Creditreform Corporate Issuer / Issue Rating

Kerry Group plc

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Rating object	Rating information			
Kerry Group plc	Corporate Issuer Rating: **BBB+ / stable**		Typ: Initial rating Unsolicited	
Creditreform ID: 400986560 Incorporation: 1985 (Main) Industry: Food industry CEO: Edmond Scanlon	Senior unsecured issues, LC: **BBB+**		Other: **n.r.**	
List of rating objects: Long-term Corporate Issuer Rating: Kerry Group plc (Group) Long-term Corporate Issuer Rating: Kerry Group Financial Services Long-term Local Currency (LC) senior unsecured issues	Rating Date: Monitoring until: Publication: Rating methodology: Rating history:		15 August 2018 withdrawal of the rating 21 August2018 CRA "Corporate Issuer Ratings" CRA "Non-financial Corporate Issue Ratings" www.creditreform-rating.de	

Content

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Abstract

Company

Kerry Group plc ("Kerry", "Group") produces and supplies ingredients and flavours for the global food, beverage and pharmaceutical industries as well as added-value branded and customer branded foods, in particular chilled foods, to the UK, Ireland and selective international markets. The Group was established in 1972 and has since grown organically and through strategic acquisitions. The Group operates in 27 countries, has 130 manufacturing locations worldwide and employs approx. 24,000 people. The leading brands such as Dairygold, Richmond or Fridge Raiders are distributed in 140 countries.

In a volatile and competitive market environment, Kerry Group plc generated EUR 6,407.9 million in revenues in 2017 (2016: EUR 6,130.6 million), of which 79% was generated in the division Taste & Nutrition and 21% in the division Consumer Foods. This represents an overall growth of 4.5% in comparison with 2016. The overall year-on-year business volume growth amounted to 4.3%. In 2017, the company generated a positive EAT amounting to EUR 588.5 million (2016: EUR 533.1 million). During the financial year 2017 Kerry Group completed 8 acquisitions at net cost of EUR 397.2 million, the biggest of which were Ganeden and the Kettle business of Tyson Foods.

Rating result

The current rating attests a highly satisfactory level of creditworthiness to Kerry Group plc, which represents a low to medium default risk in comparison with the sector and the overall economy.

Despite the fragile consumption trends worldwide, the general uncertain and volatile environment in the developing markets as well as uncertainties in connection with the impending "Brexit", the company should further continue its stable business development. Relevant rating factors include the dominant market position of the company in the global ingredients and flavours market, its strong business model as well as its highly diversified product range and global presence. Additionally, the forward-looking strategy and the innovative capacity of the company, as well as its solid financial base have a positive impact on our rating assessment.

Risk factors include the fierce competition and the significant innovation pressure against the background of dynamic customer preferences that require high investments and intensive R&D. We have furthermore identified a high reputational risk for the hypothetical event that the company fails to comply with safety measures. The current business development could be impaired by an economic slowdown in mature and / or emerging markets as well as by political risks that are not negligible.

Outlook

The one-year outlook of the rating is stable. The operating performance of the consolidated group should not be diluted despite upcoming Brexit, new acquisitions and currency volatility. The outlook is expected to remain stable provided the macroeconomic and political environment in the markets of Kerry Group plc remains free of disruptions.

Relevant rating factors

Table 1: Financials of Kerry Group I Source: Kerry Group annual report 2017, standardized by CRA

Excerpts from the financial ratios analysis 2017

+ Decreasing ratio of net debt / EBITDA
+ Equity ratio increased
+ Positive liquidity situation

− Relatively high capital lock-up period

Kerry Group plc Financial ratios' extract Basis: consolidated annual statement per 31.12 (IFRS)	Standardized balance sheet	
	2016	2017
Turnover	EUR 6,130.6 million	EUR 6,407.9 million
EBITDA	EUR 858.4 million	EUR 860.8 million
EBIT	EUR 682.2 million	EUR 678.9 million
EAT	EUR 533.1 million	EUR 588.5 million
Total assets	EUR 6,368.85 million	EUR 6,462.8 million
Equity ratio	35.93%	44.53%
Capital lock-up period	80.47 days	80.34 days
Short-term capital lock-up	5.03%	2.04%
Net Debt / EBITDA adj.	3.91	3.55
Return on investment	9.48%	10.12%
Ratio of interest expenses to debt	1.75%	1.83%

