Transmissora Alianca de Energia Eletrica S.A.

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BB+	Negative	Affirmed Aug. 28, 2017
Long-Term Local Currency IDR	BBB	Negative	Affirmed Aug. 28, 2017
National Long Term Rating	AAA(bra)	Stable	Affirmed Aug. 28, 2017

Click here for full list of ratings

Financial Summary

(BRL 000)	Dec 2015	Dec 2016	Dec 2017F	Dec 2018F
Gross Revenue	1,507,403	1,348,050	1,875,350	1,642,732
Operating EBITDA (Before Income From Associates)	1,322,367	1,138,706	1,498,442	1,281,467
FCF	576,063	359,936	2,168	33,612
Total Adjusted Net Debt/Operating EBITDAR (x)	2.2	2.2	1.8	2.1
Total Adjusted Debt/Operating EBITDAR (x)	2.4	2.4	2.1	2.2

Source: Fitch

Transmissora Alianca de Energia Eletrica S.A.'s (Taesa) ratings reflect the expectation Taesa will maintain a solid financial profile in the medium term. Credit metrics are strong for the ratings when compared with peers in Latin America. On a pro forma consolidated basis, Taesa presents low leverage and an adequate liquidity profile for a company in the power transmission sector. Fitch Ratings views risks associated with the construction phase of seven projects under development as manageable. Ratings incorporate low business risk relative to a strong and diversified portfolio of power transmission assets with predictable cash flow generation and high operating margins.

Key Rating Drivers

Credit Quality of Shareholders: Taesa's ratings are not constrained by the credit quality of Companhia Energetica de Minas Gerais (CEMIG) (B+/Negative) since CEMIG shares control of Taesa with Interconexion Electrica S.A. E.S.P. (BBB+/Stable) and access to Taesa's cash is limited to dividends.

Leverage to Remain Low: Fitch expects consolidated net financial leverage below 3.5x in the future, absent new relevant acquisitions or greenfield projects. The company was able to manage historically low consolidated leverage despite substantial dividend payments and significant acquisitions in recent years. For the LTM ended June 30, 2017, Taesa reported total debt/EBITDA of 2.0x and net debt/EBITDA of 1.6x, based on regulatory accounting rules and proportional consolidation of all transmission assets Taesa participates in directly or indirectly. Considering IFRS accounting rules and Fitch's criteria, total debt/EBITDA and net debt/EBITDA would be 3.0x and 2.4x, respectively.

Low Business Risk: Ratings are based on low business risk of the asset portfolio and no exposure to concession renewals over the short to medium term. Taesa is one of the largest power transmission companies in Brazil, with 9,100 km of transmission lines across the country, with 1,400 km under construction, including proportional participation in concessions. The company participates in 34 concessions, including 15, which are fully owned, diluting potential operational risks. Taesa benefits from a diversified client base and guaranteed payment structure.

The expiration of concessions will not begin until 2030 and will occur on a staggered basis over the following years. Fitch expects Taesa will manage debt appropriately in the future in order to mitigate the effect of lower cash flow generation and preserve credit metrics. Around 80% of permitted annual revenue (PAR) from July 2017 to June 2018 is expected to decline by 50% once the transmission lines complete 15 years of initial operation. This rule is included in contracts for concessions acquired prior to November 2006. The first PAR reduction occurred in 2016 and additional material effects are expected in 2018 and beyond.

Predictable Cash Flow: Taesa's credit profile benefits from highly predictable power transmission revenue, based on lines availability, rather than volume transported. Consolidated revenue growth is driven by inflation-based annual PAR readjustments, remuneration of investments in existing assets and acquisition of new concessions. As of LTM ended June 30, 2017 Taesa reported consolidated net revenue of BRL2.22 billion and EBITDA of BRL1.99 billion pursuant to Fitch's criteria and under regulatory accounting rules, including proportional participation by subsidiaries. Consolidated net revenue and EBITDA were BRL2.12 billion and BRL1.90 billion, respectively, in 2016.

High EBITDA Margin: EBITDA margin was high, ranging 87%–90%, characteristic of transmission companies in Brazil. Revenues and margins tend to fall with the beginning of PAR reduction and are somewhat compensated by new start-up projects. In LTM ended June 30, 2017, EBITDA margin was 89.8%, 89.5% in 2016 and 89.7% in 2015.

FCF Still Positive: Fitch believes Taesa can manage FCF at positive levels even considering the effects of PAR reduction and investments in new projects. FCF will not be enough to cover capital injections in projects not consolidated in financial statements. Since 2016, the company directly or indirectly acquired six new concessions through auctions promoted by the regulatory agency. Fitch considers, on a consolidated basis, Taesa will require close to BRL700 million in capex and BRL1.2 billion, including capital injections, from 2017 to 2021, for all projects under development.

Fitch's base case scenario forecasts strong dividend payments will continue to pressure FCF, corresponding to 91% of net income. As a mitigating factor, cash flow from operations (CFFO) should remain robust, reflecting high business margins. In accordance with IFRS accounting rules, CFFO and FCF were BRL1.35 billion and BRL611 million, respectively, for the LTM ended June 30, 2017, after including BRL740 million in dividends paid.

Rating Derivation Relative to Peers

Rating Derivation Versus Peers	
Peer Comparison	Taesa's financial profile is stronger than comparable peers in Latin America, such as Interconexion Electrica S.A. E.S.P. (BBB+/Stable), Transelec S.A. (BBB/Stable), and Consorcio Transmantaro S.A. (BBB–/Stable). These peers have low business risk profiles and predictable cash flow generation, characteristic of transmission electricity companies operating in a regulated industry. The main differentiator in ratings for these companies is the country where main revenue is generated and location of assets. While Taesa's peers are located in investment-grade countries, Taesa's ratings are negatively affected by Brazil's Country Ceiling (BB/Negative).
Parent/Subsidiary Linkage	No Parent/Subsidiary Linkage is applicable.
Country Ceiling	Taesa's Foreign Currency (FC) Issuer Default Ratings (IDR) ratings are capped by the Country Ceiling. For this reason the Local Currency IDR is two notches above the FC IDR.
Operating Environment	A regulated sector.
Other Factors	Not applicable.

Source: Fitch.

Rating Sensitivities

Future Developments That May, Individually or Collectively, Lead to a Positive Rating Action

- A positive rating action for the company is unlikely in the short to medium term.

Future Developments That May, Individually or Collectively, Lead to Negative Rating Actions

- Deterioration in Taesa's consolidated financial profile with net leverage above 4.0x on a sustainable basis;
- A more challenging environment in the power sector in Brazil; and
- Negative rating actions on Brazil's Sovereign Rating may also pressure Taesa's IDRs.

