Creditreform Corporate Issuer / Issue Rating

Redeia Corporación, S.A.

Creditreform Rating

19 July 2024 – Neuss, Germany

Rating Action / Update:

Creditreform Rating has affirmed the unsolicited corporate issuer rating of Redeia Corporación, S.A. at A- / stable

Creditreform Rating (CRA) has affirmed the unsolicited corporate issuer ratings of Redeia Corporación, S.A.—hereinafter referred to as 'Redeia' or 'the Company'—Red Eléctrica de España, S.A.U., and Red Eléctrica Financiaciones, S.A.U., as well as the unsolicited corporate issue rating of the long-term local currency senior unsecured notes issued by Red Eléctrica Financiaciones, S.A.U., at A- / stable. In addition, CRA has changed the unsolicited corporate issue rating of the long-term local currency senior unsecured EUR 400 million note 2020 / 2025 issued by Redeia Corporación, S.A. from BBB+ / stable to A- / stable. The initial unsolicited short-term rating was set to L2 (High level of liquidity). We also refer to the rating report of 23 March 2021, which contains further relevant information with respect to the structural, business and financial risk of the Company.

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Current relevant factors for the rating

The following considerations were of specific relevance for the rating assessment:

+ Significant systemic importance with a monopoly position in Spain (CRA unsolicited sovereign rating of the Kingdom of Spain confirmed at A / stable as of 14 June 2024)
+ High share of relatively stable and predictable cash flows from regulated activities
+ Improved operational performance and financial profile in 2023
+ Regulatory support and support from domestic ministry to be expected in the medium term in order to partially finance or provide relief for financial cost of investments to drive the energy transition
+ Growth potential of domestic regulated cash flows in mid-to long-term based on its significant level of investment in TSO business in Spain in the coming years and increasing demand for electricity consumption

- For 2024 expectation of lower operating performance, largely in connection with the termination of remuneration for pre-98 assets due to the end of their regulatory useful life
- Higher net debt expected based on increased investments in domestic TSO in the coming years with the aim of accelerating the energy transition
- Market conditions still marked by uncertainty, reinforced by geopolitical tensions

ESG factors are factors related to environment, social issues, and, governance. For more information, please see the section "Regulatory requirements". CRA generally takes ESG relevant factors into account, when assessing the rating object and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Redeia Corporación, S.A., we have not identified any ESG factors with significant influence.

In October 2022, the Company approved its Sustainability Plan for 2023-2025, in which investments of EUR 4.8 billion are planned in order to drive digitalization and sustainability. In February 2024, the Company increased its planned CAPEX for 2023-2025 to around EUR 5 billion. Of these investments, around 78% will be used to accelerate the energy transition in Spain, which includes a focus on a greater number of connected and efficient grids in order to facilitate mass integration of new renewable energy generation into the electricity system. In line with the 2021-2030 Integrated National Energy and Climate-Plan, Redeia has committed to push forward the energy transition, and thus a decarbonized energy system, achieving a reduction in scope 1 and 2 emissions of 55% compared to 2019 by using at least 74% renewable energy sources by 2030. By 2030, scope 3 emissions are to be reduced by 28% compared to 2019. Redeia's targets have been validated by the Science Based Targets initiative since 2022. The Company also uses green financing to finance its sustainability strategy and decarbonization commitments. At the beginning of 2023, Redeia launched a green hybrid bond of EUR 500 million, and at the beginning of 2024 a green bond of EUR 500 billion. As of 22 July 2024, sixty-six percent of its financing is already ESG-linked. Sustainability with regard to the energy transition could be a significant growth driver for the Company's performance in the long run, both at home and abroad. In accordance with the European Union's Taxonomy Regulation, nearly 80% of the revenues the Company generated in 2023 were considered taxonomy-eligible and taxonomy-aligned. Redeia's increasing investments to drive the energy transition, however, also put pressure on its leverage in the short to medium term. From 2024, the Company expects domestic TSO investments about EUR 1 billion per annum in the coming years (2023: EUR 824 million, 2022: EUR 532 million). Redeia also relies on innovation in order to achieve its ambitious goals: One of its latest patents, which makes use of reverse pumping, will be used in connection with the Salto de Chira project in Gran Canaria. The hydropower plant project will enable the Company to increase the penetration of renewable energy to an annual coverage of 51% of demand on Gran Canaria in 2026, reducing CO_2 emissions by 20%.

