

# Interconexion Electrica S.A. E.S.P.

Interconexion Electrica S.A. E.S.P.'s (ISA) ratings reflect the company's low business risk profile, a characteristic of the power transmission business. The ratings incorporate the strong geographic and business diversification of its revenue, which, along with the high predictability of cash flow from operations (CFO), translates into a strong financial profile. ISA's ratings also reflect its adequate liquidity position and aggressive growth strategy.

The Negative Outlook on ISA's Foreign and Local Currency Issuer Default Ratings (IDR) reflects its linkage with the Republic of Colombia (BBB-/Negative), which owns 51.4% of the company. Fitch Ratings considers ISA's business and financial profile strong enough to be rated two notches above Colombia, its parent. A negative rating action on the sovereign rating would impact ISA's ratings to preserve the two-notch differential with its parent.

## Key Rating Drivers

**Low Business Risk Profile:** ISA's low business risk profile stems from its participation in regulated natural monopolies with no demand risk, as well as its geographic diversification across six countries in Latin America. Around 63.4% of 2020 consolidated revenues came from investment-grade countries, namely Colombia, Peru and Chile. Brazil represented 34.7%, excluding construction activity. The electricity transmission business, which has represented the bulk of ISA's consolidated cash flows, contributed 85.3% of EBITDA in 2020, excluding construction activity.

**Highly Predictable CFO:** ISA's CFO stability benefits from its strong and diversified portfolio of energy transmission assets, along with participation in other businesses that have limited demand risk. ISA's energy transmission business is not exposed to volume risk, as revenue does not depend on the amount of energy transported but on the availability of transmission lines.

In the road concession business, ISA's second-largest, the company operates four concessions in Chile that incorporate a compensation mechanism that either extends the concession period (Maipo, Bosque, Araucania) or offers a minimum income guarantee (Rios) should the concessions register low traffic volumes.

**Manageable Regulatory Risk:** ISA's businesses and geographic diversification effectively hedge its exposure to regulatory risk, as the vast majority of revenue is regulated. The company's cash flows exhibit resilience against adverse regulatory environments. The analysis incorporates the expected regulatory reset in the electricity transmission tariff in Colombia.

Although visibility is limited on the final tariff program for Colombia, Fitch Ratings does not believe the outcome will result in material pressure on ISA's financial metrics. This is due to the fair and balanced nature of the local regulation, as well as the limited portion of the company's consolidated revenue exposed to a regulatory change.

**Aggressive Growth Strategy:** ISA's growth strategy is based on its actively bidding for energy transmission and other infrastructure projects, as well as inorganic growth through acquisitions. ISA's long-term goal is to reach COP8 trillion in EBITDA by 2030, as well as invest USD10.5 billion in current and new businesses and geographies, of which 20% has been executed. The company's FCF is expected to continue to face pressure over the next two years, as ISA's most recent capex plan for 2021–2025 implies investments of around USD3.4 billion, mostly in 2021–2022 for projects in Brazil, Colombia, Chile and Peru.

**Adequate Credit Metrics:** ISA's credit metrics reflect solid cash flows, moderate debt and adequate liquidity. Fitch expects the company to maintain leverage below 4.0x over the rating

## Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term Local Currency IDR	BBB+	Negative	Affirmed April 21, 2021
Long-Term IDR	BBB+	Negative	Affirmed April 21, 2021
Standalone Credit Profile	bbb+	—	New Rating April 21, 2021

[Click here for full list of ratings](#)

## Applicable Criteria

[Non-Financial Corporates Exceeding the Country Ceiling Rating Criteria \(January 2021\)](#)

[Corporate Rating Criteria \(December 2020\)](#)

[National Scale Rating Criteria \(December 2020\)](#)

[Government-Related Entities Rating Criteria \(September 2020\)](#)

## Related Research

[Colombian Electric Generation Companies – Peer Review 2021 \(March 2021\)](#)

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horizon, considering only projects underway and the scheduled start of new projects over the next few years. This leverage is commensurate with ISA's ratings, given the stability and predictability of its cash flows. The company's aggressive growth strategy is not expected to affect ISA's credit metrics. ISA's leverage increased to 3.8x at YE 2020, given higher indebtedness to fund capex and acquisitions made during the year.

**Potential Change of Control:** Ecopetrol S.A.'s (BBB-/Negative) potential acquisition of 51.4% of ISA's shares from Colombia by could be neutral to negative for ISA. Although Ecopetrol has the same rating as Colombia, a change in ISA's corporate governance, business or financial strategy may pressure the company, particularly if dividends increase. Fitch's rating case assumes ISA will maintain its operational independence and dividend distribution practices, which historically have been approximately 50% of net income.

