ECOPETROL GROUP CONFERENCE CALL 1Q 2020
OPERATIONAL AND FINANCIAL RESULTS

Operator: Good morning. My name is Anna and I will be your conference operator today. At this time, I would like to welcome everyone to the Ecopetrol's first quarter 2020 earnings conference call.

All lines have been silenced to avoid noise. After the speaker comments, there will be a Q&A section. You can send your questions throughout webcast. Please include your name and the name of your company. Thank you for your attention. Mr. Juan Pablo Crane will begin the conference today. Mr. Crane, you may begin your conference.

Juan Pablo Crane: Good morning everyone and welcome to Ecopetrol's earnings conference call and webcast, in which we will discuss the main operational and financial results of Ecopetrol for the first quarter of 2020.

Before we begin, it is important to take into account the legal disclosure specified in slide two. The call will be led by Mr. Felipe Bayon, CEO of Ecopetrol, who will be joined by Alberto Consuegra, COO; and Jaime Caballero, CFO. I will now hand over the presentation to Ecopetrol's CEO, Felipe Bayon.

Felipe Bayon: Thank you, Juan Pablo. And welcome everyone to this 2020 first quarter results conference call. I hope you and your families are safe in the midst of this complex and unprecedented situation that both Colombia and the world are facing and that has had significant health, economic and social implications.

Before presenting the quarterly operational and financial results, I would like to share with you some of the measures that, at the Ecopetrol group, we've implemented to address the Covid-19 health emergency.

Our employees are our most valuable assets and protecting their health is our top priority by ensuring safe operations. I would like to give you an overview of some of the measures that we have adopted.

First, we promptly implemented remote work, even prior to the authorities' declaration of the mandatory lockdown measures. Currently, out of the 13,000 employees that we have in the group, some 9,000 employees are working from home. This has been possible thanks to the digital transformation that we started some time ago, and that now provides us with the innovation and technology required to respond to this crisis. Between 15% and 20% of our employees continue to work on sites, and they follow strict safety protocols, anywhere from our production fields, the two refineries, the oil pipelines, the product pipelines and the ports. I want to make a special recognition to them today. Thanks to their effort, we have been able to ensure the continuity of our operations and the supply of crude and products to the country.

We have developed the concept of a minimum operating vital, through which we can determine exactly the number of people required for each area in the operation in order to guarantee that production and supply of fuel continues uninterrupted.

Across the group, we have joined our efforts in order to cope with this unprecedented health emergency. To date, we have allocated some COP 69 billion to social investment, mainly to support the strengthening of the healthcare system, and provide monetary aid and assistance to different regions across the country.

Esenttia, the only polypropylene producer in the country has prioritized its production to cover domestic market needs for raw material used in the manufacturing of essential products required by the health providers and food sectors. Also, Bioenergy delivers some 7,000 liters of antiseptic alcohol in the Department of Meta. The allocation of the social investment followed a strict, rigorous and defined guidelines, as well as the use of controlled processes for the verification and delivery.

Let's move on to the next slide.

These new market conditions have significantly impacted industry performance and results. We actually don't know how long the conditions will remain, and we have uncertainty at this point. When compared to previous crisis, this one finds the Ecopetrol Group in a stronger operational and financial position, with a profitable investment portfolio, and a level of leverage that provides the flexibility to navigate through this challenging environment.

During the first quarter of 2020, we saw a decline in Brent prices of more than 65% in comparison to year-end 2019. For the first quarter of 2020, the average Brent price was US $51 per barrel and reached a minimum level of US $22 per barrel at the end of the quarter. The measures taken across the countries to deal with the expansion of the pandemic resulted in a contraction of more than 6% in global demand for crude during the quarter, and a 22% decrease in domestic demand of our products as compared to year-end 2019.

By the end of the first quarter, the crude basket spread versus Brent was minus US $10.5 per barrel compared to a minus US $7.6 per barrel for the same period in 2019. On the other hand, by the weakening in refined products margins, the spread of our product basket showed a 39% improvement as compared to the first quarter of 2019. As we look forward, price levels will depend on the evolution of the pandemic and its effects on demand, as well as the impacts on the curtailments of production reported by OPEC. We consider as appropriate a short-term scenario of Brent prices between US $30 and US $40 per barrel.

Please let's move on to the next slide.

In order to address the drop in demand for crude and products, the Ecopetrol Group has optimized its logistics balance, the export levels, looked at the refining throughputs, as well as crude and fuel storage. Our sales and marketing strategy has been fundamental in order to place our crude and products in the market and has allowed us to anticipate the exports of crudes for the second quarter of 2020.

Storage has been another key contributor in supporting our activities to respond to the drop in demand. The group has currently storage capacity from a strategic point of view of 2.1 million barrels, in addition to the normal capacity required for our operation, and we are permanently assessing alternative floating and onshore storage should it be required.

In terms of domestic demand of refined products, we continue to work on managing optimal throughputs of our refineries and storage to guarantee the minimum levels of crude oil that are required to underpin our operation and ensure domestic supply.

Let's move on to the next slide.

