

RATING REPORT  
(SUMMARY)

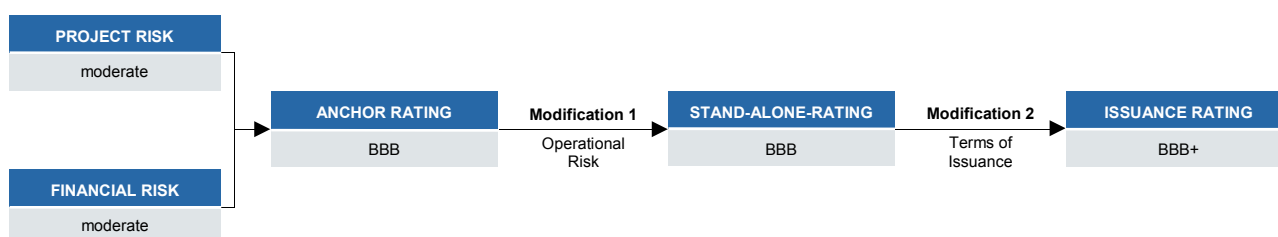
**Gode Wind 1  
Investor Holding GmbH  
(Project Fortuna)  
Senior Note Issuance**

30 September 2020



# Issuance Rating (Summary)

<b>Gode Wind 1 Investor Holding GmbH Senior Secured Amortising Registered Notes (Project Fortuna)</b>		<b>30 September 2020</b>	<b>BBB+</b>
		<b>Issuance Rating</b>	
		<b>Outlook</b>	<b>stable</b>
<b>Industry</b>	Offshore Wind Energy	<b>Nominal Volume</b>	€ 556 m



<b>PROJECT RISK</b>	<b>moderate</b>
<ul style="list-style-type: none"> <li>Project site with comparatively low resource risk</li> <li>No merchant risk until note matures (high fixed FIT)</li> <li>Moderate sustainability of operating cash flow due to largely fixed-fee O&amp;M and a strong warranty agreement</li> <li>Low regulatory risks</li> <li>Moderate technical/operating risks</li> </ul>	

<b>OPERATIONAL RISK</b>	<b>± 0</b>
<ul style="list-style-type: none"> <li>Operational risks are consistent with the anchor rating</li> </ul>	

<b>FINANCIAL RISK</b>	<b>moderate</b>
<ul style="list-style-type: none"> <li>Full amortization within the regulated income period</li> <li>Sufficient coverage ratios for debt service under conservative rating case assumptions</li> <li>Financial model sustains severe downside scenarios without making use of reserve accounts</li> <li>Adequate short-term liquidity profile</li> </ul>	

<b>TERMS OF ISSUANCE</b>	<b>+ 1</b>
<ul style="list-style-type: none"> <li>Senior secured status</li> <li>Improved recovery expectations (&gt; 70%)</li> <li>Low and manageable refinancing risk</li> <li>Adequate cash distribution mechanism, reserve accounts, covenants and termination rights</li> </ul>	

# Rating Rationale

**Euler Hermes Rating upgrades the issuance rating for the senior notes of Gode Wind 1 Investor Holding GmbH to BBB+ from BBB based on a stable operational track record, steady deleveraging and improved recovery expectations. Key rating considerations remain a combination of moderate project risks, moderate financial risks, low operational risks and adequate terms of issuance.**

