RENEWABLE ENERGY GENERATION

REG Annual Results 2011

October 17th 2011

Andrew Whalley, Chief Executive Officer

David Crockford, Finance Director

Matt Partridge, Development Director

2010/11 Review

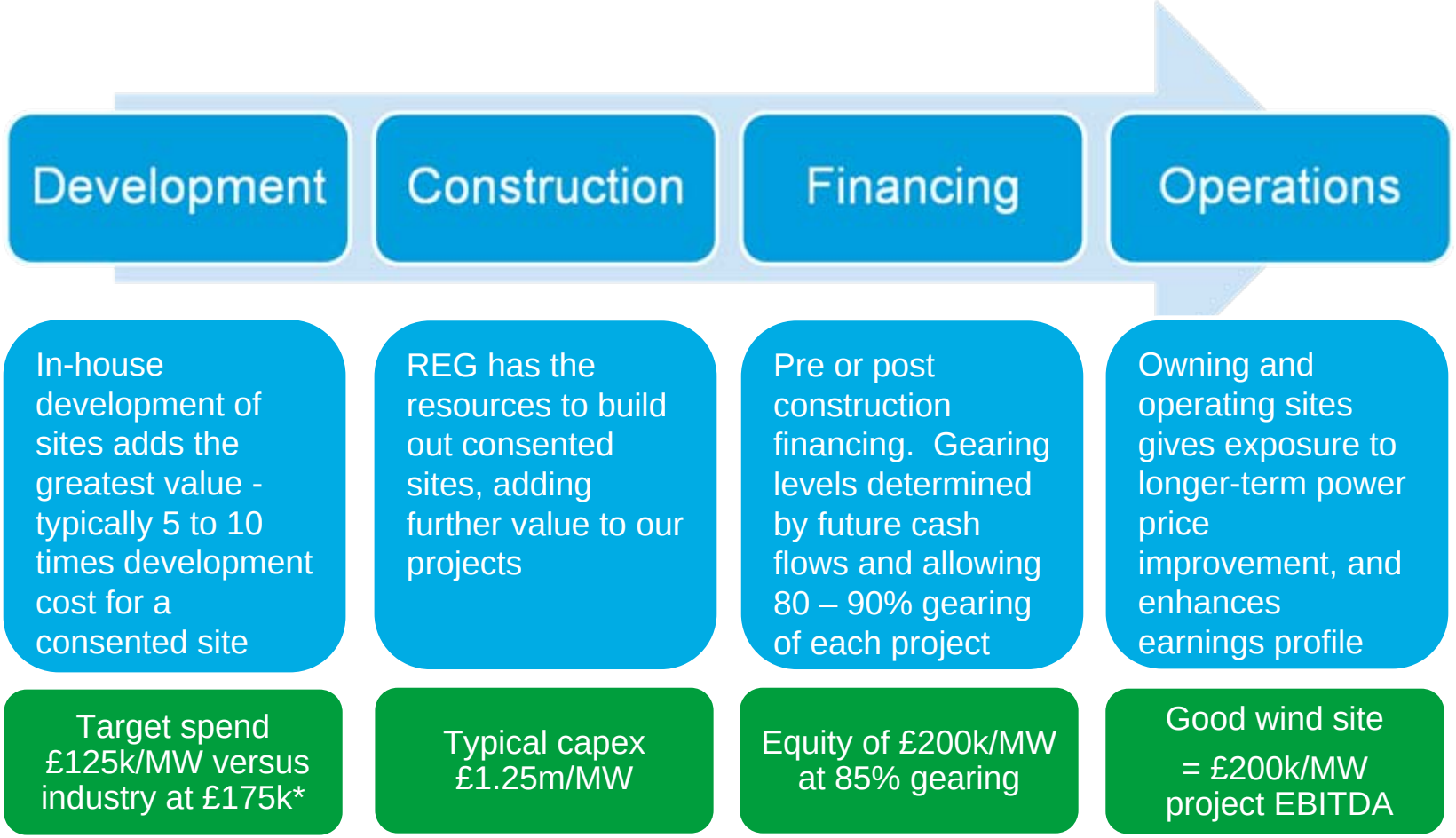
- Three new projects built totalling 20.5MW
- 25.3MW of new consents obtained
- Tranche one financing completed releasing £12m of cash
- Development portfolio increased to over 1,000MW
- Projects in advanced stage of development increased to 225MW
- National Grid Short Term Operating Reserve contract won
- Group EBITDA neutral
- Loss after tax from continuing activities of £2.6m
- 1.5p final dividend making 2p for year
- £15m cash available at year end

High Haswell Wind Farm - operational March 2011

REG Bio-Power's Bentwaters plant operates 6MW of our STOR contract

REG Strategy

REG's primary business is developing 5-20MW onshore UK wind farms. With expertise in development, construction, financing and operation, REG can add shareholder value at every stage of the process.



