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Research Update:

Outlook On 30 Brazilian Corporate And Infrastructure Entities Revised To Negative On Similar Sovereign Action

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Research Update:

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Overview

- On July 28, 2015, we have revised the outlook on the Federative Republic of Brazil's global scale ratings to negative from stable and affirmed our 'BBB-' foreign and 'BBB+' local currency ratings, while our 'BBB+' transfer and convertibility (T&C) assessment on the country remains unchanged.
- We also affirmed our 'brAAA' national scale rating on Brazil, and the outlook on this rating remains stable.
- We are revising our outlook on 30 Brazilian corporate and infrastructure entities to negative from stable and affirming our ratings on them. At the same time, we are affirming the ratings and maintaining the stable outlook on five entities. We are also affirming the ratings and maintaining the negative outlook on three entities.

Rating Action

On July 28, 2015, Standard & Poor's Ratings Services took various rating actions on Brazilian corporates and infrastructure entities.

We affirmed the ratings and revised the outlook on the following entities to negative from stable:

- AmBev - Companhia de Bebidas das Americas (AmBev);
- Atlantia Bertin Concessoes S.A. (AB Concessões) and its subsidiaries, Rodovia das Colinas S.A. and Triangulo do Sol Auto-Estradas S.A.;
- Arteris S.A. and its subsidiary, Autopista Planalto Sul S/A.;
- Braskem S.A.;
- CCR S.A. and its subsidiaries, Autoban - Concessionaria do Sistema Anhanguera Bandeirantes S.A., Concessionaria da Rodovia Presidente Dutra S.A., and Rodonorte Concessionaria de Rodovias Integradas S.A.;
- CESP-Companhia Energetica de Sao Paulo;
- Companhia de Gas de Sao Paulo - Comgas;
- Companhia Energetica do Ceara - Coelce;
- Duke Energy International Geracao Paranapanema S.A. (Duke);
- Ecorodovias Concessoes e Servicos S.A. and Concessionaria Ecovias dos Imigrantes S.A.;
- Elektro Eletricidade e Servicos S.A. (Elektro);
- Eletrobras-Centrais Eletricas Brasileiras S.A.;
- Globo Comunicacao e Participacoes S.A. (Globo);
- Itaipu Binacional;

- Multiplan Empreendimentos Imobiliarios S.A. (Multiplan);
- Net Servicos de Comunicacao S.A. (Net);
- Samarco Mineracao S.A.;
- Tractebel Energia S.A.;
- Transmissora Alianca de Energia Eletrica S.A. (TAESA);
- Ultrapar Participacoes S.A. (Ultrapar); and
- Votorantim Participacoes S.A. and its subsidiaries, Votorantim Industrial S.A. and Votorantim Cimentos S.A.

At the same time, we affirmed the ratings and maintained the stable outlook on the following entities:

- Ache Laboratorios Farmaceuticos S.A.;
- BRF S.A.;
- Embraer S.A.;
- Fibria Celulose S.A.; and
- Raízen (which is the combination of Raizen Energia S.A. and Raizen Combustiveis S.A.).

Finally, we affirmed the ratings and maintained the negative outlook on the following entities:

- Natura Cosméticos S.A.; and
- Vale S.A. and its subsidiary, Vale Canada Ltd.

The ratings on the following entities were unaffected by the sovereign rating action:

- Klabin S.A.;
- Neoenergia S.A.;
- Odebrecht Engenharia e Construcao S.A.; and
- Petroleo Brasileiro S.A. - Petrobras.

Rationale

The outlook revision on AmBev, Globo, Multiplan, Net, Ultrapar, and the Votorantim group reflects our view that these entities are currently rated at the maximum number of notches above the sovereign foreign currency rating or T&C assessment due to their intrinsic credit factors, sensitivity to country risk, and liquidity cushion under the sovereign stress tests that we run for an entity whose rating is above the sovereign's. Therefore, while all other factors being equal, a potential sovereign downgrade would cause the same rating action on these entities. We already disclosed our rationale of how many notches the company could be rated above the sovereign in the most recent publishing reports.

The outlook revision on Braskem, Comgas, Coelce, Elektro, and TAESA reflects our view of an "appreciable" likelihood that they would default if the sovereign does.

In the case of Braskem, this is despite the company's "strong" liquidity and improved operating performance under the current environment of Brazilian real devaluation. Nevertheless, even though we understand the company could pass

our quantitative hypothetical stress test related to a sovereign default, we're less certain that the company could withstand it on a qualitative basis.

Given that Comgas, Coelce, Elektro, and TAESA are regulated utilities, we don't expect them to have higher ratings than the sovereign because they're typically vulnerable to heavy government intervention (i.e. tariff freeze) during sovereign stress periods. The same is applicable to infrastructure projects, energy generators, and toll roads, such as AB Concessoes, Arteris, CCR, Duke, EcoRodovias, and Tractebel.

