

**Issuer Comment: Moody's sees no immediate rating implications at EEB from the three day suspension of the trading of its shares**

---

Global Credit Research - 12 Dec 2011

*Approximately US\$610 million of debt securities affected*

Moody's Investors Service said today that the suspension for three days until Tuesday December 13, 2011 by the Colombian stock market regulator, Superintendencia Financiera de Colombia (Superfinanciera) of the trading of the shares of Empresa de Energia de Bogota S.A. E.S.P. (Baa3; stable) has no immediate rating implications at the present time.

Moody's understands that this precautionary measure was prompted by the drop by nearly 17% in EEB's stock price following a declaration to a local paper during the first weekend of December by the mayor-elect of the District of Bogota (Baa3; stable) about a possible merger between three companies in which the Municipality holds majority ownership stakes, namely EEB (Baa3, stable in which the District holds a 76.2% ownership stake), Empresa de Telecomunicaciones de Bogota (ETB; Baa3, stable; over 86% of its capital stock) and Empresa de Acueducto y Alcantarillado de Bogota (100%, not rated).

Although credit relevant, the mayor-elect's statement has not prompted an immediate action on EEB's rating because Moody's understands that the mayor-elect will not be installed until January 2012, and that pursuant to EEB's communication published by the Superfinanciera December 12, 2011, the implementation of such a reorganization of the three sub-sovereign owned entities would need to comply with substantial legal and regulatory requirements not to mention other potential hurdles given the mix of public and private shareholders in EEB's and ETB's current ownership structure. We believe there could be challenges to the final implementation of such a merger, particularly in the aftermath of the negative market reaction that occurred last week.

Notwithstanding these cautionary views, we will closely follow the process over the next few months to assess potential credit implications, if any, to EEB's rating in case such a merger proposal could formally move forward for consideration. Furthermore, we believe this proposed combination may be a good test to the Colombian regulatory and legal framework, and especially to the transparency of EEB's Corporate Governance. As pointed out in the Pre-sale report published in November 2011 in connection with Moody's rating of EEB's 10-year \$610 million senior unsecured notes due in 2021, the absence of a clear governance framework agreement with its majority shareholder that clearly outlines EEB's relationship with the District of Bogota, remains a rating concern for Moody's.

Given the District's current majority ownership stake, EEB falls under the scope of Moody's rating methodology for government-related issuers (GRIs). Depending how the merger process develops and its final outcome, we may decide to review some of the key factors under that methodology, particularly our previous assessment of a strong probability of extraordinary support from the District together with a moderate level of dependence given a Baseline Credit Assessment (BCA) of 11 (equivalent to Ba1).

Headquartered in Bogota, Colombia, Empresa de Energia de Bogota S.A. E.S.P. (EEB) is an operating transmission company and a holding company that holds equity interests in controlled and non-controlled subsidiaries that conduct their businesses in Colombia, Peru and Guatemala. EEB's controlled subsidiaries include the Colombian natural gas transportation company, Transportadora de Gas Internacional S.A. E.S.P. (68.1% ownership stake), the Peruvian natural gas distribution company, Calidda (total in- and direct interest 66.2%) and the holding company Decsa (51% interest) that holds a 82% ownership stake in the electric utility Empresa de Energia de Cundinamarca S.A. E.S.P. (EEC). EEB's controlled subsidiaries Contugas and Trecca are pursuing material investment programs in Peru and Guatemala, respectively. Currently EEB receives the bulk of its cash flows from its non-controlled subsidiaries, namely the unregulated generation company Emgesa as well as the electric and natural gas utilities Codensa and Gas Natural S.A. E.S.P. Earlier this year EEB also acquired a 15.6% interest in the Colombian energy company Promigas that holds a 40% ownership stake in Calidda. The District of Bogota currently holds a 76.2% ownership stake in EEB.

Empresa de Telecomunicaciones de Bogota (ETB), controlled by the City of Bogota (Baa3, stable), is an incumbent wireline service provider that owns and operates one of the largest telecommunications networks in Colombia providing local and long distance telephone services, Internet services to residential subscribers and data services to corporations.

**Contacts**

Natividad Martel/  
William L. Hess/New York

**Phone**

12125534561  
12125533837

**CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://www.moody.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.