Rating report

3 September 2021

EuroRating assigned BB- long-term credit rating to secured fixed rate bonds of the company TVR Finance Ltd issued via the bond programme of Audacia Capital (Ireland) Ltd

Public / Private rating	Public
Continued / One off rating	Continued (monitored rating)
Category	Rating for a bond issue
Bonds issued by	TVR Finance Ltd via the bond programme of Audacia Capital (Ireland) Ltd
Formal bond issuer	Audacia Capital (Ireland) Ltd
Bond Obligor	TVR Finance Ltd
Type of the rated bonds	secured fixed rate bonds
Bonds maturity date	30 April 2025
Type of the credit rating	Long-term, international scale
Date of rating assignment	3 September 2021
Rating level	BB-
Rating outlook	Stable

The presented credit rating is a rating for a bond series (ISIN: IE00BL84C823) and relates to the issue of up to £25 million secured fixed rate bonds denominated in GBP with the maturity date 30 April 2025. The bonds are to be issued via the bond programme of an intermediary bond platform Audacia Capital (Ireland) Ltd ("Audacia", the "Issuer") by the company TVR Finance Ltd ("TVR", "Collateral Obligor"), which is a private company limited by shares, incorporated and registered in England and Wales.

The presented credit rating does not relate to the credit risk (or probability of default) of the formal issuer – Audacia Capital (Ireland) plc (rated by EuroRating at "BBB+") nor to the credit risk of the Collateral Obligor – TVR Finance Ltd. The rating concerns the risk of an ultimate loss of a part or all of the secured bonds' principal amount and the interest by the bondholders in the event of a default of the Collateral Obligor.

TVR Finance Ltd is a Special Purpose Vehicle (SPV) incorporated in 2017, initially dormant, now used for issuance of bonds. TVR Finance Ltd is currently outside of TVR Group. TVR Automotive Ltd and TVR Manufacturing Ltd will be responsible for the obligations of TVR Finance Ltd with all their assets based on the cross-group guarantee agreement.

As TVR Finance Ltd (the Bond Obligor) is a SPV company and will not conduct operational activity, as well as due to the fact, that TVR Group will be responsible for the obligations of TVR Finance Ltd, the analysis and credit risk assessment of TVR Finance and of its bonds is based to a large extent on the financial situation and forecasts for TVR Group.

Key rating drivers

Positive:

Cross-guarantee contracts: between Audacia Capital (Ireland) PLC and TVR Automotive and TVR Manufacturing, which guarantee that both companies from the TVR Group will take full responsibility for the obligations of TVR Finance. The TVR Group guarantees Audacia that the guaranteed liabilities of TVR Finance will be repaid on time and in full due.

Potentially profitable business model: The first year's TVR production is fully sold out with the 500 limited Griffith LE supercar launched at the Goodwood Revival, demonstrating the brand appetite and generating in excess of a £40M order book.

Positive independent evaluation of the project: The 10-year plan was reviewed for the Welsh Government by both KPMG and Deloitte as part of their investment decision. Based on the obtained recommendations, Welsh Government decided to take part in the project.

Support from the Welsh Government: investment, assembly facility and skills training. The Welsh Government has invested in the company and commenced a multi-million pound refurbishment program, on completion the factory to be leased to TVR. Welsh Government wishes to attract TVR to the region for industry, employment and development of automotive activity in the region.

£65-85 million enterprise valuation: the current enterprise valuation, factoring in risk, made by Cairn Financial Advisers LLP, including reviewing the 10 year plan and the indicative valuation analysis, confirm the valuation of the company carried out by management in the range of £65-£85 million.

Unique competitive position: The TVR Group business model (rejuvenation of a 70 year old British luxury brand with a global footprint) is quite unique and for this reason it does not have many direct competitors.

Expected further products diversification: The proceeds from bond issue is planned to be spent mainly on starting production of the new TVR Griffith car. The Griffith product family will have a few car versions include hybrid and fully electric powertrain solutions.

Simple car assembly process: The process requires little on-site tooling and can be handled by semi-skilled workers. Major components, such as the tubular steel chassis with its bonded-in composite strengthening panels, come from external suppliers.

Experienced management team: Globally-experienced leadership team with both automotive industry and entrepreneurial skill set.

Experienced external partners with know-how: Ford, Motul, Gordon Murray Design, Avon Tyres.

Negative:

Negative equity: as of 30 June 2021 the TVR Group reported a negative consolidated equity of £2.2 million. Negative equity is the result of a losses of £4.1 million incurred in recent years by TVR Manufacturing. The negative equity and a plan of an issue of additional £25 million debt mean, that the Group for some period will use a very high financial leverage.

