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CREDIT OPINION
19 December 2022

Update

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RATINGS

Grupo Energia Bogota S.A. E.S.P.

Domicile	Bogota, Distrito Capital, Colombia
Long Term Rating	Baa2
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Grupo Energia Bogota S.A. E.S.P.

Update to credit analysis

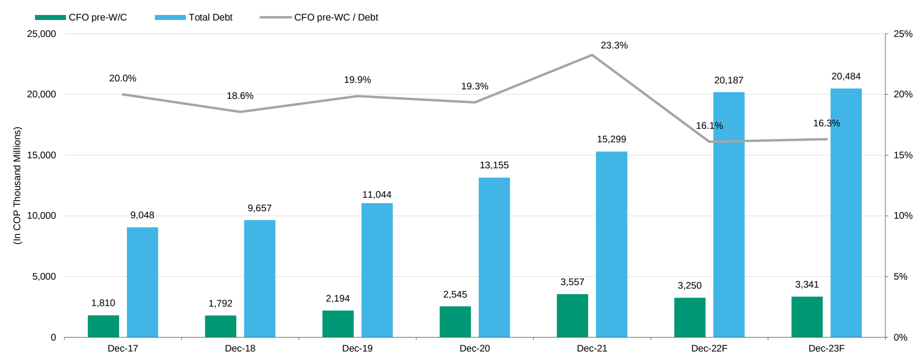
Summary

Grupo Energia Bogota S.A. E.S.P.'s (GEB, Baa2 stable) credit profile benefits from its geographically diversified operations and strong financial metrics. GEB's financial profile is underpinned by the cash flow from its creditworthy key controlled subsidiaries Transportadora de Gas Internacional (TGI, Baa3 stable) and Gas Natural de Lima y Callao S.A. (Calidda) (Baa2 stable). The ratings also reflects its ownership structure and links with Distrito Capital Bogota (Colombia) (Bogota, Baa2 stable).

GEB's credit quality is constrained by the structural subordination of its parent-only debt, which constituted nearly 41% of total consolidated debt as of September 2022, and its dependence on subsidiaries' cash upstreams to cover capital requirements and debt service despite GEB's own profitable transmission operations. GEB's credit profile is also constrained by potential new investments that could lead to a deterioration in debt-related metrics in addition to the foreign exchange exposure.

Exhibit 1

Increase in debt will lead to a deterioration in credit metrics.



Source: Moody's Investors Service and GEB´s financial statements

Credit strengths

» Ownership structure, with strong links to Bogota

» Operationally and geographically diversified portfolio of subsidiaries

» Growing importance of key controlled subsidiaries in their respective markets

Credit challenges

» Structural subordination of its parent-only debt, which constitutes nearly 41% of consolidated debt

» Strong dependence on subsidiaries' cash upstreams to cover its capital requirements, including debt service

» Exposure to foreign-exchange risk

» Growth strategy that could lead to higher debt levels

Rating outlook

The stable rating outlook reflects our expectation that GEB's key credit metrics will remain commensurate with the Baa rating category. The company's Baseline Credit Assessment (BCA), which is a measure of GEB's standalone creditworthiness, also reflects our assumption of no significant changes in the group's ownership stakes and new important expansion plans, as well as that the group's dividend policy will remain sustainable. The stable outlook is also in line with the support provider, Bogota.

Factors that could lead to an upgrade

GEB's ratings could be upgraded if the ratings of the Government of Colombia (Baa2 stable) and Bogota are upgraded in conjunction with an upgrade of GEB's BCA. An improvement in the BCA would be triggered if GEB's current structural subordination improves, either in terms of a reduction in its dependence on cash flow from the noncontrolled subsidiaries or a significant reduction in the percentage of parent-only debt over consolidated debt; and its financial metrics improve on a sustained basis, specifically, if its three-year cash flow from operations before changes in working capital (CFO pre-WC)-to-debt ratio and interest coverage exceed 22% and 5x, respectively.

