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Neoenergia S.A. And Subsidiaries

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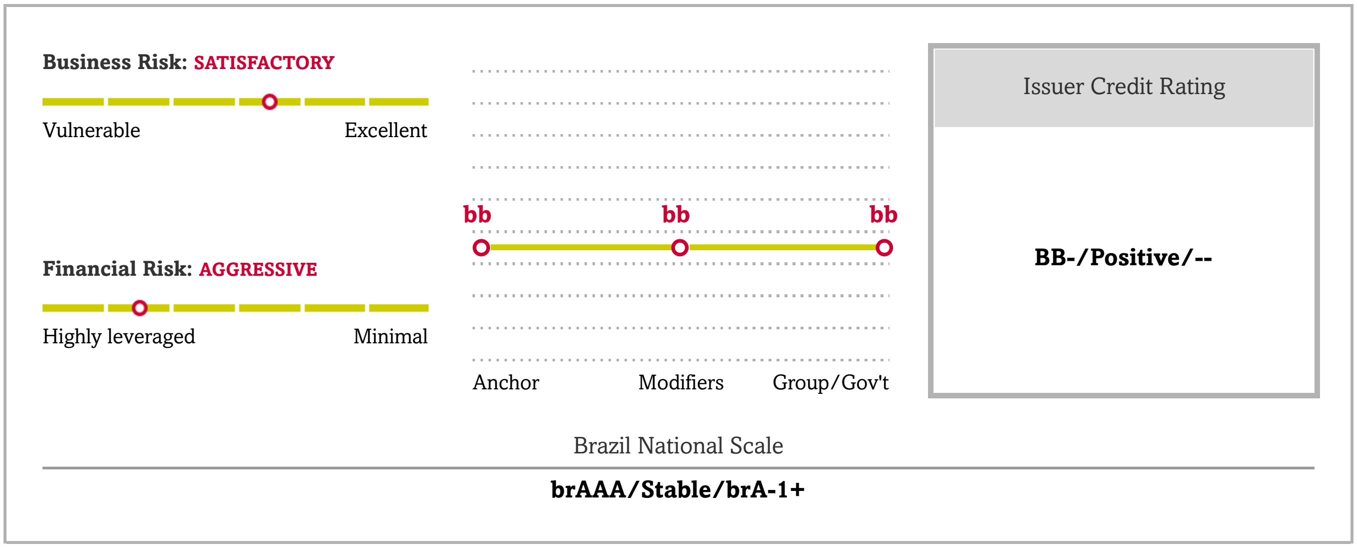
Table Of Contents

Table Of Contents (cont.)

Neoenergia S.A. And Subsidiaries

*(**Editor's Note:** Following the December 12 rating action on the company and its subsidiaries, the outlook in the rating deck and snapshot has been amended. The date for the ratings in the peer comparison table has been amended as well.)*



Credit Highlights

Overview

Key strengths	Key risks
Regulated network activities will represent about 80% of the group's revenues in the next few years, which brings stability to cash flows.	Electricity losses still above regulatory targets for subsidiaries, CELPE and COELBA, but we expect overall quality metrics to improve, given the ongoing investments.
Generation business has long-term contracts, so the group is less exposed to market fluctuations.	Execution risk related to the construction of its new transmission lines, especially during 2020-2022.
Diversified customer base in areas where electricity consumption is rising at a faster pace than the Brazil's GDP growth rate.	Neoenergia will require new debt to fund its robust investment plan until 2023, maintaining leverage at current levels.

Transmission projects should increase stability to Neoenergia's cash flows We expect Neoenergia to benefit from a more stable cash flow generation in the next few years as the new transmission lines, currently under construction, start operations.

Neoenergia increased its participation in the transmission segment in 2017 and 2018, when it took part in bidding auctions by the regulator to build and operate transmission lines. The received financing for the assets awarded in the April 2017 auction, which involves the construction of a 583 kilometer (km) transmission line and several substations, and it obtained required permits. For the assets it received from the December 2017 auction, which consist of 1,074 km of transmission lines and substations, Neoenergia has secured about 92% of the financing, and is working to get the pending permits. Neoenergia also won the bid in the December 2018 auction. We expect the group to be able to deliver the projects on time, with a possibility of some lines starting to operate earlier than initial expectations, although our base-case scenario assumes these lines would start operations according to their original schedules.