*Source Garrad Hassan Onshore Wind in the UK Current and Future Cost Trends

Financial Review - Income Statement

	Wind	Biopower	Central Costs	30 June 2011	30 June 2010	31 Dec 2010
MW	41.15	5.35	-	46.5	31.6	42.5
MWh	76,317	6,945	-	83,262	44,038	34,652
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue	8.4	1.4	-	9.8	6.2	4.3
Cost of Sales	(1.7)	(1.6)	-	(3.3)	(2.2)	(1.7)
Gross Profit	6.7	(0.2)	-	6.5	4.0	2.6
Administration	(3.3)	(0.8)	(0.7)	(4.8)	(3.4)	(2.4)
Development - external	(1.7)	-	-	(1.7)	(1.5)	(1.1)
EBITDA	1.7	(1.0)	(0.7)	-	(0.9)	(0.9)
Depreciation	(2.6)	(0.2)	-	(2.8)	(1.5)	(1.1)
Finance income	0.3	-	-	0.3		0.3
Exceptional items	(0.3)	-	(0.2)	(0.5)	(1.0)	(0.2)
Discontinued	-	-	(0.4)	(0.4)	5.4	-
Tax	(0.1)	0.5	-	0.4	0.5	0.1
(LAT)/PAT	(1.0)	(0.7)	(1.3)	(3.0)	2.5	(1.8)

Wind output down 20% on long term averages

IFRS fair value adjustment on Goonhilly Repower

Costs associated with takeover offer and adjustment to Canadian deferred consideration

R&D tax credit received

EBITDA positive in 2nd half of financial year.

Financial Review – Balance Sheet and Cash

	30 June 2011	30 June 2010
NON-CURRENT ASSETS	£m	£m
Intangibles	12.4	11.2
Property, plant and equipment	50.6	37.9
	63.0	49.1
CURRENT ASSETS		
Trade and other receivables	7.8	9.8
Cash and restricted cash	15.8	22.1
	23.6	31.9
CURRENT LIABILITIES		
Trade and other payables	(2.9)	(3.2)
Borrowings	(0.7)	-
	(3.6)	(3.2)
Long term liabilities	(11.6)	(1.2)
Deferred Tax	-	(0.1)
NET ASSETS	71.4	76.5

