

INSTRUMENT RATING
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Action de notation et justification

- EthiFinance Ratings initie la notation court-terme du programme NEU CP de Groupe Marc de Lacharrière SE (« GML » ou la holding d'investissement) à EF1+ (la plus élevée sur notre échelle de notation CT), pour un plafond d'émission de €700m. Cette initiation fait suite au projet de transmission universelle de patrimoine de Fimalac SE à GML, dont le programme de NEU CP de Fimalac SE, noté EF1+ par EthiFinance Ratings, sera à terme transféré sur GML.
- GML est la holding qui détient Fimalac SE. Dans le cadre de la réorganisation du groupe et de l'absorption de Fimalac SE par GML, le nouveau périmètre de notation inclut l'ensemble des actifs détenus par Fimalac SE auxquels s'ajoutent les actifs et passifs de GML, à savoir une participation au capital du fonds d'investissement Warburg Pincus, des dettes financières portées par GML et quelques actifs immobiliers et financiers.
- La notation s'appuie sur l'excellent profil financier de GML dont le ratio de loan-to-value (LTV) est négatif et nous nous attendons à ce qu'il le reste au cours des trois prochaines années, sur notre période de projection. En outre, la holding d'investissement bénéficie d'un bon ratio de couverture de sa dette à court terme par sa trésorerie et ses équivalents de trésorerie, y compris les actifs financiers les plus liquides. La solidité du profil financier de GML découle également d'une politique d'investissement prudente, illustrée par le succès de ses investissements à long terme, notamment dans Fitch de 1997 à 2018, et dans le groupe Lucien Barrière de 2011 à 2023.
- Notre notation court terme est cependant contrainte par une faible diversification des actifs, tant en valeur que par le nombre de secteurs, en particulier suite à la récente cession du groupe Lucien Barrière. De plus, notre notation tient compte de la liquidité limitée des actifs, bien que cela soit partiellement compensé par le niveau satisfaisant de liquidités dont dispose GML.
- Concernant les enjeux ESG, le directoire et le conseil de surveillance du groupe a récemment approuvé une feuille de route définissant des objectifs visant à inclure une analyse de l'impact de la double matérialité, conformément à la directive européenne Corporate Sustainability Reporting Directive (CSRD). Cette intégration sera finalisée d'ici 2025. Dans le cadre de cette feuille de route, les premières étapes ont été franchies avec l'inclusion d'une matrice de matérialité pour les risques ESG dans son rapport extra-financier pour l'exercice 2023, qui inclut également quelques indicateurs de performance ESG au niveau du groupe.

Description de l'émetteur

GML est une société d'investissements diversifiés et de long terme, opérant principalement dans deux secteurs d'activités : le Digital (incluant Webedia, The BrandTech Group et Partoo) et le Spectacle Vivant (Fimalac Entertainment), avec l'exploitation de salles et la production de spectacles (concerts et pièces de théâtres notamment). Au 1er trimestre 2024, le groupe a finalisé son investissement dans Casino, le groupe français d'hypermarchés, via un consortium qui détient la majorité des parts de l'entreprise. De plus, le groupe possède un portefeuille d'actifs immobiliers (immobiliers de bureaux et commercial en France, aux États-Unis et au Royaume-Uni), un large portefeuille d'actifs financiers (actions et obligations), des participations minoritaires stratégiques dans le groupe Financière LOV (Banijay-Endemol et Betclac) et une participation au capital en tant que General Partner du fonds d'investissement Warburg Pincus.

GML est détenu par Marc Ladreit de Lacharrière et sa famille. À fin 2023, l'actif net réévalué de GML, d'après le rapport de valorisation et les données communiquées par le groupe, était de c. €4.2Mds (incluant €1.1Mds en trésorerie nette), marquant une baisse de 10% par rapport à l'année précédente. Cette dernière s'explique par la baisse du dollar ainsi que par une baisse de la valeur des actifs immobiliers et des principales participations de GML. Notre analyse repose sur une approche « holding d'investissement », qui prend en compte les holdings du groupe et qui considère les participations comme des investissements.

Fondamentaux

Profil d'activité

Politique d'investissement

- Une politique d'investissement prudente, combinant des approches stratégiques et opportunistes

De manière générale, nous considérons la politique d'investissement de GML comme prudente, marquée notamment par une approche stratégique et des opérations opportunistes. Le portefeuille est réparti entre des actifs au profil défensif d'une part, tels que les actifs financiers incluant des dépôts à terme en dollars, et d'autre part, des actifs plus risqués et cycliques, offrant un potentiel de croissance significatif, comme ceux des divisions Digital et Entertainment. Le track record demeure toujours marqué par le succès de son investissement dans Fitch Ratings, avec la cession majeure de sa participation en 2018 pour €2.3Mds. Plus récemment, le groupe a cédé sa participation de 40% dans le groupe Lucien Barrière pour un montant de c. €325m.