Works Status On Transmission Lines

Project	Extension	Expected start of operations
April 2017 Auction		
Lot 4	583 km	Aug-22
Lot 20	Sub-station (ss)	Feb-21
Lot 22	Sub-station (ss)	Feb-21
Lot 27	Sub-station (ss)	Feb-21
December 2017 Auction		
Lot 4	729 km	Mar-23
Lot 6	345km + ss	Mar-23
December 2018 Auction		
Lot 1	673 km and ss	Mar-24
Lot 2	656 km and ss	Mar-24
Lot 3	478 km	Mar-24
Lot 4	769 km and ss	Mar-24

Expansion in renewable energy capacity continues Neoenergia has also been increasing its footprint in the non-conventional renewable segment. Once the construction of its onshore wind farms in the northeastern region of Brazil are completed, its capacity in the segment will increase from the current 516 megawatt (MW) in operation to about 1,600 MW by 2022. Although this project will consume about R$4 billion in new investments, which we expect to be financed through debt, the bulk of Neoenergia's capex plan is for its distribution and transmission segments. We expect leverage to remain at current levels until 2023.

Rate readjustments In April 2019, Companhia de Eletricidade do Estado da Bahia - COELBA (Coelba), Companhia Energética de Pernambuco - CELPE (Celpe), and Companhia Energética do Rio Grande do Norte - COSERN (Cosern) underwent the annual rate readjustments with an average effect of 6.22%, 5.04%, 4.73%, respectively, which were slightly above our expectations. In our view, the rate readjustments were beneficial because they allow the distribution companies to continue recover the additional electricity costs incurred due to challenging hydrological conditions.

Elektro Redes S.A. went through its fifth rate review cycle in August 2019. We expect a positive effect, given that electricity losses recognized into rates increased to 8.03% from 6.6%, and the company had 97.9% of its investments incorporated into the regulatory asset base. Although an average tariff reduction of 8.3%, it was mainly due to a portion of previous sectorial charges that are no longer applicable, and therefore, doesn't impact the distributor's profitability.

Outlook: Positive

The positive outlook on Neoenergia in the next 12 months reflects that on the sovereign rating on Brazil and takes into consideration our view that the group, as a regulated utility, could be subject to government intervention in a hypothetical sovereign default scenario.

Upside scenario

Given that Brazil's rating caps the one on Neoenergia, we would raise the company's rating if the sovereign is upgraded. We could raise its stand-alone credit profile (SACP) if credit metrics improve consistently, especially if Neoenergia generates positive free operating cash flow (FOCF) over the next few years, mainly because of stronger operating performance, because we expect investments to be high.

Downside scenario

We could revise Neoenergia's outlook to stable if the same action occurs on the sovereign rating of Brazil. Currently, we don't envision a scenario in the short term that could lead us to downgrade Neoenergia based on its own fundamentals. Rather, we would downgrade it if we believe that Iberdrola S.A. has fewer incentives to provide support to its Brazilian operations, combined with a deterioration in Neoenergia's credit metrics. The latter scenario would consist of funds from operations (FFO) to debt below 9% and debt to EBITDA above 5.5x, which could be a result of larger-than-expected capex and high dividend payouts.

Our Base-Case Scenario

Assumptions

- Electricity consumption to grow 1.5%-2.0% annually starting in 2020.
- Rate adjustments to follow our inflation expectation of 3.6% in 2020 and 4.0% in 2021.
- Given the prospects of low rainfall volumes in Brazil, we expect a generation scaling factor of 80%-85% in 2020 and 2021, which will result in wider electricity costs for generators and distributors.
- Investments of about R$5 billion in 2020, and will surpass R$6 billion in 2021, in order to finish the construction of the transmission lines.
- The large portion of these investments to be financed through new debt.
- A conservative dividend policy, distributing the

Key Metrics

	2019E	2020E	2021E
EBITDA (bil. R$)	5.5-5.8	5.7-6.0	6.2-6.5
Investments (bil. R$)	3.8-4.2	4.3-4.7	5.3-5.7
Debt/EBITDA (x)	3.0-3.5	3.0-3.5	3.0-3.5
FFO/Debt (%)	20-25	20-25	20-25

Note: Metrics adjusted by S&P Global Ratings. E--Expected.

minimum required by law, which is equivalent to 25% of previous year's net income.	

Base-case projections

Distribution business will remain the core business. Although Neoenergia is widening diversification with investments in transmission and unconventional renewable generation, the distribution business will continue to generate the bulk of consolidated cash flows.

