



RENEWABLE  
ENERGY GENERATION

# Interim Results Presentation

March 2011

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# REG Overview

- REG is the leading developer and owner of small onshore wind farms in the UK
  - **41MW** of operational wind farms across over 10 UK projects
  - **18MW** of consented sites awaiting construction
  - **100** projects in active development totalling over **900MW** - total potential investment of over **£1bn**
- Also runs Short Term Operating Reserve plant (“STOR”) to meet National Grid demand - fuelled by waste cooking oil
- Business supported by strong balance sheet and cash positive operating business



# Financial and Operational Highlights for Half Year

## Financial

- Group revenues of **£4.3m** (H1 2010: £3.5m)
- EBITDA loss of **£0.6m** (H1 2010: £0.4m profit)
- Loss before tax from continuing operations of **£1.9m** (H1 2010 £0.3m loss)
- Total cash resources of **£7.6m**
- Interim dividend of **0.5p** per ordinary share

## Operational

- Group generating capacity reaches **42.5MW**
- **12MW** Goonhilly Wind Farm repowered to treble former output
- 4.5MW Loscar **wind farm commissioned**
- **Low wind speeds** across the 6 months
- **Planning consent granted** for Sancton Hill (10MW), Orchard End (4MW) and French Farm (4MW)

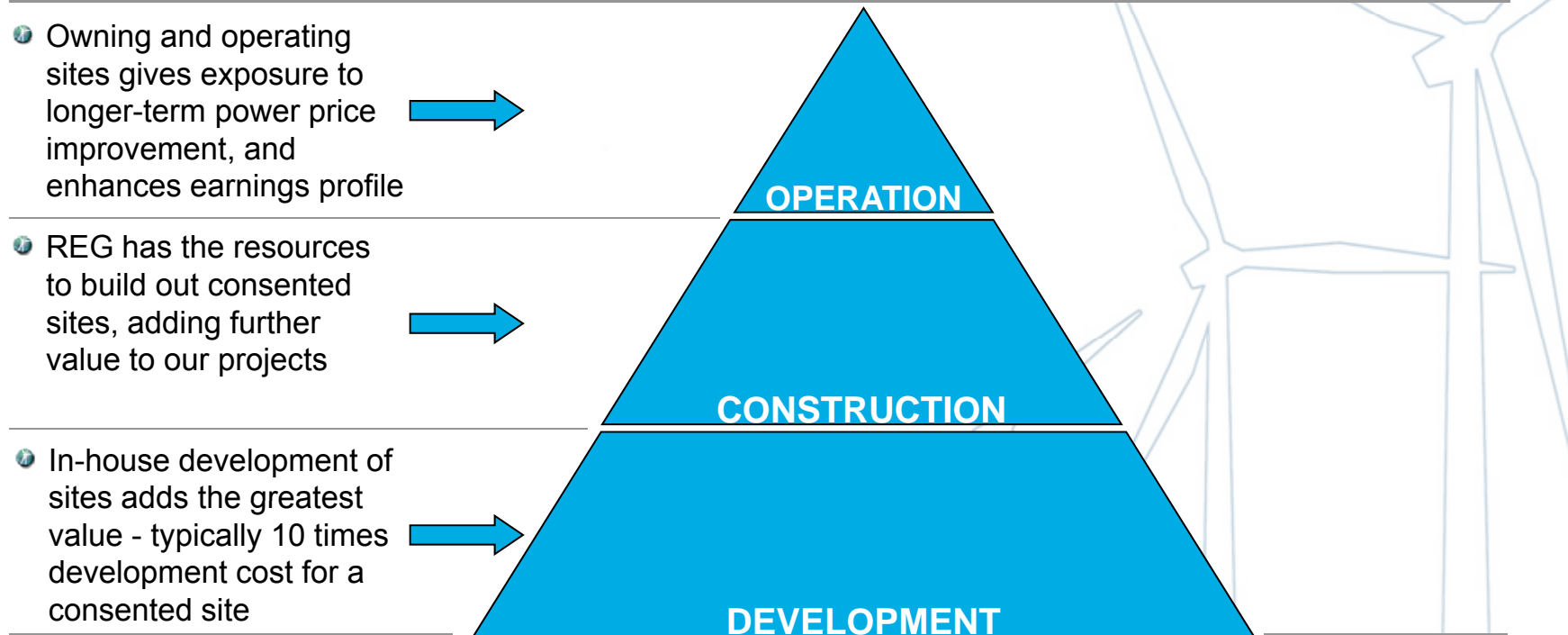
## Post period end

- Rejection of approach in January at **67.7p per share**
- 4MW High Haswell **wind farm commissioned**, increasing Group capacity to **46.5MW**
- REG Bio-power **wins 2 year 8MW STOR contract with National Grid**
- New **Power Purchase Agreements** fixed for 1 to 3 years

# 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.



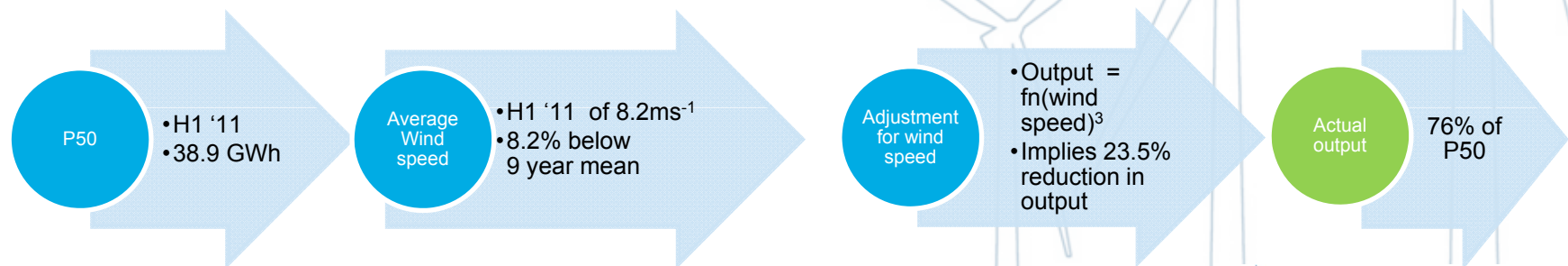
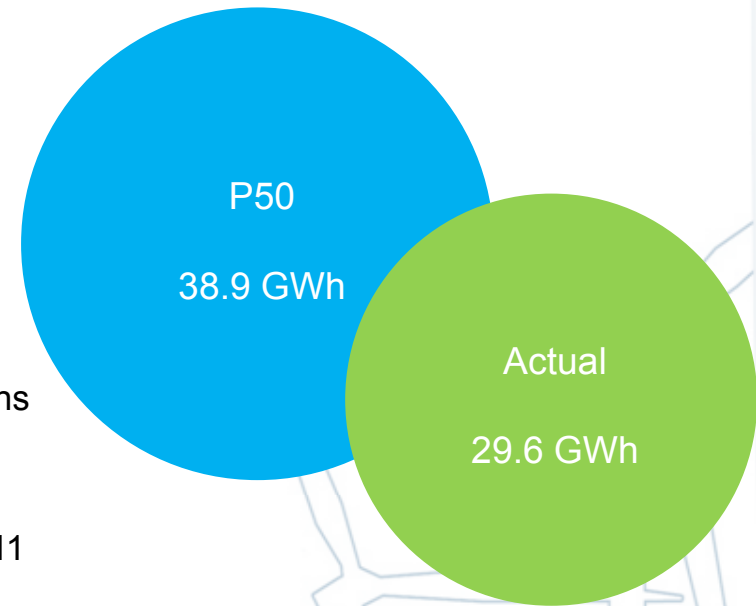
# Own development versus acquisition

- REG has accumulated the internal skill sets over five years to appraise, undertake due diligence and acquire sites
- REG is not a high leverage/low equity IRR buyer – recipe for disaster with wind
- When considering acquisitions, REG favours off-market transactions:
  - Goonhilly Downs      acquired for £2.5m      now repowered having generated £4m of cash
  - Windworks portfolio      acquired for £4m      yielded 30MW of sites to date
  - High Haswell      paid £200,000 per MW      energised March 2011
  - St Breock      paid £2.8m for 4.95MW      repowering project entering planning 2011
- We continue to look at fresh opportunities but always balance acquisition opportunities versus developing our own sites....

