

Neoenergia S.A. and Subsidiaries

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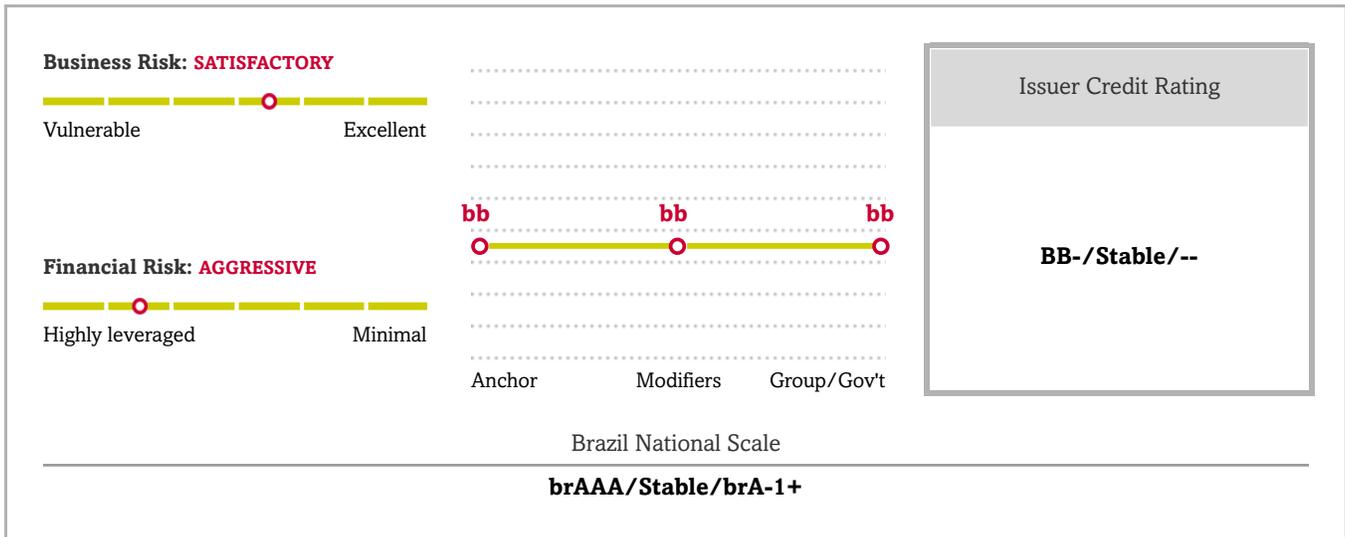
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Neoenergia S.A. and Subsidiaries



Credit Highlights

Key strengths	Key risks
About 90% of its EBITDA comes from stable and regulated electricity activities, making it more resilient once the transmission lines start operating. They will represent about 15% of consolidated EBITDA.	Ramp-up of the recently acquired distribution company in Brasilia.
Growth in generation business focused on non-conventional renewables, combined with an operational hydro portfolio and a modern combined cycle gas plant.	Neoenergia will require new debt to finance its robust investment plan and to refinance existing short-term debt maturities.
Diversified customer base with residential clients representing the largest stake, which protects the company during market downturns.	Potential execution risks related to a sizable investment plan focused on regulated networks and renewables.

Recently acquired distribution company in Brasilia increases Neoenergia's footprint and is in line with parent Iberdrola's strategy to grow in regulated network businesses. Regulated activities--electricity distribution and transmission--represent about 80% of Neoenergia's cash flow and provide a stable and predictable source of cash flow. In our view, the R\$2.5 billion debt-funded acquisition of CEB Distribuicao S.A. (CEB), concluded on March 2, 2021, will marginally improve Neoenergia's business risk as the group expands its concession area and client base in Brazil.

Neoenergia now plans to improve the asset quality metrics of CEB in the next few years, which were not in compliance with regulatory standards--although ANEEL, the regulator, has defined more flexible ratios until 2023, which made the sale feasible--and therefore improving CEB's profitability. We believe that CEB will contribute about 5% of Neoenergia's consolidated EBITDA after receiving the investments to revamp it, which are concentrated in the next three years.

Table 1

CEB's Key Highlights (2019 Data)	
Clients (000s)	1,085
Population (mil.)	3
Concession area (000s km ²)	6

Table 1

CEB's Key Highlights (2019 Data) (cont.)	
Municipalities	1
Electricity consumption (GWh)	6,577

We expect Neoenergia's adjusted debt to EBITDA to peak near 4.0x in 2021, but then to deleverage as new assets start operating. In our opinion, Neoenergia's credit metrics are in line with the current rating and stand-alone credit profile (SACP), but this year the company will make record annual investments of more than R\$10 billion to:

- Expand its network, connect new clients, and improve service quality in its existing distribution companies and to ramp up CEB.
- Conclude investments in the transmission lines awarded in the 2017 (anticipating start-up this year) and advance those from the 2018 auctions.
- Finally, to conclude the 471.2 megawatt (MW; installed capacity) Chafariz wind farm until late 2021 and to continue investing in the 566.5 MW Oitis wind farm, which we expect to start operating by mid-2022.

Because of these investments, we expect that Neoenergia will have negative free operating cash flow (FOCF) in 2021 and we expect the group to fund investments with additional debt. As of Dec. 31, 2020, the group already had more than R\$11 billion in funds available to finance its investment plan.

Given its robust capital expenditures (capex) in the next years, we expect the group to incorporate the recently acquired distributor and finalize generation and transmission assets before resuming growth.