In March, we announced an intervention plan that included a set of actions in four fronts: The first one, an increase in revenues; the second, reduction in cost and expenses; third, reduction in the investments plan; and the fourth, ensuring financing cash protection. In this first stage, we set a target that included a COP 2 trillion reduction in costs and expenses and a US $1.2 billion decrease in our 2020 investment plan. We also reached an agreement with our majority shareholder to pay 86% of its dividend during the second half of the year, in an effort to protect our cash position. We have already reached and exceeded these goals.

We have managed to identify Opex optimizations in the amount of COP3.5 trillion. In terms of capex, we will adjust our levels of investment to a range between US $2.5 billion and US $3 billion, assuming a price level between $30 and $40 per barrel of Brent. Furthermore, in order to maintain the company's liquidity position, we have raised successfully around US $3.1 billion in funding. In order to preserve the company's long-term value, we have maintained our investments in strategic projects which materially support production and reserves.

Please let's move on to the next slide.

On July 31, 2019, we announced strategic partnership with Oxy for the development of unconventionals in an area of approximately 97,000 net acres located in the Permian midland basin in the state of Texas in the US. We currently have four producing wells, and we have achieved the completion and fracturing of 18 additional wells for which drilling began in December last year, and that will come into production very soon.

We also defined the knowledge transfer plan for our group that includes secondees and that will help us strengthen our knowledge in the unconventional reservoirs. Furthermore, in conjunction with our partner and within the framework of the JV agreement, we established a technical and financial committee with the purpose of monitoring the operator's performance, reviewing and recommending strategies for the continued improvement of this partnership.

The operational flexibility provided by the agreement allows us to decrease activity in a low price scenario as the one we're living in, thus preserving and protecting capital. In the long term, the acreage is protected in its vast majority by existing Oxy's production. The new JV plan includes investment between US $180 million and US $200 million. Drilling activities are temporarily suspended and we estimate an average yearly production between 4,000 and 5,000 barrels of oil equivalent per day for Ecopetrol. I would like to highlight that one of the key advantages of short-cycle assets is their potential to be reactivated quickly in better market conditions.

Let's now continue to the next slide to see some of the main milestones for the first quarter 2020.

Despite the challenging market conditions, during the first quarter of the year we achieved a net income including impairments of COP 133 billion and an EBITDA of COP 5.3 trillion.

On the exploration campaign, the group and its partners completed the drilling of three wells in Colombia and drilling the Gato do Mato or appraisal well located in Brazil's Pre-Salt. In terms of production, despite security events and market conditions, the company reached 735,000 barrels of oil equivalent per day. The midstream segment maintained its operational stability. In the downstream segment, the average throughput for both refineries was 345,000 barrels per day, and the refining gross margin was US $9.50 per barrel.

Also, during the first quarter, Ruby Canyon Engineering verified the reduction of an additional 178,000 tons of CO2 equivalent. The competitive bidding process for the San Fernando Solar Park begun through a PPA, a power purchase agreement, and that with an installed capacity of 50 megawatts of power will make this the largest self-generating solar park in the country.

Lastly, I would like to highlight the fact that we conducted the first ever 100% virtual general shareholders meeting, in compliance with all the measures dictated by the government in response to the Covid-19 pandemic. I will now hand over the floor to Alberto Consuegra, who will discuss our main operating milestones during the quarter.

Alberto Consuegra: Thanks, Felipe. Operational results for the first quarter were stable despite an atypical industry environment. We moved forward with the maturity of Cosecha and Jaspe discoveries, which were granted commercial viability and consequently were relocated to production. Likewise, we applied to the National Hydrocarbons Agency for commercial viability in the Andina discovery, and we are assessing the commercial viability in Andina Norte.

During the first quarter of 2020, cumulative production of our exploration assets reached 347,000 barrels of oil equivalent, as a result of extensive tests in the Boranda, Andina, Esox and Bullerengue discoveries.

By the end of the first quarter, five wells were on drilling phase. However, due to the health emergency, those wells were guided to a safe stage and operations are currently suspended.

As part of the activities planned abroad in 2020, our partner Shell completed the drilling of the Gato do Mato-4 well sooner than expected. Currently, Ecopetrol is finalizing the entrance procedures into the project.

I would like to highlight the implementation of the Petrotechnical IT project, which has permitted our personnel to conduct their activities consistently from home. This allows the advancement in the identification and development of exploratory opportunities.

We will move on to the next slide to discuss production results.

Ecopetrol Group's production reached 735,000 barrels of oil equivalent per day. These production levels was caused by: Rubiales and Yariguí fields successful drilling campaigns, and the secondary enhanced recovery program in Chichimene and Castilla; the reversal of Pauto and Floreña fields on February 29, which were operated by Equion; and 1,400 barrels from the JV with Oxy in the Permian Basin. During the period, production was affected mainly due to: public order, security incidents and the decrease in gas sales. Mainly related to operational aspects in the Cartagena refinery and the decrease in national demand from March 17 onwards related to the health emergency that caused a massive reduction in terms of mobility and the reduction in the refinery's consumption, due to the Covid-19 pandemic.

We have been working to maximize the value of our production outputs. Our synergies as an integrated company, as well as the Opex optimizations, which were announced in March, allowed that the largest part of the group's production remained sustainable at a yearly average of US $29 per barrel. However, wells and fields that have not met sustainability criteria or have had adjustments in investments by Ecopetrol and its partners have been closed, generating lower production levels estimated in the second quarter of between 660,000 and 680,000 barrels of oil equivalent.

