



aes Argentina

1Q - 2022 Earnings Report



June 6, 2022

AES ARGENTINA FIRST QUARTER 2022 RESULTS & HIGHLIGHTS

- AES Argentina Generación S.A. (AES Argentina, AAG, or the Company) reported a Gross Profit for first quarter of 2022 of AR\$2,944 million, a 3% increase compared to the same period in 2021.
 - Higher generation at San Nicolás plant, in addition to the positive contribution of the wind assets Vientos Bonaerenses and Vientos Neuquinos were the main drivers for the increase in Gross Profit in the first quarter of 2022 compared to the same period last year. The 29% increase in Energía Base tariffs accrued from the second quarter of 2021 also helped to the growth in Gross Profit. The effect of inflation when converting 2021 figures into the same purchasing power as current Argentine pesos partly offset this positive variance.
 - 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. On May 29, 2021, Resolution 440/2021 was issued, increasing energy and capacity prices under the Energía Base regime, by 29% related to inflation, retroactive from February 2021.
- AAG reported AR\$3,543 million in EBITDA for the first quarter of 2022, 7% below the first quarter of 2021's EBITDA.
 - The main driver of the decrease in EBITDA was the increase in Trading Expenses compared to 2021, when a change in the way bad debt provisions are calculated had an extraordinary positive impact on the results of the first quarter 2021, partly offset by higher Gross Profit.
- The Company reported a Net Income of AR\$585 million for the first quarter of 2022, a AR\$395 million decrease compared to the AR\$980 million Net Income for the same period in 2021. The variance was due primarily to a higher impact from the RECPAM Inflation effect in 2022 than in 2021.
- During the first quarter of 2022, FONINVEMEM collections, including interest, totaled approximately US\$11.5 million, net of VAT, as of March 31, 2022.
 - 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 Assets:
 - The 100MW Vientos Bonaerenses wind farm is 80% contracted under a RenovAr PPA and 20% contracted with C&I customers under MATER PPAs
 - The 100MW Vientos Neuquinos wind farm is fully contracted with C&I customers under MATER PPAs
- Since the third quarter of 2021, the Company has acquired a nominal amount of US\$25.5 million of its US\$300 million Class A Senior Notes due in 2024, US\$22.5 million were acquired in 2021 and US\$3 million in the first quarter of 2022.
- On April 18, 2022, Resolution 238/2022 was issued, modifying the established energy and capacity prices of Resolution 440/2021, applying tariff average increases of 30% from February 2022, and an additional 10% from June 2022 onwards. This change will be accrued starting in the 2Q-2022 results, and is not reflected in the 1Q-2022 figures in this report.

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 2022 RESULTS

Income Statement (AR\$ Million)	1Q		
	2022	2021	Var (%)
Operating Revenue	10,496	7,672	37 %
Cost of Sales	(7,552)	(4,821)	57 %
Gross Profit	2,944	2,852	3 %
Administrative Expenses	(567)	(584)	(3)%
Trading Expenses	(173)	97	(279)%
Other income and expenses	(14)	(35)	(62)%
Operating Income	2,190	2,329	(6)%
Financial Income	1,544	1,508	2 %
Financial Expense	(1,305)	(1,255)	4 %
Effect of FX differences	(74)	270	(127)%
Inflation effect	(2,434)	(1,870)	30 %
Income from Investments in Associates	61	33	88 %
Income (Loss) before Taxes	(17)	1,015	(102)%
Income Tax	603	(35)	(1,843)%
Net Income	585	980	(40)%
EBITDA	3,543	3,813	(7)%

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, 2022, 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, 2022.

Generation

The Company generated 2,016 GWh during the first quarter of 2022, a 5% increase compared to last year. Total thermal generation grew 8%, while hydro generation fell 33% between both periods. The 41GWh increase in generation at Vientos Bonaerenses and Vientos Neuquinos wind farms as a result of higher wind resource also contributed to the increase in production. Thermal generation increased due to higher coal-fired dispatch at San Nicolás in the first quarter of 2022 compared to last year, partly offset by lower generation at Parana as a consequence of an increase in the use of diesel as fuel, implying a decrease in maximum available capacity at the plant. Drier hydrology at Alicurá led to a decrease in hydro generation.

