



October 2009 ~ proposed sale of Canadian operations

Andrew Whalley, Chief Executive
David Crockford, Finance Director

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Background to Canada

- AIM PowerGen purchased by REG in 2006 for C\$29m
- Deal brokered by Probyn and Co under REG Power Management – REG's former management company
- Since then AIM has built and refinanced 40MW under Ontario Standard Offer Programme
- Harrow projects currently being refinanced with Manulife
- Total book value of AIM around £54m

Rationale for sale of Canada

- Canada opportunity is vast and developing rapidly, requiring higher than anticipated capital costs
 - New SOP terms in Ontario
 - REG has relatively small balance sheet
 - Banking markets still tough and expensive
- UK offers more attractive opportunity for REG
 - UK government incentives for renewable energy generation
 - Returns higher in UK than Canada
 - Projects ready for construction that will add 75% to operating capacity in next 12 months; many other projects close to planning decisions
 - Pipeline of wind projects of more than 300MW
- Still committed to dividend – provides necessary capital
- Crystallises value from investment and avoids requirement for expensive financing – puts us in driving seat
 - Strategic focus
 - Immediate profitability

The transaction

- Initial deal value is C\$119m (£69m) including funds to repay HBOS facility
- A further C\$5.9m (£3m) payable if operating SOPs meet performance criteria which should be paid around March 2010
- Total potential deal value is C\$125m (£72m)
- REG will receive a total net cash consideration after repayment of the HBOS facility of circa £50m
- This will leave REG completely debt free
- Deal will not incur any tax
- Resolution to go before EGM on the 16th October 2009

Two further EGM resolutions

- Cessation of REG's fund status
 - Legacy of REG Power Management – Probyn and Premier
 - REG has been operating company for some time
 - But still officially classified as “Fund”
- Redomiciliation to Jersey
 - Non Exec Directors are, with one exception, from Jersey
 - Will allow the Board to be strengthened
 - Will provide access to better advisors

Use of funds (1) – UK wind

- Immediate tasks are to build:
 - Goonhilly Downs ~ grid work started, turbines being ordered
 - Loscar ~ grid work started, turbines being ordered
 - Redland ~ approval gained for single turbine
 - Operational status scheduled for autumn 2010 with additional EBITDA contribution circa £3.5m
 - total cost is around £22m
- Three projects with planning decisions due by year end 2009 – total cost circa £30m
 - South Sharpley 7.5MW
 - Cheverton Down 9.0MW
 - Pentre Tump 4.5MW
 - Targeting EBITDA contribution of circa £5m once operational
- In summary:
 - Circa £12m of EBITDA immediately identified from UK wind
 - Strong pipeline of development opportunities
 - Additional UK wind opportunities at attractive prices
 - Positive regulatory environment

Use of funds (2) – Bio Power

- REG Bio Power
 - Secured end of waste from the Environment Agency
 - Only UK company accredited with EOW for vegetable oil
- Three engines running on LF100 for four months
- Hockwold ~ 0.4MW running as combined heat and power, 2 ROCS
- Bentwaters ~ 0.8MW running as conventional power, 1.5ROCs
- £485,000 funding available to build a processing plant at Hockwold ~ to deliver circa 15,000 tons of fuel derived from used vegetable oil
 - Sufficient to run 13MW
 - Most will operate as CHP qualifying for 2 ROCs
 - Targeting strong EBITDA contribution by December 2010

Summary

- The sale of Canada is transformational to REG's P&L account and balance sheet
- Facilitates introduction of 2010 long-term financing to increase available funds to over £100m
 - Group is profitable and debt free
 - Group is UK focused with little balance sheet goodwill – difficult to value
- UK planning has been slow but we have a number of projects that are finally reaching determination
- Strong balance sheet and Jersey redomiciliation will
 - Strengthen attraction for 'City' non execs
 - Enable Group to lead UK wind deal consolidation
- Transaction is scheduled to close on about the 20th October 2009
- Board is recommending shareholders vote in favour of the resolutions on the 16th October 2009