

CORPORATE GROUP  

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FINANCIAL AND  
OPERATIONAL  
RESULTS

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4Q 2015 and FY 2015

March 2016



# Cautionary Statement

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# Agenda

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Market Overview

2015 Highlights

Operational Results

Financial Results

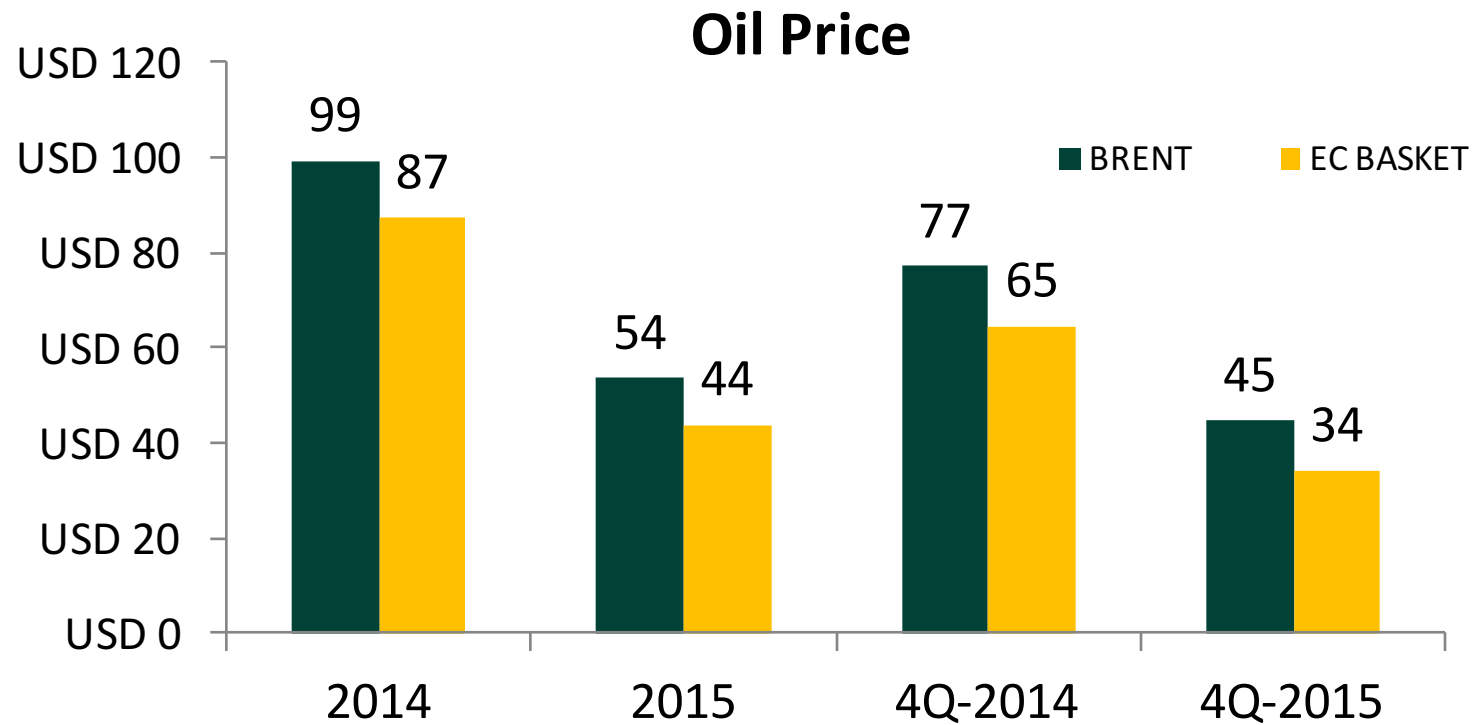
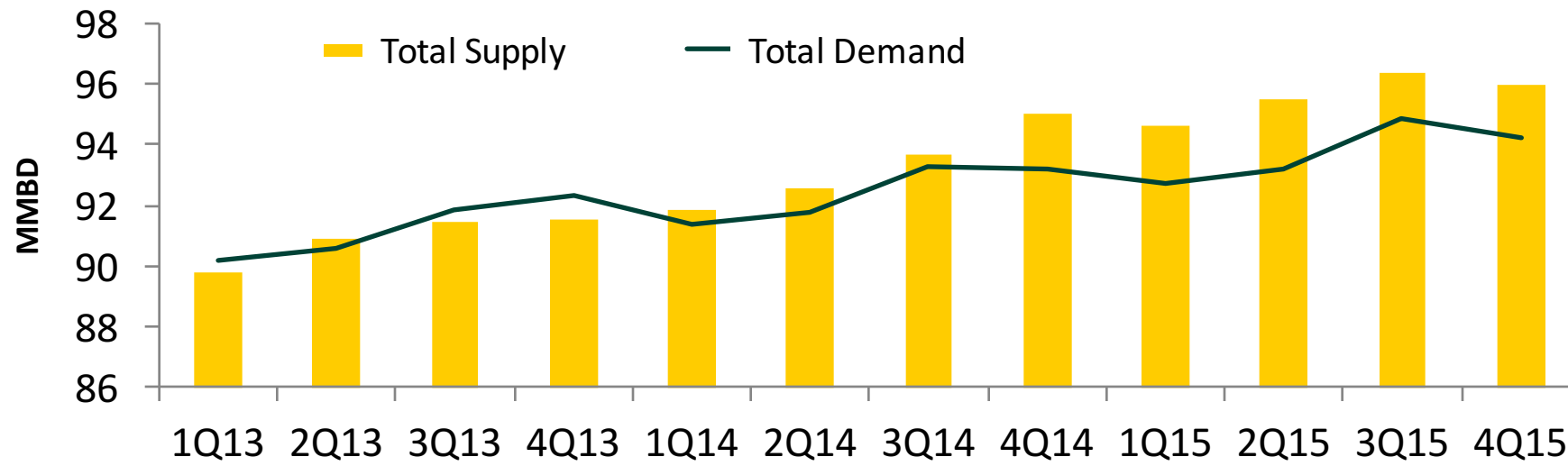
2016 Perspectives

Q&A



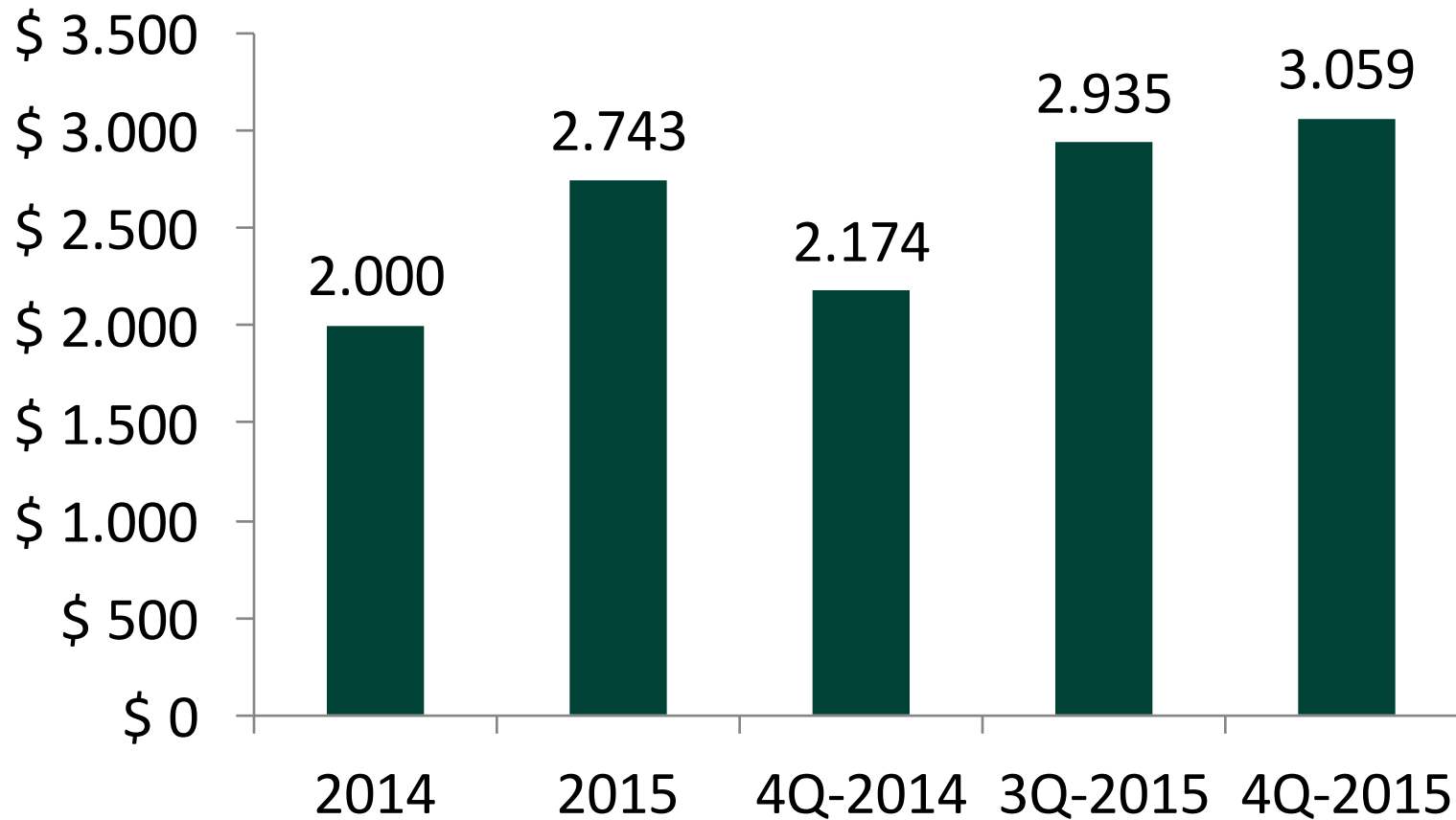
# During 2015, crude oversupply worsened with greater inventory accumulation and weak oil prices