Net Generation by Plant (GWh)	1Q		
	2022	2021	Var (%)
Paraná	1,042	1,113	(6)%
San Nicolás	486	294	65 %
Alicurá	179	275	(35)%
Cabra Corral	34	25	36 %
El Tunal	10	10	— %
Ullum	32	28	14 %
Sarmiento	10	1	900 %
Vientos Bonaerenses	114	104	10 %
Vientos Neuquinos	109	78	40 %
Total Generation / Sales	2,016	1,928	5 %

Operating Revenue

The increase in Energía Base energy sales at San Nicolás as a result of higher generation and higher coal prices, was the primary driver for the 37% increase in operating revenues to AR\$10,495 million in the first quarter of 2022, compared to AR\$7,672 million in the same period last year. The 29% adjustment to energy and capacity tariffs, retroactive from February 2021, applied from May 2021, in addition to the increase in the USD-denominated contracted wind energy sales under the RenovAr PPA with CAMMESA and MATER PPAs with private customers also helped to the increase in revenues. These positive variations were partly offset by the effect of inflation when converting 2021 figures into the same purchasing power as current Argentine pesos.

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.

On May 29, 2021, Resolution 440/2021 was issued which's main modification was a 29% inflation related increase in energy and capacity prices under the Energía Base regime, retroactive from February 2021. On April 18, 2022, Resolution 238/2022 was issued, modifying the established energy and capacity prices of Resolution 440/2021, applying tariff average increases of 30% from February 2022, and an additional 10% from June 2022 onwards. For more details see the Regulatory Risk section of this report or Note 3.a of the Financial Statements.

Operating Revenue (AR\$ Million)	1Q		
	2022	2021	Var (%)
Energy Sales	6,640	3,572	86 %
Capacity Sales	2,434	2,642	(8)%
Contracts Sales	1,371	1,375	— %
Other Revenue	50	83	(40)%
Total Operating Revenue	10,495	7,672	37 %

Cost of Sales

Cost of Sales reached AR\$7,552 million in the first quarter of 2022, a 57% increase compared to the first quarter of 2021, mainly attributable to higher fuel cost.

The 192GWh increase in San Nicolás' generation resulted in higher Fuel Costs associated with 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		
	2022	2021	Var (%)
Fuel cost	4,309	1,486	190 %
Maintenance	535	594	(10)%
Personnel costs	567	499	14 %
Insurance	558	582	(4)%
Depreciation	1,117	1,220	(8)%
Rights and royalties	43	57	(25)%
Amortization of intangible assets	159	155	3 %
Purchases of energy and power	9	19	(54)%
Related-Party Services	46	40	12 %
Operator Fee	35	25	41 %
Transmission charges	22	28	(20)%
Fees and remuneration to third parties	14	31	(55)%
Others	139	85	63 %
Total Cost of Sales	7,552	4,821	57 %

Gross Profit

Gross Profit in the first quarter of 2022 reached AR\$2,944 million, a 3% increase compared to last year. This increase was mainly driven by higher Energía Base sales due the increase in generation at San Nicolás, in addition to higher sales from the wind farms. The inflation effect when converting 2021 revenues into current Argentine pesos, which is only partly compensated by the 29% tariffs adjustment executed May 2021 (retroactive from February 2021) as per Resolution 440/2021 partially offset the growth in gross margin.

Administrative & Trading Expenses

Administrative and Trading Expenses reached AR\$740 million in the first quarter of 2022, compared to the AR\$487 million registered in the same period of 2021. The 52% increase is primarily due to a bad debt provision adjustment registered in the first quarter of 2021, related to a change in the way bad debt provisions are calculated generating an extraordinary positive impact on the results of the first quarter 2021. For more details on the provision for bad debt please see Note 14.3 of the Financial Statements.

Administrative & Trading Expenses (AR\$ Million)	1Q		
	2022	2021	Var (%)
Personnel costs	147	160	(8)%
Depreciation	63	75	(16)%
Taxes, rates and contributions	250	240	4 %
Related-Party Services	216	177	22 %
Fees and remuneration to third parties	53	70	(24)%
Bad Debt Expense	(4)	(254)	(98)%
Others	15	19	(21)%
Total Administrative & Trading Expenses	740	487	52 %

EBITDA

The Company reported EBITDA of AR\$3,543 million for the first quarter of 2022, a 7% decrease over the same quarter of 2021 primarily due to higher Trading Expenses partly offset by an increase in gross profit.

