



ECOPETROL S.A.

Consolidated condensed interim financial
statements
(Unaudited)

March 31, 2020





Report on review of interim condensed consolidated financial information

To: The Shareholders of Ecopetrol S.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Ecopetrol S.A. as at March 31st, 2020 which comprise the interim condensed consolidated statement of financial position as at March 31st, 2020 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and summary of the most important accounting policies and explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the accounting and financial information standards accepted in Colombia, adopted by the General Accounting of the Nation, included in international accounting standard 34 (Interim financial information), and instructions issued by the Financial Superintendence of Colombia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" adopt in Colombia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting and financial information standards accepted in Colombia, adopted by the General Accounting of the Nation, included in international accounting standard 34 (Interim financial information), and instructions issued by the Financial Superintendence of Colombia.

(Original in Spanish signed)
V́ctor Hugo Rodŕguez Vargas
Statutory Auditor

May 11th, 2020
Bogotá D.C., Colombia

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Ecopetrol S.A.

(Figures expressed in millions of Colombian pesos)

Consolidated condensed interim statements of financial position

	Note	March 31, 2020 (Unaudited)	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	6	8,797,176	7,075,758
Trade and other receivables, net	7	4,446,848	5,700,334
Inventories, net	8	5,811,781	5,658,099
Other financial assets	9	807,351	1,624,018
Tax assets	10	1,664,080	1,518,807
Other assets	11	2,133,314	1,778,978
		23,660,550	23,355,994
Assets held for sale		21,998	8,467
Total current assets		23,682,548	23,364,461
Non-current assets			
Trade and other receivables, net	7	682,231	786,796
Other financial assets	9	2,126,706	3,355,274
Investments in associates and joint ventures	12	3,508,859	3,245,072
Property, plant and equipment	13	70,243,866	64,199,970
Natural and environmental resources	14	31,607,831	29,072,798
Right-of-use assets	15	450,437	456,225
Intangibles		608,955	483,098
Deferred tax assets	10	11,555,814	8,622,398
Goodwill		919,445	919,445
Other assets	11	1,147,445	942,481
		122,851,589	112,083,557
Total non-current assets		122,851,589	112,083,557
Total assets		146,534,137	135,448,018
Liabilities			
Current liabilities			
Loans and borrowings	17	6,127,108	5,012,173
Trade and other payables	18	16,783,260	10,689,246
Provisions for employee benefits	19	2,000,263	1,929,087
Tax liabilities	10	2,361,605	2,570,779
Accrued liabilities and provisions	20	744,535	789,297
Derivative financial instruments		328,706	1,347
Other liabilities		565,880	750,370
		28,911,357	21,742,299
Total current liabilities		28,911,357	21,742,299
Non-current liabilities			
Loans and borrowings	17	40,327,702	33,226,966
Trade and other payables	18	27,342	24,445
Provisions for employee benefits	19	10,194,128	9,551,977
Deferred tax liabilities	10	580,359	774,059
Tax liabilities	10	70,543	70,543
Accrued liabilities and provisions	20	9,326,060	9,128,991
Other liabilities		716,718	584,616
		61,242,852	53,361,597
Total non-current liabilities		61,242,852	53,361,597
Total liabilities		90,154,209	75,103,896
Equity			
Subscribed and paid in capital	21.1	25,040,067	25,040,067
Additional paid-in capital	21.2	6,607,699	6,607,699
Reserves	21.3	9,635,136	3,784,658
Other comprehensive income	21.5	9,894,703	6,464,144
Retained earnings		1,397,173	14,515,762
Equity attributable to Company's shareholders		52,574,778	56,412,330
Non-controlling interest		3,805,150	3,931,792
		56,379,928	60,344,122
Total equity		56,379,928	60,344,122
Total liabilities and equity		146,534,137	135,448,018

The accompanying notes are an integral part of the consolidated condensed interim financial statements.

(Original in Spanish signed)
Felipe Bayón Pardo
President

(Original in Spanish signed)
Javier Leonardo Cárdenas Laiton
Accountant
T.P. 116770-T

(Original in Spanish signed)
Víctor Hugo Rodríguez Vargas
Statutory auditor
T.P. 57851-T

Ecopetrol S.A.

(Figures expressed in millions of Colombian pesos, except for the earnings per share, expressed in Colombian pesos)

Consolidated condensed interim statements of profit or loss

	Note	Three-month period ended March 31	
		2020	2019
		(Unaudited)	
Sales revenue	22	15,071,966	15,942,620
Cost of sales	23	(11,286,823)	(10,234,159)
Gross profit		3,785,143	5,708,461
Administration expenses	24	(540,609)	(367,003)
Operation and project expenses	24	(518,760)	(410,449)
Impairment loss of non-current assets, net	16	(1,207,941)	1,547
Other operating (expenses) income, net	25	(19,562)	24,190
Operating income		1,498,271	4,956,746
Financial result, net	26		
Financial income		362,001	277,508
Financial expenses		(1,014,207)	(706,340)
Foreign exchange (loss) gain		(13,390)	42,884
		(665,596)	(385,948)
Share of profits of associates and joint ventures		(609)	160,994
Profit before income tax expense		832,066	4,731,792
Income tax expense	10	(351,918)	(1,673,356)
Net profit for the period		480,148	3,058,436
Net profit attributable to:			
Owners of parent		132,894	2,744,535
Non-controlling interest		347,254	313,901
		480,148	3,058,436
Basic earnings per share (pesos)		3.2	66.7

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Ecopetrol S.A.

(Figures expressed in millions of Colombian pesos)

Consolidated condensed interim statements of other comprehensive income

	Three-month period ended March 31	
	2020	2019
	(Unaudited)	
Net income of the period	480,148	3,058,436
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss (net of tax):		
Unrealized (loss) gain on hedges:		
Cash flow hedge for future exports	(601,616)	295,158
Hedge of a net investment in a foreign operation	(3,583,383)	272,854
Cash flow hedge with derivative instruments	(169,214)	22,250
Foreign currency translation	8,384,282	(751,055)
	4,030,069	(160,793)
Items that will not be reclassified subsequently to profit or loss (net of tax):		
Remeasurement (loss) gain on defined benefit plans	(386,179)	107,821
Other comprehensive income	3,643,890	(52,972)
Total comprehensive income	4,124,038	3,005,464
Comprehensive Net profit attributable to:		
Owners of parent	3,386,845	2,718,698
Non-controlling interest	737,193	286,766
	4,124,038	3,005,464

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President

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Statutory auditor
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Ecopetrol S.A.

(Figures expressed in millions of Colombian pesos)

Consolidated condensed interim statements of changes in equity

	Note	Subscribed and paid-in capital	Additional paid-in capital	Reserves	Other comprehensive income	Retained earnings	Equity attributable to Company's shareholders	Non-controlling interest	Total equity
Balance as of December 31, 2019		25,040,067	6,607,699	3,784,658	6,464,144	14,515,762	56,412,330	3,931,792	60,344,122
Net income		-	-	-	-	132,894	132,894	347,254	480,148
Release of reserves		-	-	(540,826)	-	540,826	-	-	-
Dividends declared	21.4	-	-	-	-	(7,401,005)	(7,401,005)	(687,224)	(8,088,229)
Change of interest share in controlled entities and other movements		-	-	-	-	-	-	(3)	(3)
<u>Appropriation of reserves</u>									
Legal		-	-	1,325,148	-	(1,325,148)	-	-	-
Fiscal and mandatories		-	-	509,082	-	(509,082)	-	-	-
Occasional		-	-	4,557,074	-	(4,557,074)	-	-	-
<u>Other comprehensive income</u>									
Gain (loss) on hedging instruments:									
Cash flow hedge for future exports		-	-	-	(601,616)	-	(601,616)	-	(601,616)
Hedge of a net investment in a foreign operation		-	-	-	(3,583,383)	-	(3,583,383)	-	(3,583,383)
Cash flow hedge with derivative instruments		-	-	-	-125,914	-	(125,914)	(43,300)	(169,214)
Foreign currency translation		-	-	-	8,127,651	-	8,127,651	256,631	8,384,282
Actuarial valuation loss		-	-	-	(386,179)	-	(386,179)	-	(386,179)
Balance as of March 31, 2020 (unaudited)		25,040,067	6,607,699	9,635,136	9,894,703	1,397,173	52,574,778	3,805,150	56,379,928
Balance as of December 31, 2018		25,040,067	6,607,699	5,138,895	7,782,324	12,644,622	57,213,607	2,090,831	59,304,438
Net income		-	-	-	-	2,744,535	2,744,535	313,901	3,058,436
Release of reserves		-	-	(3,050,703)	-	3,050,703	-	-	-
Dividends declared		-	-	-	-	(9,251,256)	(9,251,256)	(391,585)	(9,642,841)
Change of interest share in controlled entities		-	-	-	-	-	-	182	182
<u>Appropriation of reserves</u>									
Legal		-	-	1,155,640	-	(1,155,640)	-	-	-
Fiscal and mandatories		-	-	509,082	-	(509,082)	-	-	-
Occasional		-	-	3,691,130	-	(3,691,130)	-	-	-
<u>Other comprehensive income</u>									
Gain (loss) on hedging instruments:									
Cash flow hedge for future exports		-	-	-	295,158	-	295,158	-	295,158
Hedge of a net investment in a foreign operation		-	-	-	272,854	-	272,854	-	272,854
Cash flow hedge with derivative instruments		-	-	-	16,164	-	16,164	6,086	22,250
Foreign currency translation		-	-	-	(717,834)	-	(717,834)	(33,221)	(751,055)
Actuarial valuation loss		-	-	-	107,821	-	107,821	-	107,821
Balance as of March 31, 2019 (unaudited)		25,040,067	6,607,699	7,444,044	7,756,487	3,832,752	50,681,049	1,986,194	52,667,243

The accompanying notes are an integral part of the consolidated condensed interim financial statements.

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President

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Statutory auditor
T.P. 57851-T

Ecopetrol S.A.

(Figures expressed in millions of Colombian pesos)

Consolidated condensed interim statements of cash flows

	Note	Three-month period ended March 31	
		2020	2019
		(Unaudited)	
Cash flows provided by operating activities:			
Net profit for the period		480,148	3,058,436
Adjustments to reconcile net income to net cash provided by operating activities:			
Income tax	10	351,918	1,673,356
Depreciation, depletion and amortization		2,229,611	1,990,717
Foreign exchange loss (gain)	26	13,390	(42,884)
Finance cost of loans and borrowings	26	485,456	451,960
Finance cost of post-employment benefits and abandonment costs	26	213,708	188,921
Disposal of exploratory assets and dry wells	14	14,238	45,327
(Gain) loss on disposal of non-current assets		(5,667)	12,217
Impairment loss of non-current assets	16	1,207,941	(1,547)
Impairment loss of short-term assets		668	20,048
Loss (gain) on valuation of financial assets		46,691	(44,919)
Loss (gain) on equity method		609	(160,994)
Loss on disposal of assets held for sale		18	-
Loss (gain) on hedge ineffectiveness		12,409	(932)
Realized loss on foreign exchange cash flow hedges	22	127,743	338,180
Income tax paid		(1,185,087)	(918,750)
Net change in operational assets and liabilities:			
Trade and other receivables		1,322,179	(355,306)
Inventories		160,923	(404,960)
Trade and other payables		(1,948,484)	(231,665)
Tax assets and liabilities		(366,215)	(308,899)
Provisions for employee benefits		596	(15,478)
Provisions and contingencies		(134,032)	(58,534)
Other assets and liabilities		(456,333)	(399,970)
Net cash generated by operating activities		2,572,428	4,834,324
Cash flow from investing activities:			
Investment in property, plant and equipment	13	(822,992)	(599,601)
Investment in natural and environmental resources	14	(2,619,074)	(1,306,764)
Acquisitions of intangibles		(11,383)	(30,559)
Sales of other financial asset		2,493,669	698,301
Interests received	26	88,086	128,666
Proceeds from sales of assets		7,714	23,364
Net cash used in investment activities		(863,980)	(1,086,593)
Cash flow used in financing activities:			
Proceeds from loans and borrowings		26,095	33,116
Repayment of loans		(81,410)	(231,001)
Interest payments		(480,580)	(480,624)
Lease payments		(64,239)	(4,615)
Dividends paid		(425,807)	(332,756)
Net cash used in financing activities		(1,025,941)	(1,015,880)
Exchange difference in cash and cash equivalents		1,038,911	(105,732)
Net increase in cash and cash equivalents		1,721,418	2,626,119
Cash and cash equivalents at the beginning of the year		7,075,758	6,311,744
Cash and cash equivalent at the end of the year	6	8,797,176	8,937,863
Non cash transactions			
Recognition of right-of-use assets and lease liabilities		15,324	505,222
Trade finance operations	17	186,020	-

The accompanying notes are an integral part of the consolidated condensed interim financial statements.

