

**Rating Action: Moody's reviews 11 South African regional governments and 3 government-related entities for possible downgrade**

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Global Credit Research - 11 Mar 2016

Johannesburg, March 11, 2016 -- Moody's Investors Service has today placed the ratings of 11 South African regional and local governments' (RLGs) and 3 government-related entities' (GRIs) under review for possible downgrade. In addition, Moody's has changed to negative from stable the outlooks on the ratings of two municipalities. Ratings on those two municipalities were affirmed.

A detailed list of the affected issuers and ratings is provided at the end of this press release.

Today's rating actions were prompted by the potential deterioration of South Africa's credit profile as captured by Moody's recent decision to put South Africa's Baa2 government bond rating on review for downgrade. For details, please refer to the press release: [https://www.moody's.com/research/--PR\\_344855](https://www.moody's.com/research/--PR_344855)

**RATINGS RATIONALE**

**RATIONALE FOR PLACING THE RATINGS OF 11 RLGs AND 3 GRIs UNDER REVIEW FOR POSSIBLE DOWNGRADE**

The decision to place the ratings of 11 regional and local governments and three government-related issuers under review for possible downgrade reflects the close operational and financial linkages between the national government and municipalities, illustrating the centralised nature of the local public sector. Large cities are exposed to the country's macroeconomic performance and socio-economic conditions to varying degrees, while small- to medium-sized municipalities are highly reliant on government transfers for operations and capital investments.

While metropolitan cities rated by Moody's have comparatively rich economic bases, sound financials and good governance practices, Moody's expects that the weaker-than-anticipated economic growth prospects in the medium-term will put pressure on their overall financial performances.

The rating agency also anticipates that these large cities -- which together account for well over 25% of the country's population -- will continue to register high demand for welfare benefits and infrastructure. In addition, they feature moderate-to-high debt levels, which add rigidity to their budgets.

Similar to metropolitan cities, local municipalities are exposed to the country's deteriorating economic environment through lower revenue growth, but are also highly exposed to government transfers allocations. Moreover, volatile budget results, resulting from less sophisticated budget planning, are a major factor behind most of the ratings being lower than those of metropolitan cities.

Placing the ratings of East Rand Water Care Company (ERWAT) and City Power Johannesburg under review for possible downgrade mirror changes in the credit profile of their respective parent municipalities, the City of Ekurhuleni and the City of Johannesburg.

Placing the ratings of SANRAL under review for possible downgrade, reflects the issuer's exposure to the country's deteriorating economic environment. Moody's also expects that infrastructure spending requirements and weak cash flows will continue to put pressure on the entity's finances.

**FOCUS OF THE REVIEW**

The review will focus on the impact of growing systemic risks and deteriorating operating environment for South African sub-sovereigns, as reflected by the placement on review for possible downgrade of South Africa's ratings. The conclusion of the review would likely follow the conclusion of the review at the sovereign level.

**RATIONALE FOR CHANGING THE OUTLOOK TO NEGATIVE FROM STABLE FOR TWO MUNICIPALITIES**

Bergvriervier and uMgungundlovu, which are rated at the low end of the rating range for South African

municipalities, were affirmed at Baa3.za and their outlook changed to negative from stable, While Moody's believes that these local municipalities have a greater tolerance to sovereign credit deterioration given their lower rating level, we also note that the economic environment deteriorated further since the December rating action and may erode their financial results.

Bergvriër's rating affirmation also reflects Moody's expectation for continuously positive gross operating balances, a slight decrease in the municipality's currently high debt-to-revenue ratio and a sound liquidity position. uMgungundlovu's rating affirmation reflects Moody's expectation of low debt levels and good liquidity, despite infrastructure spending pressures.

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

A further weakening of the South African sovereign credit profile could lead to downward adjustments in the ratings of RLGs and government-related companies. Additionally, financial difficulties resulting in cash-flow pressures and consistently high or growing debt levels could lead to downward rating actions independent of sovereign rating movements.