Construction of Loscar, Goonhilly and High Haswell

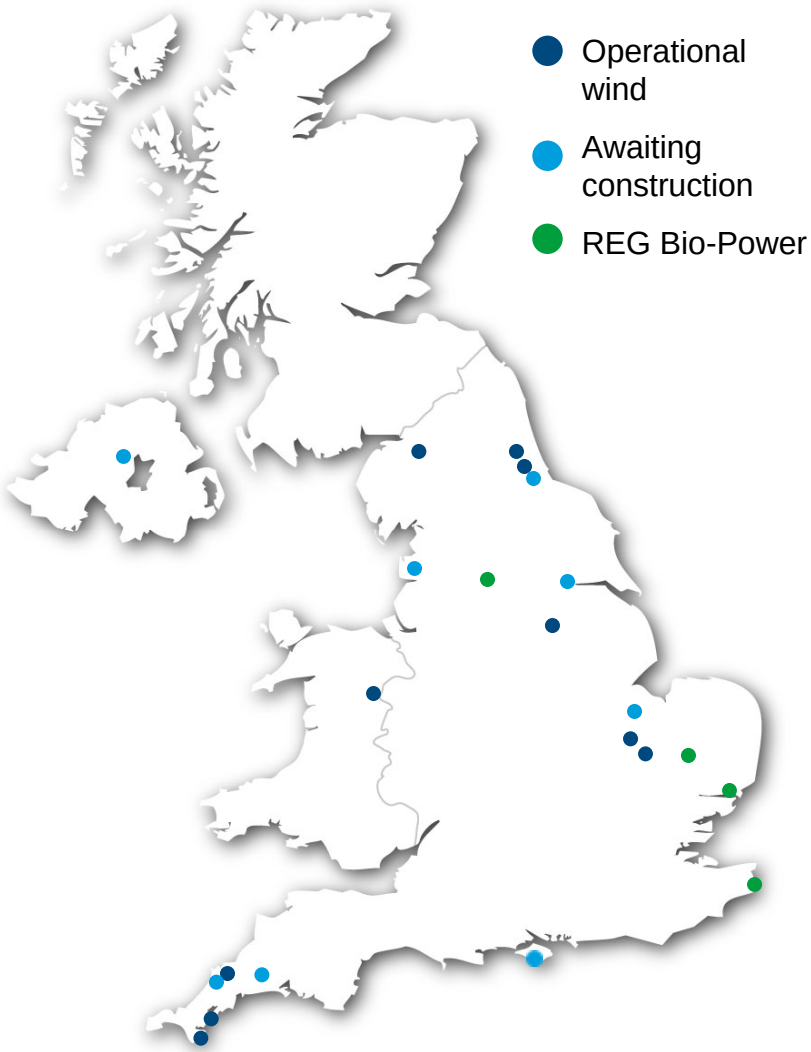
At 30 June 2011, £2.3m remains as deferred consideration relating to the sale of AIM PowerGen

13.9MW of small projects released £12m of cash.

£9.7m spent post year end on turbines for Sancton Hill

Co Op debt due over 12 years fixed at 6.038%

REG Locations



* REG 66% share of 6MW project

Operational wind farms

Braich Ddu, Gwynedd	3.9MW
High Pow, Cumbria	3.9MW
High Sharpley, County Durham	2.6MW
Roskrow Barton, Cornwall	1.7MW
Ramsey, Cambridgeshire	1.8MW
Goonhilly, Cornwall	12MW
Loscar, Yorkshire	4.5MW
High Haswell, County Durham	4MW
St. Breock, Cornwall	4.95MW
Whittlesey, Cambridgeshire	1.8MW

Wind farms awaiting construction

Sancton Hill, Yorkshire	10MW
South Sharpley, County Durham	6MW
Orchard End, Lancashire	4MW
French Farm, Cambridgeshire	4MW
Draperstown, County Londonderry	4MW*
High Down, Cornwall	1.3MW
Denzell Downs, Cornwall	10MW
Cheverton Down, Isle of Wight	1.2MW

REG Bio-Power

Bentwaters, Suffolk	6MW
Leeds North, Yorkshire	2MW
Hockwold, Norfolk	0.4MW
Dover, Kent	0.15MW

Current position and future growth

Existing	FY12 plan	FY13 and beyond
41MW Wind + 8MW STOR 106,000 MWh + STOR • £9.5m of project cash contribution • £4.5m of overhead • £2.5m of development • £1.5m of debt service Existing projects cover REG's operational outgoings in average wind year	10MW Sancton Hill 28,100 MWh Construction starts Q4 2011 6MW South Sharpley 16,400 MWh Construction starts Q4 2011 Enhances project contribution by c£3.7m when operational	Further 24.5MW* consented (6 projects) and moving to build phase Adds c£6.5m of project contribution Additional 100+ MW due for planning decision Every additional MW consented and built adds return to equity
£20m of liquid resources available for onward capital investment	85% gearing target means c£3.5m of equity to be deployed	£20-£25m of further equity to be released from ungeared assets

* Subject to expiry of legal challenge period

Analysis of REG's overhead

- Focused development spending, both internally and externally reflected in the value of each consented MW
- Target long term average development spend of £125k/MW
- Value enhancing development of £50k to £75k/MW capitalised into the balance sheet as part of the £1.25m/MW wind farm CAPEX

£m	Cash	Potential for capitalisation
Central	0.7	-
Wind administration	0.5	-
Ops and construction	1.0	(0.5)
Development – internal cost	1.5	(2.0)
Development – external costs	2.5	
Bio-Power	0.8	-
Total	7.0	(2.5)

