Creditreform Sovereign Rating

Creditreform Rating
www.creditreform-rating.de

Rating Object	Rating Information	
FRENCH REPUBLIC	Assigned Ratings/Outlook: **AA /stable**	Type: Follow-up Rating, unsolicited
Long-term sovereign rating Foreign currency senior unsecured long-term debt Local currency senior unsecured long-term debt	Initial Rating Publication Date: Rating Renewal: Rating Methodologies:	26-08-2016 01-06-2018 “Sovereign Ratings”

Rating Action

Neuss, 01 June 2018

Creditreform Rating has raised its unsolicited long-term sovereign rating on the French Republic to “AA” from “AA-“. Creditreform Rating has also raised France’s unsolicited ratings for foreign and local currency senior unsecured long-term debt to “AA” from “AA-“. The outlook is revised to “stable”.

Contents

Rating Action 1
Key Rating Drivers 1
Reasons for the Rating Decision .. 1
Rating Outlook and Sensitivity...... 8
Economic Data 8
Appendix 9

Key Rating Drivers

1. Very large, wealthy and highly-productive economy; significant pick-up in economic growth, which we expect to remain robust going forward; ongoing recovery of the labor market which is still plagued by structural problems
2. Strong institutional set-up and more recently, relentless pursuit of a comprehensive set of reforms – new government is forging ahead with structural reforms aimed at entrenched weaknesses in terms of competitiveness, spending, and labor market
3. Although debt remains affordable and sovereign exhibits sound debt management, high level of general government debt leaves government with insufficient fiscal leeway to cushion shocks
4. Expectation of narrowing headline deficits and stabilizing government debt as authorities envisaged plans to significantly rein in public spending, commitment to fiscal sustainability
5. Despite negative NIIP, external risks remain moderate due to modest current account deficits over the last decade

Reasons for the Rating Decision

Creditreform Rating has raised its ratings on the French Republic to “AA” from “AA-“. The upgrade is underpinned by (i) the recent acceleration of economic growth and the prospect of robust growth in the medium term, coupled with the recovering labor market; (ii) progress on fiscal consolidation, and our expectation of stabilizing general government debt; and (iii) the government’s determined efforts to implement a wide-ranging reform package which addresses the economy’s structural weaknesses, as well as its commitment to improve the sustainability of public finances.

Our assessment is backed by France's favorable macroeconomic performance profile, featuring a very large, prosperous and highly-productive economy, balancing the moderate but stable economic growth which could be observed until recently. We continue to view structural challenges related to the French labor market and competitiveness in general as weaknesses.

As measured by nominal labor productivity per person employed, the French economy exhibits very high productivity and ranks among the most productive economies in Europe, standing roughly 15% above the EU-28 average. In our view, France can rely on a very large economy which enhances its economic resilience against external shocks. According to latest IMF data, France is the seventh largest economy in the world, with a gross domestic product totaling USD 2.58tr in current prices. At the latest count, GDP per capita amounted to USD 43,761 in PPP terms (2017). However, there is a considerable gap between French per capita income and AA-rated peers such as Austria (USD 49,869) or Belgium (USD 46,553), while having fallen slightly behind the UK (USD 44,118) and Finland (USD 44,333) more recently.

After years of moderate economic growth, real GDP picked up sharply in 2017. Having posted an annual average of 0.8% between 2012 and 2016, real GDP growth leapt to 2.2% last year, the highest growth rate since 2011 (2.2%) and more in line with other major European economies such as Germany (2.2%) or the UK (1.8%). The significant increase was mainly due to strong export growth and investment activity. Export expanded by 4.5%, up from 1.5% in 2016, as the negative impact of multiple transitory factors (strikes in French refineries, agricultural sector hit by weather conditions, terrorist attacks weighing on tourism) began to subside and international trade has revived. External demand from third countries outside the EU turned out to be particularly dynamic, with yearly growth rates of more than 5% since Q2-17. Hence, net external trade's contribution was broadly neutral at 0.1 p.p., up from -0.5 p.p. in 2016. Private consumption spending increased by only 1.0% (2016: 2.1%), being dented by higher inflation, which was up from 0.3 to 1.2% in 2016-17, dragging on households' real disposable income. On the other hand, gross fixed capital formation stepped up a gear, growing by 4.5% in 2017 (2016: 2.8%), thus contributing 1.0 p.p. to last year's GDP growth. While household investment accelerated and grew by 5.6% (2016: 2.8%), business investment growth climbed from 3.4 to 4.1% in 2016-17 (INSEE data).

