

**Rating Action: Moody's recalibrates Brazil's national rating scale and repositions national scale ratings of Brazilian infrastructure issuers**

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Global Credit Research - 09 May 2016

Sao Paulo, May 09, 2016 -- Moody's America Latina has repositioned the national scale ratings of 26 Brazilian infrastructure issuers in conjunction with the recalibration of the Brazilian national rating scale.

National scale ratings (NSRs), which provide a measure of relative creditworthiness within a single country, are derived from global scale ratings (GSRs) using country-specific maps. The adoption of a revised correspondence between Moody's global scale ratings and the Brazilian national scale follows the publication of Moody's updated methodology "Mapping National Scale Ratings from Global Scale Ratings" [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_189032](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_189032). For more information, please see "Moody's publishes updated methodology for national scale ratings" [https://www.moodys.com/research/Moodys-publishes-updated-methodology-for-national-scale-ratings--PR\\_348579](https://www.moodys.com/research/Moodys-publishes-updated-methodology-for-national-scale-ratings--PR_348579).

With approximately 170 rated fundamental issuers in Brazil, the new map has been designed using the modified approach, whereby the map design is adjusted to reflect the distribution of fundamental ratings in the country in order to ensure adequate opportunity for differentiation where ratings are most highly concentrated. Structured finance ratings are not taken into consideration in the determination of the map design. Because fewer than 5% of fundamental issuers are rated at or above the previous anchor point, or the lowest global scale rating that can map to a Aaa.br, the anchor point has been lowered to Ba1 from Baa3 under the new map. As nearly 15% of fundamental issuers are rated above Brazil's sovereign bond rating of Ba2, however, the anchor point remains a notch higher than the sovereign. Because nearly 40% of fundamental issuers are rated Ba2 on the global scale, Ba2 corresponds to three ratings on the national scale, Aa1.br, Aa2.br, and Aa3.br, to allow for adequate opportunity for credit differentiation amongst these issuers. The global scale rating of Ba3, which is assigned to another 20% of fundamental issuers, also corresponds to three national scale ratings. In addition, in order to clarify the meaning of NSRs, overlap -- where two GSRs can correspond to the same NSR -- has been eliminated from the Brazilian national scale map, so every NSR maps back to just one GSR. As a result of these changes, GSRs of B1 and above will in some cases correspond to higher NSRs on the Brazilian national scale than they did previously, GSRs of B2 and below may correspond to lower NSRs.

Consequently, approximately 35% of Brazilian fundamental issuer's primary long-term national ratings are being repositioned upwards, and roughly 20% are being repositioned lower. Certain short-term and other NSRs may be affected for these and other issuers as well. In addition, approximately one-third of the NSR assigned to Brazilian structured finance transactions are being repositioned higher, while roughly 15% are being repositioned lower. The average change is just over one notch. The repositioned national scale ratings of individual issuers do not signify a change in credit risk, since the global scale ratings (GSRs) for these issuers remain unchanged.

As a result of the recalibration, the level of risk associated with a particular Brazilian national scale rating level (e.g. Aa2.br) has changed in many cases. NSRs have no inherent absolute meaning in terms of default risk or expected loss; they are ordinal rankings of creditworthiness relative to other domestic issuers within a given country. A historical probability of default and/or expected loss consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. However, both the probability of default and the expected loss of an NSR may change if and when a country's national scale is remapped.

**ISSUERS AND RATINGS AFFECTED**

Please click on this link [http://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_189762](http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_189762) for the list of affected credit ratings. This list is an integral part of this press release and identifies each affected issuer.

**RATINGS RATIONALE**

National scale ratings are assigned by applying the published correspondence from global scale ratings. Where a single global scale rating maps to multiple national scale ratings, rating committees assigned higher

or lower national scale ratings to individual issuers and debts depending on their relative credit position within the same global scale rating category, using the same methodologies as were used to determine the GSRs themselves.

#### WHAT COULD CHANGE THE RATINGS -- UP AND DOWN

The NSRs would face upward or downward pressure if their corresponding GSRs are upgraded or downgraded, unless this is in conjunction with a sovereign rating action that results in another recalibration of the Brazilian national scale with an offsetting impact on NSRs. In addition, the NSRs may be repositioned upwards (downwards) if Brazil's sovereign is downgraded (upgraded) and the map is revised accordingly, but the corresponding GSRs have not changed as a result of the sovereign action. Because of the higher granularity of national scales, NSRs may also face pressure due to changes in creditworthiness that are not sufficient to cause a change in the corresponding GSR, measured using the same methodologies used to determine the GSR.

