

Ratings On Several Brazilian Corporations Placed On CreditWatch Negative Following A Similar Action On The Sovereign

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SAO PAULO (S&P Global Ratings) May 23, 2017--S&P Global Ratings said today that it placed its ratings on several Brazilian corporations on CreditWatch with negative implications following similar action on Brazil's 'BB/B' local and foreign currency sovereign ratings, and 'brAA-' national scale sovereign rating. Ratings on these corporations are directly affected by the ratings on Brazil, either being capped at the same level, or up to the maximum number of notch differential to the sovereign ratings. Therefore, a potential downgrade of the sovereign would most likely result in a downgrade of these issuers.

The negative CreditWatch listing on the sovereign rating of Brazil reflects increased political uncertainties spawned from recent corruption allegations against President Michel Temer. Such allegations, if corroborated, would hinder the president's political viability and set in motion a transition process that has not been tested before, and can be prolonged or disruptive. An extended period of policy paralysis amid a weakened administration, a long transition process, or the absence of a coherent and well-articulated political support base to advance reform following a quick political transition would likely weigh on our view of Brazil's institutional and

governance effectiveness (see "Brazil 'BB' Long-Term Ratings Placed On CreditWatch Negative On Increased Political Uncertainty," May 22, 2017).

The first group of companies covers ratings which are, and we believe would remain, capped at the sovereign level. These companies were already rated either 'BB' on the global scale and/or 'brAA-' on the Brazilian national scale with negative outlook, reflecting the pressure from a potential sovereign downgrade. This group also includes companies that are rated 'brA+', which could be lowered if the sovereign national scale rating is lowered by more than one notch. We include in this group most of the companies with their asset bases largely located in Brazil, with revenues almost entirely dependent on the domestic economy, and significant exposure to the Brazilian banking sector that could crimp the companies' liquidity, and ultimately, repayment capacity in a sovereign stress scenario. It also includes infrastructure entities, such as electric and gas distributors, transmission assets and toll road concessions, because they're not only exposed to the general economic conditions but also their regulated status makes them vulnerable to potential tariff controls, which could impair revenue collection and credit availability. These companies' overall credit characteristics would likely preclude them from honoring their financial obligations under a sovereign default scenario.

- Algar Telecom S/A;
- Camil Alimentos S.A.;
- Cosan Group, including Rumo S.A. given our support assumption from the group;
- Cyrela Brazil Realty S.A. Empreendimentos e Participacoes;
- Estacio Participacoes S.A.;
- JSL S.A.;
- Magazine Luiza S.A.;
- MRS Logistica, S.A.;
- MRV Engenharia e Participacoes S.A.;
- RBS TV Comunicacoes S.A.e empresas combinadas;
- Rede D'Or Sao Luiz S.A.;
- Ultrafertil S.A.;
- Santos Brasil Participacoes S.A.;
- Terminal de Containeres de Paranagua S.A.;
- Rio Paranapanema Energia S.A.;
- Chapada do Piaui I Holding S.A.;
- Ampla Energia e Servicos S.A.;
- Companhia Energetica do Ceara - Coelce;
- CPFL Energia S.A. and its subsidiaries;
- Bandeirante Energia S.A.;
- Espirito Santo Centrais Eletricas S.A.;
- Energisa S.A. and its subsidiaries;
- Elektro Redes S.A.;
- Neoenergia S.A. and its subsidiaries;
- Companhia de Gas de Sao Paulo - Comgas;
- Cachoeira Paulista Transmissora de Energia S.A.;
- Itacema Transmissora de Energia S.A.;

- Transmissora Alianca de Energia Eletrica S.A.;
- Arteris S.A. and its subsidiaries;
- CCR S.A. and its subsidiaries;
- Ecorodovias Concessoes e Servicos S.A.; and
- Concessionaria Ecovias dos Imigrantes S.A.