Let's move on to the next slide to discuss about gas initiatives.

The gas production in the first quarter of the year raised to 138,000 barrels of oil equivalent per day and generated close to 10% of upstream revenues. To compensate the lower internal consumption and gas demand, a commercial strategy has been developed to sell gas surpluses to the thermoelectric sector from Guajira, Cusiana and Cupiagua fields.

Gas remains a strategic priority, highlighting three themes: a smooth integration process between Invercolsa and its controlled companies with Ecopetrol; maintaining operational continuity; and achieving a successful legal and financial transition. Approval of the transaction between Hocol and Chevron, where participation in the Chuchupa and Ballena fields located in La Guajira department was acquired. The operation transfer was executed on April 30.

No gas-related project has been canceled as part of the Capex adjustments announced by the company. However, some investments planned for 2020 were displaced.

Let's move to the next slide to discuss advances in efficiencies. We continue on course towards efficiency improvements in various fronts, including diluent consumption optimization, thanks to the crude oil transport strategy with higher viscosity and synergies across segments. The contribution of our refineries to the performance of the upstream segment is noteworthy, supplying 12,000 barrels per day of naphtha applied as crude diluent. The virgin naphtha produced by the Cartagena refinery meets the dilution requirements of some Ecopetrol fields and has lower volatility, which translates into lower losses, and a decrease in gas inhalation risk. The greater supply of these naphtha has generated savings of US $3.7 million between January and March 2020, mainly due to the lower freight rates compared to the imported product. The lifting cost was US $8.2 per barrel, achieving reductions through the effect of the exchange rate which compensated an increase of one-offs in contracted services, energy charges and increased production of liquids. Going forward, with the measures announced in terms of Opex efficiencies, we expect that lifting cost will decrease during the year, leveraged by strategies of contract optimization and prioritizing activities. We have obtained savings in drilling and completion investments of around COP 188 billion during the first quarter.

We turn now to the next slide to talk about the results of the midstream segment.

Crude transport had a slight reduction versus the first quarter of 2019, mainly due to lower oil production in the country, and a decrease of crude oil deliveries in the Southern systems due to the deviation of barrels towards other systems.

It is worth noticing that the transportation of refined products has been affected by the mandatory national lockdown. The last 11 days of the quarter, an average of 165,000 barrels per day were transported through our systems. In March, we began the process of a strategic storage in our crude oil and infrastructure network to ensure operational continuity of our production.

Let's move on to the results of the downstream segment.

In response to the market situation, our refineries have enforced a disciplined approach on their framework of integrity and efficiency in order to adapt operations through the implementation of measures such as scheduled shutdowns and adjustments in unit throughputs, rescheduling maintenances and additional storage for crude oil components and products.

During the first quarter of 2020, the Cartagena refinery reached a throughput of 146,000 barrels per day, affected by an operational event and demand conditions. The Barrancabermeja refinery maintained its stable operations performance, reaching an average throughput of 199,000 barrels per day. As for the margins, the Barrancabermeja and Cartagena refineries had decreases of 6% and 19%, respectively, compared to the previous year due to market conditions.

Esenttia exhibited an excellent financial safety and operational performance during the first quarter of 2020, improving margins in a favorable environment in terms of price stability for our raw materials and market preference for regional products. I now give the floor to Jaime Caballero who will share the group's key financial results.

Jaime Caballero: Thanks, Alberto.

Challenging market conditions affected the first quarter net income, which reached COP 133 billion. The decrease versus the net income for the first quarter of 2019 can be explained by: Firstly, a negative variation of COP 740 billion due to the combined effect of lower prices and a higher average exchange rate on revenues and purchases. Second, a positive variation of COP 137 billion due to the additional sales of 21,000 barrels per day in the first quarte. Third, to COP 1.2 trillion of higher costs, expenses and DD&A charges before implementing the austerity measures and as a result of stronger Capex execution. Fourth, certain non-recurring charges accounting to COP 683 billion, mainly the recognition of the fair value of crude and product inventories and the unrealized loss in the mark-to-market valuation of our financial portfolio. Fifth, a COP 164 billion increase due to higher interest payments of the group's dollar-denominated debt and exchange rate impacts given the devaluation of the Colombian peso versus the US dollar. Allowing for all these effects, net income would have been COP 1.1 trillion before impairments.

Given the current market conditions, the company performed an impairment test of substantive long-term assets, which resulted in the recognition of an impairment expense of COP 932 billion net of taxes. The Upstream segment accounted for 42% of that amount and downstream to 58%. It is key to highlight that these impairment charges do not imply cash disbursements and are susceptible to be reverted in the future.

Please turn to the next slide to view the group's KPIs.

EBITDA margin stood at 34.9% due to lower crude and product prices and increased costs and expenses through the quarter.

The benefits of being an integrated company were noticed in the larger relative EBITDA contribution from the downstream and the midstream segment versus the first quarter of 2019 compared to a lower contribution by the upstream segment. Net income breakeven was US $39.7 per barrel. With the implementation of Opex and Capex optimization measures, this ratio is expected to trend downward below US $30 per barrel. ROACE of 12.2% was aligned with the company's expectations.

Let's move on now to the next slide on the business group's cash flow.

