

Methodological Assumptions OUTLOOK

1. Outlook Framework

Axesor uses a common framework to analyse the outlook of ratings. Axesor's Ratings are accompanied by an outlook which assesses the most probable direction a given long-term rating may take within a timeframe that typically spans between 12 to 30 months. An outlook is a function of where an issuer's creditworthiness stands within its rating category (upper / lower / middle range) and the expected near-term trends that will affect the issuer.

Outlooks fall within the following categories:

- **Positive.** This outlook indicates that a rating may be raised because the issuer's credit standing is at the top end of its category and it is likely to be affected by positive trends.
- **Negative.** This outlook indicates that a rating may be lowered because the issuer's credit standing is at the bottom end of its category and it is likely to be affected by negative trends.
- **Stable.** This outlook indicates that a rating is not likely to change because the issuer's credit standing is in the middle of its category and no positive or negative trends are likely to affect the issuer.
- **Under Observation.** This status is applied to issuers that have been exposed to significant events that may have a material bearing on its current rating and therefore its credit assessment must be reviewed in order to determine if a rating or outlook action is warranted.

Rating Outlooks indicate the direction a rating is likely to move over a one- to two-year period. Positive or Negative rating Outlooks do not imply that a rating change is inevitable and, similarly, ratings with Stable Outlooks can be raised or lowered without a prior revision to the Outlook, if circumstances warrant such an action. In order to evaluate the outlook, inside the issuing rating procedure, there are some indicators that analyst use:

- **Corporate strategy evaluation**
- **Financial statement perspective**
- **Evolution of macroeconomic framework**

2. Scope

This methodology applies generically to Corporates, Banks, Insurance Companies and other Financial Entities, Sovereigns and, Sub-Sovereigns.

3. Factors Analysis

Factors that are taken into consideration when assessing the outlook are:

- **Corporate strategy evaluation.** The corporate strategy allows to the analyst knows where are the goals that the management has establish and the main actions and task selected in order to achieve them. In that sense the analyst could have a view of which would probably be the profile and financial situation of the company in the short term. With this information analyst have to valuate if the strategy will improve or deteriorate the company's risk profile.
- **Financial statement perspective.** Using the outlook associated to the main financial statement and elaborating financial projection of balance sheet and cash flow the analyst can evaluate the financial evolution of the company and how this evolution.
- **Evolution of macroeconomic framework.** The macroeconomic evolution and economic cycle of all countries where the company operates have a significant influence. Additionally, is also relevant for company's risk profile estimation of changes in national laws and regulations or political movement.

This document updates the previous version while preserving its original methodological assumptions; therefore, all existing ratings remain unchanged. In this version the format has been updated.