



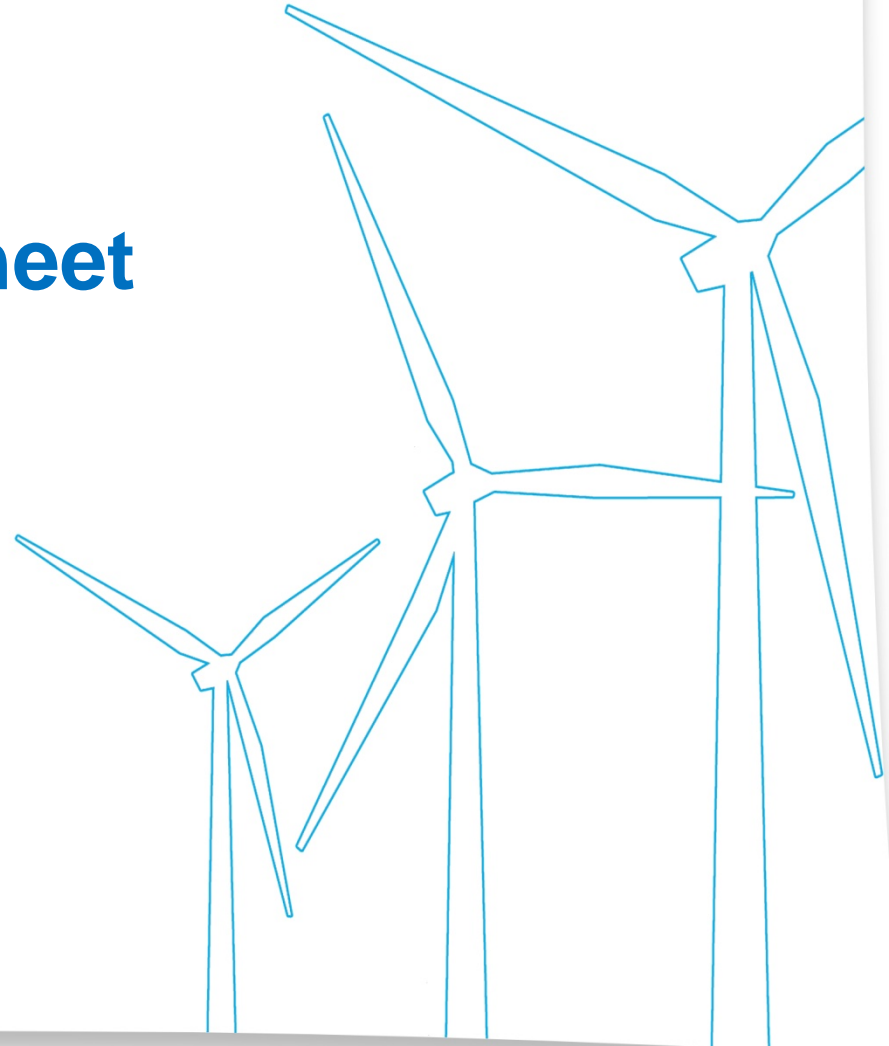
RENEWABLE  
ENERGY GENERATION

# Increasing balance sheet efficiency

July 2011

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# REG Overview

- ➊ REG is the leading developer and owner of small onshore wind farms in the UK
  - ➋ **41MW** of operational wind farms across over 10 UK projects
  - ➌ **20MW** of consented sites fully financed and entering construction
  - ➍ **100** projects in active development totalling over **1000MW** - total potential investment of over **£1.25bn**
  - ➎ **£20m** of available equity for investment
- ➏ Also runs Short Term Operating Reserve plant (“STOR”) to meet National Grid demand - fuelled by waste cooking oil
- ➐ Business supported by strong balance sheet and cash positive operating business



# REG Strategy

REG's primary business is developing 5-20MW onshore UK wind farms

With expertise in development, construction, and operation, REG can add shareholder value at every stage of the process.

④ Owning and operating sites gives exposure to longer-term power price improvement, and enhances earnings profile



OPERATION

④ REG has the resources to build out consented sites, adding further value to our projects



CONSTRUCTION

④ In-house development of sites adds the greatest value - typically 10 times development cost for a consented site



DEVELOPMENT

# Project financings

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- REG has introduced project finance with The Co-Operative Bank for its first five operating sites – all previously ungeared
- Debt term is 12 years, on a full repayment basis, with an “all in” rate of 6.038%
- Matched by a power purchase agreement with Statkraft AG
- Financing is non-recourse to REG, secured against £14.5m NBV of wind assets
- Releases £12m of cash
- Tranche two financing now accelerated as projects into planning increasing rapidly
- Tranche two financing expected to release over £20m of equity for reinvestment
- In total REG will have around £40-45m of equity available for investment

# Projects for 2011/12

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- Sancton Hill in the East Riding of Yorkshire
  - 10MW producing around 27GWh per annum
  - All in cost will be around £12.5m
  - Scheduled for construction in Q4 2011
- South Sharpley in County Durham
  - 6MW producing around 14GWh per annum
  - All in cost will be around £7.5m
  - Scheduled for construction Q4 2011
- This will increase REG's output to around 150,000MWh per annum, an increase of 40% from current levels
- Should increase Project EBITDA to around £12m per annum
- Both projects will be funded from tranche one equity
- Equity required will be around £3m

# Existing projects cover REG's operational costs

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- Existing portfolio generates around 106,000MWh per annum
- Equates to around £10m of revenue
- Or around £8.5m of project EBITDA
- REG costs around £5m per annum to operate
- Development costs around £2m per annum
- Debt service on tranche one loan is around £1m per annum
- That means that equity freed up is all available for investment
- Sancton Hill and South Sharpley will increase cash flow to equity by around £1.8m net per annum
- Cost base will not increase going forward
- Thus every MW added from here will flow to bottom line

# REG Bio-Power

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- Bentwaters now operational under STOR
- Leeds North (2MW) due for completion by 16 August 2011
- Project is slightly ahead of schedule and on budget
- These projects will increase STOR capacity to 8MW
- And will bring REG Bio to around cash breakeven
- Reviewing options to maximise shareholder value – likely to involve STOR market

# REG sum of parts

- Recent deals suggest wind buyers “comfortable” with a 9-10% project return
- Equity in 41.15MW operational
  - Dividends from tranche one refinancing £11.5m (7x dividend cash flows or dividend yield of 14%)
  - Equity in 20.5MW tranche two £41m (Goonhilly has significantly above average wind resource)
  - Recent SSE deal with Infinis and Climate Change Capital at £1.75m/MW
  - 6.8MW of other wind assets £5m
- Consents (20MW) £8m
- Cash and current assets £20m
- REG Bio £3m (book value)
- Other assets £2m (land)
- **Total SOP £90.5m or 88p per share** (assuming no value for development assets)

# Summary and Outlook

- 41.15MW of wind assets in operation from March 2011
- Tranche One refinancing now complete
- Construction of Sancton and South Sharpley in FY 2012
- Tranche Two refinancing underway
- Development pipeline now over 1000MW
- REG has no requirement for further equity and is fully funded



**REG's goal to deploy £100 million on track**