## Supply and Demand Imbalance



# Local Factors that impacted 2015 performance

Exchange Rate  
USD\$/COP\$ Average\*



- *El Niño* Phenomenon
- Closure of Venezuela's border
- Attacks on Infrastructure

Source: Colombian Financial Superintendence

\*rounded figures



# 2015: Focus on Efficiency and Value generation

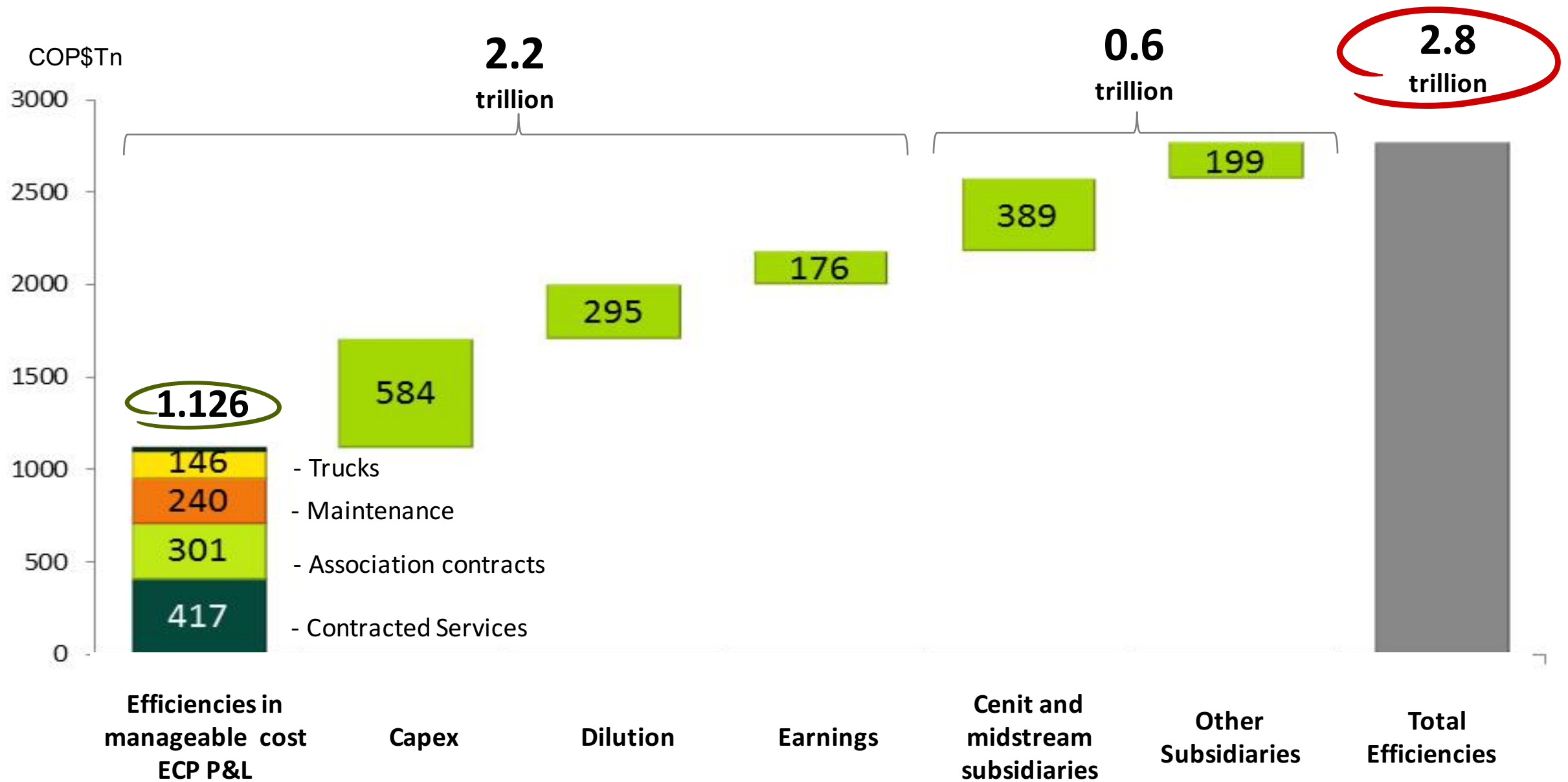
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- Cumulative **Group's savings of COP\$2.8 trillion:**
  - COP\$2.2 trillion Ecopetrol vs COP\$1.4 trillion target
  - COP\$0.6 trillion Subsidiaries
- **USD\$3.84/Bl lifting cost reduction** in 2015 vs. 2014
  - ~ 30% attributable to cost reduction strategies and higher efficiency
  - ~ 70% due to FX
- **Group's EBITDA of COP\$18 trillion** and **EBITDA Margin of 35%**
- **Start-up of the Cartagena Refinery**
- **Proven Reserves of 1,849 MMBOE** (-%11 vs. 2014) RRR of 6%
- **Investment Grade Rating** preserved by the three rating agencies S&P, Moody's and Fitch



# Cost Efficiencies

## Savings of COP\$2.8 Tn surpassed initial goal



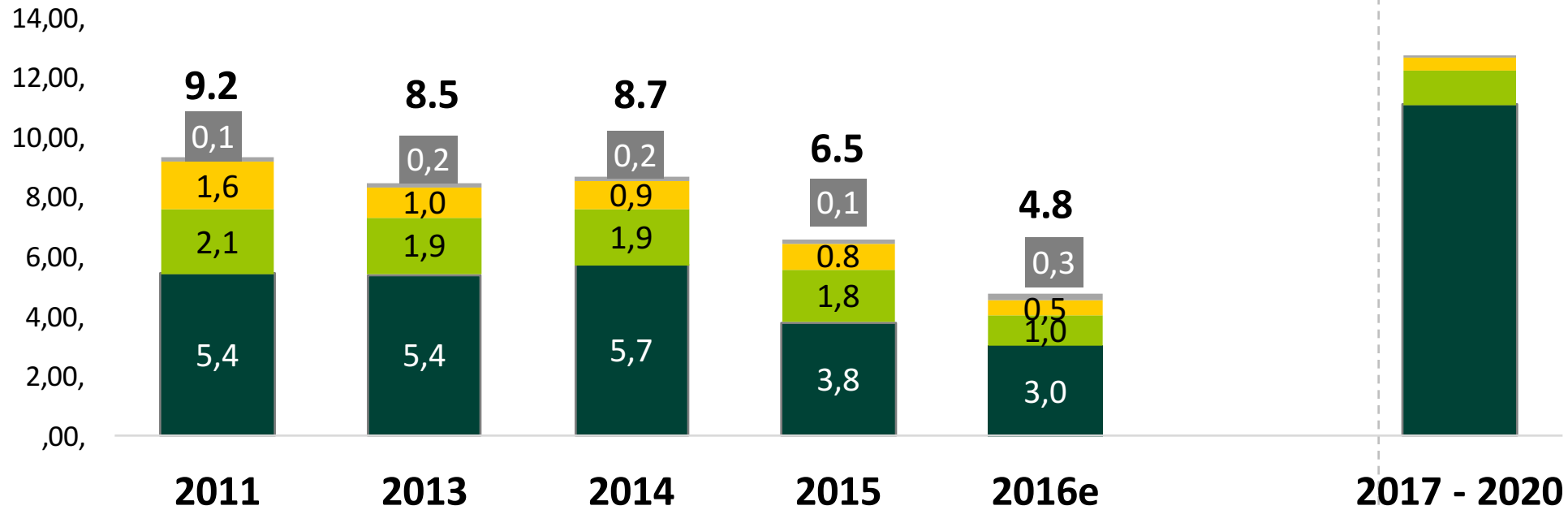


# Capital Discipline

2016 is a year of transition. As of 2017 the Company will invest largely in Upstream

