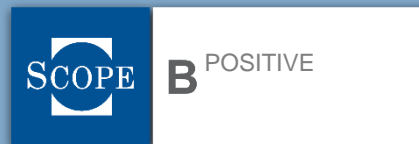


EUROBODEN GmbH

Germany, Real Estate



Corporate profile

EUROBODEN GmbH (EUROBODEN) is an owner-managed residential real estate developer with a focus on the high-quality segment. Its activities cover the entire development process, from site evaluation and project planning to implementation and marketing. The group develops architecturally valuable residential real estate properties and works with a pool of famous architects, such as David Chipperfield, Jürgen Mayer H. and David Adjaye.

Ratings

Corporate rating	B/Positive
Unsecured bond ratings (ISIN/WKN)	
DE000A2GSL68/A2GSL6	(P)BB-/Positive
DE000A1RE8B0/A1RE8B	BB-/Positive

Rating rationale

Scope affirms EUROBODEN's B issuer rating and BB- unsecured bond rating, both with Positive Outlook

The B issuer rating for EUROBODEN, a real estate developer with a focus on the high-quality segment, is supported by the company's: i) 'A' location, highly liquid properties; ii) positive growth prospects in its core markets of Munich and Berlin; iii) profound market knowledge; iv) high profitability compared with the industry average; and v) strong brand recognition allowing it to make off-market deals.

The issuer rating is negatively affected by EUROBODEN's position as a small niche player in high-quality residential property development as well as its volatile cash flows. Full exposure to the cyclical real estate market and dependence on external financing are also credit-negative. In addition, Scope believes key person risk still exists due to the contribution of the CEO, who is also the company's owner and founder. However, EUROBODEN took measures, such the appointment of a second managing director and the enlargement of the secondary management level to reduce operational dependence on the founder.

The BB- ratings for EUROBODEN GmbH's unsecured corporate bonds, reflects Scope's view that the recoupment of this investment is highly probable, thanks to the company's disclosure of hidden reserves and the excellent locations of the properties in its development portfolio.

Outlook

The rating Outlook is Positive, supported by EUROBODEN's high-quality development pipeline in the still-booming core markets of Munich and Berlin. The Positive Outlook incorporates Scope's expectation that the EBITDA interest cover remains sustainably above 1.0x, that project-related profitability will remain at EBITDA margins of between 15% and 20%, that the EUR 450m project pipeline will be successfully executed in the next few years and that the repayment of the EUR 15m bond (2013/18 ISIN/WKN: DE000A1RE8B0/A1RE8B) due in July 2018 is likely.

A negative rating action is possible if the company's loan/value ratio (LTV) were to exceed 60%, if EBITDA interest cover does not remain substantially above 1.0x on a sustained basis, or if the company's access to bank financing weakens.

Scope may consider a positive rating action if EUROBODEN manages to maintain its LTV below 50% and if its unsecured debt is refinanced in 2018.

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Related Research // Methodology

[Corporate Rating Methodology](#)

[Rating Methodology: European Real Estate Corporates](#)

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Bloomberg: SCOP

Rating drivers

Positive	Negative
<p>Lack of supply for EUROBODEN's core markets Munich and Berlin supporting stability of demand going forward.</p>	<p>Small niche market player in the development of luxury residential real estate which keeps EUROBODEN exposed to more elastic demand and potential margin deterioration.</p>
<p>Germany's positive economic environment is expected to support the company's business in the next few years.</p>	<p>Concentrated development pipeline with a limited geographical diversification focusing on Munich and Berlin.</p>
<p>EUROBODEN's 'A' location development portfolio supports price stability and asset fungibility.</p>	<p>Full exposure to the cyclical nature of the real estate market with almost all sources of revenue directly linked to the company's development activity.</p>
<p>EUROBODEN exhibits higher profitability compared to peers with a weighted average EBITDA margin of 20% for the last 10 projects.</p>	<p>Key-person risk associated with the founder.</p>
<p>Very good market knowledge and standing due to its established brand facilitating off-market deals.</p>	<p>Continued high refinancing risk with EUR 76m of debt (74% of total debt) falling due in the next 24 months. However, this is partially mitigated by available credit lines of EUR 14m as at 30/09/2017.</p>
<p>LTV of below 50% end-March 2017 leaving enough headroom for the company to increase leverage to cover construction costs.</p>	