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Felipe Bayón Pardo
President

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T.P. 116770-T

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Ecopetrol S.A.

Notes to consolidated condensed interim financial statements

March 31, 2020

(Figures expressed in millions of Colombian pesos, unless otherwise stated)

1. Reporting entity

Ecopetrol S.A. is a mixed economy company, with a commercial nature, formed in 1948 in Bogotá – Colombia, headquarters of the Ecopetrol Business Group. Its corporate purpose is to develop commercial or industrial activities arising from or related to the exploration, production, refining, transportation, storage, distribution, and selling of hydrocarbons, their by-products and associated products on its own or through its subsidiaries (hereafter “Ecopetrol”, the “Company” or Ecopetrol Business Group).

An 11.51% of Ecopetrol S.A.’s shares are publicly traded on the Stock Exchanges of Colombia and New York, USA. The remaining shares (88.49% of the total outstanding shares) are owned by the Colombian Ministry of Finance and Public Credit.

The address of the main office of Ecopetrol S.A. is Bogotá – Colombia, Carrera 13 No. 36 - 24.

2. Basis of presentation

2.1 Statement of compliance and authorization of financial statements

The financial information contained in this report has been prepared in accordance with “IAS 34- Interim financial reporting”. These financial statements do not include all information and disclosures required in the annual financial statements and therefore should be read in conjunction with the Company’s annual consolidated financial statements and notes, issued as at December 31, 2019 included in the “Integrated Sustainable Management Report”.

The consolidated condensed interim financial statements are unaudited and in the management opinion, include all necessary adjustments for a fair presentation of the results of each period.

Ecopetrol Business Group prepares its financial statements based on the principles and accounting standards and financial information accepted in Colombia (NCIF, as its acronym in Spanish), regulated in Decree 2420 of 2015, and amended by Decrees 2496 of 2015, 2131 of 2016, 2170 of 2017 and 2483 of 2018. These standards are based on the International Financial Reporting Standards - IFRS and its Interpretations issued by the International Accounting Standards Board (IASB) and other applicable legal provisions for supervised entities and / or controlled by the General Accounting Office of the Nation, which may differ in some respects from those established by other Government control bodies.

The financial information presented herein has been prepared in accordance with the accounting policies expected to be used in the preparation of the consolidated financial statements as at December 31, 2019, which do not differ significantly from those used in the previous year.

These financial statements were approved by the Company's Management on April 28, 2020.

2.2. Basis of consolidation

For presentation purposes, these consolidated condensed interim financial statements were prepared by consolidating all companies set out in Exhibit 1, in which Ecopetrol exercises control, directly or indirectly. There were no changes in the consolidation bases used in the preparation of the financial statements as at December 31, 2019.

Ecopetrol S.A.

Notes to consolidated condensed interim financial statements

March 31, 2020

(Figures expressed in millions of Colombian pesos, unless otherwise stated)

3. Significant accounting judgments and estimates

The preparation of the financial statements requires that the Company's Management makes estimates to quantify some of the assets, liabilities, income, expenses and commitments. These estimates have been determined based on the best available information on the facts analysed. Changes to these estimates are recognized prospectively in the period in which the estimate is revised.

In the course of 2020, there have been no changes in the significant accounting estimates and judgments used in the preparation of the financial statements as at December 31, 2019.

4. Accounting policies

The Group's main accounting policies are described in the accounting policies section of the annual report with a cut-off date of December 31, 2019 and they have been applied consistently for the period comprising these condensed interim condensed financial statements, except for the adoption of new standards effective as of January 1, 2020.

The interim financial statements do not include all the information and disclosures required in the annuals, and therefore should be read in conjunction with the separate financial statements December 31, 2019.

5. New standards and regulatory changes

5.1 New standards adopted by the Group, effective as of January 1, 2020

- Amendments to IFRS 3 - Definition of a business: to help companies determine if a set of activities and acquired assets are considered a business or not. The minimum requirements to determine if it is a business are clarified, the evaluation of whether market participants are capable of replacing any missing element is eliminated, an orientation is included to help companies evaluate if an acquired process is substantive, they are restricted the definitions of a business and products; and an optional fair value concentration test is introduced. New illustrative examples are provided in conjunction with these amendments.

These changes should be applied to transactions that are business combinations or asset acquisitions, for which the acquisition date is January 1, 2020 or later. Consequently, companies do not have to review transactions that occurred in prior periods.

- Amendments to IAS 1 and IAS 8 - Definition of material: The new definition establishes that, "Information is material if its omission or distortion is expected to influence the decisions that the main users of the financial statements make". The amendments clarify that the materiality will depend on the nature and / or the magnitude of the information. A company will need to assess whether the information, either individually or in combination with another, is material in the context of the financial statements.

The amendments explain that the information is hidden if it is communicated in a way that has an effect similar to that of omitting or misinforming. Material information may, for example, be hidden if it is dispersed in the financial statements with respect to a material element, transaction or other event, or it is disclosed in ambiguous or unclear language. Material information can also be hidden if elements, transactions or other events are improperly added, or, conversely, if similar elements are incorrectly disaggregated.

- Amendments to IFRS 9 and IAS 39 - Interest rate benchmark reform: A number of exemptions are provided that apply to all hedging relationships directly affected by changes in benchmark interest rate indices. A hedging relationship is affected if the change in the indices creates uncertainty about the timing and / or amount of cash

Ecopetrol S.A.

Notes to consolidated condensed interim financial statements

March 31, 2020

(Figures expressed in millions of Colombian pesos, unless otherwise stated)

flows of the hedged item or the hedging instrument. These amendments have no impact on the Group's financial statements since it currently has no interest rate hedging.

- The revised conceptual framework for financial reporting: The IASB issued the revised Conceptual Framework in March 2018. It establishes a comprehensive set of concepts for financial reporting, setting standards, guidance for preparers in policy definition consistent accountants and assisting others to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts.

Changes to the conceptual framework may affect the application of IFRS in situations where a standard does not apply to a particular transaction or event. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after January 1, 2020.

- Amendments to IAS 28 - Long-term investments in associates and joint ventures: clarify that an entity should apply IFRS 9 Financial Instruments to long-term investments in associates or joint ventures to which the equity method does not apply.

5.2 New standards issued by the IASB that will enter into force in future periods

Ecopetrol is constantly monitoring changes in local accounting regulations in order to assess the possible impacts that the new standards issued by the international organization may generate in their adoption in Colombia.

6. Cash and cash equivalents

	March 31, 2020	December 31, 2019
	(Unaudited)	
Banks and corporations	6,681,517	5,813,306
Short-term investments	2,115,284	1,262,105
Cash	375	347
	8,797,176	7,075,758

The fair value of cash and cash equivalents approximates their carrying amount due to their short-term nature (less than three months) and their high liquidity.

7. Trade and other receivables, net

	March 31, 2020	December 31, 2019
	(Unaudited)	
Current		
Customers		
Foreign	1,721,804	2,759,993
Domestic	1,655,853	2,015,517
Fuel price stabilization fund (1)	228,500	256,303
Related parties (Note 28)	143,757	27,449
Employee loans	99,411	95,693
Industrial services	77,801	47,691
Other	519,722	497,688
	4,446,848	5,700,334

Ecopetrol S.A.

Notes to consolidated condensed interim financial statements

March 31, 2020

(Figures expressed in millions of Colombian pesos, unless otherwise stated)

Non-current		
Employee loans	486,453	508,588
Domestic customers	52,351	52,819
Related parties (Note 28)	-	93,657
Other	143,427	131,732
	<u>682,231</u>	<u>786,796</u>

- (1) Corresponds to the application of Resolution 180522 of March 29, 2010 and other regulations that modify and add it (Decree 1880 of 2014 and Decree 1068 of 2015), which establishes the procedure to recognize the subsidy for refiners and importers of motor gasoline current and ACPM, and the methodology for calculating the net position (value generated between the parity price and the regulated price, which can be positive or negative).

The carrying amounts of trade and other receivables approximate their fair value.

8. Inventories, net

	March 31, 2020	December 31, 2019
	(Unaudited)	
Crude	1,928,065	1,965,022
Fuels and petrochemicals	1,937,680	1,876,247
Materials for goods production	1,946,036	1,816,830
	<u>5,811,781</u>	<u>5,658,099</u>

9. Other financial assets

	March 31, 2020	December 31, 2019
	(Unaudited)	
Assets measured at fair value through profit or loss		
Investment portfolio – Local currency	1,200,493	1,630,149
Investment portfolio – Foreign currency	1,708,583	3,340,908
	<u>2,909,076</u>	<u>4,971,057</u>
Assets measured at amortized cost		
Hedging instruments	4,159	3,367
	20,822	4,868
	<u>2,934,057</u>	<u>4,979,292</u>
Current	807,351	1,624,018
Non-current	2,126,706	3,355,274
	<u>2,934,057</u>	<u>4,979,292</u>

9.1 Fair value

	March 31, 2020	December 31, 2019
	(Unaudited)	
Level 1	747,690	472,547
Level 2	2,182,208	4,503,378
	<u>2,929,898</u>	<u>4,975,925</u>

There were no transfers between hierarchy levels during the periods.

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For the process of establishing levels of the fair value for investments, in addition to the information used for valuation, other relevant aspects are also considered, such as the issuer rating, investment rating and issuer risk analysis performed by the Group, thus making it possible to establish the appropriate hierarchy level for investments.

10. Taxes

10.1 Current tax assets and tax liabilities

	March 31, 2020	December 31, 2019
	(Unaudited)	
Current tax assets		
Advances and other taxes (1)	710,151	714,197
Income tax (2)	253,118	190,605
Credit tax balance (3)	700,811	614,005
	1,664,080	1,518,807
Current tax liabilities		
Income tax	1,986,644	1,967,353
Industry and commerce tax	76,621	195,776
National tax and surtax on gasoline	51,584	145,569
Carbon tax	26,990	54,586
Value added tax	15,819	33,098
Other taxes (4)	203,947	174,397
	2,361,605	2,570,779
Non-current tax liabilities		
Income tax – taxes paid through projects (5)	70,543	70,543
	70,543	70,543

- (1) Includes the potential tax discount for value added tax (VAT) incurred in the acquisition of real productive fixed assets, in accordance with the article 83 of Law 1943 of 2018 - Financing Law; and tax advances.
- (2) Includes mainly credit tax balances, the tax discount for value added tax (VAT) incurred in the acquisition of real productive fixed assets, in accordance with the laws 1943 of 2018 and 2010 of 2019 - Tax reform and the 50% of the industry and commerce tax paid in the year
- (3) It mainly contains the balance value in favor of VAT, among others.
- (4) Mainly includes royalties, transportation tax, among others.
- (5) Mechanism of taxes paid through projects regulated by article 238 of Law 1819 of 2016 - Tax reform, which established it as a form of payment of income tax for the years 2017 and 2018. In compliance with the said article, in May 2018 and 2019, the Group companies recognized an asset and a liability for the value of the projects awarded for each tax term.

10.2 Income tax

In accordance with Law 2010/2019 (Tax Reform) the tax provisions applicable in Colombia for the taxable year 2020 are the following:

- The general rate of income tax applicable to national companies, permanent establishments and foreign entities will be 32%.

