

## CREDIT OPINION

23 November 2021

### New Issue

 Rate this Research

#### RATINGS

##### Avianca Group International Limited

Domicile	United Kingdom
Long Term Rating	B3
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.

#### Analyst Contacts

Sandra Beltran +52.55.1253.5718  
VP-Senior Analyst  
sandra.beltran@moodys.com

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

#### CLIENT SERVICES

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

# Avianca Group International Limited

New issuer: Update following emergence from Chapter 11

## Summary

[Avianca Group International Limited's](#) (Avianca or Avianca Group) credit profile reflects its leading position in the Latin American passenger airline industry and the improved cost structure that will follow its reorganization under Chapter 11. The credit profile is constrained by the execution risks related to the company's efforts to reverse its declining revenue and EBITDA. Its business improvement relies upon significant densification and simplification of the existing fleet. Given the company's shift towards a low-cost airline business model, these efforts are key to generating sustained free cash flow and steadily reducing leverage, particularly amid the current high fuel prices. Uncertainties regarding operational improvements also pose risks to the sustainability of expected market share gains.

On November 2, 2021, the US Bankruptcy Court for the Southern District of New York confirmed Avianca's plan of reorganization. The company expects to emerge from Chapter 11 before the end of 2021. We have assigned the B3 ratings in expectation of the emergence but also consider the company's post-bankruptcy consolidated credit profile, including good liquidity, improved cost structure and an efficient fleet and network.

Net proceeds from the exit financing will be used to refinance Avianca's senior secured super-priority Debtor-in-Possession (DIP) Term Loan A. The \$946 million DIP senior secured super-priority Term Loan B will be converted to equity, and the company will raise additional \$200 million in incremental equity. Upon emergence, the company will reduce its funded debt by more than \$2 billion and will have over \$1 billion in liquidity.

## Credit strengths

- » Leadership position in the Colombian market
- » Strong brand name and low cost structure
- » Solid domestic and international route structure
- » Good post-bankruptcy liquidity

## Credit challenges

- » Execution risk from new business plans
- » Gradual travel market recovery from the coronavirus pandemic to weigh on earnings
- » High financial leverage

## Rating outlook

The stable outlook reflects our expectation that Avianca will experience a stronger recovery in demand while maintaining its conservative financial practices towards liquidity, costs and capacity management over the next 12-18 months.

## Factors that could lead to an upgrade

- » Passenger demand rising close to the pre-coronavirus levels and the company achieving revenue close to \$4 billion
- » Stronger credit metrics including:
  - EBITDA margins above 14%
  - Debt/EBITDA approaching 5x
  - Funds from operations plus interest/interest above 3.25x

## Factors that could lead to a downgrade

- » Avianca's booking through 2022 deviating significantly from the demand recovery curve assumptions behind its projected network plan
- » Cash and revolver availability falling below \$600 million
- » Avianca experiencing an inability to strengthen its financial profile through 2023, with:
  - debt/EBITDA remaining above 6.5x on a sustained basis
  - funds from operations plus interest/interest remaining below 2.5x
  - EBIT margin remaining below 7.5%

## Key indicators

Exhibit 1

### Avianca Group International Limited (based on Avianca Holdings S.A.'s financials)

#### Avianca Holdings S.A.

US Millions	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	LTM Sep-21	2021-proj.	2022-proj.	2023-proj.
Revenue	4,138.3	4,441.7	4,890.8	4,621.5	1,711.6	1,740.0	1,943.0	3,125.0	3,849.0
EBIT Margin %	9.0%	8.1%	7.4%	-1.6%	-34.4%	-45.8%	-25.0%	5.1%	11.1%
Debt / EBITDA	5.6x	6.0x	6.1x	9.5x	-114.9x	-23.1x	-57.7x	8.0x	5.1x
RCF / Debt	12.4%	9.2%	7.3%	5.3%	-6.9%	-8.0%	-11.3%	3.9%	11.6%
(FFO + Interest Expense) / Interest E	3.2x	3.4x	2.6x	2.0x	-0.1x	0.0x	0.2x	1.5x	2.4x

All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's Forecasts (f) or Projections (proj.) are Moody's opinion and do not represent the views of the issuer. Periods are Financial Year-End unless indicated. LTM = Last 12 Months. EBITDA and RCF are negative in 2020 and LTM 2021.