Liquidity and Debt Structure

Moderate Liquidity: Fitch expects Taesa to maintain moderate liquidity compared with short-term debt. The company's robust operational cash flow generation and ample access to bank credit lines and capital markets mitigate the moderate liquidity position. As of June 30, 2017, cash and marketable securities, not including non-consolidated companies under IFRS, amounted to BRL695 million as per Fitch's calculations, covering 0.7x of short-term debt of BRL1.0 billion.

Taesa's consolidated debt is characterized by a manageable maturity profile and no foreign exchange risk. As of June 30, 2017, the company's pro forma debt was BRL3.96 billion, including a proportional stake in all subsidiaries, or BRL3.45 billion, when including the IFRS consolidation rule and Fitch's adjustments. Taesa's BRL3.45 billion of debt was mainly composed of debentures of BRL3.03 billion. According to Fitch's methodology, debt from the IFRS accounting rule includes off-balance sheet debt of BRL7.00 million related to guarantees provided to non-consolidated companies.

Debt Maturities and Liquidity as of June 30, 2017

Debt Maturities	(BRLm)
Short Term	1,001
July 2018 to December 2018	403
2019	693
2020	371
2021 and Thereafter	983
Total Debt	3,451
Liquidity Analysis	**(BRLm)**
Unrestricted Cash	695
Committed Banking Facilities	0
Available Undrawn Portion	0
Total Liquidity	695
Fitch Forecast 2017 FCF (Post Dividend)	2
Short-Term Debt	1,001
Liquidity Score [x]	0.7

Source: Fitch.

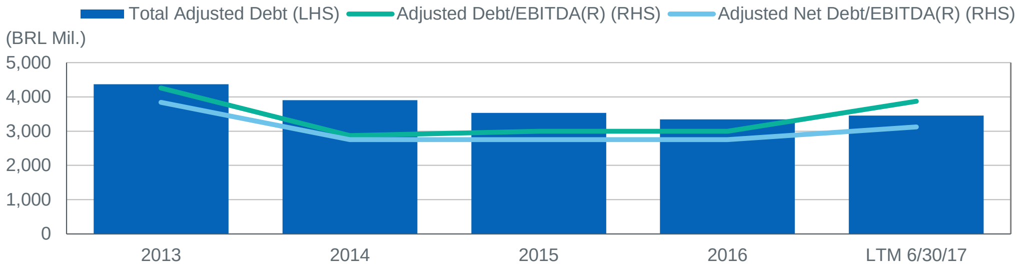
Key Rating Issues

Leverage to Remain Low

The Issue Historically low consolidated leverage.

Our View Fitch expects Taesa to maintain consolidated net financial leverage below 3.5x, absent new relevant acquisitions or greenfield projects. The company was able to manage historically low consolidated leverage despite substantial dividend payments and significant acquisitions in recent years. During the LTM ended June 30, 2017, Taesa reported, under regulatory accounting rules, which proportionally consolidated all transmission lines the company participated in directly or indirectly, total debt/EBITDA of 2.0x and net debt/EBITDA of 1.6x. Considering IFRS accounting rules and based on Fitch's criteria, these ratios would be 3.1x and 2.5x, respectively.

Total Debt and Leverage Ratios



Source: Company reports, Fitch.

The table below shows the financial highlights, according to BRGAAP, or Brazilian GAAP, under regulatory accounting standards, offering a better view of the group's development in terms of net revenue and EBITDA as reflects Taesa's invoicing and operational cash generation in a more realistic way. The graphs are under IFRS accounting rules.

Financial Highlights — Consolidated Pro-Forma

(BRL 000, As of Dec. 31)

BRGAAP	LTM 6/30/17	2016	2015	2014	2013
Net Revenue	2,223,700	2,124,700	1,998,700	1,891,800	1,617,900
EBITDA	1,997,100	1,901,500	1,792,100	1,691,400	1,417,900
EBITDA Margin (%)	89.8	89.5	89.7	89.4	87.6
Total Debt	3,967,000	3,929,000	4,044,000	4,507,000	4,869,300
Cash	842,000	440,000	309,000	258,000	580,900
Total Debt/EBITDA (x)	2.0	2.1	2.3	2.7	3.4
Net Debt/EBITDA (x)	1.6	1.8	2.1	2.5	3.0

Note: Includes Transmissora Alianca de Energia Eletrica S.A. consolidated figures, ETAU, Brasnorte and TBE figures.
Source: Transmissora Alianca de Energia Eletrica S.A., Fitch.

Timeline Ongoing Rating Impact Positive

Low Business Risk

The Issue	No exposure to concession renewals.
Our View	Taesa's ratings are based on the low business risk of the asset portfolio and no exposure to concession renewals over the short to medium term. Taesa is one of the largest power transmission companies in Brazil with 9,100 km of transmission lines spread across the country with 1,400 km under construction including proportional participation in concessions. The company participates in 34 concessions, including 15 fully owned concessions, diluting potential operational risks. Taesa benefits from a diversified client base and guaranteed payment structure. The expiration of concessions will not begin until 2030 and will take place on a staggered basis over the following years.

