Creditreform Corporate Issuer / Issue Rating
TRATON SE

Creditreform Rating

2 November 2023 – Neuss, Germany

Rating Action / Update:

Creditreform Rating has affirmed the unsolicited corporate issuer rating of TRATON SE at BBB / stable

Creditreform Rating (CRA) has affirmed the unsolicited, public corporate issuer rating of TRATON SE and TRATON Finance Luxembourg S.A. – together referred as Company or the Company, as well as the unsolicited corporate issue rating of long-term local currency senior unsecured notes issued by TRATON Finance Luxembourg S.A. at BBB. The initial unsolicited short-term rating of TRATON SE and TRATON Finance Luxembourg S.A. has been set to L3. The Outlook for the ratings is stable. We also refer to our rating report of 24 February 2022, which contains further material information regarding the rating objects.

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Preliminary Note

TRATON SE is a fully consolidated indirect subsidiary of Volkswagen AG. Due to the corporate, financial and operational links between TRATON SE and Volkswagen AG, the unsolicited corporate issuer rating of Volkswagen AG consequently influences the unsolicited corporate issuer rating of TRATON SE. For documentation on the unsolicited corporate issuer rating of Volkswagen AG, please refer to our website.

Current relevant factors for the rating

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

+ Positive business performance in 2022 (also excluding Navistar), despite challenging market environment and charges from impairment and sale of activities in Russia
+ Strong sales and earnings performance in current fiscal year 2023, with forecast for full year 2023 raised
+ Significantly improved earnings and internal financing strength in current fiscal year
+ Synergy effects and sustainable cost savings through successive implementation of the modular system and the Group-wide common base engine (CBE) platform - first roll-out at Scania and Navistar completed
+ Integration of all TRATON brands making progress
+ Financial, legal and operational links with the Volkswagen parent group

– Significant decline in order intake in current fiscal year
– Result of 2022 financial ratio analysis still at lower level, partly due to increased financial debt from Navistar acquisition
– Increasing investment requirements in the course of the technological transformation towards electromobility and autonomous driving
– Difficult market environment due to increasing geopolitical conflicts, economic slowdown, continuing high inflation and interest rates, and tightening regulatory conditions in key markets

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

ESG-criteria:

CRA generally takes ESG factors (environment, social and governance) into account within its rating decisions. In the case of TRATON SE we have not identified any ESG factors with significant influence.

Nevertheless, the topics around sustainability are also central elements of group development for the TRATON Group in the short term, but especially in the medium to long term, which is embedded in the (sustainability) strategy of the VW Group. The realization that the future success of the TRATON Group must be based on responsible and sustainable action is reflected in the new strategic direction, which focuses on the Sustainable Development Goals (SDGs) of the United Nations and the achievement of the 1.5°degree targets of the Paris Climate Agreement. With an ambitious vision to transform transportation, TRATON places the interplay of "People, Planet and Performance" at the center of its corporate actions. Through a materiality analysis conducted in 2021 and updated in 2022 which examined the impact of SDGs on business success, TRATON identified Decarbonization & Circularity, People & Diversity (previously People & Plurality), and Governance and Ethics as key levers for transforming the transportation sector. Where possible, TRATON applies overarching management approaches across all brands in pursuit of its goals. In this context, active cooperation between the individual competence leaders in the Group is promoted and coordinated by the TRATON Sustainability Board. Due to the decentralized organization of the Group, the brands individually apply their priorities, resources and methods, particularly in the area of decarbonization and circular economy, in accordance with their respective corporate culture and strategy or local production conditions and regulatory requirements. For example, Scania has set ambitious Science Based Targets (SBTs) to reduce its CO2 emissions in 2020. By 2025, 50% of CO2 emissions from Scania operations (scope 1 and 2) and 20% of emissions from the use of Scania vehicles (scope 3) are to be reduced compared to the base year 2015. In 2022, Scania also decided to use 100% green batteries, 100% green steel, 100% green aluminum and 100% green cast iron in its production in Europe by 2030. In doing so, Scania defines "green" as eliminating the main sources of emissions by using new technologies, green power and/or recycled materials. The goal is to achieve climate-neutral transport by 2050.

MAN also had its short-term climate protection targets — reducing scope 1 and 2 emissions globally by 70% and scope 3 emissions by 28% by 2030 (base year 2019) — validated by the SBTi in 2022. SBTi validation of the long-term goal of achieving balance sheet carbon neutrality by 2050 is scheduled to occur by early 2024. Navistar has also set itself the goal of becoming climate neutral by 2050. To achieve this, the proportion of zero-emission vehicles (ZEVs) sold is to be 50% by 2030 and 100% by 2040. At MAN, the share of ZEVs sold worldwide is to be 60% (vans) and 40% (long-haul trucks) by 2030. At Scania, the target is 50 percent ZEV across all vehicle classes.

