

RATING ACTION COMMENTARY

Fitch Revises Axia Energia's Outlook to Positive; Affirms Ratings at 'BB-'

Mon 17 Nov, 2025 - 4:49 PM ET

Fitch Ratings - Rio de Janeiro - 17 Nov 2025: Fitch Ratings has affirmed Centrais Eletricas Brasileiras S.A.'s (Eletrobras, now Axia Energia) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) and senior unsecured bonds at 'BB-'. Fitch has also affirmed the National Scale ratings for Axia Energia and its subsidiary Companhia Hidro Eletrica do Sao Francisco S.A. (Chesf), including Chesf's debenture issuance, at 'AA(bra)'. The Rating Outlook was revised to Positive from Stable.

The Positive Outlook reflects Fitch's expectation of an improvement on Axia Energia's cash generation and credit metrics due to the combination of the announced assets sales and Fitch's more favorable assumptions for the group's energy sales prices.

Axia Energia's ratings reflect its significant and diversified asset base, which dilutes operational and regulatory risks. The group benefits from strong liquidity and financial flexibility to meet debt obligations and higher capex plans. Chesf's rating is equal to Axia Energia's rating due to medium-to-high incentives of support from the parent.

KEY RATING DRIVERS

Quick Deleveraging: Asset sales and stronger EBITDA performance should allow Axia Energia to improve its credit metrics. Net adjusted financial leverage, including off-balance guarantees, is expected to range 3.0x-3.5x from 2026 to 2028, with 3.5x in 2026, with average gross leverage around 4.0x for the period - 4.0x in 2026. Conclusion of the sale of Eletronuclear S.A. and Empresa Metropolitana de Aguas e Energia S.A.'s (EMAE) shares sale should represent an adjusted net debt reduction of BRL9.5 billion, partially offset by an expected additional BRL4.3 billion in extraordinary dividends. These ratios were 3.4x and 4.9x, respectively, in the last 12 months ended September 2025.

Advances in DeRisking: Eletronuclear's sale will represent a significant de-risk initiative for Axia Energia's credit profile. The subsidiary has a large capex program over the next years associate with the construction of the nuclear thermal plant Angra III (1.4GW, under construction). Besides the operational risk reduction, the transaction will have a meaningful positive financial impact of BRL8.8 billion to Axia Energia, from a combination of off-balance debt release (BRL5.9 billion), cash support avoidance (BRL2.4 billion) and cash inflow for the equity sale (BRL535 million), which will strengthen its financial profile.

The company has been successful in selling non-core assets. In October 2025, it completed the sale of 100% of its thermal power plant portfolio—comprising 13 plants with 2.1 GW of installed capacity—in a transaction that brought in BRL 3.6 billion in cash. Additionally, in the same month, Axia Energia announced the sale of its 38.81% minority stake in the generation company EMAE. This transaction is expected to close in the coming months and will generate BRL476 million in cash inflow for Axia Energia.

Better Trends for Merchant Position: Axia Energia's large uncontracted capacity exposes the group to energy price risk. Positively, Fitch expects energy leaving the quotas regime to sell at better prices than current levels and prior assumptions. Fitch estimates available energy of 4.1GW in 2026, 7.6GW in 2027 and 8.0GW in 2028, implying uncontracted positions of 23%, 43% and 45%. The new base case assumes BRL252/MWh in 2026, BRL212/MWh in 2027 and BRL187/MWh in 2028, versus around BRL90/MWh for ending quotas contracts and about 17% above the prior assumptions.

Capex Pressures FCF: EBITDA is expected to improve driven by higher energy prices, transmission revenues from new assets, and efficiency gains—rising from BRL19.2 billion in 2025 to BRL23.2 billion in 2026 and BRL24.9 billion in 2027. FCF should be negative BRL7.5 billion in 2025 due to heavy capex (BRL8.9 billion) and dividends (BRL8.3 billion), buffered by strong liquidity, with the dividend payout ratio reverting to 25% from 2026. Base case scenario for the rating incorporates BRL25.0 billion in capex for 2026-2028, with the negative FCF in 2026 (BRL898 million) turning positive and averaging roughly BRL1.0 billion in 2027-2028.

Strong Business Profile: Axia Energia is Brazil's largest generation and transmission company, with 44 GW of installed generation capacity, fully from renewable sources, and 74,769 km of transmission lines, or 22% and 37% of respective national market share. The business diversification in segments and assets reduces operational and regulatory risks for the group. Around 60% of consolidated revenues have contracts in the regulated market, 40% from the transmission segment and 20% for generation. These revenues are adjusted annually by inflation rates, which provides some visibility on cash generation.

Subsidiary's Rating Equalized: Fitch equalizes the National Scale ratings of Chesf and Axia Energia due to the medium to high set of legal, operational and strategic incentives for the controlling shareholder to support the subsidiary, if needed. Axia Energia holds a 100% stake of Chesf and this subsidiary is included in cross default clauses of the parent's Eurobonds and local debentures. The operating and strategic incentives are mainly based on the importance of Chesf's assets for Axia Energia group and the centralized operational and financial decisions.

PEER ANALYSIS

Axia Energia' IDR reflects its geographic concentration in Brazil, compared with its peers operating in higher rated countries in the region, such as Chile (A-/Stable) and Colombia (BB+/Negative), where Enel Americas S.A. (BBB+/Stable) and Interconexion Electrica S.A. E.S.P. (BBB/Negative) are respectively located. Locally, Eletrobras' 'BB-' rating is two to three notches below the LC IDR of other Brazilian generation and transmission groups, due to its higher uncontracted position and weaker financial profile, despite its larger size and asset diversification.