Fitch rates ISA on a standalone basis, given its relatively moderate linkage with the Colombian government and moderate strategic importance for the country resulting from the company's size and extensive offshore operations. Should the proposed transaction materialize, Fitch's approach for rating ISA would change from a government-related entity (GRE) to a parent and subsidiary linkage with Ecopetrol, as Fitch does not typically apply GRE methodology when rating subsidiaries of government entities.

## Financial Summary

(COP Mil., as of Dec. 31)	2019	2020	2021F	2022F
Gross Revenue	8,139,008	10,167,826	10,024,719	9,856,560
Operating EBITDAR Margin (%)	67.8	57.5	63.6	66.1
FCF	190,921	(2,297,578)	(2,825,493)	(590,366)
Total Adjusted Debt/Operating EBITDAR (x)	3.2	3.8	3.5	3.5
Operating EBITDAR/Interest Paid + Rents (x)	4.9	4.5	4.4	4.5

F - Forecast.

Source: Fitch Ratings, Fitch Solutions.

## Rating Derivation Relative to Peers

ISA's credit profile positively compares with peers in the region such as Transelec S.A. (BBB/Stable), Consorcio Transmantaro S.A. (CTM; BBB/Stable), Empresa de Transmision Electrica, S.A. (ETESA; BBB-/Negative), Alupar Invertemiento S.A. (BB/Negative) and Transmissora Alianca de Energia Eletrica S.A. (Taesa; BB/Negative). All of these companies benefit from a low business risk profile and predictable cash flows. ISA is rated one notch higher than Transelec and CTM, given its large scale of geographically diversified operations in the transmission business and road concessions, which together account for around 97.7% of its EBITDA generation, as well as its more conservative capital structure.

Compared with ETESA, Taesa and Alupar, ISA's higher rating is mainly a result of the countries where it generates its main revenues. Most of ISA's operations are in investment-grade countries, namely Colombia, Chile and Peru, while Taesa's and Alupar's ratings are negatively impacted by the Country Ceiling of Brazil (BB). ETESA's ratings reflect its strong ties with the Panamanian government and linkage to the sovereign (BBB-/Negative).

ISA also is well-positioned among the national peers in the electricity transmission business, such as Grupo Energia Bogota S.A. E.S.P. (GEB; BBB/Stable) and Empresas Publicas de Medellin E.S.P. (EPM; BBB-/Rating Watch Negative). Together, the companies own and operate the vast majority of the electricity transmission network in Colombia. ISA's and EPM's credit profiles benefit from greater business and geographic diversification, as well as limited dependence on dividends received from their noncontrolling stakes within their CFO structure. ISA's cash flows are stronger, given their predictability, while EPM's Rating Watch Negative reflects the uncertainty related to the development of its key project, the Ituango hydroelectric project.

## Navigator Peer Comparison

Issuer	Business profile										Financial profile			
	IDR/Outlook	Operating Environment	Management and Corporate Governance		Regulatory Risk	Commodity Price and Market Risk		Market	Asset Base and Operations	Profitability	Financial Structure	Financial Flexibility		
Alupar Invertemto S.A.	BB/Neg	bb+	bbb-	bbb	bbb	bbb	bbb	bbb	bbb-	bbb	bbb-	bbb-	bbb	
Consorcio Transmantaro S.A. (CTM)	BBB/Sta	bb	bbb	bbb+	a-	bbb	bbb	bbb+	bbb	bbb	bbb-	bbb	bbb	
Empresas Publicas de Medellin E.S.P. (EPM)	BBB-/RWN	bbb	bb+	bbb	bbb	bbb	bbb	bbb+	bbb	bbb	bbb	bbb+	bbb	
Grupo Energia Bogota S.A. E.S.P. (GEB)	BBB/Sta	bbb-	bbb-	bbb	bbb	bbb	bbb	bbb	bbb	bbb	bbb	bbb-	bbb	
Interconexion Electrica S.A. E.S.P.	BBB+/Neg	bbb-	a-	bbb+	bbb+	bbb+	bbb+	bbb+	bbb+	bbb+	bbb	bbb+	bbb	
Transelec S.A.	BBB/Sta	a+	bbb	bbb+	a-	bbb	bbb	bbb+	bbb	bbb	b	bbb	bbb	
Transmissora Alianza de Energia Eletrica S.A.	BB/Neg	bbb-	bbb-	bbb	bbb	bbb	bbb	bbb	bbb	bbb	bbb	bbb	bbb	

Source: Fitch Ratings. Importance: Higher (Red), Moderate (Blue), Lower (Light Blue)