Outlook: Stable

The stable outlook on Neoenergia for the next 12 months reflects that on the sovereign rating on Brazil (BB-/Stable/B) and considers our view that the group, as a regulated utility, could be subject to government intervention in a hypothetical sovereign default scenario.

Downside scenario

We could downgrade Neoenergia in the next 12 months if a similar action occurs on Brazil.

We could also lower the global and national scale ratings on Neoenergia if we come to believe that its controlling shareholder, Iberdrola S.A. (BBB+/Stable/A-2), 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 result from a combination of lower electricity consumption, larger-than-expected capex, and high dividend payouts.

The ratings on the subsidiaries Coelba, Celpe, Cosern, and Elektro will move in tandem with that on Neoenergia in case of a negative rating action.

Upside scenario

Currently, the sovereign rating on Brazil caps the one on Neoenergia. Therefore, we would raise the rating if we upgrade the sovereign.

On a stand-alone basis, we could revise the SACP upward if Neoenergia is able to post adjusted debt to EBITDA of about 3.0x and FFO to debt above 20%, which would come from improving cash flow generation as Neoenergia's assets start operations. Although unlikely because of the large investment plan for the next two years, if the group generates positive FOCF over the next few years--meaning that it could finance the investments solely with its own cash flow--we would upwardly revise the SACP.

For the national scale rating, the ratings are already at the highest level possible.

An upgrade on Neoenergia would result in a similar action its subsidiaries.

Our Base-Case Scenario

Assumptions	Key Metrics	
<ul style="list-style-type: none"> Electricity consumption will be 11% higher in Neoenergia's concession areas in 2021, considering the addition of Brasilia's distribution company that 	2021E	2022E
	EBITDA (bil. R\$)	7.5-8.0

will be consolidated from March onwards. In 2022, we forecast it to grow about 4.5%.

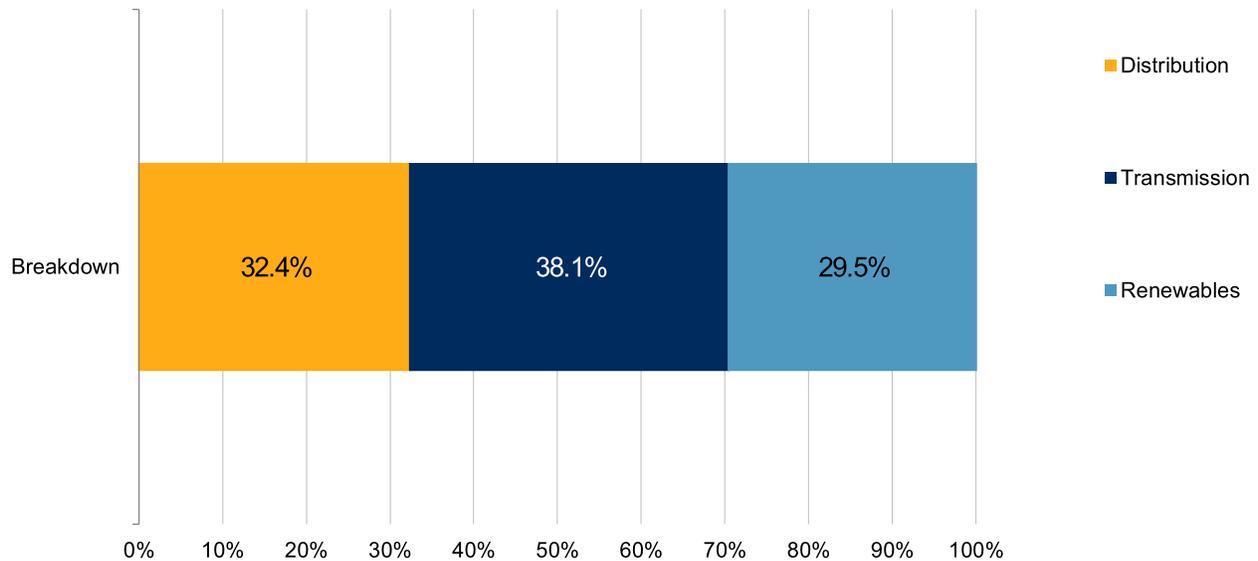
- Rate adjustments on all distribution companies to occur above inflation—3.9% in 2021 and 3.5% in 2022--and on their respective dates, because of the spike in the index that adjusts the manageable costs of the companies.
- At this point, we haven't incorporated any economic rebalance of the concession contracts due to the pandemic, since this matter is still under discussion among ANEEL and market participants.
- A generation scaling factor of 80%-85% in 2021 and 2022. However, because regulated contracts have about 90% of their output protected, we don't expect higher electricity costs for generators to hurt the company's metrics.
- Investments of more than R\$10 billion in 2021, mostly concentrated in the transmission segment, and about R\$7 billion in 2022, mostly in the distribution segment.
- Neoenergia will finance a large portion of these investments through new debt.
- A conservative dividend policy, distributing the minimum required by law, which is equivalent to 25% of previous year's net income.

	2021E	2022E
Investments (bil. R\$)	10-11	7-8
Debt to EBITDA (x)	3.5-4.0	3.5-4.0
FFO to debt (%)	15-20	15-20
FOCF to debt (%)	(25)-(20)	(10)-(5)

Base-case projections

New debt to finance the investment plan. Neoenergia will have negative FOCF in the next two years because of its sizable investments. It has about R\$11 billion in committed loans to be disbursed over the next few years, illustrating its ability to obtain financing for its investments with its relationship banks.

Finalizing the work on the transmission lines awarded in the auctions that took place in 2017 and advancing those from 2018 will consume about R\$4.0 billion. In addition, work on the Chafariz and Oitis wind complexes will demand R\$3.0 billion in 2021.