Dependence on external financing: at present, the TVR Group does not generate any significant revenues. In order for the company to execute its business plan there is a requirement for a substantial additional equity and/or debt funding.

Group's assets consist almost entirely of intangible assets: the value of intangible assets can be extremely volatile. Moreover, many intangibles usually have a significantly higher value as part of an ongoing business concern than if separated from the debtor's business. In case of bankruptcy creditors' demands may not be satisfied from the company's assets.

Most of the proceeds from the bonds will be invested in intangible assets: most of the £25 million proceeds from the bonds will go into further research, licences, car safety testing. The value of these investments is very difficult to estimate and in case of project failure may lose its value significantly.

Insufficient liquidity: the TVR Group may not be able to generate sufficient cash to fund its capital expenditure and debt or sustain its operations. Significant leverage levels may inhibit TVR ability to raise additional capital, and substantial debt servicing requirements reduces cash available to support other operational needs.

Niche sport car manufacturer: with only a limited product portfolio and annual production capacity of about 1500-2200 units, TVR is a small car manufacturer and focuses its sales only on the niche market of luxury cars. Despite the luxury car segment's lower volatility than mass-market cars factors beyond the company's control can significantly affect sales.

High fixed costs per car: TVR like any car manufacturer is a subject to stringent sector regulations, such as safety and fuel emissions, as well as high investment requirements. As TVR produces significantly fewer cars compared to the largest car manufacturers, the fixed costs per car could be significant.

Challenged by changing industry trends: TVR in a next few years will be affected by shifting industry's structural trends, including connectivity, autonomous driving and electrification. TVR Griffith has already been designed for electric powertrains. The changing trends could create opportunities for new entrants. Companies like Google and Apple are likely to become serious competitive threats to traditional auto makers and prompt increased investment for incumbent manufacturers, but the overall impact on sales and earnings is yet unclear.

Covid-19 pandemic risk: Covid-19 significantly contributed to the decline in luxury sports car sales in 2020. Some companies needed significant external financial support to survive this period. TVR has already endured a delay because of Covid-19, the first cars are to be delivered in 2022.

Stable rating outlook

The stable outlook assigned to the rating means, that according to current estimates of the EuroRating credit rating agency the rating should most probably remain unchanged in the horizon of the next 12 months.

Factors that could lead to a rating change

Positive:

- finding new investors and increasing the share of equity in total liabilities;
- sale of the entire issue of secured fixed rate bonds (£25 million);
- implementation of car sales in accordance with the business plan;
- achieving the planned profit, especially in the years 2023-2024.

Negative:

- selling only part of the bond issue and insufficient funds for the completion of the investments plan;
- failure to find new investors, an increase in the share of financial liabilities and decrease in the share of equity in total liabilities;
- potential problems with the quality of produced cars, large returns, rising repair costs, loss of reputation, etc.;
- failure to realize the planned sales and profits, especially in the years 2023-2024.

The formal bond issuer

A formal (direct) issuer of the rated bonds described in this report is the company Audacia Capital (Ireland) plc, which is a platform for issuance of debt securities. The purpose of the company is to issue tradeable and liquid corporate bonds for SMEs and in so doing, allow these companies to raise funds to be used to further their own commercial or industrial activity, via their own dedicated listed bond series but with the Company assuming the governance burden of being a listed company and the incumbent cost burden of that.

The activities of Audacia Capital (Ireland) plc are comprised solely in the issuance and operation of a limited recourse debt securities programme. The claims of the bondholders against the company in respect of the bonds of any particular series are limited only to the collateral held by the company (i.e. the rights arising under loans granted to the Bond Obligor), together with cash retained or otherwise held in segregated account for the bond series and the redemption proceeds or other distributions in relation to the bonds of the relevant series.

Following the distribution of such collateral and any proceeds of sales of such collateral, the bondholders of the series have no further rights against Audacia Capital (Ireland) plc (or any of its assets), to recover any sums due but unpaid to it, and all claims and all rights to claim of the bondholders of the relevant series against the company in respect of each such sum unpaid are automatically extinguished.

That means, that Audacia Capital (Ireland) plc (as a bond platform and at the same time a formal issuer of the bonds) is not liable for any obligations arising out of the issuance of the bonds issued via it by the Bond Obligor (i.e. TVR Finance Ltd).

Direct bond issuer registration data

Company name: Audacia Capital (Ireland) plc. **Registered office**: 31-32 Leeson Street, Dublin 2, Ireland; the Company also maintains a satellite sales office in London for the UK based Directors at 22A St James's Square, London SW1Y 4JH, United Kingdom; Company **registration number (Ireland)**: 622442; **Tax Reference Number:** IE3577429 RH; **Legal Entity Identifier**: 635400EBZOZHDCUVLR12.