Source: Moody's Financial Metrics™

## Profile

Currently, Avianca is a leading Latin American company with operations in passenger airlines, cargo airlines and a frequent flyer loyalty program, [LifeMiles Ltd.](#) (B3 negative), which features 9.7 million members. Since 2013, the company has been publicly listed on the New York Stock Exchange and, in 2020, it filed for bankruptcy under Chapter 11. Its restructuring plan has been recently approved by a NY court and the company expects to emerge from bankruptcy in 2021, when Avianca Holdings S.A. will cease to exist, succeeded by Avianca Group International Limited (Avianca), registered in the UK.

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.

Domiciled in Panama, Avianca Holdings S.A. holds investments mainly in passenger airlines, cargo airlines and a loyalty program. Through its subsidiaries, Avianca is a leading Latin American airline with more than 12 million passengers and currently serving more than 100 destinations, both in the domestic markets of Colombia, Ecuador, Costa Rica and Nicaragua, and international routes serving North, Central and South America, Europe and the Caribbean. The company currently operates a fleet of 101 aircraft, with passengers accounting for around 61% of revenue and the balance related to cargo services (34%) and loyalty and other revenue (5%) in the nine months ended September 30, 2021. Its subsidiary Avianca SA is the operating company serving the Colombian market and has been the flag carrier of Colombia since 1919; it is headquartered in Bogota D.C. and has its main hub at the El Dorado International Airport. For the nine months ended September 30, 2021, Avianca generated revenue of \$1.4 billion and negative EBITDA of \$186 million.

Avianca's frequent flyer program, LifeMiles, sells loyalty currency to its commercial partners and program members, including to Avianca and other airline partners from the Star Alliance network, and collects incentive and fees from partners and members of the program for certain transactions.

## Detailed credit considerations

### Restructuring will reduce Avianca's obligations but somewhat elevate leverage

The B3 rating on the senior secured exit notes is at the same level as that of the corporate family rating, reflecting that, upon bankruptcy emergence, senior secured debt will represent most of Avianca's corporate family total debt. Pro forma for the exit financing, we expect Avianca Group's debt and lease liabilities to amount to \$4.0 billion, out of which the rated notes will account for close to 40%. Other significant debt liabilities will include aircraft lease obligations capitalized under IFRS 16, likely to account for 37%, and the \$400 million senior secured term loan issued at LifeMiles' level, accounting for 10% of consolidated debt.

Upon emergence, the issuer of the exit financing is registered in the UK, succeeding the current holding company Avianca Holdings S.A. The rating of the proposed notes reflects our assumption that the issuance will be successfully completed and that the final transaction documents will not be significantly different from the draft legal documentation that we have reviewed to date. We also assume that these agreements are legally valid, binding and enforceable.

### Avianca's strategy is focused on its shift towards a low-cost airline business model with a highly efficient narrow-body operation

