MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Baa3 to EEB's US$112 million additional senior unsecured notes; outlook remains stable

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Approximately US$722 million of debt securities affected

New York, November 15, 2013 -- Moody's Investors Service (Moody's) affirmed today the Baa3 senior unsecured rating of Empresa de Energia de Bogota (EEB). In addition, Moody's assigned a Baa3 rating to EEB's US$112 million additional senior unsecured note offering issued under the indenture dated November 10, 2011, pursuant to which EEB issued initially the US$610 million 6.125% senior unsecured notes due 2021. The outlook is stable.

Proceeds of the notes will be used by EEB to grant intercompany loans to its two Guatemalan subsidiaries, namely to the engineering service provider EEB Ingeniería y Servicios (EEBIS) and to Transportadora de Centroamerica S.A. (Trecsa). EEB holds a 98.4% ownership-stake in this electric transmission company which will use part of the proceeds to repay EEB a previous US$32 million short-term intercompany loan granted in March 2013.

RATINGS RATIONALE

The rating action reflects Moody's expectation that EEB will continue to report credit metrics that are well positioned within the Baa-rating category outlined in Moody's Regulated Electric and Gas Utilities ratings methodology. Specifically, the rating anticipates that EEB will record 3-year average ratios of consolidated and parent only operating cash flows (POCF, defined as EEB's own operating cash flows after overhead costs and interest expense but also including subsidiaries' divided distributions) to consolidated and parent only level debt that will at least hover around the high teens, as well as consolidated and parent only interest coverage of at least 3.0x. To that end, the rating assumes that EEB will continue pursuing and funding any new growth opportunities in Colombia and other regional countries with transparent regulatory frameworks in a prudent manner.

EEB's Baa3 senior unsecured rating largely reflects its ownership structure and linkages with the District of Bogota (Baa3, positive). It is Moody's understanding that pursuant to Agreement nr 01, 1996, the District of Bogota is required to hold at least a 51% ownership stake in the issuer. Given the District's majority ownership stake, EEB falls under the scope of Moody's rating methodology for government-related issuers (GRIs). The rating reflects Moody's assessment of a strong probability of extraordinary support from the municipality and a moderate level of dependence. Our assessment factors some potential risk of political interference by the District, particularly in the absence of a governance framework agreement that clearly outlines EEB's relationship with the District of Bogota; however, our concerns are significantly mitigated by the country's legal and regulatory requirements needed before the implementation of any material corporate reorganizations. The latter reflects the degree to which the District is exposed to the same risks as those that would affect credit quality at EEB. That said, going forward should the importance of EEB's international activities continue growing Moody's may re-assess its opinion about the District's ability and willingness to provide extraordinary financial support should EEB face significant challenges in its operations abroad.

The GRI methodology is also based on EEB's Base Credit Assessment (BCA) of ba1. This is a representation of EEB's intrinsic standalone creditworthiness before taking into account possible extraordinary support from the municipality.

EEB's BCA of ba1 largely reflects the structural subordination and the material amount of debt that exists at the parent holding company. Moody's calculates that EEB's parent-only debt exceeded 40% of the consolidated indebtedness at June 2013 even before the issuance of the up to US$100 million additional senior unsecured notes. As a result, despite its own electric transmission operations EEB exhibits a strong dependence on the cash dividends up-streamed from its subsidiaries, particularly those from its non-controlled subsidiaries, to help service its indebtedness. Consequently, the BCA reflects some notching to capture these credit concerns. That said, the BCA also considers that EEB's cash flow visibility is enhanced by the regulated nature of most of EEB's subsidiaries along with the aggressive dividend policy of its key non-controlled subsidiaries, particularly the electric and natural gas utilities, Codensa and Gas Natural, but also the unregulated power generation company Emgesa. The BCA assumes the successful completion of its controlled subsidiaries' current material electric transmission and natural gas capital expenditure (capex) projects currently being pursued in Peru and Guatemala. It also acknowledges the resulting diversification benefits and the slowly growing relevance of the regulated controlled subsidiaries as a source of cash flows. This includes Transportadora de Gas Internacional (Baa3, stable), Calidda (Baa3, stable) and Consorcio Transmantaro (Baa3, stable). It further also assumes that EEB will continue to prudently manage the foreign exchange risk exposure that results from the material proportion of holding company debt incurred in US$ via a combination of derivates (the 2008 swap with a notional amount of US$133 million) and natural hedges. To this end, Moody's understands that similar to TGI's existing US$ intercompany loan the servicing of the intercompany loans granted to TRECSA and EEBIS will be also in US$ which is their functional currency. In the absence of committed bank credit facilities the BCA also captures EEB's reliance on the capital markets to meet unexpected cash flow shortfalls albeit its current debt maturity profile is deemed manageable.

Moody's further understands that EEB's expansion strategy is largely focused on further growing its controlled subsidiaries base of operations.

Importantly, EEB's BCA and stable outlook reflect Moody's assumption that EEB will pursue any new growth initiative in a disciplined manner. In this regard, Moody's notes that EEB has recently publicly expressed interest in participating in the Colombian government's plans to divest its 57.66% stake in the unregulated power generation company ISAGEN (Baa3, negative). The government recently increased the asking target share price to around US$1.67/share (+11% over the initial stated price) which results in a valuation of its 57.66% stake at around US$2.5billion. Moody's understands that regulation may require a potential bidder to also make an offer for the remaining shares for ISAGEN's change of control to become effective. Therefore, the total required investment could exceed US$4 billion, a sizeable investment for a company of EEB's size.

EEB's outlook currently remains stable despite the uncertainties related to the completion of the government's divestiture of its ISAGEN shares and whether EEB will be the winning bidder, and if the subsequent required funding decisions will be pursued on a standalone basis or via a partnership and the proposed capital structure. This is particularly relevant, as ISAGEN's ability to incur additional debt to help fund the transaction is limited under its financial covenants.

