73	(38)%
Bad Debt Expense	(164)	1,677	---
Others	14	15	(7)%
<b>Total Administrative &amp; Trading Expenses</b>	<b>314</b>	<b>2,221</b>	<b>(86)%</b>

## EBITDA

The Company reported EBITDA of AR\$2,459 million for the first quarter of 2021, a 109% increase over the same quarter of 2020. The drop in trading expenses associated to the bad debt provision registered in the first quarter of 2020, was partly offset by the decrease in gross profit.

EBITDA (AR\$ Million)	1Q		
	2021	2020	Var (%)
Net Income	632	(83)	(858)%
Income tax	22	27	(17)%
Other Income	23	(10)	(331)%
Income from Investments in Associates	(21)	(43)	(51)%
Financial Income	(972)	(1,057)	(8)%
Financial Expense	809	987	(18)%
Effect of FX differences	(174)	61	(388)%
Inflation effect	1,206	427	---
Depreciation and Amortization	934	871	7 %
<b>EBITDA</b>	<b>2,459</b>	<b>1,178</b>	<b>109 %</b>

## Non-Operating Results

The Non-Operating Results of the Company in the first quarter of 2021 totaled AR\$(869) million, compared to the AR\$(417) million registered in the first quarter of 2020. The AR\$779 million negative variation in Inflation Effect and an AR\$85 million decrease in Financial Income were partly offset by a AR\$235 million positive variance in FX differences, in addition to AR\$177 million less Financial Expenses.

Financial Income decreased AR\$85 million, This variance is primarily due to the adjustment in figures for local inflation to be presented in AR\$ of equal purchasing power as of March 31, 2021. Considering historical AR\$, as well as average interest rate, Financial Income is higher than in the same period last year.

Financial Expense fell AR\$177 million primarily due a decrease in debt balance as of March 31, 2021, compared to debt balance in the same period last year. It is important to mention that new debt associated with the wind projects and short-term debt was disbursed during the first quarter of 2020 to fortify the Company's cash position in preparation for the COVID-19 pandemic, which was repaid later in 2020.

Higher FX gains on assets, more than offset higher losses on liabilities in the first quarter of 2021, leading to an overall increase in FX Gains compared to the first quarter of 2020. Both drivers are associated mainly to the effect of FX rates on FONINVEMEM account receivables and debt denominated in US\$, respectively.

A AR\$1,206 million inflation adjustment was registered in the first quarter of 2021 compared to AR\$427 million registered in the same quarter of 2020, both associated to the change in the functional currency of the company to AR\$ in February 2020.

Non-Operating Results (AR\$ Million)	1Q		
	2021	2020	Var (%)
Interest Income	829	959	(14)%
Other finance income	144	98	47 %
Gain on liability extinction	—	—	47 %
<b>Financial Income</b>	<b>972</b>	<b>1,057</b>	<b>(8)%</b>
Interest on financial debt	(773)	(942)	(18)%
Interest on tax debts	(5)	(8)	(29)%
Interest on commercial loans	(1)	(15)	(92)%
Interest on obligations for long-term benefits	(29)	(22)	34 %
<b>Financial Expense</b>	<b>(809)</b>	<b>(987)</b>	<b>(18)%</b>
FX difference generated by assets	2,867	2,239	28 %
FX difference generated by liabilities	(2,555)	(2,300)	11 %
Hedging instruments	(138)	—	---
<b>Total FX Differences</b>	<b>174</b>	<b>(61)</b>	<b>---</b>
<b>Inflation Effect</b>	<b>(1,206)</b>	<b>(427)</b>	<b>---</b>
<b>Total Non-Operating Results</b>	<b>(869)</b>	<b>(417)</b>	<b>108 %</b>



## Exchange Rate

The average quarterly AR\$/US\$ exchange rate was 44% higher in the first quarter of 2021 compared to the same period in 2020. During the first quarter of 2021, the AR\$/US\$ exchange rate rose 9%, while in the same period of 2020, the AR\$/US\$ exchange rate increased 8%. During the twelve-month year ended March 31, 2021, the AR\$/US\$ exchange rate rose 43%.

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Argentine Peso EOP (ARS/US\$)	92.00	84.15	76.18	70.46
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Argentine Peso EOP (ARS/US\$)	64.47	59.89	57.59	42.46

	1Q		
	2021	2020	Var (%)
Argentine Peso AVG (ARS/US\$)	88.54	61.53	44%

## Net Income

AES Argentina's Pre-tax Income grew AR\$715 million in the first quarter of 2021 compared to the same period in 2020 primarily due to an increase in Operating Income partly offset by the negative impact in Financial Results explained earlier.

AAG recorded an expense of AR\$22 million in Income tax in the three-month period ended March 31, 2021, which positively compares to the Income tax expense of AR\$27 million registered in the same period of 2020.

AAG reported a Net Income of AR\$632 million for the first quarter of 2021, compared to the first quarter 2020's Net Loss of AR\$83 million due to the higher Pre-tax Income explained above.

