

CREDIT OPINION

30 May 2016

Update

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RATINGS

Centrovias Sistemas Rodoviaros S.A.

Domicile	Sao Paulo, Sao Paulo, Brazil
Long Term Rating	Ba3
Type	LT Issuer Rating - Dom Curr
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Aneliza Crnugelj 55-11-3043-6063
Analyst
aneliza.crnugelj@moody.com

Alejandro Olivo 52-55-1253-5742
Associate Managing Director
alejandro.olivo@moody.com

Cintia Nazima 55-11-3043-6091
Associate Analyst
cintia.nazima@moody.com

CLIENT SERVICES

Americas 1-212-553-1653
Asia Pacific 852-3551-3077
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EMEA 44-20-7772-5454

Centrovias Sistemas Rodoviaros S.A.

Update to Discussion of Key Credit Factors Following NSR Recalibration

Summary Rating Rationale

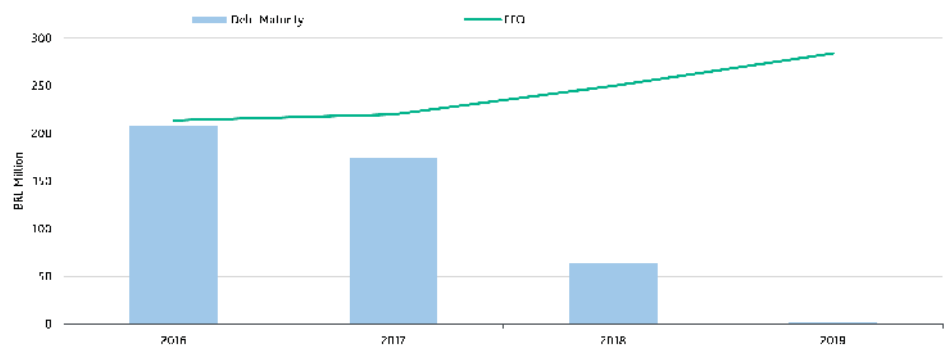
The Ba3/A1.br rating reflects the long history of tolling operations of Centrovias, which has presented strong credit metrics for its rating category and is located in a well-developed and economically diversified region in the State of Sao Paulo (Ba2, negative). The A1.br national scale rating reflects the standing of the company's credit quality relative to its domestic peers.

We expect Centrovias to post relatively stable cash flows during the remaining life of the concession with low CAPEX requirements due to its maturity. The track record of a generally supportive regulatory environment is also embedded in the rating as well as the strong ultimate shareholders that could offer financial support in case of need.

Notwithstanding the strong fundamentals of the concession, the declining traffic volume will continue to pressure credit metrics as a result of the domestic GDP downturn bound to persist in the next 12 to 18 months. The ratings are also constrained by: (i) the traffic profile highly concentrated on heavy vehicles, which are more volatile and highly correlated with GDP performance; (ii) short remaining life of concession, that matures in 2019; (iii) track record of high dividend distributions that will continue in the future; (iv) relatively tight liquidity to fund parent company (Arteris) investment activity; and (v) the significant amount of intercompany loans to be received from Arteris.

Exhibit 1

Proximity to Concession Maturity Boosts Credit Metrics



Source: Moody's Investors Service and Company's Financial

Credit Strengths

- » Strong asset features in an economically robust service area which support operating performance
- » Relatively stable and predictable operating cash flows
- » Strong credit metrics for the rating category
- » Track record of financial support from the shareholders
- » Good access to financing sources

Credit Challenges

- » Short remaining life of concession
- » Traffic profile highly concentrated on heavy vehicles
- » High dividend distributions
- » Historically relatively tight liquidity to fund CAPEX needs from Arteris' federal concessions

Rating Outlook

The negative outlook reflects the domestic nature of the company's operations which are exposed to the deteriorating domestic economic conditions, which we expect to persist in the next 12 to 18 months.

Factors that Could Lead to an Upgrade

In light of the latest rating action and the negative outlook, an upgrade is unlikely in the near to medium term.