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- For the years 2019 and 2020, the applicable rate for purposes of calculating the income tax under the presumptive income system will be 1.5% and 0.5%, respectively, of the taxpayer's net worth from the immediately previous year. From 2021 the applicable rate will be 0%.
- Companies located in the free zone are taxed at a rate of 20%. If the company located in the free zone has a Legal Stability Contract (hereinafter, CEJ), the income tax rate will continue to be 15% during the term of said contract. This is the case of Refinería de Cartagena S.A.S. ("Reficar"), Bioenergy Zona Franca S.A.S. ("Bioenergy Zona Franca") and Esenttia Masterbatch Ltda. ("Esenttia MB"). Companies located in the free zone are taxed at a rate of 20%. If the company located in the free zone has a Legal Stability Contract (hereinafter, CEJ), the income tax rate will continue to be 15% during the term of said contract. This is the case of Refinería de Cartagena S.A.S. ("Reficar"), Bioenergy Zona Franca S.A.S. ("Bioenergy Zona Franca") and Esenttia Masterbatch Ltda. ("Esenttia MB").
- For the taxable year 2020, the Group has companies that settle on liquid income at the 32% rate, companies in the free zone, that pay the 15% rate (they have CEJ) and 20%, and others with foreign income with rates from other countries.
- The tax depreciation systems are adjusted to the accounting ones and it establishes a limit to the annual depreciation percentage based on the table established in the tax reform. On the other hand, the amortization of oil investments will be made based on technical production units as it is done in accounting.
- The expenses of acquisition of exploration rights, geology and geophysics, exploratory drilling, among others, will be capitalized for tax purposes until the technical feasibility and commercial viability of extracting the resource are established.
- Tax losses generated as of January 1, 2017 may be offset by the liquid income generated in the following 12 years.
- Pursuant to article 290 of Law 1819 of 2016, excesses of presumptive income over liquid income generated before 2017 in income tax and CREE that have not been compensated, are subject to offset to the application of a formula contained in said article and subject to the term established in article 189 of the Tax Statute.

In 2019, the National Government issued Law 2010, with which certain substantial aspects were modified.

The National Government issued tax regulations, related to income tax, aimed at improving the cash flow of the Companies, extending the term for the payment and presentation of the taxable year 2019 declaration.

Statute of limitation of review for tax returns

As of 2017, the general statute of limitation of tax returns is 3 years from the date of their expiration or from the date of their filing, when they have been filed out of time. For Group Companies that are subject to compliance with transfer pricing regulations, the term of their firmness is 6 years. The Law 2010 of 2019 established that this term will be 5 years, for the declarations that are presented as of January 1, 2020.

With respect to those statements in which balances are presented in favour, the statute of limitation will be 3 years, from the date of submission of the return or compensation request.

The tax returns in which tax losses are compensated will be final 6 years from the date of their filing. Those declarations in which tax losses are settled, the term is 12 years and if the losses are offset in the last 2 years, of the 12 allowed, their term will extend up to 3 more years, from the year of their compensation.

Tax returns that present tax losses can be reviewed by the tax authorities within six (6) years following the filing and / or correction date.

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Income tax returns for taxable years 2011, 2012, 2014, 2015, 2016, 2017 and 2018 and CREE for taxable years 2014, 2015, and 2016 of Group Companies are subject to acceptance and review by of the tax authorities.

Income tax expense

	Three-month period ended March 31	
	2020	2019
	(Unaudited)	
Current	1,073,324	1,644,052
Deferred	(719,467)	33,152
Previous periods	(1,939)	(3,848)
Income tax expense	351,918	1,673,356

Reconciliation of the income tax expenses

For interim periods, and in compliance with IAS 34, the income tax for the period is recognized by applying the effective tax rate projected for the year to the pre-tax accounting profit of the period of closing. The applicable rate for 2020 is 32%.

The effective tax rate as of March 31, 2020, calculated before share of profits of associates and joint ventures is 30.86%; the variation against the rate as of December 31, 2019 (24.07%) is mainly due to the decrease of projected profit at the end of each year, the reduction of 100 basis points of the nominal tax rate (from 33% in 2019 to 32% in 2020) the effect of the adjustment for exchange rate difference in the companies of the business group that are functional currency dollar, and the effect of the adjustment by rate projection.

Management of the Group's companies considers that the amounts recognized as a tax liability are sufficient and are supported by current regulations, doctrine and jurisprudence to meet any claim that may be established with respect to such years. The Group's strategy is not to make fiscal decisions with aggressive or risky positions that may put into question its tax returns.

Deferred income tax

	March 31, 2020	December 31, 2019
	(Unaudited)	
Deferred tax asset (1)	11,555,814	8,622,398
Deferred tax liability	(580,359)	(774,059)
	10,975,455	7,848,339

- (1) The increase presented in the deferred tax asset during the first quarter of 2020, was generated mainly by the increase in the exchange rate, which impacts the deferred tax associated with loans in foreign currency. Although the current conditions due to the COVID 19 pandemic and other external factors, the financial projections of the Group Companies let to conclude that in the future enough fiscal profits will be generated that will allow their recoverability within the terms established in the current fiscal regulations.

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The detail of deferred tax assets and liabilities is as follows:

	March 31, 2020	December 31, 2019
	(Unaudited)	
Deferred tax assets and liabilities		
Loss carry forwards (1)	3,435,914	2,849,089
Borrowings and other financial liabilities	3,255,395	920,634
Provisions (2)	2,406,447	2,405,499
Employee benefits (3)	2,090,017	1,875,872
Accounts payable	784,457	711,503
Other liabilities	175,221	48,923
Inventories	137,695	80,523
Loans receivable	71,547	55,445
Accounts receivable	22,760	83,965
Other assets	21,696	(493)
Intangibles	(26,463)	498
Right-of-use assets	(29,992)	(33,401)
Deferred charges	(76,524)	(63,941)
Investments and derivative instruments	(92,665)	(46,276)
Goodwill (4)	(288,095)	(288,095)
Property, plant and equipment (5)	(911,955)	(751,406)
Total	10,975,455	7,848,339

- (1) In 2020, deferred tax is being recognized for tax losses mainly in the companies: Ecopetrol USA Inc for \$ 1,882,067, Refinería de Cartagena for \$ 1,181,108, Bioenergy for \$ 42,456 and presumptive excess of income for Refinería de Cartagena and Bioenergy for \$ 232,085 and \$ 5,361 respectively.
- (2) Corresponds to non-taxable accounting provisions, mainly asset retirement obligation.
- (3) Actuarial calculations for health, pensions, education, pension bonuses and other long-term benefits to employees.
- (4) According to the tax law in Colombia, goodwill is amortizable, while under NIIF it is not, but is subject to impairment tests, a difference that results in a deferred tax liability.
- (5) For fiscal purposes natural resources and property plant and equipment have an useful life and a depreciation and amortization calculation methodology different from those that are determined under international accounting standards, within this item the amount of tax is included for occasional gains of 10% on land, the main variation corresponds to the decrease of the income tax rate from 33% to 32%.

The Group offset tax assets and liabilities only if it has a legally enforceable right to offset current tax assets and liabilities; and in the case of deferred tax assets and liabilities, to the extent that they also correspond to income taxes required by the same tax jurisdiction and by the same tax authority.

Starting in 2017, companies will be able to offset the tax losses obtained in the current period, with the ordinary income generated in the 12 taxable periods following the obtaining of the aforementioned tax losses, without prejudice to the presumptive income for the year.

In accordance with the tax provisions applicable until December 31, 2016, the excesses of presumptive income and excesses of minimum base generated before 2017 in the income tax and complementary and in the income tax for equity - CREE, respectively, they may be compensated with the ordinary liquid income obtained by each Company within the following five years, using for this purpose, the formula established in number 6, of article 290 of law 1819 of 2016.

The deferred tax asset related to the tax losses generated by the companies Bioenergy S.A. Ecopetrol Costa Afuera, Invercolsa and Andean Chemicals Ltd for \$ 105,592, and excess presumptive income from Bioenergy, ECAS, Hocol Petroleum Company ("HPL"), Andean for \$ 77,588 are not recognized, as the Management has evaluated and reached the conclusion that under a conservative position the deferred tax asset related to these tax losses and excess presumptive income is not likely to be recoverable in the short term.

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If the Group could have recognized the unrecognized deferred tax asset, the profit for the year ended March 31, 2020 would have increased by \$ 183,180.

The movements in deferred tax assets and liabilities on income for the period ended March 31, 2020 and the year ended December 31, 2019 are as follows:

	March 31, 2020	December 31, 2019
	(Unaudited)	
Opening balance	7,848,339	5,008,323
Deferred tax recognized in profit or loss	719,449	2,531,080
Effect of business combination Invercolsa	-	(98,005)
Deferred tax recognized other comprehensive income (a)	2,407,667	406,941
Closing balance	10,975,455	7,848,339

(a) The following is the composition of the income tax recorded against other comprehensive income:

	Base	Deferred tax	Total
March 31, 2020 (Unaudited)			
Actuarial valuation gains	(551,684)	165,505	(386,179)
Cash flow hedging for future crude oil exports	(870,468)	268,852	(601,616)
Hedge of a net investment in a foreign operation	(5,119,119)	1,535,736	(3,583,383)
Hedge with derivative instruments	(248,081)	78,867	(169,214)
Currency translation	-	358,707	358,707
	(6,789,352)	2,407,667	(4,381,685)
December 31, 2019			
Actuarial valuation gains	(2,571,184)	771,355	(1,799,829)
Cash flow hedging for future crude oil exports	998,083	(329,784)	668,299
Hedge of a net investment in a foreign operation	(87,524)	26,257	(61,267)
Hedge with derivative instruments	69,220	(22,769)	46,451
Currency translation	-	(38,118)	(38,118)
	(1,591,405)	406,941	(1,184,464)

Deferred tax (assets) unrecognized liabilities

March 31, 2020, no deferred tax assets are recognized on the difference between the accounting and tax bases associated with investments in associates and joint ventures of the Group, since as documented, the Group does not have in the foreseeable future the intention to sale of any of these investments.

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11. Other assets

	March 31, 2020	December 31, 2019
	(Unaudited)	
Current		
Advanced payments to contractors and suppliers	875,455	360,781
Partners in joint operations (1)	825,367	921,983
Prepaid expenses	249,007	272,007
Trust funds (2)	145,132	144,798
Related parties (Note 28)	13,482	57,016
Other assets	24,871	22,393
	2,133,314	1,778,978
Non-current		
Abandonment and pension funds (3)	471,554	445,457
Employee benefits	223,599	220,998
Trust funds (2)	182,098	171,008
Advanced payments and deposits	55,277	56,027
Judicial deposits and judicial attachments	41,270	40,317
Other assets	173,647	8,674
	1,147,445	942,481

- (1) Corresponds to the net value of cash calls and cutbacks generated in relation to the operations carried out with partners through Exploration and Production (E&P) contracts, Technical Evaluations (TEA) contracts and agreements entered in to with the National Hydrocarbons Agency of Colombia (ANH), as well as through association contracts and other types of contracts.
- (2) It mainly includes the resources invested in a trust destined to taxes paid through social and infrastructure projects, payment mechanism for 2017 and 2018 income tax, constituted in compliance with article 238 of Law 1819 of 2016 - Tax Reform.
- (3) Corresponds to Ecopetrol's share in trusts established to support costs of abandonment of wells and dismantling of facilities as well as the payment of future retirement pensions in some association contracts.

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12. Investments in associates and joint ventures

12.1 Composition and movements

	March 31, 2020	December 31, 2019
	(Unaudited)	
Joint ventures		
Equion Energía Limited	1,770,889	1,527,502
Offshore International Group	745,979	709,871
Ecodiesel Colombia S.A.	41,231	46,095
	2,558,099	2,283,468
Less impairment:		
Equion Energía Limited	(334,823)	(334,823)
Offshore International Group (1)	(588,952)	(530,330)
	1,634,324	1,418,315
Associates		
Gases del Caribe S.A. E.S.P.	1,572,214	1,527,911
Gas Natural del Oriente S.A. E.S.P.	167,860	166,685
Gases de la Guajira S.A. E.S.P.	68,966	68,608
E2 Energía Eficiente S.A. E.S.P.	33,143	32,848
Extracol S.A.	29,524	28,501
Serviport S.A.	11,058	11,070
Sociedad Portuaria Olefinas	2,828	2,204
	1,885,593	1,837,827
Less impairment: Serviport S.A.	(11,058)	(11,070)
	1,874,535	1,826,757
	3,508,859	3,245,072

(1) Movement includes \$ 2,567 for translation adjustment recognized in equity (See note 21.5 - Other comprehensive income)

The most representative movements of investments in companies were presented by decreed dividends, recognition of the equity method and capitalizations to investment vehicles.