Factors that could lead to a downgrade

GEB's ratings are likely to be downgraded if the ratings of the Government of Colombia or Bogota are downgraded. The BCA could be downgraded if we assess a deterioration in the Colombian regulatory environment, an increase in the structural subordination considerations or significant changes in the portfolio of key subsidiaries. An aggressive dividend policy and/or investment program that results in incremental debt above our expectation is likely to also result in a downgraded BCA. Specifically, debt/capitalization above 48% on a projected and sustained basis could exert downward pressure on the ratings. Expansion initiatives that increase the group's exposure to unregulated operations and/or less transparent regulatory environments are likely to also have a negative effect on the BCA.

Key indicators

Exhibit 2
Grupo Energia Bogota S.A. E.S.P.

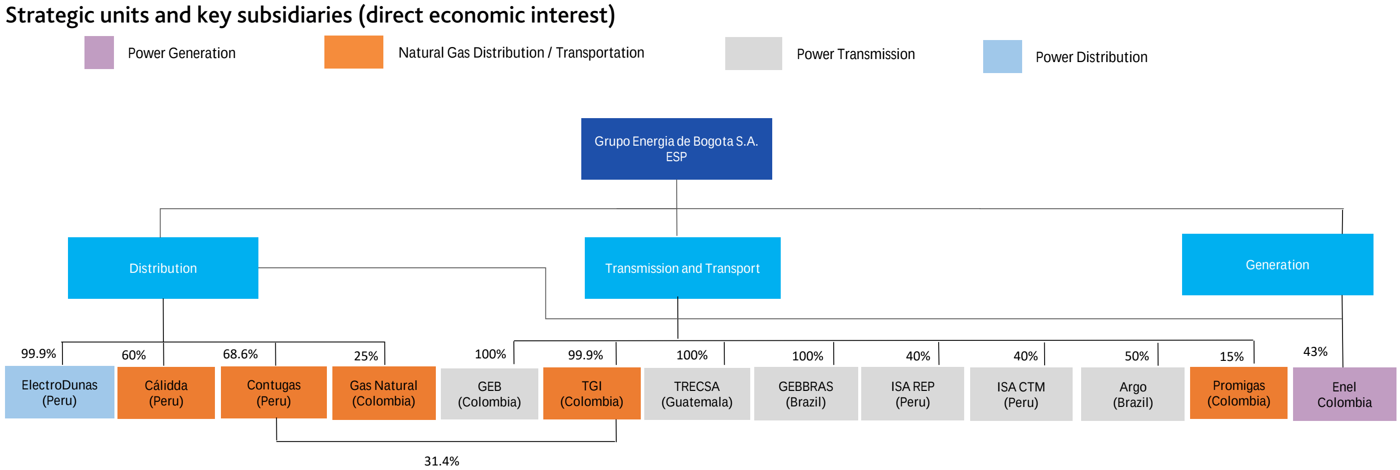
	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	LTM Sept-22
CFO pre-WC + Interest / Interest	4.8x	4.0x	4.5x	4.6x	6.1x	4.6x
CFO pre-WC / Debt	20.0%	18.6%	19.9%	19.3%	23.3%	18.2%
CFO pre-WC – Dividends / Debt	10.0%	7.0%	8.4%	8.7%	6.3%	3.4%
Debt / Capitalization	40.3%	40.5%	42.1%	44.5%	46.2%	44.6%

All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™ and GEB´s financial statements.

Profile

Headquartered in Bogota, Colombia, Grupo Energia de Bogota S.A. E.S.P. (GEB) is a Colombian company with geographically and operationally diversified operations in the energy sector. GEB is subject to the purview of the Comision de Regulacion de Energia y Gas (CREG). It is also a holding company with significant equity interests in controlled and noncontrolled subsidiaries that conduct their electric and natural gas operations mainly in Colombia, Peru (Baa1 stable), Guatemala (Ba1 stable) and Brazil (Ba2 stable). Exhibit 3 depicts GEB's interest stakes in its core controlled and noncontrolled subsidiaries, as well as their allocation within the group, after the group's reorganization into three key business segments: distribution, transmission and transport, and generation. The fourth business segment is smart cities.