The second group consists of companies that we believe to have high sensitivity to a sovereign default, given their exposure to the Brazilian economy, but also have a greater financial strength either stemming from very low debt, robust cash positions, or their ownership of foreign assets or export-oriented businesses. Depending on their individual strengths, these companies may have a higher rating than the sovereign's foreign currency ratings, but capped at one or two notches above that of the sovereign and/or capped at T&C.

- Ache Laboratorios Farmaceuticos S.A.;
- Braskem S.A.;
- The Gerdau group;
- Globo Comunicacao e Participacoes S.A. (GLOBO);
- Iguatemi Empresa de Shopping Centers S.A. (IESC);
- Localiza Rent a Car S.A.;
- Lojas Renner S.A.;
- Multiplan Empreendimentos Imobiliarios S.A.;
- Raizen Combustiveis S.A. and Raizen Energia S.A.;
- Telefonica Brasil S.A.;
- Ultrapar Participacoes S.A.; and
- The Votorantim group.

The third group consists of companies whose sizeable scale, geographic diversification, or strictly export-oriented businesses reduce exposure to the Brazilian economy. Therefore, these companies' ratings could be up to three or four notches above those of the sovereign, or might be pressured by our transfer and convertibility (T&C) assessment, depending on individual characteristics of operations, cash flows, and capital structure.

- AmBev - Companhia de Bebidas das Americas; and
- Embraer S.A.

Finally, the ratings on Eletrobras and Itaipu Binacional are limited by those on the sovereign, because we view these companies as government-related entities (GRES). We view the likelihood of extraordinary government support for Eletrobras as almost certain, so we equalize the ratings on it with those on the sovereign. Itaipu Binacional benefits from an extremely high likelihood of support from the government. As such, all ratings on Itaipu Binacional are capped to the one of the sovereign.

Ratings on the following companies that are rated 'BB' or higher on the global scale, or 'brAA-' or higher on the national scale, haven't been immediately affected by the sovereign's CreditWatch listing because we believe these companies have some headroom to their respective sovereign caps (one to four

notches of headroom). Therefore, a one notch downgrade of the sovereign rating wouldn't affect the corporate ratings on these entities immediately.

- BRF S.A.;
- Companhia Brasileira de Distribuicao;
- Fibria Celulose S.A.;
- Hypermarcas S.A.;
- Klabin S.A.;
- Magnesita Refratarios S.A.;
- Natura Cosméticos S.A.;
- Qualicorp S.A.;
- Sao Martinho S.A.;
- Suzano Papel e Celulose S.A.; and
- Vale S.A.

In addition, the ratings on Petrobras weren't affected based on our view that a potential downgrade of Brazil to 'BB-' wouldn't impact its rating given the company's 'bb-' stand-alone credit profile. This is one of the reasons why the outlook on the company remains stable.

We will continue to monitor the overall credit quality of the corporate sector in Brazil, because the uncertain political environment, pace for approval of reforms, and economic stabilization may add volatility to exchange rates and interest rates, limit the access to debt markets, and slow the pace of recovery in demand for corporate sector. We expect to resolve the CreditWatch listing for these companies in connection with the resolution of Brazil's CreditWatch listing. We will also incorporate any revised view and updated macro assumptions that could change our view on each company potential rating differential to the sovereign.

RELATED CRITERIA

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, June 1, 2016
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- Criteria - Corporates - Project Finance: Project Finance Framework Methodology, Sept. 16, 2014
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And

Adjustments, Nov. 19, 2013

- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

RELATED RESEARCH

- Brazil 'BB' Long-Term Ratings Placed On CreditWatch Negative On Increased Political Uncertainty, May 22, 2017