## CAPEX

USD\$Bn



	CAPEX 2011-2015	%
UPSTREAM	25	61%
DOWNSTREAM	10	24%
MIDSTREAM	6	14%
Corporate & Other		

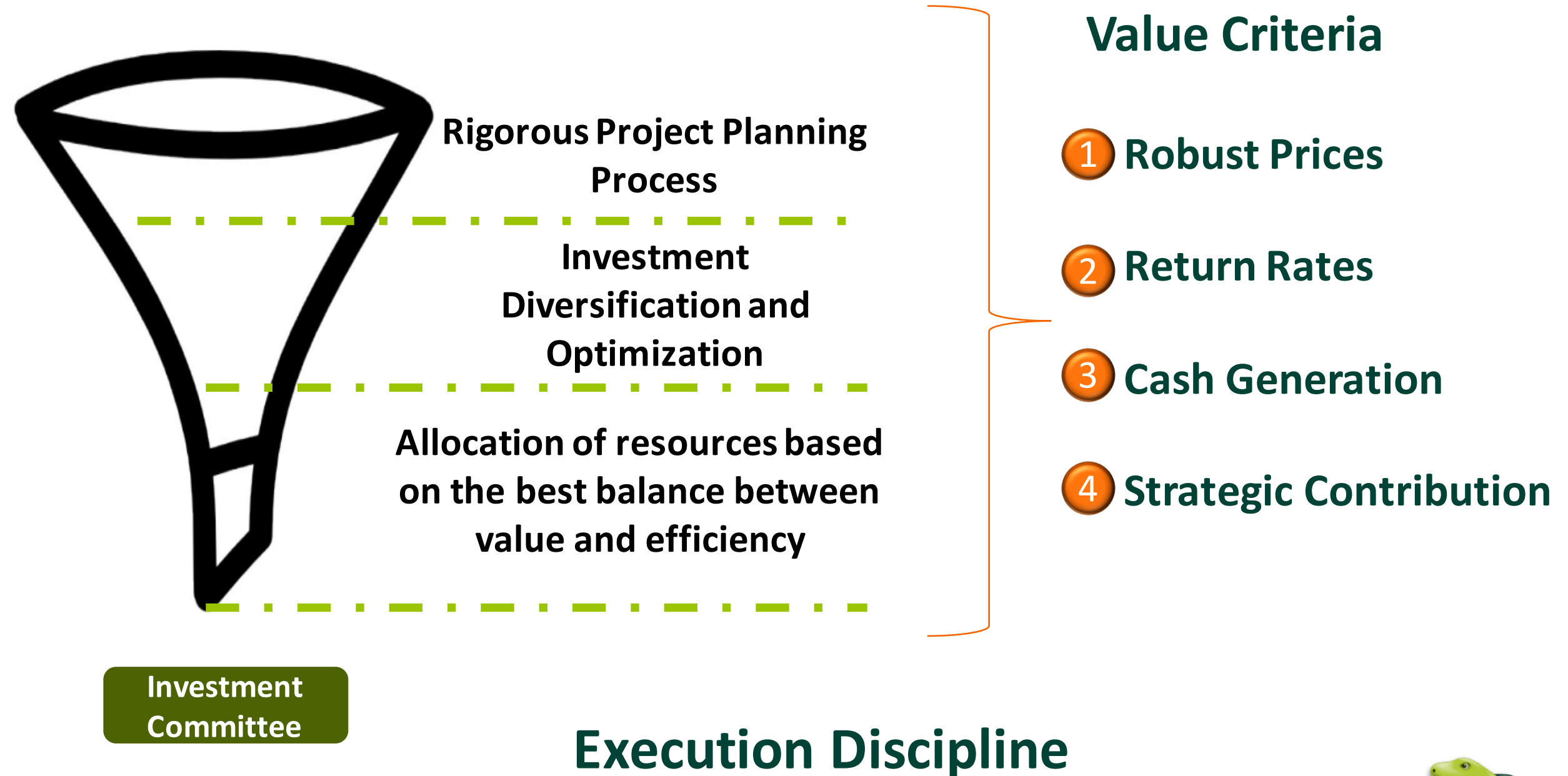


	%
UP	90%
DOWN	7%
MID	3%



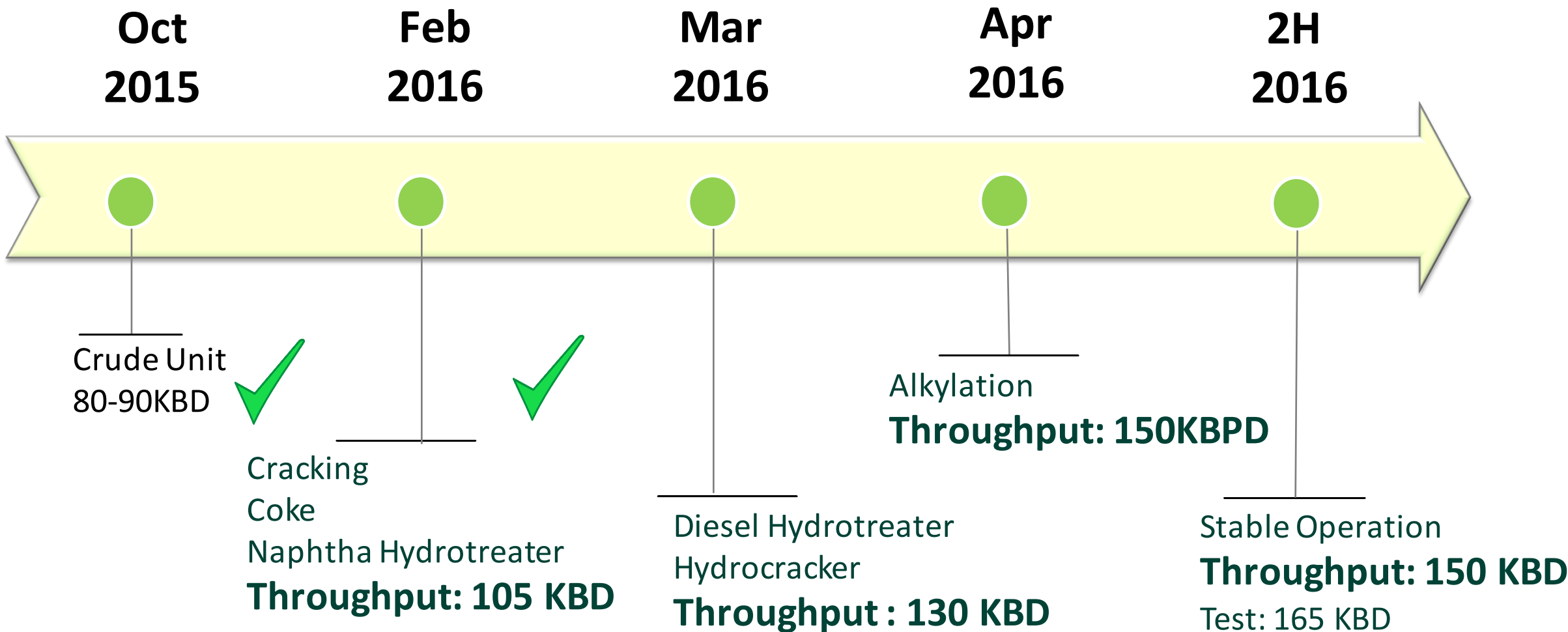
# Capital Discipline

## Strict allocation of capital resources



# Execution Discipline

## Reficar Start-up Timeline

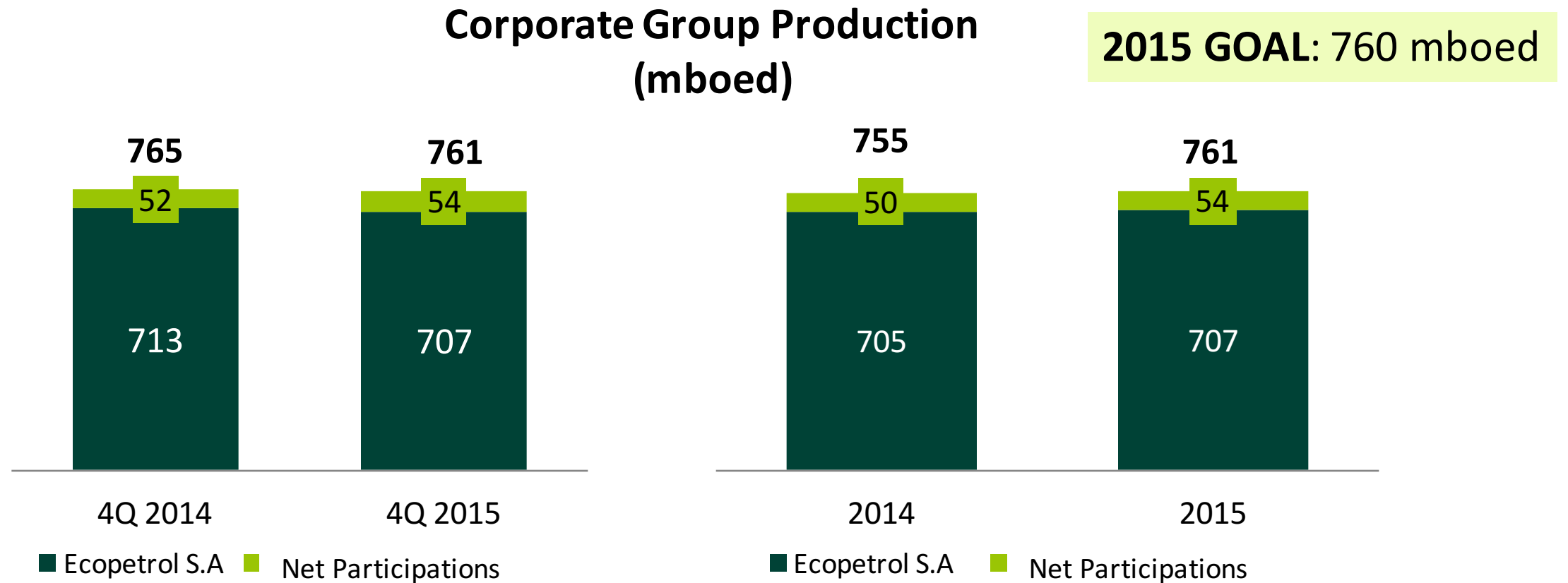


