

**Rating Action: Moody's takes action on 11 South African corporates following confirmation of sovereign rating at Baa3 stable**

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London, 27 March 2018 -- Moody's Investors Service has today taken rating actions on 11 South African corporates. The rating actions were driven by Moody's recent decision to confirm South Africa's government issuer rating at Baa3 with a stable outlook.

Moody's rating action on the South African government issuer rating on 23 March 2018 reflects the view that the previous weakening of South Africa's institutional framework will gradually reverse under a more transparent, predictable policy framework. For further information, refer to the rating action press release: [https://www.moodys.com/research/--PR\\_381164](https://www.moodys.com/research/--PR_381164)

Moody's confirmed the following global scale ratings with a stable outlook from rating under review for downgrade:

- » Barloworld Limited
- » The Bidvest Group Limited
- » Fortress REIT Limited
- » Growthpoint Properties Limited
- » Imperial Group Ltd
- » Mercedes-Benz South Africa Limited
- » Redefine Properties Limited
- » Telkom SA SOC Limited
- » Transnet SOC Ltd.

Moody's confirmed the following global scale ratings with a negative outlook from rating under review for downgrade:

- » Hyprop Investments Limited

Moody's affirmed the following global scale ratings and changed the outlook on the ratings to stable from negative:

- » Sasol Limited
- » Sasol Financing International Limited

In line with the affirmation of Sasol Limited's ratings the company's national scale ratings were affirmed. The national scale ratings on the other 10 South African corporates that Moody's has taken actions on remain unchanged. The rating action concluded the review for downgrade initiated on 27 November 2017 for Growthpoint Properties Limited, the review for downgrade initiated on 28 November 2017 for Mercedes-Benz South Africa Limited and the review for downgrade initiated on 29 November 2017 on all other ratings listed above.

A full list of affected ratings is provided towards the end of this press release.

**RATINGS RATIONALE**

The rating actions reflect the degree of credit linkages of these corporates with the South African economy and their material exposure to the domestic operating environment. The actions consider that recovery in the

country's institutions will, if sustained, gradually support a corresponding recovery in its economy, along with a stabilization of fiscal strength which will have a positive bearing on South Africa's corporate environment.

#### -- CONFIRMATION OF GLOBAL SCALE RATINGS WITH A STABLE OUTLOOK FROM RATING UNDER REVIEW FOR DOWNGRADE

##### BARLOWORLD LIMITED

The Baa3/Aa1.za issuer ratings recognise Barloworld Limited's (Barloworld) 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. The rating also considers Barloworld's 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. Barloworld's credit metrics have historically been relatively stable and are supported by the company's ongoing commitment to balanced financial policies. While adjusted debt/EBITDA of 1.9x is strongly positioned within the rating category, Barloworld's EBIT/interest expense cover of 3.0x and operating margin of 6.9% are weakly positioned (as of 30 September 2017 -- FY2017) leaving it susceptible to weaker operating performance and a rising interest rate environment. Ratings also consider Barloworld's good liquidity position underpinned by a balanced debt maturity profile.

The rating is constrained by Barloworld's exposure to: (1) the Sub-Saharan African and Russian markets, leaving it exposed to the weak economic conditions of these countries; and (2) more cyclical mining, agricultural, construction and motor related industries, which are currently experiencing prolonged depressed global commodity prices and weaker local consumer environments. In addition, Barloworld is exposed to 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. (A3 stable). This is mitigated by its long-term relationships and close strategic alignment as well as, in some cases, its fixed term contractual agreements with its principals, which we expect to continue.

The stable outlook reflects our expectation that Barloworld will maintain its leading market position across its operations, as well as its strong relationships with its key principals. The outlook assumes that management will pursue balanced financial policies resulting in relatively stable credit metrics over the next 12 to 18 months, and will also maintain a good liquidity profile.

##### THE BIDVEST GROUP LIMITED

The Bidvest Group Limited's (Bidvest) Baa3/Aa1.za long-term issuer ratings reflect the Group's: (1) stable operational and financial profile; (2) diversified sources of revenue across a range of businesses; (3) low financial debt leverage, with healthy interest cover and good cash flow generation in the context of the high volume, low margin nature of many of its activities; and (4) experienced management team with a successful track record of organic growth and growth through acquisitions, which have been effectively integrated into the Bidvest network while managed on a decentralized basis.

The ratings also factor: (1) low but improving growth prospects supported by improving business and consumer sentiment in South Africa; (2) event risk from debt financed acquisitions that may overstretch current leverage levels; and (3) limited geographic diversification. The ratings also consider the credit linkage to the South African government bond rating given Bidvest's high operational concentration in South Africa.

The stable outlook reflects Moody's expectations that Bidvest will continue to maintain its leadership positions and maintain adequate debt and cash flow metrics in the short to medium term through prudent balance sheet, liquidity and risk management practices.

##### FORTRESS REIT LIMITED

Fortress REIT Limited's (Fortress or the Fund) Baa3/Aa1.za long-term issuer ratings are underpinned by its niche sector exposure to regional retail centres along key transportation nodes and high quality logistics properties across South Africa, which produce stable recurring income underpinned by positive rental increases and moderate to low vacancy rates (5.8% as of 31 December 2017). The ratings are also supported by a broadly diversified portfolio by property sector, tenants and location, with offshore listed investments providing rand hedged foreign currency cash flows and moderate fixed charge coverage, as measured by the adjusted EBITDA / (interest expense plus capitalised interest) of 3.3x for the last twelve months to 31 December 2017.

