

Transmissora Alianca de Energia Eletrica S.A.

Transmissora Alianca de Energia Eletrica S.A.'s (Taesa) ratings reflect Fitch Ratings' views that the company has low business risk relative to a diversified portfolio of power transmission assets in Brazil (BB-/Negative), with predictable revenues and high operating margins. The analysis considers Taesa will migrate leverage to more conservative levels and present positive FCF starting in 2022.

The Long-Term (LT) Foreign Currency (FC) Issuer Default Rating (IDR) is constrained by Brazil's Country Ceiling of 'BB', while the operating environment limits the LT Local Currency (LC) IDR. The Negative Outlook for the LT FC IDR follows the Outlook of Brazil's sovereign rating and the Negative Outlook for the LT LC IDR relates to a potentially weaker operating environment for the country.

Key Rating Drivers

Low Business Risk: Taesa's credit profile benefits from the low business risk associated with Brazil's power transmission segment, as revenues, known as permitted annual revenues (PARs), are based on assets availability rather than volume transported. Positively, PARs are annually adjusted by inflation indexes, which tend to compensate cost pressures. Companies in this segment have a diversified client base and guaranteed payment structure.

Robust Asset Portfolio: The company presents a strong and diversified asset portfolio and no exposure to concession renewals over the short to medium term. The issuer is one of the largest private power transmission companies in Brazil with 10,854km of transmission lines across the country, with 1,823km under construction, considering its stake in each project. Taesa's concessions will not begin to expire until 2030 and will occur on a staggered basis over the following years.

Predictable and Robust Revenues: The conclusion of new projects should allow Taesa to compensate for revenue and EBITDA reductions from its current portfolio. Concessions for transmission assets granted prior to 2006 include a 50% PAR reduction once the concession completes 15 years of operation. Considering consolidated PAR of BRL1.8 billion from operational assets in the LTM ended June 30, 2021, the expected gradual revenue decline of BRL280 million to 2023 corresponds to 15% of the total. The two fully-owned projects still under development should add BRL309 million to revenue in 2022.

High exposure to concessions indexed to the General Market Price Index, or Índice Geral de Precos do Mercado (IGPM), at about 80% of consolidated PAR, will strengthen consolidated results in 2021 and 2022. EBITDA, calculated through regulatory accounting, should increase to BRL1.4 billion in 2021. Fitch expects EBITDA to increase to BRL1.9 billion in 2022-2023, given new projects will be fully operational. EBITDA margins are high, ranging 80% to 85%, characteristic of transmission companies in Brazil.

Positive FCF in 2022: Based on regulatory accounting rules, Taesa's consolidated cash flow from operations should remain robust, with BRL1.5 billion in 2021 and BRL1.9 billion in 2022, reflecting high business margins and low to medium interest rates in Brazil. The company's FCF should be negative at BRL1.1 billion in 2021 and return to positive at BRL715 million in 2022 as investments fall significantly to levels below BRL60 million after the delivery of all new projects until YE 2021. The negative FCF this year reflects investments of BRL615 billion and a strong dividend pay-out ratio.

Moderate Leverage to Decline: The base case scenario for Taesa considers the migration of leverage metrics in 2022 to levels below 3.5x, consistent with its current ratings. Substantial dividend payments, along with significant acquisitions and capex disbursements, affected consolidated adjusted net leverage of 4.1x in 2020. The expectation is the ratio will be the same in 2021, as investments and dividends will remain high. Fitch includes off-balance-sheet debt related to guarantees provided and dividends received from non-consolidated companies in these ratios.

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term Foreign Currency IDR	BB	Negative	Affirmed Aug. 9, 2021
Long-Term Local Currency IDR	BBB-	Negative	Affirmed Aug. 9, 2021
National Long-Term Rating	AAA(bra)	Stable	Affirmed Aug. 9, 2021

[Click here for full list of ratings](#)

Applicable Criteria

[National Scale Rating Criteria \(December 2020\)](#)
[Corporate Rating Criteria \(December 2020\)](#)

Related Research

[Fitch Affirms Taesa's Ratings \(August 2021\)](#)

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Standalone Approach: Taesa's ratings are not constrained by the credit quality of its shareholders, such as Companhia Energetica de Minas Gerais (CEMIG; BB-/Stable), as CEMIG shares control of Taesa with Interconexión Eléctrica S.A. E.S.P. (ISA; BBB/Stable). Access to Taesa's cash is limited to dividends. The analysis does not incorporate an expected change in its shareholder structure. CEMIG plans to sell its stake in Taesa and the timing and final outcome are uncertain.