EBITDA (AR\$ Million)	1Q		
	2022	2021	Var (%)
Net Income	585	980	(40)%
Income tax	(603)	35	(1,843)%
Other Income	14	35	(62)%
Income from Investments in Associates	(61)	(33)	88 %
Financial Income	(1,544)	(1,508)	2 %
Financial Expense	1,305	1,255	4 %
Effect of FX differences	74	(270)	(127)%
Inflation effect	2,434	1,870	30 %
Depreciation and Amortization	1,339	1,449	(8)%
EBITDA	3,543	3,813	(7)%

Non-Operating Results

The Non-Operating Results of the Company in the first quarter of 2022 totaled AR\$-2,269 million, compared to the AR\$-1,347 million registered in the same period in 2021. The AR\$565 million negative variation in Inflation Effect, the AR\$344 million negative variance in FX differences and the AR\$50 million growth in Financial Expenses were partly offset by a AR\$36 million increase in Financial Income.

Financial Income grew AR\$36 million. This variance is primarily due to higher interest income on financial assets due to the increase in CAMMESA interest rates, in addition to higher gains on cash balance investments.

Financial Expense grew AR\$50 million primarily due a loss associated to the partial repurchase of AES Argentina's Senior Notes from in the first quarter of 2022, partly offset by lower interest expenses on financial debt. As of March 31, 2022, US\$25.5 million had been repurchased (US\$3 million of which was repurchased during the first quarter of 2022).

Lower FX gains on assets partly offset by lower losses on liabilities in the first quarter of 2022 compared to the same quarter in 2021, was the main driver of the negative variance in FX Differences. These drivers are associated mainly to the effect of FX rates on FONINMEM account receivables and debt denominated in US\$, respectively. Losses registered in the first quarter of 2021 on hedging instruments partly offset the negative variance.

A AR\$2,434 million negative inflation adjustment was registered in the first quarter of 2022 compared to AR\$1,870 million registered in the same period of 2021, both associated to the change in the functional currency of the company to AR\$ in February 2020.

Non-Operating Results (AR\$ Million)	1Q		
	2022	2021	Var (%)
Interest Income	1,057	1,285	(18)%
Other finance income	487	223	118 %
Interest income from related companies	1	—	---
Financial Income	1,544	1,508	2 %
Interest on financial debt	(1,031)	(1,199)	(14)%
Interest on tax debts	(2)	(9)	(82)%
Interest on commercial loans	(1)	(2)	(26)%
Interest on obligations for long-term benefits	(53)	(46)	16 %
Loss on liability early payment	(218)	—	---
Financial Expense	(1,305)	(1,255)	4 %
FX difference generated by assets	2,675	4,446	(40)%
FX difference generated by liabilities	(2,748)	(3,962)	(31)%
Hedging instruments	—	(213)	---
Total FX Differences	(74)	270	(127)%
Inflation Effect	(2,434)	(1,870)	30 %
Total Non-Operating Results	(2,269)	(1,347)	68 %

Exchange Rate

The average quarterly AR\$/US\$ exchange rate was 20% higher in the first quarter of 2022 compared to the same period in 2021. During the first quarter of 2022, the AR\$/US\$ exchange rate rose 8%, while in the same period of 2021, the AR\$/US\$ exchange rate increased 9%. During the twelve-month year ended March 31, 2022, the AR\$/US\$ exchange rate rose 21%.

	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Argentine Peso EOP (ARS/US\$)	111.01	102.72	98.74	95.72
	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

	1Q		
	2022	2021	Var (%)
Argentine Peso AVG (ARS/US\$)	106.58	88.54	20%

Net Income

AES Argentina's Pre-tax Loss fell to AR\$17 in the first quarter of 2022 compared to the same period in 2021 primarily due to higher Inflation Adjustments, a negative impact in FX Differences, in addition to an increase in Trading Expenses. offset in part by higher Gross Profit.

AAG recorded an AR\$603 million Income tax gain in the three-month period ended March 31, 2022, which positively compares to the Income tax expense of AR\$35 million registered in the same quarter of 2021. This positive variation is due to lower Pre-tax income as of March 31, 2022, explained above.

AAG reported a Net Income of AR\$585 million for the first quarter of 2022, compared to the first quarter 2021's Net Income of AR\$980 million primarily due to the Pre-tax loss in 2022 explained above.

Cash Flow

Net Cash flow from operations reached AR\$3,049 million in inflows in the period ended March 31, 2022, compared to AR\$4,771 million inflow in the same period in 2021. Operating cash flows fell AR\$1,722 million primarily due to a decrease in Trade & Account Payable in 2022, partly offset by a decrease in taxes paid and payments related to settlement on hedge instruments impacting in the first quarter of 2022.

