MOODY'S
INVESTORS SERVICE

Announcement: Moody's affirms ratings of Imperial's subsidiaries following acquisition of Lehnkering; stable outlook (South Africa)

Global Credit Research - 30 Sep 2011

London, 30 September 2011 -- Moody's Investors Service has today affirmed the ratings of the following subsidiaries of Imperial Holdings Limited ("Imperial"): Imperial Group (Pty) Ltd, Imperial Mobility Finance B.V. and Imperial Capital Limited. This follows the announcement by Imperial of its acquisition of Lehnkering Holdings GmbH ("Lehnkering"), a German logistics company, for a total consideration of EUR270 million, including EUR97 million of assumed debt. All ratings have a stable outlook. For a full list of the affected ratings, please see below:

Imperial Group (Pty) Ltd:

- LT Issuer Rating (Foreign): Baa3

- LT Issuer Rating (Domestic): Baa3

- Backed Senior Unsecured (Domestic): Baa3

- NSR Senior Unsecured (Domestic): A2.za

- NSR LT Issuer Rating (Domestic): A2.za

- NSR ST Issuer Rating (Domestic): P-1.za (Aa2 to Ba1)

- NSR Backed Senior Unsecured (Domestic): A2.za

- NSR Backed Senior Unsecured MTN (Domestic): A2.za

- Backed Subordinate MTN (Domestic): A3.za

Imperial Mobility Finance B.V.:

- Backed Senior Unsecured (Domestic Currency): Baa3

Imperial Capital Limited:

- NSR Senior Secured (Domestic): A1.za (Baa1/Baa2)

- NSR Backed Senior Secured MTN (Domestic): A1.za

- NSR Backed Other Short Term (Domestic): P-1.za

Imperial has entered into an agreement, through its wholly owned subsidiary, Imperial Mobility Deutschland GmbH & Co KG, to acquire 100% of the share capital of Lehnkering. This is subject to approval by the relevant German and European Union competition authorities as well as under the German Foreign Trade Act, which has to be fulfilled on or before 30 April 2012.

RATINGS RATIONALE

"The affirmation of the ratings of Imperial Group (Pty) Ltd, Imperial Mobility Finance B.V. and Imperial Capital Limited reflects Moody's expectation that, on a pro forma basis, there will be no material change in Imperial's key credit metrics following the Lehnkering acquisition," says Soummo Mukherjee, a Moody's Vice President -- Senior Analyst and lead analyst for Imperial. Specifically, Moody's expects the following credit metrics, which are quantitative triggers for Imperial's current ratings, to remain unchanged: (i) a retained cash flow (RCF)/net debt ratio of above 20%; (ii) fairly stable operating margins; and (iii) a ratio of funds from operations (FFO)+interest expense/interest expense of above 4.0x.

"The acquisition fits well with the growth and diversification strategy of Imperial's logistics business and offers an opportunity for Imperial to further expand into global emerging markets that are served by German exports," explains Mr Mukherjee.

"Lehnkering will be complementary to Imperial's existing European logistics businesses, strengthening its position in European inland shipping, ports and terminal operations, warehousing and distribution, and contract logistics," adds Mukherjee.

To fund the EUR173 million acquisition of a 100% of Lehnkering's equity, Imperial will utilise a new euro-denominated senior unsecured banking facility raised at Imperial Mobility Finance B.V. and guaranteed by Imperial Mobility International B.V. and Imperial.

The new banking facility also has the benefit of an upstream guarantee from Imperial Group (Pty) Ltd to Imperial in the same manner that Imperial Mobility Finance B.V.'s EUR300 million of senior unsecured notes due in 2013 benefits from an upstream guarantee from Imperial Group (Pty) Ltd to Imperial, as well as from a guarantee from Imperial.

Despite the guarantee from Imperial Mobility International B.V., in Moody's view Imperial Mobility Finance B.V.'s new banking facility has no degree of structural superiority relative to the entity's EUR300 million of senior unsecured notes.

Moody's will monitor Imperial's ability to integrate Lehnkering into its existing European logistics operations and potential synergy advantages that may improve the former's margins gradually.

