

4 September 2020 – Neuss, Germany

## Rating Action / Update:

### Creditreform Rating has set the unsolicited corporate issuer rating of Schneider Electric SE to **A- / negative**

Creditreform Rating (CRA) has affirmed the unsolicited corporate issuer rating of Schneider Electric SE, as well as the unsolicited corporate issue ratings of its long-term local currency senior unsecured notes at A- and has revised its outlook from “stable” to “negative”.

Schneider Electric SE, hereinafter also referred to as SE or the Company, headquartered in Rueil-Malmaison (France), is a multinational electrical engineering corporation specialized in two core segments: energy management and industrial automation. The fiscal year 2019 was characterized by growth, helping the Company again to generate strong results and maintain its solid financial figures. For the fiscal year 2020, we expect a significant deterioration of the Company's operating performance, which is already visible in H1 2020, as a result of the strong decline in revenues and results due to the current COVID-19 pandemic, affecting adversely the rating relevant key figures. We assume that SE already suffered the strongest impact in the first half of 2020, as consequence of tightened lockdowns in several countries worldwide. But it is still unclear how the COVID-19 pandemic will proceed, and which measures may yet follow, so that the development of H2 2020 is subject to substantial uncertainty. Furthermore, the actual economic consequences are also still unclear, which could dampen the business climate.

### Current relevant factors for the rating

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

- + Market leader with strong global market position and diversified product portfolio
- + Solid financial position and good access to capital markets
- + Continuous improvement of operating performance also through restructuring and efficient management
- + Business model serves megatrends: electrification, sustainability and digitalization
- + Partially robust business model and short term agile measures during the COVID-19 crisis
- + Most of Europe and China back on track for recovery
  
- Significant declines in sales and increased restructuring costs as a result of the crisis, adversely affecting results
- High degree of uncertainty as to the further economic consequences as well as the further course of the pandemic
- Generally weakened macro environment due to uncertainty and instability affecting business climate (Brexit, US-China trade conflict, etc.)

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#### ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Schneider Electric SE we have identified ESG factors with significant influence on the following categories, which is described in the sections below.

(E) Environment  (S) Social  (G) Governance

+ (E): Sustainable products and services represent 70% of the Group's total revenues.

Already, 70% of the turnover results from sustainable products and services, which can further increase due to stricter regulations with regard to CO<sub>2</sub>-emissions and increased focus on sustainability in companies as well as in private households. Sustainability is therefore a key driver of the Company's performance as well as a significant competitive factor for SE. Overall, we see SE as a very sustainable and socially very well positioned company, which we consider as beneficial for its corporate identity.

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:

<https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/The%20Impact%20of%20ESG%20Factors%20on%20Credit%20Ratings.pdf>

## Rating result

The current rating of A- attests Schneider Electric SE a good level of creditworthiness, which represents a low default risk.

The rating result is based on the strong global market position of Schneider Electric, its good level of product and geographical diversification, its leading technological know-how, and overall positive prospects in the view of global market demand for electrification and enhancement of energy efficiency, sustainability and digitization. In 2019, the Group once again achieved strong positive annual results marked by growth and above-average profitability, with improved gross profit as a result of successful portfolio management and the strengthening of product, services and software solutions. The Company's financing structure and liquidity position are solid and adequate in relation to the Company's earnings performance.

On the other hand, the Company is vulnerable to the general economic situation and to possible downturns in overall investment levels. The Company's active acquisition strategy induces revolving restructuring costs and costs of integration of acquired companies, which could offset the profitability improvements that have been achieved over recent years. Furthermore, it has to maintain a significant level of R&D to retain its leading technological position. The Company's progressive distribution policy, as well as the recurring share buyout programs, put pressure on its financials, although so far without any critical impact on the overall solid financials of the Group.

## Outlook

The one-year outlook of the rating is negative. This outlook is based on our expectation of a deterioration of SE's financial key figures due to an worsening of sales and operating performance in the fiscal year 2020, which is already visible in H1 2020. Despite a partially recovery tendency over the course of the last months, we expect that the Group will generate results that will be substantially lower than in the prior business year. Furthermore, there is still significant uncertainty as to the further course of the pandemic. Many of the Group's key-markets are still affected. SE also adjusted its targets for 2020, expecting significant lower revenues.

### 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.

### **Best-case scenario: A-**

In our best-case-scenario for one year, we assume a rating of A-. In this scenario, we expect that the impact of the COVID-19 only has a limited influence on the rating relevant key figures due to a partially economic recovery in H2 2020 and successful structural measures of the Company, stabilizing profitability.

