Creditreform Corporate Issuer / Issue Rating

Pernod Ricard S.A.

Creditreform Rating

Rating object	Rating information	
Pernod Ricard S.A.	Corporate Issuer Rating: **BBB / positiv**	Type: Monitoring unsolicited
Creditreform ID: 582041943 Incorporation: 1975 Based in: Paris, France (Main) Industry: Wine and spirits CEO: Alexandre Ricard	LT LC Senior Unsecured Issues: **BBB / positiv**	Other: **n.r.**
Rating objects: Long-term Corporate Issuer Rating: Pernod Ricard S.A. Long-term Local Currency (LC) Senior Unsecured Issues	Rating date: 29.05.2019 Monitoring until: withdrawal of the Rating Initial rating: 28.03.2017 Rating methodology: CRA "Corporate Ratings" CRA "Non-Financial Corporate Issue Ratings" CRA "Rating criteria and definitions" Rating history: www.creditreform-rating.de	

Content

Analysts
Artur Kapica
Lead Analyst
A.Kapica@creditreform-rating.de

Rouven Weber
Co-Analyst
R.Weber@creditreform-rating.de

Neuss, Germany

Summary

Company

PERNOD RICARD is a French wine and spirits corporation headquartered in Paris. With approx. 18,900 employees and a consolidated turnover of EUR8.99bn in the 2017/18 business year, Pernod Ricard is a global leader in the wine and spirits sector. The Company's relatively evenly-distributed turnover is generated in the sales regions Americas (28%), Europe (31%), and Asia/Rest of the World (RoW) (41%), although the USA is its largest single market with a share of 18% of its revenue.

In the 2017/18 business year, Pernod Ricard achieved revenues of approx. EUR8.99bn, only marginally under the EUR9.0bn figure of the previous year. While its European revenue (0%), as well as Asia/RoW (+2%) either remained stable or saw growth, the Americas region– primarily due to the weak US dollar – experienced disproportionate losses (-4%). Adjusted for currency effects, as well as for impacts of acquisitions and disposals, the Group achieved a significant growth of 6%. Reductions in the netted other operating income and expenses, as well as lower interest and tax expenses, led to a total increase of profit of 12.8% to EUR1.6bn.

Pernod Ricard expects organic sales growth of 4%-7% and an 8% increase in profit from recurring operations for the current business year, as envisaged in its medium-term business plan for 2019-2021. This is at the upper end of the Company's target corridor of 6%-8%, according to its medium-term plan. This was raised from the original figure of 5%-7% in the first half of 2019 based on favorable business development.

Rating result

This rating attests Pernod Ricard a highly satisfactory level of creditworthiness with a low to medium default risk. The Company's well-diversified product and brand portfolio, strong market position, and high level of innovation lead us to expect – in spite of the highly competitive market in which it operates – sustainable future development, and thus were primary factors for the rating. The Group's consistent reduction of debt, and the resulting increase in profit in the last business year, led to an improvement in its financial ratios. Based on this year's favorable business development, we expect a further improvement of Pernod Ricard's financial ratios, which

Excerpts from the financial key figures analysis 2018

+ Equity ratio
+ Decrease of net financial debt
+ Return on investment
+ Improved net total debt / EBITDA adj.
+ EBIT(DA) interest coverage

- Capital lock-up period
- Asset coverage ratio
-

could lead us to notch up the rating; these prospects, however, will only be able to materialize given a stable economic, political, and regulatory environment.

Outlook

The one-year outlook for the rating is positive, reflecting the Company's currently favorable business development, particularly in China and India, which has led to higher short to medium-term expectations regarding sales and operating profit. In our view, a continuation of the Company's profitable growth trajectory, coupled with stable cash flows, should lead to a decrease in indebtedness and of the leverage ratio. Furthermore, product innovation and a focus on profitable brands should stimulate business growth. Assuming an environment of continued economic and political stability with no major market turbulences, we see potential for an increase of the rating.