Transmission lines will increase cash flow stability. Even though we consider the distribution business as stable, the time mismatch between incurred costs and their recovery only during the next rate readjustment can add volatility to cash flows, as seen in the recent years amid the prevailing weak hydrological conditions in Brazil. Nonetheless, we understand that the additional cash flows from transmission lines will help stabilize the operating performance on a consolidated basis.

Neoenergia's investment will require additional debt, but as soon as its new assets start operations, we don't expect credit metrics to change materially, because debt to EBITDA should remain at 3.0x-3.5x and FFO to debt between 20%-25% in the next few years, while FOCF will remain negative.

Company Description

Brazil-based electric power integrated group Neoenergia, through its subsidiaries, operates in the electric power distribution (Coelba, Celpe, Cosern, and Elektro), generation (Calango 6, Lagoa 1, Termope, and others), and transmission and trading (NC Energia) segments. Through its four distribution companies, Neoenergia serves approximately 34 million clients, having distributed about 56.5 terawatt hours (TWh) of electricity in 2018 (including the free market). The group has about 700 km of operational transmission lines, while more than 4,500 km are under construction. Neoenergia also has about 4.0 gigawatts (GW) of installed capacity through hydro, thermal, and wind power plants, including the stakes in the jointly-controlled 1,819 MW Teles Pires hydropower plant and the 10% stake in the 11,233 MW Belo Monte hydro plant, and it's constructing wind parks for 1.0 GW. In the rolling 12 months ended Sept. 30, 2019, Neoenergia reported revenue of R$27.8 billion and EBITDA of R$5.4 billion.

Iberdrola (BBB+/Stable/A-2) controls Neoenergia with a 51.04% stake. Caixa de Previdência dos Funcionários do Banco do Brasil (Previ) holds 30.29% of the group, and the 18.67% remaining portion is free floating. Iberdrola is the second-largest power generator and distributor in Spain, as well as the leader in renewables, has operations in U.K. through Scottish Power, and in Latin America and the U.S. through Iberdrola Renovables and Avangrid.

Business Risk: Satisfactory

A large, well diversified group. In our view, Neoenergia has large scale and exposure to regulated network activities, and a diversified business portfolio. It's also one of the largest electricity distributors in Brazil through its four subsidiaries--Coelba, Celpe, Cosern, and Elektro Redes--and is increasing its footprint in unconventional renewable generation. On the other hand, we view Neoenergia as geographically concentrated, because it operates solely in Brazil.

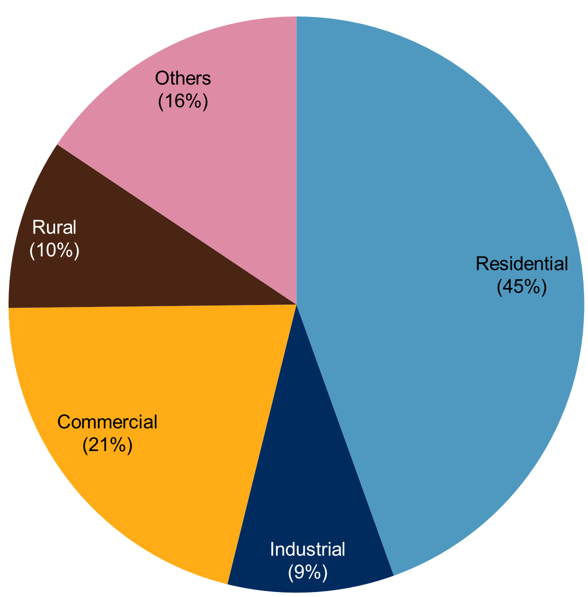
The high share of cash flows coming from regulated activities. One of Neoenergia's business strengths is that electric power distribution activities generates about 80% of the group's EBITDA. This offers a high degree of cash flow predictability, which should further improve in the next years, as new transmission lines enter into operations, given that their revenues are based on their availability to the system, therefore, not exposed to volumes.

We view the regulatory framework in Brazil as credit supportive, with a track record of fully respected contracts among industry players. Nonetheless, regulatory independence is still recovering after political interference earlier in the decade temporarily weakened the financial stability of the players, especially in the electricity distribution segment. Neoenergia's highly regulated distribution business serves three of the country's largest states in terms of GDP in northeastern Brazil and a portion of the state of São Paulo, the country's most populous and wealthiest state. Although electricity consumption at its concession areas in the country's northeast historically increased above both Brazil's overall consumption and that of the northeastern region, the country's weak economy has taken a toll on the group's operations.