Exhibit 3
Strategic units and key subsidiaries (direct economic interest)



Sources: GEB's financial statements, corporate presentation and Moody's Investors Service

As of September 2022, Bogota was GEB's majority shareholder (65.7%). GEB's remaining shareholders include pension funds (21.8%), Corporación Financiera Colombiana S.A. (5.2%) and others (7.4%).

Recent developments

» On 13 December Colombia approved a tax reform law that increases the income tax burden on the country's hydropower generators, the increase to 15% from 10% the tax rate on extraordinary gains from asset sales. In addition, the law eliminates the tax benefits of a lower tax rate for companies located in free trade zones, that will start to pay the regular 35% tax instead of the 20% prior rate. GEB expects an annual cash flow reduction of $1.7 million-$3.0 million. See more details in the publication Tax reform will hit hydropower cash flow but boost income for local governments.

» On November 30, 2022, GEB bought five concessions of energy transmission in Brazil through the investment vehicle Argeb (Argo ´s participation of 62.5% and 37.5% of Gebbras). This acquisition adds 2,416 kilometers of transmission lines and 20 substations to Argo's 1,743 km of transmission lines and 13 substations of Argo. GEB acquired debt for $452 million to finance this acquisition.

» In October 2022, TGI closed a partial cash tender offer for its 5.55% senior notes due 2028, in which the company purchased $156 million in aggregate principal, reducing the notes' balance to $594 million from $750 million. The tender offer is credit positive for TGI because it reduces leverage and refinancing risk, as well as the foreign-exchange exposure that could be introduced by the recent regulatory change that is seeking to switch from US dollar-denominated tariffs to Colombian peso-denominated tariffs. This change is not still in place due to a controversy solution process with TGI currently conducted by the CREG.

» On 12 October, Colombia's energy regulator announced that key companies have reviewed and commented on the proposed regulatory changes to lower electricity tariffs to reduce energy prices to end-consumers. GEB will be affected by the reduction in its transmission revenue and the lower dividends it will receive from its participation in Enel Colombia's subsidiaries. See more details in the publication Regulatory changes are credit negative for Colombia's electricity sector.

Detailed credit considerations

Ownership structure

The Baa2 issuer rating assigned to GEB reflects the application of our Joint Default Analysis (JDA) framework for government-related issuers, which takes into account the following input factors: a BCA of baa3 as a measure of GEB's standalone creditworthiness; the Baa2 rating of Bogota as GEB's support provider; our estimate of strong implied government support in the case of financial distress; and a moderate default dependence between GEB and Bogota. These assumptions take into consideration the company's links with Bogota, which owned 65.7% of GEB as of September 2022. These assumptions also reflect the strategic and essential nature of the services provided, the government control and the direction of the company, which, under our framework, translate into a one-notch rating uplift from the baa3 BCA.

Our assessment of Bogota's willingness and ability to provide extraordinary financial support takes into consideration the facts that GEB is strategic to the city government; historically, GEB's dividend distributions have represented less than 5% of the municipality's total budget; and Bogota will remain the majority shareholder. Pursuant to Agreement 01, 1996, the district is required to hold at least a 51% ownership stake in the issuer. A modification of this agreement requires certain regulatory approvals (including the municipal council's authorization), which is currently not planned.

Structural subordination considerations

GEB's reliance on dividends from its subsidiaries, particularly the noncontrolled companies, along with the substantial amount of holding company debt (around 41% of total consolidated debt as of September 2022, down from 49% as of December 2020), underpins our structural subordination considerations. GEB's credit profile takes into consideration the fact that the company's transmission operations allow it to generate its own cash flow, but it represented only 7% of 2021 consolidated EBITDA, down from 9% in 2020. Thus, GEB relies on its subsidiaries' cash to cover capital requirements and debt service. TGI and Calidda, GEB's key controlled subsidiaries with investment-grade profiles, contributed 26% and 14%, respectively, of total EBITDA in 2021, generating relatively stable cash flow streams for GEB.

