

Scope Corporate Ratings Group

Who we are, what we do and how we are different



Agenda

- Overview
- Coverage
- Ratings agreements with significant investors
- Rating framework
- Rating distribution and output
- Team overview



Overview

- Scope at a glance
- Scope Corporate Ratings - Facts and figures
- Ratings recognised by international central banks
- Corporate Ratings - Market share
- Ratings framework - How are we different



Scope at a glance

Registered credit rating agency

ESMA accreditation in 2012
One of the "Big Five" (2023¹)
(European Securities and Markets Authority)

ECB

Only European rating agency
holding ECAF² status since
2023

Pan-European

Berlin · London · Madrid
Frankfurt · Milan · Paris · Oslo

250+ employees

Entrepreneurial culture

Serving ~600 institutional investors

with total assets under
management of circa € 145trn

Only European rating agency

mandated³ by the European Union

¹ See ["EU Credit Ratings market 2023"](#) (2023) ² ["ECB accepts Scope Ratings within Eurosystem Credit Assessment Framework"](#) (2023) ³ Please see ["European Commission mandates Scope to rate its creditworthiness"](#) (2022).

Scope Corporate Ratings - Facts and figures

→ Rating coverage

~290 corporates currently rated (corporate family ratings)

~3,000 corporate bonds presently rated

>500 corporate ratings assigned since start of CRA activities

→ 14 rating methodologies covering general ratings approach and sector-level ratings

→ 24 corporate-sector specialists from diversified background

→ Scope has been able to replace one of the American credit-rating agencies' ratings for selective issuers

Key clients (public solicited ratings)

CECONOMY

HANIEL

Magyar Telekom T

axpo

fnac

LANXESS
Energy Chemistry

posten

GEDeon RICHTER

VONOVIA

MICHELIN

uni per

Henkel

Magyar Nemzeti Bank *

Air Liquide

Schibsted

Orkla

schouw&co

SANOFI

HORN BACH

Lufthansa

EVN

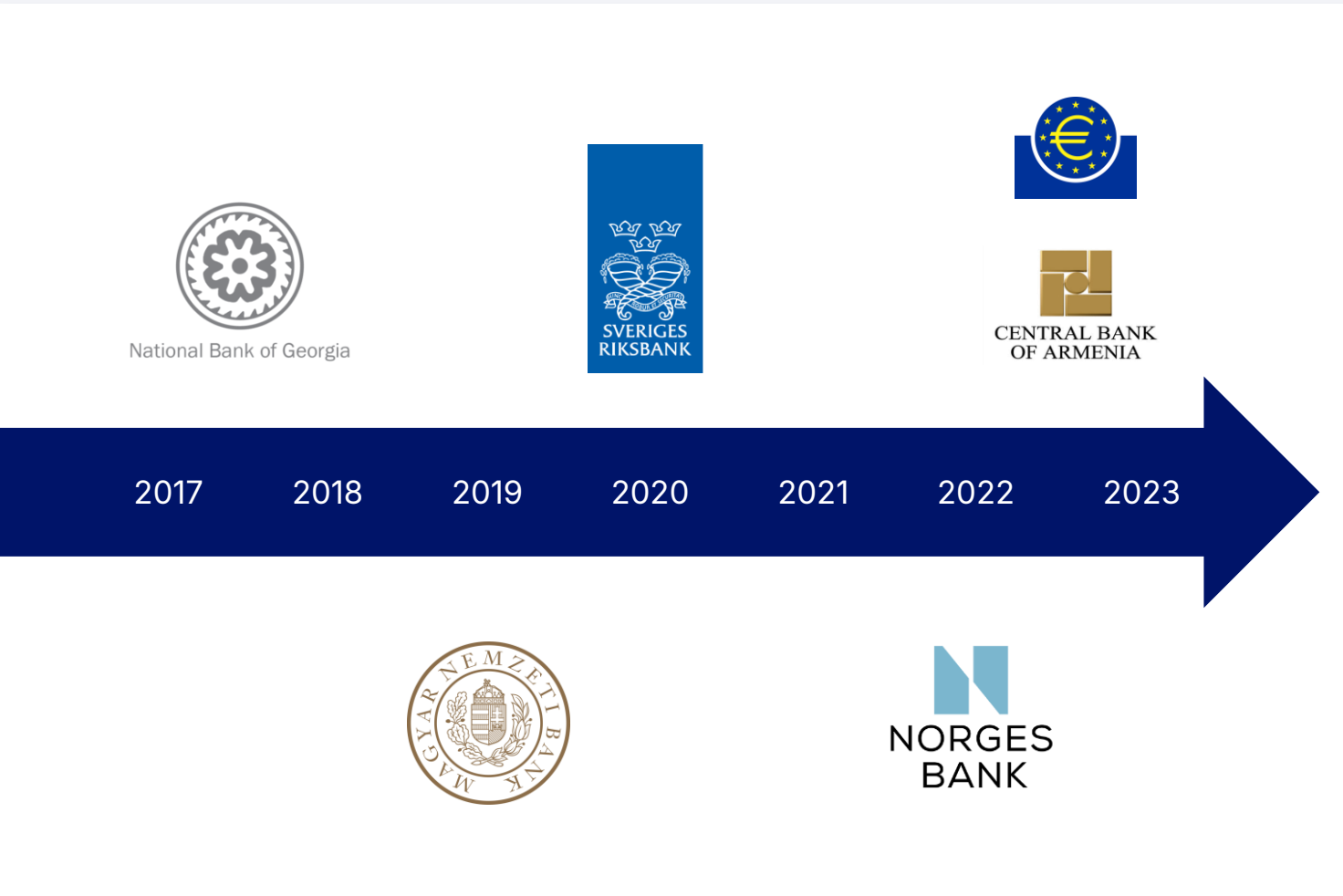
MOLGROUP

NEOVA

Elkem

*Framework agreement with Magyar Nemzeti Bank for the rating of Hungarian small and medium-sized enterprises (SMEs)

