

RATING REPORT SUMMARY

wpd AG

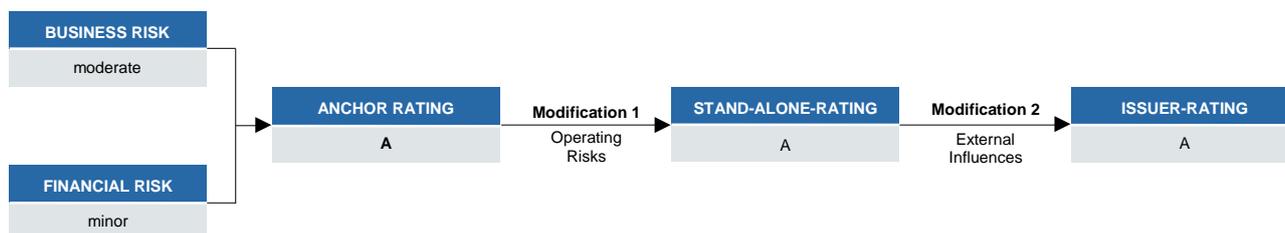
April 27, 2016



EULER HERMES
Rating

Issuer Rating

wpd AG		April 27, 2016	A
		Issuer rating	
		Outlook	stable
Industry	Development and operation of wind power projects in the onshore and offshore area	Employees in 2015	459



BUSINESS RISK	moderate
<ul style="list-style-type: none"> wpd Group's market-leader position in Germany An increasing international diversification A large own portfolio and thereby reduced market risk Dependence on external general circumstances and interest rate levels in the project development area 	

OPERATING RISKS	- 0
<ul style="list-style-type: none"> In general, the appropriate handling of operating risks while maintaining residual size-specific personal dependencies 	

FINANCIAL RISK	minor
<ul style="list-style-type: none"> A very good capital structure High income and cash flows from the project development business High income and liquidity reserves in company's own portfolio 	

EXTERNAL INFLUENCES	± 0
<ul style="list-style-type: none"> No rating-relevant external influences 	

RATING HISTORY	August 29, 2003	2004–2015	April 27, 2016
Rating	A	A	A
Outlook	stable	stable	stable

Rating Rationale

Euler Hermes Rating rewards the credit standing of wpd AG with an 'A'. We are expecting that the rating will remain stable over the next twelve months.

A moderate business risk, while dependent on external general circumstances, based on a very good market position and own portfolio

In our opinion, wpd AG is altogether exposed to a moderate **business risk**. Thereby, the project development business (*Development*) and operations (*Asset*) are characterized by quite different business risk profiles: wind farms in the company's own portfolio generate relatively stable and sustainable cash flows. We regard as positive the independent financing, pre-defined compensation amounts, purchase commitments and relative independence from changes in underlying conditions, which ensure a great degree of stability and sustainability. wpd owns a well-diversified portfolio. In the offshore area, we assess operating risks as higher; however, at the same time, these are generally limited to the shareholders' equity's amount. The *Asset* sector is altogether exposed to a minor business risk. The business risk in the *Development* sector is higher, based on the project risk, dependence on underlying conditions and availability of site locations, as well as high level of funding requirements in case of uncertainties, associated with the realization of projects. The strategic risks in the offshore area have increased, however, they are still suitable for the given situation. In our opinion, the introduction of tender-bid proceedings is going to result in increased pressures on the competition and margins. However, based on the market position, personal and financial resources and its network, we believe that wpd is positioned very well and is pursuing a success-promising, strategic direction.

A minor financial risk based on a very good capital structure and financial flexibility

According to our assessment, wpd is exposed to a minor financial risk. In particular, we assess positively the very strong earning power. An extraordinary high income could be achieved in 2015. The lasting stable feed-in revenues in the *Asset* sector provide for a solid earnings basis. Moreover, very high income and cash flows are generated by project sales that irregularly take place within the *Development* sector. Here, an adequate foundation is formed by an extensive own portfolio and by the extensive national and international project pipeline, which provides for the high income and liquidity reserves. We are rating the capital structure, debt relief potential and interest cover relations as very good, with due regard to the hidden reserves and also the business-typical characteristics. The financial leverage is in future expected to continue to increase. It is mainly allocated to the financing of own portfolio, which is characterized by non-recourse financial debts. In addition, it is necessary to take into account that own portfolio is counterbalanced by stable feed-in revenues. In our opinion, in addition to the large revenue volume in 2016, this puts into perspective the forecast development of the debt figures. Moreover, the available liquid means and lines of credit offer a very good financial flexibility. Altogether, wpd has considerable buffers at its disposal, which make it possible to absorb any declines in the market and competitive environment. In view of the present pipeline, we deem the projected increase in revenues as well as the additional expansion of own portfolio attainable.

No anchor rating modifications

According to our understanding, the corporate group has suitable structures, processes and systems. In our opinion, the operating risks are in line with the anchor rating. There are no rating-relevant external factors. Therefore, the anchor rating was not modified as a result.

