FitchRatings

RATING ACTION COMMENTARY

Fitch Downgrades Interconexion Electrica to 'BBB-'; Outlook Stable

Mon 22 Dec, 2025 - 3:26 p. m. ET

Fitch Ratings - Rio de Janeiro/Bogota - 22 Dec 2025: Fitch Ratings has downgraded Interconexion Electrica S.A. E.S.P.'s (ISA) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) to 'BBB-' from 'BBB' and ISA's USD330 million senior unsecured notes due 2033 to 'BBB-' from 'BBB'. In addition, Fitch has affirmed ISA's National Long- and Short-Term ratings at 'AAA(col)' and 'F1+(col)', respectively, as well as the ratings on its local issuance programs. The Outlook is Stable.

The downgrade follows the downgrade of ISA's parent company Ecopetrol S.A. (BB/Stable). According to Fitch's "Parent and Subsidiary Linkage Criteria," ISA is rated two notches above its parent company due to ISA's strong business and financial profile, resulting in a consolidated plus-two approach to an IDR of 'BBB-'.

ISA's ratings reflect low business risk typical of power transmission, strong geographic and business diversification, and high cash flow predictability, supporting a robust financial profile. The ratings also consider ISA's adequate liquidity and aggressive growth strategy.

KEY RATING DRIVERS

Parent-Subsidiary Linkage: ISA's credit profile is commensurate with its current 'BBB-' rating and not capped by the credit profile of its controlling owner, Ecopetrol. Ecopetrol owns more than 51% of ISA and, as per Fitch's "Parent and Subsidiary Linkage Rating Criteria," linkage should be considered in the assessment. Regulatory ring-fencing mechanisms, material minority shareholders and a track record of strong governance practices prevent Ecopetrol's ability to extract value from its stronger subsidiary. In Fitch view, ISA's funding and cash management policies are managed separately from Ecopetrol, and the expectation is that ISA will maintain its independence.

When all these factors are combined, ISA's ratings result in a consolidated plus-two approach to an IDR of 'BBB-'. A change in ISA's corporate governance, business or financial strategy could put downward pressure on the company, particularly in the event of a structural increase in its dividend payout ratio. A negative action on Ecopetrol's ratings would impact ISA's ratings to preserve the two-notch differential.

Low Business Risk Profile: ISA's ratings reflect its low business risk profile stemming from its stable cash flow generation, typical of electric transmission companies. Fitch anticipates more than 80% of ISA's consolidated EBITDA to derive from regulated transmission grids over the rated horizon, and more than 18% from concession roads in Colombia and Chile that have mechanisms to ensure minimum income or extend concession periods if traffic is low. The telecom business is expected to contribute less than 2% to ISA's consolidated EBITDA.

Leverage Within Expectations: Fitch expects ISA's gross EBITDA leverage to remain around 4.0x over the rating horizon, in line with the 4.1x recorded in September 2025, with EBITDA interest coverage above 4.0x as new transmission assets come online. FCF will remain negative, reflecting high capex and a 50% dividend payout ratio. ISA's committed grid-focused investments total COP22.2 trillion for 2025-2028, with about 83% in regulated transmission grids and 14% in road concessions. Brazil will account for 52% of the investments while Chile, Colombia, Peru and Panama will represent 18%, 15%, 11% and 4%, respectively.

Geographic Diversification: ISA's cash flow generation is diversified across Latin America. Over the rated horizon, Fitch estimates approximately 38% of the company's consolidated EBITDA will come from Brazil (BB/Stable) and 27% from Colombia (BB/Stable). Chile (A-/Stable) will represent nearly 15% and Peru (BBB/Stable) almost 20%. Less than 1% of ISA's consolidated cash generation will come from Panama (BB+/Stable) and Bolivia (CCC-).

Manageable Regulatory Risk: ISA's businesses and geographic diversification effectively hedge its exposure to regulatory risk, as most of its revenues are derived from regulated transmission grids. The company's cash flow generation exhibits resilience against adverse regulatory scenarios, particularly from jurisdictions with strong regulations. An upcoming regulatory reset in Colombia for the transmission business is expected in 2025-2026. Although there is limited visibility on the final tariff scheme that will be approved in Colombia, Fitch believes the outcome will not significantly pressure ISA's financial metrics as the reset is included in its consolidated revenues.

PEER ANALYSIS

ISA's credit profile compares with peers in the region such as Transelec S.A. (BBB/Negative), Consorcio Transmantaro S.A. (CTM; BBB/Stable), Sociedad de Transmision Austral S.A. (STA; BBB/Stable), Empresa de Transmision Electrica, S.A. (ETESA; B/Stable), Alupar Investimento S.A. (BB+/Stable), and Transmissora Alianca de Energia Eletrica S.A. (Taesa; BB+/Stable). All these companies benefit from a low business risk profile and predictable cash flow.