Ratings recognised by international central banks



Scope received recognition in/by:

- Georgia (2017)
- Hungary (2019)
- Norway (2022)
- Armenia (2023)
- ECB (2023)

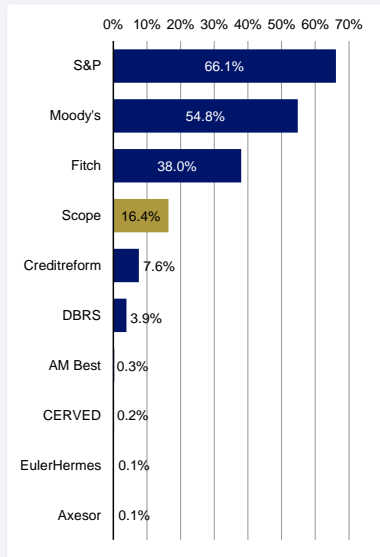
Scope Corporates has been awarded as the credit-rating agency of choice for provision of rating services on Hungarian SMEs participating in the debt purchasing programme "Bond Funding for Growth Scheme" since 2019

Corporates played a central role in the rating agency's successful adoption last year under the ECB framework by fulfilling Eurosystem criteria concerning solicited and unsolicited corporate credit evaluations

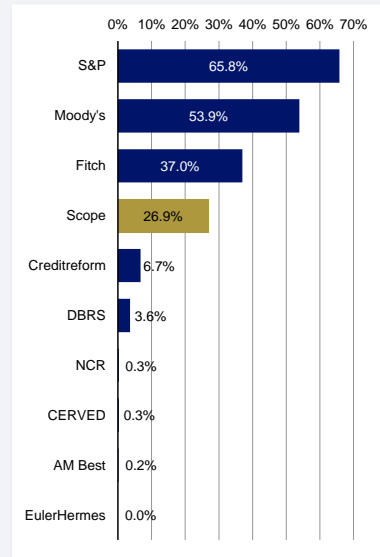
Corporate Ratings - Market share*

Scope continues to expand coverage, and is presently the **third-placed agency of the European Union for provision of non-financial corporate ratings**

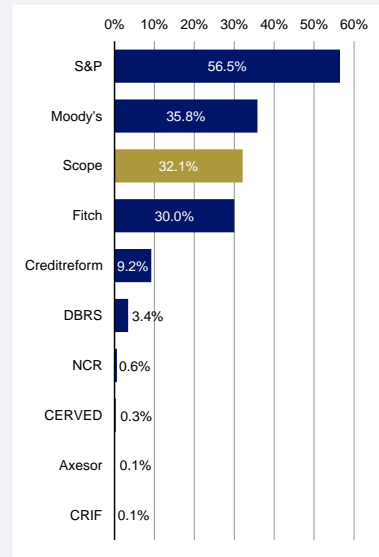
Nov 2019



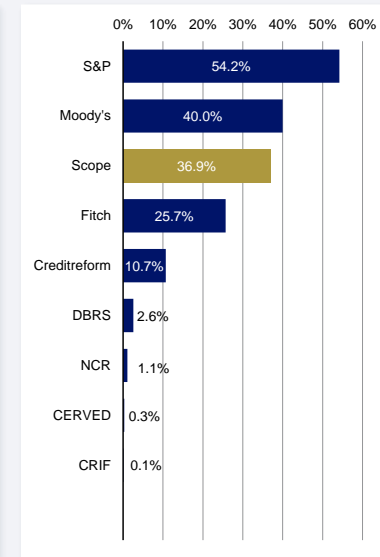
Sep 2020



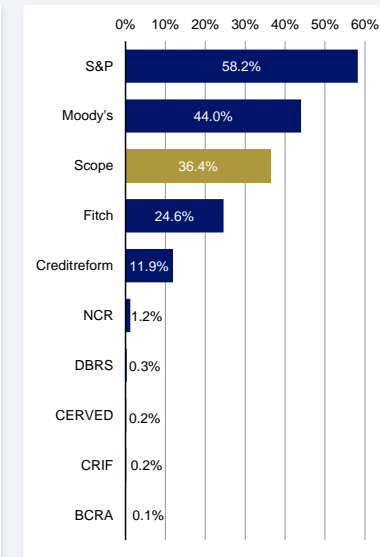
Sep 2021



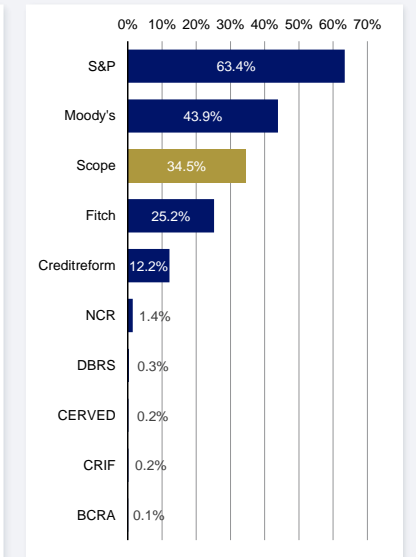
Sep 2022



Sep 2023



Sep 2024



*Measured by the percentage of the total number of outstanding non-financial corporate instruments that have at least one rating assigned by a specific credit-rating agency registered in the European Union

Source: European Securities and Markets Authority (ESMA) supervisory data, Scope Ratings

Ratings framework - How are we different



Reflection of European corporate distinctions

- European corporates are set up and function differently than US-based corporates which requires tailored reflection of:
 - ✓ Business structures and diversified business models
 - ✓ Cash-management strategies
 - ✓ Family ownership and management philosophies
 - ✓ Implicit incorporation of ESG-credit relevant factors, which can affect all elements of an issuer's rating and be difficult to separate from the general analysis