General rating factors

+ Worldwide presence
+ Leading market position with well-recognized brands
+ Diversified product portfolio
+ One of the biggest competitors in rather granulated market for ingredients & nutrition
+ Relatively low cyclical sensibility
+ Granularity of customers

− Low entry barriers and highly competitive environment
− Dependence on availability of raw materials, high level of price volatility
− Dependence on changing consumer trends
− High currency translation and currency transaction risks
− Reputational risks and food safety risks

Current factors (rating 2018)

+ Stable business development with increasing EBITDA
+ Good overall profitability and Cash-Flow generation
+ Stable long-term financing structure
+ Solid free Cash-Flow

− Current trend towards an increase of raw materials prices
− Uncertainties in connection with Brexit

Prospective rating factors

+ Further acquisitions and synergies
+ Further growth potential in developing countries

+ Innovations in product range

- Integration risks linked to future acquisitions
- Possible leverage increase in connection with acquisitions
- Continuously volatile emerging markets

Best case scenario

Best case:	A-
Worst case:	BBB

In our best case scenario for one year, we assume a rating of A-, if the expansion in the EPMEA region continues with above average growth rate, without breaking the stable balance sheet relations. Acquisitions do not cause any unexpected excessive costs for the integration.

Worst case scenario

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

In our worst case scenario for one year, we assume a rating of BBB. The expected synergies from acquisitions take longer than expected to materialize, which is reflected in the operating performance. To a significant extent, the whole business is adversely affected by cautious consumer behavior and currency impact as a result of Brexit.

Business development and outlook

During the financial year 2017 Group revenue increased on a reported basis by 4.5% to EUR 6.4 billion, from which 4.3% represents the business volume growth year-on-year. The net pricing increase amounted to 2% against the background of 4% overall raw material price inflation. The Group completed 8 acquisitions during 2017, the most significant of which were Ganeden Biotech Inc. and the Kettle business of Tyson Foods in the Americas region. Business acquisitions contributed 0.8% of the Group´s revenue growth. The Group trading margin was stable with 12.2% while Group trading profit increased by 4.2% to EUR 781.3 million (2016: EUR 749.6m).

The two main business units of Kerry Group developed differently in 2017.

The Taste & Nutrition Division grew by 5.7% to EUR 5.2 billion, reflecting volume growth of 4.7% and a 2% net pricing increase. Trading profit grew by 7.1% to EUR 767 million. The division accounted for 79% of Group revenue and 88% of Group trading profit. The divisional trading margin improved by 20 basis points to 14.9%. The division achieved solid growth in all the main regions: Americas (3.5%), EMEA (6.2%) and especially Asia-Pacific, where the reported revenue increased by 13.1% to EUR 866 million. Several acquisitions of established brands worldwide contributed 0.9% to the division´s organic growth in 2017.

The Consumer Foods Division decreased slightly by 0.1% to EUR 1.3 billion on a reported basis. The volume increased by 2.4%, prices by 2%. The underlying profit margin improvement was more than offset by the adverse sterling exchange rate development and the lag of price recovery in response of the impact of pound sterling depreciation on products exported to the UK. Overall, the divisional profit margin decreased by 70 basis points to 8.1%. Business acquisitions contributed 0.2% to the division growth.

In 2017, EBT was negatively affected by non-trading items of EUR 54.5 million, in particular by the acquisition integration and restructuring costs (EUR 36.0 million) and the costs of Consumer Foods Brexit mitigation programme (EUR 11.7 million). On the other hand the tax credit of these costs amounted to EUR 11.9 million. The reduction in the US corporate income tax rate required revaluation of Kerry´s US deferred tax liabilities, which resulted in a one-off deferred tax credit of EUR 52.8 million. Overall, a positive non-trading items impact of EUR 10.2 million was recorded.

