

Realising Added Value: Insights into the Sale of Norway's 4th-largest Wind Farm

Tonstad Wind Farm: Key Facts & Figures

51

turbines



208

MW installed capacity of
operating turbines

~650

GWh average annual
generation (2021-2023)

2018:
Acquisition

2018-2020:
Construction

2020-2024:
Operations

2024:
Sale



Norway

Tonstad Vindpark

Located in Sirdal
and Flekkefjord
Municipalities

PPA Offtaker: Norsk Hydro
PPA Contract Duration: 25 years
Debt Financing: Landesbank
Baden-Württemberg

~2.5

TWh electricity
produced to date (as of
June 2024)

~100k

Norwegian households
supplied with electricity*

10

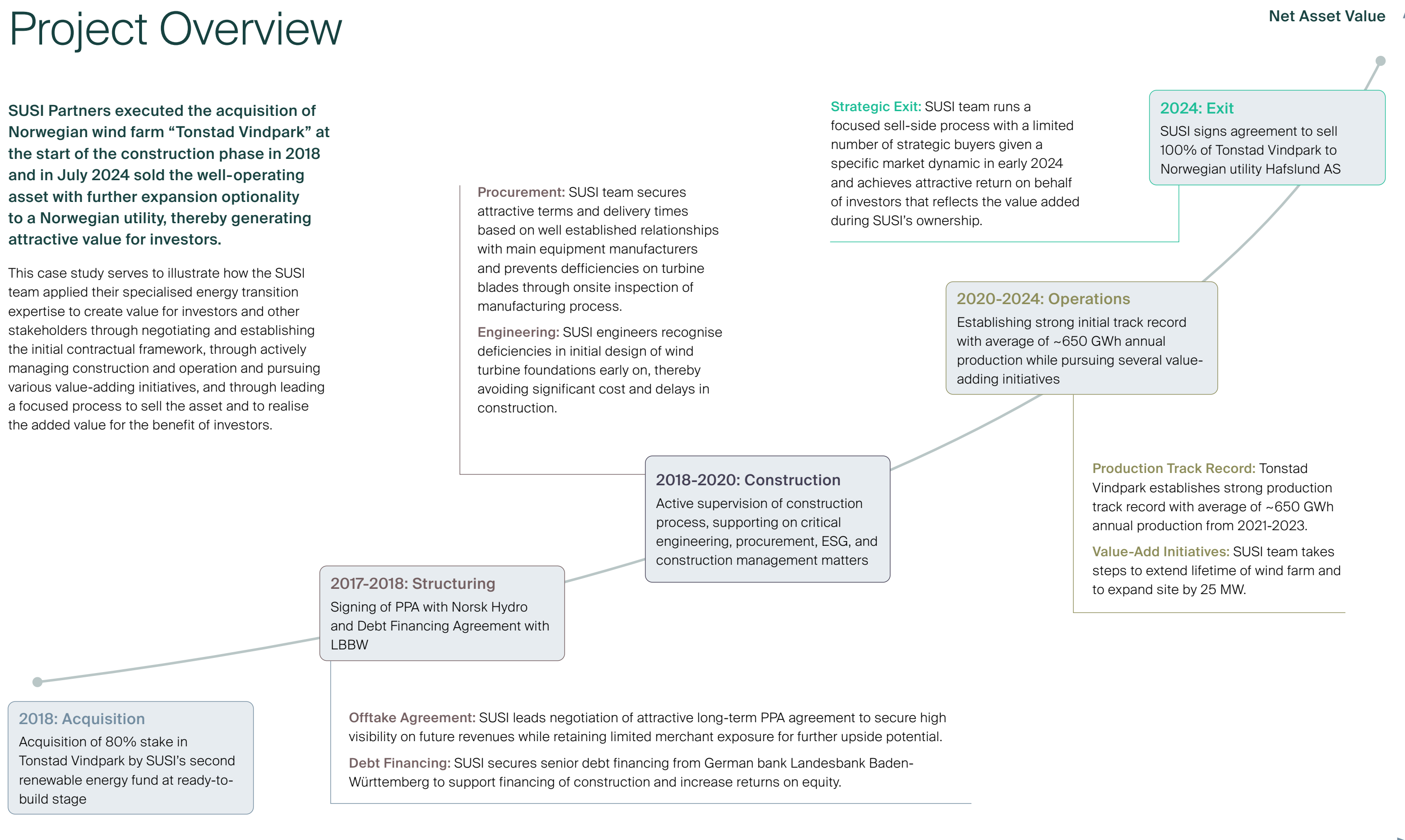
million tonnes of CO₂e
avoided over technology
lifetime