The Collateral Obligor

The Collateral Obligor of the rated bonds described in this report is the company TVR Finance Ltd. The Collateral Obligor is fully liable for the timely payments of the interest and for the redemption of the bonds at their maturity date.

In case of a default of the Collateral Obligor the amounts to be recovered by the bondholders can come only from the assets of the Collateral Obligor and from the assets of companies with it has signed cross-guarantee contracts.

Registration data

Company name: TVR Finance Ltd. **Registered office**: Griffith House, Walliswood, Dorking, England, RH5 5RD. **Company registration number**: 11056477. **Tax Reference Number:** 37726 24381.

Business activity

TVR Finance Ltd was incorporated on 2017 (originally incorporated to handle future customer car financing). TVR Finance Ltd is a Special Purpose Vehicle (SPV) to be used for on-lending of funds from the bond to its affiliate, TVR Automotive Limited ("TVRA"), which may retain the funds in order to further its business plan or it may further on-lend the funds to its subsidiaries. TVR Finance Ltd is the obligor but as it has no trading, TVR Automotive Ltd cross guarantees and supports the obligor. Essentially the company responsible for guarantee is TVR Automotive Ltd. TVR Finance Ltd is currently outside of TVR Group, held by directors on behalf of TVR Group and outside of Welsh Ministers' approval framework, it is proposed to be acquired by TVR Automotive Ltd at completion at par value.

TVR Automotive Ltd is a private company limited by shares and was incorporated on 12th April 2013 in England and Wales. The principal activity of TVR Automotive Ltd is the development, manufacturing and retailing of the new TVR motor car. TVR Automotive Ltd is the parent company of the group. It holds intellectual property and licences to other entities.

The "TVR" brand is not new and TVR cars have an established reputation, being a legacy of the original brand from the 1940s which was withdrawn in 2007. Tens of thousands of original vehicles still exist and there is an active spare parts business for them, which operates under licence from TVRA. The TVR name has over 70 years of history in the United Kingdom in the manufacture of automobiles, and the brand is now being re-launched under new ownership. The previous TVR company was acquired by an individual, Nikolai Smolensky, in 2004 from the original owner, Peter Wheeler. In 2007, the previous TVR company was placed into administration and a pre-pack of the relevant TVR assets was carried out with the assets ultimately being transferred to an entity in Austria. The assets were held there for a number of years until they were acquired in 2013 by TVRA (then newly incorporated). TVRA owns the trademark for the TVR brand and trademarks in a range of international territories. TVRA affiliates and subsidiaries also operate a spare parts business. TVRA has designed a new luxury sports car for production and assembly at the production facility in Wales.

The TVR Group has received significant debt and equity funding already from public funds – as a regeneration project, TVRA has received direct equity investment of approximately 3% of the fully diluted capital of TVRA, and loan investment of approximately £3 million from public funds of the Welsh regional government. In addition, the production facility in Ebbw Vale, Wales was intended to be leased on commercial terms from the Welsh regional government in the United Kingdom.

The TVR Group shareholder structure

The TVR Group currently comprises TVRA and wholly-owned subsidiary, TVR Manufacturing Limited ("TVR Manufacturing"), which carries on the local operations and it is this entity which employs the various employees. There are two other companies bearing the brand "TVR", TVR Parts Limited (spare parts), and TVR Racing Limited (a racing activities business), which are entirely separate entities from the TVR Group but under licence with TVRA (which is the owner of the "TVR" intellectual property. In any event, TVRA is the parent company of the TVR Group.

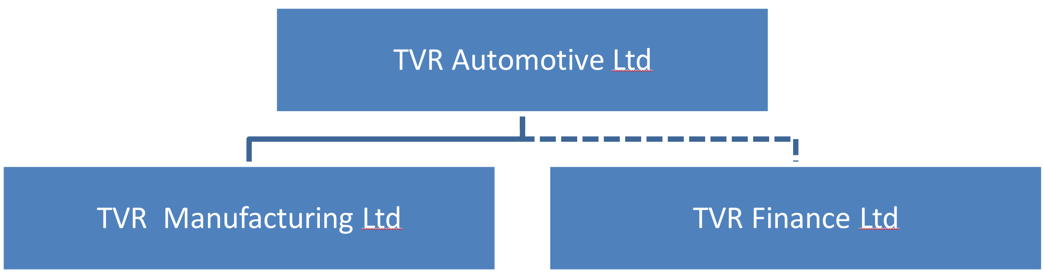
TVR Automotive Ltd is owned by 22 private individuals in addition to the Welsh Government, who are an equity investor and debt provider.