Diversified customer base. In the distribution segment, we consider the group's client portfolio as diversified with the more stable and inelastic residential customers representing about 45% of consolidated captive market demand. Even though three out of the group's four distribution companies are located in the northeastern region of Brazil that has a lower-than-average electricity consumption per capita, overall electricity consumption growth is above the country's GDP growth rate. Although Neoenergia doesn't present diversification in terms of multiple regulatory jurisdictions, it serves about 13% of the country's power demand or about 56.5 TWh.

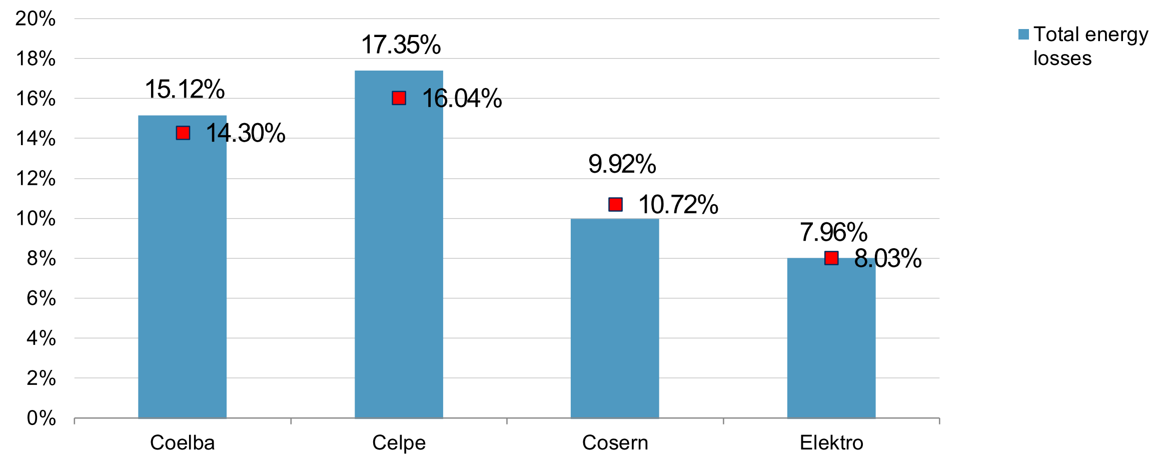
Captive Market Breakdown

Data from the first three quarters of 2019



Investments to improve service quality. Neoenergia has been continuously investing to improve the service quality at its four concession areas, boosting average duration and lowered frequency of service interruption (DEC and FEC, respectively), which are all in compliance with the regulatory standards. However, Coelba and Celpe are still presenting wider electricity losses than the regulatory level not covered through tariffs, denting their profitability.

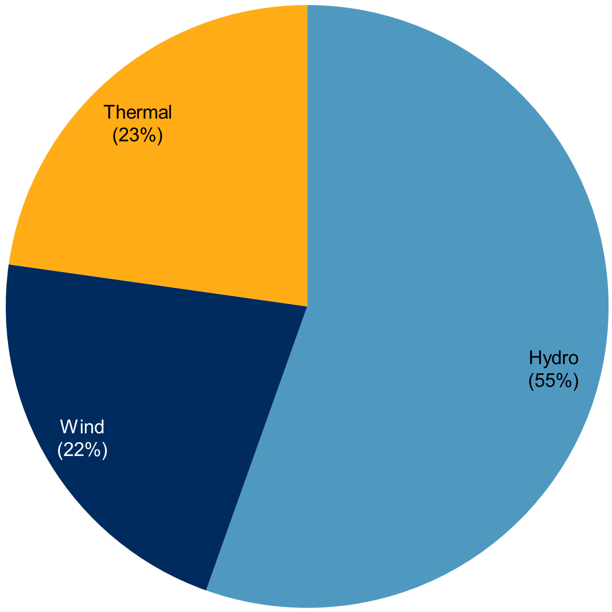
Total Energy Losses By Distribution Company
Data As Of The End Of Third Quarter Of 2019



Source: S&P Global Ratings.

Long-term contracts in the generation segment strengthen cash flow stability. Neoenergia has a diversified power generation asset base consisting of hydro, wind, and thermal power plants that sell electricity through short- and long-term power purchase agreements in the free and regulated markets. This helps to mitigate the volatility of conditions inherent in this segment. In 2016, Neoenergia adhered to a law to protect its generation assets from hydrology risks whenever the generation scaling factor (GSF) falls below 90% for its contracts in the regulated market, which helps make cash flows more predictable. In addition, the Itapebi hydro plant sells its output to the group's trading company, which is responsible for managing Neoenergia's risk allocation to prevent cash flow volatility.