***Moderate project risk due to moderate cash flow sustainability, low regulatory risks and moderate technical risks***

We assess the **project risk** profile as moderate. Key drivers are a combination of a moderate sustainability of operating cash flow, low regulatory risks and moderate technical risks. In our view, the project site benefits from very low wind related uncertainty and variability levels to the advantage of a comparatively high capacity factor. The project further benefits from priority dispatch for renewable energies, regulated high fixed feed-in-tariffs (FiT) for a period of 9 years and 10 months followed by a regulated floor price against downside risk until the end of year 20. Hence, merchant risks during the note tenor are practically eliminated in our view. Risks from typically very uncertain or highly volatile offshore operating expenditure budgets are mitigated to a moderate extent via an initial 5-year service and warranty agreement by Siemens Gamesa together with a largely fixed-fee 20-year operating and maintenance agreement by Ørsted. Potential counterparty risks regarding these service providers are low in our opinion, given their long standing track record, market position, credit standing and commitment to the project. Risks associated with the market/regulatory environment are generally low in Germany due to the established renewables act, legal security and a favourable political climate. Moreover we think that technical risks associated with the turbine model, or potential grid connectivity issues with the TSO, are mitigated to a moderate extent by the comprehensive warranty agreement and the established compensation mechanism with TenneT.

***Moderate financial risk due to robust performance and adequate future risk bearing potential***

We assess the **financial risk** profile as **moderate**. Key drivers are the robust financial performance during 2019 and the first half of 2020, and our future expectation on adequate debt service coverage ratios under conservative rating case assumptions. Despite lower than expected wind speeds (2019), recurring energy curtailments, unbudgeted extra costs and a few non-compensable grid disruptions or negative price events, the revenues and operating profits during 2019 and the first half of 2020 were broadly in line with our rating case budgets. The senior notes have been serviced according to schedule and we expect an adequate coverage for the next payment date (Dec 2020) considering the reported cash reserves and the expected operating cash flow during the second half of 2020. For future periods we expect an overall adequate risk bearing potential with adequate debt service coverage ratios of 1.32x on average over the remaining tenor of the senior note. Our expectations are based on conservative modelling assumptions (rating case) and additional stress test scenarios with variations of selected key input parameters, which demonstrated that the project could sustain prolonged downside scenarios on energy yield, park availability, wake losses or the OPEX budget without making use of the contractual debt service reserve accounts.

***Operational risks do not trigger rating modifications***

***Issuance rating one notch higher than stand-alone project rating***

Our assessment of the **operational risks** did not identify any relevant factors that would require a modification of the overall rating outcome. Our assessment of the **note issuance** results in a positive deviation by one notch, so that the issuance rating for the Gode Wind 1 senior notes is one notch higher than the underlying stand-alone project rating. Based on the terms of issuance we see a standard set of applicable creditor protection clauses with adequate financial covenants. Regarding the investment structure we value the senior secured ranking and the restrictive cash distribution order with strict priority for debt service, sufficient reserve account requirements and dividend distribution hurdles. In our assessment on the potential development of the net asset value of the project rights, we found that a hypothetical liquidation scenario would most likely result in recovery rates of at least 70%.

## Upgrade / Downgrade Factors

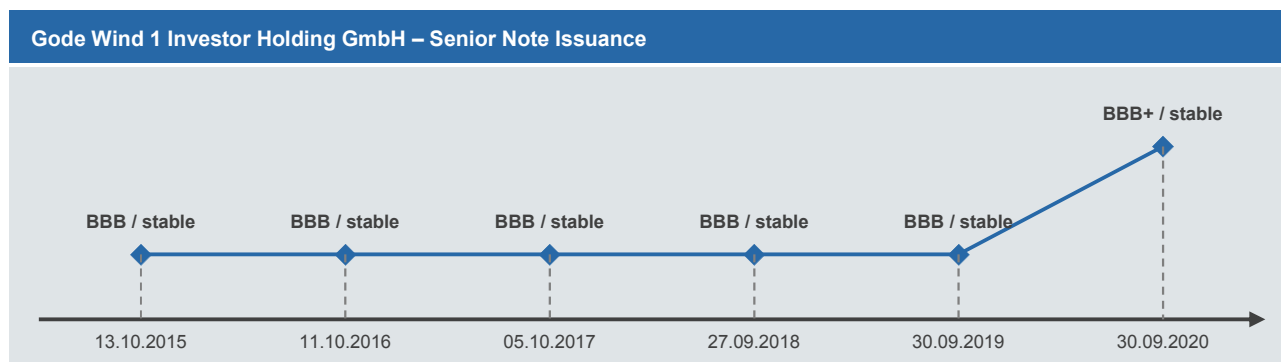
### **Factors that could lead to an Upgrade**