Name	IDR/Outlook	Operating Environment	Management and Corporate Governance		Regulatory Risk	Commodity Price and Market Risk		Market	Asset Base and Operations	Profitability	Financial Structure	Financial Flexibility	
Alupar Invertemto S.A.	BB/Neg	1.0	2.0	3.0	3.0	3.0	3.0	2.0	3.0	2.0	2.0	2.0	2.0
Consorcio Transmantaro S.A. (CTM)	BBB/Sta	-3.0	0.0	1.0	2.0	0.0	0.0	1.0	0.0	0.0	-1.0	0.0	0.0
Empresas Publicas de Medellin E.S.P. (EPM)	BBB-/RWN	1.0	-1.0	1.0	1.0	1.0	1.0	2.0	1.0	1.0	1.0	2.0	1.0
Grupo Energia Bogota S.A. E.S.P. (GEB)	BBB/Sta	-1.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.0	0.0
Interconexion Electrica S.A. E.S.P.	BBB+/Neg	-2.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.0	0.0	0.0
Transelec S.A.	BBB/Sta	4.0	0.0	1.0	2.0	0.0	0.0	1.0	0.0	0.0	-6.0	0.0	0.0
Transmissora Alianza de Energia Eletrica S.A.	BB/Neg	2.0	2.0	3.0	3.0	3.0	3.0	2.0	3.0	3.0	3.0	3.0	3.0

Source: Fitch Ratings. Legend: Red = Worse positioned than IDR, Blue = In line with IDR, Light Blue = Better positioned than IDR

## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Although a positive rating action is unlikely in the short to medium term, given the company’s credit metric expectations and its growth strategy, one may be considered together with a positive rating action on Colombia’s ratings and total consolidated leverage below 2.5x.

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A sustained increase in leverage above 4.5x on a consolidated or nonconsolidated basis due to deterioration in cash generation, or increased debt levels above Fitch’s base case scenario;
- Regulatory changes that put significant pressure on ISA’s cash flows;
- A change in the company’s business and financial strategy, particularly on dividend distribution practices, as well as changes in corporate governance practices;
- A negative rating action in Colombia’s rating.

## Liquidity and Debt Structure

**Adequate Liquidity:** ISA’s liquidity is considered adequate and is characterized by healthy cash on hand, strong and predictable CFO, manageable debt amortization and strong access to local and international capital markets. ISA had approximately COP3.8 trillion of cash on hand at YE 2020 to service COP1.3 trillion of short-term debt. Cash on hand at the holding company level totaled COP542 billion and short-term debt was COP151 billion.

ISA’s maturity profile is manageable, as its long-term debt amortization schedule is spread until 2050. ISA’s debt maturities for 2021 at the holding company level comprised COP132 billion of credit loans and COP19 billion of bond issuances, which is manageable. At a consolidated level, ISA will continue to record negative FCF in 2021–2022, given required capex of around COP9.1 trillion in granted projects. Fitch expects consolidated debt maturities to be refinanced.

## ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).

## Liquidity and Debt Maturities with No Refinancing

### Liquidity Analysis

(COP Mil.)	12/31/19	12/31/20
Total Cash and Cash Equivalents	2,487,201	3,781,713
Short-Term Investments	238,438	108,663
Less: Not Readily Available Cash and Cash Equivalents	0	0
<b>Fitch-Defined Readily Available Cash and Cash Equivalents</b>	<b>4,871,582</b>	<b>4,868,376</b>
Availability Under Committed Lines of Credit	0	0
<b>Total Liquidity</b>	<b>4,871,582</b>	<b>4,868,376</b>
LTM EBITDA After Associates and Minorities	5,608,156	5,956,764
LTM FCF	190,921	(2,297,578)

Source: Fitch Ratings, Fitch Solutions, Interconexión Eléctrica S.A. E.S.P.

### Scheduled Debt Maturities

(COP Mil.)	12/31/20
2021	1,266,015
2022	2,895,176
2023	3,138,477
2024	1,563,649
2025	0
Thereafter	13,605,518
<b>Total</b>	<b>22,468,835</b>

Source: Fitch Ratings, Fitch Solutions, Interconexión Eléctrica S.A. E.S.P.

## Key Assumptions

### Fitch's Key Assumptions Within Our Rating Case for the Issuer

- Revenue and EBITDA projected for 2021–2024 incorporate development of granted projects;
- Changes in the regulatory remuneration of the power transmission business in Colombia, with neutral effect;
- Electricity transmission business continues to account for more than 70% of consolidated revenue over the rating horizon;
- Revenues and EBITDA from investment-grade countries represent more than 50% of the consolidated results;
- Capex for the next several years reflects the construction stage for new projects awarded to the company and subsidiaries;
- Dividend distributions of 50% of previous year's net income.