Around £50k to £75k per consented MW capitalised

Included in CAPEX OF £1.25m/MW

Well targeted development spend reflected in balance sheet value

The value of our wind farms

- Recent offerings in market have aimed to purchase wind farms at 9% project IRR
- Other transaction multiples have been at £1.8-£2.0m per MW for older, less energetic sites
- Using these models demonstrates the value of our assets:

	Output in P50 wind year	£2m per MW installed	9xEBITDA	9% discount rate on annual EBITDA
Goonhilly 12MW (operational)	35,000MWh	£24m	£27m	£28m
Sancton Hill 10MW (in construction)	28,100MWh	£20m	£21m	£22m

Goonhilly Downs Wind Farm

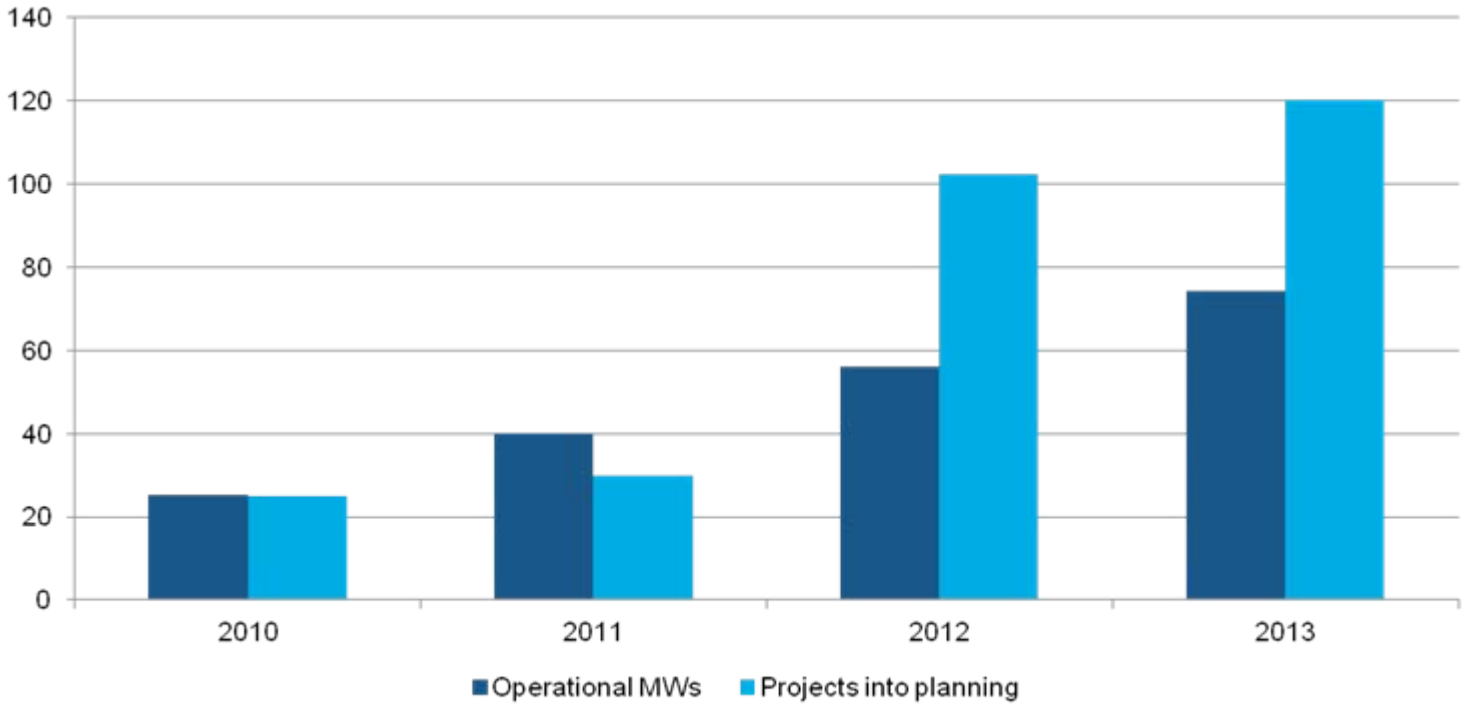
Sancton Hill Wind Farm

Operational fleet and sites under construction worth at least 90p per share

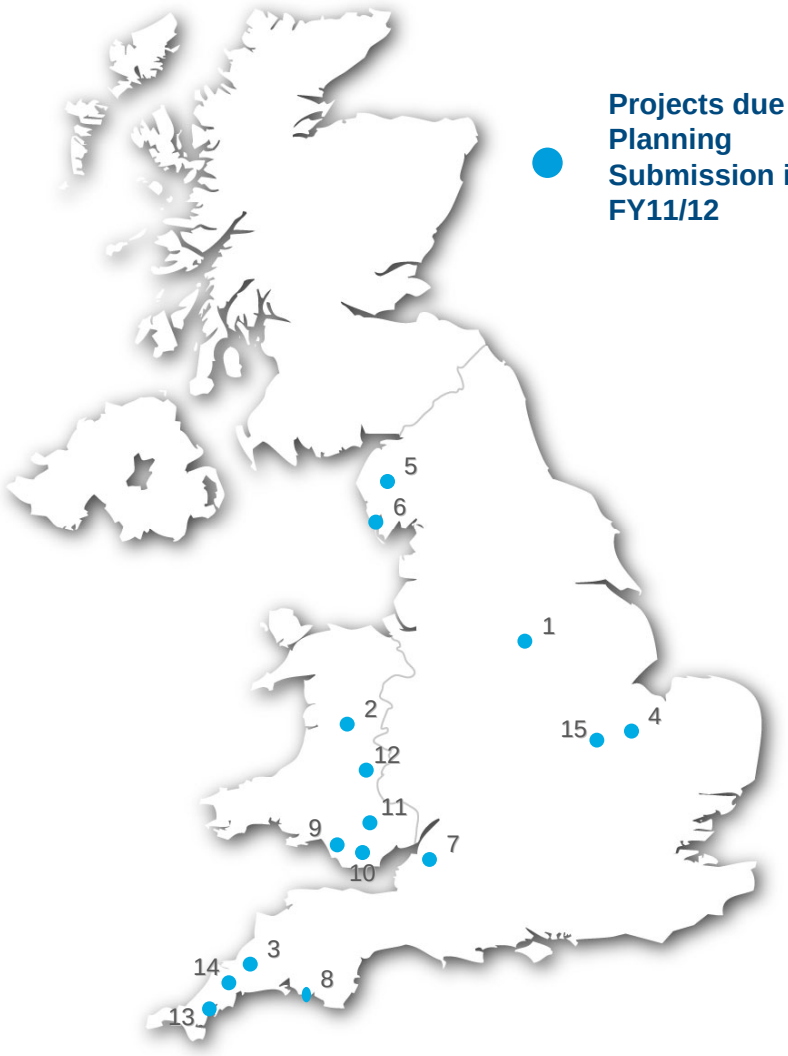
Additional consents worth 10p per share

Delivering the development pipeline

- Under the current business plan, £100m is committed to new renewable energy projects by Dec 2012
- REG is currently at £90m with the Denzell Downs approval
- Over 100MW of new planning applications are entering the planning system to July 2012
- REG will exceed its growth targets - set when the Canadian business was sold in 2009



