



INVESTOR REPORT FOR WODS TRANSMISSION PLC

For the period ending 31 December 2015

General Overview

Present Status:

Investors: **3i Infrastructure plc and PPP Equity PIP LP**

O&M Contractor: **Dong Energy West of Duddon Sands (UK) Limited and ScottishPower Renewables (WODS) Limited**

O&M Guarantors: **Dong Energy Wind Power Holdings A/s and Scottish Power UK PLC**

Security Trustee: **HSBC Corporate Trustee Company (UK) Limited**

Principal Paying Agent: **HSBC Bank PLC**

Technical Adviser: **Ove Arup & Partners Limited**

Insurance Adviser: **Marsh Ltd**

Ratings by Moodys Investors Service Limited: **A3**

Outstanding Principal Amount: **£250,509,460**

General performance

WoDS Transmission PLC (WoDS)'s operational performance has exceeded expectations and has recorded 100% transmission system availability since asset transfer date on 25 August 2015 through to the date of this report.

Operating costs incurred for the first Calculation Period did not exceed 120% of the operating costs included within the Forecast prepared on or around the Initial Issue Date.

Onshore and offshore maintenance has been carried out as planned and completed successfully. The next planned outages (i.e. those affecting availability) are scheduled for Summer 2016 as part of the planned maintenance activities and are in line with the Completion Date assumption of a minor maintenance outage in the first full year of operation.

The Vendors are progressing work that they are required to complete after Completion Date as set out in the Agreement dated 20 August 2015 for the sale and purchase of the offshore transmission assets relating to the West of Duddon Sands Wind Farm Project (the **SPA**). Progress on minor snagging work is being monitored by WoDS and works signed off by WoDS on completion of same. The Vendors are also progressing works required under the Cable Burial Agreement and the Barrow Crossing Agreement (the **BCA**) as a single programme of work planned for 2016. The analysis of the Technical Issue under the BCA has been completed and is now agreed. The Vendors have issued the Proposed Solution which is currently under consideration by WoDS to ensure that it satisfies the required Purchaser's Criteria as defined under the SPA.

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General performance (continued)

WoDS monitors the Temperature Anomaly and no further deterioration has been detected. Testing as specified in the SPA is scheduled for early 2016 to either confirm or rule out the presence of a technical issue protected by warranties contained within the SPA.

The O&M contractor delivers HSE management in relation to the offshore transmission assets owned by WoDS. HSE performance to date has been good with no reportable incidents.

WoDS is managing and discharging its obligations under the Marine Licence successfully.

There have been no material communication or reports delivered by WoDS or the National Electricity Transmission System Operator pursuant to the terms of any Transaction Authorisation since the Completion Date.

WoDS has been made aware by the Vendors of an instance of seabed scour impacting one export cable in the vicinity of an existing rock berm. The nature of the issue, its cause and the level of potential liabilities under the SPA are currently being investigated.

Regulatory and business update

1. There have been no new significant regulatory and business and performance developments since the Completion Date.
2. There have been no significant announcements/publications by the Authority by or relating to the Security Group since the Completion Date.
3. Since 20 August 2015, there have been a number of appointments to and resignations from the Board of WoDS (the **Board**). On 24 August 2015, Messrs Rowan James Te Kloot and Mark Jonathan Dooley resigned from the Board. Messrs Alistair Graham Ray and Adrian Neil Peacock were appointed to the Board on 23 September 2015 and Mr Humza Shaheed Malik resigned from the Board on the same day. Ms Celine Marie Maronne was appointed to the Board on 7 December 2015 and Mr Graham Farley resigned from the Board on the same day.

Current Hedging Position

4. A hedging agreement is in place to swap a portion of the revenues over the life of the fixed rate secured bonds due August 2034.

Current availability / drawn amounts under the PBCE

5. The European Investment Bank (the PBCE provider) has provided a letter of credit that allows WoDS, in specified circumstances, to draw down certain amounts. At 31 December 2015, WoDS was entitled (subject to specified conditions) to draw down under the letter of credit a maximum amount with a value equivalent to 15% of the outstanding principal amount of the fixed rate secured bonds due August 2034. No amount of the PBCE letter of credit has been drawn down as at the date of this report and WoDS has no current plans to draw down under this facility.

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Project Documents

6. There have been no amendments to, or replacement of, any Project Document since the Completion Date.

Ratios

7. We confirm that the ratios (together the **Ratios**) are as detailed in the tables below:

Ratio	Ratio for Relevant Period/Date (excluding undrawn PBCE)	Lock-Up Ratio Level (excluding undrawn PBCE)	Ratio for Relevant Period/Date (including undrawn PBCE)	Default Ratio Level (includes undrawn PBCE)
Projected DSCR:	1.20x	1.10x	3.35x	1.05x
Historic DSCR:	1.22x	1.10x	6.31x	1.05x
Debt Life Cover Ratio:	1.32x	1.15x	1.47x	1.08x

8. We confirm that the Ratios have been calculated using the most recently available financial information required to be provided by the Obligors under Schedule 2 (Obligor Covenants) of the Common Terms Agreement.

9. We set out below the computation of the Ratios for your information:

- (a) Projected DSCR – 1.20 (excluding undrawn PBCE)

Net Cashflow (Jan 16 – Dec 16)	21,048
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Debt Service (Jan 16 – Dec 16)	17,512
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Net Cashflow is comprised of Gross Revenue less Operating Costs, Capital Costs and Taxes.

Gross Revenue is net of RPI swap payments and movements in and out of the Decommissioning Reserve Account (DRA) and Working Capital Reserve Account (WCRA).

Debt Service includes all scheduled payments of interest and principal payable in respect of senior debt and any termination payments then due and payable under any hedging agreement.

- (b) Historic DSCR – 1.22 (excluding undrawn PBCE)

Net Cashflow (Aug 14 – Dec 15)	9,050
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Debt Service (Aug 14 – Dec 15)	7,395
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Ratios (continued)

- (c) Debt Life Cover Ratio – 1.32 (excluding undrawn PBCE)

NPV of Net Cashflow plus DSRA, ERA, WCRA	
<u>Plus residual balance of operating account</u>	<u>330,438</u>
Senior Debt	250,509

10. We confirm that:

- (a) No Default has occurred and is continuing;
- (b) The statements set out in this Investor Report are accurate in all material respects;
- (c) No Restricted Payment has been made since Completion Date.

Yours faithfully,



Director

Signing without personal liability, for and on behalf of **WoDS Transmission PLC**

23 December 2015