Low Construction Risk: Risks associated with the construction phase of six projects under development are manageable. Taesa obtained an installation license and addressed the funding of all six projects. The company can support necessary investments in the two fully-owned projects at BRL615 million and pending equity contributions for the non-controlling four projects under development at BRL64 million, given its strong financial flexibility and liquidity position. The start-up of all projects will occur in June 2022, all of them before the contractual regulatory deadlines.

Financial Summary

(BRL 000 as of Dec. 31)	2018	2019	2020	2021F
Net Revenue	1,382,950	1,425,662	2,677,611	1,762,677
Operating EBITDAR Margin (%)	82.1	49.9	64.8	83.5
FFO Margin (%)	92.1	72.5	51.2	90.3
FFO Fixed-Charge Coverage (x)	8.7	5.7	7.6	7.1
FFO-Adjusted Leverage (x)	2.5	5.6	4.7	4.6

F - Forecast.

Source: Fitch Ratings, Fitch Solutions.

Rating Derivation Relative to Peers

Taesa's financial profile is stronger than Latin American peers ISA in Colombia (BB+/Stable), Consorcio Transmántaro S.A. (CTM; BBB/Stable) in Peru (BBB+/Negative) and Transelec S.A. (BBB/Stable), in Chile (A-/Stable). All these peers have low business risk profiles and predictable cash flow generation, characteristic of transmission electricity companies in a regulated industry. The main difference in ratings for these issuers is the country where they generate their main revenues and the location of assets. While Taesa's peers are in higher-rated countries, its ratings are negatively affected by Brazil's Country Ceiling.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- A positive rating action on Taesa's LT FC IDR would be associated with an upgrade to Brazil's sovereign rating;
- A positive rating action on the LT LC IDR would be associated with improvements in Brazil's operating environment;
- An upgrade is not applicable to the National Long-Term Rating (NLTR), as it is at the highest level.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A negative rating action on the LT LC IDR would be associated with a deterioration in Taesa's consolidated financial profile, with net adjusted leverage above 3.5x and funds from operations net leverage above 4.0x, both on a sustainable basis;
- A weaker operating environment in Brazil may result in a downgrade of the LT LC IDR;
- A downgrade in Brazil's sovereign rating would result in a similar rating action on the LT FC IDR;
- A two-notch downgrade on Taesa's LT LC IDR would lead to a downgrade of the NLTR.

Liquidity and Debt Structure

Adequate Liquidity: Taesa should maintain moderate liquidity with short-term debt and ample access to bank credit lines and capital markets to mitigate expected negative FCF in 2021. Consolidated cash and marketable securities amounted to BRL720 million as of June 30, 2021, compared with short-term debt of BRL895 million, representing a strong coverage of 0.8x. The BRL750 million issuance in May 2021, with final maturity in 2036, reinforced the liquidity position but cash/short-term debt should continue in a 0.5x to 1.0x range after scheduled outflows associated to capex are under development.

Taesa's consolidated debt has a manageable maturity profile and no foreign exchange risk. Adjusted total debt was BRL7.8 billion as of June 30, 2021, considering a proportional stake guarantee in debt of non-consolidated subsidiaries at BRL1.0 billion. Consolidated debt of BRL6.8 billion mainly consisted of BRL6.2 billion in debentures.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of Environmental, Social and Governance (ESG) Credit Relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturities

Liquidity Analysis

(BRL 000)	12/31/19	12/31/20
Total Cash and Cash Equivalents	2,419,790	896,031
Short-Term Investments	0	0
Less: Not Readily Available Cash and Cash Equivalents	0	0
Fitch-Defined Readily Available Cash and Cash Equivalents	2,419,790	896,031
Availability Under Committed Lines of Credit	0	0
Total Liquidity	2,419,790	896,031
LTM EBITDA After Associates and Minorities	984,320	2,027,963
LTM FCF	120,075	(629,817)

Source: Fitch Ratings, Fitch Solutions, Transmissora Alianca de Energia Eletrica S.A.