Installed Capacity By Source



Peer comparison

Table 1

Neoenergia S.A. -- Peer Comparison

Industry Sector: Electric Utility

	Neoenergia S.A.	CPFL Energia S.A.	Enel Americas S.A.	Iberdrola S.A.
Ratings as of Dec. 12, 2019	BB-/Positive/--	brAAA/Stable/--	BBB/Stable/--	BBB+/Stable/A-2
	--Fiscal year ended Dec. 31, 2018--			
(Mil. $)				
Revenue	5,940.7	6,779.8	13,184.1	40,158.3
EBITDA	1,313.4	1,417.0	3,456.6	10,587.5
Funds from operations (FFO)	983.7	849.1	2,400.1	8,896.4
Interest expense	334.5	420.1	778.4	2,053.4
Cash interest paid	329.7	357.0	462.5	1,309.9
Cash flow from operations	343.2	213.9	1,496.5	7,958.9
Capital expenditure	1,070.2	525.4	1,521.3	7,491.9
Free operating cash flow (FOCF)	(727.0)	(311.5)	(24.8)	467.0
Discretionary cash flow (DCF)	(865.1)	(394.7)	(616.8)	(1,799.1)
Cash and short-term investments	1,021.7	488.6	2,034.0	3,215.7

Table 1

Neoenergia S.A. -- Peer Comparison (cont.)				
Industry Sector: Electric Utility				
	Neoenergia S.A.	**CPFL Energia S.A.**	**Enel Americas S.A.**	**Iberdrola S.A.**
Debt	4,370.3	4,934.6	7,881.6	44,685.1
Equity	4,540.3	3,237.2	8,831.9	49,172.6
Adjusted ratios				
EBITDA margin (%)	22.1	20.9	26.2	26.4
Return on capital (%)	13.2	15.2	20.0	7.2
EBITDA interest coverage (x)	3.9	3.4	4.4	5.2
FFO cash interest coverage (x)	4.0	3.4	6.2	7.8
Debt/EBITDA (x)	3.3	3.5	2.3	4.2
FFO/debt (%)	22.5	17.2	30.5	19.9
Cash flow from operations/debt (%)	7.9	4.3	19.0	17.8
FOCF/debt (%)	(16.6)	(6.3)	(0.3)	1.0
DCF/debt (%)	(19.8)	(8.0)	(7.8)	(4.0)

We have chosen the following companies as peers for Neoenergia:

- Iberdrola, which Neoenergia's controlling shareholder;
- CPFL Energia S.A. (CPFL; brAAA/Stable/--), which is also one of the largest private players in the Brazilian electric sector; and
- Enel Americas S.A. (BBB/Stable/--), which has geographic diversification across Latin America, but Brazil is its largest market.

We believe Neoenergia compares well with CPFL in terms of size and geographic concentration, given that both companies only operate in Brazil. Enel Americas, and especially Iberdrola, are better positioned due to their operations in various regulatory jurisdictions. Neoenergia's parent has network operations in countries with well-established, stable, and predictable regulatory regimes.

Financial Risk: Aggressive

Our assessment of Neoenergia's financial risk profile incorporates additional debt the group needs to raise to finance its investment plan, resulting in negative free operating cash flows in the future. After peaking in 2020 and 2021, with debt to EBITDA of 3.0x-3.5x and FFO to debt of 20%-25%, we expect Neoenergia's consolidated leverage to improve gradually in the following years with the addition of cash flows especially from the transmission lines currently under construction and from its distributors, as they improve their efficiency.

