



RISK RATINGS

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FitchRatings

Fitch Ratings Colombia S. A. Sociedad Calificadora de Valores

Fitch Ratings Colombia affirms “AAA” rating to ISA’s bond issues after subscription of inter-administrative agreement for development of Autopistas de la Montaña, and after agreement with Cintra Infraestructuras de España to purchase 60% of the interest such company holds in Cintra Chile Ltda.; Outlook is stable.

In meeting held February 5 of 2010, the Technical Committee of Fitch Ratings Colombia S.A. Sociedad Calificadora de Valores, after corresponding study and analysis on occasion of the periodic rating revisions of the third ISA S.A. bond issue (COP 130,000 million) carried out in 2001, and the issue and underwriting program of ISA S.A. bonds (COP 1,200,000,000 million), affirmed both AAA ratings-outlook stable, all as attested by Minutes No. 1536 of same date.

In this regard, it is necessary to make clear that liabilities rated in this category represent the highest domestic rating assigned by Fitch Colombia. 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.

The affirmation of ISA’s current ratings is a reflection of the low risk level of the energy transmission business. ISA’s revenues and cash flow exhibit a high degree of predictability and stability that are the result of its natural monopoly condition and regulated tariffs. Venturing into these two linear infrastructure businesses will not result into a significant change to ISA’s risk profile given that the energy transmission business shall continue to have a large share (75%) in the company’s EBITDA.

ISA’s participation in both projects will mean considerable increase in the group’s consolidated debt since Cintra Chile will contribute debt nearing USD 2.3 billion. On the other hand, the execution of the Autopistas de la Montaña project, in its full extent, could mean additional debt of COP 1 billion along the next 12 years. In this way, ISA’s financial leverage, measured as Debt/EBITDA, would go from 1.8x as of September of 2009 to approximately 4.2x as of the end of 2010. To Fitch, such ratio should remain close to 4.5x during the period of construction of Autopistas de la Montaña (in its full extent) because, although the company’s debt will increase, EBITDA from the generation business (particularly CTEEP) will also grow.

Acquiring expertise in the road concession business

The transaction with Cintra Infraestructuras de España, owner of Cintra Chile, is in the process of being approved by corresponding authorities in Chile, Spain and Colombia. Cintra Chile Ltda. is Chile’s main road concession operator with five concessions totaling 907 km. The 60% interest in Cintra Chile will cost USD 300 million approximately, 50% of which ISA expects to fund with debt; the remaining 50% will be financed with own resources, some of them from the share issue carried out at the end of 2009. However, both ISA and Cintra España have a purchase and sale option, respectively, for the remaining 40%, for a period of up to two years.

To ISA, the acquisition of Cintra Chile is a fundamental step since it will bring knowledge, expertise and good practices transfer for the operation and management of road concessions, necessary for the successful

advancement of the company's strategy to increase its presence in businesses such as Autopistas de la Montaña.

On January 28, 2010, the Government and ISA subscribed an inter-administrative agreement under which, ISA commits to carry out the respective technical, legal and financial viability studies for the works of Autopistas de la Montaña. Depending on the results of the study, ISA would carry out the project to construct, operate, maintain, and commercially exploit four road corridors with approximate construction term of 10 – 12 years, under a concession agreement of 31 years with possibility of expansion up to 48 years. To start the works ISA expects to receive revenues from existing INVIAS (National Institute of Roads) tolls as well as from 6 new tolls.

Under the inter-administrative agreement ISA shall not assume the construction and traffic risk and will only bear the financial, tax and routine maintenance risk. The scope of the project is variable, since the viability as well as the length of the project will be determined only upon completion by ISA of every study necessary.

High indebtedness level, still in accordance with its credit profile

The acquisition of 60% of Cintra Chile, together with the expected expansion program, would mean to Grupo ISA 134% increase in consolidated debt, since Cintra Chile's debt, plus that of the investment vehicle to be established, amount to USD 2.3 billion approximately. Analysis of Grupo ISA's projected financial statements for 2010 reveals that revenues from Cintra Chile will amount to approximately 11% of total revenue, 9% of EBITDA and 43% of the group's total debt. Also for December of 2010, Debt/EBITDA and EBITDA/interest coverage ratios will be close to 4.2x and 2.5x, respectively.

As of September of 2009, ISA's Debt/EBITDA ratio stood at 1.8x with adequate liquidity levels. Cash plus current investment increased to COP 816,000 million from COP 645,000 at the end of 2008; total debt in turn, fell 5% during the same period.

Low risk business

ISA S.A. enjoys a solid competitive position given by its natural monopoly position in most of the businesses where it participates. It is the parent company of Grupo ISA, a conglomerate that has achieved a prominent competitive position in the telecommunications and energy transport businesses. The internationalization strategy of Grupo ISA's has permitted it to have a portfolio with investments in several countries in the region, achieving higher geographic diversification of revenue that mitigates each country's inherent risk. In each country where ISA group operates, it has a representative participation in the revenue of the energy transport market: Colombia (80%), Peru (77%), Bolivia (35%) and Brazil (17%). Two of its major shareholders are the Government of Colombia with 51.41% and Empresas Publicas de Medellin with 10.17%. The company's floating capital totals 31.44%.

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These rating actions reflect application by Fitch Ratings Colombia of the Corporate Rating Methodology published in June of 2006, which can be looked at www.fitchratings.com.co

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Members of the Rating Technical Committee taking part in the meeting where this(these) rating(s) was(were) assigned*:
Carlos Ramírez, Glauca Calp, Natalia O'Byrne, Lucas Aristizábal, and Milena Carrizosa.

*Resumes of Members of the Technical Committee can be found on the Web page of the rating entity:
www.fitchratings.com.co