Transmissora Alianca de Energia Eletrica S.A. Portfolio

						(BRL Mil.)				
Concession	**Stake (%)**	**Km**	**Signature of the Contract**	**PAR Reduction**	**End of Concession**	**PAR 15/16**	**PAR 16/17**	**PAR 17/18**	**Index**	**Tariff Review on Basic RAP**
Asset Portfolio										
ETEO	100	505	May 2000	Oct. 2016	May 2030	155.9	112.8	88.1	IGP-M	No
NOVATRANS	100	1,278	Dec. 2000	June 2018	Dec. 2030	461.0	512.2	517.2	IGP-M	No
TSN	100	1,139	Dec. 2000	June 2018	Dec. 2030	449.1	494.9	427.9	IGP-M	No
GTESA	100	52	Jan. 2002	Aug. 2018	Jan. 2032	8.2	9.2	9.4	IGP-M	No
NTE	100	383	Jan. 2002	Jan. 2019	Jan. 2032	135.7	151.0	153.4	IGP-M	No
STE	100	389	Dec. 2002	July 2019	Dec. 2032	72.5	80.3	81.6	IGP-M	No
PATESA	100	146	Dec. 2002	Sept. 2019	Dec. 2032	18.9	23.9	25.0	IGP-M	No
MUNIRAH	100	106	Feb. 2004	Oct. 2020	Feb. 2034	32.3	35.9	36.5	IGP-M	No
ATE I	100	370	Feb. 2004	Dec. 2020	Feb. 2034	132.0	146.7	149.0	IGP-M	No
ATE II	100	942	March 2005	Jan. 2022	March 2035	204.0	226.7	230.3	IGP-M	No
Subtotal One	**—**	**5,310**	**—**	**—**	**—**	**1,669.6**	**1,793.6**	**1,718.4**	**—**	**—**
Asset Portfolio Relative to Integral Subsidiaries										
ATE III	100	454	April 2006	March 2023	April 2036	102.7	112.2	116.3	IPCA	No
SAO GOTARDO	100	—	Aug. 2012	—	Aug. 2042	4.6	5.0	5.2	IPCA	Yes
MARIANA[a]	100	85	May 2014	—	May 2044	12.7	13.9	14.3	IPCA	Yes
MIRACEMA[a]	100	90	June 2016	—	June 2046	—	61.3	63.5	IPCA	Yes
JANAUBA[a]	100	542	Feb. 2017	—	Feb. 2047	—	174.6	180.9	IPCA	Yes
Subtotal Two	**—**	**1,171**	**—**	**—**	**—**	**120.0**	**367.0**	**380.2**	**—**	**—**
Asset Portfolio Relative to Participations										
BRASNORTE	39	157	March 2008	—	March 2038	8.8	9.7	10.1	IPCA	Yes
ETAU	53	100	Dec. 2002	April 2020	Dec. 2032	20.2	22.4	24.2	IGP-M	No
ECTE	19	48	Nov. 2000	March 2017	Nov. 2030	16.1	15.2	9.1	IGP-M	No
ETEP	50	164	June 2001	Aug. 2017	June 2031	43.4	48.3	28.2	IGP-M	No
EATE	50	464	June 2001	March 2018	June 2031	190.6	211.1	177.1	IGP-M	No
ERTE	50	78	Dec. 2002	Sept. 2019	Dec. 2032	22.4	24.9	25.3	IGP-M	No
ENTE	50	230	Dec. 2002	Feb. 2020	Dec. 2032	99.7	110.8	112.6	IGP-M	No
LUMITRANS	40	16	Feb. 2004	Oct. 2022	Feb. 2034	9.4	10.5	10.7	IGP-M	No
STC	40	92	April 2006	Nov. 2022	April 2036	14.8	16.6	17.6	IPCA	No
EBTE	74	579	Oct. 2008	—	Oct. 2038	30.3	33.1	34.3	IPCA	Yes
ESDE	50	—	Nov. 2009	—	Nov. 2039	5.8	6.3	6.5	IPCA	Yes
ETSE	19	—	May 2012	—	May 2042	3.8	4.1	3.7	IPCA	Yes
TRANSIRAPE	5	3	March 2005	Feb. 2022	March 2035	1.3	1.5	1.7	IGP-M	No
TRANSU-DESTE	5	7	March 2005	May 2022	March 2035	1.1	1.2	1.3	IGP-M	No
TRANSLESTE	5	7	Feb. 2004	Dec. 2020	Feb. 2034	1.8	2.0	2.0	IGP-M	No
ESTE[a]	50	118	Feb. 2017	—	Feb. 2047	—	50.5	52.3	IPCA	Yes
AIMORES[a]	50	104	Feb. 2017	—	Feb. 2047	—	35.7	37.0	IPCA	Yes
PARAGUACU[a]	50	169	Feb. 2017	—	Feb. 2047	—	53.3	55.2	IPCA	Yes
ERB 1	50	300	Aug. 2017	—	Aug. 2047	—	134.0	138.5	IPCA	Yes
Subtotal Three	**—**	**2,632**	**—**	**—**	**—**	**469.5**	**791.1**	**747.4**	**—**	**—**
Total	**—**	**9,113**	**—**	**—**	**—**	**2,259.1**	**2,951.7**	**2,846.0**	**—**	**—**

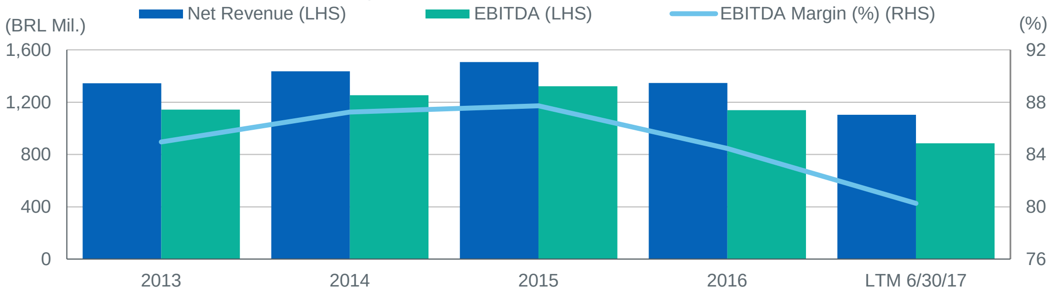
[a]Under construction. PAR – Permitted annual revenue. IGP-M – General Price Index–Market. IPCA – National Consumer Price Index.
Source: Transmissora Alianca de Energia Eletrica S.A.

Timeline	Ongoing	Rating Impact	Positive

Predictable Cash Flow

The Issue	Regular, predictable revenue.
Our View	Taesa's credit profile benefits from highly predictable power transmission revenue and strong EBITDA margin. Positively, transmission revenue is based on lines availability, rather than volume transported. The company's consolidated revenue growth is driven by inflation-based annual PAR readjustments, remuneration of investments in existing assets and the acquisition of new concessions. EBITDA margin is high, in the range of 87%–90%, characteristic of transmission companies in Brazil.

Financial Performance — Annually



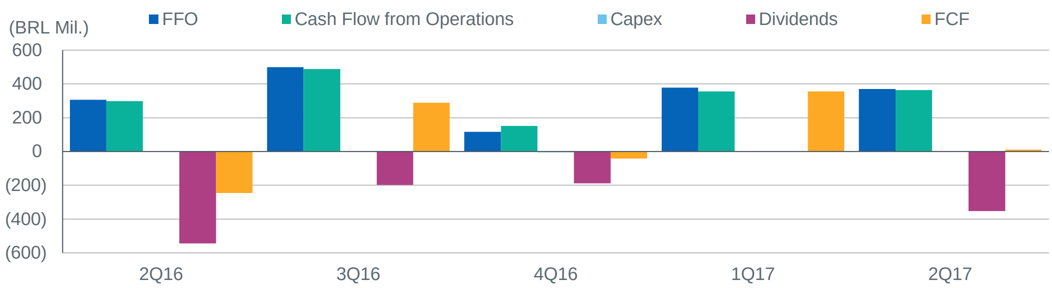
Source: Company reports, Fitch.