Rating-change drivers

Positive	Negative
<p>Successful refinancing of unsecured debt in 2018 while maintaining LTV below 50%.</p>	<p>LTV exceeds 60%.</p>
	<p>EBITDA interest cover does not remain substantially above 1.0x.</p>



Financial overview

Scope credit ratios			Scope estimates		
	2015	2016	2017E	2018E	2019E
EBITDA/interest cover (x)	2.1x	2.5x	2.4x	2.7x	6.3x
SaD/EBITDA	13.4x	11.9x	16.0x	10.1x	3.5x
Scope-adjusted FFO/SaD	4%	3%	1%	4%	15%
FOCF/SaD	negative FOCF		negative FOCF		11%

Scope-adjusted EBITDA in EUR m			Scope estimates		
	2015	2016	2017E	2018E	2019E
EBITDA	2.6	5.3	5.6	9.2	25.0
Operating lease payment in respective year	0.3	0.3	0.3	0.3	0.3
less: disposal gains fixed assets incl. in EBITDA	0.0	0.0	0.0	0.0	0.0
Scope-adjusted EBITDA	2.8	5.6	5.8	9.5	25.3

Scope funds from operations in EUR m			Scope estimates		
	2015	2016	2017E	2018E	2019E
EBITDA	2.8	5.6	5.8	9.5	25.3
less: (net) cash interest as per cash flow statement	-1.3	-2.2	-2.4	-3.4	-4.0
less: cash tax paid as per cash flow statement	-0.2	-0.4	-0.6	-2.6	-8.0
less: pension interest	0.0	0.0	0.0	0.0	0.0
less: interest component operating leases	0.0	0.0	0.0	0.0	0.0
add: dividends received from equity	0.0	0.0	0.0	0.0	0.0
less: disposal gains fixed assets incl. in EBITDA	0.0	0.0	0.0	0.0	0.0
less: capitalised interest	0.0	0.0	0.0	0.0	0.0
Change in provisions	0.0	-1.0	-1.8	0.0	0.0
Scope funds from operations	1.3	2.0	1.0	3.4	13.2

Scope-adjusted debt in EUR m			Scope estimates		
	2015	2016	2017E	2018E	2019E
Reported gross financial debt	37.6	66.2	94,8	99,6	91,8
deduct: cash, cash equivalents	-0.7	-1.3	-3.0	-5.0	-5.0
Cash not accessible	0.0	0.0	0.0	0.0	0.0
add: pension adjustment	0.0	0.0	0.0	0.0	0.0
add: operating lease obligation	1.0	1.0	1.0	1.0	1.0
add: asset retirement obligations	0.0	0.0	0.0	0.0	0.0
Scope-adjusted debt	37.9	65.9	92.8	95.6	87.9

Business risk profile

Industry risk

Cyclicality – high

Scope believes ‘developer’ corporates face the highest cyclicality, as demand is linked to economic growth. In addition, these companies mostly face a high time-to-delivery, as three to four years are needed to develop a new property from scratch. If demand declines during this time, risks associated with letting and disposal could increase tremendously because of either an economic downturn or competition from existing or newly-built stock.

Market entry barriers – low

Scope believes that the real estate industry generally has low barriers to entry. On the one hand, significant investment is needed to buy, maintain or develop properties. Thus a company needs either significant internal resources or good access to third-party capital. On the other hand, there is a high level of fragmentation in the real estate industry and good general access to credit due to collateral-eligible assets. Both are indicators of the relatively low barriers to entry.

Substitution risk – low

Substitution risk is generally low as the properties (mainly for residential spaces) represent one of the basic human needs.

Substitution risk for developers depends on the property type. The skills and reputation of a developer are essential to the successful development of made-to-measure projects. As these are not easily replicable, substitution risk is deemed to be medium. However, generic property design and development could be easily substituted by any existing competitor, or by new players entering the market from other industries, due to potential benefits gained from new infrastructure and/or more efficient processes.

Figure 1: Industry risk assessment I European real estate developers

Cyclicality	Barriers to entry		
	Low	Medium	High
High	CCC/B	B/BB	BB/BBB
Medium	B/BB	BB/BBB	BBB/A
Low	BB/BBB	BBB/A	AA/AAA

Source: Scope Ratings

Industry Outlook (Stable)

European real estate prices continuing to soar in 2017, despite the unstable economic environment caused by: i) rising interest rates in the US and their effect on European markets; ii) an upsurge in populist politics worldwide and its potential negative impact on growth; iii) Brexit; and iv) the ongoing threat of terrorism.

