

Summary of the
RATING REPORT

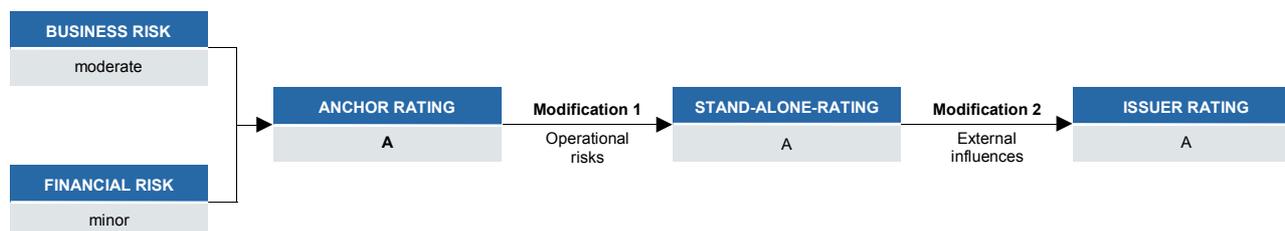
wpd AG

May 2, 2018



Issuer Rating

wpd AG		May 2, 2018	A
		Issuer Rating	
		Outlook	stable
Industry	Projecting, operating, and selling facilities in the field of regenerative energies (with focus on: onshore and offshore wind power)	Employees 2017	603



BUSINESS RISK	moderate
<ul style="list-style-type: none"> The market-leader position of wpd Group in Germany A broad international diversification Own extensive portfolio Greater market- and project-related risks due to changes in general environment and larger project volumes Interest rate risks 	

OPERATING RISKS	- 0
<ul style="list-style-type: none"> In general, the suitable handling of operating risks while maintaining still the remaining size-specific dependencies on personnel 	

FINANCIAL RISK	minor
<ul style="list-style-type: none"> High income and cash flows from the projecting business A solid income basis generated by own portfolio A very good capital structure 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 Rationale

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

Moderate business risk arising from the international diversification, market position and own portfolio while depending on the external underlying environment

In our view, wpd AG is generally exposed to a moderate **business risk**. At the same time, the project development business (*Development*) and operations (*Asset*) manifest quite different business risk profiles: wind farms in company's own wind farm portfolio generate relatively stable and sustainable cash flows. We regard as positive the independent funding, fixed compensation amounts, order commitments, and relative independence from changes in the underlying environment ensuring a great degree of stability and sustainability as a result. wpd owns a well diversified portfolio, with the *Asset* sector being exposed to low business risks, in our opinion. The business-related risk in the *Development* sector is higher, based on the project-related risk, dependence on the underlying environment, availability of sites, and high pre-financing requirements, while dealing with uncertainties as to the realization of projects. In our opinion, the introduction of tender bids procedures puts the competition and margins in Europe under more pressure. However, based on the international diversification, market position, personal and financial resources and network, we believe that wpd is now positioned very well and pursues a success-promising strategic direction, in order to be able to bear the increased market risk. If, based on the shift in the general environment, the effects affecting the competition and margin situation are stronger than we expected, or provided it is necessary to take higher risks to maintain the very good standing concerning financial performance or cash flows, such impacts could affect the rating.

Minor financial risk based on very solid profitability, capital structure and financial flexibility

According to our assessment, wpd is exposed to a minor financial risk. We assess positively the very strong profitability, in particular. The lasting stable feed-in revenues in the *Asset* sector provide for a solid earnings basis. Moreover, the *Development* sector generates very high income and cash flows due to project sales that take place at irregular intervals. A sufficient base is constituted by the extensive own portfolio and extensive national and international project pipelines, which provide for 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 business characteristics typical for the kind of business. The financial debt mainly applies to the funding of company's own portfolio, which is characterized by non-recourse financing. On the contrary, it is necessary to take into account the very stable feed-in income. Moreover, the available cash and cash equivalents and lines of credit offer a very good financial flexibility. In our opinion, wpd Group generally manifests considerable buffers to absorb deteriorations in the market and competitive environment.

No modifications to anchor rating

As far as our understanding is concerned, the corporate Group has suitable structures, processes and systems at its disposal. In our opinion, the operating risks are generally in line with the anchor rating. No rating-relevant external factors are present. As a result, the anchor rating was not modified.