Scheduled Debt Maturities

(BRL 000)	12/31/20
2021	450,545
2022	1,082,128
2023	944,528
2024	725,579
2025	330,000
Thereafter	2,711,151
Total	6,246,931

Source: Fitch Ratings, Fitch Solutions, Transmissora Alianca de Energia Eletrica S.A.

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer

- PARs adjusted considering inflation and, in some cases, a 50% reduction when the 15th operational year is completed;
- Readjustments of the 2021/2022 cycle PAR IGPM-indexed concessions of +37% and Extended National Consumer Price Index, or Índice Nacional de Preços ao Consumidor Ampliado (IPCA), indexed concessions of +8%;
- Operational expenses adjusted by inflation;
- Minimum cash of BRL500 million;
- Dividends corresponding to 95% of net income calculated through regulatory accounting rules.

Financial Data

	Historical			Forecast		
(BRL 000 as of Dec. 31)	2018	2019	2020	2021	2022	2023
Summary Income Statement						
Net Revenue	1,382,950	1,425,662	2,677,611	1,762,677	2,236,776	2,327,598
Revenue Growth (%)	27.0	3.1	87.8	(30.0)	30.0	0.0
Operating EBITDA (Before Income from Associates)	1,134,999	711,865	1,735,979	1,471,813	1,924,388	2,004,901
Operating EBITDA Margin (%)	82.1	49.9	64.8	83.5	86.0	86.1
Operating EBITDAR	1,134,999	711,865	1,735,979	1,471,813	1,924,388	2,004,901
Operating EBITDAR Margin (%)	82.1	49.9	64.8	83.5	86.0	86.1
Operating EBIT	1,128,599	1,088,845	2,360,763	1,271,681	1,670,427	1,740,629
Operating EBIT Margin (%)	81.6	76.4	88.2	72.1	74.7	74.8
Gross Interest Expense	(175,797)	(231,790)	(326,550)	(252,522)	(302,979)	(291,471)
Pretax Income (Including Associate Income/Loss)	1,218,668	1,146,197	2,719,182	1,075,609	1,407,369	1,490,491
Summary Balance Sheet						
Readily Available Cash and Equivalents	819,473	2,419,790	896,031	633,666	656,087	577,546
Total Debt with Equity Credit	3,291,529	5,382,535	6,246,931	7,129,437	6,446,423	5,606,964
Total Adjusted Debt with Equity Credit	3,443,713	6,324,718	7,277,023	8,172,292	7,489,278	6,607,218
Net Debt	2,472,056	2,962,745	5,350,900	6,495,771	5,790,336	5,029,418
Summary Cash Flow Statement						
Operating EBITDA	1,134,999	711,865	1,735,979	1,471,813	1,924,388	2,004,901
Cash Interest Paid	(157,132)	(200,218)	(200,746)	(252,522)	(302,979)	(291,471)
Cash Tax	(97,661)	(49,861)	(42,656)	(61,362)	(118,072)	(125,046)
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	232,342	272,455	291,984	377,815	370,500	422,180
Other Items Before FFO	160,920	298,753	(452,879)	0	0	0
FFO	1,273,468	1,032,994	1,370,495	1,592,194	1,913,758	2,051,898
FFO Margin (%)	92.1	72.5	51.2	90.3	85.6	88.2
Change in Working Capital	(233,273)	71,226	(12,227)	(30,511)	(33,893)	(54,500)
CFO (Fitch Defined)	1,040,195	1,104,220	1,358,268	1,561,683	1,879,865	1,997,398
Total Non-Operating/Non-Recurring Cash Flow	0	0	0			
Capex	(204,984)	(332,804)	(881,903)			
Capital Intensity (Capex/Revenue) (%)	14.8	23.3	32.9			
Common Dividends	(960,204)	(651,341)	(1,106,182)			
FCF	(124,993)	120,075	(629,817)			
Net Acquisitions and Divestitures	(3,514)	(184,053)	(765,131)			
Other Investing and Financing Cash Flow Items	(31,310)	(218,176)	(235,553)	(64,328)	0	0
Net Debt Proceeds	121,454	1,863,883	228,010	882,506	(683,014)	(839,459)
Net Equity Proceeds	0	0	0	0	0	0
Total Change in Cash	(38,363)	1,581,729	(1,402,491)	(262,365)	22,421	(78,541)
Leverage Ratios (x)						
Total Net Debt with Equity Credit/Operating EBITDA	1.9	4.0	3.1	4.1	3.0	2.5
Total Adjusted Debt/Operating EBITDAR	2.5	6.4	3.6	4.4	3.3	2.7
Total Adjusted Net Debt/Operating EBITDAR	1.9	4.0	3.1	4.1	3.0	2.5
Total Debt with Equity Credit/Operating EBITDA	2.5	6.4	3.6	4.4	3.3	2.7
FFO Adjusted Leverage	2.5	5.6	4.7	4.6	3.4	2.9
FFO Adjusted Net Leverage	1.9	3.4	4.2	4.2	3.1	2.6
FFO Leverage	2.5	5.6	4.7	4.6	3.4	2.9
FFO Net Leverage	1.9	3.4	4.2	4.2	3.1	2.6

