PKF FRANCIS CLARK
Shared Ambition

DIF CAPITAL PARTNERS

Wadlow Wind Farm

Information Memorandum for 26MW UK operating onshore wind opportunity

September 2023

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Glossary

Acronym	Definition
AMA	Asset Management Agreement
AOM	Active Output Management
ARA	Amendment and Restatement Agreement
BoP	Balance of Plant
CfD	Contracts for Difference
COD	Commercial Operation Date
CoT	Certificate of Title
CP	Compliance Period
CPI	Consumer Price Index
DIF	DIF Capital Partners
DIF IV	DIF Infrastructure IV Coöperatief U.A.
DNO	Distribution Network Operator
DVIs	Detailed Visual Inspections
EGL	Electricity Generator Levy
EPC	Engineering, Procurement and Construction
ESG	Environmental, Social, and Governance
FMD	Fuel Mix Disclosure
GDUoS	Generation Distribution Use of System charges
GoO	Guarantee of Origin
GW	Gigawatt
GWh	Gigawatt-hour
HV	High Voltage
IEC	International Electrotechnical Commission
LLF	Load-loss Factor
LPA	Local planning authority
MW	Megawatt
MWh	Megawatt hour
MPAN	Meter Point Administration Number
MPS	Maintech Power Services Limited
Natural Power	Natural Power Consultants Limited
O&M	Operations & Maintenance
OC	Osborne Clark
Ofgem	The Office of Gas and Electricity Markets
PCG	Parent Company Guarantee
PCYA	Post Construction Yield Assessment
PfR	Partnerships for Renewables Limited
PKF	PKF Francis Clark
PPA	Power Purchase Agreement
PPO	Power Performance Optimisation
PPP	Public-Private Partnerships
RCRC	Residual Cashflow Reallocation Cashflow
REGOs	Renewable Energy Guarantees of Origin
RO	Renewables Obligation
ROC	Renewable Obligation Certificate
RPI	Retail Price Index
SAA	Service and Availability Agreement
SCADA	Supervisory Control and Data Acquisition
SMBC	Sumitomo Mitsui Banking Corporation Europe Limited
SONIA	Sterling Overnight Index Average
SPV	Special Purpose Vehicle

TCR	Targeted Charging Review
TLM	Transmission Loss Multiplier
TNUoS	Transmission Network Use of System charges
TSA	Turbine Supply Agreement
TVDD	Technical Vendor Due Diligence
VDD	Vendor Due Diligence
WEHL	Wadlow Energy Holdings Limited
WEL	Wadlow Energy Limited
WTG	Wind Turbine Generator

Contents

1 Executive summary

On behalf of DIF Infrastructure IV Coöperatief U.A. (“DIF IV”) and certain subsidiaries of DIF IV (the “Sellers”), PKF Francis Clark (“PKF”) are presenting this opportunity to acquire a 26MW operational wind farm with eleven years of proven operational performance (“Wadlow Wind Farm” or the “Project”). The Project is subsidised under the Renewables Obligation ("RO") scheme and qualifies for 1 Renewable Obligation Certificate (“ROC”) per MWh until July 2032. DIF Capital Partners (“DIF”) is managing the sale of 100% of Wadlow Energy Holdings Limited, the 100% owner of the wind farm SPV (Wadlow Energy Limited), on behalf of DIF IV, a DIF managed fund.

1.1 Investment summary

Wadlow Wind Farm has been operating for eleven years, is accredited for 1 ROC and represents an excellent investment opportunity with the following key highlights:

High quality, well-performing asset	• Proven Vestas V90 2MW turbines with latest Power Performance Optimisation (“PPO”) software upgrade resulting in optimised power curves and yield enhancements • Proven operational track record over 11 years with an independently assessed asset life of 35 years • Located in England with minimal nearby generation
Attractive subsidy regime	• Cash flows underpinned by inflation-linked contracted revenues until 2032 under the UK’s RO subsidy regime and accredited for 1 ROC per MWh • Supportive regulatory regime in the UK with low sovereign risk
De-risked contractual structure	• Long-term contractual structure with highly rated counterparties • Full service O&M with 97% production-based guarantee provided by Vestas • Route-to-market PPA with Statkraft providing advantageous season ahead fixes
Valuable long-term financing	• Portable long-term, fully amortising and fully hedged capital structure with no refinancing risk • Attractive fixed rates following a refinancing in 2018
Flexibility to refine the business case	• Flexibility on power sales strategy and scope to optimise PPA • c.5MW of existing excess grid capacity • Long asset life and future scope for re-powering
Vendor due diligence	• Comprehensive vendor due diligence (“VDD”) pack to facilitate the transaction • Technical due diligence including independent life extension review • Legal due diligence report and Certificate of Title

2 Transaction structure and overview

2.1 The project

The Project is located at Wadlow Farm in South Cambridgeshire and consists of thirteen Vestas V90 2MW turbines with a 75m hub and 120m tip. It is managed under a 26 year full scope Active Output Management (“AOM”) agreement with a 97% production-based availability guarantee with Vestas. The turbines and civil infrastructure have been independently assessed as being able to achieve a useful life of 35 years.

Energy is exported to the grid via two feeder stations at Burwell and Fulbourne with a total capacity of 30.7MVa.

Commercial operations commenced in September 2012. The Project was accredited under the RO scheme in July 2012 and as a result the Project will receive 1 ROC per megawatt hour ("MWh") until July 2032. Power is sold under a route-to-market Power Purchase Agreement (“PPA”) with Statkraft until 2029 and has fixed season ahead pricing until April 2024.

Following a refinance in 2018, the Project has long-term, portable debt in place until 2032 with Sumitomo Mitsui Banking Corporation Europe Limited (“SMBC”). The debt is fully hedged at attractive all-in rates.

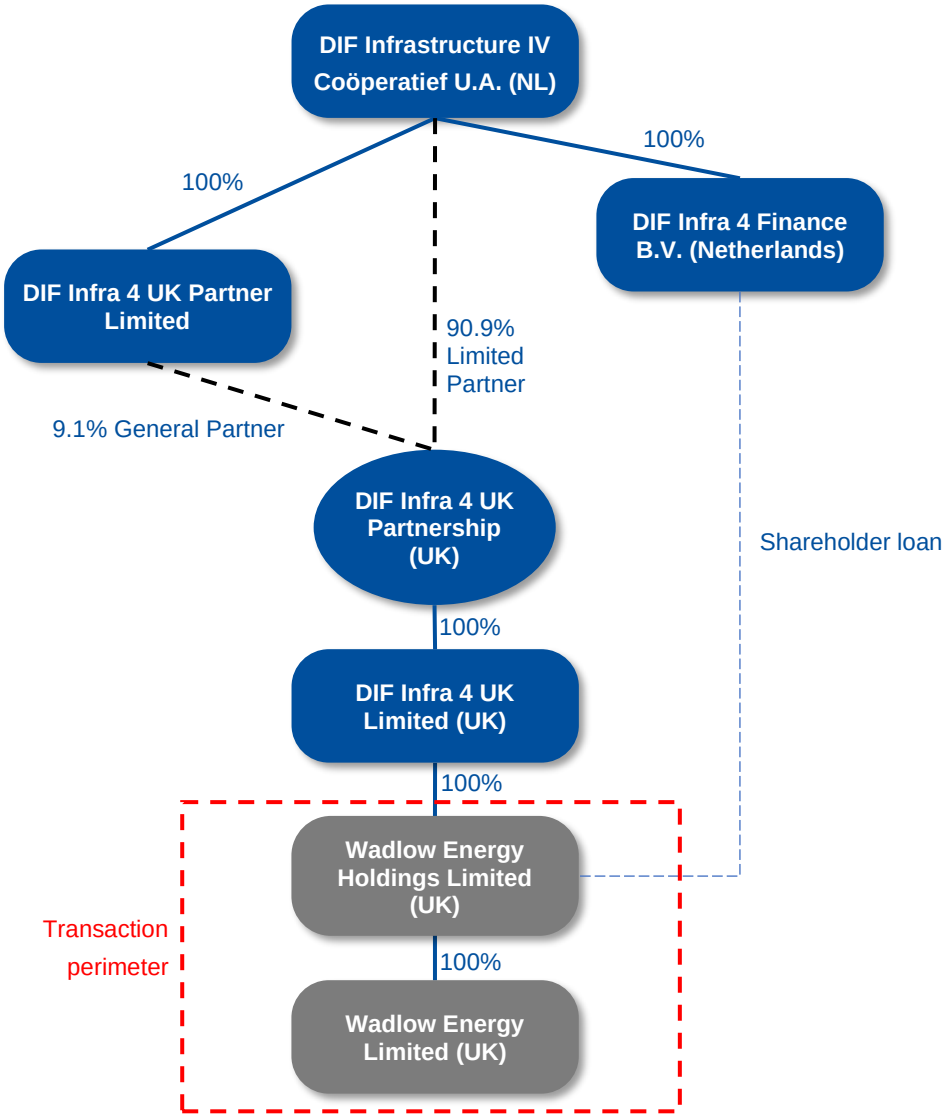
2.2 Ownership

DIF is managing the sale of 100% of the equity and the shareholder loan interests in Wadlow Energy Holdings Limited ("WEHL"), the 100% owner of the wind farm SPV Wadlow Energy Limited ("WEL"), held by DIF IV. The corporate structure is illustrated below.