In the future, long-term values and targets are to be anchored in an overall TRATON strategy across all brands in order to drive forward the existing brand activities in the area of sustainability under the TRATON umbrella at Group level as well. One key Group-wide objective is the electrification of the product portfolio, with the interim goal of increasing the share of zero-emission, battery-electric vehicles in total vehicle sales to around 50% by 2030.

The European Union adopted CO2 fleet target values for heavy-duty vehicles for the first time in 2019 with Regulation (EU) 2019/1242. The CO2 emissions of the corresponding vehicles are to be reduced by 15% by 2025 and by 30% by 2030 compared to the baseline period 2019/2020. Penalties may be imposed if these targets are not met. In early 2023, a proposal for tightening the fleet target values for heavy-duty vehicles was presented in the EU which provides for an adjustment of the target values from 2030. Further adjustments and tightening of the regulatory framework cannot be ruled out in the future in the EU, as well as in other key markets.

The strategic orientation and compliance with the specified fleet target values are accompanied by considerable investment and capital requirements and corresponding economic and financial risks. Nevertheless, we consider TRATON to be on a satisfactory path overall, due to its transformation strategy, electric offensive, its strategic partnerships for the rapid expansion of the charging infrastructure in Europe, and increasing implementation of ESG and sustainability aspects in its corporate management and financing. We see the implemented integration of sustainability targets in the variable remuneration of management as positive. We still see room for improvement in the standardized (quantitative and qualitative) sustainability reporting (in accordance with the GRI standard) at the level of the TRATON Group. In the ESG context, violations of EU antitrust laws should also be critically noted.

Overall, in our opinion, various aspects of the ESG factors remain to be observed, but no rating-influencing effect can currently be derived from this. In the future, ESG factors may have an impact on our rating assessment, depending on the achievement of the Company's self-imposed targets and regulatory changes.

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

Rating result

With the unsolicited corporate issuer rating of BBB, TRATON SE is attested highly satisfactory creditworthiness and a low to medium default risk. Our rating assessment is based on the Company's product and brand portfolio, which has been additionally strengthened by the acquisition of Navistar, the Group's leading market position in the relevant markets, and its positive business development in the current fiscal year, which is accompanied by a slight increase in the forecast for the full year 2023. We see the documented improvement in the TRATON Group's operating earnings and internal financing power as of September 30, 2023 as a positive factor, especially against the backdrop of increased financial debt (mainly due to the acquisition of Navistar) and rising investment requirements in the course of the technological transformation of the commercial vehicle sector towards electric mobility. Uncertainties exist with regard to the growing geopolitical conflicts and an economic slowdown in the Company's relevant markets, as well as the further development of energy and raw material prices, logistics capacities and supply chains. The partly related decline in order intake also dampens our assessment. The involvement and support of the parent company Volkswagen AG continues to be a stabilizing factor for the rating. However, the result of our analysis of the key financial indicators underscores the slightly poorer assessment of TRATON in comparison to the parent company Volkswagen AG.

Outlook

The one-year outlook for the rating is stable and reflects positive business performance achieved in a difficult market environment and expected for the full year. Improved earnings

Please note:

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

and internal financing strength should enable the TRATON Group to meet the financial challenges of the ongoing transformation process. The increasing geopolitical conflicts worldwide and emerging economic slowdown are accompanied by uncertainties which, in conjunction with the noticeably declining order intake, represent a limiting factor for the rating, despite the high order backlog. An increase in the rating can only be considered in the event of sustained positive business development and a resulting improvement in the results of our financial ratio analysis.

Best-case scenario: BBB+

In our best-case scenario for one year, we consider an improvement in the outlook to positive, or an upgrade of the rating to BBB+, to be possible. In this scenario, there would be a significant improvement in the outcome of our financial ratio analysis as a result of further, sustainable sales and earnings growth, markedly improved cash flow generation, and a significant reduction in financial debt. Due to the numerous uncertainties and challenges arising from the geopolitical crises, the economic slowdown and the ongoing transformation to electric mobility, we consider this scenario to be less likely for the time being.