...and developing our own sites generally wins

# Operational update – REG Windpower

- 75% increase in installed capacity (H1 2010 to H1 2011)
- Turbine availability on budget
- Low wind speeds over the 6 months
- December 2010 least windy month in last 10 years
- Actual output at 76% of independent long term P50 projections
- Lost EBITDA due to poor wind was over £1 million for H1 2011



# Financial Review - Income Statement

	Wind	Bio-Power	Central Costs	31 Dec 2010	31 Dec 2009	30 June 2010
MW	37.15	5.35		42.5	22.5	31.6
MWh	29,640	5,012		34,652	26,145	44,038
	£m	£m	£m	£m	£m	£m
Revenue	3.6	0.7	-	4.3	3.5	6.2
Cost of Sales	(0.8)	(0.9)	-	(1.7)	(1.1)	(2.2)
<b>Gross Profit</b>	<b>2.8</b>	<b>(0.2)</b>	<b>-</b>	<b>2.6</b>	<b>2.4</b>	<b>4.0</b>
Administration	(1.7)	(0.4)	(0.3)	(2.4)	(1.5)	(3.4)
Development	(1.0)	(0.1)	-	(1.1)	(0.5)	(1.5)
Other income	0.3	-	-	0.3	-	-
<b>EBITDA</b>	<b>0.4</b>	<b>(0.7)</b>	<b>(0.3)</b>	<b>(0.6)</b>	<b>0.4</b>	<b>(0.9)</b>
Depreciation	(1.0)	(0.1)	-	(1.1)	(0.7)	(1.5)
Exceptional items	(0.2)	-	-	(0.2)	-	(1.0)
<b>PBT (Continuing activities)</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(0.3)</b>	<b>(1.9)</b>	<b>(0.3)</b>	<b>(3.4)</b>

Installed capacity up but output hit due to poor wind speeds

New PPAs from April 2011 fixed on 3 year forward curve

High WCO prices impacted result.  
New STOR initiative reduces reliance on commercial sources of fuel

Investment in head count provides stable platform for considerable MW growth

New focus on development with pipeline growing to over 900MW  
Targeting £50k- £100k per consented MW long term

# Financial Review – Balance Sheet and Cash

	31 Dec 2010	30 June 2010
<b>NON-CURRENT ASSETS</b>	£m	£m
Intangibles	11.2	11.2
Property, plant and equipment	50.1	37.9
	<b>61.3</b>	<b>49.1</b>
<b>CURRENT ASSETS</b>		
Trade and other receivables	8.6	9.8
Cash and restricted cash	7.6	22.1
	<b>16.2</b>	<b>31.9</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	(3.2)	(3.2)
Borrowings	-	-
	<b>(3.2)</b>	<b>(3.2)</b>
<b>LONG TERM LIABILITIES</b>		
Other payables	(1.2)	(1.2)
Deferred Tax	-	(0.2)
	<b>(1.2)</b>	<b>(1.4)</b>

At 31 Dec 2010, £2.7m was held as deferred consideration re: Canadian sale  
£2.3m of liquid ROC assets held for resale

Healthy cash balance to be supplemented by future financings

## REG is currently ungeared

### Tranche 1 financing – the older projects

High Pow	3.9MW
Braich Ddu	3.9MW
High Sharpley	2.6MW
Roskrow Barton	1.7MW
Ramsey	1.8MW

