

Ecopetrol Business Group Announces Second Quarter 2020 Results and the update of its Business Plan 2020-2022

Bogotá, August 4, 2020. Ecopetrol S.A. (BVC: ECOPETROL; NYSE: EC) announced today the Ecopetrol Group's financial results for the second quarter and the first half of 2020 and the update of the Business Plan 2020-2022. Financial results were prepared in accordance with the International Financial Reporting Standards applicable in Colombia.

Table 1: Financial Summary Income Statement - Ecopetrol Group

Billion (COP)	2Q 2020	2Q 2019	Δ (\$)	Δ (%)	6M 2020	6M 2019	Δ (\$)	Δ (%)
Total sales	8,442	18,309	(9,867)	(53.9%)	23,514	34,251	(10,737)	(31.3%)
Depreciation and amortization	2,236	2,052	184	9.0%	4,388	4,023	365	9.1%
Variable cost	3,570	6,777	(3,207)	(47.3%)	10,266	12,893	(2,627)	(20.4%)
Fixed cost	1,810	2,385	(575)	(24.1%)	4,249	4,531	(282)	(6.2%)
Cost of sales	7,616	11,214	(3,598)	(32.1%)	18,903	21,447	(2,544)	(11.9%)
Gross income	826	7,095	(6,269)	(88.4%)	4,611	12,804	(8,193)	(64.0%)
Operating and exploratory expenses	2	1,138	(1,136)	(99.8%)	1,081	1,892	(811)	(42.9%)
Operating income	824	5,957	(5,133)	(86.2%)	3,530	10,912	(7,382)	(67.7%)
Financial income (loss), net	(599)	(391)	(208)	53.2%	(1,265)	(776)	(489)	63.0%
Share of profit of companies	77	72	5	6.9%	77	233	(156)	(67.0%)
Income before income tax	302	5,638	(5,336)	(94.6%)	2,342	10,369	(8,027)	(77.4%)
Income tax	(3)	(1,872)	1,869	(99.8%)	(633)	(3,546)	2,913	(82.1%)
Net income consolidated	299	3,766	(3,467)	(92.1%)	1,709	6,823	(5,114)	(75.0%)
Non-controlling interest	(277)	(280)	3	(1.1%)	(624)	(593)	(31)	5.2%
Net income attributable to owners of Ecopetrol before impairment	22	3,486	(3,464)	(99.4%)	1,085	6,230	(5,145)	(82.6%)
(Expense) recovery for impairment long-term assets	4	1	3	300.0%	(1,204)	2	(1,206)	(60,300.0%)
Deferred tax of impairment	(1)	0	(1)	-	277	0	277	-
Net income attributable to owners of Ecopetrol	25	3,487	(3,462)	(99.3%)	158	6,232	(6,074)	(97.5%)
EBITDA	1,996	8,307	(6,311)	(76.0%)	7,253	15,665	(8,412)	(53.7%)
EBITDA Margin	23.6%	45.4%	-	(21.8%)	30.8%	45.7%	-	(14.9%)

* Ebitda adjusted to exclude the effect of the Voluntary Retirement Plan amounts to COP 2,168 billion in 2Q20 and COP 7,425 billion in 6M20.

The figures included in this report are not audited. The financial information is expressed in billions of Colombian pesos (COP), or US dollars (USD), or thousands of barrels of oil equivalent per day (mboed) or tons, as noted. For presentation purposes, certain figures in this report were rounded to the nearest decimal place.

In words of Felipe Bayón Pardo, CEO of Ecopetrol:

“In line with the guidance announced at the end of the first quarter, results for the second quarter reflect the impact of the unprecedented situation caused by the global spread of COVID-19. April reported the worst performance of crude prices since the beginning of the crisis. The inventory build-up and the contraction in demand as a result of the lockdown

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measures implemented worldwide led to a 38% decline in the Brent, compared to 2019 year-end, even with negative levels for WTI, and below USD 20 for Brent during some days. Likewise, during the second quarter, sales of our main products reported a decrease of 46%, mainly in jet fuel (-89%), gasoline (-46%) and diesel (-35%).

This new reality required a rapid financial and operational adjustment that we executed decisively, while reinforcing our three strategic pillars: strict capital discipline, cash protection and cost efficiency, as well as reserve growth and profitable production.