RATINGS LIST

Ratings Placed On CreditWatch Negative

| | To | From |
|---|--------------------|-------------------|
| Ache Laboratorios Farmaceuticos S.A. | | |
| Global Scale | BBB-/Watch Neg/-- | BBB-/Negative/-- |
| National Scale | brAAA/Watch Neg/-- | brAAA/Negative/-- |
| Algar Telecom S/A | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| AmBev - Companhia de Bebidas das Americas | | |
| Global Scale | BBB+/Watch Neg/-- | BBB+/Negative/-- |
| Ambev International Finance Co. Ltd. | | |
| Senior Unsecured | BBB+/Watch Neg | BBB+ |
| Ampla Energia e Servicos S.A | | |
| Global Scale | BB/Watch Neg/-- | BB/Negative/-- |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| Arteris S.A. | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Autopista Fernao Dias S.A | | |
| Autopista Planalto Sul S/A | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Senior Secured | brAA-/Watch Neg | brAA- |
| Bandeirante Energia S.A. | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Espirito Santo Centrais Eletricas S.A. | | |
| Global Scale | BB/Watch Neg/-- | BB/Negative/-- |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |

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| | | |
|--|---------------------------|--------------------------|
| Braskem S.A. | | |
| Global Scale | BBB-/Watch Neg/-- | BBB-/Negative/-- |
| National Scale | brAAA/Watch Neg/-- | brAAA/Negative/-- |
| Senior Unsecured | BBB-/Watch Neg | BBB- |
| Braskem America Finance Co. | | |
| Senior Unsecured | BBB-/Watch Neg | BBB- |
| Braskem Finance Ltd. | | |
| Senior Unsecured | BBB-/Watch Neg | BBB- |
| Cachoeira Paulista Transmissora de Energia S.A. | | |
| Senior Secured | brAA-/Watch Neg | brAA-/Negative |
| Camil Alimentos S.A. | | |
| Global Scale | BB/Watch Neg/-- | BB/Negative/-- |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| CCR S.A. | | |
| Autoban - Concessionaria do Sistema Anhanguera Bandeirantes S.A. | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| Companhia do Metro da Bahia | | |
| National Scale | brA+/Watch Neg/-- | brA+/Negative/-- |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| Concessionaria da Rodovia Presidente Dutra S.A. | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Senior Secured | brAA-/Watch Neg | brAA- |
| Rodonorte Concessionaria de Rodovias Integradas S.A. | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Chapada do Piaui I Holding S.A. | | |
| Senior Secured | brA+/Watch Neg | brA+/Negative |
| Companhia de Gas de Sao Paulo - Comgas | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| Companhia Energetica do Ceara - Coelce | | |
| National Scale | brAA-/Watch Neg/ brA-1 | brAA-/Negative/ brA-1 |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| Cosan Ltd. | | |
| Cosan S.A. Industria e Comercio | | |
| Cosan Lubrificantes e Especialidades S.A. | | |
| Global Scale | BB/Watch Neg/-- | BB/Negative/-- |
| Cosan Luxembourg S.A. | | |
| Senior Unsecured | BB/Watch Neg | BB |
| Cosan Overseas Ltd. | | |
| Senior Unsecured | BB/Watch Neg | BB |

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| | | |
|---|--------------------------|-------------------------|
| Rumo S.A. | | |
| Global Scale | BB-/Watch Neg/B | BB-/Negative/B |
| National Scale | brA-/Watch Neg/ brA-2 | brA-/Negative/ brA-2 |
| Rumo Luxembourg S.a.r.l. | | |
| Senior Unsecured | BB-/Watch Neg | BB- |
| CPFL Energia S.A. | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Companhia Paulista de Forca e Luz | | |
| Companhia Piratininga de Forca e Luz | | |
| Rio Grande Energia S.A. | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| Cyrela Brazil Realty S.A. Empreendimentos e Participacoes | | |
| Global Scale | BB/Watch Neg/-- | BB/Negative/-- |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| Ecorodovias Concessoes e Servicos S.A. | | |
| Concessionaria Ecovias dos Imigrantes S.A. | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| Elektro Redes S.A. | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| Eletrobras - Centrais Eletricas Brasileiras S.A. | | |
| Local Currency | BB/Watch Neg/-- | BB/Negative/-- |
| Foreign Currency | BB/Watch Neg/-- | BB/Negative/-- |
| Senior Unsecured | BB/Watch Neg | BB |
| Embraer S.A. | | |
| Global Scale | BBB/Watch Neg/-- | BBB/Negative/-- |
| Senior Unsecured | BBB/Watch Neg | BBB |
| Embraer Netherlands Finance BV | | |
| Senior Unsecured | BBB/Watch Neg | BBB |
| Embraer Overseas Ltd. | | |
| Senior Unsecured | BBB/Watch Neg | BBB |
| Energisa S.A. | | |
| Energisa Paraiba - Distribuidora de Energia S.A. | | |
| Energisa Sergipe - Distribuidora de Energia S.A. | | |
| Global Scale | BB/Watch Neg/-- | BB/Negative/-- |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Estacio Participacoes S.A. | | |