Chart 1**Neoenergia's 2021 Investments Breakdown**
As of Dec. 31, 2020

Source: S&P Global Ratings.

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Portfolio consolidation this year. Neoenergia plans to ramp up the operations of the recently acquired CEB, which was previously state-owned and had been underinvesting for several years. Therefore, we expect Neoenergia to conclude its investments already in the pipeline and incorporate its recent acquisition before seeking new growth opportunities. We expect that the distribution business will continue to generate the bulk of consolidated cash flows.

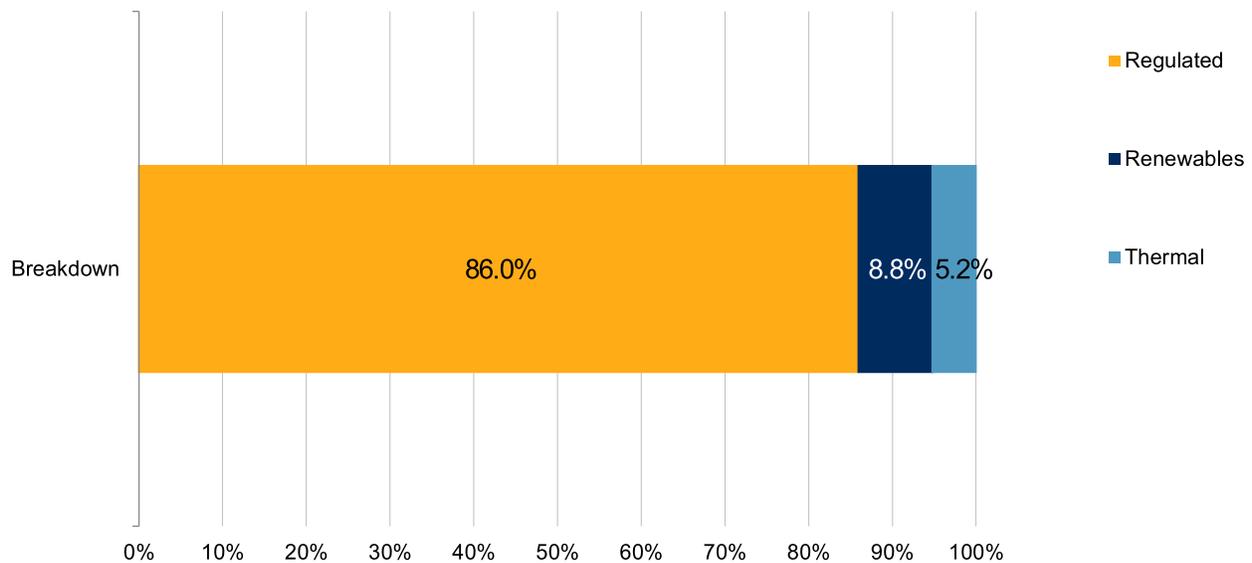
Company Description

Neoenergia is an integrated energy company operating in a wide range of electricity-related businesses: distribution, transmission, generation, and trading activities. It operates solely in Brazil and is concentrated in the country's northeast.

Neoenergia has about 15 million clients in the distribution segment through its five distribution companies and a consolidated regulatory asset base of about R\$23 billion. Also, Neoenergia has 1,038 kilometers (km) of transmission lines in operation and more than 5,000 km under construction. The group has 4,078 MW 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. In addition, it's constructing wind and solar parks for 1,187 MW. In 2020, Neoenergia reported net revenues of R\$31.1 billion and EBITDA of R\$6.5 billion.

Chart 2

EBITDA Breakdown
As of Dec. 31, 2020



Source: S&P Global Ratings.
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Iberdrola S.A. (BBB+/Stable/A-2) controls Neoenergia with a 51.04% stake. Caixa de Previdência dos Funcionários do Banco do Brasil (Previ; not rated) holds 30.29% of the group, and the remaining 18.67% is free floating. Iberdrola is the second largest power generator and distributor in Spain, as well as the leader in renewables, and it has operations in the U.K. through Scottish Power, in Latin America through Iberdrola Renovables, and in the U.S. through Avangrid.

Business Risk: Satisfactory

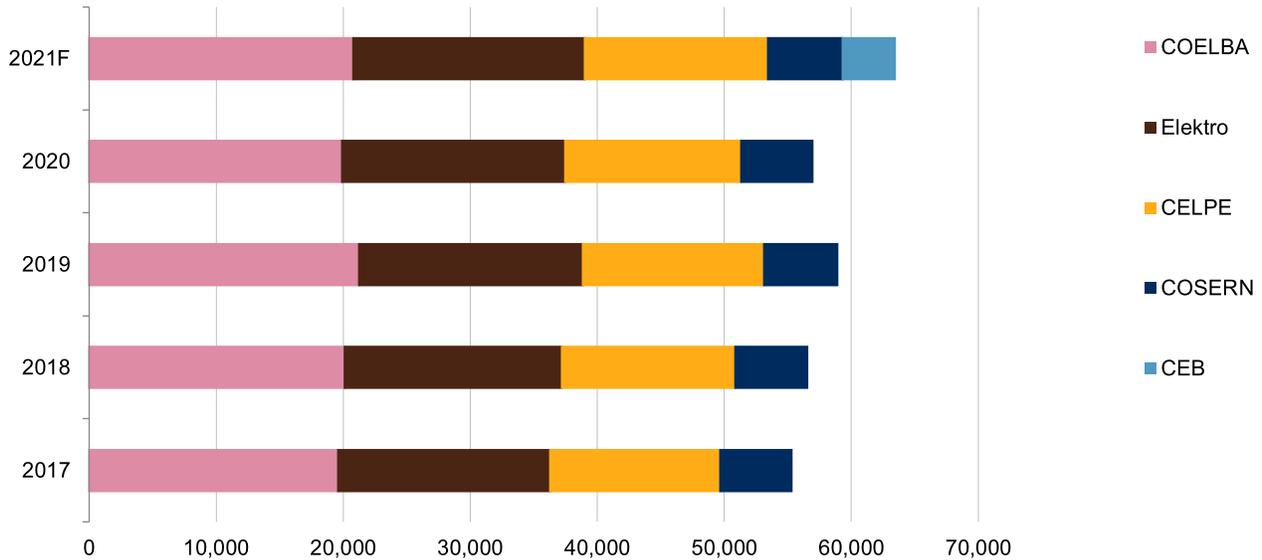
Most of its cash flows come from regulated activities. One of Neoenergia's business strengths is that electric power distribution activities generate about 80% of the group's EBITDA. This offers a high degree of cash flow predictability, which should further improve as new transmission lines start operating, given that their revenues are based on their availability to the system and therefore they're not exposed to volume risk.