## Cash Flow

Net Cash flow from operations reached AR\$3,077 million in inflows in the period ended March 31, 2021, compared to AR\$1,956 million inflow in the same period in 2020. Operating cash flows grew AR\$1,121 million due in part to the increase in Accounts Payable.

Investing cash outflows totaled AR\$998 million in the period ended March 31, 2021, down from a cash outflow of AR\$7,946 million in the same period last year. The decrease in purchase of Property, Plant and Equipment associated to the wind projects was the main variances in investing activities.

AES Argentina reported an outflow from financing activities of AR\$2,444 million in the first three months of 2021, which compares to the net inflow of AR\$5,430 million in the same period of 2020. The main variance was attributable to lower

proceeds from loans of AR\$9,650 million primarily related to debt disbursements in the first quarter of 2020 to assure the completion of the wind projects, finance fuel shipments and fortify the company's liquidity position in the face of COVID-19 Pandemic. During the first three months of 2021, AES Argentina paid AR\$1,190 million in interest on debt compared to AR\$2,347 million paid in the same period of 2020, due to the decrease in debt levels in the current quarter, explained above.

The net outflow in cash and cash equivalents during the period ended March 31, 2021, was AR\$468 million (including foreign exchange variations), compared to the AR\$503 million outflow registered in the same period of 2020.

Total cash and cash equivalents on the Cash Flow statement at the end of March 2021, reached AR\$799 million, compared to the AR\$4,361 million as of the period ended March 31, 2020. It is important to mention that as of March 31, 2021, the company has US\$20 million restricted, registered as other financial assets. pledged as collateral for the bank loan with Goldman Sachs, according to the pledge agreement dated February 12, 2020.

Cash Flow Statement Summary (AR\$ Million)	1Q		
	2021	2020	Var (%)
Net cash from operating activities	3,077	1,956	57 %
Net cash from investing activities	(998)	(7,946)	(87)%
Net cash from financing activities	(2,444)	5,430	(145)%
Effects of Foreign Exchange Variations	(103)	57	---
<b>Total Net Cash Flow for the Period</b>	<b>(468)</b>	<b>(503)</b>	<b>---</b>
Cash at the beginning of the period	1,267	4,864	(74)%
<b>Total Cash at the End of the Period</b>	<b>799</b>	<b>4,361</b>	<b>(82)%</b>

Total cash and cash equivalents on the Balance Sheet as of March 31, 2021, reached AR\$3,515 million, compared to the AR\$3,148 million as of March 31, 2020. The difference between the balance sheet and Cash Flow figures is explained primarily by the treatment of common investment funds balances, which are included in the balance sheet cash and cash equivalents balance, however not included in the cash flow. For more details see the Note 15 of the Financial Statements.

As of March 31, 2021, the Company held 5% of its cash and cash equivalents in US\$.

## FONINVEMEM Receivables

As of March 31, 2021, outstanding FONINVEMEM Receivables associated with the FONINVEMEM fund III totaled US\$210 million, net of VAT. FONINVEMEM funds I and II were fully repaid during the first quarter of 2020.

During the first quarter of 2021, FONINVEMEM collections, including interest, associated with FONINVEMEM fund totaled approximately US\$12 million, net of VAT.

AES Argentina received a 6% stake in the 865MW José de San Martín and a 7% stake in the 868MW Manuel Belgrano, combined cycle plants associated with FONINVEMEM I and II, as per the agreements reached in May 2020 between the Argentine authorities, AES Argentina and the rest of the generation companies who participate in the operating companies who manage the aforementioned plants. For more details please see Note 3.c.1. of the Financial Statements

## Dividends

The Company paid no dividends in the periods ended March 31, 2021 and March 31, 2020.

## CAPEX

As of March 31, 2021 the Company's CAPEX totaled US\$2 million, compared to a total capex of US\$63 million in the same period of 2020, US\$57 million of which was related to growth CAPEX.

As of March 31, 2021, the Company has invested approximately US\$275 million to add 200MW of wind capacity to its portfolio and expects to invest an additional US\$5 million to in the projects related to post-COD CAPEX.

## Financial Debt

As of March 31, 2021, AES Argentina has a total financial debt of US\$376 million. As of March 31, 2021, 80% of the Company's financial debt liabilities were at fixed interest rates and 100% were US\$-denominated or US\$-linked.

On January 26<sup>th</sup>, 2017, the Company issued US\$300 million of 144A/RegS Senior Notes at 7.750% annual interest rate with 7-year tenor and bullet amortization.

In May 2019, AES Argentina secured a US\$30 million bank loan with Citibank New York at LIBOR + 5.2% Spread interest rate with 12 quarterly payments. Also, in May 2019, the Vientos Neuquinos project secured a US\$50 million loan with ICBC Argentina at LIBOR + 5.5% Spread with 15 quarterly payments.