No country rating ceiling

- No mechanical rating ceiling for the Agency's corporate ratings in the investment-grade rated sector
- Corporate ratings can be higher than the sovereign's credit rating, particularly if the former has significant activities outside of the domestic market and/or holds a comparatively-strong financial profile



Specific rating adjustments

- Reflection of cash balances (no heavy rating discounts on sustained cash balances)
- Ratings reflect economic nature of debt-like provisions such as pensions and asset-retirement obligations



No "one-approach-fits-all" framework

- No application of pre-determined weightings for core rating factors
- Unique business models require company- and sector-specific over-weighting and under-weighting of rating methodological factors
- Size per se is no decisive rating factor (apart from some sectors) but size is correlated with market position, diversification, profitability and credit metrics
- Valuing the financial and strategic independence from a weaker parent



Transparency and communication

- Full disclosure of rating components and financial forecasting underpinning relevant credit metrics
- Regularly-updated rating reports

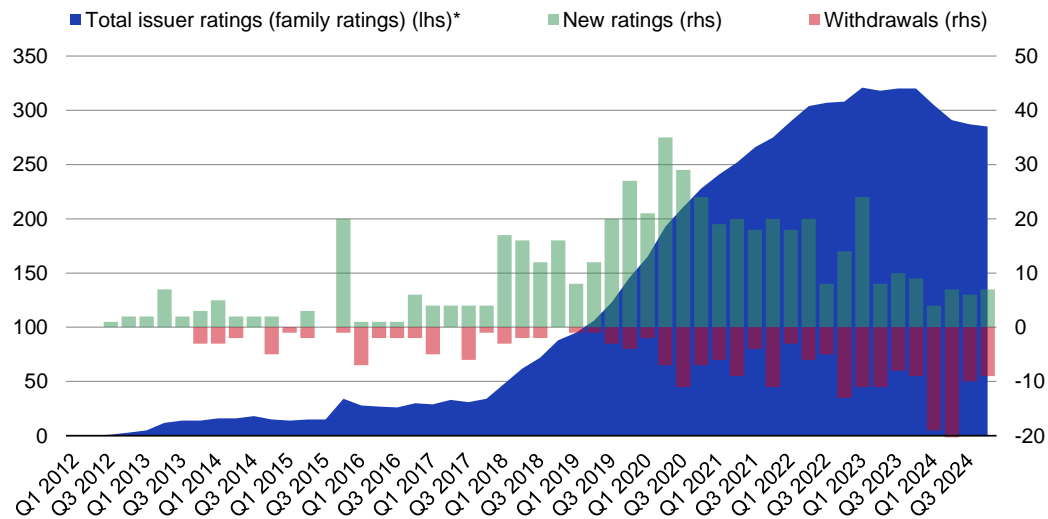
Coverage

- Corporate Ratings – Steady expansion of coverage
- Corporate Ratings - Coverage as of Dec 2024
- Corporate Ratings - Coverage as of YE 2024



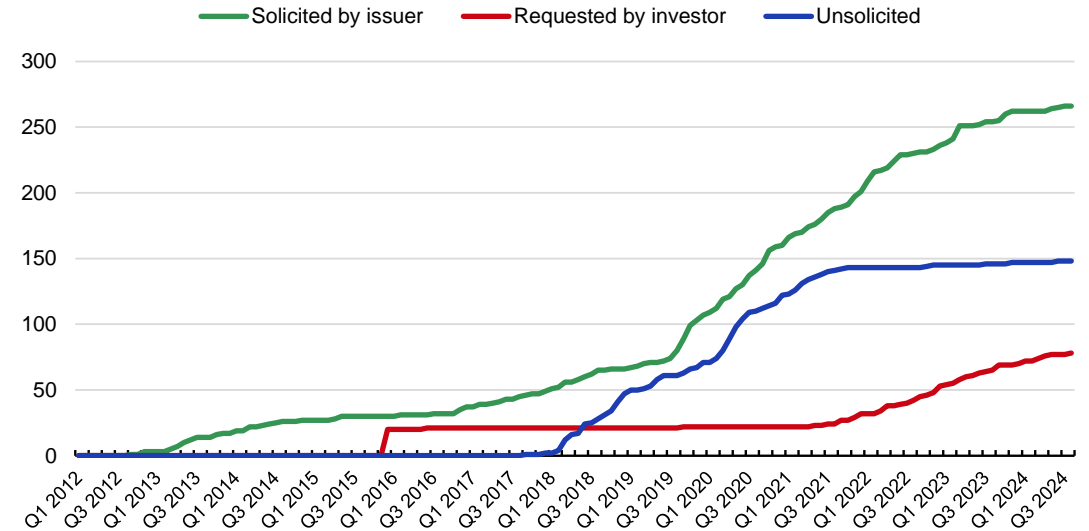
Corporate Ratings – Steady expansion of coverage

Stock of ratings (family ratings) as of YE 2024



* incl. 40 renewed point-in-time ratings / Source: Scope Ratings

New rating assignments (family ratings)