WEL, company number 07454880, was incorporated on 30 November 2010 for the sole purpose of holding all rights attached to the Project.

WEHL, company number 07680508, was incorporated on 23 June 2011 for the sole purpose of owning the project SPV, Wadlow Energy Limited.

DIF IV is the indirect parent of WEHL.



Established in 2005, DIF is an independent infrastructure fund manager with EUR 17 billion of AUM. DIF follows a unique set of private market strategies in infrastructure equity, with a focus on developing highly diversified portfolios across a broad spectrum of projects in Europe, the Americas and Australasia. With over 200 professionals based in eleven offices worldwide, DIF's local presence enables them to source, execute, manage and enhance investments as well as help to build stronger relationships with key partners.

DIF IV is a closed-end, Euro-denominated fund that has made investments in PPPs, renewable assets and regulated assets in Western Europe, North America and Australia. The fund was launched in July 2015 and held a final close at EUR 1.15 billion.

DIF follows a strategy of gradually divesting investments held by a fund as it matures and reaches the end of its fund life. Given the strong operating track record of the Project, DIF has decided to divest the asset ahead of the targeted fund maturity of DIF IV. To date, DIF has successfully realised nine investments from DIF IV.

2.3 Funding structure

2.3.1 Senior debt

There is a facility agreement with a total commitment of £42,509,000 (comprised of a £40,000,000 term loan facility and a £2,509,000 debt service reserve facility) in place between WEL (as borrower) and Sumitomo Mitsui Banking Corporation Europe Limited (as Mandated Lead Arranger), Sumitomo Mitsui Banking Corporation Europe Limited (as Original Lender), Sumitomo Mitsui Banking Corporation Europe Limited (as Facility Agent), Sumitomo Mitsui Banking Corporation Europe Limited (as Security Agent) and Sumitomo Mitsui Banking Corporation Europe Limited (as Account Bank) dated 13 February 2018 (the "Senior Loan").

The Senior Loan as at the locked box date of 31 December 2022 (the “Locked Box Date”) was £31.5m. The all-in cost of debt averages 3.8% and is fully hedged.

Change of control restrictions apply pursuant to the terms of the facility agreement and intercreditor agreement. No lender consent is required for change of control where the incoming party:

- accedes to the intercreditor agreement and agrees to be bound by its terms,
- satisfies the "know your customer" requirements of the lenders; and
- is an "Acceptable Investor" being:
    - (i) a corporate entity which has a minimum tangible net worth of at least £50m, or (ii) is an adviser or manager with assets under management in energy and infrastructure investments of at least £100m; and
    - owns, has owned, or operates in the five years immediately prior to the change of control at least 50MW of wind and/or solar generation assets.

2.3.2 Shareholder loan notes

There is shareholder affiliated financing through loan notes issued pursuant to a loan note instrument to DIF Infra 4 Finance B.V. (Netherlands). The loan notes have an interest rate of 8% per annum with interest payable in 6-monthly intervals (on 31 March and 30 September of each year) and a final repayment date of 30 September 2037. The shareholder loan balance outstanding at the Locked Box Date was £11.7m.

It is anticipated that the shareholder loan notes will be novated at completion.

2.4 Transaction process

This Information Memorandum, together with a process letter, the Financial Model, and a Life Extension Summary Report from Natural Power have been circulated to a limited number of parties who have expressed appropriate interest in purchasing the Project.

The process letter includes details on the timing and requirements of non-binding offers.

3 Onshore wind market and regulatory framework

Onshore wind has played a significant role in the renewable energy landscape of the United Kingdom since 2006, when its contribution to the generation mix started to intensify. Onshore wind farms have been widely developed across the UK, due to the country's favourable wind resource and the introduction of government subsidies designed to enable the transition to cleaner, more sustainable energy.

The UK is a global leader in onshore wind deployment and has over 25GW of operational onshore wind capacity.[1] This development has been supported by various mechanisms, with its growth at utility scale being mainly driven by the RO, which was introduced in 2002.

The RO scheme required electricity suppliers to source a certain percentage of their electricity from renewable sources. As part of the scheme, onshore wind projects received ROCs for each MWh of electricity generated. These ROCs could be sold to suppliers, typically alongside the generated electricity through a PPA, providing additional revenue to support the financial viability of onshore wind projects.

The RO was closed to new projects in 2016. However, accredited projects, such as Wadlow, had their rights “grandfathered” and will continue to receive RO payments for the remaining life of their contract.

The RO was replaced by the Contracts for Difference scheme (“CfD”), a reverse auction subsidy regime whereby generators are paid a flat, indexed rate for the electricity they produce over a fifteen-year period.

CfDs have not been as successful as the RO at encouraging investment in onshore wind, but despite this, the industry has continued to expand and mature in the UK. Onshore wind remains one of the most cost-effective forms of renewable energy and advancements in turbine technology have improved efficiency and performance. Moreover, onshore wind has contributed significantly to reducing carbon emissions, enhancing energy security and creating job opportunities in the renewable energy sector.

The 2022 British Energy Security Strategy has made commitments to support the repowering of onshore wind projects. Further, there is broad public support with a 2022 survey showing 76% of people support building renewable projects in their area.[2] The climate crisis, coupled with recent increases in energy prices and a focus on energy security, has created significant political pressures. Further amendments to the UK Energy Bill have been tabled by Conservative ministers in order to lift the “ban” on new developments in England, and the opposition Labour party have been vocal in their commitment to increasing wind power in the UK.

Overall, operational onshore wind power has had a substantial impact on the UK's renewable energy transition. Despite the absence of the RO, the sector continues to grow, driven by market forces, technological advancements, and the country's commitment to decarbonisation and achieving its climate change goals.

3.1 Wholesale power

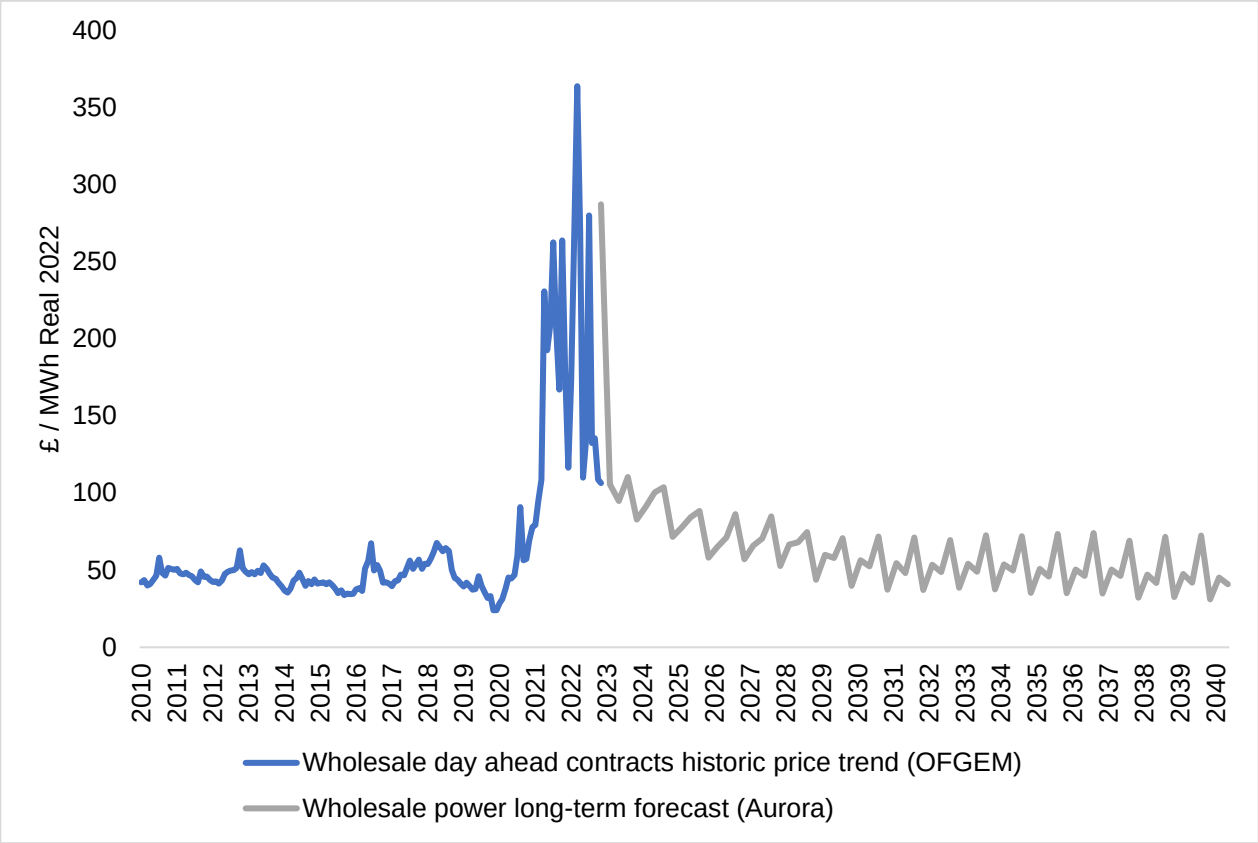
Over the last 12-18 months, the GB wholesale electricity market has experienced extraordinary volatility, driven by global factors such as an increased demand for energy post-coronavirus and Russia’s invasion of Ukraine.