Worst-case scenario: BBB-

In our worst-case scenario, we consider a rating downgrade to BBB- as possible over the course of the year. This downgrade would have to be considered in the event of a further deterioration in key financial ratios, which could result from a significant deterioration in business performance and a disproportionate increase in debt. We consider an increase in debt to be possible as a result of the high investment and capital requirements in connection with the transformation process, but also as a result of the expansion and financing of the Company's financial services business. Business development could be impaired in the event of recessionary economic developments in TRATON's relevant markets in conjunction with a shortage of intermediate products as a result of increasing geopolitical conflicts and trade barriers, and the resulting loss of sales. Our assessment of important quantitative and qualitative fundamental factors, as well as the Company's connection to the VW Group, secure the rating downward for the time being.

Business development and outlook

For the TRATON Group, fiscal year 2022 was generally characterized by noticeable growth in the relevant truck markets and stable development at the prior-year level in the relevant bus markets. Nevertheless, various circumstances, such as the war between Russia and Ukraine, ongoing supply bottlenecks, tight logistics capacities, and a six-week production stop at MAN Truck & Bus in the first half of 2022 weighed on the TRATON Group's sales and order books. In addition, the TRATON Group decided to stop accepting orders for new vehicles in Russia. In this challenging market environment, the TRATON Group recorded a noticeable overall decline in order intake by 7% to 334,583 units in 2022 compared with the previous year (359,975). It should be noted, however, that the activities of Navistar, which have been consolidated since July 1, 2021, were fully included for the first time in 2022. Without Navistar, the order intake would have been 22% lower than a year earlier. The same applies to the TRATON Group's sales, which grew overall by 12% year-on-year to 305,485 units (2021: 271,608 units). However, excluding Navistar, a 7% decline in unit sales would have been recorded for fiscal 2022, for the reasons outlined above.

Table 1: Financials of TRATON SE I Source: Annual Report 2022 TRATON SE, standardized by CRA

TRATON SE Selected key figures of the financial statement analysis Basis: Consolidated Annual Accounts of 31.12. (IFRS)	CRA standardized figures[1]	
	2021	**2022**
Sales (billion EUR)	30.6	40.3
EBITDA (billion EUR)	3.0	4.5
EBIT (billion EUR)	0.4	1.6
EAT (billion EUR)	0.5	1.1
EAT w/o non-controlling interests (billion EUR)	0.5	1.1
Total assets (billion EUR)	47.1	50.3
Equity ratio (%)	14.8	14.3
Capital lock-up period (days)	50.6	49.9
Short-term capital lock-up (%)	36.2	33.6
Net total debt / EBITDA adj. (factor)	11.9	8.3
Ratio of interest expenses to total debt (%)	0.9	1.1
Return on Investment (%)	1.5	2.7

In this difficult market environment, the TRATON Group achieved sales revenue of EUR 40.3 billion in fiscal 2022 (2021: EUR 30.6 billion), representing growth of 32% year-on-year. This was mainly due to better price penetration and an increase in its vehicle services business, in addition to higher sales volumes as a result of the Navistar integration. Excluding Navistar, sales growth would have been 10%. The financial services business of TRATON Financial Services, which is to be expanded into a global, brand-independent financial services company in the future, also had a positive effect.

Table 2: Sales revenue TRATON Group I Source: Annual Report 2022 TRATON SE, standardized by CRA

Sales revenue by product group EUR billion	2021	2022	Change
TRATON GROUP	30.6	40.3	32%
TRATON Operations	30.1	39.6	31%
New Vehicles	19.0	25.5	34%
Vehicle Services business[2]	6.4	8.5	33%
Others[3]	4.7	5.5	17%
TRATON Financial Services	1.0	1.3	34%
Corporate Items	-0.4	-0.5	--

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

[2] Including genuine parts and workshop services

[3] Including mainly used vehicles and third-party products as well as rental and leasing business

The operating result (EBIT) improved to EUR 1.6 billion (2021: EUR 0.4 billion). Higher cost of sales - as a result of lower capacity utilization in Europe and higher development costs in connection with the expansion of e-mobility - and a reduced gross margin of 17.0% (2021: 18.1%) were offset by a significantly disproportionate increase in selling and administrative expenses (from 12.9% in 2021 to 11.8% of sales in 2022). In addition, the operating result benefited from a significant improvement in other operating income (EUR-0.5 billion; 2021: EUR-1.2 billion), which in the previous year had been impacted by restructuring expenses at MAN Truck & Bus (EUR0.7 billion) and expenses for provisions (EUR0.5 billion) at Scania Vehicles & Services in connection with the EU antitrust proceedings. Other operating income/expense recorded in 2022 included charges of EUR 0.5 billion in connection with the discontinuation and disposal of the Russian business. The operating profit margin increased from 1.3% in the previous year to 3.9% in 2022. Adjusted for special effects, the (adjusted) operating profit in 2022 was EUR 2.1 billion (2021: EUR 1.6 billion), corresponding to a margin of 5.1% (2021: 5.2%). The operating profit margin (adjusted) was thus in line with the forecast of 5.0-6.0% (originally 5.0-7.0%), which was adjusted downward during the year. With a weaker financial result due to lower investment income, and a tax rate at the level of the previous year (27%), the TRATON Group achieved EAT of EUR 1.1 billion (2021: EUR 0.5 billion).