Upward rating pressure to the ratings of RLGs and government-related companies could result from the strengthening of the sovereign credit profile. Evidence of a given entity's ability to display comparatively stronger credit fundamentals and an ability to withstand the deterioration of the operating environment could also exert upward rating pressure.

#### LIST OF AFFECTED RATINGS

##### -- THE RATINGS OF THE FOLLOWING 14 ISSUERS PLACED ON REVIEW FOR DOWNGRADE

..Issuer: Amathole, District Municipality of

...NSR LT Issuer Rating, Placed on Review for Downgrade, Currently Baa1.za

...Outlook, Changed To Rating Under Review From Negative

..Issuer: Breede Valley, Municipality of

...NSR LT Issuer Rating, Placed on Review for Downgrade, Currently Baa1.za

...NSR ST Issuer Rating, Placed on Review for Downgrade, Currently P-2.za

...Outlook, Changed To Rating Under Review From Negative

..Issuer: Cape Town, City of

...NSR LT Issuer Rating, Placed on Review for Downgrade, Currently A1.za

...NSR Senior Unsecured Regular Bond/Debenture, Placed on Review for Downgrade, Currently A1.za

...NSR Senior Unsecured MTN, Placed on Review for Downgrade, Currently A1.za

...NSR ST Issuer Rating, Placed on Review for Downgrade, Currently P-1.za

...Outlook, Changed To Rating Under Review From Negative

..Issuer: Ekurhuleni, Metropolitan Municipality of

...NSR LT Issuer Rating, Placed on Review for Downgrade, Currently A1.za

...NSR Senior Unsecured MTN, Placed on Review for Downgrade, Currently A1.za

...NSR Senior Unsecured Regular Bond/Debenture, Placed on Review for Downgrade, Currently A1.za

...NSR ST Issuer Rating, Placed on Review for Downgrade, Currently P-1.za

...Outlook, Changed To Rating Under Review From Negative

..Issuer: Johannesburg, City of

...NSR LT Issuer Rating, Placed on Review for Downgrade, Currently A2.za  
...NSR Senior Unsecured MTN, Placed on Review for Downgrade, Currently A2.za  
...NSR Senior Unsecured Regular Bond/Debenture, Placed on Review for Downgrade, Currently A2.za  
...NSR ST Issuer Rating, Placed on Review for Downgrade, Currently P-1.za  
...Outlook, Changed To Rating Under Review From Negative  
..Issuer: KwaDukuza, Municipality of  
...NSR LT Issuer Rating, Placed on Review for Downgrade, Currently Baa2.za  
...Outlook, Changed To Rating Under Review From Negative  
..Issuer: Mangaung, Metropolitan Municipality  
...NSR LT Issuer Rating, Placed on Review for Downgrade, Currently A3.za  
...NSR ST Issuer Rating, Placed on Review for Downgrade, Currently P-2.za  
...Outlook, Changed To Rating Under Review From Negative  
..Issuer: Mbombela, Municipality of  
...NSR LT Issuer Rating, Placed on Review for Downgrade, Currently Baa1.za  
...Outlook, Changed To Rating Under Review From Negative  
..Issuer: Nelson Mandela, Metropolitan Municipality  
...NSR LT Issuer Rating, Placed on Review for Downgrade, Currently A1.za  
...Outlook, Changed To Rating Under Review From Negative  
..Issuer: Rustenburg, Municipality of  
...NSR LT Issuer Rating, Placed on Review for Downgrade, Currently A3.za  
...Outlook, Changed To Rating Under Review From Negative  
..Issuer: Tshwane, City of  
...NSR LT Issuer Rating, Placed on Review for Downgrade, Currently A3.za  
...NSR ST Issuer Rating, Placed on Review for Downgrade, Currently P-2.za  
...Outlook, Changed To Rating Under Review From Negative  
..Issuer: City Power Johannesburg  
...NSR LT Issuer Rating, Placed on Review for Downgrade, Currently A2.za  
...Outlook, Changed To Rating Under Review From Negative  
..Issuer: East Rand Water Care Company  
... Issuer Rating (Local Currency), Placed on Review for Downgrade A3.za  
...Outlook, Changed To Rating Under Review From Negative  
..Issuer: South African National Roads Ag. Ltd (The)  
...LT Issuer Rating, Placed on Review for Downgrade, Currently Baa3