## Financial Data

(COP Mil., as of Dec. 31)	Historical			Forecast		
	2018	2019	2020	2021	2022	2023
<b>Summary Income Statement</b>						
Gross Revenue	7,173,967	8,139,008	10,167,826	10,024,719	9,856,560	9,418,726
Revenue Growth (%)	25.9	13.5	24.9	(1.4)	(1.7)	(4.4)
Operating EBITDA (Before Income from Associates)	5,064,677	5,519,284	5,847,842	6,376,717	6,515,694	7,016,758
Operating EBITDA Margin (%)	70.6	67.8	57.5	63.6	66.1	74.5
Operating EBITDAR	5,064,677	5,519,284	5,847,842	6,376,717	6,515,694	7,016,758
Operating EBITDAR Margin (%)	70.6	67.8	57.5	63.6	66.1	74.5
Operating EBIT	4,038,060	4,460,301	5,576,629	5,307,681	5,304,890	5,799,350
Operating EBIT Margin (%)	56.3	54.8	54.8	52.9	53.8	61.6
Gross Interest Expense	(1,089,905)	(1,202,478)	(1,238,042)	(1,466,695)	(1,467,657)	(1,408,033)
Pretax Income (Including Associate Income/Loss)	3,184,121	3,531,177	4,838,457	3,962,695	3,891,654	4,446,100
<b>Summary Balance Sheet</b>						
Readily Available Cash and Equivalents	2,434,394	4,871,582	4,868,376	2,176,868	2,191,327	2,223,314
Total Debt with Equity Credit	17,190,586	17,757,557	22,468,835	22,602,820	23,207,645	21,169,167
Total Adjusted Debt with Equity Credit	17,275,200	17,757,557	22,468,835	22,602,820	23,207,645	21,169,167
Net Debt	14,756,192	12,885,975	17,600,459	20,425,952	21,016,318	18,945,853
<b>Summary Cash Flow Statement</b>						
Operating EBITDA	5,064,677	5,519,284	5,847,842	6,376,717	6,515,694	7,016,758
Cash Interest Paid	(979,005)	(1,155,037)	(1,334,485)	(1,466,695)	(1,467,657)	(1,408,033)
Cash Tax	(1,154,797)	(982,706)	(907,034)	(879,796)	(864,023)	(987,121)
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	122,022	88,872	108,922	100,000	100,000	100,000
Other Items Before FFO	(133,517)	150,894	(1,877,163)	0	0	0
Funds Flow from Operations	2,998,428	3,673,910	1,922,746	4,251,936	4,338,435	4,776,387
FFO Margin (%)	41.8	45.1	18.9	42.4	44.0	50.7
Change in Working Capital	(418,553)	(83,623)	15,283	42,161	49,542	128,992
Cash Flow from Operations (Fitch Defined)	2,579,875	3,590,287	1,938,029	4,294,098	4,387,977	4,905,379
Total Non-Operating/Nonrecurring Cash Flow	0	0	0			
Capex	(2,213,344)	(2,229,569)	(2,982,731)			
Capital Intensity (Capex/Revenue) (%)	30.9	27.4	29.3			
Common Dividends	(1,863,561)	(1,169,797)	(1,252,876)			
FCF	(1,497,030)	190,921	(2,297,578)			
Net Acquisitions and Divestitures	2,317	9,706	(1,104,624)			
Other Investing and Financing Cash Flow Items	263,945	224,154	2,384,649	0	0	0
Net Debt Proceeds	1,211,277	554,944	2,302,179	133,985	604,824	(2,038,477)
Net Equity Proceeds	0	(14,582)	9,886	0	0	0
Total Change in Cash	(19,491)	965,143	1,294,512	(2,691,508)	14,459	31,987
<b>Leverage Ratios (x)</b>						
Total Net Debt with Equity Credit/Operating EBITDA	2.9	2.3	3.0	3.2	3.2	2.7
Total Adjusted Debt/Operating EBITDAR	3.3	3.2	3.8	3.5	3.5	3.0
Total Adjusted Net Debt/Operating EBITDAR	2.9	2.3	3.0	3.2	3.2	2.7
Total Debt with Equity Credit/Operating EBITDA	3.3	3.2	3.8	3.5	3.5	3.0
FFO Adjusted Leverage	4.4	3.7	7.1	4.0	4.0	3.5
FFO Adjusted Net Leverage	3.8	2.7	5.5	3.6	3.7	3.1
FFO Leverage	4.4	3.7	7.1	4.0	4.0	3.5
FFO Net Leverage	3.8	2.7	5.5	3.6	3.7	3.1