The following table gives an overview of the Group development over the last 5 years (see also Kerry Group Annual Report 2017 and Kerry´s website).

Table 2: Business development of Kerry Group I Source: Kerry Group, standardized by CRA

EUR million	2013	2014	2015	2016	2017
Revenue	5,836.7	5,756.6	6,104.9	6,130.6	6,407.9
Trading profit	611.4	636.4	700.1	749.6	781.3
Adj. EBT*	532.3	569.9	612.1	655.8	691.4
Adj. EAT*	453.2	490.3	531.0	569.1	601.9
Free Cash Flow	412.1	302.9	452.6	569.9	501.3

*Adjusted EBT and adjusted EAT were presented in the annual report 2017 before brand-related intangible asset amortization and non-trading items to reflect the underlying trading performance more accurately.

Overall, the last 5 years were characterized by a trend of stable growth. The Group performance during the six months of 2018 (up to 30 June) is also overall positive. Group´s reported revenue increased by 1.3% to EUR 3,225 million, from which EUR 2,579 million have been generated in the division Taste & Nutrition and EUR 685 million in the Consumer Foods division (division figures before group eliminations). The trading profit increased slightly to EUR 340 million (H1 2017: EUR 338 million). As in recent years, the positive volume growth (3.6%) as well as growth from acquisitions (3.9%) and pricing (0.6%) were more than offset by currency transaction and currency translation effects (-6.7%).

For the division Consumer Foods the Group plans new strategies and structures to deliver growth despite of the cautious consumer behavior and challenging consequences of Brexit. For the division Taste & Nutrition the company sees good growth prospects, in particular in the developing markets.

In its medium-term financial plans, the Group targets an average volume growth of 3% to 5% per year as well as earnings per share growth (before currency effects) of 10% per year. Further acquisitions of strategically relevant businesses continue to be an essential part of company policy. The Euro strength and adverse currency effects as well as unpredictable Brexit consequences represent in our opinion the main difficulties in the course of the implementation of strategic targets.

Structural risks

Kerry Group plc is a public limited company, incorporated on 23 December 1985 in the Republic of Ireland. It is registered under the number 111471.

The company is organized into three main divisions:

- Taste & Nutrition, which provides more than 15,000 products of taste and nutrition systems, functional ingredients and flavours for the global food, beverage and pharmaceutical markets.
- Consumer Foods, which produces a variety of added-value branded and customer branded chilled foods in the three major market sectors Every Day Fresh (Meat & Dairy), Convenience Meal Solutions and Food to Go to the Irish, UK and selected international markets. The goods are marketed through multiple retailers, convenience stores and through e-commerce channels.
- The Agribusiness division works closely with the Group's 3,500 milk suppliers in the South West of Ireland, ensuring a reliable source for dairy and nutritional products.

Headquartered in Tralee, Ireland, and listed on the Irish and London Stock Exchanges the Group runs 130 manufacturing facilities in 23 countries as well as international sales offices in 15 countries worldwide and employs approx. 24,000 people. The majority of the Group´s components are supported by one of five principal shared service centres in Ireland, UK, Malaysia and the USA. Despite the global orientation a certain concentration of business in the regions USA, Ireland and UK should be noted. The company considers itself as the biggest Business to Business taste, nutrition and functional ingredients solutions provider in the rather fragmented global market of specialty ingredients and flavours.

The company prepares its financial statements in accordance with IFRS. Institutional investors in Europe, North America, UK and Ireland represent the main shareholder group holding 59% of Kerry Group´s shares. They are followed by retail owners (27%) and Kerry Co-operative (14%). The Board of Directors is currently composed of 12 members. The Board has proposed a final 2017 dividend of 43.90 cent per share which amounts to EUR 77.3 million.

Kerry has a mature risk management system that comprises all the group´s business units, including portfolio management, acquisitions and divestitures, liquidity management, regulatory issues and informational security. Furthermore, based on the publicly available information, we expect adequate accounting and controlling systems within the Group.