Timeline	Ongoing	Rating Impact	Positive

FCF Still Positive

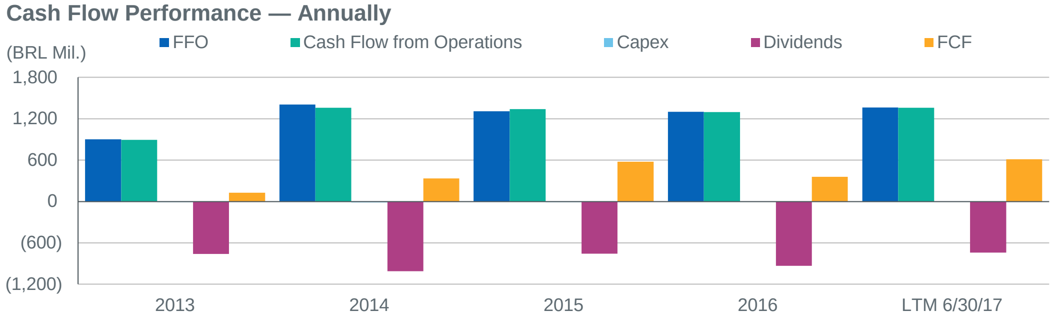
The Issue	Managing positive FCF.
Our View	Fitch believes Taesa can manage positive FCF. Fitch's base case forecasts positive FCF in the future even with the effects of PAR reduction and investments in new projects. FCF will not be enough to cover capital injections and recent acquisitions. We believe Taesa will maintain good access to capital and debt markets to fund investments. Dividend payments are expected to remain high.

Cash Flow Performance — Quarterly



Source: Company reports, Fitch.

Cash Flow Performance — Annually



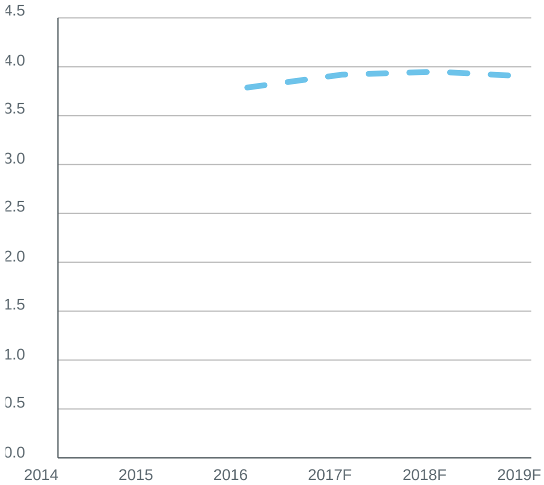
Source: Company reports, Fitch.

Timeline	Medium Term	Rating Impact	Neutral

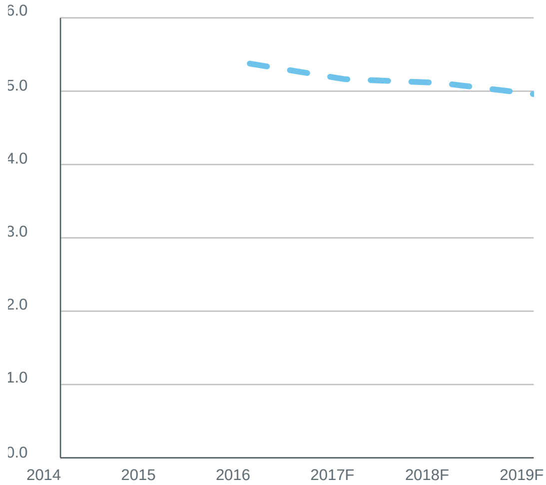
Trends and Forecasts

Transmissora Alianca de Energia Eletrica S.A. —— Emerging BB Cat Median —— Utilities Median ——

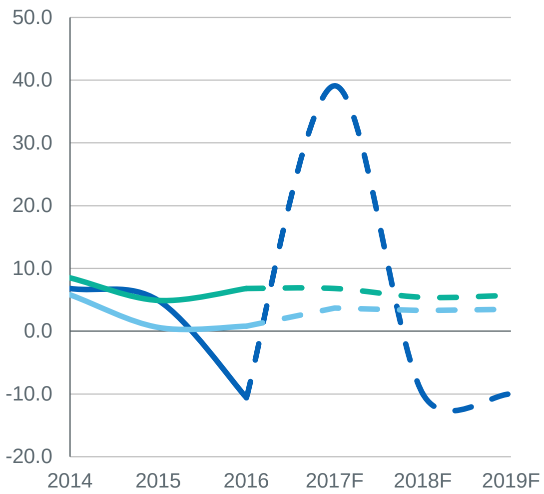
FFO Adjusted Leverage (x)



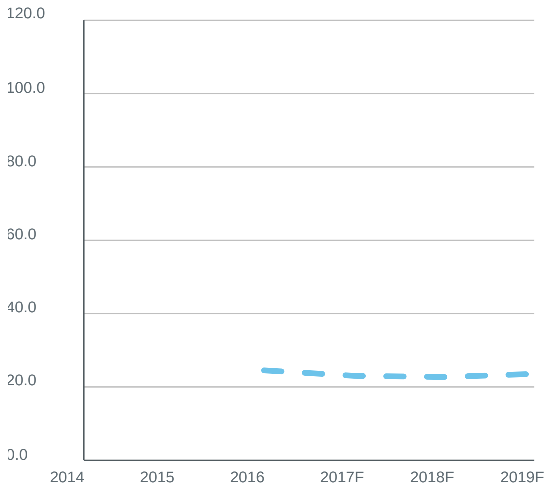
FFO Interest Cover (x)



Revenue Growth (%)



FFO Margin (%)



Note: Including Fitch expectations based on regulatory accounting while historical data is based on IFRS accounting rules.
Source: Fitch.

Definitions

FFO Adjusted Leverage: Total Adjusted Debt with Equity Credit divided by Funds From Operations [FFO] + Gross Interest (Paid) - Interest Received + Preferred Dividends (Paid) + Operating Lease Expense for Capitalised Leased Assets.
FFO Interest Cover: FFO + Gross Interest paid minus interest received + Preferred Dividends paid divided by Gross Interest Paid + Preferred Dividends Paid.
Revenue Growth: Percentage growth in revenues since previous reporting period.
FFO Margin: FFO divided by Revenues.

