MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns a Baa2 rating to Atrium Ljungberg AB; stable outlook

Global Credit Research - 20 Feb 2017

London, 20 February 2017 -- Moody's Investors Service ("Moody's") has today assigned a first-time Baa2 long-term issuer rating to Atrium Ljungberg AB, a leading Swedish real estate company. The outlook on the rating is stable.

"Atrium Ljungberg's Baa2 rating reflects its strong market position and solid portfolio that is concentrated in Stockholm and well positioned for long term growth," says Ramzi Kattan, a Moody's Vice President and lead analyst for Atrium Ljungberg.

RATINGS RATIONALE

Atrium Ljunberg's Baa2 issuer rating reflects its strong market position as one of the leading commercial real estate companies in Sweden. The company's solid portfolio of mostly large office and retail led mixed-use estates is concentrated in Stockholm, and is well positioned for sustainable long-term growth with a controlled development programme and a solid pipeline. Other key strengths underpinning the rating include a moderate 42.5% leverage and a strong 3.4x fixed charge coverage. We expect continued strong occupier demand for the company's properties and robust investor appetite for Swedish commercial real estate to sustain the company's cash flows and values.

Counterbalancing these strengths is the company's short-dated debt maturity profile of around three years, and a 25% reliance in its funding mix on commercial paper that is fully backed by undrawn long-dated credit facilities. We expect the company's unencumbered asset pool to grow as it reduces reliance on secured bank lending as its main funding source.

RATIONALE FOR STABLE OUTLOOK

The stable outlook reflects our expectation that the company will continue to generate stable cash flows, maintain good liquidity and solid debt and coverage metrics while keeping high occupancy levels and a balanced growth strategy. The outlook also reflects Sweden's strong occupier and investment commercial real estate markets.

FACTORS THAT COULD LEAD TO AN UPGRADE

• Sustaining leverage below 40%, as measured by Moodys's-adjusted gross debt/assets, with financial policies that support the lower leverage

• Fixed charge coverage above 3.75x on a sustained basis

• Considerably less reliance on short term funding

FACTORS THAT COULD LEAD TO A DOWNGRADE

• Effective leverage sustained above 45%

• Fixed charge coverage sustained below 3x

• Continued heavy reliance on short term funding, especially if it is no longer fully backed by undrawn long-dated credit facilities

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was Global Rating Methodology for REITs and Other Commercial Property Firms published in July 2010. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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