

FITCH: EEB REGAINS FULL CONTROL OF TGI; NEUTRAL TO RATINGS

Fitch Ratings-New York-08 April 2014: Fitch Ratings expects Empresa de Energia de Bogota S.A. E.S.P.'s (EEB) buyout of a 31.92% equity stake in Transportadora de Gas Internacional S.A. E.S.P. (TGI) for USD880 million to be credit neutral. Although EEB's leverage could rise by as much as 1x as a result of the transaction, Fitch believes this represents a credit-neutral event as long as it represents an increase in leverage that is temporary.

A negative rating action or revision to the Outlook would be considered for EEB and/or TGI if leverage reaches and stays above 3.5x and 4.0x, respectively, on a sustained basis. This could be the case if in conjunction with the above mentioned transaction, the companies decide to take on aggressive capital investment programs that perpetuate the increase in leverage. The ratings will most likely be unchanged should EEB and TGI use a portion of their internal cash flow generation as well as cash on hand to finance part of the acquisition so that leverage remains within the rating triggers.

On a consolidated basis, EEB reported USD2.338 million of financial debt in 2013. In a worst-case scenario, assuming EEB pays for the transaction with 100% debt, the company's leverage would rise to USD3.218 million. On a Total Debt:EBITDA basis, this would imply an increase from 2.5x to 3.5x. One key factor that should be considered is the strong cash position and free cash flow (FCF) generation at TGI. At year-end 2013, TGI had USD364 million in cash and equivalents and the company is generating US100+ million per year in FCF, which could be used towards quickly deleveraging.

EEB's acquisition of 31.92% of TGI shares brings the company's holdings in its subsidiary up to 99.97%. The transaction is expected to close in July 2014. EEB exercised its purchase rights for these shares, which were previously owned by Citi Venture Capital International (CVCI). In 2011, CVCI acquired its TGI stake when it injected USD400 million of capital into the company. This allowed TGI to distribute approximately USD230 million to EEB to repay an intercompany loan, which allowed EEB to purchase stakes in Promigas S.A. E.S.P. (Fitch IDR of 'BBB-') and in Gas Natural de Lima y Callao S.A. (IDR 'BBB-').

Fitch currently rates EEB and TGI's foreign- and local-currency Issuer Default Ratings (IDRs) at 'BBB-' with a Stable Outlook. In addition, Fitch rates EEB and TGI's international senior unsecured notes due in 2021 and 2022 at 'BBB-'. Fitch's national scale rating for EEB is 'AAA(col)' with a Stable Outlook.

EEB is an energy holding company with main interests in electricity generation, distribution and transmission, as well as natural gas transportation and distribution. The company provides energy and power services to the Bogota D.C. EEB holds a majority of participation in Colombia's largest gas generation, distribution, and transportation companies. The company also holds a 40% interest in two Peruvian electricity transmission companies.

TGI was formed by EEB in 2007 and is one of the two main natural gas transportation companies operating in Colombia, transporting, directly or indirectly 100% of the natural gas consumed in Bogota and approximately 49% of the total natural gas transported in Colombia. The TGI Pipeline System is the most extensive in terms of length in the country, with a total of approximately 3,702 km (2,313.75 miles) of natural gas pipelines.

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Applicable Criteria and Related Research:

--'Corporate Rating Methodology' (Aug. 5, 2013).

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