

Summary of the
Rating Report

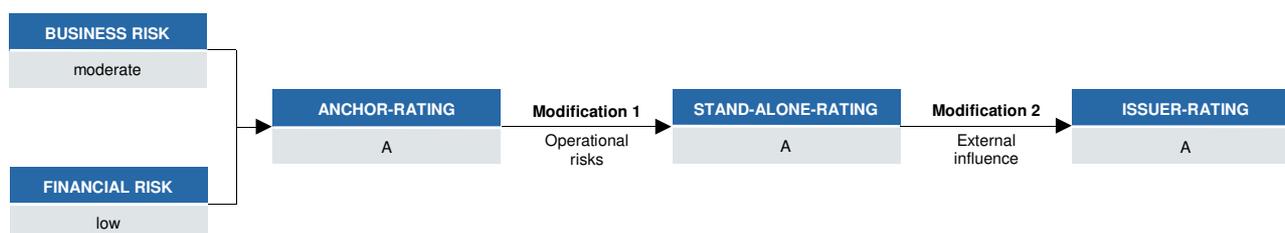
EOS Holding GmbH

29 June 2016



Issuer Rating

EOS Holding GmbH		29 June 2016	A
		Issuer rating	
		Outlook	stable
Industry	Debt collection services	Revenue 2015/16	€ 596.1m
		Employees 2015/16	7,134



BUSINESS RISK	moderate
<ul style="list-style-type: none"> Strong market position in Germany, good market position in Western and Eastern Europe Many years of experience in acquiring and collecting receivables Earnings heavily exposed to debt purchasing Increasing competition 	

OPERATIONAL RISKS	- 0
<ul style="list-style-type: none"> Appropriate management of operational risks Low operating risks remain 	

FINANCIAL RISK	low
<ul style="list-style-type: none"> Very strong and stable profitability Very good capital structure and degearing capability Improvable matching of maturities and diversification of financing 	

EXTERNAL INFLUENCE	± 0
<ul style="list-style-type: none"> External influence of shareholder neutral 	

Key financial ratios*	2013/14	2014/15	2015/16
EBITDA margin (%)	30.5	29.5	30.8
Return on capital employed (ROCE) (%)	19.4	17.9	18.6
Equity ratio (%)	31.0	32.2	33.6
Debt to equity ratio (%)	61.9	59.5	58.1
Total liabilities / EBITDA	1.9	1.9	1.8
Net financial liabilities / EBITDA	1.4	1.3	1.3
EBIT interest coverage	6.1	6.0	8.7
EBITDA interest coverage	13.9	15.1	21.1

* adjusted based on the principals of analysis of EHRG

Rating rationale

Euler Hermes Rating continues to rate EOS Holding GmbH A for its creditworthiness. We expect the rating to remain stable over the next twelve months.

Moderate business risk due to good market position in Europe and increasing competition

We consider EOS Holding GmbH's **business risk** to be **moderate**. We rate as positive its many years of experience in measuring, acquiring and collecting non-performing receivables, its strong market position in Germany and its good market position in various Western and Eastern European countries. In our view, weaknesses arise from the high dependence of its earnings potential on the German market and purchased debts. Opportunities can be leveraged from the expansion of service business as well as rising consumer spending and receivables in growing foreign markets. Risks include the rising prices of non-performing receivables as a result of growing competition and changes to the legal environment for collection services.

Low financial risk regarding very high and stable earnings and very good capital structure

In our view, EOS Holding GmbH is exposed to a low **financial risk**. This view is based on the very high earnings achieved over many years and the strong stability of the cash flows it generates. We consider the capital structure and the degearing capability to be very good. We assume that earnings may come under pressure in the current business year due to the high prices of non-performing receivables and reduced buying opportunities in some markets. At the same time, we expect the financial ratios to remain on a very good level.

No modifications of the anchor rating

We consider the group's structures, processes and systems to be appropriate for the management of its operational risks. In our view remaining operational risks are in line with the anchor rating. With regard to EOS' independent operational business as well as the setup of the financing and liability relationship between EOS and its shareholder, we assess the external influence as neutral. Therefore we left the anchor rating unmodified.

Rating history

	19.08.2005	2006 - 2015	29.06.2016
Rating	A	A	A
Outlook	stable	stable	stable

Company

Leading position as a debt service provider in Europe

With consolidated revenues of € 596.1 million in its 2015/2016 financial year, EOS Holding GmbH (the “Group” or “EOS”) is one of the leaders in the European market for debt collection services. The company’s range of services primarily entails the collection of arrears on a fiduciary basis as well as the purchase and liquidation of non-performing receivables. With business process outsourcing (BPO), EOS takes over receivables management for its customers complete with the customers’ staff previously responsible for these activities. The main sectors targeted are banks, insurance companies, utilities and telecommunications companies.