Scope expects prices to increase further, bolstered by rising tenant demand and supported by the recovery of European economies for a fourth consecutive year. Any further strong compression of real estate yields in Europe’s core markets is unlikely, as the ultra-loose monetary policy of the ECB, and resulting impact on real estate yields, has reached the end of the road for some markets. In fact, there is a risk that Europe’s core markets may be overpriced.

As yield curves are remaining flat for the time being and liquidity is flooding the markets – indicated by the +21% YoY growth of ‘dry powder’ (Prequin: June 2016) available for investment in European real estate – the hunt for yield and the strong attractiveness of real estate assets is placing further pressure on fixed-income yields (down) and, as a consequence, on asset prices (up).

Those corporates that are able to tap this flood of liquidity will use the funds to either: i) improve business risk profiles via M&A or development activity, with gains in size

improving economies of scale and/or diversification; or ii) enhance financial risk profiles, with debt protection and leverage benefiting from low financing costs and the further increase in property prices. With companies using additional financial headroom to deleverage, Scope expects a positive impact on a number of credit ratings.

For those companies unable to take advantage of the ECB's market, Scope's mid- and long-term credit outlook is more subdued in light of the heightened sensitivity of the European real estate market to changes in the political, economic and interest rate environments.

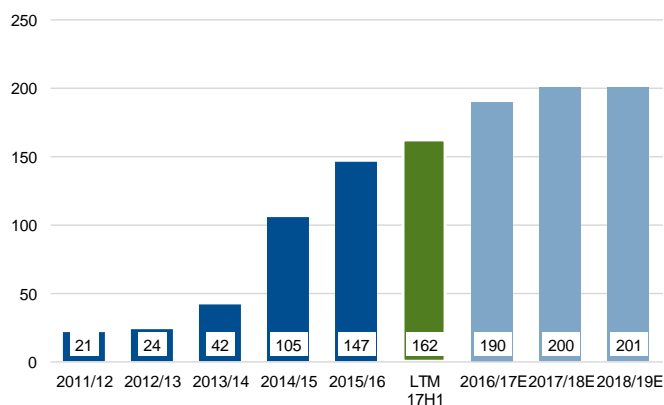
Competitive positioning

With a total asset value of EUR 84m (EUR 162m including Scope adjusted hidden reserves of EUR 78m) and funds from operations of EUR 4m for the year to March 2017 (Figures 2 and 3), EUROBODEN is a small company, which is, nevertheless, exhibiting strong growth in the highly fragmented market of German real estate development. In terms of size, it is expected to grow further in the next two years thanks to its substantial project pipeline, which grew to EUR 450m as of August 2017 from EUR 302m at YE 2015. Competitive positioning is expected to improve further, if the company is able to successfully realise major projects in Munich as well as achieve geographical expansion. Despite the increasing focus on larger projects as well as additional locations, EUROBODEN should continue to concentrate on its specific niche market of luxury residential real estate.

Small size constitutes a negative rating driver because it implies a greater sensitivity to unforeseen shocks, greater volatility in terms of cash flows as well as higher key person risk.

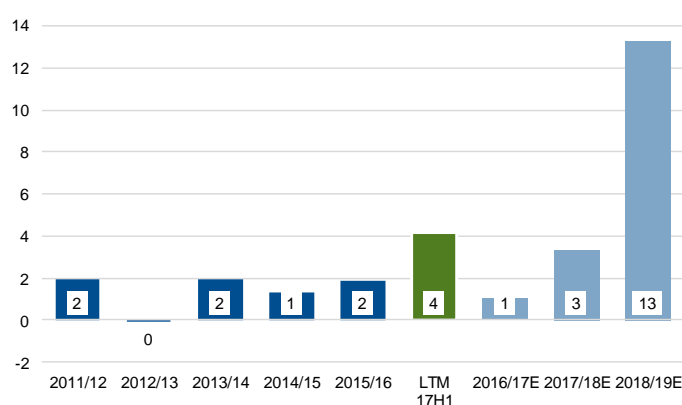
Small company in a highly fragmented market

Figure 2: Total assets¹ (EURm) 2011/12 to 2018/19E



Source: EUROBODEN and Scope Ratings

Figure 3: Funds from operations (EURm) 2011/12 to 2018/19E



Source: EUROBODEN and Scope Ratings

Niche market player in the prime segment exposed to more elastic demand

As a niche market player, EUROBODEN has a very slim market share of below 1% for its core markets of Munich and Berlin. However, both markets are very competitive, each with approximately 100 competitors and the largest player commanding a market share of 4% (Munich) and 2% (Berlin). The strong economic environment is, at present, sustaining the market. However, in the event of an economic downturn or a significant decrease in demand, competition is likely to wipe out the majority of companies.