At the same time, the ratings assigned also factor: (1) exposure to the weak South African economy, notably

through its income exposure to regional shopping centres, where the tenants are exposed to lower LSM (living standards measure) shoppers who are more sensitive to the state of the South African economy; (2) its equity stakes in listed local and offshore property investments, which expose the Fund to market volatility, given it represents 39% of total tangible assets if listed investments are measured at market value (as of 25 March 2018); (3) higher leverage, as measured by adjusted total debt / gross assets of 31% following the recent decline in listed investment values; (4) a high level of secured debt at 85% of total gross debt in its capital structure and a moderate percentage of gross assets that are unencumbered of 39%; and (5) a high proportion of debt maturing in the next three years (39% of total outstanding debt).

As a result of the recent material decline in listed investments (to ZAR23.0 billion as of 25 March 2018 from ZAR40.7 billion as of 31 December 2017), Moody's adjusted leverage (adjusted debt/gross assets) increased to around 31% (pro forma based on current market values) from 25% as of 31 December 2017. The headroom for the Baa3 rating has been eroded and now has limited tolerance for further market value erosion. Per our calculations, a further ZAR7 billion decline in the listed investments' market value would result in Moody's adjusted debt/gross assets reaching 35%, exceeding our downward rating guidance. We will continue to monitor the market value of Fortress' investments, developments on the cross shareholding with Resilient REIT as well as the proposed restructuring of the Siyakha Education Trusts, which may require shareholder approval.

The stable outlook on the ratings reflects our view that Fortress will maintain an operating profile such that revenues grow at least in line with inflation and EBITDA margins remain relatively stable. The outlook also assumes there is no further equity value declines and Fortress continues to receive stable to growing dividend income from its listed investments.

#### GROWTHPOINT PROPERTIES LIMITED

Growthpoint Properties Limited's (Growthpoint) Baa3/Aaa.za long-term issuer ratings are supported by its strong market position as the largest primary listed REIT company in South Africa. The ratings are also based on the significant property portfolio size and quality that benefits from an active internal management team and produces solid, recurring rental income underpinned by: (1) medium- to long-term leases; (2) contractual annual rent escalation clauses above inflation; (3) low vacancy rates; and (4) diversification by tenant base and property sector. The portfolio is geographically concentrated in the province of Gauteng, South Africa, but substantial investments over the past three years in Australia (Aaa stable) and more recently central and eastern Europe have broadened its geographical base. The ratings also factor Moody's expectation that Growthpoint's development activity will increase as tenant demand in South Africa improves, but that the company will continue to limit development risk to only a moderate exposure and that its projects will be predominantly pre-let.

A constraining factor on the ratings is: (1) the credit linkages to the government of South Africa given Growthpoint's operational concentration in South Africa; (2) the high proportion of debt that is secured equivalent to 67% of total debt; as well as (3) the low level of unencumbered assets to gross assets of 37%. A further constraint is the sizable approaching debt maturities over the next three years of around 47%. We note that Growthpoint has, in the past, been successful in addressing approaching debt maturities around 12 months before the maturity date. All figures are as of the last twelve months to 31 December 2017 and adjusted per Moody's standard definitions and adjustments.

The stable outlook is in line with the action taken on the Government of South Africa on 23 March 2018. Growthpoint's credit profile is constrained by the South African sovereign rating given its operational concentration in South Africa, with 76% property exposure and 80% reported EBIT (as of 31 December 2017) derived from properties within the country. This exposes the bulk of its operations to the heightened risks associated with the political, social and economic environment of South Africa.

#### IMPERIAL GROUP LTD

Imperial Group Ltd's (Imperial) Baa3/ Aa1.za long-term issuer ratings continue to be based on Moody's perception of the Group's business risk profile, combined with its level of debt protection ratios, and its diversified business structure, which mitigates its complex organization structure. The ratings also recognise Imperial's long history and solid reputation in South Africa, its track record of growth, its strong market position and quality of management.

Furthermore, the rating factors Imperial's ongoing conservative financial policies and its inherent exposure to currency volatility. While credit metrics remain within rating guidance, the declining trend in metrics has eroded

the headroom within Imperial's Baa3 rating category. We have noted, through non-core asset disposal over the past 12 months, credit metrics have stabilized and are expected to improve in the next 12-18 months.

The stable outlook on the ratings of Imperial Group Ltd reflects Moody's expectation that Imperial will continue to operate within its stated financial policies.

#### MERCEDES-BENZ SOUTH AFRICA LIMITED

The confirmation of Mercedes-Benz South Africa Limited's (MBSA) (P)A2 ratings and the stable outlook, which was placed on review for downgrade on 28 November 2017, reflects the confirmation of the Government of South Africa's long-term ratings, and the local currency ceiling.

MBSA is the South African subsidiary of Daimler AG (Daimler, Issuer rating A2 stable) who is its sole shareholder. MBSA's programme is supported by an unconditional and irrevocable guarantee by Daimler AG.

MBSA's DMTN program is rated in line with Daimler's rating, based on the existing unconditional and irrevocable guarantee from the parent.

The stable outlook reflects Moody's expectation that Daimler's business setup has the capacity to contend with the long-term cyclicalities within the global passenger vehicle markets and its challenging landscape as a result of heavy investment requirements for: (1) alternative propulsion technologies; (2) autonomous driving; (3) the shift of production capacities towards alternative fuel vehicles; (4) connectivity; as well as (5) regulations relating to vehicle safety, emissions and fuel economy.

#### REDEFINE PROPERTIES LIMITED

Redefine Properties Limited's (Redefine) Baa3/Aa1.za long-term issuer ratings are underpinned by a material growth of the company's property portfolio over the past 18 months within South Africa, as well as more recently into Europe and Australia. The sizable portfolio of predominantly directly held South African properties (81% of property assets) has moderate and relatively stable occupancy rates of 95%, that produced high EBITDA margins. The rating is also supported by a well-diversified property portfolio across key sectors in office, industrial and retail, with local and offshore property (direct and indirect) exposures in South Africa, United Kingdom, Poland and Australia.