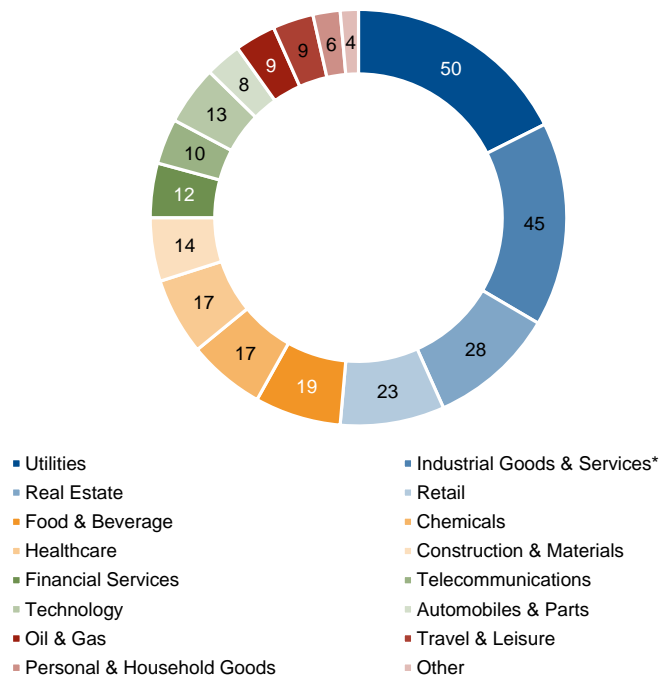


Source: Scope Ratings

Corporate Ratings - Coverage as of Dec 2024

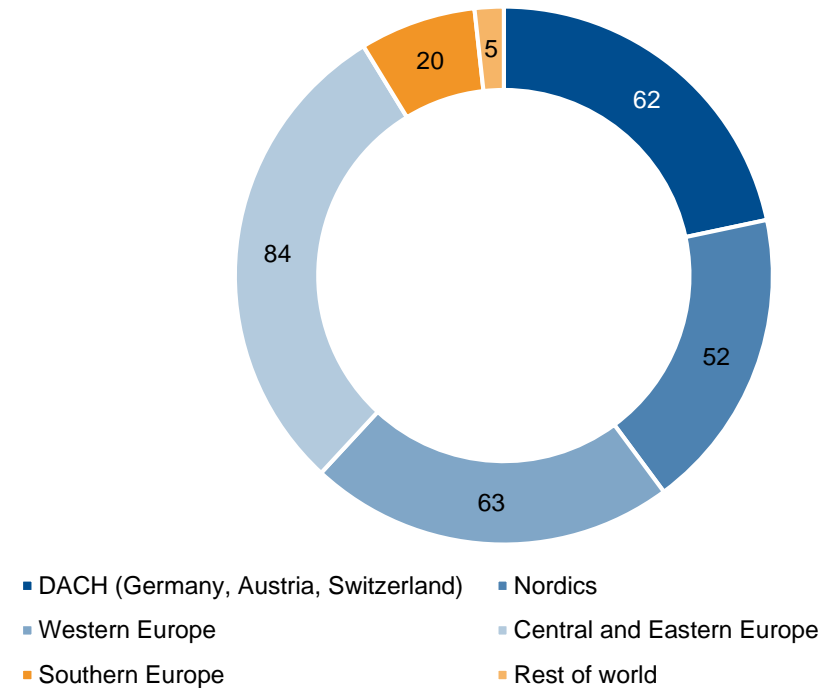
number of family ratings

Rated borrowers, by sector



* Very heterogeneous sector, which comprises capital goods, business services, and transportation / Source: Scope Ratings

Rated borrowers, by region

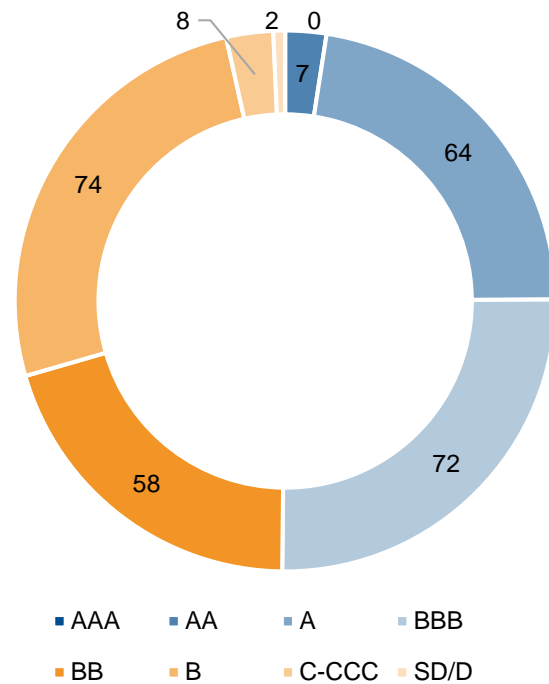


Source: Scope Ratings

Corporate Ratings - Coverage as of YE 2024

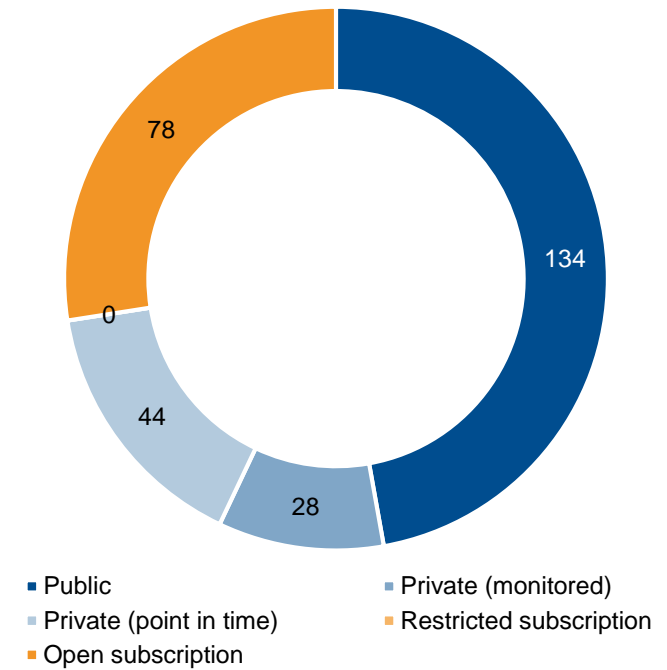
number of family ratings

Rated borrowers, by rating class



Source: Scope Ratings

Rated borrowers, by type of rating



Source: Scope Ratings

Ratings agreements with significant investors

- Successful execution of rating frameworks agreed with significant investors
- Hungary – MNB's Bond Funding for Growth Scheme
- Hungary – Selected rated borrowers
- Debt funds exposure
- Direct lending exposure