...ST Issuer Rating, Placed on Review for Downgrade, Currently P-3

...NSR LT Issuer Rating, Placed on Review for Downgrade, Currently A3.za

...NSR ST Issuer Rating, Placed on Review for Downgrade, Currently P-2.za

...Outlook, Changed To Rating Under Review From Negative

-- THE RATINGS OF THE FOLLOWING 2 ISSUERS WERE AFFIRMED WITH NEGATIVE OUTLOOK

..Issuer: Bergrivier, Municipality of

...NSR LT Issuer Rating, Affirmed Baa3.za.

...NSR ST Issuer Rating, Affirmed P-3.za

...Outlook, Changed Negative From Stable

..Issuer: Umgungundlovu District, Municipality of

...NSR LT Issuer Rating, Affirmed Baa3.za

...Outlook, Changed Negative From Stable

The principal methodology used in rating District Municipality of Amathole, Municipality of Bergrivier, Municipality of Breede Valley, City of Cape Town, Metropolitan Municipality of Ekurhuleni, City of Johannesburg, Municipality of KwaDukuza, Metropolitan Municipality Mangaung, Municipality of Mbombela, Metropolitan Municipality Nelson Mandela, Municipality of Rustenburg, City of Tshwane and Municipality of Umgungundlovu District was Regional and Local Governments, published in January 2013.

The principal methodology used in rating City Power Johannesburg, East Rand Water Care Company and South African National Roads Ag. Ltd (The) was Government-Related Issuers, published in October 2014.

Please see the Ratings Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in June 2014 entitled "Mapping Moody's National Scale Ratings to Global Scale Ratings".

## REGULATORY DISCLOSURES

The rating for 820596390, NSR LT Issuer Rating, ISSUER RATING, ZAR of District Municipality of Amathole was initially assigned on 18 Jan 2008 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 823963938, NSR LT Issuer Rating, ISSUER RATING, ZAR of Bergrivier, Municipality of was initially assigned on Sep 12 2014 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 823963938, NSR ST Issuer Rating, ISSUER RATING, ZAR of Bergrivier, Municipality of was initially assigned on Sep 12 2014 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820596243, NSR LT Issuer Rating, ISSUER RATING, ZAR of Municipality of Breede Valley was initially assigned on 27 May 2008 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820596243, NSR ST Issuer Rating, ISSUER RATING, ZAR of Municipality of Breede Valley was initially assigned on 26 May 2015 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820595946, NSR LT Issuer Rating, ISSUER RATING, ZAR of Cape Town, City of was initially assigned on Jan 18 2008 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820595946, NSR ST Issuer Rating, ISSUER RATING, ZAR of Cape Town, City of was initially

assigned on Jul 16 2010 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820595939, NSR LT Issuer Rating, ISSUER RATING, ZAR of Metropolitan Municipality of Ekurhuleni was initially assigned on 18 Jan 2008 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820595939, NSR ST Issuer Rating, ISSUER RATING, ZAR of Metropolitan Municipality of Ekurhuleni was initially assigned on 16 Jul 2010 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820595948, NSR LT Issuer Rating, ISSUER RATING, ZAR of Johannesburg, City of was initially assigned on 14 May 2008 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820595948, NSR ST Issuer Rating, ISSUER RATING, ZAR of Johannesburg, City of was initially assigned on 23 Mar 2012 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820744787, NSR LT Issuer Rating, ISSUER RATING, ZAR of KwaDukuza, Municipality of was initially assigned on 18 Jan 2008 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 824341396, NSR LT Issuer Rating, ISSUER RATING, ZAR of Metropolitan Municipality of Mangaung was initially assigned on 14 Apr 2015 and the last Credit Rating Action was taken on 18 Dec 2015..

The rating for 824341396, NSR ST Issuer Rating, ISSUER RATING, ZAR of Metropolitan Municipality of Mangaung was initially assigned on 14 Apr 2015 and the last Credit Rating Action was taken on 18 Dec 2015..