We view the regulatory framework in Brazil as credit supportive, with a track record of fully respected contracts among industry players. Neoenergia's highly regulated distribution business serves three of the country's largest states in terms of GDP in northeastern Brazil and part of the states of São Paulo, the country's most populous and wealthiest state, and Mato Grosso do Sul. Recently, the group became responsible for the densely populated Federal District as well. Although electricity consumption in its concession areas in the country's northeast has historically increased above both Brazil's overall consumption and that of the entire northeastern region, the country's weak economy has

hurt the group's operations.

Chart 3

Electricity Consumption (GWh)
 Captive and free markets

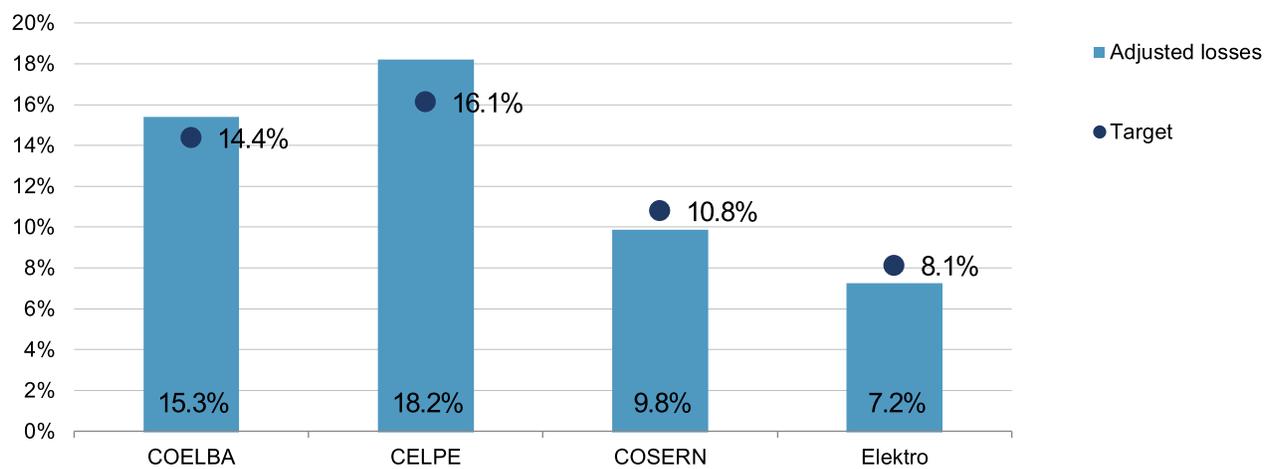


F--Forecast. Source: S&P Global Ratings.
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Despite challenges during the pandemic, losses and delinquency are under control. Throughout 2020, the COVID-19 pandemic posed hurdles for Brazilian electricity distributors. In addition to lower electricity consumption, they were temporarily prevented from interrupting services to clients not paying for electricity bills. In addition, some of Neoenergia's concession areas, especially the ones in northeastern Brazil, have low income per capita and are suffering from the pandemic's hit to the economy. Nevertheless, Neoenergia has implemented several measures (mentioned below) that have improved delinquency levels since the third quarter of 2020, and we expect this to continue in the next few quarters.

Chart 4

Adjusted Electricity Losses



Source: Neoenergia's earnings release.

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COELBA and CELPE suffered most from electricity theft in their concession areas, so Neoenergia will have to continuously monitor these areas in order to prevent losses from growing.