The rating is, however, constrained by: (1) the portfolio's predominant exposure to South Africa; (2) the more complex organisational and reporting structure; and (3) low fixed charge cover and high total debt to gross assets ratio (leverage) of 2.0x and 39%, respectively. Moody's notes that Redefine has recently entered into an agreement to sell a 19% stake in Cromwell Property Fund with proceeds of ZAR3.5 billion, most of which will be used to settle some of the existing debt and therefore reduce leverage. Further key constraints on the ratings include the large proportion of secured debt in the company's capital structure (68% of the total debt) and the high level of encumbered assets to gross assets. All data points are as of 31 August 2017 and adjusted per Moody's standard definitions and adjustments.

The stable outlook reflects Moody's view that Redefine will continue to produce steady rental income and make well-conceived investments within its stated financial policies. It also assumes that management will maintain an adequate liquidity profile at all times.

#### TELKOM SA SOC LIMITED

Telkom SA SOC Limited's (Telkom) Baa3/Aa1.za long-term issuer ratings reflect Moody's view on the fundamental credit quality of Telkom, represented by a Baseline Credit Assessment (BCA) of baa3, combined with the strong linkage between Telkom and the Government of South Africa as reflected by our assumptions of "high" dependence on and "moderate" support from the South African government. Telkom's ratings and outlook are in line with the government of South Africa's bond rating of Baa3 with a stable outlook.

Telkom's BCA of baa3 continues to reflect the transformation process of its business model and the execution challenges faced through: (1) strategies to increase adoption of information communication technology (ICT) among its business customers; (2) customer service improvements; and (3) network upgrades for its improved bundled offerings. The current BCA is also based on Telkom's low leverage and overall strong credit metrics for the rating category. This offsets, to some degree, Telkom's operating and competitive challenges, as well as the larger capital investments required to deliver on its key strategies for the upcoming years. The rating further assumes that Telkom will not experience any difficulties in terms of liquidity, refinancing or funding and so will be able to meet its financial and operating commitments. To the extent these would arise, further

downward pressure would be exerted on the rating or outlook. However, we recognise the company's position as a leading telecommunications operator, with a leading market position in South Africa's fixed-line business and a growing presence in broadband and mobile offerings.

The stable outlook assumes that Telkom continues to execute on its strategies to de-risk the business from declining fixed line voice revenues and gain steady market share in its mobile offering. The stable outlook further assumes that leverage will not increase materially from current levels and liquidity will remain strong at all times.

#### TRANSNET SOC LTD.

Transnet SOC Ltd's (Transnet) Baa3 rating comprises Moody's view of the fundamental credit quality of Transnet, represented by a Baseline Credit Assessment (BCA) of baa3, combined with the strong linkage between Transnet and the South African government as reflected by our assumptions of "very high" dependence on and "high" support from the government. Transnet's ratings and outlook are in line with the government of South Africa's bond rating.

The BCA of baa3 reflects: (1) Transnet's monopoly ownership and operation of the South African railway infrastructure and freight services, which are consistently profitable; (2) its ownership of South Africa's eight seaports and operations of a large part of South Africa's stevedoring services, together with its operation of the strategically important hydrocarbon pipelines; (3) its significant medium term capital expenditure programme, required to maintain and upgrade its infrastructure assets; (4) good profitability but weaker credit metrics as reflected by high debt leverage and low interest coverage ratios; and (5) management's track record of executing on its capital investment strategy.

The stable outlook assumes that Transnet is able to maintain positive revenue growth at least at the same level of the South African GDP growth and demonstrate operational efficiencies. The outlook further assumes a track record of executing on its capital investment strategy while adjusting to changes in the macroeconomic environment with a view to managing within its stated financial policies.

-- CONFIRMATION OF GLOBAL SCALE RATING WITH A NEGATIVE OUTLOOK FROM RATING UNDER REVIEW FOR DOWNGRADE

#### HYPROP INVESTMENTS LIMITED

Hyprop Investments Limited's (Hyprop) Baa3/Aa1.za long-term issuer ratings are supported by the high quality and well-positioned retail portfolio in South Africa, which benefits from active management and low vacancies (1.6% as of 31 December 2017), producing solid, recurring rental income. The ratings also incorporate fixed-charge cover of 3.7x (according to our standard definitions and adjustments, as of LTM to 31 December 2017) and factor in Hyprop's conservative approach to development risk.

At the same time, the ratings assigned also factor: (1) the moderate size of the portfolio and smaller scale of operations relative to local peers, as measured by total assets (ZAR40.6 as of 31 December 2017); (2) the high exposure to the retail sector, as well as high geographic concentration in the Gauteng province; (3) the small but growing exposure to retail properties across the rest of Africa and Central and Eastern Europe (currently Ghana (B3 stable), Zambia (B3 stable), Nigeria (B2 stable), Serbia (Ba3 stable), Montenegro (B1 stable), Macedonia and Croatia (Ba2 stable), which improves diversification but increases Hyprop's operational risk and weakens its overall credit profile; (4) high percentage of secured debt in its capital structure and high leverage, as measured by adjusted total debt / gross assets of 35%. All figures are as of the last twelve months to 31 December 2017 and adjusted per Moody's standard definitions and adjustments.

The negative outlook on Hyprop reflects the company's financial approach of debt funded acquisitions across Eastern Europe and the growing property exposure and cash flows from weaker sovereign markets. Following the proposed purchase of two shopping centers in Croatia during February 2018 through Hystead Limited (Moody's fully consolidates its 60% joint venture in Hystead Limited), we expect adjusted debt / gross assets to weaken beyond our rating guidance of 35% for the Baa3 rating. We could stabilize the outlook if we see leverage consistent with our rating guidance. We note Hyprop's intention to list Hystead Limited during 2018, which is expected to release capital and could reduce Hyprop's debt levels.

