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Sourcing and Deploying Capital in Renewables

Mortimer Menzel, Augusta & Co

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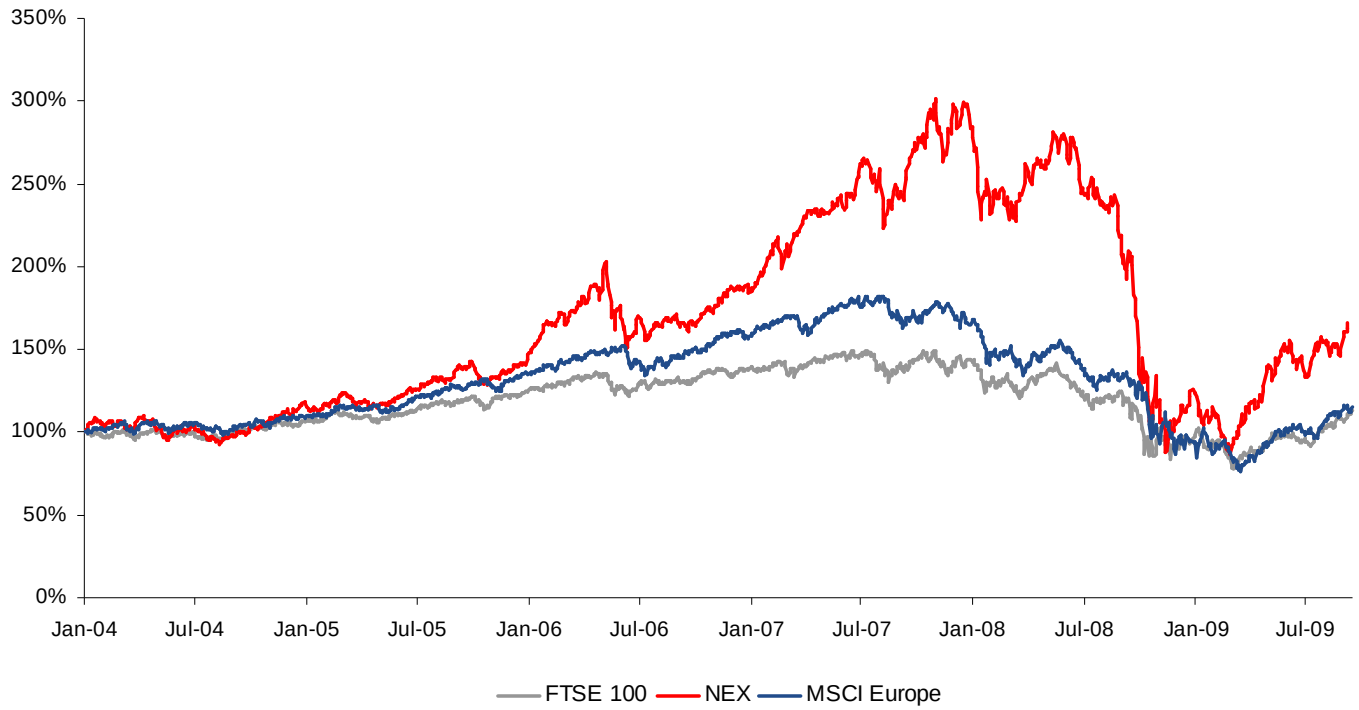
The world looks a little better: NEX currently at summer '06 levels