¹ Incl. hidden reserves

EUROBODEN sees itself as ‘architectural brand’ supported by an established network of well-known architects. This corporate identity allows it to benefit from off-market deals to avoid bidder competition (land and property sourcing) and to implement its pricing policy.

However, Scope believes that EUROBODEN’s focus on the high-quality, high-price niche market in Munich significantly exposes the company to adverse market movements. This opinion is based on the more elastic demand and price levels in the luxury property segment with higher peak-to-trough declines compared to price movements for total stock observed during a crisis

EUROBODEN’s current price positioning in Berlin is different to that in Munich and reflects the average of the top 10 developers. The company’s small size may make it difficult to generate economies of scale should it be necessary to protect its market position in Berlin during a downturn.

Diversification

The geographical distribution of the company’s revenues is highly volatile (driven by EUROBODEN’s small size and hefty development pipeline) and limited to the two cities of Munich and Berlin (Figure 4). Scope judges this localized geographical diversification to be a credit risk, given the very similar demand patterns of both markets. Our assessment of geographical diversification has improved slightly due to the purchase of a ski lodge including a 60 bed hotel (‘Resterhöhe’ in Kitzbühel, Austria) in November 2016, as this region is distinguished by a different demand pattern than that of Berlin and Munich.

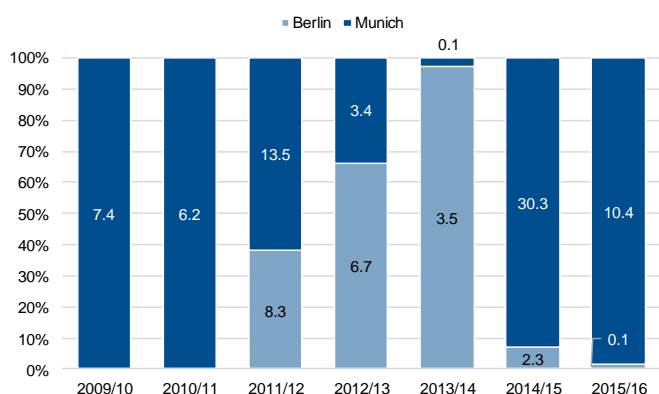
Limited geographical diversification with a focus on Munich, Berlin and, recently, Kitzbühel

Dependent on residential real estate development

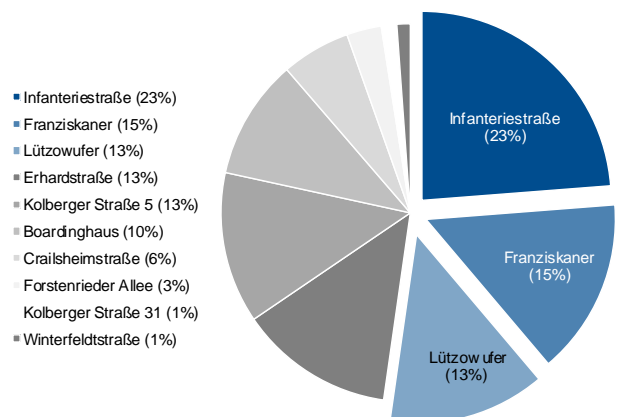
EUROBODEN generates the majority of its income (2015/16: 84% | 2014/15: 96% | 2013/14: 72%) from its development activities. Other revenue sources such as rental income or managing fees contribute to a lesser extent. However, the latter is also directly linked to the company’s development activities. This very modest diversification of revenue sources fully exposes the company to the cyclical nature of the real estate market and is seen as a credit negative. From 2016/17 on, income from other businesses, particularly hotel operations and letting, is expected to provide a more visible income stream of up to EUR 1m p.a., thus partially mitigating the volatility of the development business.

