

Summary of the RATING REPORT

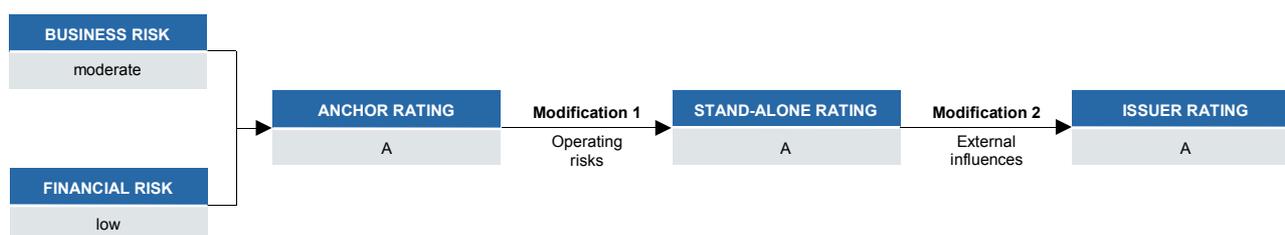
wpd AG

July 3, 2019



Issuer Rating

wpd AG		July 3, 2019	A
		Issuer Rating	
		Outlook	stable
Industry	Projecting, operating, and selling facilities in the field of the regenerative energies (focus: wind power onshore and offshore)	Employees 2018	654



BUSINESS RISK	moderate
<ul style="list-style-type: none"> Market-leader position of wpd Group in Germany A broad international diversification Extensive own portfolio Increasing 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, operating risks are handled in a suitable way 	

FINANCIAL RISK	low
<ul style="list-style-type: none"> High revenues 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 History

	2003-08-29	2004–2018	2019-07-03
Rating	A	A	A
Outlook	stable	stable	stable

Rating Rationale

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

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

In our opinion, wpd AG is generally exposed to a moderate business risk. At the same time, the projecting 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, purchase commitments and relative independence from changes in underlying conditions, which ensure a great degree of stability and sustainability as a result. In our opinion, wpd owns a well-diversified portfolio, with the *Asset* sector being exposed to low business risks. The business-related risk in the *Development* sector is higher due to the project risks, being dependent on the underlying conditions, site availability and high preliminary funding requirements, while dealing with uncertainties as to project realizations at the same time. In our opinion, the introduction of tender bids procedures has, in Europe, resulted in tougher competition and increased pressure on margins. However, based on the international diversification, market position, personal and financial resources and network, we believe that wpd is now positioned very well, as it pursues a success-promising strategic direction to manage the increase in the market-related risks. 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 with regard to the financial performance or cash flows, such impacts could affect the rating.

A low financial risk based on a very solid profitability, capital structure and financial flexibility

According to our assessment, wpd is exposed to a low 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 quite high revenues and cash flows from project sales, which, in the stream of time, take place at irregular intervals. A sufficient base is constituted by the company's own extensive wind farm portfolio as well as 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 mainly characterized by non-recourse funding deals. Contrary to the company's own wind farm portfolio, it is necessary to consider 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 compensate for the depressing market and competitive environment.

No modifications to anchor rating

In our opinion, the corporate Group has appropriate structures, processes and systems in place. In our view, the operating risks comply with the anchor rating. No rating-relevant external factors are present. As a result, the anchor rating was not modified.

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, the Group has formerly planned, economically conceptualized, and realized projects with a total rated output of approximately 4.5 gigawatt. The home market of wpd Group is Germany. The international activities are mainly focused on Europe, with additional activities being conducted in Taiwan, Canada, USA, Chile, Japan, South Korea, and in the Philippines. wpd Group is one of the leading wind farm project developers in Europe. During the reporting period of 2018, wpd AG employed 654 employees.

Development sector: project development and wind farm sales

The *Development* sector encompasses 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, Italy, Germany and also on the United States. The Group's activities mainly cover the following sectors

- Wind onshore national
- Wind onshore international
- Wind offshore
- Photovoltaic

Asset sector: wind farm operations

The *Asset* sector covers the 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, 2018, the company owned a wind farm portfolio of 1,525 MW (gross), with 749 MW (gross) being located in Germany. The gross figures also include a complete portfolio of investments owned by the company but 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 relevant subsidiaries

The original shareholders, Mr. Gernot Blanke, Dr. and Mr. Klaus Meier, Dr., each hold 50 % of shares of wpd AG. The company functions as a holding and owns 100 % of shares in each of the following entities: 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 of directors of wpd AG consists of Mr. Gernot Blanke, Dr. (Chairman), Mr. Hartmut Brösamle, Dr. (COO Onshore), Mr. Achim Berge Olsen (COO Offshore), and Mr. Björn Nullmeyer (CFO). In addition to Mr. Meier, Dr., who acts as the Chairman of the supervisory board, the committee includes Mr. Rainer Büssenschütt (Credit Management Supervisor at Sparkasse Bremen) and Bern Karstedt (shareholder at DS Diersch & Schröder GmbH & Co. KG).

Attachment 1: Rating Performance

Analysts

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

Rating Committee

- Holger Ludewig, Director
- Matthias Peetz, Senior Analyst

Key Information Sources

- Consolidated financial statements 2016-2018
- Extracts from the internal reporting
(e.g. business development 2019, bank overview etc.)
- Market analyses
- Corporate planning
- Documents pertaining to structure under corporate law
- Interviews with management

Rating Methodologies

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

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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 22 March 2019. The company was visited on 28 May 2019.

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 03 July 2019. This rating report was given to the client on 12 August 2019, thereby concluding the rating process.

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Euler Hermes Rating GmbH

Hamburg, August 12, 2019