

📅 WEDNESDAY, 07/08/2024 - Scope Ratings GmbH

## Scope has completed a monitoring review for PolSolar Kft.

No action has been taken on the rating for the senior unsecured bonds issued by PolSolar Kft. maturing in April 2037. The bonds have financed the construction of five greenfield photovoltaic plants in Hungary.

Scope Ratings GmbH (Scope) monitors and reviews its credit ratings on an ongoing basis and at least annually, or every six months in the case of sovereigns, sub-sovereigns and supranational organisations.

Scope performs monitoring reviews to determine whether material changes and/or changes in macroeconomic or financial market conditions could have an impact on the credit ratings. Scope considers all available and relevant information when undertaking the monitoring review.

Monitoring reviews are conducted by performing a peer comparison, benchmarking against the rating-change drivers, and/or reviewing the credit ratings' performance over time, as deemed appropriate by the Lead Analyst or Analytical Team Head, in addition to an assessment of all aspects of the relevant methodologies, including key rating assumptions and model.

Scope completed the monitoring review for PolSolar Kft. on 6 August 2024 for the BB rating on the senior unsecured bonds with a total amount of HUF 70.7bn, maturing in April 2037.

This monitoring note does not constitute a credit rating action, nor does it indicate the likelihood that Scope will conduct a credit rating action in the short term. Information about the latest credit rating action connected with this monitoring note along with the associated rating history can be found on [www.scooperatings.com](https://www.scooperatings.com).

### Key rating factors

The BB rating reflects a total expected loss (EL) of 6.49% over the life of the loan to maturity (equivalent to a 8.25-year constant-exposure expected risk horizon). We have calculated an expected impairment likelihood of 15.99% for the project (rated instrument), which corresponds to a PD strength of bb when expressed using the levels of our (Scope's) idealised PD curves. The total (average) expected recovery rate on the project's credit impairment events is 59.37%. The project can be characterised by an average operational risk, stable and predictable cashflows, high refinancing risk and a rather weak financing and legal framework. The bonds are unsecured, and the covenant package and terms of the financing documents are below our expectations for a typical project finance transaction. The HUF 70.7bn rated bonds were fully subscribed by the Hungarian National Bank and commercial investors in April 2022. As a result of completing construction ahead of schedule, slightly outperforming Scope's rating case last year and not having to draw on its contingency reserves, the company currently has significantly more cash on its balance sheet than originally anticipated.

Scope was informed that the company has decided to use up to HUF 10bn of its cash reserves to make (i) an early repayment for the Senior unsecured bonds of HUF 5bn as well as (ii) a one-time extraordinary shareholder loan repayment of HUF 5bn. Scope has analysed the new base case and concluded that it does not have a material impact on the rating of the transaction. The minimum and average DSCRs under the updated Scope rating case have increased to 1.82x and 2.04x from

the previous monitoring in May 2024 reported at 1.68x and 1.84x respectively.

The methodologies applicable for the reviewed rating (General Project Finance Rating Methodology, 16 November 2023; Counterparty Risk Methodology, 10 July 2024) are available on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>. This monitoring note is issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0.

Lead analyst David Werner, Senior Representative

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