[1] Source: RenewableUK, capacity as at August 2022
[2] Source: Renewable UK September 2022 Survation polling [https://www.renewableuk.com/news/615931/Polling-in-every-constituency-in-Britain-shows-strong-support-for-wind-farms-to-drive-down-bills.htm]

Historically, power prices tended to remain within the range of c.£40-60/MWh. In late 2021, soaring gas prices in Europe coupled with low wind levels pushed the power price to well above £100/MWh, a trend that was further exacerbated following Russia's invasion of Ukraine in early 2022.

Onshore wind typically generates more in the winter months, correlating with periods of higher power pricing.

The Project has a route-to-market PPA with the ability to fix future prices and has secured a season-ahead price for Winter 23/24 of £232/MWh, in excess of current wholesale forecasts.



3.2 Renewables Obligation Certificates

ROCs are issued to operators of accredited renewable generating stations for the eligible renewable electricity they generate. Operators can trade ROCs with other parties or sell them directly to a supplier. A ROC has a set, Retail Price Index ("RPI") inflation-linked price called the buy-out price. In the 2023/2024 year, this is £59.01 per ROC.

In addition, a variable ROC Recycle payment is made. The RO scheme places an annual obligation on electricity suppliers to present to Ofgem (the regulator) a specified number of ROCs per MWh of electricity supplied to their customers during each obligation period (1 April – 31 March). Suppliers can meet their annual obligation by presenting ROCs, making a payment into a buy-out fund or a combination of the two. The administration cost of the scheme is recovered from the buy-out fund and the rest is distributed back to suppliers in proportion to the number of ROCs they presented to meet their individual obligation, the "Recycle".[3] The final Recycle value for the 2021-22 year was £7.44 per ROC paid in December 2022.

[3] Source: Ofgem

From April 2027, a fixed price, inflation-linked certificate scheme will be introduced. It is intended to replace the ROC buy-out and ROC Recycle payments for the remaining life of ROC-accredited projects and is anticipated to be equivalent to the 2027 buy-out price, plus 10%[4].

The Project receives 1 ROC per MWh. The PPA with Statkraft includes the sale of the Project's ROCs and receipt and disbursement of associated Recycle payments.

ROCs are inflated by RPI. Following the Russian invasion of Ukraine, RPI inflation peaked in late 2022 at 13.9%, its highest rate in around 40 years. The increase was driven primarily by higher gas prices feeding into sharp rises in domestic energy bills, alongside higher fuel prices and global goods inflation. Whilst inflation has reduced from this peak, it is still over 6%[5] and RPI typically trends at around 1% over the Consumer Price Index ("CPI"), an alternative inflation measure. The 2022-23 ROC buy-out price increased 12% on the 2021-22 buy-out value.

3.3 REGOs

Renewable Energy Guarantees of Origin ("REGO") certificates were introduced in 2003 and allow electricity suppliers to demonstrate to their customers how much of the electricity they supply was produced from renewable sources. One REGO certificate is issued per MWh of eligible renewable output to generators of renewable electricity.

The primary use of REGOs in Great Britain and Northern Ireland is for Fuel Mix Disclosure ("FMD"). FMD requires licensed electricity suppliers to disclose to potential and existing customers the mix of fuels (coal, gas, nuclear, renewable and other) used to generate the electricity supplied.

REGOs have historically not been considered a significant part of the revenue mix, as their value was low. However, in July 2022, the UK announced that it would no longer recognise EU Guarantees of Origin (GoOs) from April 2023, meaning green certificates redeemed in the FMD statements will have to be sourced domestically going forward. This has increased the value of REGOs, with wind REGOs trading at over £9 in May 2023.[6]

REGO pricing indications have been obtained from Statkraft and are forecast to be in the range of £7-£9 per MWh over the next few compliance periods.

The Project currently receives 90% of the value of REGOs under the PPA.

3.4 Embedded Benefits

Generators connected to the electricity distribution network, such as the Project, receive payments for the avoidance of the higher costs, and higher electricity losses, associated with the electricity transmission system. These include avoided transmission losses and charges and avoided distribution losses and charges.

The Project benefits from Residual Cashflow Reallocation Cashflow ("RCRC") payments, avoided distribution losses and avoided transmission losses. These benefits are paid net of the Generation Distribution Use of System charges ("GDUoS").

The 2023-24 embedded benefit estimate to be received under the PPA agreement is a net benefit of £1.30/MWh.

[4] Source: Aurora
[5] Source: Office for National Statistics
[6] Source: e-Power

3.5 Triads

Historically, the Project has been eligible to receive triad income if it generated electricity during any of the annual triad periods. Triads were published annually by National Grid (usually around April each year) and represented the three half-hour settlement periods with highest system demand between November and February, separated by at least ten clear days. National Grid used the triad to determine Transmission Network use of System charges ("TNUoS") for customers with half-hour metering. The triads for each financial year were calculated after the end of February, using system demand data for the half-hour settlement periods between November and February. Triads were introduced to encourage large UK consumers to reduce demand during expected peak periods, as they would avoid transmission costs. Conversely, generators found to be generating during the designated triad periods would be paid a triad benefit for providing electricity when it was in highest demand.

In May 2021, Ofgem launched a consultation on triads as part of their Targeted Charging Review ("TCR"), and from April 2023, transmission charges will mainly be determined by a series of fixed charging bands, removing the triad benefit altogether.

3.6 EGL

The Electricity Generator Levy ("EGL") was announced in November 2022 and is a temporary 45% charge on electricity generators where wholesale electricity produced is sold at prices in excess of a CPI inflation-linked £75/MWh. It applies to the period from 1 January 2023 to 31 March 2028.

The EGL is limited to generators whose in-scope generation output of electricity exceeds 50GWh across a period of a year. In addition, the levy only applies to exceptional receipts exceeding £10 million in an accounting period. The Project, in isolation and when currently considered within the ultimate owner's portfolio, falls below the excess receipts threshold. Potential investors will need to consider the Project in the context of their own group and acquisition structures.

To the extent that medium-term average wholesale power prices are anticipated to be below the EGL hurdle, fixed rate PPAs could be considered to smooth the income and mitigate the impact of the EGL.

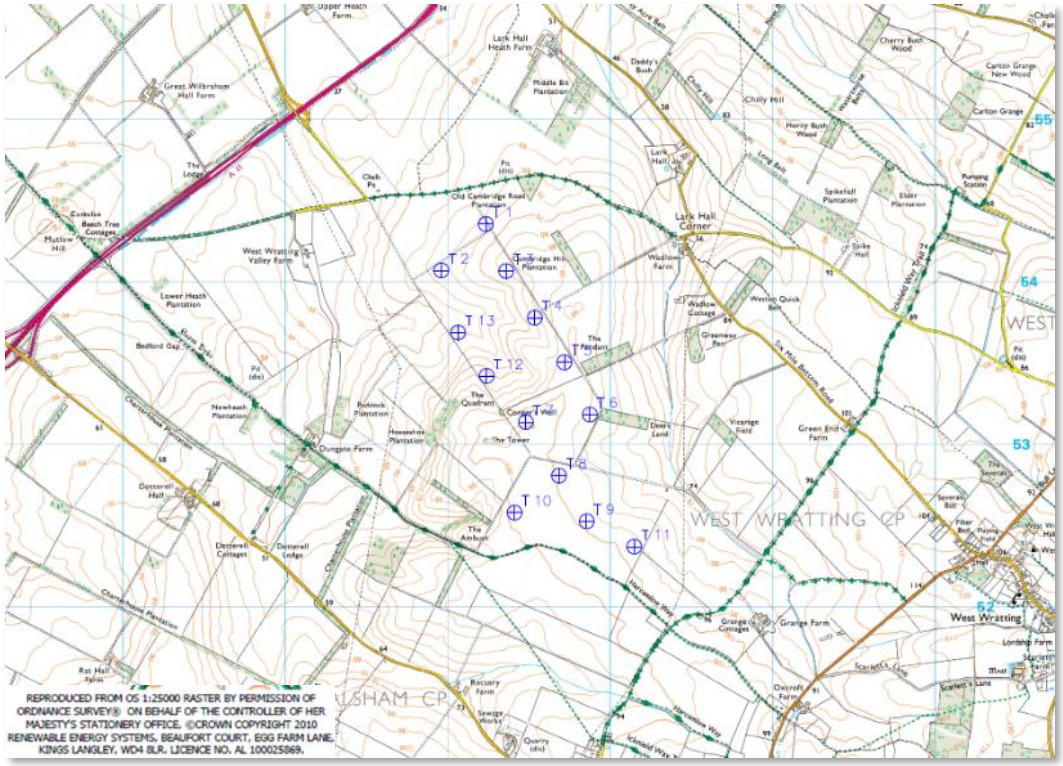
4 Project overview

4.1 Location and turbine layout

Wadlow wind farm is located in South Cambridgeshire, 1.5km north of Balsham, 10km south west of Newmarket and 10km north west of Haverhill. The site covers an area of approximately 366 hectares (906 acres) and is wholly within the estate of Wadlow Farm.