(COP Mil., as of Dec. 31)	Historical			Forecast		
	2018	2019	2020	2021	2022	2023
<b>Calculations for Forecast Publication</b>						
Capex, Dividends, Acquisitions and Other Items Before FCF	(4,074,588)	(3,389,660)	(5,340,231)	(7,119,591)	(4,978,343)	(2,834,914)
FCF After Acquisitions and Divestitures	(1,494,713)	200,627	(3,402,202)	(2,825,493)	(590,366)	2,070,465
FCF Flow Margin (After Net Acquisitions) (%)	(20.8)	2.5	(33.5)	(28.2)	(6.0)	22.0
<b>Coverage Ratios (x)</b>						
FFO Interest Coverage	4.0	4.1	2.4	3.8	3.9	4.4
FFO Fixed-Charge Coverage	4.0	4.1	2.4	3.8	3.9	4.4
Operating EBITDAR/Interest Paid + Rents	5.3	4.9	4.5	4.4	4.5	5.1
Operating EBITDA/Interest Paid	5.3	4.9	4.5	4.4	4.5	5.1
<b>Additional Metrics (%)</b>						
CFO-Capex/Total Debt with Equity Credit	2.1	7.7	(4.7)	(6.1)	4.1	16.9
CFO-Capex/Total Net Debt with Equity Credit	2.5	10.6	(5.9)	(6.8)	4.5	18.9

CFO – Cash flow from operations.  
Source: Fitch Ratings, Fitch Solutions.

#### How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

## Ratings Navigator

## Interconexion Electrica S.A. E.S.P.

ESG Relevance:



## Corporates Ratings Navigator Latin America Utilities

Factor Levels	Sector Risk Profile	Operating Environment	Business Profile					Financial Profile			Issuer Default Rating
			Management and Corporate Governance	Regulatory Risk	Commodity Price and Market Risk	Market	Asset Base and Operations	Profitability	Financial Structure	Financial Flexibility	
aaa											AAA
aa+											AA+
aa											AA
aa-											AA-
a+	↑		↑					↑			A+
a											A
a-			↓	↓	↓	↓	↓	↓	↓	↓	A-
bbb+	↑		↑	↓	↓	↓	↓	↓	↓	↓	BBB+
bbb		↓							↓		BBB
bbb-									↓		BBB-
bb+											BB+
bb											BB
bb-											BB-
b+											B+
b											B
b-	↓	↓									B-
ccc+											CCC+
ccc											CCC
ccc-											CCC-
cc											CC
c											C
d or rd											D or RD

Bar Chart Legend:		
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook
Bar Colours = Relative Importance		↑ Positive
■ Higher Importance		↓ Negative
■ Average Importance		↕ Evolving
■ Lower Importance		□ Stable

### Operating Environment

bbb	Economic Environment	bbb	Average combination of countries where economic value is created and where assets are located.
bbb-	Financial Access	bbb	Average combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
b-	Systemic Governance	bb	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'bb'.
ccc+			

### Regulatory Risk

a	Independence	a	Strong regulatory independence from central government.
a-	Balance	a	Balanced framework between end users' and sector participants' needs. It seeks low tariffs for users and attractive return on capital.
bbb+	Transparency	bbb	The tariff-setting procedure is transparent and includes the participation of industry players.
bbb	Recourse of Law	bbb	Procedures to appeal regulatory rulings are clear but long processing periods. Companies can oppose or comment on regulations.
bbb-	Timeliness of Cost Recovery	bbb	Moderate lag to recover capital and operating costs.

### Market

a	Consumption Growth Trend	bbb	Customer and usage growth in line with industry averages.
a-	Customer Mix	bbb	Somewhat diversified customer base.
bbb+	Geographic Location	a	Favorable location or high geographic diversity.
bbb	Supply Demand Dynamics	a	Beneficial outlook for prices and rates.
bbb-			

### Profitability

a	Volatility of Profitability	a	Higher stability and predictability of profits relative to utility peers.
a-	Free Cash Flow	bbb	Structurally neutral to negative FCF across the investment cycle.
bbb+			
bbb			
bbb-			

### Financial Flexibility

a	Financial Discipline	bbb	Less conservative policy but generally applied consistently.
a-	Liquidity (Cash+CFO)/S-T Debt	bbb	One year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified.
bbb+	FFO Interest Coverage	bbb	4.5x
bbb	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging in place.
bbb-			

**How to Read This Page:** The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

### Management and Corporate Governance

a+	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
a	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bbb+	Financial Transparency	a	High quality and timely financial reporting.
bbb			

### Commodity Price and Market Risk

a	Price and Volume Risk	a	Company has low exposure to changes in price and costs (i.e. all costs are timely passed through). Exposure to volume risk is low.
a-	Counterparty Risk	bbb	Weighted average credit quality of actual and potential offtakers is in line with 'BBB' rating.
bbb+			
bbb			
bbb-			

