

Creditreform Corporate Issuer / Issue Rating

Terna – Rete Elettrica Nazionale S.p.A. (Group)

Creditreform Rating
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Rating object	Rating information	
Terna - Rete Elettrica Nazionale S.p.A. Creditreform ID: 400989004 Incorporation: 1999 (Main) Industry: Electricity supply CEO: Luigi Ferraris <u>List of rating objects:</u> Long-term Corporate Issuer Rating: Terna - Rete Elettrica Nazionale S.p.A. (Group) Long-term Local Currency Senior Unsecured Issues	Corporate Issuer Rating: BBB / stable	Type: Initial rating Unsolicited
	LT LC Senior Unsecured Issues: BBB	Other: n.r.
	Rating Date: 14/12/2018 Monitoring until: Withdrawal of the rating Publication: 21/12/2018 Rating methodology: CRA "Corporate Issuer Ratings" CRA "Non-financial Corporate Issue Ratings" CRA "Government-Related Companies"	
	Rating history: www.creditreform-rating.de	

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Abstract

Company

Terna – Rete Elettrica Nazionale S.p.A. ("Terna" or "the Company", "the Group") is an important player in Italy in realizing the coming transition to sustainable energy. The Group's main activity is the transmission of electricity in Italy. Terna performs its activities in its role as the Italian transmission system operator (TSO) under a monopoly arrangement and a government concession.

Terna is responsible for managing the flow of electricity through the grid in every part of Italy and ensuring a constant balance between the quantity of energy injected into the grid and the demand. Thus, Terna bears great responsibility for guaranteeing the continuity and accessibility of the services for the population and enterprises, which rely on the electricity.

Terna's main areas of business are the electricity transmission and dispatching in Italy (regulated activities), and new business opportunities, as well as international activities (non-regulated activities). In the regulated segment, Terna owns 99.7% of the National Transmission Grid (NTG), which is one of the largest grids in Europe. Non-regulated activities are concentrated on developing opportunities beyond the Group's core operations, and Terna's international activities comprise continued work on its four large-scale projects in South America, in Uruguay, Brazil and Peru; in these countries, Terna builds transmission lines.

In 2017, the Company generated revenues of EUR 2,184 million (2016: EUR 2,033 million) and an EAT of EUR 694 million (2016: EUR 628 million).

Rating result

The current rating attests Terna – Rete Elettrica Nazionale S.p.A. a highly satisfactory level of creditworthiness, which represents a low-to-medium default risk. Terna is of strategic importance for Italy and has a profile of essentially low economic and financial risks, benefiting from an established regulatory framework in Italy. We have based the rating on our assessment that the Group is dependent on the Italian government and moderately dependent on the country's overall economic situation. The rating of Terna is constrained by the sovereign rating of the Italian Republic (CRA: BBB- / stable as of 31 August 2018). Hence, given the positive performance of Terna in the recent past including - according to the latest interim report - the first nine months of the financial year 2018, we attest the Group a corporate rating that lies one notch above the sovereign rating of the Italian Republic. Our future ratings of Terna are unlikely to exceed the sovereign rating of Italy by more than two notches, taking into consideration the Company's focus on the Italian market.

Outlook

The one-year outlook of the rating is stable. Based on the stable regulatory framework, the increasing overall demand of electricity in Italy, the key position of the Company in the Italian market and its good current performance, as well as its comfortable liquidity position and proven access to financial markets, we expect a stable development of the Company for our one-year outlook.

Rating-relevant factors

Table 1: Financials of Terna Group | Source: Terna Group, annual report 2017, standardized by CRA

Excerpts from the financial ratios analysis 2017

- + Slightly increased revenues
- + Solid cash flows from operating activities
- + Low ratio of interest expenses to debt
- High capital intensity
- High capital lock-up period
- Low asset coverage ratio

Financial ratios' extract Basis: consolidated annual report as per 31/12 (IFRS)	CRA standardized figures ¹	
	2016	2017
Revenues	EUR 2,033 million	EUR 2,184 million
EBITDA	EUR 1,544 million	EUR 1,604 million
EBIT	EUR 1,044 million	EUR 1,088 million
EAT	EUR 628 million	EUR 694 million
Total assets	EUR 15,812 million	EUR 16,699 million
Equity ratio	21.4%	21.7%
Capital lock-up period	409.6 days	417.5 days
Short-term capital lock-up	59,62%	58,55%
Net debt / EBITDA adj.	7.4	6.9
Return on investment	4.6%	4.7%