Successful execution of rating frameworks agreed with significant investors



Hungarian National Bank

- Support for the National Bank's Bond Funding for Growth scheme
- 2019 – ongoing
- ✓ >110 issuer ratings assigned since the start of the programme
- ✓ 74 issuer ratings currently outstanding



Large European asset manager⁽¹⁾

- Providing private ratings and credit estimates for a debt fund
- 2020 – ongoing
- ✓ 33 issuer ratings and related debt ratings assigned
- ✓ 9 credit estimates provisioned



Large US-based asset manager⁽¹⁾

- Providing private ratings and credit estimates for a debt fund
- 2022 – ongoing
- ✓ 11 issuer ratings and related debt ratings assigned
- ✓ 13 credit estimates issued



Large European asset manager⁽¹⁾

- Providing private ratings and credit estimates for a debt fund
- 2015 – 2021
- ✓ 21 issuer ratings and related debt ratings assigned

(1) No disclosure of the debt managers' names as ratings are provided on a private confidential basis / Source: Scope Ratings

Hungary – MNB's Bond Funding for Growth Scheme



- Total amount: HUF 1,550bn⁽¹⁾ (~EUR 4.2bn)
- Start of the Programme: 1 July 2019
- Issuers: domestic non-financial corporations
- Maturity of bonds to be purchased: 3 – 30 years
- Credit rating required: at least B+ on the bond
- Minimum volume per issuance: n/a
- Maximum exposure MNB2: HUF 70bn



- Scope Ratings plays a pivotal role in the development of the Hungarian capital market
- Since the start of the programme, ratings assigned on more than 110 companies
- ~90% coverage of the outstanding debt volume
- Agency acted as the 'gatekeeper' as not every company was eligible to enter this programme
- 74 issuers currently rated publicly
- Rating primarily on SMEs
- Ratings across a broad industry range

(1) Size of the programme increased multiple times from an initial programme size of HUF 300bn 2 Maximum exposure to one company group // Source: MNB, Scope Ratings

Hungary – Selected rated borrowers

 Country of origin: Hungary Telecommunication	 Country of origin: Hungary Utilities	 Country of origin: Hungary Retail	 Country of origin: Hungary Real Estate	 Country of origin: Hungary Agribusiness	 Country of origin: Hungary Business Services
 Country of origin: Hungary Real Estate	 Country of origin: Hungary Construction	 Country of origin: Hungary Business Services	 Country of origin: Hungary Construction	 Country of origin: Hungary Real Estate	 Country of origin: Hungary Consumer Goods
 Country of origin: Hungary Pharmaceuticals	 Country of origin: Hungary Agribusiness	 Country of origin: Hungary Transportation	 Country of origin: Hungary Construction	 Country of origin: Hungary Consumer Goods	 Country of origin: Hungary Telecommunication
 Country of origin: Hungary Construction	 Country of origin: Hungary Construction Materials	 Country of origin: Hungary* Automotive	 Country of origin: Hungary Utilities	 Country of origin: Hungary Investment Holding	 Country of origin: Hungary Integrated Chemicals
 Country of origin: Hungary Consumer Goods	 Country of origin: Hungary Real Estate	 Country of origin: Hungary Utilities	 Country of origin: Hungary Retail	 Country of origin: Hungary Consumer Goods	 Country of origin: Hungary Real Estate

* Mercedes-Benz Manufacturing Hungary Kft. // Source: Scope Ratings

Debt funds exposure

European and US-American debt fund managers⁽¹⁾

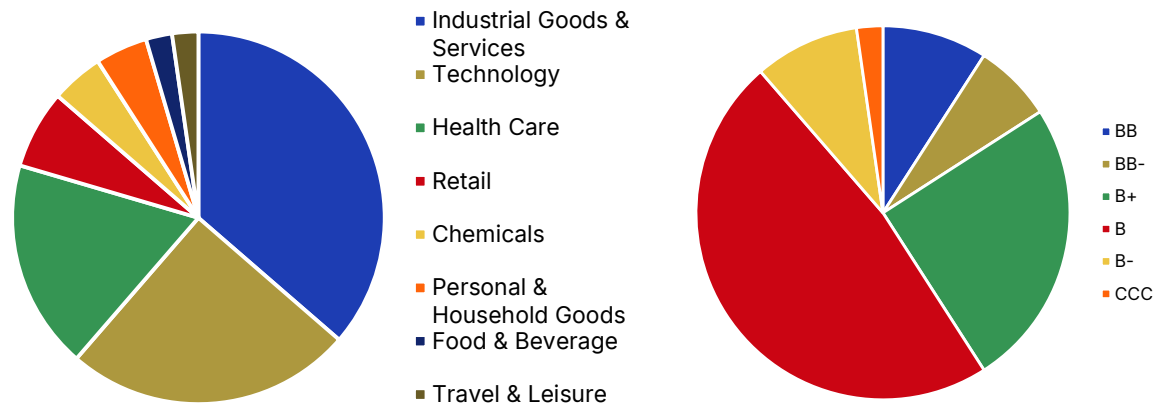
- Debt fund managers in needs of private rating assessments
- Decision making for investing as investment need to fulfill minimum criteria