### **Worst-case scenario: BBB+**

In our worst-case scenario for one year, we assume a rating of BBB+. In this scenario, we expect the severity of the COVID-19 situation to increase, slowing economic recovery and causing a further fall in demand as well as higher restructuring costs, adversely affecting significantly the Group's operating performance as well as cash flow and its financial key figures.

## Business development and outlook

Schneider Electric recorded a strongly positive development in the financial year 2019, despite the impact of extraordinary effects, which negatively affected the Company's annual profit. In 2019 the Group realized record revenues of EUR 27,158 Mio. (2018: EUR 25,720 million), reaching a reported growth of 5.6% and an organic growth of 4.2%. EBIT<sup>1</sup> amounted to EUR 3,605 million (2018: EUR 3,589 million), and EAT increased to EUR 2,413 million (2018: EUR 2,334 million). A strong free cash flow of EUR 3,476 million (2018: EUR 2,102 million) was achieved, rising by 65.4%. Adjusted Net total debt /EBITDA adjusted stood at 3.55 (2018: 3.67).

Both core segments Energy Management, with the operating segments Low Voltage, Medium Voltage and Secure Power (ca 23.2% of turnover), as well as Industrial Automation (ca 76.8% of turnover) made positive contributions to the overall result, rising by 5.2% and 0.8% respectively on a like-for-like basis. All the geographical regions saw revenue growth in 2019: North America by 6%, Asia Pacific by 4.4% driven by China and India, Western Europe by 1.9% and the rest of the world by 4.4%. SE also recorded business growth in all business units: products grew by 3% driven by digital innovation, service business by 8% driven by digital and sustainability, and software with double-digit organic growth, among others due to performance of AVEVA. The other recently acquired companies Asco Power and IGE+XAO also performed well. The end markets were partially adversely impacted by external factors. The UK non-residential market was affected (industrial, buildings, office and commercial sector) due to uncertainties related to Brexit,

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<sup>1</sup> 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.

and the residential market in Sweden and Finland was impacted by falling real estate prices and oversupply. Growth in the industry market as a whole slowed down, mainly in the wake of trade tensions between the United States and China, but also due to the weaker business climate. The data center market is still on a strong expansion course, especially the secure power and medium/low voltage systems technologies.

Table 1: Financials of Schneider Electric SE | Source: Schneider Electric SE Annual report 2019, standardized by CRA

Schneider Electric SE Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.12. (IAS, Group)	CRA standardized figures <sup>2</sup>	
	2018	2019
Sales (million EUR)	25,720	27,158
EBITDA (million EUR)	4,489	4,853
EBIT (million EUR)	3,589	3,605
EAT (million EUR)	2,431	2,523
EAT after transfer (million EUR)	2,334	2,413
Total assets (million EUR)	29,822	32,435
Equity ratio (%)	36.80	35.74
Capital lock-up period (days)	58.78	56.65
Short-term capital lock-up (%)	19.83	21.42
Net total debt / EBITDA adj. (factor)	3.67	3.55
Ratio of interest expenses to total debt (%)	1.92	1.43
Return on Investment (%)	9.18	8.55

The Company managed again to improve its EBIT margin by 50 bps due to efficient price and cost management, as well as higher productivity. The Group's performance was impacted by the negative effects of restructuring costs of EUR 255 million (2018: EUR 198 million) and losses on disposal and impairment of assets of EUR 289 million (2018: EUR 32 million), as well as costs of acquisitions and integrations of EUR 98 million (2018: EUR 69 million). The restructuring was driven by efficiency and simplification initiatives associated with adjustments to the Group's structure and costs. According to SE restructuring costs shall amount to a range average of EUR 200 to EUR 250 million over the next four years. The Group's strong free cash flow was achieved through strong operating performance in line with efficient working capital management. Net total debt / EBITDA adjusted decreased despite higher debt positions, benefitting from business performance and a strong cash position.

In February 2019 SE presented a three year portfolio optimization program, in which it plans to divest less performing companies within its scope of consolidation with a total sum of EUR 1.5 billion to EUR 2.0 billion of revenues. In 2019 the Company already divested EUR 600 million worth of revenues. The Company sold Converse Energy Projects GmbH as well as Pelco, and signed for the disposal of its US panels business. ALPI, a European leader in calculation and electrical design, was consolidated. The Competition Commission of India approved the acquisition of Larsen & Toubro Electrical & Automation business, a leading company in automatic

<sup>2</sup> 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.

transfer switches. Furthermore, SE launched an offer for RIB Software with the aim of expanding capabilities in building lifecycle digitization. So far, the M&A transactions have proven to be positive for profitability without increasing leverage significantly. We consider the strengthening of the profitable core business as plausible.