The cyclical recovery is accompanied by improving labor market conditions. After standing persistently at around 10% in 2012-16, unemployment declined to an annual average of 9.4% in 2017, which was the lowest reading since 2011 (9.2%). Still, its labor market recovery is evolving slowly and with some lag as compared to peers, despite being broadly in line with the euro area's jobless rate (9.1%). Moreover, the French activity rate ticked up to a relatively modest 71.5% of total population in 2017 (2016: 71.4%) as compared to 78.2 and 77.6% in Germany and the UK respectively (EA-19: 73.1%). Its labor market continues to be plagued by entrenched duality as temporary work is widespread and low-skilled workers, younger people and migrant workers from non-EU-28 countries participate in the labor market to a lesser extent. We note that the share of temporary contracts increased from 14.3 to 14.9% of total employment in 2016-17 (Eurostat data),

one of the highest levels in Europe, and more importantly that the probability of transition from fixed-term to permanent contracts is very low. In addition, the proportion of low-skilled workers (levels 0-2) in employment has followed a downward path over the last decade, and the employment rate of immigrants from outside the EU-28 ranks among the lowest in Europe (2017: 45.2%), while only 28.7% of people in the ages between 15 and 24 years were employed in 2017.

Thanks to far-reaching labor market reforms, we believe unemployment will be pushed back further and new jobs will become available in the medium term. More recently, the unemployment rate has continued on a firm downward trajectory, with the quarterly average falling to 8.9% in Q1-18, down from 9.6% in Q1-17 and the lowest level since the first quarter back in 2009. The ongoing recovery is also illustrated by a substantial increase in vacancies, as the number of vacancies in corporates with more than 9 employees rose by 24.0% y-o-y (Q4-17) and the vacancy rate stood on a multi-year high (1.1%).

We expect the government will decisively move ahead with structural reforms which go a long way in addressing pivotal labor market rigidities. The awaited reform of the labor law is on track as the Enabling Bill passed the National Assembly in August 2017 and concurrent ordinances were adopted by the end of the year. The reforms are geared towards strengthening social dialogue and simplifying employee representation, more flexibility in collective bargaining, more clarity due to redefined rules governing dismissals and labor relations, and the removal of red tape. Furthermore, the government is pushing ahead with a reform of unemployment insurance, which aims at making benefit rules more restrictive and encouraging employers to lean more towards longer-term work-contracts, while extending the scope of beneficiaries (workers resigning from their jobs and self-employed persons). Also, the professional training and apprenticeship system is to be overhauled. The package was presented to the Council of Ministers in April and should presumably be adopted by the end of this fall.

The reform process is likely to result in a higher degree of labor market flexibility. In this vein, we believe that reforms will facilitate economic activity and aid France’s economic resilience and competitiveness. The latter continues to be burdened by extensive regulatory requirements and a complex system of overly high taxes (i.e. labor wedge and corporate income taxes), mirrored by the World Economic Forum’s Global Competitiveness Index, according to which France slipped to rank 22 out of 137 economies worldwide, down from 21 (out of 138) in 2016. The economy has been ranked at 21 or higher since 2012 and stands below AA-peers such as Belgium (20), Austria (18), Finland (10) or the UK (8). Taxation is regarded as highly ineffective in terms of providing incentives to invest (rank 124/137) and government regulation as particularly burdensome (rank 115/137). The administrative and regulatory burden is underscored by the World Bank’s Doing Business report which puts France at rank 31 out of 190 economies.

Alongside labor market reforms, decision-makers aim at improving the economy’s competitiveness by a profound tax reform which will be successively carried out over the next years, and by the Big Investment Plan. The Plan has an investment volume of EUR 57bn and focusses on four main lines, namely accelerating ecological transition, building a skilled society, securing competitiveness through innovation, and creating a ‘Digital

State'. Corporate income tax is envisaged to be gradually reduced from currently 33.3% to 25% by 2022, with a rate of 15% applied to SMEs over this period. According to latest OECD data (2018), France features the highest statutory corporate income tax rate among the OECD members. What is more, the tax credit for competitiveness and employment (CICE) will be converted into a lasting reduction in employers' social security contributions in 2019. At the same time, authorities tax capital income at a flat rate of 30% as of 2018, which will apply to interest, dividends, and capital gains from disposal of transferable securities, exempt 80% of private households from the taxe d'habitation by 2020, as well as abolish the solidarity tax on wealth (ISF) and transform it into a real-estate tax (IFI). In addition, the labor tax wedge shall be lowered by cutting unemployment and health contributions for wage earners by 3.15 p.p., which is to be financed by a 1.7 p.p. increase in the CSG (Contribution Sociale Généralisée).

