April 4, 2025
YPF Energía Eléctrica S.A.

The company is engaged in the generation and commercialization of electric power through a diversified asset base, both geographically and in terms of energy sources. Currently, it is the second-largest generator of renewable energy and ranks third among overall electricity producers in the national market. As of 2024, the company reported generation representing 9.3% of the national total and leads the MATER (Renewable Energy Term Market).

YPF Energía Eléctrica, also known as YPF LUZ, was established in 2013 as a wholly owned subsidiary of YPF S.A. However, in 2018, through a 24.9% capital increase, global giant General Electric joined the company via its local subsidiary GE EFS Power Investments B.V. As a result, the current shareholding structure consists of YPF S.A. with 72.69%, OPESSA with 2.3%, and GE with 24.9%.

Productive Matrix

Since our last *Report*, where we provided a detailed description of the company's assets (see), YPF LUZ has launched full operations at the General Lavalle Wind Farm in the province of Córdoba, reaching an installed capacity of 155 MW, aimed at large users and industrial clients under MATER regulation.

In addition, construction began on two new renewable energy generation parks: one wind and one solar. The wind project is located in the province of Buenos Aires at Cementos Avellaneda's facilities. It will have a total installed capacity of 63 MW, with 28 MW allocated to self-generation for the cement plant and the rest to industrial demand under MATER contracts. The project involves an estimated investment of USD 80 million and is currently 36% complete.

The second project, El Quemado Solar Park, is 14% complete and was the first project approved by the National Government under the RIGI (Incentive Regime for Large Investments). It will have a total installed capacity of 305 MW, becoming the largest solar park in the country. The total estimated investment is USD 210 million. Developed in partnership with EMESA (Mendoza Energy Company), it will be located in the province of Mendoza. Below is a breakdown of the company's full asset base:

Power Plant	Location Province	Capacity (MW)	Regulatory Framework	Technology	Mty Contracts in USD
Central Térmica Tucumán	Tucumán	447	Base Energy / PPA with CAMMESA	Combined Cycle	2028
San Miguel de Tucumán	Tucumán	382	Base Energy / PPA with CAMMESA	Combined Cycle	2028
El Bracho TG	Tucumán	274	PPA with CAMMESA	Open Cycle	2028
El Bracho TV	Tucumán	199	PPA with CAMMESA	Steam turbine	2028
Loma Campana I	Neuquén	105	PPA with YPF	Open Cycle	2032
Loma Campana II	Neuquén	107	PPA with CAMMESA	Open Cycle	2027
Loma Campana Este	Neuquén	17	PPA with YPF	Thermal	2027
La Plata Cogeneración I	Buenos Aires	128	Base Energy / CAMMESA / PPA with YPF	Cogeneración	2033
La Plata Cogeneración II	Buenos Aires	90	CAMMESA / PPA with YPF	Cogeneración	2035
Central Dock Sud	Buenos Aires	933	Base Energy / PPA with CAMMESA	Combined Cycle Open Cycle	2028
Parque Eólico Manantiales Behr	Chubut	99	PPA with YPF and others	Eolic	2036
Parque Eólico Los Teros I y II	Buenos Aires	175	MATER (YPF and others)	Eolic	2040
Central Térmica Manantiales Behr	Chubut	58	PPA with YPF	Thermal	2041
Parque Eólico Cañadón León	Santa Cruz	123	CAMMESA / MATER (YPF)	Eolic	2041
Parque Solar Zonda	San Juan	100	MATER	Solar	2033
Parque Eólico Gral Lavalle	Córdoba	155	MATER	Eolic	2034
Current Generation		3.392	Average maturity		2032
Parque Eólico Cementos Avellaneda	Buenos Aires	63	MATER	Eolic	Work progress 36%
Parque Solar El Quemado	Mendoza	305	MATER	Solar	Work progress 14%
Projected Generation		3.760			

Source: Sekoia Research based on Financial Statements

The company owns and operates 11 thermal power plants, representing 81% of its generation capacity. Additionally, it leads in renewable energy participation within its portfolio at 19%, currently distributed among four wind farms and one solar park. Upon completion of the aforementioned projects, this figure will increase to 27% of the total portfolio.

All of the company's power generation contracts are payable in U.S. dollars and currently have an average remaining term of 8 years. Moreover, in recent years, the company has diversified its credit risk, with public utility CAMMESA[1] accounting for only 45% of generation contracts, while the remaining 55% are with private clients.

Energy Market Conditions

According to data provided by CAMMESA, energy demand in 2024 recorded a year-over-year decline of 0.5%, mainly due to a 1.2% drop in commercial demand and a 1.29% decrease in industrial demand. These declines were largely driven by tariff hikes and reduced economic activity, partially offset by a 0.43% increase in residential demand, which now represents 47% of total consumption.