Par ailleurs, GML prend en compte les enjeux ESG et devrait se conformer à la CSRD. En revanche, sa politique d'investissement n'intègre pas encore ces enjeux.

Portefeuille d'actifs

- **La valeur des actifs est partiellement concentrée dans le secteur du digital, avec des participations minoritaires dans d'autres industries**

À fin 2023, le secteur Digital est le principal actif de GML (environ 43% de la valeur réévaluée des actifs hors trésorerie d'après EthiFinance Ratings). Cette exposition significative s'est accentuée suite à la cession du groupe Lucien Barrière.

Au 1er semestre de 2023, la cession de sa participation de 71.4 % dans Jellyfish à The BrandTech Group, via un échange d'actions, a permis de créer un leader mondial du marketing digital, le groupe ayant conservé une participation de 12.5% dans The BrandTech Group. GML a également une participation significative dans le fonds de capital-investissement Warburg Pincus dont les participations sont diversifiées en termes de secteur. Les autres participations notables de GML se trouvent dans les secteurs de la production audiovisuelle (Banijay, Groupe Endemol), des paris en ligne (Betclio), du spectacle vivant (Fimalac Entertainment), de l'hôtellerie (LOV Hôtel Collection) ainsi que de la grande distribution (Casino).

- **Une diversification géographique modérée, portée par le groupe Webedia, la participation dans Warburg Pincus et les actifs immobiliers**

La diversification géographique est principalement portée par le secteur Digital, et notamment le groupe Webedia qui opère dans 15 pays, par la participation dans Warburg Pincus, dont les participations sont situées en Amérique du Nord, en Asie et en Europe principalement, ainsi que par les actifs immobiliers répartis entre la France, le Royaume-Uni et les États-Unis. De plus, une partie prépondérante de la trésorerie de GML est détenue en dollars, bénéficiant ainsi de taux de rémunération plus élevés par rapport à l'euro, et permettant de diversifier le risque de devise.

- **Une qualité de crédit des actifs moyenne et stable**

En 2023, la qualité de crédit des actifs de Fimalac était restée stable à niveau moyen. L'impact de la cession du groupe Lucien Barrière, dont la qualité de crédit était bonne, avait été compensée par l'amélioration des résultats du segment Digital. Cependant, la qualité de crédit des actifs immobiliers s'était légèrement dégradée en raison d'une baisse de leur valeur liée aux conditions du marché. Le changement de périmètre de notre analyse n'impacte pas la qualité de crédit des actifs qui reste considérée comme moyenne au niveau de GML.

- **Une liquidité des actifs portée par la trésorerie et les actifs financiers cotés**

Le portefeuille d'actifs de GML est composé principalement de participations dans des entreprises non cotées. En termes de liquidité, ces actifs sont considérés moins liquides que la trésorerie disponible et les participations et investissements dans des valeurs mobilières cotées telles que les actions et les obligations (notamment les actions Mercialis, Banijay, et d'autres titres de créances négociables). Par ailleurs, nous avons considéré les actifs investis dans des fonds de capital-investissement comme partiellement liquides. La participation au capital du fonds d'investissement Warburg Pincus est en revanche considérée comme non-liquide.

Profil financier

Politique financière

- **Une politique financière prudente caractérisée par un ratio de LTV négatif**

GML présente une politique financière prudente, qui se caractérise notamment par un ratio de loan-to-value (LTV) négatif. Ce ratio s'explique par une position de trésorerie nette positive grâce aux cessions de Fitch en 2018, et dans une moindre mesure, du groupe Lucien Barrière en 2023.

Ratio de levier et de couverture des intérêts

- **Des ratios de crédit solides et une position de trésorerie nette positive**

L'excellent profil financier de GML est un facteur clé de sa notation élevée, du fait notamment de sa position de trésorerie dépassant largement le niveau de sa dette. Cependant, le ratio de couverture des intérêts s'est fortement détérioré, passant de 15.0x en FY22 à 4.3x en FY23. Cette baisse est liée à une exposition de sa dette à des taux d'intérêt variables dans un contexte de hausse des taux, ce qui entraîne une augmentation de la charge d'intérêts, qui est passée de €7m en FY22 à €31m en FY23. Néanmoins, nous anticipons une légère amélioration de ce ratio à partir de 2025, à mesure que les taux d'intérêt continueront à diminuer progressivement.