The Project is located on open farmland and surrounded by gently rolling hills. Elevation across the site varies from approximately 59m to 100m. The general terrain at the site can be described as simple, comprising areas of open grassland and arable farmland with small pockets of forestry. A large grain store lies immediately north of the site. The grain store has been dug into the side of a hill, thus limiting any effects on the wind flow. The ground cover beyond the site is primarily cultivated farmland, broken by occasional hedgerows and isolated copses of trees.

Figure 2: Turbine layout



4.2 Turbine specification

The Project has 13 Vestas V90 2MW GridStreamer (Mark 8) wind turbine generators ("WTGs") with a 75m hub and 120m tip height. Over 57GW of turbines in the Vestas 2MW platform have been installed since 2000 across 47 countries. The V90 belongs to the 2MW platform and is a conventional, modern WTG design which can overall be considered a proven and reliable turbine. The GridStreamer family of WTGs were developed with improved drive trains, load-management systems and a converter based power system in order to deliver higher energy production and enhanced grid compliance. In their technical vendor due diligence ("TVDD") report, Natural Power Consultants Limited (“Natural Power”) have confirmed that they are not aware of any ongoing technical issues with the V90 2MW WTG model.

In July 2020, all 13 turbines received a Power Performance Optimisation software upgrade in order to improve the power capture and power performance of the WTGs. Vestas' validation reports show an annual energy production gain of between 0.58% to 0.74% being achieved.

4.3 Project life

As is customary for operational projects of Wadlow's vintage, the turbine type certificate for the Project's design is assessed for a nominal life of 20 years. These certificates are based on WTGs being deployed within wind conditions that comply with a specific International Electrotechnical Commission ("IEC") wind classification. It is relatively common that actual on-site conditions will deviate from these standards and be more benign. In recent years, there has been an increased focus on extending the originally envisaged operational life for both new and operational projects.

4.3.1 Life extension

A life extension review for Project Kite was conducted by Natural Power. They concluded that the technical life of the Project has been assessed as being able to extend to 35 years, with a programme of blade bolt replacement and blade reinforcement campaigns. As part of the Phase I materials, Natural Power have prepared a Life Extension Summary Report which details the methodology and conclusions of their analysis.

The Project's lease and planning terms would need to be extended to achieve this. The landowner has been responsive in historic discussions and has demonstrated an interest in exploring discussions.

The planning condition limiting the operational life to 25 years would be extended through a s.73 application. These are currently made to the local planning authority ("LPA") and would be considered against the backdrop of increased pressure on renewable energy deployment and positive local engagement. The timing of making a s.73 application varies, but engagement with the LPA typically occurs around 10 years from the end of a project's current planning consent.

In relation to the increased pressure on renewable energy deployment, the United Kingdom's clean energy target by 2035 is to achieve a 100% share of electricity consumption from low carbon sources. In 2022, the renewables share of energy mix was 48.5%.[7] To fill the gap, several supportive strategies have been announced in order to achieve this, including in April 2022 the Energy Security Strategy, an escalation of ambition on solar, wind and hydrogen.

In relation to local engagement, onshore wind community benefit schemes are often set up during the development of a wind farm and consequently funded by wind farm operations. They can be used to finance anything the community deems appropriate and necessary for their areas, such as village halls, recreational facilities or equipment for local schools. Locally, the Wadlow Wind Farm Community Fund has made 97 grants totalling £376k. Alongside this, the asset manager, Partnerships for Renewables Limited ("PfR"), maintains positive local community engagement. This has recently included PfR attending the site with local Cub Scout groups to carry out an educational talk and tour of the WTGs and project site, as well as working with Cambridge Museum of Technology who were preparing a display detailing the energy generation history of the area.

4.3.2 Repowering

The repowering of the Project can be considered as an option in the future. At a certain point in time, it could become suboptimal to continue operating a project with its existing technology due to the relatively lower efficiency and increased maintenance costs for older turbines. A more attractive return can be earned by repowering the project and replacing the old WTGs with modern WTGs that are more powerful,

[7] https://www.nationalgrid.com/stories/energy-explained/how-much-uks-energy-renewable

more efficient and cheaper to operate. Relevant considerations have been commented on by Natural Power in their TVDD report.

As the first generation of the UK's wind fleet reach the end of their original design lives, there have been a number of projects successfully extending their planning terms or repowering. By way of example, Statkraft recently acquired a 35MW portfolio of operating wind farms in Ireland from London-listed investment firm TRIG, some of which began operating in 2000, and it is anticipated that these will provide repowering opportunities in the future.[8] Experience in Europe has shown that, on average, repowering a site more than doubles its generation capacity and triples its output, due to greater efficiency, whilst reducing the number of turbines by around a third.[9]

Repowering has significant support from the Government, with the British Energy Security Strategy setting out a commitment to support the repowering of existing onshore wind sites when they require updating or replacement. In a recent consultation, the Government cite that failure to consider repowering would result in "significant losses of existing cheap electricity generation and would also mean needing to build new infrastructure elsewhere as a substitute, increasing pressure on the environment and local communities".[10]

4.4 Employment

Neither WEL nor WEHL have any employees.

4.5 Litigation and disputes

No material disputes have been identified by WEL in relation to the Project.

4.6 ESG

Wind projects, such as Wadlow, are viewed positively from an ESG perspective with a limited potential for adverse social or environmental impacts that are generally site specific, largely reversible and readily addressed through mitigation measures. The planning consent for the Project contains ongoing environmental obligations relating to habitat management, noise and shadow flicker. As noted by Natural Power in their TVDD report, the Project has remained compliant with these consenting obligations.

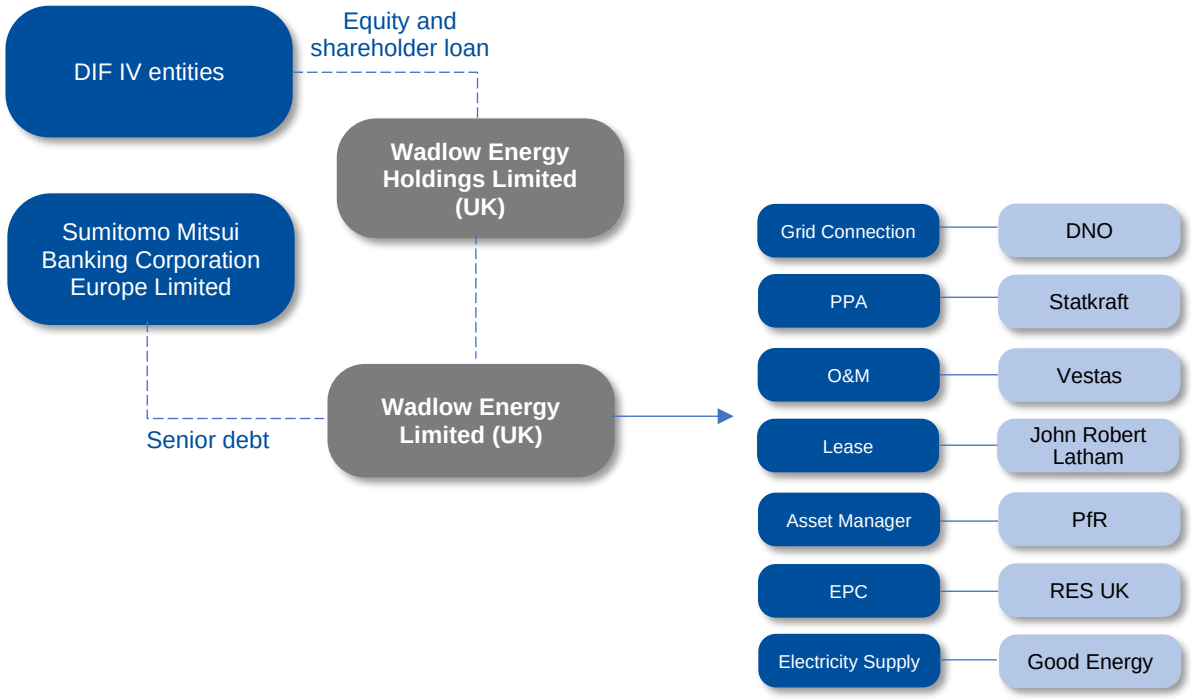
The Project maintains positive local engagement through its Community Fund and social engagement, as outlined in section 4.3.1.