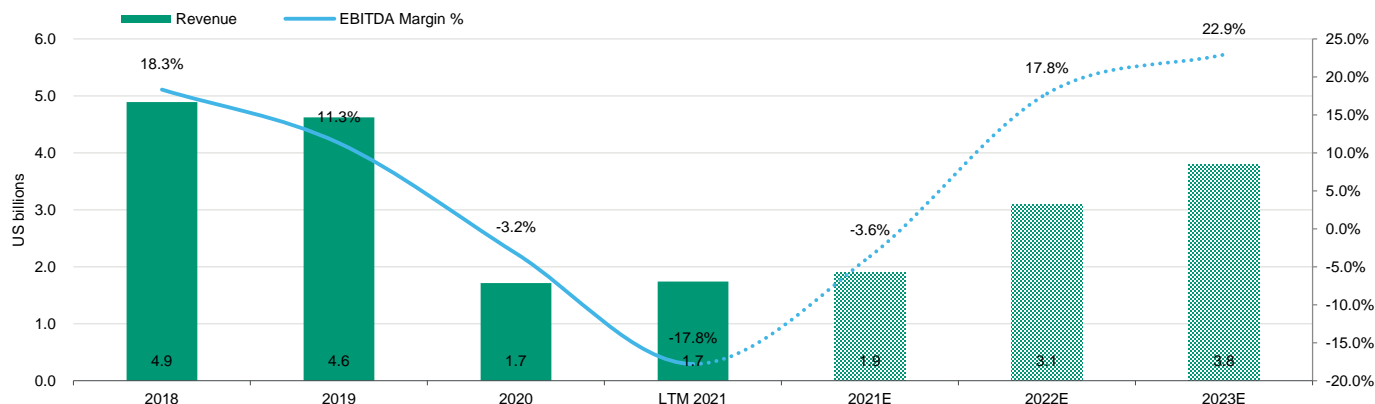
Avianca's projected network plan is based on assumed demand recovery curves. Leisure traffic is paving the way for the recovery, while corporate trips and international long-haul will follow, although initially at slower paces. Avianca's plan is to operate a point-to-point route system focused on connecting major cities in Latin America. Through leading low unit costs and greater focus on ancillaries, Avianca will aggressively price fares. The company is positioned ahead of the travel demand rebound, earning competitive operating margins, notwithstanding its smaller size.

Avianca expects to expand its network by 2025 to 85 destinations and 245 routes with 698 daily departures, from 79 destinations, 145 routes and 662 daily departures in 2019. The company's business plan aims to improve profitability and strengthen its credit metrics through efficiency and reduced complexity, densified cabins and unbundled fares; and maintain current presence and grow in other cities via point-to-point network, and higher focus on leisure and Visiting Friends and Relatives (VFR) traffic.

Continued cost cutting is a critical component of the company's strategy, but good liquidity facilitates a long turnaround runway. Business improvement relies upon significant densification and simplification of the existing fleet, requiring cost-cutting measures amounting \$370 million through 2023.

Exhibit 2

**New business model to improve profitability through a narrow cost structure**



All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. As of 6-30-2021(L). Projected period represents Moody's forward view; not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestiture  
 Source: Moody's Investors Service

**Weak credit metrics will likely recover fully by 2023**

The ratings incorporate Avianca's ability, through its bankruptcy organization, to improve its capital structure significantly upon its emergence from the Chapter 11 process in 2021. While its credit metrics will remain weak because of depressed sales and negative EBITDA stemming from the pandemic, Avianca's shift towards a low-cost airline business model is key to generate sustained free cash flow and steadily reduce leverage. The reduced cost structure of around \$370 million, together with structural changes to the fleet and network, should allow Avianca to compete better amid the ongoing challenges of the industry.

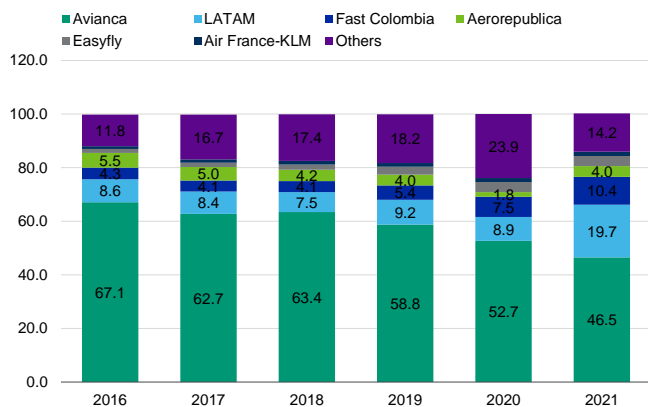
Under the new business model, credit metrics will recover fast. We continue to focus our credit analysis on liquidity strength and projected credit metrics through 2023. Liquidity will remain strong, with cash and short-term investments above \$1.0 billion. The company expects to generate positive cash from operations in 2022 and become free cash flow positive in 2023. As a result, leverage will decline with debt/EBITDA approaching 5x by the end of 2023.

Avianca is the largest airline in Colombia with a strong market share in the country. However, new participants and evolving business models are set to stimulate competition and recovery in Colombia despite the pandemic having weakened the airline sector.