Relevant rating factors

Table 1: Financials of Pernod Ricard S.A. (Group) I Source: Pernod Ricard S.A. Annual report 2017/18, standardized by CRA

Pernod Ricard S.A. **Selected key figures of the financial statement analysis** **Basis: Consolidated annual accounts of 30.06. (IFRS, Group)**	**Standardized figures[1]**	
	2017	**2018**
Sales (billion EUR)	9,01	8,99
EBITDA (billion EUR)	2,45	2,51
EBIT (billion EUR)	2,23	2,30
EAT (billion EUR)	1,42	1,60
Total assets (billion EUR)	25,07	25,38
Equity ratio (%)	49,81	52,17
Capital lock-up period (days)	74	79
Short-term capital lock-up (%)	25,22	18,34
Net total debt/ EBITDA adj. (Factor)	4,86	4,53
Ratio of interest expenses to debt (%)	3,39	3,09
Return on Investment (%)	7,16	7,50

Note:
General rating factors summarize the key issues that – according to the analysts as per the date of the rating – have a significant or long-term impact on the rating, positive (+) as well as negative (-).

General rating factors

+ No. 2 on the global market for wines and spirits (in terms of sales revenues)
+ 17 products are placed among the world´s top 100 brands of spirits (in terms of sales ravenues)
+ Good levels of geographical and brand diversification
+ High innovative powers (new products account for 2% of the growth in sales revenue)

– Competition with a high level of intensity

[1] For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, the analytical equity ratio, deferred tax assets, goodwill (in this case 50%), and self-generated intangible assets are subtracted from the original equity. Deferred tax liabilities are added to the equity. Regarding the calculation of net total debt all balance sheet liabilities are taken into account. As a result, the key financial figures shown often deviate from the original values of the Company.

- High levels of pressure to innovate and to invest
- High levels of volatility (currency exchange rates and row material costs)

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

Current rating factors (Rating 2019)

+ Stable business development in the last business year
+ Reduction of financial liabilities
+ Improved balance-sheet structures and financial ratios
+ Strong first half-year 2018/19
+ Accelerated, profitable growth in China and India

– Currency effects
– Increased geopolitical conflict and uncertainty
– Increase of profit in 2017/18 fiscal year, primarily based on favorable one-off effects

Prospective rating factors are factors and possible events that – according to 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.

Prospective rating factors

+ Efficiency drives for sustainable profitability
+ Increase of free cash flow and moves to decrease the overall level of debt
+ Sustainable improvement of financial ratios
+ Beneficial effects from the implementation of the sustainability strategy

– Global growth weakness due to geopolitical conflicts
– Some key brands have lost market share
– Some financial ratios have deteriorated, reflecting an increase of the working capital, acquisitions / investments of declining businesses
– Falling levels of socail acceptance fort he consumption of alcoholic beverages
– Legal of regulatory restrictions

Best-case scenario	BBB+
Worst-case scenario:	BBB-

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.

Best-case scenario

In our best-case scenario for one year, the rating is notched up to BBB+. Here we assume a continuation of the favorable development seen so far in the current year, as well as no significant regulatory or market-related turbulence. Based on this, we see a further decrease in indebtedness and an improvement in key financial ratios as likely, thus justifying a higher rating.

Worst-case scenario

In our worst-case scenario for one year, unfavorable market trends and a failure of the Company to meet its targets, combined with a significant increase in indebtedness, e.g. in the context of M&A transactions, makes a downgrade of the rating conceivable; however, we see this as unlikely.

Business development and outlook

In its 2017/18 fiscal year, Pernod Ricard recorded revenues of EUR8.99bn, only marginally beneath the EUR9.0bn of the previous year. While sales in Europe (0%) and Asia/RoW (+2%) remained stable or saw favorable development, the USA – primarily due to the weak US dollar – experienced disproportionate losses (-4%). Adjusted for currency effects and for impacts of acquisitions and disposals, the Group saw significant sales growth of 6% (organic growth), with all of the regional segments making a favorable contribution. A reduction in the netted other operating expenses and income, as well as a reduction of interest and tax expenses, led to a total profit gain of 12.8% from EUR0.2bn to EUR1.6bn. This was primarily due to income from the sale of brands (EUR29m), as well as due to reduced restructuring and reorganisation expenses, positive tax effects from the tax reform in the USA (EUR55m), and a tax refund in France (EUR71m), which have one-off characteristics. The decrease in interest expenses (EUR52m) is a result of a significant reduction of financial liabilities by EUR0.9bn to EUR7.7bn, which was financed largely from the Company's own cash flow, and which contributed substantially to the improvement of its financial ratios. In assessing the Company's profit, it needs to be taken into account that Pernod Ricard spends approx. 19% of its sales on marketing measures, a relatively high proportion in the industry comparison. On the one hand, these high marketing expenses are a drag on profit; on the other, however, they strengthen the Company's market position and ensure future growth.