- Scope Ratings provides private rating services
 - Credit estimates
 - Monitored private ratings
 - Point-in-time private ratings
 - Annually updated point-in-time private ratings
- Rating primarily related to LBO and large exposure to shareholder loans
- More than 80 ratings and CEs provided since 2015

Direct lending exposure

Rated borrowers, by sector and rating class (as at YE 2024)



- Scope Ratings provides private rating services
 - Credit estimates
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 - Annually updated point-in-time private ratings

- Rating primarily related to LBO and large exposure to shareholder loans

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Rating framework

- Ratings framework - Transparent, modular and structured methodology
- Corporate Ratings - Rating process timeline
- Ratings framework - Applicable credit-rating methodologies



Ratings framework - Transparent, modular and structured methodology

Business risk profile		Financial risk profile	Supplementary rating drivers
Industry risks Industry-related drivers <ul style="list-style-type: none"> • Cyclicalities • Entry barriers • Substitution risks 	Competitive positioning <ul style="list-style-type: none"> • Market shares (historical and projected trends) • Diversification of products, geography, customers, suppliers, assets, sales channels • Operating profitability (EBITDA), historical trend and projected volatility • Sector/company-specific factors 	<ul style="list-style-type: none"> • Leverage and debt protection measures • Cash flow generation • Liquidity 	<ul style="list-style-type: none"> • Financial policy • Governance & structure • Parent/GRE support • Peer context

Issuer rating/Outlook

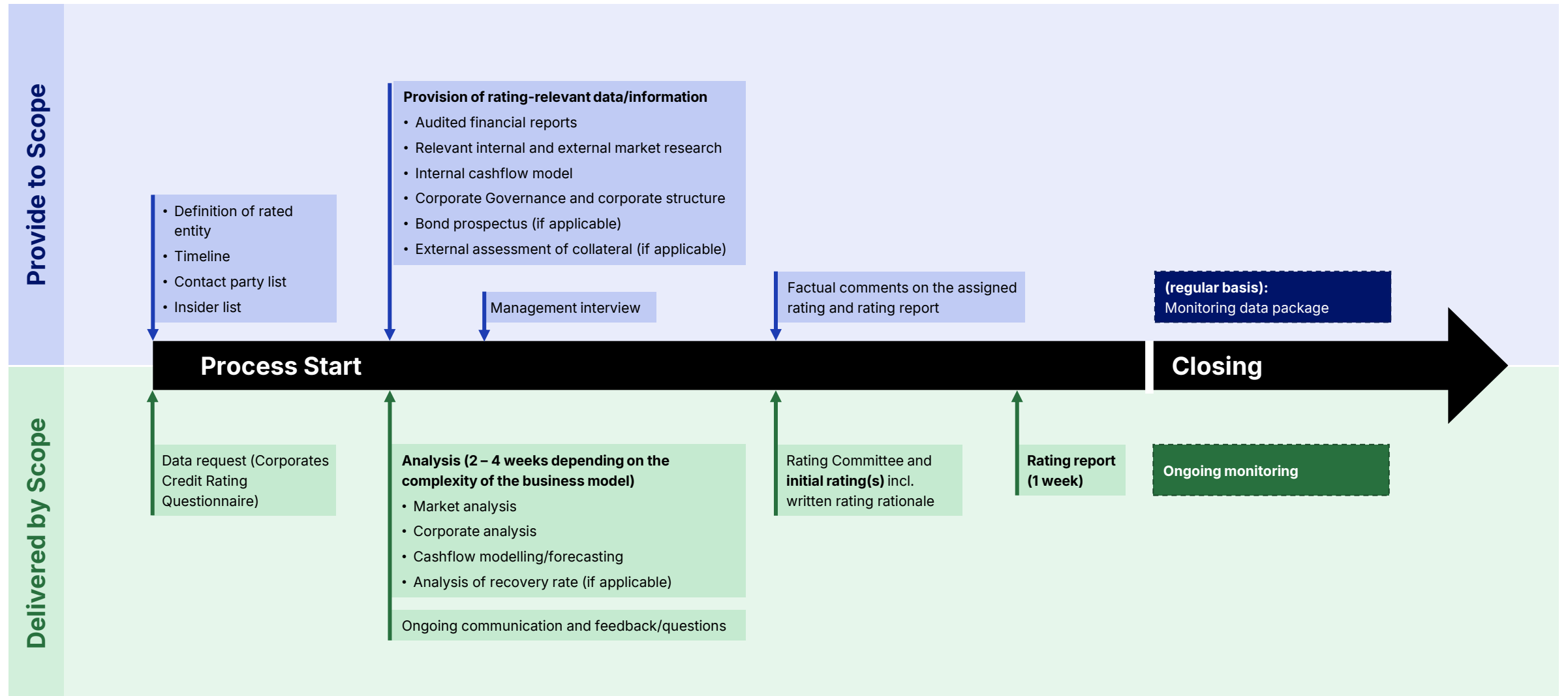
Liquidity position	Notching for IG ⁽¹⁾ issuers	Recovery analysis for HY ⁽²⁾ issuers
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Short-term debt rating

Long-term debt ratings on different debt seniorities

(1) Investment grade 2 (2) High yield // Source: Scope Ratings

Corporate Ratings - Rating process timeline



Source: Scope Ratings

Ratings framework - Applicable credit-rating methodologies

<u>General Corporate Rating Methodology</u>	14-Feb-25
<u>Construction and Construction Materials Rating Methodology</u>	24-Jan-25
<u>Business and Consumer Services Rating Methodology</u>	15-Jan-25
<u>Oil & gas Rating Methodology</u>	19-Dec-24
<u>Automotive and Commercial Vehicle Manufacturers Rating Methodology</u>	19-Dec-24
<u>Government Related Entities Rating Methodology</u>	10-Dec-24
<u>Consumer Products Rating Methodology</u>	31-Oct-24
<u>Metals and Mining Rating Methodology</u>	21-Oct-24
<u>European Utilities Rating Methodology</u>	17-Jun-24
<u>Investment Holding Rating Methodology</u>	17-May-24
<u>Retail and Wholesale Rating Methodology</u>	26-Apr-24
<u>Chemicals Rating Methodology</u>	16-Apr-24
<u>Pharmaceutical Companies' Rating Methodology</u>	05-Apr-24
<u>European Real Estate Rating Methodology</u>	28-Mar-24
<u>European Automotive Suppliers Rating Methodology</u>	6-Feb-24

