

16 July 2021 – Neuss, Germany

## Rating Action / Update:

### Creditreform Rating has set the unsolicited corporate issuer rating of Telefónica S.A., to **BBB-** / **stable** outlook

Creditreform Rating (CRA) has confirmed the unsolicited public corporate issuer ratings of Telefónica S.A. (hereinafter also referred to as Telefónica or the Company), along with Telefónica Emisiones S.A.U., Telefónica Europe B.V., the unsolicited corporate issue ratings of the long-term local currency senior unsecured notes issued by Telefónica Emisiones S.A.U., and Telefónica Europe B.V., at **BBB-**. The outlook has been changed from negative to **stable**.

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### Current relevant factors for the rating

The following factors were of specific importance for the rating assessment:

- Strong market position in Europe and Latin America (market leader or one of the top providers) and a high degree of geographical diversification
- Good access to capital markets; solid liquidity profile
- COVID-19 impact and currency devaluation adversely affected revenues and EBITDA in both 2020 and Q1 2021
- Financial results improved in 2020 and in Q1 2021, mainly due to debt reduction and refinancing initiatives
- Debt reduction through asset sales will support further improvement of credit metrics in 2021
- High investment requirements to expand infrastructure and 5G fiber network
- The Company expects cost synergies and improvement of return on investments through the creation of joint ventures in UK and Germany
- Ongoing spin-off process of Hispam business will reduce FX volatility
- Continuous efforts to streamline operations and increase efficiency
- Despite expected GDP growth in Telefónica's main operating markets, uncertainties related to pandemic and macroeconomic risks remain

**ESG factors** are factors related to environment, social issues and, governance. For more information, please see the "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 Telefónica S.A. we have not identified any ESG factor with significant influence.

On the positive side, however, we note that Telefónica has noticeably advanced its ESG efforts over recent years. In 2020, the Company reduced its carbon emission by 61.1% compared to 2015, and has set itself the goal of becoming carbon-neutral by 2040 with net zero emissions. To achieve its goals, carbon reduction targets are part of the variable remuneration of its employees, including the Board of Directors. Last year, Telefónica was also the first telecom company to issue Green and Sustainability Hybrid notes for EUR 1.5 billion, with proceeds used to finance the replacement of the old copper network in Spain with fiber optic, which is 85% more efficient in terms of energy consumption. By offering high quality connection and digital solutions (IoT, big data), Telefónica helped customers save 9.5 million tons in CO<sub>2</sub> emissions.

Gender diversity is also a relevant goal of Telefónica. The share of women occupying leadership positions, for example, is nearly 30.0% of total employees.

A sensitive area for the telecommunication sector is data protection, which entails fines and reputational risks.

Overall, we see Telefónica S.A. as a sustainably-oriented and socially well-positioned company with a transparent integrated ESG corporate identity.

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

The current rating of BBB- attests a highly satisfactory level of creditworthiness to Telefónica, S.A., representing a low to medium default risk.

The rating result of Telefónica, S.A. is based on its large scale and high degree of diversification, its solid leading position in many of its key markets, as well as its comfortable liquidity position and proven access to financial markets. Despite ongoing unfavorable market conditions, which adversely affected revenues and EBITDA in 2020 and Q1 2021, the Company has improved its net profit compared to the same period of the previous year (YoY), mainly by reducing expenses. The reduction in expenses was predominantly due to higher restructuring costs in 2019. In particular, debt refinancing and debt reduction contributed to its credit metric improvement in 2020. Telefónica's ongoing divestitures will further strengthen its balance sheet position, with an expected net debt reduction of EUR 9 billion; joint venture investments are set to boost future growth.

Our assessment, however, is partially offset by ongoing political instability and economic weakness in Latin America, resulting in exchange rate volatility. An additional constraint is the high capex requirement to expand infrastructure assets (especially related to 5G network expansion) and to invest in the new joint ventures in the coming years, which could put pressure on Telefónica's financial performance. Nevertheless, as a leading telecommunications company in its core markets, we believe Telefónica is strongly positioned to withstand potential operational and financial challenges and to manage capex prudently, ensuring both competitiveness and generation of positive free cash flows.

## Outlook

We have revised the outlook from negative to stable. This change is based on the improved result of the financial ratio analysis in 2020, and the expectation that overall performance will continue to be supported by measures to streamline operations and increase digitalization, as well as by advancing pandemic recovery. Proceeds from ongoing divestitures also contribute to the stable outlook, as Telefónica plans to use them primarily to reduce debt levels. Nevertheless, it remains to be seen whether operating performance will improve on a sustainable basis after all the investments and strategic measures have been taken by the Company, and in the face of ongoing uncertainty in the Company's business environment.