Table 2: The development of Business of Pernod Ricard S.A.. Source: Consolidated annual accounts 2017/18 and Q2 2018/19

Pernod Ricard S.A.				
in million. EUR	2016/17	2017/18	Q2 2017/18	Q2 2018/19
Sales	9.010	8.987	4.937	5.185
EBIT	2.232	2.296	1.496	1.654
EBT	1.859	1.995	1.558	1.588
EAT	1.421	1.603	1.163	1.036

Table 3: Sales by geographic area I Source: Half-year financial report 2018/19 of Pernod Ricard S.A.

Pernod Ricard S.A.				
in million. EUR	H1 17/18	%	H1 18/19	%
Americas	1,369	27.7	1,389	26.8
Asia/ Rest of World	2,015	40.8	2,266	43.7
Europe	1,552	31.4	1,530	29.5
World	4,937	100.0	5,185	100.0

As of the middle of the current 2018/19 business year, Pernod Ricard achieved revenues of EUR5.2bn (prior year EUR4.9bn; figures adjusted according to IFRS 15) and an annual surplus of EUR1.0bn (prior year EUR1.2bn). The organic sales growth of 7.8% is based primarily on the Company's strong performance in Asia/RoW (+16%), in particular in China and India. Growth in Europe was subdued, whereby revenues increased in Eastern Europe and decreased in Western Europe. With the exception of the Company's wine business, which recorded a decline in revenue of approx. 8% due to reorganisation in UK and comparatively high prior-year figures, all product areas recorded significant growth.

In addition to increasing its volume, Pernod Ricard succeeded in raising its prices and achieving a positive margin. The organic profit from recurring operations saw a corresponding increase, rising by 12.8% to EUR1.65bn with a disproportionately low increase in costs. Despite favorable operating trends, the annual surplus of EUR1.0bn is below the prior-year level of EUR1.2bn, mainly due to a significantly higher tax burden.

For its 2018/19 fiscal year, Pernod Ricard expects in its medium-term business plan for 2019 to 2021 organic sales growth before currency effects of 4%-7%, as well as an increase of the organic operating profit by 8%, which is at the upper end of the target corridor of 6%-8% outlined in the medium-term business plan. This had already been raised from 5%-7% in the first half-year of 2018/19 due to favorable business developments. The figures for Q3 turned out to be more moderate than expected, nevertheless confirming the fundamental growth trend, which leads us to expect that the Company will achieve figures at the upper end of its target spectrum.

Against the background of profit growth, accelerated debt reduction, the Company's strengthened and resilient market position, and further growth opportunities especially in emerging markets, we assess the rating outlook as positive.

Structural risk

Pernod Ricard was created in 1975 out of the merger of the French spirits manufacturer Pernod S.A. and Ricard S.A., and is today the second-largest company in the wine and spirits sector. Its parent company is the listed Pernod Ricard S.A., headquartered in Paris. Its share capital is broadly diversified. The main shareholder is the family company Societé Paul Ricard, which controls approximately 14% of the share capital.

With 86 subsidiaries and 93 production facilities in 23 countries (last year: 24), Pernod Ricard has an extensive operational infrastructure. These primarily include wineries (26), distilleries (36), storage and aging cellars (50), and filling plants (52) for its main products: wine, vodka, gin, rum, whiskey, cognac, brandy, liqueur, tequila, and other distillates. Pernod Ricard currently has 16 brands in the top 100 bestselling spirits brands in the world.

Pernod Ricard is a decentrally organized holding company wherein the most important operational responsibilities are delegated to its subsidiaries, which operate largely independently. The financial interrelationships between the companies are essentially limited to the settlement of license fees and the payment of dividends. The market-oriented structure of the Company, as well as its diversified customer and supplier portfolios, enable Pernod Ricard to react quickly to changes in the market and to take advantage of potential growth opportunities.