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| | | |
|---|--------------------|-------------------|
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| Gerdau S.A. | | |
| Global Scale | BBB-/Watch Neg/-- | BBB-/Negative/-- |
| National Scale | brAAA/Watch Neg/-- | brAAA/Negative/-- |
| Senior Unsecured | BBB-/Watch Neg | BBB- |
| Gerdau Ameristeel Corp. | | |
| Global Scale | BBB-/Watch Neg/-- | BBB-/Negative/-- |
| Senior Unsecured | BBB-/Watch Neg | BBB- |
| GTL Trade Finance Inc. | | |
| Senior Unsecured | BBB-/Watch Neg | BBB- |
| Gerdau Holdings Inc. | | |
| Senior Unsecured | BBB-/Watch Neg | BBB- |
| Gerdau Trade Inc. | | |
| Senior Unsecured | BBB-/Watch Neg | BBB- |
| Gerdau Ameristeel US Inc. | | |
| Senior Unsecured | BBB-/Watch Neg | BBB- |
| Globo Comunicacao e Participacoes S.A. | | |
| Global Scale | BBB-/Watch Neg/-- | BBB-/Negative/-- |
| Senior Unsecured | BBB-/Watch Neg | BBB- |
| Iguatemi Empresa de Shopping Centers S.A. | | |
| National Scale | brAA+/Watch Neg/-- | brAA+/Negative/-- |
| Senior Unsecured | brAA+/Watch Neg | brAA+ |
| Iracema Transmissora de Energia S.A. | | |
| Senior Secured | brA+/Watch Neg | brA+/Negative |
| Itaipu Binacional | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| JSL S.A. | | |
| Global Scale | BB/Watch Neg/-- | BB/Negative/-- |
| National Scale | brA+/Watch Neg/-- | brA+/Negative/-- |
| Senior Unsecured | brA+/Watch Neg | brA+ |
| JSL Locacoes S.A. | | |
| Senior Unsecured | brA+/Watch Neg | brA+ |
| Localiza Rent a Car S.A. | | |
| Global Scale | BB+/Watch Neg/-- | BB+/Negative/-- |
| National Scale | brAA+/Watch Neg/-- | brAA+/Negative/-- |
| Senior Unsecured | brAA+/Watch Neg | brAA+ |
| Lojas Renner S.A. | | |
| National Scale | brAA+/Watch Neg/-- | brAA+/Negative/-- |
| Senior Unsecured | brAA+/Watch Neg | brAA+ |

