

RATING UPDATE: wpd AG

Rating of 8th April 2014	
Company Rating*	Outlook
A	stable
* see rating notations	

Rating historie	29.08.2003	29.10.2004	29.11.2005	20.07.2007	18.11.2008	21.12.2009
Notation/ outlook	A/ stable					

Rating historie	19.01.2011	29.02.2012	05.04.2013
Notation/ outlook	A/ stable	A/ stable	A/ stable

wpd AG is a globally active developer and operator of onshore and offshore wind power projects. As a planner, project manager and operator, the group has planned economically projected and implemented projects with a total nominal output of over 2.8 gigawatts. The wpd group's domestic market is Germany. Its international activities are chiefly targeted at Europe plus Taiwan, Canada and South America. The wpd group is one of the leading European developers of wind farm projects. wpd AG had 396 employees in 2013.

Euler Hermes Rating awards wpd AG an A rating. We expect the rating to remain stable over the next twelve months. Accordingly, the rating, which was first awarded in 2003, is confirmed again.

The primary rationale for the rating is the strong cash flows from project development together with the wpd group's very good capital structure and financial flexibility. Its earnings potential is materially underpinned by its good market position, particularly in Germany. The sharp growth in the portfolio of wind farms under its own operation is reducing the group's exposure to project business, while simultaneously offering further earnings potential for the future.

The wpd group is pursuing a strategy oriented to growth and the continued expansion of its portfolio of wind farms under its own operation. Projects are sold on an ad hoc basis considering their profitability and growth-driven liquidity requirements. This is underpinned by the large portfolio of wind farms under the company's own operation as well as the comprehensive national and international project pipeline. The significance of the foreign markets being addressed by the group is increasingly growing. wpd has a good position in the offshore segment. Offshore and foreign projects are lowering its dependence on the German onshore market, although it continues to play a dominant role in the group's business.

In our view, the wpd group pursues a plausible and promising strategy which provides adequate allowance for the opportunities and risks arising in the market environment, its own market position and the available resources and skills. Opportunities are arising from the group's mounting successes in foreign markets, further potential for development in the offshore segment and the leveraging of potential in the repowering segment. We particularly see risks in the expected deterioration of the legal framework and the limited availability of suitable domestic locations.

Analysts

Kai Gerdes, director / project manager
Silke Naused, senior analyst

Rating Committee

Holger Ludewig, senior analyst
Torsten Schellscheidt, senior analyst

Principal sources of information

- Consolidated financial statements
- Extracts from internal reports
(e.g. business performance in 2014, analysis of bank liabilities etc.)
- Market analyses
- Strategy paper and corporate planning
- Documents on corporate structure
- Conversations with management

Rating method

Issuer rating, company rating manual of Euler Hermes Rating GmbH, March 2012 version

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).