### Highlights



# Production

## Target achieved amidst a challenging environment



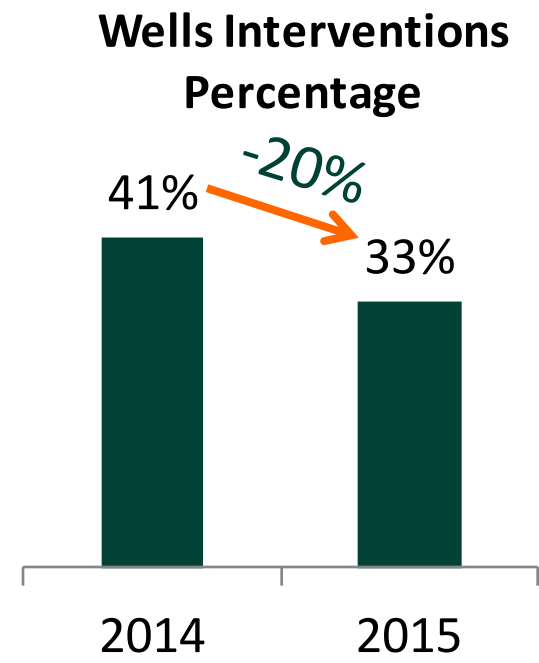
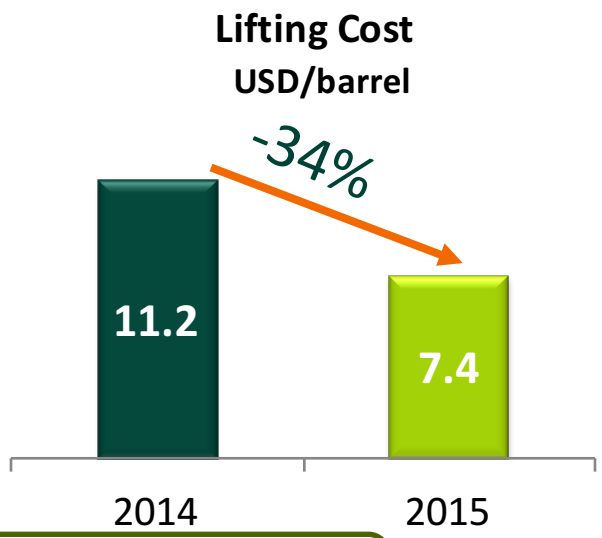
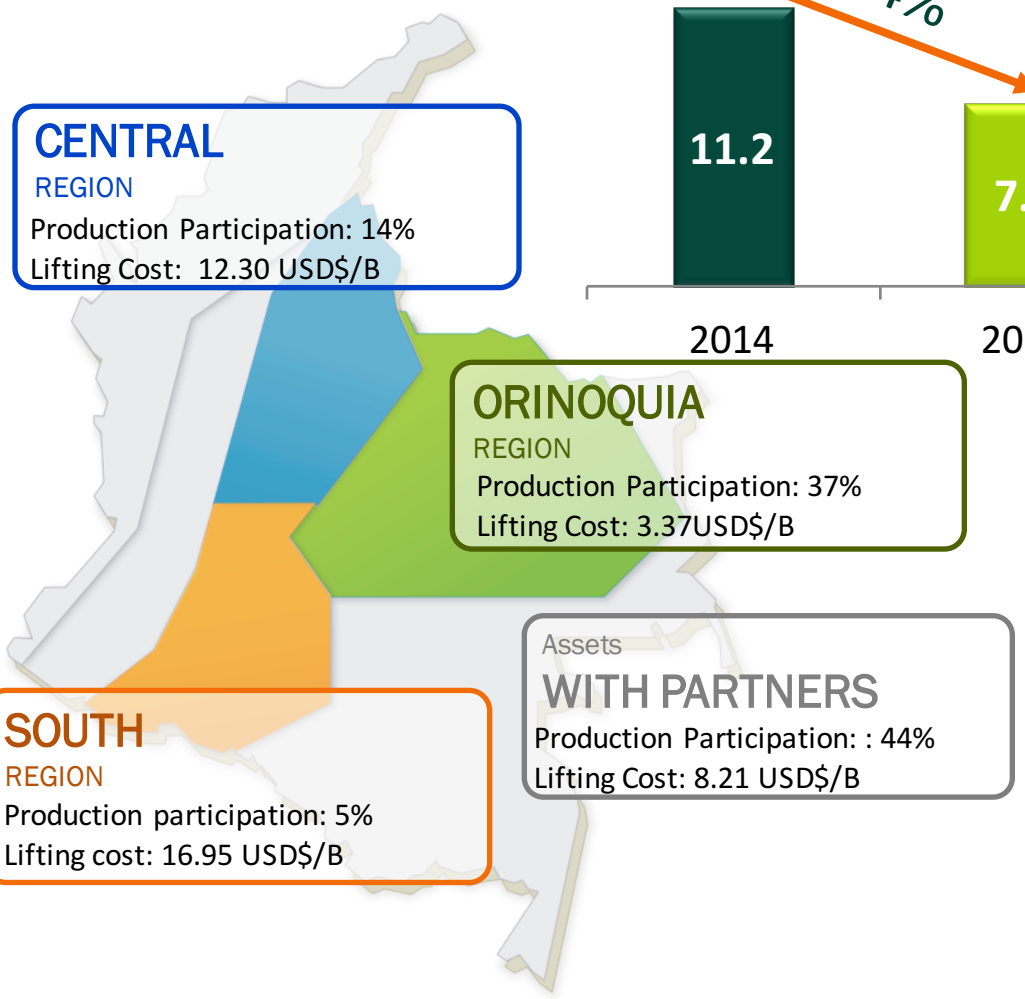
- **Positive margins** in all the fields
- **Production increased** by 5.3 mbpd (+0.7%)
- **Record production in Castilla:** 126 mbpd in 4Q 2015
- **Recovery Program**
  - **8 additional pilots initiated** in 2015
  - **~1,000 MBIs** of new **contingent resources added** in the past 2 years