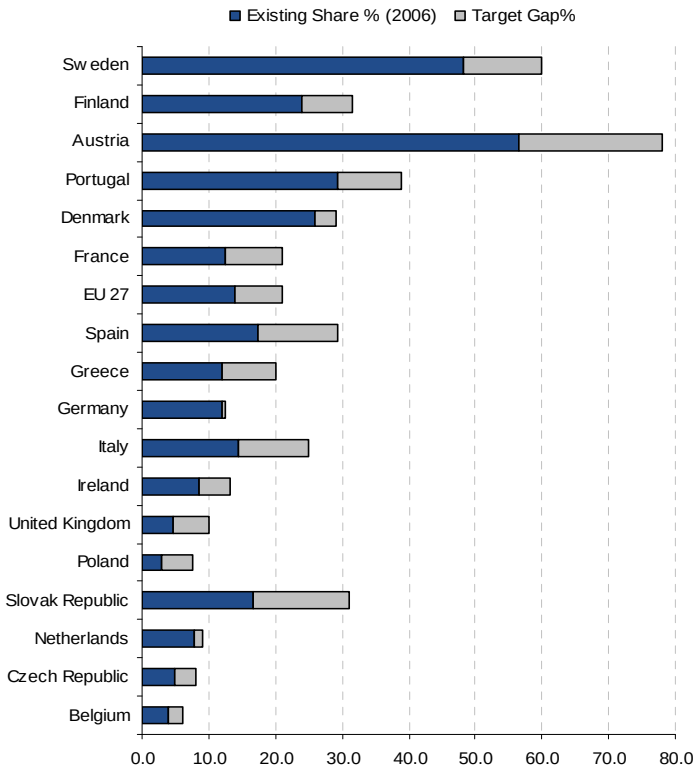
NEX Index Jan 2004 – Sept 2009



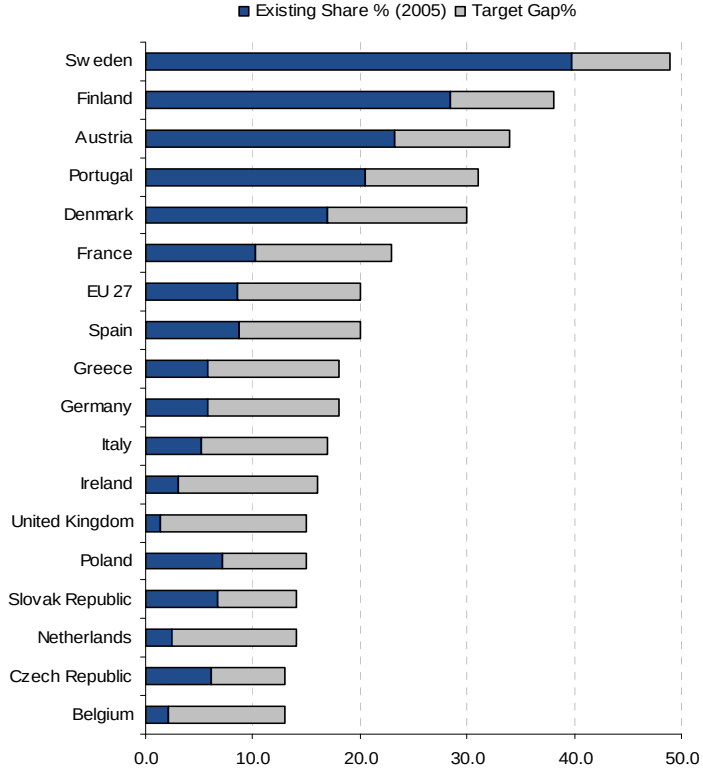
Source: New Energy Finance ("NEF"), STOXX

Legislation and targets are driving further investment

Share of ELECTRICITY from renewables vs. target in 2010*



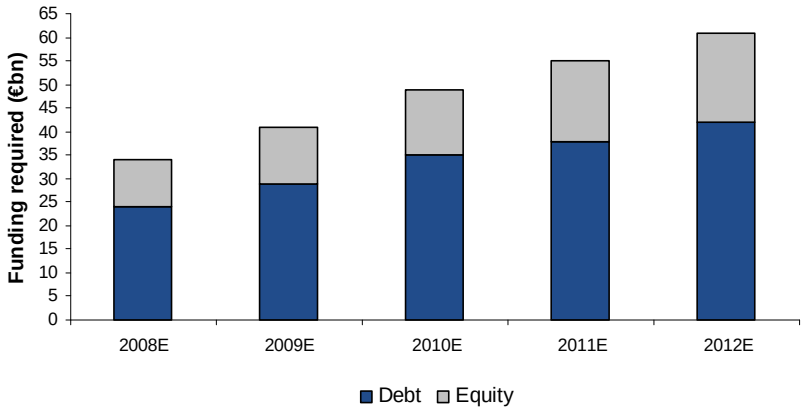
Share of ENERGY from renewables vs. target in 2020



