

Tecpetrol S.A. announces results for the three and six-month period ended on June 30, 2022

Summary and analysis of results for the three-month period ended on June 30, 2022

	Second quarter 2022	Second quarter 2021	%
Production (equivalent Mm ³) (*)	1,861	1,316	41%
Gas (MMm ³)	1,691	1,181	43%
Oil (Mm ³)	170	135	26%
Net sales (ARS millions)	41,399	26,107	59%
Operating costs (ARS millions)	(25,277)	(15,128)	67%
Operating profit (ARS millions)	11,148	9,307	20%
EBITDA (ARS millions)	25,762	17,624	46%
Net profit (ARS millions)	7,287	5,126	42%

(*) Volumetric equivalence (1,000 m³ of gas = 1 m³ of oil)

The Interim Condensed Financial Statements are prepared using the functional currency of the Company (USD) and then are translated into ARS for its presentation. Therefore, the following explanations are based on changes in the functional currency.

Total production for the second quarter of 2022 reached 1,861 Mm³, representing an increase of 41% compared to the same period of the previous year.

Net sales increased ARS 15,292 million compared to the same period of the previous year, as a consequence of an increase in the volumes of gas and crude oil delivered and an increase in average crude sales prices, all of which was partially offset by a drop in gas prices since, as from the current period, all gas volumes delivered fall only under Plan Gas 4 and no longer under Resolution No. 46-E/2017 because its validity term ended on December 31, 2021.

Operating costs increased ARS 10,149 million compared to the second quarter of the previous year. Said variation is explained mainly by an increase in costs associated with higher production levels (mostly depreciation of property, plant and equipment, and royalty expenses), an increase in maintenance operations and wells service activities and an increase in labor costs.

Operating profit increased by ARS 1,841 million compared to the second quarter of 2021. This variation is mainly explained by an increase in the gross margin abovementioned, net an increase in selling and administrative expenses which is mainly because of an increase in storage and transport expenses, due to higher production levels, an increase in labor costs and taxes, and an allowance for doubtful accounts recovery in the previous period.



Net profit for the second quarter of 2022 totaled ARS 7,287 million, compared to a profit of ARS 5,126 million for the same period of the previous year. This variation is primarily explained by: (i) the aforementioned increase in operating profit; (ii) the increase of net financial losses, primarily explained by an increase in net losses generated by exchange differences on balances in ARS and by profits and losses from the purchase, sale and holding of other investments, all of which was partially offset by a decrease in interest cost from fewer borrowings and fewer losses from derivative financial instruments and, (iii) the variation of income tax expense, caused by the aforementioned fluctuations, the modification of the income tax rate as from the second quarter of 2021, and the difference between the inflation rate used to calculate the tax inflation adjustment and the devaluation of the Argentine peso.

Summary and analysis of results for the six-month period ended on June 30, 2022

	6 months 2022	6 months 2021	%
Production (equivalent Mm ³) (*)	3,334	2,502	33%
Gas (MMm ³)	3,001	2,237	34%
Oil (Mm ³)	333	265	26%
Net sales (ARS millions)	69,071	47,799	45%
Operating costs (ARS millions)	(45,730)	(26,624)	72%
Operating profit (ARS millions)	15,662	20,575	(24%)
EBITDA (ARS millions)	41,045	33,795	21%
Net profit (ARS millions)	10,088	9,239	9%

(*) Volumetric equivalence (1,000 m³ of gas = 1 m³ of oil)

Total production for the six-month period ended on June 30 2022 reached 3,334 Mm³, representing an increase of 33% compared to the same period of the previous year.

Net sales increased ARS 21,272 million compared to the same period of the previous year. Such increase is mainly caused by an increase in the volumes of gas and crude oil delivered and an increase in average crude sales prices, all of which was partially offset by a drop in gas prices since, as from the current period, all gas volumes delivered fall only under Plan Gas 4 and no longer under Resolution No. 46-E/2017 because its validity term ended on December 31, 2021.

Operating costs increased 72% compared to the first semester of 2021. Said variation is mainly explained by an increase in costs associated with higher production levels (mostly depreciation of property, plant and equipment and royalty expenses), an increase in maintenance operations and wells service activities, an increase in labor costs and the impairment of some slow-moving inventory.



Operating profit for the first semester of 2022 decreased by ARS 4,913 million compared to the same period of the previous year. This decrease is mainly explained by the variations abovementioned and an increase in selling and administrative expenses mainly because of an increase in storage and transport expenses, due to higher production levels, an increase in labor costs and taxes, and an allowance for doubtful accounts recovery in the previous period.

Net profit for the six-month period ended on June 30, 2022 totaled ARS 10,088 million, compared to a profit of ARS 9,239 million in the same period ended on 2021. This variation is primarily explained by: (i) the aforementioned decrease in operating profit; (ii) the increase in net financial losses explained by an increase in net losses generated by exchange differences on balances in ARS and by losses from the purchase, sale and holding of other investments, all of which was partially offset by an increase in interest income from short-term deposits and a decrease in interest cost from fewer borrowings and (iii) the variation of income tax expense, explained by fluctuations in sales, costs and other expenses already mentioned, the difference between the inflation rate used to calculate the tax inflation adjustment and the devaluation of the Argentine peso and the modification of the income tax rate.

Financial Debts

At June 30, 2022, net debt (being Net Debt = Financial Debt - Cash and cash equivalents and Other Investments) totaled ARS 59,134.6 million, increasing 53% compared to a net debt of ARS 38,530.3 million at December 31, 2021, mainly due to the use of funds for the payment of the investments during the current period.

Investments

Investments in Property, plant and equipment during the six-month period ended on June 30, 2022, reached ARS 37,667.2 million (ARS 14,432.3 million for the same period of the previous year), and they were mainly from Fortín de Piedra area in both periods.