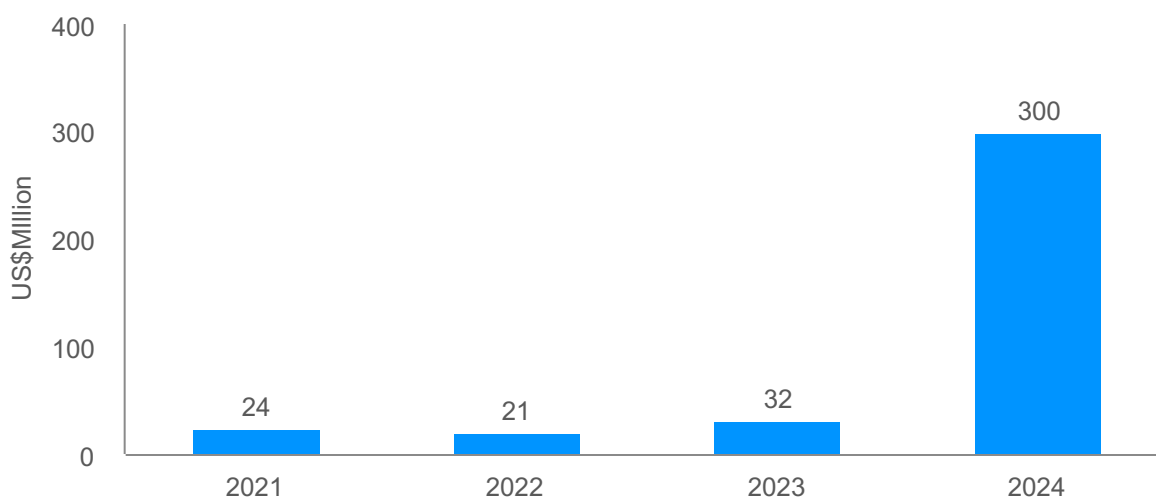
In February 2020, AAG issued a US\$48 million local green bond with maturity in November 2020 in three tranches. A first tranche for US\$22 million in US\$-denominated and US\$-payable notes at an 8.0% annual interest rate, a second tranche for US\$19 million in US\$-linked (US\$-denominated and AR\$-payable) notes at a 7.5% annual interest rate and a third tranche of AR\$469 million (~US\$7 million) AR\$ notes at a variable interest rate of BADLAR + 6.5%. In November 2020, the company repaid in full the green bond as scheduled.

In addition to these loans, during the first quarter of 2020 the Company secured an additional US\$46 million in short term loans. A cash collateralized short-term loan for US\$20 million was raised with Goldman Sachs, at LIBOR + 1.75% Spread interest Rate with due date in February 2021. In February 2021, the Company paid US\$8 million of the outstanding US\$20 million Goldman Sachs Secured Loan. The remaining US\$12 million was refinanced to be paid in February 2023.

In addition, the company raised approximately US\$26 million short-term bank loans denominated in US\$ and AR\$ with local banks, all of which were repaid during the third quarter of 2020. For more details please see Note 18 of the Financial Statements.

The following graph details AES Argentina's debt maturity profile, as of March 31, 2021:

AES Argentina Debt Maturity



Debt Amortization (US\$ Million)		Average Interest Rate	March 31, 2021			
			2021	2022	2023	2024
AAG 2024 Notes	300	7.75%	—	—	—	300
ICBC US\$ 50mn Loan Vientos Neuquinos 2023	45	5.87%	11	14	20	—
Citi US \$ 30mn Loan 2022	19	5.32%	13	7	—	—
GS Secured Loan	12	1.95%	—	—	12	—
<b>Total</b>	<b>376</b>	<b>7.22%</b>	<b>24</b>	<b>21</b>	<b>32</b>	<b>300</b>

## RISK ANALYSIS

### MARKET AND FINANCIAL RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument might fluctuate because of a change in market prices. Market risks affecting the Company include Exchange Rate Risk, Interest Rate Risk, and Commodity Price Risk. Financial instruments affected by the market risk include interest-accruing debts and loans, cash deposits, trades receivable and other accounts receivable, available-for-sale financial assets and financial assets at fair value through profits or loss.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument might fluctuate as a result of changes in market interest rates. Variations in Interest rates affect the value of assets and liabilities, accrued interests, as well as the flow of financial assets with variable interest rates.

The grand majority of the Company's debt, including the US\$300 million in 144A/RegS Senior Notes, has a fixed interest rate while the Company's medium-term bank loans and main interest incurring assets, FONINVEMEM Receivables, are exposed to variations in LIBOR. AAG has other accounts receivables and debts with CAMMESA that are exposed to changes to the interest rate set by the grid operator (CAMMESA rate) which is calculated based on LIBOR and the interest rate the ISO achieves with its financial instruments.

As of March 31, 2021, 76% of the Company's interest-bearing liabilities, including CAMMESA loans, had fixed interest rates.

A 10% variation of the LIBOR would have had a AR\$0.1 million impact on the first quarter pretax income.

A 10% variation of the CAMMESA rate would have had a AR\$97 million impact on the first quarter pretax income.

### Foreign Currency Risk

The exchange rate risk is the risk of fluctuations in the fair value or the future cash flows of financial instruments due to changes in the exchange rates. The value of those financial assets and liabilities denominated in a currency other than the functional currency of the Company, now the AR\$, are subject to variations arising from the fluctuation of exchange rates. The main source of FX exposure is now related to US\$ denominated assets and liabilities.