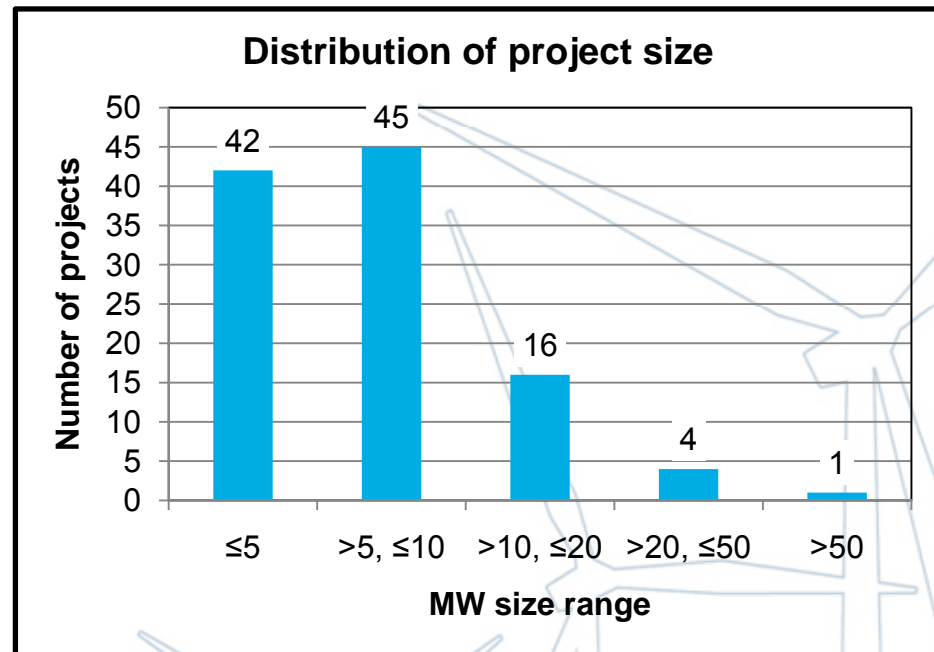
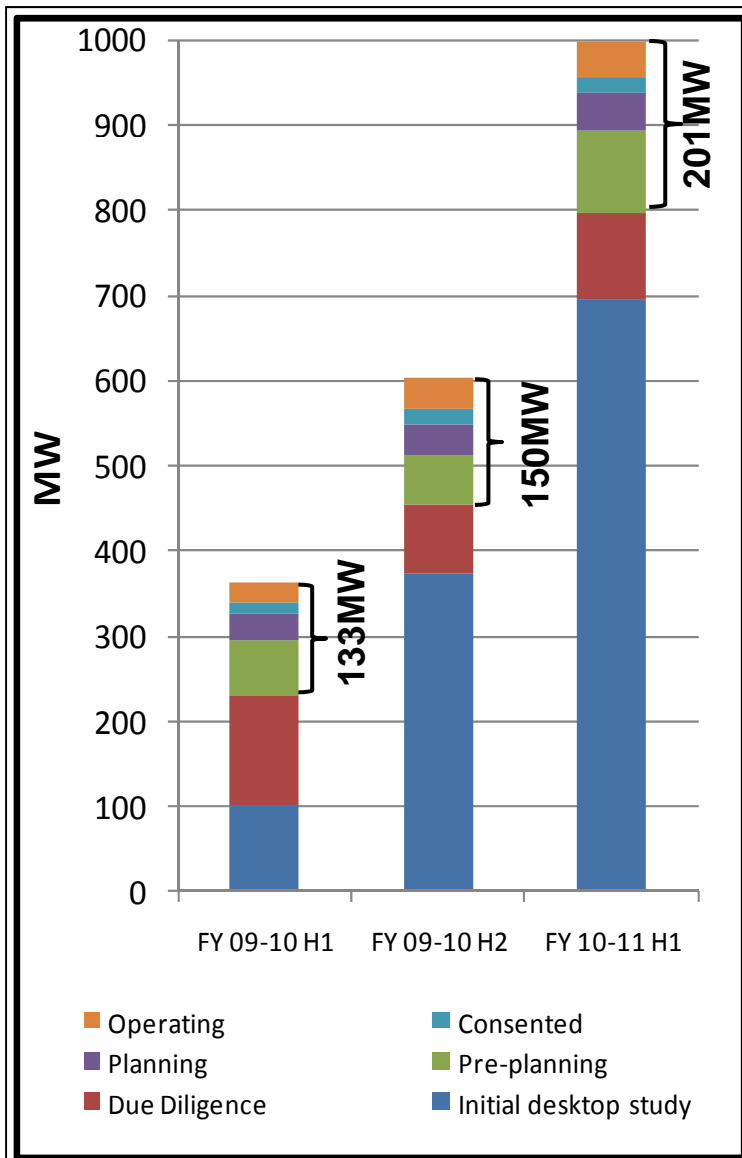
### Tranche 2 financing – the newer projects