	Historical			Forecast		
	2018	2019	2020	2021	2022	2023
(BRL 000 as of Dec. 31)						
Calculations for Forecast Publication						
Capex, Dividends, Acquisitions and Other Items Before FCF	(1,168,702)	(1,168,198)	(2,753,216)	(2,642,227)	(1,174,429)	(1,236,480)
FCF After Acquisitions and Divestitures	(128,507)	(63,978)	(1,394,948)	(1,080,543)	705,435	760,918
FCF Margin (After Net Acquisitions) (%)	(9.3)	(4.5)	(52.1)	(61.3)	31.5	32.7
Coverage Ratios (x)						
FFO-Interest Coverage	8.7	5.7	7.6	7.1	7.2	7.9
FFO Fixed-Charge Coverage	8.7	5.7	7.6	7.1	7.2	7.9
Operating EBITDAR/Interest Paid + Rents	8.7	4.9	10.1	7.3	7.6	8.3
Operating EBITDA/Interest Paid	8.7	4.9	10.1	7.3	7.6	8.3
Additional Metrics (%)						
CFO-Capex/Total Debt with Equity Credit	24.3	12.2	6.5	13.3	28.2	34.6
CFO-Capex/Total Net Debt with Equity Credit	31.8	19.8	7.5	14.6	31.4	38.6

F - Forecast. CFO - Cash flow from operations
Source: Fitch Ratings, Fitch Solutions.

How to Interpret the Forecast Presented

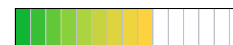
The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' 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 Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings 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 Ratings' own internal deliberations, where Fitch Ratings, 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 Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator



Transmissora Alianca de Energia Eletrica S.A.

ESG Relevance:



Corporates Ratings Navigator
Latin America Utilities

Factor Levels	Sector Risk Profile	Operating Environment	Management and Corporate Governance	Regulatory Environment	Business Profile			Financial Profile			Issuer Default Rating	
					Commodity Exposure	Market Position	Asset Base and Operations	Profitability	Financial Structure	Financial Flexibility		
aaa												AAA
aa+												AA+
aa												AA
aa-												AA-
a+												A+
a												A
a-												A-
bbb+												BBB+
bbb												BBB
bbb-												BBB-
bb+												BB+
bb												BB
bb-												BB-
b+												B+
b												B
b-												B-
ccc+												CCC+
ccc												CCC
ccc-												CCC-
cc												CC
c												C
d or rd												D or RD

Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colors = Relative Importance		↑	Positive
■	Higher Importance	↓	Negative
■	Average Importance	↕	Evolving
■	Lower Importance	□	Stable

Operating Environment

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

Regulatory Environment

a-	Independence	bb	Moderate government interference in utility regulations.
bbb+	Balance	bbb	Regulatory framework is moderately 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.
bbb-	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	a	Minimal lag to recover capital and operating costs.