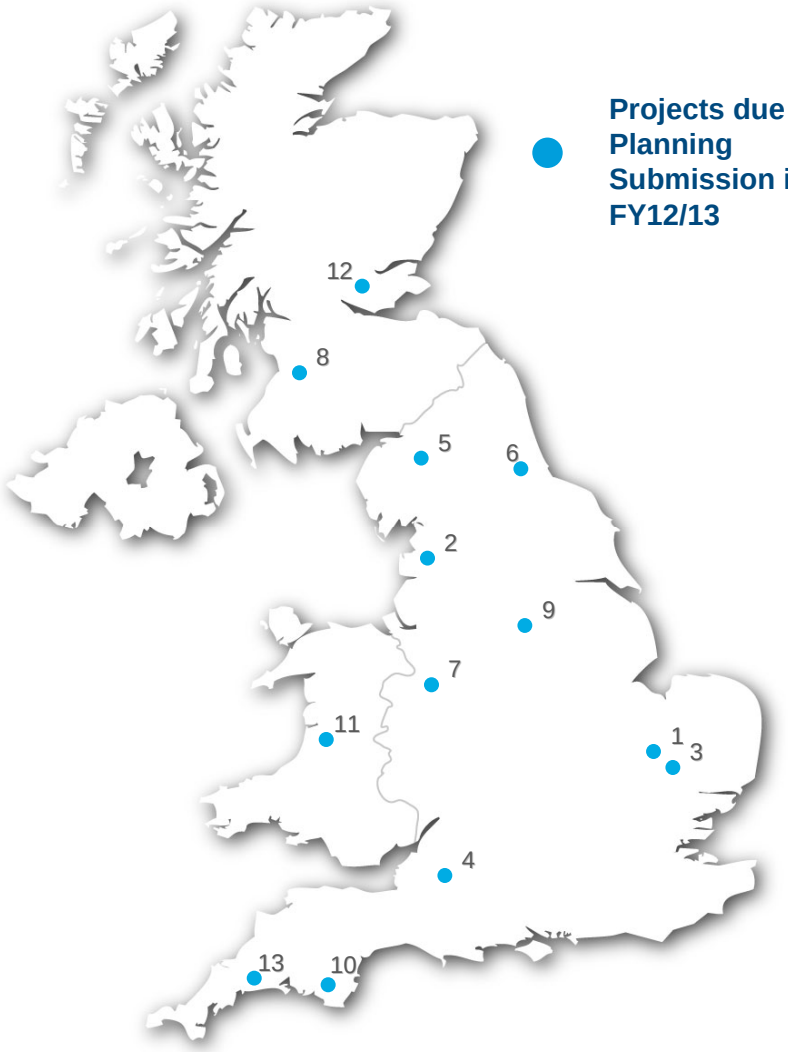
Planning applications FY2011/12



Planning Submission Forecast Key: FY11/12

Project 1	2.55MW
Project 2	9.20MW
Project 3	1.50MW
Project 4	6.68MW
Project 5	7.50MW
Project 6	12.00MW
Project 7	5.40MW
Project 8	2.55MW
Project 9	10.00MW
Project 10	16.00MW
Project 11	6.00MW
Project 12	6.00MW
Project 13	1.70MW
Project 14	12.00MW
Project 15	3.34MW
Total	**102.42MW**
Average project size	**6.8MW**

Planning applications FY2012/13



Projects due for Planning Submission in FY12/13

Planning Submission Forecast Key: FY12/13

Project 1	5.40MW
Project 2	6.00MW
Project 3	11.69MW
Project 4	6.00MW
Project 5	20.00MW
Project 6	2.00MW
Project 7	9.00MW
Project 8	4.00MW
Project 9	4.50 MW
Project 10	0.85 MW
Project 11	35.00MW
Project 12	15.00MW
Project 13	0.85 MW
Total	**120.29MW**

Average project size **9.25MW**

REG Bio-Power

- REG Bio-Power recovers used cooking oil through a patented process with end of waste certification into a clean bioliquid used for electricity and heat generation

Leeds North

- REG Bio-Power operates contract with National Grid to provide Short Term Operating Reserve (STOR) services for two years, broken into separate seasons
  - Bentwaters plant capacity rated at 6MW under STOR
  - New 2MW Leeds North plant
- Payment structure:
  - Capacity payment for availability during STOR hours
  - Utilisation payments for generation under STOR, generally around 50 to 100 hours per annum
  - LEC and ROC revenue continues to be earned on all site output
- Substantially reduces reliance on commercial fuel while allowing running outside STOR – 5,000 hours p/a
- Building own used cooking oil collections :
  - Own collections now account for 600 tons of “free” fuel, with a plan to build this up to 1,000 tons, enough to fuel 50MW of STOR plant
- REG Bio planning to build two new STOR projects during 2012 to leverage business to 20MW
  - Feltwell 6MW
  - Lakenheath 5MW

Closing the gap to intrinsic value

- 41.15MW operational generating around £9m of income – covers overheads and interest costs
  - Leaves all existing equity free for investment – circa £45m
  - Structure in place to manage 200MW+ portfolio – cost base stable
- Construction of 24MW over next 18 months increases output by over 50%
- As new projects added, REG generates net free cash after finance costs
  - Partly returned to shareholders via dividend
  - Partly invested in new build
- Existing equity sufficient for at least 150MW of new operational plant
  - Thereafter build funded from gearing operational cash flow or selling a consent to build consent
- Smaller consented FiT sites available for sale
  - Demonstrates value
  - Funds returns to shareholders