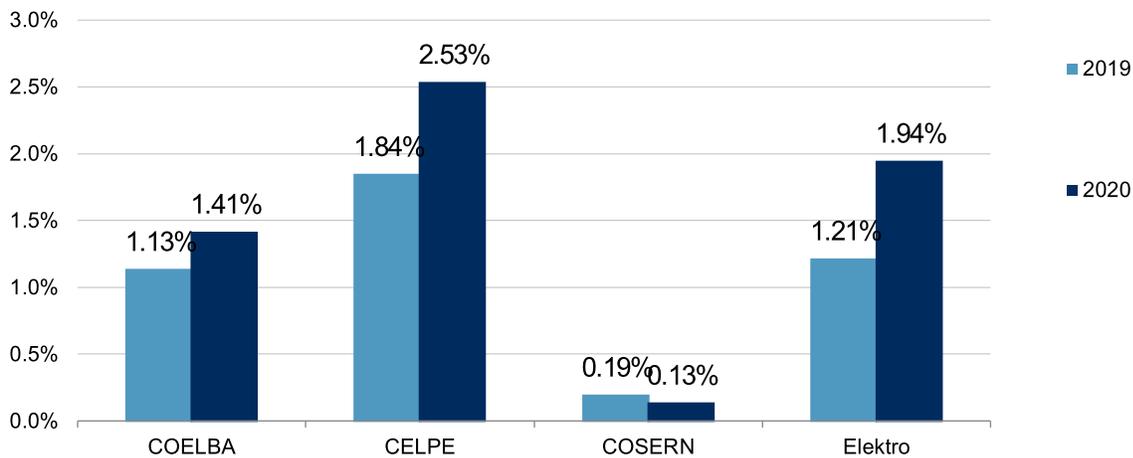
In addition, the group has been implementing different measures to assure that their clients are able to honor their electricity bills, such as:

- Timely notifications of payments due;
- Credit or debit cards payments;
- Bills can be paid in installments; and
- Negotiations with large users and the public sector.

With those measures in place, the group was able to have a low level of provisions for doubtful debtors and consolidated revenue collection of 99.08%.

Chart 5

Provisions For Doubtful Debtors
% of gross revenues



Source: Neoenergia's earnings release.

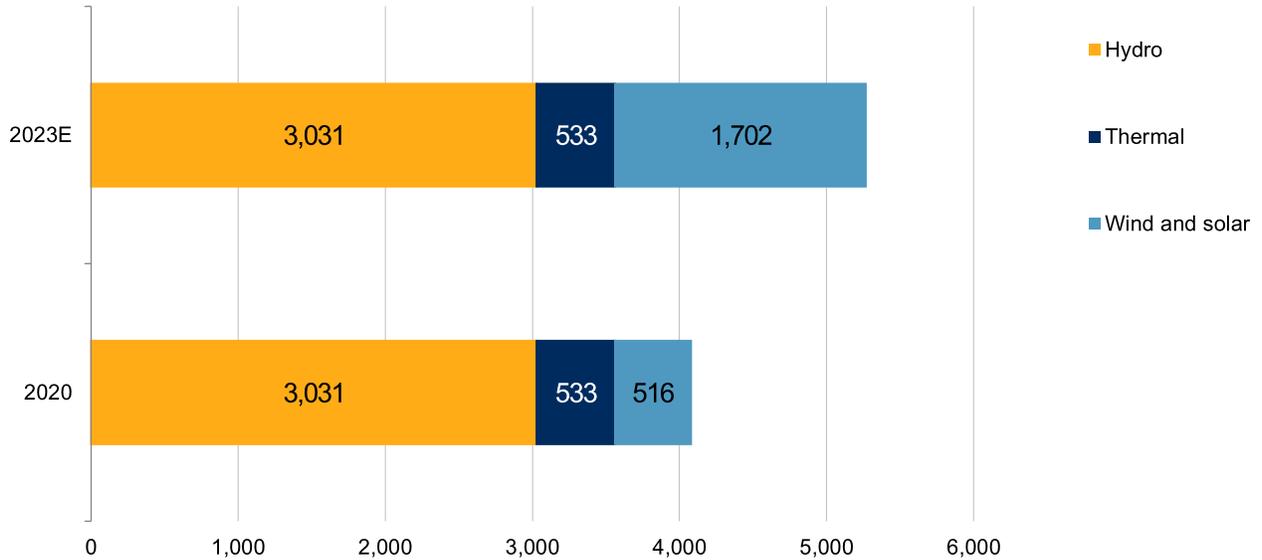
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Long-term contracts in the generation segment strengthen cash flow stability. Neoenergia currently has a portfolio concentrated in hydro plants, in addition to its natural gas combined cycle thermal plant Termopernambuco S.A. (Termope) and wind farms with long-term contracts in the free and regulated markets. This helps mitigate the volatility of conditions inherent to this segment.

Neoenergia has also been growing its portfolio through non-conventional renewables, mostly wind farms. This is in line with Iberdrola's global strategy to keep its leading position in renewables generation.

Chart 6

Generation Installed Capacity
Megawatts (MW)



E--Estimated. Source: S&P Global Ratings.

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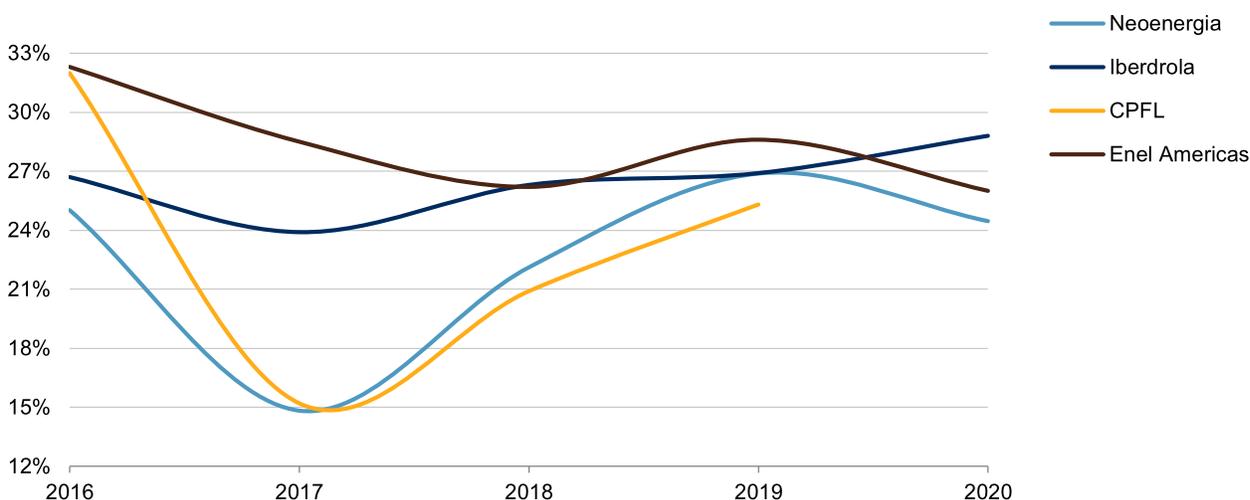
Peer comparison