General rating factors

- + Nationwide presence in Italy
- + Low sensitivity to economic cycles
- + National leader in its strategic business areas
- + Good access to financial markets
- + Generally stable, significant cash flows from operating activities
- + High entry barriers
- Very specialised product portfolio with a focus on regulated electricity
- High investments necessary to maintain the leading market position
- High level of national regulation
- High concentration on the Italian market
- Country risk (Italy)

Current factors (rating 2018)

- + Slight increase in performance in 2017 and in the first nine months of 2018
- + Decrease of net debt as of 30 September 2018 and as of 31 December 2017, adequate liquidity reserves
- + Increase of revenues (+3,5%) and profit/EBT (+2,0%) as of 9M 2018
- + High liquidity reserves and sufficient undrawn credit facilities

Suggestion:

General Rating Factors summarize the key issues that – in the view of the analysts as per the date of the rating – have a significant or long-term impact on the rating, positive (+) as well as negative (-).

Current Rating Factors are the key factors that have, in addition to the Underlying Rating Factors, an impact on the current rating.

Prospective Rating Factors are factors and possible events that – in the view of the analysts as per the date of the rating – would most likely have a stabilizing or positive effect (+) and a weakening or negative effect (-) on future ratings, if they occurred. This is not a full list of possible future events with potential relevance for future ratings. Circumstances can arise that are not included in the list of prospective factors whose effects are impossible to assess at the time of the rating, either because these effects are uncertain or because the underlying events are deemed unlikely to occur.

¹ The key figures shown here correspond to the values of Creditreform Rating determined for analytical purposes. These often deviate from similar, originally communicated values by the assessed companies. Thus, e.g. the characteristic Net-Debt / EBITDA adj. based on the total balance sheet liabilities, net of financial resources, of the Group. The calculation of equity also generally involves adjustments. As a result, we regularly deduct the goodwill for analytical purposes from equity in whole or in part. In the case of Terna, we subtracted the goodwill from the equity and added the amount of passive deferred taxes.

- Increase of total capital expenditure (+3,0%), especially for investments in non-regulated assets

Prospective rating factors

- + Expansion and extension of the capacity of the power grid, also because of development of renewable energy markets
- Uncertainties associated with the political situation and the sovereign rating of Italy
- Decline of economic activity (contingency risk)
- Increasingly strict regulatory requirements

Best case scenario

Best case: BBB

In our best case scenario for one year, we assume a rating of BBB. This would be the case if the positive figures as of 30 September 2018 were confirmed for the entire year 2018. We expect an increase of revenues and EBT, and a decrease of leverage and net debt.

Worst case: BBB-

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-. This might be the case if the profitability of Terna does not follow the strategy plan 2018-2022, resulting in a decrease in cash flow margins and the net debt / EBITDA.

The new IFRS 16 standard (Leases) will not reveal any significant impact on the financial statements (page 252 annual report 2017).

Business development and outlook

Terna Group achieved positive results during the financial year 2017. Total revenues increased by 7.5% to EUR 2,184 million (2016: EUR 2,033 million), EBT amounted to EUR 989 million (2016: EUR 933 million), and EAT increased to EUR 688 million (2016: EUR 633).

The revenues are divided into four segments:

- Transmission revenues
- Other energy-related revenues and revenues from services under concession
- Quality of service bonuses/(penalties)
- Other sales and services

The development was favorably influenced by sales grows in the main segments.

Table 2: Revenue development of Terna | Source: Terna Group Annual Report

EUR million	2016	2017
Transmission revenues	1,735.0	1,803.6
Other energy-related revenues and from services performed under concession	132.5	214.0
Quality of service bonuses/(penalties)	15.4	7.4
Other sales and services	149.7	159.0
Total revenues	2,032.6	2,184.0

The transmission revenues are achieved in the regulated market. They represent approx. 87% of the Group's total revenues mostly derived from transmission and dispatching. These activities are subject to regulation by the Regulatory Authority for Energy, Networks and the Environment (ARERA). The increase in transmission revenues is primarily based on the acquisition of RTNNTG of the FSAI Group at the end of 2015.

The other energy-related revenues and revenues from services performed under concession are related to dispatching and metering revenues, and revenues from infrastructure construction, as well as upgrade services performed under concession. These revenues include those resulting from activities in South America. The increase in revenues reflects the new investments in assets held under concession in South America.

Other sales and services primarily concerns revenues from contract work and other non-regulated activities carried out by subsidiary companies.

