

Euler Hermes Rating assigns BBB preliminary issuance rating to senior bonds issued under Project Fortuna

Preliminary Rating of 20. August 2015	
Preliminary Issuance Rating*	Outlook
BBB	stable
<i>* please see rating notations</i>	

Rating-Historie	20.08.2015						
Notation/ Outlook	BBB/ stable						

Based on preliminary terms & conditions for the intended € 556 million bond issue, Euler Hermes Rating assigns a preliminary BBB issuance rating to the senior bonds. The preliminary status is subject to outstanding documents and draw-downs.

The key drivers underlying the issuance rating are the moderate project risks combined with a moderate financial risk profile.

Project risks are moderate according to Euler Hermes Rating. Key drivers in the assessment are a combination of highly predictable cash flows, low regulatory risks, increased technical risks and low operating risks. The elimination of price risks through regulated feed-in tariffs and the mitigation of resource risks by the application of independent energy yield studies both contribute to a highly predictable and stable revenue stream in our opinion. Cash flow quality is further supported by a pre-settled operations & maintenance agreement with mostly fixed conditions by DONG Energy and supported by a yield based service warranty agreement with Siemens (S&P rating: A+). Risks associated with the market-/regulatory environment are generally low as the offshore wind industry will keep benefitting from strong regulatory support by the German government in view of the analysts. Euler Hermes Rating further believes that managing risks are low given DONG Energy's long standing track record and market-leading position in offshore wind, stable credit ratings, and commitment to the project and high-quality project partners. Technical risks associated with the limited track record of the wind turbine (SWT-6.0-154), a few remaining uncertainties regarding the total O&M-budget and lack of competitiveness compared with other regulated renewable energy sources are constraining factors in this rating category.

Financial risks are moderate in the opinion of Euler Hermes Rating. Key drivers in the assessment are the sufficient coverage ratios for debt service under conservative rating case assumptions which could sustain severe downside scenarios on energy yield, park availability, wake losses, total O&M budget or permitted indebtedness at OpCo level without making use of reserve accounts. Scenario analysis also demonstrates a robust short-term liquidity profile which indicates a low default risk at project level according to the analysts.

Regarding potential modifiers, the analysts did not identify any constraining elements impacting on the overall rating outcome. In particular, they tested for adequate conditions regarding the cash distribution mechanism, reserve accounts, covenants or termination rights. The absence of financial leverage at the project level, limited construction risks and full amortisation within the regulated income period are supportive factors in our view. A possible scenario for permitted financial indebtedness at OpCo level, however, is only a small constraint in view of the analysts given the well-defined limits on priority claims.

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RATING
SENIOR BONDS – PROJECT FORTUNA
14. September 2015



22763 Hamburg

Execution of rating

The rating request was submitted by General Infrastructure Partners (GIP) on 27 April 2015. Management talks took place between April 28 and June 15, 2015. This rating report was presented to the client on 20 August 2015, meaning that the rating process has now been concluded. The notation proposal and the report on which it was based were reviewed by the Rating Committee on 20 August 2015 and approved in their current form. If this rating is not made public, the rating refers to this date. If the rating assessment is published on the rating agency's website (www.eulerhermes-rating.com), it will be followed by a subsequent one-year monitoring process. During this period, the company and the environment in which it operates remain under observation. The rated company is subject to unrestricted disclosure obligations during this period. Any change in the rating agency's assessment will result in a change in the published rating, meaning that the rating as shown on the internet represents the current rating assessment at all times. Continued publication after the expiry of the monitoring period is contingent upon a follow-up rating being conducted.

The client is solely and exclusively liable for any errors or omissions in the documents and information supplied openly and willingly in response to our requests for information. The client has reviewed the rating report and confirms that all of the information which it contains is correct and complete in all significant respects, that no major aspects have been concealed and that any forward-looking statements which it may include are based on plausible, verifiable and current data and have been prepared by the client with the diligence of a prudent businessman. However, the client cannot be held liable if actual results differ from the forward-looking statements, in particular the projections, presented in this document. Changes in the economic environment and unforeseen events may impair the validity of the forward-looking statements and projections.

The rating report may not be construed as constituting a recommendation to participate in certain facilities. All recipients of the information should conduct their own independent analyses, credit assessments and other reviews and evaluations which are customary and necessary to reach a final decision about the participation in certain facilities. It should be noted that the summaries of contracts, legislation and other documents included in the report are no replacement for examination of the corresponding full texts. As of the date on which this information is published, it is not possible to guarantee that the information has not changed since being collected and that all information provided is still valid. The client is under no obligation to update the information.

The publication of this rating report may be prohibited by law in certain jurisdictions. The client therefore requests that any persons who gain possession of this information enquire about and comply with any such 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 client's management has submitted to Euler Hermes Rating GmbH a written letter of representation.

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

Euler Hermes Rating GmbH

Hamburg, 20 August 2015

Analysts

Torsten Schellscheidt, Senior Analyst and project lead
Matthias Peetz, Analyst

Rating committee

Kai Gerdes, Director
Sascha Heller, Senior Analyst

Principal sources of information

- Financial model of Project Fortuna prepared by KPMG/ DONG Energy
- Project Fortuna Acquisition Due Diligence, April 2015, prepared by SgurrEnergy
- Assessment of Energy Production of the proposed Gode Wind 1 offshore wind farm, 6 March 2014, prepared by GL Garrad Hassan
- Technical Due Diligence Review on the Project Fortuna in the German EEZ, 11 April 2014, prepared by GL Garrad Hassan
- Project Fortuna - Gode Wind 1 offshore wind farm (GOW1) yield estimate, 13 November 2013, prepared by DONG Energy
- Project Fortuna – Insurance Due Diligence Report – Update – V2. 25 February 2015, prepared by Willis
- Heads of Agreements, 15 April 2015, between Global Infrastructure Management, LLC and DONG Energy Wind Power A/S
- Preliminary Senior Bond Term Sheet, 18 May 2015
- Project Fortuna – Legal Review Report. 30 April 2015, prepared by Clifford Chance
- Project Fortuna – Draft Strawman Structure Report, 8 May 2015, prepared by Deloitte
- Common Terms Agreement, Draft, 17 August 2015 (excluding schedules)
- Share Purchase Agreement, Draft 6.0, 29 June 2015 (excluding schedules)
- Construction Agreement, Gode Wind 01 Offshore Wind Farm, Draft 6.0, 29 June 2015
- Operation and Maintenance Agreement, Gode Wind 1 Offshore Wind Farm, Draft 6.0, 29 June 2015
- Construction (Phase) Parent Guarantees, Draft 2.0, 20 August 2015
- Shareholder Agreement, Gode Wind 01 Offshore Wind Farm, Draft 6.0, 29 June 2015
- Master Definition Agreement, Draft, 17 August 2015
- Subscription Agreement, Draft, 19 August 2015
- Project Fortuna, Conditions of Issue, Draft, 17 August 2015
- Power Purchase Agreement I, Draft 5.0, 2 July 2015
- Equity Commitment Letter from Global Infrastructure Partners (GIP), Draft
- GIP Portfolio Breakdown, 28 September 2012

Rating method

Projektratingmethodik der Euler Hermes Rating GmbH vom Dezember 2014
(<http://www.ehr.de/seiten/Methodik2014.pdf>)

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 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.