Investing cash outflows totaled AR\$1,142 million in the period ended March 31, 2022, down from a cash outflow of AR\$1,547 million in the same period last year. This variance is primarily due to higher interest income on financial assets due to the increase in CAMMESA interest rates, in addition to higher gains on cash balance investments.

AES Argentina reported an inflow from financing activities of AR\$740 million in the three-month period ended March 31, 2022, a significant improvement when compared to the net outflow of AR\$3,789 million in the same period in 2021. The main variance was attributable to higher proceeds from loans of AR\$3,707 million primarily related to debt

disbursements in the first quarter of 2022 to finance fuel shipments and fortify the company's liquidity position, in addition to lower debt amortization and lower interest payments. During the first three months of 2022, AES Argentina paid AR\$1,613 million in interest on debt compared to AR\$1,845 million paid in the same period of 2021, and principal payments of AR\$1,353 million in 2022 compared to AR\$1,943 million in 2021.

The net inflow in cash and cash equivalents during the period ended March 31, 2022, was AR\$2,579 million, compared to the AR\$725 million outflow registered in the same period of 2021.

Total cash and cash equivalents on the Cash Flow statement at the end of March 2022, reached AR\$4,421 million, compared to the AR\$1,239 million as of the period ended March 31, 2021. It is important to mention that as of March 31, 2022, the company had US\$12 million pledged as collateral for the bank loan with Goldman Sachs, according to the pledge agreement dated February 12, 2020, which is registered as other financial assets, and not cash and cash equivalent.

Cash Flow Statement Summary (AR\$ Million)	1Q		
	2022	2021	Var (%)
Net cash from operating activities	3,049	4,771	(36)%
Net cash from investing activities	(1,142)	(1,547)	(26)%
Net cash from financing activities	740	(3,789)	(120)%
Effects of Foreign Exchange Variations	(68)	(160)	(58)%
Total Net Cash Flow for the Period	2,579	(725)	---
Cash at the beginning of the period	1,842	1,964	(6)%
Total Cash at the End of the Period	4,421	1,239	257 %

Total cash and cash equivalents on the Balance Sheet as of March 31, 2022, reached AR\$8,728 million, compared to the AR\$5,686 million as of March 31, 2021. 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, 2022, the Company held 3% of its cash and cash equivalents in US\$.

FONINVEMEM Receivables

As of March 31, 2022, outstanding FONINVEMEM Receivables associated with the FONINVEMEM fund III totaled US\$169.7 million, net of VAT. FONINVEMEM funds I and II were fully repaid during the first quarter of 2020.

During the first quarter of 2022, FONINVEMEM collections, including interest, associated with FONINVEMEM fund totaled approximately US\$11.5 million, net of VAT.

AES Argentina is in the process of receiving 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. Final transfer of these assets has not been formalized as of March 31, 2022. 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, 2022 and March 31, 2021.

CAPEX

As of March 31, 2022 the Company's CAPEX totaled US\$9 million in 2022, compared to a total capex of US\$3 million in the same period of 2021.

The Company invested approximately US\$278 million to add 200MW of wind capacity to its portfolio. The 100MW Vientos Bonaerenses project was completed in February 2020 while The 100MW Vientos Neuquinos project was completed in September 2020.

Financial Debt

As of March 31, 2022, AES Argentina has a total financial debt of US\$351 million. As of March 31, 2022, 87% of the Company's financial debt liabilities were at fixed interest rates and 91% were US\$-denominated or US\$-linked.

On January 26, 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.