Factors that Could Lead to a Downgrade

Further deterioration in the respective sovereign's rating could exert downward pressure on Centrovias' rating. A rapid or significant downturn in the company' credit metrics could also prompt a rating downgrade as well as the degradation of the liquidity and overall credit quality of Arteris S.A.. Further political interference in the normal course of business or a deterioration in the supportiveness of the concession and regulatory framework could also prompt a downward action.

Key Indicators

Exhibit 2

Key Indicators

Centrovias Sistemas Rodoviaros S.A.

	3/31/2016(L)	12/31/2015	12/31/2014	12/31/2013	12/31/2012
Cash Interest Coverage	4.0x	3.8x	3.8x	5.7x	2.9x
FFO / Debt	56.0%	49.8%	30.2%	57.4%	22.6%
Moody's Debt Service Coverage Ratio	1.7x	1.7x	1.1x	2.5x	1.0x
RCF / Capex	1.9x	1.1x	9.3x	18.0x	-2.4x
Concession Life Coverage Ratio	1.9x	1.8x	1.3x	2.9x	1.3x

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Source: Moody's Financial Metrics™

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Detailed Rating Considerations

Asset Type and Service Area

We assigned a Ba rating for this factor, primarily due to the strong economic characteristics of the area, which is well developed and diversified but small. The most populated cities are: Sao Carlos, Bauru, Jau, Brotas and Rio Claro, part of the "Milk belt" of the State of Sao Paulo and a transport route of other agricultural commodities such as oranges, sugar cane, tomatoes, coffee, rice, eggs, chicken and beef from the North region. Over the last few years, Brotas has become an important holiday destination for ecotourism while Sao Carlos concentrates some educational services and high technology industries, such as the maintenance of AIRBUS' turbines.

Centrovias has a 21-year concession to operate and maintain the toll road services of two small adjacent roads in the interior of the State of Sao Paulo, the largest state in the country that contributes to around 32% of Brazil's GDP with a population of 43 million people. The toll road system consists of 218 kilometers and 5 toll plazas, with annual traffic volume of 55 million equivalent vehicles (VEQ) as reported in the FY2015. The region covered by the concession includes twelve cities with an estimated population of around 1.0 million people. The concession was granted by the regulatory agency (ARTESP) under a single contract on June 19, 1998.

Alternative routes in the region are either tolled by equivalent tariff/km ratios or not tolled with inferior service quality. Therefore, there is limited competition envisioned over the remaining three years of concession.

Traffic Profile and Performance Trends

The Company has demonstrated a solid and long track record of traffic volume of 18 years. The traffic profile is more concentrated on heavy vehicles (64%) while light vehicles accounts for the remaining 36% of the total VEQ, which is relatively in line with previous years' profile. The traffic of heavy vehicles tends to be more volatile than commuter traffic since it is highly correlated with the industrial production performance and therefore the country's GDP.

Centrovias presented yearly positive traffic growth up to 2015, when the concession recorded its first traffic decline of 5.1% with 55.3 million VEQ (58.3 million in the FY2014), mainly driven by the significant 8% volume contraction of heavy vehicles. Meanwhile, industrial production fell 8.3% and GDP 3.8% during the same period. In the first quarter of 2016, traffic decreased an additional 1% on a yearly basis, which compares to a 2.3% average decline for the country' toll roads according to the Brazilian Association of Toll Road Concessionaires (ABCR).

We expect Centrovias' traffic volume to remain negative in 2016-2017 with some recovery onwards, returning at the end of the concession to a similar level as reported in 2014.

Concession and Regulatory Framework

We have historically considered the regulatory environment stable and supportive for privately managed concessions, specifically in the State of Sao Paulo, but recent actions by both the Brazilian Federal Government as well as the State's transportation regulatory agency - ARTESP, have changed our opinion about the quality and the predictability of the sector legal and regulatory environment.

Although ARTESP has historically been generally supportive of toll road concessionaires, in our view, the most recent example of the sector's deteriorating regulatory environment has taken place in the State of Sao Paulo. The regulator opened a judicial process to review the contract amendment granted to some concessionaires in 2006, including Intervias, another Arteris' concession. The aforementioned amendment extended the concession maturity in order to restore the economic/financial equilibrium of the concession to compensate additional investments and tax charges that have not been contemplated in the original contract signed in 1998. In the case of Intervias, the matter is in first instance trial court, which has not come to a conclusion as of the date of this credit opinion, and we expect will not do so in the medium term.

