

## Fitch Downgrades Various Brazilian Corporates

Fitch Ratings-Chicago-27 February 2018: Fitch Ratings has downgraded the Long-Term Foreign Currency Issuer Default Ratings (IDRs) of several Brazilian corporates following the February 23rd downgrade of the sovereign's Long-Term Foreign Currency IDR to 'BB-' from 'BB' and Country Ceiling to 'BB' from 'BB+'. The Rating Outlook on the sovereign and the Brazilian corporates that have been downgraded is Stable. A full list of affected companies and rating actions follows at the end of this release.

Fitch, as per the agency's criteria, has excluded the Brazilian non-financial corporate cross-border issuers that the agency has determined are not constrained by the recent action on the sovereign and country ceiling ratings. The list of unaffected issuers also follows at end of this press release.

### KEY RATING DRIVERS

Brazil's rating downgrade reflects its persistent and large fiscal deficits, a high and growing government debt burden and the failure to legislate reforms that would improve the structural performance of public finances. The decision of the government not to put social security reform to a congressional vote represents an important setback in the reform agenda that undermines confidence in the medium-term trajectory of public finances and the political commitment to address the issue. The October presidential and congressional elections mean that the social security reform will be delayed until after the elections, and there is uncertainty whether the next administration will be able to secure its approval in a timely manner.

### RATING SENSITIVITIES

The Foreign Currency ratings of these companies could be negatively impacted by a negative rating action on the sovereign rating of Brazil and/or a downgrade of its country ceiling. The Rating Outlook for Brazil's Foreign Currency rating is currently Stable.

The Stable Outlook on Brazil reflects Fitch's assessment that upside and downside risks to the ratings are balanced. The main factors that could, individually or collectively, result in a positive rating action include:

- Improvement in the political environment that facilitates policy initiatives to address medium term public debt sustainability;
- Fiscal consolidation and improved prospects for debt stabilization;
- Improved growth outlook amid continued macroeconomic stability.

The main risk factors that could, individually or collectively, result in negative sovereign rating action are:

- A sustained inertia related to fiscal reform and rapid growth in the government debt burden that threatens medium-term public debt sustainability;
- Deterioration in the sovereign's domestic and/or external market access conditions;
- Erosion of international reserves buffer and the broader external balance sheet.

### FULL LIST OF RATING ACTIONS

Ache Laboratorios Farmaceuticos S.A.

- Foreign currency IDR downgraded to 'BB' from 'BB+'; Outlook Revised to Stable from Negative;
- Local currency IDR affirmed at 'BBB'; Outlook Stable.

## BR Malls Participacoes S.A.

--Foreign currency IDR downgraded to 'BB' from 'BB+'; Outlook Revised to Stable from Negative;  
--Local currency IDR affirmed at 'BB+'; Outlook Positive.

## Centrais Eletricas Brasileiras S.A. (Eletrobras)

--Foreign currency IDR downgraded to 'B+' from 'BB-'; Outlook Revised to Stable from Negative;  
--Local currency IDR downgraded to 'B+' from 'BB-'; Outlook Revised to Stable from Negative;  
--Senior unsecured debt rating downgraded to 'B+'/'RR4' from 'BB-'.

## Furnas Centrais Eletricas S.A.

--Foreign currency IDR downgraded to 'B+' from 'BB-'; Outlook Revised to Stable from Negative;  
--Local currency IDR downgraded to 'B+' from 'BB-'; Outlook Revised to Stable from Negative.

## Cosan S.A. Industria e Comercio

--Foreign currency IDR downgraded to 'BB' from 'BB+'; Outlook Revised to Stable from Negative;  
--Local currency IDR affirmed at 'BB+'; Outlook Stable.

## Cosan Overseas Limited:

--Senior unsecured debt rating downgraded to 'BB' from 'BB+'.

## Cosan Luxembourg S.A.:

--Senior unsecured debt rating downgraded to 'BB' from 'BB+'.

## Companhia de Gas de Sao Paulo - COMGAS

--Foreign currency IDR downgraded to 'BB' from 'BB+'; Outlook Revised to Stable from Negative;  
--Local currency IDR affirmed at 'BBB-'; Outlook Stable.