Company

Main business: Project development and operation of wind turbines

wpd AG (hereafter referred to as "wpd" or "wpd Group"), which was founded in 1996, is an international developer and operator of wind farms in the onshore and offshore area. In its capacity as planner, project manager and operator, the Group has in the past planned, economically designed and realized projects with a total rated output of approximately 3.6 gigawatts. The home market of wpd Group is Germany. The focus of the international activities concentrates on Europe, with additional activities being undertaken in Taiwan, Canada and Chile. As far as the development of wind farm projects is concerned, wpd Group ranks throughout Europe among the leaders. During the fiscal year in 2015, wpd AG employed 459 employees on the average.

Sector Development: Project development and sales of wind farms

The *Development* sector deals with the development of projects and construction of wind farms, building of wind farm infrastructure, structuring of funding, and disposals of wind farms, predominantly to institutional investors. The activities of the Group cover primarily the following sectors

- Onshore wind national
- Onshore wind international
- Offshore wind

Sector Asset: Operation of wind farms

The *Asset* sector attends to long-term operation of company's own onshore wind farms, which are located in the home country and abroad. The wind farm portfolio of wpd includes wind farms in Germany and Europe (France, Croatia, Belgium, Poland, Finland), Canada and Taiwan. On December 31, 2015, the company's own portfolio of wind farms totaled 1,232 MW (gross), or 962 MW (net), respectively; with the half in Germany. The gross disclosure also includes completely the company's own portfolio of investments accounted for at equity. With the successive expansion of the company's own portfolio, wpd continues to expand its position as an independent power producer (Independent Renewable Power Producer—IRPP).

Shareholders and material subsidiaries

The original shareholders, Dr. Gernot Blanke and Dr. Klaus Meier, each hold 50% of shares in wpd AG. The company functions as a holding and owns 100% of shares in each of the following companies: wpd offshore GmbH (*Wind Offshore*), wpd onshore GmbH & Co. KG (*Wind Onshore Germany*), as well as wpd wind worldwide GmbH (*Wind Onshore Future Markets*). Further, wpd AG owns 67% of shares in wpd europe GmbH (*Wind Onshore Europe and Canada*).

Executive management

wpd AG's board members are Dr. Gernot Blanke and Dr. Hartmut Brösamle.

Rating Process

The engagement to perform the credit rating of the issuer was awarded by wpd AG on February 23, 2016 (client). The company was visited on April 12, 2016. The actual rating report was submitted to the client on May 11, 2016, with the rating process being concluded as a result. The recommendation as to the rating result, along with the underlying report, was reviewed by the rating committee on April 27, 2016 and approved in its present form. If this rating is not disclosed publically, the rating will refer to that date. If the rating is disclosed publically on the rating agency's website on the Internet (www.eulerhermes-rating.com), a one-year monitoring period will automatically ensue. During that timeframe, the development of the company and its environment will continue to be monitored. During that time, the rated company will remain under obligation to provide unrestricted information. Changes of the rating evaluation which are undertaken by the rating agency will result in a change of the published rating, with the rating published on the Internet representing anytime the actual rating. After the monitoring timeframe expires, it will be necessary to perform a subsequent rating, in order to maintain the public disclosure.

The accuracy and completeness of the documents which were disclosed willingly, in accordance with our information requirements and information details which were conveyed, are solely the responsibility of the client. The client has reviewed the rating report and confirmed that all information contained in that report is accurate and complete in all material aspects and that no material aspects were concealed. Provided that the information is forward looking the aspects are based on plausible, reasonable and actual original data and have been compiled by the client with the due diligence of a prudent businessman. The client will in no case provide any guarantee with respect to the realization of any of the forward-looking information, as presented by the projections, in particular. Changes in the economic environment and unforeseen events can accordingly negatively affect the forward-looking information and projections.

This rating report must not be interpreted as constituting a recommendation to participate in certain facilities. All recipients of the information must conduct their own independent analyses, credit assessments, and other reviews and evaluations which are customary and necessary to reach a final decision about a participation in certain facilities. It should be noted that the summaries of contracts, legal texts and other documents contained in the report cannot replace the thorough examination of the corresponding full texts. As of the date of public disclosure of the information there is no guarantee that no changes have occurred since the time the information was prepared and that all information provided is still valid. The client will assume no obligation or liability with respect to updating the information.

The distribution of this rating report in certain jurisdictions may be prohibited. Consequently, any persons gaining possession of this information are requested by the client to inquire themselves about and comply with the corresponding 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 management of the client has submitted to Euler Hermes Rating GmbH a written representation letter.

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

Euler Hermes Rating GmbH

Hamburg, May 11, 2016

Analysts

Silke Naused, Senior Analyst and Project Supervisor
Kai Gerdes, Director

Rating Committee

Gundel Bergknecht, Senior Analyst
Matthias Peetz, Analyst

Key Information Sources

- Consolidated financial statements 2013–2015
- Extracts from the internal reporting
(e.g. interim business development 2015 and 2016, bank overview, etc.)
- Market analyses
- Corporate planning
- Documents pertaining to structure under corporate law
- Interviews with management

Rating Methods

Issuer credit rating by Euler Hermes Rating GmbH as of December 2014
(<http://www.ehrg.de/seiten/Methodik2014.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 in-creased susceptibility to the worsening of circum-stances 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.