Over the year, Terna invested EUR 1,034 million in regulated and non-regulated assets. Investments in regulated assets amounted to EUR 958 million in 2017, while investments in non-regulated assets came to EUR 63 million. Thus, investments saw an increase of 21% from 2016. These considerable investments are a significant basis for future growth for Terna, enabling the Group to ensure the maintenance and development of the power grid and generate growth impulses.

According to the interim financial report as of 30 September 2018, the Company's revenues for the first nine months of the year have increased (year-on-year) to EUR 1,625 million (30 September 2017: EUR 1,570 million). Over the same period, the EBITDA increased by 1.9% to EUR 1,230 million (30 September 2017: EUR 1,207 million), due primarily to an increase in transmission charges. The net profit increased by roughly 2.4% in this period, as a result of disproportionately low operational costs. This enabled Terna to once again increase its performance year-on-year, thus continuing the favorable trend seen in recent years.

Considering the Terna's strong market position as the owner of almost the entire National Transmission Grid, we believe that Terna will meet its growth targets over the medium to long term. Most of the Group's revenues are derived from transparent and stable cash flows generated through regulated business activities. In addition, Terna benefits from easy access to the capital market.

Structural risks

The Terna Group is active in three areas: regulatory activities, non-regulatory activities, and international activities, with the regulatory area being the largest segment (86.6% of the Group's revenues). The remaining revenues were accounted for by non-regulatory business with 8.4%, and 0.5% by the international activities of other subsidiaries of Terna - Rete Elettrica Nazionale S.p.A. A further 4.5% consisted of concession revenues.

The Shareholder structure is primarily made up of three groups: CDP Reti S.p.A. with 29.9%; institutional investors with 51.7%; and free float with 18.4%. The main shareholder CDP is an Italian holding company, which emerged as a joint venture of Cassa Depositi e Prestiti, the State Grid Corporation in China, and other investors. In addition to its Terna shares, CDP also holds under 30% of Snam shares as its largest shareholder.

Terna's shares have been listed on the Borsa Italiana (Mercato Telematico Azionario) since 2004.

The Company is managed by the Board of Directors (currently featuring 9 members) and the Board of Statutory Auditors (currently featuring 6 members). The Chairpersons of both boards, as well as other directors and auditors, were elected on the proposition of the main shareholder CDP Reti S.p.A. Terna - Rete Elettrica Nazionale S.p.A is a holding company which owns 100% of the share capital of the operating companies and which is responsible for the management and development of their respective businesses.

Further, the company owns interests in the following foreign companies, which are valued using the equity method within the consolidated balance sheet:

- ELMED ÉTUDES Sàrl (Tunisia) – Conducts preparatory studies for the construction of infrastructure required to connect the Tunisian and Italian electricity systems; Interest 50%.
- Coreso SA (Belgium) – Technical Centre owned by several electricity transmission operators; Interest 15.84%.

- CGES A.D. (Montenegro) – Provision of transmission and dispatching services in Montenegro; Interest 22.0889%.

These companies supplement Terna's portfolio and enable the use of cross-border synergies.

The company reports its financial statements in accordance with IFRS and employed on average approximately 55.000 people over the course of the business year 2017.

Due to its national systemic importance and its relevance for the capital market, the Company has to comply with high legislative, regulative and corporate governance standards. We do not see any core risks in connection with the Company's structure.

Business risks

Terna is one of the most important infrastructure companies in Italy, owning and maintaining 99.7% of the national power grid. It has a particular focus on developing the grid for renewable energies, thus ensuring the future transport and provision of electricity. The origins of company go back to 1962, when the construction and development of the electricity grid was regulated by law. Terna - Rete Elettrica Nazionale S.p.A. was founded in 2012, assuming responsibility for the regulated segment of the Italian electricity market, and has since established itself as the market leader in this area. The Company's current business model, as well as its financial and organizational structures, are well thought through and can also be seen as robust in the event of an economic downturn.

Terna's performance in recent years has shown an increase, albeit a slight one, in revenues and in operating results; return on sales displays unusually high levels exceeding 30% in both 2016 and 2017. According to the quarterly reports for the first 9 months of the current 2018 fiscal year, business results and revenues have again seen year-on-year increases.

The targets for the coming year are strategically and operationally set out in the comprehensive business plan for 2018-2022. In accordance with UN stipulations, Terna is assigned a key role in the development of technologies for the integration of renewable energies into the national power grid in Italy. Nevertheless, despite its closeness to the Italian government, we have assigned Terna a rating above that of the Sovereign rating of Italy, due in particular to the electricity market's low degree of sensitivity to economic fluctuations. This is especially the case in Italy, where substitution by a second provider is possible, if at all, only under very difficult circumstances. Hence we assess Terna's business model as sufficiently stable, a factor which supports our rating in addition to the favorable economic development seen in recent years.