Financial summary

Table 2

Neoenergia S.A. -- Financial Summary						
Industry Sector: Electric Utility						
	--Fiscal year ended Dec. 31--					
	2019*	**2018**	**2017**	**2016**	**2015**	**2014**
(Mil. $)						
Revenue	6,292.4	5,940.7	5,227.6	4,126.1	3,764.2	3,900.5
EBITDA	1,688.6	1,313.4	775.1	1,032.4	1,048.6	581.4
Funds from operations (FFO)	1,321.7	983.7	389.9	720.4	854.6	321.2
Interest expense	347.3	334.5	336.3	330.1	218.2	202.6
Cash interest paid	288.5	329.7	385.1	311.9	194.0	260.2
Cash flow from operations	795.4	343.2	209.6	339.6	607.8	452.0
Capital expenditure	1,260.4	1,070.2	1,149.2	831.6	540.1	883.8
Free operating cash flow (FOCF)	(465.0)	(727.0)	(939.6)	(492.0)	67.7	(431.9)
Discretionary cash flow (DCF)	(731.4)	(865.1)	(945.9)	(509.8)	6.8	(549.9)
Cash and short-term investments	861.7	1,021.7	1,169.0	428.1	655.7	435.2
Gross available cash	861.7	1,021.7	1,169.0	428.1	655.7	435.2
Debt	4,515.8	4,370.3	4,373.9	3,556.2	2,232.6	2,873.3
Equity	4,562.9	4,540.3	4,711.0	2,832.0	2,351.4	3,700.7
Adjusted ratios						
EBITDA margin (%)	26.8	22.1	14.8	25.0	27.9	14.9
Return on capital (%)	15.0	13.2	6.9	14.4	19.8	5.6
EBITDA interest coverage (x)	5.9	3.9	2.3	3.1	4.8	2.9
FFO cash interest coverage (x)	5.6	4.0	2.0	3.3	5.4	2.2
Debt/EBITDA (x)	2.7	3.3	5.6	3.4	2.1	4.9
FFO/debt (%)	29.4	22.5	8.9	20.3	38.3	11.2
Cash flow from operations/debt (%)	17.3	7.9	4.8	9.6	27.2	15.7
FOCF/debt (%)	(10.1)	(16.6)	(21.5)	(13.8)	3.0	(15.0)
DCF/debt (%)	(15.9)	(19.8)	(21.6)	(14.3)	0.3	(19.1)

*Twelve months ended Sept. 30.

Liquidity: Adequate

We assess Neoenergia's liquidity as adequate because we expect its sources of cash to exceed uses by about 1.3x in the next 12 months, even if EBITDA were to fall 10%. Our assessment is also based on Neoenergia's solid relationship with banks and its standing in capital markets, as seen in debt refinancing over the past few years, particularly in 2018. We also believe the group has the appropriate mechanisms in place to face any high-impact, low-probability events with limited need for refinancing, given its flexibility to reduce the dividend payout and postpone investments under stressful conditions.

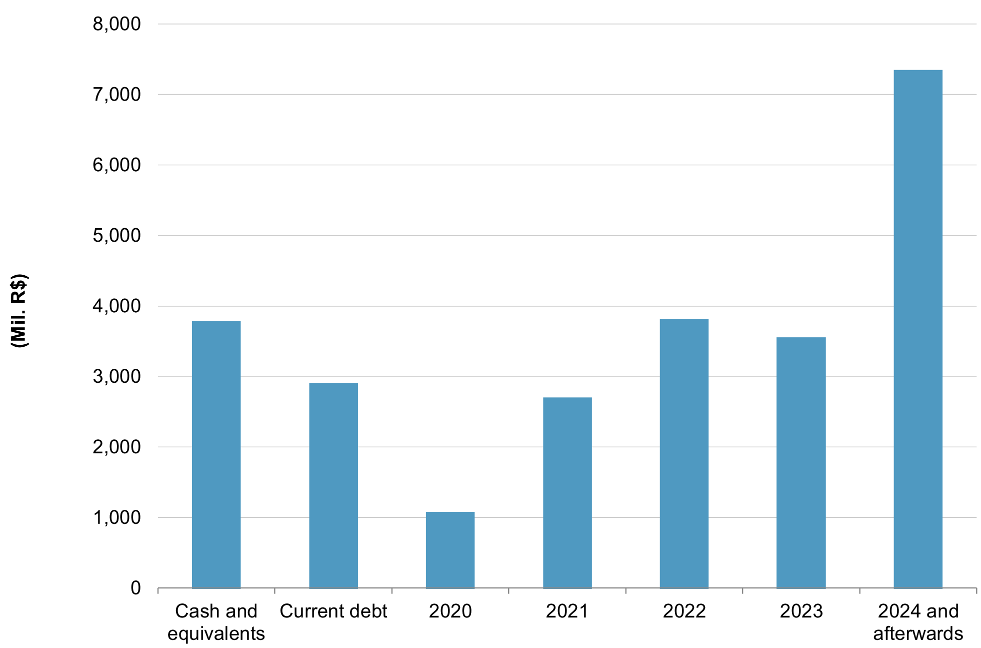
Principal Liquidity Sources	Principal Liquidity Uses

• Cash and equivalents of R$3.8 billion as of Sept. 30, 2019; and • Expected cash flows of about R$4 billion in the next 12 months.	• Short-term debt maturities of R$2.9 billion as of Sept. 30, 2019; • Minimum investments of about R$2 billion in the next 12 months; and • Minimum dividend distributions.