Looking forward, the aforementioned reforms should be supportive to the economy's competitiveness, private consumption, corporate investment and start-up decisions, in turn aiding economic growth over the years to come. The upbeat economic activity in most of France's main trading partners and higher receipts from tourism are likely to provide for strong export growth, thus resulting in a stronger growth contribution from net exports, before turning broadly neutral beyond 2018. Investment should continue to expand at a solid pace, albeit decelerating somewhat. External demand and favorable financing conditions should foster investment activity, which we also expect to be buttressed by cuts in corporate taxation and measures associated with the action plan for business growth and investment, but also by high and rising capacity utilization in the industry sector. Reflecting strong final demand, capacity utilization has been on a firm upward trajectory over the recent quarters and amounted to 85.8% in Q2-18, up from 84.3% in the previous year's second quarter – well above the long-term average of 83.3% (2000-17). We expect private consumption to gain traction only gradually, due to employment growth, moderate wage increases, tax cuts, and reduced unemployment and health contributions, while higher inflation, tobacco and energy taxes, and CSG are likely to drag on households' purchasing power.

We thus assume that real GDP growth will remain robust going forward, amounting to 1.9 and 1.8% in 2018 and 2019 respectively. To be sure, the start of the year was marked by a slowdown in growth, as quarterly growth came in at 0.2% in Q1-18, decelerating from 0.7% in Q4-17, driven by temporary factors such as the cold weather in late Q1. Nevertheless, business and consumer sentiment continue to bode well for robust growth, as do industrial new orders. Moreover, we assess yearly GDP growth at a still strong 2.1%, more than double the average of 1.0% seen in 2011-16.

Meanwhile, we observe rapidly rising private debt, departing from the trend across Europe where deleveraging has been making headway over the recent years. As illustrated by Eurostat non-consolidated financial accounts data, household debt edged up to 67.2% of GDP in Q4-17 (Q4-16: 65.8%), while NFC debt continued on its longer-term upward trajectory, as corporates have taken advantage of the favorable financing conditions. Although evolving more steadily when accounting for the increase in cash and foreign affiliate lending, corporate debt increased from 169.1% of GDP in Q4-16 to 171.5% in the

previous year's fourth quarter. Accordingly, NFC debt not only stood well above the euro area average of 136.5% of GDP, but was also higher than in the other major European economies. We thus view the NFC's risk-bearing capacities as somewhat impaired, in particular against the backdrop of subdued profitability, as is mirrored by a net return on equity which amounted to 17.2% as compared to a euro area average of 20.8% (2016 data). What is more, French NFC's net debt-to-income ratio totaled 430%, well above the 342% seen in the euro area as a whole.

While increasing NFC debt was also fueled by ample credit growth, with monthly y-o-y growth of the outstanding NFC loan volume averaging at around 5% over the last twelve months, the banking sector appears to be in good shape, also entailing little risk in terms of contingent liabilities. As measured by EBA data, French banks have sufficient capital buffers, as the CET 1 ratio climbed to 14.2% in Q4-17, up from 13.8% a year before and broadly on par with the EU average (14.8%). Concurrently, the improved asset quality is reflected by the further falling NPL ratio, which posted at 3.1%, after standing at 3.7% in Q4-16.

Our credit assessment is also backed by the sovereign's strong institutional conditions. Thus, France continues to outperform the respective euro area median on most of the World Bank's Worldwide Governance Indicators (WGIs) we assess. The quality of public services and of policy formulation and implementation is attested to be high, with France coming in at rank 22 (EA-19: rank 35). WGIs rule of law and control of corruption remained broadly unchanged over the recent years and rank 23 and 21 respectively, providing evidence of equally high quality (EA-19 ranks 32 and 41). We note, however, that the sovereign displays a considerable gap towards the top performers, and also significantly lags AA-peers such as Finland, Austria or the UK.

In general, we believe that the French economy continues to benefit from euro area membership, which entails broader and deeper capital markets as well as advantages related to the euro as a reserve currency. While monetary policy is conducted by the highly credible and accountable ECB, we view economic developments in France as having a significant influence on the ECB's monetary policy stance, as France comprises for a fifth of the euro area's total output (2017: 20.5%). Furthermore, France's inflation rate is closely aligned with the euro area average, and consumer price inflation tends to be less volatile than in other European economies. We also observe virtually no differentials with the respective EA-19-average as regards MFI interest rates and wages.