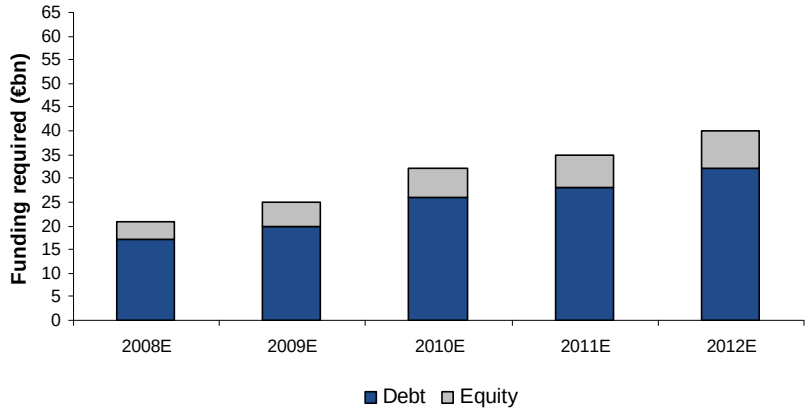
Source: BMU publication „Erneuerbare Energien in Zahlen“. EU Commission data
Note: * Does not take into account electricity from nuclear sources

Most research agrees capital requirement is huge: mainly going to wind and solar

Wind project funding



Solar project funding

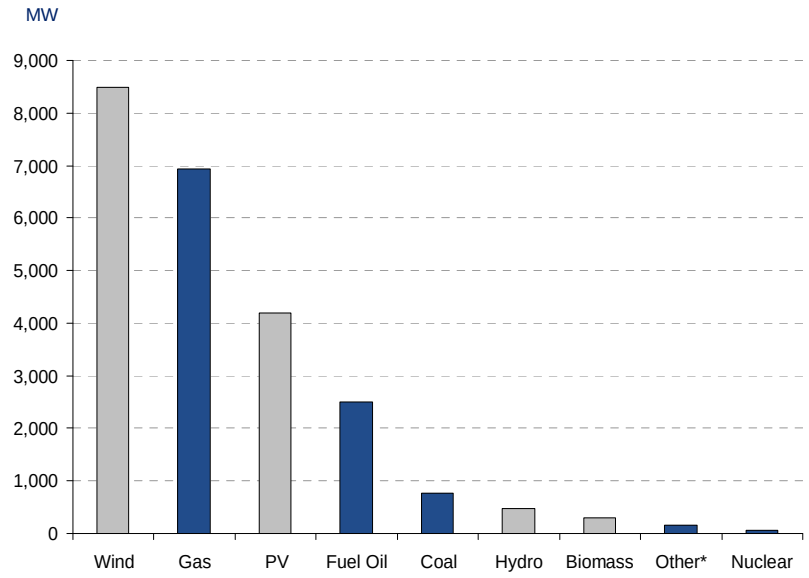


Most analysts estimate that to meet project growth targets in wind and solar installations alone approx. €175-200bn of capital needs to be invested in 2010/11.

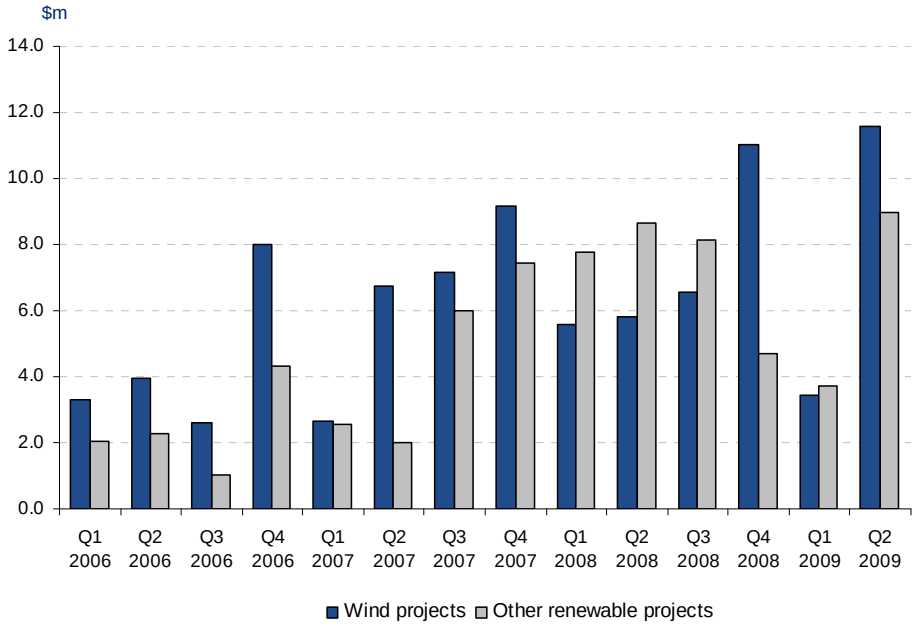
Source: Goldman Sachs Research, NEF, Augusta & Co estimates