-- AFFIRMATION OF SASOL'S GLOBAL SCALE RATING WITH A STABLE OUTLOOK FROM NEGATIVE

The affirmation of Sasol Limited's (Sasol) Baa3 global scale long-term issuer ratings and Aaa.za national scale ratings along with the Baa3 global scale long-term senior unsecured notes rating of Sasol Financing

International Limited reflects Sasol's: (1) well-entrenched leading market position in liquid fuels and chemicals production in South Africa and their resiliency to economic pressures in the country; (2) integrated value chain and business model underpinned by proprietary technology; factors which offer control of its supply chain and protection against competition; and (3) robust financial profile supported by sound and sustained cash flow generation, as well as Sasol's conservative and prudent financial policies, as seen by its aim of managing (i) reported net debt/equity up to a temporary maximum of 44% until 30 June 2018; and (ii) reported net debt/ EBITDA below 2x.

Concurrently, Moody's changed the outlook on Sasol's rating to stable from negative capturing: (1) further progress made on the development of Sasol's Lake Charles Chemicals Project (LCCP), where execution risk continues to reduce as the project progresses; (2) a benign chemicals and oil price (Moody's revised its oil price upward to \$45-\$65/bbl from \$40-\$60/bbl on 13 March 2018) environment providing tailwinds to Sasol's credit profile; (3) protection afforded by Sasol's various hedging initiatives protecting the company's financial year end 2019 cash flow generation from South African/US dollar exchange rate appreciation and downside oil price risk; and (4) recent improvements in the economic and political backdrop in South Africa as captured by Moody's confirmation of South Africa's ratings with a stable outlook from under review for downgrade.

On 29 November 2017, Moody's Investors Service affirmed with a negative outlook Sasol's ratings. The rating action followed Moody's decision to place South Africa's Baa3 government issuer rating under review for downgrade on 24 November 2017. The negative outlook at the time also factored in the linkages between Sasol's credit profile and the Government of South Africa's Baa3 rating on review for downgrade. Consequently, the change in Sasol's outlook to stable from negative also embeds Moody's view that various downside risk factors for the Government of South Africa's Baa3 rating have waned over the past four months and therefore their negative transmission considerations to Sasol have also reduced. At the same time, the stable outlook on Sasol's ratings also acknowledges the company's strong credit profile relative to the government of South Africa and other non-financial corporates in South Africa rated at the same level.

Similarly, the affirmation of Sasol's ratings with a stable outlook considers that linkages with the Government of South Africa's rating should begin to reduce, as Sasol's credit profile strengthens and geographic diversification improves when LCCP starts production and begins to contribute to EBITDA generation in 2018. Until such time, Sasol's geographic concentration risk to South Africa exposes the company to fiscal regime risk as a result of its significant domestic cash flow generation and asset concentration.

Moody's will continue to closely monitor that the completion and commissioning phases of Sasol's LCCP goes according to plan. Any material deviation from the plan that could have a significant bearing on Sasol's deleveraging trajectory could lead to downward pressure on the company's rating and/or outlook. The rating agency, however, does recognize Sasol's ability to withstand a degree of credit deterioration given its strong positioning within the Baa3 rating category.

#### WHAT COULD CHANGE THE RATINGS - UP/DOWN

##### BARLOWORLD LIMITED

We do not expect any further upward rating action as Barloworld's rating is likely to be constrained at the same level as South Africa's government bond rating given that the bulk of Barloworld's cash flows and operational exposure is derived in South Africa and the rest of Africa.

Subject to the government of South Africa's bond rating, Moody's would consider an upgrade if Barloworld: (1) is able to grow in size and geographic diversification, while maintaining its financial performance under challenging operating conditions; (2) adjusted debt/EBITDA were to fall below 2.0x; (3) EBIT / interest increases above 4.0x; and (4) maintains a positive and sustainable free cash flow position.

Pressure on the ratings would develop following: (1) a downgrade of the government of South Africa's bond rating; (2) weakened operating performance, to the extent that the revenue and operating margin declines and translates into weaker debt protection measures such that debt / EBITDA rises above 3.0x or EBIT/ interest expense falls below 2.5x for an extended period of time; and (3) the deterioration of the company's liquidity risk profile.

##### THE BIDVEST GROUP LIMITED

Moody's would consider an upgrade if: (1) Bidvest is able to grow in size and geographic diversification; (2) Moody's adjusted gross debt to EBITDA is materially under 3.0x on a sustainable basis; (3) Moody's adjusted EBITA to interest expense is well above 4.0x; and (4) Bidvest maintains positive sustainable free cash flow.

Moody's would consider a downgrade if one or a combination of the following occurs: (1) erosion in operating performance or higher debt levels such that Moody's adjusted EBITA to interest expense remains sustainably below 3.5x or Moody's adjusted gross debt to EBITDA trends sustainably above 3.0x; (2) there is failure to maintain a good liquidity profile with sizable cash balances; and (3) free cash flows are negative.

#### FORTRESS REIT LIMITED

We do not expect any further upward rating action as Fortress' rating is likely to be constrained at the same level as South Africa's government bond rating given that the bulk of Fortress' net income and property exposures are derived in South Africa.

Any positive rating action would further depend on: (1) the company continuing to exhibit growing revenues, improving operating margins and demonstrating prudent operating policies; (2) leverage, as measured by adjusted total debt/gross assets, remaining at around 25%; (3) fixed charge cover remaining above 3.0x; and (4) the percentage of unencumbered assets to total assets demonstrating an increasing trend over time.