From a governance perspective, the Project is controlled by DIF with DIF IV ultimately holding 100% of the interests in WEHL. Under the articles of association of WEHL, the shareholder(s) may appoint up to four directors to the board. There are currently two DIF-appointed directors. WEL has adopted articles of association and constitutional arrangements that are expected for a wholly owned subsidiary and a single purpose vehicle. The Project has entered into a management services agreement with PfR who deliver operational management under a comprehensive technical and commercial scope. Please refer to section 5.5 for more detail. Quadriga Health & Safety provide general on-site H&S support and review the H&S management and monitoring arrangements of the Project.

[8] Source: https://renews.biz/87615/statkraft-buys-35mw-irish-wind-portfolio/
[9] Source: https://windeurope.org/newsroom/news/repowered-wind-farms-show-huge-potential-of-replacing-old-turbines/
[10] Source: https://www.gov.uk/government/consultations/levelling-up-and-regeneration-bill-reforms-to-national-planning-policy

5 Contractual structure

The Project is structured in line with a project financing structure with risks allocated and obligations passed down through key contracts, benefitting from a number of favourable long-term agreements. A summary overview is presented in the structure chart below.



5.1 Grid connection

A connection agreement is in place with the Distribution Network Operator ("DNO") on standard terms. The Project is connected to the distribution network via a substation located on the landowner's property adjacent to turbine 6 and mainly underground cables for which wayleaves are in place. The exit points are at Fulbourne and at Burwell.

The maximum export capacity at the two exit points is 16.6MW at Burwell and 14.2MW at Burwell, totalling 30.8MW, compared to an installed capacity of 26MW. Consequently, there is 4.8MW of export capacity in excess of generation. The additional export capacity could potentially be used to add some additional generation to the project's connection, subject to discussion with the DNO. If there are no plans to add further generation, the capacity could be reduced to match the generation capacity, reducing DSUoS costs.

5.2 PPA

WEL entered into a long-term PPA with Statkraft Markets GmbH on 10 August 2011. The length of the contract is 17 years from the commencement of operations, expiring on 14 September 2029. The PPA allows the owner flexibility on their revenue strategy with the optionality to fix season ahead or remain fully merchant.

Under the PPA, fixed prices have been agreed for Summer 2023 and Winter 2023 as follows:

Period	Start Date	End Date	Price [£/MWh]
Summer 2023	01/04/2023	30/09/2023	218.60
Winter 2023	01/10/2023	31/03/2024	231.96

There is also a floor price from 1 January 2023 of £33.20/MWh which is not inflated. The PPA expressly states that the floor price shall remain unaffected by any change in law.

The PPA stipulates sharing percentages with Statkraft as follows:

Revenue stream	Sharing %
Wholesale power	90%
ROC	90%
ROC Recycle	92%
REGO	90%
Embedded Benefits	90%

These are considered low in the current market, but represent an upside opportunity to negotiate more favourable terms. Statkraft have shown an openness to exploring improved sharing percentages.

A parent company guarantee ("PCG") dated 10 August 2011 has been provided to WEL by Statkraft AS as guarantor in respect of the obligations of Statkraft Markets GMBH under the PPA.

5.3 O&M

The Project benefits from a long-term WTG OEM Service and Availability Agreement (“SAA”) between WEL and Vestas dated 22 March 2021. Vestas was founded in 1945 and are a well-known Danish manufacturer, seller, installer and servicer of wind turbines. They have installed over 57GW of turbines in the Vestas 2MW platform across 47 countries since 2000. This is an amendment and restatement (“ARA”) of an earlier contract dated 10 August 2011. Through the ARA, the term was extended to 26 years (unless terminated at an earlier date by either party in accordance with its terms) and is therefore due to expire on 14 September 2038.

The turbine maintenance contract offered by Vestas for the Project is the Vestas AOM 4000 contract but with the benefit of a 97% production-based warranty which is normally only available in their AOM 5000 offering. As Natural Power note in their TVDD report, a further benefit of a production based availability warranty is that scheduled maintenance is penalised to the availability. The full-suite service programme coverage includes scheduled and unscheduled maintenance, spare parts and major components replacement.

The AOM has the following key terms:

- Annual fees (2012 prices, CPI linked) which are the higher of:
    - From September 2022 to September 2032: £37,500 per turbine or £7.94 per MWh
    - From September 2032 to September 2037: £42,500 per turbine or £11.10 per MWh
- Availability warranty (termed the Lost Production Guarantee) of 97%. Where availability exceeds 97%, Vestas are entitled to a Production Bonus of 32.5% of revenue.

The Project benefits from a PCG provided by Vestas Wind Systems A/S.

5.4 Property and planning

OC have prepared a Certificate of Title ("CoT") which will be available to potential investors at the next stage.

The land lease was signed on 2 June 2011 between John Robert Latham of Wadlow Farm and WEL. Key terms comprise:

- Land rent which is the higher of:
  - Base rent of £5,000 per MW installed, RPI linked (2006 prices); or,
  - Royalty rent which is the higher of:
- £2 per MWh, RPI linked, increasing to £4 per MWh in 2023 (2006 prices); or,
- 5% of revenue, increasing to 7% in 2023.

Additional costs are detailed in Schedule 4 of the lease and summarised below:

- Substation rent of £12,689 pa, RPI linked (2022 prices)
- Disturbance rent of £12,767 pa, RPI linked (2022 prices)

The total estimated land costs in 2024 is forecast to be c.£1.1m. It should be noted that this is higher than average due to the impact of the seasonal fixed prices on royalty rent.

The lease term is 28 years from June 2011, expiring in June 2039. As noted in section 4.3.1, the landowner has demonstrated an interest in exploring discussions around a lease extension. The occupation period is 27 years from June 2011, after which the tenant is obliged to decommission the site and remove the turbines along with all related apparatus to a depth of at least 1.2m below the soil surface. These reinstatement obligations are secured by way of a restoration fund, the sum of which is to be agreed by the parties.

Although condition 4 of the planning permission provides for decommissioning to take place at the end of the 25 year period, it does not specify the amount required of any decommissioning fund.

The restoration fund is detailed in clause 13 of the lease and was established when the project was built. The restoration fund account contains £1,355,384. The balance in the restoration account is reviewed and negotiated with the landlord every fifth anniversary of the lease term commencement date. For the tenth anniversary, Natural Power prepared a report to determine the decommissioning cost. This was used as the basis to increase the account to the current level in June 2023. Although currently a non-interest-bearing account, the landlord has been requested to transfer this to an interest-bearing account, on the basis that future interest received will be held in the account to offset any inflationary increases in the decommissioning costs.

In addition, the lease requires the tenant to maintain a minimum of £10m of public liability insurance. This can be reviewed upward on a regular basis and in line with prevailing market practice.

5.5 Asset management

Asset management services are provided by PfR under the Asset Management Agreement between WEL and PfR dated 18 January 2019 (the "AMA").

The management fee is £89,000 per annum, increased each year, on the anniversary of the agreement, at 50% of RPI, based on the published RPI figure in September of the relevant year. The scope of services includes comprehensive technical and commercial management services for the Project, including operations and management services, operating reporting, financial services and insurance services. Under the AMA, PfR subcontract the financial management and reporting aspects of the AMA scope to Pario Renewables, a leading independent SPV management company.

PfR has evolved from a developer in 2006 to a well-established technical consultancy and asset management service provider to the renewables industry. PfR has provided construction services to over 100MW of wind energy projects, due diligence support on a number of high-value acquisitions, and asset management and consultancy services to a combined portfolio of around 600MW.

The agreement contains a clause allowing WEL to break with 6 months' written notice. The current agreement term is due to expire in March 2024. This affords the new owner flexibility on their asset management strategy.

5.6 HV maintenance

Maintech Power Services Limited ("MPS") are contracted, for a term to July 2025, to carry out inspections and maintenance of the HV electrical equipment. The scope of their services includes providing a 24-hour fault services contact to arrange and effect relevant repairs as promptly as possible.

5.7 Electricity supply contract

WEL has entered into two Electricity Supply Contracts, for each of the Fulbourne and Burwell connection points, with Good Energy Limited (the "Supplier"). Both are dated 28 March 2023 and capture a separate import Meter Point Administration Number ("MPAN"). The underlying terms and conditions of each Electricity Supply Contract are Good Energy's Industrial and Commercial Power Supply Agreement.

The agreements are initially for one year until March 2024 and fix the cost of imported electricity for between 25p and 33p a kWh. In addition, each connection is charged a standing charge of £1.82 per day and has pass through costs linked to availability, and capacity market of c.£2 per day. Prior to the end of the fixed price period, the Supplier may issue a price review notification which stipulates the length and prices of the next proposed fixed price period. WEL may then either terminate the contract no earlier than the end of the applicable fixed price period by written notice to the Supplier, or accept the revised charges and period set out in the price review notification.

