



Credit Risk Scoring Report

1 Introduction

This report is the outcome from using the Emerald Rating service in which you have entered financial statements of two subsequent years and environmental factors of the same legal entity. You must keep in mind that this report is a recommendation only. It is a support for making a credit decision. The decision maker is the party from whom you request credit from. The report and financial statements need to be handed over to your creditor's contact for review and authorized decision making finally. Our terms and conditions, which you have signed, are attached to this report. The Emerald Rating team wishes you the best in the future path of your company. Best regards, Emerald Rating

The report is structured in sections

- Balance Sheet
- Profit & Loss Statement
- Credit Risk Scoring Results
- Definitions
- Terms & Conditions

Emerald Rating wishes you lots of success in your future of your company.



2 Balance Sheet

Year	2018	2017
Cash and Cash Equivalents	10	10
Accounts Receivable - Trade	20	20
Accounts Receivable - Intercompany	30	30
Accounts Receivable - Other	40	40
Accounts Receivable	90	90
Finished Goods	50	50
Raw Materials, Semi-Finished Goods etc.	60	60
Inventories	110	110
Prepaid Expenses	70	70
Other Current Assets	80	80
Current Assets	360	360
Fixed Assets	10	10
Intangible Assets	20	20
Investments in Subsidiaries	30	30
Non-current Receivables	40	40
Other long term Assets	50	50
Other Non-Current Assets	60	60
Non-Current Assets	210	210
Total Assets	570	570
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Common Stock	300	300
Additional Paid-In Capital	0	0
Retained Earnings	0	0
Other Equity	0	0
Equity	300	300
Short Term Debt	270	270
Accounts Payable - Trade	0	0
Accounts Payable - Intercompany	0	0
Accounts Payable - Other	0	0
Tax Payables	0	0
Deffered Tax Assets	0	0
Accrued Expenses	0	0
Other Current Liabilities	0	0
Current Liabilities	270	270
Long-Term Debt	0	0
Long-Term Debt - Intercompany	0	0
Long-Term Leases	0	0
Pension Plan Reserves	0	0
Other Non-Current Liabilities	0	0
Non-Current Liabilities	0	0
Total Equitiy and Liabilities	570	570



3 Profit & Loss Statement

Net Sales	1.000	1.000
Cost of Goods Sold	500	500
Gross Margin	500	500
Sales & Marketing Expenses	100	100
Administration Expenses	100	100
Research & Development Expenses	50	50
Other Operating Expense	50	50
Other Operating Income	0	0
Income from shares and loans	0	0
Other interest income and similar income	0	0
Interest expense and similar expense	10	10
Operating Income	190	190
Extraordinary Gain/ Loss (e.g. asset sales)	0	0
Extraordinary Result	0	0
Income tax	10	10
Other tax	5	5
Net Profit After Tax	175	175
Depreciation & Amortization	20	20
EBITDA	220	220
EBIT	200	200



4 Credit Scoring Results

Financial Statement Risk Evaluation	Ratio	Weight	Score
Financial Leverage	0.47	50%	60
Dynamic Financial Leverage	0.78	50%	100
Leverage Score		33%	80
Interest Coverage	20.00	25%	100
Operating Cash Flow - Current Liabilities Ratio	0.78	25%	80
Current Ratio	1.33	25%	100
Quick Ratio	0.93	25%	80
Liquidity Score		33%	90
Operating Profit Margin	0.19	50%	100
Return on Assets	0.31	50%	100
Profitability Score		33%	100
Financial Statement Risk Score		100%	90

Customer Environment Risk Evaluation	Input	Weight	Score
Country Risk	BBB	17%	70
Industry Risk	BBB	17%	70
Organization Type	subsidiary with a profit-loss-pooling	17%	50
Years in Business	> 20 years	17%	60
Geographic Coverage	> 50 % export	17%	70
Business Diversification	many markets - one customer	17%	70
Customer Environment Risk Score		100%	65

Credit Risk Score	77
Credit Risk Conclusion	Medium Risk
Maximum Credit Limit in EUR	179.949