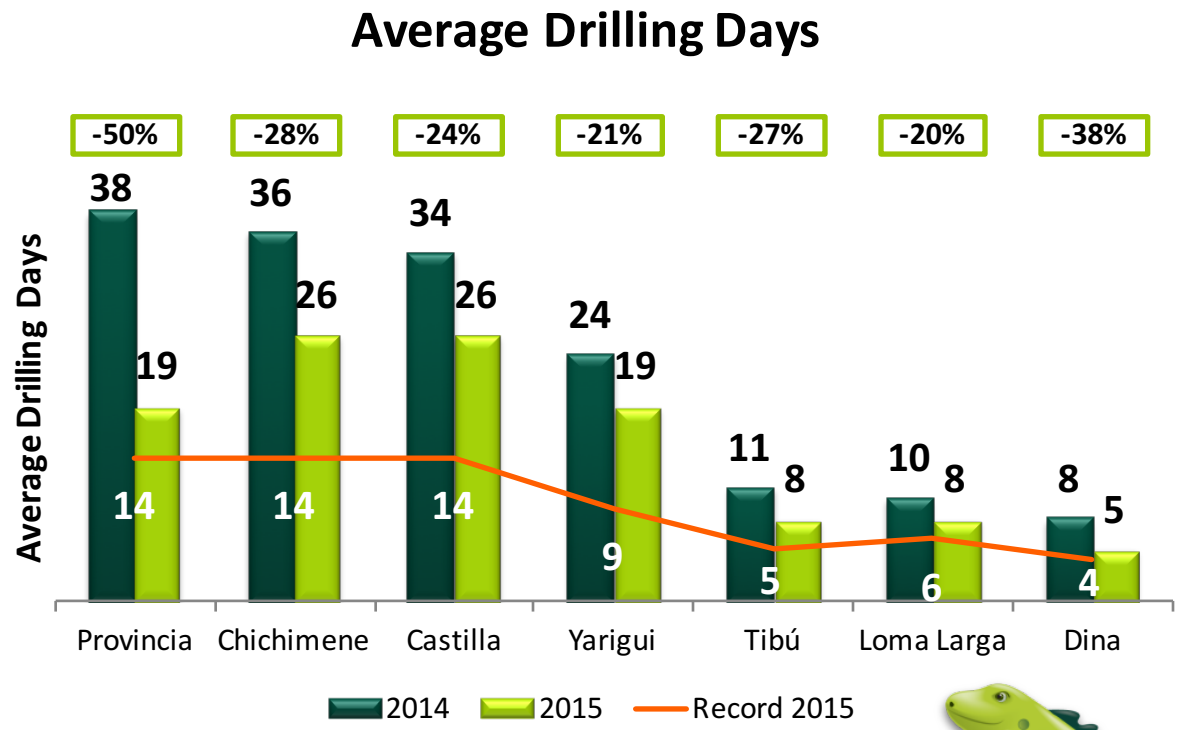
# Production

## Structural efficiencies were consolidated <sup>1</sup>

### Operational and Development Efficiencies



**17% Reduction**  
in average cost  
per well



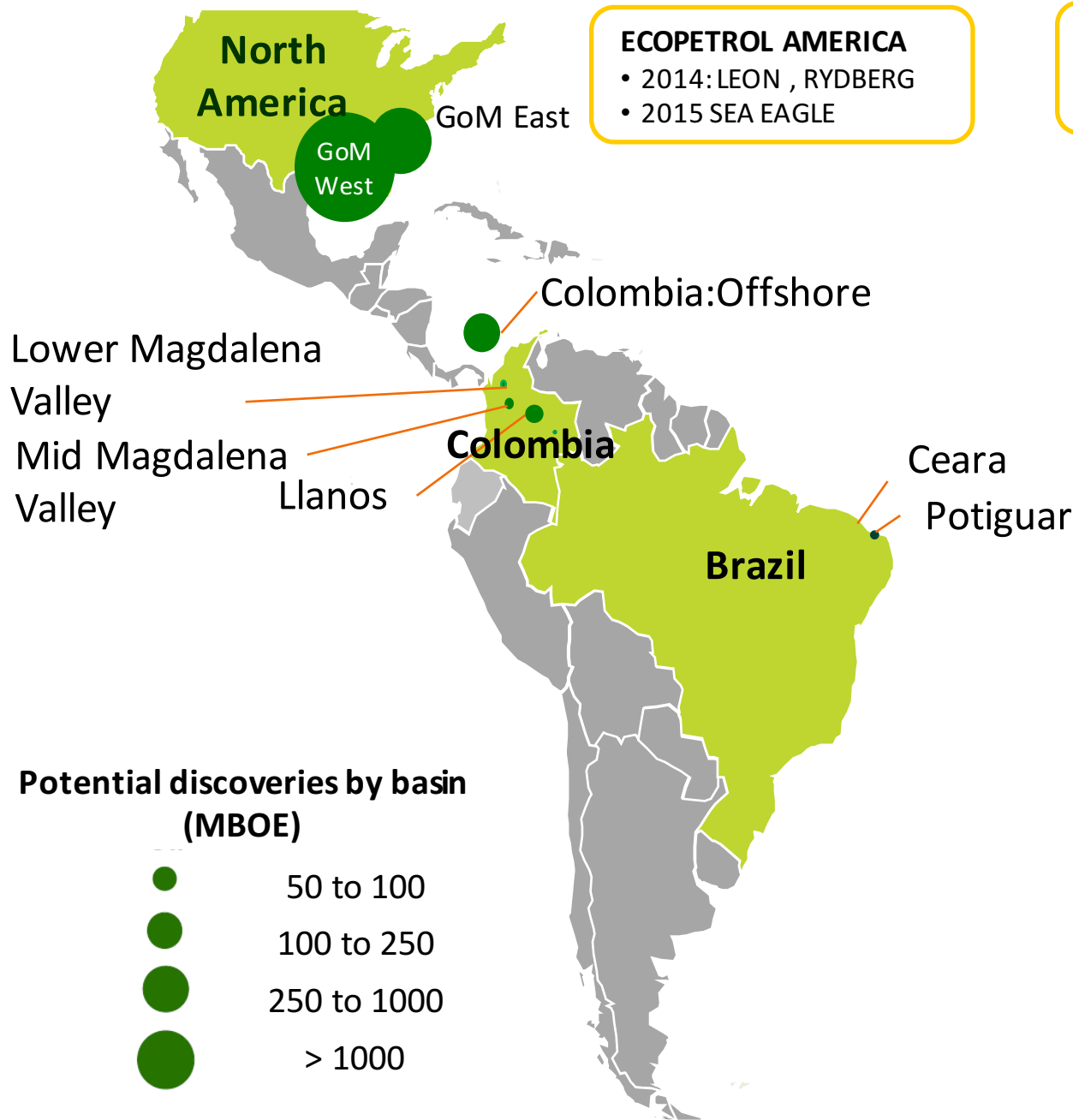
Close to **COP\$450 billion** savings in dilution and transportation 2015 vs. 2014