Please note:

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.

**Best-case scenario: BBB-**

In our best-case scenario for one year, we assume a rating of BBB-. This is based on our expectation that all the initiatives taken by the Company since the beginning of 2020 to reduce debt will improve its capital structure. Although volatility remains, economic growth in the Company's main markets will support better operating performance throughout the year. However, a rating upgrade is constrained by the very low analytical equity ratio. We consider the generation of a sufficient adjusted equity ratio within the current fiscal year as less likely based on Q1 2021-figures and the current economic conditions.

**Worst-case scenario: BB+**

In our worst-case scenario for one year, we assume a rating of BB+. This could be the case if operations significantly worsen for a prolonged period due to longer and more severe impacts of the COVID-19 pandemic, and further currency depreciations on the Company's main operating markets. We also assume that the Company is not be able to generate sufficient cash flow from operations to meet its future investments needs, resulting in negative free cash flows and a highly-leveraged debt structure. Lastly, downward pressure on ratings would arise if refinancing risks increased due to deterioration in its liquidity profile

## Business development and outlook

During the business year 2020, revenues decreased to EUR 43,076 million (2019: EUR 48,422 million), a drop of -11.0% in comparison with previous year, mainly as a result of exchange rate devaluations in several countries in Latin America, where the Group generates 36% of its revenues. The Group was particularly affected by the COVID-19 pandemic and the sharp currency depreciation in Latin America, in particular the Brazilian Real. Excluding these effects, which together drag revenues down by around EUR 5 billion in 2020, the Company's results would have been flat in comparison to previous year.

Table 1: Financials of Telefónica S.A. | Source: Telefónica Annual report 2020, standardized by CRA

Telefónica S.A. Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.3. (IAS, Group)	CRA standardized figures <sup>1</sup>	
	2019	2020
Sales (million EUR)	48,422	43,076
EBITDA (million EUR)	15,240	13,680
EBIT (million EUR)	4,658	4,321
EAT (million EUR)	1,664	1,957
EAT after transfer (million EUR)	1,142	1,582
Total assets (million EUR)	97,886	88,732
Equity ratio (%)	4.3%	2.0%
Capital lock-up period (days)	61.7	51.0
Short-term capital lock-up (%)	40.0	47.6
Net total debt / EBITDA adj. (factor)	5.7	5.4
Ratio of interest expenses to total debt (%)	3.0%	2.8%
Return on Investment (%)	3.7%	4.2%

With the exception of Germany, most countries recorded a fall in revenues in 2020, Latin America being the region with the most significant downturn (Brazil and Hispam business declined by 22% YoY).

The number of total accesses for Telefónica grew slightly to 345.4 million as of 31 December 2020 (2019: 344.3 million), with the downward trend in fixed telephony and prepaid mobile offset by an increase in higher-value products, especially postpaid mobile contracts, faster speed broadband and IoT solutions. Mobile business represented 83% of total retail sales, while fixed telephony, pay TV and broadband together accounted for 17%.

The Company has put in place effective cost control to reduce operating expenses. In particular, personnel expenses fell 34.5% year-over-year, mainly due to decreasing restructuring costs linked with its individual suspension plan, which worsened results in 2019. In addition, the currency depreciation faced in main Latin America markets, and a lower average number of employees, contributed to the decline in 2020. The Company recorded impairment losses of EUR 935 million, mostly related to the impact of the COVID-19 pandemic and a currency translation on goodwill and other assets allocated to Telefónica Argentina. Other non-recurring items affecting EBITDA were the impacts of COVID-19 (around EUR 977 million) and currency depreciation (EUR 1.2 billion), resulting in an EBITDA decline from EUR 15,240 million in 2019 to EUR 13,680 million in 2020 (10.24% drop YoY). Excluding these expenses, Telefónica's analytical EBITDA margin would have been slightly better in 2020 compared to a year earlier. The Company's financial performance improved due to substantial amount of debt payment, and numerous liability management initiatives to lengthen its debt maturity schedule and reduce financing costs. In 2020, Telefónica amortized EUR 2.8 billion in financial debt (including lease principal payments), which resulted in a reduction of EUR 378 million in interest payment in

<sup>1</sup> 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.

comparison to 2019 (13.5% drop YoY). Based on the expense reduction compared with the previous year, as well as a lower tax charge, the Company was able to achieve a net income (EAT) amounting to EUR 1,957 million, showing an improvement of 18% YoY (2019: EUR 1,664 million).