Although Samarco's operating performance continues to improve despite the weak industry conditions, our current stand-alone credit profile assessment (SACP; excluding extraordinary support from its parent, Vale S.A.) is 'bb+'. We currently view Samarco as a "strategically important" subsidiary, meaning that we expect a certain level of support from its parent, but it's not enough for the rating to be higher than the sovereign's. Therefore, a potential negative rating action on the sovereign would also trigger a downgrade of Samarco. For the same reason, Arteris' and Tractebel's ratings are capped at the sovereign level.

The outlook revision on Eletrobras is in line with our criteria for government-related entities (GREs). We view the likelihood of extraordinary government support for Eletrobras as "almost certain," so we equalize the ratings on the company with those on the sovereign. If we were to downgrade the sovereign, we would take the same rating action on the company because its SACP is currently lower than the sovereign foreign currency rating.

We also analyze two other GRE entities, Itaipu Binacional and CESP. Itaipu Binacional benefits from an "extremely high" likelihood of support from the government. Therefore, the local currency rating on Itaipu Binacional is capped at one notch below Brazil's local currency global scale rating, while the company's foreign currency rating mirrors that on the sovereign. We believe that CESP has only a "low" likelihood of support from the state of São Paulo, but because it's an energy generator, the ratings are capped by those on the sovereign.

The rating affirmation on Ache, BRF, Embraer, Fibria, and Raizen reflect our belief that a potential sovereign downgrade wouldn't automatically cause a downgrade of these entities. Under our sovereign stress scenario, these companies would have enough liquidity to cover their obligations at least for a certain period of time.

The ratings on Vale, Vale Canada, and Natura are one notch above the foreign currency sovereign ratings. In addition, we already have a negative outlook on these three companies due to their specific credit reasons. The sovereign outlook revision doesn't affect our credit opinion on these companies.

The sovereign outlook revision doesn't affect ratings on Petrobras, CNO, Klabin, and Neoenergia. The 'BBB-' ratings on these companies, the same as the sovereign's foreign currency rating, already have a negative outlook.

The outlook on national scale ratings for several companies, on which we revised the global scale outlook to negative, remains stable. These companies are AmBev, Multiplan, Net, Ultrapar, the Votorantim group, Itaipu Binacional, and Natura whose global scale outlook is already negative. This is because we believe that even if we were to downgrade the sovereign one notch on global scale, the new rating would still correlate to the 'brAAA' Brazil national scale rating.

Standard & Poor's expects to run the sovereign stress scenario for Gerdau S.A., Localiza Rent a Car S.A., Santos Brasil Participações S.A., and Telefonica Brasil S.A. in the next few weeks to assess their ability to pass the sovereign stress scenario, as well as their qualitative factors to allow them to keep the stable outlook.

In addition, we will continue to monitor the overall creditworthiness of the corporate sector in light of weaker macroeconomic conditions in Brazil.

Related Criteria And Research

Related Criteria

- Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria: Standard & Poor's National And Regional Scale Mapping Tables, Sept. 30, 2014
- Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- Corporate Methodology, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Ratings Above the Sovereign - Corporate and Government Ratings: Methodology and Assumptions, Nov. 19, 2013

Related Research

- Brazil Outlook Revised To Negative; Ratings Affirmed, July 28, 2015

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Ambev - Companhia de Bebidas das Americas		
Issuer Credit Rating		
Global Scale	A/Negative/--	A/Stable/--
Brazilian National Scale	brAAA/Stable/--	
Braskem S.A.		
Issuer Credit Rating		
Global Scale	BBB-/Negative/--	BBB-/Stable/--
Brazilian National Scale	brAAA/Negative/--	brAAA/Stable/--

Companhia de Gas de Sao Paulo - Comgas

Issuer Credit Rating		
Global Scale	BBB-/Negative/--	BBB-/Stable/--
Brazilian National Scale	brAAA/Negative/--	brAAA/Stable/-
Companhia Energetica do Ceara - Coelce		
Issuer Credit Rating		
Brazil National Scale	brAAA/Negative/brA-1	brAAA/Stable/brA-1
Elektro Eletricidade e Servicos S.A.		
Issuer Credit Rating		
Brazilian National Scale	brAAA/Negative/--	brAAA/Stable/--
Globo Comunicacao e Participacoes S.A.		
Issuer Credit Rating		
Global Scale	BBB+/Negative/--	BBB+/Stable/--
Multiplan Empreendimentos Imobiliarios S.A.		
Issuer Credit Rating		
Global Scale	BBB/Negative/--	BBB/Stable/--
Brazilian National Scale	brAAA/Stable/--	
Net Servicos de Comunicacao S.A.		
Issuer Credit Rating		
Global Scale	BBB+/Negative/--	BBB+/Stable/--
Brazilian National Scale	brAAA/Stable/--	
Samarco Mineracao S.A.		
Issuer Credit Rating		
Global Scale	BBB-/Negative/--	BBB-/Stable/--
Brazilian National Scale	brAAA/Negative/--	brAAA/Stable/--
Transmissora Alianca de Energia Eletrica S.A.		
Issuer Credit Rating		
Global Scale	BBB-/Negative/--	BBB-/Stable/--
Brazil National Scale	brAAA/Negative/brA-1	brAAA/Stable/brA-1
Ultrapar Participacoes S.A.		
Issuer Credit Rating		
Global Scale	BBB/Negative/--	BBB/Stable/--
Brazilian National Scale	brAAA/Stable/--	
Votorantim Participacoes S.A.		
Votorantim Industrial S.A.		
Issuer Credit Rating		
Global Scale	BBB/Negative/--	BBB/Stable/--
Brazilian National Scale	brAAA/Stable/--	
Votorantim Cimentos S.A.		
Issuer Credit Rating		
Global Scale	BBB/Negative/--	BBB/Stable/--