France's ratings continue to be constrained by its fiscal performance, most notably high and only slowly stabilizing general government debt as well as high age-related costs, which are somewhat balanced by favorable debt affordability metrics and the authorities' envisaged plans to significantly rein in public spending, as well as the more general commitment to fiscal sustainability.

Fiscal consolidation progressed as the headline budget deficit narrowed further from 3.4% of GDP in 2016 to 2.6% of GDP in 2017, and the structural deficit improved by 0.5 p.p. to 2.1% of GDP. It has to be highlighted that this was the first time in the last ten years that the headline deficit moved below the 3%-Maastricht-threshold. The better-than-

expected budgetary outturn came mainly on the back of the pick-up in economic activity, which prompted substantially higher tax revenues, and declining interest payments. Thus, 2017 saw revenues from VAT increasing by 4.9%, while earnings from current taxes on income and wealth soared by 5.2%, and capital tax receipts rose sharply by 14.9%. At the same time, interest outlays decreased by 4.1%, offsetting the rise in other expenditure components such as the public wage bill (+2.2%), thus containing the rise in total expenditure at 2.5%, holding expenditure broadly stable as a percentage of GDP (56.5%, 2016: 56.6%).

Despite the gradually improving budget balance, French general government gross debt remained among the highest in Europe and, apart from Belgium, significantly higher than in any other AA- or AAA-rated sovereign. Debt-to-GDP was up to 96.8% in Q4-17, after standing at 96.6% in Q4-16. Hence, government debt has increased persistently over the recent years, albeit at declining rates, while virtually all other European economies have begun to reduce their debt.

Risks arising from high public debt are somewhat mitigated by steadily improving debt affordability, as indicated by our preferred measure interest-to-revenues. Interest payments thus remained on their downward trajectory, falling to 3.3% of general government revenue, down from 3.5% in 2016, or to 1.8% of GDP (2016: 1.9%). Furthermore, the authorities continued to engage in sound debt management against the background of the beneficial interest rate environment. The average weighted maturity was extended to 7.8 years by March 2018, climbing from 7.5 years (Mar-17, Mar-15: 7.0 years), and the share of short-term debt in total outstanding negotiable debt was reduced notably from 11.0 to 7.8% over the last three years (AFT data). Long-term bond yields remained at a historically low level, buttressed by the ECB's asset purchase program and investor confidence. At the end of April 2018, French 10y government bonds yielded 0.79% (27-04-18), slightly above the 0.77% seen a year before, with a tight Bund spread of a mere 23bp.

We expect that the headline deficit will decrease further, resulting in an initial stabilization of general government debt, before declining gradually going forward. Most importantly, the government envisaged, alongside structural fiscal reforms, a substantial effort to reduce government expenditure by roughly 5 p.p. of GDP (excl. tax credit by more than 3 p.p.) and bring the deficit down to 0.3% of GDP by the year 2022 (Stability Program 2018). We view the government's fiscal strategy as well as the projected path of general government outlays as positive. In 2017 French total government expenditure was the highest among all EU-28 members (56.5% of GDP). We hold the government's targets as challenging but achievable. Having said this, we believe that there are some risks due to the back-loaded nature of the proposed fiscal effort over the programming period, and a track record of missed deficit targets. Additionally, the government recently announced that it intends to take over debt of state-railway company SNCF equating to EUR 35bn in two stages (25bn in 2020 and a further 10bn in 2022). These risks are somewhat mitigated by the proposed Action Publique 2022, by which authorities plan to identify the scope for structural savings and review respective policies.

Building on our assumption of robust economic activity and full implementation of the planned fiscal reform package, we assume that the deficit will drop to 2.4% in this year, followed by a transitory spike to 2.9% mainly due to the conversion of CICE into a permanent reduction in social security contributions (0.9 p.p. GDP), resuming its downward trend from 2020 onwards. To be sure, the measures elaborated above, e.g. corporate income tax cuts, introduction of a flat tax, exoneration from the housing tax, and replacement of ISF by IFI, can be expected to drag on governments revenues in 2018-19. These should be somewhat offset by higher environmental and tobacco taxation and the increase in CSG. What is more, the government envisages limiting public spending growth by reducing the public wage bill (from 12.7 to 12.3% of GDP in 2017-19), revamping its policies on granting housing benefits, and through measures geared towards generating savings on unemployment spending. At the same time, healthcare spending (Ondam) will be restrained by setting the growth target to 2.3% p.a., while the respective ceiling aimed at containing expenditure growth at the level of local public administration (Odedel) is set at 1.2% p.a. Hence, expenditure growth (excl. tax credits) is intended to decelerate significantly and amount to 1.8 and 1.4% in 2018 and 2019 respectively, down from 2.5% in 2017 – mainly due to a marked slowdown in central government spending (1.7 and 0.4%) and spending at the local level (1.4 and 2.2%).