Figure 4: Geo. Distr. of revenues 2011/12 to 2015/16 (EURm)

Figure 5: Geo. Distribution of project pipeline²



Source: EUROBODEN and Scope Ratings



Source: EUROBODEN and Scope Ratings

² by expected construction costs

Concentrated development pipeline of 11 projects

EUROBODEN exhibits a very concentrated development pipeline with 11 projects in its portfolio at present, the largest of which represents 23% of expected future turnover and top 3 accounting for 51% of expected construction costs (Figure 5). This limited diversification might affect future cash flows if projects suffer delays or cost overruns. However, Scope believes asset prices and demand in EUROBODEN's core markets, Munich and Berlin, will keep rising after average prices in both markets rose by 75% from 2011. This trend looks set to continue, albeit at a slower pace ([Deutscher Wohnimmobilienmarkt: Ende des Booms - aber kein Crash](#)), owing to the lack of new apartments and the strong growth expected for both cities. Scope views as positive the company's introduction of mandatory pre-sale ratios (30%) for its third largest development scheme in Munich – Erhardstraße (13% of total committed investment volume) and invoicing in accordance with the German Real Estate Agent and Property Developer Ordinance (Makler- und Bauträgerverordnung). Both reduce the risk of high working capital allocation to this specific project, which could lead to a shortfall of liquidity.

'A' location development portfolio supports price stability and fungibility

These factors could strengthen the company's business model in the coming years. In addition, the development portfolio's assets are situated predominately in the 'A'-rated locations of Munich and Berlin. Scope believes this supports the fungibility and liquidity of its properties and lowers the risk of potential price haircuts in a distressed sales scenario.

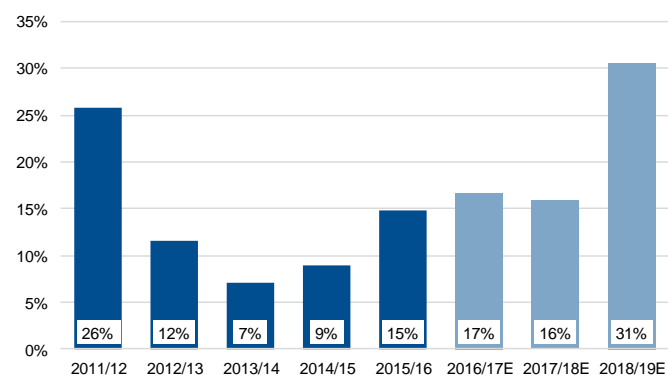
The possible impacts of project delays and cost overruns are already included in Scope's rating scenario.

Profitability

Profitability in line with peers

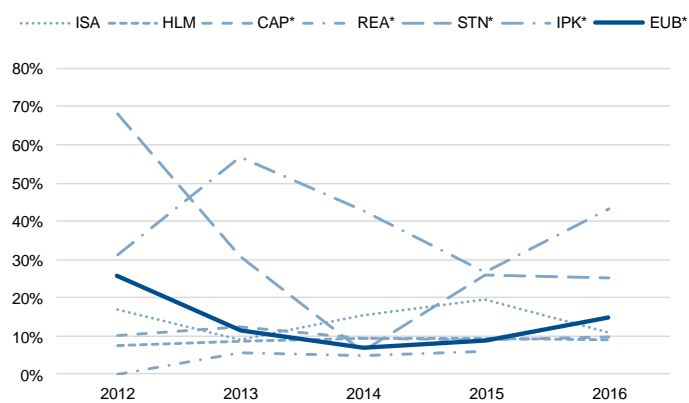
EUROBODEN's profitability has remained stable: its EBITDA margin rose to 15% in 2015/16, up from 9% in 2014/15 (Figure 6). Scope believes this margin will generally remain above 10%, supported by the 20% EBITDA margin for the last 10 projects, along with the high-quality development pipeline.

Figure 6: EBITDA margin (%) 2011/12 to 2018/19E



Source: EUROBODEN and Scope Ratings

Figure 7: EBITDA margin EUROBODEN and peers 2015/16³



Source: EUROBODEN and Scope Ratings

Project-related profitability expected to remain above a 20% EBITDA margin

The company's project-related EBITDA margin of 20% is higher than that of many of its peers. Scope anticipates a stable project-related EBITDA margin of around 20%, which is supported by the firm's profound market knowledge and brand recognition facilitating off-market deals. This provides certainty regarding a sustainable level of profitability, which

³ ISA = ISARIA Wohnbau AG (development) | HLM = Helma Eigenheimbau AG (development) | CAP = Capelli S.A. (development) | IPK = IPSAK (development + residential and commercial letting) | REA = Réalités (development) | STN = Stern Immobilien AG (development + residential and commercial letting).

* rated by Scope

we expect to remain at an EBITDA margin of around 20%, thus exhibiting margins in line with or slightly above most of its peers (Figure 7).