5.8 Directors' and management fees

Under a Director's Agreement and an Advisory and Support Services Agreement, DIF IV is entitled to receive fees for providing directors and ongoing advisory and support services. These currently total £45k per annum. These are considered as a cashflow to the shareholder and are considered in the business plan although it is expected that buyers will put in place their own agreements following transaction completion.

5.9 EPC Contract

WEL entered into the following construction contracts:

a) an Engineering, Procurement and Construction Contract between RES UK and WEL dated 10 August 2011 (the "EPC Contract");

b) an EPC PCG between Renewable Energy Systems Holdings Limited and WEL dated 10 August 2011;

c) a Turbine Supply Agreement between RES UK and Vestas-Celtic Wind Technology Limited ("Vestas") dated 29 July 2011 (the "TSA") which was novated from RES UK to WEL by a deed of novation dated 17 April 2013, with an effective date of novation of 14 September 2012 (the "Novation Agreement"); and

d) a PCG in relation to the TSA between Vestas Wind Systems A/S, RES UK and Project Co (together as Employer) dated 29 July 2011.

The defects liability period under the EPC Contract expired on 5 years after the date of Taking Over (being 14 September 2012) and the defects liability period under the TSA expired at the same time. These contracts therefore no longer have any operational considerations.

5.10 Senior debt

As noted in section 2.3.1, the Project currently benefits from existing long-term project finance under a senior Facilities Agreement dated 13 February 2018. The senior funding is fronted by Sumitomo Mitsui Banking Corporation Europe Limited with the final repayment in 2032. Key highlights are listed below:

- The outstanding Senior Loan as at December 2022 was £31.5m with the capital and interest payable biannually.
- The facility has a margin of 150bps, increasing to 165bps in 2028.
- 100% of the senior debt is swapped out at a fixed rate which reduces over time and averages 2.20% over the remaining life of the loan.
- The project has a Debt Service Reserve Facility (“DSCF”) facility of £2.5m with commitment fees of 55bps.

The debt facility repayment profile and swap profile are included in the data book and Financial Model.

There are no prepayment penalties on the debt or the hedge, as it is currently in-the-money. The modelled debt repayment profile affords the buyer the opportunity to optimise their capital structure.

Change of control restrictions apply pursuant to the terms of the facility agreement and intercreditor agreement. No lender consent is required for change of control where the incoming party:

- accedes to the intercreditor agreement and agrees to be bound by its terms,
- satisfies the "know your customer" requirements of the lenders; and
- is an "Acceptable Investor" being:
    - (i) a corporate entity which has a minimum tangible net worth of at least £50m, or (ii) is an adviser or manager with assets under management in energy and infrastructure investments of at least £100; and,
    - owns, has owned, or operates in the five years immediately prior to the change of control at least 50MW of wind and/or solar generation assets.

5.11 Shareholder loan notes

As noted in section 2.3.2, there is shareholder affiliated financing issued by WEHL and owed to DIF Infra 4 Finance B.V. through an unsecured, subordinated loan note instrument dated 10 August 2011 (as amended and restated on 12 February 2018). The proceeds of these loan notes were originally on-lent to WEL under a further unsecured, subordinated loan note instrument dated 10 August 2011 (as amended and restated on 12 February 2018).

These shareholder loan notes are on a back-to-back basis and bear an interest rate of 8% per annum with interest payable in 6-monthly intervals (on 31 March and 30 September of each year) with a final repayment date of 30 September 2037. The shareholder loan balance outstanding in WEHL at the Locked Box Date was £11.7m.

Transfer of the WEHL loan notes is subject to restrictions as to the nature of the transferee and will require any transferee to accede to the Intercreditor Agreement.

It is anticipated that the shareholder loan notes will be novated at completion.

6 Operational performance

6.1 Wind and energy yield

Natural Power have conducted an independent PCYA of the Project. The assessment is based on operational data collected from the site from the period from January 2019 to May 2023 and leverages Natural Power's knowledge of typical wind farm operations over the lifespan of a project. This assessment involves a detailed analysis of the turbine SCADA data recorded at the wind farm, which incorporates a full review of both turbine availability and power performance. The assessment also utilises long-term wind speed data derived from the VORTEX-ERA5 mesoscale model as a primary input.

The results from their analysis are provided in the table below.

Table 6: PCYA Summary

Project summary	
Project	Wadlow Wind Farm
Turbine type	V-90 2MW
Turbine IEC Class	Vestas V90 2.0, IIA/IEC S
Turbine hub height (m)	75m
Turbine rated power (MW)	2.0
Number of turbines	13
Wind farm installed capacity (MW)	26
Commissioning year	2012
Length of operational data retained for the PCYA (years)	4.3

Energy Yield Assessment Summary	% change	GWh pa	Capacity Factor (%)
P_{50} Gross Energy		**78.0**	**34.2%**
Historic availability loss (%)	3.1%	(2.4)	
Electrical efficiency loss (%)	0.6%	(0.5)	
P_{50} Net Energy		**75.2**	**33.0%**

Existing wake, turbine performance, environmental and curtailment losses are all inherent in the data, with no adjustment necessary. Future wake loss is not applicable.

6.2 Software upgrade

In 2020, Vestas performed an upgrade of the turbine software and installed a Power Plus upgrade, which improves the performance of the turbine and operational power curve. In their PCYA, Natural Power present a scenario adjusting the operational data to assume that the Power Plus upgrade had been installed for the entire period considered in the PCYA, in order to assess the impact on the annual energy yield of the Project. They estimated that this would result in an increase to the long-term gross P50 yield of 0.2%, resulting in a revised gross P50 of 78.2GWh.

6.3 Historical availability

As part of their review, Natural Power undertook an assessment of the historical availability levels at the Project, in conjunction with an evaluation of the AOM for the site. Overall, availability has performed in line with the 97% guarantee.

Over their period of review, the Project performed above or at the warranted availability of 97% from February 2020 to January 2021, and from February 2022 to March 2023. From February 2021 to January 2022, it performed slightly below the warranted availability with a contractual availability level of 95.1%. This can largely be attributed to the prolonged downtime surrounding the replacement of the gearbox at WTG 13, which was drawn out due to supply issues and Brexit. The Project received liquidated damages from Vestas for the 2021/2022 period as a result of availability being below the warranted level.

Since COD, the Project has experienced six of the original gearboxes requiring replacement. As Natural Power note in their TVDD report, all gearbox changes have been replaced under the AOM at no cost to the Project, and any future replacements would similarly be covered by Vestas under the AOM. In addition, the production losses due to downtime below the production warranty were covered by liquidated damages and would similarly be covered in the future under the AOM until 2038.

6.4 Actual production in the current year

Actual generation during the 7 month period to 31 July 2023 was c. 4% below the P50 yield forecast by Natural Power, due to technical issues impacting production. These include the gearbox of WTG 10 being replaced in April and an unplanned DNO outage during June. This was then mostly offset by higher than expected production in July.

The actual production from January to July inclusive is reflected in the Financial Model.

6.5 Site visit

Natural Power undertook a site inspection of the Project on 22 June 2023. The inspection included a survey of the site access roads, security and two Detailed Visual Inspections (“DVIs”). The Civil Balance of Plant (“BoP”) inspections reviewed the condition of the road access to the WTGs, drainage issues, crane-pad hardstand availability along with substation condition and security.

The overall condition of the Project was deemed to be very good by Natural Power.

7 Business plan

7.1 Modelling approach and valuation

Included in the Phase I materials is a Financial Model. This section details the core assumptions and bases for the assumptions included.

The Financial Model is based on the core project assumptions confirmed by underlying expert reports from our legal and technical advisors which capture the Project fundamentals, contractual costs and existing subsidies. In addition, we have made assumptions on market and variable inputs.

As set out in the Process Letter, the Financial Model assumes a Locked Box Date of 31 December 2022 and a valuation date (the "Valuation Date") of 1 December 2023. The Financial Model valuation assumes the benefits of all distributions from the Locked Box Date. Any distributions made between the Locked Box Date and completion will adjust the price payable at completion. The Financial Model uses a discounted cashflow methodology to value at the Valuation Date all actual and forecasted distributions from the Locked Box Date.