Although Telefónica reduced its debt, we consider the analytical equity ratio at 2.0% (2019: 4.3%), which was strongly impacted by negative currency effects, as low.

Table 2: Figures of current financial year | Source: Q1 2021 Results

Telefónica, S.A. Q1 2020 and 2021		
in million EUR	Q1 2020	Q1 2021
Sales	11,366	10,340
EBITDA	3,760	3,417
EBT	664	1,150
EAT	468	944

In the first quarter of 2021, the Group recorded a further increase in access (around 2% growth compared to the same period of the previous year), being the third sequential improvement since June 2020. Although the Company's revenue and EBITDA generation continued to be affected by the unfavorable currency translation from businesses in Latin America, both with a drop of 9% in 1Q 2021 YoY, its EBITDA margin was sustained between 30-35% over the last few quarters, thus again improving its net income which amounted to EUR 944 Mio. (Q1 2019: EUR 468 Mio.). This significant improvement resulted mainly from the Company's reduction in expenses (11% YoY drop) and amortization & depreciation (24% YoY drop), the latter due to deconsolidation and sale of asset effects.

Going forward, we expect that better economic growth prospects in Telefónica's main markets will support a more meaningful recovery in the Company's operating performance, and that the successful execution of its strategy - including asset sales and ongoing spin-off of Hispam business - will contribute to balance sheet deleveraging. Since the beginning of 2020, Telefónica has issued nearly EUR 20 billion in new debt with long-term maturities, with the objective of repaying more expensive and shorter-term debt instruments and financing its Joint Ventures (JV) in Germany and UK.

Telefónica continues to benefit from a solid liquidity profile, with EUR 6.4 billion in cash plus EUR 13.2 billion in undrawn committed credit facilities at the end of March 2021 - sufficient to cover all debt maturities beyond 2022. Telefónica's track record of positive free cash flow generation also supports its liquidity profile (average FCF of EUR 5.0 billion per year since 2016), and provides a buffer to withstand the tougher economic environment.

In addition, the Company has taken several initiatives to accelerate deleveraging. In early June, Telefónica, through its subsidiary Telxius Telecom S.A., concluded the sale of telecommunications towers in Europe (Spain and Germany) and in Latin America (Brazil, Peru, Chile and Argentina), for an amount of EUR 7.7 billion. In addition, the Company will also receive proceeds from the JV with Liberty Global (around EUR 6.4 billion), from the disposal of Costa Rica (EUR 425 million) and the sale of a 60% stake in InfraCo Chile and Fibrasil (EUR 800 million). The Company will receive a total of approx. EUR 15 billion from asset sales, of which EUR 9 billion is to be directed towards reducing net financial debt - nearly a quarter of the outstanding financial debt amount at the end of March 2021.

Telefónica has not been able to reduce leverage over recent years, with analytical net total debt to EBITDA standing persistently above 4.5x since 2017 and peaking at 5.5x in 2019. The Company has amortized EUR 5.8 billion of debt since 2017, but this has only been sufficient to offset the substantial drop in EBITDA during this period, mainly driven by the FX impact in its Brazil and Hispam business. On a pro forma basis, considering the EUR 9 billion net debt reduction and assuming all else to be equal, Telefónica's analytical leverage would approach 4.5x by the end of 2021, an improvement compared to 5.2x at the end of 2020.

The Company's high exposure to developing countries with unstable economic conditions is still a constraint for the rating. Its Brazil and Hispam business together represents 36% and 31% of the Group's revenues and reported EBIT, respectively. Aiming to improve its currency mix and reduce volatility in cash flow generation, Telefónica has ongoing plans to spin off business in Latin America – except for Brazil, which remains as a relevant market in the Group's revenue composition (17.2% of total). Although vaccination against Covid-19 will likely support economic rebound in the coming years, with GDP growth forecast at 4.6% for Latin America in 2021-22 according to the IMF, uncertainties and risks related to the countries' fiscal account sustainability and currency volatility remain.

The capital-intensive nature of the business also factors negatively in the analysis, as it could result in negative free cash flow generation and liquidity constraints, in particular in periods of economic recession. Over recent years, Telefónica has been intensively investing in new technologies and digitalization to maximize the Group's operating efficiency and increase competitiveness. In 2020, digital sales increased by 40.5% in Telefónica's main markets, representing roughly 30% of total sales with approximately 80% of all business processes digitalized and managed in real time. The Company continues its 5G expansion, having achieved 80% coverage in Spain by 2020 year-end and increased its footprint in Germany, UK and Brazil.