Market Position

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	bbb	Moderately favorable outlook for prices and rates.
bb+			

Profitability

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

Financial Flexibility

a-	Financial Discipline	bbb	Less conservative policy but generally applied consistently.
bbb+	Liquidity (Cash+CFO)/S-T Debt	bb	Liquidity ratio around 1.0x. Less smooth debt maturity or concentrated funding.
bbb	FFO Interest Coverage	bbb	4.5x
bbb-	FX Exposure	aa	No material FX mismatch.
bb+			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Management and Corporate Governance

bbb+	Management Strategy	a	Coherent strategy and good track record in implementation.
bbb	Governance Structure		Board effectiveness questionable with few independent directors. "Key man" risk from dominant CEO or shareholder.
bbb-	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bb+	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bb			

Commodity Exposure

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+			

Asset Base and Operations

bbb+	Asset Diversity	bbb	Good quality and/or reasonable scale diversified assets.
bbb	Reliability of Operations and Cost Position	bbb	Reliability and cost of operations at par with industry averages with moderate operating losses.
bbb-	Exposure to Environmental Regulations	bbb	Limited or manageable exposure to environmental regulations.
bb+	Capital and Technological Intensity of Capex	bb	Reinvestment concentrated in capital-intensive or unproven technologies.
bb			

Financial Structure

a-	FFO Leverage	bbb	4.25x
bbb+	FFO Net Leverage	bbb	3.5x
bbb	Total Debt With Equity Credit/Op. EBITDA	bbb	4.0x
bbb-			
bb+			

Credit-Relevant ESG Derivation

Transmissora Alianca de Energia Eletrica S.A. has 9 ESG potential rating drivers				Overall ESG	
➔	Networks' exposure to extreme weather events- negative (e.g. risk of drought and flooding) or positive (e.g. additional return on resilience capex)	key driver	0 issues	5	
➔	Regulatory-driven access and affordability targets of utility services	driver	0 issues	4	
➔	Quality and safety of products and services; data security	potential driver	9 issues	3	
➔	Impact of labor negotiations and employee (dis)satisfaction				
➔	Social resistance to major projects that leads to delays and cost increases	not a rating driver	3 issues	2	
➔	Governance is minimally relevant to the rating and is not currently a driver.		2 issues	1	

For further details on Credit-Relevant ESG scoring, see page 3.

Credit-Relevant ESG Derivation

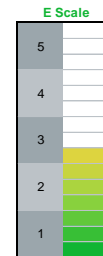
Transmissora Alianca de Energia Eletrica S.A. has 9 ESG potential rating drivers

- ➔ Transmissora Alianca de Energia Eletrica S.A. has exposure to extreme weather events but this has very low impact on the rating.
- ➔ Transmissora Alianca de Energia Eletrica S.A. has exposure to access/affordability risk but this has very low impact on the rating.
- ➔ Transmissora Alianca de Energia Eletrica S.A. has exposure to customer accountability risk but this has very low impact on the rating.
- ➔ Transmissora Alianca de Energia Eletrica S.A. has exposure to labor relations & practices risk but this has very low impact on the rating.
- ➔ Transmissora Alianca de Energia Eletrica S.A. has exposure to social resistance but this has very low impact on the rating.
- ➔ Governance is minimally relevant to the rating and is not currently a driver.

				Overall ESG Scale
key driver	0	issues	5	
driver	0	issues	4	
potential driver	9	issues	3	
not a rating driver	3	issues	2	
	2	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	Emissions from operations	Asset Base and Operations; Regulatory Risk; Profitability; Financial Structure
Energy Management	2	Energy and fuel use in operations; entities' financial targets for losses/shrinkage	Asset Base and Operations; Commodity Price and Market Risk; Profitability; Financial Structure
Water & Wastewater Management	1	Water usage in operations; water utilities' financial targets for water quality, leakage and usage	Asset Base and Operations; Regulatory Risk; Profitability
Waste & Hazardous Materials Management; Ecological Impacts	2	Impact of waste including pollution incidents; discharge compliance; sludge, coal ash	Asset Base and Operations; Regulatory Risk; Profitability
Exposure to Environmental Impacts	3	Networks' exposure to extreme weather events - negative (e.g. risk of drought and flooding) or positive (e.g. additional return on resilience capex)	Asset Base and Operations; Commodity Price and Market Risk; Profitability



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

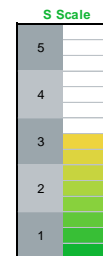
The **Environmental (E)**, **Social (S)** and **Governance (G)** tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The **Credit-Relevant ESG Derivation table** shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

