FITCH AFFIRMS EMPRESA DE ENERGIA DE BOGOTA'S (EEB) IDRS AT 'BBB-'; OUTLOOK STABLE

Fitch Ratings-Chicago-01 November 2013: Fitch Ratings has affirmed Empresa de Energia de Bogota's (EEB) foreign and local currency Issuer Default Ratings (IDRs) at 'BBB-'. Fitch has also affirmed its 'BBB-' long-term rating on the company's USD610 million of outstanding senior unsecured debt due 2021. Fitch has also affirmed the company's national scale rating at 'AAA(col)'. The Rating Outlook for all ratings is Stable.

KEY RATING DRIVERS

EEB's ratings reflect the company's stable cash flow generation and solid business position as well as its moderate leverage and adequate liquidity position. The ratings also take into consideration EEB's reliance on dividends from its subsidiaries to service its debt and the company's aggressive growth strategy.

Stable Cash Flow Generation and Solid Business Position:
EEB's ratings reflect the company's diversified portfolio of assets, which have low business-risk profile and stable and predictable cash flow generation. EEB's low business-risk profile stems from its diversified portfolio of energy assets, which for the most part operate as regulated natural monopolies. EEB owns non-controlling majority participations in Colombia's second largest electric generation company, Emgesa (Fitch IDR 'BBB'), as well as in the country's largest electric distribution company, Codensa (Fitch IDR 'AAA(col)'), which operates in the city of Bogota. The company also has a majority participation in Transportadora de Gas Internacional S.A. ESP (TGI; Fitch IDR 'BBB-'), Colombia's largest natural gas pipeline transportation company, among other assets in Colombia, Peru and Guatemala.

All of EEB's assets are in a strong competitive position, which bodes well for the company's credit profile. The electricity and gas distribution and transmission/transportation businesses are regulated natural monopolies with stable cash flow generation and low leverage. The electricity generation business in Colombia is competitive, given the country's significant low-cost hydroelectric generation and overcapacity. EEB's energy generation business is also competitively well-positioned, given its low-cost profile and capacity generation mix of 85% hydroelectric and 15% thermo electric.

Moderate Leverage and Liquidity Position:
EEB's leverage is moderate and its liquidity is manageable. As of June 30, 2013, the company reported approximately USD595 million of cash on hand, of which USD122 million was at EEB. The company's consolidated leverage, as measured by total consolidated debt to EBITDA plus dividends received, was 2.4x during the latest 12 months (LTM) ended June 30, 2013. During the LTM, EEB generated about USD873 million of consolidated EBITDA plus dividends. This compares with about USD2.1 billion of total consolidated debt.

Debt service is manageable, as most of the company's debt matures after 2021. Holding company debt as of June 30, 2013, totaled USD816 million, consisting mainly of USD610 million of notes due 2021 and a USD100 million loan from Corporacion Andina de Fomento (CAF). The vast majority of the holding company's cash flow is generated from dividends received from investments in Emgesa and Codensa. Annual dividends to the holding company average approximate USD280 million per year; TGI has not historically paid dividends to EEB, yet, it transfers funds to EEB through intercompany loan interest payments.

Aggressive Growth Strategy:
EEB's growth strategy is considered somewhat aggressive. The company expects capital investments for 2013 and 2014 to total about USD1.4 billion. Not included in these capital investment expectations are the company's stated intention to participate in future bidding processes for green-field electricity transmission assets and a possible privatization of selected electricity generation companies in Colombia. Significantly large acquisitions hold the potential to result in negative rating actions if financed mostly with incremental debt. EEB board of directors approved the company's participation on Isagen's privatization process, which holds the potential to significantly increase EEB's leverage and deteriorate its credit quality.

Going forward, EEB expects to use debt at its subsidiaries level, cash on hand and a portion of its internal cash flow generation to finance its expansion project, namely its investments in Peruvian gas transportation and Guatemalan electric transmission infrastructure. In the long term, Fitch expects the company's consolidated leverage level to range between 2.5x to 3.0x, absent large acquisition, as its expansion projects start operations.

RATING SENSITIVITY

A negative rating action or Outlook would be considered if leverage reached 3.5x and stayed above that level for a period of time. Also, significantly large acquisitions hold the potential to result in negative rating actions if financed mostly with incremental debt and the ensuing consolidated capital structure deteriorates.

Although a positive rating action is not likely in the short term, one might be considered if the company sustains its capital structure in line with its current level and the credit quality of EEB's underlying subsidiaries continue improving.

Contact:
Primary Analyst
Lucas Aristizabal
Director
+1-312-368-3260
Fitch Ratings, Inc.
70 W Madison Street
Chicago, IL 60602

Secondary Analyst
Mario Irreno
Associate Director
+(571) 3269999

Committee Chairperson
Glaucia Calp
Senior Director
+(571) 3269999

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:
--'Corporate Rating Methodology', Aug. 8, 2012;

--'National Scale Ratings Criteria', Oct. 30, 2013.

Applicable Criteria and Related Research:
Corporate Rating Methodology: Including Short-Term Ratings and Parent and Subsidiary Linkage
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=715139
National Scale Ratings Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=720082