

MOODY'S

INVESTORS SERVICE

CREDIT OPINION

8 April 2020

Update

 Rate this Research

RATINGS

Barloworld Limited

Domicile	South Africa
Long Term Rating	Ba1
Type	LT Corporate Family Ratings
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

Lahlou Meksaoui +971.4.237.9522
AVP-Analyst
lahlou.meksaoui@moodys.com

Mario Santangelo +971.4237.9533
Associate Managing Director
mario.santangelo@moodys.com

Ali Amin +971.4.237.9524
Associate Analyst
ali.amin@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653
Asia Pacific 852-3551-3077
Japan 81-3-5408-4100
EMEA 44-20-7772-5454

Barloworld Limited

Update following the sovereign rating action on South Africa

Summary

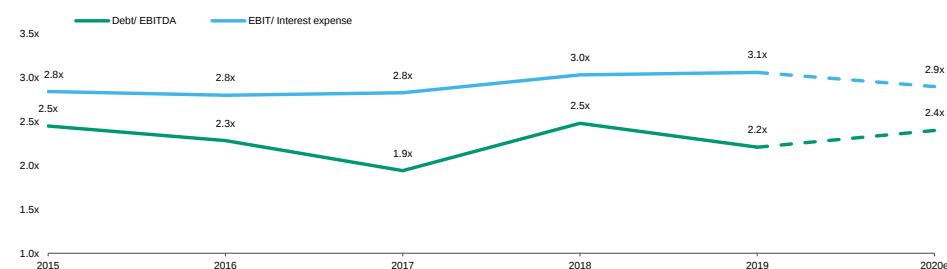
On 4 April 2020, we have downgraded the rating of Barloworld Limited's (Barloworld) to Ba1 from Baa3 following the downgrade of the Government of South Africa to Ba1. The downgrade to Ba1 from Baa3 reflects the fact that Barloworld is intrinsically linked to the macro environment of South Africa with close to 75% of revenue and over 60% operating profit derived in the country.

The ratings recognise (1) Barloworld's leading competitive positions in the markets in which it operates, as well as its strong brand offerings and stable long-term relationships with its main suppliers; (2) its diversified product mix and its resilient business model, whereby its integrated after-sales support segments are able to soften the impact from the decline in new equipment and vehicle sales during cyclical downturns; (3) its credit metrics which have historically been relatively stable and are supported by the company's ongoing commitment to balanced financial policies.

The rating is constrained by Barloworld's exposure to: (1) the Sub-Saharan African and Russian markets, leaving it exposed to the volatile economic conditions of these countries; (2) more cyclical mining, agricultural, construction and motor related industries; (3) key supplier risk as most of its operations depend on its position as the principal agent for a number of high profile brands such as Caterpillar Inc. (CAT, A3 positive). This is mitigated by its long-term relationships and close strategic alignment which we expect to continue.

Exhibit 1

Credit metrics have remained range bound through the cycle



All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's forecasts are Moody's opinion and do not represent the views of the issuer. Periods are financial year-end unless indicated; LTM = last twelve months.

Source: Moody's Financial Metrics™

Credit strengths

» Leading market positions supported by strong brand offerings

- » Resilient operating cash flows underpinned by integrated business model and diversified product mix
- » Relatively stable credit metrics through the cycle underpinned by balanced financial policies

Credit challenges

- » High exposure to cyclical end markets tied to commodity price volatility
- » Concentration to Sub-Saharan African and Russian markets
- » Key supplier risks mitigated by long term relationships and close strategic alignment

Rating outlook

The negative outlook reflects Barloworld's close linkages with the Government of South Africa. Therefore the outlook is aligned with that of the sovereign.

Factors that could lead to an upgrade

Given the negative outlook, an upgrade is unlikely in the near-term. The outlook could be changed to stable if the Government of South Africa's rating is changed to stable.

Subject to an upgrade of the South African government bond rating, an upgrade could be considered if:

- » Barloworld is able to grow in size and geographic diversification
- » Debt/EBITDA were to fall below 2.5x
- » EBIT/interest increases above 3.5x

Factors that could lead to a downgrade

The ratings are likely to be downgraded in case of a downgrade of the Government of South Africa's rating.