The Company has also taken satisfactory measures in terms of governance factors and social commitments. As of 31 December 2023, the share of female executives was 45.5% (31.12.2022: 35.3%); Redeia aims to raise this share to 50% by 2030, as well as increase the number of female employees in technical positions, which are currently male-dominated.

In general, we consider the Company as very well-positioned in terms of ESG, among other reasons due to its high diversity ratio in management, low CO_2 emissions in relation to our peer group comparison, as well as further commitments in line with the Sustainable Development Goals. We do not, therefore, see any regulatory risks related to ESG factors.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here.

Rating result

<u>Please note:</u>

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

The current rating attests Redeia Corporación, S.A. a high level of creditworthiness, representing a low default risk. Redeia is of strategic importance for Spain, and has a strong market position, as well as a profile of essentially low economic and financial risk, benefiting from an established regulatory framework in Spain. Despite striving for a diversification of its business model as well as expansion abroad, the majority of its EBITDA (over 70%) comes from domestic regulated activities, which provide reliable and predictable cash flows. We have based the rating on our assessment that Redeia is dependent on the government and moderately dependent on the country's overall economic situation, so that the rating of Redeia could be constrained by the unsolicited sovereign rating of the Kingdom of Spain (CRA: A / stable as of 14 June 2024). We see an improved financial analysis compared to the year before, driven by its strong operating performance and an improved balance sheet structure, partly thanks to the issue of a hybrid bond (nominal value: EUR 500 million), which we consider as equity, based on its perpetual characteristic. However, the rating is in particular constrained by the significant level of investment in the coming years, with the aim of accelerating the energy transition. Due to the fact that these investments are aligned with the National Transmission Plan for development, we view them as positive, as they will reinforce Redeia's business profile by fostering growth in its regulated cash flows. Nevertheless, they will initially induce leverage pressure. In order to accelerate the energy transition, subsidies are provided by the European Union via REPowerEU. Redeia will receive around EUR 931 million from the REPowerEU as additional funding for its CAPEX plan, alleviating investment pressure. Moreover, although we see the Spanish economy to be recovering, and the first interest cut has occurred in Europe, market conditions remain challenging, and also could exert pressure on Redeia's key metrics. This notwithstanding, we see the Company as well-positioned to face its high investment requirements and market conditions based on its business progress and strengthened balance sheet structure, in tandem with its prudent financial policy. In view of this, as well as Redeia's liquidity position and proven access to financial markets, we have assigned the Company an unsolicited corporate rating of A-.

Outlook

The one-year outlook of the rating is stable. In line with Redeia's reported outlook, we expect weaker operating performance, largely in connection with the termination of remuneration for pre-98 assets, and higher net debt based on its increasing investments in its domestic TSO business to drive the energy transition. The ongoing inflationary environment, including continued high interest rates and commodity prices, could also put pressure on Redeia's earnings capacity. However, the Company's business progress, including TSO development and its investments in its other business lines, as well as its cost efficient measures and strengthened financial structure in 2023, cushion an increase in debt, so that we expect key metrics to be at a level which enables Redeia to maintain its current rating.

Best-case scenario: A-

In our best-case scenario for one year, we assume lower operating performance, in line with the Company's reported outlook, due to the termination of remuneration after expiry of the regulatory useful life of the Company's pre assets 98 in Spain. In addition, due to the expected higher investment in connection with the current regulatory framework, we consider an upgrade within the time horizon of one year as unlikely; however, the Company is still able to maintain its key metrics at a sufficient level to maintain the current rating. The economic recovery of its domestic market, as well as its growth development, alleviates adverse effects stemming from the inflationary environment.

