

This English version is provided on request and reflects the translation from the original one published only in Portuguese by S&P Global Ratings on June 25, 2020. In case of any discrepancy between this English version and the original in Portuguese, the Portuguese version shall apply.

Press Release

Eneva S.A. Debentures Fifth Issue Assigned 'brAAA' Rating In The Brazil National Scale

June 25, 2020

São Paulo (S&P Global Ratings), June 25, 2020 – S&P Global Ratings assigned today its issue rating of 'brAAA' in the National Scale for Brazil and the recovery rating of '3' to the fifth issue of senior unsecured debentures proposed by Eneva S.A. (Eneva; brAAA/Stable/--).

The issue has a firm distribution guarantee from the arranger banks and will be placed in a single series, with final maturity in 2030. The R\$650 million raised will be used mainly to finance investments in exploration and production of natural gas in the Parnaíba Basin, guaranteeing the future supply of its plants. The debentures will have neither real guarantees nor guarantees from the group's operating subsidiaries.

Eneva is an electricity generator with a total installed capacity of 2,152 megawatts (MW), of which 1,427 MW come from four thermal plants powered by natural gas located in the Parnaíba complex, in the state of Maranhão. As part of its expansion plans, the company is building two new plants, scheduled for delivery between 2021 and 2022, and is expected to add 517 MW to the installed capacity. The company is self-sufficient in natural gas, with its own certified reserves totaling 27.7 billion cubic meters (bcm), with 24.1 bcm in the Parnaíba Basin (certified in December 2019).

Covenants

Eneva's debentures have financial covenants that may result in non-automatic acceleration of debt if the company's leverage measured by the net debt to EBITDA ratio exceeds 5.0x between September 2020 and June 2022 and 4.5x thereafter.

Despite less downtime in relation to the maximum levels in 2020, we believe that Eneva will not have problems, considering that a large part of its cash generation comes from fixed revenues through asset's availability and an acceleration of debts would only occur if the indicators exceed their corresponding levels during four consecutive quarters.

Issue Ratings – Recovery Analysis

Key Credit Factors

The recovery rating of '3' assigned to Eneva's fifth senior unsecured debenture issue indicates our view that creditors can expect an approximate 65% recovery in the event of default. As a result, we equalized the issue rating to Eneva's corporate rating.

Our analysis considers a hypothetical default scenario that would occur because of operational problems, which would lead Eneva to have difficulties in refinancing its short-term debt, causing a possible delay in payments. In this simulated default scenario, we believe that there would be

PRIMARY CREDIT ANALYST

Marcelo Schwarz, CFA

Sao Paulo
55 (11) 3039-9782
marcelo.schwarz
@spglobal.com

SECONDARY CONTACT

Gabriel Gomes

Sao Paulo
55 (11) 3039-9782
gabriel.gomes
@spglobal.com

incentives for its restructuring, considering its status as a strategic energy generator for the subsystems in which it operates (North and Northeast), as well as its vertical integration and energy sale contracts. Accordingly, we believe that creditors would achieve higher recovery amounts with a reorganization of the company, than in the case of its liquidation.

Simulated Default and Assumptions and Evaluation

- Year of the simulated default: 2024;
- EBITDA at emergence: R\$1.8 billion;
- EBITDA Multiple: 5.5x.

Payment Waterfall

- Net enterprise value (EV) after applying an EBITDA multiple of 5.5x and deduction of administrative costs of 5%: R\$6.0 billion;
- Expected recovery of unsecured senior debt: 65%.
 - * All debt amounts include six months of pre-petition interest.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Related Criteria And Research

Cr teria

- General Criteria: Group Rating Methodology, July 1, 2019
- Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Methodology And Assumptions: Liquidity Descriptors for Global Corporate Issuers, Dec. 16, 2014
- Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- Corporate Methodology, Nov. 19, 2013
- 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
- Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- Use Of CreditWatch And Outlooks, Sep. 14, 2009

Research

- [Ratings 'brAAA' da Eneva S.A. reafirmados e ratings atrib idos  s novas emiss es de deb ntures: perspectiva est vel](#), Jan. 21, 2020

ADDITIONAL REGULATORY INFORMATION

Linked Rating Action

Credit Ratings issued by S&P Global Ratings are determined by Rating Committees composed of Analysts and not by individual Analysts. However, under certain circumstances, S&P Global Ratings issues Credit Ratings that are derived either in whole or in part from other Credit Ratings. In this regard, and under certain circumstances, an Employee may apply an existing Issue or Issuer Credit Rating on an entity (previously determined by a Rating Committee) to another Issuer and/or Issue (i.e., a Linked Rating Action). See the [Rating Committee Policy](http://www.standardandpoors.com) em www.standardandpoors.com.

Other Services Provided To The Issuer

There are no other services provided to this issuer..

Credit Ratings Attributes And Limitations

S&P Global Ratings uses information in its credit analysis from sources considered reliable, including those provided by the issuer. S&P Global Ratings does not carry out audits or any due diligence or independent verification of information received from the issuer or third parties in connection with its credit rating processes or the surveillance of assigned ratings. S&P Global Ratings does not verify the completeness and accuracy of the information it receives. In fact, the information provided to us may contain inaccuracies or omissions that may be relevant to the credit rating analysis.

In connection with the analysis of these credit rating (s), S&P Global Ratings believes that there is sufficient information and of satisfactory quality to enable it to have a credit rating opinion. The assignment of a credit rating to an issuer or issue by S&P Global Ratings should not be seen as a guarantee of the accuracy, completeness or timeliness of (i) information on which S&P Global Ratings was based in connection with the credit rating or (ii) the results that can be obtained through the use of the credit rating or related information.

Information Sources

For the assignment and surveillance of its ratings, S&P Global Ratings uses, according to the type of issuer/issue, information received from issuers and/or their agents and directors. This information can include audited financial statements for the fiscal year, quarterly financial information, information corporate, prospectuses and other materials offered, historical and projected information received during the meetings with the issuers' management, as well as the analysis reports of economic and financial aspects and similar aspects of the assessed entity and / or its parent company. In addition, we use information in the public domain, including information published by securities, banking, insurance and/or other regulators, stock exchanges, and other public sources, as well as national and international market information services.

Issuer Notification

S&P Global Ratings' notice to issuers regarding the assigned rating is addressed in the "[Issuer Notification \(including Issuer Appeals\)](#)" policy.

Ratings Surveillance

S&P Global Ratings surveillance of the credit ratings assigned is covered in the following documents:

- [General Description of the Credit Ratings Process](#) (Credit Ratings Reviews section)
- [Surveillance Policy](#)

Potential Conflicts of Interest of S&P Global Ratings

S&P Global Ratings publishes the list of actual or potential conflicts of interest in "[Conflitos de Interesse — Instrução Nº 521/2012, Artigo 16 XII](#)" section at www.standardandpoors.com.br.

Range Limit Of 5%

S&P Global Ratings Brasil publishes in its Reference Form presented at http://www.standardandpoors.com/pt_LA/web/guest/regulatory/disclosures the names of the entities responsible for more than 5% of its annual revenues.

S&P Global Ratings' regulatory disclosures (PCRs) are published as of a point-in-time, which is current as of the date a Credit Rating Action was last published. S&P Global Ratings updates the PCR for a given Credit Rating to include any changes to PCR disclosures only when a subsequent Credit Rating Action is published. Thus, disclosure information in this PCR may not reflect changes to data within PCR disclosures that can occur over time subsequent to the publication of a PCR but that are not otherwise associated with a Credit Rating Action.

Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.