The company's cash position remained solid for the first quarter of the year, closing at COP 11.7 trillion. Cash flow from operations amounted to COP 2.6 trillion, including the changes in working capital. Investment outflows totaled COP 3.5 trillion for the Capex program. Financing outflows totaled COP 1 trillion, including COP 0.4 trillion for the payment of dividends to minority shareholders from the midstream subsidiaries, and COP 0.6 trillion to cover capital and debt service payments. Net inflows amounted to COP 1.5 trillion, mainly due to investment portfolio realizations to meet the company's payment commitments in the face of lower operating generation.

The final cash position of COP 11.7 trillion comprises cash and cash equivalents amounting to COP 8.8 trillion and the short- and long-term investment portfolio of COP 2.9 trillion. To strengthen its cash position, in April, Ecopetrol disbursed all resources of the contingent line of credit contracted with Scotiabank and Mizuho Bank, and subscribed additional short-term financing for a total amount of US 1.1 billion equivalent. It also issued a 10-year bond in the international markets, which was 2.5 times oversubscribed in an amount of US $2 billion. Including this additional leverage, the gross debt-to-EBITDA ratio of 1.6 reported for 1Q would stand at two times. Our current cash scenario does not consider additional debt in 2020.

Finally, on April 23, the company paid the dividends corresponding to 2019 net income to minority shareholders and the first installment to the Ministry of Finance and Public Credit for a total disbursement of close to COP 1.2 trillion.

Please go to the next slide to see the projected short-term financial framework.

The price scenarios we're currently considering for 2020 have Brent in the US $30 to US $40 range. Accordingly, Ecopetrol has taken actions to reduce costs and expenses by COP 3.5 trillion that could be further deepened up to COP 4.5 trillion.

The investment plan was further prioritized and adjusted. We now estimate a range between US $2.5 billion to $3 billion for the full year. The company has adjusted its capital discipline criteria in light of lower price expectations in the medium term and is ensuring that all of its produced barrels are profitable at prices below US $30 per barrel.

All these activities would provide cash and net income breakevens below US $30 per barrel. Lower EBITDA generation and the greater indebtedness will lead to a temporary increase in the estimated gross debt-to-EBITDA ratio, up to a range between 3 and 3.8 times by year-end.

I now give the floor to the President for his closing remarks.

Felipe Bayón: Thanks, Jaime. Certainly, the current environment and the measures adopted to address it will impact the targets established in our 2020-2022 business plan, which will be reviewed and adjusted to the current price scenario. We will provide an update of this plan to you during the second half of the year. In the meantime, we have adopted our short-term financial and operational framework, providing our best estimate of relevant business metrics for the second quarter of the year, as you can see in the presentation. These figures are consistent with the short-term financial framework, where protecting the company's cash balance and capital discipline are fundamental. We will continue to review these numbers, as demand and price environments evolve.

Finally, let me then quickly sum up the key messages that you've heard during today's presentation. First, we are fully committed to our employee's safety and maintaining operational excellence. Second, we have taken prompt, decisive and timely actions, demonstrating both flexibility and resilience to confront this crisis. We have adopted our short-term financial framework to ensure a profitable operation and a positive cash flow in a Brent price scenario between US $30 and US $40 per barrel. Third, we have prioritized those strategic projects that will allow us to fulfill our long-term vision and generate value for our shareholders. Again, thank you, everyone, for participating in this call. Given the circumstances, we highly appreciate that you could join us today. I will now open it up for questions and answers.

Operator: At this time, I would like to remind participants. If you have any question, you can send them through the webcast. Please include your name and the name of your company and the question.

Claudia Trujillo: Thank you, our first question comes from **Bradesco BBI from Vicente Falanga**, “At what level of oil does Ecopetrol feel comfortable in potentially going back to paying extraordinary dividends?”

Felipe Bayon: Thanks for the question. And I think that if we step back, we've set that in the second half of the year, we will be presenting to the market our update business plan for the year and for the next couple of years. Given all the level of uncertainty, I think it's important that once after we've started with the implementation of these adjustments that we've done very, very, very swiftly and promptly and decisively, we come back to the markets in second half to show what we're thinking in terms of the long term, so that would be the first part. And then I think that, again, we will need to basically contemplate everything that's going on. Our view on prices going forward for the mid and long term, and then any potential distribution of dividends. We'll need to abide by the current policy that we have in place, which is 40% to 60% of the net income, and will be decided by the AGM that will take place in March of next year, so we will need to, again, I think, finalize the work that we need to do in terms of the overall plan, and then the AGM will take a view on dividends going forward.

Claudia Trujillo: Thank you. Our next question comes from Santander, Rodrigo Reais. How were refining operations in May? Has utilization significantly reduced?

Felipe Bayon: Thanks for the question. So if you look at the refineries and then Cartagena normally runs at 150,000 to 155,000 barrels per day. We've been running the refinery at 110,000 barrels. And if you look at Barranca, that normally runs at 220,000 to 230,000 barrels a day, we've been running it for the last weeks at 115,000. Over the weekend, we've increased that the run to 141,000 barrels. So we are already seeing an increase, although small, it's significant because it's 22% increase against what we have or when compared to what we had over the last weeks or so. Utilization has been reduced. It's been basically us adapting to the demand numbers that we've seen, both in terms of the country and some of the markets worldwide. But I think, I would like to, again, just emphasize that we're seeing some, although small, we're seeing some recovery going forward as we speak, in terms of the loads of the refineries. Thanks, Rodrigo.