We expect GEB's noncontrolled subsidiaries' dividends to further account for a significant amount of cash flow. The regulated nature of the natural gas distribution operations, Gas Natural S.A. E.S.P. (Vanti), provides visibility into the upstreamed cash flow. We expect GEB's ownership over Enel Colombia, with dividend distribution around 90%, to be a key source of cash flow for GEB. In addition, we take into consideration GEB's minority ownership of Red Electrica del Peru and Consorcio Transmantaro S.A. (Baa3 stable).

Deterioration in credit metrics driven mainly by the increase in debt

GEB's consolidated credit metrics have been relatively stable and consistent over the last few years. However, in 2021, there was a significant improvement because of the dividends received after an agreement with Enel Colombia and ISA REP. With GEB´s dividends received increasing 76%, cash interest coverage (measured as [CFO pre-W/C + interest]/interest expense) was 6.1x, up from 4.6x in 2020, while (CFO pre-W/C)/debt improved to 23.3% from 19.3% in the same period. We note that this was an extraordinary situation and we do not expect that GEB will continue to receive these level of dividend distributions.

In 2022-23, we expect a deterioration in credit metrics compared with 2021. The deterioration considers the increase in debt mainly as a result of the currency depreciation and acquisitions of the concessions in Brazil and Electronorte; effect of the extraordinary dividend received in 2021; and higher financing cost because of debt exposure to variable interest rate (29% of total debt). This is partially compensated by the strong results presented during the first three quarters of 2022. As of September 2022 cash interest coverage was 4.6x and (CFO pre-W/C)/debt 18.2%. For 2022, we expect cash interest coverage around 4.3x and (CFO pre-W/C)/debt 16.1% while for 2023 of 3.7x and 16.3%., respectively.

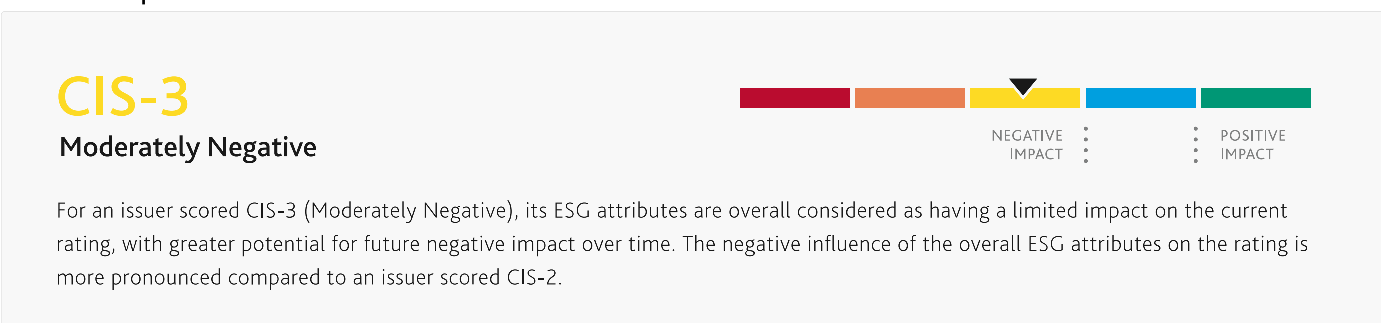
The capital spending program for the 2022-27 period contemplates investments up to $2.2 billion, including organic transmission and gas distribution projects currently committed, as well as possible acquisitions (not yet included in the model) and green field projects, which can be financed with debt and/or cash flow generation.

GEB also has a long history of access to debt financing, and its credit ratings reflects a manageable debt maturity profile and our expectation that GEB's dividend policy will be reasonable and sustainable with a 70% dividend payout ratio, which is the minimum payout ratio required by law after certain liquidity reserves are met.