Germany is the most important market

The Group has a regional structure comprising Germany, Western Europe, Eastern Europe and North America. A further segment holds cross-border responsibility for finance, purchasing of receivables and risk management. With a share of 46.1 %, German business continues to account for a large part of the Group’s revenues, with the rest of Western Europe contributing 20.6 %. The Group is currently not active in Italy or the Scandinavian and Baltic countries with the exception of Denmark. Eastern European business contributes 18.1 % to consolidated revenues, while the North American debt collection market accounts for 13.1 %. In fiscal year 2015/2016 Brazil contributed 2.0 %. In May 2016 EOS sold its shares of the Brazilian subsidiary. Operations in Asia were discontinued in 2015. The average number of employees declined from 7,926 to 7,134 in the 2015/2016 financial year.

Experienced Group management

Management comprises Hans-Werner Scherer as CEO, Justus Hecking-Veltman as CFO, Klaus Engberding as Head of Region Germany, Dr. Andreas Witzig as Head of Regions Western Europe and North America as well as Dr. Helmut Hufnagel as Head of Region Eastern Europe.

EOS Holding GmbH is the rating object

The EOS Group has its roots in Deutscher Inkasso-Dienst, which was the debt collection unit within OTTO (GmbH & Co KG) (“OTTO”) until it was spun off in 1974; OTTO continues to hold all of the shares of EOS Holding GmbH. The OTTO Group as a debt collection customer currently contributes 4.8 % to the EOS Group’s consolidated revenues. In our opinion, the business activities of EOS are therefore largely independent of the shareholder. Material parts of the financing are provided by the OTTO Group. However, we consider the prerequisites for accessing alternative sources of finance outside the OTTO Group as fulfilled. EOS holds neither significant receivables from shareholders nor does it provide guarantees for the OTTO Group. EOS Holding GmbH, Hamburg, as the parent company of the subgroup, is the rating object.

Execution of the rating

This report is a condensed summary of the detailed rating report of 29 June 2016. The detailed rating report, which is submitted to the company and is not being published by Euler Hermes Rating GmbH, forms the basis for the rating notation.

The rating request was submitted by EOS Holding GmbH on 11 November 2014. The company was visited on 14 June 2016. This rating report was presented to the client on 07 July 2016, meaning that the rating process has now been concluded. The notation proposal and the report on which it was based were reviewed by the Rating Committee on 29 June 2016 and approved in their current form. If this rating is not made public, the rating refers to this date. If the rating assessment is published on the rating agency's website (www.eulerhermes-rating.com), it will be followed by a subsequent one-year monitoring process. During this period, the company and the environment in which it operates remain under observation. The rated company is subject to unrestricted disclosure obligations during this period. Any change in the rating agency's assessment will result in a change in the published rating, meaning that the rating as shown on the internet represents the current rating assessment at all times. Continued publication after the expiry of the monitoring period is contingent upon a follow-up rating being conducted.

The client is solely and exclusively liable for any errors or omissions in the documents and information supplied openly and willingly in response to our requests for information. The client has reviewed the rating report and confirms that all of the information which it contains is correct and complete in all significant respects, that no major aspects have been concealed and that any forward-looking statements which it may include are based on plausible, verifiable and current data and have been prepared by the client with the diligence of a prudent businessman. However, the client cannot be held liable if actual results differ from the forward-looking statements, in particular the projections, presented in this document. Changes in the economic environment and unforeseen events may impair the validity of the forward-looking statements and projections.

The rating report may not be construed as constituting a recommendation to participate in certain facilities. All recipients of the information should conduct their own independent analyses, credit assessments and other reviews and evaluations which are customary and necessary to reach a final decision about the participation in certain facilities. It should be noted that the summaries of contracts, legislation and other documents included in the report are no replacement for examination of the corresponding full texts. As of the date on which this information is published, it is not possible to guarantee that the information has not changed since being collected and that all information provided is still valid. The client is under no obligation to update the information.

The publication of this rating report may be prohibited by law in certain jurisdictions. The client therefore requests that any persons who gain possession of this information enquire about and comply with any such restrictions. The client does not assume any liability of any kind towards anyone with respect to the dissemination of this rating report in any jurisdiction whatsoever.

The client's management has submitted to Euler Hermes Rating GmbH a written letter of representation.

We have prepared this report to the best of our abilities and knowledge.