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13. Property, plant and equipment

The movement of property, plant and equipment for the period ended March 31, 2020 with its corresponding depreciation and impairment, has been as follows:

	Plant and equipment	Pipelines, networks and lines	Work in progress	Buildings	Lands	Others	Total
Cost							
Balance as at December 31, 2019	47,950,917	36,370,647	6,229,949	8,157,945	4,054,538	2,660,232	105,424,228
Additions/capitalizations	308,321	210,610	249,063	36,422	1,348	17,228	822,992
Capitalized financial interests	16,433	8,594	7,428	2,151	83	480	35,169
Exchange differences capitalized	647	338	292	85	3	19	1,384
Disposals	(254,894)	(20,243)	(371)	(685)	-	(44,287)	(320,480)
Foreign currency translation	6,858,733	2,449,467	128,934	300,451	365,963	155,440	10,258,988
Transfers	43,273	193,740	(27,256)	13,031	4,434	4,208	231,430
Balance as at March 31, 2020 (unaudited)	54,923,430	39,213,153	6,588,039	8,509,400	4,426,369	2,793,320	116,453,711
Accumulated depreciation and impairment losses							
Balance as at December 31, 2019	(18,976,236)	(16,635,110)	(1,114,366)	(3,456,254)	(80,682)	(961,610)	(41,224,258)
Depreciation expense	(542,775)	(411,198)	-	(81,478)	-	(29,286)	(1,064,737)
Impairment loss (Note 16)	(610,368)	(119,050)	121,535	(28,416)	(8,691)	(10,964)	(655,954)
Disposals	252,516	19,649	-	187	-	41,983	314,335
Foreign currency translation	(2,169,761)	(979,336)	-	(91,268)	-	(70,399)	(3,310,764)
Transfers	(54,965)	(225,517)	37,575	(4,803)	-	(20,757)	(268,467)
Balance as at March 31, 2020 (unaudited)	(22,101,589)	(18,350,562)	(955,256)	(3,662,032)	(89,373)	(1,051,033)	(46,209,845)
Balance as at December 31, 2019	28,974,681	19,735,537	5,115,583	4,701,691	3,973,856	1,698,622	64,199,970
Balance as at March 31, 2020 (unaudited)	32,821,841	20,862,591	5,632,783	4,847,368	4,336,996	1,742,287	70,243,866

Ecopetrol Business Group performs an impairment test in December of each year or when circumstances indicate that the carrying value of its assets may be above the recoverable amount. The key assumptions for determining the recoverable value of cash generating units were disclosed in the financial statements for the year ended December 31, 2019. As of March 31, the Group carried out an update of the impairment according to the situation generated by the price crisis. (See note 16 - Impairment of non-current assets).

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14. Natural and environmental resources

The movement of natural resources and the environment for the period ended March 31, 2020, with corresponding amortization, calculated based on production units, and impairment has been as follows:

	Oil and Gas investments	Asset Retirement Obligation	Exploration and Evaluation	Total
Cost				
Balance as at December 31, 2019	59,822,566	5,036,884	8,362,719	73,222,169
Additions /capitalizations	1,021,953	(65,392)	1,662,513	2,619,074
Disposals	(173)	-	-	(173)
Dry wells	-	-	(14,238)	(14,238)
Capitalized financial interests	22,580	-	6,057	28,637
Exchange differences capitalized	889	-	238	1,127
Foreign currency translation	2,497,478	100,030	756,031	3,353,539
Transfers	26,486	5,448	(28,405)	3,529
Balance as at March 31, 2020 (unaudited)	63,391,779	5,076,970	10,744,915	79,213,664
Accumulated amortization and impairment losses				
Balance as at December 31, 2019	(41,993,097)	(2,156,274)	-	(44,149,371)
Amortization expense	(939,607)	(149,868)	-	(1,089,475)
Impairment loss (Note 16)	(302,235)	-	(193,421)	(495,656)
Disposals	21	-	-	21
Foreign currency translation	(1,776,608)	(57,314)	-	(1,833,922)
Transfers	2,682	(2,537)	(37,575)	(37,430)
Balance as at March 31, 2020 (unaudited)	(45,008,844)	(2,365,993)	(230,996)	(47,605,833)
Balance as at December 31, 2019	17,829,469	2,880,610	8,362,719	29,072,798
Balance as at March 31, 2020 (unaudited)	18,382,935	2,710,977	10,513,919	31,607,831

Ecopetrol Business Group performs an impairment test in December of each year or when circumstances indicate that the carrying value of its assets may be above the recoverable amount. The key assumptions for determining the recoverable value of cash generating units were disclosed in the financial statements for the year ended December 31, 2019. As of March 31, the Group carried out an update of the impairment according to the situation generated by the price crisis. (See note 16 - Impairment of non-current assets).

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15. Right-of-use assets

	Right-of-use assets					Lease liabilities
	Land and buildings	Machinery and equipment	Vehicles	Right-of-use assets	Subleases	
Balance as at December 31, 2019	218,513	97,264	140,448	456,225	29,436	1,290,954
Additions (2)	7,060	364	8,022	15,446	-	15,446
Amortization expense	(11,654)	(12,877)	(20,918)	(45,449)	(41)	-
Remeasurement	(133)	7,205	6,763	13,835	-	19,125
Impairment	-	-	-	-	(137)	-
Disposals	(10,277)	-	-	(10,277)	(4,791)	(15,381)
Financial cost	-	-	-	-	-	18,924
Payments of capital and interests	-	-	-	-	-	(81,895)
Exchange difference	13,838	2,944	3,875	20,657	-	75,986
Balance as at March 31, 2020 (unaudited)	217,347	94,900	138,190	450,437	24,467	1,323,159

16. Impairment of non-current assets

Two decisive factors in the oil and gas market have impacted the reference macroeconomic variables in the course of 2020. On the demand side, in December 2019, a new class of coronavirus appeared in China called COVID-19, which has spread throughout the world, including in Colombia. These outbreaks have forced various governments to enact mandatory isolation. This situation has led to people and industries having decreased their activities substantially. On the other hand, regarding the supply, in March of 2020, a disagreement was generated between the members of the Organization of Petroleum Exporting Countries (OPEC) and Russia to maintain cuts in production and thus sustain oil prices. Faced with Russia's refusal, Saudi Arabia announced a price war, increasing its production levels and decreasing the price of crude oil between USD \$ 5 and USD \$ 8 per barrel.

Given this situation, the Group carried out an impairment analysis for the closing of this report, adjusting the assumptions used in the December 31, 2019 evaluation as follows:

- Oil price - Brent: The price was adjusted for the first year (2020) going from US \$ 55.61 / Bl to US \$ 40.00 / Bl, the medium and long-term curve was maintained as it was used for the end of 2019. The quality differentials and refining margins were adjusted at this new price. In the case of Offshore International Group the price was US \$ 42.00 / Bl associated with the quality of its crudes.
- Discount rates: were updated with the macroeconomic variables after the price war began, for the exploration and production segment were used 5.47%, refining 5.46%, Ecopetrol America 7.79% and Offshore International Group 7.21%. The volatility of the market variables used to calculate the weighted average cost of capital could generate significant variations in discount rates.
- Balance of crude oil and gas reserves: The inputs and other assumptions used to determine the balance remained constant at those of the end of 2019.

The aggregation of assets, to identify CGUs, is consistent with respect to the previous period.

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The following is the result of the impairment assessment March 31, 2020:

	Three-month period ended March 31, 2020
Impairment loss	
Exploration and production	(518,173)
Refining and petrochemicals	(689,781)
Transport and logistics	13
	(1,207,941)
Recognized in:	
Property, plant and equipment (Note 13) (1)	(655,954)
Natural and environmental resources (Note 14) (1)	(495,656)
Investments in associates and joint ventures (2)	(56,043)
Other non-current assets	(288)
	(1,207,941)

(1) The main production fields that registered the impairment loss were Casabe, Tibú, Jazmin, Lisama and Hobo at Ecopetrol; Espinal, La Hocha, Cupia and La Punta in Hocol, and in K2 in America.

(2) An additional impairment was recognized in Offshore International Group.

The value recorded for impairment corresponds to the best estimate available to the Group at the end of March and it is possible that, given market volatilities, it could be adjusted during the year to recognize the impact of changes in the environment on future cash flow projections. It should be noted that impairment charges do not imply cash disbursements and are subject to reversal when the asset's valuation is higher than its associated book value in the face of an improvement in market conditions.

17. Loans and borrowings

17.1 Composition of loans and borrowings

	Interest rate*		March 31, 2020	December 31, 2019
	2020	2019	(Unaudited)	
Local currency				
Bonds	8.6%	8.7%	1,565,856	1,567,598
Syndicate loans	7.9%	8.0%	1,032,883	1,115,874
Lease liabilities (1)	6.3%	7.2%	1,020,548	1,039,303
Commercial loans and others	7.7%	8.3%	750,480	737,032
			4,369,767	4,459,807
Foreign currency				
Bonds	5.8%	5.9%	31,966,502	25,832,740
Commercial loans	3.9%	4.1%	8,219,665	6,586,538
Loans from related parties (Note 28)			1,410,218	1,108,403
Lease liabilities (1)	6.2%	6.2%	302,611	251,651
Trade finance operations (2)	2.1%		186,047	-
			42,085,043	33,779,332
			46,454,810	38,239,139
Current			6,127,108	5,012,173
Non-current			40,327,702	33,226,966
			46,454,810	38,239,139

*Weighted average effective interest rate for the end of each period.

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- (1) Corresponds to the present value of the payments to be made during the term of the operating leases of pipelines, tanks, real estate and vehicles, recognized as a result of the adoption of IFRS 16 – Leases.
- (2) Includes trade finance operations in dollars with international banks (Scotiabank and Sumitomo Mitsui Banking Corporation) for the payment of imports for USD \$ 45.9 millions and an average rate Libor plus 104 basis points.

17.2 Fair value

Fair value of loans and borrowings corresponds to \$44,161,209 and \$43,261,792 as of March 31, 2020 and December 31, 2019, respectively.

For fair value measurement, local currency bonds were valued using Precia reference prices, while bonds in U.S. dollars, were valued using Bloomberg. Regarding the other financial obligations for which there is no market benchmark, a discount to present value technique was used. These rates incorporate market risk through some benchmarks (Libor, DTF) and the Company's credit risk (spread).

17.3 Maturity profile

The following is the maturity profile of loans and financing as of March 31, 2020:

	<u>Up to 1 year</u>	<u>1 – 5 years</u>	<u>5-10 years</u>	<u>> 10 years</u>	<u>Total</u>
Local currency					
Bonds	578,972	396,435	354,871	235,578	1,565,856
Syndicate loans	325,078	707,805	-	-	1,032,883
Lease liabilities	187,043	482,166	348,366	2,973	1,020,548
Others	238,904	343,094	121,343	47,139	750,480
	<u>1,329,997</u>	<u>1,929,500</u>	<u>824,580</u>	<u>285,690</u>	<u>4,369,767</u>
Foreign currency					
Bonds	1,713,257	17,063,590	6,969,521	6,220,134	31,966,502
Commercial loans	1,591,031	5,231,087	1,583,594	-	8,405,712
Lease liabilities	82,605	200,261	19,745	-	302,611
Loans from related parties	1,410,218	-	-	-	1,410,218
Balance as at March 31, 2020 (unaudited)	<u>4,797,111</u>	<u>22,494,938</u>	<u>8,572,860</u>	<u>6,220,134</u>	<u>42,085,043</u>
	<u>6,127,108</u>	<u>24,424,438</u>	<u>9,397,440</u>	<u>6,505,824</u>	<u>46,454,810</u>

17.4 Loans designated as hedging instrument

As of March 31, 2020, Ecopetrol S.A. designated US\$8,231 millions of foreign currency debt as a hedging instrument of which, US\$6,931 millions is used to hedge the net investment in foreign operations with the US dollar as their functional currency and US\$1,300 millions is used to hedge the cash flows of future crude oil exports. See Note 27 - Risk Management.

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18. Trade and other payables

	March 31, 2020	December 31, 2019
	(Unaudited)	
Current		
Dividends payable (1)	7,823,448	157,181
Suppliers	6,745,325	8,115,015
Partners' advances	1,028,901	925,761
Withholding tax	336,214	673,204
Related parties (Note 28)	144,570	187,616
Insurance and reinsurance	125,091	136,041
Agreements in transport contracts (2)	111,870	71,239
Deposits received from third parties	40,690	39,901
Various creditors	427,151	383,288
	16,783,260	10,689,246
Non-current		
Various creditors	27,342	24,445
	27,342	24,445

(1) The General Shareholders' Meeting of Ecopetrol S.A. held on March 27, 2020, decreed dividends on the 2019 profit for \$7,401,005. During the first quarter of 2020, Ocesa made payments to minority shareholders for \$ 425,807. In April 2020, Ecopetrol paid 100% of dividends to minority shareholders and 14% of dividends to majority shareholder. The remaining value of the dividends to be paid will be made during the rest of 2020.