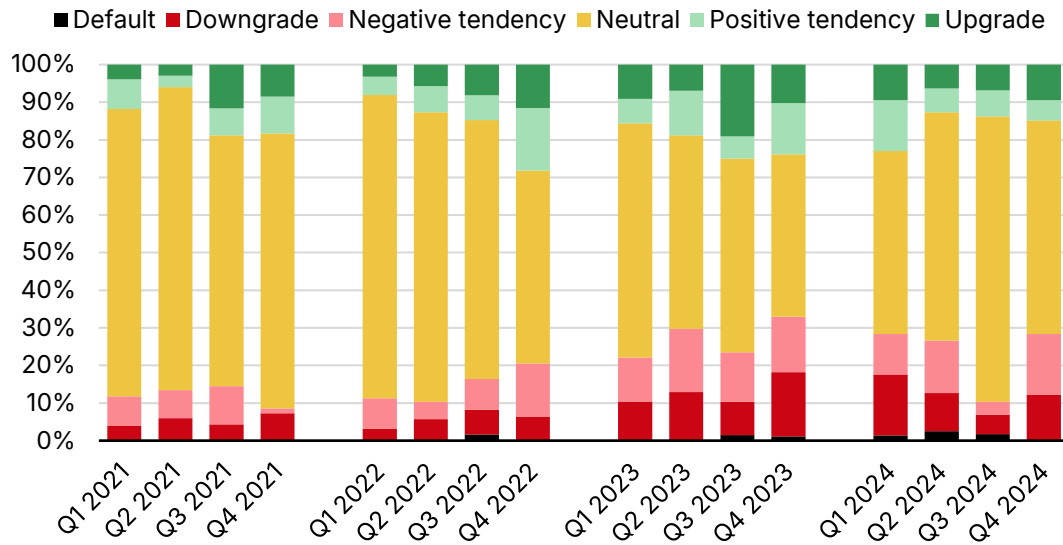
Rating distribution and output

- Corporate Ratings – Rating actions and Outlook distribution
- Corporate Ratings – Analytical output for rated entities and investors



Corporate Ratings – Rating actions and Outlook distribution

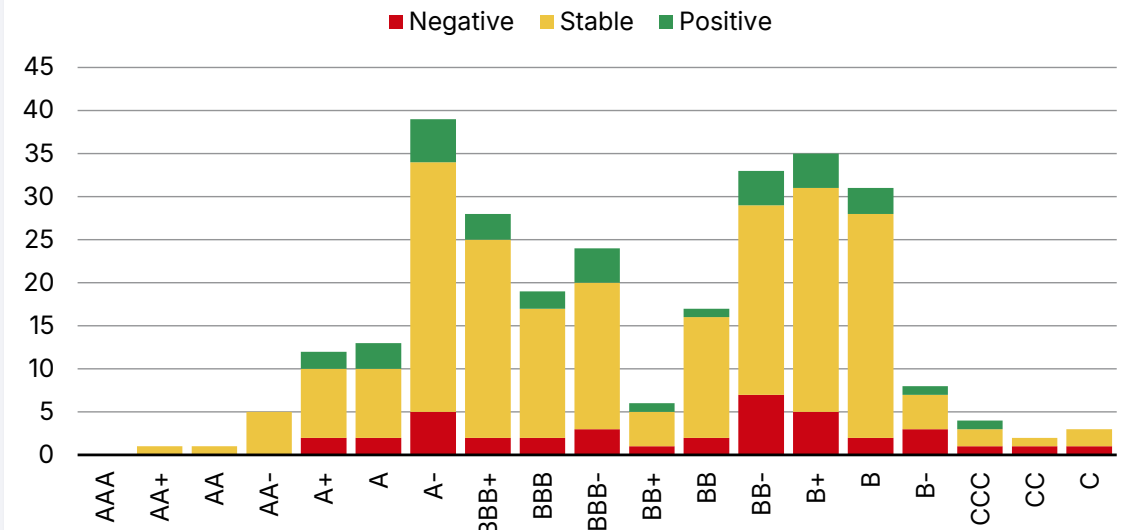
Rating actions by year and quarter*



- Negative ratings pressure has eased further ... credit ratings are stabilising*

* Excl. rating action pertaining to under review due to methodology changes // Source: Scope Ratings

Distribution of rating Outlooks, by rating level



- Negative ratings bias remains for HY borrowers
- 17% of HY issuers with Negative Outlook (11% for IG- rated issuers)
- 11% of HY issuers with Positive Outlook (13% for IG-rated issuers)

Source: Scope Ratings

Corporate Ratings - Analytical output for rated entities and investors

WEDNESDAY, 24/01/2024 - Scope Ratings GmbH [Download PDF](#)

Scope upgrades issuer rating of Norwegian utility Eidsiva to A-/Stable from BBB+/Stable

The upgrade is driven by the improved financial risk profile enabled by a stronger-than-expected performance, continued robust cash flows from its grid operation and cash dividends from Hafslund ECO Vannkraft.

FRIDAY, 22/12/2023 - Scope Ratings GmbH [Download PDF](#)

Scope assigns BBB-/Stable issuer rating to Neova Oy

The moderate business risk and financial risk profiles drive the issuer rating, further supported by the group's status as a government-related entity ensuring wide state support.