À fin 2023, la dette totale des holdings s'élevait à €982m. Cette dette comprenait €164m de NEU CP (dans le cadre d'un programme de €700m sur Fimalac, qui sera transféré sur GML), €200m de dette bilatérale arrivant à maturité en 2025,

€300m à maturité 2028, suite à l'extension de la maturité initiale (2024), et €160m de term loan amortissable à maturité 2027. GML dispose également d'une dette avec Fimalac Participations, holding détenant GML (€123m). Selon les calculs d'EthiFinance Ratings, la position de trésorerie des holdings, y compris les actifs financiers, s'élevait à €2.0Mds à fin 2023, principalement composée de dépôts à terme en dollars, d'actions et d'obligations cotées. En tenant compte des engagements de retraite, des earn-outs des acquisitions et des engagements d'achat d'actions - qui sont actuellement supportés par le groupe pour le compte de ses filiales - le groupe affichait une position de trésorerie nette à €1.1Mds à fin 2023.

Profil de liquidité

- Une liquidité excellente du fait d'une trésorerie conséquente

Malgré les investissements importants au cours des dernières années, GML a un excellent profil de liquidité, renforcé par un profil de refinancement solide et un très bon niveau de liquidités. Ces dernières couvrent largement les échéances à court terme, avec un ratio de couverture d'environ 4.5x selon nos calculs. La trésorerie élargie, incluant certains actifs financiers moins liquides (avec une décote de 25% sur les investissements dans les fonds de capital-investissement), représente environ 2.1x le montant total de la dette. Cette solide position de liquidité assure à GML une marge confortable pour faire face à ses obligations financières et soutenir ses opérations courantes ainsi que ses investissements.

Dans le cadre de certains emprunts, Fimalac SE et GML SE sont tenus de respecter des covenants financiers, qui sont calculés sur la base des états financiers consolidés. Ces derniers étaient respectés au 31 décembre 2023.

Perspectives d'évolution des ratios de crédit (CMEÉ)

- CMEÉ Stable

D'après notre analyse, le ratio de couverture des intérêts devrait rester autour de son niveau actuel au cours des douze prochains mois. Il convient cependant de noter que GML couvre indirectement ses charges d'intérêts grâce à ses placements en dollars (environ 40% de sa trésorerie) qui bénéficient de rendements plus élevés que l'euro. Parallèlement, le ratio de LTV devrait rester significativement négatif du fait de la position de trésorerie nette, ce qui compense l'impact négatif de la détérioration du ratio de couverture des intérêts.

Sensibilité de la notation

- Liste des notations :

Notation NEU CP : EF1+

Facteurs pouvant influencer (individuellement ou collectivement) la notation :

- Facteurs positifs (↑)

La notation actuelle de GML est la plus élevée de notre échelle de notation court terme. Notre notation découle d'une très bonne couverture de la dette court terme ainsi que d'un ratio de LTV fortement négatif. Selon nos projections, nous nous attendons à ce que la société maintienne cet excellent profil financier au cours des trois prochaines années.

- Facteurs négatifs (↓)

Nous pourrions envisager une dégradation de la notation à court terme de GML en cas d'utilisation significative de sa trésorerie pour investir dans des actifs par nature moins liquides. De tels changements entraîneraient une détérioration du ratio de LTV. A court terme, un tel scénario nous paraît peu probable.

Disclaimer: The following is a translation of the original rating report in French, which remains the default version. This translation includes no additional figures or reasoning beyond what is contained in the original French version.

Rating action and rationale

- EthiFinance Ratings initiates the short-term rating of Groupe Marc de Lacharrière SE's NEU CP programme ("GML" or the investment holding) at EF1+ (the highest on our short-term rating scale), for an amount of up to €700m. This initiation follows the project of universal transfer of assets from Fimalac SE to GML, whose NEU CP programme of Fimalac SE, rated EF1+ by EthiFinance Ratings, will eventually be transferred to GML.
- GML is the holding company for Fimalac SE. As part of the reorganisation of the group and the absorption of Fimalac SE by GML, the new rating perimeter includes all the assets held by Fimalac SE plus the assets and liabilities of GML, namely an equity stake in the investment fund Warburg Pincus, financial debts carried by GML and some property and financial assets.
- Our rating is based on the excellent financial profile of GML, characterised by a negative loan-to-value (LTV) ratio, which is expected to remain so over our three-year forecast period. In addition, the investment holding company has a good coverage ratio of short-term debt by cash and cash equivalents including the most liquid financial assets. GML's solid financial profile is also the result of a prudent investment policy, exhibited by the success of its long-term investments in Fitch from 1997 to 2018, and in the Lucien Barrière group from 2011 to 2023.
- However, our short-term rating is constrained by limited asset diversification, both in terms of value and industry, particularly following the recent disposal of the Lucien Barrière group. In addition, the relative illiquidity of assets is another constraining factor, albeit somewhat mitigated by the good level of cash available, including liquid financial assets.
- Regarding ESG, GML's management board and supervisory board recently approved a roadmap that sets objectives which will include an analysis of the double materiality impact to be completed by 2025, in line with the European Corporate Sustainability Reporting Directive (CSRD). As a part of this roadmap, the initial steps have been undertaken, with the inclusion of a materiality matrix for ESG risks in GML's extra-financial report for FY23, which also includes some ESG KPIs at the group level.

