

INVESTOR REPORT FOR GREATER GABBARD OFTO Plc

As at MARCH 2017

General Overview

Present Status:

Investors: Equitix Capital Investors UK Cable Limited and Equitix Transmission 2 Limited

O&M Contractor: Balfour Beatty Utility Solutions Limited

O&M Guarantor: Balfour Beatty Group Limited

Security Trustee: Deutsche Trustee Company Limited

Principal Paying Agent: Deutsche Bank London Branch

Technical Adviser: Mott MacDonald Limited

Insurance Adviser: Willis Limited

Ratings by Moodys Investors Services Limited: A3

Outstanding Principal Amount: £278,812,738 as at 31 March 2017 (after a principal repayment of £4,172,039 on 31 March 2017). The undrawn PBCE amount as at 31 March 2017 after the senior debt principal payment is £42,447,750.

General Performance

The OFTO has achieved excellent availability over the period. This year required planned outages on all circuits to undertake five year major maintenance. This maintenance cycle starts from the commissioning date of the asset and will recur on a 5 yearly basis. These planned works cover the whole Transmission Asset both onshore and offshore requiring outages on all three Export Circuits and the Galloper Interconnector Circuit.

The planned Availability for 2016 was 93.5% and the actual outturn Availability for 2016 was 99.78% indicating time efficient delivery of outage works. A minor amount of outage related works was deferred to summer 2017 and will result in planned availability of 99.82%

Post-close Developer completion works are complete with the exception of:

- Business records including technical drawings and documents. Although the OFTO has adequate records to safely operate the asset, there are a number of gaps in the records. The OFTO has agreed to undertake that work at the Developer's cost. Works have progressed and will complete in 2017.
- The Helideck on GASUB Offshore Substation Platform is to be reclassified to a Heli-Hoist Only Platform (HHOP). The Developer was required to certify the Helideck to landing use but technical problems prevented this from being possible. Both parties agree that it is not necessary to operate a helideck on both platforms (IGSUB & GASUB). Gabbard is the only Transmission Offshore asset to have helidecks. Variations have been prepared and TA consent obtained to enable reclassification. Works are planned to enable reclassification in 2017 subject to commercial/contractual approval.

Spares procurement is underway with Spares delivery expected through 2017.

Monitored Operating Costs remain between the 80% and 120% band as required by the project agreements.

The construction of the Galloper Windfarm development (led by RWE) adjacent to Greater Gabbard is at an advanced stage and approaching commissioning. The windfarm connects into the same National Grid Substation as Greater Gabbard and there are works that interface with the Greater Gabbard OFTO as follows:

- Galloper Windfarm Export Cable Crossing
- Galloper Windfarm Feeder Circuits proximity works
- National Grid Licenced connection works

To date one of the two subsea export cables was installed in the summer of 2016 along with the onshore export cable crossing of the GREATER GABBARD OFTO export cables. These works were completed successfully. Work is underway to complete the second export cable installation which is planned to complete in late May/early June 2016. The remaining works are managed under existing agreements with appropriate protections and consents in place. Design of the onshore cable routes at Leiston is complete and has been agreed by GG OFTO. Installation is nearing completion.

Export Cable 2 has suffered fibre losses since monitoring began in June 2014. Measurements indicate all fibres were initially broken at 1.3km from the Onshore Substation which is in the nearshore area approximately 460m from the land/subsea transition joint bay. There are 3 export circuits each with 48 core fibre connections to the IGSUB Offshore Substation. Fibre services from Circuit 2 have been transferred to the other two circuits which remain healthy and stable. Ongoing periodic monitoring of healthy fibres is being undertaken every 3 months. No loss of export power has been experienced and therefore availability has been unaffected. The OFTO is aware of instances where failure of the fibre optic circuits have been associated with a failure of the power core on other OFTO assets. Greater Gabbard OFTO commissioned an independent report to determine Good Industry Practice to resolve the problem. Given the risks of a power core failure, the report recommends a pre-emptive repair. Greater Gabbard OFTO is now in the planning phase of a repair.

Regulatory and business update

1. There have been no new significant regulatory and business and performance developments since the previous Investor Report in September 2016.
2. There have been no significant announcements/publications by the Authority by or relating to the Security Group since the previous Investor Report in September 2016.

Current Hedging Position

3. A hedging agreement is in place to swap c64% of revenue over the life of the senior debt term on a pari passu basis to mitigate risks associated with lower than expected RPI.

Current availability / drawn amounts under the PBCE

4. The European Investment Bank (the PBCE Provider) has provided a letter of credit for an amount of £42,447,750 (the PBCE Letter of Credit) as at 31 March 2017 as a form of subordinated credit enhancement for the Issuer in relation to the bonds and the hedging arrangements. No amounts have been drawn from the letter of credit as at 31 March 2017.

Ratios

5. 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 | 3.22x | 1.05x |
| Historic DSCR: | 1.22x | 1.10x | 3.35x | 1.05x |
| Debt Life Cover Ratio: | 1.36x | 1.15x | 1.51x | 1.05x |

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

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

The numerator excludes the PBCE letter of credit facility

Senior Debt excludes mark-to-market liabilities under hedging agreements

- (a) Projected DSCR - 1.20

| | |
|--------------------------------------|--------|
| <u>Net Cashflow (Apr 17- Mar 18)</u> | 24,781 |
|--------------------------------------|--------|

| | |
|-------------------------------|--------|
| Debt Service (Apr 17- Mar 18) | 20,702 |
|-------------------------------|--------|

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 Emergency Reserve Account (ERA), 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

| | |
|--|--------|
| <u>Net Cash flow (Apr 16 - Mar 17)</u> | 24,777 |
|--|--------|

| | |
|--------------------------------|--------|
| Debt Service (Apr 16 - Mar 17) | 20,266 |
|--------------------------------|--------|

- (c) Debt Life Cover Ratio (DLCR) - 1.36

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|---|---------|
| NPV of Net Cash flow plus DSRA, ERA, WCRA plus residual balance of operating account | 380,379 |
|---|---------|

| | |
|-------------|---------|
| Senior Debt | 278,813 |
|-------------|---------|

We confirm that:

- (d) No Default has occurred
- (e) the statements set out in this Investor Report are accurate in all material respects;
- (f) No Restricted Payment has been made since the previous Investor Report in September 2016.

Yours faithfully,



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Director

Signing without personal liability, for and on behalf of **Greater Gabbard OFTO Plc** for and on behalf of each Obligor

Date... 30/3/17