Table 3: Business development of TRATON SE (Group) I Source: 9M Report 2023, own presentation

TRATON SE				
in EUR billion	**9M 2022**	**9M 2023**	**Δ**	**Δ %**
Sales Revenue	28.5	34.2	5.6	19.7
EBIT	0.6	2.7	2.1	342.5
EBIT Margin	*2.1%*	*7.9%*	--	--
EBT	0.9	2.5	1.6	176.0
EBT Margin	*3.1%*	*7.2%*	--	--
EAT	0.7	1.9	1.3	194.4

The overall positive business development in 2022 has noticeably increased so far in the current fiscal year. In the first nine months of 2023, the TRATON Group recorded sales growth of 15% to 249,475 units (9M 2022: 217,143) and increased sales by 20% year-on-year to EUR 34.2 billion (9M 2022: EUR 28.5 billion). The positive sales development was boosted by a high order backlog, which led to an increase in production volumes against the backdrop of an increasing stabilization of supply chains. In addition to unit sales, sales growth was positively influenced, above all by price increases and an increase in the Vehicle Services business. The Financial Services segment also contributed to sales growth as a result of an increasing financing portfolio and higher interest income. Due to higher production and deliveries, the TRATON Group recorded a fixed cost degression, which is reflected in a significantly improved gross margin of 19.9% (9M 2022: 16.8%). A disproportionately low increase in selling and administrative expenses, and an improvement in other operating income compared with the same period of the previous year, led to a significant overall increase in operating profit of EUR 2.1 billion to EUR 2.7 billion (9M 2022: EUR 0.6 billion). The operating profit margin increased to 7.9% (9M 2022: 2.1%). Adjusted operating profit amounted to EUR 2.9 billion (9M 2022: EUR 1.3 billion) and included only moderate year-on-year adjustments of EUR 0.2 billion (9M 2022: EUR 0.7 billion). Adjusted operating profit margin was 8.6% (9M 2022: 4.7%), above the full-year 2023 target of 7.5-8.5% (originally 6.0-7.0%, adjusted during the year to 7.0-8.0%), which had already been adjusted upward during the year. At EUR 1.9 billion, EAT was significantly above the prior-year figure (9M 2022: EUR 0.7 billion). The significant increase in interest expense to EUR 0.6 billion (9M 2022: EUR 0.3 billion), reflecting the generally higher interest rate level, is noteworthy here.

Against the backdrop of the Group's positive business performance, cash flow generation also improved. Based on gross cash flow of EUR 4.0 billion (9M 2022: EUR 2.9 billion) and a noticeably reduced working capital change of EUR -2.4 billion compared to the previous year (9M 2022: EUR -4.2 billion), the TRATON Group generated cash flow from operating activities of EUR 1.6 billion in the first nine months of the current fiscal year (9M 2022: EUR -1.3 billion). Net cash flow improved year-on-year to EUR 0.1 billion (9M 2022: EUR -2.5 billion). This was negatively impacted by an increased cash outflow from investing activities of EUR 1.5 billion (9M 2022: EUR 1.2 billion), mainly due to a payment of EUR 275 million to VW for the acquisition of significant parts of the global financial services business of MAN and VWTB. To this end, a framework agreement was concluded between companies of the TRATON Group and companies of the VW Group, which provides for the successive acquisition of the rights to the future financial services business of MAN and VWTB in 14 countries by the second quarter of 2025.

We continue to assess the financial and liquidity position as sufficiently solid in view of the rating level. The financial debt of the TRATON Group increased to EUR 21.8 billion as of September 30, 2023 (December 31, 2022: EUR 21.1 billion). After deducting gross liquidity of EUR 2.4 billion (Dec. 31, 2022: EUR 2.0 billion), this results in slightly higher net debt of EUR 19.4 billion (Dec. 31, 2022: EUR 19.2 billion), which is, however, offset by a noticeable increase in earnings power.

To further secure liquidity, the TRATON Group has sufficient credit facilities with banks and Volkswagen AG. We derive further financing potential from the existing EMTN programs and commercial paper programs. The latter were most recently expanded in September 2023 by a further commercial paper program of EUR 2.5 billion at the level of TRATON SE.

