

**Rating Action: Moody's recalibrates South Africa's national rating scale and repositions national scale ratings of sub-sovereigns**

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Global Credit Research - 11 May 2016

Johannesburg, May 11, 2016 -- Moody's Investors Service has repositioned the national scale ratings (NSRs) of 16 South African sub-sovereign issuers in conjunction with the recalibration of the South African national rating scale. In addition, Moody's has publically assigned global scale ratings (GSRs) to 15 issuers. This follows the publication of Moody's updated methodology "Mapping National Scale Ratings from Global Scale Ratings" ([https://www.moodys.com/research/--PBC\\_189032](https://www.moodys.com/research/--PBC_189032) ).

Moody's has also confirmed the global scale ratings of the South African National Roads Agency SOC Ltd (SANRAL) (Baa3/P-3) with a negative outlook. This follows the action taken on the sovereign bond ratings on 6 May 2016 (for details, please refer to the press release: [https://www.moodys.com/research/--PR\\_348291](https://www.moodys.com/research/--PR_348291) ).

**IMPLEMENTATION OF NEW METHODOLOGY 'MAPPING NATIONAL SCALE RATINGS FROM GLOBAL SCALE RATINGS'**

NSRs, which provide a measure of relative creditworthiness within a single country, are derived from GSRs using country-specific maps. The adoption of a revised correspondence between Moody's GSRs and the South African national scale, and the publication of previously unpublished GSRs, follows the publication of Moody's updated methodology "Mapping National Scale Ratings from Global Scale Ratings" [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_189032](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_189032) . To enhance transparency of the meaning of NSRs and to minimize the chances they will be misinterpreted, the updated methodology calls for the publication of an issuer's corresponding GSR whenever Moody's publishes an issuer's NSR. This has long been Moody's common practice. However, Moody's is now publically assigning GSRs to certain issuers that previously only had public NSRs. For more information, please see "Moody's publishes updated methodology for national scale ratings" ([https://www.moodys.com/research/--PR\\_348579](https://www.moodys.com/research/--PR_348579) ).

As the number of fundamental issuers in South Africa (i.e. corporates, banks, insurance, sub-sovereigns) rated by Moody's is below 60, the new map has been designed using the standard approach, whereby the map design is selected from a set of standard maps based upon the anchor point, or the lowest GSR that can map to a Aaa.za. Per the standard approach, South Africa's anchor point is being lowered to Baa2, which is equal to the sovereign bond rating, from the previous level of A1. In addition, in order to clarify the meaning of NSRs, overlap -- where two GSRs can correspond to the same NSR -- has been eliminated from the South African national scale map, so every NSR now maps back to just one GSR (except for Aaa.za). However, all GSRs from Baa2 to B3 will map to two ratings on the national scale, ensuring adequate opportunities for credit differentiation even where at the GSRs of Baa2 and Baa3, where ratings concentrations are highest. As a result of these changes, GSRs of Ba2 and above will correspond to higher NSRs on the South African scale than they did previously, in some cases considerably so, while GSRs of B2 to Caa1 will correspond to lower NSRs.

Consequently, approximately 90% of South African fundamental issuer's primary long-term NSRs are being repositioned an average of 2.7 notches higher. However, some ratings will be positioned by as much as 5 notches higher. Certain short-term and other NSRs may be affected for these and other issuers as well. A very small number of NSRs are being repositioned one to three notches lower. The repositioned NSRs of individual issuers do not signify a change in credit risk, since the GSRs for these issuers remain unchanged.

As a result of the recalibration, the level of risk associated with a particular South African NSR level (e.g. Aa2.za) has changed in many cases. NSRs have no inherent absolute meaning in terms of default risk or expected loss; they are ordinal rankings of creditworthiness relative to other domestic issuers within a given country. A historical probability of default and/or expected loss consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. However, both the probability of default and the expected loss of an NSR may change if and when a country's national scale is remapped.

Please click on this link [http://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_189763](http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_189763) for the list of affected credit ratings. This list is an integral part of this press release and identifies each affected issuer.

## RATINGS RATIONALE

### RATING RATIONALE FOR PUBLICALLY ASSIGNED GLOBAL SCALE RATINGS

NSRs are assigned by applying the published correspondence from GSRs. Where a single GSR maps to multiple NSRs, rating committees assigned higher or lower NSRs to individual issuers and debts depending on their relative credit position within the same GSR category, using the same methodologies as were used to determine the GSRs themselves.

