

Rating Update for Grammer AG

Rating of 28 th September 2018			
Issuer Rating		Outlook	
BBB		watch uncertain	

Rating History	30.06.2011-06.06.2012	21.03.2013-02.08.2017	18.05.2018
Rating	BBB-	BBB	BBB
Outlook	stable	stable	stable

Euler Hermes Rating is reviewing the BBB rating of Grammer AG in light of recent events and puts it on the watchlist with uncertain direction. The review has been initiated by the announcement that, following the majority takeover of Grammer AG by Ningbo Jifeng, the three members of the executive board will exit the company.

All members of the Executive Board have declared their resignation, which will become effective within the next months, based on contractual change-of-control clauses. In the eyes of Euler Hermes Rating the exit of the Executive Board will increase risk for management continuity. However, the analysts also take stabilizing influences such as the unchanged composition of the supervisory board and the recently positive business performance of Grammer AG into account. Besides Euler Hermes Rating considers an orderly internal succession of the Chief Operating Officer still as possible.

In light of the described events Euler Hermes Rating puts the rating of Grammer AG on the watchlist for further review with uncertain direction.

Euler Hermes Rating GmbH
Friedensallee 254
22763 Hamburg
Germany
Phone: +49 (0) 40/88 34-64 0
Fax: +49 (0) 40/88 34-64 13

info@eulerhermes-rating.com
www.eulerhermes-rating.com

Analysts

Holger Ludewig, director / project manager in representation
Katia Winkler, analyst / project manager

Rating committee

Kai Gerdes, director
Matthias Peetz, senior analyst

Principal sources of information

- Consolidated financial statement for 2017
- Financial report for first half of 2018
- Press Information of 24th September 2018 and 9th August 2018
- Additional Information on Business Combination Agreement of August 2018
- Interview with chairman of the supervisory board, Dr.-Ing. Klaus Probst, as of 28th September 2018

RATING UPDATE
Grammer AG
28th September 2018



Rating methodology

Issuer Rating of Euler Hermes Rating GmbH of May 2016
(<http://www.ehrg.de/seiten/Methodik2016.pdf>)

Rating categories

Category	Explanation
AAA	In the opinion of EHRG, AAA rated entities demonstrate an excellent credit quality and the lowest default risk.
AA	In the opinion of EHRG, AA rated entities demonstrate a very high credit quality with a very low default risk.
A	In the opinion of EHRG, A rated entities demonstrate a high credit quality with a low default risk.
BBB	In the opinion of EHRG, BBB rated entities demonstrate a medium credit quality with a moderate default risk.
BB	In the opinion of EHRG, BB rated entities demonstrate a medium-low credit quality with a slightly increased default risk.
B	In the opinion of EHRG, B rated entities demonstrate a low credit quality with an increased default risk.
CCC	In the opinion of EHRG, CCC rated entities demonstrate a very low credit quality with a high default risk.
CC	In the opinion of EHRG, CC rated entities demonstrate a very low credit quality, an event of default is very likely.
C	In the opinion of EHRG, C rated entities demonstrate a very low credit quality, an event of default is imminent.
D / SD	D rated entities have defaulted, as defined by the rating agency. The rated entity is assigned an SD rating (Selective Default) if it has only defaulted on certain debt obligations.
PLUS (+) MINUS (-)	Rating categories from AA to CCC are modified by a PLUS (+) or MINUS (-), where required, in order to show their relative position within the rating category.

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