Claudia Trujillo: Our next question comes from Morgan Stanley, Guilherme Levy. "Hi. Thanks for taking the question. The first question I have is on the midstream business. If you can tell us the level of discounts being negotiated with independent producers. And the second question is, if you can give us an update on Shell pilots in Colombia. I understand they remain strategic for the company despite the lower oil prices currently but I would like to know if the idea remains to start activities later this year. Also, if you can share with us any update on the regulatory front, it would be great. Thanks."

Felipe Bayon: Guilherme thanks. I will start with the second part of the question in terms of the pilots, and then I'll ask Milena to talk about the midstream business in more detail. So in terms of the pilots, the *Proyectos pilotos de investigación integral*, you know, the pilots projects for investigation or research, comprehensive research, are a strategic priority for the company. We are convinced it's strategic for the country as well. The government, given everything that's going on with the management of the crisis, has still been working on some of the technical procedures and standards, and we continue internally in our preparation and readiness to be able to conduct the pilots going forward. As we see this, we'll continue to assess the timing of when this would be possible, given everything that's going on. But we envisage ourselves going forward with the pilots in the next year or so. So clearly, there's been some updates. There's been some especially, some of the technical standards and conditions have been issued by Ministry for comments, so there's been progress. There's been progress on that. And again, we're convinced this is strategic for the country.

And I'll ask Milena to take the question around the midstream. Milena, go ahead, please.

Milena Lopez: Thank you, Felipe. Good morning. Thank you for your question. What we have done in the midstream segment is basically offer temporary discounts in order to help producers through this specific time period where prices are significantly lower than what they have been over the last couple of months. So the first component of the tariff that's important to bear in mind is that they're temporary. They've been given for two months, and we will be reassessing that as time goes by, depending on where oil prices are. Secondly, they have, in certain pipelines, volumetric requirements. There's a minimum volume we need to see through our system in order for the discount to be applicable.

And third, the way we have tailored the discounts is based on the fact that we have tariffs based in dollars, so the discounts will range and move depending on how large the devaluation is. Basically because we have a gain when we look at our income statement in pesos, which is the currency we function in. And as the Colombian peso devalues, we will see a larger tariff in peso terms, so what we have done is linked this discount to that devaluation in the FX, so that we minimize the impact on our financial statements.

That being said, for the month of April, what we've seen given the FX over the past couple of months, is a different discount in each one of our systems. In the Cenit system, it's approximately on average around 10%. In the Oleoducto de los Llanos, the discount was approximately 5.5%. And in the

Oleoducto de Colombia system, the discount was approximately a bit over 8%, around 8.5%. So those are the discounts applicable for April and May, given where the FX was, and where price levels are.

In addition to that, what we have offered all of our remittance for the month of May and the month of June is that we will be financing up to 50% of their transportation costs over this two-month period. And this financing can be used for a period between 6 to 12 months. So these are the measures we are taking in order to help our remittance through any cash flow difficulties they may have during this period of low prices. It's a temporary measure. However, it's a measure that we believe is designed and tailored to help remittance through towards the price curve. And as time goes by, if necessary, we will be reevaluating whether this is a measure we want to continue or whether it will be solely happening over the next two months.

One thing that I think is important to highlight, given questions that we've seen earlier in the day, is that these are discretionary measures by each of the companies. So these are discounts and payment facilities that we are offering our clients. However, these are not regulatory requirements, just to make sure there's no doubt about that.

Claudia Trujillo: Thank you. Our next question comes from **HSBC from Lily Yang.** It's a question for the upstream segment. "How much exploratory of the US $2.5 – 3 billion, i.e., investments that do not impact any proven reserves and production levels, and where will be deployed? Is this including Oxy JV? Isn't there more room to cut Capex further if needed, given that in the past, we have seen minus US $2 billion per year?

Felipe Bayon: Thanks, Lily, and good morning, good to have you here in the call. So I'll take this one. So clearly, we've, as you rightly point out, we've signaled US $2.5 billion to US $3 billion in terms of investment, and we have some US $300 million to US $350 million of exploration Capex in those numbers. As you saw, we managed to drill three exploration wells in 1Q. We have some wells that have been safely, in which operations have been safely suspended for the time being. We're restarting operations in most of those in the next few weeks or so. So clearly, we will need to adjust the overall number of exploration wells, but we will continue our exploration campaign going forward.

In terms of sort of the prioritization that we do on Capex, clearly, we've taken the view of reducing significantly the Capex. And some of the concepts are the ones that you mentioned in your question around proven reserve impacts on production levels. And I would say that of the $2.5 to $3 billion, 80% roughly goes to E&P, to the upstream, so we're protecting that part of the business.

In terms of the JV with Oxy, being these short-cycle investments by the overall nature of the unconventionals, last year we had the ability of very quickly ramping up activity so we have some wells that have been drilled to date, and we expect to end the year with some 21 to 23, somo 22 wells, which is good. So we've reduced Capex in the JV from US $800 million gross to US $180 to US $200 million gross. So that's a significant sort of adjustment that, again, is sort of doable because of the nature of the business -- of the short cycle of the business. And even though Capex has been reduced by 75%, we envisage an impact in production in those assets of around 50%. So previously, we had some 7,000 to 9,000 barrels of Ecopetrol production average for the year. Right now, we're thinking it's going to be somewhere in between four to five MBD, or 4,000 to 5,000 barrels per year on average. So clearly, we've adjusted the activities in the JV, and I think it's provided both by the nature of the short cycle of those businesses but also the nature of the agreements that we managed to put in place.