Financial risk profile

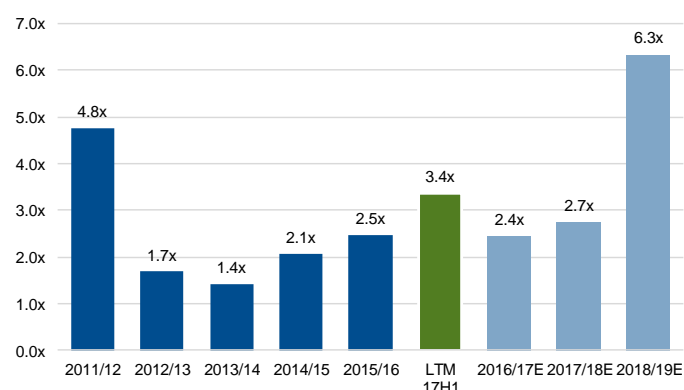
Debt protection and cash flows

EBITDA interest cover at 3.4x (LTM end-March 2017) expected to remain above 1.0x

EUROBODEN's EBITDA interest cover stood at a sufficient 3.4x for the last 12 months (LTM) up to end-March 2017. It is expected to remain above 1x (Figure 8). However, this ratio will fluctuate, depending on the timely delivery and disposal of projects. If projects are delayed, EUROBODEN may have to rely on external financing to cover interest payments. Scope believes external financing is readily available, thanks to: i) committed, undrawn credit lines which can be drawn upon without restrictions; and ii) hidden reserves, which allow existing credit lines to be increased.

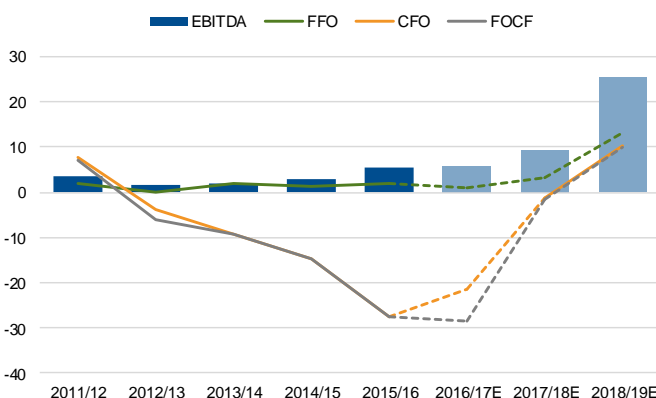
The company's cash flow generation has been volatile, with negative free operating cash flow driven by the expansion of business over the last four years (Figure 9). Scope expects free operating cash flow to remain negative, owing to anticipated further growth, as well as to the nature of real estate development, the company's core activity. Accordingly, cash in- and outflows are not necessarily matched during the lifetime of each project. Furthermore, EUROBODEN suffers from its small size, which creates a large project pipeline. The latter amplifies the volatility inherent in EUROBODEN's business model.

Figure 8: EBITDA interest cover (X) 2011/12 to 2018/19E



Source: EUROBODEN and Scope Ratings

Figure 9: Cash flows 2011/12 to 2018/19E



Source: EUROBODEN and Scope Ratings

LTV at 40% end-March 2017, expected to remain below 50% in the coming years

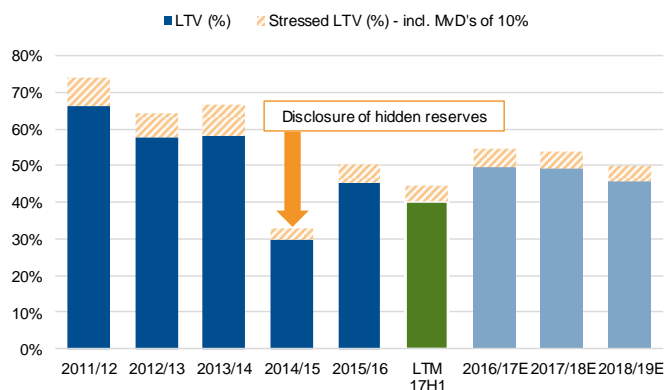
Leverage

At the end of March 2017, the company's LTV stood at 40% (including Scope-adjusted hidden reserves of EUR 78m). As a consequence of the upscaling of the company's indebtedness Scope-adjusted debt (SaD) increased by EUR 34m since end-September 2015 to EUR 65m as at 31.03.2017, driven by the acquisition of new properties and the financing of the development of existing projects. Scope expects a further increase of SaD by another EUR 30m to 40m in the next 12 months to finance existing and new projects. However, LTV is projected to remain below 50% going forward, which is adequate for a developer of this size and leaves enough headroom for the company to increase leverage to cover construction costs. Scope does not believe that the company will be able to significantly reduce its leverage over the next few years. Even a more stressed market environment with market value declines of 10% (Figure 10) reflecting one standard deviation in the German house price index, would not be likely to alter Scope's view of the company's leverage.