While 2019 was characterized by growth, a turnaround occurred in the first half of 2020 (H1 2020), triggered by the COVID-19 pandemic. Several lockdown measures introduced by governments resulted in significant decreases in revenue in all regions, by approx. 10% on average on a like-for-like basis. Total revenues amounted to EUR 11,575 million (H1 2019: EUR 13,202 million), recording a reported decrease of 12.3% and an organic decrease of 10.5%. Both core businesses were affected to a similar extent: sales in Energy Management decreased by 11% and Industrial Automation organically by 9%. Due to its diversified portfolio in product and geographically, sharp declines in certain segments and countries could be partially mitigated. China recovered strongly in Q2, showing growth in high single-digit range. While the categories Products and Systems declined respectively to 11% and 15%, Software and Service proved to be resilient with a decline of only 1%. Towards the end of Q2, a recovery has been apparent, boosted by targeted pricing actions in some regions and the reopening of many countries. AVEVA also contributed to the high demand for Software. Within the four end markets, impact also turned out differently, whereby segments related to digitalization, Infrastructure within Energy Management, and hospitals/healthcare, as well as life science industries sector, were least affected by the COVID-19 crisis. Data Center showed strong demand but was affected by supply chain disruptions which still remain unsolved.

A further improvement of 50 bps was achieved in gross margin (organic change: 20 bps), mainly due to pricing and productivity. EBIT, which amounted to EUR 1,200 million (H1: 1,425 million), also benefitted from tactical savings of around EUR 200 million through measures such as a shorter working week/furlough, and deferral of salary increase, introduced to mitigate the impact of the crisis mainly in the first half of 2020. However, SE's adjusted EBITA decreased by 19.6% due to the less flexible support function costs. Restructuring costs, as well M&A and integration costs amounting to EUR 221 million and EUR 69 million (H1 2019: EUR 101 million and EUR 346 million), were in total 64.9% lower compared with H1 2019. Financial costs increased by 22.8%, amounting to EUR 172 million (H1 2019: EUR 140 million). This increase was caused mainly by the fair-value revaluation of financial assets. Finally, net income was EUR 775 million (H1 2019: EUR 993 million), a decrease of 22.0%. Despite significantly lower revenues, free cash flow increased from EUR 837 million to EUR 965 million. As of 20 July 2020 the Group's liquidity position was strong with a total liquidity position of roughly EUR 8 billion. This included cash and cash equivalents as well as available committed credit lines. The rise in free cash flow as in cash resulted mainly due to working capital changes.

Table 2: Figures of current financial year | Source: Schneider Electric SE Half-year financial results 2020 presentation 2020

In million EUR	H1 2019	H1 2020	Δ%
Revenues	13,202	11,575	-12.3
EBIT	1,425	1,200	-15.8
EAT	993	775	-22.0
Operating cash flow	1,791	1,459	-18.5
Free cash flow	837	965	+15.3

Continuing to focus on quality business, on 10 July 2020 Schneider Electric announced the completion of the voluntary public takeover offer for all outstanding shares of RIB Software, which will be consolidated as part of Energy Management. Due to the nationwide lockdown in India, the completion of the Group's acquisition of Larsen & Toubro Electrical & Automation has been postponed, and SE expects to close the transaction during H2 2020. The last M&A transactions took place on 3 August 2020 with the acquisition of Proleit AG, with the aim of improving the Group's range in the Consumer Packaged Goods segment. The portfolio optimization program for disposals/deconsolidation based on the commitment to divest a total of EUR 1.5 to 2 billion also remains, but with a delay of approximately one year in view of the COVID-19 crisis. There have been no further divestments since 2019.

In 29 July 2020, the Group re-established targets for 2020 but also noted the remaining uncertainty due to the ongoing crisis. The share buyback program, which was suspended on 23 March 2020 as a preventive measure, is no longer suspended but continues with a more cautious approach, adapting to the economic circumstances. According to the current economic climate, Schneider Electric expects an organic decrease in revenues between 7% and 10% and a decline of SE's adjusted EBITA margin of between 50 and 90 bps. SE also expects additionally to an annual restructuring cost base similar to 2019 restructuring costs due to COVID-19 of EUR 400 million to EUR 500 million in aggregate over three years.<sup>3</sup>

The medium targets of the Group remain the same as of 2019: organic revenue growth of 3% to 6%, on average across the cycle, SE's adjusted EBITA margin to around 17% by 2022 (at 2019 constant currency), and free cash flow around EUR 3 billion on average across the cycle. In spite of prevailing uncertainty, SE has announced its market expectations for H2, based on the case that there will not be another significant lockdown in major economies, summarized as follows: continued softness in Mexico, mixed picture in the Southern and Western U.S., continuing growth in China, India remaining impacted in H2, progressive recovery in most of Western Europe, and continued softness in the rest of the world.