Key Assumptions

Fitch's key assumptions within our rating case for the issuer include:

- PARs adjusted for inflation and, in some cases, a 50% reduction after 15 years of operation is completed;
- Operational expenses adjusted by inflation;
- Minimum cash of BRL 200 million;
- Dividends corresponding to 91% of net income calculated through IFRS accounting rules; and
- No new acquisitions.

Financial Data

(BRL 000)	Historical			Forecast		
	Dec 2014	Dec 2015	Dec 2016	Dec 2017F	Dec 2018F	Dec 2019F
SUMMARY INCOME STATEMENT						
Gross Revenue	1,437,298	1,507,403	1,348,050	1,875,350	1,642,732	1,399,953
Revenue Growth (%)	6.8	4.9	-10.6	39.1	-10.0	-10.0
Operating EBITDA (Before Income From Associates)	1,253,977	1,322,367	1,138,706	1,498,442	1,281,467	1,055,104
Operating EBITDA Margin (%)	87.2	87.7	84.5	79.9	78.0	75.4
Operating EBITDAR	1,253,977	1,322,367	1,138,706	1,498,442	1,281,467	1,055,104
Operating EBITDAR Margin (%)	87.2	87.7	84.5	79.9	78.0	75.4
Operating EBIT	1,252,532	1,320,624	1,135,386	1,484,485	1,258,687	1,025,543
Operating EBIT Margin (%)	87.1	87.6	84.2	79.2	76.6	73.3
Gross Interest Expense	-320,045	-296,800	-270,242	-361,202	-358,715	-346,643
Pretax Income (Including Associate Income/Loss)	1,101,437	1,069,370	970,338	1,331,246	1,131,455	880,528
SUMMARY BALANCE SHEET						
Readily Available Cash and Equivalents	186,879	215,316	353,982	451,930	196,265	185,662
Total Debt With Equity Credit	3,783,197	3,416,739	3,337,721	3,563,351	3,324,674	3,409,946
Total Adjusted Debt with Equity Credit	3,904,202	3,534,539	3,344,885	3,563,351	3,324,674	3,409,946
Net Debt	3,596,318	3,201,423	2,983,739	3,111,421	3,128,409	3,224,284
SUMMARY CASH FLOW STATEMENT						
Operating EBITDA	1,253,977	1,322,367	1,138,706	1,498,442	1,281,467	1,055,104
Cash Interest Paid	-366,955	-344,233	-315,345	-361,202	-358,715	-346,643
Cash Tax	-67,557	-30,413	-34,694	-148,543	-126,250	-98,251
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	444,687	166,013	250,441	191,464	211,484	173,628
Other Items Before FFO	142,639	197,050	261,928	0	0	0
Funds Flow From Operations	1,406,791	1,310,784	1,301,036	1,196,661	1,027,986	811,838
Change in Working Capital	-46,805	29,970	-2,988	-49,894	-44,588	-46,901
Cash Flow From Operations (Fitch Defined)	1,359,986	1,340,754	1,298,048	1,146,767	983,398	764,937
Total Non-Operating/Nonrecurring Cash Flow	0	0	0	—	—	—
Capex	-12,683	-7,702	-6,569	—	—	—
Capital Intensity (Capex/Revenue)	0.9	0.5	0.5	—	—	—
Common Dividends	-1,010,666	-756,989	-931,543	—	—	—
Net Acquisitions and Divestitures	13,000	0	0	—	—	—
Other Investing and Financing Cash Flow Items	0	0	0	0	0	0
Net Debt Proceeds	-687,597	-546,864	-213,430	225,630	-238,677	85,272
Net Equity Proceeds	0	0	0	0	0	0
Total Change in Cash	-337,960	29,199	146,506	97,948	-255,665	-10,603

DETAIL CASH FLOW STATEMENT						
FFO Margin (%)	97.9	87.0	96.5	63.8	62.6	58.0
Calculations for Forecast Publication						
Capex, Dividends, Acquisitions and Other Items Before FCF	-1,010,349	-764,691	-938,112	-1,274,448	-1,000,386	-860,812
FCF After Acquisitions and Divestitures	349,637	576,063	359,936	-127,682	-16,988	-95,875
FCF Margin (After Net Acquisitions) (%)	24.3	38.2	26.7	-6.8	-1.0	-6.8
COVERAGE RATIOS (x)						
FFO Interest Coverage	4.7	4.6	4.9	4.3	3.8	3.3
FFO Fixed-Charge Coverage	4.7	4.6	4.9	4.3	3.8	3.3
Operating EBITDAR/Interest Paid + Rents	4.6	4.3	4.4	4.7	4.2	3.5
Operating EBITDA/Interest Paid	4.6	4.3	4.4	4.7	4.2	3.5
LEVERAGES RATIOS (x)						
Total Adjusted Debt/Operating EBITDAR	2.3	2.4	2.4	2.1	2.2	2.8
Total Adjusted Net Debt/Operating EBITDAR	2.2	2.2	2.2	1.8	2.1	2.6
Total Debt with Equity Credit/Operating EBITDA	2.2	2.3	2.4	2.1	2.2	2.8
FFO-Adjusted Leverage	2.3	2.2	2.1	2.3	2.4	3.0
FFO-Adjusted Net Leverage	2.2	2.1	1.9	2.0	2.3	2.9

Source: Fitch.

