

Trends for Wind Energy Investments

Private equity trends in the current market

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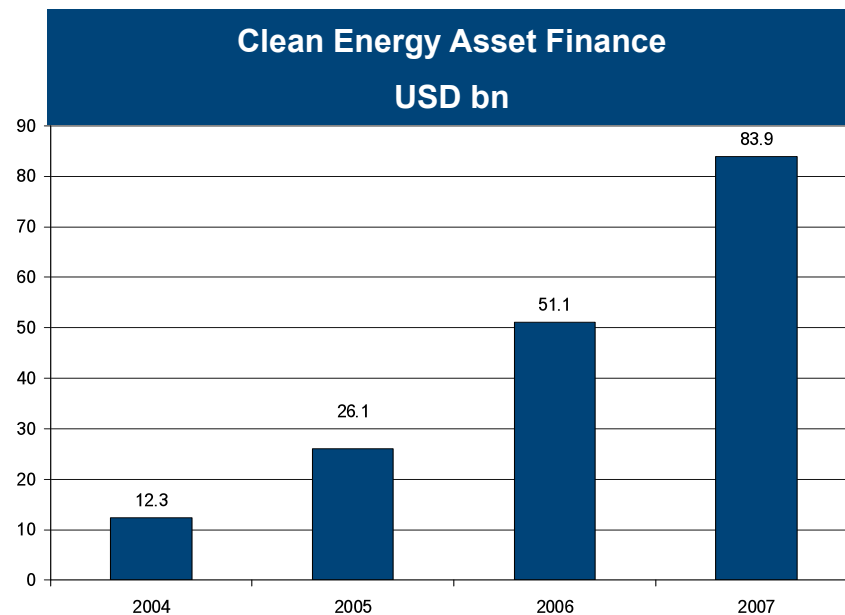
Private Equity and Clean Energy

Private Equity

- **Venture capital**
 - Concept stage companies / new and unproven technology
 - Characterised by high volatility and varying success rates
- **Growth / Expansion capital**
 - Companies with revenue streams in need of capital to expand capacity, enter new markets, etc
 - Development companies with ambition to grow pipeline
- **Buyouts**
 - Large/mostly mature companies with high debt capacity in need of strategic change and restructuring
- **Infrastructure**
 - Invest in generation assets

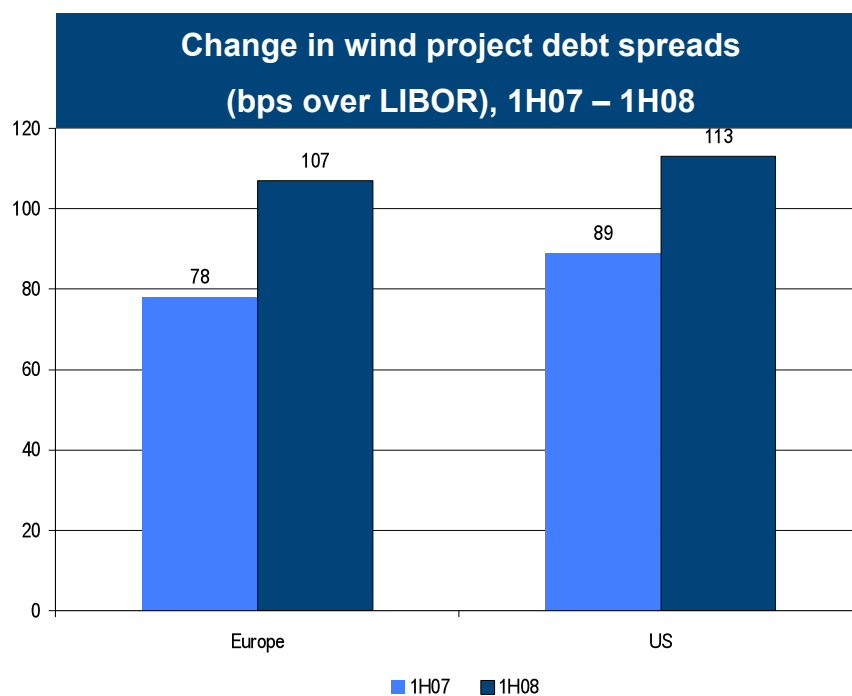


Wind energy growth before the credit crunch



- In 2007, asset finance in clean energy grew 68%.
- Mature technologies – i.e. wind, solar and biofuels – attract the majority of investment
- From all mature technologies, wind was the growing at a faster pace
- In 2007, almost 40% of these investments went to the wind sector

The effect of the Credit crunch



- Debt spreads have increased, on average, by 20-25 basis points compared to 2007.
- Debt finance for large wind portfolio buy-out deals is more difficult to arrange
- Banks prefer club deals instead of mandated lead arrangements
- Debt-to-equity ratios have not changed significantly

Figures above are regional approximations. Conditions vary according to project specifics, such as country and size.

Source: Fortis Investments Clean Energy Fund

Listed Clean Energy Stock – the effect on valuations

Firm	Multiple Compression				Multiple Compression
	4Q07		3Q08		
	Price	09 P/E	Price	09e P/E	
Clipper	673	26.1	252.5	23.2	-11.11%
Gamesa	30.79	30.1	19.5	12.4	-58.80%
Suzlon	1958.65	28.4	113.65	11.4	-59.86%
Terna	7.7	52	3.52	19.8	-61.92%
Vestas	495.5	20.8	371.5	12.2	-41.35%
Nordex	37.32	20.6	13.96	13.2	-35.92%

Average P/E Compression:

-44.83%

Table with valuations

- Wind stocks have declined substantially YTD.
- Part of the decline is related to uncertainty and the meltdown in the broader market.
- The multiple compression has not been uniform: Clipper multiples have compressed only 11.11%, while Terna's are almost 62% down.
- However, it is difficult to say if the credit crisis has been priced in, as there may be further downside if the issues persist.

Short and medium term

Wind outlook in Europe

- In the short and medium term, credit constraints will affect the wind industry in several ways:
 - Reliance on project financing is exposed to rising credit costs and reduced availability.
 - This is decreasing the medium-term visibility on demand for turbine manufacturers.
 - Anecdotal evidence indicates that small developers are the most affected group as a result of credit conditions.
 - Rising costs of debt, and more sophistication among investors are lowering returns on projects



Long term

Wind outlook in Europe

- In the long term, credit ceases to be a concern, but other worries remain
 - None of the drivers behind the wind story - energy security, environmental targets, investment requirements, etc - have notably changed due to recent market events.
 - In the long term, the supply of turbines until 2012E will be among the main constraints.
 - Carbon pricing and potentially expensive energy commodities will be key in ensuring that wind power is economic in its own right.
 - There are risks post 2012E, as the industry is immature and fragmented.



Private Equity Trends

Private Equity Infrastructure

- Maturity of the sector, increased knowledge among investors and market concerns have lead to:
 - Greater geographic focus than in previous Funds, with teams ‘on the ground’ demonstrating knowledge and experience local to investments
 - Greater sector-specific focus – for example, fewer blends of VC and BO
 - Clear focus on risk strategy – development, construction or operation
 - Specific focus on sector eg. Renewable Energy, Clean Tech, Timber or Carbon

The Future

Renewable Energy Investment

- The effect of the credit crunch, the development of sector-specific Private Equity and the ongoing positive outlook for renewables leads to:
 - Lower valuation expectations
 - Earlier availability of investment in projects
 - Deeper involvement in the development process by investors
 - The development of Strategic Partnerships between investors and developers



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