Pernod Ricard's market area is divided into the three main regions of Europe, USA, and Asia/ROW, each making a relatively equal contribution to the success of the Company, with revenue shares of 31%, 28%, and 41% respectively. In its international operations, Pernod Ricard is subject to a number of internal and external risks, which the company manages by means of extensive risk management and a strong internal control system.

As Chairman of the Executive Board and CEO, Alexandre Ricard is the top representative and decision-maker of Pernod Ricard. He dominates the Executive Board and Executive Committee, the Group's two most important decision-making bodies. Against the background of improvements in coordination, resource allocation, and accelerated decision-making processes, significant personnel changes were made in both decision-making bodies in August 2018, which we see as positive.

At the end of the 2017/2018 fiscal year, Pernod Ricard employed approx. 18,914 staff, a slight increase year-on-year. With a view toward sustainable positioning and parity, the Company sees a future-oriented personnel policy as one of its main strategic tasks.

In our opinion, the Company's existing structure and organization provides a promising framework for continued favorable development.

Business risk

One risk factor for Pernod Ricard is its dependency on economic development in its target markets, where recessionary market trends could negatively impact the business figures. This means that economic downturns could lead to a decline in the consumption of wine and spirits or to substitution by cheaper or inferior alternatives. Furthermore, Pernod Ricard is increasingly subject to country risks due to its international focus, which can arise in the form of political and legal uncertainty as well as related to capital and finance. This particularly includes currency risks, which exert a large influence on the Group's turnover and earnings. This is all the more relevant for Pernod Ricard, which achieves approximately 40% - a significant proportion thus - of its turnover in emerging markets (Asia, South America, and Eastern Europe). A further risk is the high degree of competition in the wine and spirits market, thus requiring high investments in markets and business infrastructure. Continuing consolidation in the wine and spirits market with regard to manufacturers as well as to distributors and retailers could shift market conditions to Pernod Ricard's disadvantage, leading to a decline in sales and profits. Moreover, the seasonal nature of the business, with few peak periods during the year (Christmas and New Year), implies challenges related to process and liquidity control. Additionally, ever-changing consumer behavior demands a high degree of flexibility and innovation, as well as extensive market research. Furthermore, price volatility in sourcing raw materials, as well as production costs, could reduce or even jeopardize the Group's market success. Moreover, inferior product quality could lead to a loss of consumer confidence or cause reputational damage to Pernod Ricard. This may also be exacerbated by a decline in the social acceptance of alcohol consumption.

Pernod Ricard is, in the context of its daily business, vulnerable to a variety of legal claims. According to the 2017/18 annual report, reserves in the amount of EUR548m have been accumulated to cover these risks.

Pernod Ricard pursues the goal of becoming the number one leader in the worldwide wine and spirits market. To this end, the Company relies on high product quality and customer-oriented policies, as well as a focus on the continued development of its well-diversified brand portfolio. With innovation, a determined premium strategy, and high cost-effectiveness, Pernod Ricard aims to provide a sustainable future for itself in a strongly contested market which is increasingly determined by local suppliers in addition to the international players. Its main focus for growth is the emerging markets, in particular China and India.

Based on the Company's good market position, diversified product portfolio, and product innovations, and in spite of increasing geopolitical conflict and a slowing global economy, we see Pernod Ricard's business risk as moderate and view favorable future business development as realistic. The envisaged top position may, however, not be achievable without further acquisitions.

Financial risk

The results of the analysis of the financial ratios from the audited annual report 2017/18 attest Pernod Ricard to have highly satisfactory creditworthiness and a low to medium default risk. The Company has improved noticeably in comparison with the prior year, largely due to its increased earnings and total debt reduction by EUR0.4bn to EUR12.1bn. Adjusted net total debt / EBITDA adj. improved from 4.9 to 4.5. Net financial debt fell over the same period by EUR0.9bn to EUR7.0bn, thus corresponding to 2.8 times the EBITDA (PY 3.2). The equity ratio, adjusted for analytical purposes, rose to 52.2%[2] (PY 49.8%), an indication that it is exceptionally solid.