On the supply side, national energy generation rose 0.5% year-over-year, mainly due to increased availability of nuclear power plants (up 16% YoY) and higher thermal generation, together accounting for 60% of the total. The renewable energy segment (including hydro) contracted 5.25%, mainly due to a 15% YoY drop in hydro generation caused by normalization of generation capacity, though partially offset by a 14% increase in other renewables.

Higher domestic generation significantly reduced energy imports by 25% YoY and even allowed for increased exports.

In terms of pricing, the average energy price in 2024 for residential demand was USD 32.7/MWh (+33% YoY), and for commercial demand it was USD 64.5/MWh (+56% YoY). For Large Users under Distribution Companies (GUDI), the annual average price was USD 65.1/MWh, 3.8% lower than in 2023, due to a lower cost of energy in 2024, without any subsidies. In contrast, the monomic system cost was approximately USD 71.4/MWh, 0.3% below the 2023 average. Total subsidies for electricity (excluding transport) accounted for 38.2%.

Results

The company's revenues come exclusively from the domestic market. Still, 81% of those revenues are under long-term Power Purchase Agreements (PPAs) fully tied to the exchange rate. As a result, YPF LUZ adopted the U.S. dollar as its functional currency, adjusted by the year-end exchange rate for stock and by transaction rate for cash flow purposes. Thus, financial statements are analyzed in dollars, using the official exchange rate (BCRA A3500).

Electricity sales in 2024 from long-term supply contracts (PPAs) remained stable, despite the Loma Campana I plant being offline for 8 months. This was fully offset by the commissioning of the Zonda Solar Park and General Lavalle Wind Farm, which operate under the same contract modality. Meanwhile, Base Energy sales increased 14%, driven by the consolidation of the Dock Sud Power Plant (CDS), as mentioned in our last *Report* (see), and higher prices as outlined earlier. Lastly, steam sales declined 8% due to lower production resulting from scheduled maintenance shutdowns at the La Plata cogeneration plant during 2024.

At year-end 2024, total sales reached USD 533 million, remaining flat compared to 2023.

YPF LUZ (USD MM)	2024	2023	Var (%)	2022	Var (%)
Revenue Contracts (PPA)	403	409	-1%	381	6%
Base Energy	91	80	14%	67	35%
Steam Sales	38	42	-8%	33	14%
Other Intake	1	0	55%	4	-85%
Sales Revenues	**533**	**530**	**0%**	**485**	**10%**

Source: Sekoia Research based on Financial Statements

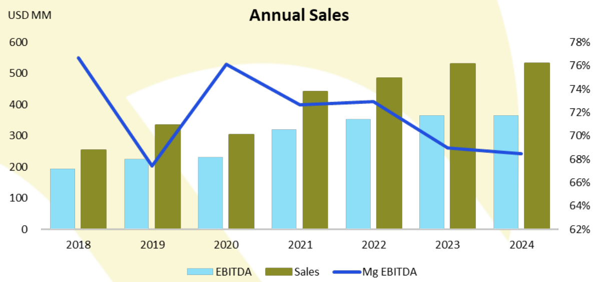
Production costs rose 8% YoY, mainly due to full consolidation of CDS costs. There were also increases in transport costs, wages, and social security contributions due to Argentina's

[1] Compañía Administradora del Mercado Mayorista Eléctrico Sociedad Anónima (see).

inflationary environment. Conversely, commercialization costs declined 17% YoY.

Operating profit was negatively impacted by 56%, due to repeated outages at the Loma Campana I thermal plant, which enabled client YPF (and controlling shareholder) to terminate the contract without penalties, an option it communicated but did not exercise. Excluding this accounting adjustment, Adjusted EBITDA ended the year at USD 365 million, with a sales margin of 68%, similar to the previous year.

YPF LUZ (USD MM)	2024	2023	Var (%)	2022	Var (%)
Revenues	533	530	0%	485	10%
Production costs	286	263	8%	210	36%
Adm & Mkt expenses	46	56	-17%	38	23%
Cost of Prod & Sales	54%	50%	394 bps	43%	1.045 bps
Operating Income	119	272	-56%	247	-52%
Operating Mg	22%	51%	(2.894) bps	51%	(2.847) bps
Adj. EBITDA	365	366	0%	354	3%
Mg EBITDA	68%	69%	(47) bps	73%	(446) bps