5 Definitions

Financial Statement Risk Evaluation	
Financial Leverage	Liabilities / Assets
Dynamic Financial Leverage	= Operating Cash Flow / Total Debt (excluding Pension Plan Reserves)
Leverage Score	
Interest Coverage	= (EBIT - Inventory Changes in Finished Goods) / Interest Expenses
Operating Cash Flow - Current Liabilities Ratio	= Operating Cash Flow / Current Liabilities
Current Ratio	= Current Assets / Current Liabilities
Quick Ratio	= (Current Assets - Inventories) / Current Liabilities
Liquidity Score	
Operating Profit Margin	= (Operating Income - Inventory Changes in Finished Goods) / Net Sales
Return on Assets	= Net Profit After Tax / Total Assets
Profitability Score	

Customer Environment Risk Evaluation	
Country Risk	In dependence on Standard & Poors Rating definitions
Industry Risk	In dependence on Standard & Poors Rating definitions
Organization Type	The logic in the ranking is that it is least likely that states go bankrupt. That's why it has the lowest credit default risk. Privat companies whos owners are liable with there private capital will act much more risk averse than managers in limited companies. If the limited compnay is part of a group, then there is a higher market power and chance to survive. Subsidiaries will be able to receive financial support from the parent company. Non-profit organizations are not pressured by marktet forces and their financing is different. This is the reason why the credit derfault risk is lower.
Years in Business	The number of year in business indicates the quality of the business as well as the the quality if the management to servive at the market in the long run.
Geographic Coverage	As higher the revenue is made abroad and this is diversified to various countries, the dependency to geographical markets and their turbulences is reduced. This is called natural hedging as well.
Business Diversification	Similar to the business diversification it is risk reducing from a Portfolio theory perspective if the player is not putting all its efforts on one market. This is valid for geographical markets and number of customers as well. Concentration builds dependencies, which can promise high rates of return but also bring high risks. If the project is unsuccessful the company can struggle to survive.



6 Terms & Conditions

Valid from: August 1, 2018

1. **Scope**

The following Terms and Conditions regulate the business relations between Emerald Rating GmbH (hereinafter referred to as Emerald Rating) and the customer.

2. **Basis for the Business Relationship**

After making the agreed payment through PayPal and after electronically signing these General Terms and Conditions the customer is entitled to use all services offered by Emerald Rating GmbH in the field of credit information. The use of Emerald Rating services in the field of credit information after electronically signing these General Terms and Conditions and making the payment through PayPal. To this extend the respective effective prices and conditions as well as these General Terms and Conditions, and any other potential, special terms and conditions shall apply.

3. **Contract Period and Termination**

The use of Emerald Rating services is no membership. The parties agree that credit information is provided by Emerald Rating after the customer has entered the requested financial information, accepted these General Terms and Conditions and paid the service fee through PayPal. This fulfills the requirements of this agreement.

4. **Right of cancellation**

There's no right to cancel the requested credit services after the Emerald Rating GmbH has started to provide its services upon the customer's request and acknowledgment that he thereby loses his cancellation right. Emerald Rating GmbH reserves the right to withdraw from the contract and to involve the improperly made procurements.

5. **Prices and Terms of Payment**

The price for using the Emerald Rating services is 100 Euros excluding value-added tax (VAT). The payment is due at the same time as the service is requested.

6. **Authority to Represent the Company**

With respect to the service provision, irrespective of their authority to represent the company listed in the commercial register, all those employees of the customer who communicate with Emerald Rating either verbally, by telephone or in writing (by mail, fax or e-mail) shall be deemed as authorized to represent their company when dealing with Emerald Rating. Emerald Rating GmbH must be notified in writing of any restrictions of this general authority to represent the company. The customer shall bear the risk for inadequate authority to represent the company or missing authority of its employees.

7. **Copyright**

The customer accepts that Emerald Rating services are created by order of Emerald Rating. Any brands, company logos, other distinguishing marks or proprietary notices, copyright mentions, and all other characteristics that serve the identification of Emerald Rating must not be removed or modified. The customer is prohibited from accessing the software in order to modify, copy or counterfeit the latter or in order to exert influence on the source code of the



software or to derive it in any way.