Business risks

Kerry's business development depends on consumer trends. The Group is an integrated solutions provider for the food industry and strives to get insight into the consumer preferences and demands through its "Culinary and Insights" programme. There are currently trends towards more organically-produced, vegan and environmentally-friendly as well as increased snacking and food-to-go-products. R&D and the need for constant innovation are keys to Kerry's business in order to stay competitive in the market. The Group invests significant amounts in establishing its Technology and Innovation Centers Network as well as the Regional Development & Application Centers to support technology development and innovation. Kerry would be at risk if the protection of intellectual property rights were not respected. Kerry has developed sophisticated intellectual property policies and strategies to defend against misuse by employees or third parties.

Geopolitical and macroeconomic factors influence consumption as well as fiscal and legal issues which could severely affect Kerry's activities. The geographical diversification of the company helps to mitigate these risks. To harmonize and standardize its procurement, manufacturing, finance and customer care operations and realign the Group´s global organisation worldwide Kerry launched it's ongoing "1 Kerry" programme in 2009.

The company needs raw materials: milk, meat, vegetables and fruits, plastics as well as energy supplies. The risks of fluctuations of raw material prices and other input costs are relatively high, and so is the danger that it might not be possible to pass on such costs to the customers. For milk purchases, Kerry's Agribusiness division entered into agreements with 3,500 local milk producers in the South West of Ireland. Risks are also mitigated by forward purchase agreements negotiated with the suppliers.

The company is exposed to risks connected to acquisitions and divestitures. In the course of integrating newly acquired businesses, relatively high costs regularly arise for restructuring operations, the integration of Research & Development and administration, redundancies and relocation of resources. Every potential acquisition is assessed on the basis of its ability to generate the required return on investment and of its capacity to fit within the group. All acquisitions need the approval of the Board.

The retail sector is dominated by the discounter chains and is characterized by the high level of competition with rising customer expectations of a better product. These trends, in particular in the UK, negatively impact trading margins. Uncertainties in connection with Brexit are reflected mainly in cautious consumer behavior and increased currency risks. The upcoming Brexit may also implicate risks of trade tariffs and labour restrictions.

Reputation risks and food scandals (product contamination) are some of the most prominent business risks the company faces. Should studies prove Kerry's products to be unhealthy or to pose public health risks, this could severely harm the reputation of the company. This risk is mitigated by compliance with safety measures and an extensive food quality and security policy, as well as controls and audits. Kerry follows the guiding principles set by health authorities in the respective countries where it operates.

Overall, we assess the main business risks of Kerry as moderate given its high levels of product and geographical diversification. The business looks capable of absorbing certain negative effects. Nevertheless, sustained negative macroeconomic conditions, unfavorable raw material prices, and / or new regulatory requirements could hamper any further positive development of the Group.

We believe that the business model of the Group with its combination of the Taste & Nutrition division, which is an integrated solutions provider for food, beverage and pharmaceutical manufacturers, complemented by Consumer Foods as a cash generating division that enables an insight into food trends and ever-changing consumer preferences is reasonable and sustainable.

Financial risks

For analytical purposes, CRA adjusted the original values in the financial statements in the context of the financial ratio analysis. Contrary to our normal practice, we deducted the goodwill shown on the balance sheet from the equity only by 50%, suggesting a certain recoverability of the goodwill. The following descriptions and indicators are based solely on these adjustments.

We hold the view that the capital structure of the company is stable and well-balanced with an above average adjusted equity ratio of 44.53 % as per 31/12/2017. The assets of the company are dominated by intangible assets (approx. 39% of all assets), particularly by goodwill and brand-related assets. Many of these assets are intangible assets with an indefinite life and are subject to regular impairment assessments. These assets relate mostly to the Americas region of the Taste& Nutrition division.

Total debt amounted to EUR 3,585.1 million, of which senior notes accounted for EUR 1,728.4 million. The adjusted net debt to EBITDA ratio is solid at 3.55 (2016: 3.91). In 2017 the Group achieved a free cash flow of €501m (2016: €570m).