* Source: Statista (2023), Per Capita Household Electricity Use in Norway 2008-2023 (2022: 6,526 kWh)

Project Overview

SUSI Partners executed the acquisition of Norwegian wind farm “Tonstad Vindpark” at the start of the construction phase in 2018 and in July 2024 sold the well-operating asset with further expansion optionality to a Norwegian utility, thereby generating attractive value for investors.

This case study serves to illustrate how the SUSI team applied their specialised energy transition expertise to create value for investors and other stakeholders through negotiating and establishing the initial contractual framework, through actively managing construction and operation and pursuing various value-adding initiatives, and through leading a focused process to sell the asset and to realise the added value for the benefit of investors.



Acquisition and Structuring of a 208 MW Wind Farm Project

The successful acquisition of a sizeable wind farm and the subsequent structuring of offtake agreements and debt financing were reliant on a deep understanding of power markets and the agility and proactivity of a small but effective team at SUSI.



Winning the Auction

The opportunity to acquire Tonstad Vindpark arose in 2017 when ENGIE endeavoured to sell 80% of the ready-to-build project through an auction process led by a prominent Nordic bank. The project perfectly fit the mandate of SUSI's second European renewable energy fund, which had already built a portfolio of onshore wind and solar photovoltaic assets well diversified across core European markets.

In addition to a competitive bid made based on a deep understanding of power markets, SUSI also managed to establish itself as the preferred buyer and future majority owner due to its dedicated sector expertise. This was especially relevant since ENGIE retained a 20% stake in the wind farm and therefore had a material interest in the value-adding capabilities of the buyer.

Acquiring what today is the fourth-largest wind farm in Norway represented a cornerstone investment for the fund and asserted SUSI's capabilities in executing large transactions in the energy transition space.

