

FITCH AFFIRMS ECOPETROL'S FC & LC IDRS AT 'BBB-'/ 'BBB'; REVISES OUTLOOK TO POSITIVE

Fitch Ratings-Chicago-08 March 2013: Fitch Ratings has affirmed Ecopetrol S.A.'s foreign currency (FC) and local currency (LC) Issuer Default Ratings (IDRs) at 'BBB-' and 'BBB', respectively. The rating action affects approximately US\$1.5 billion of notes outstanding. Concurrently, Fitch has revised Ecopetrol's foreign and local currency Rating Outlook to Positive from Stable. Fitch has also affirmed Ecopetrol's national short- and long-term (LT) IDRs at 'F1+(col)' and 'AAA(col)', respectively, which affects the company's COP1,000,000 million issuance program. The Rating Outlook for the National Scale long-term rating is Stable.

KEY RATING DRIVERS

Ecopetrol's Outlook revision follows Fitch's revision of Colombia's sovereign FC and LC rating Outlook to Positive from Stable. Ecopetrol's ratings reflect the close linkage with the Republic of Colombia, which currently owns 88.5% of the company. Ecopetrol's ratings also reflect its strong financial profile and improving production levels. Ecopetrol's growth strategy and associated capital investment are considered aggressive and, in Fitch's view, could be challenging to achieve. Ecopetrol is expected to maintain a financial and credit profile consistent with the assigned rating.

The Colombian sovereign rating outlook revision reflects the country's increased resilience due to strengthening external accounts and favorable government debt dynamics. As a result of continued international reserve accumulation, Fitch expects Colombia to become a net sovereign external creditor in 2013. In addition, government debt burden continues to decline driven by fiscal consolidation and economic growth. General government debt, at an estimated 36.3% of GDP in 2012, is in line with the 'BBB' median. Lower interest burden, increased capital spending are reflecting improving trend in the composition of public spending, while the recent passage of the tax reform highlights the commitment of the government to make progress on the structural aspects of the cumbersome tax code.

RATING SENSITIVITY

An upgrade or Positive Outlook could result from an upgrade of Colombia's ratings coupled with continued strong operating and financial performance. A downgrade could occur following a downgrade of Colombia's sovereign ratings, an increase in leverage beyond Fitch's expectations (e.g. above 3.0x), weak operating performance resulting in a sustained production-to-reserves level below five years, and/or a sharp and extended commodity price downturn.

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Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable Criteria and Related Research:

- 'Corporate Rating Methodology' (Aug. 8, 2012);
- 'Parent and Subsidiary Rating Linkage' (Aug. 8, 2012).

Applicable Criteria and Related Research

Corporate Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=684460

Parent and Subsidiary Rating Linkage

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=685552

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