Going forward, Telefónica will continue to have high capital expenditures in order to adapt its business model to the fast-changing technological demand. The Company's growth strategy is based on the following decisions: (i) to focus investments in its main markets (Spain, Germany, UK and Brazil), with either mature and stable economies, or where it benefits from a strong and sustainable market position and from high growth potential; (ii) to launch two new divisions: Telefónica Tech, focusing on digital business (cybersecurity; IoT/big data and cloud), and Telefónica Infra, focusing on assets (towers, data centers, submarine cables etc.), with the objective of increasing agility and service; (iii) to spin off of Hispam business (comprising all operations in Latin America apart from Brazil), reducing capital employed in the region and mitigating financial risk stemming from macroeconomic shocks and exchange rate volatility. With these strategic measures, the Company expects to generate an additional EUR 2 billion in revenues and to increase its operating margin by 2 percentage points by 2022.

Overall, we expect that Telefónica's ambitious strategic will be efficient, promoting better operating performance in line with an improved structured balance sheet. However, we still see an uncertain environment in its main markets due to the persisting pandemic and other external risks, which could dampen its operating target performance.

## Issue rating

### Further issuer ratings

In addition to the rating of Telefónica, S.A., the following Issuers and its issues (see below), have been included in this rating report.

Telefónica Emisiones S.A.U.

Telefónica Europe B.V.

Telefónica, S.A. is guarantor of the Group companies listed above and of the notes that have been issued under the Euro Medium Term Note (EMTN) programme of Telefónica Emisiones S.A.U., with the last base prospectus of 15.04.2021 and with the last supplement of 13.05.2021 and the Debt Issuance Program (DIP) of Telefónica Europe B.V. with the base prospectus of 19.03.2019.

Telefónica Emisiones S.A.U. and Telefónica Europe B.V. are direct wholly owned subsidiaries of Telefónica, S.A. and are consolidated into the Group's annual accounts. As wholly owned direct subsidiaries and financing vehicles of Telefónica, S.A. the activities of Telefónica Emisiones S.A.U. and Telefónica Europe B.V. are directly related to the financing needs of the Company, which in turn depend on the development of the operating business and the investments in the Group. Additionally, the business development of Telefónica Emisiones S.A.U. and Telefónica Europe B.V. depends on the ability of Telefónica, S.A. to service the payment obligations arising from intercompany loans granted by the subsidiary to the parent company. Overall, the future development of Telefónica Emisiones S.A.U. and Telefónica Europe B.V. will be determined by business development, strategy, and capital and investment needs of the parent company, taking into account its specific and general business risks. In this respect, we consider a consolidated view of the business development and outlook for the rating assessment of Telefónica Emisiones S.A.U. and Telefónica Europe B.V. as appropriate. Based on these economic, financial and liability relationships between Telefónica, S.A., Telefónica Emisiones S.A.U., and Telefónica Europe B.V., we have set the rating of Telefónica Emisiones S.A.U. and Telefónica Europe B.V. equal to the rating of Telefónica, S.A.. Hence, the rating for Telefónica Emisiones S.A.U and Telefónica Europe B.V. is **BBB- / stable**.

### Issue rating details

The rating objects of this issue rating are exclusively the long-term senior unsecured issues, denominated in euro, issued by Telefónica Emisiones S.A.U. and Telefónica Europe B.V. and unconditionally and irrevocably guaranteed by Telefónica S.A., 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.

As mentioned above, the notes have been issued within the framework of the Euro Medium Term Note (EMTN) programme, of which the latest base prospectus of Telefónica Emisiones S.A.U., dates from 15 April 2021 and of and Telefónica Europe B.V. dates from 19 March 2019. The DIP of Telefónica Emisiones S.A.U. amounts to a maximum of EUR 40 billion and the DIP of Telefónica Europe B.V. amounts to a maximum of EUR 8 billion. The notes under the EMTN and the DIP programme are senior unsecured, and rank at least pari passu among themselves and with all other present and future unsecured obligations of the issuer. Additionally, the notes benefit from a negative pledge provision and a cross default mechanism.

### Result corporate issue rating

We have assigned the debt securities issued by, Telefónica Emisiones S.A.U. and Telefónica Europe B.V. a rating of **BBB-** with **stable** outlook. The rating is based on the corporate rating of Telefónica, S.A. and its rating relevant subsidiaries listed above. Other types of debt instruments or notes by the issuers denominated in other currencies have not been rated by Creditreform Rating AG.