The capital structure is: 3,044,000 ordinary shares (voting / nominal £1) and 1,509,331 ordinary A shares (non-voting / nominal £0.01 used for HMRC EMI share scheme).

The Board controls 49% of ordinary shares: Les Edgar 22% (660,000 shares), Matthew Truelove 10% (305,000 shares), Martin Overington 8% (235,000 shares), John Chasey 7% (200,000 shares) and Rich Smith 2% (50,000 shares), 3,3% Welsh Government.

TVR Manufacturing Ltd is a subsidiary wholly owned by TVR Automotive Ltd. It is a trading company using brand under license from TVR Automotive Ltd. TVR Manufacturing Ltd undertakes the current R&D and operational aspects. TVR Finance Ltd is a Special Purpose Vehicle (SPV) now used for issue of bond.

Chart 1. The TVR Group scheme



**TVR Finance Ltd is currently outside of TVR Group, it is proposed to be acquired by TVR Automotive Ltd at completion at par value.*
Source: The TVR Group

The TVR Automotive Ltd is planning also to acquire TVR Parts Ltd (held by Directors on behalf of Group and outside of Welsh Ministers' approval framework) as well as TVR Racing Ltd (held by independent shareholders but most in common with TVR Automotive). Both companies were proposed for option to acquire by TVR Automotive post completion at par value.

Business model

TVR is an iconic luxury British sports car brand with a 70 year pedigree. TVR is planning to start production of the new TVR Griffith car, which is a 200 mph sports car being assembled at a new facility in Wales. The company already has car orders worth £40 million, and it needs to raise money from bond issues to start production.

TVR has technologically advanced approach to building a high quality, high performance and reliable sportscar, with versatile body architecture leading to scalable volumes and simple integration of hybrid and full electric drivetrains. The company also has low capital investment, low cost materials and low energy assembly process. Proven drivetrain (used in the Ford Mustang), electrical architecture and components will be delivered from Ford, and semi-skilled assembly concept, from readily available materials that can be easily replicated in low investment facilities.

The TVR 10 year plan has been reviewed for the Welsh Government by both KPMG and Deloitte as part of their investment decision, and factory site with an existing 200,000 sq ft building has been identified in conjunction with the Welsh Government for the production facilities. The Welsh Government has invested in the company and commenced a multi-million pound refurbishment program, on completion the building to be leased to TVR.

A critical component of the rejuvenation of the brand has been the relationship with Gordon Murray Design (GMD), a world renowned as a brilliant automotive engineer and aerodynamicist. Gordon Murray has an in depth understanding, formed over many years of practical experience, of the principles of combining a metal structure with composite materials to provide an incredibly rigid structure that can be assembled from readily available materials using semi-skilled labour.

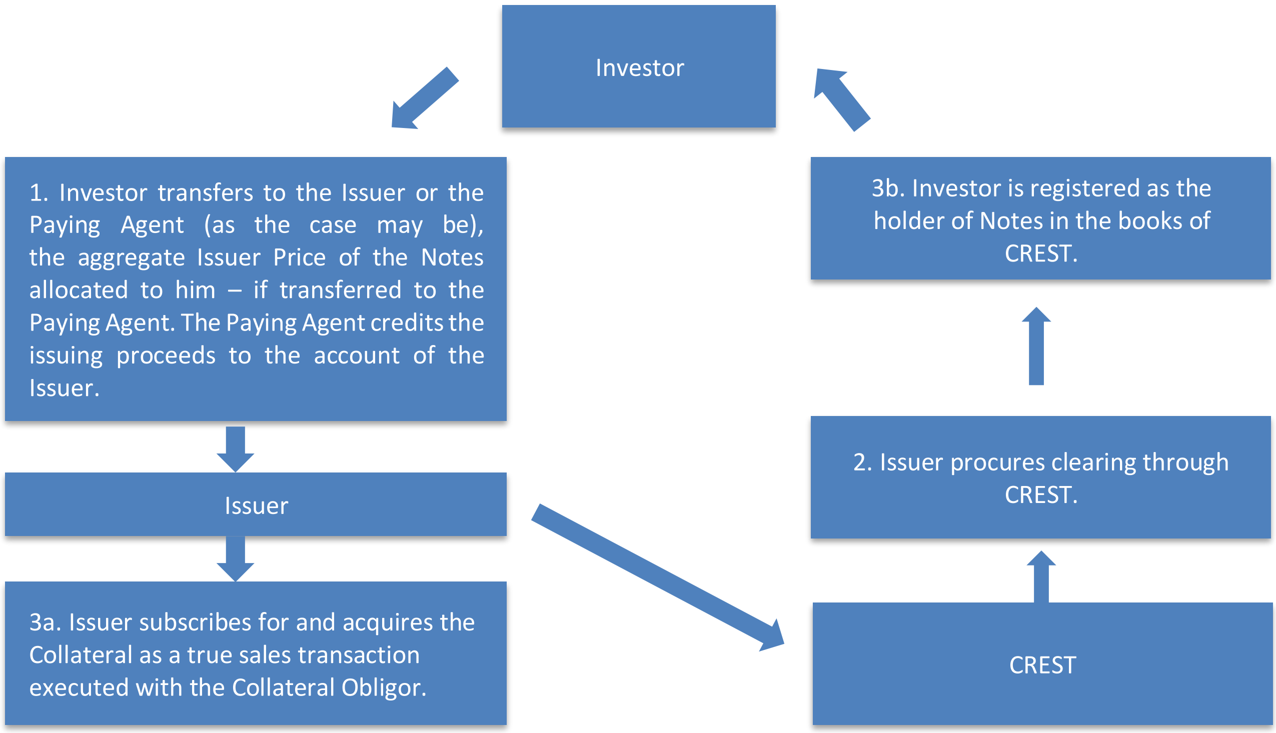
Company strategy and purpose of bond issue