How to Interpret the Forecast Presented

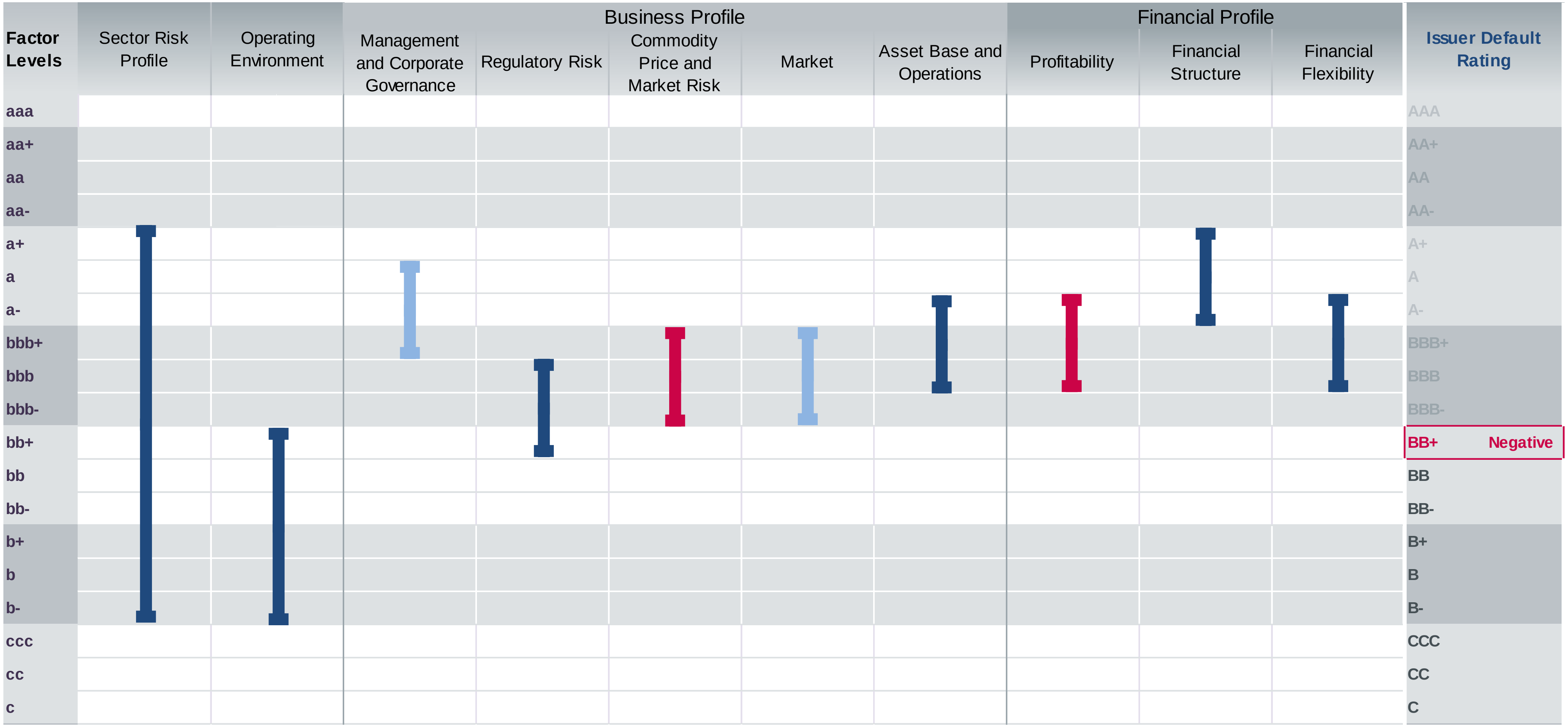
The forecast presented is based on the agency's internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch's rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch's forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch's own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch's own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch's own internal deliberations, where Fitch, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch may update the forecast in future reports but assumes no responsibility to do so.

Rating Navigator

Transmissora Alianca de Energia Eletrica S.A.

Corporates Ratings Navigator

LATAM Utilities



Operating Environment

bbb-	Economic Environment	bb	Below average combination of countries where economic value is created and where assets are located.
bb+	Financial Access	bbb	Average combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	bbb	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'bbb'.
b-			
ccc			

Management and Corporate Governance

a+	Management Strategy	a	Coherent strategy and good track record in implementation.
a	Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
a-	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bbb+	Financial Transparency	a	High quality and timely financial reporting.
bbb			

Regulatory Risk

bbb+	Independence	bb	Moderate government Interference in utility regulations.
bbb	Balance	bb	Regulatory framework is biased toward the needs of end users at the expense of sector participants.
bbb-	Transparency	bbb	The tariff-setting procedure is transparent and includes the participation of industry players.
bb+	Recourse of Law	bbb	Procedures to appeal regulatory rulings are clear but long processing periods. Companies can oppose or comment on regulations.
bb	Timeliness of Cost Recovery	bbb	Moderate lag to recover capital and operating costs.

Commodity Price and Market Risk

a-	Price and Volume Risk	a	Company has low exposure to changes in price and costs (i.e. all costs are timely passed through). Exposure to volume risk is low.
bbb+	Counterparty Risk	bb	Weighted average credit quality of actual and potential offtakers is in line with 'BB' rating.
bbb			
bbb-			
bb+			

Market

a-	Consumption Growth Trend		n.a.
bbb+	Customer Mix	bbb	Somewhat diversified customer base.
bbb	Geographic Location	bbb	Beneficial location or reasonable locational diversity.
bbb-	Supply Demand Dynamics		n.a.
bb+			

Asset Base and Operations

a	Asset Diversity	bbb	Good quality and/or reasonable scale diversified assets.
a-	Reliability of Operations and Cost Position	a	Track record of reliable, low-cost operations with low operating losses.
bbb+	Exposure to Environmental	bbb	Limited or manageable exposure to environmental regulations.
bbb	Capital and Technological Intensity	bbb	Moderate reinvestment requirements in established technologies.
bbb-			

Profitability

a	Volatility of Profitability	a	Higher stability and predictability of profits relative to utility peers.
a-	Free Cash Flow	bbb	Structurally neutral to negative FCF across the investment cycle.
bbb+			
bbb			
bbb-			