With regard to maturity and debtor structure, the Company's financing appears to be sufficiently diversified. Short-term financial liabilities amounted to EUR0.5bn as of 30 June 2018. Taking into account cash funds of EUR0.8bn and the additionally available syndicated credit lines of EUR2.5bn which Pernod Ricard has acquired in the medium term as a financial reserve, and which had not been drawn down as of the balance-sheet date, we assess the Company to have a comfortable liquidity situation. This is particularly true considering that Pernod Ricard is also able to fall back on factoring and securitization facilities. Moreover, Pernod Ricard makes moderate use of supplier loans, which - given the Company's solid financial situation - we do not interpret as a negative factor, but as an indication of its market strength.

The majority portion of the Company's long-term financing in the amount of EUR7.2bn consists of fixed-interest bonds totaling EUR6.8bn. The bank and bond debt, which Pernod Ricard primarily makes use of, is covered by covenants which – among others – stipulate adherence to solvency ratios (net financial debt / EBITDA) of 5.25. According to the consolidated annual report, all of the covenants had been adhered to as of 30 June 2018.

Based on the current development of the Company's assets, liabilities, financial position and profit or loss, future adherence to the financial ratios - and thus the financing of Pernod Ricard - appears to be guaranteed. We view the medium-term refinancing risks as manageable, and assess the overall financial risks as moderate to low.

Issue rating

Issue rating details

This rating exclusively assesses the Euro-denominated long-term senior unsecured bonds that were issued by Pernod Ricard S.A., which are included in the list of ECB-eligible marketable assets. This ECB list of eligible marketable assets can be found on the website of the ECB.

The bonds create uncollateralized and non-subordinate liabilities of the issuer that have parity with each other and with all other uncollateralized and non-subordinate liabilities of the issuer, unless otherwise specified by compulsory legal regulations. The four existing Euro-denominated bonds of Pernod Ricard S.A. with a total volume of EUR 2.6 billion are of different sizes and have been issued with different terms, interest rates and maturities. Their structure, however, is analogical, and conditions include a negative pledge of the Issuer as well as change of control and

[2] In determining the equity ratio in the context of the structured balance sheet analysis, 50% of the goodwill shown on the balance sheet was deducted from equity. We thus assume the balance sheet item to have a corresponding value.

cross-default clauses. The Issuer also has the option of terminating and redeeming each of the four separate bonds prematurely (against the payment of a surcharge). The terms and conditions of the bonds do not contain any financial covenants.

In addition to the bonds under review, Pernod Ricard S.A. has also issued bonds that are denominated in USD. These bonds, however, are expressly not included in the scope of this rating.

Corporate issue rating result

We assign an unsolicited corporate issue rating of BBB to the long-term local currency senior unsecured issues issued by Pernod Ricard S.A. The decision is derived from the unsolicited corporate issuer rating and its outlook as well as of the final terms of the bonds listed in table 5.

Overview

The following table gives an overview of the ratings attributed by CRA.

Table 4: Summary of CRA ratings I Source: CRA

Rating objects	Details	
	Date	Rating
Pernod Ricard S.A. (Issuer)	29.05.2019	BBB / positiv
Long-term Local Currency (LC) Senior Unsecured Issues	29.05.2019	BBB / positiv
Other	--	n.r.

At the time of the rating, the following EUR-Notes of Pernod S.A. are rated by Creditreform Rating AG:

Table 5: Unsolicited ratings of Pernod Ricard´s long-term local currency senior unsecured issues I Source: Pernod Ricard

ISIN	EUR Volume	Issue date	Maturity	Unsolicited rating
FR0011798115	850,000,000	20.03.2014	22.06.2020	BBB / positiv
FR0012968931	500,000,000	28.09.2015	28.09.2023	BBB / positiv
FR0012173862	650,000,000	29.09.2014	27.09.2024	BBB / positiv
FR0013172939	600,000,000	17.05.2016	18.05.2026	BBB / positiv

All future LT LC senior unsecured notes that will be issued by Pernod Ricard and will be denominated in euro, issued with similar terms and conditions as the relevant bonds of this report and which are included in the list of ECB-eligible marketable assets, will, until further notice, receive the same ratings than the current LT LC senior unsecured notes of this report. Notes issued in another currency than euro or other types of debt instruments (i.e. undated deeply subordinated fixed rate resettable notes or social bonds) have not been rated by Creditreform Rating AG so far. The current ratings and information about the issuer and / or its issues can be found on the website of Creditreform Rating AG.