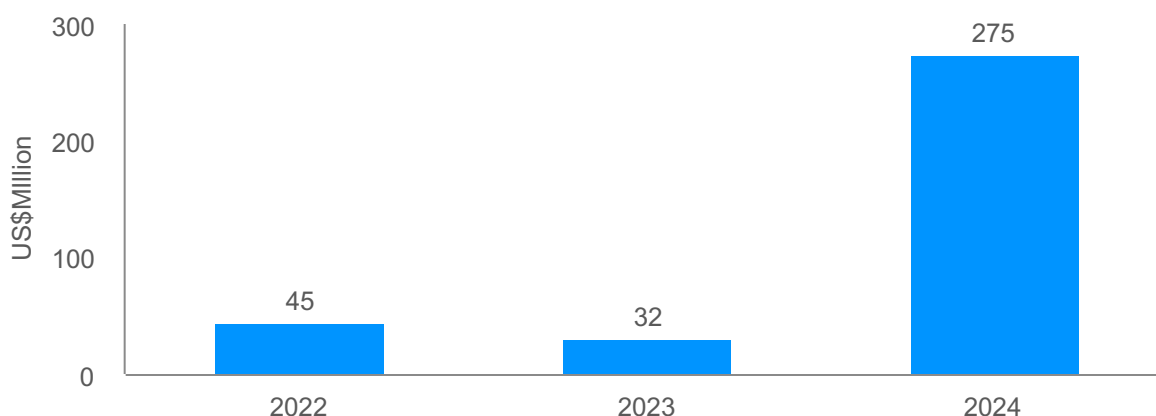
A cash collateralized short-term loan for US\$20 million was raised with Goldman Sachs, at LIBOR + 1.75% Spread interest Rate with due date in February 2021. In February 2021, the Company paid US\$8 million of the outstanding US\$20 million Goldman Sachs Secured Loan. The remaining US\$12 million was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

In addition, in the first quarter of 2022, the company raised approximately US\$31 million short-term bank loans denominated in AR\$ with local banks to finance fuel shipments and fortify the company's liquidity position, all of which is expected to be repaid during 2022.

For more details please see Note 19 of the Financial Statements.

The following graph details AES Argentina's debt maturity profile, as of March 31, 2022:

AES Argentina Debt Maturity



Debt Amortization (US\$ Million)					
		Average Interest Rate	March 31, 2022		
			2022	2023	2024
AAG 2024 Notes	275	7.75%	—	—	275
ICBC US\$ 50mn Loan Vientos Neuquinos 2023	30	6.06%	11	20	—
Citi US \$ 30mn Loan 2022	3	5.60%	3	—	—
GS Secured Loan	12	2.14%	—	12	—
ST Loan*	31	41.70%	31	—	—
Total	351		45	32	275

* Debt in Argentine Pesos

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, 2022, 87% 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\$11.2 million impact on the first quarter pretax income.

A 10% variation of the CAMMESA rate would have had a AR\$155 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 19.1 of the Financial Statements.

A 10% variation of the US\$/AR\$ exchange rate would have had a AR\$48 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, 2022.

AR\$ million	March 31, 2022
Non-current Assets	28,455
Current Assets	15,038
Total Assets	43,493
Non-current Liabilities	30,519
Current Liabilities	4,992
Total Liabilities	35,511

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\$1,369 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 14 of the Financial Statements.

Liquidity Risk

The Company manages its liquidity to secure the necessary funds to support its business strategy. AES Argentina 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, 2022, AES Argentina had AR\$8,728 million in available liquid resources, classified as cash and cash equivalents (including short-term investments) on the balance sheet, compared to AR\$5,686 million as of March 31, 2021. It is important to mention that as of March 31, 2022, the company had US\$12 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, and the outstanding amount.

As of March 31, 2022, the Company held 3% 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 40% 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.

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. On May 21, 2021, Resolution 440/2021 was issued which's main modification was a 29% inflation related increase in energy and capacity prices under the Energía Base regime, retroactive from February 2021.

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 under Res 31/2020 were not changed in US\$ terms compared to Resolution 1/2019, however they were converted into AR\$ as were all rates under Energía Base.

On May 29, 2021, Resolution 440/2021 was issued which's main modification was a 29% inflation related increase in energy and capacity prices under the Energía Base regime, retroactive from February 2021. It additionally suppressed

an inflation-based indexation mechanism. The prices rates continue to be denominated in Argentine pesos. The rates increase was reflected starting in the second quarter of 2021.

On November 2, 2021, Resolution 1037/2021 was issued, which mainly establishes an additional and transitory remuneration will be recognized for Generation Companies with regards to energy exports from September 2021. This regulation also establishes a Utilization Factor equal to 70% for the determination of the Power Availability Remuneration.

On April 18, 2022, Resolution 238/2022 was issued, modifying the established energy and capacity prices of Resolution 440/2021, applying tariff average increases of 30% from February 2022, and an additional 10% from June 2022 onwards. Additionally by this Resolution, the capacity payment adjustment based on the last 12 months capacity factor (usage factor) was eliminated. This change will be accrued starting in the second quarter 2022 results, and is not reflected in the 1Q-2022 figures in this report.