(2) Corresponds to the agreement's debt agreed in the transportation contracts for pipelines, calculated on volumetric compensation for quality and other inventory management agreements.

The carrying value of commercial accounts and other accounts payable is very close to their fair value due to their short-term nature.

19. Provisions for employees benefits

	March 31, 2020	December 31, 2019
	(Unaudited)	
Post-employment benefits		
Healthcare	6,970,148	6,908,799
Pension	3,407,703	2,853,718
Education	444,802	458,441
Bonds	396,295	352,917
Other plans	102,535	98,729
Termination benefits - Voluntary retirement plan	114,808	124,186
	11,436,291	10,796,790
Social benefits and salaries	662,446	587,596
Other long-term benefits	95,654	96,678
	12,194,391	11,481,064
Current	2,000,263	1,929,087
Non-current	10,194,128	9,551,977
	12,194,391	11,481,064

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The following table shows the movement in profit and loss and in other comprehensive income for the periods ended March 31:

	Three-month period ended March 31	
	2020	2019
	(Unaudited)	
Profit or loss		
Service cost	150,386	133,045
Interest expense, net	29,526	19,119
	179,912	152,164
Other comprehensive income		
Pension and bonds	(551,709)	154,005
Others	25	25
	(551,684)	154,030
Deferred tax	165,505	(46,209)
	(386,179)	107,821

19.1 Plan assets

Plan assets are represented by the resources held by pension trusts for the payment of the pension liabilities and pension bonds; what concerns health and education are the responsibility of Ecopetrol S.A. The destination of the resources of the pension trusts, as well as their yields, cannot be changed of destination or returned to Ecopetrol S.A. until all the obligations are fulfilled. The balance of plan assets is \$12,144,236 and \$12,712,853 as of March 31, 2020 and December 31, 2019, respectively. 55.7% (2019 - 26.6%) are level 1 of fair value and 44.3% (2019 - 73.4%) are under level 2.

20. Accrued liabilities and provisions

	Abandonment and dismantling costs	Litigations	Environmental contingencies and others	Total
Balance as at December 31, 2019	8,835,420	137,429	945,439	9,918,288
Additions (recoveries)	(75,931)	(8,606)	32,122	(52,415)
Uses	(59,216)	(3,411)	(18,919)	(81,546)
Financial cost	63,323	-	-	63,323
Foreign currency translation	182,200	376	28,907	211,483
Transfers	-	-	11,462	11,462
Balance as at March 31, 2020 (unaudited)	8,945,796	125,788	999,011	10,070,595
Current	537,231	19,754	187,550	744,535
Non-current	8,408,565	106,034	811,461	9,326,060
	8,945,796	125,788	999,011	10,070,595

20.1 Abandonment and dismantling costs

The abandonment and dismantling obligation represents the Group's future obligation to restore environmental conditions to a level similar to that existing before the start of projects or activities, as described in Note 3.5 of the financial statements for the year ended December 31, 2019. As these relate to long-term obligations, the liability is determined based on expected future payments discounted to present value at a rate indexed to the Group's financial obligations, considering the timing and risks relating to this obligation.

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20.2 Environmental contingencies and other

Corresponds to contingencies for environmental incidents and obligations related to environmental compensation and mandatory investment of 1% for the use of, exploitation of or effect on natural resources imposed by national, regional and local environmental authorities. Mandatory investment of 1% is based on the use of water taken directly from natural sources in accordance with the provisions of Law 99 of 1993, Article 43, Decree 1900 of 2006, Decree 2099 of 2017 and 075 and 1120 of 2018 and the Article 321 of Law 1955 of 2019 related to the projects that Ecopetrol develops in Colombian regions.

The Colombian Government through the Ministry of Environment and Sustainable Development, issued in December 2016 and in January 2017 the Decrees 2099 and 075, which modify the Single Regulatory Decree of the environment and sustainable development sector, Decree 1076 of 2015, related to the mandatory investment for the use of water taken directly from natural sources.

In 2017, the main changes established by these decrees were related to the areas and lines of investment and the basis for settlement of the obligations. Similarly, June 30, 2017 was declared the maximum date to modify investment plans that were underway. On June 30, 2017, Ecopetrol filed with the National Environmental Licensing Authority (ANLA) certain investment plans to meet the 1% mandatory investment based on the new decrees, relative to investment lines, maintaining the settlement base of Decree 1900.

As of December 31, 2018, the provision for the 1% mandatory investment for the use of water was estimated based on the parameters established in Decree 1076 of 2015.

As of December 31, 2019, the Group achieved a new certification of a settlement base and the acceptance of the percentage of the investment values' update of 1% in compliance with article 321 of Law 1955 of 2019 generating a lower provision of this obligation. As of the date of this report, ANLA's pronouncements regarding article 321 of Law 1955 are being received, some through official letters and others through resolutions.

20.3 Contingencies

Oleoducto Bicentenario de Colombia S.A.S.

During July 2018, the carriers that are not part of the Ecopetrol Group (Frontera Energy Colombia Corp., Vetra Exploración y Producción Colombia S.A.S. and Canacol Energy Colombia S.A.S. (hereinafter "the carriers") sent letters to Oleoducto Bicentenario de Colombia S.A.S. ("Bicentenario") alleging the early termination rights under the Ship-or-Pay Transport Agreements entered by each of them and Bicentenario in 2012 (the "Transport Agreements").

In accordance with the foregoing, the carriers have ceased to fulfill their obligations under said Transport Agreements. Bicentenario rejected the terms of the letters, noting that there was no option for early termination and reiterating to the Carriers that the Transport Agreements are current and therefore the Carriers must fulfill their obligations under the Transport Agreements in a timely fashion.

Under Bicentenario's understanding that the Transport Agreements remain current and that the Carriers are in violation of their obligations under such agreements, Bicentenario declared the Carriers delay because of their failure to pay the tariff under the aforementioned agreements. Consequently, Bicentenario executed the standby letters of credit posted as guarantee for the Transport Agreements.

Having completed the direct settlement stages with each carrier, Bicentenario withdrew the initially filed claims and filed arbitration claims against each of them as follows: (i) on November 12, 2019, Bicentenario filed a claim against Frontera under cover of the arbitration agreement contained in the Transport Agreement; (ii) on December 10, 2019, Bicentenario filed a claim against Vetra under the arbitration agreement contained in the Transport Agreement; and (iii) on December 26, 2019, Bicentenario filed a claim against Canacol under the arbitration agreement contained in the Transport Agreement.

The three arbitration proceedings are ongoing.

Simultaneously, Bicentenario will continue to exercise its rights under the terms of the Transportation Agreements and its related agreements, to guarantee compliance and claim any compensation, indemnity or restitution arising from the alleged early termination of said agreements, together with other breaches.

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In the first quarter of 2020, Oleoducto Bicentenario de Colombia S.A.S. evaluated the revenue recognition in accordance with the criteria contained in IFRS 15, determining that applied the said standard to the income recognized by certain ship or pay transport contracts, these should subsequently be decreased by COP \$110,403 millions, notwithstanding that the contractual rights and obligations exist considering that the contracts are in force and must be fulfilled and, therefore, the disputes with Frontera Energy Colombia Corp., Pacific OBC, Corp., Pacific OBC 1, Corp., Pacific OBC 4, Corp., Canacol Energy Colombia SAS and Vetra Exploración y Producción Colombia S.A.S.

Cenit Transporte y Logística de Hidrocarburos S.A.S.

The clauses in the agreements signed with Frontera Energy Group with respect to the Caño Limón Coveñas Pipeline, and in particular clause 13.3 establish that, in the event of the suspension of services for reasons not attributable to any of the parties, for a period over 180 continuous calendar days, either party may request the early termination of the agreement.

Based on this, on July 12, 2018, CENIT received a communication from Frontera Energy Group, whereby the latter expressed its decision to exercise the provision set forth in clause 13.3 for each of the Transport Agreements signed with respect to the Caño Limón - Coveñas Pipeline, requesting their early termination. In relation to the foregoing, CENIT issued communication CEN-PRE-3451-2018-E dated July 17, 2018 whereby it stated that the grounds to exercise clause 13.3 of the agreements in question have not occurred; therefore, Frontera Energy Group cannot exercise its contractual right to early termination.

Included in that same communication, CENIT stated its intention to continue billing and charging the transportation services established in the agreements, considering that they are still valid, therefore Frontera must comply with the obligations assumed therein.

In 2019, CENIT evaluated the revenue recognition principle in accordance with the criteria contained in IFRS 15, determining that it is not possible to recognize the income associated with this agreement in the amount of COP\$163,852, notwithstanding the aforementioned, the contractual rights and obligations remain and therefore the controversy with the Frontera Energy Group continues. In the first quarter of 2020, this unrecognized income amounted to \$ 84,602.

As at March 31, 2020, the amounts owed by Frontera Energy, Canacol and Vetra in relation to the case described above amount to \$ 536,991.

Refinería de Cartagena S.A.S

On March 8, 2016, Reficar filed a Request for Arbitration before the International Chamber of Commerce (the "ICC"), against Chicago Bridge & Iron Company N.V., CB&I (UK) Limited, and CBI Colombiana S.A. (jointly "CB&I") concerning a dispute related to the Engineering, Procurement, and Construction Agreements entered into by and between Reficar and CB&I for the expansion of the Refinería de Cartagena in Cartagena, Colombia. Reficar is the Claimant in the ICC arbitration and seeks no less than USD\$2 billion in damages plus lost profits.

On May 25, 2016, CB&I filed its Answer to the Request for Arbitration and Counterclaim for approximately USD\$106 millions and COP\$324,052 millions. On June 27, 2016, Reficar filed its reply to CB&I's counterclaim denying and disputing the declarations and relief requested by CB&I. On April 28, 2017, CB&I submitted its Statement of Counterclaim increasing its claims to approximately USD\$116 millions and COP\$387,558 millions. On March 16, 2018, CB&I submitted its Exhaustive Statement of Counterclaim further increasing its claims to approximately USD\$129 millions and COP\$432,303 millions (including in each case interest), and also filed its Exhaustive Statement of Defense to Reficar's claims. On this same date, Reficar filed its Exhaustive Statement of Claim seeking, among others, USD\$ 139 millions for provisionally paid invoices under the Memorandum of Agreement ("MOA") and Project Invoicing Procedure ("PIP") Agreements and the EPC Contract.

On June 28, 2019, CB&I submitted its reply to the Non-Exhaustive Statement of Defense to Counterclaim increasing its claims to approximately USD\$137 millions and COP\$503,241 millions (including in each case interest, respectively). On this same date, Reficar filed its Reply to CB&I's Non-Exhaustive Statement of Defense and its

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Exhaustive Statement of Defense to CB&I's counterclaim, updating its claim for provisionally paid invoices under the MOA and PIP Agreements and the EPC Contract to approximately USD\$137 millions.

In January 2020, McDermott International Inc., CB&I's parent company, filed for bankruptcy and announced that it would initiate a reorganization plan pursuant to Chapter 11 of the United States Bankruptcy Law. In response to this situation, Reficar has implemented actions to protect its interests and is advised by a group of experts with whom it will continue to analyse other available measures under these new circumstances. The oral hearing was scheduled to begin in April 2020, but the arbitration was stayed, as described below. After the hearing, the Tribunal will analyse the parties' arguments to render its final decision on Reficar's and CB&I's claims. Until the Tribunal renders its final decision, the outcome of this arbitration is unknown.

On January 21, 2020, Comet II B.V., the successor in interest to Chicago Bridge & Iron Company N.V., commenced a bankruptcy case under title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of Texas. Upon the bankruptcy filing, an automatic stay of the commencement or continuation of any action or proceeding, or the enforcement of any judgment or award, against Comet II B.V. became effective, staying the arbitration against Comet II B.V. On January 23, 2020, Comet II B.V. obtained an order from the Bankruptcy Court permitting it to, in its discretion, modify the automatic stay to permit it to proceed with litigation or other contested matters. On March 14, 2020, the Bankruptcy Court entered an order confirming a plan of reorganization, and the order provides for the stay against the arbitration to end upon the earlier of the effective date of the plan and August 30, 2020.

