

**Fitch Ratings
Energy
Colombia
Risk Analysis**

**Corporates
INTERCONEXIÓN ELÉCTRICA S. A. E. S. P.
ISA**

Ratings

Instruments Type	Current Rating
Third Bond Issue	AAA (col)
Bond Issue Program	AAA (col)

Outlook

Stable

Watch

N. A.

Financial Data

ISA S.A. E.S.P. Consolidated Figures
In millions of pesos (COP – LTM)

	31-06-10	31-12-09
Revenues	3,312,975	3,307,064
EBITDA	2,320,229	2,341,479
EBITDA Margin (%)	70.0%	70.8%
FCF	n.a.	847,217
Financial	2.0	2.0
Debt/EBITDA (x)		
Net Debt/EBITDA (x)	1.4	1.5
EBITDA/Financial	6.1	5.1

Expenses (x)

CFO/CAPEX (x)

*LTM last twelve months

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Related Reports

- Rating Methodology for Non-Financial Companies. November 24, 2009

In meeting held September 6 of 2010, the Technical Rating Committee of Fitch Ratings Colombia S.A. Sociedad Calificadora de Valores, after corresponding study and analysis on occasion of the special rating revision of the issue and underwriting program of ISA S.A. bonds for COP 1,200,000 million to be expanded to COP 1,700,000 million, affirmed the AAA (Col) rating, stable outlook, as attested by Minutes No. 1811 of same date. Ratings assigned mean the highest credit quality. They represent the highest rating assigned by Fitch Colombia in its domestic rating scale. Such rating is given to the best credit quality with respect to other issuers or issues in the country and it normally corresponds to financial obligations issued or guaranteed by the government.

Rating rationale

- The rating of ISA S.A. bond issue program to be expanded again by COP 500,000 thousand million to reach a global amount of COP 1,700,000,000,000 remains unaltered with respect to changes in the issue's characteristics, the change in maximum placement term from 30 to 50 years among them.
- Likewise, ISA's ratings reflect the solid financial profile characterized by stable and predictable cash flows, comfortable liquidity levels and adequate debt coverage indicators. Additionally, the ratings are based on the low risk level of the energy transmission business, the nature of the natural monopoly, the geographic diversification of its operations and the strong competitive position in the markets where it operates.

- ISA's venturing into linear infrastructure businesses will not result into a significant change to its risk profile given that the energy transmission business shall continue to have a significant share (75%) in the company's EBITDA.

- ISA's rating shows the company's low risk level resulting from the regulated characteristics of its revenues and its natural monopoly condition. Grupo ISA is a conglomerate that has achieved a prominent competitive position in the telecommunications and energy transport businesses in countries like Colombia, Peru, Bolivia and Brazil.
- ISA has a sound financial profile, characterized by strong cash generation, low indebtedness levels and healthy interest coverage indicators. As of June of 2010 (LTM), ISA's consolidated EBITDA was COP 2,300,000 million while total consolidated and adjusted debt was close to COP 4,700,000 million. All of which translates into 2.0x leverage, considered strong for the rating category. Interest coverage, measured as EBITDA/interest and equal to 6.1x as of June of 2010 (LTM – consolidated), is also considered healthy for the rating category.
- The growth plan of Grupo ISA is aggressive as it expects to double revenues in the next six years through investments, most of them related to the energy transmission business (80%), in Colombia and abroad. 20% of expected revenues will come from other types of business such as road projects, aimed at providing services of engineering, construction and integrated development of projects.
- This aggressive expansion plan will weaken ISA's consolidated debt coverage ratios but will have lesser impact on the debt ratios of ISA Parent Company since the highest indebtedness will take place in the subsidiaries.
- Capital investments in the next five years will total COP 9,300,000 million; they will be financed with new debt of approximately COP 8,000,000 million to be issued along such period. These capital investments will result in consolidated leverage of 4.0x maximum and 2.5x interest coverage. In the case of ISA Parent Company, leverage is expected at 2.7x maximum, and interest coverage at 3.3x minimum.
- ISA has a very strong liquidity level characterized by a healthy cash level (COP 1,200,000 million, consolidated), manageable capital amortization profile and adequate access to the capital markets both locally and internationally with outstanding bond issues for COP 2,200,000 million in Colombia, Peru and Brazil. ISA has also issued shares in Colombia, ADRs abroad, and recently, preferred shares in Brazil.