## Energisa Paraiba - Distribuidora de Energia S/A

--Foreign currency IDR downgraded to 'BB' from 'BB+'; Outlook Revised to Stable from Negative;  
--Local currency IDR affirmed at 'BB+'; Outlook Stable.

## Energisa Sergipe - Distribuidora de Energia S/A

--Foreign currency IDR downgraded to 'BB' from 'BB+'; Outlook Revised to Stable from Negative;  
--Local currency IDR affirmed at 'BB+'; Outlook Stable.

## Energisa Minas Gerais - Distribuidora de Energia S/A

--Foreign currency IDR downgraded to 'BB' from 'BB+'; Outlook Revised to Stable from Negative;  
--Local currency IDR affirmed at 'BB+'; Outlook Stable.

## Engie Brasil Energia S.A.

--Foreign currency IDR downgraded to 'BB' from 'BB+'; Outlook Revised to Stable from Negative;  
--Local currency IDR downgraded to 'BBB-' from 'BBB'; Outlook Revised to Stable from Negative.

## Globo Comunicacao e Participacoes S.A.

--Foreign currency IDR downgraded to 'BB+' from 'BBB-'; Outlook Revised to Stable from Negative;  
--Local currency IDR affirmed at 'BBB+'; Outlook Stable.  
--Senior unsecured debt rating downgraded to 'BB+' from 'BBB-'.

## Localiza Rent a Car S.A.

--Foreign currency IDR downgraded to 'BB' from 'BB+'; Outlook Revised to Stable from Negative;  
--Local currency IDR affirmed at 'BBB-'; Outlook Stable.

MRS Logistica S.A.

--Foreign currency IDR downgraded to 'BB' from 'BB+'; Outlook Revised to Stable from Negative;  
--Local currency IDR affirmed at 'BBB-'; Outlook Stable.

Petroleo Brasileiro S.A. (Petrobras)

--Foreign currency IDR downgraded to 'BB-' from 'BB'; Outlook Revised to Stable from Negative;  
--Local currency IDR downgraded to 'BB-' from 'BB'; Outlook Revised to Stable from Negative.

Petrobras Global Finance B.V. (PGF)

--Senior unsecured debt rating downgraded to 'BB-' from 'BB'.

Rede DOr Sao Luiz S.A.

--Foreign currency IDR downgraded to 'BB' from 'BB+'; Outlook Revised to Stable from Negative;  
--Local currency IDR affirmed at 'BBB-'; Outlook Stable;

Rede D'Or Finance S.a. r.l

--Senior unsecured debt rating downgraded to 'BB' from 'BB+'.

Transmissora Alianca de Energia Eletrica S.A.

--Foreign currency IDR downgraded to 'BB' from 'BB+'; Outlook Revised to Stable from Negative;  
--Local currency IDR downgraded to 'BBB-' from 'BBB'; Outlook revised to Stable from Negative.

Companies that were not affected by the downgrade of Brazil's sovereign rating and country ceiling are as follows:

Arcos Dorados Holdings Inc

Braskem S.A.

BRF S.A.

Cosan Limited

Embraer S.A.

Energisa S.A.

Fibria Celulose S.A.

Gerdau S.A.

Klabin S.A.

Raizen Combustiveis S.A.

Raizen Energia S.A.

Suzano Papel e Celulose S.A.

Vale S.A.

Votorantim S.A. and Subsidiaries

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com). For regulatory purposes in various jurisdictions, the supervisory analyst named above is deemed to be the primary analyst for this issuer; the principal analyst is deemed to be the secondary.

#### Applicable Criteria

Country-Specific Treatment of Recovery Ratings (pub. 18 Oct 2016)  
Exposure Draft: Corporate Rating Criteria (pub. 14 Dec 2017)  
Government-Related Entities Rating Criteria (pub. 07 Feb 2018)  
Non-Financial Corporates Exceeding the Country Ceiling Rating Criteria (pub. 23 Jan 2018)  
Non-Financial Corporates Notching and Recovery Ratings Criteria (pub. 21 Dec 2017)  
Parent and Subsidiary Rating Linkage (pub. 15 Feb 2018)

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