		Capacity (Price per MW/Month)					
		Res 238/2022**	Res 238/2022*	Res 440/2021	Res 31/2020	Res 1/2019	
Hydro	Large Hydro	AR\$ 182,625	AR\$ 166,023	AR\$ 127,710	AR\$ 99,000 (US\$ 1,650)	US\$ 3,000	
	Small Hydro	AR\$ 334,813	AR\$ 304,376	AR\$ 234,135	AR\$ 181,000 (US\$ 3,025)	US\$ 5,500	
	Renewable Hydro	AR\$ 547,876	AR\$ 498,069	AR\$ 383,130	AR\$ 297,000 (US\$ 4,950)	US\$ 6,300	
Thermal	DIGO Rate	Winter/ Summer	AR\$ 664,092	AR\$ 603,720	AR\$ 464,400	AR\$ 360,000 (US\$ 6,000)	US\$ 7,000
		Spring/Fall	AR\$ 498,069	AR\$ 452,790	AR\$ 348,300	AR\$ 270,000 (US\$ 4,500)	US\$ 5,500
	Base Rate	Large CCGT	AR\$ 185,670	AR\$ 168,791	AR\$ 129,839	AR\$ 100,650 (US\$ 1,678)	US\$ 3,050
		Large Steam Turbine	AR\$ 264,807	AR\$ 240,734	AR\$ 185,180	AR\$ 143,550 (US\$ 2,393)	US\$ 4,350
		Small Steam Turbine	AR\$ 316,551	AR\$ 287,773	AR\$ 221,364	AR\$ 171,600 (US\$ 2,860)	US\$ 5,200
		Small GAS Turbine	AR\$ 280,025	AR\$ 254,569	AR\$ 195,822	AR\$ 151,800 (US\$ 2,530)	US\$ 4,600
	Utilization Factor	No	No	Yes	Yes	Yes	

* Tariffs from February 2022

** Tariffs from June 2022

	Generated Energy				
	(AR\$/MWh)	(AR\$/MWh)	(AR\$/MWh)	(US\$/MWh)	
	Res 238/2022**	Res 238/2022*	Res 440/2021	Res 31/2020	Res 1/2019
Hydro	AR\$ 388	AR\$ 352	AR\$ 271	AR\$ 210 (US\$ 3.5)	3.5
	AR\$ 433	AR\$ 403	AR\$ 310	AR\$ 240 (US\$ 4)	4
Thermal	AR\$ 775	AR\$ 705	AR\$ 542	AR\$ 420 (US\$ 7)	7
	AR\$ 1,328	AR\$ 1,208	AR\$ 929	AR\$ 720 (US\$ 12)	12

* Tariffs from February 2022

**Tariffs from June 2022

	Operated Energy				
	(AR\$/MWh)	(AR\$/MWh)	(AR\$/MWh)	(US\$/MWh)	
	Res 238/2022**	Res 238/2022*	Res 440/2021	Res 31/2020	Res 1/2019
Hydro	AR\$ 154	AR\$ 140	AR\$ 108	AR\$ 84 (US\$ 1.4)	1.4
Thermal	AR\$ 154	AR\$ 140	AR\$ 108	AR\$ 84 (US\$ 1.4)	1.4

* Tariffs from February 2022

**Tariffs from June 2022

Peak System Thermal Requirement Capacity Rate (AR\$/MW)						
		Res 238/2022**	Res 238/2022*	Res 440/2021	Res 31/2020	Res 1/2019
Hydro	Large Hydro	50,729	46,118	35,475	27,500	—
	Small Hydro	59,953	54,503	41,925	32,500	—
	Renewable Hydro	64,565	58,695	45,150	35,000	—
Thermal	All Fuels	69,176	62,888	48,375	37,500	—

* Tariffs from February 2022

**Tariffs from June 2022

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 June 16, 2021, the National Executive Power enacted Law 27,630, through which a scale was established for the rate of the Income Tax from the fiscal years beginning on January 1, 2021 and subsequent at 25% for companies with accumulated net earnings of up to 5 million Argentine pesos, in 30% above this amount and until reaching 50 million and in 35% when said profits exceed 50 million Argentine pesos. It also established a 7% withholding tax on dividends distributed to individuals and beneficiaries abroad. Starting on January 1, 2022, the tax brackets mentioned above will be adjusted on an annual basis by local inflation (IPC) based on the variance in the consumer price index from October to October of each year.