The rating for 820596120, NSR LT Issuer Rating, ISSUER RATING, ZAR of Municipality of Mbombela was initially assigned on 19 May 2008 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820596002, NSR LT Issuer Rating, ISSUER RATING, ZAR of Metropolitan Municipality of Nelson Mandela was initially assigned on 18 Jan 2008 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820970107, NSR LT Issuer Rating, ISSUER RATING, ZAR of Municipality of Rustenburg was initially assigned on 29 Sep 2008 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820595950, NSR LT Issuer Rating, ISSUER RATING, ZAR of Tshwane, City of was initially assigned on 01 Oct 2012 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820595950, NSR ST Issuer Rating, ISSUER RATING, ZAR of Tshwane, City of was initially assigned on 30 Nov 2010 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 823125956, NSR LT Issuer Rating, ISSUER RATING, ZAR of Municipality of Umgungundlovu District was initially assigned on 04 Oct 2012 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 823235132, NSR LT Issuer Rating, ISSUER RATING, ZAR of City Power Johannesburg was initially assigned on Jan 16, 2013 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 822471425, NSR LT Issuer Rating, ISSUER RATING, ZAR of East Rand Water Care Company was initially assigned on 11 May 2011 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820031729, NSR LT Issuer Rating, ISSUER RATING, ZAR of South African National Roads Ag. Ltd (The) was initially assigned on 01 Feb 2007 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820031729, NSR ST Issuer Rating, ISSUER RATING, ZAR of South African National Roads Ag. Ltd (The) was initially assigned on 01 Feb 2007 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820031729, LT Issuer Rating, ISSUER RATING of South African National Roads Ag. Ltd (The) was initially assigned on 27 Aug 2009 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820031729, ST Issuer Rating, ISSUER RATING of South African National Roads Ag. Ltd (The) was initially assigned on 27 Aug 2009 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820960280 NSR LT Senior Unsecured MTN, SOUTH AFRICAN MTN PROGRAM, ZAR of City of Cape Town was initially assigned on 21 May 2008 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for ZAG000054982 NSR Senior Unsecured, SOUTH AFRICAN MTN, ZAR of City of Cape Town was initially assigned on 15 Jan 2009 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for ZAG000068719 NSR Senior Unsecured, SOUTH AFRICAN MTN, ZAR of City of Cape Town was initially assigned on 08 Apr 2009 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for ZAG000075995 NSR Senior Unsecured, SOUTH AFRICAN MTN, ZAR of City of Cape Town was initially assigned on 12 Mar 2010 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 822158922 NSR LT Senior Unsecured MTN, SOUTH AFRICAN MTN PROGRAM, ZAR of Metropolitan Municipality of Ekurhuleni was initially assigned on 16 Jul 2010 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for ZAG000078916 NSR Senior Unsecured, SOUTH AFRICAN MTN, ZAR of Metropolitan Municipality of Ekurhuleni was initially assigned on 16 Jul 2010 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for ZAG000084526 NSR Senior Unsecured, SOUTH AFRICAN MTN, ZAR of Metropolitan Municipality of Ekurhuleni was initially assigned on 07 Mar 2011 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for ZAG000094848 NSR Senior Unsecured, SOUTH AFRICAN MTN, ZAR of Metropolitan Municipality of Ekurhuleni was initially assigned on 24 Apr 2012 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for ZAG000105669 NSR Senior Unsecured, SOUTH AFRICAN MTN, ZAR of Metropolitan Municipality of Ekurhuleni was initially assigned on 13 May 2013 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for ZAG000115148 NSR Senior Unsecured, SOUTH AFRICAN MTN, ZAR of Metropolitan Municipality of Ekurhuleni was initially assigned on 11 Apr 2014 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for ZAG000127358 NSR Senior Unsecured, SOUTH AFRICAN MTN, ZAR of Metropolitan Municipality of Ekurhuleni was initially assigned on 17 Jun 2015 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for 820965396 NSR LT Senior Unsecured MTN, SOUTH AFRICAN MTN PROGRAM, ZAR of City of Johannesburg was initially assigned on 27 May 2008 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for ZAG000030941 NSR Senior Unsecured, SOUTH AFRICAN BOND, ZAR of City of Johannesburg was initially assigned on May 14 2008 and the last Credit Rating Action was taken on 18 Dec 2015.