7.2 Key financial assumptions

A summary of the key business plan assumptions is provided below:

Table 2: Key parameters for Wadlow Wind Farm

Assumption	Commentary
Timing	
COD	• Commercial operations commenced in September 2012 having been accredited under the RO in July 2012
Project life	• 35 years in line with technical review undertaken by Natural Power as summarised in the Life Extension Summary Report
Revenues	
Production	• Actual production for the 7 months to 31 July 2023 • From 1 August 2023 onwards, P50 gross of availability of 77.73GWh per year, derived from information provided by Natural Power in their PCYA report as shown below: Gross P50 per PCYA 78.00 GWh Software upgrade adjustment 0.20 GWh Electrical efficiency loss (0.6%) -0.47 GWh Gross P50 net of electrical efficiency loss 77.73
Availability	• During the term of the current Vestas production guarantee, 97% has been assumed • Following the end of the guarantee, in 2038, and through the life extension period, availability assumptions as recommended by Natural Power have been used: 95% until the end of year 30 (i.e. 2042) and then 93%
PPA and contracted revenue	• Current fixed pricing with Statkraft per MWh of production: Oct 22 – Mar 23 £53.92

	Apr 23 – Sep 23 £218.60 Oct 23 – Mar 24 £231.96 Following March 24, the PPA pricing has not been fixed and the wholesale power price (as described below) has been assumed • 17 year long-term PPA from Statkraft which expires on 27 August 2029 with passthrough sharing percentages of: Wholesale power 90% ROCs 90% ROC recycle 92% REGOs 90% Embedded benefits 90% • Post the current contractual PPA term, the sharing percentages are assumed to move to a current market contract with passthrough of 97% across revenue streams, in line with Natural Power benchmarking, and 100% for fixed ROCs, in line with market expectations on how these will be treated based on FiT passthroughs
Merchant revenue	• Wholesale power price based on July 2023 Aurora quarterly onshore wind capture forecast curve, inflated at CPI
ROCs	• Until 31 March 2027, ROC prices are based on Ofgem's current pricing and the ROC Recycle is assumed to be 10% of the current RO buy-out price, in line with Aurora's expectations • Thereafter, the sum of the 2027 ROC buy-out and ROC Recycle has been extrapolated as the fixed ROC price in line with expected legislation • All ROC revenue has been inflated at RPI
REGOs	• The model utilises indicative pricing from Statkraft for CP 22-24 and then reverts to quoted prices from Smartest Energy for CP25-27. From CP28, the model assumes a flat price of £4/MWh
Embedded benefits	• Based on historical data and linked to wholesale power assumption for TLM and LLF
Operations	
Operation and maintenance	• Based on current contractual framework of the AOM until expiry in September 2038 • Following this, in line with Natural Power's life extension recommendations, the cost has been increased by 5% • Additional life extension campaign costs recommended by Natural Power are included, such as inspections, blade bolt replacements and the costs associated with extending the lease and planning permission
Land costs	• Land costs have been included and inflated in line with the lease • Land costs are assumed to continue as per the current terms during the life extension
Insurance	• Insurance in the current year is based on the current premium • Beyond the current term, costs are assumed to gradually step back down in line with historical levels to reflect an assumption that premium rate reductions

	may be achievable as hard market rates level out and a softening market emerges following recent price spikes
Other operating expenses	• Asset management is based on the contract with PfR, inflated at 50% of RPI • Utilities and electricity charges are based on the four-year historic average and inflated by CPI • Business rates are based on the most recent statement for 2023/2024 and inflated at CPI • Community benefit payments are assumed to be in line with 2022 and inflated at 2% pa per the community fund agreement • Other operating expenses include site maintenance and repairs, legal and professional fees and administrative costs with the recurring portion assumed to be in line with 2022 and inflated at CPI • Directors' fees paid to DIF IV are assumed to continue and have been included in the valuation as an income stream. However, it is expected that the current contracts will be terminated at completion and any buyer would implement their own agreements
Decommissioning	• The Project has a fully funded decommissioning reserve with a value that is based on a recent decommissioning report prepared by Natural Power • The reserve is sized to a decommissioning and reinstatement cost less the value of the scrap metal for the WTGs and underground HV cables. This net cost is inflated to the end of the project life at CPI
Tax and Macro	
Tax	• UK corporation tax flat at 25% based on current policy • As the Project does not meet the minimum test for generation or exceptional receipts, the EGL has not been applied to the Project in the Financial Model • Draft tax balances carried forward as at December 2022 are as follows: – Trading losses £5.856m – Capital allowances general pool £21.057m – Unused corporate interest deduction £6.110m
Macro	• CPI and RPI based on latest forecast from Oxford Economics • SONIA based on latest market forward curves
Funding	
Debt	• Based on the terms of the senior debt with SMBC with a final repayment in 2032
Shareholder Loan	• £11.7m shareholder loan at an interest rate of 8% per annum • A partial repayment of the shareholder loan is assumed to occur after closing of the transaction, in order to release cash currently held by the Project due to distribution restrictions resulting from negative retained earnings
Equity	• 1 ordinary share of £1 is held in WEL by WEHL
Cash	• The opening balance sheet as at 31 December 2022 has £4.6m of cash
Cash interest	• The Project is in the process of setting up an account with SMBC to provide the ability to place time deposit accounts and earn an enhanced level of interest. As a result, it is assumed that the Project will earn SONIA from 1 April 2024

	• The decommissioning reserve is currently held in a non-interest bearing account. It is assumed that this will be moved to an interest-bearing account from 1 April 2024 to earn SONIA

7.3 Upsides not included in the business plan

Assumption	Commentary
PPA	• Statkraft have indicated that they are open to discussing a restructuring of the PPA. This could result in an improvement of the existing terms (and sharing percentages) on the basis that the PCG and/or price floor is removed
Financing optimisations	• In the business plan, the Project is unlevered following the repayment of the current senior debt package in 2032 provided by SMBC • The Project could then optimise its financing structure by regearing its remaining 15 year life

Repowering	• As outlined in section 4.3.2, there is the potential to repower the Project in the future, utilising the existing grid connection and leveraging positive local stakeholder relationships
	• High level, indicative estimates are provided by Natural Power in their TVDD report
	  • Extrapolating the measured wind resource at the Project and assuming a hub height of 120m and 160m rotor diameter, with sensible WTG spacing and no additional external wakes or curtailment, a net capacity factor could range from 34-38%
	  • Current capex estimates would be in the region of £1.1-1.3m per MW of installed capacity using 2023 prices
	  • Technical opex (i.e. excluding business rates, lease costs and other non-technical items) would be in the region of £50k-70k per MW of installed capacity per year, with step ups of 3-5% every five years for WTG maintenance

Decommissioning	• The decommissioning account is sized based on a recent decommissioning report prepared by Natural Power. It considers the estimated decommissioning cost less the scrap metal value for the WTGs and underground HV cables • Natural Power note in their TVDD report that at the time of decommissioning, there may be more financially beneficial options such as a resale of components or even entire WTGs
Business rates	• Pario's agent, Dunlop Heywood, are in the process of preparing appeals in relation to the 2023 business rates revaluation across their renewables portfolio. They are very hopeful of achieving a reduction in the liability of around 10% and are expecting to submit an appeal during 4Q23

7.4 Audited accounts and tax returns

WEHL's accounting year end is 31 December. Audited accounts to 31 December 2022 have been signed off and will be filed with Companies House in due course.

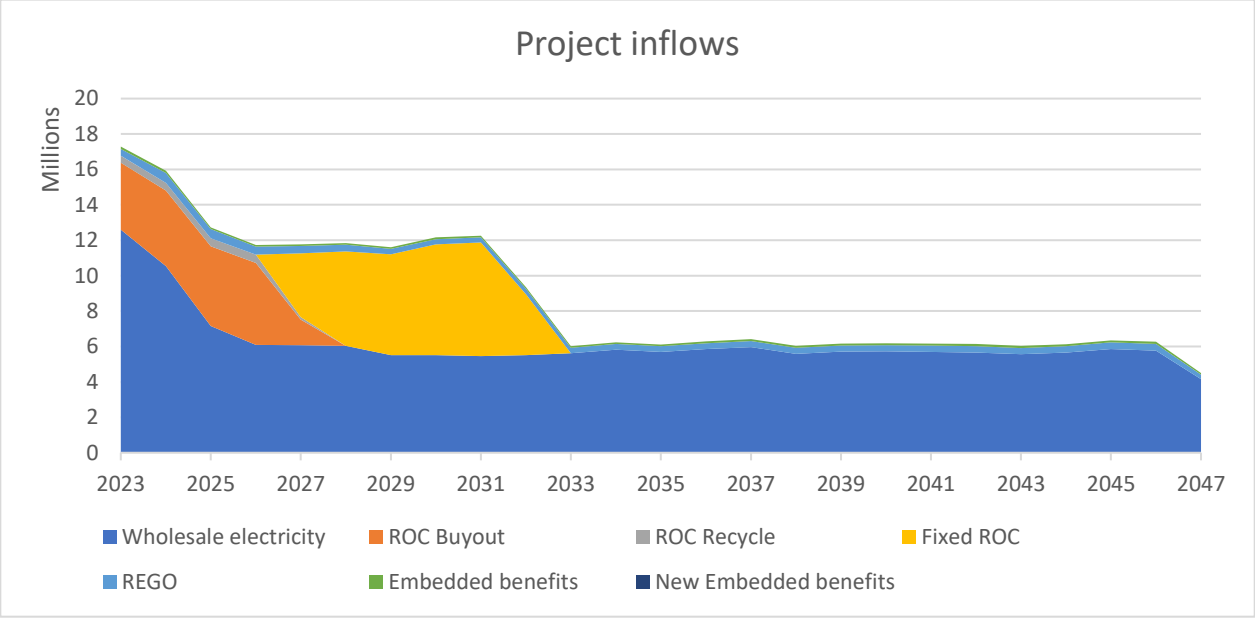
WEL's accounting year end is 31 December. Audited accounts to 31 December 2022 have been signed off and will be filed with Companies House in due course.