In respect of the arbitration involving Reficar, the confirmation order provides that the proper forum for adjudication of the merits of the arbitration is the International Chamber of Commerce tribunal, the arbitration claims will not be subject to estimation in the Bankruptcy Court, and the stay will not be violated if the parties discuss logistical items with the International Chamber of Commerce tribunal or each other. The order reserves all rights and arguments of the parties related to the arbitration schedule, hearing location, and arbitration logistics and also recognizes that, without waiving any arguments, including but not limited to the Debtors' objections to alternative hearing locations and long gap(s) between hearing dates, lifting the stay on August 30, 2020 provides sufficient time to commence hearings on or after December 7, 2020.

21. Equity

21.1 Subscribed and paid-in capital

Ecopetrol's authorized capital is \$36,540,000, and is divided in 60,000,000,000 ordinary shares, of which 41,116,694,690 have been subscribed, represented by 11.51% (4,731,906,273 shares) of non-government entities and people, and 88.49% (36,384,788,417 shares) held by Government entities. The value of the reserve shares amounts to \$11,499,933 comprised by 18,883,305,310 shares. As at March 31, 2020 and December 31, 2019, subscribed and paid-in capital is \$25,040,067. There are no potentially dilutive instruments.

21.2 Additional and paid-in capital

It mainly corresponds to: (i) surplus with respect to its nominal value derived from the sale of shares upon capitalization in 2007, for \$4,457,997, (ii) \$31,377 the value generated by the process of placing the shares on the secondary market, arising from the calling of guarantees from debtors in arrears, according to the provisions of Article 397 of the Code of Commerce, (iii) surplus over nominal value arising from the sale of shares awarded in the second round, which took place in September 2011, in the amount of \$2,118,468, and (iv) additional paid-in capital receivable of \$(143).

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21.3 Equity reserves

	March 31, 2020	December 31, 2019
	(Unaudited)	
Legal reserve	4,568,980	3,243,832
Fiscal and statutory reserves	509,082	509,082
Occasional reserves	4,557,074	31,744
Total	9,635,136	3,784,658

The movement of the equity reserves is the following:

	March 31, 2020	December 31, 2019
	(Unaudited)	
Opening balances	3,784,658	5,138,895
Release of reserves	(540,826)	(3,050,703)
Appropriation of reserves	6,391,304	5,355,852
Dividends decreed	-	(3,659,386)
Closing balance	9,635,136	3,784,658

21.4 Retained earnings and payment of dividends

The Group distributes dividends based on Ecopetrol's separate financial statements prepared under International Financial Reporting Standards accepted in Colombia (NCIF, as its acronym in Spanish).

The General Assembly of Shareholders of Ecopetrol S.A. made on March 27, 2020, decreed dividends on the profit for 2019, for a value of \$7,401,005 (\$9,251,256 in 2019).

21.5 Other comprehensive income

The following is the composition of the other comprehensive results attributable to the shareholders of the parent company, net of deferred income tax:

	March 31, 2020	December 31, 2019
	(Unaudited)	
Foreign currency translation (1)	18,609,163	10,481,512
Hedges of a net investment in a foreign operation	(4,713,966)	(1,130,583)
Gain on defined benefit obligation	(2,743,389)	(2,357,210)
Cash flow hedging - Future crude oil exports	(1,136,779)	(535,163)
Cash flow hedging - Derivative financial instruments	(122,225)	3,689
Others	1,899	1,899
	9,894,703	6,464,144

(1) It includes the foreign currency translation of \$ 2,567 from the impairment of the investment in Offshore International Group.

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22. Ordinary activities income

	Three-month period ended March 31	
	2020	2019
	(Unaudited)	
National sales		
Mid-distillates	3,184,813	3,011,229
Gasoline and turbo fuel	2,293,647	2,058,226
Services	940,865	992,407
Natural gas	782,520	531,195
Plastic and rubber	174,771	181,604
Asphalts	136,140	98,350
LPG and propane	94,151	110,336
Crudes	69,580	117,543
Aromatics	57,753	68,186
Polyethylene	43,443	48,023
Fuel oil	18,017	9,391
Other income – Gas contracts (1)	27,648	11,420
Other products	152,323	141,678
	7,975,671	7,379,588
Recognition of price differential (2)	(83,759)	442,367
	7,891,912	7,821,955
Foreign sales		
Crudes	5,659,717	6,485,290
Diesel	716,852	734,461
Plastic and rubber	325,841	304,908
Fuel oil	260,067	471,906
Gasoline and turbo fuels	-	307,504
Natural gas	5,526	10,550
LPG and propane	4,494	4,509
Cash flow hedging – Reclassification to profit or loss (Note 27.3)	(127,743)	(338,180)
Other products	335,300	139,717
	7,180,054	8,120,665
	15,071,966	15,942,620

- (1) Corresponds to the revenue on the participation in the profits of gas sales, in compliance with the agreement signed between Ecopetrol and Chevron in 2004, for the extension of the association agreement for the gas exploitation in Guajira.
- (2) Corresponds to the application of Decree 180522 of March 29, 2010, and other standards that modify and add (Decree 1880 of 2014 and Decree 1068 of 2015), which establishes the procedure to recognize the subsidy for refiners and importers of ordinary motor gasoline and ACPM, and the methodology for calculating the net position (value generated between the parity price and the regulated price, which can be positive or negative).

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23. Cost of sales

	Three-month period ended March 31	
	2020	2019
Variable costs		
Imported products (1)	3,214,701	3,420,282
Depreciation, depletion and amortization	1,455,085	1,299,315
Purchases of crude in associations and concessions	1,172,776	920,159
Hydrocarbon purchases - ANH (2)	961,357	1,277,662
Electric energy	322,687	200,349
Processing materials	219,788	242,852
Hydrocarbons transportation services	210,347	181,414
Gas royalties in cash	200,870	128,533
Purchases of other products and gas	193,851	113,146
Services contracted in association	75,846	86,198
Others (3)	123,713	(453,388)
	8,151,021	7,416,522
Fixed cost		
Depreciation and amortization	697,685	671,430
Labour costs	600,310	543,813
Maintenance	592,684	560,242
Services contracted	424,343	373,544
Services contracted in associations	359,717	260,700
Taxes and contributions	175,106	131,770
Materials and operating supplies	128,399	129,054
Hydrocarbon transport services	104,941	62,410
General costs	52,617	84,674
	3,135,802	2,817,637
	11,286,823	10,234,159

- (1) The imported products correspond mainly to ACPM and diluent to facilitate the transport of heavy crude oil.
- (2) It corresponds to the purchases of crude oil from royalties that Ecopetrol makes to the National Agency of Hydrocarbons (ANH) derived from the national production.
- (3) Corresponds to capitalization to inventories, since the cost concepts are initially recognized at 100% of their value incurred.

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24. Administrative, operation and project expenses

	Three-month period ended March 31	
	2020	2019
	(Unaudited)	
Administration expenses		
Labour expenses	258,175	189,221
General expenses	239,294	150,145
Taxes	24,869	16,784
Depreciation and amortization	18,271	10,853
	<u>540,609</u>	<u>367,003</u>
Operation and project expenses		
Commissions, fees, freights and services	161,110	110,668
Taxes	117,830	95,644
Labour expenses	83,115	86,783
Depreciation and amortization	58,570	9,119
Exploration expenses	37,649	61,413
Fee for regulatory entities	26,280	10,894
Maintenance	24,143	6,715
Various	10,063	56,735
Corporate projects	-	(27,522)
	<u>518,760</u>	<u>410,449</u>

25. Other operating income, net

	Three-month period ended March 31	
	2020	2019
	(Unaudited)	
Provisions (expenses) recoveries	(33,717)	(16,735)
Loss on sale of assets	(4,722)	(35,387)
Expense of impairment of current assets	(668)	(20,048)
Other income	19,545	96,360
	<u>(19,562)</u>	<u>24,190</u>

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26. Financial result, net

	Three-month period ended March 31,	
	2020	2019
	(Unaudited)	
Finance income		
Result from financial assets	264,479	141,234
Yields and interests	88,086	128,666
Dividends	22	22
Other financial income	9,414	7,586
	<u>362,001</u>	<u>277,508</u>
Financial expenses		
Interest (1)	(485,456)	(451,960)
Results from financial assets	(276,477)	(57,507)
Financial cost of long-term liabilities (2)	(213,708)	(188,921)
Other financial expenses	(38,566)	(7,952)
	<u>(1,014,207)</u>	<u>(706,340)</u>
Foreign exchange loss, net	<u>(13,390)</u>	<u>42,884</u>
	<u>(665,596)</u>	<u>(385,948)</u>

- (1) As of March 31 2020, interest were capitalized for \$63,806 (2019 - \$58,527) in natural resources and property, plant and equipment.
- (2) It includes the financial expense for the updating of the liability for abandonment costs, and the net interest of post-employment benefits and other long-term employee benefits.

27. Risk management

27.1 Market risk

As of December 2019, a new class of coronavirus called COVID-19 appeared in China and has spread very rapidly throughout the world during 2020, leaving a significant number of infected people in the first quarter. The measures adopted by governments to contain the virus have affected economic activities, since they have been forced to decree mandatory isolation, which includes limitations on the movement of people, flight restrictions and other forms of displacement, temporary closure of businesses and educational centres and cancellation of events.

This situation has significantly affected the world economy, reflecting its impact on the demand for goods and services, on exchange rates, interest rates, volatility on the stock exchanges, reference prices and other economic indicators.

The previous context, added to the disagreement that arose in March between the members of the Organization of the Petroleum Exporting Countries (OPEC) and Russia to maintain production cuts, have affected the industry and therefore impacted the international oil price (Brent) and the refined products, on which the Group's business depends substantially.

On March 16, 2020, the Group announced a set of activities in order to face the challenging market conditions and the associated risks, the first stage of this plan included the following actions:

- Cut \$ 2 billion pesos in costs and expenses to increase the Group's competitiveness, including an austerity plan, priority of operational and administrative activities, and control over operating expenses, such as travel restrictions, sponsorships and participation in events.

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- Implementation of new commercial strategies to maximize the value of crude oils and products of Ecopetrol Group.
- Decrease of USD \$ 1.2 billion of the investment plan for 2020. The new range of investment corresponds to USD \$ 3.3 - 4.3 billion. The actions adopted aim to intervene in investment opportunities in the early stages, seeking to preserve production and cash flow and maintain the integrity and reliability of investments, including the commitments of social investment already assumed.
- Regarding to the profit distribution project released on March 2, the Board of Directors proposed a new payment scheme: a first payment of 100% of the dividend to minority shareholders and 14% of the dividend to the majority shareholder, made on April 23, 2020, and the payment of the remaining 86% of the dividend to the majority shareholder, in the second half of 2020.

To mitigate the risks associated with the Group's liquidity, i) Ecopetrol used the financing lines for USD \$ 665 millions during the month of April 2020 and ii) issued external public debt bonds in international capital markets for USD \$ 2,000 millions. (see Note 30 - Subsequent events).

On the other hand, an impairment was recognized as of March 2020 considering a preliminary analysis that the Group has done and limited to the impact on the main long-term assets (considering some productive assets in the exploration and production segment and in Refinería de Cartagena). This recognition considers the best information available, as a result of the new events determined above and after adjusting some of the assumptions (prices and discount rates) that were used in the assessment carried out on December 31, 2019. (See Note 16 - Impairment of long-term assets).

The Group will continue to monitor the evolution of the market to determine the need to implement subsequent stages of the intervention plan, considering that the final effects and the duration of this situation will depend on future developments, which are highly uncertain and cannot be predicted. Likewise, the Ecopetrol will be reviewing the impairment indicators on the long-term assets and on companies of the Group, carrying out quantitative analyses in the cases that they required. Likewise, Ecopetrol will continue assessing possible difficulties in other issues such as: recognition of income, impairment of accounts receivable, reserves, abandonment provisions, inventories, joint agreements, among others.

27.2 Exchange rate risk

The Business Group mainly operates in Colombia and makes sales in the local and international markets, for this reason, it is exposed to the exchange rate risk. The impact of fluctuations in exchange rates, especially pesos/US dollars, on operations has been material.