8. Means of Communication and Transmission Errors

Emerald Rating is entitled to direct all messages for the customer to the mailing or e-mail address, telephone and/or fax number provided by the customer. The customer shall bear the risk for any losses arising from transmission errors for which the customer is responsible (e.g. e-mails landing in the customer's spam folder).

9. Warranty

Emerald Rating endeavors to maintain its service platform. The customer acknowledges that it may to a certain extent contain errors (e.g. data entry errors by the customer). The customer is responsible for ensuring that the information is adequately designated for the customer's intended purposes. The data shall be delivered and the associated services shall be provided. Emerald Rating shall not provide any warranty that the services can be provided without interruption or error-free, and furthermore shall provide no guarantee and shall not be held responsible for the availability, quality or execution of the services. Emerald Rating is not liable for any losses or damage that may arise from Emerald Rating's behavior concerning the credit services. Emerald Rating services shall support credit decision making, but the credit decision as such must be taken by the authorized body of the lender including the review of the correct data entry. Warranty claims shall be excluded if the defect is due to circumstances, which the customer is responsible for. Any impairment of the function, which is due to hardware defects, environmental conditions, operating error or similar reasons, shall not be deemed a defect. If there is cause for defects liability, the customer may request either remedy or replacement at Emerald Rating's option. Should Emerald Rating, due to its own fault, be unable to provide appropriate remedy or replacement, the customer may either withdraw from the agreement or demand that the price for the service concerned be reduced. The warranty period shall be one year with effect from the day of delivery of the service.

10. Disclaimer

Emerald Rating shall be liable for any damage caused deliberately or by gross negligence within the scope of the damage. Any further liability shall be excluded to the extent permitted by law. Emerald Rating shall not be liable for losses as a result of instructions by the customer. The liability of Emerald Rating shall be limited to losses incurred by the customer. Any liability for further losses, namely third-party indemnification, shall be waived completely.

11. Usage Limitations

The customer shall ensure compliance with the agreed scope of services. The customer is prohibited from replicating software, with the exception of a backup copy intended exclusively for his own personal use. The customer shall use the services provided to him solely in accordance with the effective laws. In particular he shall guarantee compliance with the provisions regarding data protection and copyright and he shall indemnify Emerald Rating from any claims enforced by third parties against Emerald Rating as a result of a violation of the aforementioned provisions.

12. Technical Requirements

Safeguarding the operation of the program's work environment and adapting it to technological advancements falls within the customer's scope of responsibilities. On request Emerald Rating shall inform the customer of the current technical requirements.



13. Breach of Contract

Violation of the usage limitations or any other breach of contract shall result in the immediate termination of the right of utilization. In this case, no refund shall be made for any service fees already paid. This shall not affect any further claims for damages.

14. Data and Privacy

Emerald Rating is not gathering, trading or processing personal data. The customer agrees that the financial and customer environment information that he enters in Emerald Rating service, deals for converting it into information for supporting a credit decision only. PayPal personal information is disconnected from Emerald Rating services.

15. Contract Documents and Alterations

In case of conflict between the provisions of an individual contract and the provisions of these Terms and Conditions, the provisions of the individual contract shall prevail within the scope in which the disagreement exists. Should an individual provision be or become invalid, this shall not affect the validity of the remaining provisions. The customer's General Terms and Conditions shall not be applicable insofar as they contradict the Emerald Rating General Terms and Conditions. Unless explicitly agreed otherwise, any alterations and amendments of these terms and of any individual contracts must be in writing. This shall also apply to any agreement with regard to a waiver of the written form requirement.

16. Applicable Law

This agreement is governed by Swiss law.

17. Place of Jurisdiction

The courts having jurisdiction in Schübelbach (the registered office of Emerald Rating) are appointed for court settlements, subject to any mandatory legal provisions to the contrary. Emerald Rating has the right to sue the customer at another court having jurisdiction.



7 Invoice

Schübelbach, March 28, 2019

Dear ladies and gentlemen,

Thank you for using Emerald Rating services. For this we charge you a service fee of 100 Euros without VAT. The Emerald Rating GmbH is not applicable for VAT. We have received the amount through our electronic payment process.

Thank you and best regards,

The Emerald Rating GmbH