- Sustained improvement of the project's operating performance or significant reduction in debt with a positive impact on the stand-alone credit profile (ADSCR avg. > 1.55x; NLCR > 1.60x; FFO/Debt > 45%)
- Sustained improvement of the project's net asset value (e.g. through deleveraging or rising power future prices) with a positive impact on the expected recovery rate (> 90%)

### **Factors that could lead to a Downgrade**

- Sustained deterioration of the project's operating performance as a result of e.g. shrinking (turbine) availabilities, declining capacity factors or cost overruns with a negative impact on the stand-alone credit profile (ADSCR avg. < 1.25x; NLCR < 1.35x; FFO/Debt < 20%)
- Growing number of non-compensable disruptions (e.g. through more frequent and lengthy periods of negative wholesale power prices or maintenance downtimes caused by unexpected technical problems)
- Adverse regulatory changes (e.g. renewable energy act compensation rules) with retrospective effects on grid connected wind farms
- Sustained deterioration of the project's net asset value (e.g. through falling power future prices or revised expectations on the project lifetime) with a negative impact on the expected recovery rate (< 70%)

## Rating History



## Appendix 1: Execution

### Analysts

- Matthias Peetz, Senior Analyst (Lead Analyst)
- Karl Holger Möller, Senior Analyst

Contact:

Tel.: +49 (0) 40/60 77 81 200

info@[eulerhermes-rating.com](mailto:info@eulerhermes-rating.com)

### Rating committee

- Dörte Mählmann, Director
- Kai Gerdes, Director

### Rating, Solicitation, Principal Sources of Information

- This credit rating has been issued in accordance with the CRA Regulation.

Solicited Rating

Unsolicited Rating

No participation of the rated entity or related third party

With participation of the rated entity or related third party

Access to internal documents

Access to management

- Prior to its publication the rating was disclosed to the rated entity. During this period, the rated entity had the opportunity to review the rating and to verify the underlying assumptions. Following this review, the rating was not amended.
- Principal sources of information:
  - Annual Financial Statements as of 31 December 2019 - Gode Wind 1 Offshore Wind Farm GmbH & Co. oHG
  - Annual Financial Statements as of 31 December 2019 - Gode Wind 1 Investor Holding GmbH
  - Budget 2020 & Estimate 2021-22 - Gode Wind 01 Offshore Wind Farm GmbH & Co. oHG
  - Quarterly O&M / Financial Report Q4/2019, Q1/2020, Q2/2020 - Gode Wind 1 Offshore Wind Farm GmbH & Co. oHG
  - Financial Model of as of 18 May 2020
  - Bank statements 30.06.2020 - Gode Wind 1 Offshore Wind Farm GmbH & Co. oHG
  - Bank statements 30.06.2020 - Gode Wind 1 Investor Holding GmbH

### Rating methodologies and definitions

- Methodology: Project Rating Methodology (General) of November 2017 ([https://www.ehrq.de/seiten/Methodology\\_Project\\_Rating\\_20171114.pdf](https://www.ehrq.de/seiten/Methodology_Project_Rating_20171114.pdf))
- Methodology: Project Rating Methodology (Renewable Energy) of April 2018 ([https://www.ehrq.de/seiten/Methodology\\_Project\\_Rating\\_Renewables\\_2018\\_v2.pdf](https://www.ehrq.de/seiten/Methodology_Project_Rating_Renewables_2018_v2.pdf))
- Methodology: Issue Rating Methodology of November 2017 ([https://www.ehrq.de/seiten/Methodology\\_Issue\\_Rating\\_20171114.pdf](https://www.ehrq.de/seiten/Methodology_Issue_Rating_20171114.pdf))
- Basic principles for Assigning Credit Ratings and Other Services as of July 2020 ([https://www.ehrq.de/seiten/Principles\\_200701.pdf](https://www.ehrq.de/seiten/Principles_200701.pdf))
- Guidance Regarding the Consideration of ESG Factors in Euler Hermes Rating Credit Ratings as of March 2020 ([https://www.ehrq.de/seiten/ESG\\_2020.pdf](https://www.ehrq.de/seiten/ESG_2020.pdf))

