

Deutsche Forfait AG’s CCC rating status revised to “under review for possible downgrade”

Scope Ratings has revised the status of Deutsche Forfait AG’s CCC rating to “under review for possible downgrade” from the previous “under review with a developing outcome”.

The rating action follows Deutsche Forfait’s (“DFAG”) announcement on 26 November 2014 that it might restructure its capital in early 2015. This restructuring, if successful, aims to strengthen the company’s financial position, which suffered from being blacklisted by the US-American Office of Foreign Assets Control between February and October 2014. The company was removed from the blacklist on 16 October 2014, enabling it to resume its operations.

The proposed restructuring plan comprises an offering of a debt-to-equity swap for DFAG’s outstanding EUR 30m corporate bond against cash or shares in DFAG in the context of a capital increase of up to 3.4 million shares from authorised capital. It is at the discretion of each bondholder whether or not to accept the offer to swap its bonds. Orders will be scaled should too many bondholders accept the offering. Furthermore, the plan includes a proposed interest-rate reduction on the bond from 7.785% p.a. to 2.0% p.a. retroactively from May 2014 until the bond’s maturity on 27 May 2020. In return, bondholders would be offered a consideration yet to be specified.

The proposed financial restructuring plan also includes a possible renewal of DFAG’s bank credit lines at reduced interest rates, as well as a capital injection in cash from shareholders, which would require shareholders’ approval at the Annual General Meeting on 15 January 2015. The details of the financial restructuring concept are in the process of being further specified.

Should the debt restructuring lead to a loss of economic value for creditors, Scope Ratings might decide to place the Corporate Issuer Credit Rating (CICR) of DFAG on selective default (“SD”). A “SD” rating is

assigned when an issuer has selectively defaulted on a debt obligation and is expected to continue to meet its debt payment obligations on other issues.

The proposed offer of a bond restructuring is subject to approval by a bondholders meeting in December 2014/January 2015.

If the proposed financial restructuring were to be completed, Scope would reassess DFAG's creditworthiness in light of its reduced debt burden and strengthened capital base. This would be likely to result in a rating upgrade for the company.

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 AG, Berlin, District Court for Berlin (Charlottenburg) HRB 161306 B, Chief Executive Officer: Torsten Hinrichs.

The rating analysis has been prepared by Sebastian Zank, Lead Analyst

Responsible for approving the rating: Dr. Britta Holt, Committee Chair

Rating history

17.10.2014 CCC under review with a developing outcome

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 Corporate Rating is available on 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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