

**Rating Action: Moody's takes rating actions on specific issuers of the Brazilian infrastructure sector**

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Global Credit Research - 25 Feb 2016

**Action follows the downgrade of Brazil's issuer and bond ratings to Ba2 with a negative outlook**

New York, February 25, 2016 -- Moody's Investors Service ("Moody's") took the following rating actions on its portfolio of electric utilities as a result of the downgrade of Brazil's issuer and bond ratings to Ba2 from Baa3 and the change of outlook to negative as well as the downgrade of the ratings of the States of Sao Paulo to Ba2 from Baa3 with a negative outlook, Minas Gerais to Ba3 from Ba1 with a negative outlook and Parana to Ba3/A2.br from Ba1/Aa2.br with a stable outlook on the global scale and on the National Scale Rating (NSR), respectively. For more information, please see [[https://www.moodys.com/research/Moodys-downgrades-Brazils-issuer-and-bond-ratings-to-Ba2-with--PR\\_342928](https://www.moodys.com/research/Moodys-downgrades-Brazils-issuer-and-bond-ratings-to-Ba2-with--PR_342928)]. This rating action concludes the review for downgrade announced on December 10th, 2015

**RATINGS RATIONALE**

These actions reflect Moody's view that the recent sovereign and sub-sovereign rating actions, as a result of deteriorating economic and fiscal perspectives together with worsening governability and policy paralysis, will negatively affect the credit quality of the following companies:

Centrais Eletricas Brasileiras SA-Eletronbras

Corporate family ratings (CFR) downgraded to Ba3 from Ba2. Outlook changed to negative.

BRL 1,750 million in senior unsecured global bonds maturing in 2021 downgraded to Ba3 from Ba2. Outlook changed to negative.

Itaipu Binacional

Issuer ratings downgraded to Ba2 from Baa3. Outlook changed to negative.

Companhia Energetica de Sao Paulo - CESP

USD1.4 billion senior unsecured MTN program downgraded to (P)Ba2 from (P)Baa3. Outlook changed to negative.

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

In light of the current rating action and the negative outlooks, an upgrade of the ratings is unlikely in the near term.

Further deterioration in the respective sovereign or sub-sovereign's credit quality could exert downward pressure on these infrastructure issuers. A downgrade would be triggered if Moody's perceives a further deterioration in the regulatory frameworks under which these companies operate. A sustained deterioration in the relevant credit metrics of the issuer could also exert downward rating pressure. Political interference in the normal course of business of these issuers could also be considered a trigger for a downgrade.

The methodologies used in rating Centrais Eletricas Brasileiras SA-Eletronbras Regulated Electric and Gas Utilities were published in December 2013, and Government-Related Issuers published in October 2014. The principal methodology used in rating ITAIPU Binacional was Unregulated Utilities and Unregulated Power Companies published in October 2014. The methodologies used in rating Companhia Energetica de Sao Paulo were Unregulated Utilities and Unregulated Power Companies published in October 2014, and Government-Related Issuers published in October 2014. Please see the Ratings Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

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