Worst-case scenario: BBB+

In our worst-case scenario for one year, we assume a rating of BBB+. In this scenario, we assume further weakened operational performance, as well as significantly higher-than-expected debt. Additionally, we assume a significant increase in investment costs due to Redeia's expanded investment activities and the ongoing inflationary environment, which in turn lead to deteriorating financial ratios, with no prospect of a short-term recovery. Also, regulatory conditions do not indicate a more favorable development at the current stage as expectations for an improved regulatory outcome will be applied from 2026 onwards.

Business development and outlook

In 2023, the Company was able to record slightly improved operating performance, driven by regulated business and fibre optic business, more than offsetting higher expenses.

Table 1: Financials of Redeia Corporación, S.A. I Source: Redeia Corporación, S.A. and Subsidiaries Auditor's Report 2023, standardized by CRA

Redeia Corporación, S.A. Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.12. (IAS, Group)	CRA standardized figures[1]	
	2022	2023
Sales (million EUR)	2,015	2,064
EBITDA (million EUR)	1,456	1,465
EBIT (million EUR)	911	927
EAT (million EUR)	681	720
EAT after transfer (million EUR)	665	690
Total assets (million EUR)	14,322	14,465
Equity ratio (%)	39.09	45.82
Capital lock-up period (days)	164.39	140.05
Short-term capital lock-up (%)	91.92	56.78
Net total debt / EBITDA adj. (factor)	5.44	4.75
Ratio of interest expenses to total debt (%)	1.34	1.74
Return on Investment (%)	5.45	5.73

Despite higher operating expenses, the Company recorded slightly improved analytical EBITDA of EUR 1,465 million (2022: EUR 1,456 million), up by 0.6% compared to 2022. Operating expenses increased by 3.4%, amounting to EUR 747.6 million (2022: 714.8 million) after the consolidation of Axess in August 2022 and more vivid business activity, affecting operating margin slightly. CRA's standardized EBITDA margin fell to 71.0% (2022: 72.3%), although still displaying an excellent value. Regulated business in Spain benefitted largely from higher transmission and system operator revenue's in accordance with the revision of the parameters for the second regulatory period for 2023-25, more than offsetting higher OPEX. Regulated international electricity transmission business was the largest driver of growth (see, table 2), largely as result of the incorporation of new assets in the perimeter of the Brazilian Argo in November 2022 and a

[1] For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally-generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt takes all balance sheet liabilities into account. Therefore, the key financial figures shown often deviate from the original values of the company.

better result in TEN (Chile). Satellite business recorded a decrease of nearly EUR 22 million in connection with the planned expiry of certain video services in Brazil. The decline was partly offset by revenues from Amazonas Nexus, which has been in commercial operation since July 2023. Fibre optic business could also dampen the decline, benefitting from inflation-linked contracts and control over operating costs.

Financial expenses increased to EUR 133 million (2022: EUR 116 million), up by 14.3% adversely affecting the rating relevant key metric ratio of interest expenses to total debt from 1.34% to 1.74%, nevertheless still in a very solid range. In addition, the Company recorded an improved financial result compared to 2022 (2023: EUR -17 million vs. 2022: EUR -42 million), largely driven by effective financial management, enabling a rise in financial income. Net income amounted to roughly EUR 720 million (2022: EUR 681 million), up by 5.6% compared to 2022. Overall, the Company showed strong operating performance with corresponding profitability ratios.

Table 2: EBITDA development of Redeia's segments in 2023 I Source: Redeia Corporación, S.A. Financial Results January - December 2023, reported information

In million EUR	2022	2023	Δ	Δ %
TSO Spain	1,133	1,142	9	0.78%
TSO International	90	105	15	16.15
Satellite Business	148	126	-22	-14.69
Optic fibre	106	114	8	7.57
Other businesses, corp. and adjustments	15	22	7	47.26
Total reported EBITDA	1,491	1,508	17	1.11

In 2023, we see also an improved balance sheet structure as result of higher equity and lower total liabilities. CRA's structured equity ratio rose to 45.82% (2022: 39.09%), largely due to the launch of a hybrid bonds of EUR 500 million classified as equity instruments (perpetual and non-call) as well as its retained earnings for the year less dividend payments for 2022. Its dividend payout ratio was for 2022 81.2%, reflecting in our view a very high ratio, which we nevertheless consider to be plausible in light of its equity ratio. CRA structured liabilities decreased from EUR 8.7 million in 2022 to EUR 7.6 million in 2023. The Company was able to reduce both gross financial debt and other liabilities, with gross financial debt reduced by almost EUR 480 million and other liabilities by roughly 608 EUR million.

