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RATING ACTION COMMENTARY

Fitch Upgrades Engie Brasil's LC IDR to 'BBB'; Affirms FC IDR at 'BB+'; Outlook Stable

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Fitch Ratings - Rio de Janeiro - 10 Aug 2026: Fitch Ratings has upgraded Engie Brasil Energia S.A.'s Local Currency (LC) Issuer Default Rating (IDR) to 'BBB' from 'BBB-'. Fitch has affirmed Engie Brasil's Foreign Currency (FC) IDR at 'BB+' and National Scale Rating at 'AAA(bra)'. The Rating Outlook is Stable.

The LC IDR upgrade reflects Fitch's reassessment of parent company ENGIE S.A.'s (ENGIE; BBB+/Stable) incentives to support Engie Brasil after the July 2026 capital increase, in which ENGIE contributed its 40% stake in Jirau Energia to Engie Brasil. A BRL2.6 billion cash inflow from minority shareholders reinforced the company's financial profile.

Brazil's 'BB+' Country Ceiling caps the company's FC IDR because Engie Brasil operates only in Brazil and holds no committed credit lines or cash abroad. ENGIE's strategy of keeping the Brazilian entity's funding and operations separate, along with the presence of minority shareholders, could limit parent support for foreign-currency debt repayment if capital controls occur.

KEY RATING DRIVERS

Stronger Parent-Subsidiary Linkage: The upgrade of Engie Brasil's LC IDR reflects its stronger parent-subsidiary linkage (PSL) with ENGIE S.A. The linkage is driven mainly by medium strategic incentives. Engie Brasil is the group's main business in Brazil, and Brazil is ENGIE's largest operation outside Europe, based on the provided PSL assessment. Recent parent support through the BRL8.4 billion capital increase, with ENGIE as anchor investor for BRL5.7 billion, supports the view of meaningful strategic importance.

Under Fitch's PSL criteria, this medium incentive assessment results in a 'bottom-up plus one' outcome. Legal and operational ties are weaker. There are no parent guarantees,

and Engie Brasil is not included in cross-default clauses at the ENGIE S.A. level. Brand overlap and management links exist across the ENGIE group in Brazil, but the level of management integration does not support the classification of high operational incentives.

Jirau Adds Scale: The transaction included the controlling shareholder's contribution of its 40% stake in Jirau Energia, valued at about BRL5.7 billion, and about BRL2.6 billion of cash raised from minority shareholders. This reduces leverage pressure and supports liquidity, helping preserve funding capacity for other investments and commitments. Jirau's 3,750 MW hydropower capacity strengthens Engie Brasil's market position, although Jirau Energia will not be consolidated because control is shared with two other shareholders.

Robust Business Profile: Engie Brasil benefits from its strong position in Brazil's power sector as the country's second-largest generator, with 12.8GW of installed capacity including the proportional 1.5GW from Jirau. Its diversified asset base reduces operating risk, while transmission adds cash flow stability and business diversification, with 3,205 km of lines in operation and 1,541 km under development. Permitted annual revenue of BRL919 million should support earnings from this segment in 2026.

Positive Cash Flow and Moderate Leverage: BRL2.6 billion of cash from the capital increase and lower dividend pressure in 2026-2027 help offset high capex and support cash generation. Fitch assumes a 55% dividend payout in both years, in line with 2025, vs. BRL6.7 billion of investments in 2026-2028. EBITDA should be BRL6.9 billion in 2026 and BRL7.3 billion in 2027, while CFO rises to BRL5.2 billion from BRL4.3 billion. FCF should remain positive at about BRL400 million in both years. Gross and net leverage should rise to 4.0x and 3.5x in 2026, then improve to 3.9x and 3.1x, in 2027. The company's adjustment of dividend payouts during high investment periods is positive.

Manageable Hydrology and Curtailment Risks: Fitch estimates that uncontracted energy volumes of 13% in 2026 and 16% in 2027 should be enough to support a generating scaling factor of 0.84 and 0.87, respectively. Protection against hydrological risk in regulated-market contracts, which represent about 40% of energy sold, also limits exposure to the Generating Scale Factor (GSF). A diversified asset base helps contain curtailment risk.

Medium-Term Repricing and Concession Risk: Engie Brasil's uncontracted position above 35% from 2029 creates medium-term pricing risk. Fitch's base case assumes average prices of BRL211/MWh for new contracts from 2028, below BRL232/MWh for current contracts. In addition, concessions totaling 3.9GW, or 30% of total installed

capacity, expire in 2030-2032. Fitch believes the company has been able to adequately manage this exposure.

PEER ANALYSIS

Engie Brasil and Engie Energia Chile S.A. have similar rating linkages with ENGIE S.A. under Fitch's PSL framework. For both companies, the IDRs reflect a 'bottom-up +1' outcome from an SCP of 'BBB-', indicating a similar degree of strategic importance and support from the parent. In both cases, the uplift reflects Fitch's view of medium strategic incentives and operational links with ENGIE.

The main rating difference is in the Foreign Currency IDR. Engie Chile's Foreign Currency IDR is 'BBB', in line with its Local Currency IDR, while Engie Brasil's Foreign Currency IDR is capped at Brazil's 'BB+' Country Ceiling. Chile's Country Ceiling is higher than Brazil's, and therefore it does not constrain Engie Chile's Foreign Currency IDR.