High Haswell	4.0MW
Loscar	4.5MW
Goonhilly Downs	12MW

Produces substantial equity for growth over and above the £100m target

Tranche 1 and 2 financing will give overall consolidated debt to total assets of 30% for Group

# REG Wind Development Pipeline in numbers

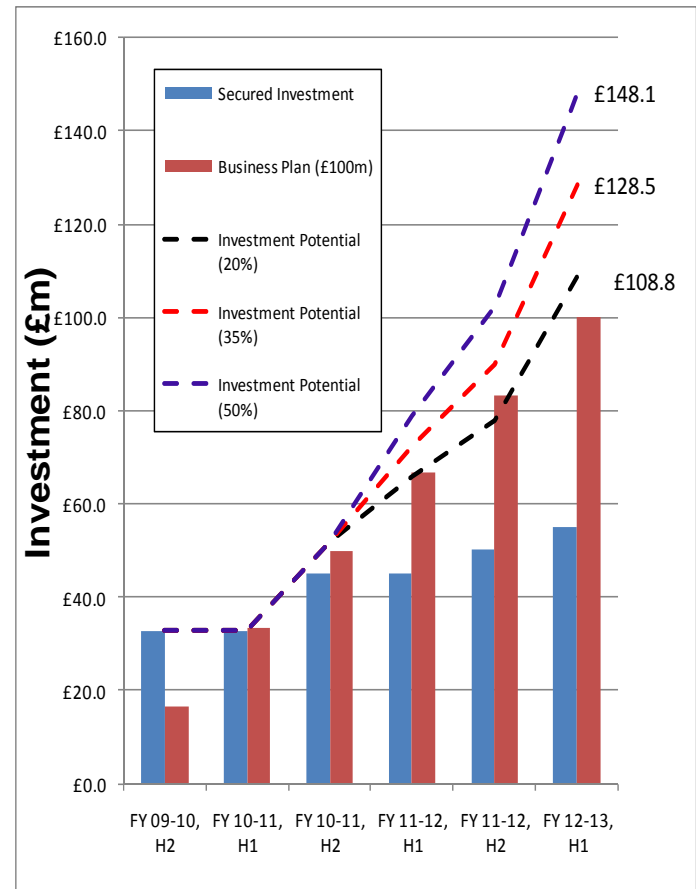


**Significant growth in size and “maturity” of the wind portfolio as larger development team gathers momentum**

# Reaching the £100m investment goal

REG has re-modelled potential investment scenarios based on using in-house development resources only:

- **LOW** Assuming 20% Local Planning Authority (“LPA”) planning permission rate – adds 60MW – **hits investment target**
- **CENTRAL** Assuming 35% LPA planning permission rate (against 34% current rate)
- **HIGH** Assuming 50% LPA planning permission rate – adds 95MW
- Investment potential of some £75m-£115m excluding acquisitions
- Development cost target £50k - £100k/MW