Wind is the fastest growing electricity source in EU

New power capacity installed in EU 2008



Wind vs. other renewables financing in EU**



Source: European Wind Energy Association, NEF
*Geothermal, peat and waste, **Asset Financing includes equity and debt with refinancing of projects

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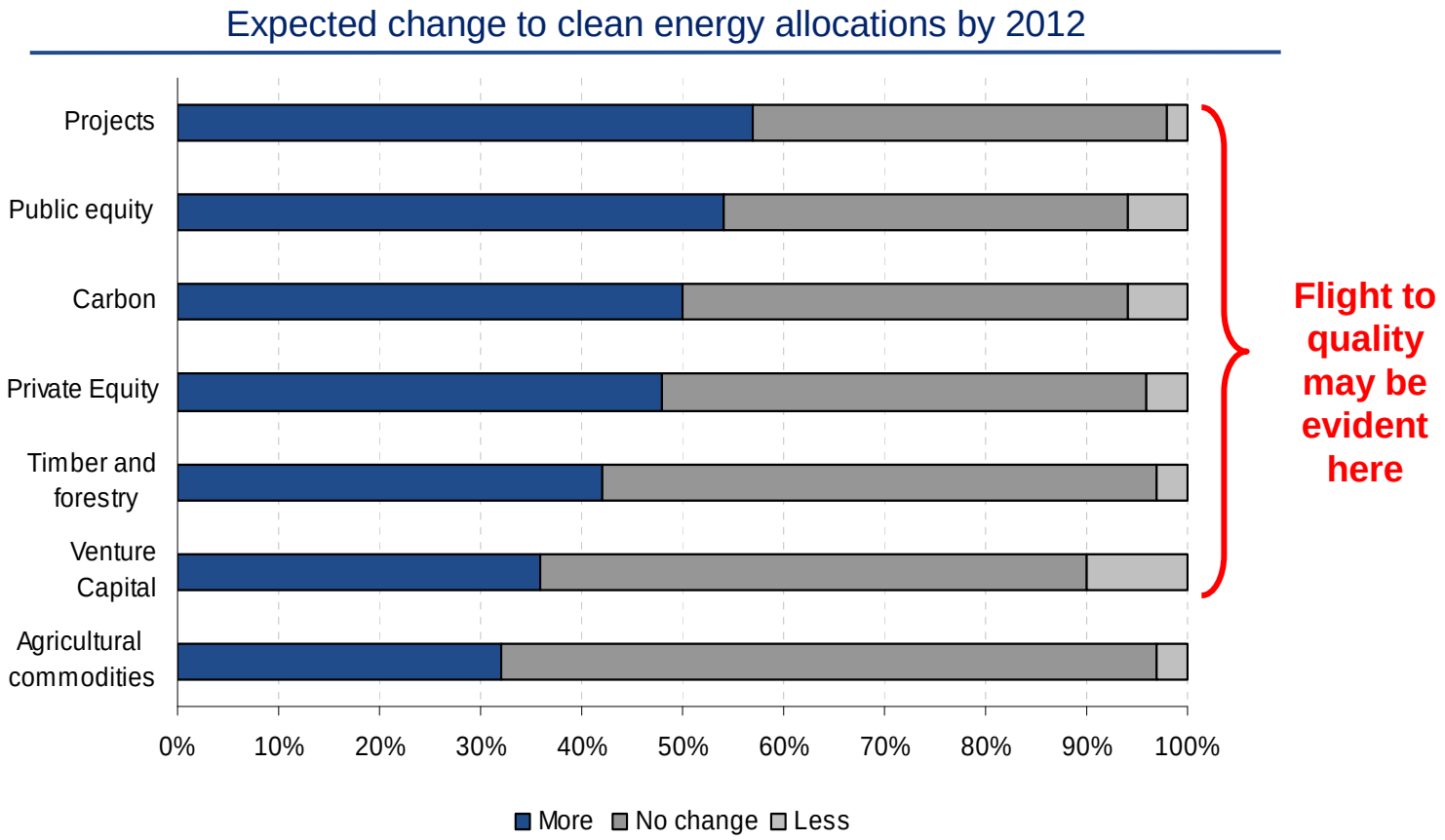
Institutional investors are increasing their allocations