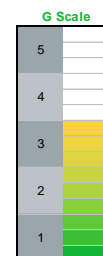
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Regulatory-driven access and affordability targets of utility services	Asset Base and Operations; Regulatory Risk; Profitability
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Regulatory Risk; Profitability
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability; Financial Structure; Financial Flexibility
Employee Wellbeing	2	Worker safety and accident prevention	Financial Flexibility
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Profitability; Financial Structure



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

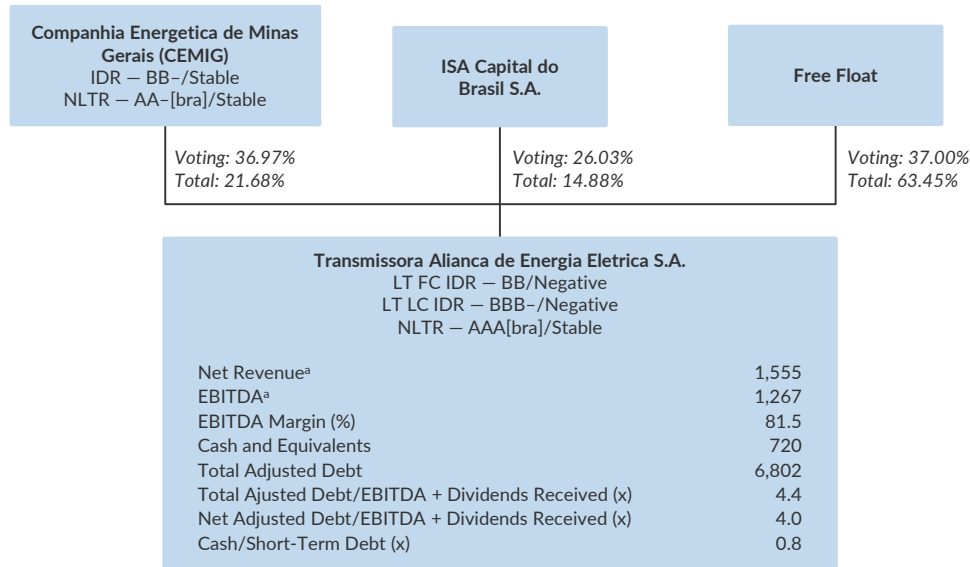


CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "low" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

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

(BRL Mil. LTM Ended as of June 30, 2021)



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

Peer Financial Summary

Company	Issuer Default Rating	Financial Statement Date	Net Revenue (USD Mil.)	Operating EBITDAR Margin (%)	FFO Margin (%)	FFO Fixed Charge Coverage (x)	FFO Adjusted Leverage (x)
Transmissora Alianca de Energia Eletrica S.A.	BB						
	BB	2020	520	64.8	51.2	7.6	4.7
	BB	2019	361	49.9	72.5	5.7	5.6
	BB	2018	379	82.1	92.1	8.7	2.5
Transec S.A.	BBB						
	BBB	2020	421	80.9	62.1	3.6	5.6
	BBB	2019	439	86.3	57.9	3.9	5.6
	BBB	2018	514	84.9	72.8	4.4	5.0
Consortio Transmantaro S.A. (CTM)	BBB						
	BBB	2020	350	53.6	30.8	3.3	7.3
	BBB-	2019	235	77.5	47.8	3.5	6.2
	BBB-	2018	234	72.6	44.0	3.4	6.4
Empresa de Transmision Eletrica S.A.	BBB-						
	BBB	2020	130	72.0	33.3	2.7	8.4
	BBB	2019	144	68.9	24.8	2.2	9.3
		2018	127	47.6	24.9	2.2	8.6
Alupar Investimento S.A.	BB						
	BB	2020	563	83.7	207.5	15.3	1.4
	BB	2019	373	64.9	65.5	3.1	6.7
	BB	2018	410	73.5	37.6	2.5	8.9
Companhia de Transmissao de Energia Eletrica Paulista S.A. (CTEEP)	AAA(bra)						
	AAA(bra)	2020	784	65.3	62.8	15.9	2.2
	AAA(bra)	2019	515	71.7	77.1	9.8	1.8
	AAA(bra)	2018	766	81.0	68.4	16.4	2.1
Interconexion Eletrica S.A. E.S.P.	BBB						
	BBB+	2020	2,757	57.5	18.9	2.4	7.1
	BBB+	2019	2,480	67.8	45.1	4.1	3.7
	BBB+	2018	2,426	70.6	41.8	4.0	4.4

Note: Companhia de Transmissao de Energia Eletrica Paulista S.A.'s (CTEEP) ratings are National Long-Term Ratings.
Source: Fitch Ratings, Fitch Solutions.