St Breock Wind Farm

Goonhilly Downs
Wind Farm

Summary and Outlook

- 41.15MW of wind assets in operation
- Additional 40.5MW with planning consent
- Tranche One financing now complete
- Construction of Sancton and South Sharpley in FY 2012
- Tranche Two financing underway
- Development pipeline now over 1,000MW
- 10 planning applications for 100+MW anticipated FY 2012
- REG has no requirement for further equity and is fully funded

REG's goal to deploy £100 million on track

RENEWABLE
ENERGY GENERATION

Appendices

Government stance remains encouraging

- UK has binding legal target to achieve 15% of energy requirement from renewable sources; widely expected to require c 30% electricity from renewables (with smaller contribution from transport and heating sectors
- Currently around 7.4% of UK electricity from renewables on an EU Directive basis – quadrupling of renewable generation needed in next decade – huge opportunity
- Onshore wind recognised as key technology in delivering target
- DECC's Renewable Energy Roadmap identifies potential increase in installed capacity from 4GW to 13GW by 2020
- Committee on Climate Change recognises that onshore wind is relatively low-cost and quick to deploy and advocates increased use to reduce reliance on more expensive technologies, thus keeping cost to consumers low
- Electricity Market Reform designed to ensure low carbon options viable to reach 2020 targets and beyond – White Paper published 2011
- ROC support mechanism system set for review
- Likely replacement CFD FIT presents opportunities for REG to leverage smaller projects

Planning update

National Planning Policy Framework (NPPF)

- Contains a presumption in favour of "sustainable development", which reflects environmental, economic and social criteria; seen as pro-growth, pro-development (witness National Trust and CPRE concerns).

- DCLG consultation that aims to *"…streamline national policy from over 1,000 pages to just 52 pages of policy"*; general guidance and deferral to National Policy Statements and local decision-makers.

National Policy Statement for Renewable Energy Infrastructure

- The NPS is a material consideration for planning applications in England and Wales and provides helpful advice against which applications can be assessed.

- The advice for onshore wind is underpinned by the specific acknowledgement that *"Onshore wind farms are the most established large-scale source of renewable energy in the UK. Onshore wind farms will continue to play an important role in meeting renewable energy targets."*

Localism Bill

- The development community at large has lobbied extensively; many of the initial concerns addressed.

- Local engagement presents opportunities and not only threats. Requirement for local and neighbourhood plans to conform to national policy (which is strongly in support of renewable energy).

Planning policy agenda robustly supportive of renewables

Glossary of terms

Availability - Percentage of time that generating plant is available to produce electricity

Capacity factor - Ratio of energy produced by a generating unit relative to the electrical energy that could have been produced at continuous full-power operation during the same period

Electricity Market Reform (EMR) - UK Government proposals under consultation for long-term low carbon electricity generation

Feed-in Tariff (FiT) - Renewable energy support mechanism where producers are rewarded at a nationally prescribed level for renewable electricity fed into the grid

KWh - Kilowatt hours. 1KWh = 1'unit' of electricity. Average annual domestic consumption approx 4,400kwh per household per annum

MW - Megawatt, used to refer to maximum capacity of generating plant

MWh - Megawatt hours. 1MWh = 1,000kwh

GWh - Gigawatt hours. 1GWh = 1,000MWh

Ofgem - Office of Gas and Electricity Markets, the UK industry regulator

PPA/Power Purchase Agreement - contract for purchase of electricity generated

RO/Renewable Obligation - UK Government support mechanism for large-scale renewable energy

ROC/Renewable Obligation Certificate -1 ROC issued per renewable MWh generated. ROCs are sold to power suppliers, which are obliged to hold 0.12 ROCs per MWh supplied

LEC - Levy Exemption Certificate. Issued by Ofgem. Exempts renewable generators from Climate Change Levy

STOR - National Grid Short Term Operating Reserve. Power sources called upon to meet unscheduled electricity demand

Triad - 3 Times of Transmission System Peak Demand, each separated by 10 days

Variability - Non continuous nature of wind energy generation

In planning - Project with a planning application submitted but not yet determined

Consented - Project with planning permission

Repowering - Improving energy output of existing operating site through replacing older machines with newer models. Requires planning permission