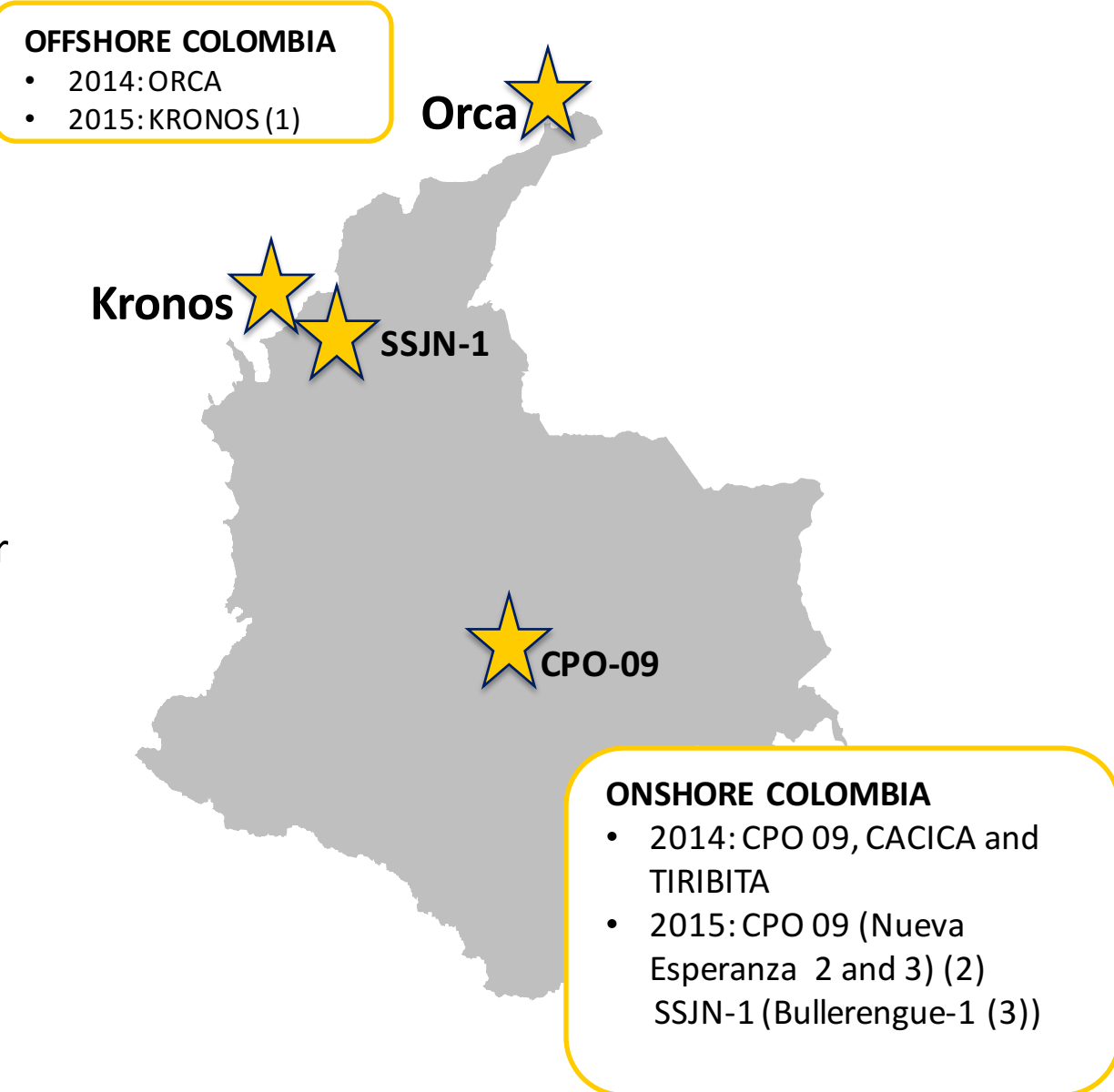
# Exploration

## Kronos discovery, among the 20 greatest discoveries in 2015 worldwide

### Potential in basins – Focus countries



### Discoveries 2014-2015



- (1) Kronos 1: Incorporation of contingent resources in Nov 2015
- (2) Nueva Esperanza 2 and 3 of CPO-9 Block: in Aug 2015
- (3) Bullerengue 1: Incorporation of contingent resources in Dec 2015



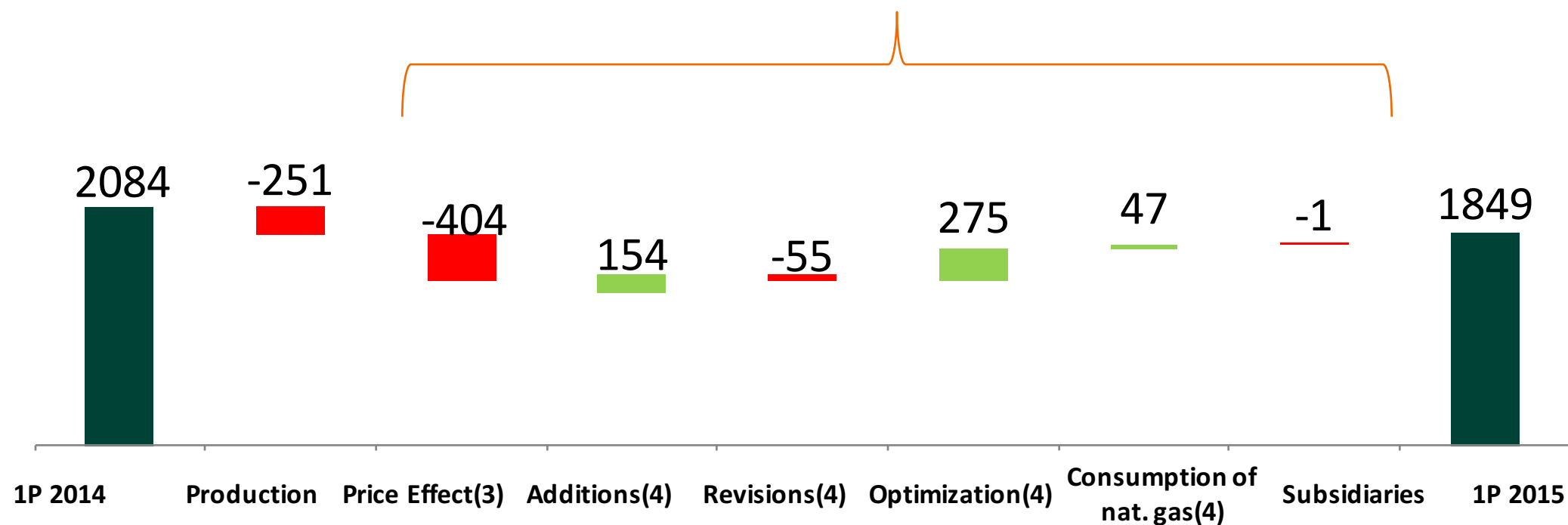
# Proven Reserves 2015 <sup>(1)</sup>

RRR 2015 <sup>(2)</sup>:6%

## 2015 Balance

Million of barrels of oil equivalent (MMBOE)

Net Addition: 16 MMBOE



↑ Costs Optimization

↑ Natural Gas Consumption

↑ Infill Drilling

↑ Foreign Exchange Rate effect over cost

↑ Good Production Performance

↓ 43% Drop in Sales Prices

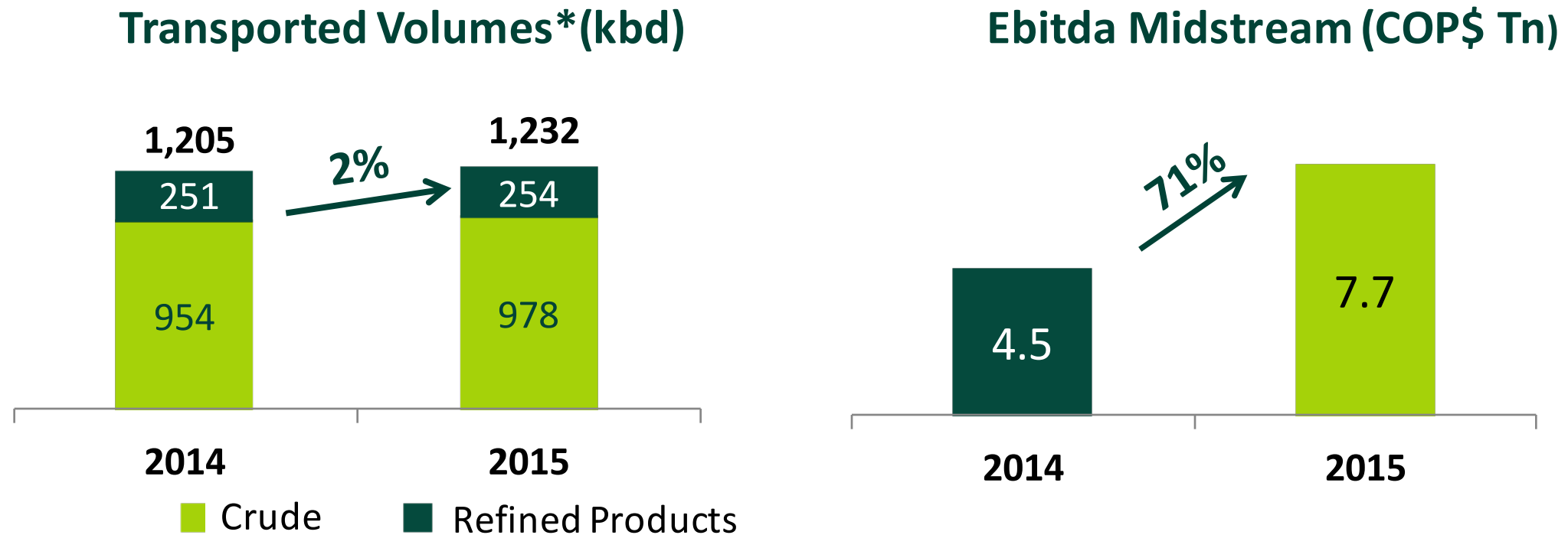
Source: Ecopetrol

15 (1) SEC methodology (2) RRR: Reserve replacement ratio (3) Sensitivity over Ecopetrol's 2014 volumes using 2015 prices 4) Figures for Ecopetrol S.A.



# Midstream

## Relevant source of cash for the Group



- **COP\$0.4 trillion** optimization in Midstream costs
- **Transportation cost per barrel** decreased to US\$3.37/Bl from US\$4.03/Bl in 2014 (-16% yoy)
- **Transported volume** increased by 2% in 2015
- **USD\$2.1 billion CAPEX optimization.** Sustainable cut, with no additional risks and aligned with industry conditions.

