

**Rating Action: Moody's assigns Aa2.br rating to Bandeirante's debentures; outlook stable**

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**Approximately BRL 470 million of debt instruments affected**

Sao Paulo, June 02, 2010 -- Moody's América Latina Ltda (Moody's) assigned a Ba1 local currency rating on the global scale and Aa2.br rating on the Brazilian national scale to the 6-year BRL 390 million amortizing unsecured subordinated debentures to be issued by Bandeirante Energia S.A. (Bandeirante) in the local market. At the same time, Moody's affirmed Bandeirante's Baa3 issuer rating on the global scale and Aa1.br issuer rating on the Brazilian national scale. The outlook is stable for all ratings.

The proceeds of the debentures will be mostly used to lengthen the company's debt profile and strengthen its cash position.

The Baa3 issuer rating reflects the relatively strong credit metrics for the rating category, the fairly stable and predictable cash flow stemming from a long-term concession to distribute electricity in a relatively wealthy service area in the state of Sao Paulo, along with an evolving liquidity position. The ratings also incorporate the overall investment-grade credit profile of the group, EDP Energias do Brasil, its resilient access to the local capital markets and the strong ownership of its ultimate parent company EDP - Energias de Portugal (A3;stable).

The ratings are constrained by the relatively high dividend pay-out ratio of Bandeirante, relatively sizeable capital expenditures within the group in Brazil and the evolving Brazilian regulatory environment.

The rating of the debentures is one notch lower than Bandeirante's Baa3 issuer rating to reflect the subordination of the debentures to any other debt. In accordance with CVMs (Brazilian securities exchange) guidelines any debt whose amount exceeds or is higher than the company's equity capital is required to be subordinated to any other existing or future debt.

Bandeirante has healthy profitability and solid cash generation driven by the fairly stable nature of its regulated distribution business. In the past five years, cash drains have mainly consisted of capital expenditures and the relatively high distribution of dividends which, however, have been in line with the company's internal cash generation. This is evidenced by the steady financial leverage as measured by the Debt to EBITDA ratio of 1.7x in 2009, which is well below its peer group and very strong for the Baa3 rating category.

Going forward, Moody's forecasts that Bandeirante will benefit from a growing volume of sales given the forecasted growth in economic activity in the state of Sao Paulo through October 2011, at which time Bandeirante's tariffs will be subject to the third tariff review. At that time Moody's expects a further reduction in tariffs to reflect productivity gains to be transferred to consumers since the second tariff review, and the application of a lower WACC in the face of lower borrowing costs and lower country risk.

Despite strong cash flow from operations, Bandeirante's Retained Cash Flow (RCF) to Debt remains constrained by its high distribution of dividends. Nevertheless, Moody's expects that RCF to Debt should remain in the mid-teen percent range for the next three years. As a result, Free Cash Flow will tend to range from slightly negative to modestly positive through the medium term horizon, which might result in some increase in the level of indebtedness but keep metrics strong for the Baa3 rating category.

The Aa1.br issuer rating on the national scale rating reflects the standing of the company's credit quality relative to its domestic peers. Moody's National Scale Ratings (NSRs) are intended as relative measures of creditworthiness among debt issuances and issuers within a country, enabling market participants to better differentiate relative risks. NSRs in Brazil are designated by the ".br" suffix. Issuers or issues rated Aa1.br demonstrate very strong creditworthiness relative to other domestic issuers. NSRs differ from global scale ratings in that they are not globally comparable to the full universe of Moody's rated entities, but only with other rated entities within the same country.

The last rating action for Bandeirante was on May 08, 2009 when Moody's assigned a BR-1 national scale short-term rating to the issuance of 360-day BRL 230 million promissory notes.

The principal methodology used in rating Bandeirante was the Regulated Electric and Gas Utilities Rating Methodology (August 2009), which can be found at [www.moody.com](http://www.moody.com) in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Bandeirante Energia S.A., headquartered in São Paulo, Brazil, is an electricity distribution utility fully controlled by EDP - Energias do Brasil that serves around 1.5 million clients in the eastern portion of the industrialized state of São Paulo. In the last twelve months ended March 31, 2010, Bandeirante reported net revenues of BRL 2,149 million (USD 1,143 million) on sales of 13,674 GWh, representing 3.44% of the electricity consumed in Brazil's integrated system.

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