As of March 31, 2020, the Colombian peso depreciated by 7% from a closing rate at December 31, 2019 of \$3,277.14 to \$4,054.54 pesos per dollar.

When peso depreciates, export revenues, when converted into pesos, increase, and imports and servicing of external debt become more expensive.

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The following table shows the balance of financial assets and liabilities with exchange exposure:

(USD\$ Millions)	March 31, 2020	December 31, 2019
	(Unaudited)	
Cash and cash equivalents	442	114
Other financial assets	906	1,468
Trade receivables and payables, net	(181)	81
Loans and borrowings	(9,488)	(9,429)
Other assets and liabilities, net	67	64
Net liability position	(8,254)	(7,702)

Of the total net position, US \$ (8,246) millions correspond to net liabilities of companies with Colombian peso as functional currency, of which US \$ (8,231) correspond to loans used as cash flow hedging instruments whose valuation is recognized in other comprehensive income, the valuation for difference in exchange for the remaining net assets for US\$ (16) millions affects the result for the year. Likewise, US\$ (8) millions of the net position correspond to monetary assets and liabilities of Group companies with a functional currency different from the Colombian peso, whose valuation is recognized in profit or loss for the year.

27.3 Sensitivity analysis for exchange rate risk

The following is the effect that a variation of 1% and 5% in the Colombian peso exchange rate would have on the United States dollar, related to the exposure of financial assets and liabilities in foreign currency as of March 31, 2020:

Scenario/ variation in the exchange rate	Effect on income before taxes (+/-)	Effect on other comprehensive income (+/-)
1%	(948)	(333,714)
5%	(4,739)	(1,668,570)

27.4 Cash flow hedge for future exports

With the objective of presenting in the financial statements the effect of the natural hedge between exports and debt, understanding that the exchange rate risk materializes when the exports are made, on September 30, 2015, the Board of Directors designated US\$5,440 millions of Ecopetrol's debt as hedge instrument of its future export sales for the period 2015- 2023, in accordance with IFRS 9 – Financial Instruments.

In accordance with Resolution 509 of 2015 of the General Accounting Office of the Nation, this accounting policy for recognition of hedges was adopted by Ecopetrol as of January 1, 2015.

The following is the movement of this non-derivative hedging instrument:

(USD\$ Millions)	March 31, 2020	December 31, 2019
	(Unaudited)	
Opening balance	1,300	1,300
Reassignment of hedging instruments	4,627	5,551
Realized exports	(4,627)	(5,551)
Closing balance	1,300	1,300

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The following is the movement in the other comprehensive income:

	March 31, 2020	December 31, 2019
	(Unaudited)	
Opening balance	535,163	1,203,461
Exchange difference	1,010,620	35,607
Realized exports (Note 22)	(127,743)	(1,028,516)
Ineffectiveness	(12,409)	(5,173)
Deferred tax	(268,852)	329,784
Closing balance	1,136,779	535,163

The expected reclassification of exchange differences accumulated in other comprehensive income to profit or loss is as follows:

Year	Before taxes	Taxes	After taxes
2020 (Apr - Dec)	348,841	(111,629)	237,212
2021	469,089	(145,418)	323,671
2022	469,089	(140,727)	328,362
2023	357,768	(110,234)	247,534
	1,644,787	(508,008)	1,136,779

27.5 Hedge of a net investment in a foreign operation

The Board of Directors approved the application of hedge accounting of net investment from June 8, 2016. The measure seeks to reduce the volatility of non-operating income due to the exchange difference. The hedge of a net investment applies to a portion of the investments the Company has in foreign currency, in this case in subsidiaries with the US dollars as their functional currency, using as hedging instrument a portion of the Company's debt denominated in U.S. dollars.

Ecopetrol designated as hedged items its net investments in Oleoducto Central S.A. (Ocensa), Ecopetrol América LLC., Hocol Petroleum Ltd. (HPL) and Refinería de Cartagena S.A.S. (Reficar); and as a hedging instrument a portion of its debt denominated in US dollars in a total amount equivalent to US \$5,200 millions. During 2019 and 2020 Ecopetrol S.A. extended the hedge for USD \$ 1,731 millions including the investments in Ecopetrol Permian LLC and Ecopetrol Brasil as hedged object and adding a greater amount in Reficar. The total value hedged as of March 31, 2020 is USD \$ 6,931 millions.

The following is the movement in the other comprehensive income:

	March 31, 2020	December 31, 2019
	(Unaudited)	
Opening balance	1,130,583	1,069,316
Exchange difference	5,119,119	87,524
Deferred tax	(1,535,736)	(26,257)
Closing balance	4,713,966	1,130,583

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27.6 Capital Management

The main objective of Ecopetrol's Capital Management is to ensure a financial structure that will optimize the Company's cost of capital, maximize the returns to its shareholders and allow access to financial markets at a competitive cost to cover its financing needs.

The following is the leverage index over the periods reported:

	March 31, 2020	December 31, 2019
	(Unaudited)	
Loans and borrowings (Note 17)	46,454,810	38,239,139
Cash and cash equivalents (Note 6)	(8,797,176)	(7,075,758)
Other financial assets (Note 9)	(2,934,057)	(4,979,292)
Net financial debt	34,723,577	26,184,089
Equity (Note 21)	56,379,928	60,344,122
Leverage (1)	38.11%	30.26%

(1) Net financial debt / (Net financial debt + Equity)

28. Related parties

The balances with associated companies and joint ventures as of March 31, 2019 and December 31, 2019 are as follows:

	Accounts receivable	Loans receivable	Other assets	Accounts payable	Loans payable	Other liabilities
Joint ventures						
Equion Energía Limited (1)	16,797	-	13,482	100,298	1,410,218	785
Ecodiesel Colombia S.A.	9,880	-	-	39,701	-	3
Offshore International Group Inc (2)	-	117,080	-	-	-	-
Associates						
Serviport S.A.	-	-	-	4,571	-	-
Balance as of March 31, 2020 (Unaudited)	26,677	117,080	13,482	144,570	1,410,218	788
Current	26,677	117,080	13,482	144,570	1,410,218	788
Non-current	-	-	-	-	-	-
	26,677	117,080	13,482	144,570	1,410,218	788
	(Note 7)	(Note 7)	(Note 11)	(Note 18)	(Note 17)	
	Accounts receivable	Loans receivable	Other assets	Accounts payable	Loans payable	Other liabilities
Joint ventures						
Equion Energía Limited (1)	25,333	-	57,016	153,501	1,108,403	794
Ecodiesel Colombia S.A.	2,116	-	-	29,447	-	1
Offshore International Group Inc (2)	-	93,657	-	-	-	-
Associates						
Serviport S.A.	-	-	-	4,668	-	-
Balance as of December 31, 2019	27,449	93,657	57,016	187,616	1,108,403	795
Current	27,449	-	57,016	187,616	1,108,403	795
Non-current	-	93,657	-	-	-	-
	27,449	93,657	57,016	187,616	1,108,403	795

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Loans payable:

(1) Equion: Deposits held by Equion in Ecopetrol Capital AG.

Loans receivable:

(2) Savia Perú S.A.: Loan granted by Ecopetrol S.A.

The main transactions with related parties for the three-month periods ended March 31 are detailed as follows:

	2020		2019	
	Sales and Services	Purchases of product and other	Sales and Services	Purchases of product and other
	(Unaudited)		(Unaudited)	
Joint Ventures				
Equion Energía Limited	16,701	118,479	251,919	142,581
Ecodiesel Colombia S.A.	1,792	73,852	1,326	64,076
Offshore International Group Inc	1,093	-	900	-
	<u>19,586</u>	<u>192,331</u>	<u>254,145</u>	<u>206,657</u>

29. Segments information

The description of the business segments can be seen in Note 4.19 of the consolidated financial statements as of December 31, 2019.

The following segment information is reported based on the information used by the Board of Directors, as the top party responsible for strategic and operational decisions of these business segments. The performance of the segments is based primarily on an analysis of income, costs, expenses and results for the period generated by each segment, which are regularly monitored.

The information disclosed in each segment is presented net of transactions among the Ecopetrol Business Group.

29.1 Statement of profit or loss by segment

The following presents the consolidated statement of profit and loss by segment for the periods of three months ended March 31, 2020 and 2019:

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	Three-month period ended March 31, 2020 (Unaudited)				
	Exploration and Production	Refining and Petrochemicals	Transportation and Logistics	Eliminations	Total
Revenue	6,421,748	7,850,453	773,583	26,182	15,071,966
Revenue inter segments	4,061,733	437,289	2,410,910	(6,909,932)	-
Total revenue	10,483,481	8,287,742	3,184,493	(6,883,750)	15,071,966
Costs of sales	(8,936,273)	(8,231,193)	(891,899)	6,772,542	(11,286,823)
Gross Profit	1,547,208	56,549	2,292,594	(111,208)	3,785,143
Administration expenses	(351,579)	(147,216)	(91,454)	49,640	(540,609)
Operation and projects expenses	(246,396)	(244,480)	(89,316)	61,432	(518,760)
Impairment of non-current assets	(518,173)	(689,781)	13	-	(1,207,941)
Other operating income and (expenses), net	(30,729)	1,385	9,795	(13)	(19,562)
Operating income	400,331	(1,023,543)	2,121,632	(149)	1,498,271
Financial result, net					
Financial income	364,315	26,550	50,157	(79,021)	362,001
Financial expenses	(714,572)	(285,663)	(93,142)	79,170	(1,014,207)
Foreign exchange (loss) gain, net	199,057	(854,833)	642,386	-	(13,390)
	(151,200)	(1,113,946)	599,401	149	(665,596)
Share of profit of associates and joint ventures	(51,315)	50,719	(13)	-	(609)
Income before tax	197,816	(2,086,770)	2,721,020	-	832,066
Income tax	(48,305)	511,718	(815,331)	-	(351,918)
Net profit for the period	149,511	(1,575,052)	1,905,689	-	480,148
Net profit attributable to:					
Group owners of parent	170,723	(1,611,683)	1,573,854	-	132,894
Non-controlling interest	(21,212)	36,631	331,835	-	347,254
	149,511	(1,575,052)	1,905,689	-	480,148
Supplementary information					
Depreciation, depletion and amortization	1,510,053	1,040,991	939,014	-	3,490,058
Impairment of non-current assets	518,173	689,781	(13)	-	1,207,941

	Three-month period ended March 31, 2019 (Unaudited)				
	Exploration and Production	Refining and Petrochemicals	Transportation and Logistics	Eliminations	Total
Revenue	6,934,580	8,107,187	917,500	(16,647)	15,942,620
Revenue inter segments	4,662,675	444,863	2,134,500	(7,242,038)	-
Total revenue	11,597,255	8,552,050	3,052,000	(7,258,685)	15,942,620
Costs of sales	(8,174,786)	(8,499,137)	(811,967)	7,251,731	(10,234,159)
Gross Profit	3,422,469	52,913	2,240,033	(6,954)	5,708,461
Administration expenses	(181,269)	(107,056)	(80,877)	2,199	(367,003)
Operation and projects expenses	(211,124)	(156,480)	(47,261)	4,416	(410,449)
Other operating income and (expenses), net	2,272	(29,505)	134,960	(81,990)	25,737
Operating income	3,032,348	(240,128)	2,246,855	(82,329)	4,956,746
Financial result, net					
Financial income	251,855	20,391	125,414	(120,152)	277,508
Financial expenses	(189,340)	(345,629)	(251,513)	80,142	(706,340)
Foreign exchange (loss) gain, net	(79,859)	167,844	(45,101)	-	42,884
	(17,344)	(157,394)	(171,200)	(40,010)	(385,948)
Share of profit of associates and joint ventures	36,696	2,597	(636)	122,337	160,994
Income before tax	3,051,700	(394,925)	2,075,019	(2)	4,731,792
Income tax	(1,016,620)	26,419	(683,155)	-	(1,673,356)
Net profit for the period	2,035,080	(368,506)	1,391,864	(2)	3,058,436
Net profit attributable to:					
Group owners of parent	2,050,282	(368,413)	1,062,668	(2)	2,744,535
Non-controlling interest	(15,202)	(93)	329,196	-	313,901
	2,035,080	(368,506)	1,391,864	(2)	3,058,436
Supplementary information					
Depreciation, depletion and amortization	1,348,246	345,916	296,555	-	1,990,717