We selected the following companies as peers for Neoenergia:

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

Chart 7

EBITDA Margins



Source: S&P Global Ratings.

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We believe Neoenergia compares well with CPFL in terms of size and geographic concentration, given that both companies only operate in Brazil. Given the higher level of investments that Neoenergia is executing, its credit metrics are slightly weaker than those of CPFL. Enel Americas, and especially Iberdrola, are better positioned because they operate in various regulatory jurisdictions. Neoenergia's parent has network operations in countries with well-established, stable, and predictable regulatory regimes.

Table 2

Neoenergia S.A. -- Peer Comparison

Industry Sector: Electric Utility

	Neoenergia S.A.	CPFL Energia S.A.	Iberdrola S.A.	Enel Americas S.A.
Ratings	BB-/Stable/-- brAAA/Stable/brA-1+	brAAA/Stable/--	BBB+/Stable/A-2	BBB/Negative/--
	--Fiscal year ended Dec. 31--			
(Mil. R\$)	2020	2019	2020	2020
Revenue	26,035.0	28,783.3	210,561.8	63,319.2
EBITDA	6,368.0	7,283.6	60,706.8	16,460.8
Funds from operations (FFO)	4,864.0	5,161.7	49,055.9	11,958.9
Interest expense	1,484.0	1,485.6	9,484.7	2,885.9
Cash interest paid	948.0	1,158.1	6,295.6	1,760.2
Cash flow from operations	3,543.0	5,762.9	44,704.3	11,074.7
Capital expenditure	4,732.0	2,236.8	36,236.1	4,187.1
Free operating cash flow (FOCF)	(1,189)	3,526.1	8,468.2	6,887.6

Table 2

Neoenergia S.A. -- Peer Comparison (cont.)				
Discretionary cash flow (DCF)	(1,656)	2,992.0	(13,270.9)	1,394.7
Cash and short-term investments	5,076.0	2,788.2	23,390.8	9,022.0
Debt	19,730.0	17,884.0	271,910.8	26,979.3
Equity	21,509.0	13,283.2	282,494.0	53,665.0
Adjusted ratios				
EBITDA margin (%)	24.5	25.3	28.8	26.0
Return on capital (%)	12.3	20.3	6.4	14.4
EBITDA interest coverage (x)	4.3	4.9	6.4	5.7
FFO cash interest coverage (x)	6.1	5.5	8.8	7.8
Debt/EBITDA (x)	3.1	2.5	4.5	1.6
FFO/debt (%)	24.7	28.9	18.0	44.3
Cash flow from operations/debt (%)	18.0	32.2	16.4	41.0
FOCF/debt (%)	(6.0)	19.7	3.1	25.5
DCF/debt (%)	(8.4)	16.7	(4.9)	5.2

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 FOCF in the next three years, especially in 2021. We expect that Neoenergia will be able to sustain debt to EBITDA between 3.5x-4.0x for the next two years, and this ratio could slightly improve as the new assets, both transmission and renewable, start operating, provided that the ramp-up of CEB is faster than we assume in our base-case scenario.

Financial summary

Table 3

Neoenergia S.A. -- Financial Summary					
	--Fiscal year ended Dec. 31--				
(Mil. R\$)	2020	2019	2018	2017	2016
Revenue	26,035.0	25,595.6	22,998.5	17,320.0	13,432.7
EBITDA	6,368.0	6,880.2	5,084.7	2,567.9	3,360.9
Funds from operations (FFO)	4,864.0	5,285.6	3,551.3	1,118.0	2,181.4
Interest expense	1,484.0	1,329.8	1,294.9	1,114.1	1,074.7
Cash interest paid	948.0	1,270.2	1,276.5	1,276.0	1,015.5
Cash flow from operations	3,543.0	3,409.6	1,328.4	694.4	1,105.7
Capital expenditure	4,732.0	4,308.5	4,143.1	3,807.4	2,707.4
Free operating cash flow (FOCF)	(1,189)	(898.9)	(2,814.6)	(3,113.0)	(1,601.7)
Discretionary cash flow (DCF)	(1,656)	(1,596.4)	(3,349.0)	(3,134.1)	(1,659.8)
Cash and short-term investments	5,076.0	4,065.6	3,955.2	3,873.1	1,393.6
Gross available cash	5,076.0	4,065.6	3,955.2	3,873.1	1,393.6
Debt	19,730.0	18,140.6	16,919.0	14,491.5	11,577.4
Equity	21,509.0	19,258.7	17,576.8	15,608.4	9,219.8