Fortress' rating would come under downward pressure in the event of any of the following: (1) South Africa's government bond rating is downgraded from Baa3; (2) Fortress fails to address near term debt maturities in a timely manner; (3) there is increasing reliance on income and/or asset value from listed investments; (4) there are debt financed acquisition or adverse changes in its portfolio, such that leverage (in terms of adjusted total debt to gross assets) is trending towards 35%, or fixed charge coverage approaches 2.5x; or (5) there are unexpected operating difficulties that negatively affect operational performance or cash flows.

#### GROWTHPOINT PROPERTIES LIMITED

As a result of the high degree of rating linkage to the South African government bond rating, any future rating pressure (either positive or negative) on Growthpoint's ratings and outlook will have to be considered in the context of the South African long-term bond rating position and outlook at the time.

Any positive rating action would further depend on strengthening financial metrics, such that: (1) leverage as measured by debt to gross assets is around 35% on a sustainable basis; (2) fixed charge cover trends towards 3.0x; and (3) the level of unencumbered assets to gross assets improves towards 40% while maintaining the level of secured debt to gross assets below 25%.

Growthpoint's rating would come under downward pressure in the event of any of the following: (1) the company's liquidity risk profile deteriorates; (2) there are unexpected difficulties integrating acquisitions that negatively impact operational and cash flow performance; (3) leverage in terms of total debt to gross assets trends towards 40%; (4) fixed charge coverage (as measured by EBITDA to interest expense) trends towards 2.0x; (5) secured debt to property assets exceeds 30% or there is a material decline in unencumbered assets from the current levels.

#### IMPERIAL GROUP LTD

Moody's would consider an upgrade if Imperial were able to: (1) materially grow its offshore operations into markets with stronger credit profiles relative to South Africa; (2) maintain a retained cash flow to net debt ratio above 25%, on a sustainable basis; (3) maintain stable and improving operating margins; (4) achieve increased debt protection levels, such that Imperial's (funds from operations + interest expense)/interest expense were to exceed 4.0x on a sustainable basis.

The credit metrics relative to guidance incorporates some flexibility to accommodate a range of strategic initiatives including debt funded acquisitions. Any debt funded acquisitions would nevertheless have to be assessed in terms of its impact on Imperial's business risk profile, overall capital structure and how it fits strategically in the Group.

Negative pressure could be exerted on the ratings or outlook of Imperial as a result of: (1) weakness in Imperial's operating performance, resulting in lower debt protection measures, with (funds from operations + interest expense)/interest expense sustainably below 4.0x, or lower operating margins; (2) an average retained cash flow/net debt ratio that trends below 20% on a prospective basis, considering past and expected future performance; (3) debt protection measures weakening; (4) a failure to adjust financial policies and cost structure such that Imperial generates positive free cash flow on a sustained basis through conservative capital expenditure and adjusted shareholder remuneration policies.

## MERCEDES-BENZ SOUTH AFRICA LIMITED

Given the cyclical nature of the industry and technological challenges facing companies in the industry, we do not anticipate any upward movement on Daimler's rating during the intermediate term. Despite the company's strong credit metrics, the (P)A2 rating should remain appropriate given the long-term cyclical nature in the global passenger vehicle markets. This rating level can also accommodate a temporarily elevated capex and R&D spending. An upgrade of Daimler's ratings would require a sustained strong operational and financial performance through a cyclical downturn.

Upward pressure on the ratings could occur should Daimler demonstrate continued high earnings and cash generation levels on a sustained basis, while at the same time: (1) maintaining its brand equity value; (2) successfully introducing additional new models and variants; (3) defending its strong market share position in the premium car markets; (4) defending its technological leadership positioning; (5) meeting the required emission standards; and (6) improving its liquidity coverage beyond the current level.

The (P)A2 ratings could come under pressure should: (1) Daimler exhibit a sustained negative market share development in its key markets; (2) FCF generation is negatively impacted by a more aggressive financial policy; (3) the company's EBITA margin falls below 7.0% for two or more years in a row; (4) its leverage (debt/EBITDA) exceeds 2.0x on a sustainable basis; (5) the group's liquidity profile weakens; or (6) if there are any emission-related issues that would lead to significant fines, or other remediation measures, which is currently not part of our assumptions.

## REDEFINE PROPERTIES LIMITED

As a result of the high degree of rating linkage to the South African government bond rating, any future pressure on Redefine's ratings and outlook will have to be considered in the context of the South African long term bond rating position and outlook at the time.

Subject to the South African government bond rating, Moody's would consider an upgrade if: (1) the portfolio size and diversification materially improves; (2) good track record as a rated entity is maintained; (3) leverage, defined as adjusted total debt/gross assets, is maintained sustainably below 35% and fixed charge coverage above 3.0x on a sustained basis; and (4) ratio of secured debt/property assets falls below 25%.

Moody's would consider a downgrade if one or a combination of the following occurs: (1) adjusted total debt/gross assets exceeds 40% on a sustained basis; (2) fixed charge coverage trends below 2.5x; (3) the ratio of secured debt/property assets remains above 30%; (4) unexpected difficulties integrating acquisitions arise, having a negative impact on the operational performance or cash flows of the company; and (5) there is a deterioration of Redefine's liquidity risk profile.

## TELKOM SA SOC LIMITED

Moody's would consider an upgrade if: (1) Telkom is successful in its turnaround strategy to diversify the business away from the structural decline in voice revenues; and (2) the company right sizes its cost base and demonstrates that its mobile business remains profitable such that the company's consolidated EBITDA margin is on an improving trajectory above 30% on an adjusted basis.

Negative pressure on Telkom's rating or outlook will be prompted by: (1) higher-than-expected competitive threats or execution challenges in its mobile offering or bundled services that leads towards further operating margin declines; (2) the EBITDA margin falls and is sustained below 20% (for last twelve month to September 2017 (LTM Sept 2017)- 27.4%); (3) leverage, as measured by debt/EBITDA, increases towards 2.5x (for LTM Sept 2017 - 1.2x); and (4) retained cash flow/total debt is below 25% (for LTM Sept 2017 - 52.6%) on a sustained basis as a result of higher debt levels or dividend distribution.