AES ARGENTINA GENERACIÓN BALANCE SHEET

As of March 31, 2022, and December 31, 2021

International Financial Reporting Standards (IFRS).

(End of period exchange rate used to convert AR\$ into US\$ for referential purposes is 111.01 AR\$/US\$.)

Assets	AR\$ Million			US\$ Million
	March 31, 2022	December 31, 2021	Var. %	March 31, 2022
Non- Current Assets				
Investments in subsidiaries and associates	231	216	7 %	2
Property, plant & equipment	48,089	51,164	(6)%	433
Intangible Assets	3,143	3,299	(5)%	28
Inventory	1,173	1,173	— %	11
Accounts receivable from related parties	6	7	(14)%	0
Other financial assets	—	1,442	---	0
Other non-financial assets	237	238	— %	2
Trade & Other accounts receivable	17,193	19,499	(12)%	155
Tax assets	181	433	(58)%	2
Deferred tax assets	374	369	1 %	3
Total Non-Current Assets	70,628	77,839	(9)%	636
Current Assets				
Inventory	5,211	5,266	(1)%	47
Accounts receivable from related parties	63	69	(9)%	1
Other financial assets	1,343	0	---	12
Other non-financial assets	293	197	49 %	3
Trade & Other accounts receivable	12,841	12,585	2 %	116
Cash & Cash equivalents	8,728	5,686	53 %	79
Tax assets	2,662	3,574	(26)%	24
Total Current Assets	31,142	27,377	14 %	281
TOTAL ASSETS	101,770	105,216	(3)%	917

AES ARGENTINA GENERACIÓN BALANCE SHEET

As of March 31, 2022, and December 31, 2020
International Financial Reporting Standards (IFRS).

(End of period exchange rate used to convert AR\$ into US\$ for referential purposes is 111.01 AR\$/US\$)

Liabilities and Shareholders' Equity	AR\$ Million			US\$ Million
	March 31, 2022	December 31, 2020	Var. %	March 31, 2022
Equity				
Issued Equity	1,153	1,153	— %	10
Equity Adjustment	6,560	6,560	— %	59
Irrevocable contributions	192	192	— %	2
Additional paid-in capital	1,858	1,858	— %	17
Legal Reserve	1,914	1,914	— %	17
IFRS special reserve	4,406	4,406	— %	40
Optional Reserves	21,684	21,684	— %	195
Other Reserves	14,538	15,317	(5)%	131
Retained Earnings	2,367	1,786	33 %	21
Equity Attributable to Shareholders of Parent	54,672	54,870	— %	492
Non-controlling Interest in Controlled Subsidiaries	111	113	(2)%	1
TOTAL EQUITY	54,782	54,983	— %	493
Non-Current Liabilities				
Employee benefits	356	345	3 %	3
Tax liabilities	413	492	(16)%	4
Deferred tax liabilities	3,127	3,831	(18)%	28
Provisions	275	292	(6)%	2
Accounts payable to related parties	38	41	(7)%	—
Interest-accruing liabilities	30,301	36,629	(17)%	273
Trade & other accounts payable	—	—	---	—
Total Non-Current liabilities	34,510	41,629	(17)%	311
Current Liabilities				
Employee benefits	591	959	(38)%	5
Tax liabilities	208	201	3 %	2
Accounts payable to related parties	1,092	1,103	(1)%	10
Trade & other accounts payable	1,678	2,732	(39)%	15
Interest-accruing liabilities	8,909	3,609	147 %	80
Total Current liabilities	12,477	8,604	45 %	112
TOTAL LIABILITIES	46,987	50,233	(6)%	423
Total Liabilities and Equity	101,770	105,216	(3)%	917

AES ARGENTINA GENERACIÓN INCOME STATEMENT

For the years ended March 31, 2022, and March 31, 2021

International Financial Reporting Standards (IFRS)

(Average exchange rate used to convert AR\$ into US\$ for referential purposes is 106.58 AR\$/US\$ for the three-month periods ended March 31, 2022)