### Asset Base and Operations

a	Asset Diversity	a	High quality and/or large-scale diversified assets.
a-	Reliability of Operations and Cost Position	bbb	Reliability and cost of operations at par with industry averages with moderate operating losses.
bbb+	Exposure to Environmental Regulations	bbb	Limited or manageable exposure to environmental regulations.
bbb	Capital and Technological Intensity of Capex	bbb	Moderate reinvestment requirements in established technologies.
bbb-			

### Financial Structure

a-	FFO Leverage	bbb	4.25x
bbb+	FFO Net Leverage	bbb	3.5x
bbb	Total Debt With Equity Credit/Op. EBITDA	bbb	4.0x
bbb-			
bb+			

### Credit-Relevant ESG Derivation

				Overall ESG				
Interconexión Eléctrica S.A. E.S.P. has 9 ESG potential rating drivers				key driver	0	issues	5	
➔	Networks' exposure to extreme weather events- negative (e.g. risk of drought and flooding) or positive (e.g. additional return on resilience capex)			driver	0	issues	4	
➔	Regulatory-driven access and affordability targets of utility services							
➔	Quality and safety of products and services; data security			potential driver	9	issues	3	
➔	Impact of labor negotiations and employee (dis)satisfaction							
➔	Social resistance to major projects that leads to delays and cost increases			not a rating driver	3	issues	2	
➔	Governance is minimally relevant to the rating and is not currently a driver.				2	issues	1	

For further details on Credit-Relevant ESG scoring, see page 3.



Credit-Relevant ESG Derivation

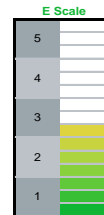
Interconexión Eléctrica S.A. E.S.P. has 9 ESG potential rating drivers

- ➔ Interconexión Eléctrica S.A. E.S.P. has exposure to extreme weather events but this has very low impact on the rating.
- ➔ Interconexión Eléctrica S.A. E.S.P. has exposure to access/affordability risk but this has very low impact on the rating.
- ➔ Interconexión Eléctrica S.A. E.S.P. has exposure to customer accountability risk but this has very low impact on the rating.
- ➔ Interconexión Eléctrica S.A. E.S.P. has exposure to labor relations & practices risk but this has very low impact on the rating.
- ➔ Interconexión Eléctrica S.A. E.S.P. has exposure to social resistance but this has very low impact on the rating.
- ➔ Governance is minimally relevant to the rating and is not currently a driver.

Overall ESG Scale			
key driver	0	issues	5
driver	0	issues	4
potential driver	9	issues	3
not a rating driver	3	issues	2
	2	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	Emissions from operations	Asset Base and Operations; Regulatory Risk; Profitability; Financial Structure
Energy Management	2	Energy and fuel use in operations; entities' financial targets for losses/shrinkage	Asset Base and Operations; Commodity Price and Market Risk; Profitability; Financial Structure
Water & Wastewater Management	1	Water usage in operations; water utilities' financial targets for water quality, leakage and usage	Asset Base and Operations; Regulatory Risk; Profitability
Waste & Hazardous Materials Management; Ecological Impacts	2	Impact of waste including pollution incidents; discharge compliance; sludge, coal ash	Asset Base and Operations; Regulatory Risk; Profitability
Exposure to Environmental Impacts	3	Networks' exposure to extreme weather events- negative (e.g. risk of drought and flooding) or positive (e.g. additional return on resilience capex)	Asset Base and Operations; Commodity Price and Market Risk; Profitability



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

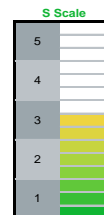
The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

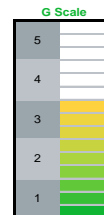
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Regulatory-driven access and affordability targets of utility services	Asset Base and Operations; Regulatory Risk; Profitability
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Regulatory Risk; Profitability
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability; Financial Structure; Financial Flexibility
Employee Wellbeing	2	Worker safety and accident prevention	Financial Flexibility
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Profitability; Financial Structure



Governance (G)