Changes in the Italian and European regulatory systems and legislation could have a significant impact on the operating activities and the financial position of the Company. Given the systemic national relevance of the Company, we consider that extremely negative changes in the tariff system are rather unlikely.

As far as we can assess, the Group operates a well-developed and constantly evolving business risk management system, which is in line with current market and regulatory requirements and supported by many years of experience in the industry.

Financial risks

The Company is exposed to general financial risks such as currency exchange rate risks, counterparty credit risks, as well as liquidity, rating and debt covenant risks. As far as we can assess, the Group's prudent financial policy and well-developed financial risk management system allow an efficient identification and prevention of financial risks.

For the purposes of its financial ratio analysis, Creditreform Rating AG ("CRA") adjusted the original values in the financial statements. The following representations and calculations are based solely on these adjustments.

The Company is highly capital intensive. Approximately 79% of the company's balance sheet total is tied up in long-term assets, reflecting the specific conditions of the business and emphasising the importance and high levels of investments required for the development and maintenance of the transmission grid. The asset coverage ratio of only 30.0% as of 31 December 2017 is improvable in our view.

CRA calculated an adjusted equity for 2017 of EUR 3,620 million (2016: EUR 3,385 million), which accounts for 21.7% of the balance sheet total (2016: 21.4%). The equity increased over the last four years slightly mainly because of retained earnings. The dividends for 2017 paid to the parent company's shareholders amounted to EUR 418 million (2016: EUR 406 million). The high capital intensity of the company is partly offset by the long-term character of most of its obligations. The long-term and medium-term liabilities accounted for 71% of the Group's total liabilities (EUR 9,280 million out of EUR 13,079 million) as of 31 December 2017. CRA's adjusted ratio of net debt / EBITDA – 6.9 as of 31 December 2017 - is still adequate in our view based on the Group's solid and predictable cash flows.

Terna has financed itself mainly through long-term bond issues. The bonds have increased as of 31 December 2017 by EUR 101 million to EUR 7,292 million. This year-on-year increase mainly reflects the issues of new fixed-rate and variable rate bonds that were issued during the 2017 financial year. Most of the bonds are part of the EMTN programme that had been initiated in 2004 and last renewed in October 2018 with a maximum total amount of up to EUR 8 billion. The book value of other borrowings, the most of which are bank borrowings amounted to approx. EUR 2,400 million as of 31 December 2017.

Among other financial agreements, in June 2017 Terna signed an agreement with the European Investment Bank (EIB) for a 22-year loan of EUR 85 million. The loan will fund investment in development of the Capri-mainland connection and in the restructuring of the network serving the Sorrento Peninsula, involving replacement of the current 60 kV network with a new 150 kV network. The agreement includes a fixed-rate tranche of EUR 73.55 million at 1,386%, and a variable-rate tranche of EUR 11.45 million, subject to conditions, with interest equal to 6-month EURIBOR +0.343%.

The Company has an adequate liquidity position, taking into consideration its reliable, highly predictable and stable cash flows, the fact that these cash flows are predominantly generated by a highly regulated business, its good liquidity reserves and its good access to financial markets. The volume of the reported operating cash flow was at EUR 1,190 million in 2017 (2016: EUR 1,138). At the end of 2017, the Company had cash and cash equivalents of EUR 1.989 million. In addition to the unused part of the EMTN programme, the Group also had access to short-term credit lines of approx. EUR 620 million, and to revolving credit lines with a volume of EUR 2,050 million.

We see no significant short- or medium-term financial risks for Terna, taking into consideration its adequate current cash position and liquidity reserves, its reliable cash flows, and its well-coordinated and - in our view - realistic investment plans. Furthermore, the Group has an adequate capital structure and disposes of diversified financing resources that should allow Terna to pursue its strategic plan. Further significant increases of net debt could, however, have a negative impact on the rating assessment. Risks could arise in connection with financial covenants and a deterioration of the Company's rating following the possible down-grade of the sovereign rating of the Italian Republic.

Issue rating details

Issue rating

This issue rating is exclusively valid for the long-term senior unsecured issues denominated in Euro, issued by Terna - Rete Elettrica Nazionale S.p.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.

The Notes have been issued within the framework of the EUR 8 billion EMTN Programme, launched by Terna in April 2015 by increasing the total amount to EUR 8 billion and renewed in October 2018. According to the most recent prospectus from 12 October 2018, the Notes issued under the EMTN Programme benefit from a negative pledge provision and a cross-default mechanism.