The stable outlook on the ratings of Imperial Group (Pty) Ltd, Imperial Mobility Finance B.V. and Imperial Capital Limited reflects Moody's expectation that Imperial's credit profile will continue to be solidly positioned within the Baa3 rating category as a result of the group's restructured business profile and future growth plans. This is despite the impact of weaker operating environments both domestically and abroad.

Imperial's Baa3/A2.za rating continues to be based on (i) Moody's perception of the Imperial's relatively low business risk profile; (ii) the company's strong debt protection ratios; (iii) its diversified business structure, which mitigates its complex organisational structure; and (iv) its high concentration in a single market, South Africa, which accounts for close to 80% of the Imperial's revenues and operating profit. Imperial's Baa3/A2.za rating is also supported by its (i) long history and solid reputation in South Africa; (ii) track record of growth (iii) strong market position; (iv) quality of management; and (v) successful weathering of South Africa's currency volatility risk over many years.

Eventual upward pressure on Imperial's subsidiaries ratings or outlook could arise if Imperial were able to (i) maintain an RCF/net debt ratio above 20%, and furthermore achieve a sustainable improvement towards the mid-twenties in percentage terms; (ii) maintain stable operating margins; and (iii) achieve increased debt protection levels, such that Imperial's FFO)+interest expense/interest expense were to exceed 4.0x on a sustainable basis. Moody's notes that most of the aforementioned financial metrics were achieved in Imperial's latest fiscal year, ended 30 June 2010. However, upward momentum on Imperial's rating would depend on it sustaining such levels in light of its growth plans, which may include leverage that is higher than current levels. All metrics are according to Moody's standard adjustments and definitions.

Conversely, negative pressure on Imperial's rating or outlook could arise as a result of (i) weakness in Imperial's operating performance, resulting in lower debt protection measures, with (FFO)+interest expense/interest expense sustainably below 4.0x, or lower operating margins; (ii) an average RCF/net debt ratio that trends below 20% on a prospective basis, considering past and expected future performance; iii) should the debt protection measures weaken, a failure to adjust financial policies and cost structure such that the Imperial generates positive free cash flow on a sustained basis through conservative capex spend and adjusted shareholder remuneration policies.

Imperial is the largest private sector transport and mobility group in South Africa. Established in 1948 as a single service station in Johannesburg, Imperial operates in Africa, UK, Europe and Australia.

Imperial's core activities include services relating to transportation and mobility in their broader context, such as logistics, car rental, tourism, motor vehicle dealerships and distributorships, as well as insurance. At FYE 2010, Imperial reported revenues of ZAR53.4 billion and Moody's-adjusted EBITDA of ZAR6.4billion.

Lehnkering is headquartered in Duisberg, Germany, and is a company of Lukas Sweden AB (a subsidiary of Triton Private Equity).

Lehnkering is a full-service specialist logistics company, providing value-added services to its customers, which primarily operate in the chemicals, pharmaceuticals, agricultural, petrochemical and steel industries. Founded in 1872 by Carl Lehnkering, the company operates in central and north-western Europe.

Lehnkering logistics solutions include warehousing and distribution services, inland waterway shipping of gas, liquid and dry-bulk cargo, and road transportation. At FYE 2010, Lehnkering reported revenues of EUR506 million and EBITDA of EUR44.1 million.

Imperial's ratings were assigned by evaluating factors that Moody's considers relevant to the credit profile of the issuer, such as the company's (i) business risk and competitive position compared with others within the industry; (ii) capital structure and financial risk; (iii) projected performance over the near to intermediate term; and (iv) management's track record and tolerance for risk. Moody's compared these attributes against other issuers both within and outside Imperial's core industry and believes Imperial's ratings are comparable to those of other issuers with similar credit risk.

Moody's National Scale 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 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 ".mx" for Mexico. For further information on Moody's approach to national scale ratings, please refer to Moody's Rating Implementation Guidance published in August 2010 entitled "Mapping Moody's National Scale Ratings to Global Scale Ratings".

The Local Market analyst for this rating is Dion Bate, 27-11-217-5472.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides relevant 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 relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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