Exhibit 3

**Avianca is the strongest company in Colombia...**

**Market share % in Colombia**

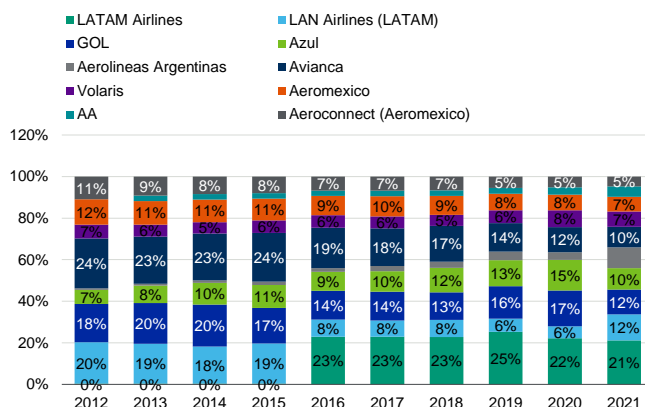


Source: Euromonitor

Exhibit 4

**...and a leading company in Latin America**

**Market share % in Latin America**



Source: Euromonitor

### Criticality of LifeMiles loyalty program, the largest contributor to the collateral package

LifeMiles has a strong business model that includes unrelated commercial partners and co-branded credit cards; its single largest contributor to gross billings is Avianca, which, together with its air partners, represents around 30% of gross billings. LifeMiles benefits from Avianca's leading market position in Colombia and Central America, where its share of passengers is 50% and 60%, respectively. As of October 31, 2021, LifeMiles had over 600 active commercial partners, which include airlines, financial institutions, hotels, gas stations, supermarkets, restaurants, car rentals and apparel stores. These partnerships allow LifeMiles' members to accrue and redeem miles for different products and services. On a normalized basis, around 80% of the accrued miles are redeemed, and 90% of them are redeemed as airline tickets. The balance is redeemed as hotel nights, merchandise and other rewards.

Exit financing notes will be secured by Avianca's 100% stake in the loyalty program LifeMiles, pledge of the cargo business, first lien pledge on brand intellectual property and first lien pledge in certain COP-denominated credit card receivables. Newly performed appraisals estimate the collateral value at \$3.0 billion. However, the collateral coverage relies heavily on assets that are more difficult to value, such as intangibles. Although the collateral value provides strong coverage relative to the exit facility on an ongoing concern basis, in a liquidation scenario, its value could be lower given its ties with the airline. Nevertheless, close to 70% of LifeMiles' gross billings are not related to Avianca but are sales to third parties including banks and retailers, limiting this risk.

### Rising oil prices will not significantly hinder the recovery of airline profitability through 2023

Rising oil prices will not be a significant impediment to the improvement in airline profitability as the industry recovers from the pandemic over the next 12-24 months. Supply and demand fundamentals — including the return of passengers, supported by increasing vaccinations and less stringent barriers to travel — will have a greater influence on airlines' earnings than jet fuel prices, which will fluctuate with changing Brent oil prices. Moreover, our [outlook](#) for the global airline industry is positive, reflecting our expectations for the fundamental business conditions in the industry over the next 12-18 months.

## ESG considerations

### Environmental

Since 2008, Avianca has been implementing operating strategies and initiatives, with the aim of improving efficiency in aircraft fuel consumption. Through its Avianca Fuel program, which was consolidated in 2018, the company aims to contribute to the achievement of the aviation industry's targets: improve fuel consumption efficiency by 1.5% per year; stabilize CO2 emissions with carbon neutral growth as of 2020; and reduce emissions to half the level of 2005 by 2050. In 2017, Avianca's first A320neo aircraft was incorporated into the fleet, featuring the New Engine Option technology, which provides fuel savings of up to 20% and reduces CO2 emissions by 5,000 tons. Avianca was included in the Dow Jones Sustainability Index (DJSI) the same year and, in 2019, Avianca was positioned among the top five most sustainable airlines in the world. In 2019, Avianca invested \$1.5 million for offsetting emissions through the purchase of carbon credits.

### Social

We regard the coronavirus pandemic as a social risk under our ESG framework, given the substantial implications for public health and safety.