ESG considerations

Grupo Energia Bogota S.A. E.S.P.'s ESG Credit Impact Score is Moderately Negative CIS-3

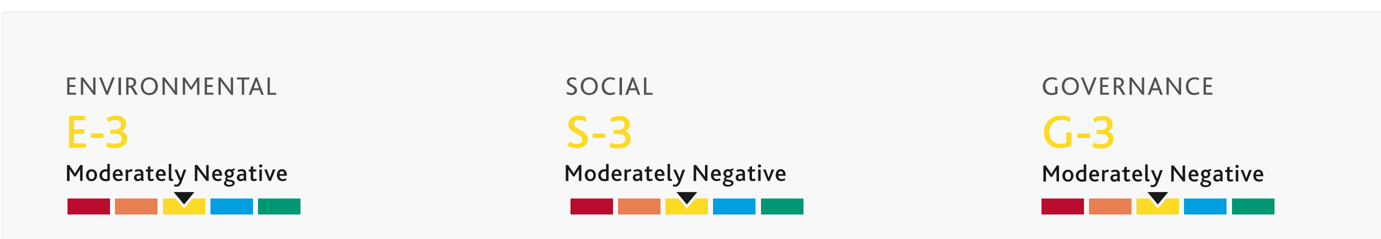
Exhibit 4
ESG Credit Impact Score



Source: Moody's Investors Service

Grupo Energia Bogota S.A. E.S.P.'s (GEB) ESG Credit Impact Score is moderately negative (**CIS-3**), indicating that its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. Its score reflects moderately negative exposure to environmental, social and governance risks.

Exhibit 5
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

GEB's exposure to environmental risks is moderate (**E-3** issuer profile score) mainly driven by its moderately negative exposure to physical climate risks such as floods, droughts, and sea level rise, and to carbon transition from its natural gas transport and distribution businesses and to a lesser extent, fossil-fuel based generation. These exposures are partially mitigated by the business and geographic diversification of the company. Our score also incorporates neutral to low exposure to water management, waste and pollution and natural capital risks.

Social

Exposure to social risks is moderately negative (**S-3** issuer profile score) reflecting the moderate exposure to demographics and societal trends due to increasing public concern over environmental, social, or affordability issues that could lead to adverse regulatory political intervention. These risks are partially balanced by neutral to low exposure to customer relations, human capital, responsible production, and health and safety considerations.

Governance

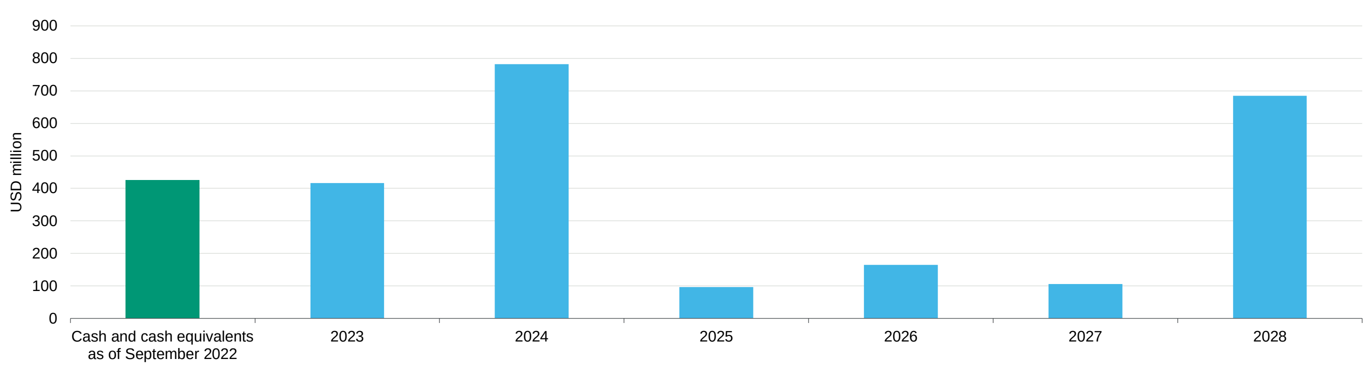
Governance risk is moderate negative (**G-3** issuer profile score) due to moderate exposures to financial strategy and risk management; and board structure, policies and procedures. GEB is exposed to influence by Bogota, Distrito Capital (Colombia) (Baa2, stable), its majority owner, but as of today this has not been a material negative credit consideration. Our governance score also considers a neutral to low exposure to management credibility and track record, organizational structure as well as internal controls risks.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