Rating History

	29-Aug-03	2004–2017	02-May-18
Rating	A	A	A
Outlook	Stable	stable	stable

Company

Main business:
**Project development and
wind turbine operations**

wpd AG (hereafter referred to as "wpd" or "wpd Group"), founded in 1996, is primarily an international developer and operator of wind farms in the onshore and offshore fields. In its capacity as planner, project manager and operator, in the past, the Group has planned and economically conceptualized as well as realized projects with a total rated output of approximately 4.4 gigawatt. The home market of wpd Group is Germany. The international activities focus mainly on Europe; in addition to activities in Taiwan, Canada, Chile, Japan, and in the United States. In Europe, wpd Group is one of the leading wind farm project developers. During the fiscal year of 2017, wpd AG employed 603 employees.

Development sector:
**Project development and
wind farm sales**

The *Development* sector entails the planning and construction of wind farms, construction of wind farm infrastructure and structuring of funding as well as selling of wind farms, mainly to institutional investors. In 2016, additional activities were launched in the photovoltaic field. The focus is primarily on Taiwan, France and the United States. The Group's activities chiefly cover the following sectors

- Onshore wind national
- Onshore wind international
- Offshore wind
- Photovoltaic

Asset sector:
Wind farm operations

The *Asset* sector encompasses long-term operations of company's own onshore wind farms located in both the home country and abroad. wpd's wind farm portfolio covers wind farms in Germany, Europe (France, Croatia, Belgium, Poland, Finland), Canada, and Taiwan. On December 31, 2017, the company's own portfolio of wind farms totaled 1,595 MW (gross), or 1,295 MW (net), respectively; with more than half of it being located in Germany. The gross figures also include a complete portfolio of investments owned by the company and 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
significant subsidiaries**

The original shareholders, Mr. Gernot Blanke, Dr. and Mr. Klaus Meier, Dr., each hold 50 % of shares in wpd AG. The company functions as a holding and owns 100 % of shares in each of the following: wpd offshore GmbH (Wind Offshore), wpd onshore GmbH & Co. KG (Wind Onshore Germany), wpd wind worldwide GmbH (Wind Onshore Future Markets), wpd Nordamerika holding GmbH, and wpd Solar GmbH. Further, wpd AG owns 67 % of shares in wpd europe GmbH (Wind Onshore Europe and Canada). The remaining 33 % of shares is held by the Stadtwerke München GmbH (SWM).

Executive management

The Board members of wpd AG are Mr. Gernot Blanke (Dr.) and Mr. Hartmut Brösamle (Dr.). In addition to Mr. Meier (Dr.), who acts as the Supervisory Board's Chairman, the committee includes Mr. Rainer Büssenschütt (Credit Management Supervisor at Sparkasse Bremen) and Bernd Karstedt (a shareholder at DS Diersch & Schröder GmbH & Co. KG).

Attachment 1: Execution

Analysts

- Silke Naused, Senior Analyst / Project Manager
- Kai Gerdes, Director

Rating Committee

- Holger Ludewig, Director
- Matthias Peetz, Senior Analyst

Key Information Sources

- Consolidated financial statements 2015, 2016, 2017
- Extracts from the internal reporting
(e.g. business development 2017, bank overview etc.)
- Market analyses
- Corporate planning
- Documents pertaining to structure under corporate law
- Interviews with management

Rating Methodes

- Issuer credit ratings by Euler Hermes Rating GmbH as of May 2016
(<http://www.ehrg.de/seiten/Methodik2016.pdf>)