Meanwhile, demographic challenges related to France's ageing population are comparatively moderate in a European context, as its working-age population is projected to diminish by only 3.7 p.p. of total population by 2030 as compared to an average decline of 4.2 p.p. in the EU-28. France displays more favorable projections than most of its peers as regards the median age of population, which is forecast to stand at 44.3y in 2030 (EU: 45.4y). Still, age-related costs are putting pressure on France's public finances. In 2016, pension expenditure amounted to 15.0% of GDP, while health expenses totaled 7.9% of GDP (EU Ageing Report 2018). Total age-related expenditure accounted for 31.0% of GDP, the highest share in Europe. Latest available data reveals that France will remain among the European countries with the highest age-related costs (31.5% of GDP), coming in second behind Finland in 2030. Despite the government's ongoing work on a broad pension reform geared towards making the system more equitable, authorities have followed a more cautious approach. While currently two main reform strands are debated, an overhaul of the retirement scheme may not be expected before the second half of 2019.

External risks remain limited and we continue to see no major imbalances as the country has run modest current account deficits over the last decade. Thus, the French current account has been hovering at around -1% of GDP since 2008, averaging at -0.9% of GDP. Last year the deficit remained broadly unchanged, slightly narrowing from 0.8% of GDP in 2016 to 0.6% in 2017 (Banque de France data), as the deterioration of the trade in goods balance to -2.1% of GDP was cushioned by an improved trade in services balance (1.2% of GDP). The economy should continue to operate at a small current account deficit which may improve gradually on the prospective positive impact of the reforms boosting the economy's competitiveness going forward. Against this backdrop, we note that France's share in global exports has remained stable at 3.6% in 2017 (2016: 3.5%),

after having declined from 5.2 to 3.5% in 2003-12. Its negative net international investment position remains contained and appears to pose no imminent reason for concern, albeit having slipped from -15.7 to -20.2% of GDP in 2016-17, driven by a decline in net foreign direct investments and a more pronounced decline in the asset position of financial derivatives as compared to respective liabilities.

Rating Outlook and Sensitivity

Our Rating outlook on the long-term sovereign rating is stable, as we assume that the risk situation underlying the key factors affecting sovereign credit risk – including macroeconomic performance, institutional structure, fiscal sustainability, and foreign exposure – is likely to remain fundamentally unchanged in the next 12 months.

We could raise the French Republic’s sovereign rating to AA+ if medium-term growth outperforms our expectations, or if public finances improve on a sustainable basis, thus resulting in a firm downward trend of general government debt. We view a comprehensive implementation of the government’s ambitious structural reform program as imperative for a rating upgrade, as the far-reaching structural reforms may boost the economy’s competitiveness and improve the still impaired fiscal metrics. Moreover, adherence to the enshrined reform path could also be seen as a testament to the authorities’ political will to address structural shortcomings, and of a higher quality in policy-making and government effectiveness in general.

By contrast, we could lower the rating if we observe significant fiscal slippages which lead to government debt remaining at its current high levels, if medium-term growth prospects fell short of our baseline scenario, or if competitiveness were to deteriorate further. In this vein, the rating could become subject to substantial downward pressure if we observe significant delays or failure in implementing the envisaged reforms or, worse, if we perceive backtracking on already adopted structural reforms.

Primary Analyst
Johannes Kühner
Sovereign Credit Analyst
j.kuehner@creditreform-rating.de
+49 2131 109 1462

Chair Person
Benjamin Mohr
Head of Sovereign Ratings
b.mohr@creditreform-rating.de
+49 2131 109 5172

Ratings*

Long-term sovereign rating	AA /stable
Foreign currency senior unsecured long-term debt	AA /stable
Local currency senior unsecured long-term debt	AA /stable

*) Unsolicited

Economic Data

	2012	2013	2014	2015	2016	2017	2018e
Real GDP growth	0.2	0.6	0.9	1.1	1.2	2.2	1.9
GDP per capita (PPP, USD)	39,251	39,912	40,802	41,508	42,367	43,761	45,474
HICP inflation rate, y-o-y change	2.2	1.0	0.6	0.1	0.3	1.2	1.5
Default history (years since default)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Life expectancy at birth (years)	82.1	82.4	82.8	82.4	82.7	n.a.	n.a.
Fiscal balance/GDP	-5.0	-4.1	-3.9	-3.6	-3.4	-2.6	-2.4
Current account balance/GDP	-1.2	-0.9	-1.3	-0.4	-0.8	-0.6	n.a.
External debt/GDP	200.0	193.9	209.3	209.2	212.5	210.8	n.a.