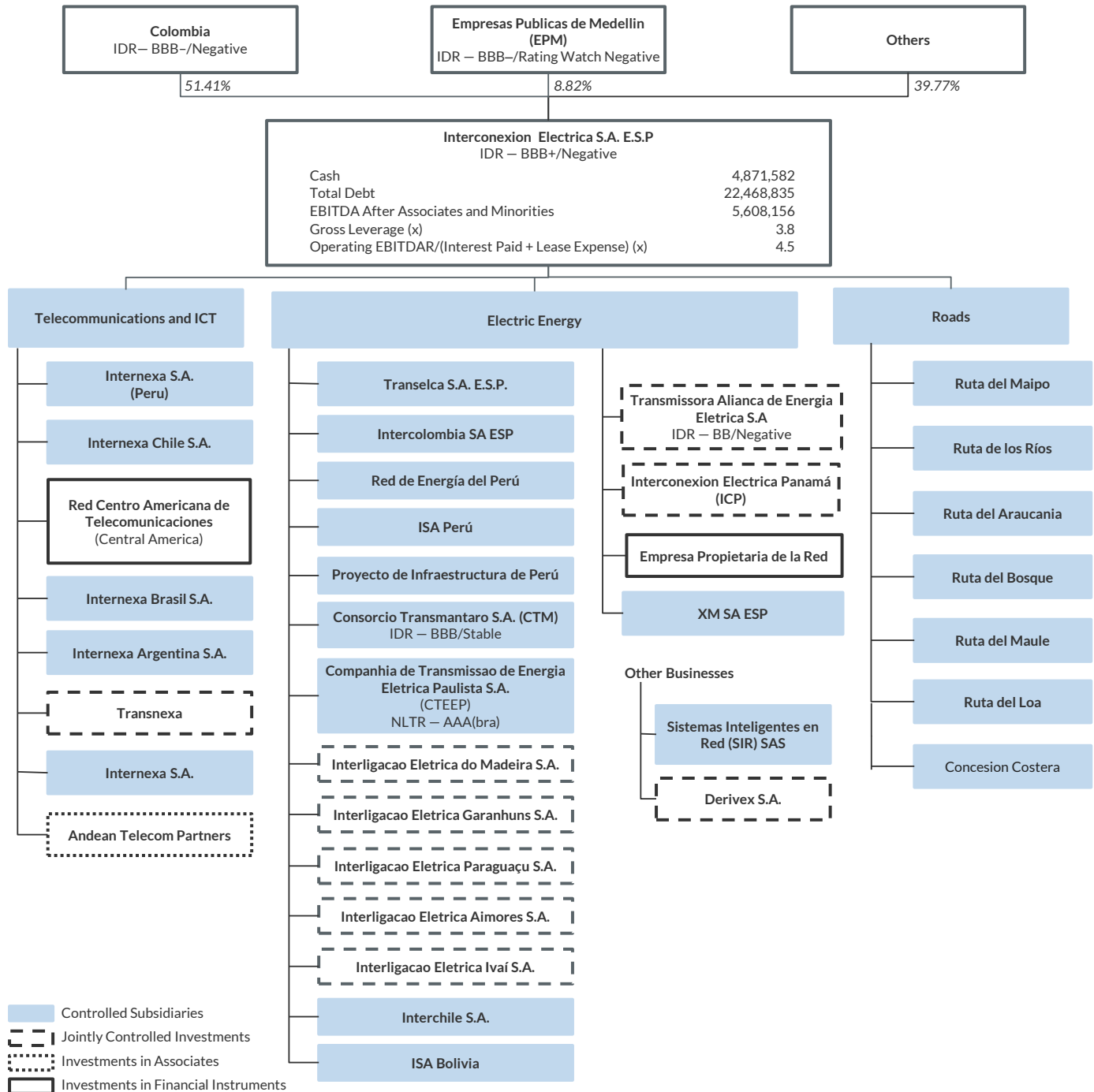
General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance



CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Organizational Structure – Interconexión Eléctrica S.A. E.S.P.  
(COP Mil., as of Dec. 31, 2020)



IDR – Issuer Default Rating. NLTR – National Long-Term Rating.  
Source: Fitch Ratings, Fitch Solutions, Interconexión Eléctrica S.A. E.S.P.

Peer Financial Summary

Company	Issuer Default Rating	Financial Statement Date	Gross Revenue (USD Mil.)	Operating EBITDAR (USD Mil.)	Operating EBITDAR Margin (%)	Total Adjusted Debt/Operating EBITDAR (x)	Operating EBITDAR/Interest Paid + Rents (x)
Interconexión Eléctrica S.A. E.S.P.	BBB+						
	BBB+	2020	2,757	1,586	57.5	3.8	4.5
	BBB+	2019	2,480	1,681	67.8	3.2	4.9
	BBB+	2018	2,426	1,713	70.6	3.3	5.3
Transelect S.A.	BBB						
	BBB	2020	421	340	80.9	5.7	3.5
	BBB	2019	539	465	86.3	4.8	4.6
	BBB	2018	514	436	84.9	5.3	4.2
Consorcio Transmanteño S.A. (CTM)	BBB						
	BBB-	2019	235	182	77.5	4.6	4.8
	BBB-	2018	234	170	72.6	4.8	4.5
	BBB-	2017	285	127	44.7	6.2	4.6
Transmissora Aliança de Energia Eléctrica S.A.	BB						
	BB	2020	520	337	64.8	3.6	10.1
	BB	2019	361	180	49.9	6.4	4.9
	BB	2018	379	311	82.1	2.5	8.7
Empresas Públicas de Medellín E.S.P. (EPM)	BBB-						
	BBB-	2020	5,369	1,455	27.1	4.7	4.1
	BBB	2019	5,593	1,874	33.5	3.4	3.8
	BBB	2018	5,517	1,640	29.7	4.5	3.6
Grupo Energía Bogotá S.A. E.S.P. (GEB)	BBB						
	BBB	2020	1,390	672	48.3	3.6	5.3
	BBB	2019	1,489	581	39.0	3.9	4.7
	BBB	2018	1,353	534	39.5	4.0	5.3

Source: Fitch Ratings, Fitch Solutions.