Since the change in functional currency to US\$ on February 1, 2017, until the dollarization of Energía Base tariffs according to the regulation in force until January 2020, FX exposure was limited as most of the assets and liabilities of the Company were dollar-denominated or dollar-linked. The main exposure came from fixed costs and taxes denominated in AR\$. From February 2020 onwards, after Resolution 31/2020 came in force, tariffs were established in Argentine pesos. The impact of Resolution 31/2020 resulted in a change in functional currency from March 31, 2020 onwards.

According to Argentine tax law, the Company's taxable base is calculated in AR\$ and taxes are paid in AR\$. The variation in the exchange rate can impact the valuation in AR\$ of the Company's US\$ denominated assets and liabilities, which can impact the tax expense.

Foreign currency exchange controls, transfer restrictions, restrictions imposed by the IMF, and other policies of the Argentine government may limit the availability of international and local credit or otherwise adversely affect AES Argentina Generación's business, as well as its ability to repay the notes. For more details of the Foreign currency exchange controls in effect during 2020 please see Note 15 of the Financial Statements.

A 10% variation of the US\$/AR\$ exchange rate would have had a AR\$197 million impact on the first quarter pretax income.

The following table summarizes the value of assets and liabilities in foreign currencies at their value in AR\$ as of March 31, 2021.

AR\$ million	March 31, 2021
Non-current Assets	16,701
Current Assets	5,262
<b>Total Assets</b>	<b>21,963</b>
Non-current Liabilities	31,788
Current Liabilities	5,118
<b>Total Liabilities</b>	<b>36,906</b>

### **Inflation Risks**

Changes in the purchasing power of the AR\$ currency affect the value of assets and liabilities, mainly the monetary type.

A 10% variation of the AR\$ real purchasing power would have had a AR\$829 million impact on the first quarter pretax income.

### **Energy Price Risks**

The Company faces price risk, as revenues depend directly on tariffs set for the “Energía Base” price structure, which are based on a fixed price remuneration set at the regulator’s discretion. These tariffs are readjusted at the discretion of the regulator.

### **Commodity Price Risk**

Most of the fuel for the Company’s thermal plants is provided by CAMMESA, free of charge. However, the Company itself procures the coal used at the San Nicolás plant’s Unit 1, Unit 2 and Unit 5. The cost of coal is currently reimbursed by CAMMESA, as part of the variable cost payment, effectively mitigating the risk of commodity price fluctuations.

Between the fourth quarter of 2018 and the fourth quarter of 2019, as per Resolution 70, the Company could opt to source its own natural gas and diesel fuel or have CAMMESA to supply it. In December 2019, the Argentine Government repealed Resolution 70, and therefore generation companies can no longer source their own diesel or natural gas, leaving CAMMESA as the sole supplier.

### **Credit Risk**

Credit risk is related to the ability of the Company’s counterparties to meet their financial obligations. The Company’s financing and investment agreements are executed with high-quality local and foreign financial institutions.

The main off-taker of the Company is CAMMESA, who acquires all the energy produced by the Company. CAMMESA is directly funded by the Argentine national treasury. Since December 2016, CAMMESA has been meeting its payment obligations, diminishing the credit risk faced by the Company.

The credit risk associated with CAMMESA is linked to Argentina’s country risk. The Argentine sovereign credit rating has been under pressure due to the rapid depreciation of the AR\$ and the high inflation in recent years.

For more details of the Credit risk and commercial operations with CAMMESA please see Notes 1, 3 and 15 of the Financial Statements.

### **Liquidity Risk**

The Company manages its liquidity to secure the necessary funds to support its business strategy. AAG uses self-generated funds for the payment of its obligations and maintains uncommitted credit lines with premier banks in Argentina, which are disbursed if necessary.

As of March 31, 2021, AES Argentina had AR\$3,515 million in available liquid resources, classified as cash and cash equivalents (including short-term investments) on the balance sheet, compared to AR\$3,148 million as of March 31, 2020. It is important to mention that as of March 31, 2021, the company has US\$20 million restricted, registered as other financial assets, pledged as collateral for the bank loan with Goldman Sachs, according to the pledge agreement dated February 12, 2020.

As of March 31, 2021, the Company held 5% of cash and cash equivalents in US\$.

### Country Risk

The Company's operations, properties and customers are located in Argentina, and, as a result, its business is to some extent, dependent upon economic conditions prevailing in Argentina. The changes in economic, political and regulatory conditions in Argentina and measures taken by the Argentine government have had and are expected to continue to have an impact on the Company.

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high levels of inflation and currency devaluation, and may experience further volatility in the future.

As a consequence, the Company could in the future be, affected from time to time to varying degrees by economic and political developments and other material events affecting the Argentine economy, such as inflation; price controls; foreign exchange controls; fluctuations in foreign currency exchange rates and interest rates; governmental policies regarding spending and investment, national, provincial or municipal tax increases and other initiatives increasing government involvement with economic activity; civil unrest and local security concerns. The Argentine economy continues to remain vulnerable. It is possible that similar measures could be adopted by the current or future Argentine government or that economic, social and political developments in Argentina, over which the Company has no control, could have a material adverse effect on the Argentine economy and, in turn, adversely affect AES Argentina Generación's financial condition and results of operations.