Debt maturities

Neoenergia has been engaged in liability management, aiming to refinance in advance its shorter-term debt maturities.

Amortization Schedule
As Of The End Of Third Quarter Of 2019. Weighted Average Maturity = 4.2 years



Source: S&P Global Ratings.

Covenant Analysis

Neoenergia has to comply with some covenants under its bank loans and debentures, which are measured either quarterly, semi-annually, or annually. The group has been in compliance with them, and we expect it to do so even if forecasted EBITDA were to fall 10%.

Main covenants:

- Net debt to EBITDA of up to 4.0x; and
- EBITDA to interest of at least 2.0x.

The subsidiaries are also subject to the same financial covenants, measured on a consolidated basis. The only exception is Elektro, which has the following covenants:

- Net debt to EBITDA of up to 3.0x; and
- EBITDA interest coverage of at least 2.5x.

Although the covenants for Elektro are more restrictive, we believe the subsidiary has a greater flexibility due to its lower debt than that of the group.

Group Influence

We consider the Brazilian operations as strategically important to Iberdrola's strategy to expand regulated activities in high-growth markets. However, Neoenergia doesn't represent a significant portion of the parent's consolidated earnings (about 15% of EBITDA in 2018), and we expect it to operate as a stand-alone entity, and not rely on the parent's direct financial support.

We believe Coelba, Celpe, Cosern, and Elektro are the group's most important subsidiaries because they're electricity distributors, responsible for more than 75% of Neoenergia's cash flows. In addition, although these subsidiaries are required by law to be separate from the group for regulatory purposes, we view that Neoenergia adopts an integrated financial strategy.

Issue Ratings - Subordination Risk Analysis

We rate several debt instruments of Neoenergia and its subsidiaries on Brazil national scale:

Issue	Amount	Maturity	Rating
Neoenergia S.A.			
6th debentures issuance	R$1.5 billion	Jun-33	brAA+
Companhia de Eletricidade do Estado da Bahia (Coelba)			
9th debentures issuance	R$400 million	Oct-21	brAAA
10th debentures issuance	R$1.2 billion	Apr-23	brAAA
12th debentures issuance	R$700 million	Apr-26	brAAA
Companhia Energetica de Pernambuco - CELPE			
7th debentures issuance	R$590 million	Jan-22	brAAA
8th debentures issuance	R$500 million	Jan-23	brAAA
10th debentures issuance	R$500 million	Apr-26	brAAA
Companhia Energetica do Rio Grande do Norte (Cosern)			
7th debentures issuance	R$370 million	Oct-24	brAAA

Issue	Amount	Maturity	Rating
Elektro Redes S.A.			
7th debentures issuance	R$1.3 billion	May-25	brAAA
Calango 6 Energia Renovavel S.A.			
1st debentures issuance	R$43.5 million	Jun-28	brAA+
Lagoa 1 Energia Renovavel S.A.			
1st debentures issuance	R$46.2 million	Mar-29	brAA+
NC Energia S.A.			
1st debentures issuance	R$31.6 million	Dec-25	brAA+
Termopernambuco S.A.			
4th debentures issuance	R$800 million	Dec-21	brAA+
7th debentures issuance	R$300 million	Aug-23	brAA+

The 'brAAA' issue-level ratings on Coelba, Celpe, Cosern, and Elektro are in line with their issuer credit rating, because these entities are the group's main operating companies, and they finance themselves mostly through unsecured debt.

The 'brAA+' issue-level rating on Neoenergia is a notch lower than the issuer credit rating because more than 95% of the consolidated debt is at the operating subsidiaries' level, indicating a structural subordination of the holding's obligations.

Finally, the 'brAA+' issue-level ratings on Calango 6, Lagoa 1, NC Energia, and Termopernambuco reflect these issuances' reliance on Neoenergia's guarantees (credit substitution). As such, we treat these debt instruments as the group's obligation; therefore, subordinated to its other obligations.