The Group finances its operations both through equity and borrowing facilities, particularly through bank borrowings and senior notes from capital markets. All Group borrowings and overdrafts amounted to EUR 1,741.7 million as per 31. December 2017. They are all guaranteed by Kerry Group plc. No assets of the Group have been pledged to secure the borrowings. Except for public bonds, the majority of Group borrowings are subject to financial covenants (see also Annual report 2017). The Group was in full compliance with these covenants for the financial years 2017 and 2016.

Kerry disposed of cash and cash equivalents amounting to EUR 557 million as of 31 December 2017. Undrawn committed facilities were EUR 1,100,0 million (2016: EUR 1,100.0 million) while undrawn standby facilities were EUR 323.0 million (2016: EUR 360.0 million).

The group is generally exposed to financial risks, e.g. liquidity, foreign currency, interest rate and counterparty risks. The Group applies a range of instruments to control and manage these risks including cash flow forecasts, foreign currency exposure netting, hedging and others.

Overall, we consider the Group´s financial position as strong with a solid equity ratio and significant cash resources and relatively long debt maturities.

Issuer / Issue rating details

Issuer rating of Kerry Group Financial Services

Kerry Group Financial Services ("the Issuer") is a public unlimited company, incorporated on 29 December 1995 in the Republic of Ireland. The company is registered under company number 242662. The Issuer´s principal activity is the provision of treasury services to the Group. The Issuer is indirectly wholly owned and controlled by the Kerry Group plc. Its financial statements are fully consolidated in the financial statements of the Group. For this reason, we set the rating of Kerry Group Financial Services public unlimited company equal to the corporate rating of the Kerry Group, e.g. BBB+ with stable outlook.

Issue rating

The rating objects of this issue rating are exclusively the long-term guaranteed notes due 10 September 2025 issued by Kerry Group Financial Services. Following the prospectus as of 8 September 2015 the issue is unconditionally and irrevocably guaranteed by the Kerry Group plc (the "Guarantor"). Furthermore, regarding the Issuer and the Guarantor, the Notes benefit from a negative pledge provision and a cross default mechanisms.

We assign a rating of BBB+ to the EUR debt securities, issued by Kerry Group Financial Services. The decision is mainly based on the corporate rating of the Kerry Group, taking into account the specific credit enhancement of the issue, namely the irrevocable and unconditional guarantee of Kerry Group plc for this issue. All future LT LC senior unsecured notes that will be issued or guaranteed by Kerry Group plc, denominated in euro, will, until further notice, receive the same ratings as the current rating of LT LC senior unsecured notes with ISIN XS1288849471 due 10 September 2025. Other types of debt instruments or issues denominated in other currencies have not been rated by CRA. The current ratings and information can be seen on the website of Creditreform Rating AG.

Overview

Table 3: Summary of CRA Ratings I Source: CRA

Rating Objects	Detail Information	
	Date	Rating
Kerry Group plc (Issuer)	15.08.2018	BBB+/stable
Kerry Group Financial Services (Issuer)	15.08.2018	BBB+/stable
Long-term local currency senior unsecured issues	15.08.2018	BBB+
Other	--	n.r.

Table 4: Overview of Kerry Group debt issuance programme I Source: Kerry Group, prospectus dated 8 September 2015

Issue Details			
Volume	EUR 750,000,000	Maturity	10 September 2025
Issuer	Kerry Group Financial Services puc	Coupon	2.375 per cent
Arrangers	Barclays Bank plc, Deutsche Bank AG (London Branch), J.P. Morgan Securities plc, Danske Bank A/S, Mizuho International plc	Currency	EUR
Credit Enhancement	Guaranteed by Kerry Group plc	ISIN	XS1288849471