As of September 2022, GEB's cash position was COP1,958,007 million (around $425 million). This cash position is enough to cover the 2023 debt maturities. However, maturities in 2023 are mainly composed of the Calidda debt maturities, which are going to be refinanced with committed loans contracted at the end of 2021, reducing the refinancing risk for 2023. However, refinancing needs are relevant in 2024 given GEB´s debt maturities of $782 million, mainly of the two syndicated loan maturities of GEB and Contugas for $319 million and $355 million, respectively. We expect GEB to be able to refinance those amounts, but the cost could increase given the market conditions compared with those during previous issuances.

Exhibit 6
GEB´s refinancing needs are significant for 2023 and 2024 but decrease in the following years
2023-2028 GEB´s debt maturities



Source: GEB financial statements and GEB corporate presentation

Additionally, as of June 2022, GEB had around COP3.4 billion (close to $822 million) in short-term credit facilities available without any amount used. Of this amount, COP 1.2 billion is dollar denominated.

Other considerations

GEB seeks to naturally hedge its exposure to foreign-exchange risk by matching the currency of its debt to its EBITDA. However, exposure remains with approximately 44% of GEB's total EBITDA denominated or indexed to US dollars and 83% of its total debt in US dollar-denominated as of September 2022.

Methodology and scorecard

We assign GEB's BCA using our Regulated Electric and Gas Utilities rating methodology, published in June 2017. The scorecard-indicated outcome using the metrics is consistent with the assigned BCA.

GEB's Baa2 ratings take into account our JDA for the company as a government-related issuer and, therefore, incorporates our expectations regarding the credit profile of Bogota, and our assumptions of moderate dependence and strong implied support.

Exhibit 7
Rating factors
Grupo Energia Bogota S.A. E.S.P.

Regulated Electric and Gas Utilities Industry [1][2]	Current LTM 9/30/2022		Moody's 12-18 Month Forward View As of 12/14/2022 [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	Baa	Baa	Baa	Baa
b) Consistency and Predictability of Regulation	Ba	Ba	Ba	Ba
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Baa	Baa	Baa	Baa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	A	A	A	A
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	5.0x	A	4.7x	A
b) CFO pre-WC / Debt (3 Year Avg)	19.2%	Baa	18.6%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	7.1%	Ba	7.2%	Ba
d) Debt / Capitalization (3 Year Avg)	45.9%	Baa	46.6%	Baa
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		Baa2		Baa2
HoldCo Structural Subordination Notching	-1	-1	-1	-1
a) Scorecard-Indicated Outcome		Baa3		Baa3
b) Actual Rating Assigned				Baa2
Government-Related Issuer	**Factor**			
a) Baseline Credit Assessment	baa3			
b) Government Local Currency Rating	Baa2			
c) Default Dependence	Moderate			
d) Support	Strong			
e) Actual Rating Assigned	Baa2			

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 9/30/2022(L)
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Exhibit 8

Cash flow and credit metrics [1]