Fitch Adjusted Financials

(BRL 000 as of Dec. 31, 2020)	Notes and Formulas	Reported Values	Sum of Adjustments	Other Adjustments	Adjusted Values
Income Statement Summary					
Revenue		3,561,286	(883,675)	(883,675)	2,677,611
Operating EBITDAR		2,376,043	(640,064)	(640,064)	1,735,979
Operating EBITDAR After Associates and Minorities	(a)	2,668,027	(640,064)	(640,064)	2,027,963
Operating Lease Expense	(b)	0	—	—	0
Operating EBITDA	(c)	2,376,043	(640,064)	(640,064)	1,735,979
Operating EBITDA After Associates and Minorities	(d) = (a-b)	2,668,027	(640,064)	(640,064)	2,027,963
Operating EBIT	(e)	2,360,763	—	—	2,360,763
Debt and Cash Summary					
Total Debt with Equity Credit	(f)	6,221,413	25,518	25,518	6,246,931
Lease-Equivalent Debt	(g)	0	—	—	0
Other Off-Balance-Sheet Debt	(h)	1,030,092	—	—	1,030,092
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	7,251,505	25,518	25,518	7,277,023
Readily Available Cash and Equivalents	(j)	896,031	—	—	896,031
Not Readily Available Cash and Equivalents		0	—	—	0
Cash Flow Summary					
Operating EBITDA After Associates and Minorities	(d) = (a-b)	2,668,027	(640,064)	(640,064)	2,027,963
Preferred Dividends (Paid)	(k)	0	—	—	0
Interest Received	(l)	38,813	—	—	38,813
Interest (Paid)	(m)	(200,746)	—	—	(200,746)
Cash Tax (Paid)		(42,656)	—	—	(42,656)
Other Items Before FFO		(1,092,943)	640,064	640,064	(452,879)
FFO	(n)	1,370,495	—	—	1,370,495
Change in Working Capital (Fitch-Defined)		(852,951)	840,724	840,724	(12,227)
CFO	(o)	517,544	840,724	840,724	1,358,268
Non-Operating/Nonrecurring Cash Flow		0	—	—	0
Capex	(p)	(41,179)	(840,724)	(840,724)	(881,903)
Common Dividends (Paid)		(1,106,182)	—	—	(1,106,182)
FCF		(629,817)	—	—	(629,817)
Gross Leverage (x)					
Total Adjusted Debt/Operating EBITDAR ^a	(i/a)	2.7	—	—	3.6
FFO Adjusted Leverage	(i-j)/(n-m-l-k+b)	4.7	—	—	4.7
FFO Leverage	(i-g)/(n-m-l-k)	4.7	—	—	4.7
Total Debt with Equity Credit/Operating EBITDA ^a	(i-g)/d	2.7	—	—	3.6
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	6.6	—	—	6.5
Net Leverage (x)					
Total Adjusted Net Debt/Operating EBITDAR ^a	(i-j)/a	2.4	—	—	3.1
FFO Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	4.1	—	—	4.2
FFO Net Leverage	(i-g-j)/(n-m-l-k)	4.1	—	—	4.2
Total Net Debt with Equity Credit/Operating EBITDA ^a	(i-g-j)/d	2.4	—	—	3.1
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	7.5	—	—	7.5
Coverage (x)					
Operating EBITDA/(Interest Paid + Lease Expense) ^a	a/(-m+b)	13.3	—	—	10.1
Operating EBITDA/Interest Paid ^a	d/(-m)	13.3	—	—	10.1
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	7.6	—	—	7.6
FFO-Interest Coverage	(n-l-m-k)/(-m-k)	7.6	—	—	7.6

^aEBITDA/R after dividends to associates and minorities. CFO – Cash flow from operations.
Source: Fitch Ratings, Fitch Solutions, Transmissora Alianca de Energia Eletrica S.A.

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