## OPERATIONAL RISKS

Operational risks relate to the possibility of future outages or deficiencies that can negatively affect the Company's strategic operational and/or financial objectives.

### Hydrology

Approximately 42% of AES Argentina Generación's installed capacity is made up of hydroelectric operations, which may be affected by hydrological conditions, a key factor in determining plant dispatch in Argentina. The main river basins which affect the Company's hydroelectric plants' availability include the Limay, San Juan, and Juramento river.

### Operational Failures and Maintenance

Mechanical failures, accidents, planned or unplanned maintenance that affects the availability of the Company's efficient capacity could have a material adverse effect on results.

Although the Company performs regular maintenance and operational enhancements to guarantee the commercial availability of its generation plants and operational insurance policies remain in effect, mechanical failures or accidents could result in periods of commercial unavailability. Significant periods of unavailability of AES Argentina Generación's plants as a result of mechanical failure or unplanned maintenance would impact the Company's fulfillment of its availability commitments.

## Regulatory Risks

AES Argentina Generación is subject to several different aspects of regulation in Argentina. Modifications to the existing legislation could adversely affect the Company's financial results.

AES Argentina Generación cannot guarantee that the laws or regulations in the countries in which it operates or has investments will not be modified or interpreted in a manner that could adversely affect the Company or guarantee that governmental authorities will grant any requested approval.

On March 19, 2020, the Government of Argentina through Decree 297/2020 has declared mandatory social and preventive isolation from March 20 to 31, 2020, which was subsequently extended on several occasions by stages and with different scopes according to the jurisdictions until August 2. Additionally, in the framework of the mandatory isolation through Decree 311/2020, the temporary suspension of the cut in the supply of services (electricity, water, gas, telecommunications and image) was established in the event of default or non-payment of the same, only for a certain universe of people, companies and institutions; as well as the established framework of payment plans for the services set forth for the regularization that was subsequently regulated by Resolution Ministry of Productive Development 173/2020 of April 18, 2020. Notwithstanding the foregoing, potential effects are being analyzed on the payment chain of the different segments of the sector.

Resolution 1/2019 was enacted by Argentina's Secretariat of Electric Energy in March 2019, modifying the regulatory framework for the Energía Base market, under which the Company's thermal and hydro assets operate. The new framework established different thermal plant capacity tariff structures for peak (summer and winter) and non-peak seasons (spring and fall). During peak seasons January, February, June, July, August and December, the capacity price remained unchanged, at US\$7,000/MW/month, while during non-peak seasons, March, April, May, September, October and November, capacity prices were reduced to US\$5,500/MW/month. A new usage factor was also included a capacity payment structure, which is determined by the plants' usage over the previous 12 months. In addition, Resolution 1/2019 reduced energy prices by US\$1.6/MWh compared to Resolution 19/2017.

In February 2020, Resolution 31/2020 modified the tariff structure established by Resolution 1/2019. Energía Base rates were converted from US Dollars to Argentine Pesos, an inflation-based indexation mechanism was introduced, capacity rates were reduced, and an additional remuneration mechanism was added for plants operating during hours of peak thermal requirement on the system. Energy and Capacity Rates from resolution 1/2019 were converted to Argentine pesos at an exchange rate of 60 AR\$/US\$ under Resolution 31/2020.

All rates are to be adjusted on a monthly basis for local inflation based on an index made up of 60% Consumer price index (IPC) and 40% Wholesale Internal Price Index (IPIM). In April 2020 however, amid the COVID-19 Pandemic, the Argentine authorities postponed until new notice the inflation adjustments.

Capacity rates for thermal units were reduced between 14% and 45%, while hydro units' capacity rates were reduced approximately 45%. The thermal capacity offered guaranteed availability rate (DIGO) during peak seasons, was reduced 14% to US\$6,000/MW/month (AR\$360,000/MW/month), while during non-peak seasons, the rate was reduced 18% to US\$4,500/MW/month (AR\$270,000/MW/month). Thermal capacity base rates, applicable to plants that do not offer a guaranteed availability (DIGO), were reduced 45%.

The usage factor introduced under Resolution 1/2019 was maintained in the thermal capacity rate structure. The usage factor adjusts thermal capacity rates between 60% and 100% according to the plants' usage over the previous 12 months. Capacity rates for hydro assets were reduced to US\$1,650/MW/month (AR\$99,000/MW/month) for Large hydro (Alicurá), to US\$3,025/MW/month (AR\$181,500/MW/month) for Small hydro (Cabra Corral) and to US\$4,950/MW/month (AR\$297,000) for Renewable hydro (Ullum and El Tunal).