Reconciliation

Table 3

Reconciliation Of Neoenergia S.A. Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. $)

	--Fiscal year ended Dec. 31, 2018--						
Neoenergia S.A. reported amounts							
	Debt	**Shareholders' equity**	**Revenue**	**EBITDA**	**Operating income**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**
	5,439.0	4,456.8	6,704.1	1,175.9	844.6	1,313.4	343.2
S&P Global Ratings' adjustments							
Cash taxes paid	--	--	--	--	--	--	--
Cash taxes paid: Other	--	--	--	--	--	--	--
Cash interest paid	--	--	--	--	--	(329.7)	--
Accessible cash and liquid investments	(1,021.7)	--	--	--	--	--	--
Income (expense) of unconsolidated companies	--	--	--	(14.5)	--	--	--

Table 3

Reconciliation Of Neoenergia S.A. Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. $) (cont.)							
Nonoperating income (expense)	--	--	--	--	109.6	--	--
Noncontrolling interest/minority interest	--	83.4	--	--	--	--	--
Debt: Workers compensation/self insurance	243.2	--	--	--	--	--	--
Debt: Derivatives	(290.8)	--	--	--	--	--	--
Debt: Tax liabilities	0.6	--	--	--	--	--	--
Revenue: Other	--	--	(763.3)	(763.3)	(763.3)	--	--
COGS: Other nonoperating nonrecurring items	--	--	--	915.5	915.5	--	--
Depreciation and amortization: Other	--	--	--	--	(5.9)	--	--
Working capital: Taxes	--	--	--	--	--	--	66.4
Working capital: Other	--	--	--	--	--	--	396.4
Operating cash flow: Taxes	--	--	--	--	--	--	(66.4)
Operating cash flow: Other	--	--	--	--	--	--	(396.4)
Total adjustments	(1,068.7)	83.4	(763.3)	137.6	255.9	(329.7)	--
S&P Global Ratings' adjusted amounts							
	Debt	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Funds from operations**	**Cash flow from operations**
	4,370.3	4,540.3	5,940.7	1,313.4	1,100.5	983.7	343.2

Ratings Score Snapshot

Issuer Credit Rating

BB-/Positive/--

Business risk: Satisfactory

- **Country risk:** Moderately high
- **Industry risk:** Low
- **Competitive position:** Satisfactory

Financial risk: Aggressive

- **Cash flow/leverage:** Aggressive

Anchor: bb

Modifiers

- **Diversification/portfolio effect:** Neutral

- **Capital structure:** Negative
- **Financial policy:** Neutral
- **Liquidity:** Adequate
- **Management and governance:** Fair
- **Comparable rating analysis:** Neutral

Stand-alone credit profile : bb

- **Group credit profile:** bbb
- **Entity status within group:** Strategically important (no impact)

Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
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Related Research

Business And Financial Risk Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	Significant	**Aggressive**	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	**bb**	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of December 10, 2019)*

Neoenergia S.A.		
Issuer Credit Rating		BB-/Positive/--
Brazil National Scale		brAAA/Stable/brA-1+
Issuer Credit Ratings History		
12-Dec-2019		BB-/Positive/--
12-Jan-2018		BB-/Stable/--
16-Aug-2017		BB/Negative/--
23-May-2017		BB/Watch Neg/--
17-Feb-2016		BB/Negative/--
10-Sep-2015		BB+/Negative/--
31-Mar-2015		BBB-/Negative/--
11-Jul-2018	*Brazil National Scale*	brAAA/Stable/brA-1+
12-Jan-2018		brAA-/Stable/brA-1+
16-Aug-2017		brAA-/Negative/brA-1+
23-May-2017		brAA-/Watch Neg/brA-1
17-Feb-2016		brAA-/Negative/brA-1
10-Sep-2015		brAA+/Negative/brA-1
04-May-2015		brAAA/Negative/brA-1+
31-Mar-2015		brAAA/Negative/--
Related Entities		
Companhia de Eletricidade do Estado da Bahia		
Issuer Credit Rating		BB-/Positive/--
Brazil National Scale		brAAA/Stable/--
Senior Unsecured *Brazil National Scale*		brAAA
Companhia Energetica de Pernambuco (CELPE)		
Issuer Credit Rating		BB-/Positive/--
Brazil National Scale		brAAA/Stable/--
Senior Unsecured *Brazil National Scale*		brAAA
Companhia Energetica do Rio Grande do Norte		
Issuer Credit Rating		BB-/Positive/--

Ratings Detail (As Of December 10, 2019)*(cont.)	
Brazil National Scale	brAAA/Stable/--
Senior Unsecured	
Brazil National Scale	brAAA
Elektro Redes S.A.	
Issuer Credit Rating	
Brazil National Scale	brAAA/Stable/--
Senior Unsecured	
Brazil National Scale	brAAA

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.