Negative pressure on the ratings would also develop if:

- » Debt/EBITDA rises above 3.5x
- » EBIT/interest expense falls below 2.0x
- » The company's liquidity risk profile deteriorates

Key indicators

Exhibit 2

	30/09/2015	30/09/2016	30/09/2017	30/09/2018	30/09/2019	2020e
Revenue (USD Billion)	\$5.2	\$4.2	\$4.6	\$4.6	\$4.0	\$4.0
EBIT / Interest Expense	2.8x	2.8x	2.8x	3.0x	3.1x	2.9x
RCF / Net Debt	33.2%	35.1%	46.9%	71.2%	66.1%	43.9%
Debt / EBITDA	2.5x	2.3x	1.9x	2.5x	2.2x	2.4x

All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's forecasts are Moody's opinion and do not represent the views of the issuer. Periods are financial year-end unless indicated; LTM = last twelve months.

Source: Moody's Financial Metrics™

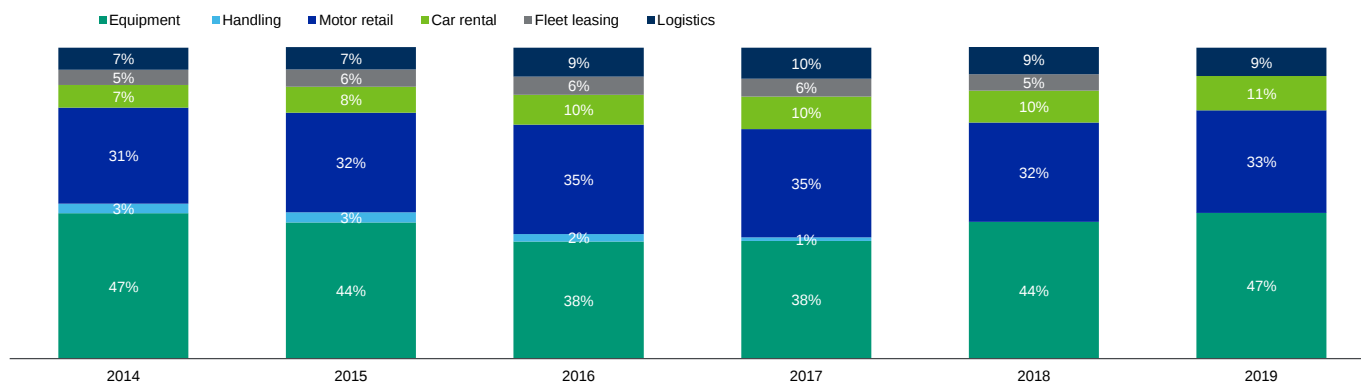
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Profile

Barloworld, headquartered in South Africa, is a leading distributor and after-sales support provider of heavy equipment and motor vehicles for leading international brands across southern African markets and Russia. It also provides integrated rental, fleet management, product support and logistics solutions. The core divisions of the group comprise: (1) Equipment which provides end to end solutions across the value chain on behalf of Caterpillar Inc. to the mining, construction, industrial sectors; (2) automotive which operates the motor trading, car rental, and fleet management services; and (3) logistics which provide logistics management transport and supply chain optimisation.

Exhibit 3

Revenue Breakdown per Division (% of total revenues before eliminations)



Source: Company reports

Detailed credit considerations

Leading market positions supported by strong brand offerings

Barloworld holds dominant market positions in heavy machinery, motor vehicle trading, motor vehicle rental and fleet businesses. The company's leadership positions, strong brand representation and broad customer coverage through its markets provides high barriers of entry given the significant investments involved. While there is some concentration risk associated with its key principal suppliers and limited long term fixed term contracts in place, we take comfort around its long term relationships and close strategic alignment between the parties and its performance of maintaining dominant and stable market positions.

Barloworld has the sole distribution rights for Caterpillar Inc. for sales of heavy equipment/machinery and after sale parts service across Sub-Saharan Africa and Russia. The company has had a long standing relationship with Caterpillar for more than 90 years. Across Southern Africa it holds mostly number 1 market positions in the various heavy machinery categories which is supported by a strong dealership network that provides on-site customer support and after sales service. The distribution agreement awarded by CAT is for an indefinite period in each of the regions although it can be terminated within 6 months. Given the long standing working relationship and close strategic alignment as well as potential disruption to customers we see no reason why the CAT relationship could be terminated on such short notice and would expect CAT to work closely with its troubled distributors through product support, as done in other jurisdictions with its other distributors.