An additional remuneration mechanism was introduced for plants operating during hours of peak requirement on the system. Plants operating during the first and second 25 hours per month of peak thermal demand on the system in summer / winter months and the first 25 hours of maximum thermal requirement in autumn / spring are eligible for the new remuneration framework. The remuneration amount under this mechanism is determined by four factors: the



average capacity of the plant during the first or second 25 hours of peak thermal requirement on the system, a capacity rate based on the type of plant, an adjustment factor for the first and second 25 hours of each month, and finally the month of the year in question which are categorized by season. The average capacity of the plant is based on the energy produced, in the case of thermal plants, and operated energy, in the case of hydroelectric plants during the hours of peak thermal requirement on the system.

Rates for generated and operated energy for both hydro and thermal plants were not changed in US\$ terms, compared to Resolution 1/2019, however they were converted into AR\$ as were all rates under Energía Base.

		Capacity (US\$/MW/month)			
		Res 31/2020	Res 1/2019	Res 19/2017	
Hydro	Large Hydro	1,650 (AR\$ 99,000)	3,000	3,000	
	Small Hydro	3,025 (AR\$ 181,000)	5,500	5,500	
	Renewable Hydro	4,950 (AR\$ 297,000)	6,300	6,300	
Thermal	DIGO Rate	Winter/ Summer	6,000 (AR\$ 360,000)	7,000	7,000
		Spring/Fall	4,500 (AR\$ 270,000)	5,500	7,000
	Base Rate	Large CCGT	1,678 (AR\$ 100,650)	3,050	3,050
		Large Steam Turbine	2,393 (AR\$ 143,550)	4,350	4,350
		Small Steam Turbine	2,860 (AR\$ 171,600)	5,200	5,700
		Small GAS Turbine	2,530 (AR\$ 151,800)	4,600	4,600
	Utilization Factor		Yes	Yes	No

		Generated Energy (US\$/MWh)			Operated Energy (US\$/MWh)		
		Res 31/2020	Res 1/2019	Res 19/2017	Res 31/2020	Res 1/2019	Res 19/2017
Hydro		3.5 (AR\$ 210)	3.5	3.5	1.4 (AR\$ 84)	1.4	1.4
		4 (AR\$ 240)	4	5			
Thermal		7 (AR\$ 420)	7	8	1.4 (AR\$ 84)	1.4	2
		12 (AR\$ 720)	12	13			

Peak System Thermal Requirement Capacity Rate (AR\$/MW)				
		Res 31/2020	Res 1/2019	Res 19/2017
Hydro	Large Hydro	27,500	—	—
	Small Hydro	32,500	—	—
	Renewable Hydro	35,000	—	—
Thermal	All Fuels	37,500	—	—

Peak System Thermal Requirement Adjustment Factor			
		Summer & Winter Months	Fall & Spring Months
Hydro & Thermal	First 25 hours	1.2x	0.2x
	Second 25 hours	0.6x	0.0x

For more details of the regulatory framework of Energía Base please see Notes 3 of the Financial Statements or Resolution 31/2020 available [here](#).

## Tax Regulation

AES Argentina Generación, its subsidiaries, and affiliates are subject to existing tax legislation in Argentina. Amendments to laws or modifications in tax rates may have a direct impact on earnings.

On December 23, 2019, Law 27,541 "Law of Social Solidarity and Reactivation of Production in Argentina" was enacted, which introduced some changes to the tax reform enacted in 2017. The new law suspended the reduction previously approved from the Income Tax rate from 30% to 25% and the approved increase in the withholding tax on dividends from 7% to 13%, until the fiscal years beginning on January 1, 2021, inclusive. This law also increased the rate of the Personal Property "Surrogate Responsible Person" Tax from 0.25% to 0.50%, from the fiscal period 2019 inclusive, and established a new method of prorating the adjustment for comprehensive fiscal inflation applicable to the 2019 and 2020 fiscal years, The adjustment will assign one sixth to the current year and the remaining to the following five years.

## AES ARGENTINA GENERACIÓN BALANCE SHEET

As of March 31, 2021, and December 31, 2020

International Financial Reporting Standards (IFRS).

(End of period exchange rate used to convert AR\$ into US\$ for referential purposes is 92 AR\$/US\$.)

Assets	AR\$ Million			US\$ Million
	March 31, 2021	December 31, 2020	Var. %	March 31, 2021
<b>Non- Current Assets</b>				
Investments in subsidiaries and associates	154	136	13 %	2
Property, plant & equipment	38,515	39,496	(2)%	419
Intangible Assets	2,372	2,470	(4)%	26
Inventory	912	942	(3)%	10
Accounts receivable from related parties	4	4	— %	0
Other non-financial assets	84	72	17 %	1
Trade & Other accounts receivable	19,519	20,916	(7)%	212
Tax assets	924	1,197	---	10
Deferred tax assets	172	288	(40)%	2
<b>Total Non-Current Assets</b>	<b>62,656</b>	<b>65,521</b>	<b>(4)%</b>	<b>681</b>
<b>Current Assets</b>				
Inventory	1,569	556	182 %	17
Accounts receivable from related parties	24	25	(4)%	0
Other financial assets	745	1,910	---	8
Other non-financial assets	552	1,181	(53)%	6
Trade & Other accounts receivable	8,724	9,205	(5)%	95
Cash & Cash equivalents	3,515	3,148	12 %	38
Tax assets	1,666	1,700	(2)%	18
<b>Total Current Assets</b>	<b>16,795</b>	<b>17,725</b>	<b>(5)%</b>	<b>183</b>
<b>TOTAL ASSETS</b>	<b>79,451</b>	<b>83,246</b>	<b>(5)%</b>	<b>864</b>

## AES ARGENTINA GENERACIÓN BALANCE SHEET

As of March 31, 2021, and December 31, 2020  
International Financial Reporting Standards (IFRS).