Euler Hermes Rating GmbH

Hamburg, 29 June 2016

Analysts

Holger Ludewig, director and project manager
Katia Drummen, junior analyst
Michel Graire, junior analyst

Rating committee

Kai Gerdes, director
Dr. Sascha Heller, senior analyst

Principal sources of information

- Consolidated financial statements for 2013/2014, 2014/2015 and 2015/2016
- Extracts from internal reports
(e. g. business development 2015/2016, list of bank liabilities, etc.)
- Market analysis
- Strategy documentation and corporate planning
- Documents on corporate structure
- Interviews with management

Rating methodology

Issuer rating of Euler Hermes Rating GmbH of May 2016
(<http://www.ehrg.de/seiten/Methodik2016.pdf>)

Appendix 1: Rating notations

Category	Explanation
AAA	AAA rated companies demonstrate an excellent credit quality. Such companies are characterized by an extremely positive future outlook and are viewed as being “first class” business partners. Although the various security elements can certainly change, such changes - to the extent this can be assessed - are highly unlikely to adversely affect the fundamentally strong position of such companies.
AA	AA rated companies demonstrate very high quality with respect to future security. Along with the AAA rated companies, this group forms the so-called “quality class.” Security margins may, however, be comparatively thinner, the solidity of the security elements may fluctuate more or individual assessment components may indicate a greater long-term risk than is the case for AAA rated companies.
A	A rated companies demonstrate high quality with respect to future security. They show many favourable features which secure their future. Nevertheless, there may be isolated factors which reveal a slightly increased susceptibility to the worsening of circumstances and general economic conditions in the future.
BBB	BBB rated companies demonstrate reasonable quality with respect to future security. Compared to A rated companies, however, it is more likely that worsening of general economic conditions could weaken the capability of fulfilling financial obligations.
BB	BB rated companies still have structures adequate to secure their future. Yet they are subject to greater insecurities. Negative business developments or changes in the general financial and economic conditions can make it impossible for them to fulfil their financial obligations in a suitable manner.
B	B rated companies lack the usual structures to secure their future. Negative business developments or changes in the general financial and economic conditions will most likely make it impossible for them to fulfil their financial obligations in a suitable manner.
CCC	CCC rated companies have structures which greatly endanger the security of their future. Capital service is in jeopardy. Such a company is dependent on a favourable development of general economic conditions if it is to be able to meet its financial obligations in the long term.
CC	Companies receiving a CC rating have very little security for their future. Capital service is in great jeopardy.
C	C rated companies have the least future security of all. The basic conditions enabling such debtors to fulfil their financial obligations are extremely poor. Default is imminent.
D	Companies with a D rating are already in default of payment or have filed for bankruptcy. The D rating is irrelevant for the future; it documents solely the bankruptcy of the company.
SD	If an issuer defaults with respect to a certain financial liability or class of liabilities but is still able to honour its payment obligations under other financial liabilities or classes of liabilities within the requisite period, it is assigned SD (selective default) status.
NR	A debtor or an issuer not rated by Euler Hermes Rating is classified as NR (Not Rated).
PLUS (+) MINUS (-)	Rating notations from AA to CCC may be complemented by a PLUS (+) or MINUS (-) if required, in order to show their relative position within the respective rating category.

Appendix 2: Definition of ratios

Earnings potential and profitability

EBITDA margin

EBITDA margin	
Numerator	
EBITDA	
Denominator	
Total revenues	

Returns

ROCE	
Numerator	
Adjusted operating result (= EBIT)	
Denominator	
Net financial liabilities + economic equity (= capital employed)	

Total return on capital	
Numerator	
Adjusted operating and financial result + interest expense	
Denominator	
Adjusted capital	

Cash flow return on investment

Cash flow return on investment (cash flow ROI)	
Numerator	
EBITDA	
Denominator	
Adjusted total capital	

Capital structure and debt to equity ratio

Debt

Equity ratio
Numerator
Adjusted equity (=economic capital)
Denominator
Adjusted total capital

Debt to equity ratio
Numerator
Net financial liabilities
Denominator
Net financial liabilities + economic equity (= capital employed)

Net financial liabilities

Net financial liabilities
Bonds
+ Liabilities to banks
+ Bill liabilities
+ Other interest-bearing liabilities
+ Operating lease liabilities
+ Adjustments for ABS / factoring transactions
- Cash and cash equivalents

Degearing periods

Total liabilities / EBITDA
Numerator
Total capital - economic capital (=total liabilities)
Denominator
EBITDA

Net financial liabilities / EBITDA
Numerator
Net financial liabilities
Denominator
EBITDA

Interest coverage

EBIT interest coverage
Numerator
Adjusted operating result (= EBIT)
Denominator
Interest expense

EBITDA interest coverage
Numerator
EBITDA
Denominator
Interest expense