The company's SaD/EBITDA of 9x (end-March 2017) implies a level commensurate with a B financial risk profile (Figure 11). The ratio will continue to fluctuate. However, Scope

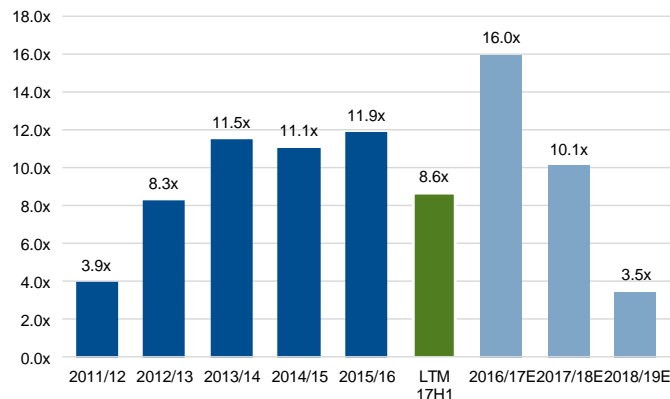
judges this volatility to be typical for a developer, with projects not considered and financed in annual tranches but over the whole development period.

Figure 10: loan/value ratio (%) 2011/12 to 2018/19E



Source: EUROBODEN and Scope Ratings

Figure 11: Scope adjusted debt/EBITDA 2011/12 to 2018/19E



Source: EUROBODEN and Scope Ratings

Volatile liquidity typical for a small real estate developer

Liquidity and debt repayments

EUROBODEN's liquidity – subject to substantial fluctuations in the past – is expected to stay below 100% for the next two years. Scope does not believe that the company will be able to repay the EUR 76m of debt due in the next 24 months only by using operational cash flow and available cash. In detail: EUR 45m of debt is due in 2017/18; this is not covered by the EUR 10m in cash available at end-September 2017 and the EUR 14m in undrawn credit lines. The company will therefore have to rely on external funding to redeem maturing debt. However, if EUROBODEN achieves operational success, with pre-sale rates above 50% – supported by the market environment – by delivering on time and on cost, as well as making disposals at targeted prices, the extension of credit facilities for project debt should be possible as and EUROBODEN will be able to manage related refinancing risk. This is demonstrated by the company's ability to either refinance or repay almost 100% (EUR 12m) of debt due in 2016/17 by 31 March 2017 and also to gain bank agreement by 2 October 2017 to the refinancing of EUR 20m of debt due in 2017/18 including additional credit lines worth EUR 25m.

Consequently, refinancing related to EUROBODEN's corporate bond (2013/18 I EUR 12m drawn as at 30/09/2017) is likely and only partly dependent on the successful placement of the new bond to be issued in November 2017. Once the (2013/18) bond has been successfully refinanced, the company is likely to benefit from an enhanced liquidity position.

Supplementary rating drivers

Financial policy

It is seen as credit-positive that EUROBODEN maintains a regular relationship with a pool of over 40 banks to cover its financing needs and reduce its dependence on a limited number of counterparties. In addition, EUROBODEN enjoys a long-term relationship with an external company promoter and intends to further issue capital market debt.

EUROBODEN's risk-averse acquisition strategy should also help to maintain sufficient headroom for additional financing needs/credit lines.

Strong relationships with financial institutions



Experienced market player with streamlined acquisition process

Management and corporate governance

EUROBODEN profits from a long-term relationship with most of its external partners and 19 years' experience in its Munich core market. Its streamlined acquisition process allows purchase decisions to be made within a day. Together with its (at least for Munich) well-established brand, this enables EUROBODEN to participate in off-market deals and avoid bidder competitions.

Key-person risk associated with the founder

Key person risk exists due to the contribution of the 100%-owner Stefan Höglmaier as CEO. However, EUROBODEN took measures, such the appointment of a second managing director and the enlargement of the secondary management level to reduce operational dependence on the founder.