Source: NEF survey of 106 institutions with $1tr in AUM

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What is actually happening in Renewables M&A in practice ?

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The European equity market for wind developers today

- The market is still a buyer's market
- There are significant amounts of equity chasing deals but:
  - Investors can afford to be very selective
  - Bank financing is available only for the best developers and projects
  - This has led to cash strapped developers selling projects under development
    - That means there is a glut of non-financed development projects
    - But few good fully financed or operating projects
  - Several notable insolvencies have also provided excess product on the market
- The investor universe has changed too: Utilities still control the market Europe-wide
    - Many utilities can afford to build development projects without bank debt
  - Many financial investors have moved levered IRR expectations up to min. 14% IRR
  - Prop desks of investment banks have weakened (this was ca. 20% of the equity capacity in '07)
  - Hedge funds are weakened
  - No value given for post-sale refinancing of an operating portfolio
  - No value given for repowering after 20-25 years (although 25 years dcfs the norm)
  - Management teams and entire development businesses much more difficult to sell today

The European debt market for wind developers today

- Obtaining debt is much more difficult for onshore wind and almost impossible in offshore
- Borrowing costs have increased significantly:
  - Spreads for a European onshore wind currently estimated[1] to be approx. 225 bps over Euribor (from ca. 150 bps in October 2008)
  - Increase tempered by cuts in base rates so overall interest cost is even or down slightly
  - But much more equity required now:
    - Mainly 25-30% in onshore - up from ca. 10-15% in 2007 and early 2008
    - This has a huge impact on project IRRs especially for financial investors
  - Arrangement fees increased dramatically from ca. 0.8% in 2007 to ca. 2.3% in early 2009
  - Tenors are shorter
- Whether an already operating project can be refinanced is questionable now
- Senior Debt for development pipeline also still very difficult today
- There may be signs that the bond market can replace banks for senior debt in special cases

[1]Source: "Debt finance for European wind and solar in early 2009"
NEF and Augusta estimates

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How does all this translate into the asset values of wind projects?