And to your question, is there more room to cut Capex? There's always more room to cut Capex. But I think given our view of the average prices for the year on Brent being between $30 and $40, we feel comfortable, again, given everything else we've done in terms of the already achieved reductions in Capex and Opex and the financing, being able to successfully get some financing, we feel comfortable with the $2.5 billion to $3 billion. Thanks, Lily.

Claudia Trujillo: Thank you. Our next question comes from **Scotiabank from Gavin Wylie**. With Ecopetrol's strong balance sheet, are you evaluating any countercyclical acquisition opportunities? Or is the highest priority at this stage capital preservation? Would inorganic expansion internationally, US and Brazil, rank above expanding in Colombia?

Felipe Bayon: Gavin, thanks for the question. So I think it's important, again, to step back and say that cash protection is our top priority. And ensuring, as we've said in the presentation, that health and safety and the lives of our employees is at the top of everything in terms of our priorities. But as we think about protecting cash and we've, again, very, very quickly moved and very decisively, we've moved to do what we've done to date, and we've given you some, already some guidance on how things are looking forward, there will eventually be opportunities, I think on the both the divestment side, and potentially the acquisition side. So we'll need to see. We'll need to see. Crisis normally present themselves with some additional opportunities that otherwise would have not been possible. So we'll continue to look at opportunities, but I think priorities are, right now, ensure that we protect the cash. And we've done, remain strong to weather a crisis that we still don't know how much deeper it will go and how much longer it will go for. Thanks, Gavin.

Claudia Trujillo: Thank you. Our next question comes from **HSBC from Lily Yang**. With the selling price of your crude basket: anything in particular to explain this quarter's higher differential to Brent? Some color on where you are exporting to. If there are any geographical changes in trend on global crude trade flows?

Felipe Bayon: Thanks for the question. So in terms of the prices, if you saw that 1Q 2020 was on average $51, that March clearly showed a month where we saw a dramatic decrease in prices, the top line Brent prices, not only that $64 to $51. And then in terms of the differentials, we saw year-on-year, we go from 7.6 to 10.5. So we have the combined effect of lower Brent and greater differentials. So what we've done for some years now, is strengthening our relationship with some of the clients in Asia, in particular, not only in China, but we are also going back to India, and we're also looking at some of the refineries in the US. So definitely, I don't see there's a massive change. Probably 50% of our exports will go to China. But we've managed to very successfully put these barrels or place these barrels in those refineries.

And the other thing, Lily, is that we've managed to place them more than a couple of months ahead of time. So we've looked at April, May, June, well in advance to ensure that we can honor our contracts, which are term contracts, that we can deliver those barrels and that we can ensure, by doing that, that we can maintain production in Colombia. So definitely, we'll continue to move in that direction. But basically, we're exporting mainly to China, the US and now India as well as a market that's reopening up again for us. Thanks, Lily.

Claudia Trujillo: Thank you. Our next question comes from **Bank of America from Frank McGann**. Could you please provide more detail on incidents that you mentioned occurred at the refineries during the quarter?

Felipe Bayon: Thanks, Frank. And obviously, I'll ask Walter Canova, who's on the line to talk about the incidents. But in Cartagena, we had an incident with the hydrogen producing unit that we've already fixed in terms of all the mechanical repairs. And bear in mind that we've done this in the midst of some of the restrictions following the Covid-19 sort of protocols and everything that has been put in place. And we estimate that the unit should be restarting in the next couple of weeks or so. Walter, can you go ahead, please?

Walter Canova: Thank you, Felipe, and thank you, Frank, for your question. As it was mentioned in the first quarter, in the case of Barrancabermeja, we did have a stable operation with a few plant shutdowns that took place in the quarter. In the case of Cartagena, we did have on the 17th of January, an event that took out of service one of the hydrogen plants. In the Cartagena refinery we have two hydrogen plants and they are normally at 100% capacity. And the 17th of January, we lost one of them. So we needed to adjust the operating model of our refinery to run with only one hydrogen plant. And as such, we gave priority to the diesel hydrogen fitting units and gasoline hydrogen units, and we need to shut down the hydrocracker unit, because of lack of hydrogen. And because of that, during the first quarter, we did have an impact on our mid-distillate production of around 9% and gasoline production of around 4% to 5%. So that was the only important unplanned event we did have in the first quarter of this year. For this event that took place in Cartagena, we did a thorough investigation with a special inspection, and we took all the corrective actions. And now we are following the last steps, and we are planning to finish the mechanical repair on the 18th of May and start-up the unit immediately and normalize operation after the 20th of May. Thank you.

Claudia Trujillo: Our next question comes from **Bruno Amore from Goldman Sachs.** "What is the impact of the lower Capex in 2020 in the production outlook for 2021, in case you do $2.5 billion to $3 billion Capex in 2020, and resume the prior plan for 2021 onwards?"