Source: International Monetary Fund, Eurostat, Banque de France, own estimates

Appendix

Rating History

Event	Publication Date	Rating /Outlook
Initial Rating	26.08.2016	AA- /stable
Follow-up Rating	28.07.2017	AA- /positive
Follow-up Rating	01.06.2018	AA /stable

Regulatory Requirements

In 2011 Creditreform Rating AG (CRAG) was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the 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.

This sovereign rating is an unsolicited credit rating. The Agence France Trésor (AFT) participated in the credit rating process as the AFT provided additional information and commented on a draft version of the report. Thus, this report represents an updated version which was augmented in response to the factual remarks of AFT during their review. However, the rating outcome as well as the related outlook remained unchanged.

The rating was conducted on the basis of CRAG´s “Sovereign Ratings” methodology in conjunction with its basic document “Rating Criteria and Definitions”. CRAG ensures that methodologies, models and key rating assumptions for determining sovereign credit ratings are properly maintained, up-to-date, and subject to a comprehensive review on a periodic basis. A complete description of CRAG´s rating methodologies and basic document “Rating Criteria and Definitions” is published on the following internet page: www.creditreform-rating.de/en/regulatory-requirements/.

To prepare this credit rating, CRAG has used following substantially material sources: International Monetary Fund, World Bank, Organization for Economic Co-operation and Development, Eurostat, European Commission, European Banking Authority, European Central Bank, Banque de France, Agence France Trésor, INSEE, Ministère de l'Économie et des Finances.

A Rating Committee was called consisting of highly qualified analysts of CRAG. The quality and extent of information available on the rated entity was considered satisfactory. The analysts and committee members declared that the rules of the Code of Conduct were complied with. 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 approving credit ratings and rating outlooks. The analysts presented the results of the quantitative and qualitative analyses and provided the Committee with a recommendation for the rating decision. After the discussion of the relevant quantitative and qualitative risk factors, the Rating Committee arrived at a unanimous rating decision. The weighting of all risk factors is described in CRAG´s “Sovereign Ratings” methodology. The main arguments that were raised in the discussion are summarized in the “Reasons for the Rating Decision”.

As regards the rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the credit rating report. There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRAG website. In case of providing ancillary services to the rated entity, CRAG will disclose all ancillary services in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the rating report; the first release is indicated as “initial rating”; other updates are indicated as an “update”, “upgrade or downgrade”, “not rated”, “affirmed”, “selective default” or “default”.

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

An explanatory statement of the meaning of each rating category and the definition of default are available in the credit rating methodologies disclosed on the website.

Disclaimer

Any rating issued 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 entity or the issue under review.

When assessing the creditworthiness of sovereign issuers, Creditreform Rating AG relies on publicly available data and information from international data sources, governments and national statistics. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. Hence, this rating is no statement of fact but an opinion. Neither should these ratings be

construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments. Thus, no express or implied warranty as to the accuracy, timeliness or completeness for any purpose of any such rating, opinion or information is given by Creditreform Rating AG in any form or manner whatsoever. Furthermore, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings.

This report is protected by copyright. Any commercial use is prohibited without prior written permission from Creditreform Rating AG. Only the full report may be published in order to prevent distortion of the report's overall assessment. Excerpts may only be used with the express consent of Creditreform Rating AG. Publication of the report without the consent of Creditreform Rating AG is prohibited. Only ratings published on the Creditreform Rating AG web pages remain valid.

Creditreform Rating AG

Creditreform Rating AG
Hellersbergstrasse 11
D - 41460 Neuss

Phone +49 (0) 2131 / 109-626
Fax +49 (0) 2131 / 109-627
E-Mail info@creditreform-rating.de
Internet www.creditreform-rating.de

CEO: Dr. Michael Munsch
Chairman of the Board: Prof. Dr. Helmut Rödl
HRB 10522, Amtsgericht Neuss