**City of Cape Town:** The City of Cape Town's Baa2/Prime-2 global scale issuer and debt ratings reflect the city's good budgetary performance, strong liquidity position and moderate debt levels. The financial position is supported by the administration's prudent financial policies and its relatively large and diversified economic base.

**Ekurhuleni Metropolitan Municipality:** The Baa2/Prime-2 global scale issuer and debt ratings of Ekurhuleni Metropolitan Municipality reflect its relatively large economic base, strong liquidity and traditionally conservative approach to financial management. However, the ratings also reflect the challenges associated with growing, albeit moderate, debt levels.

**City of Johannesburg's:** The city of Johannesburg's Baa2/Prime-2 issuer and debt ratings reflect the city's status as South Africa's business capital and main financial and economic centre, which allows it access to a broad tax base. The ratings also reflect an improved financial performance in the last three years; its net direct debt declined from 35% of operating revenue in 2011 to 30% in 2015. The City maintained its good liquidity position despite funding 30% of capital expenditure from own sources. During the 2015 financial year the city invested ZAR10.2 billion on capital infrastructure, an increase of 37% from 2014.

**City Power Johannesburg:** The Baa2 global scale issuer rating of City Power Johannesburg is underpinned by the company's close linkages with the City of Johannesburg, given its strategic role as the electricity services provider within the municipal boundaries.

**Nelson Mandela Bay Metropolitan Municipality:** The Baa2 global scale issuer rating of Nelson Mandela Bay Metropolitan Municipality takes into account the city's solid financial performance and low and declining debt levels. Continued fiscal consolidation has led to a continuously robust financial performance and a comfortable liquidity position.

**East Rand Water Care Company:** The Baa3 global scale issuer rating of East Rand Water Care Company (ERWAT) reflects its buoyant finances, supported by a history of satisfactory budgetary results. The rating also takes into account our view of the very high probability that the Municipality of Ekurhuleni (Baa2/Prime-2) would, if the need arises, provide extraordinary support to prevent a default by ERWAT. The wastewater firm has a mandate to provide a core public service on behalf of the municipal government.

**City of Tshwane:** The City of Tshwane's Ba1/Not-Prime global scale issuer ratings reflect the city's high debt levels and cash flow pressure. The implementation of the city's large capital expenditure programme will continue to put pressure on the city's credit profile in the medium term. Nonetheless, the ratings remain supported by strong revenue growth, consistent operating transfers and the city's large and diversified local economy, which also reflects the city's status as the administrative capital of South Africa.

**Mangaung Metropolitan Municipality:** The Mangaung Metropolitan Municipality's global scale issuer ratings of Ba1/Not-Prime reflect the city's strong operating balance and improving cash flows supported by low debt levels relative to other rated metros in the country. Debt levels are expected to moderately increase in the medium term on the back of the city's increasing focus on capital infrastructure investment. The rating is constrained by the city's moderately diversified economic base relative to other rated metros in the country.

**Municipality of Rustenburg:** The Ba1 global scale issuer rating of the Municipality of Rustenburg reflects its currently moderate debt levels and historically strong liquidity position, notwithstanding persistently weak revenue collection rates. The rating also incorporates challenges associated with the municipality's anticipated large capex programme in the medium-term, which will lead to an increase in debt stock in the medium-term.

**Mbombela:** The Ba1 global scale issuer rating of the local municipality of Mbombela is underpinned by its growing local economy and low-to-moderate debt exposure. However, the rating is constrained by Mbombela's weak liquidity position and volatile budgetary results, albeit projected to improve gradually in the medium term.

**Breede Valley:** The Ba1/Not-Prime global scale issuer rating of Breede Valley primarily reflects its sound

liquidity position, which offsets the fiscal pressure arising from its high debt exposure. The rating also reflects stretched - albeit improving - operating margins, and the modest economic base, which is concentrated on grape farming, with an associated growing manufacturing industry.

**Amathole District Municipality:** The Ba1 global scale issuer rating of Amathole District Municipality reflects its strong financial performance, notwithstanding significant historical volatility; its consistently strong liquidity position and highly predictable revenue stream from government transfers. Conversely, the rating also reflects the challenges associated with low revenue collections and projected increase in debt level, in the medium term.