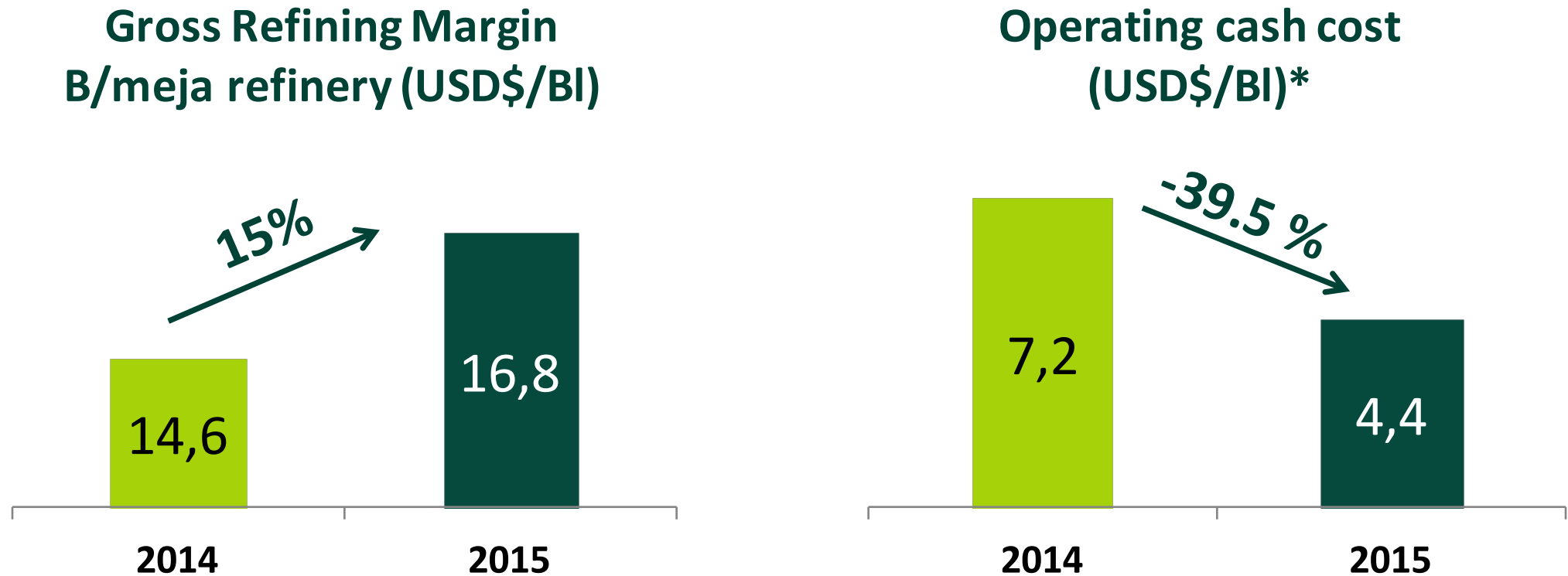
\*Transported volumes correspond to the Corporate Group companies and to third parties. Percentages computed without rounded figures





# Refining:

## Strong operating performance



- Refining **margin increase** due to initiatives to **enhance streams** and **better spreads**
- **Higher refinery load** as a result of **operational availability** of units in 4Q 2015. Utilization factor : 81% in 4Q 2015 vs. 76.8% in 4Q 2014
- **USD\$1.29/BL** decrease in cash operating cost owing to **optimizations** on maintenance and support services



# Financial Results

(COP\$ Tn)

Sales

EBITDA

EBITDA Margin

CAPEX (USD\$ Bn)

Final cash/cash equivalents

Net Income without  
Impairments

Impairments\*

Net Income

Debt/EBITDA (times)

4Q 2015

13

3

24%

1.8

6.6

0.03

(6.3)

(6.3)

2.9

2015

52

18

35%

6.5

6.6

2.4

(6.3)

(3.98)

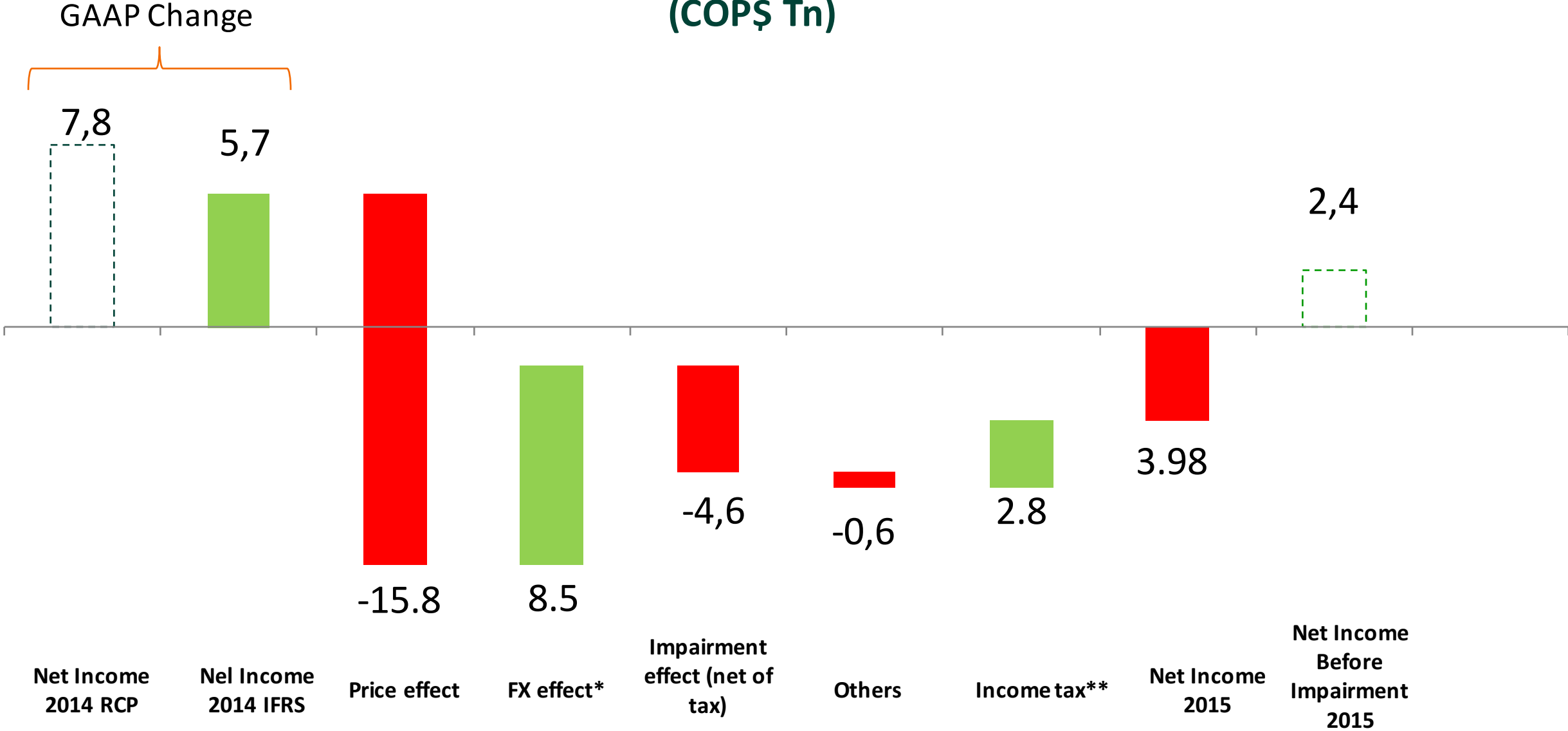
2.9

\*After tax



# Group's Net Income

## Net Income Variation 2014 vs. 2015 (COP\$ Tn)



\*Includes Hedge Accounting

\*\* Does Not include impairment

RCP: Public Accountancy Legal Framework (Régimen de Contabilidad Pública, RCP) of Colombia's General Accounting Office

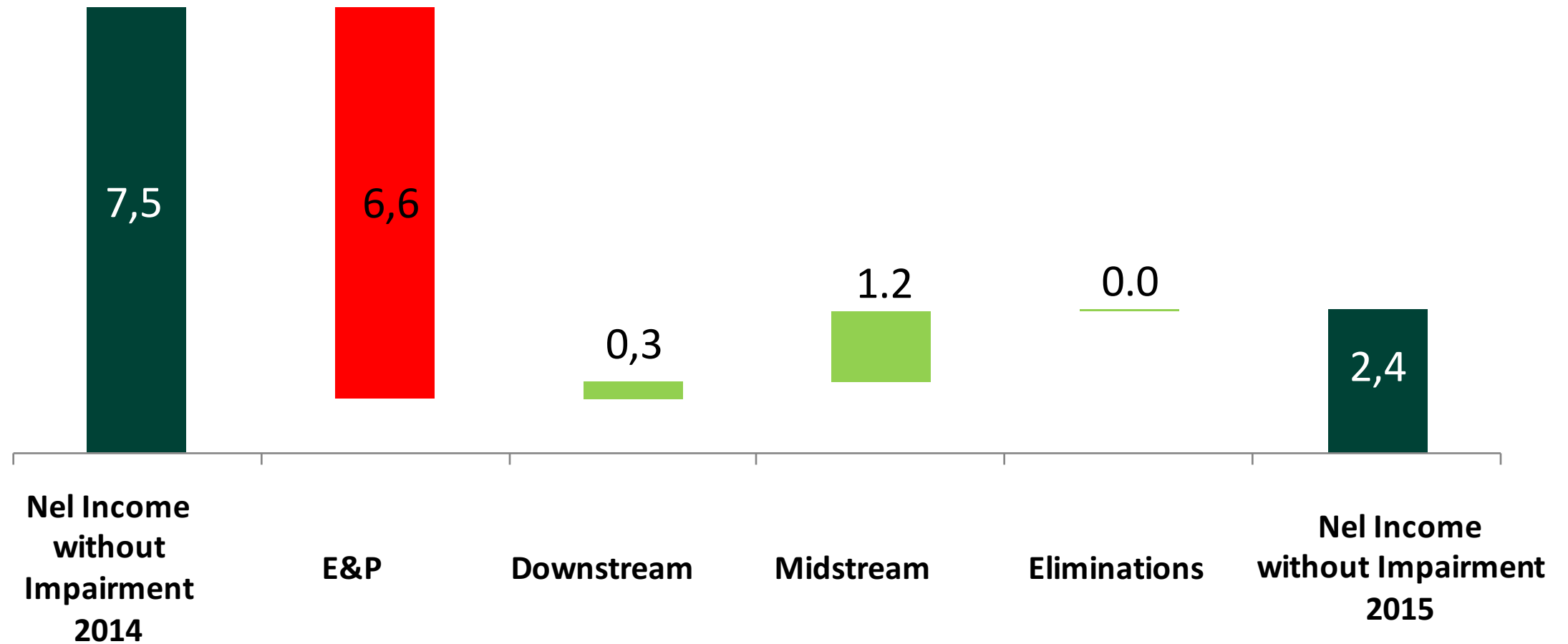
IFRS: International Financial Reporting Standards



