

## **Scope Ratings Downgrades Deutsche Forfait AG to CCC From B-; Rating Remains on Review for Downgrade**

**Scope Ratings (“Scope”) has downgraded the rating of Deutsche Forfait AG (“DFAG”) to CCC from B-. The rating remains under review for downgrade.**

This rating action primarily reflects the continued uncertainty about the outcome of the company’s delisting appeal from the blacklist of the US Office of Foreign Assets Control (“OFAC”), as well as its cash burn rate since Scope’s last rating update on 28 March 2014.

Pending the outcome of the appeal to be removed from the OFAC blacklist, DFAG’s cash flows remain unpredictable both in terms of amount and timing. While the company is convinced that its former Iranian business activities did not violate any US or EU sanctions against Iran and is working intensively to disprove these allegations, the outcome and length of the proceedings remain uncertain.

In the meantime, with very limited business operations the company is living off its liquidity reserves. Scope estimates that DFAG has a current cash burn rate of roughly EUR 1m per month.

Although DFAG fully covered its EUR 2.36m coupon payment for its EUR 30m corporate bond on 27 May 2014 out of its liquidity reserve, the latter is not expected to be sufficient to cover the company’s short-term debt positions incl. credit lines. Short-term debt amounted to EUR 43.3m at YE 2013, while total debt stood at EUR 80m. It is Scope’s understanding that the company is in ongoing discussions with its financing banks, also to negotiate a prolongation of its maturing short-term debt.

Given DFAG’s restricted operational capacity, the short and medium term impact of the OFAC blacklisting and the associated existential risks, the rating remains under review for possible downgrade. A rating upgrade, however, could be warranted if DFAG returns to positive operating cash flow generation as a result of a delisting from the OFAC blacklist and if it is able to prolong its short-term credit facilities.

## **REGULATORY DISCLOSURES**

### **Important information**

Information pursuant to Regulation (EC) No 1060/2009 on credit rating agencies, as amended by Regulations (EU) No. 513/2011 and (EU) No. 462/2013

### **Responsibility**

The party responsible for the dissemination of the financial analysis is Scope Ratings GmbH, Berlin, District Court for Berlin (Charlottenburg) HRB 145472, directors: Florian Schoeller.

The rating analysis has been prepared by Sebastian Zank, Lead Analyst  
Responsible for approving the rating: Dr. Britta Holt, Committee Chair

### **Rating history**

21.07.2014 CCC under review for possible downgrade  
26.03.2014 B- under review for possible downgrade  
14.02.2014 BB+ under review for possible downgrade  
02.05.2013 BB+ outlook Positive

### **Information on interests and conflicts of interest**

The rating was prepared independently by Scope Ratings but for a fee based on a mandate of the rated entity.

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### **Examination of the rating by the rated entity prior to publication**

The rated entities have been given the opportunity to examine the rating action prior to publication. Following that examination, the rating was not modified.

### **Methodology**

The methodology applicable for this rating (Corporate Rating Methodology published in March 2014) is available on [www.scooperatings.com](http://www.scooperatings.com). The historical default rates of Scope Ratings can be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA): <http://cerrep.esma.europa.eu/cerrep-web/statistics/defaults.xhtml>. A comprehensive clarification of Scope's

default rating, definitions of rating notations and further information on the analysis components of a rating can be found in the documents on methodologies on the rating agency's website.

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### **Rating issued by**

Scope Ratings GmbH, Lennéstraße 5, 10785 Berlin

### **Competent supervisory authority**

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