

S&P 500 2,848.47 -30.96 (-1.07%)	Dow 30 25,615.13 -352.29 (-1.38%)	Nasdaq 7,844.83 -85.49 (-1.09%)	Russell 2000 1,558.73 -18.24 (-1.18%)	Crude Oil 61.33 -0.79 (-1.27%)	Gold 1,286.40 +5.69 (+0.39%)
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U.S. Markets close in 3 hrs 46 mins

# Ecopetrol S.A. (EC) Q1 2019 Earnings Call Transcript

Motley Fool Transcription, The Motley Fool  
Motley Fool May 8, 2019



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**Ecopetrol S.A. (NYSE: EC)**  
Q1 2019 Earnings Call  
May 7, 2019, 10:30 a.m. ET

- Contents:**
- Prepared Remarks
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**Prepared Remarks:**

**Operator**  
Good morning. My name is Hilda and I will be your conference operator today. At this time, I would like to welcome everyone to the Ecopetrol first quarter 2019 results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. Thank you for your attention.

Mrs. Maria Catalina Escobar will begin the conference call today. Mrs. Escobar, you may begin your conference.

**Maria Catalina Escobar -- Head of Capital Markets**

Good morning, everyone and welcome to Ecopetrol's earnings conference call and webcast in which we will discuss the main financial and operational results of Ecopetrol for the first quarter of 2019.

Before we begin, it is important to mention that the comments in this call by Ecopetrol's senior management can include projections of the company's future performance. These projections do not constitute any commitments to future results, nor do they take into account risks or uncertainties that could materialize. As a result, Ecopetrol assumes no responsibility in the event that future results are different than the projections shared on this conference call.

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The call will be led by Mr. Felipe Bayon, CEO of Ecopetrol. Other participants include Jaime Caballero, CFO, Alberto Consegra, Executive Vice President, Milena Lopez, CFO of **Centel**, Jorge Calvache, Exploration Vice President, Jorge Osorio, Vice President of Development and Production, and Tomas Hernandez, Vice President of Refining and Industrial Processes. We will begin the presentation with the main achievements of the first quarter of 2019 followed by the highlights by business segment and financial results under international finance reporting standards. We will close with a Q&A session.

I will now hand over the presentation to Ecopetrol's CEO, Felipe Bayon.

**Felipe Bayon-- Chief Executive Officer**

Thank you, Maria Catalina and welcome everyone to our first quarter 2019 results conference call. I am pleased to share with you what are the best first quarter financial results for the last four years. Ecopetrol's group net profit and EBITDA amounted to 2.7 trillion pesos and 7.4 trillion pesos, respectively.

Throughout the quarter, we experienced a very favorable macroeconomic environment, the higher average exchange rate, greater financial savings, and a lower tax rate. All of these helped us offset the lower Brent price, which went from \$67.2 per barrel in the first quarter of 2018 to \$63.8 per barrel at the end of the first quarter in 2019.

The flexibility in our commercial strategy allowed us to focus on markets that generate greater value and hence maintain similar levels in the spread for crude oil and products versus Brent. At the end of the first quarter, the discount percentage of the crude oil spread versus Brent registered a -11.9%, similar to the 10.9% reached in the same period for 2018.

I would like to highlight the operational stability achieved during this quarter, leveraged by an adequate management of our operating environment, which allowed a continuous activity in all of the regions in which we operate. This contributed to the increase in production compared to the same period of 2018, a period affected by security problems.

I will now pass the floor to Alberto Consegra, our COO, who will talk about the main operational achievements during the first quarter.

**Alberto Consegra -- Chief Operating Officer**

Thank you, Felipe. First quarter operating results were solid and aligned with 2019 targets. This gives us a good basis to continue leveraging the profitable growth stage in the Ecopetrol Group segments. The business group's average production for the first quarter was 728,000 equivalent barrels of oil per day, in line with the production target for 2019, thanks to the continuity, and increase and results of the drilling campaigns, and the good response of the secondary and tertiary recovery programs that leveraged the production and reserves growth strategy.

The 2019 exploration campaign has produced satisfactory results. Ecopetrol and its business partners completed the drilling of three exploratory wells, of which one was declared successful, achieving a success rate of 33% to date. Additionally, with the signing of two exploration and production contracts, a new impetus is given to the reactivation of exploratory activities in the Colombian offshore by Ecopetrol.

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