Thanks to this intervention, along with the gradual improvement in market conditions reported since mid-May, our operating and financial results, although impacted, were positive. As a result, the Ecopetrol Group reached a net income of COP 158 billion and an EBITDA of COP 7.3 trillion by the end of the first half of the year.

In response to the COVID-19 health emergency, we adapted our operations prioritizing the care and safety of our employees and contractors, through strict biosafety protocols and prevention measures, both in our operation areas and for those working remotely.

As part of Ecopetrol Group's commitment to the country, we continue allocating **social investment** resources to confront the pandemic, for a cumulative total of COP 88 billion to date, which includes: humanitarian aid, biosafety elements supply, aid for vulnerable families, provision of medical equipment to strengthen the healthcare system, in addition to our participation in the “Comparto mi Energía” program to support the payment of electricity services for low income families, the “Ayudar Nos Hace Bien” campaign which benefits the most vulnerable families, as well as initiatives in technology and innovation for medical equipment.

We continued to structure the **economic reactivation** program, which aims to support territorial entities in the implementation of short-term projects to help promote local productive employment. As part of this initiative and to alleviate the financial crisis of our small and medium suppliers, Ecopetrol implemented advance payments or “early payments” without discount for nearly COP 60 billion per month, which has allowed them to preserve their economic activities, leverage their cash flow, safeguard employment and mitigate the negative impact from the COVID-19 pandemic.

In order to address the **health emergency** caused by the pandemic, the COVID-19 Crisis Committee continues its operations, deploying the protocols and guidelines for the prevention, control and mitigation of the pandemic's effects on our employees, and to ensure the continuity of our operations during this health emergency.

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Likewise, our Oil Price Committee has deployed the financial contingency plan through which we have managed the economic impact of the international oil price drop and changes in demand.

In response to the aforementioned, we were able to promptly reassess the 2020-2022 Business Plan, which responds to the crisis and protects the business sustainability going forward.

The new Plan includes: i) an organic investment of USD 11 - 13 billion, of which between USD 3.0 - 3.4 billion will be invested in 2020, similar to the investment levels that of 2019, and higher than the announced in May; ii) sustainable levels of profitable production in a range between 700 – 720 mboed, maintaining the focus on exploration, where more than 30 wells are expected to be drilled; enhance recovery in higher value opportunities; Comprehensive Research Pilot Projects development for unconventional reservoirs in Colombia (PPII for its Spanish acronym); and continuity of highest potential international investments; iii) stable transported volumes in a range between 1,100 – 1,025 mbd, iv) increasing consolidated throughput in a range between 300 - 380 mbd by 2022, focusing on developing initiatives to increase the refining margin and iv) a continued focus on reducing operating cost and expenses without affecting the reliability and safety of our operations, which will allow us to achieve cumulative savings of up to COP 6.5 trillion by 2022.

The Technology, Environmental, Social and Governance (TESG) front remains a priority. Therefore, we maintain our decarbonization target of 1.8 - 2.0 MtCO₂e/year in 2022, renewable energy generation capacity of ~300 MW by 2022, and social and environmental investment of COP 1.7 trillion between 2020 and 2024. Likewise, in an effort to accelerate digital transformation, we will invest around USD 158 million in innovation and technology. The commitment to the continuous strengthening of our corporate governance has been reflected in a greater periodicity of the Board of Directors meetings, which has followed up on all the strategic aspects to confront the current exceptional environmental conditions.

Regarding the results for the first half of the year, we highlight the strength of our **commercial strategy which** has allowed us to maintain the combined refineries operation above their minimum levels and ensure the necessary revenues to make operations in our fields viable.

In the **exploration** campaign, during the first half of the year, the Group and its partners completed the drilling of seven wells, five in Colombia and two in Brazil. Ecopetrol and Shell continue to move forward with the COL-5, Purple Angel and Fuerte Sur projects, highlighting the start in the second half of the year of the environmental monitoring activities in the area where the appraisal well will be drilled, which is expected to occur in 2021.

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*In the first half of 2020 Ecopetrol Group's average **production** closed at 706 mboed, 19 mboed less than first semester of 2019, mainly explained by the current situation, as well as by public order events and blockages in the Rubiales and Suroriente fields. These impacts were partly offset by higher sales of white products from the LPG Plant in Cupiagua, and the operations reversal in the Pauto and Floreña fields.*

The gas business made a significant contribution to the country's energy safety, whose hydric reserves reached critical levels during May and June. Transitional regulation allowed gas to replace hydro generation, compensating for the impact on the Group's demand as a result of the health emergency.