**Organic growth will deliver the Business Plan**

# Feed-in Tariff opportunities

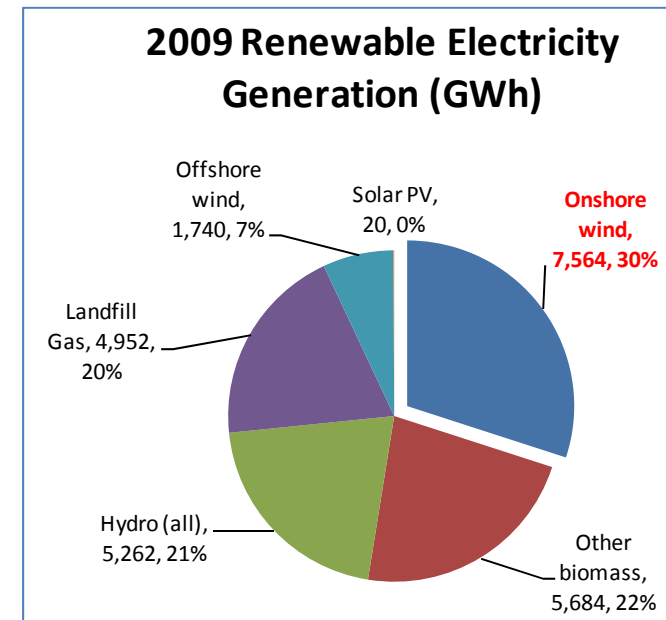
- Feed-in Tariffs for  $\leq 5\text{MW}$  renewable energy schemes introduced in April 2010.
- Eligible wind projects receive (in addition to sale of electricity and LECs):
  - £198/MWh – 100-500kW capacity
  - £99/MWh – 500kW-1.5MW capacity
  - £47/MWh – 1.5-5.0MW capacity
- REG Windpower is developing opportunities for smaller FIT projects:
  - leverages existing, valuable landowner agreements
  - provides significant, additional shareholder value (hurdle-rate IRRs or cash return, if sold, for example to VCT)
  - strategic diversification in to a new, emerging sector of onshore wind, leveraging our current core business



**FIT projects represent a “toe in the water” of a new, emerging onshore wind sector, future-proofing the business**

# Government pragmatism underpins case for wind

- Latest Government figures show onshore wind is the largest source of “clean” electricity, generating 30% of the UK’s total renewable electricity and over 2% of the UK’s total electricity, with vast pipeline.
- Onshore wind is the UK’s only mature renewable energy option that can be deployed at significant additional scale and meets key policy criteria; low-carbon, security of supply, affordability.
- Central Government recognition of the importance of onshore wind energy should lead to fair treatment in emerging legislation
  - Electricity Market Reform – transition to a total Feed-in Tariff regime / post-RO world; and
  - Localism agenda presents new opportunities - direct financial benefits for communities, greater scope for local political dialogue.
  - Introduction of a minimum carbon price encouraging in the long term



## REG Bio-Power – Renewed focus

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- REG Bio-Power has won two contracts with National Grid (NGC) 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 under construction for operation Q1 FY2012
- Payment structure:
  - Capacity payment for “standing by” during STOR hours
  - Utilisation payments for generation under STOR, generally around 50 to 100 hours per annum depending on merit ranking
  - LEC and ROC revenue continues to be earned on all site output
- Substantially reduces reliance on commercially sourced fuel while allowing opportunistic running outside STOR for remaining 5,000 hours per annum
- Building own collections from municipal waste sites and through initiatives with large waste companies
- 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-Power protected through patents and end of waste certification
- Moves REG Bio-Power close to cash breakeven with significant growth potential

## Summary and Outlook

- 41.15MW of wind assets in operation from March 2011
- New Power Purchase Agreement signed with Statkraft locking in advantageous energy price for three years
- Refinancing 34.4MW of operating projects on target to close during 2011
- 37.85MW (5 projects) in the planning system
- Governmental recognition of need for onshore wind offers encouragement ahead of Electricity Market Reform
- REG well-placed to exploit new Feed-In Tariff announced during period from smaller wind schemes
- STOR contracts won on 8MW of plant, underpinning REG Bio-Power's technology



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