#### METHODOLOGIES USED

The principal methodology used in rating EATE - Emp. Amazonense Trans. Energ. S.A. was Regulated Electric & Gas Networks published in November 2014.

The principal methodology used in rating Light S.A., Light Servicos De Eletricidade S.A., Eletropaulo Met. Elet. de Sao Paulo, EDP - Energias do Brasil S.A., Cemig Geracao e Transmissao S.A. and Cia de Gas de Sao Paulo -- COMGAS was Regulated Electric & Gas Utilities published in December 2013.

The methodologies used in rating Companhia Energetica de Minas Gerais - CEMIG S.A. were Regulated Electric & Gas Utilities published in December 2013 and Government Related Issuers published in October 2014.

The principal methodology used in rating Duke Energy Int'l Geracao Paranapanema AS, AES Tiete S.A., and Light Energia S.A. was Unregulated Utilities and Unregulated Power Companies published in October 2014.

The methodologies used in rating Companhia de Saneamento do Parana - SANEPAR were Regulated Water Utilities published in December 2015 and Government Related Issuers published in October 2014.

The principal methodology used in rating Concessionaria Rodovias do Tiete S.A., Invest. E Part. Em Infra-Estr S.A. - INVEPAR, Rota das Bandeiras S.A., Linha Amarela S.A., Concessionaria Auto Raposo Tavares S.A., Concessionaria Rodovia Pres. Dutra S.A., Conc Sist Anhang-Bandeirant S.A. Autoban, Concessionaria Rod.Oeste SP Viaoeste S.A., Concessionaria Bahia Norte S.A. -- CBN, Concessionaria de Rod Int do Oest SA (SPVias), Centrovias Sistemas Rodoviaros S.A., and Vianorte S.A. was Privately Managed Toll Roads published in May 2014.

The principal methodology used in rating Concessão Metroviária Rio de Janeiro S.A. was Global Passenger Railway Companies published in March 2013.

The principal methodology used in rating Empresa de Energia Sao Manoel S.A. was Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts published in December 2015.

Please see the Ratings 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\\_189530](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_189530).

## REGULATORY DISCLOSURES

Please click on this link [http://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_189762](http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_189762) 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:

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

Information sources used to prepare the rating are the following: parties involved in the ratings, public information, and confidential and proprietary Moody's information.

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CCR Group, which comprises Conc Sist Anhang-Bandeirant S.A. Autoban, Concessionaria de Concessionaria Rod.Oeste SP Viaoeste S.A., Concessionaria Rodovia Pres. Dutra S.A. and Concessionaria de Rod Int do Oest SA (SPVias) covered in this Press Release accounted for 5% or more of the annual revenue of Moody's America Latina, Ltda. during the preceding calendar year.

The date of the last Credit Rating Action for EATE - Emp. Amazonense Trans. Energ. S.A. was 25/2/2016.

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The date of the last Credit Rating Action for Duke Energy Int'l Geracao Paranapanema SA was 25/2/2016.

The date of the last Credit Rating Action for AES Tiete S.A. was 25/2/2016.

The date of the last Credit Rating Action for Light Energia S.A. was 10/4/2016.

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The date of the last Credit Rating Action for Centrovias Sistemas Rodoviaros S.A. was 25/2/2016.

The date of the last Credit Rating Action for Vianorte S.A. was 25/2/2016.

The date of the last Credit Rating Action for Concessao Metroviaria Rio de Janeiro S/A was 15/4/2016.

The date of the last Credit Rating Action for Empresa de Energia Sao Manoel S.A. was 25/2/2016.

The date of the last Credit Rating Action for EDP - Energias do Brasil S.A. was 4/4/2016.

The date of the last Credit Rating Action for Rota das Bandeiras S.A. was 25/2/2016.

The date of the last Credit Rating Action for Invest. E Part. Em Infra-Estr S.A. - INVEPAR was 25/2/2016.

The date of the last Credit Rating Action for Concessionaria Rodovias do Tiete S.A. was 25/2/2016.

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