

## CREDIT OPINION

30 April 2021

### Update

 Rate this Research

#### RATINGS

##### Telefonica del Peru S.A.A.

Domicile	Lima, Peru
Long Term Rating	Ba1
Type	LT Corporate Family Ratings
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

#### Contacts

Rosa Morales +52.55.1253.5746  
 AVP-Analyst  
 rosa.morales@moodys.com

Marcos Schmidt +55.11.3043.7310  
 Associate Managing Director  
 marcos.schmidt@moodys.com

» Contacts continued on last page

#### CLIENT SERVICES

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

## Telefonica del Peru S.A.A.

### Update to credit analysis

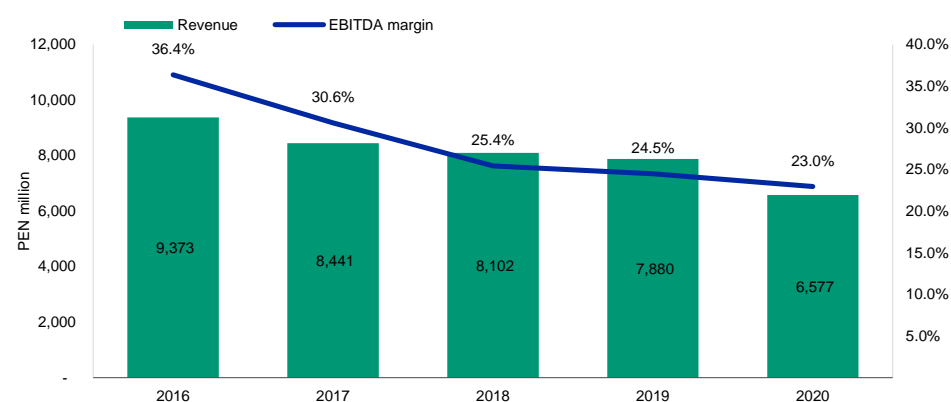
#### Summary

[Telefonica del Peru S.A.A.](#)'s (Telefonica del Peru) Ba1 corporate family rating (CFR) reflects the company's strong competitive position in Peru as the largest telecommunications service provider in terms of revenue, and its diversification into a full suite of services, which allows it to offer bundled services in the Peruvian market. The Ba1 rating also takes into consideration the company's strong debt protection metrics and adequate liquidity for a comfortable debt maturity profile. Telefonica del Peru has a strong shareholder structure, being owned and controlled by [Telefonica S.A.](#) (Baa3 stable).

However, Telefonica del Peru's Ba1 rating takes into consideration Peru's highly competitive and price-sensitive telecommunications market, which has been straining the company's top line and margin sustainability, despite some positive underlying subscriber trends during the last quarter of 2020. The entry of two aggressive competitors in 2014 disrupted the competitive landscape of a previously comfortable two-entity market, comprising Telefonica del Peru and [America Movil, S.A.B. de C.V.](#)'s (A3 negative) subsidiary Claro, driving down their market shares and profitability. The rating also takes into consideration Telefonica del Peru's small scale compared with that of its global peers.

Exhibit 1

#### Telefonica del Peru S.A.A. Revenue and EBITDA margin evolution



Source: Moody's Financial Metrics

## Credit strengths

- » Largest integrated telecommunications company in Peru
- » Strong debt protection metrics
- » Adequate liquidity
- » Comfortable debt maturity profile
- » Strong shareholder structure — owned and controlled by Telefonica S.A.
- » Expectation of stronger profitability over the next three years

## Credit challenges

- » Sharp slowdown in economic activity and increasing risk of recession caused by the coronavirus pandemic
- » Peru's highly competitive and price-sensitive telecommunications market
- » Deteriorating top line and profitability
- » Small scale compared with that of global peers

## Rating outlook

The stable rating outlook reflects our expectations that Telefonica del Peru's performance will be characterized by positive momentum as a result of a more rational market environment over the next few years and the company's well-defined strategy will allow it to improve its profitability, while defending its leadership position. We expect the company's profitability, free cash flow and leverage to recover, while it maintains its market participation, capital spending and liquidity at adequate levels.