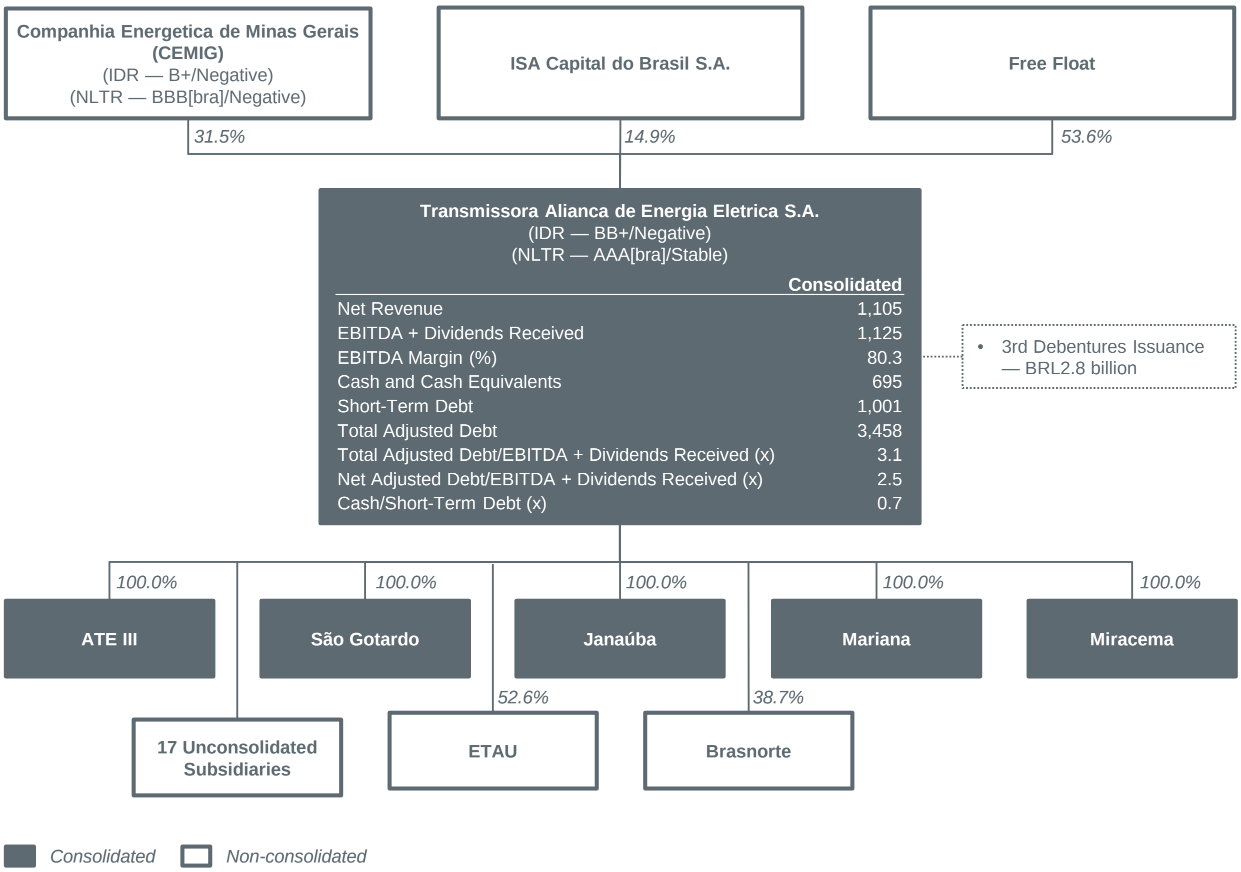
Financial Structure

aa-	Lease Adjusted FFO Gross Leverage	a	2.5x
a+	Lease Adjusted FFO Net Leverage	bbb	3.0x
a	Total Adjusted Debt/Operating	a	2.5x
a-			
bbb+			

Simplified Group Structure Diagram

Organizational Structure — Transmissora Alianca de Energia Eletrica S.A.

(BRL Mil., LTM as of June 30, 2017)



IDR – Issuer Default Rating. NLTR – National Long-Term Rating.
Source: Transmissora Alianca de Energia Eletrica S.A., Fitch.

Peer Financial Summary

Company	Date	Rating	Gross Revenue (USD Mil.)	Operating EBITDAR Margin (%)	FFO Margin (%)	FFO Fixed Charge Coverage (x)	FFO Adjusted Leverage (x)
Transmissora Alianca de Energia Eletrica S.A.	2016	BB+	414	84.5	96.5	4.9	2.1
	2015	BBB–	386	87.7	87.0	4.6	2.2
	2014	BBB	541	87.2	97.9	4.7	2.3
Transelec S.A.	2016	BBB	422	83.7	68.8	3.9	5.8
	2015	BBB	391	83.4	69.5	4.2	5.6
	2014	BBB–	412	84.4	73.0	4.4	5.5
Interconexion Electrica S.A. E.S.P.	2016	BBB+	2,203	49.7	127.2	10.5	1.4
	2015	BBB	1,674	53.1	38.8	3.6	4.1
	2014	BBB	1,639	56.9	49.4	5.4	5.2
Consorcio Transmantaro S.A. (CTM)	2016	BBB–	405	29.6	23.5	4.4	6.7
	2015	BBB–	262	36.8	40.4	4.4	5.0
	2014	BBB–	191	45.2	22.3	2.6	10.0

Source: Fitch.

Reconciliation of Key Financial Metrics

(BRL Thousand, As reported)	31 Dec 2016
Income Statement Summary	
Operating EBITDA	1,138,706
+ Recurring Dividends Paid to Non-controlling Interest	0
+ Recurring Dividends Received from Associates	250,441
+ Additional Analyst Adjustment for Recurring I/S Minorities and Associates	0
= Operating EBITDA After Associates and Minorities (k)	**1,389,147**
+ Operating Lease Expense Treated as Capitalised (h)	**0**
= Operating EBITDAR after Associates and Minorities (j)	**1,389,147**
Debt & Cash Summary	
Total Debt with Equity Credit (l)	**3,337,721**
+ Lease-Equivalent Debt	0
+ Other Off-Balance-Sheet Debt	7,164
= Total Adjusted Debt with Equity Credit (a)	**3,344,885**
Readily Available Cash [Fitch-Defined]	353,982
+ Readily Available Marketable Securities [Fitch-Defined]	0
= Readily Available Cash & Equivalents (o)	**353,982**
Total Adjusted Net Debt (b)	**2,990,903**
Cash-Flow Summary	
Preferred Dividends (Paid) (f)	**0**
Interest Received	58,364
+ Interest (Paid) (d)	**(315,345)**
= Net Finance Charge (e)	**(256,981)**
Funds From Operations [FFO] (c)	**1,301,036**
+ Change in Working Capital [Fitch-Defined]	(2,988)
= Cash Flow from Operations [CFO] (n)	**1,298,048**
Capital Expenditures (m)	**(6,569)**
Multiple applied to Capitalised Leases	**5.0**
Gross Leverage	
Total Adjusted Debt / Op. EBITDAR* [x] (a/j)	**2.4**
FFO Adjusted Gross Leverage [x] (a/(c-e+h-f))	**2.1**
Total Adjusted Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)	
Total Debt With Equity Credit / Op. EBITDA* [x] (l/k)	**2.4**
Net Leverage	
Total Adjusted Net Debt / Op. EBITDAR* [x] (b/j)	**2.2**
FFO Adjusted Net Leverage [x] (b/(c-e+h-f))	**1.9**
Total Adjusted Net Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)	
Total Net Debt / (CFO - Capex) [x] ((l-o)/(n+m))	**2.3**
Coverage	
Op. EBITDAR / (Interest Paid + Lease Expense)* [x] (j/-d+h)	**4.4**
Op. EBITDA / Interest Paid* [x] (k/(-d))	**4.4**
FFO Fixed Charge Cover [x] ((c-e+h-f)/(-d+h-f))	**4.9**
(FFO - Net Finance Charge + Capit. Leases - Pref. Div Paid) / (Gross Int. Paid + Capit. Leases - Pref. Div. Paid)	
FFO Gross Interest Coverage [x] ((c-e-f)/(-d-f))	**4.9**
(FFO - Net Finance Charge - Pref. Div Paid) / (Gross Int. Paid - Pref. Div. Paid)	