Negotiating the PPA

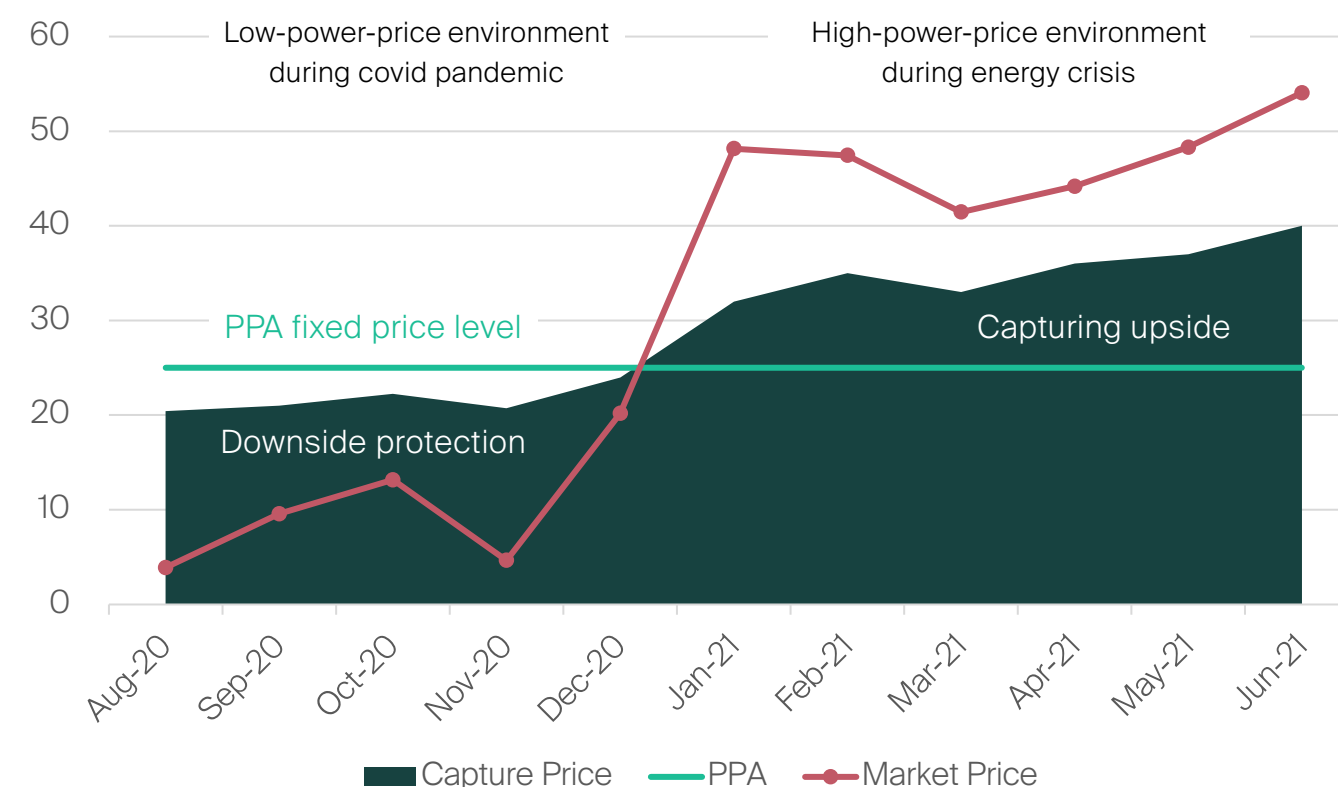
After signing of the transaction documents, SUSI took the lead on negotiating the terms of the power purchase agreement ("PPA") with Norsk Hydro. As one of the world's largest aluminium producers with a dedicated renewable energy business ("Hydro Energi"), the company represents a strong and reliable offtaker with a proven commitment to sustainability and renewable energy.

In structuring the PPA, SUSI primarily focused on securing long-term, stable cash flows through pre-agreed offtake prices while ensuring inflation protection and an appropriate level of flexibility to capture upside potential in times of rising wholesale electricity prices. The structuring proved to be highly resilient as Tonstad Vindpark went through extremely low as well as extremely high electricity price environments and ultimately secured stable revenues while managing to benefit from soaring electricity prices in 2022.

Securing Project Financing

The project financing was secured from Landesbank Baden-Württemberg ("LBBW") based on SUSI's pre-existing relationship with the German bank. After an initial effort with a prospective financier sourced by the previous owner proved too complex, SUSI leveraged its good relationship with LBBW and thanks to an agile and proactive approach, managed to ensure an efficient and timely conclusion of the transaction.

Partial Fixed-Price Arrangement Protects Downside and Allows to Participate in Upside*



* For illustrative purposes

Risk Prevention Through Active Construction Management

Thanks to its extensive in-house technical, commercial, and ESG expertise, SUSI was able to take an active role in the supervision of asset construction. Throughout the construction process, SUSI engineers continuously monitored the design and construction progress, mitigating multiple risks while ensuring effective coordination and timely progress despite adverse conditions.



Steering Construction through a Challenging Environment

The construction process presented a challenge not only due to harsh winter conditions, but also due to adverse effects from the 2020 Covid pandemic. Specifically, turbine erection took place during the height of uncertainty of the 2020 pandemic, which restricted the number of staff allowed to be on site at the same time. Furthermore, there were travel restrictions in place that limited the ability of key commissioning staff to travel to Norway. The SUSI team worked hard to coordinate effectively and managed to achieve a commercial operations date ("COD") that was only slightly behind the original schedule and well in advance of the PPA commencement date, which represents a major success under the circumstances.