Another example of political interference occurred in 2013 when the Governor announced the suspension of the annual tariff adjustments until July 2014, allegedly as a result of protests and civil unrest.

In order to preserve the financial-economic equilibrium of the concession contracts of the toll road concessionaires, the main compensatory measures announced by the Governor were: (i) 50% reduction of the variable concession fees, payable to ARTESP to 1.5% from 3.0% of gross toll revenues; (ii) idle truck axles would begin to be charged; and (iii) reduction or exemption of the fixed concession payments to the grating authority for some concessionaires.

Although the decision to restore the economic/financial equilibrium of the affected concessions signaled ARTESP's support of toll road framework, in July 2014 the Government did not authorize the full-inflation tariff adjustment, as contemplated in the concession contracts, which led several concessionaires to file lawsuits against the regulator. Furthermore, in March 2015, the Federal Government enacted Law 13,103, which suspended the charge for idle axles for unloaded trucks that had been authorized by the State Government in 2013, and, at the same time, increased the overload weight limit to 10% from 5%, thus increasing maintenance expenses of the toll road concessionaires.

Given the aforementioned events, we have adjusted the rating of sub-factor 3b, "Protection Provided by the Concession and Regulatory Framework" of our methodology "Privately Managed Toll Roads" to Ba from Baa, which reflects our perception of higher political interference and increased uncertainty as to the consistency and predictability of the concession and regulatory framework in the toll road sector in Brazil. Nonetheless, we recognize that compensation for additional investments or changes in the business circumstances are generally subject to negotiation, which has occurred successfully with several concessions. The regulator may change the terms of the contracts, as long as it provides conditions to restore or maintain the economic and financial equilibrium of the original concession contract.

Financial Policy

Arteris has a track record of making sizeable CAPEX investments and has historically implemented large dividend distributions for the state owned concessions, given their mature profile, through raising additional debt in the local capital markets.

Management estimates a significant BRL 7 billion CAPEX to meet the investment plan embedded in the current concession contracts, mostly related to Arteris' five federal concessions. The financing for the planned CAPEX is expected to come from a combination of dividends and intercompany loans of the state owned concessions, as well as new debenture issuances and BNDES funding. We consider Arteris to have a good access to the capital markets and BNDES, but the company reported relatively tight financial covenant of net debt to Ebitda minus fixed concession payments of 4.17x in the 1Q2016, compared to the 4.25x limit from the financial covenants and 3.23x in the same period of 2015. The increasing leverage could lead to a deterioration in Arteris' liquidity if the operational performance remains below expectations and further borrowing needs are somewhat hampered by less favorable capital markets. Nevertheless, we consider this credit risk relatively mitigated by the strong ultimate shareholders and their willingness to offer financial support if needed. Also, Arteris has a long term credit line with BNDES, of which BRL 3.5 billion were already disbursed with remaining BRL 228.5 million still available as of March 31, 2016.

All said, Centrovias' ratings are somewhat constrained by the cash needs of Arteris, the parent company, as we expect Centrovias will maintain the high dividend payout as well as the intercompany loans to fund the parents' planned CAPEX investments along the few remaining years of the concession. Anyhow, the following financial covenants embedded in the debenture issuances limit Centrovias' re-leveraging capability: i) net debt to Ebitda minus fixed concession payments equal or less than 3.5x and debt service coverage ratio equal or higher than 1.2x. As reported in the 1Q2016, Centrovias ratios were significantly loose at 1.2x and 1.8x, respectively and we expect the company to remain compliant with the same. It additionally has a CAP of BRL 65 million for additional intercompany loans on top of the current BRL 338.7 million exposure as of March 31, 2016.

We forecast an operational cash flow generation of BRL270 million per year on average and limited maintenance capital expenditures of BRL34 million from 2016 up to the end of the concession in 2019, therefore our projection shows that overall credit metrics are expected to remain strong for the rating category.