### Euler Hermes Rating GmbH

Stadthausbrücke 5  
20355 Hamburg  
Tel.: +49 (0) 40/60 77 81 200

info@[eulerhermes-rating.com](mailto:info@eulerhermes-rating.com)  
[www.eulerhermes-rating.com](http://www.eulerhermes-rating.com)

## Appendix 2: Rating categories\*

Category	Explanation
<b>AAA</b>	In the opinion of EHR, AAA rated entities demonstrate an excellent credit quality and the lowest default risk.
<b>AA</b>	In the opinion of EHR, AA rated entities demonstrate a very high credit quality with a very low default risk.
<b>A</b>	In the opinion of EHR, A rated entities demonstrate a high credit quality with a low default risk.
<b>BBB</b>	In the opinion of EHR, BBB rated entities demonstrate a medium credit quality with a moderate default risk.
<b>BB</b>	In the opinion of EHR, BB rated entities demonstrate a medium-low credit quality with a slightly increased default risk.
<b>B</b>	In the opinion of EHR, B rated entities demonstrate a low credit quality with an increased default risk.
<b>CCC</b>	In the opinion of EHR, CCC rated entities demonstrate a very low credit quality with a high default risk.
<b>CC</b>	In the opinion of EHR, CC rated entities demonstrate a very low credit quality, an event of default is very likely.
<b>C</b>	In the opinion of EHR, C rated entities demonstrate a very low credit quality, an event of default is imminent.
<b>D / SD</b>	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.
<b>PLUS (+) MINUS (-)</b>	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.

\* For more explanations and definitions please refer to: Basic principles for Assigning Credit Ratings and Other Services ([https://www.ehrg.de/seiten/Principles\\_200701.pdf](https://www.ehrg.de/seiten/Principles_200701.pdf))

## Appendix 3: Definitions and financial ratios

### Annual Debt Service Coverage Ratio (ADSCR)

<b>ADSCR</b>
<b>Numerator</b>
Annual Cash flow Available for Debt Service (CFADS)
<b>Denominator</b>
Annual Debt Service (scheduled interest plus principal payments)

### Note Life Coverage Ratio (NLCR)

<b>NLCR</b>
<b>Numerator</b>
Discounted annual CFADS over remaining Note Life
<b>Denominator</b>
Remaining Net Debt Balance

### Adjusted Funds from Operations (FFO) / Total Debt

<b>FFO/Debt</b>
<b>Numerator</b>
Annual CFADS less scheduled interest payments (= adjusted FFO)
<b>Denominator</b>
Remaining Debt Balance

## Disclaimer

On 24 April 2015 Euler Hermes Rating GmbH was engaged to provide regular ratings on the senior note issuance (rated obligation) issued by Gode Wind 1 Investor Holding GmbH (issuer).

Relevant information was obtained from the issuer or its representatives between 08 September 2020 and 14 September 2020. 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 30 September 2020. This rating report was given to the issuer or its representatives on 01 October 2020, thereby concluding the rating process.

The rating is Euler Hermes Rating GmbH's opinion of the creditworthiness of a rated entity or obligation. 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 issuer 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 issuer 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 issuer exercising reasonable and commercial care. The issuer's representatives have issued a written certification of completeness to Euler Hermes Rating GmbH. However, the issuer 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](http://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 issuance, the issuer and the sector and business environment in which it operates will remain under observation. The representatives of the issuer 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, 01 October 2020