## Factors that could lead to an upgrade

- » Improvement in profitability on a sustained basis
- » Revenue growth
- » Maintenance of a leading market position and strong credit metrics
- » Leverage below 2.0x total Moody's adjusted debt/EBITDA
- » Interest coverage higher than 3.5x Moody's adjusted (EBITDA - capital spending)/interest expense

## Factors that could lead to a downgrade

- » Deterioration in market position
- » Lack of recovery in profitability
- » Increased cash burn and weaker liquidity
- » Leverage higher than 3.5x total adjusted debt/EBITDA

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

## Key indicators

Exhibit 2

### Telefonica del Peru S.A.A.

US Millions	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Moody's 12-18 Month Forward View
Revenue	3,075.2	2,777.6	2,589.0	2,465.7	2,361.6	1,883.4	2,000 - 5,000
Debt / EBITDA	0.8x	0.8x	1.2x	1.7x	2.4x	2.8x	2.0x - 2.8x
RCF / Debt	41.6%	97.6%	55.0%	37.3%	5.3%	16.1%	35% - 45%
(EBITDA - CAPEX) / Interest Expense	7.1x	1.0x	1.9x	0.8x	1.7x	1.9x	0.5x - 1.0x

All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's Forecasts (f) or Projections (proj.) are our opinion and do not represent the views of the issuer. Periods are financial year-end unless indicated. LTM = Last 12 months.

Source: Moody's Financial Metrics™

## Profile

Telefonica del Peru S.A.A. (Telefonica del Peru) is the largest telecommunications company in Peru, with a total market share of around 30% as of December 2020, according to the Peruvian telecommunications regulator — OSIPTEL. The company is an integrated telecommunications service provider offering mobile, fixed, pay-TV and business-to-business services through its Movistar brand. Telefonica del Peru is Peru's largest telecommunications company in terms of revenue, and a leader in all segments, with more than 10.9 million revenue-generating units (RGUs) in mobile and almost 3.3 million RGUs in fixed broadband and pay TV. In the 12 months that ended December 2020, the company generated revenue of around PEN6.6 billion (\$1.8 billion). Telefonica del Peru is controlled by Telefonica S.A., which indirectly holds 98.94% of its shares. The remaining are traded on the Lima Stock Exchange — Bolsa de Valores de Lima.

The company is an important subsidiary of Telefonica S.A., and one of its four fully convergent subsidiaries in the region, accounting for around 3% of the group's consolidated assets and 4% of revenue. Telefonica S.A. entered the Peruvian market in 1994 with the acquisition of two government-owned telecommunications companies through a privatization process, and it has invested more than \$9.2 billion in the country since then.

## Detailed credit considerations

### Impact of the pandemic

The rapid and widening spread of the pandemic, the deteriorating global economic outlook, falling oil prices and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. We regard the pandemic as a social risk under our environmental, social and governance (ESG) framework, given the substantial implications for public health and safety. As a consequence, Peru had a 12.3% GDP contraction in 2020, and we expect a 9% growth during 2021; however, we also expect the pandemic to persist at least through the second quarter of 2021 increasing challenges, namely unemployment, for the telecom operators throughout the region to increase prices and retain customers.

### Market leader and largest integrated telecommunications company in Peru

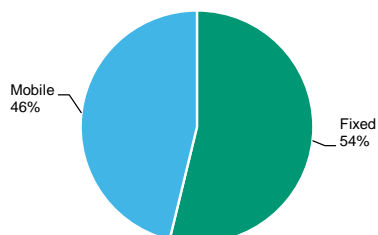
The company had, in the end of September 2020, a leading position in different telecom segments in Peru, according to the regulator OSIPTEL, with 29.8% of the mobile market followed by [America Movil, S.A.B. de C.V.](#) which had 29.6%. In fixed voice, broadband and pay TV, the company is the leader, with more than 60% of the market share.

Telefonica del Peru is small compared with its global peers. However, the company is a solid competitor in Peru's telecommunications market, positioned as the largest company in the mobile and fixed markets. The company's good revenue diversification, and access to Telefonica S.A.'s emerging markets expertise, and regional purchasing and supply chains support a solid business model. In 2020, the mobile segment generated 46% of Telefonica del Peru's total revenue and fixed services 54%.