(End of period exchange rate used to convert AR\$ into US\$ for referential purposes is 92 AR\$/US\$)

Liabilities and Shareholders' Equity	AR\$ Million			US\$ Million
	March 31, 2021	December 31, 2020	Var. %	March 31, 2021
<b>Equity</b>				
Issued Equity	1,153	1,153	— %	13
Equity Adjustment	3,828	3,828	— %	42
Irrevocable contributions	124	124	— %	1
Additional paid-in capital	1,200	1,200	— %	13
Legal Reserve	1,236	1,236	— %	13
IFRS special reserve	2,845	2,845	— %	31
Optional Reserves	11,720	11,720	— %	127
Other Reserves	11,224	11,578	(3)%	122
Retained Earnings	2,983	2,351	27 %	32
<b>Equity Attributable to Shareholders of Parent</b>	<b>36,311</b>	<b>36,034</b>	<b>1 %</b>	<b>395</b>
Non-controlling Interest in Controlled Subsidiaries	22	22	— %	—
<b>TOTAL EQUITY</b>	<b>36,333</b>	<b>36,056</b>	<b>1 %</b>	<b>395</b>
<b>Non-Current Liabilities</b>				
Employee benefits	221	213	4 %	2
Tax liabilities	648	539	20 %	7
Deferred tax liabilities	2,978	3,266	(9)%	32
Provisions	198	201	(1)%	2
Accounts payable to related parties	12	35	(66)%	—
Interest-accruing liabilities	33,364	33,997	(2)%	363
Trade & other accounts payable	—	—	---	—
<b>Total Non-Current liabilities</b>	<b>37,421</b>	<b>38,250</b>	<b>(2)%</b>	<b>407</b>
<b>Current Liabilities</b>				
Employee benefits	395	668	(41)%	4
Tax liabilities	149	389	(62)%	2
Accounts payable to related parties	1,109	1,079	3 %	12
Trade & other accounts payable	1,889	1,056	79 %	21
Interest-accruing liabilities	3,258	5,748	(43)%	35
<b>Total Current liabilities</b>	<b>6,801</b>	<b>8,940</b>	<b>(24)%</b>	<b>74</b>
<b>TOTAL LIABILITIES</b>	<b>44,222</b>	<b>47,190</b>	<b>(6)%</b>	<b>481</b>
<b>Total Liabilities and Equity</b>	<b>80,555</b>	<b>83,246</b>	<b>(3)%</b>	<b>876</b>

## AES ARGENTINA GENERACIÓN INCOME STATEMENT

For the years ended March 31, 2021, and March 31, 2020

International Financial Reporting Standards (IFRS)

(Average exchange rate used to convert AR\$ into US\$ for referential purposes is \$88.54 AR\$/US\$)

Income Statement	AR\$ Million			US\$ Million
	1Q			1Q
	2021	2020	Var (%)	2021
Operating Revenue	4,948	5,259	(6)%	56
Cost of Sales	(3,109)	(2,730)	14 %	(35)
<b>Gross Profit</b>	<b>1,839</b>	<b>2,529</b>	<b>(27)%</b>	<b>21</b>
Administrative Expenses	(376)	(447)	(16)%	(4)
Trading Expenses	62	(1,775)	(103)%	1
Other income and expenses	(23)	10	(330)%	—
<b>Operating Income</b>	<b>1,502</b>	<b>317</b>	<b>374 %</b>	<b>17</b>
Financial Income	972	1,057	(8)%	11
Financial Expense	(809)	(987)	(18)%	(9)
Effect of FX differences	174	(61)	(385)%	2
Inflation effect	(1,206)	(427)	---	(14)
Income from Investments in Associates	21	43	(51)%	0
<b>Income (Loss) before Taxes</b>	<b>654</b>	<b>(56)</b>	<b>(1,268)%</b>	<b>7</b>
Income Tax	(22)	(27)	---	—
<b>Net Income</b>	<b>632</b>	<b>(83)</b>	<b>(861)%</b>	<b>7</b>
<b>EBITDA</b>	<b>2,459</b>	<b>1,178</b>	<b>109 %</b>	<b>28</b>

## AES ARGENTINA GENERACIÓN CASH FLOW STATEMENT

For the years ended March 31, 2021, and March 31, 2020 (cumulative results)

International Financial Reporting Standards (IFRS)

(Average exchange rate used to convert AR\$ into US\$ for referential purposes is \$88.54 AR\$/US\$)