Source: Sekoia Research based on Financial Statements

Debt Profile

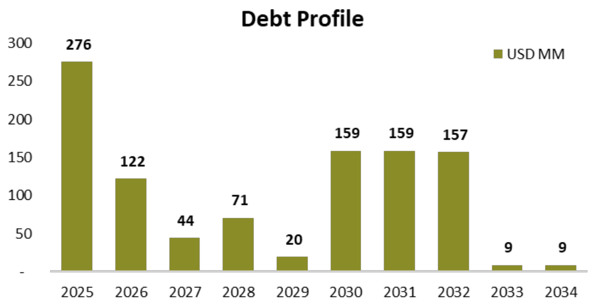
The company has steady access to debt markets with strong national and international backing. In 2016, it secured a USD 200 million loan from the Inter-American Development Bank (IDB) and regularly taps into the local debt market.

As of the latest financial statements, total financial debt stood at USD 1.014 billion, 8% of which was bank loans and 92% corporate bonds. Of these, 42% were peso-denominated and exchange rate-adjusted, and 58% were hard-dollar bonds, 82% of which were issued under foreign law.

In 2023, YPF LUZ took advantage of the opportunity to issue debt at the official exchange rate, rolling over at 0% cost, and in some cases, at negative rates. In Q4 2024, it redeemed its entire USD 400 million Class II foreign law bond (due in 2026, 10% coupon) and replaced it with a new Class XVIII foreign law bond maturing in 2032, with a 7.875% coupon and total issuance of USD 420 million.

Additionally, it issued two new hard-dollar bonds under Argentine law, Classes XIX and XX, for USD 49 million and USD 51 million, respectively, with rates of 5.25% and 6.75%, maturing in November 2026 and 2028. These were used to cancel USD 74 million in existing bonds.

As a result, YPF LUZ reduced its debt cost from 7.8% in 2021 to 4.9% in 2024, and extended its average maturity to 4.1 years, improving its debt profile.



Source: Sekoia Research based on institutional presentation

The company reported cash and equivalents of USD 305 million. Despite the increase in total debt, by tripling its cash position and maintaining stable EBITDA, the leverage ratio was reduced to 1.9x. Additionally, the foreign currency portion of its cash rose to 59% of the total. As shown below, the company's leverage remains conservative with strong interest coverage.

YPF LUZ (USD MM)	2024	2023	Var (%)	2022	Var (%)
Total Debt	1.014	895	13%	858	18%
Cash and Cash Eq.	305	114	167%	94	224%
Net Debt	709	781	-9%	763	-7%
Adj. EBITDA	365	366	0%	354	3%
Net Leverage	1,9	2,1	-9%	2,2	-10%
Interest	50	49	3%	49	1%
Interest Coverage	7,3	7,5	-0,2	7,2	0,1

Source: Sekoia Research based on Financial Statements

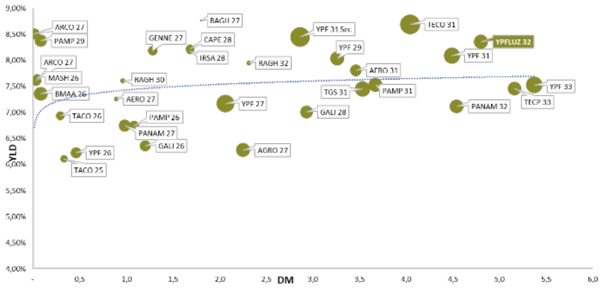
NY Law Bonds

YPF Luz has six dollar-linked bonds and four hard-dollar bonds, of which only one is governed by international law. This is an unsecured bond with USD 420 million outstanding, maturing in October 2032, with a 7.875% coupon, semiannual payments, and amortization in three equal annual installments starting in October 2030. It currently trades clean at around 95%-95.75%, yielding 8.9%-8.7% with a duration of 4.8 years. Minimum denomination is 1,000.

YPFLUZ 7 ⅞ Due 10/16/32

Source: Bloomberg

The bond yields above the curve of high-credit corporate ONs.



Source: Sekoia Research based on Bloomberg

Outlook

The company continues to focus on diversifying its production matrix by increasing the share of renewables and attracting new private clients with more long-term, exchange rate-adjusted contracts (PPAs). Sales have been growing steadily over the years, with a consistently high EBITDA margin, reflecting a balanced approach between growth and financial sustainability. This supports our confidence in the NY law 2032 bond.

Furthermore, its significant flow of exchange rate-adjusted revenues offers strong currency coverage. We believe the company's leverage level does not justify the bond's excess yield compared to other high-quality Argentine names. Therefore, the YPFLUZ 7.875% 2032 bond is a strong addition to any portfolio, given its attractive yield and above-average coupon.

Kind regards,

Sekoia Research
research@sekoia.com.uy