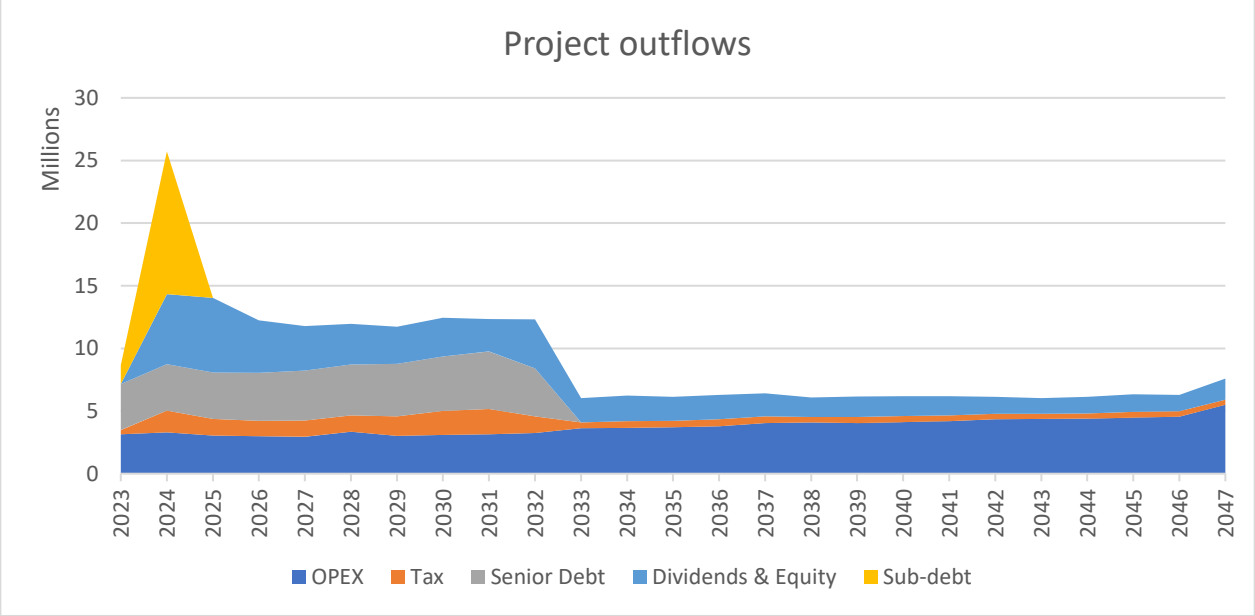
Management accounts for both companies will be made available in the data room at the next stage.

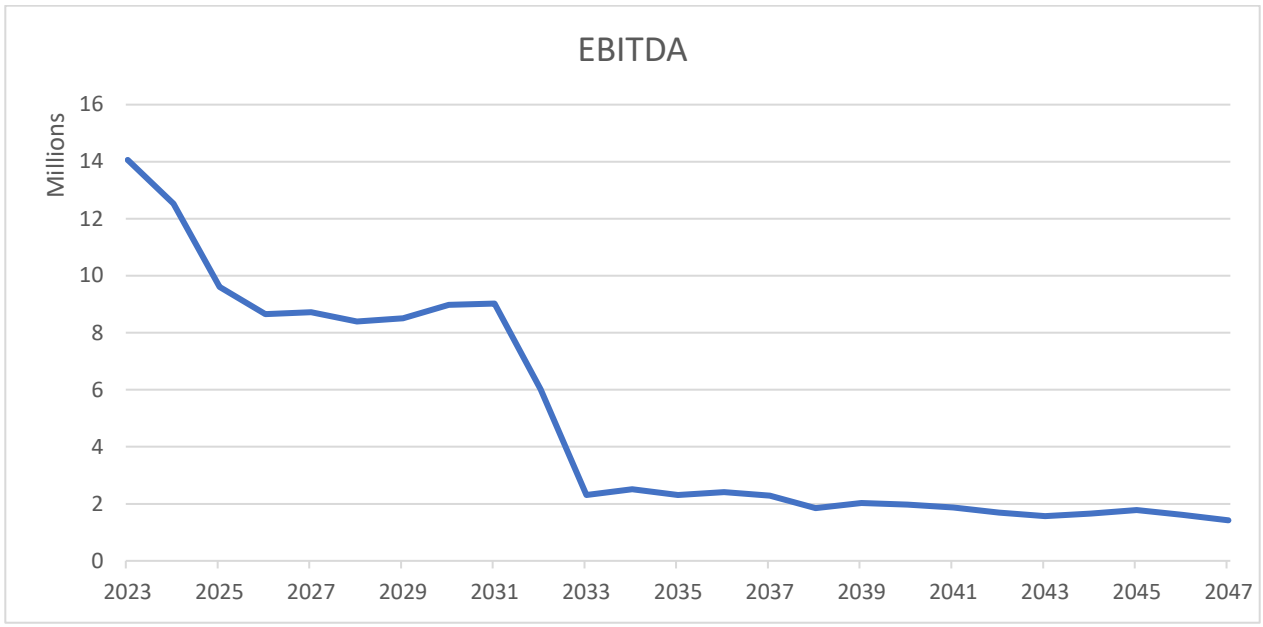
WEL's tax year end is 31 December. The tax computation and return for the year ended 31 December 2021 has been filed with HMRC, while the computation for the year ended 31 December 2022 is still draft and has not yet been filed.

The status of the tax computations for WEHL is as above, although there are no capital allowances balances as this is not a trading company.

7.5 Summary forecasts






EBITDA
Millions
16
14
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10
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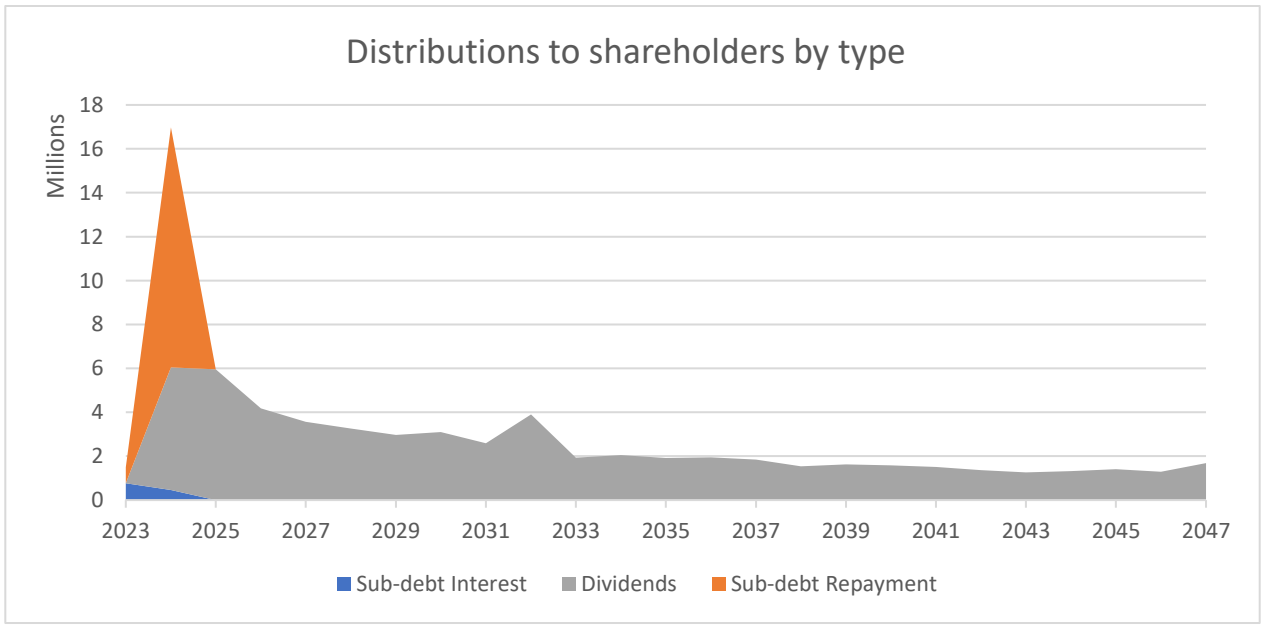
Distributions to shareholders by type
Millions
18
16
14
12
10
8
6
4
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2025
2027
2029
2031
2033
2035
2037
2039
2041
2043
2045
2047
Sub-debt Interest
Dividends
Sub-debt Repayment

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