Avianca, after having entered a restructuring process under the US bankruptcy law in May 2020, reached an agreement with the pilots' union Colombian Association of Civil Aviators (Asociación Colombiana de Aviadores Civiles), which resulted in paycuts but ensures job security for the next four years for more than 1,200 pilots in total. The current agreement eases risks related with labor. In 2017, a 51-day long strike resulted in the cancellation of 50% of its flights in the last four months of 2017 and a \$500 million payment from Avianca to cover the losses.

### Governance

Post-bankruptcy, the pre-petition general unsecured debt holders are expected to hold up to 1.975% of Avianca's common stock and voting power. Upon emergence, the \$946 million DIP Senior Secured Super Priority Term Loan B will be converted to equity and the company will raise additional \$200 million through incremental equity. As a result, the majority of Avianca Group shares will be in hand of Tranche B stakeholder lenders. We expect that Avianca's post-bankruptcy exit financing provisions will act as a guidepost for the financial policy of the pro-forma company, including debt incurrence limitations and restricted payments and investments. Specific provisions include a requirement to have at least \$800 million of liquidity at exit – which the company currently surpasses –

and a liquidity maintenance covenant above \$400 million. New financing also limits debt at LifeMiles to \$410 million and have debt incurrence limitations in terms of Fixed-Charge Coverage Ratio (FCCR) of 1.0x for 2022 and 1.1x thereafter.

### Liquidity analysis

Avianca has good liquidity. At Bankruptcy exit, we expect the company to have \$1.0 billion in cash and cash equivalents. We expect Avianca to achieve a cash generation breakeven point in 2022 and to turn free cash flow positive from 2023 onward. The company will likely have capital spending (Moody's-adjusted) of roughly \$200 million in each of 2021 and 2022. Although most of these investments will be covered by internal sources, there is limited flexibility to scale it back because of the ongoing efforts to increase fleet efficiency. However, it will have ample flexibility to manage capacity and cash burn if needed under a fully variable power-by-the-hour compensation agreement with aircraft counterparties that will run through mid-2022.

## Methodology and scorecard

The following table shows Avianca's scorecard-indicated outcome using our [Passenger Airlines](#) rating methodology, with data as of 30 September 2021 and on a forward-looking basis. The rating outcome is one notch below the scorecard-indicated outcome, mainly as a result of its execution risk.

Exhibit 5

### Avianca Group International Limited (based on Avianca Holdings S.A.'s financials)

Passenger Airline Industry Scorecard [1][2]	Current LTM 9-30-2021		Moody's 12-18 Month Forward View As of 11/10/2021 [3]	
	Measure	Score	Measure	Score
<b>Factor 1 : Scale (10%)</b>				
a) Revenue (USD Billion)	\$1.7	Ca	\$3.10	Caa
<b>Factor 2 : Business Profile (25%)</b>				
a) Market Position and Network Strength	Ba	Ba	Ba	Ba
<b>Factor 3 : Profitability and Efficiency (12.5%)</b>				
a) EBIT Margin (EBIT / Revenue)	-45.8%	Ca	5.10%	B
<b>Factor 4 : Leverage and Coverage (37.5%)</b>				
a) Debt / EBITDA	-23.1x	Ca	8x	Caa
b) RCF / Debt	-8.0%	Ca	6.8%	B
c) (FFO + Interest Expense) / Interest Expense	0.0x	Ca	1.9x	Caa
<b>Factor 5 : Financial Policy (15%)</b>				
a) Financial Policy	Ba	Ba	Ba	Ba
<b>Rating:</b>				
a) Scorecard-Indicated Outcome		Caa1		B2
b) Actual Rating Assigned				B3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 6-30-2021(L). [3] This represents Moody ' forward view; not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestiture.

Source: Moody's Financial Metrics™

## Ratings

Exhibit 6

Category	Moody's Rating
<b>AVIANCA GROUP INTERNATIONAL LIMITED</b>	
Outlook	Stable
Corporate Family Rating	B3
Senior Secured	B3

Source: Moody's Investors Service

© 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 PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

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

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

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

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

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

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

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

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$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's.com](http://www.moody's.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

1310169