Outlook: Positive

Outlook

The rating Outlook is Positive, supported by EUROBODEN's high-quality development pipeline in the still-booming core markets of Munich and Berlin. The Positive Outlook incorporates Scope's expectation that the EBITDA interest cover remains sustainably above 1.0x, that project-related profitability will remain at EBITDA margins of between 15% and 20%, that the EUR 450m project pipeline will be successfully executed in the next few years and that the repayment of the EUR 15m bond (2013/18 ISIN/WKN: DE000A1RE8B0/A1RE8B) due in July 2018 is likely.

A negative rating action is possible if the company's LTV were to exceed 60%, if EBITDA interest cover did not remain substantially above 1.0x on a sustained basis, or if the company's access to bank financing weakened.

Scope could consider a positive rating action if EUROBODEN manages to maintain its LTV below 50% and if its unsecured debt is refinanced in 2018.



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, Executive Board: Torsten Hinrichs (CEO), Dr. Stefan Bund.

Rating prepared by

Philipp Wass, Lead Analyst

Rating committee responsible for approval of the rating

Werner Stäblein, Committee Chair

The rating concerns an entity, which was evaluated for the first time by Scope Ratings AG.

Rating history - EUROBODEN GmbH

06 October 2017 | Affirmation | B | Positive

29 May 2017 | Affirmation | B | Stable

27 May 2016 | Affirmation | B | Stable

28 May 2015 | Initial Rating | B | Stable

Rating History - EUR 15m unsecured bond (2013/2018) ISIN: DE000A1RE8B0

06 October 2017 | Affirmation | BB- | Positive

29 May 2017 | Affirmation | BB- | Stable

27 May 2016 | Affirmation | BB- | Stable

28 May 2015 | Initial Rating | BB- | Stable

Rating History - EUR 25m unsecured bond (2013/2018) ISIN: DE000A2GSL68

06 October 2017 | Preliminary Rating | (P)BB- | Positive

The rating outlook indicates the most likely direction of the rating if the rating were to change within the next 12 to 18 months. A rating change is, however, not automatically ensured.

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. The issuer has participated in the rating process.

As at the time of the analysis, neither Scope Ratings AG nor companies affiliated with it hold any interests in the rated entity or in companies directly or indirectly affiliated to it. Likewise, neither the rated entity nor companies directly or indirectly affiliated with it hold any interests in Scope Ratings AG or any companies affiliated to it. Neither the rating agency, the rating analysts who participated in this rating, nor any other persons who participated in the provision of the rating and/or its approval hold, either directly or indirectly, any shares in the rated entity or in third parties affiliated to it. Notwithstanding this, it is permitted for the above-mentioned persons to hold interests through shares in diversified undertakings for collective investment, including managed funds such as pension funds or life insurance companies, pursuant to EU Rating Regulation (EC) No 1060/2009. Neither Scope Ratings nor companies affiliated with it are involved in the brokering or distribution of capital investment products. In principle, there is a possibility that family relationships may exist between the personnel of Scope Ratings and that of the rated entity. However, no persons for whom a conflict of interests could exist due to family relationships or other close relationships will participate in the preparation or approval of a rating.

Key sources of information for the rating

- | | |
|---|--|
| <input checked="" type="checkbox"/> Website of the rated entity | <input checked="" type="checkbox"/> Detailed information provided on request |
| <input checked="" type="checkbox"/> Valuation reports, other opinions | <input checked="" type="checkbox"/> Data provided by external data providers |
| <input checked="" type="checkbox"/> Current performance record | <input checked="" type="checkbox"/> External market reports |
| <input checked="" type="checkbox"/> Unaudited annual financial statements | <input checked="" type="checkbox"/> Press reports/other public information |

Scope Ratings considers the quality of the available information on the evaluated company to be satisfactory. Scope ensured as far as possible that the sources are reliable before drawing upon them, but did not verify each item of information specified in the sources independently.



Methodology

The methodologies applicable for this rating (Corporate Rating Methodology, Rating Methodology - European Real Estate Corporates) are available on www.scoperatings.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.

Examination of the rating by the rated entity prior to publication

Prior to publication, the rated entity was given the opportunity to examine the rating and the rating drivers, including the principal grounds on which the credit rating or rating outlook is based. The rated entity was subsequently provided with at least one full working day, to point out any factual errors, or to appeal the rating decision and deliver additional material information. Following that examination, the rating was modified.

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