The purpose of the bond issue is to raise further funds to start production of the new TVR Griffith car. The company already has car orders worth £ 40 million, and it needs to raise money from bond issues to start production. Net proceeds will be used for working capital and tooling/facilities in the production ramp up for the new TVR Griffith.

In the first year of operation, sales will focus on the UK, with continental European sales then accounting for 50% of total volume, within segments comprising between 50,00 and 75,000 new units per year. Next the TVR is planning to expand into the North America, Middle East, Japan and Australia markets. Griffith Launch Edition will be the first product in a sustained product portfolio expansion. The Griffith product family will have a few car versions include hybrid and fully electric powertrain solutions via Ford before 2030 - in advance of regulatory changes.

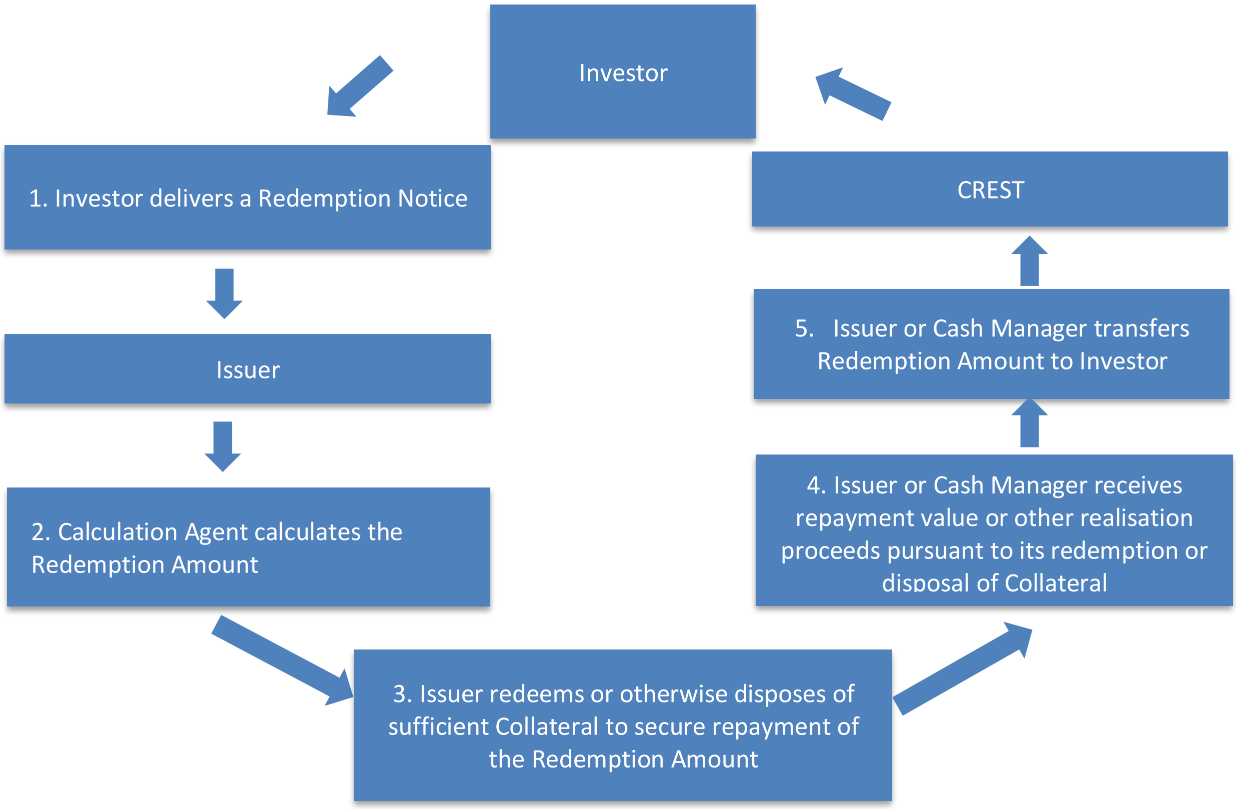
Information on the bonds

Chart 2. Audacia Capital (Ireland) plc – cash flow model – issuance of bonds



Source: Audacia Capital (Ireland) plc

Chart 2. Audacia Capital (Ireland) plc – cash flow model – redemption of bonds by investors



Source: Audacia Capital (Ireland) plc

Structure of the bond issue

The formal (direct) issuer of the bonds is Audacia Capital (Ireland) plc, acting as a platform for issuing bonds. After a successful issue of the bonds, the Bond Obligor (TVR Finance Ltd) issues its Securitisation Bonds, which are purchased by Audacia Capital (Ireland) plc for the proceeds from the bond issue, less than 8% cash reserve held by the bond platform for liquidity purposes.

Amount and status of the bonds

- The aggregate nominal amount of the bonds is up to £25,000,000, or as otherwise announced by the formal bond issuer – Audacia Capital (Ireland) plc.
- the Issuer, Audacia Capital (Ireland) plc, has a floating charge over the assets of TVR Automotive Ltd which is monitored and controlled by a regulated security trustee (DMS Governance Risk and Compliance Services Ltd) to protect investors.
- The Audacia Capital (Ireland) plc bond programme requires a minimum of 8% cash liquidity is retained. This is maintained by the Issuer in a segregated account with an AA rated banking custodian.

- Security is issued via CREST. CREST is the system of paperless settlement trades and the holding of uncertificated securities administered by Euroclear UK & Ireland Limited. CREST enables securities (including debt securities) to be evidenced otherwise than by written instrument, and to be transferred electronically and the bonds are participating securities.
- Bond is daily tradeable.
- Net proceeds will be used for working capital and tooling/facilities in the production ramp up for the new TVR Griffith. This is monitored by the issuer and reported to the Euronext Dublin Exchange in accordance with the published listing particulars at www.ise.ie.