Saving Costs through Multi-Contract Approach

The asset was constructed under a multi-contract approach with separate balance-of-plant and turbine-supply agreements in place. The SUSI team provided crucial support to on-site personnel in engineering, procurement, ESG, and construction management matters. The team's efforts ensured proper management of various contracts, effective monitoring of different construction phases with associated risks, and strict control of ESG-related issues. While this required a more proactive coordination effort on the part of the SUSI team, it significantly saved on costs - compared to an outsourced, full-service engineering, procurement, and construction ("EPC") solution - for the benefit of investors.



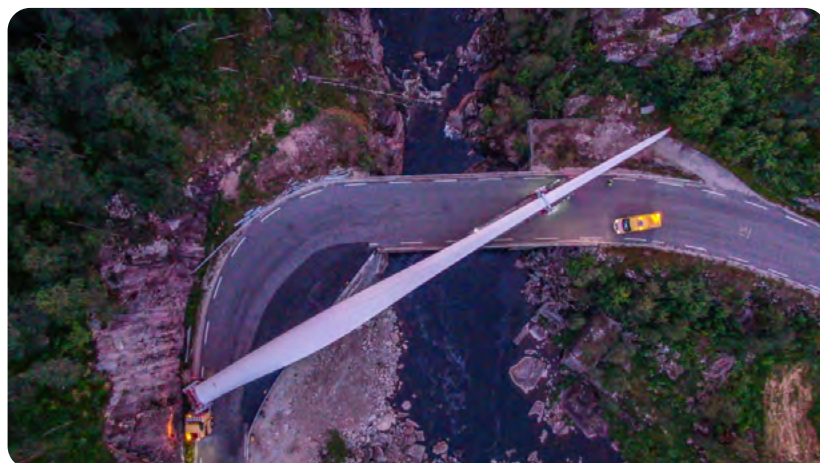
Quality Control of Turbine Blade Manufacturing

In addition to securing attractive terms and delivery times thanks to well-established relationships with main equipment suppliers, the SUSI team also conducted quality assurance inspections with the turbine manufacturer. During the inspection, the SUSI team identified manufacturing defects on the turbine blades, which at the time were considered a cutting-edge technological solution. As a result, the manufacturer could take corrective measures across the fleet before shipment. For Tonstad Vindpark, the inspection therefore effectively prevented a substantial risk of structural failures during the project's lifetime.