Issuer description

GML is a long-term investment holding company, primarily focusing on two main sectors: Digital (featuring Webedia, The BrandTech Group, and Partoo) and Entertainment (Fimalac Entertainment), which operates theatre chains and concert venues and produces shows (concerts and theatre performances). In the 1st quarter of 2024, GML completed its investment into Casino, a large French hypermarket chain, via a consortium that now owns a majority stake in the company. Additionally, the group owns a portfolio of real estate properties (both office spaces and commercial assets in France, the US and the UK), a large portfolio of financial assets (bonds & equity) strategic minority stakes in the Financière LOV group (Banijay-Endemol and Betclac), and an equity stake as General Partner in the investment fund Warburg Pincus.

GML is owned by Marc Ladreit de Lacharrière and his family. As of end-2023, GML's net assets were valued at €4.2bn (including €1.1bn in net cash), based on the valuation report and the figures given by the group, marking a 10% decline from the previous year. This decline is due to a decrease in the USD as well as a decrease in the value of real estate assets and in some of GML's main investments. Our rating is based on our 'investment holding' methodology, which considers the ultimate parent company and its financial subsidiaries while treating operating subsidiaries as investments.

Fundamentals

Business risk profile

Investment policy

- **A prudent investment policy combining both strategic and opportunistic approaches**

Overall, we regard GML's investment policy as prudent, characterized by a blend of strategic and opportunistic operations. The portfolio is balanced between defensive assets, such as financial assets including USD deposits, and riskier, more cyclical assets, which offer significant growth potential, like those in the Digital and Entertainment divisions. The company's robust track record is largely attributed to the successful investment in Fitch Ratings, with the final portion divested in 2018 for €2.3 bn, and more recently, with the divestiture of its 40% stake in the Lucien Barrière group for €325m.

In addition, GML is looking to strengthen its commitment to ESG, and to comply with the CSRD. However, its investment policy does not yet factor in these issues.

Portfolio of investments

- **Asset value is concentrated in the digital marketing sector, with minority participations across other industries**

As of end-2023, the digital division remains the cornerstone of GML, comprising c. 43% of the net adjusted asset value, excluding cash, according to our calculations. This significant exposure has further increased following the disposal of the Lucien Barrière group.

In the first half of 2023, the divestiture of a 71.4% stake in Jellyfish to BrandTech via a stock swap, facilitated the formation of the world's leading digital-only marketing group, with GML retaining a 12.5% ownership stake in the BrandTech group. GML has also a significant stake in the investment fund Warburg Pincus whose investments are diversified in terms of sector. Additional assets in various sectors include audiovisual production (Banijay, Endemol Group), online betting (Betclic), live entertainment (Fimalac Entertainment), hotels (LOV Hôtel Collection), and food retail (Casino).

- **A decent geographic diversification driven by the Webedia group, the stake in Warburg Pincus, and real estate assets**

The geographic diversification of the portfolio is primarily driven by the operations of the Webedia group (Digital) across 15 countries, then by the stake in Warburg Pincus whose investments are located in North America, Asia and Europe, along with real estate assets that are evenly distributed between France, the UK, and the US. A major portion of GML's treasury is held in USD, taking advantage of higher deposit rates compared to the EUR and hedging against currency risk.

- **A stable, average credit quality**

In 2023, the credit quality of Fimalac remained broadly unchanged at an average level. The impact from the divestiture of the Lucien Barrière group, which had a good credit quality, was somewhat offset by improved results in the digital segment. However, the credit quality of the real estate assets has slightly deteriorated yoy due to the lower asset values related to market conditions. The change in the scope of our analysis does not impact the credit quality of GML's assets which remains average.