* EBITDA/R after Dividends to Associates and Minorities

Source: Fitch based on company reports

Fitch Adjustment Reconciliation

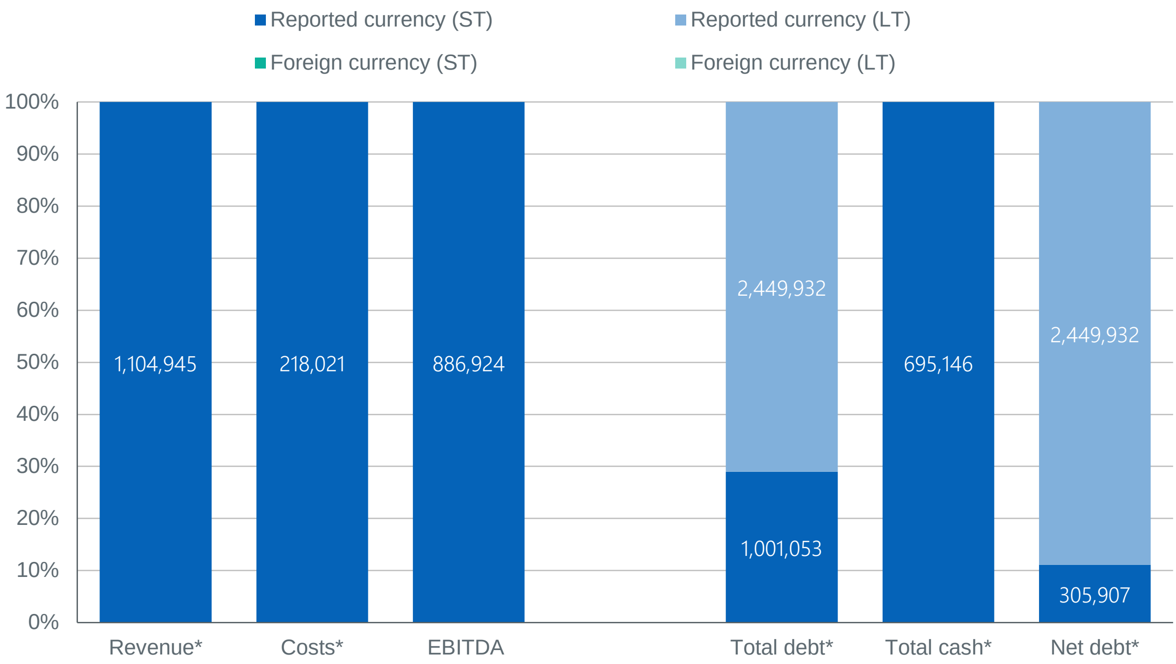
	Reported Values 31 Dec 16	Sum of Fitch Adjustments	Preferred Dividends, Associates and Minorities Cash Adjustments	Cash Adjustment	Other Adjustment	Adjusted Values
Income Statement Summary						
Revenue	1,391,074	(43,024)			(43,024)	1,348,050
Operating EBITDAR	1,138,706	0				1,138,706
Operating EBITDAR after Associates and Minorities	1,138,706	250,441	250,441			1,389,147
Operating Lease Expense	0	0				0
Operating EBITDA	1,138,706	0				1,138,706
Operating EBITDA after Associates and Minorities	1,138,706	250,441	250,441			1,389,147
Operating EBIT	1,135,386	0				1,135,386
Debt & Cash Summary						
Total Debt With Equity Credit	3,337,721	0				3,337,721
Total Adjusted Debt With Equity Credit	3,344,885	0				3,344,885
Lease-Equivalent Debt	0	0				0
Other Off-Balance Sheet Debt	7,164	0				7,164
Readily Available Cash & Equivalents	363,145	(9,163)		(9,163)		353,982
Not Readily Available Cash & Equivalents	0	0				0
Cash-Flow Summary						
Preferred Dividends (Paid)	0	0				0
Interest Received	58,364	0				58,364
Interest (Paid)	(315,345)	0				(315,345)
Funds From Operations [FFO]	1,050,595	250,441	250,441			1,301,036
Change in Working Capital [Fitch-Defined]	(2,988)	0				(2,988)
Cash Flow from Operations [CFO]	1,047,607	250,441	250,441			1,298,048
Non-Operating/Non-Recurring Cash Flow	0	0				0
Capital (Expenditures)	(6,569)	0				(6,569)
Common Dividends (Paid)	(931,543)	0				(931,543)
Free Cash Flow [FCF]	109,495	250,441	250,441			359,936
Gross Leverage						
Total Adjusted Debt / Op. EBITDAR* [x]	2.9					2.4
FFO Adjusted Leverage [x]	2.6					2.1
Total Debt With Equity Credit / Op. EBITDA* [x]	2.9					2.4
Net Leverage						
Total Adjusted Net Debt / Op. EBITDAR* [x]	2.6					2.2
FFO Adjusted Net Leverage [x]	2.3					1.9
Total Net Debt / (CFO - Capex) [x]	2.9					2.3
Coverage						
Op. EBITDAR / (Interest Paid + Lease Expense)* [x]	3.6					4.4
Op. EBITDA / Interest Paid* [x]	3.6					4.4
FFO Fixed Charge Coverage [x]	4.1					4.9
FFO Interest Coverage [x]	4.1					4.9

*EBITDA/R after Dividends to Associates and Minorities

FX Screener

Taesa has no exposure to foreign currency.

Fitch FX Screener
(Transmissora Alianca de Energia Eletrica S.A. — BB+/Negative, LTM June 30, 2017, BRL 000)



*Post hedge, absolute figures displayed are Fitch's analytical estimates, based on publicly available information
Source: Fitch

Full List of Ratings

	Rating	Outlook	Last Rating Action
Transmissora Alianca de Energia Eletrica S.A.			
Long-Term IDR	BB+	Negative	Affirmed Aug. 28. 2017
Long-Term Local Currency IDR	BBB	Negative	Affirmed Aug. 28, 2017
National Long-Term Rating	AAA(bra)	Stable	Affirmed Aug. 28, 2017

Related Research & Criteria

Corporate Rating Criteria (August 2017)

National Scale Ratings Criteria (March 2017)

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The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.