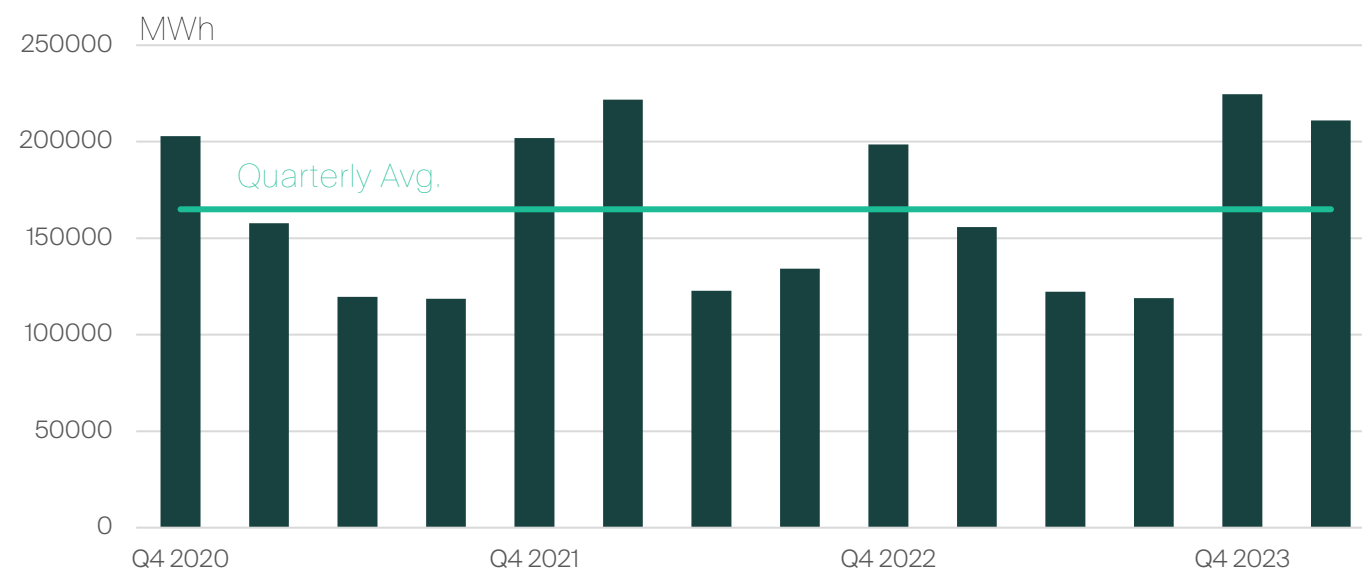


Optimisation of Turbine Foundation Design

Supported by industry experts, the SUSI team initiated a critical design review of the wind turbine foundations. During this investigation, engineers identified deficiencies in the initial design that could jeopardise the long-term durability of the project under ultimate load conditions. The team actively engaged with both the designer and the civil construction company to strengthen the design, thereby ensuring the turbine foundation design would be suitable for project life extension. Furthermore, this process was managed efficiently to align with the procurement and construction schedules, avoiding delays and unnecessary procurement costs.



Robust Quarterly Production Track Record (Q4 20 - Q1 24)



Ensuring Operational Excellence

Building a robust operational track record was crucial in securing good exit value. The SUSI team not only applied its expertise to prevent production disruptions but also proactively initiated several initiatives to increase the value of the asset.

Technical Oversight in Day-to-Day Operations

After COD, The SUSI and ENGIE teams held regular monthly performance review meetings with the technical and commercial operating partners. SUSI engineers had live access to the site performance data and regularly challenged the turbine operator to seek improvement if any underperformance was noticed. They also engaged with the team on the ground on several technical defects and successfully resolved issues with minimal impact to production and preventing adverse impacts on the valuation of the asset.

Commitment to Local Community

In line with the company's strong commitment to best-in-class ESG practices, the SUSI team put a lot of emphasis on actively involving the municipality and landowners during construction and operation of the wind farm. In addition to fair financial compensation, SUSI contributed to various local initiatives supporting tourism in the area such as the establishment of an information centre for the study of renewable energy and the construction of housing rigs for a local skiing arena.

The resulting good relationship with local stakeholders contributed significantly to the asset's exit value as it facilitates efforts to extend the asset's life and add further turbines as further described on page 10.

Improved Commercial Management Contract

The SUSI team supported on the negotiation of a new commercial management contract, which became necessary after the original agreement was set to expire during the operating period. The new contracts ensured a high-quality service while also optimising the cost structure.

Ice Throw Risk: Optimisation of Operating Strategy

During winter months, Tonstad Vindpark is exposed to weather conditions that involve an increased risk of ice accumulating on the turbine blades and subsequently detaching from the turbine, a process referred to as "ice throw". Ice throw represents a danger to the health and safety of both the workers and other visitors present in the vicinity and therefore can lead to forced production pauses. The SUSI team worked proactively with the turbines supplier to identify the optimum turbine operating strategy, which led to an improvement of the energy yield.



Increasing Asset Value

As part of its active asset management approach, the SUSI team also pursued initiatives to further increase the asset value by extending its lifetime and production capacity.

Lifetime Extension

The site was initially permitted and financed for a 25-year operating life. However, the SUSI team, in cooperation with expert consultants, performed further analysis and studies evaluating the actual load conditions experienced by the turbines and projecting fatigue on components and foundations to ultimately establish a pathway to an extended operating life. Thanks in no small part to the optimisation of the turbine foundation design during the construction process referred to on page 7, the new owner will have a feasible pathway to an extended technical asset life of at least 35 years.