CRA's net debt to EBITDA adj. improved to 4.75x (2022: 5.44x) as a result of better performance and the decrease in other liabilities. The Company's reported net financial debt / EBITDA was also solid, amounting to 3.3x (2022: 3.1x). Reported net financial debt increased to EUR 4.98 billion (2022: EUR 4.63 billion). Cash flow from operating activities, which amounted to EUR 492 million (2022: EUR 1,567 million), was not sufficient to cover Redeia's investments and dividend payments as its cash flow from operating activities was strongly reduced by a negative working capital compared to 2022, while in 2022 cash flow was reinforced after a significant positive working capital change. The negative change in 2023 was in connection with refunds for overcharges collected in previous years. The increase in net debt was mitigated by EUR 500 million from the hybrid bond as well as by subsidies.

Investments amounted to EUR 956 million (2022: EUR 536 million), largely linked to its investments in Spain's regulated business (EUR 825 million), including the development of a transport network and storage facilities in the Canary Islands. In addition, the Company invested EUR 119 billion in satellite business related to the new Amazonas Nexus satellite and the deployment of backhaul services in Latin America.

The Company's has a well-balanced maturity profile and as of 31 December 2023, the Company had cash and cash equivalents of EUR 675 million and undrawn credit facilities of EUR 1,676 million, together covering current financial liabilities roughly 1.68x times, or at least until 2025.

According to Redeia's reported outlook for 2024, the Company expects an increase in net financial debt in connection with higher investments, in particular in its domestic TSO business. Redeia expects net financial debt of around EUR 6 billion[2] (2023: EUR 5 billion), largely due to its TSO investments of approximately EUR 1 billion (2023: EUR 825 million), the highest amount in Redeia's history. Leverage ratios will also be impacted by lower EBITDA performance driven by regulated business in Spain, as it will be affected by the end of the useful remunerative life of the pre-98 assets, as already visible in the reported first-quarter 2024 figures. In Q1 2024, the Company already recorded a decline of 15.4% in its EBITDA, largely due its domestic regulated business (see table 2). For the full year, the Company estimates EBITDA of over EUR 1.3 billion (2023: EUR 1,508 million), and a net profit of roughly EUR 500 million (2023: EUR 690 million), which could result in a reported net financial debt /EBITDA of above 4.0x (2023: 3.3x), however still under its limit (< 5x).

With the aim of driving forward the energy transition, the intense investment phase will continue in the coming years, putting pressure on the Company's metrics, including with regard to interest expenses. However, in the mid-to long-term the Company benefits from higher regulated cash flows. In addition, as already seen, the Company takes measures supportive to its credit rating to protect its balance sheet structure and is to reduce its dividend payments in order to maintain its current credit profile, reflecting a prudent financial policy. Another positive factor could arise from the hearing with the National Securities Market Commission (CNMC), at the end of the year to adjust the financial remuneration rates to the challenges of the energy transition, and to enable efficient investment in its networks. In April 2024, the Council of Ministers approved the Amendment of the Recovery, Transformation and Resilience Plan to partially finance the cost of projects which are strategic for the energy transitions with a horizon until 2026.