The rating for ZAG000054339 NSR Senior Unsecured, SOUTH AFRICAN MTN, ZAR of City of Johannesburg was initially assigned on 27 May 2008 and the last Credit Rating Action was taken on 18 Dec 2015.

Only credit rating actions issued by Moody's Investors Service South Africa (Pty) Ltd are considered for the purpose of this disclosure.

Please see the ratings tab on the issuer page on [www.moody.com](http://www.moody.com) for additional rating history details. The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory

disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moodys.com](http://www.moodys.com).

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Moody's considers a rated entity or its agent(s) to be participating when it maintains an overall relationship with Moody's. On this basis, these rated entities or their agent(s) are considered to be participating entities. The rated entities or their agent(s) generally provide Moody's with information for the purposes of their ratings process.

**Affirmation:** An Affirmation is a public statement that the current Credit Rating assigned to an issuer or debt obligation, which is not currently under review, continues to be appropriately positioned.

**Baseline Credit Assessment (BCA):** Baseline credit assessments (BCAs) are opinions of issuers' standalone intrinsic strength, absent any extraordinary support from an affiliate or a government. Baseline Credit Assessments are not Credit Ratings.

**Capital Expenditures, or Capex:** This includes gross expenditures for property, plant and equipment and intangible assets.

**Confirmation:** A Confirmation is a public statement that a previously announced review of a rating has been completed without a change to the rating.

**Corporate Family Rating:** Moody's Corporate Family Ratings (CFRs) are long-term ratings that reflect the likelihood of a default on a corporate family's contractually promised payments and the expected financial loss suffered in the event of default. A CFR is assigned to a corporate family as if it had a single class of debt and a single consolidated legal entity structure.

**Credit Rating:** A Credit Rating is an opinion from Moody's Investors Service (MIS) regarding the creditworthiness of an entity, a debt or financial obligation, debt security, preferred share or other financial instrument, or of an issuer of such a debt or financial obligation, debt security, preferred share or other financial instrument, issued using an established and defined ranking system of rating categories.

**Debt:** Long term debt (including liability for capital leases) plus short term debt plus current portion of long term debt. May also be adjusted to include other long term obligations, such as leases and pensions.

**Default Dependence:** Default dependence reflects the joint susceptibility of a Government-Related Issuer and its supporting government to adverse circumstances that simultaneously move them closer to default. Default dependence is reflected as one of four levels: low (30%), moderate (50%), high (70%) and very high (90%).

**EBIT:** Pre-tax income plus interest

**EBITA:** EBIT plus amortisation of intangible assets. EBITA and EBITDA may be used as an indication of earnings available to service debt and capital expenses.

**EBITDA:** EBIT plus depreciation plus amortisation of intangible assets. EBITA and EBITDA may be used as an indication of earnings available to service debt and capital expenses.

**Extraordinary Support:** Extraordinary support is defined as action taken by a supporting government to prevent a default by a regional or local government (RLG) or a Government-Related Issuer (GRI) and can take different forms, ranging from a formal guarantee to direct cash infusions to facilitating negotiations with lenders to enhance access to needed financing. Support is categorized into five ranges: low (0% - 30%), moderate (31% - 50%), strong (51% - 70%), high (71% - 90%) and very high (91% - 100%).

**Free Cash Flow (FCF):** Cash flow from operations, less capital expenditures and dividends.

**Funds from Operations (FFO):** Cash flow from operations before changes in working capital and changes in

other short term and long term operating assets and liabilities.

**Global Scale Long Term Credit Rating:** Long-term ratings are assigned to issuers or obligations with an original maturity of one year or more and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default.

**Global Scale Ratings:** Ratings assigned on Moody's global long-term and short-term rating scales are forward-looking opinions of the relative credit risks of financial obligations issued by non-financial corporates, financial institutions, structured finance vehicles, project finance vehicles, and public sector entities.