In addition, SUSI had secured very robust lease agreements and maintained a very positive relationship with neighbouring communities and other local stakeholders, which could facilitate a potential further extension of the asset life beyond 35 years provided existing turbines are upgraded.

25 → 35

expected years of technical asset life without repowering

25 MW Site Expansion

During the operating period, the SUSI team started planning work to add 6 further turbines for additional 25 MW production capacity. The project benefits from lean implementation at comparatively lower cost while optimising the use of land, existing infrastructure, and the already established grid connection. If implemented, the project will benefit from lower operating costs than a standalone asset thanks to synergies with the existing wind farm.

208 → 233

MW generation capacity assuming project is brought to conclusion

ESG as a Key Value Driver

- E**
 - 100% clean energy generation
 - Recycling of 80% of on-site waste
 - Use of high-quality materials with long technical lifetime
- S**
 - Workplace accident prevention policy
 - Proactive engagement with local community & financial contributions
- G**
 - Full compliance with local laws and policies
 - Annual transparency report incl. supply chain screening



Maximising Realised Value on behalf of Clients

In early 2024, SUSI Partners initiated a process to sell Tonstad Vindpark based on a recognition of uniquely advantageous market dynamics. After running a focused process with a limited number of strategic buyers, an agreement to sell the asset to Norwegian utility Hafslund was signed in May 2024 at a selling price that reflects the value added by SUSI and delivers attractive risk-adjusted returns to SUSI's investors.

1

Sole Ownership as Beneficial Preparatory Exit Initiative

In 2022, the SUSI team took the opportunity to acquire the remaining 20% stake from minority shareholder ENGIE. In addition to beneficial market dynamics, the initiative was seen as supportive to an eventual exit strategy. After a period of prolonged negotiations with ENGIE, the team was able to secure an attractive deal which proved to be value-accretive while putting the team in a position to sell 100% of the asset in a simplified process that would ultimately be more attractive to potential buyers and thus helped maximise exit value.

2

Proactive Engagement on Resource Rent Tax Proposal

Responding to consultations on a new proposed ground rent tax and increased production taxes in late 2022, the SUSI team, in cooperation with other wind farm owners, engaged directly with Norwegian authorities to modify the proposal. The effort helped mitigate the detrimental impacts of the tax, which was eventually introduced per end of 2023 at a lower rate than in the original proposal, and thereby opened the door to a successful exit.

