



Announcement of Periodic Review: Moody's Ratings announces completion of a periodic review of ratings of Ecopetrol S.A.

24 Feb 2025

New York, February 24, 2025 -- Moody's Ratings (Moody's) has completed a periodic review of the ratings of Ecopetrol S.A. and other ratings that are associated with this issuer.

The review was conducted through a rating committee held on 18 February 2025 in which we reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), and recent developments.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Please see the Issuer page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

Key Rating considerations and rationale are summarized below.

Ecopetrol's Ba1 ratings reflect the company's status as Colombia's leading oil and gas producer, accounting for about 60% of the country's production and 100% of oil product supply, as well as its large power transmission business in Colombia and other countries in Latin America. Furthermore, we assume high probability of support from the Government of Colombia (Baa2 negative) and a moderate default dependence between the two entities; this assessment results in a three-notch uplift of Ecopetrol's rating to Ba1 from its b1 Baseline Credit Assessment (BCA), which reflects the company's intrinsic credit risk without support considerations.

Ecopetrol's b1 Baseline Credit Assessment (BCA) reflects the company's leverage, equivalent to 2.3x gross debt/EBITDA, its ambitious investment plan, and its aggressive financial policies regarding dividend distribution, as it has distributed a share above its policy range of 40-60%. These factors are partially mitigated by its increasing production and a reduction on receivables related to the fuel subsidies received from the Fondo de Estabilización de Precios de los Combustibles (FEPC),

supporting the company's liquidity.

Ecopetrol's liquidity position is good. During the 12-month period ending in September 2024, Ecopetrol registered a positive free cash flow of \$537 million and its cash position equaled \$4.5 billion. We expect that in 2025 the company's cash generation along with the Government's transfer to compensate fuel subsidies will be enough to cover mandatory cash obligations plus annual capital expenditures of about \$6.7 billion, as per management's guidance, and dividends. However, we expect that liquidity will be tight during the next two years per our expectations that capex will remain around \$6 billion, and if dividend distributions continue to outpace the policy range.

We expect Ecopetrol's financial obligations will continue to be supported by access to global and Colombian capital markets, and government support. Ecopetrol's Ba1 ratings also take into consideration the solid and relatively stable cash flow from its power transmission company, Interconexión Eléctrica S.A. E.S.P. (ISA) and its midstream subsidiary, Cenit SAS, which includes Oleoducto Central S.A.

The stable outlook on Ecopetrol's ratings reflects our view that its credit profile will remain mostly unchanged over the next 12-18 months.

Ecopetrol, 88.5% owned by the Government of Colombia, is the largest integrated oil and gas company in the country. The company has three business segments, namely hydrocarbons, energies for the transition and energy transmission and toll roads. Its gross production averaged close to 752 mboed and total assets amounted to COP \$76.6 billion on September, 2024.

ISA, headquartered in Medellín, Colombia, is an operating holding company with businesses in the electricity transmission, toll roads, telecommunications, and systems management sectors. The company holds direct and indirect ownership stakes in a portfolio of subsidiaries located in Colombia, Brazil, Peru, and Chile.

This document summarizes our view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodologies used for this review were Independent Exploration and Production published in December 2022 and Government-Related Issuers methodology published in January 2024. Please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

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