Barloworld participates in the franchised dealer market for key premium and volume-led motor brands in South Africa. The brands contribute to 65% of total motor sales in South Africa. These include Bayerische Motoren Werke Aktiengesellschaft, Audi, Mercedes Benz, Volkswagen Aktiengesellschaft, and Toyota Motor Corporation to name a few, which have mature and stable market share positions. Barloworld's dealership strategy in high density metropolitan areas enables economies of scale and has proven to be more resilient to economic downturns.

Within its motor rental operations, Barloworld holds the Avis and Budget brands which combined hold the number 1 market position in the South African motor rental market, followed by its nearest competitor Europcar Tempest. We view favourably the Avis license as it creates greater economies of scale through sharing of infrastructure such as office space and vehicle rental pool which should

drive higher rental days and vehicle utilisation rates. Furthermore, it broadens Barloworld's target market entering into the lower more budget conscious customer base.

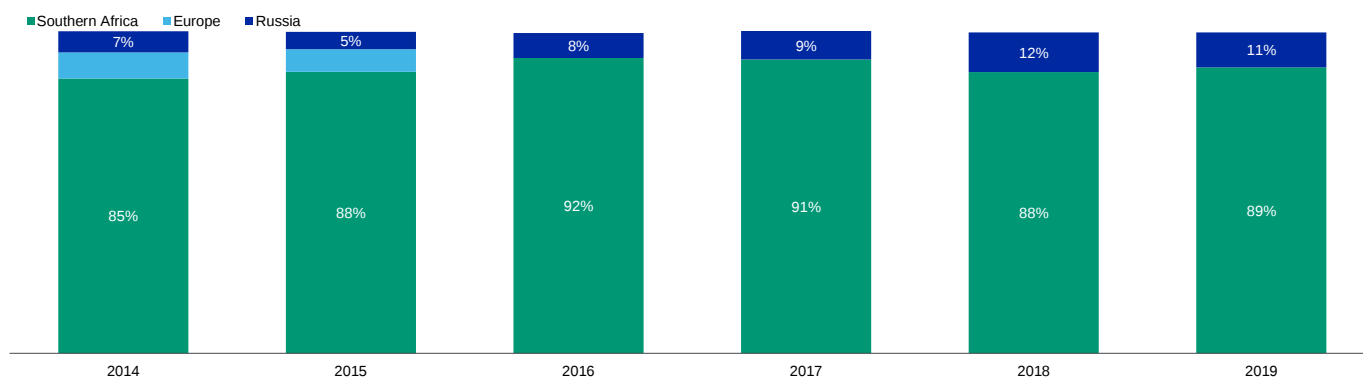
The Avis fleet business is the market leader at approximately 24% of the South African leasing market. The business has an established customer base comprising of government and corporate long term fleets, including blue chip companies with contracts durations averaging five years.

High concentration to regions which are experiencing weak economic conditions

With close to 73% of revenue derived from South Africa, Barloworld is intrinsically linked to the macro-economic environment of South Africa. The slowdown in South Africa's economic growth, low consumer and business confidence is creating a challenging operating environment. The rest of Africa contributes to 16% of revenue and [Russia](#) (Baa3 stable) 11% of revenue. Due to the infrastructure backlog in many African countries, we see the potential for strong long term demand for Barloworld's Equipment division. Russia with its significant mining territory also offers long term growth opportunities.

Exhibit 4

Revenue regional diversification limited to Southern Africa



Source: Company reports

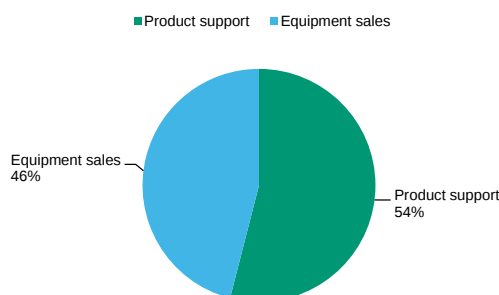
Barloworld's automotive vehicle sales are under pressure from a weak consumer confidence and high consumer indebtedness. However, the motor trading division benefits from having greater price competitive brands relative to imported vehicle brands. This is due to the largely locally based OEM's (Original Equipment Manufacturers) which are partially insulated from the currency volatility of the Rand.