Exhibit 3

**Telefonica del Peru S.A.A.**

Total revenue breakdown, as of 31 December 2020

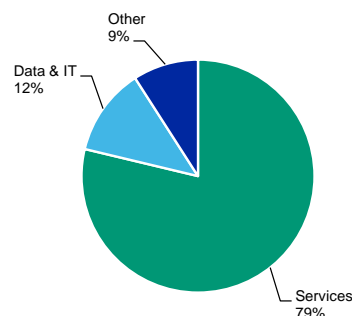


Source: Company's financials

Exhibit 4

**Telefonica del Peru S.A.A.**

Fixed revenue breakdown, as of 31 December 2020



Source: Company's financials

**Intensive competition in Peru**

Peru has a highly competitive and price-sensitive telecom market, which has been straining the company's top line and margin sustainability, despite some positive underlying subscriber trends in the last quarter of 2020. In 2014, Entel and Bitel entered the Peruvian telecommunications market and disrupted the competitive landscape of the previously comfortable two-entity market through aggressive promotional initiatives, driving down Telefonica del Peru's and Claro's market shares and profitability. Entel is owned by [Empresa Nacional de Telecomunicaciones S.A.](#) (Baa3 stable), and Bitel is owned by Viettel, a Vietnamese state-owned entity.

Despite the intense competition, the company's implementation of a well-defined strategy to improve its profitability to levels comparable with those of its peers in the region could be seen as positive. Accordingly, the company plans to improve its profitability by cutting costs and selling convergent services to its clients, thereby reducing churn, growing revenue and improving margins.

The company achieved a Moody's adjusted EBITDA margin of around 23% for the 12 months that ended December 2020, that negatively compares with 24.5% as of year-end 2019 and 36.4% as of year-end 2016, when competition from the new entrants was limited.

**ESG considerations****Solid shareholder structure**

Telefonica del Peru has a strong shareholder structure, being owned and controlled by Telefonica S.A., which indirectly holds 98.94% of the company's shares. The remaining shares are traded on Bolsa de Valores de Lima. Under this shareholder structure, Telefonica del Peru has access to Telefonica S.A.'s emerging markets expertise, and regional purchasing and supply chains, which supports a solid business model. The company is one of the four fully convergent subsidiaries of Telefonica S.A. in the region, accounting for around 4% of the group's consolidated revenue. Telefonica S.A. entered the Peruvian market in 1994 with the acquisition of two government-owned telecommunications companies through a privatization process, and it has invested more than \$9.2 billion in the country since then.

Telefonica S.A., domiciled in Madrid, is a leading global integrated telecommunications service provider. The company delivers a full range of fixed and mobile telecommunications services, and it had 356.5 million customers worldwide as of the end of December 2020. In Spain, Telefónica S.A. is the incumbent operator and provides services to 41.8 million customers. In Latin America, the company has around 208.8 million customers and is the leading operator in Brazil, Argentina, Chile and Peru, with substantial operations in Colombia, Ecuador, El Salvador, Mexico, Nicaragua, Panama, Uruguay, Costa Rica and Venezuela. In addition to its presence in Latin America since 1991, the company has a large footprint in the UK and Germany, providing services to around 83.1 million customers. Telefónica S.A. is a Spain-listed company, with a market capitalization of around €25.1 billion.

Peru, similar to many other Latin America countries, has a regulator for the sector, namely OSIPTEL. In March 2020, OSIPTEL eased regulations because of the social isolation in the country, enabling change, temporary suspension or termination of services by telephone and remote execution.