Euler Hermes Rating GmbH

Friedensallee 254
22763 Hamburg
Tel.: +49 (0) 40/88 34-64 0
Fax: +49 (0) 40/88 34-64 13

info@eulerhermes-rating.com
www.eulerhermes-rating.com

Attachment 2: Rating Categories

Category	Explanation
AAA	In the opinion of EHRG, AAA rated entities demonstrate an excellent credit quality and the lowest default risk.
AA	In the opinion of EHRG, AA rated entities demonstrate a very high credit quality with a very low default risk.
A	In the opinion of EHRG, A rated entities demonstrate a high credit quality with a low default risk.
BBB	In the opinion of EHRG, BBB rated entities demonstrate a medium credit quality with a moderate default risk.
BB	In the opinion of EHRG, BB rated entities demonstrate a medium-low credit quality with a slightly increased default risk.
B	In the opinion of EHRG, B rated entities demonstrate a low credit quality with an increased default risk.
CCC	In the opinion of EHRG, CCC rated entities demonstrate a very low credit quality with a high default risk.
CC	In the opinion of EHRG, CC rated entities demonstrate a very low credit quality, an event of default is very likely.
C	In the opinion of EHRG, C rated entities demonstrate a very low credit quality, an event of default is imminent.
D / SD	D rated entities have defaulted, as defined by the rating agency. The rated entity is assigned an SD rating (Selective Default) if it has only defaulted on certain debt obligations.
PLUS (+) MINUS (-)	Rating categories from AA to CCC are modified by a PLUS (+) or MINUS (-), where required, in order to show their relative position within the rating category.

Disclaimer

wpd AG (client and rated entity) engaged Euler Hermes Rating GmbH to conduct a rating on 26 January 2018. The company was visited on 13 April 2018.

The Rating Committee of Euler Hermes Rating GmbH reviewed the rating process, issued the rating notation and approved the rating report in its current form on 02 May 2018. This rating report was given to the client on 23 May 2018, thereby concluding the rating process.

The rating is Euler Hermes Rating GmbH's opinion of the creditworthiness of a rating subject. It is not a statement of fact. Euler Hermes Rating GmbH is not engaged in buying or selling securities. Its rating report is neither a prospectus nor a substitute for information assembled and presented by companies or issuers for investors regarding the purchase of a security or for assessing the creditworthiness of a rated entity. The rating is not a recommendation to participate in certain facilities. All recipients of the information must conduct their own independent analyses, credit assessments and other verifications and evaluations that are customary and necessary in order to reach a final decision about participating in any facility.

The rated entity is solely and exclusively liable for any errors and omissions in the documents and information openly and willingly provided to us in response to our requests for information. The rated entity has reviewed the rating report and certified that all the information considered in the rating report is accurate and complete in all significant respects, no significant aspects have been concealed and any forward-looking statements are based on plausible, verifiable and current data and were prepared by the rated entity exercising reasonable and commercial care. The rated entity's representatives have issued a written certification of completeness to Euler Hermes Rating GmbH. However, the rated entity cannot be held liable if actual results differ from the forward-looking statements presented in this document, particularly the projections. Forward-looking statements and projections may be adversely affected by unforeseeable events and changes in the economic environment. Euler Hermes Rating GmbH assumes no liability for the accuracy of the information it considers when issuing a rating and extends no guarantee whatsoever that the information is explicitly or implicitly correct, timely, complete, suitable for the market or fit for any particular purpose.

The rating is published on Euler Hermes Rating GmbH's website (www.eulerhermes-rating.com) or published for subscribers (e.g. on a portal) and will be followed by a subsequent one-year monitoring process. During this period, the rated entity and the sector and business environment in which it operates will remain under observation. The representatives of the rated entity remain subject to a full disclosure obligation during this period. Any change in Euler Hermes Rating GmbH's rating assessment will result in a change in the published rating notation, meaning that this notation represents the current rating assessment at all times. The rating will only remain published after the end of the monitoring period if a follow-up rating is performed.

Please note that summaries of contracts, laws and other documents contained in the rating report cannot replace careful study of the complete texts. Euler Hermes Rating GmbH cannot guarantee that the information used to prepare this report has not changed since it was collected and is still accurate at the time of publication. Euler Hermes Rating GmbH is under no obligation to complete the information that it considered when issuing the rating.

The dissemination and use of this rating report may be prohibited by law in certain jurisdictions. Euler Hermes Rating GmbH therefore recommends that any persons who come into the possession of this information inquire about and comply with any prohibitions that may be in place. Euler Hermes Rating GmbH assumes no liability of any kind with respect to the dissemination and use of the rating in any jurisdiction whatsoever.

Euler Hermes Rating GmbH

Hamburg, May 23, 2018