Table 3: EBITDA development of Redeia's segments in Q1 2024 I Source: Redeia Corporación S.A. Financial Results January – March 2024, reported information

EUR million	Q1 2023	Q1 2024	Δ	Δ %
TSO Spain	304	239	-65	-21.4
TSO International	32	31	-1	-3.4
Satellite business	31	33	2	6.1
Optic fibre	28	30	2	6.4
Other businesses, Corp- and Adjustments	6	7	1	7.9
Reported EBITDA	402	340	-62	-15.4

[2] In accordance with IFRS criteria

Although supply shortages have largely waned, construction risks have decreased, and inflation is easing, there are still headwinds as regards high commodity prices and continuing high interest rates, despite a slight reduction in Europe. Although the economic outlook for Europe—especially Spain—is brighter, growth continues to be slow, and the further geopolitical course and its global economic consequences remain unclear at this stage. Nevertheless, we see the Company as strategically and financially well situated to face challenging conditions, not least based on its track record, and we continue to expect solid results for the coming year in line with the Company's reported outlook. In the mid-to-long term we see growth potential against the background of Redeia's increasing investments focused on driving the energy transition, despite this exerting some pressure on its leverage.

Further ratings

In addition to the rating of Redeia Corporación, S.A., its operating subsidiary Red Eléctrica de España, S.A.U. as one of the guarantors of the Group's EMTN programme, as well as the as the parent companies' financing subsidiary Red Eléctrica Financiaciones, S.A.U., and their issues (see below), have been rated.

Besides Redeia Corporación, S.A., Red Eléctrica de España, S.A.U. is also an unconditional and irrevocable guarantor of the EMTN programme, as Red Eléctrica de España, S.A.U. is the sole transmission agent and system operator for the Spanish electricity system on an ownership unbundling basis. Thus, the domestic regulated business is integrated in providing financial resources.

Due to the corporate, strategic, liability, financial, economic and performance-related interdependencies of the aforementioned subsidiaries (all are direct 100% subsidiaries of Redeia Corporación, S.A and which have been consolidated into the group annual accounts) we derive the unsolicited issuer ratings of these subsidiaries from the unsolicited issuer rating of Redeia Corporación, S.A., and set them equal to its rating of A- /stable.

Based on the long-term issuer rating and taking into account our liquidity analysis, the unsolicited short-term rating of the Redeia Corporación, S.A. and the above-mentioned subsidiaries was set at L2 (standard mapping), which corresponds to a high level of liquidity.

The rating objects of the issue ratings are exclusively the long-term senior unsecured issues, denominated in euro, issued by Red Eléctrica Financiaciones, S.A.U. and Redeia Corporación, S.A., and which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

Redeia Corporación, S.A. and Red Eléctrica de España, S.A.U. are both guarantors in respect of the issues that have been issued by Red Eléctrica Financiaciones, S.A.U. under the Euro Medium Term Note (EMTN) programme, with the last basis prospectus of 13.06.2023.

We have provided the notes issued by Red Eléctrica Financiaciones, S.A.U. with a rating of A- / stable. The rating is based on the corporate issuer rating of Red Eléctrica Financiaciones, S.A.U.

In addition, we have changed the EUR 400 million note issued by Redeia Corporación, S.A. previously Red Eléctrica Corporación, S.A. based on its standalone prospectus of 6 April 2020, from BBB+ / stable to A- / stable. The operating subsidiary Red Eléctrica de España, S.A.U., which generates the main share of the Group's EBITDA with around 75% and which holds the main share of the Group's assets, is guarantor of the EUR 5 billion EMTN programme as described above, (already placed around EUR 3.8 billion as of 13.07.2024) but not of the EUR 400 million note.

Based on this construct, the year before we saw a structural subordination of the EUR 400 million note against the notes issued by Red Eléctrica Financiaciones, S.A.U. However, based on our current methodology of March 2024[3], we generally consider the risk of structural subordination as minimal, when the issuer's credit risk is an "A-"rating or higher, so that we currently do not see any risk of structural subordination at this point for LT LC senior unsecured notes of Redeia Corporación, S.A. Based on the unsolicited corporate issuer rating of Redeia Corporación, S.A., we have set the LT LC senior unsecured notes issued by Redeia Corporación, S.A. at A- / stable.