## Fitch Adjusted Financials

(COP Mil., as of Dec. 31, 2020)	Notes and Formulas	Reported Values	Sum of Adjustments	Preferred Dividends, Associates and Minorities Cash Adjustments	Other Adjustments	Adjusted Values
<b>Income Statement Summary</b>						
Revenue		9,110,847	1,056,979		1,056,979	10,167,826
Operating EBITDAR		5,895,091	(47,249)		(47,249)	5,847,842
Operating EBITDAR After Associates and Minorities	(a)	5,895,091	61,673	108,922	(47,249)	5,956,764
Operating Lease Expense	(b)	0				0
Operating EBITDA	(c)	5,895,091	(47,249)		(47,249)	5,847,842
Operating EBITDA After Associates and Minorities	(d) = (a-b)	5,895,091	61,673	108,922	(47,249)	5,956,764
Operating EBIT	(e)	5,039,016	537,613		537,613	5,576,629
<b>Debt and Cash Summary</b>						
Total Debt with Equity Credit	(f)	22,468,835				22,468,835
Lease-Equivalent Debt	(g)	0				0
Other Off-Balance-Sheet Debt	(h)	0				0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	22,468,835				22,468,835
Readily Available Cash and Equivalents	(j)	4,868,376				4,868,376
Not Readily Available Cash and Equivalents		0				0
<b>Cash Flow Summary</b>						
Operating EBITDA After Associates and Minorities	(d) = (a-b)	5,895,091	61,673		61,673	5,956,764
Preferred Dividends (Paid)	(k)	0				0
Interest Received	(l)	37,496	47,168		47,168	84,664
Interest (Paid)	(m)	(201,596)	(1,132,889)		(1,132,889)	(1,334,485)
Cash Tax (Paid)		(907,181)	147		147	(907,034)
Other Items Before FFO		(1,924,412)	47,249		47,249	(1,877,163)
Funds from Operations (FFO)	(n)	2,899,398	(976,652)	108,922	(1,085,574)	1,922,746
Change in Working Capital (Fitch-Defined)		15,283				15,283
Cash Flow from Operations (CFO)	(o)	2,914,681	(976,652)	108,922	(1,085,574)	1,938,029
Non-Operating/Nonrecurring Cash Flow		0				0
Capital (Expenditures)	(p)	(2,982,731)				(2,982,731)
Common Dividends (Paid)		(1,252,876)				(1,252,876)
Free Cash Flow (FCF)		(1,320,926)	(976,652)	108,922	(1,085,574)	(2,297,578)
<b>Gross Leverage (x)</b>						
Total Adjusted Debt/Operating EBITDAR <sup>a</sup>	(i/a)	3.8				3.8
FFO Adjusted Leverage	(i)/(n-m-l-k+b)	7.3				7.1
FFO Leverage	(i-g)/(n-m-l-k)	7.3				7.1
Total Debt with Equity Credit/Operating EBITDA <sup>a</sup>	(i-g)/d	3.8				3.8
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	(0.3)				(4.6)
<b>Net Leverage (x)</b>						
Total Adjusted Net Debt/Operating EBITDAR <sup>a</sup>	(i-j)/a	3.0				3.0
FFO Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	5.7				5.5
FFO Net Leverage	(i-g-j)/(n-m-l-k)	5.7				5.5
Total Net Debt with Equity Credit/Operating EBITDA <sup>a</sup>	(i-g-j)/d	3.0				3.0
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	(0.4)				(5.9)
<b>Coverage (x)</b>						
Operating EBITDA/(Interest Paid + Lease Expense) <sup>a</sup>	a/(-m+b)	29.2				4.5

(COP Mil., as of Dec. 31, 2020)	Notes and Formulas	Reported Values	Sum of Adjustments	Preferred Dividends, Associates and Minorities Cash Adjustments	Other Adjustments	Adjusted Values
Operating EBITDA/Interest Paid <sup>a</sup>	d/(-m)	29.2				4.5
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	15.2				2.4
FFO Interest Coverage	(n-l-m-k)/(-m-k)	15.2				2.4

<sup>a</sup>EBITDA/R after dividends to associates and minorities.

Source: Fitch Ratings, Fitch Solutions, Interconexion Electrica S.A. E.S.P.

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