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29.2 Sales by product

	Three-month period ended March 31, 2020 (Unaudited)				
	Exploration and Production	Refining and Petrochemicals	Transportation and Logistics	Eliminations	Total
National Sales					
Mid-distillates	-	3,187,608	-	(2,795)	3,184,813
Gasoline and turbo fuels	-	2,658,128	-	(364,481)	2,293,647
Services	40,320	147,501	3,184,476	(2,431,432)	940,865
Natural gas	846,686	116,356	-	(180,522)	782,520
Plastic and rubber	-	174,771	-	-	174,771
Asphalts	5,613	130,527	-	-	136,140
LPG and propane	60,712	33,439	-	-	94,151
Crudes	3,943,187	-	-	(3,873,607)	69,580
Aromatics	-	57,753	-	-	57,753
Polyethylene	-	43,443	-	-	43,443
Other income – Gas contracts	27,648	-	-	-	27,648
Aromatics	1,903	16,114	-	-	18,017
Other products	7,929	175,307	-	(30,913)	152,323
	4,933,998	6,740,947	3,184,476	(6,883,750)	7,975,671
Recognition of price differential	-	(83,759)	-	-	(83,759)
	4,933,998	6,657,188	3,184,476	(6,883,750)	7,891,912
Foreign sales					
Crudes	5,659,688	29	-	-	5,659,717
Diesel	-	716,852	-	-	716,852
Plastic and rubber	-	325,841	-	-	325,841
Fuel oil	-	260,067	-	-	260,067
Natural gas	5,526	-	-	-	5,526
LPG and propane	4,494	-	-	-	4,494
Cash flow hedging – Reclassification to profit or loss (Note 27)	(127,743)	-	-	-	(127,743)
Other products	7,518	327,765	17	-	335,300
	5,549,483	1,630,554	17	-	7,180,054
	10,483,481	8,287,742	3,184,493	(6,883,750)	15,071,966

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	Three-month period ended March 31, 2019 (Unaudited)				
	Exploration and Production	Refining and Petrochemicals	Transportation and Logistics	Eliminations	Total
National Sales					
Mid-distillates	-	3,033,810	-	(22,581)	3,011,229
Gasoline and turbo fuels	-	2,425,471	-	(367,245)	2,058,226
Services	50,789	60,471	3,051,988	(2,170,841)	992,407
Natural gas	682,025	-	-	(150,830)	531,195
Plastic and rubber	-	181,604	-	-	181,604
Crudes	4,625,288	-	-	(4,507,745)	117,543
LPG and propane	51,218	59,118	-	-	110,336
Asphalts	6,217	92,133	-	-	98,350
Aromatics	-	68,186	-	-	68,186
Polyethylene	-	48,023	-	-	48,023
Other income – Gas contracts	11,420	-	-	-	11,420
Fuel Oil	271	9,120	-	-	9,391
Other products	2,518	178,603	-	(39,443)	141,678
	5,429,746	6,156,539	3,051,988	(7,258,685)	7,379,588
Recognition of price differential	-	442,367	-	-	442,367
	5,429,746	6,598,906	3,051,988	(7,258,685)	7,821,955
Foreign sales					
Crudes	6,485,290	-	-	-	6,485,290
Diesel	-	734,461	-	-	734,461
Fuel oil	-	471,906	-	-	471,906
Gasoline and turbo fuels	-	307,504	-	-	307,504
Plastic and rubber	-	304,908	-	-	304,908
Natural gas	10,550	-	-	-	10,550
LPG and propane	4,509	-	-	-	4,509
Cash flow hedging – Reclassification to profit or loss (Note 27)	(338,180)	-	-	-	(338,180)
Other products	5,340	134,365	12	-	139,717
	6,167,509	1,953,144	12	-	8,120,665
	11,597,255	8,552,050	3,052,000	(7,258,685)	15,942,620

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30. Subsequent events (Unaudited)

New business Hocol S.A

- On November 22, 2019 Hocol signed an agreement with Chevron Petroleum Company to acquire its participation in Chuchupa and Ballena fields in La Guajira Colombia. These fields are operated by Chevron through the association contract Guajira (57% Ecopetrol and 43% Chevron). Hocol acquired Chevron's participation (43%), and took the role of Operator as of May 1, 2020
- These fields currently have a daily gas production of 180 millions cubic feet.
- This transaction was approved by the Superintendence of Industry and Commerce (SIC) on April 2, 2020 according to the Resolution 12785 of 2020.

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- On April 15, 2020, Ecopetrol SA reported on the following financial operations: i) disbursement of the entire financing contingent line of USD \$ 665 millions, that corresponds to USD\$430 millions with Scotiabank and USD\$235 millions with Mizuho Bank, and ii) short-term loans with local and international entities for USD\$410 millions.
- On April 24, 2020, Ecopetrol issued external public debt bonds in the international capital market for up to USD\$2 billion with a term of 10 years and a coupon rate of 6,875% with the authorization granted by the Ministry of Finance and Public Credit. The book of the issue included i) more than USD5billion, which is equivalent to 2.5 times of the offered value and ii) the participation of more than 250 investors from United States of America, Europe, Asia and Latin America. The date of this issue was April 27, 2020 and the resources related to the operation entered in Ecopetrol on April 29.

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Exhibit 1 - Consolidated companies, associates and joint ventures (Unaudited)

Company	Functional Currency	Ownership Interest Ecopetrol	Activity	Country/ Domicile	Geographic area of operations	Net equity	Profit (loss) for the period	Total Assets	Total Liabilities
Subsidiaries									
Refinería de Cartagena S.A.S.	U.S. Dollar	100%	Hydrocarbons refining, marketing and distribution	Colombia	Colombia	21,695,230	(957,466)	32,884,296	11,189,066
Cenit transporte y logística de hidrocarburos S.A.S.	Colombian Peso	100%	Storage and transportation through hydrocarbon pipelines	Colombia	Colombia	13,616,657	1,601,007	16,655,146	3,038,489
Ecopetrol Global Energy S.L.U.	U.S. Dollar	100%	Investment vehicle	Spain	Spain	11,062,122	(3,577)	11,065,015	2,893
Oleoducto Central S. A. - Ocesa	U.S. Dollar	72.65%	Pipeline transportation of crude oil	Colombia	Colombia	4,275,556	824,490	7,920,407	3,644,851
Hocol Petroleum Limited.	U.S. Dollar	100%	Investment vehicle	Bermuda	Bermuda	3,905,720	92,588	3,906,059	339
Ecopetrol América LLC.	U.S. Dollar	100%	Hydrocarbons exploration and exploitation	United States of America	United States of America	3,133,223	214	3,690,706	557,483
Hocol S.A.	U.S. Dollar	100%	Hydrocarbons exploration and exploitation	Cayman Islands	Colombia	2,658,055	89,691	3,876,413	1,218,358
Esenttia S.A.	U.S. Dollar	100%	Commercialization polypropylene resins	Colombia	Colombia	2,055,224	57,905	2,568,107	512,883
Ecopetrol Capital AG	U.S. Dollar	100%	Collection of surpluses from, and providing funds to, companies of the Ecopetrol Business Group	Switzerland	Switzerland	2,058,555	36,393	8,666,684	6,608,129
Oleoducto Bicentenario de Colombia S.A.S.	Colombian Peso	55.97%	Pipeline transportation of crude oil	Colombia	Colombia	1,444,325	37,209	3,731,509	2,287,184
Andean Chemicals Ltd.	U.S. Dollar	100%	Investment vehicle	Bermuda	Bermuda	1,470,521	12,622	1,471,068	547
Oleoducto de los Llanos Orientales S. A. - ODL	Colombian Peso	65%	Pipeline transportation of crude oil	Panama	Colombia	919,141	122,302	1,745,481	826,340
Inversiones de Gases de Colombia S.A. Invercolsa S.A.	Colombian Peso	51.88%	Holding with investments in transportation and distribution companies of natural gas and LPG in Colombia	Colombia	Colombia	753,638	67,307	1,455,570	701,932
Black Gold Re Ltd.	U.S. Dollar	100%	Reinsurer of Ecopetrol and its subsidiaries	Bermuda	Bermuda	933,409	1,289	1,059,410	126,001
Oleoducto de Colombia S. A. - ODC	Colombian Peso	73%	Pipeline transportation of crude oil	Colombia	Colombia	340,601	96,005	763,694	423,093
Bioenergy S. A. S.	Colombian Peso	99.61%	Biofuels production	Colombia	Colombia	36,684	(10,072)	193,972	157,288

Ecopetrol S.A.

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(Figures expressed in millions of Colombian pesos, unless otherwise stated)

Company	Functional Currency	Ownership Interest Ecopetrol	Activity	Country/ Domicile	Geographic area of operations	Net equity	Profit (loss) for the period	Total Assets	Total Liabilities
Ecopetrol USA Inc.	U.S. Dollar	100%	Hydrocarbons exploration and exploitation	United States of America	United States of America	9,259,259	18,368	9,259,259	-
Ecopetrol Permian LLC.	U.S. Dollar	100%	Hydrocarbons exploration and exploitation	United States of America	United States of America	4,243,968	(6,653)	4,370,343	126,375
Ecopetrol Oleo é Gas do Brasil Ltda.	Real	100%	Hydrocarbons exploration and exploitation	Brazil	Brazil	1,696,931	(17,271)	1,888,174	191,243
Esenttia Masterbatch Ltda.	Colombian Peso	100%	Manufacture of polypropylene compounds and masterbatches	Colombia	Colombia	218,896	63,295	358,612	139,716
Bioenergy Zona Franca S. A. S.	Colombian Peso	99.61%	Biofuels production	Colombia	Colombia	(82,375)	7,190	367,830	450,205
Ecopetrol del Perú S. A.	U.S. Dollar	100%	Hydrocarbons exploration and exploitation	Peru	Peru	62,198	(38)	64,911	2,713
ECP Hidrocarburos de México S.A. de C.V.	U.S. Dollar	100%	Offshore exploration	Mexico	Mexico	42,035	(4,190)	59,008	16,973
Ecopetrol Costa Afuera S.A.S.	Colombian Peso	100%	Offshore exploration	Colombia	Colombia	11,389	(819)	34,852	23,463
Ecopetrol Energía S.A.S E.S.P.	Colombian Peso	100%	Energy supply service	Colombia	Colombia	8,770	1,365	126,588	117,818
Esenttia Resinas del Perú SAC	U.S. Dollar	100%	Commercialization polypropylene resins and masterbatches	Peru	Peru	6,264	235	37,802	31,538
Ecopetrol Germany GmbH (1)	U.S. Dollar	100%	Hydrocarbons exploration and exploitation	Germany	Angola	2,824	-	2,824	-
Topili Servicios Administrativos S de RL De CV.	Mexican Peso	100%	Specialized management services	Mexico	Mexico	52	(4)	59	7
Kalixpan Servicios Técnicos S de RL De CV.	Mexican Peso	100%	Specialized services related to oil and gas industry	Mexico	Mexico	(7)	(3)	1	8

(1) Company in liquidation process.

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Company	Functional Currency	Ownership Interest Ecopetrol	Activity	Country/ Domicile	Geographic area of operations	Net equity	Profit (loss) for the period	Total Assets	Total Liabilities
Associates									
Serviport S.A. (2)	Colombian Peso	49%	Services for oil-vessel loading and unloading support; supply of equipment for the same purpose; technical inspections and loading measurements	Colombia	Colombia	22,567	2,037	61,913	39,346
Sociedad Portuaria Olefinas y Derivados S.A. (3)	Colombian Peso	50%	Construction, use, maintenance, adaptation and administration of ports and private or public docks facilities	Colombia	Colombia	3,992	122	6,921	2,929
Joint ventures									
Equion Energía Limited	U.S. Dollar	51%	Hydrocarbons exploration and exploitation	United Kingdom	Colombia	2,735,679	(92,194)	3,171,125	435,446
Offshore International Group Inc. (3)	U.S. Dollar	50%	Hydrocarbons exploration and exploitation	United States of America	Peru	898,675	(8,593)	2,122,706	1,224,031
Ecodiesel Colombia S.A. (3)	Colombian Peso	50%	Production, commercialization and distribution of biofuels and oleochemicals	Colombia	Colombia	81,109	6,952	160,415	79,306

(2) Information available as of November 30, 2019. Financial statements of Invercolsa are consolidated and the investment in Serviport is totally impaired.

(3) Information available as of February 29, 2020.