- **Key drivers of asset liquidity: cash and listed financial assets**

GML's investment portfolio is primarily composed of stakes in private firms and non-listed securities. Regarding liquidity, these assets are considered less liquid compared to cash on hand and investments in listed securities such as stocks, bonds and monetary funds which are more liquid (notably shares in Mercialis and Banijay, and other listed investment securities). We have also considered a liquid portion of the private equity funds. However, the equity stake in the investment fund Warburg Pincus is considered to be illiquid.

Financial risk profile

Financial policy

- **A prudent financial policy highlighted by a negative LTV ratio**

The consistently negative LTV ratio has been a catalyst in GML's robust financial profile. This is attributed to a high asset value and a minimal debt level along with a strong cash position, which is further supported by the divestitures of Fitch back in 2018, and, to a certain extent, of the Lucien Barrière group in 2023.

Leverage & coverage

- **Excellent credit metrics with a net cash position**

GML's solid financial profile is the primary reason for its high rating, with a cash position still significantly exceeding its debt level. However, the interest coverage ratio has deteriorated sharply, dropping from 15.0x in FY22 to 4.3x in FY23, according to our calculations. This decline is attributed to some debt exposure to variable rates in a high interest rate environment, with interest expenses rising to €31m in FY23 from €7m in FY22. However, we expect this ratio to slightly improve from 2025 onward, on the back of progressive interest rate decreases.

As of end-2023, the total outstanding debt at the holding level was €982m. This included €164m in commercial paper (NEU CP), out of a maximum outstanding amount of €700m (programme which will be transferred from Fimalac to GML), €200m in bilateral debt maturing in 2025, €300m maturing in 2028; following a recent extension from the initial 2024 maturity, and a €160m amortizable term loan maturing in 2027. Additionally, GML has a €123m loan with Fimalac Participations, the holding company that owns GML. According to our calculations, the holding's cash position, inclusive of financial assets, amounted to €2.0bn at end-2023, primarily consisting of USD deposits, money market funds, listed shares, and bonds. Adjusted for group pension benefits, earn-outs on acquisitions, and the share purchase commitments (assumed to be supported by the group on behalf of its subsidiaries), the net cash position amounted to

€1.1bn as of end-2023.

Liquidity profile

- **Excellent liquidity on the back of a large cash position**

Despite recurring investments over the past years, GML's liquidity risk profile remains superior with a strong refinancing profile coupled with a high level of liquidity. Thanks to its cash on hand, combined with the most liquid portion of its financial assets, it amply covers short-term maturities (by around 4.5x as per our calculation). In addition, when factoring in cash as well as some less liquid financial assets (with a discount of 25% on private equity funds), the total amount exceeds the outstanding debt by around 2.1x. This solid liquidity position allows GML to comfortably meet its financial obligations and support its ongoing operations as well as its investments.

Regarding the two bilateral term loans, Fimalac SE and GML SE are required to comply with financial covenants, which are calculated based on its consolidated financial statements. Those were complied with at end-December 2023.

Credit metrics expected evolution (CMEE)

- **Stable CMEE**

As per our analysis, the interest coverage ratio is expected to remain around its current level for the next twelve months. However, GML indirectly mitigates the exposure to higher interest expenses via significant exposure to the US dollar—approximately 40% of its cash — yielding higher than EUR investments. Meanwhile, the LTV ratio is expected to stay significantly negative, which offsets the negative impact from the interest coverage ratio's deterioration.

Rating sensitivity

- **List of ratings:**
 - NEU CP rating: EF1+
- **Short-term rating positive factors**

The current rating of EF1+ is the highest grade on our short-term rating scale. Our rating is supported by the very good coverage of short-term debt along with a significantly negative LTV ratio. According to our forecasts, we expect that this strong financial position will be maintained over the next three years.

- **Short-term rating negative factors**

We may consider downgrading our short-term rating for GML if it utilizes a significant portion of its cash reserves for investments in less liquid assets. Such changes would potentially lead to a deterioration of the LTV ratio. However, such a scenario seems improbable in the short term.

Sources of information

The credit rating assigned in this report has been requested by the rated entity, which has also taken part in the process. It is based on private information as well as public information. The main sources of information are:

1. Annual Audit Reports.
2. Corporate Website.
3. Information published in the Official Bulletins.
4. Rating book provided by the Company.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies. Principal methodology used in this research are :
 - Corporate Rating Methodology - Investment Holding : https://files.qivalio.net/documents/methodologies/CRA_192_V1.Corporate_Rating_Methodology_Investment_Holding.pdf
 - Corporate Rating Methodology - General : <https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203>
- The rating scale used in this report is available at <https://www.ethifinance.com/en/ratings/ratingScale>.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

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