The stable outlook further reflects our expectation that EEB will continue to benefit from the strong cash distributions received from its uncontrolled subsidiaries, the successful completion of its ongoing major capex programs in Guatemala and Peru, and the slowly growing relevance in terms of regulated cash flow contributions of the controlled subsidiaries, including TGI. The stable outlook also incorporates Moody's expectation that EEB's credit metrics will remain commensurate with the Baa-rating category outlined in Moody's Regulated Electric and Gas Utilities ratings methodology. Specifically that its 3-year average ratio of POCF to parent ratio only level debt will at least hover around the high teens, as well as consolidated and parent only interest coverage of at least 3.0x. This further assumes that going forward EEB's main source of cash flows will be the dividends up-streamed primarily from regulated utilities. Should EEB's aggressive expansion plans, including the possible acquisition of ISAGEN, result in a deterioration of the group's business risk profile due to a larger exposure to the unregulated power generation sector, Moody's would, most likely, reassess the minimum key credit metrics required for retaining the current Baa3 rating.

EEB's BCA rating could be upgraded if over the long term its reliance on its controlled subsidiaries' dividends increases significantly such that they exceed the dividends received from its non-controlled subsidiaries. Quantitatively, an upgrade could also be triggered if EEB reports parent-only RCF to debt in the high teens, on a sustainable basis. EEB's senior unsecured rating could experience some upward momentum if the rating of the District of Bogota is upgraded assuming Moody's assessment on whether the current levels of moderate dependence and/or strong support by the District of Bogota in terms of willingness and ability remained appropriate taking also into consideration the degree of

EEB's non-Colombian expansion initiatives and strategies at that point in time.

EEB's BCA could be downgraded if the current capex programs being pursued via Trecsa (Guatemala) Calidda (Peru), and/or Contugas (Peru) are poorly executed. Negative momentum could be triggered if the cash up-streams received by EEB deteriorate substantially and/or indebtedness increases significantly such that the consolidated and/or standalone credit metrics deteriorate and are not commensurate with the ranges outlined for the Baa-rating under the applicable Moody's ratings methodology. Specifically, if CFO pre-W/C interest coverage and CFO pre-W/C to debt falls below 2.0x and the mid teens on a consolidated and/or standalone basis, respectively, on a sustainable basis. Apart from a change in the standalone fundamental credit quality of the issuer, the rating of the notes could be downgraded if EEB decided to incur significant amounts of secured debt as a proportion of its total debt, the proportion of EEB's stand alone debt over consolidated indebtedness continues to grow to levels that warrant an additional notching downgrade versus the rated debt at its operating subsidiaries, and/or upon a substantial increase in the group's exposure to unregulated operations or subsidiaries that operate under less credit supportive regulatory environments. Moreover, EEB's rating could be negatively affected by a downgrade in the District of Bogota's rating and/or a perception that a lower degree of extraordinary support from the District is more appropriate, particularly in terms of its ability to provide such extraordinary support given EEB's aggressive expansion strategy.

The methodologies currently used in this rating are Regulated Electric and Gas Utilities published in August 2009 and Government-Related Issuers: Methodology Update published in July 2010. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies

Headquartered in Bogota, Colombia (Baa3, positive) , Empresa de Energia de Bogota S.A. E.S.P. (EEB) is a Colombian transmission company subject to the purview of the Comision de Regulacion de Energia y Gas (CREG). It is also a holding company with material equity interests in controlled and non-controlled subsidiaries that conduct their electric and natural gas operations in Colombia (Baa3, stable), Peru (Baa2, positive) and Guatemala (Ba1, stable). EEB's controlled subsidiaries include the Colombian natural gas transportation company, Transportadora de Gas Internacional S.A. E.S.P. (TGI; Baa3, stable; 68.1% ownership stake); the holding company Decsa S.A. E.S.P. (51% interest) which holds a 82% equity interest in the electric utility Empresa de Energia de Cundinamarca S.A. E.S.P. (EEC); Peruvian natural gas transportation and distribution subsidiaries: Calidda (Baa3, stable; total in- and direct interest 66.2%) and Contugas S.A.C. (total in- and direct interest 90%; including TGI's 25%); as well as the Guatemalan subsidiaries: EEB Ingenieria y Servicios S.A. (EEBIS; 100%) and Transportadora de Centroamerica S.A. (Trecsa; 98%) which are pursuing material investment programs.

EEB's non-controlled subsidiaries include the Colombian unregulated generation company Emgesa S.A. E.S.P. (43.6% of voting rights), as well as the electric and natural gas utilities Codensa S.A. E.S.P. (42.85% of voting rights) and Gas Natural S.A. E.S.P. (25%). Early 2011, EEB also acquired a 15.6% interest in the Colombian natural gas transportation company Promigas which holds majority stakes in natural gas distribution companies and the remaining 40% equity interest in Calidda. EEB also holds a 40% equity interest in the Peruvian electric transmission companies Red de Energia del Peru (REP) and Consorcio TransMantaro (CTM; Baa3, stable).

The District of Bogota (Baa3, positive) remains EEB's majority shareholder with 76.3% ownership stake (before: 81.54%) after the November 2011 share issuance (gross proceeds of around US$400 million). EEB's remaining shareholders consist of Ecopetrol (Baa2, stable; 6.87%), Corficolombiana S.A. (3.6%), local pension funds (6%) and retail investors (7.3%). As of June 30, 2013, EEB recorded non-consolidated assets of approximately US$6 billion (about 70% of the consolidated assets), and funds from operations of around US$385 million for the last twelve months ended the same period (around 52% of the consolidated FFO).

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