Long-term local currency senior unsecured notes issued by Redeia Corporación, S.A. and the above-mentioned subsidiaries, which have similar conditions to the current EMTN programme or the standalone prospectus of Redeia Corporación, S.A., denominated in euro and included in the list of ECB-eligible marketable assets, generally receive the same ratings as the current LT LC senior unsecured notes issued under the EMTN programme or the standalone prospectus of Redeia Corporación, S.A. Notes issued in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Table 4: Overview of CRA Ratings I Source: CRA

Rating Category	**Details**	
	Date of rating committee	Rating
Redeia Corporación, S.A.	19.07.2024	A- / stable
Red Eléctrica de España, S.A.U.	19.07.2024	A- / stable
Red Eléctrica Financiaciones, S.A.U.	19.07.2024	A- / stable
Long-term Local Currency (LC) Senior Unsecured Issues issued by Red Eléctrica Financiaciones, S.A.U.	19.07.2024	A- / stable
Long-term Local Currency (LC) Senior Unsecured Issues issued by Redeia Corporación, S.A.	19.07.2024	A- / stable
Other	--	n.r.

[3] Non-financial Corporate Issue Ratings

Appendix

Rating history

The rating history is available under the following link.

Table 5: Corporate Issuer Rating of Redeia Corporación, S.A.

Event	Rating created	Publication date	Result
Initial Rating	23.03.2021	29.03.2021	A- / stable

Table 6: Corporate Issuer Rating of Red Eléctrica Financiaciones, S.A.U.

Event	Rating created	Publication date	Result
Initial Rating	23.03.2021	29.03.2021	A- / stable

Table 7: Corporate Issuer Rating of Red Eléctrica de España, S.A.U.

Event	Rating created	Publication date	Result
Initial Rating	23.03.2021	29.03.2021	A- / stable

Table 8: LT LC Senior Unsecured Issues issued by LT LC senior unsecured issues by Red Eléctrica Financiaciones, S.A.U.

Event	Rating created	Publication date	Result
Initial Rating	23.03.2021	29.03.2021	A- / stable

Table 9: LT LC Senior Unsecured Issues issued by Redeia Corporación, S.A.

Event	Rating created	Publication date	Result
Initial Rating	23.03.2021	29.03.2021	BBB+ / stable

Table 10: Short-term issuer ratings of Redeia Corporación, S.A., Red Eléctrica de España, S.A.U. and Red Eléctrica Financiaciones, S.A.U.

Event	Rating created	Publication date	Result
Initial rating	19.07.2024	www.creditreform-rating.de	L2

Regulatory requirements

The rating[4] was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

[4] In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

With Rated Entity or Related Third Party Participation	No
With access to Internal Documents	No
With Access to Management	No

A management meeting did not take place within the framework of the rating process.

The documents and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
Corporate Ratings	2.4	July 2022
Corporate Short-Term Ratings	1.0	June 2023
Government-related Companies	1.1	May 2023
Non-financial Corporate Issue Ratings	2.0	March 2024
Rating Criteria and Definitions	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Christina Sauerwein	Lead-analyst	C.Sauerwein@creditreform-rating.de
Holger Becker	Analyst	H.Becker@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Tobias Stroetges	PAC	T.Stroetges@creditreform-rating.de

On 19 July 2024, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 19 July 2024. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here.

Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

Creditreform Rating AG guarantees that the provision of ancillary services does not cause a conflict of interest with its rating activities and discloses in the final rating report which ancillary services were provided for the rating object or for third parties associated with it. The following ancillary services were provided for this rating object or for related third parties:

No ancillary services in the regulatory sense were carried out for this rating object.

For the complete list of provided rating and credit service ancillaries please refer to the Creditreform Rating AG's website.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report

2. Website

3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating

2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a “rating action”; initial release is indicated as “initial rating”, other updates are indicated as an “update”, “upgrade” or “downgrade”, “not rated”, “confirmed”, “selective default” or “default”.

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website.

An explanatory statement of the meaning of Creditreform Rating AG’s default rates are available in the credit rating methodologies disclosed on the website.

Creditreform Rating

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