- The bonds are to be issued in 1 tranche. Total amount of the issue under this tranche will be up to £20,000,000.
- The aggregate nominal amount of bonds to be issued will depend on the amount of the bonds for which offers to subscribe are received and will be specified by announcements to be published on the website of Euronext Dublin during the offer period.
- Issue date of the bonds: 1 June 2020 or such other date as will be specified in an announcement to be published on the website of Euronext Dublin.
- Minimum denomination of the bond is £10,000. Minimum trading amount within the offering period is €100,000, but on the secondary market bonds are freely transferable, tradeable and can be offered without any minimum.
- The legal jurisdiction of the collateral will be provided by England & Wales (governing law of the bonds and the guarantee from the guarantors).
- Issue price of the bonds under first tranche is 100% of the nominal value of £1 per note plus any accrued interest from the issue date.
- The bonds' interest rate is fixed at 8,25 per cent p.a., paid quarterly and paid gross - there is no withholding tax on the TVR bond series. On each payment date interest is payable on an available funds basis calculated in accordance with the priorities of payments.
- Payment dates: within 15 business days of each of 31 March, 30 June, 30 September, 31 December in each year of the bonds until maturity date, and then on the maturity date or the date of prior redemption (if applicable) of bonds within this series.
- Redemption valuation day: 30th April 2025 unless redeemed earlier in accordance with the terms of the series, in which case the redemption valuation day shall be the last business day before the proposed redemption.

Description of the bond collateral

The Issuer, Audacia Capital (Ireland) plc, has a floating charge over the assets of TVR Automotive Ltd which is monitored and controlled by a regulated security trustee (DMS Governance Risk and Compliance Services Ltd) to protect investors.

TVR Automotive assets consist almost entirely of intangible assets. Problem with the valuation of intangible assets as opposed to tangible assets is that the value of intangible assets can be extremely volatile. This volatility may mean that bankruptcy itself presents a potentially serious threat to the value of the debtor's intangible assets. Moreover, many intangibles have a significantly higher value as part of an ongoing business concern than if separated from the debtor's business. For a company with a similar profile of activity, these assets may have a significant value, for companies from outside the industry, the value could be zero.