Resilient operating cash flows underpinned by integrated business model

Barloworld's operating performance has been relatively resilient through the cycles, partly due to its exposures to different industry sectors, geographic diversification and integrated product offerings down the value chain. The integrated business model provides a strong counterbalance to the anticipated declines in equipment and vehicle sales, as companies attempt to extend the lifespan of machinery beyond the traditional replacement cycle and consumers delay new vehicle purchases.

We expect performance over the next 12 months to come under pressure largely due to Barloworld's exposure to the weak South African economic environment. However, we also expect Barloworld's higher margin aftermarket services business to continue to counterbalance the anticipated declines in new equipment and vehicle sales. Over the past 5 years after service and parts revenues in the Equipment division has increased from around 33% (FYE2012) to 54% of total Equipment division revenues.

Exhibit 5

Equipment revenue split by category

Periods are financial year-end unless indicated.

Source: Company reports

Recent acquisitions reflect new investment strategy

On 28 February 2020, Barloworld Limited entered into a sale and purchase agreement to acquire the Tongaat Hulett Starch (THS) business of Tongaat Hulett Limited for an enterprise value of ZAR5.350 billion. THS is an integrated starch producer operating separately within Tongaat Hulett Limited. This acquisition is in line with Barloworld's strategy to diversify and grow its portfolio by investing in new industries. In our view, whilst the acquisition diversifies Barloworld's business profile, it also reinforces Barloworld's operational concentration in South Africa which is currently facing low growth and a challenging operating environment. This acquisition will be moderate in terms of additional revenue (7%) and EBITDA (11%).

We note that this is the second sizeable acquisition announced by Barloworld in February 2020 after the acquisition of Wagner Asia Equipment LLC and SGMS LLC. This highlights an increased appetite for acquisitions and some integration risk. At the same time, we recognize that the funding mix of both acquisitions has been conservative in line Barloworld's track record of conservative financial policies. As a result of this acquisition and the acquisition of Wagner Asia Equipment LLC and SGMS LLC, we estimate pro forma consolidated leverage for FY2019 ending 30 September, calculated as Moody's adjusted debt to EBITDA, to be around 2.4x from 2.2x as of 30 September 2019. Similarly, we estimate Moody's pro forma adjusted EBIT to interest expense to be around 2.9x from 3.1x as of 30 September 2019.

ESG considerations

Moody's regards the coronavirus outbreak as a social risk under its ESG framework, given the substantial implications for public health and safety. The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. We expect that the spread of the coronavirus will negatively impact the company's cash flow generation at least in the first half of calendar year 2020. Depending on its duration, the nationwide lock-down imposed by the South African government will negatively affect credit metrics.

Liquidity analysis

Barloworld's liquidity is deemed sufficient to meet its near-term obligations within the next 12 months, supported by undrawn committed facilities totaling ZAR6.7 billion and unrestricted cash of ZAR5.3 billion as of 31 December 2019. This is sufficient to cover capital spending of ZAR1.04 billion, dividends of ZAR1.1 billion as well as debt maturities of ZAR2.6 billion over the next 12 months, as of 31 December 2019. The company's credit facilities are provided by a variety of leading South African banks.

Rating methodology and scorecard factors

The principal methodology used in rating the company was Moody's Retail Industry Methodology published in May 2018, as it captures the biggest portion of its businesses being the Equipment and Automotive retail operations, representing around 80% of total revenue. The two notch differential between the scorecard-indicated outcome and the actual rating assigned is due to Barloworld's concentration risks in South Africa.

Exhibit 6

Barloworld Limited Rating Factors

Barloworld Limited

Retail Industry Scorecard [1][2]

Current
FY 09/30/2019

Moody's 12-18 Month Forward View
As of 3/29/2020 [3]

Factor 1 : Scale (10%)	Measure	Score
a) Revenue (USD Billion)	\$4.0	Ba
Factor 2 : Business Profile (30%)		
a) Stability of Product	Ba	Ba
b) Execution and Competitive Position	Baa	Baa
Factor 3 : Leverage and Coverage (45%)		
a) EBIT / Interest Expense	3.1x	Ba
b) RCF / Net Debt	66.1%	Aa
c) Debt / EBITDA	2.2x	A
Factor 4 : Financial Policy (15%)		
a) Financial Policy	Baa	Baa
Rating:		
a) Scorecard-Indicated Outcome		Baa2
b) Actual Rating Assigned		

Measure	Score
\$4 - \$4.1	Ba
Ba	Ba
Baa	Baa
2.9x - 3.1x	Ba
40% - 45%	A
2.2x - 2.4x	A
Baa	Baa
	Baa2
	Ba1

All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's forecasts (f) are Moody's opinion and do not represent the views of the issuer. Periods are financial year-end unless indicated; LTM = last twelve months.