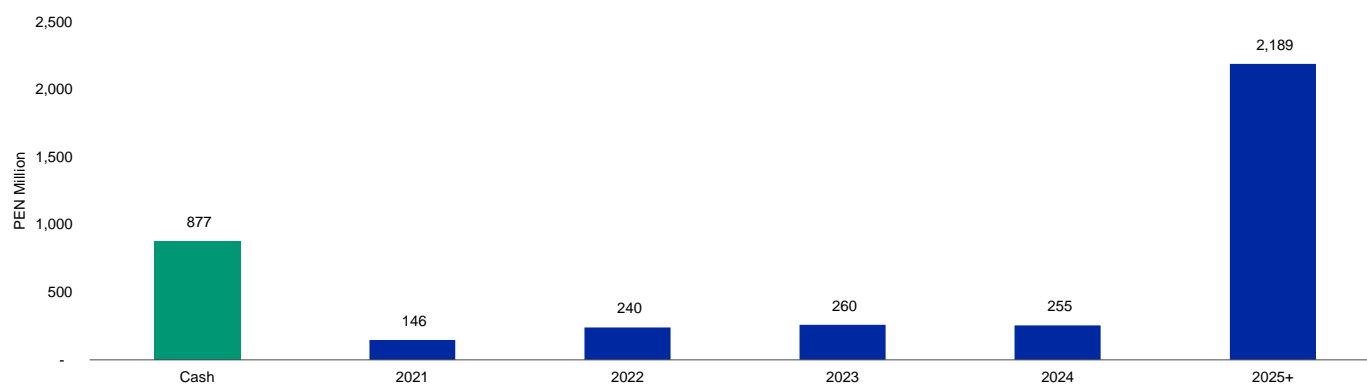
### Liquidity analysis

Telefonica del Peru's liquidity is good. The company has low indebtedness and a comfortable debt maturity profile. As of December 2020, the company had PEN877 million in cash, which is sufficient to cover its debt maturities until 2024.

Telefonica del Peru posted positive free cash flow as adjusted by Moody's in 2020, mainly driven by its cost control initiatives including capex reduction to 15% of revenues from 19% the year before. Going forward, we expect the company to generate slightly negative free cash flow.

Exhibit 5

#### Telefonica del Peru S.A.A. As of December 2020



Sources: Moody's Financial Metrics™ and company's financials

## Methodology and scorecard

We use our [Telecommunications Service Providers](#) rating methodology, published in January 2017, in the assessment of Telefonica del Peru's credit quality. The scorecard-indicated outcome of Ba2 for Telefonica del Peru is based on the company's results for the 12 months that ended December 2020. The scorecard-indicated outcome from our 12-18-month forward view under the rating methodology is Ba1, in line with the company's actual assigned CFR.

Exhibit 6

### Rating factors

Telefonica del Peru S.A.A.

Telecommunications Service Providers Industry Scorecard [1][2]	Current FY 12/31/2020		Moody's 12-18 Month Forward View As of 4/26/2021 [3]	
Factor 1: Scale (12.5%)	Measure	Score	Measure	Score
a) Revenue (USD Billion)	\$2.0	Caa	\$2 - \$5	B
Factor 2: Business Profile (27.5%)				
a) Business Model, Competitive Environment and Technical Positioning	Ba	Ba	Ba	Ba
b) Regulatory Environment	Baa	Baa	Baa	Baa
c) Market Share	Baa	Baa	Baa	Baa
Factor 3: Profitability and Efficiency (10%)				
a) Revenue Trend and Margin Sustainability	Ba	Ba	Ba	Ba
Factor 4: Leverage and Coverage (35%)				
a) Debt / EBITDA	2.6x	Baa	2x - 2.8x	Baa
b) RCF / Debt	18.5%	B	35% - 45%	A
c) (EBITDA - CAPEX) / Interest Expense	2.0x	B	0.5x - 1x	Caa
Factor 5: Financial Policy (15%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Ba2		Ba1
b) Actual Rating Assigned				Ba1

[1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

[2] As of 12/30/2020.

[3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Financial Metrics™

## Ratings

Exhibit 7

Category	Moody's Rating
<b>TELEFONICA DEL PERU S.A.A.</b>	
Outlook	Stable
Corporate Family Rating	Ba1
Senior Unsecured -Dom Curr	Ba1
<b>PARENT: TELEFONICA S.A.</b>	
Outlook	Stable
Senior Unsecured -Dom Curr	Baa3
Commercial Paper	P-3

Source: Moody's Investors Service

## Appendix

Exhibit 8

### Peer comparison

Telefonica del Peru S.A.A.