**KwaDukuza Local Municipality:** The Ba2 global scale issuer rating of KwaDukuza Local Municipality reflects its medium size but growing economic base and substantial increase in capital expenditure that might put pressure on its liquidity position in the medium term.

**Bergrivier Local Municipality:** Bergrivier Local Municipality's Ba3/Not-Prime global scale issuer ratings reflect its small budget volumes, characterised by a narrow economic base and higher-than-average poverty levels within the district. The ratings also consider its high debt levels relative to rated peers, albeit we expect these to decline in the medium-term.

**UMgungundlovu District Municipality:** The Ba3 global scale issuer rating of UMgungundlovu District Municipality (UMDM) reflects the district municipality's narrow economic base, which is largely concentrated on agriculture. The rating also reflects our expectation of an increase in debt levels and historically volatile budgetary performance, mitigated by consistent fiscal transfers from the national government. On a positive note, UMDM features strong liquidity and adequate historical performance.

#### RATIONALE FOR CONFIRMING THE GLOBAL SCALE RATINGS OF SANRAL

The confirmation of the ratings of SANRAL with a negative outlook reflects the issuer's close financial linkage with the sovereign and its exposure to the country's changing economic environment. In addition, Moody's expects that infrastructure spending requirements and weak cash flows will continue to put pressure on SANRAL's finances.

#### RATIONALE FOR THE GLOBAL SCALE RATINGS NEGATIVE OUTLOOKS

All sub-sovereign ratings in South Africa (except Bergrivier and uMgungundlovu) now carry a negative outlook, reflecting the close operational and financial linkages between the national government (Baa2 negative) and 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.

East Rand Water Care Company's (ERWAT) negative outlook mirrors changes in the credit profile of its respective parent municipality, the City of Ekurhuleni.

The negative outlook of City Power Johannesburg (CPJ) is underpinned by the company's close linkages with the City of Johannesburg (Baa2 negative).

#### RATIONALE FOR THE STABLE OUTLOOK ON BERGRIVIER AND UMGUNGUNLOVU

Bergrivier and uMgungundlovu, which are rated at the low end of the rating range for South African municipalities, carry a stable outlook, reflecting a greater tolerance to sovereign credit deterioration. In addition, Bergrivier's stable outlook 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 consistently sound liquidity position. uMgungundlovu's stable outlook reflects Moody's expectation of continuously low debt levels and strong liquidity, despite infrastructure spending pressures.

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

The NSRs would face upward or downward pressure if their corresponding GSRs are upgraded or downgraded, unless this is in conjunction with a sovereign rating action that results in another recalibration of the South African national scale with an offsetting impact on NSRs. In addition, the NSRs may be repositioned upwards (downwards) if South Africa's sovereign is downgraded (upgraded) and the map is revised accordingly, but the corresponding GSRs have not changed as a result of the sovereign action. Because of the higher granularity of national scales, NSRs may also face pressure due to changes in creditworthiness that are

not sufficient to cause a change in the corresponding GSR, measured using the same methodologies used to determine the GSR.

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, District Municipality of Umgungundlovu and City of Tshwane 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.moodys.com](http://www.moodys.com) for a copy of these methodologies.

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 May 2016 entitled "Mapping National Scale Ratings from Global Scale Ratings". While NSRs have no inherent absolute meaning in terms of default risk or expected loss, a historical probability of default consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. For information on the historical default rates associated with different global scale rating categories over different investment horizons, please see [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_189530](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_189530).

## REGULATORY DISCLOSURES

Please click on this link [http://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_189749](http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_189749) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- Participation in Unsolicited Credit Ratings
- Releasing Office
- Person Approving the Credit Rating

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

The rating for 823235132, NSR LT Issuer Rating, ISSUER RATING, ZAR of City Power Johannesburg was initially assigned on 16 Jan, 2013 and the last Credit Rating Action was taken on 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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 11 Mar 2016.

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's.com](http://www.moody's.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.moody's.com](http://www.moody's.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. Short-term 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

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Daniel Mazibuko  
Associate Analyst  
Sub-Sovereign Group  
Moody's Investors Service South Africa (Pty) Ltd.  
The Forum  
2 Maude Street  
2196 Sandton  
Johannesburg  
South Africa  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

David Rubinoff  
MD - Sub-Sovereigns  
Sub-Sovereign Group  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:  
Moody's Investors Service South Africa (Pty) Ltd.  
The Forum  
2 Maude Street  
2196 Sandton  
Johannesburg  
South Africa  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

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