Coverage and Leverage

Centrovias has presented relatively strong credit metrics for the rating category, characterized by high debt coverage ratios as measured by the funds from operations to debt (FFO-to-Debt) of 56% and cash interest coverage of 4x in the LTM 3M2016, as per Moody's standard adjustments. In the next 12 to 18 months, we expect these ratios to average at 166% and 8.9x respectively. The improvement in the aforementioned ratios compared to the historical data is a combined result of the lower CAPEX needs and decreasing indebtedness as the concession approaches its maturity in 2019, even considering weaker revenues due to the economic downturn.

Through the remaining life of the concession (from 2016-2019), we project approximately BRL 135 million in maintenance CAPEX, of which about BRL 80 million is targeted from 2016 to 2017. Also during this period, the company is required to pay approximately BRL

30 million of fixed concession payments to the granting authority (the Department of Highways of the State of Sao Paulo), which we add to the total debt amount for comparative purposes. Going forward, Centrovias is forecasted to post even stronger credit metrics that are somewhat distorted by the above mentioned cash effects given the proximity of the end of the concession.

Profile

Centrovias is an operating subsidiary of Arteris S.A. (Arteris, not rated). Arteris (f/k/a OHL Brasil S.A.) is a holding company with approximately 3,250 kilometers of operating toll roads under concession in Brazil, consisting of four concessions in the State of Sao Paulo and five federal concessions in the States of Sao Paulo, Minas Gerais (Ba3, negative), Rio de Janeiro (not rated), Parana (Ba3, stable) and Santa Catarina (not rated). In 2015, Centrovias reported net revenues excluding construction and adjusted EBITDA of BRL 340 million and BRL 273.9 million, respectively, which represent 15% and 18% of Arteris' consolidated results. Considering the LTM 032016, Centrovias reported net sales of BRL 342 million, EBITDA of BRL290 million, and net profit of BRL 99 million, as per Moody's standard adjustments.

Centrovias is indirectly controlled by Abertis Infraestructuras S.A. (Abertis, not rated) and by Brookfield Brazil Motorways Holdings SRL, (Brookfield Brazil, not rated) through their respective ownerships of 51% and 49% in Participes en Brasil S.L. (Participes, not rated), which owns 69.3% of Arteris. Abertis is a company listed on the Spanish stock exchange for more than 25 years, having been included in the IBEX 35 since its creation and operates in two sectors in 12 countries: highway concessions and telecommunications infrastructure through PPP contracts.

Brookfield Brazil Motorways Holdings SRL is indirectly controlled by Brookfield Asset Management Inc. (Baa2, stable), a company listed on the NYSE and the Toronto Stock Exchange, with USD 15.2 billion revenues and total assets of USD 135 billion as of 9M2015 as per Moody' standard adjustments. Brookfield Asset Management has been operating in Brazil since 1899, with a direct or indirect presence in about half of the Brazilian states, which represents 6% of the group's total revenues and 7% of the total assets. In Brazil, it operates primarily in the real estate, renewable energy, infrastructure and private equity segments.

Liquidity Analysis

The company has a BRL 43 million cash position which compares to BRL 201 million of short term debt payments as of March 31, 2016. In order to repay its obligations, we consider that Centrovias will use its operational cash flow generation combined with the receivables of intercompany loan payments from Arteris, allowing Centrovias to maintain an adequate liquidity and financial profile for its rating category.

Centrovias has a healthy cash generation, with a reported FFO of BRL 229 million in the LTM 032016, which we expect to average at BRL 217 million from 2016/17 and BRL 273 million onwards, up to the end of the concession, as per Moody's standard adjustments. The projected improvement of the FFO is a consequence of the better macroeconomic conditions, with a positive GDP growth after 2017 (+1.25% on average). As a mature operating concession, capital expenditures primarily consist of maintenance requirements of approximately BRL 34 million per year from 2016-19. Going forward, we expect cash outlays to mostly consist of dividend payments (100% payout) and additional intercompany loans whenever Centrovias has available cash to do so after meeting its debt principal and interest payments.

A major credit risk would be if further borrowings to the shareholders, either through dividend distributions or intercompany loans, compromise Centrovias' liquidity position, specially in times when the capital markets are less favorable. However, we expect management will appropriately conduct the company's credit quality in the remaining few years of the concession as they did historically. Moreover, the existing debt structure offers investors some debt protection by limiting the maximum level of debt to the equivalent of 3.5x EBITDA and cash coverage of short term debt obligations to a minimum of 1.2x.