Felipe Bayon: Bruno, thanks for the question. So I was mentioning earlier that in the second half of the year, we will be presenting to your sales and the market the updated business plan going forward. And clearly, we need to acknowledge sort of the dramatic reduction in demand that we've seen, the drop in prices, and we'll come back to you guys and be able to share our views on the mid-term business plan.

So we've given some guidance in 2020, particularly around the second quarter and the year. And you saw that there is impact already in the 2Q and the year. I mean, I normally talk about what we've done. We stepped on the brakes, and we tightened the belt at the same time. So clearly, there will be some impact going forward, but we will have a better view that we can share with yourselves in the second half of the year. Thank you.

Claudia Trujillo: Thank you. Our next question comes from **Santander, Rodrigo Almeida**. "Hi. Thanks for your presentation. Could you please discuss a little bit about the current state of your refining operations? At what level of utilization have you been running in the past few weeks of April and beginning of May?"

Felipe Bayon: So Rodrigo, I'll ask Walter to provide us any more detail. But I was speaking earlier that if you think about, contextually, we normally run Barranca at 220,000 to 230,000 barrels. For the last few weeks, we've been running at 115,000 barrels. Over the weekend, we've increased the runs to 141,000 barrels. So we went down to 50% of the capacity of the refinery. We're going back up to 140,000 - 141,000. And I think that's a reflection of the demand. Even though it's marginal, we're seeing some demand to increase in the markets.

In terms of Cartagena, we normally run the refinery at 150,000 to 155,000 barrels. We've been running at 110,000 barrels. So I think we've been able to, very quickly, adapt and adjust to runs to cope with the reduction in demand. But also very quickly, as we see demand being increased, we've been able to ramp it up again. So it's something that we follow-up closely, clearly, as we see more segments of the economy and more sort of businesses in-country being reopened, construction and some manufacturing and some services. So clearly, it's something that we'll need to keep on factoring into our decisions, but we've been able to ramp it down quickly and again start to ramping it back up as demand goes up. Thank you.

Claudia Trujillo: Thank you. Our next question comes from **Frank McGann from Bank of America**. "How much flexibility is there long-term in you with Occidental Capex? Could Capex stay low for an extended period?"

Felipe Bayon: So Frank, thanks. And I think it will depend largely on prices, clearly. So these short-cycle businesses, like the unconventional in the Permian, allowed us back in December to very quickly ramp up operations, drill the wells, frack the wells, get them into production with some very good operational results. So we're very pleased and comfortable with the quality of the reservoirs, the rocks and clearly with the operatorship that Oxy is doing. So that's all very good. And again, being short cycled, we've been able to ramp things down. So we've stopped activity. There's no more drilling right now, but we've managed to continue with the completion and fracking of the wells, and we envisage ending up the year with some 21 to 23 wells and some 4,000 to 5,000 barrels of production net to Ecopetrol. So I think that's good. But given where we are, there is uncertainty. Prices have gone up a bit. But we're working internally with our partner to understand the key milestones we need to hit that will allow us to restart operations in an orderly fashion.

The good news, I think, is that the Permian, before we went into the crisis and we looked at some 28 different operational areas in the US, was the second best in terms of having the lowest breakeven, which was very good, it was around US $35 WTI. And Oxy has done a lot of work over the last few months to put more efficiencies and more optimizations into the operation. So we're going to be reviewing this internally with the operator, and we'll communicate back to the markets when we have some more defined answers of how and when to restart operations going forward. Thanks again for the question, Frank.

Claudia Trujillo: Thank you. Our next question comes from **Vicente Falanga from Bradesco BBI**. How will you book the financing of transportation costs from Colombian producers?

Felipe Bayon: Thanks, Vicente. I will ask Milena to help us with the answer. Milena, please go ahead.

Milena Lopez: Hello. So when we look at the financing, I'll break it down into two parts. The initiatives we have for remittance have two components. They have a discount, and then there's a financing component. So the discount is simply less income, less top line sales. And when we look at the financing, the financing has two components. So the actual invoice will continue being in our top line, and we will have an accounts receivable with each one of our producers. And at the same time, this financing has an interest rate of 1.5%. So the income from that interest rate will be interest income. And that's from a preliminary standpoint, how we plan on booking. I'm not sure if that answers the question.

So you won't see a difference in our sales figures, and you will simply see an increase in interest income corresponding to the interest portion of the invoicing.

Claudia Trujillo: Thank you. Our next question comes from **Erica Roa from Mackenzie Investments**. How do you see the gas demand in the last two weeks in Colombia, US and Brazil?

Felipe Bayon: Thanks, Erica, and I will ask Alberto Consuegra to help us. But we've seen, particularly in Colombia, where we sell most of our gas, remember, in the US, we have mostly liquid production. And again, in Brazil we don't have any production yet. But in Colombia, we saw the equivalent of 25,000 barrels a day reduction in demand. So some of the industries were stopped and some of the gas used for vehicle transportation was sort of curtailed. We saw an impact. But we're starting to see some pickup again in demand of gas. So overall, and I'll hand over to Alberto, but we're seeing an increase in gasoline and increase in diesel. We've ramped up the levels of the runs at the Barranca refinery. And as such, we're also seeing an increase in gas. Alberto, if you want to give us more detail, please.