Summarized, SE achieved positive business performance in 2019 through the successful implementation of its strategies, benefitting from the rising demand for electrification, digitalization and sustainability. The digitization trend and rising need for connectivity, as well as the expected increase of energy consumption and need for its efficiency create good overall framework conditions for Schneider Electric as a provider of integrated safety and efficiency solutions. However, the Company recorded a COVID-19-related revenue decline of 12% and a 22% decline in net income in the first half of the 2020 business year. It is currently unclear how the COVID-19

<sup>3</sup> In 2019 SE announced, restructuring costs would amount from EUR 200 million to EUR 250 million averaged over four years.

pandemic will proceed and which measures may yet follow, so that the development of H2 2020 is subject to substantial uncertainty. It remains to be seen how the SE's business environment will develop further, and how quickly Schneider Electric SE will recover from the external shock to reach pre-crisis levels again.

## Issue rating

### Issue rating details

The rating objects of this issue rating are exclusively the long-term senior unsecured notes, denominated in euro and issued by Schneider Electric S.A. (issuer), which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

The notes have been issued under the EMTN programme with its latest prospectus from 28 April 2020. This EMTN programme amounts to EUR 10 billion. The notes and coupons under the EMTN programme constitute unconditional, unsubordinated, unsecured obligations of the Issuer, and rank at least pari passu among themselves and with all other present and future unsecured obligations and guarantees of the Issuer. The Notes issued under the EMTN programme benefit from a negative pledge provision and a cross-default mechanism. A redemption at the option of the noteholders following a change of control can be specified in the final terms of each series

### Result corporate issue rating

We derive the rating of the euro-denominated bonds of the issuer from the corporate issuer rating of Schneider Electric SE. The rating of the notes is therefore set equal to the corporate rating of the issuer. The rating result is A- with negative outlook. For the issue rating we have applied our rating methodology for corporate issues.

### Overview

Table 3: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date	Rating
Schneider Electric SE (Issuer)	04.09.2020	A- / negative
Long-term Local Currency (LC) Senior Unsecured Issues	04.09.2020	A- / negative
Other	--	n.r.

Table 4: Overview of 2019 Euro Medium Note Programme | Source: Base Prospectus dated 23 December 2019

Overview 2019 EMTN Programm			
Volume	EUR 10,000,000,000	Maturity	Depending on respective bond
Issuer / Guarantor	Schneider Electric S.E.	Coupon	Depending on respective bond
Arranger	BNP Paribas	Currency	Depending on respective bond
Credit enhancement	none	ISIN	Depending on respective bond

All future LT LC senior unsecured Notes that will be issued by Schneider Electric SE and that have similar conditions to the current EMTN programme, denominated in euro and included in the list of ECB-eligible marketable assets will, until further notice, receive the same ratings as the current LT LC senior unsecured notes issued under the EMTN programme. Notes issued under the program 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. For the time being, other emission classes or programmes (such as the Commercial Paper Programme) and issues that do not denominate in euro will not be assessed.



## 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 Schneider Electric SE | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	27.02.2019	12.03.2019	03.09.2020	A- / stable

Table 6: LT LC senior unsecured issues by Schneider Electric SE | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	27.02.2019	12.03.2019	03.09.2020	A- / stable

### Regulatory requirements

The present rating is an unsolicited rating in the regulatory sense. 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

The rating was conducted based on the following information.

List of documents
<b>Accounting and controlling</b>
<ul style="list-style-type: none"> <li>▪ Release Half Year results 2020</li> <li>▪ Presentation Half Year Results 2020</li> <li>▪ Annual Report 2019</li> </ul>
<b>Finance</b>
<ul style="list-style-type: none"> <li>▪ Base Prospectus 28.04.2020</li> </ul>
<b>Additional documents</b>
<ul style="list-style-type: none"> <li>▪ Press Releases and News</li> </ul>

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

The documents specified above 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	Website
Corporate Ratings	2.3	29.05.2019	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Corporate%20Ratings.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Corporate%20Ratings.pdf</a>
Non-financial Corporate Issue Ratings	1.0	October 2016	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf</a>
Rating Criteria and Definitions	1.3	January 2018	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/CRAG%20Rating%20Criteria%20and%20Definitions.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/CRAG%20Rating%20Criteria%20and%20Definitions.pdf</a>

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
Christina Sauerwein	Lead analyst	C.Sauerwein@creditreform-rating.de
Rudger van Mook	Analyst	R.vanMook@creditreform-rating.de

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

Name	Function	Mail-Address
Artur Kapica	PAC	A.Kapica@creditreform-rating.de

On 4 September 2020, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 07 September 2020. 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:

<https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/The%20Impact%20of%20ESG%20Factors%20on%20Credit%20Ratings.pdf>

### 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.

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