Table 3

Neoenergia S.A. -- Financial Summary (cont.)					
--Fiscal year ended Dec. 31--					
(Mil. R\$)	2020	2019	2018	2017	2016
Adjusted ratios					
EBITDA margin (%)	24.5	26.9	22.1	14.8	25.0
Return on capital (%)	12.3	16.0	13.2	6.9	14.4
EBITDA interest coverage (x)	4.3	5.2	3.9	2.3	3.1
FFO cash interest coverage (x)	6.1	5.2	3.8	1.9	3.1
Debt/EBITDA (x)	3.1	2.6	3.3	5.6	3.4
FFO/debt (%)	24.7	29.1	21.0	7.7	18.8
Cash flow from operations/debt (%)	18.0	18.8	7.9	4.8	9.6
FOCF/debt (%)	(6.0)	(5.0)	(16.6)	(21.5)	(13.8)
DCF/debt (%)	(8.4)	(8.8)	(19.8)	(21.6)	(14.3)

Liquidity: Adequate

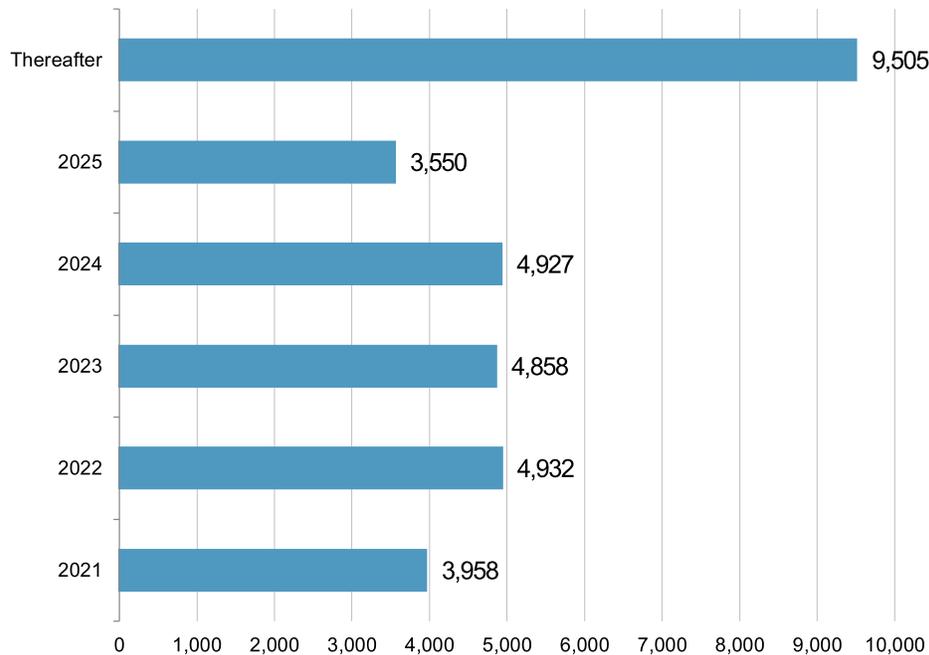
We assess Neoenergia's liquidity as adequate because we expect its sources of cash to exceed uses close to 1.1x in the next 12 months, even if EBITDA were to fall 10%. We consider that Neoenergia has enough cash in hands to face its short-term debt maturities, in addition to about R\$11 billion in committed funds to finance its investments in 2021. In our view, the company can rely on its solid relationship with banks while its standing in capital markets is solid. In addition, we believe that Neoenergia has flexibility to postpone dividend payments and investments in case of stressful conditions.

Principal Liquidity Sources	Principal Liquidity Uses
<ul style="list-style-type: none"> • Cash and cash equivalents of R\$5.3 billion as of Dec. 31, 2020. • Expected cash flow generation of about R\$5.5 billion in 2021. • Committed credit lines of about R\$ 11 billion available to finance the investments. 	<ul style="list-style-type: none"> • Debt amortization of about R\$3.7 billion in 2021. • Investments of more than R\$10 billion in 2021. • R\$2.5 billion related to the acquisition of Brasilia's distribution company. • Minimum dividend distributions of about R\$700 million in 2021.

Debt maturities

Chart 8

Debt Amortization Profile
(Mil. R\$)



Source: Neoenergia's 2020 results presentation.
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Covenant Analysis

Compliance expectations

We expect Neoenergia to comply with the required financial covenants under its bank loans and debentures, even if forecasted EBITDA were to fall 10% from our base-case scenario.

Requirements

Its main covenants, measured either quarterly, semiannually, or annually:

- 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.

There are few exceptions, such as Elektro, which has the following covenants measured at its level:

- Net debt to EBITDA of up to 3.0x; and

- EBITDA interest coverage of at least 2.5x.

COELBA also has one debt with this financial covenant at the individual level:

- Net debt to EBITDA of up to 4.0x.

COSERN has some debt measured at its level as well:

- Net debt to EBITDA of up to 4.0x.

Although the covenants for Elektro are more restrictive, we believe the subsidiary has greater flexibility because it has less debt compared to the group.

These ratio calculations differ from our methodology because they consider the variations in the regulatory assets and liabilities as part of the distribution companies' EBITDA.

Environmental, Social, And Governance (ESG)

We view Neoenergia's environmental risks as higher than global peers given its exposure to climate change, which could affect water levels in Brazil, where the energy matrix is hydro-based (60% of capacity). Still, the negative financial impact is partially mitigated because the company contracted a hydrology hedge that covers the exposure under the regulated PPAs that currently account for about 60% of the energy produced. Neoenergia's ESG strategy is aligned with that of Iberdrola, which aims to be carbon neutral by 2050. As such, its expansion investments are focused on transmission lines and renewables; in particular it is investing in developing about 1,187 MW of onshore wind assets and solar farms, which will allow it to achieve 1.7 GW of renewable capacity by 2023.