According to Moody's standard adjustments, as of March 31 2016, Centrovias reported total debt of BRL 393 million and total receivables from the intercompany loans of BRL 303 million.

Rating Methodology and Scorecard Factors

Exhibit 3

Rating Factors

Centrovias Sistemas Rodoviaros S.A.

	Current LTM 3/31/2016		Moody's 12-18 Month Forward View As of 5/24/2016 [3]	
	Measure	Score	Measure	Score
Privately Managed Toll Roads Industry Grid [1][2]				
Factor 1 : Asset Type and Service Area (25%)				
a) Asset Type	Ba	Ba	Ba	Ba
b) Competing Routes	Aa	Aa	Aa	Aa
c) Economic Resilience of Service Area	Baa	Baa	Baa	Baa
Factor 2 : Traffic Profile and Performance Trends (15%)				
a) Traffic Profile	Ba	Ba	Ba	Ba
b) Track Record and Stability of Tolled Traffic	A	A	Aa	Aa
c) Traffic Density	Baa	Baa	Baa	Baa
Factor 3 : Concession and Regulatory Framework (10%)				
a) Ability and Willingness to Increase Tariffs	Baa	Baa	Baa	Baa
b) Protection Provided by the Concession and Regulatory Framework	Baa	Baa	Ba	Ba
Factor 4 : Financial Policy (10%)				
a) Financial Policy	Ba	Ba	Ba	Ba
Factor 5 : Coverage and Leverage (40%)				
a) Cash Interest Coverage	4.0x	Baa	8.9x	Aa
b) FFO / Debt	56.0%	Aaa	166.4%	Aaa
c) Moody's Debt Service Coverage Ratio	1.7x	Ba	4.3x	A
d) RCF / CAPEX	1.9x	A	2.4x	A
e) Concession Life Coverage Ratio	1.9x	Ba	4.7x	A
Rating:				
Indicated Rating from Grid Factors 1-5		Baa3		Baa1
Rating Lift				
a) Indicated Rating from Grid		Baa3		Baa1
b) Actual Rating Assigned				Ba3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

[2] As of 3/31/2016(L)

[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Financial Metrics™

Ratings

Exhibit 4

Category	Moody's Rating
CENTROVIAS SISTEMAS RODOVIARIOS S.A.	
Outlook	Negative
Issuer Rating -Dom Curr	Ba3
Senior Secured -Dom Curr	Ba3
Senior Unsecured -Dom Curr	Ba3
NSR Senior Secured	A1.br
NSR Senior Unsecured	A1.br
NSR LT Issuer Rating	A1.br

Source: Moody's Investors Service

Recent Developments

On May 17, 2016 the company held an auction for a public tender offer in order to delist the company from BM&FBOVESPA's Novo Mercado.

On May 09 2016, Moody's repositioned the national scale ratings (NSRs) of certain Brazilian infrastructure issuers, including Centrovias, as a result of the recalibration of the Brazilian national rating scale. This resulted in a repositioning of Centrovias' NSRs as follows: Issuer, Senior Unsecured and Senior Secured ratings to A1.br from A2.br.

On February 25, 2016, Moody's downgraded Centrovias' issuer ratings to Ba3/A2.br from Ba1/Aa1.br on the Global Scale and on the National Scale, respectively. At the same time, Moody's downgraded the BRL 400 million senior unsecured debentures and the BRL 120 million senior secured debentures to Ba3/A2.br from Ba1/Aa1.br. Outlook changed to negative from stable.

On February 24, 2016, Moody's downgraded Brazil's issuer and bond ratings to Ba2 from Baa3, with a negative outlook.

In July 2015, Centrovias was granted a 4.10% tariff adjustment.

On March 2, 2015 Brazil's President Dilma Rousseff approved Law 13.103 ("Lei dos Caminhoneiros"), which: (i) suspended the idle axles charge for unloaded trucks; (ii) defined the overload weight increase to 10% from 5%, which may result in more maintenance costs for the toll roads; (iii) created more "resting/supporting" areas for trucks/truck drivers; (iv) exonerated truckers from penalties from the last two years related to overload-weight.

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