# Income by Segment \*

## Strength of an integrated company

Income Variation by Segment\* 2014 vs. 2015  
(COP\$Tn)



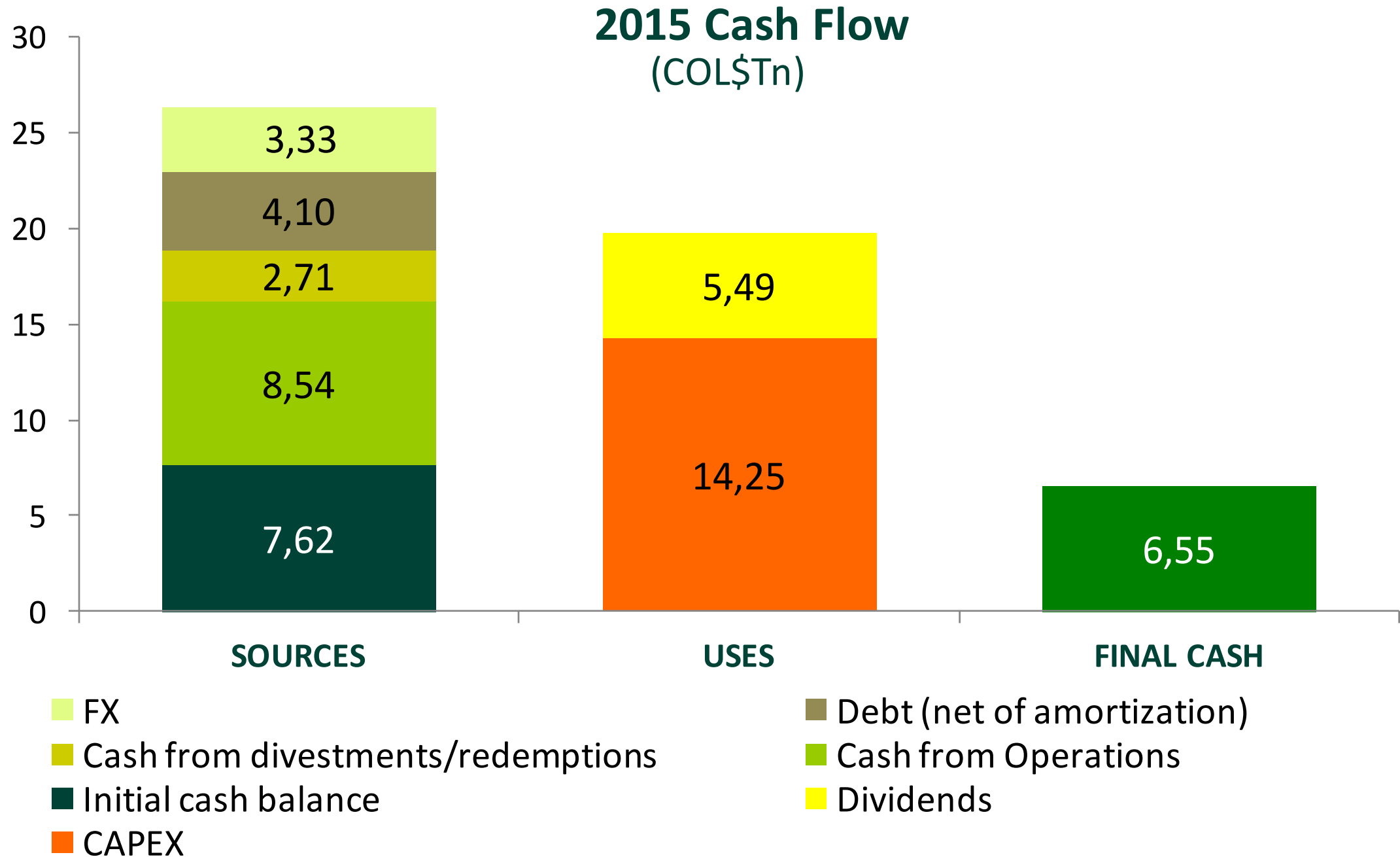
In 2015 Midstream contributed with COP\$1.86 Tn to income before impairments

\*Income before impairment



# Cash Flow

## Strong Cash Position



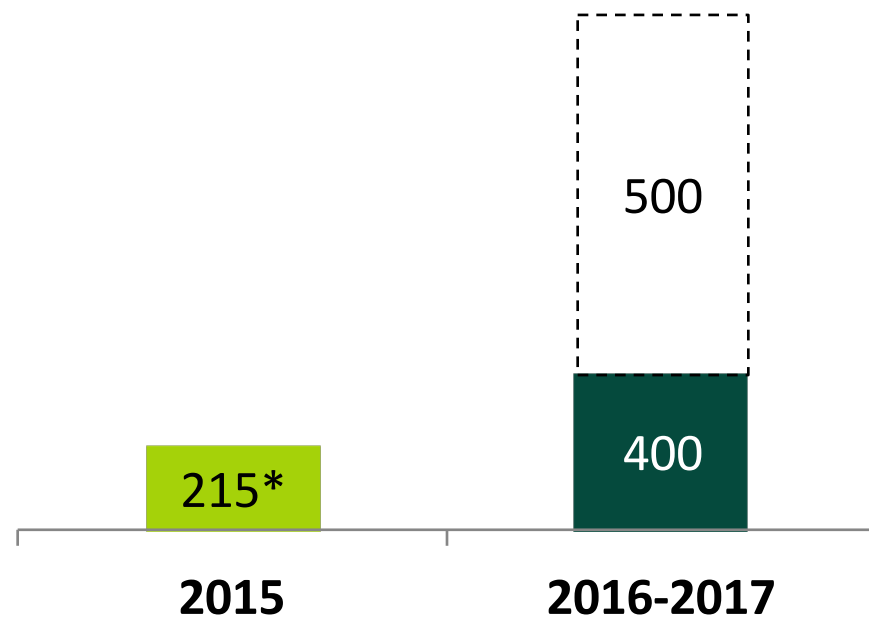
Final cash balance on December 31, 2015 was **COP\$6.6 Tn**



# 2016-2017 Divestment Program

## Portfolio Rotation to Generate Cash

### Divestments (USD\$ millions)



Divestment Program comprising **non-strategic assets** and **equity participations**:

- Second round of EEB offering
- Second round of ISA offering
- Propilco
- Minor fields
- Other under analysis

Proceeds from the program **not included** in cash flow plan



# Re-inventing the Organization

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**Talent Management and Leadership Program**

Management Team Renovation

**Culture Transformation**

New Culture and Leadership Model

**Re-inventing Ecopetrol**

**Professional Development**

Excellency and Productivity

**Relationship with Unions**

Seeking efficiency and sustainability of the Company



# 2016 Perspectives

## A transition year for the Group

- Focus on **capital discipline** and **cash flow** protection
- **Additional savings target of COP\$1.6 Tn** and higher efficiencies that allow CAPEX and OPEX optimizations
- **Financial sustainability**: maximum Debt/EBITDA ratio of four times. 2016 **financial needs** between **USD\$1.5** and **USD\$1.9 Bn**
- **Expected divestments 2016-2017**: in the range of **USD\$400** and **USD\$900** million
- Robust **Exploration and Production Portfolio** to ensure long term growth
- **Profitable** production, **value over volume**
- **Business Plan 2016-2020** update





# Q&A