**Global Scale Short Term Credit Rating:** Short-term ratings are assigned to obligations with an original maturity of thirteen months or less and reflect the likelihood of a default on contractually promised payments.

**GRI (Government-Related Issuer):** GRI is an entity with full or partial government ownership or control, a special charter, or a public policy mandate from the national, regional or local government. Moody's generally uses 20% as the minimum government ownership level before considering an issuer to be a GRI.

**Interest Burden:** The ratio of interest payments to operating revenue.

**Issuer:** The term Issuer means any entity by which a Security has been issued, guaranteed, or by which the credit underlying a Security has been otherwise supported. The term Issuer also includes the corporate parent or majority-owned subsidiary of an Issuer.

**Issuer Rating:** Issuer Ratings are opinions of the ability of entities to honor senior unsecured financial counterparty obligations and contracts.

**Moody's Financial Adjustments, or "Adjustments" or "as-Adjusted" statistics:** Moody's adjusts financial statements to better reflect the underlying economics of transactions and events and to improve the comparability of financial statements. Moody's computes credit-relevant ratios using adjusted data and base our debt ratings, in part, on those ratios.

**National Scale Long Term Rating:** Moody's long-term National Scale Ratings (NSRs) are opinions of the relative creditworthiness of issuers and financial obligations within a particular country. NSRs are not designed to be compared among countries; rather, they address relative credit risk within a given country.

**National Scale Short Term Rating:** Moody's short-term NSRs are opinions of the ability of issuers in a given country, relative to other domestic issuers, to repay debt obligations that have an original maturity not exceeding one year. Shortterm NSRs in one country should not be compared with short-term NSRs in another country, or with Moody's global ratings.

**Net Debt:** Debt, less cash and cash-like current assets on the balance sheet.

**Net Direct or Indirect Debt:** Net Direct and Indirect Debt is a broad measure of the stock of debt, capturing debt instruments issued by a sub-sovereign government and other debt for which the government may become responsible. Net direct and indirect debt is calculated by subtracting, from total direct and indirect debt, financial assets dedicated to debt retirement, such as sinking fund assets, and any debt related to guarantees and government-majority-owned enterprises deemed to be financially self-supporting.

**Operating Expenditures:** Recurrent spending needed to support core operations. For regional and local governments, this would include wages, supplies or costs of public services. For corporations, this would include the costs of goods sold and general and administrative expenses.

**Operating Margin:** The ratio of operating revenue less operating expenditures over operating revenue, which measures the issuer's ability to contain operating expenditures below operating revenues.

**Operating Revenue:** For regional and local governments, this represents recurrent income such as taxes and central government transfers, used for government's core operations. For corporations, this represents income received from the sale of goods and services.

**Outlook:** An Outlook is an opinion regarding the likely direction of an issuer's rating over the medium term.

**Rating Outlook:** A Moody's rating outlook is an opinion regarding the likely rating direction over the medium term. Rating outlooks fall into four categories: Positive (POS), Negative (NEG), Stable (STA), and Developing (DEV). Outlooks may be assigned at the issuer level or at the rating level.



**Rating Review:** A rating review indicates that a rating is under consideration for a change in the near term. A rating can be placed on review for upgrade (UPG), downgrade (DNG), or more rarely with direction uncertain (UNC). A review may end with a rating being upgraded, downgraded, or confirmed without a change to the rating. Ratings on review are said to be on Moody's "Watchlist" or "On Watch".

**Retained Cash Flow (RCF):** Funds from operations less common dividends, preferred dividends and minority dividends

**Short-term Debt:** The short-term debt includes debt instruments with a maturity of less than one year and the current portion of long-term borrowings.

**Withdrawn:** When Moody's no longer rates an obligation on which it previously maintained a rating, the symbol WR is employed.

For further information on these definitions or on Moody's ratings symbols, please consult the Rating Symbols and Definitions document on [www.moody's.com](http://www.moody's.com)

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see [www.moody's.com](http://www.moody's.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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**INVESTORS SERVICE**

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