Key Factors

- Low risk business
- Adequate credit metrics
- Aggressive expansion plan
- High liquidity levels

Characteristics of the Issue

Interconexión Eléctrica S.A. E.S.P. established in 2004 the scheme for the Bond Program with initial global amount of up to COP 450,000 million. In January of 2006, it expanded it by COP 400,000, and again in February of 2009 by COP 350,000 million, reaching a total amount of COP 1,200,000 million. ISA is currently seeking authorization for a third expansion of the Program by COP 500,000 million to reach a global amount of COP 1,700,000 million. The program is underwritten in several tranches placed in the local market.

Characteristics of the issues	
Term	1 – 50 years
Amortization	Bullet, equal periodic amortization with three or more years of grace
Currency	Pesos, Dollars, UVR
Interest rate	COP: Fixed rate (COP-UVR) Variable rate (FTD-CPI-IBR) USD: Fixed rate
Periodicity	Quarterly, semiannually, annually
Interest	In arrears
Administrative Agent	DECEVAL S.A.
Underwriters	Correval, Citivalores, Valores Bancolombia
Bondholders Representative	Corficolombiana

Source: ISA S.A. E.S.P. Addendum No. 5 to the prospectus of the bond issue and underwriting program.

Financial Summary – ISA S.A. E.S.P. Consolidated Figures **Millions of Current Colombian Pesos**

	Jun-10	Dec-09	Jun-09	Dec-08	Dec-07	Dec-06
Return						
Operating EBITDA	2,320,229	2,341,479	2,373,778	2,255,448	1,954,514	1,113,138
Operating EBITDAR	2,336,045	2,352,023	2,373,778	2,255,448	1,954,514	1,113,138
EBITDA Margin (%)	70.0%	70.8%	71.9%	71.3%	69.3%	55.2%
EBITDAR Margin (%)	70.5%	71.1%	71.9%	71.3%	69.3%	55.2%
FGO Return/Adjusted Capitalization (%) LTM	n.a.	9.7%	n.a.	13.3%	4.2%	0.5
Free Cash Flow Margin (%) LTM	n.a.	25.6%	24.9%	22.8%	-70.6%	-54.1%
Return on Average Equity (%) LTM	2.4%	3.6%	4.3%	3.3%	3.3%	3.0%
Coverage						
FGO/Gross Financial Interest LTM	n.a.	3.0	n.a.	3.9	1.0	20.3
Operating EBITDA / Gross Financial Interest	6.1	5.1	5.5	5.3	4.1	4.8
Operating EBITDAR / Financial Interest + Rents)	6.1	5.0	5.5	5.3	4.1	4.8
Operating EBITDA / Debt Service LTM	2.7	1.7	2.2	1.7	1.6	0.8
Operating EBITDAR / Debt Service LTM	2.7	1.7	2.2	1.7	1.6	0.8
FGO / Fixed Charges LTM	n.a.	3.0	n.a.	3.9	1.0	20.3
FCL / Debt Service LTM	n.a.	1.0	n.a.	0.9	(1.2)	(0.6)
(FCL + Cash + Current Investment) / Debt Service LTM	n.a.	1.7	n.a.	1.4	(0.6)	0.0
FCO / Capital Investment LTM	n.a.	6.8	n.a.	4.3	(0.2)	0.8
Capital Structure and Indebtedness						
Total Adjusted Debt / FGO LTM	n.a.	3.4	n.a.	2.9	9.9	0.7
Total Debt with Equity-Similar Debt / Operating EBITDA LTM	2.0	2.0	1.9	2.1	2.5	3.2
Total Net Debt with Equity-Similar Debt / Operating EBITDA LTM	1.4	1.5	1.6	1.8	2.1	2.4
Total Adjusted Debt / Operating EBITDAR LTM	1.6	2.0	1.9	2.125	2.5	3.2
Total Adjusted Net Debt / Operating EBITDAR LTM	1.0	1.5	1.6	1.8	2.1	2.4

