

**Rating Action: Moody's changes outlook to negative on some Brazilian Infrastructure Issuers**

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Global Credit Research - 31 May 2017

Sao Paulo, May 31, 2017 -- Moody's América Latina Ltda., ("Moody's") has today affirmed the ratings and changed the outlook for fifteen infrastructure companies operating in Brazil to negative from stable. Today's actions follow Moody's May 26, 2017 rating action in which the outlook for Brazil's government bond rating was revised to negative from stable. (For full details, please see "Moody's changes outlook on Brazil's Ba2 issuer rating to negative from stable" at link [https://www.moody's.com/research/Moody's-changes-outlook-on-Brazils-Ba2-issuer-rating-to-negative--PR\\_367210](https://www.moody's.com/research/Moody's-changes-outlook-on-Brazils-Ba2-issuer-rating-to-negative--PR_367210))

Please click on this link [http://www.moody's.com/viewresearchdoc.aspx?docid=PBC\\_195746](http://www.moody's.com/viewresearchdoc.aspx?docid=PBC_195746) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

**RATINGS RATIONALE**

Please click on this link [http://www.moody's.com/viewresearchdoc.aspx?docid=PBC\\_195746](http://www.moody's.com/viewresearchdoc.aspx?docid=PBC_195746) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

The ratings outlook change to negative from stable follows Moody's decision to change Brazil's outlook to negative, which was driven by (i) the rise in uncertainty regarding reform momentum following recent political events; and, in consequence, (ii) the rising threat to the economic recovery and to Brazil's medium-term economic strength.

Regulated utilities and concessions of public services have strong linkages to the sovereign credit quality to the extent that those companies are exposed to the same economic revenue base and subject to government policies. Nevertheless, the extent to which each company is immediately affected by an eventual reversal of the economic growth and its ability withstand a prolonged downturn varies according to its intrinsic credit quality and business profile.

The fifteen infrastructure companies currently affected by this action are currently rated at the same level as Brazil's Ba2 sovereign rating, and present at least one, or a combination of the following factors: (i) high exposure to demand volatility, (ii) strong dependence on timely legal and regulatory approvals to earn returns, (iii) large capital expenditure requirements, (iv) refinancing needs in the short term, and/or (v) a capital structure or liquidity levels incommensurate with a rating above that of the sovereign.

Please see [www.moody's.com.br](http://www.moody's.com.br) for further details on the recent outlook change in Brazil's issuer rating

**RATING OUTLOOK**

The negative outlook for all these companies mainly reflects Moody's negative outlook for Brazil's government bond rating and Moody's view that the creditworthiness of these companies continues to be highly dependent on the credit quality of the sovereign.

**WHAT COULD CHANGE THE RATINGS UP/DOWN**

A rating or outlook change of the sovereign could result in subsequent rating actions for these companies. A rating or outlook change could also be triggered if Moody's perceives a material change in the regulatory frameworks under which these companies operate, or disruptive political interference in the normal course of their businesses. Sustained deterioration or improvement in the relevant credit metrics or the liquidity profile is also a trigger for a rating change for those issuers.

**Principal Methodologies**

The principal methodology used in rating CCR S.A., Concessionaria do Rodoanel Oeste S.A., Concessionaria de Rod Int do Oest SA (SPVias) and Ecorodovias Concessoes e Servicos S.A. was Privately Managed Toll

Roads published in May 2014. The principal methodology used in rating Transmissora Alianca de Energia Eletrica was Regulated Electric and Gas Networks published in March 2017. The principal methodology used in rating Energisa S.A., EDP - Energias do Brasil S.A., EDP Espirito Santo Distribuicao de Energia AS and EDP Sao Paulo Distribuicao de Energia S.A. was Regulated Electric and Gas Utilities published in December 2013. The principal methodology used in rating AES Tiete Energia S.A., Energest S.A., Lajeado Energia S.A., and Rio Parapanema Energia S.A. was Unregulated Utilities and Unregulated Power Companies published in May 2017. The principal methodology used in rating Cea I - Centrais Eolicas Assurua I Spe S/A was Power Generation Projects published in May 2017. The methodologies used in rating Companhia de San Bas do Estado de Sao Paulo were Regulated Water Utilities published in December 2015, and Government-Related Issuers published in October 2014. Please see the Rating Methodologies page on [www.moodys.com.br](http://www.moodys.com.br) for a copy of these methodologies.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit Rating Methodology published in May 2016 entitled "Mapping National Scale Ratings from Global Scale Ratings". While NSRs have no inherent absolute meaning in terms of default risk or expected loss, a historical probability of default consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. For information on the historical default rates associated with different global scale rating categories over different investment horizons, please see [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1060333](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1060333)

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- Lead Analyst
- Releasing Office
- Person Approving the Credit Rating

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Information types used to prepare the rating are the following: financial data, operating data, public information and regulatory filings.

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The date of the last Credit Rating Action for CCR S.A. was 17/3/2017

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The date of the last Credit Rating Action for AES Tiete Energia S.A. was 20/3/2017

The date of the last Credit Rating Action for Energest S.A. was 24/4/2017

The date of the last Credit Rating Action for Lajeado Energia S.A. was 17/3/2017

The date of the last Credit Rating Action for Rio Paranapanema Energia S.A. was 17/3/2017

The date of the last Credit Rating Action for Cea I - Centrais Eolicas Assurua I Spe S/A was 17/3/2017

The date of the last Credit Rating Action for Companhia de San Bas do Estado de Sao Paulo was 17/3/2017

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