Overall, we note very positive business development for the TRATON Group, with a noticeable improvement in earnings and internal financing power. This should make it somewhat easier for the TRATON Group to meet future challenges, particularly in connection with the transformation towards e-mobility and digitalization. However, against the backdrop of declining order intake, increasing geopolitical conflicts, the cooling economic situation, and the remaining uncertainties with regard to the development of energy and raw material prices, logistics capacities and supply chains, the sustainability of the improved earnings and internal financing power remains to be seen, despite the forecast for the full year 2023 having been raised several times.

Further ratings

In addition to the rating of TRATON SE the following issuer and its issues (see below), has been rated.

- TRATON Finance Luxembourg S.A.

Due to the corporate, strategic, liability, financial, economic and performance-related interdependencies of the aforementioned subsidiary (100% subsidiary of TRATON SE and consolidated in the group annual accounts) we derive the unsolicited issuer rating of the subsidiary from the unsolicited issuer rating of TRATON SE and set it equal to its rating of BBB /stable.

Based on the long-term issuer rating, and taking into account our liquidity analysis, the short-term rating of the TRATON SE and the above-mentioned subsidiary was set at L3 (standard mapping), which corresponds to an assessment of an adequate level of liquidity for one year.

The rating objects of the issue rating are exclusively long-term senior unsecured issues, denominated in euro, issued by TRATON Finance Luxembourg S.A., which are included in the list of ECB-eligible marketable assets.

TRATON SE is guarantor with respect to the issues that have been issued by the TRATON Finance Luxembourg S.A. under the Debt Issuance Program (DIP), with the latest basis prospectus dated 03.05.2023 and the first supplement, dated 08.09.2023.

We have provided the long-term local currency senior unsecured notes issued by TRATON Finance Luxembourg S.A. with an unsolicited issue rating of BBB / stable. The rating is based on the corporate issuer rating of the issuer.

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

Table 4: Overview of CRA Ratings I Source: CRA

Rating Category	**Details**	
	Date of rating committee	Rating
TRATON SE	02.11.2023	BBB / stable / L3
TRATON Finance Luxembourg S.A. (Issuer)	02.11.2023	BBB / stable / L3
Long-term Local Currency (LC) Senior Unsecured Issues	02.11.2023	BBB / stable
Other	--	n.r.

Appendix

Rating history

The rating history is available under https://www.creditreform-rating.de/en/ratings/published-ratings.html.

Table 5: Corporate Issuer Rating of TRATON SE

Event	Rating created	Publication date	Result
Initial rating	24.02.2022	01.03.2022	BBB / stable

Table 6: Corporate Issuer Rating of TRATON Finance Luxembourg S.A.

Event	Rating created	Publication date	Result
Initial rating	24.02.2022	01.03.2022	BBB / stable

Table 7: LT LC Senior Unsecured Issues issued by TRATON Finance Luxembourg S.A.

Event	Rating created	Publication date	Result
Initial rating	24.02.2022	01.03.2022	BBB / stable

Table 8: Short-term Issuer Ratings of TRATON SE and TRATON Finance Luxembourg S.A.

Event	Rating created	Publication date	Result
Initial rating	02.11.2023	www.creditreform-rating.de	L3

Regulatory requirements

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

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

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

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

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

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

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

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

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

Rating methodology	Version number	Date
Corporate Ratings	2.4	July 2022
Corporate Short-Term Ratings	1.0	June 2023
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

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

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Artur Kapica	Lead-analyst	A.Kapica@creditreform-rating.de
Natallia Berthold	Analyst	N.Berthold@creditreform-rating.de

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

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

On 2 November 2023, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 3 November 2023. There has not been a subsequent change to the rating.

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

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

ESG-factors

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

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

Conflict of interests

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

Creditreform Rating AG ensures that the provision of ancillary services does not present conflicts of interest with its credit rating activities and discloses in the final ratings reports any ancillary services provided for the rated entity or any related third party. The following ancillary services were provided for the rated entity or for third parties associated with the rated entity:

Credit Service ancillary services for a related third party.

For the complete list of provided rating and credit service ancillaries please refer to the Creditreform Rating AG's website: https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html#non-core-business-activities.

Rules on the presentation of credit ratings and rating outlooks

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

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

Corporate issuer rating:

1. Annual report

2. Website

3. Internet research

Corporate issue rating:

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

2. Documents on issues / instruments

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

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

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

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

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

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

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

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

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

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.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. 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 corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

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