The Collateral Obligor has undertaken to grant a first ranking floating charge to the Issuer over its entire assets and undertaking. The charge will be first-ranking upon its grant, subject to registration with the Registrar of Companies in England & Wales.

The Collateral during the term of the bonds is comprised in cash, the assets and undertaking of the Collateral Obligor's business as a special purpose vehicle for the TVRA and its subsidiaries from time to time, as well as the rights arising (if any) as against TVRA and its subsidiaries from time to time.

The owners of the TVR Group have also, as stated above, undertaken to pledge by way of further security 100% of the shares in the Collateral Obligor in favour of the Issuer.

Cross-guarantee contracts between Audacia Capital (Ireland) PLC and TVR Automotive and TVR Manufacturing guarantee that both companies from the TVR Group will take full responsibility for the obligations of TVR Finance. The TVR Group guarantees Audacia that the guaranteed liabilities of TVR Finance will be repaid on time and in full due.

Protections of bondholders in the event of the Collateral Obligor's bankruptcy

The Audacia Capital (Ireland) plc bond programme requires a minimum of 8% cash liquidity is retained. This is maintained by the Issuer in a segregated account with an AA rated banking custodian. Audacia Capital (Ireland) plc is the bond Issuer, and it is for Audacia to settle its creditors (bondholders are not TVR Finance creditors, they are creditors of Audacia).

TVR Finance Ltd is the Obligor but as it has no trading, TVR Automotive Ltd cross guarantees and supports the Obligor. Essentially the company responsible for guarantee is TVR Automotive Ltd.

The Collateral Obligor (i.e. but not the TVR Group as a whole) presently has no assets or liabilities save for liabilities associated with its incorporation. It is a special purpose vehicle. The Collateral Obligor will apply the subscription proceeds of the bonds in order to deliver the TVR business plan.

In the event that the forthcoming series does not provide sufficient amounts to complete the planned production, a shorter run production (currently planned for later in the process) may be brought forward to generate further income. The shorter run production relates to 100 luxury vehicles in the existing “one-make” race series - for delivery to customers within six months. While not the primary business plan, this could be deployed to address any potential servicing shortfall. (indeed, it would lead to approximately £15 million revenue at approximately £1-2 million investment).

In the worst instance, i.e. in case of a default of the Bond Obligor (TVR Finance), Audacia will settle its debts from the TVR Group’s assets, as well as the 8% reserves and any operating account balance. The collateral is typically comprised in a loan agreement, secured on the assets the Collateral Obligor's separate business, as well as the rights arising (if any) as against any other member of the TVR group.

Additional risk factors relating to the bonds

General:

There can be no guarantee that the Collateral Obligor or the TVR Group as a whole will achieve its stated trading objectives. The value of the Collateral Obligor's assets may go down as well as up in the ordinary course of the business, given its market exposures as a whole. The Issuer may therefore realise less than its original investment in the event that the Collateral Obligor and the TVR Group as a whole have insufficient assets, and therefore the bondholders will receive less than the principal value of the bonds.

Risks related to the operations of the bond obligor and its guarantors:

Economic risk: TVR is exposed to any economic downturn which could affect all types of businesses, it is subject to changes in inflation and interest rates, and the economic factors affecting its business and over which it has no control, which may cause increased cost or delay or cause the overall business to fail (in extreme circumstances).

Dependence on external financing: at present, the company does not generate any significant revenues, in order for the company to execute its business plan there is a requirement for additional equity and debt funding.

Insufficient liquidity: the TVR Group may not be able to generate sufficient cash to fund its capital expenditure and debt or sustain its operations. Significant leverage levels may inhibit TVR ability to raise additional capital. Significant debt servicing requirements reduces cash available to support other operational needs.

Production and technology risk: technological risks can arise especially as a result of increasing technical complexity, the continually rising scope of requirements to be fulfilled in terms of emissions, fuel consumption and safety, as well as meeting and steadily raising the quality standards.

Carbon dioxide regulations: many countries and regions have already implemented stricter regulations to reduce vehicles' emissions and fuel consumption or are currently preparing such laws. Non-compliance with regulations applicable in the various regions might result in significant penalties and reputational harm, and might even mean that vehicles could not or could no longer be registered in the relevant markets.

Covid-19 pandemic risk: Covid-19 has impacted many businesses during 2020 and continues to do so. The company has already endured a delay because of Covid-19, the first cars will be delivered in 2022.

Brexit risk: delays in customs processing and the interpretation and implementation of the trade deal with the EU could impact the Group's financial position, supply chain and people. The TVR may have additional costs associated with increased customs duty and tariffs. The Brexit can also extended supply lead times leading to increased working capital investment requirements.

