

**NON-RATING ACTION COMMENTARY****Transmission Projects Awarded in Brazil Neutral on ISA Ratings**

Colombia Fri Jul 08, 2022 – 1:17 PM ET

Fitch Ratings-Bogota-July 08 2022: The recent award of the transmission projects of Interconexión Eléctrica S.A. E.S.P. (ISA) [AAA(col) Stable Outlook] in Brazil has a neutral effect on the ratings of the bonds and commercial papers that are part of ISA's Domestic Public Debt Securities Issuance and Placement Program for COP 6,5 trillion, according to Fitch Ratings. The projects will be developed through Companhia de Transmissão de Energia Elétrica Paulista S.A. (ISA CTEEP) [AAA (bra) Stable Outlook], ISA's affiliate and one of the operators of transmission assets in Brazil.

According to the National Electric Energy Agency, the capital investments of the awarded projects are budgeted at USD 780 million over a period of 42 months to 60 months and will be financed with a combination of debt resources in the Brazilian market and equity. Fitch considers the financing structure to be manageable for the company, even if it were to be financed entirely with debt. On a pro forma basis, ISA's leverage is expected to remain below 4,5 times (x) over the rating horizon.

7/8/22, 12:18 PM

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In Fitch's opinion, the awarded projects would continue to consolidate ISA's position in the Brazilian market through ISA CTEEP and Transmissora Aliança de Energia Elétrica S.A. (Taesa). In 2021, the combined market share of ISA CTEEP and Taesa was around 19% in terms of annual allowed revenue. The awarded projects consist of the construction of 1.139 kilometers (km) of transmission lines in the states of Minas Gerais and Espírito Santo, two substations and six expansions, as well as the construction of a new yard at the Água Azul substation in the state of São Paulo, where ISA CTEEP transmits 94% of its electric power. Upon completion of the construction phase and start of operations in 2026, ISA's consolidated revenues are expected to increase by USD 60 million.

ISA's low business risk profile stems from its participation in regulated natural monopolies with no demand risk, as well as its geographic diversification in six Latin American countries. During the first quarter of 2022, ISA's consolidated EBITDA came from Brazil (40%), Colombia (28%), Peru (17%) and Chile (14%); excluding construction activities. Historically, the electric power transmission business has represented the bulk of ISA's consolidated cash flow generation and in 2021 contributed 81,8% of EBITDA (excluding construction activities).

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