Eletrobras - Centrais Eletricas Brasileiras S.A.

Issuer Credit Rating

Local Currency	BBB+/Negative/--	BBB+/Stable/--
Foreign Currency	BBB-/Negative/--	BBB-/Stable/--
Brazil National Scale	--/--/brA-1+	

Itaipu Binacional

Issuer Credit Rating

Local Currency	BBB/Negative/--	BBB/Stable/--
Foreign Currency	BBB-/Negative/--	BBB-/Stable/--
Brazil National Scale	brAAA/Stable/--	

CESP-Companhia Energetica de Sao Paulo

Issuer Credit Rating

Global Scale	BBB-/Negative/--	BBB-/Stable/--
Brazil National Scale	brAAA/Negative/--	brAAA/Stable/--

Duke Energy International Geracao Paranapanema S.A.

Issuer Credit Rating

Global Scale	BBB-/Negative/--	BBB-/Stable/--
Brazil National Scale	brAAA/Negative/--	brAAA/Stable/--

CCR S.A.

Issuer Credit Rating

Brazil National Scale	brAAA/Negative/--	brAAA/Stable/--
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Rodonorte Concessionaria de Rodovias Integradas S.A.

Issuer Credit Rating

Brazil National Scale	brAAA/Negative/--	brAAA/Stable/--
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Autoban - Concessionaria do Sistema Anhanguera Bandeirantes S.A.

Issuer Credit Rating

Brazil National Scale	brAAA/Negative/--	brAAA/Stable/--
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Concessionaria Ecovias dos Imigrantes S.A.

Issuer Credit Rating

Brazil National Scale	brAAA/Negative/--	brAAA/Stable/--
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Rodovia das Colinas S.A.

Issuer Credit Rating

Brazil National Scale	brAAA/Negative/--	brAAA/Stable/--
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Triangulo do Sol Auto-Estradas S.A.

Issuer Credit Rating

Brazil National Scale	brAAA/Negative/--	brAAA/Stable/--
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Concessionaria da Rodovia Presidente Dutra S.A.

Issuer Credit Rating

Brazil National Scale	brAAA/Negative/--	brAAA/Stable/--
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Atlantia Bertin Concessoes S.A.

Issuer Credit Rating

Brazil National Scale brAAA/Negative/-- brAAA/Stable/--

Arteris S.A.

Issuer Credit Rating

Brazil National Scale brAAA/Negative/-- brAAA/Stable/--

Autopista Planalto Sul S/A.

Issuer Credit Rating

Brazil National Scale brAAA/Negative/-- brAAA/Stable/--

Ecorodovias Concessoes e Servicos S.A.

Issuer Credit Rating

Brazil National Scale brAAA/Negative/-- brAAA/Stable/--

Tractebel Energia S.A.

Issuer Credit Rating

Brazil National Scale brAAA/Negative/brA-1 brAAA/Stable/brA-1

Ratings Affirmed;

Ache Laboratorios Farmaceuticos S.A.

Issuer Credit Rating

Global Scale BBB-/Stable/--

Brazil National Scale brAAA/Stable/--

BRF S.A.

Issuer Credit Rating

Global Scale BBB/Stable/--

Brazil National Scale brAAA/Stable/--

Embraer S.A.

Issuer Credit Rating

Global Scale BBB/Stable/--

Fibria Celulose S.A.

Issuer Credit Rating

Global Scale BBB-/Stable/--

Natura Cosméticos S.A.

Issuer Credit Rating

Global Scale BBB/Negative/--

Brazil National Scale brAAA/Stable/--

Raizen Combustiveis S.A.

Raizen Energia S.A.

Issuer Credit Rating

Global Scale BBB/Stable/--

Brazil National Scale brAAA/Stable/--

Vale S.A.

Issuer Credit Rating

Global Scale BBB/Negative/--

Brazil National Scale brAAA/Stable/--

Vale Canada Ltd.

Issuer Credit Rating

Global Scale BBB/Negative/--

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