Alberto Consuegra: Thanks, Felipe. Good morning, Erica. And as Felipe was saying, 97% of the group's gas income come from our position in Colombia, where we have 90% of the demand signed with take-or-pay contracts with fixed price in dollars. In terms of demand, what you see in Brazil is that there were no LNG imports in April or May, we don't have news about gas demand increase since it slumped earlier this month. In U.S.A., demand is flattening off at lower-than-normal levels in most states. But actually, we have seen a slight recovery in Texas, Louisiana and Michigan.

With regards to Colombia, as Felipe was saying, we have experienced a contraction in terms of demand, but which affected about 27,000 barrels per day during the month of March and April. But in the last couple of weeks, we've been able to place excess gas in the thermal electrical sector, which has provided some room in terms of increase in demand. That's kind of the way we see the scenery in terms of gas within the group.

Claudia Trujillo: Thank you. Our next question comes from **Porvenir, Juan Pablo Diaz**. What will be the impact of the Capex cuts? And if there is any of the Opex optimization on the upcoming year's production?

Felipe Bayon: Pablo, good morning and thanks for the question. So I've mentioned that we've given guidance on the second quarter and the full year in terms of what we see right now will be the impact on the production levels. And over the next few weeks and months, we'll continue to work on the updated business plan that we will be sharing and presenting to yourselves and the markets in the second half of the year. So at that stage, in that time, we will have a better view on impacts or potential impacts as we move forward, especially in the next couple of years or so. Thanks for the question.

Claudia Trujillo: Our next question comes from **Luiz Carvalho from UBS**. "Hi, Felipe and team, hope your families and Ecopetrol team are safe. First of all, thanks for transparency shared in the PPT, mainly on production, free cash flow and income breakevens, very useful." I think this was a comment from Luiz. So I will continue with the next question.

Felipe Bayon: Thanks, Luiz. Thanks for the comment. Appreciate it.

Claudia Trujillo: Thank you. Our next question comes from **Erica Roa from Mckenzie Investments.** Thanks for the color and congrats on resilient results in this difficult time. How the oil demand has behaved for the last two weeks since some economies started to open? And can you please share what is the most important lesson learned during this difficult time?

Felipe Bayon: Erica, well, thanks for the question. And I think we've mentioned some of the elements around how we're seeing demand increase very marginally and slowly, but we see some demand increase. As I mentioned, we cut the runs in the refineries from 370,000, 380,000 barrels, to somewhere in between 225,000, 230,000 barrels. Right now, we've added 25,000 barrels more of refinery capacity over the last two or three days. So we will continue to be in sync or synchronized with the increases in activity. So clearly, this week, next week are fundamental as the Colombian economy opens up again. We've enabled ourselves to operate. There's a lot of essential services that have continued to operate. But now we have more and more industries and people in businesses and different lines and different sectors in the economy actually being able to operate. So we'll continue to watch this.

But clearly, there is this need to be mindful and strict with the protocols and how we operate. Maybe we haven't mentioned it here. We mentioned it in the presentation, but even in the period of less than four weeks, we basically built a biological molecular lab to ensure that we can do our own tests in Barrancabermeja. So we're moving very, very, very quickly. Things are changing dramatically.

One of the things that I've heard over the last few weeks or so is that nobody in the world is an expert on Covid-19. We're all learning. There's a big level of uncertainty. We still don't know how much deeper we will go and for how much longer. 1Q was not good. I think 2Q and 3Q will be very, very, very hard, as we've seen demand being destroyed.

In terms of the lessons and I appreciate and thank you for the question, Erica. I think we've managed to demonstrate to ourselves that we can adapt very, very quickly. Having 85% of our people working remotely, using technology, doing things that seemed difficult. Doing the issuance of a bond remotely, or closing our volumetric accounts that traditionally would have taken us two weeks, we closed it in four days, 150 people working remotely. So we've learned that we can adapt, we can move. And still, we don't know when the final definitive solution for Covid-19 will be out there. It's a matter of having a vaccine. We'll need to adapt, we'll need to restore some of the country, we'll need to restore some of the activities, but there's still a lot of uncertainty. I think that we've learned about empathy, we've learned about humanity. We've learned about being there for others and sharing and paying it forward.

If you think about Colombia, more than 50% of the working force, which is 22 million people, don't have a formal social security kind of system or medical assistance. So we'll need to think about them. And clearly, we see Ecopetrol as part of the backbone of the country, as we all jointly work towards recovery. So thanks again. Lots of things that we've learned. We've learned that we can do things differently, that we can be very efficient, and that we can very quickly adapt.

So I want to thank everyone for being today in the call. And again, given the circumstances, I appreciate it that we can have you today join us. And we fully, fully appreciate your insights and your questions and your remarks. And again, I think it's important for you guys to know that our IR team will be there. I'm sure there will be more questions and more need for interaction. So again, thanks for being here today. We appreciate you following in such detail the company. We've managed to react very, very quickly to something that's unprecedented in terms of the crisis itself, both from the health and economic and social standpoint, as well as from the drop in prices and demand. So we've strengthened the company. We've acted swiftly. We're here ready to withstand the storm in best shape, in much better shape, sorry. And we're ready to continue to do what's required to ensure the long-term of the company. So once again, thanks, and hope you guys, all of you have a great day. Thank you.

Operator: Thank you ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.