(in US millions)	Telefonica del Peru S.A.A. Ba1 Stable			Telefonica Brasil S.A. Ba1 Stable			Empresa de Telecom de Bogota Ba3 Stable			Telefonica Celular del Paraguay Ba1 Stable		
	FYE Dec-19	FYE Dec-20	LTM Dec-20	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-18	FYE Dec-19	LTM Sep-20
Revenues	\$2,362	\$1,883	\$1,883	\$11,972	\$11,243	\$8,452	\$482	\$459	\$380	\$541	\$459	\$435
EBITDA	\$578	\$432	\$432	\$5,927	\$4,774	\$3,581	\$216	\$165	\$103	\$256	\$214	\$190
Total Debt	\$1,373	\$1,156	\$1,156	\$4,111	\$3,244	\$2,374	\$295	\$129	\$123	\$529	\$577	\$790
Cash & Cash Equivalents	\$307	\$242	\$242	\$872	\$844	\$1,109	\$126	\$136	\$126	\$25	\$29	\$88
EBITDA Margin	24.5%	23.0%	23.0%	49.5%	42.5%	42.4%	44.9%	36.0%	27.0%	47.4%	46.7%	43.7%
(EBITDA-CAPEX) / Interest Expense	1.7x	1.9x	1.9x	6.6x	9.6x	11.1x	3.0x	5.8x	-0.9x	3.0x	2.2x	2.2x
Debt / EBITDA	2.4x	2.8x	2.8x	0.7x	0.7x	0.7x	1.5x	0.8x	1.1x	2.1x	2.8x	4.4x
FCF / Debt	-21.0%	0.4%	0.4%	-4.5%	20.7%	47.0%	23.3%	72.3%	-6.3%	-7.2%	-4.7%	-6.6%
RCF / Debt	5.3%	16.1%	16.1%	104.5%	90.5%	111.0%	65.6%	135.8%	98.2%	13.3%	8.9%	-1.4%

All figures and ratios calculated using Moody's estimates and standard adjustments. FYE = Financial year-end. LTM = Last 12 months. RUR\* = Ratings under review, where UPG = for upgrade and DNG = for downgrade.

Source: Moody's Financial Metrics™

Exhibit 9

### Moody's-adjusted debt breakdown

Telefonica del Peru S.A.A.

(in US Millions)	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
<b>As Reported Debt</b>	<b>504.8</b>	<b>543.3</b>	<b>579.2</b>	<b>630.2</b>	<b>1,372.7</b>	<b>1,155.8</b>
Operating Leases	319.8	318.9	397.9	379.0	0.0	0.0
<b>Moody's-Adjusted Debt</b>	<b>824.6</b>	<b>862.2</b>	<b>977.0</b>	<b>1,009.2</b>	<b>1,372.7</b>	<b>1,155.8</b>

All figures are calculated using Moody's estimates and standard adjustments.

Source: Moody's Financial Metrics™

Exhibit 10

### Moody's-adjusted EBITDA breakdown

Telefonica del Peru S.A.A.

(in US Millions)	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
<b>As Reported EBITDA</b>	<b>900.5</b>	<b>847.6</b>	<b>554.2</b>	<b>365.2</b>	<b>377.6</b>	<b>293.9</b>
Operating Leases	114.3	105.6	131.8	129.9	0.0	0.0
Unusual	85.9	57.1	106.6	133.7	199.3	138.4
Non-Standard Adjustments	0.0	-0.4	-0.4	-1.7	1.0	0.0
<b>Moody's-Adjusted EBITDA</b>	<b>1,100.7</b>	<b>1,009.9</b>	<b>792.2</b>	<b>627.2</b>	<b>577.8</b>	<b>432.3</b>

All figures are calculated using Moody's estimates and standard adjustments.

Source: Moody's Financial Metrics™

© 2021 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

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

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

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

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

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

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

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

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

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

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

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY550,000,000.

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

REPORT NUMBER

1264539



## Contacts

Nikolas Pinto +55.11.3043.7340  
Associate Analyst  
nikolas.pinto@moodys.com

## CLIENT SERVICES

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