Source: Moody's Financial Metrics™

Appendix

Exhibit 7

Peer comparison table

	Barloworld Limited			Caterpillar Inc.			AutoNation, Inc.		
	Ba1 Negative			A3 Positive			Baa3 Stable		
(in US millions)	FYE Sep-17	FYE Sep-18	FYE Sep-19	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-18	FYE Dec-19	LTM Dec-19
Revenue	\$4,634	\$4,618	\$3,966	\$42,676	\$51,822	\$50,755	\$21,413	\$21,336	\$21,336
EBITDA	\$574	\$501	\$452	\$6,598	\$10,287	\$9,399	\$825	\$921	\$921
Total Debt	\$1,103	\$1,142	\$944	\$17,426	\$16,691	\$15,686	\$2,998	\$2,473	\$2,473
Cash & Cash Equiv.	\$265	\$547	\$469	\$7,381	\$6,968	\$7,299	\$49	\$42	\$42
EBITDA Margin	12.4%	10.8%	11.4%	15.5%	19.9%	18.5%	3.9%	4.3%	4.3%
EBIT / Int. Exp.	2.8x	3.0x	3.1x	5.2x	12.2x	13.4x	4.4x	5.6x	5.6x
Debt / EBITDA	1.9x	2.5x	2.2x	2.6x	1.6x	1.7x	3.6x	2.7x	2.7x
RCF / Net Debt	46.9%	71.2%	66.1%	36.8%	77.0%	74.7%	20.7%	28.4%	28.4%
FCF / Debt	15.1%	1.9%	15.8%	22.7%	25.0%	20.1%	2.0%	11.7%	11.7%

All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are financial year-end unless indicated; LTM = last twelve months.

Source: Moody's Financial Metrics™

Exhibit 8

Moody's-adjusted debt breakdown

(in US Millions)	FYE Sep-14	FYE Sep-15	FYE Sep-16	FYE Sep-17	FYE Sep-18	FYE Sep-19
As Reported Debt	1,001.6	949.2	803.1	716.8	789.3	515.0
Pensions	168.3	140.5	209.7	165.6	123.9	139.2
Operating Leases	248.8	250.8	259.8	218.6	209.2	226.2
Non-Standard Adjustments	0.0	0.0	0.0	2.4	19.7	64.0
Moody's-Adjusted Debt	1,418.6	1,340.5	1,272.7	1,103.4	1,142.1	944.4

All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are financial year-end unless indicated; LTM = last twelve months.

Source: Moody's Financial Metrics™

Exhibit 9

Moody's-adjusted EBITDA breakdown

(in US Millions)	FYE Sep-14	FYE Sep-15	FYE Sep-16	FYE Sep-17	FYE Sep-18	FYE Sep-19
As Reported EBITDA	595.3	512.0	441.1	488.9	425.0	375.0
Pensions	2.3	1.4	1.0	0.8	1.1	6.9
Operating Leases	88.7	96.6	80.9	73.6	66.7	79.8
Unusual	-19.9	21.7	-2.4	10.6	7.7	-9.3
Moody's-Adjusted EBITDA	666.4	631.7	520.5	573.9	500.5	452.4

All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are financial year-end unless indicated; LTM = last twelve months.

Source: Moody's Financial Metrics™

Ratings

Exhibit 10

Category	Moody's Rating
BARLOWORLD LIMITED	
Outlook	Negative
Corporate Family Rating	Ba1
ST Issuer Rating -Dom Curr	NP
NSR LT Issuer Rating	Aa2.za
NSR ST Issuer Rating	P-1.za

Source: Moody's Investors Service

© 2020 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND/OR ITS CREDIT RATINGS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S INVESTORS SERVICE DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S INVESTORS SERVICE CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and Moody's investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454