We have assigned the EUR debt securities issued by Terna - Rete Elettrica Nazionale S.p.A. a rating of BBB. This decision is based on the corporate rating of Terna - Rete Elettrica Nazionale S.p.A. Group. Other types of debt instruments or issues denominated in other currencies have not been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Overview

Table 3: Summary of CRA Ratings | Source: CRA

Rating Objects	Detailed Information	
	Date	Rating
Terna - Rete Elettrica Nazionale S.p.A. (issuer)	14/12/2018	BBB / stable
Long-Term Local Currency Senior Unsecured Issues	14/12/2018	BBB
Other	--	n.r.

Table 4: Overview of Terna - Rete Elettrica Nazionale S.p.A. EMTN Programme | Source: Terna, prospectus dated 12 October 2018

Issue Details			
Volume	EUR 8,000,000,000	Maturity	Depending on the respective bond
Issuer	Terna - Rete Elettrica Nazionale S.p.A.	Coupon	Depending on the respective bond
Arrangers	Citigroup, Deutsche Bank	Currency	Depending on the respective bond
Credit Enhancement	None	ISIN	Depending on the respective bond

All future LT LC senior unsecured Notes to be issued by Terna - Rete Elettrica Nazionale S.p.A. under the current EMTN 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 Programme. Notes issued under the Programme in a currency other than Euro, as well as 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.

Financial ratios analysis

Table 6: Financial ratios of Terna – Rete Elettrica Nazionale S.p.A. Group | Source: Terna, standardized by CRA

Asset Structure	2014	2015	2016	2017
Fixed asset intensity (%)	79.94	86.41	82.71	79.20
Asset turnover	0.13	0.13	0.13	0.13
Asset coverage ratio (%)	28.30	26.56	28.51	30.00
Liquid funds to total assets (%)	8.17	2.84	7.18	11.91
Capital Structure				
Equity ratio (%)	20.23	20.95	21.41	21.68
Short-term-debt ratio (%)	22.03	20.20	22.43	22.75
Long-term-debt ratio (%)	2.39	2.00	2.17	2.08
Capital lock-up period (in days)	399.36	388.95	409.55	417.46
Trade-accounts-payable ratio (%)	14.12	14.09	14.42	14.96
Short-term capital lock-up (%)	61.25	46.19	59.62	58.55
Gearing	3.54	3.64	3.34	3.06
Leverage	4.94	4.86	4.72	4.64
Financial Stability				
Cash flow margin (%)	56.14	52.62	57.29	55.97
Cash flow ROI (%)	7.25	6.96	7.36	7.32
Debt / EBITDA adj.	8.00	7.78	8.10	8.17
Net Debt / EBITDA adj.	7.18	7.50	7.36	6.93
ROCE (%)	9.33	8.85	8.83	9.51
Debt repayment period	9.38	10.29	9.81	8.08
Profitability				
Gross profit margin (%)	89.55	87.26	87.09	84.41
EBIT interest coverage	6.33	6.86	9.92	11.36
EBITDA interest coverage	9.32	10.04	14.68	16.75
Ratio of personnel costs to total costs (%)	13.78	11.52	13.19	11.78
Ratio of material costs to total costs (%)	10.45	12.74	12.91	15.59
Return on investment (%)	4.57	4.85	4.61	4.71
Return on equity (%)	18.23	19.20	19.11	19.82
Net profit margin (%)	28.32	29.59	30.89	31.79
Operating margin (%)	52.51	52.59	51.35	49.79
Liquidity				
Cash ratio (%)	37.09	14.04	32.03	52.36
Quick ratio (%)	90.09	66.32	76.24	89.73
Current ratio (%)	91.05	67.27	77.12	91.42

Appendix

Rating history

Corporate issuer rating of Terna - Rete Elettrica Nazionale S.p.A.

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	14/12/2018	21/12/2018	Withdrawal of the rating	BBB / stable

Rating of LT LC senior unsecured issues of Terna - Rete Elettrica Nazionale S.p.A.

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	14/12/2018	21/12/2018	Withdrawal of the rating	BBB

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, the "Corporate Issuer Rating" methodology, and the "Government-Related Companies" 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 Holger Becker (h.becker@creditreform-rating.de) and Elena Alexeenco (e.alexenco@creditreform-rating.de), both located in Neuss, Germany. A management meeting did not take place.

The rating was presented to the rating committee on 14 December 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.

Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

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