3

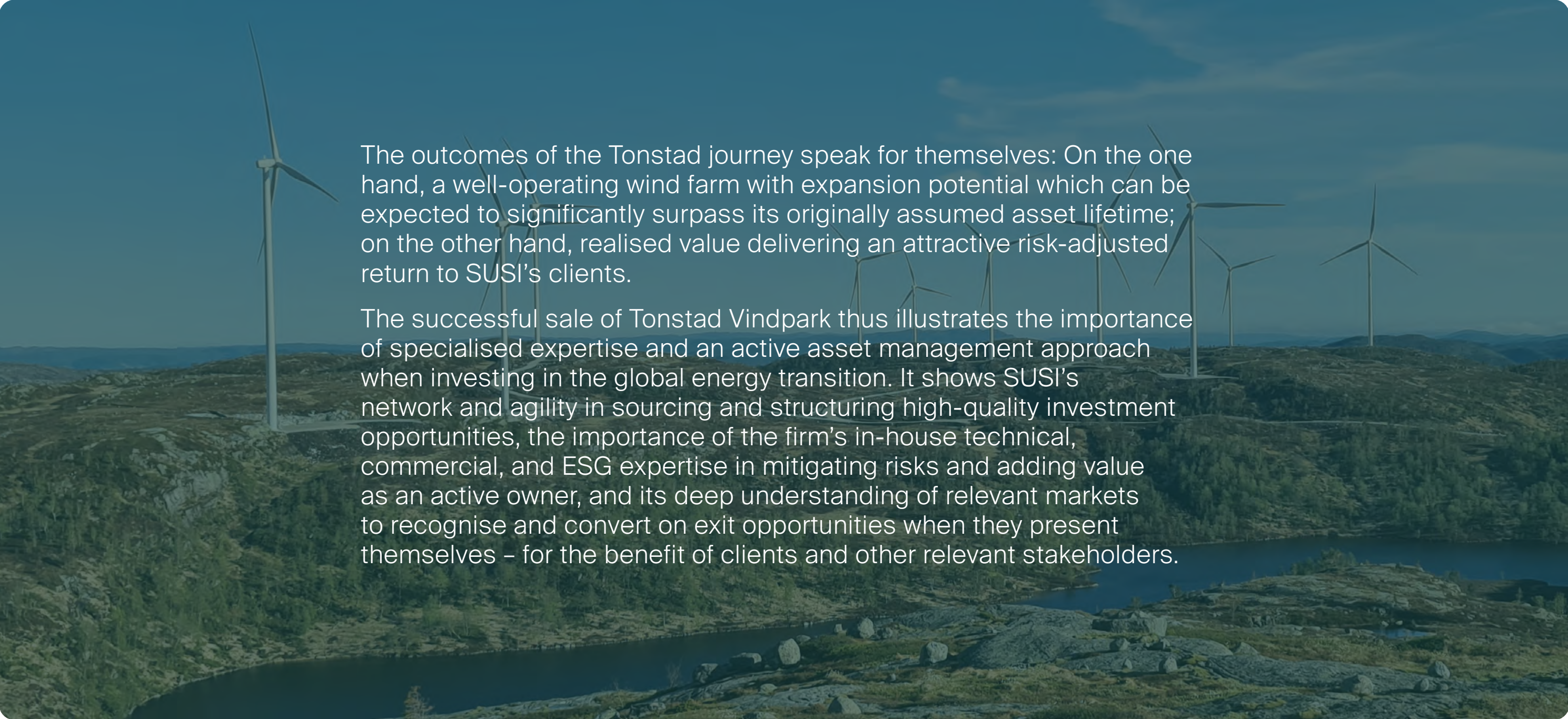
Successful, Well-Timed Sale

Uncertainty around the proposed resource rent tax had brought M&A activities in the Norwegian onshore wind sector to a halt in late 2022. With the tax being voted into law per end of 2023, thus removing the uncertainty, and public pressure on Norwegian utilities to invest recently generated windfall profits from the recent high electricity price environment mounting, interest from domestic players in acquiring local wind farms increased rapidly.

In early 2024, SUSI was one of the first owners of Norwegian wind farms to recognise this emerging market dynamic and initiated a focused sell-side process with a limited number of strategic buyers to seize the opportunity. Thanks to SUSI's deep market access and strong network in the Nordic region, which allowed for a fast execution of the process, an agreement with local utility Hafslund was eventually signed in May 2024.

The value-adding initiatives carried out by SUSI were well reflected in the achieved selling price. Bidders valued the development work done by SUSI, which allows to expand the capacity of the wind farm with further turbines, as well as the efforts to allow for an extended asset lifetime. In addition, ESG considerations were an important part of the buyer's due diligence and SUSI's best-practice approach in this respect helped further secure attractive value for investors.

Conclusion



The outcomes of the Tonstad journey speak for themselves: On the one hand, a well-operating wind farm with expansion potential which can be expected to significantly surpass its originally assumed asset lifetime; on the other hand, realised value delivering an attractive risk-adjusted return to SUSI's clients.

The successful sale of Tonstad Vindpark thus illustrates the importance of specialised expertise and an active asset management approach when investing in the global energy transition. It shows SUSI's network and agility in sourcing and structuring high-quality investment opportunities, the importance of the firm's in-house technical, commercial, and ESG expertise in mitigating risks and adding value as an active owner, and its deep understanding of relevant markets to recognise and convert on exit opportunities when they present themselves – for the benefit of clients and other relevant stakeholders.



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