The following tables provide an overview of the ratings issued by Creditreform Rating AG in this context, as well as the key features of the EMTN Program of 15.04.2021 and of the DIP Program 19.03.2019 considered here.

### Overview

Table 3: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date	Rating
Telefónica, S.A.	16.07.2021	BBB- / stable
Telefónica Emisiones S.A.U.	16.07.2021	BBB- / stable
Telefónica Europa B.V.	16.07.2021	BBB- / stable
Long-term Local Currency (LC) Senior Unsecured Issues	16.07.2021	BBB- / stable
Other	--	n.r.

Table 4: Overview of 2021 Euro Medium Note Programme | Source: Base Prospectus dated 15.04.2021

Overview of 2021 EMTN Programme			
Volume	EUR 40,000,000,000	Maturity	Depending on respective bond
Issuer / Guarantor	Telefónica S.A.U. (Issuer) Telefónica, S.A. (Guarantor)	Coupon	Depending on respective bond
Arranger	BNP Paribas	Currency	Depending on respective bond
Credit enhancement	none	ISIN	Depending on respective bond

Table 5: Overview of 2019 Debt Issuance Programme | Source: Base Prospectus dated 19.03.2019

Overview of 2019 DIP Programme			
Volume	EUR 8,000,000,000	Maturity	Depending on respective bond
Issuer / Guarantor	Telefónica Europe B.V. (Issuer) Telefónica, S.A. (Guarantor)	Coupon	Depending on respective bond
Arranger	Deutsche Bank AG London	Currency	Depending on respective bond
Credit enhancement	none	ISIN	Depending on respective bond



All future LT LC senior unsecured Notes that will be issued by Telefónica S.A.U. and Telefónica Europa BC and that have similar conditions to the current EMTN/DIP programme, denominated in Euro and included in the list of ECB-eligible marketable assets will, until further notice, receive the same ratings as the current LT LC senior unsecured Notes issued under the EMTN and DIP programme. Notes issued under the programme 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. For the time being, other emission classes or programmes (such as the Commercial Paper Programme) and issues that do not denominate in euro will not be assessed.

## Appendix

### Rating history

The rating history is available under:

<https://www.creditreform-rating.de/en/ratings/published-ratings.html>

Table 5: Corporate issuer rating of Telefónica S.A. | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	18.04.2018	20.04.2018	28.11.2019	BBB- / stable

Table 6: Corporate issuer rating of Telefónica Emisiones S.A.U. | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	18.04.2018	20.04.2018	28.11.2019	BBB- / stable

Table 7: Corporate issuer rating of Telefónica Europe B.V. | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	18.04.2018	20.04.2018	28.11.2019	BBB- / stable

Table 8: LT LC senior unsecured issues by Telefónica Europe B.V. | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	18.04.2018	20.04.2018	28.11.2019	BBB- / stable

Table 9: LT LC senior unsecured issues by Telefónica Emisiones S.A.U | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	18.04.2018	20.04.2018	28.11.2019	BBB- / stable

### Regulatory requirements

The rating<sup>2</sup> 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.

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.

<sup>2</sup> 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 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

The rating was conducted based on the following information.

List of documents
<b>Accounting and controlling</b>
<ul style="list-style-type: none"> <li>Telefónica S.A. Annual Report 2020</li> <li>Interim Report 1Q 2021</li> </ul>
<b>Finance</b>
<ul style="list-style-type: none"> <li>EMTN base prospectus of 15.04.2021 and last supplement of 13.05.2021</li> <li>Debt Issuance base prospectus of 19.03.2019</li> </ul>
<b>Additional documents</b>
<ul style="list-style-type: none"> <li>Company's presentations</li> <li>Material Facts / Press Releases</li> <li>Sustainability Report</li> </ul>

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

The documents submitted 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
<a href="#">Corporate Ratings</a>	2.3	29.05.2019
<a href="#">Non-financial Corporate Issue Ratings</a>	1.0	October 2016
<a href="#">Rating Criteria and Definitions</a>	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
Christian Konieczny	Co-Analyst	C.Konieczny@creditreform-rating.de
Sabrina Mascher de Lima	Co-Analyst	S.Mascher@creditreform-rating.de

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

Name	Function	Mail-Address
Rudger van Mook	PAC	R.vanMook@creditreform-rating.de

On 16 July 2021, 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 2021. 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.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

#### 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.

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