Financial ratios analysis

Asset Structure	2015	2016	2017
Fixed asset intensity (%)	67.91	63.37	65.37
Asset turnover	1.11	0.99	1.00
Asset coverage ratio (%)	56.52	106.55	105.12
Liquid funds to total assets (%)	4.23	10.12	5.15
Capital Structure			
Equity ratio (%)	33.25	35.93	44.53
Short-term-debt ratio (%)	26.22	27.61	25.19
Long-term-debt ratio (%)	5.12	31.59	24.19
Capital lock-up period (in days)	77.04	80.47	80.34
Trade-accounts-payable ratio (%)	21.60	21.22	21.82
Short-term capital lock-up (%)	2.58	5.03	2.04
Gearing	1.88	1.50	1.13
Leverage	3.15	2.89	2.48
Financial Stability			
Cash flow margin (%)	8.05	12.13	7.78
Cash flow ROI (%)	8.27	11.68	7.71
Debt / EBITDA adj.	4.86	4.64	3.92
Net Debt / EBITDA adj.	4.55	3.91	3.55
ROCE (%)	17.37	18.99	17.11
Debt repayment period	6.09	5.92	9.12
Profitability			
Gross profit margin (%)	38.20	38.21	37.13
EBIT interest coverage	9.45	9.54	10.33
EBITDA interest coverage	11.75	12.01	13.10
Ratio of personnel costs to total costs (%)	18.11	18.63	18.67
Ratio of material costs to total costs (%)	61.92	61.79	62.87
Ratio of interest expenses to debt (%)	1.79	1.75	1.83
Return on investment (%)	9.97	9.48	10.12
Return on equity (%)	30.01	24.96	22.78
Net profit margin (%)	8.58	8.70	9.18
Interest burden (%)	89.69	89.68	90.34
Operating margin (%)	10.98	11.13	10.59
Liquidity			
Cash ratio (%)	15.11	32.11	19.20
Quick ratio (%)	75.89	90.42	88.48
Current ratio (%)	122.40	132.68	137.47
Cash Conversion Cycle (days)	-1.36	-6.40	-5.58

Appendix

Rating history

Table 5: Corporate Issuer Rating of Kerry Group plc I Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	15.08.2018	21.08.2018	Withdrawal of the rating	BBB+ / stable
Monitoring				

Table 6: Corporate Issuer Rating of Kerry Group Financial Services I Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	15.08.2018	21.08.2018	Withdrawal of the rating	BBB+ / stable
Monitoring				

Table 7: LT LC senior unsecured issues issued by Kerry Group Financial Services I Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	15.08.2018	21.08.2018	Withdrawal of the rating	BBB+
Monitoring				

Regulatory requirements

The present rating is an unsolicited rating. Creditreform Rating AG was not commissioned by the Issuer with the preparation of the rating. The present analysis was prepared on a voluntary basis.

The rating is based on the analysis of published information and on internal evaluation factors. The quantitative analysis is primarily based on the last annual report of the Issuer, the basis prospectuses and on press releases of the company. The information and documents meet the requirements and are in accordance with the published Creditreform Rating AG's rating methodology.

The rating was conducted on the basis of Creditreform Rating´s "Corporate Issue Ratings" methodology and the "Corporate Issuer Rating" methodology. A complete description of Creditreform Rating´s rating methodologies is published on the following internet page: www.creditreform-rating.de.

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodology. A complete description of Creditreform Rating´s rating methodologies and Creditreform`s basic document "Rating Criteria and Definitions" is published on the following internet page:

www.creditreform-rating.de/en/regulatory-requirements/

This rating was carried out by analysts Elena Alexeenco (e.alexeenco@creditreform-rating.de) and Rudger van Mook (r.vanmook@creditreform-rating.de), both located in Neuss, Germany. A management meeting did not take place.

The rating was presented to the rating committee on 15 August 2018. The company examined the rating report prior to publication and was given at least one full working day to appeal the rating committee's decision and to provide additional information. The rating decision was not amended following this examination.

The rating will be monitored until CRA removes the rating and sets it to non-rated (n.r.).

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

Please note:

This report exists in an English version only. This is the only binding version.

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, CRA 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, CRA has used following substantially material sources:

Corporate Issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate Issue rating:

1. Issuer corporate rating incl. information used for the Issuer corporate 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 CRA website. Furthermore, CRA 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' 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 ‘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: https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

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

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