	AR\$ Million		US\$ Million	
	March 31,		March 31,	
	2021	2020	Var (%)	2021
<b>Operating Activities</b>				
<b>Net income</b>	<b>632</b>	<b>(83)</b>	<b>(858)%</b>	<b>7</b>
<b>Earnings reconciliation adjustments</b>				
Depreciation & amortization expenses	934	871	7 %	11
Result due to loss of property, plant and equipment and intangibles	11	—	---	—
FX differences	(615)	(683)	---	(7)
Conversion differences	672	—	---	8
Interest gains and other financial income	(972)	(1,057)	(8)%	(11)
Income from investments in other companies	(21)	(43)	(51)%	—
Income tax expenses	22	27	---	—
Provision expenses	11	(3)	(530)%	—
Accrued interest expenses	806	960	(16)%	9
Bad debt provision	(164)	1,677	---	(2)
Pension plan	35	26	31 %	—
Gross revenue recovery	—	—	---	—
<b>Adjustments for balance sheet accounts variations</b>				
Inventory	(983)	527	---	(11)
Trade & other account receivables	1,201	1,560	(23)%	14
Account receivables from related parties	(98)	299	---	(1)
Other non-financial assets	511	(25)	---	6
Other financial assets	—	—	---	—
Trade & other account payables	852	(577)	---	10
Accounts payable to related parties	179	59	---	2
Provisions	6	—	#DIV/0!	0
Tax Assets	180	(933)	(119)%	2
Tax Liabilities	578	(219)	(364)%	7
Employee benefits	(169)	(150)	13 %	(2)
Income tax paid	(638)	(655)	(3)%	(7)
Hedging instruments	(138)	—	---	(2)
Interests received on trade accounts	244	378	(36)%	3
<b>Net cash flow from operations</b>	<b>3,077</b>	<b>1,956</b>	<b>57 %</b>	<b>35</b>

## AES ARGENTINA GENERACIÓN CASH FLOW STATEMENT (CONTINUED)

For the years ended March 31, 2021, and March 31, 2020 (cumulative results)

International Financial Reporting Standards (IFRS)

(Average exchange rate used to convert AR\$ into US\$ for referential purposes is \$88.54 AR\$/US\$)

	AR\$ Million			US\$ Million
	2021	March 31, 2020	Var (%)	March 31, 2021
<b>Investment Activities</b>				
Purchase of Property, Plant & Equipment	(183)	(5,524)	(97)%	(2)
Purchase of intangible assets	(28)	(188)	---	—
Interests received	142	96	48 %	2
Dividend Received	—	—	#DIV/0!	—
Sale of short term investment	—	—	---	—
Purchase of short term investment	—	—	---	—
Net decrease of common investment funds	(930)	(2,330)	(60)%	(10)
<b>Net cash flows used in investment activities</b>	<b>(998)</b>	<b>(7,946)</b>	<b>(87)%</b>	<b>(11)</b>
<b>Financing Activities</b>				
Proceeds from third-party loans	—	9,650	(100)%	—
Payments of third-party loans	(1,253)	—	---	(14)
Interests paid on third-party loans	(1,190)	(2,347)	(49)%	(13)
Proceeds from related party loans	—	—	---	—
Payment of financial leases	(1)	(24)	---	0
Dividend payments	—	—	---	—
<b>Net Cash flows from (used in) financing activities</b>	<b>(2,444)</b>	<b>7,280</b>	<b>(134)%</b>	<b>(28)</b>
Effect of FX difference on cash & cash equivalents	(103)	57	(281)%	(1)
<b>Net Increase in cash &amp; cash equivalents</b>	<b>(468)</b>	<b>(503)</b>	<b>(7)%</b>	<b>(5)</b>
Opening Cash & Cash Equivalent	1,267	4,864	(74)%	14
<b>Ending Cash &amp; Cash Equivalent</b>	<b>799</b>	<b>4,361</b>	<b>(82)%</b>	<b>9</b>

## ABOUT AES ARGENTINA GENERACIÓN

AES Argentina Generación S.A. is a wholly owned subsidiary of the AES Corporation, engaged in power generation in Argentina. It owns and operates a portfolio of seven power plants, four hydro-electrical plants, and three thermal power plants and two wind farms located in the Provinces of Buenos Aires, Salta, San Juan, and Neuquén, with a total installed capacity of 2,985 MW.

To learn more, please visit [www1.aesargentina.com.ar/en](http://www1.aesargentina.com.ar/en)

## ABOUT THE AES CORPORATION

The AES Corporation (NYSE: AES) is a Fortune 500 global energy company accelerating the future of energy. Together with our many stakeholders, we're improving lives by delivering the greener, smarter energy solutions the world needs. The company's diverse workforce is committed to continuous innovation and operational excellence while partnering with our customers on their strategic energy transitions and continuing to meet their energy needs today.

In 2020, The AES Corporation reported \$10 billion in revenues and owned and managed \$35 billion in total assets.

To learn more, please visit [www.aes.com](http://www.aes.com)