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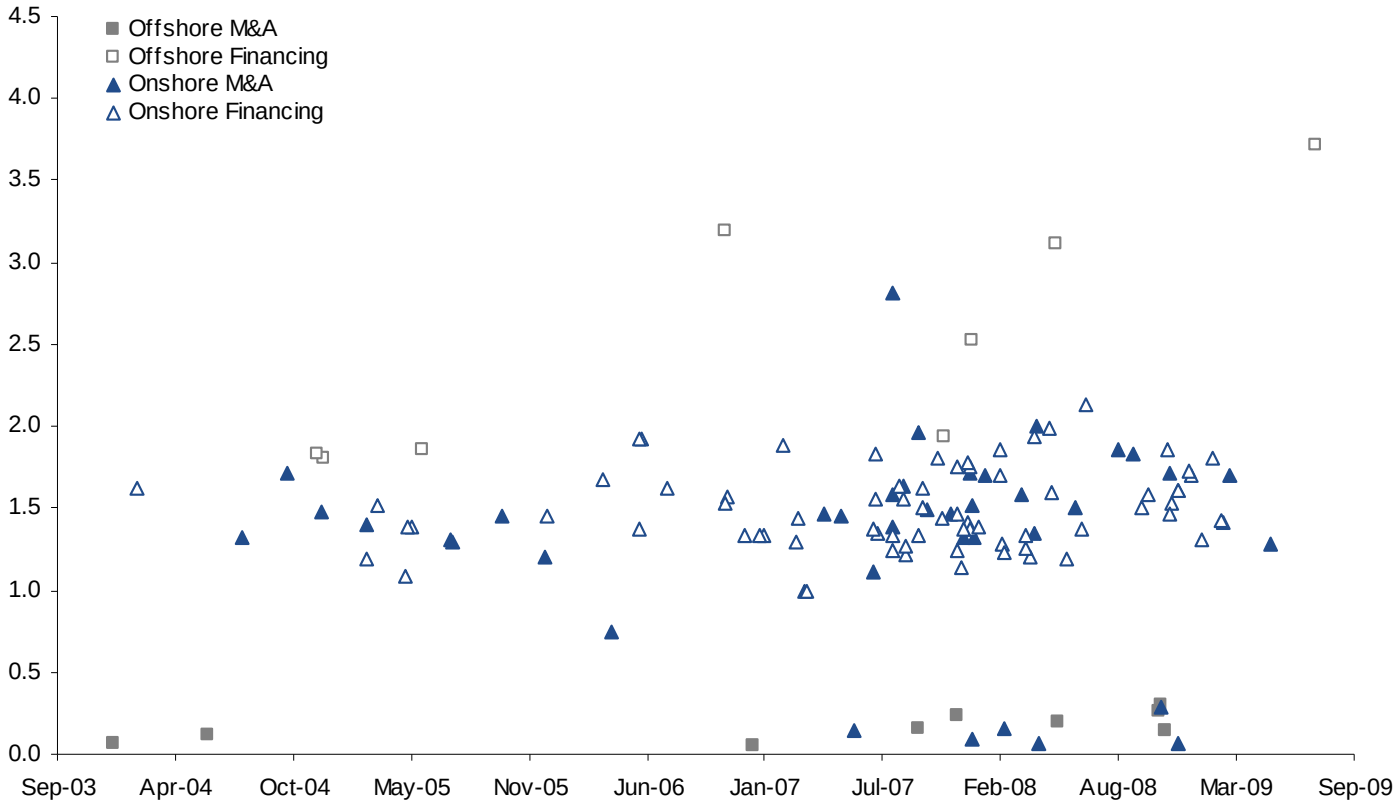
Since 2003 a defined price for wind assets has emerged

Windfarm transactions



Source: Augusta research, NEF, MergerMarket, Windpower Monthly

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IRRs still significantly higher than in '07

	Onshore	Offshore
EPC Cost € '000/MW	~ 1,400	~ 3,000 *
Capacity Utilization	20 - 35%	30 - 45%
Investment Costs €/kWh [1)]	~ 80 - 46 €c	~ 114 - 76 €c
Operating Cost	1.5 - 1.8 €c/kWh	~ 2.2 - 2.8 €c/kWh
Debt Service Cover Ratio @ P90	1.25	1.3 - 1.5
Proj. Fin. Leverage	70 - 75%	55 - 65%
Equity IRR @ P50	9 - 12 %	14 - 18%

* Site dependent
[1] kWh per annum (Cap. Util. * 8,760 * 1000) / EPC Cost (EPC Cost * 1,000)

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Public equity now looks a little cheaper than private equity