Regarding Non-conventionals, the Ministry of Mines and Energy published the technical regulation on July 7th, and we expect that the environmental, civil and contractual regulation will be published released in the coming months, completing the regulatory framework for the development of the Comprehensive Research Pilot Projects (PPIL). The activity planned in the Mid-Magdalena Valley remains within the new 2020–2022 Plan, with an investment of around USD 127 million, and we recently announced a preliminary agreement with ExxonMobil to jointly work on these pilots.

We highlight the reactivation of operations of our activity with Oxy in the Permian during the second half of 2020. Activities will mainly focus on the drilling of 22 new wells, additional to the 22 already producing, and that will be completed and begin production in the first quarter of 2021. We estimate an average net production for the Ecopetrol Group of ~5.5 mboed in 2020, higher than the 4 - 5 mboed announced in the first quarter of the year. In addition to the economic rationale, this reactivation allows us to continue with the knowledge transfer and confirms the competitiveness of the position and the alignment with our strategic partner.

*In the **midstream** segment, transported volume decreased 10% as compared to the first half of 2019, impacted by lower domestic production, as well as lower consumption of crude by our refineries. Given the exceptional situation and, with the aim of mitigating permanent impacts on volumes, a temporary relief program was activated that resulted in total financing of USD 8.7 million and commercial tariffs discounts between 5.5% and 10%, for April and May. Also, volume requirements were relaxed for some ship-or-pay contracts. No reversal cycles have been carried out this year, thanks to reduced maintenance times for the repair of the Caño Limón oil pipeline.*

*The **downstream** segment performance was negatively impacted by the drop in demand associated to the lockdowns, as well as in the prices for major refined products worldwide. However, given the gradual recovery in demand, refineries have increased their throughput,*



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reaching a combined throughput of 300 mbd and an integrated refined gross margin of 8.1 USD/BI, compared to 364 mbd and 9.7 USD/BI for the first half of 2019.

On June 25, 2020, the Superintendence of Companies decreed the termination of the reorganization process of Bioenergy, a subsidiary of the Ecopetrol Group, and the opening of a judicial liquidation process within the framework of the corporate insolvency law 1116 of 2006. The liquidation process will be carried out under the rules that govern this kind of processes, under the direction of the Superintendence of Companies.

Continuing with our commitment towards the energy transition and the preservation of the environment, during the first semester we achieved a reduction of 687,769 tons of CO₂ equivalent, verified by Ruby Canyon Engineering firm, which will be registered in order to obtain an equivalent number of Certified Emission Reductions. Likewise, in line with the announcement made in the first quarter, the competitive bidding process for the procurement of the San Fernando Solar Park received six bids for its construction. This is the Group's second mega solar farm, which will have a capacity of 50 MW and will be located in the municipality of Castilla La Nueva in Meta, and whose contract is expected to be signed in August. Additionally, we continue to make progress in the maturation of other projects for nearly 100 MW of solar generation that are expected to be awarded during the second half of 2020.

Ecopetrol remains committed to generating sustainable value for society. Today more than ever, the safety and care of our employees and contractors, the reliability of our operations and the financial discipline that leverages results are at the core of our business. With our actions, we continue to promote the implementation of better environmental, as well as the social and economic development of the regions where we operate.

To review the full report please visit the following link:

<http://www.ecopetrol.com.co/wps/wcm/connect/41e44fb5-ed1a-4bc9-b410-4d01219c28d6/Q2+Earnings+Release+-+ENG+-+VF.pdf?MOD=AJPERES&id=1596535705431>

Bogotá, August 4, 2020

This release contains statements that may be considered forward looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. All forward-looking statements, whether made in this release or in future filings or press releases or orally, address matters that involve risks and uncertainties, including in respect of the Company's prospects for growth and its ongoing access to capital to fund the Company's business plan, among others. Consequently, changes in the following factors, among others, could cause actual results to differ materially from those included in the forward-



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looking statements: market prices of oil & gas, our exploration and production activities, market conditions, applicable regulations, the exchange rate, the Company's competitiveness and the performance of Colombia's economy and industry, to mention a few. We do not intend, and do not assume any obligation to update these forward-looking statements.

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