ISA's ratings are constrained by the linkage between the company and Ecopetrol. As per Fitch's methodology, a stronger subsidiary can be rated a maximum of two notches above the consolidated profile if a weak linkage is established.

ISA's higher rating than those of Taesa, Alupar and ETESA is mainly a result of its geographic diversification. Most of ISA's operations are in Colombia, Brazil, Chile and Peru, while Taesa's and Alupar's operations are concentrated in Brazil and their ratings are negatively affected by Brazil's 'BB+' Country Ceiling. ETESA's ratings reflect the delay in coupon payment, lowering the Government Related Entity score to 15 from 50 with Panama (BB+/Stable).

ISA has a similar scale of operations and EBITDA generation compared to Redeia Corporacion S.A. (A-/Stable). Redeia is the sole transmission system operator and electricity transmission network owner in Spain (A/Stable). It also has transmission activities in Latin America and provides telecommunications services. Like ISA, Redeia's regulated electricity business accounts for approximately 80% of consolidated EBITDA.

FITCH’S KEY RATING-CASE ASSUMPTIONS

--Revenue and EBITDA projected for 2025-2027 incorporate the development of already granted projects;

--Changes in the Colombia power transmission business' regulatory remuneration with a neutral effect on ratings;

--Electricity transmission business continues to account for more than 80% of ISA's consolidated EBITDA over the rating horizon;

--COP22.2 trillion total capex between 2025 and 2028 for new projects awarded to ISA and its subsidiaries;

--Dividend distributions at 50% of the previous year's net income over the rating horizon;

--Road concessions in Chile extended until March 2026 (Rios) and December 2026 (Araucania);

--The Basic Network of Existing Systems in Brazil (Rede Basica do Sistema Existente; RBSE) included as part of Isa's EBITDA.

RATING SENSITIVITIES

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

--A sustained increase in leverage above 5.0x on a consolidated or nonconsolidated basis, as a result of progressive deterioration in cash generation or increased debt levels above Fitch's base case scenario;

--Regulatory changes that put significant pressure on ISA's cash flow;

--A change in the company's business and financial strategy, particularly with regard to dividend distribution practices, as well as changes in corporate governance practices;

--A negative rating action on Ecopetrol;

--A multi-notch downgrade of Peru's Country Ceiling.

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 growth strategy one may be considered if total consolidated leverage is below 3.5x;

--A positive rating action on Ecopetrol.

LIQUIDITY AND DEBT STRUCTURE

As of September 2025, cash on hand reached about COP4.600 trillion, reflecting the company's internal cash flow generation characterized by healthy cash on hand, strong and predictable CFO, manageable debt amortizations, and increased access to local and international capital markets. The analysis incorporates approximately 39% of restricted cash, kept covering contractual obligations mainly on the road concession business. Cash on hand plus CFO is expected to cover ISA's short-term debt by more than 1.25x, which is commensurate with investment-grade companies.

ISA's maturity profile is manageable, as its long-term debt amortization schedule is spread until 2056. At the holding company level, ISA's debt maturities for 2025 consist of local bond issuances which are manageable, in Fitch's view.

ISSUER PROFILE

ISA is a Colombian holding company focused on energy transmission, road concessions and telecommunications with operations in six countries. It is the largest energy transmission company in Latin America. Ecopetrol owns more than 51% of ISA's shares.

SUMMARY OF FINANCIAL ADJUSTMENTS

--EBITDA adjusted by the cash component of the RBSE revenues;

--Restricted cash from road concessions reclassified as available cash and equivalents.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

ISA is rated two notches above Ecopetrol's consolidated profile. A change in Ecopetrol's credit profile has the potential to affect ISA's ratings.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Interconexion Electrica S.A. E.S.P.	LT IDR	BBB- Rating Outlook Stable	Downgrade	BBB Rating Outlook Negative
	LC LT IDR	BBB- Rating Outlook Stable	Downgrade	BBB Rating Outlook Negative
	Natl LT	AAA(col) Rating Outlook Stable	Affirmed	AAA(col) Rating Outlook Stable
	Natl ST	F1+(col)	Affirmed	F1+(col)
senior unsecured	LT	BBB-	Downgrade	BBB
senior unsecured	Natl LT	AAA(col)	Affirmed	AAA(col)
senior unsecured	Natl ST	F1+(col)	Affirmed	F1+(col)

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

National Scale Rating Criteria (pub. 22 Dec 2020)

Metodología de Calificaciones en Escala Nacional (pub. 22 Dec 2020)

Parent and Subsidiary Linkage Rating Criteria (pub. 27 Jun 2025)

Corporate Rating Criteria (pub. 27 Jun 2025) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 27 Jun 2025)

Metodología de Calificación de Finanzas Corporativas (pub. 24 Jul 2025)

Metodología de Vínculo de Calificación entre Matriz y Subsidiaria (pub. 10 Sep 2025)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Interconexion Electrica S.A. E.S.P.	EU Endorsed, UK Endorsed

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