In generation, Engie Brasil Energia S.A. (Engie Brasil) and Auren Energia S.A. (Auren) both have FC IDRs of 'BB+/'Stable and LC IDRs of 'BBB-/'Stable. Axia Energia has an installed capacity of approximately 44.2GW, which compares favorably with Engie Brasil (9.3GW) and Auren (8.8 GW). Axia Energia is also the largest power transmission company in Brazil, with 74,769 km of transmission lines in operation, compared to 11,943 km for Transmissora Alianca de Energia Eletrica S.A. (Taesa, FC and LC IDRs BB+/Stable) and 7,139 km for Alupar Investimento S.A. (Alupar, FC IDR BB+/Stable, LC IDR BBB-/'Stable).

Axia Energia has higher gross and net leverage than most of its higher rated peers. The company's expected gross and net leverage for 2025, 4.7x and 3.3x, respectively, compares to gross and net leverage of 3.7x and 3.2x for Engie Brasil, 4.2x and 3.7x for Taesa and 4.0x and 3.0x for Alupar. Alupar and Taesa also have a lower business risk profile due to their concentration in the electricity transmission segment, which has lower volatility than generation.

KEY ASSUMPTIONS

Fitch's Key Assumptions within the Rating Case for the Issuer Include

-- Annual energy sales of 16.5 GW on average during 2025-2028;

- Average sales price for the uncontracted capacity of BRL174/MWh in 2025, BRL252/MWh in 2026 and BRL212/MWh in 2027;
- Selling, general and administrative expenses adjusted by inflation;
- Dividends of 25% of net income from 2026 on;
- Capex of BRL25.0 billion in 2025-2028;
- No cash outflows associated with outstanding guarantees to nonconsolidated subsidiaries;
- Conclusion of the sale of Eletronuclear and EMAE in 2026.

RATING SENSITIVITIES

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

- Total adjusted leverage above 6.0x or net adjusted leverage above 5.0x on a sustainable basis;
- Higher pressure on expected FCF;
- Deterioration of debt and liquidity profiles;
- Continuity of a high uncontracted energy position;
- Increasing risk relative to off-balance-sheet guarantees.

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

- Better than expected FCF trends;
- Eletrobras' uncontracted energy position declines, allowing greater cash flow visibility;
- Total adjusted leverage below 5.5x and net adjusted leverage below 4.0x on a sustainable basis;
- Closing of Eletronuclear's and EMAE shares sales as announced.

LIQUIDITY AND DEBT STRUCTURE

Axia Energia' strong liquidity and ample access to funding are key rating considerations as they improve its financial flexibility to manage its debt maturity schedule. The group's consolidated cash and marketable securities of BRL28.3 billion on Sept. 30, 2025 compare with BRL26.1 billion debt due until 2028, including short-term debt of BRL12.8 billion.

Axia Energia' adjusted consolidated debt of BRL94.1 billion was mainly concentrated in debentures (48%) and BNDES (20%). Foreign currency debt is manageable and hedged to BRL, representing around 18% of the group's debt. Off balance sheet debt of BRL22.1 billion mainly consisted of corporate guarantees of loans to UHE Belo Monte (BRL13.6 billion) and Angra 3 (BRL5.9 billion).

ISSUER PROFILE

Eletrobras (now Axia Energia) is the largest electric energy group in Brazil, being responsible for 22% of the installed generation capacity and 37% of the transmission lines in the country. The company does not have a controlling shareholder.

SUMMARY OF FINANCIAL ADJUSTMENTS

Adjustments include net revenues and EBITDA net of construction revenues and cost.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more

information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⇅	RATING ⇅		PRIOR ⇅
Centrais Eletricas Brasileiras S.A. (Eletrobras)	LT IDR	BB- Rating Outlook Positive	BB- Rating Outlook Stable
	Affirmed		
	LC LT IDR	BB- Rating Outlook Positive	BB- Rating Outlook Stable
	Affirmed		
	Natl LT	AA(bra) Rating Outlook Positive	AA(bra) Rating Outlook Stable
	Affirmed		
senior unsecured	LT	BB- Affirmed	BB-
Companhia Hidro Eletrica do Sao Francisco S.A.	Natl LT	AA(bra) Rating Outlook Positive	AA(bra) Rating Outlook Stable
	Affirmed		
senior secured	Natl LT	AA(bra) Affirmed	AA(bra)

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

Wellington Senter

Director

Primary Rating Analyst

+55 21 4503 2606

wellington.senter@fitchratings.com

Fitch Ratings Brasil Ltda.

Av. Barão de Tefé, 27 – Sala 601 Saúde Rio de Janeiro, RJ 20220-460

Lucas Rios, CFA

Associate Director

Secondary Rating Analyst

+55 11 4504 2205

lucas.rios@fitchratings.com

Mauro Storino

Senior Director

Committee Chairperson

+55 21 4503 2625

mauro.storino@fitchratings.com

MEDIA CONTACTS

Maggie Guimaraes

São Paulo

+55 11 4504 2207

maggie.guimaraes@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Parent and Subsidiary Linkage Rating Criteria \(pub. 27 Jun 2025\)](#)

[Corporate Rating Criteria \(pub. 27 Jun 2025\) \(including rating assumption sensitivity\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 27 Jun 2025\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ENDORSEMENT STATUS

Centrais Eletricas Brasileiras S.A. (Eletrobras)

EU Endorsed, UK Endorsed

UNSOLICITED ISSUERS

Furnas Centrais Eletricas S.A. (Unsolicited)

With Rated Entity or Related Third Party Participation Yes

With Access to Internal Documents Yes

With Access to Management Yes

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers.

Please read these limitations and disclaimers by following this link:

<https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at

<https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and

distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2025 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

[READ LESS](#)

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

Fitch's solicitation status policy can be found at www.fitchratings.com/ethics.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided

within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.