## TRANSNET SOC LTD.

An upgrade is unlikely at this time given the credit linkages that exist between the government of South Africa's sovereign credit worthiness and that of Transnet, and our expectations that Transnet's capital expenditure programme and sizable funding needs will result in a sustained high level of leverage as defined by debt/EBITDA and negative free cash flow.

Over the medium term, the key requirements for positive rating pressure would be a clear path towards positive free cash flow generation and material deleveraging. This, together with improving operational metrics could allow the ratings to be placed one notch higher than the South African sovereign.



Moody's could also downgrade Transnet's rating and BCA if the company does not deliver sufficient growth in funds from operations (FFO) to offset its debt-funded capital expenditures, such that: (1) consolidated FFO/debt is sustainably below 10%; or (2) (FFO + interest expense)/interest expense is below 2.0x on a sustained basis; or (3) such a failure to deliver could arise if Transnet's volumes were to fall due to the return of poor trade conditions that tariff rises were unable to offset; and/or Transnet were to embark on a debt-financed capital expenditure programme that was not matched by accompanying demand and growing operating cash flows.

Furthermore, Transnet's financial policies and operating performance may be challenged in the next 12 to 18 months by government policies to support or stimulate economic growth and address high unemployment; and a continued weak economic environment, which could constrain Transnet's revenue growth.

#### HYPROP INVESTMENTS LIMITED

We do not expect any further upward rating action as Hyprop's rating is likely to be constrained at the same level as South Africa's government bond rating given that the bulk of Hyprop's net income and property exposure are derived in South Africa.

Any positive rating action would further depend on: (1) the company continuing to grow scale with stable operating margins and broadening its geographic footprint into jurisdictions with strong credit profiles; (2) following prudent financial and operating policies; (3) maintaining overall strong liquidity profile with ample headroom on its covenants; and (4) maintaining leverage - as measured by adjusted total debt/gross assets - below 30% on a sustainable basis.

Hyprop's rating would come under downward pressure in the event of any of the following: (1) South Africa's government bond rating is downgraded from Baa3; (2) Hyprop fails to maintain an adequate liquidity profile; (3) there is a debt-financed acquisition or change in capital structure, such that leverage in terms of adjusted total debt/gross assets is trending above 35% or fixed-charge coverage trends below 3.0x on a sustainable basis; or (4) there are unexpected operating difficulties that negatively affect operational performance or cash flows.

#### SASOL LIMITED

Downward pressure on Sasol's rating would likely arise due to: (1) delays or unforeseen costs associated with its Lake Charles Chemicals Project; (2) a significant deterioration of debt protection measures, such that its debt/equity is sustained above 50%, or debt/EBITDA is sustained above 2.5x, after applying Moody's standard adjustments to both credit metrics; (3) a significant increase in country risk exposure, particularly in less politically stable regions; (4) pressure on liquidity and financial flexibility, especially as a result of increased capex, and/or shareholder remuneration; or (5) a downgrade of the South African government rating to more than one notch below Sasol's rating.

Upward pressure on the ratings is currently constrained until Sasol's Lake Charles Chemical Plant ramps up to full-production, shifting its exposure to international operations towards an even balance with South Africa.

#### LIST OF AFFECTED RATINGS

Issuer: Barloworld Limited

..Confirmations:

....Long-term Issuer Rating, confirmed at Baa3

....Short-term Issuer Rating, confirmed at P-3

..Outlook Action:

....Outlook changed to Stable from Rating under Review

Issuer: Bidvest Group Limited, The

..Confirmations:

....Long-term Issuer Rating, confirmed at Baa3

....Short-term Issuer Rating, confirmed at P-3

..Outlook Action:

....Outlook changed to Stable from Rating under Review

Issuer: Fortress REIT Limited

..Confirmations:

....Long-term Issuer Rating, confirmed at Baa3

....Short-term Issuer Rating, confirmed at P-3

..Outlook Action:

....Outlook changed to Stable from Rating under Review

Issuer: Growthpoint Properties Limited

..Confirmations:

....Long-term Issuer Rating, confirmed at Baa3

....Short-term Issuer Rating, confirmed at P-3

....Senior Unsecured Regular Bond/Debenture, confirmed at Baa3

....Senior Unsecured Medium-Term Note Program, confirmed at (P)Baa3

....Other Short Term Senior Notes, confirmed at P-3

....Other Short Term Medium-Term Note Program, confirmed at (P)P-3

..Outlook Action:

....Outlook changed to Stable from Rating under Review

Issuer: Imperial Group Ltd

..Confirmations:

....Backed Short-term Issuer Rating, confirmed at P-3

....Backed Long-term Issuer Ratings, confirmed at Baa3

....Backed Senior Unsecured Regular Bond/Debenture, confirmed at Baa3

....Backed Senior Unsecured Medium-Term Note Program, confirmed at (P)Baa3

....Backed Subordinate Medium-Term Note Program, confirmed at (P)Ba1

..Outlook Action:

....Outlook changed to Stable from Rating under Review

Issuer: Mercedes-Benz South Africa Limited

..Confirmations:

....Backed Senior Unsecured Medium-Term Note Program, confirmed at (P)A2

....Backed Other Short Term Medium-Term Note Program, confirmed at (P)P-1

..Outlook Action:

....Outlook changed to Stable from Rating under Review

Issuer: Redefine Properties Limited

..Confirmations:

....Long-term Issuer Rating, confirmed at Baa3

....Short-term Issuer Rating, confirmed at P-3

....Senior Secured Conv./Exch. Bond/Debenture, confirmed at Baa3

....Senior Unsecured Medium-Term Note Program, confirmed at (P)Baa3

....Other Short Term Medium-Term Note Program, confirmed at (P)P-3

..Outlook Action:

....Outlook changed to Stable from Rating under Review

Issuer: Telkom SA SOC Limited

..Confirmations:

....Long-term Issuer Rating, confirmed at Baa3

..Outlook Action:

....Outlook changed to Stable from Rating under Review

Issuer: Transnet SOC Ltd.