From a social standpoint, we view Neoenergia as more exposed than local peers because about 20% of its residential clients are low-income and benefit from government social programs including subsidies on their electricity bills, reducing delinquencies. Any change to the political framework supporting these low-income customers could affect the company's performance.

Group Influence

We consider the Brazilian operations as strategically important to Iberdrola's strategy to expand regulated activities (electricity distribution and transmission) in high-growth markets, as well as in the renewable segment. However, Neoenergia represents just about 15% of the parent's consolidated EBITDA, and we expect that to stay the same. Finally, we expect Neoenergia to continue operating 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 consider that Neoenergia adopts an

integrated financial strategy.

Rating Above The Sovereign

Neoenergia, through its subsidiaries in the electric power distribution, transmission, and generation segments, operates in a heavily regulated environment. It is regulated at the federal level, through ANEEL. We believe that in a sovereign stress scenario, there could be potential interference from the government in the electric utility sector, given its ability to determine the guidelines for the segment. Therefore, we believe that a default of Brazil would provide incentives to the government to intervene in the companies in the sector, including Neoenergia, which could hamper its ability to repay debt. Therefore, as a regulated utility, we limit the ratings on Neoenergia and its subsidiaries by that on Brazil.

Issue Ratings - Subordination Risk Analysis

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

Table 4

Debt-Level Ratings			
Issue	Amount	Maturity	Rating
Neoenergia S.A.			
6th debentures issuance	R\$1.3 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	Feb-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
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+

Table 4

Debt-Level Ratings (cont.)			
Issue	Amount	Maturity	Rating
7th debentures issuance	R\$300 million	Aug-23	brAA+

The 'brAAA' issue-level ratings on Coelba, Celpe, Cosern, and Elektro are in line with the issuer credit ratings 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's debt 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 5

Neoenergia S.A.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts							
--Fiscal year ended Dec. 31, 2020--							
	Debt	Shareholders' equity	Revenue	EBITDA	Operating income	S&P Global Ratings' adjusted EBITDA	Cash flow from operations
Neoenergia S.A. reported amounts (mil. R\$)	26,380.0	21,167.0	31,989.0	6,496.0	4,878.0	6,368.0	3,543.0
S&P Global Ratings' adjustments							
Cash taxes paid	--	--	--	--	--	(556)	--
Cash interest paid	--	--	--	--	--	(948)	--
Accessible cash and liquid investments	(5,076)	--	--	--	--	--	--
Dividends received from equity investments	--	--	--	44.0	--	--	--
Income (expense) of unconsolidated companies	--	--	--	56.0	--	--	--
Nonoperating income (expense)	--	--	--	--	183.0	--	--
Noncontrolling interest/minority interest	--	342.0	--	--	--	--	--
Debt: Workers compensation/self insurance	1,009.0	--	--	--	--	--	--
Debt: Derivatives	(2,583)	--	--	--	--	--	--
Revenue: Other	--	--	(5,954)	(5,954)	(5,954)	--	--
COGS: Other nonoperating nonrecurring items	--	--	--	5,726.0	5,726.0	--	--
Working capital: Taxes	--	--	--	--	--	--	556.0

Table 5

Neoenergia S.A.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (cont.)							
Working capital: Other	--	--	--	--	--	--	948.0
Operating cash flow: Taxes	--	--	--	--	--	--	(556)
Operating cash flow: Other	--	--	--	--	--	--	(948)
Total adjustments	(6,650.0)	342.0	(5,954.0)	(128.0)	(45.0)	(1,504.0)	--
	Debt	Equity	Revenue	EBITDA	EBIT	Funds from operations	Cash flow from operations
S&P Global Ratings' adjusted amounts	19,730.0	21,509.0	26,035.0	6,368.0	4,833.0	4,864.0	3,543.0

Ratings Score Snapshot

Issuer Credit Rating

BB-/Stable/--

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 (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Fair (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bb

- **Group credit profile:** bbb+
- **Entity status within group:** Strategically important (no impact)
- **Rating above the sovereign:** (-1 notch from SACP)

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019

- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- 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
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

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 March 30, 2021)*

Neoenergia S.A.

Issuer Credit Rating

BB-/Stable/--

Brazil National Scale

brAAA/Stable/brA-1+

Issuer Credit Ratings History

07-Apr-2020

BB-/Stable/--

12-Dec-2019

BB-/Positive/--

Ratings Detail (As Of March 30, 2021)*(cont.)

12-Jan-2018		BB-/Stable/--
16-Aug-2017		BB/Negative/--
23-May-2017		BB/Watch Neg/--
11-Jul-2018	<i>Brazil National Scale</i>	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

Related Entities**Companhia de Eletricidade do Estado da Bahia**

Issuer Credit Rating		BB-/Stable/--
<i>Brazil National Scale</i>		brAAA/Stable/--
Senior Unsecured		
<i>Brazil National Scale</i>		brAAA

Companhia Energetica de Pernambuco (CELPE)

Issuer Credit Rating		BB-/Stable/--
<i>Brazil National Scale</i>		brAAA/Stable/--
Senior Unsecured		
<i>Brazil National Scale</i>		brAAA

Companhia Energetica do Rio Grande do Norte

Issuer Credit Rating		BB-/Stable/--
<i>Brazil National Scale</i>		brAAA/Stable/--
Senior Unsecured		
<i>Brazil National Scale</i>		brAAA

Elektro Redes S.A.

Issuer Credit Rating		
<i>Brazil National Scale</i>		brAAA/Stable/--
Senior Unsecured		
<i>Brazil National Scale</i>		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.

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