

Tecpetrol S.A. announces results for the fourth quarter and for the year ended on December 31, 2019

Summary and analysis of results for the three-month period ended on December 31, 2019

	Fourth quarter 2019	Fourth quarter 2018	%
Production (equivalent Mm³)(*)	1,307	1,526	(14%)
Net sales (ARS millions)	17,130.1	10,861.2	58%
Operating profit (ARS millions)	5,539.8	43.5	12,648%
EBITDA (ARS millions)	11,544.5	6,994.8	65%
Net profit (ARS millions)	1,402.1	1,602.2	(12%)

Total production for the fourth quarter of 2019 reached 1,307 Mm³, compared to 1,526 Mm³ in the same period of the previous year. Such decrease fundamentally took place in Fortín de Piedra due to production halts which were necessary for the startup of the third low-temperature separation unit in the Central Production Facilities that increased the treatment capacity of the area.

The variation of the operating profit and EBITDA in the fourth quarter of 2019 compared to the fourth quarter of 2018 for ARS 5,496.3 millions and ARS 4,549.7 millions respectively, is mainly explained by the exchange rate fluctuation of the ARS against the USD dollar and to the decrease in operating costs associated with lower production mainly from the Fortin de Piedra area mentioned above.

Net profit for the fourth quarter of 2019 totaled ARS 1,402.1 millions, compared to a profit of ARS 1,602.2 millions for the same period of the previous year. This decrease is mainly explained by the increase of the operating profit mentioned above which was partially offset by: i) the net financial results (loss) generated by the increase in interest expenses as a consequence of greater borrowings and the net exchange results arising from the exchange rate fluctuation of the ARS against the USD.; and ii) the charge for income tax generated mainly by the exchange rate fluctuation of the ARS against the USD dollar and the application of the tax inflation adjustment for the current year.

Summary and analysis of results for the year ended on December 31, 2019

	12 months 2019	12 months 2018	%
Production (equivalent Mm³)(*)	6,139	3,941	56%
Net sales (ARS millions)	64,513.1	29,029.6	122%
Operating profit (ARS millions)	21,028.8	5,499.8	282%
EBITDA (ARS millions)	44,462.4	19,062.9	133%
Net profit (ARS millions)	4,213	3,792.1	11%

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

Total production for the year ended on December,31 2019 reached 6,139 Mm3, compared to 3,941 Mm3 in the same period of the previous year. This increase in production levels is mainly explained by the development of Fortín de Piedra area in Neuquina basin.

The increase in the operating profit and EBITDA in the year ended on December,31 2019 compared to the the year ended on December,31 2018 for ARS 15,529 millions and ARS 25,399.5 millions respectively, is mainly explained by higher sales of gas and related costs associated due to the development of Fortín de Piedra.

Net profit for year ended on December, 31 2019 totaled ARS 4,213 millions, compared to a profit ARS 3,792.1 millions for the same period of the previous year. This increase is primarily explained by the above mentioned increase in the operating profit and by the exchange rate fluctuation of the ARS against the USD dollar which was partially offset by: i) net financial costs due to greater borrowings and the net exchange results (loss) arising from the exchange rate fluctuation of the ARS against the USD and II) the impact for income tax generated mainly by the exchange rate fluctuation of the ARS against the USD dollar and the application of the tax inflation adjustment for the current year.

Liquidity and cash flows

Investments in Property, plant and equipment during the year ended on December 31, 2019, net of unpaid acquisitions at the end of such year, reached ARS 23,301.1 millions mainly because of the development of Fortín de Piedra area.

At December 31, 2019, net debt (Net Debt = borrowings - cash and cash equivalents) totaled ARS 78,079.3 millions, which was mainly taken to afford the abovementioned investments. At December 31, 2018, the net debt totaled ARS 54,057.9 millions. The increase in net debt is mainly due to the exchange rate fluctuation of the Argentine peso against the U.S. dollar.