

INVESTOR REPORT FOR WODS TRANSMISSION PLC

For the period ending 31 December 2016

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 Moody's Investors Service Limited: A3

Outstanding Principal Amount: £241,531,731 as at 31 December 2016 (after a principal repayment of £3,266,281 on 31 December 2016).

General performance

WoDS Transmission PLC (WoDS)'s operational performance has exceeded expectations and has recorded 99.90% transmission system availability since asset transfer date on 25 August 2015 through to 21 December 2016 and 99.71% transmission system availability for the period 1 July 2016 through to 21 December 2016.

Onshore and offshore maintenance has been carried out as planned and completed successfully. The planned outages (i.e. those affecting availability) scheduled for late Summer 2016 were carried out in line with the Due Diligence assumption of a minor transformer maintenance outage on each circuit in the first full year of operation. The duration of one of these outages was greater than the due diligence assumptions and a full review was carried out prior to the second outage which was completed as planned. The small impact of the overrun on our availability assumptions for the year was offset by the increased availability due to there being no minor unplanned outages to date.

The Vendors (Dong Energy West of Duddon Sands (UK) Limited and Scottish Power Renewables (WODS) Limited) have completed all but one item of specific defined snagging work as required 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) including the provision of various indemnities by the Vendor against the potential financial impact of the works. The one remaining item currently in progress, the disconnection of redundant metering equipment is still under review to determine the appropriate process for disconnection however close out is expected shortly.

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General performance (continued)

The Vendors also completed agreed works required under the Cable Burial Agreement (the CBA) and the Barrow Crossing Agreement (the BCA), together with agreed additional works to address the further instance of seabed scour at key point 8.8 as previously reported, as a single programme of work, at their expense. With the support of its technical advisors, WoDS reviewed post completion as built survey information and formal works completion notices have been issued. No further work is required under the CBA or with respect to key point 8.8. Under the BCA, two six monthly surveys will be carried out, the results from which will be used to determine the estimated cost of any project life Maintenance Works to be paid to WoDS by the Vendors. WoDS continues to monitor the Temperature Anomaly and no further deterioration has been detected. Testing as specified in the SPA, to either confirm or rule out the presence of a technical issue protected by warranties contained within the SPA, is complete and the Vendors have been informed that it is WoDS view that the indemnity provided under the SPA should remain in force for the remainder of the agreed four year term.

The O&M Contractor continues to deliver HSE management in relation to the offshore transmission assets owned by WoDS. HSE performance since asset transfer has been good with no reportable incidents.

WoDS is managing and discharging its transferred 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 date of the last Investor Report.

Regulatory and business update

1. There have been no new significant regulatory and business and performance developments since the last Investor Report.
2. There have been no significant announcements/publications by the Authority by or relating to the Security Group since the last Investor Report.
3. Since the last Investor Report, there have been a number of appointments to and resignations from the Board of WoDS (the **Board**). On 31 August 2016, Mr Javier Falero resigned from the Board. On 27 October 2016, Mr Alistair Ray resigned from the Board and Mr Joe Philipsz was appointed to 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 2016, 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 last Investor Report

Ratios

7. We confirm that the ratios calculated as at 31 December 2016 (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:	1.19x	1.10x	3.54x	1.05x
Historic DSCR:	1.16x	1.10x	3.31x	1.05x
Debt Life Cover Ratio:	1.28x	1.15x	1.43x	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. The undrawn PBCE amount included in the calculation of the relevant Ratios included within the table at paragraph 7 of the Investor Report amounted to £36,229,759. All ratios have been calculated based on actual data through to 30 September 2016 and forecast data through to 31 December 2016 and thereafter.

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

- (a) Projected DSCR – 1.19x (excluding undrawn PBCE)

Net Cashflow (Jan 17 – Dec 17) 18,299k

Debt Service (Jan 17 – Dec 17) 15,422k

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.

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Ratios (continued)

- (b) Historic DSCR – 1.16x (excluding undrawn PBCE)

<u>Net Cashflow (Jan 16 – Dec 16)</u>	<u>20,349k</u>
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Debt Service (Jan 16 – Dec 16)	17,512k
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- (c) Debt Life Cover Ratio – 1.28x (excluding undrawn PBCE)


<u>NPV of Net Cashflow plus DSRA, MRA, WCRA</u> <u>Plus, the residual balance of proceeds account</u>	<u>308,992k</u>
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Senior Debt	241,532k
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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) The amount of any Restricted Payment made since the date of the last Investor Report amounted to £3,675,000.

Yours faithfully,

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Director

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

22 December 2016