

FITCH REVISES OUTLOOK ON VARIOUS COLOMBIAN CORPORATES TO STABLE

Fitch Ratings-Chicago-14 March 2017: Fitch Ratings has taken various rating action on some Colombian corporates following the country's sovereign Rating Outlook revision to Stable from Negative.

Fitch has taken the following rating actions:

Ecopetrol S.A. (Ecopetrol)

--Long-Term Foreign Currency Issuer Default Rating (IDR) affirmed at 'BBB'; Rating Outlook revised to Stable from Negative;

--Long-Term Local Currency IDR affirmed at 'BBB'; Rating Outlook revised to Stable from Negative.

Empresas Publicas de Medellin E.S.P. (EPM)

--Long-Term Foreign Currency IDR affirmed at 'BBB+'; Rating Outlook revised to Stable from Negative.

Interconexion Electrica S.A. E.S.P. (ISA)

--Long-Term Foreign Currency IDR affirmed at 'BBB+'; Rating Outlook revised to Stable from Negative.

KEY RATING DRIVERS

The rating actions reflect the recent Colombian sovereign Rating Outlook revision to Stable from Negative. The Outlook revision to Stable reflects the reduction in macroeconomic imbalances as a result of the sharp reduction in the current account deficit, diminished uncertainties surrounding Colombia's fiscal consolidation path due to passage of tax reform measures in December 2016, and the expectation that inflation converges towards the central bank's target. The disciplined policy response to increased pressures following the slump in commodity prices should help in keeping macroeconomic imbalances in check during the forecast period.

RATING SENSITIVITIES

The main factors that could individually, or collectively, lead to a negative rating change for Colombia's sovereign ratings include:

--Failure to reduce the fiscal deficit and stabilize the government's debt burden;

--Re-emergence of large external imbalances that lead to continued increase in external debt burden;

--Persistent period of low economic growth that undermines fiscal performance and support for the government's macroeconomic policy framework.

Future developments that could individually, or collectively, result in a positive rating change for Colombia's sovereign ratings include:

--A sharp reduction in the country's external vulnerabilities;

--Fiscal consolidation that results in a significant reduction of the public debt burden;

--Higher growth prospects that supports improved debt dynamics and improves Colombia's income gap with higher-rated sovereigns.

A downgrade of Colombia's sovereign ratings will likely result on a rating downgrade for Ecopetrol and would create negative pressure for EPM and ISA's ratings.

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Date of Relevant Rating Committee: March 13, 2017

Additional information is available on www.fitchratings.com

Applicable Criteria

Criteria for Rating Non-Financial Corporates (pub. 10 Mar 2017)

<https://www.fitchratings.com/site/re/895493>

Parent and Subsidiary Rating Linkage (pub. 31 Aug 2016)

<https://www.fitchratings.com/site/re/886557>

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