MONDAY, 25/09/2023 - Scope Ratings GmbH [Download PDF](#)

Scope affirms Uniper's BBB-/Stable issuer rating

The rating action reflects the improved standalone credit quality largely balanced out by the lowered rating uplift relating to Uniper's status as a government-related entity.

The latest information on the rating, including rating reports and related methodologies, is available on this [LINK](#).

Rating action

Scope Ratings GmbH (Scope) has today affirmed Uniper SE's BBB-/Stable issuer rating. Concurrently, Scope has affirmed the senior unsecured debt rating at BBB- and upgraded the short-term debt rating to S-2 from S-3.

Rating rationale

The rating affirmation reflects Uniper's improved standalone credit quality, supported by normalising gas prices and volatilities and the company's hedging of nearly all its risk from gas supply curtailments, that has been largely balanced out by the one-notch reduction in the rating uplift for government-related entity status as the company is now less likely to fall into financial distress and be in need of extraordinary state support.

In December 2022, the stabilisation package agreed between Uniper, the German government and Fortum was implemented after receiving EU approval, subject to a number of remedies. Implemented measures include two capital increases totalling

26 September 2023

Magyar Telekom Nyrt
Hungary, Telecommunications Services

SCOPE **BBB+** POSITIVE

19 April 2023

Sanofi S.A.
French Republic, Pharmaceuticals

SCOPE **AA** STABLE

12 January 2024

Mercedes-Benz Group AG
Germany, Automotive and Commercial Vehicles

SCOPE **A+** STABLE

Key metrics

	2021	2022	Scope estimates	
			2023E	2024E
Scope credit ratios				
Scope-adjusted EBITDA/Interest cover	>30x	>30x	Net Interest Income	Net Interest Income
Scope-adjusted debt/EBITDA	Net cash	Net cash	Net cash	Net cash
Scope-adjusted funds from operations	Net cash	Net cash	Net cash	Net cash
Scope-adjusted free operating cash flow	Net cash	Net cash	Net cash	Net cash

Rating rationale

Scope Ratings has upgraded its issuer rating on Mercedes-Benz Group AG to A+/Stable from A/Positive. Senior unsecured debt issued by Mercedes-Benz Group AG and related issuing entities has been upgraded to A+ from A. Scope has also upgraded Mercedes-Benz Group AG's short-term debt rating to S-1+ from S-1.

The upgrade is driven by Mercedes-Benz's improved business risk profile on the back of structurally higher operating profitability, stemming from the strategic shift to the luxury space coupled with a continuous streamlining of the fixed cost base. In addition, Mercedes-Benz Group's issuer rating continues to be strongly supported by its financial risk profile, which has further improved in terms of debt protection and net cash position. Market position as well as product and geographical diversification remain supportive.

Outlook and rating-change drivers

The Outlook is Stable and reflects our expectation that Mercedes-Benz Group's operating profitability will structurally improve and show strong resilience amid continued inflationary pressures, a challenging demand environment and intensified competition in the electric vehicle (EV) space. We anticipate that Mercedes-Benz Group's profitability will be supported by further efficiency gains, enhanced pricing power, and a tighter mix driven by the portfolio reshaping toward the top-end of the premium segment. Our base case assumes a Scope-adjusted EBITDA margin of around 15% in 2023-2025, above industry average and well above historical levels. The stable Outlook also reflects our expectation that the company will maintain a strong financial risk profile and solid credit metrics, even in a less supportive environment in the next 12-18 months. The company is expected to remain in a net cash position over the forecast period.

A positive rating action is remote but could occur if Mercedes-Benz Group successfully shifted its portfolio toward higher-margin products, leading to Scope-adjusted EBITDA margins sustainably above 16% on a sustained basis while displaying strong margin and cash flow resilience in adverse market conditions.

A negative rating action could be considered if Mercedes-Benz Group's Scope-adjusted EBITDA margin fell to around 12% on a sustained basis, as this would trigger a lower business risk assessment. This could be driven by more challenging industry business conditions or poor execution of the group's premium and electrification strategy. A negative rating action could also be warranted if free cash flow generated in the group's industrial business turned negative, triggered by a sustained decrease in operating profitability and/or a significant rise in investment spending.

Rating history

Date	Rating action	Issuer rating & Outlook
22 Dec 2023	Upgrade	A+/Stable
23 Dec 2022	Outlook change	A/Positive
27 Jan 2022	Affirmation	A/Positive
03 Feb 2021	Affirmation	A/Positive

Related Methodologies and Research

General Corporate Rating Methodology, October 2023

European Automotive and Commercial Vehicle Manufacturers Rating Methodology, December 2023

European auto industry: fast-tracked EV transition raises challenges and uncertainties

European carmakers race to gain competitiveness as opportunity in China turns to threat

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Bloomberg: RESP SCOP

12 January 2024 BRG_IR_CCR_23-1 1/12

Hungary's corporate credit

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Italian utilities play catch-up in Europe's energy transition

Analysts
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Corporates Outlook 2024

Stable outlook with a negative bias: inflation, high interest rates and slack demand weigh down on key sectors, including real estate and chemicals.

info@scoperatings.com | www.scoperatings.com in X | Bloomberg: RESP SCOP

Rating action releases and monitoring notes

Rating reports

Research and commentaries

Team overview

→ Corporates team – Who we are



Corporates team – Who we are

100+ years combined rating experience at Scope

European analytical DNA

Analysts operating in Scope offices in Paris, Oslo, Berlin, Frankfurt, Milan, Madrid, London and Poznan

Diversity as a value added

Analysts come from a variety of personal and professional backgrounds: rating agencies, equity and credit analysis, portfolio controlling, business advisory

Languages we speak



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