Income Statement	AR\$ Million			US\$ Million
	1Q		Var (%)	1Q
	2022	2021		2021
Operating Revenue	10,496	7,672	37 %	98
Cost of Sales	(7,552)	(4,821)	57 %	(71)
Gross Profit	2,944	2,852	3 %	28
Administrative Expenses	(567)	(584)	(3)%	(5)
Trading Expenses	(173)	97	(278)%	(2)
Other income and expenses	(14)	(35)	(60)%	—
Operating Income	2,190	2,329	(6)%	21
Financial Income	1,544	1,508	2 %	14
Financial Expense	(1,305)	(1,255)	4 %	(12)
Effect of FX differences	(74)	270	(127)%	(1)
Inflation effect	(2,434)	(1,870)	30 %	(23)
Income from Investments in Associates	61	33	85 %	1
Income (Loss) before Taxes	(17)	1,015	(102)%	—
Income Tax	603	(35)	---	6
Net Income	585	980	(40)%	5
EBITDA	3,543	3,813	(7)%	33

AES ARGENTINA GENERACIÓN CASH FLOW STATEMENT

For the six and three months periods ended March 31, 2022, and March 31, 2020 (cumulative results)
 International Financial Reporting Standards (IFRS)
 (Average exchange rate used to convert AR\$ into US\$ for referential purposes is \$106.58 AR\$/US\$ for the six-month period ended March 31, 2022)

	AR\$ Million		US\$ Million	
	March 31,		March 31,	
	2022	2021	Var (%)	2021
Operating Activities				
Net income	585	980	(40)%	5
Earnings reconciliation adjustments				
Depreciation & amortization expenses	1,339	1,449	(8)%	13
Result due to loss of property, plant and equipment and intangibles	3	17	(82)%	—
FX differences and conversion differences	2,183	88	---	20
Loss for partial repurchase of negotiable obligations	218	—	---	2
Interest gains and other financial income	(1,544)	(1,508)	2 %	(14)
Income from investments in other companies	(61)	(33)	88 %	(1)
Income tax expenses	(603)	35	(1843)%	(6)
Provision expenses	21	17	24 %	—
Accrued interest expenses	1,018	1,250	(19)%	10
Bad debt provision	(4)	(254)	---	—
Pension plan	62	54	15 %	1
Adjustments for balance sheet accounts variations				
Inventory	54	(1,524)	(104)%	1
Trade & other account receivables	(192)	1,863	(110)%	(2)
Account receivables from related parties	155	(152)	(202)%	1
Other non-financial assets	(153)	792	(119)%	(1)
Trade & other account payables	(603)	1,321	(146)%	(6)
Accounts payable to related parties	34	277	(88)%	—
Provisions	(3)	10	---	0
Tax Assets	118	280	(58)%	1
Tax Liabilities	1,131	897	26 %	11
Employee benefits	(184)	(263)	(30)%	(2)
Income tax paid	(770)	(990)	(22)%	(7)
Hedging instruments	—	(213)	---	0
Interests received on trade accounts	244	378	(35)%	2
Net cash flow from operations	3,049	4,771	(36)%	29

AES ARGENTINA GENERACIÓN CASH FLOW STATEMENT (CONTINUED)

For the years ended March 31, 2022, and March 31, 2020 (cumulative results)

International Financial Reporting Standards (IFRS)

(Average exchange rate used to convert AR\$ into US\$ for referential purposes is \$106.58 AR\$/US\$ for the three-month period ended March 31, 2022)

	AR\$ Million			US\$ Million
	2022	March 31, 2021	Var (%)	March 31, 2022
Investment Activities				
Purchase of Property, Plant & Equipment	(968)	(284)	241 %	(9)
Purchase of intangible assets	(34)	(43)	(21)%	—
Interests received	592	221	168 %	6
Net decrease of common investment funds	(731)	(1,441)	(49)%	(7)
Net cash flows used in investment activities	(1,142)	(1,547)	(26)%	(11)
Financing Activities				
Proceeds from third-party loans	3,707	—	---	35
Payments of third-party loans	(1,353)	(1,943)	(30)%	(13)
Interests paid on third-party loans	(1,613)	(1,845)	(13)%	(15)
Payment of financial leases	(1)	(2)	(50)%	0
Dividend payments	—	—	---	—
Net Cash flows from (used in) financing activities	740	(3,789)	(120)%	7
Effect of FX difference on cash & cash equivalents	(68)	(160)	(58)%	(1)
Net Increase in cash & cash equivalents	2,579	(725)	(456)%	24
Opening Cash & Cash Equivalent	1,842	1,964	(6)%	17
Ending Cash & Cash Equivalent	4,421	1,239	257 %	41

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, 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, in addition to 16 MW of battery energy storage systems,.

To learn more, please visit 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 2021, The AES Corporation reported \$11 billion in revenues and owned and managed \$33 billion in total assets.

To learn more, please visit www.aes.com