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| | | |
|--|---------------------------|--------------------------|
| Magazine Luiza S.A. | | |
| National Scale | brA+/Watch Neg/-- | brA+/Stable/-- |
| Senior Unsecured | brA+/Watch Neg | brA+ |
| MRS Logistica S.A. | | |
| Global Scale | BB/Watch Neg/-- | BB/Negative/-- |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| MRV Engenharia e Participacoes S.A. | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Multiplan Empreendimentos Imobiliarios S.A. | | |
| Global Scale | BB+/Watch Neg/-- | BB+/Negative/-- |
| National Scale | brAA+/Watch Neg/-- | brAA+/Negative/-- |
| Senior Unsecured | brAA+/Watch Neg | brAA+ |
| Neoenergia S.A. | | |
| Global Scale | BB/Watch Neg/-- | BB/Negative/-- |
| National Scale | brAA-/Watch Neg/ brA-1 | brAA-/Negative/ brA-1 |
| Senior Unsecured | brA+/Watch Neg | brA+ |
| Companhia de Eletricidade do Estado da Bahia Companhia Energetica de Pernambuco (CELPE) | | |
| Global Scale | BB/Watch Neg/-- | BB/Negative/-- |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| Companhia Energetica do Rio Grande do Norte | | |
| Global Scale | BB/Watch Neg/-- | BB/Negative/-- |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Itapebi Geracao de Energia S.A. | | |
| NC Energia S.A. | | |
| Termopernambuco S.A. | | |
| Senior Unsecured | brA+/Watch Neg | brA+ |
| Raizen Combustiveis S.A. | | |
| Global Scale | BBB-/Watch Neg/-- | BBB-/Negative/-- |
| National Scale | brAAA/Watch Neg/-- | brAAA/Negative/-- |
| Raizen Energia S.A. | | |
| Global Scale | BBB-/Watch Neg/-- | BBB-/Negative/-- |
| National Scale | brAAA/Watch Neg/-- | brAAA/Negative/-- |
| Senior Unsecured | brAAA/Watch Neg | brAAA |
| Raízen Fuels Finance S.A. | | |
| Senior Unsecured | BBB-/Watch Neg | BBB- |
| RBS TV Comunicacoes S.A. e empresas combinadas | | |
| Global Scale | BB/Watch Neg/-- | BB/Negative/-- |
| RBS Zero Hora Editora Jornalistica S.A. | | |
| Senior Unsecured | BB/Watch Neg | BB |

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| | | |
|---|---------------------------|--------------------------|
| Rio Paranapanema Energia S.A | | |
| Global Scale | BB/Watch Neg/-- | BB/Negative/-- |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Rede D'Or Sao Luiz S.A. | | |
| Global Scale | BB/Watch Neg/-- | BB/Negative/-- |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| Santos Brasil Participacoes S.A. | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Telefonica Brasil S.A. | | |
| National Scale | brAAA/Watch Neg/-- | brAAA/Negative/-- |
| Senior Unsecured | brAAA/Watch Neg | brAAA |
| Terminal de Containeres de Paranagua S.A | | |
| National Scale | brAA-/Watch Neg/-- | brAA-/Negative/-- |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| Transmissora Alianca de Energia Eletrica S.A. | | |
| Global Scale | BB/Watch Neg/-- | BB/Negative/-- |
| National Scale | brAA-/Watch Neg/ brA-1 | brAA-/Negative/ brA-1 |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| Ultrapar Participacoes S.A. | | |
| Global Scale | BB+/Watch Neg/-- | BB+/Negative/-- |
| National Scale | brAA+/Watch Neg/-- | brAA+/Negative/-- |
| Ultrapar International S/A | | |
| Senior Unsecured | BB+/Watch Neg | BB+ |
| Ultrafertil S.A. | | |
| National Scale | brA/Watch Neg/-- | brA/Negative/-- |
| Senior Unsecured | brAA-/Watch Neg | brAA- |
| Votorantim S.A. | | |
| Global Scale | BB+/Watch Neg/-- | BB+/Negative/-- |
| National Scale | brAA+/Watch Neg/-- | brAA+/Negative/-- |
| Senior Unsecured | BB+/Watch Neg | BB+ |
| Companhia Brasileira de Alumínio | | |
| Senior Unsecured | BB+/Watch Neg | BB+ |
| Votorantim Cimentos S.A. | | |
| Global Scale | BB+/Watch Neg/-- | BB+/Negative/-- |
| Senior Unsecured | BB+/Watch Neg | BB+ |
| St. Marys Cement Inc. (Canada) | | |
| Senior Unsecured | BB+/Watch Neg | BB+ |
| VM Holding S.A. | | |

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| | | |
|------------------|-----------------|----------------|
| Global Scale | BB+/Watch Neg/B | BB+/Negative/B |
| Senior Unsecured | BB+/Watch Neg | BB+ |

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