Estimated Financing Cost (%) LTM	7%	10%	9%	9%	11%	9%
Guaranteed Debt / Total Debt	-	-	-	-	-	-
Short-term Debt / Total Debt	13%	19%	14%	19%	15%	31%
Balance Sheet						
Total Assets	16,945,166	17,049,375	15,299,416	14,439,690	13,887,489	12,861,198
Cash and Current Investments	1,282,049	1,016,822	593,474	644,865	787,146	889,214
Short-term Debt	466,832	891,498	644,703	864,817	746,479	1,094,145
Long-term Debt	3,123,965	3,688,609	3,844,387	3,789,509	4,135,723	2,455,287
Total Debt	3,590,797	4,580,106	4,489,090	4,654,326	4,882,201	3,549,432
Equity-Similar Debt	1,023,036	-	-	-	-	-
Total Debt with Equity-Similar Debt	4,613,833	4,580,106	4,489,090	4,654,326	4,882,201	3,549,432
Off-Balance Debt	110,710	73,807	-	138,654	-	-
Total Adjusted Debt with Equity-Similar Debt	4,724,543	4,653,913	4,489,090	4,792,980	4,882,201	3,549,432
Total Equity (includes minority interest)	10,410,664	9,658,575	8,388,341	7,718,336	6,811,810	6,727,418
Total Adjusted Capital	15,135,207	14,312,488	12,877,430	12,511,317	11,694,011	10,276,850
Cash Flow (LTM)						
Cash Flow from Operations (FGO)	n.a.	918,767	n.a.	1,240,243	18,427	4,505,163
Working Capital Variation	n.a.	262,283	n.a.	(110,309)	(316,657)	111,959
Operating Cash Flow (FCO)	n.a.	1,181,050	n.a.	1,129,934	(298,230)	4,617,122
Non-Operating Cash Flow / Non-Recurrent Total	n.a.	-	n.a.	-	-	-
Capital Investments	n.a.	(173,559)	n.a.	(261,631)	(1,568,078)	(5,596,581)
Dividends	n.a.	(160,274)	n.a.	(147,373)	(126,653)	(111,880)
Free Cash Flow (FCL)	n.a.	847,217	n.a.	720,930	(1,992,961)	(1,091,339)
Acquisitions and Sales of Fixed Assets, Net	n.a.	106,706	n.a.	151,537	-	177,179
Other Investments, Net	n.a.	-	n.a.	-	246,940	(152,046)
Debt Variation, Net	n.a.	(478,707)	n.a.	(595,169)	1,200,950	1,568,441
Capital Variation, Net	n.a.	384,198	n.a.	-	399,047	-
Other (Investment, Financing)	n.a.	(487,458)	n.a.	(419,578)	43,955	43,776
Cash Variation	n.a.	371,956	n.a.	(142,280)	(102,069)	546,011
Income Statement						
Net Sales*	3,312,975	3,307,064	3,301,162	3,165,042	2,821,675	2,016,321
Sales Variation (%)	0.4%	4.5%	n.a.	12.2%	39.9%	n.a.
Operating EBIT	1,706,610	1,743,538	1,829,990	1,716,149	1,286,303	338,563
Gross Financial Interest	282,769	456,778	441,655	425,554	474,955	233,092
Rents	5,272	10,544	-	-	-	-
Net Results	227,350	314,878	333,952	236,594	226,021	150,469

A credit risk rating by Duff & Phelps de Colombia S.A. Sociedad Calificadora de Valores is a professional opinion and does not pretend to be a recommendation to purchase, sell or hold a security, nor does it constitute a guarantee of the rated company's liability compliance. The information has been obtained from sources presumed to be reliable and accurate; therefore our firm is not liable for errors and omissions or for the results obtained from the use of this information.

Members of the Rating Technical Committee taking part in the meeting where this(these) rating(s) was(were) assigned*: Glauca Calp, María Paula Moreno, Andres Marquez, María Pia Medrano and Milena Carrizosa. *Résumés of Members of the Technical Committee can be found on the Web page of the rating entity: www.fitchratings.com.co