(In COP Thousand Millions)	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	LTM Sept-22
As Adjusted						
EBITDA	**1,576**	**1,782**	**2,214**	**2,571**	**2,546**	**2,880**
FFO	**1,800**	**1,779**	**2,181**	**2,532**	**3,533**	**3,242**
- Div	909	1,117	1,271	1,395	2,597	2,665
RCF	**891**	**662**	**910**	**1,136**	**936**	**576**
FFO	1,800	1,779	2,181	2,532	3,533	3,242
+/- Other	10	13	12	13	25	25
CFO Pre-WC	**1,810**	**1,792**	**2,194**	**2,545**	**3,557**	**3,267**
+/- ΔWC	201	(272)	(210)	(98)	(591)	(318)
CFO	**2,012**	**1,519**	**1,984**	**2,447**	**2,967**	**2,948**
- Div	909	1,117	1,271	1,395	2,597	2,665
- Capex	1,159	1,061	1,115	897	642	974
FCF	**(56)**	**(658)**	**(402)**	**154**	**(272)**	**(692)**
Debt / EBITDA	5.7x	5.4x	5.0x	5.1x	6.0x	6.2x
Revenue	3,578	4,002	4,887	5,126	5,559	6,616
Cost of Good Sold	1,983	1,944	2,204	2,117	2,527	3,069
Interest Expense	476	595	632	703	696	917
Net Income	1,503	1,773	1,894	2,371	2,554	2,649
Total Assets	23,873	25,062	27,655	31,116	34,768	42,980
Total Liabilities	12,292	12,588	14,607	16,897	19,687	23,921
Total Equity	11,580	12,474	13,048	14,219	15,081	19,059

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 9

Peer comparison [1]

	Grupo Energia Bogota S.A. E.S.P. Baa2 stable			Comision Federal de Electricidad Baa2 stable			Gas Natural de Lima y Callao S.A. (Calidda) Baa2 stable			Light S.A. Ba3 stable			Companhia Energetica de Minas Gerais - CEMIG Ba2 stable		
	FYE Dec-20	FYE Dec-21	LTM Sept-22	FYE Dec-20	FYE Dec-21	LTM Sept-22	FYE Dec-20	FYE Dec-21	LTM Jun-22	FYE Dec-20	FYE Dec-21	LTM Jun-22	FYE Dec-20	FYE Dec-21	LTM Jun-22
Revenue (in USD millions)	1,393	1,487	1,649	18,386	22,066	23,010	560	730	804	2,408	2,766	2,859	4,634	6,248	6,746
EBITDA (in USD millions)	698	681	718	7,977	1,881	1,346	167	203	219	506	384	502	1,251	1,453	1,526
CFO pre-WC / Debt	19.3%	23.3%	18.2%	8.5%	0.5%	-0.8%	20.3%	21.0%	21.8%	11.9%	10.7%	16.7%	27.0%	31.3%	37.8%
CFO pre-WC – Dividends / Debt	8.7%	6.3%	3.4%	8.3%	0.4%	-0.9%	7.8%	12.4%	6.9%	11.9%	9.2%	15.4%	23.3%	20.5%	25.3%
Debt / EBITDA	5.1x	6.0x	6.2x	7.4x	33.4x	49.1x	3.6x	3.7x	3.7x	3.4x	5.4x	4.7x	2.5x	1.7x	1.7x
Debt / Capitalization	44.5%	46.2%	44.6%	62.2%	59.8%	62.4%	63.2%	66.8%	69.6%	53.7%	55.4%	58.6%	46.0%	38.7%	38.0%
EBITDA / Interest Expense	3.7x	3.7x	3.1x	3.0x	0.7x	0.5x	6.4x	8.2x	7.7x	4.1x	2.5x	2.5x	4.4x	5.6x	6.2x

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year-end. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 10
Moody's-adjusted debt breakdown [1]

(In COP Thousand Millions)	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21	LTM Sept-22
As Reported Debt	**8,884**	**9,626**	**11,020**	**12,996**	**15,186**	**17,818**
Pensions	164	147	159	159	113	113
Operating Leases	84	0	0	0	0	0
Non-Standard Adjustments	-84	-116	-135	0	0	0
Moody's - Adjusted Debt	**9,048**	**9,657**	**11,044**	**13,155**	**15,299**	**17,931**

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year-end. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Ratings

Exhibit 11

Category	Moody's Rating
GRUPO ENERGIA BOGOTA S.A. E.S.P.	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
TRANSPORTADORA DE GAS INTERNACIONAL	
Outlook	Stable
Senior Unsecured	Baa3
GAS NATURAL DE LIMA Y CALLAO S.A. (CALIDDA)	
Outlook	Stable
Senior Unsecured	Baa2

Source: Moody's Investors Service

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