Structured financial ratios

Table 6: Financial key ratios I Source: Pernod Ricard S.A. consolidated annual report 2017/18, structured by CRA

Asset structure	2015	2016	2017	2018
Fixed asset intensity (%)	70.03	70.26	69.63	68.59
Asset turnover	0.37	0.34	0.36	0.36
Asset coverage ratio (%)	71.48	73.11	76.71	82.53
Liquid funds to total assets (%)	2.15	2.24	2.70	2.97
Capital structure				
Equity ratio (%)	46.81	47.33	49.81	52.17
Short-term-debt ratio (%)	20.23	19.47	16.98	14.74
Long-term-debt ratio (%)	3.24	4.04	3.61	4.44
Capital lock-up period (in days)	72.33	70.97	73.97	79.24
Trade-accounts-payable ratio (%)	6.68	6.63	7.28	7.69
Short-term capital lock-up (%)	38.20	35.71	25.22	18.34
Gearing	1.09	1.07	0.95	0.86
Leverage	2.29	2.12	2.06	1.96
Financial stability				
Cash flow margin (%)	19.81	20.59	16.83	22.71
Cash flow ROI (%)	6.67	7.03	6.05	8.04
Total debt / EBITDA adj.	5.55	5.56	5.13	4.83
Net total debt / EBITDA adj.	5.33	5.33	4.86	4.53
ROCE (%)	7.72	10.16	11.87	11.86
Debt repayment period	13.90	9.01	4.36	10.85
Profitability				
Gross profit margin (%)	100.00	100.00	100.00	100.00
EBIT interest coverage	2.96	4.33	5.23	6.12
EBITDA interest coverage	4.60	5.01	5.74	6.70
Ratio of personnel costs to total costs (%)	14.87	15.08	14.87	14.91
Ratio of material costs to total costs (%)	0.00	0.00	0.00	0.00
Cost income ratio (%)	82.02	76.37	75.64	74.45
Ratio of interest expenses to debt (%)	3.92	3.59	3.39	3.09
Return on investment (%)	5.29	6.57	7.16	7.50
Return on equity (%)	8.71	10.49	11.59	12.46
Net profit margin (%)	10.28	14.46	15.77	17.84
Operating margin (%)	18.29	23.97	24.77	25.55
Liquidity				
Cash ratio (%)	10.61	11.48	15.90	20.15
Quick ratio (%)	41.67	41.92	53.63	63.79
Current ratio (%)	148.11	152.73	178.86	213.01

Appendix

Rating history

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

Table 7: Corporate issuer rating of Pernod Ricard S.A.

Event	Rating date	Publication date	Monitoring until	Result
Monitoring	29.05.2019	www.creditreform-rating.de	Withdrawal of the rating	BBB / positiv
Initial rating	28.03.2017	04.04.2017	28.05.2019	BBB / stable

Table 8: LT LC senior unsecured issues issued by Pernod Ricard S.A.

Event	Rating date	Publication date	Monitoring until	Result
Monitoring	29.05.2019	www.creditreform-rating.de	Withdrawal of the rating	BBB / positiv
Initial rating	09.10.2018	16.10.2018	28.05.2019	BBB

Regulatory requirements

The present rating[3] 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 rating was conducted based on Creditreform Rating AG's "Corporate Ratings" methodology, the "Government-Related Companies" methodology and the "Non-Financial Corporate Issue Rating" methodology, as well as on the "Rating Criteria and Definitions".

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies. A complete description of Creditreform Rating AG's rating methodologies and Creditreform Rating AG'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 Artur Kapica (a.kapica@creditreform-rating.de) and Rouven Weber (r.weber@creditreform-rating.de), both located in Neuss, Germany. A management meeting did not take place.

The rating was presented to the rating committee on 29 May 2019. The company has previously received the rating result, along with the key reasons that led to the rating 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.

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

The rating will be monitored until Creditreform Rating AG 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 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.

Please note:

This report exists in an English version only.

Conflict of interests

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

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

Rules on the presentation of credit ratings and rating outlooks

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

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

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

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

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

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

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

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

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

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

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

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.

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

Contact information

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
www.creditreform-rating.de

CEO:
Dr. Michael Munsch
Chairman of the Board:
Prof. Dr. Helmut Rödl

HR Neuss B 10522