Rating scale applied by the EuroRating credit rating agency

Rating	Risk description
AAA	Negligible credit risk. Highest level of financial credibility. Rating assigned exclusively where an entity has extremely strong capacity to meet financial commitments.
AA+ AA AA-	Very low credit risk. Very high level of financial credibility. Very strong capacity to meet financial commitments. Low susceptibility to adverse economic conditions.
A+ A A-	Low credit risk. High financial credibility and capacity to meet financial commitments. Average resistance to long-term unfavourable economic financial conditions.
BBB+ BBB BBB-	Moderate credit risk. Good financial credibility and adequate capacity to meet financial commitments in the long term. Increased susceptibility to long-term adverse economic conditions.
BB+ BB BB-	Increased credit risk. Relatively lower financial credibility. Adequate capacity to meet financial commitments under average or favourable economic conditions. High or medium level of debt recovery in the event of default.
B+ B B-	High credit risk. Capability of meeting financial commitments largely conditioned on favourable external conditions. Medium or low level of debt recovery in case of a default.
CCC CC C	Very high credit risk. Very low capability to meet financial commitments even under favourable economic conditions. Low or very low level of debt recovery in case of a default.
D	Extremely high credit risk. Complete lack of capability to meet financial commitments. Without additional external suport the level of debt recovery is very low or close to zero.

Full details on the rating scale applied by the EuroRating credit rating agency are published on the agency's website at: www.eurorating.com/en/ratings/rating-scale

Regulatory affairs

EuroRating Sp. z o.o. (with its registered office in Warsaw, Poland) is formally registered by the European Securities and Markets Authority (ESMA) as a credit rating agency authorized to issue credit ratings throughout the European Union (in accordance with the Regulation of the European Parliament and of the Council No. 1060/2009 on credit rating agencies) and is under direct supervision of ESMA (https://www.esma.europa.eu/supervision/credit-rating-agencies/risk). EuroRating holds the ECAI (External Credit Assessment Institution) status in the European Union, pursuant to the Regulation of the European Parliament and of the Council No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR Directive). The public credit ratings (including unsolicited ratings) assigned by EuroRating are valid throughout the European Union and can be used for regulatory purposes under EU legislation by all financial institutions or any other entities and are entirely equal to credit ratings issued by other credit rating agencies registered by ESMA, without territorial or any other limitations.

Methodology

The presented credit rating for is a rating for the bond issue, i.e. it takes into account both: a general credit risk of the Bond Obligor (TVR Finance Ltd), as well as any bond collateral and/or guarantees, as an additional protection for the bondholders. The presented credit rating for the bond issue does not refer to the credit risk of the direct bond issuer – Audacia Capital (Ireland) Ltd, as it (acting only as a bond issuance platform) is not liable for the financial obligations arising from the bonds.

The methodology used for this rating is available on the EuroRating's website at: https://www.eurorating.com/en/ratings/methodology/credit-risk-assessment-methodology

The rating definitions and the rating scale used by EuroRating are published on the agency's website at: https://www.eurorating.com/en/ratings/rating-scale

Historical default rates of the EuroRating credit rating agency can be viewed in the rating performance report at: http://www.eurorating.com/en/ratings/statistics

EuroRating's definition of default as well as definitions of rating notations can be found in the agency's website at: http://www.eurorating.com/en/ratings/methodology/definition-of-default

The presented credit rating is a public rating. The date of the first publication of the rating, the current rating level and the full rating history are published free of charge on the EuroRating credit rating agency website in the section "Credit ratings", in the appropriate tab on the rated security/entity. EuroRating is not responsible for information on the current rating provided by the rated entity or any third party.

Prior to the issuance of the rating or outlook action, both the bond Issuer and the Bond Obligor were given the opportunity to review the rating and/or outlook and the principal grounds on which the credit rating and/or outlook is based. Following that review, the rating was not amended before being issued.

Solicitation, key sources and quality of information

The presented credit rating was solicited by the Bond Obligor – TVR Finance Ltd. EuroRating received remuneration for the assigning and subsequent monitoring of the rating. The Bond Obligor, as well as the bond Issuer – Audacia Capital (Ireland) plc, and/or their agents have participated in the rating process by providing the agency documents, information and explanations concerning the economic and financial situation of the Bond Obligor, as well as on the assessed bond issue.

The main sources of information used in the rating process were financial statements and forecasts of the Bond Obligor and companies from the TVR Group, the "Pricing Supplement" dated 1 June 2020 and other data, information and explanations provided by the the Bond Obligor and the bond Issuer.

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