Among Brazilian peers, Engie Brasil's Local Currency IDR of 'BBB' is one notch above Auren Energia S.A.'s Local Currency IDR of 'BBB-'/Negative. Fitch applies a 'top-down minus-one' approach from the parent's IDR to define Auren's Local Currency IDR because Fitch views Auren as weaker than its parent. Auren's standalone profile is also weaker than Engie Brasil's. Both entities are rated 'AAA(bra)' on Fitch's national scale. Auren's Negative Outlook reflects the risk that Auren's consolidated leverage remains above rating sensitivities due to poor hydrology and high curtailment.

FITCH'S KEY RATING-CASE ASSUMPTIONS

-- Average energy sales of 5.8a GW in 2026 and 5.7a GW in 2027, not including quota capacity;

-- Average sales price of BRL196/MWh in 2026 and BRL207/MWh in 2027;

-- Average energy purchase of 0.9 GW in 2026 and 0.7 GW in 2027;

-- Selling, general and administrative expenses adjusted to inflation;

-- Average GSF of 0.84 in 2026 and 0.87 in 2027;

-- Capex of BRL6.7 billion from 2026 to 2028;

-- Funds received from Jirau are not included as recurring affiliate dividends over the rating horizon;

-- Macroeconomic projections for inflation and interest rates in line with Fitch's Global Economic Outlook, published in June 2026;

-- Refinancing/new debt at an average funding cost of CDI + 0.5% per year.

CORPORATE RATING TOOL INPUTS AND SCORES

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

Business and financial profile factors (assessment, relative importance): management ('bbb+', Lower), sector characteristics ('bbb-', Moderate), market and competitive positioning ('bb+', Moderate), diversification and asset quality ('bbb', Moderate), company operational characteristics ('bbb-', Higher), profitability ('bb', Moderate), financial structure ('bbb-', Higher), and financial flexibility ('bb+', Moderate).

The quantitative financial subfactors are based on standard CRT financial period parameters: 20% weight for the latest historical year 2025, 40% for the forecast year 2026 and 40% for the forecast year 2027.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'bb' has no impact.

The SCP is 'bbb-'.

To derive the Long-Term IDR:

Application of Fitch's Parent and Subsidiary Linkage Rating Criteria results in a 'bottom up +1' approach.

Country Ceiling considerations apply and result in an adjustment of -2 notches for the Foreign Currency IDR.

RATING SENSITIVITIES

-- A deterioration in Engie Brasil's consolidated financial profile, with gross and net adjusted leverage above 4.0x and 3.5x, respectively, and/or funds from operations (FFO) net leverage above 4.0x on a sustained basis;

-- A weaker operating environment in Brazil could result in a downgrade of the LC IDR;

-- A deterioration of Brazil's Country Ceiling would result in a similar rating action for Engie Brasil's FC IDR;

-- A three-notch downgrade of Engie Brasil's LC IDR may lead to a downgrade of the National Scale Rating.

-- Improvement of Brazil's Country Ceiling or stronger incentive for support from the parent;

-- Improvement in Brazil's operating environment;

-- Upgrades are not applicable to the National Scale Rating, as it is at the highest level.

LIQUIDITY AND DEBT STRUCTURE

Engie Brasil has ample access to funding sources and strong liquidity, supported by a robust cash position and no concentration of short-term debt maturities. At the end of June 2026, cash and cash equivalents totaled BRL6.5 billion — excluding restricted cash of BRL491 million — sufficient to cover short-term debt of BRL3.8 billion. The high cash balance was later reinforced by the proceeds from the follow-on (BRL2.6 billion, concluded in July 2026). As of June 30, 2026, Engie Brasil's debt of BRL33.2 billion consisted mainly of debentures (BRL15.5 billion) and loans from the Brazilian Development Bank (BRL12.9 billion).

ISSUER PROFILE

Engie Brasil is the second-largest energy generator in Brazil, with total operational installed capacity of 12.8 GW. The company also has 3,205 km of transmission lines in operation and 1,541 km in the pre-operational phase.

SUMMARY OF FINANCIAL ADJUSTMENTS

-- 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.

CLIMATE VULNERABILITY SIGNALS

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to climate-related risks. If Fitch identifies an entity as higher risk (i.e. its Climate.VS in 2035 is 50 or higher), the entity receives additional analysis and consideration in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's Corporate Rating Criteria. For more detailed, sector-specific information on how Fitch perceives climate-related transition risks, see Climate Vulnerability Signals for Non-Financial Corporate Sectors.

The results of our Climate.VS screener did not indicate an elevated risk for Engie Brasil Energia S.A.

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 TYPE	RATING	RATING ACTION	PRIOR
Engie Brasil Energia S.A.	LT IDR	BB+ Rating Outlook Stable	Affirmed	BB+ Rating Outlook Stable
	LC LT IDR	BBB Rating Outlook Stable	Upgrade	BBB- Rating Outlook Stable

	Natl LT	AAA(bra) Rating Outlook Stable	Affirmed	AAA(bra) Rating Outlook Stable
senior unsecured	Natl LT	AAA(bra)	Affirmed	AAA(bra)

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

National Scale Rating Criteria (pub. 22 Dec 2020)

Metodologia de Ratings em Escala Nacional (pub. 22 Dec 2020)

Parent and Subsidiary Linkage Rating Criteria (pub. 27 Jun 2025)

Metodologia de Vínculo Entre Ratings de Controladoras e Subsidiárias (pub. 27 Jun 2025)

Corporate Rating Criteria (pub. 09 Jan 2026) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 09 Jan 2026)

Metodologia de Ratings Corporativos (pub. 09 Jan 2026)

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

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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.

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