..Confirmations:

....Short-term Issuer Rating, confirmed at P-3

....Senior Unsecured Regular Bond/Debenture, confirmed at Baa3

....Backed Senior Unsecured Regular Bond/Debenture, confirmed at Baa3

....Senior Unsecured Bank Credit Facility, confirmed at Baa3

....Senior Unsecured Medium-Term Note Program, confirmed at (P)Baa3

....Subordinate Medium-Term Note Program, confirmed at (P)Ba1

....Senior Unsecured Commercial Paper, confirmed at P-3

....Other Short Term Medium-Term Note Program, confirmed at (P)P-3

..Outlook Action:

....Outlook changed to Stable from Rating under Review

Issuer: Hyprop Investments Limited

..Confirmations:

....Long-term Issuer Rating, confirmed at Baa3

....Short-term Issuer Rating, confirmed at P-3

..Outlook Action:

....Outlook changed to Negative from Rating under Review

Issuer: Sasol Limited

..Affirmations:

...Long-term Issuer Ratings, affirmed Baa3

...NSR long-term Issuer Rating, affirmed Aaa.za

...Short-term Issuer Ratings, affirmed P-3

...NSR short-term Issuer Rating, affirmed P-1.za

..Outlook Action:

...Outlook changed to Stable from Negative

Issuer: Sasol Financing International Limited

..Affirmation:

...Backed Senior Unsecured Regular Bond/Debenture, affirmed Baa3

..Outlook Action:

...Outlook changed to Stable from Negative

The principal methodology used in rating Sasol Limited and Sasol Financing International Limited was Global Integrated Oil & Gas Industry published in October 2016.

The principal methodology used in rating Imperial Group Ltd was Global Surface Transportation and Logistics Companies published in May 2017.

The principal methodology used in rating Barloworld Limited was Retail Industry published in October 2015.

The principal methodology used in rating Hyprop Investments Limited, Fortress REIT Limited, Redefine Properties Limited and Growthpoint Properties Limited was Global Rating Methodology for REITs and Other Commercial Property Firms published in July 2010.

The principal methodology used in rating The Bidvest Group Limited was Business and Consumer Service Industry published in October 2016.

The principal methodology used in rating Mercedes-Benz South Africa Limited was Automobile Manufacturer Industry published in June 2017.

The methodologies used in rating Transnet SOC Ltd. were Global Surface Transportation and Logistics Companies published in May 2017, and Government-Related Issuers published in August 2017.

The methodologies used in rating Telkom SA SOC were Telecommunications Service Providers published in January 2017, and Government-Related Issuers published in August 2017.

Please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of these methodologies.

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The Local Market analyst for Imperial Group Ltd and Transnet SOC Ltd. is Dion Bate, +971 (423) 795-04.

The Local Market analyst for Redefine Properties Limited and Growthpoint Properties Limited is Lahlou Meksaoui, +971 (561) 775-236.

## COMPANY PROFILES

### BARLOWORLD LIMITED

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, Russia and Iberia. 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 Caterpillar Inc. to the mining, construction, industrial sectors; (2) automotive which operates the motor retail, car rental, and fleet management services; and (3) logistics which provide logistics management transport and supply chain optimisation.

### THE BIDVEST GROUP LIMITED

Founded in 1988 and based in Johannesburg, South Africa, The Bidvest Group Limited is a service, trading and distribution company with operations in South Africa, Namibia, United Kingdom and the Republic of Ireland. Its businesses operates nine divisions: Automotive, Commercial Products, Electrical, Financial Services, Freight, Office & Print, Services, Bidvest Namibia (Namibia Commercial and Fisheries) and Bidvest Corporate (property portfolio and associate investments). On 30 May 2016, Bidvest unbundled its international Foodservices business making it a predominantly South African focused company.

For the last twelve months to 31 December 2017 (LTM Dec 2017), Bidvest reported revenues of ZAR75 billion (US\$5.6 billion) and Moody's adjusted EBITDA of ZAR9.1 billion (US\$0.7 billion).

### FORTRESS REIT LIMITED

Fortress REIT Limited is a hybrid Real Estate Investment Trust listed on the Johannesburg Stock Exchange (JSE). Fortress owns and operates commercial properties across South Africa, as well as invests in listed property securities in South Africa and Europe. Fortress' direct properties comprise predominately of regional retail centers close to public transport nodes and logistics warehouses across South Africa.

### GROWTHPOINT PROPERTIES LIMITED

Growthpoint Properties Limited was established in 1987 and is the largest primary listed Real Estate Investment Trust by gross assets (ZAR131.9 billion or US\$10.7 billion) and by market capitalisation (ZAR80.1 billion or US\$6.8 billion as of 25 March 2018) in South Africa. Its activities focus on a portfolio of 463 retail, office and industrial properties that are geographically diversified across South Africa. Growthpoint also holds a 65.1% controlling stake in Growthpoint Properties Australia Ltd (Baa2 stable - backed senior secured), which currently owns 56 properties valued at ZAR31.2 billion (US\$2.65 billion) and a 50% of the V&A Waterfront in Cape Town valued at ZAR7.2 billion (US\$0.6 billion). Growthpoint increased its stake in Globalworth Real Estate Investments Limited (Ba1 positive) to 29%, which owns a EUR1.8 billion property portfolio consisting of offices, industrial properties, a residential property complex and developments in Romania and Poland.