Company	Country	Market Cap. (€m)	EV (€m)	EV / Revenues 2009F	EV / EBITDA 2009F	EV / EBIT 2009F	P/E Ratio[1] 2009F	Cost of Equity[2] in %
Developers								
Renewable Energy Generation	UK	46.2	57.9	4.6 x	25.7 x	n.m.	n.m.	7.2%
PNE Wind	Germany	94.1	130.7	1.2 x	19.9 x	33.4 x	85.3 x	8.1%
Energiekontor	Germany	54.5	161.1	2.9 x	9.7 x	14.9 x	14.2 x	7.8%
Novera Energy	UK	68.2	207.3	3.0 x	10.4 x	n.m.	n.m.	7.0%
ERG Renew	Italy	112.8	356.8	5.8 x	14.3 x	n.m.	n.m.	7.9%
Greentech Energy Systems	Denmark	173.4	305.8	30.3 x	n.m.	n.m.	n.m.	8.3%
Fersa Energias Renovables	Spain	343.0	469.4	18.8 x	27.6 x	52.2 x	245.0 x	8.5%
Theolia	France	184.2	671.9	4.1 x	21.7 x	112.0 x	n.m.	10.3%
Infigen Energy	Australia	693.6	908.5	7.6 x	12.1 x	58.7 x	n.m.	9.8%
EdF Energies Nouvelles	France	2,863.1	4,242.4	4.9 x	16.4 x	25.8 x	40.6 x	8.4%
EDP Renovaveis	Portugal	6,359.1	6,872.1	9.3 x	14.4 x	28.8 x	48.6 x	7.3%
Iberdrola Renovables	Spain	14,235.1	15,160.2	7.3 x	11.3 x	20.4 x	37.4 x	8.5%
Mean				**8.3 x**	**16.7 x**	**43.3 x**	**78.5 x**	**8.3%**
Median				**5.3 x**	**14.4 x**	**31.1 x**	**44.6 x**	**8.2%**
Turbine Manufacturers								
Clipper Windpower	UK	211.5	70.6	n.m.	n.m.	n.m.	n.m.	7.7%
Nordex	Germany	872.3	784.1	0.6 x	8.9 x	n.m.	n.m.	10.6%
Repower	Germany	1,036.9	1,019.6	0.7 x	11.8 x	18.5 x	23.8 x	9.2%
Suzlon	India	2,069.9	2,489.7	0.7 x	8.7 x	12.1 x	10.1 x	11.1%
Gamesa	Spain	3,999.8	3,978.8	1.3 x	14.7 x	20.6 x	28.8 x	10.2%
Vestas	Denmark	9,420.4	9,450.4	1.3 x	9.7 x	11.8 x	16.6 x	10.2%
Mean				**0.9 x**	**10.8 x**	**15.8 x**	**19.8 x**	**9.8%**
Median				**0.7 x**	**9.7 x**	**15.3 x**	**20.2 x**	**10.2%**

Source: Thomson,Broker, Oanda, Company info, Augusta research (as of 17 September 2009)
Notes: [1]P/E ratio uses EPS estimates from various brokers notes. [2]Cost of Equity = RFR + (β * RP) where RFR is 4.5% and Risk Premium is 4.5%. [3]Estimates incl. Proceeds from the sale of SSP Technology

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Augusta & Co credentials

Augusta has closed approx €4.0bn of placements and advisory mandates since being founded.

Here is a selection of noteworthy deals

2009 PROKON Nord Energiesysteme GmbH AREVA Sale of blade manufacturer PN Rotor GmbH to Areva	2009 PROKON Nord Energiesysteme GmbH Stadtwerke Bochum GmbH Sale of 20MW Multibrid Wind Farm	2009 PNE WIND EnBW Sale of 52MW of windfarms in Germany	2008 ECLIPSE VATTENFALL Financial Advisor on sale of UK plc	2008 PLATINA FINANCE LIMITED POWEO Sale of 36MW of wind farms in France	2008 Greenview Composting Ltd NIBC INFRASTRUCTURE PARTNERS ATB Allied Irish Bank (GB) Debt and equity placement for uk composting company
2007 Plambeck Neue Energien evelop Equity placment in 400 MW offshore windfarm	2007 Multibrid AREVA €150 million Joint venture between Multibrid & AREVA	2007 energyo Financial advisor on debt and equity placement for 600 MW of Polish and Spanish windfarms	2006 ENERTRAG HgCapital Financial advisor on the equity placement of 48 MW windfarms in France	2006 VATTENFALL Strategic advisor on UK offshore renewables strategy	2004 RWE ARCAPITA ENGLEFIELD CAPITAL Financial advisor in acquisition of £400m portfolio of UK wind assets