### IMPERIAL GROUP LTD

Imperial Holdings Limited is the 100% owner of Imperial Group Ltd and is the largest private sector transport and mobility group in South Africa. Incorporated in 1946, Imperial operates in Africa, the UK, Europe, USA, South America and Australia. Imperial's core activities include services relating to transportation and mobility. In their broader context these activities include logistics, car rental, motor vehicle dealerships and distributorships, aftermarket parts as well as financial services.

For the last twelve months to December 2017 (LTM Dec 2017), Imperial reported revenues of ZAR123.6 billion (\$9.3 billion) and Moody's adjusted EBITDA of ZAR10.6 billion (\$0.8 billion).

### MERCEDES-BENZ SOUTH AFRICA LIMITED

MBSA is headquartered in Pretoria and has a manufacturing plant in East-London, both locations are in South Africa. MBSA holds manufacturing and /or distribution agreements from Daimler AG for the importation, assembly and/or distribution of Mercedes-Benz Passenger Cars and smart product ranges, as well as

commercial vehicles for Mercedes-Benz, Freightliner, Fuso and Western Star. It also has general distribution agreements to sell commercial vehicles to Malawi, Mozambique, Zimbabwe and Zambia through approved distributors in the respective countries.

Daimler is one of the world's leading premium passenger car manufacturers through its highly valuable Mercedes-Benz Cars premium brand and a global leader in the medium and heavy trucks market with solid market shares in Europe, Brazil, NAFTA and Japan.

#### REDEFINE PROPERTIES LIMITED

Redefine Properties Limited is one of the largest commercial real estate investment trust (REIT) listed on the Johannesburg Stock Exchange (JSE) in South Africa by total reported assets (ZAR91.5 billion (\$6.9 billion) as at 31 August 2017. Its activities include direct investments in property assets as well as investments in the listed securities of other commercial property investment companies. Redefine's offshore property exposure is held through its key investments in RDI REIT PLC (29.8%) in the UK, Cromwell Property Group (3.1%) and Northpoint Tower (50% joint venture) in Australia; and its investment in Echo Polska Properties (39.5%).

#### TELKOM SA SOC LIMITED

Telkom is the dominant South African fixed-line and the fourth incumbent mobile operator which controls approximately 2.8 million telephone access lines, most of which are connected to digital exchanges, and 4.4 million active mobile subscribers, representing around 5% of the South African mobile market. As of 30 September 2017, the company has the largest fibre network across South Africa (approx. 80% of the South African fibre network) supporting more than a million broadband subscribers.

Telkom is listed on the Johannesburg Stock Exchange and is 39.3% owned by the South African Government, 11.9% by Public Investment Corporation (PIC) and the remaining 48.8% is free float, as of 30 September 2017.

#### TRANSNET SOC LTD.

Transnet SOC Ltd is a state-owned limited liability company, operating the main port capacity, the national rail network and freight railways, and the multi-product hydrocarbon pipeline network of South Africa. All activities for the last twelve months to 30 September 2017 (LTM H1 2017) were profitable, with rail activities accounting for 58% of group EBITDA as reported (excluding intercompany eliminations and specialist units), ports for 32%, and the pipeline business for 10%.

Transnet is wholly owned by the government of South Africa, and the company's Memorandum of Incorporation restricts Transnet from disposing of: (1) the whole or substantially the whole of the undertaking of Transnet; or (2) the whole or the greater part of the assets of Transnet, without prior approval of the Minister of Public Enterprises. As long as the government of South Africa is the majority shareholder of the company, the Directors of Transnet are not entitled to apply for the winding up of Transnet without the approval of the Minister of Public Enterprises and the Minister of Finance.

#### HYPROP INVESTMENTS LIMITED

Hyprop is one of South Africa's largest Johannesburg Stock Exchange listed specialist shopping centre Real Estate Investment Trust, and one of South Africa's oldest listed property companies (since 1988). Its activities include direct investments in predominately retail property assets in South Africa, and a growing exposure to retail properties in the rest of the Sub-Saharan Africa and more recently in Central and Eastern Europe. Hyprop's head office is in Johannesburg, South Africa.

#### SASOL LIMITED

Headquartered in Johannesburg Sasol is an international integrated chemicals and energy company. Through its people, Sasol uses selected technologies to safely and sustainably source, produce and market chemical and energy products competitively to create superior value for customers shareholders and other stakeholders.

Sasol is operationally and geographically diversified, with six segments comprising two operating, three strategic and a group functions division. Its operations span 33 countries, although approximately 47% of revenue and 65% of cash flow from operations for the FYE 30 June 2017 was generated in South Africa. For the last twelve months to 31 December 2017, Sasol generated revenue of ZAR173.4 billion (\$11.7 billion) and EBITDA of ZAR56.7 billion (\$3.2 billion), after applying Moody's standard definitions and adjustments to both.

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The person who approved Sasol Limited, Sasol Financing International Limited, Imperial Group Ltd, Barloworld Limited, Hyprop Investments Limited, Fortress REIT Limited, Telkom SA SOC Limited, The Bidvest Group Limited, Transnet SOC Ltd., Redefine Properties Limited and Growthpoint Properties Limited credit ratings is David G. Staples, MD - Corporate Finance, Corporate Finance Group, JOURNALISTS: 44 20 7772 5456, Client Service: 44 20 7772 5454.

The person who approved Mercedes-Benz South Africa Limited credit ratings is Matthias Hellstern, MD - Corporate Finance, Corporate Finance Group, JOURNALISTS: 44 20 7772 5456, Client Service: 44 20 7772 5454.

The relevant office for each credit rating is identified in "Debt/deal box" on the Ratings tab in the Debt/Deal List section of each issuer/entity page of the website.

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