INTERIM REPORT 2018

FOR THE 6 MONTHS ENDED 30 JUNE 2018

Stock Code: RUR

HIGHLIGHTS

Rurelec PLC ("Rurelec" or "the Company") (AIM: RUR), the owner, operator and developer of power generation capacity internationally, today announces its unaudited interim results for the six months ended 30 June 2018.

FINANCIAL HIGHLIGHTS:

- Post tax profit / (loss) £1.1 million profit (2017: £1.9 million loss)
- Profit / (loss) per share 0.20 pence profit (2017: 0.35 pence loss)
- Net asset value per share 4.7 pence (2017: 5.1 pence)

OPERATIONAL AND POST HALF-YEAR HIGHLIGHTS:

- The main drivers for the major profit improvement have been the combined effect of a £1.3 million gain on the Peruvian disposal (previously announced in 2017's accounts but completed in the first half of 2018) along with favourable exchange rate gains of £0.7 million associated with loans to Argentine operations (2017: losses £1.0 million).
- A factor that has negatively impacted on these results has been the fall in finance income to £ nil (2017: £0.4 million), due to a cessation of accruing interest on certain loans where that interest is unlikely to be recovered.
- Significant reduction in administrative expenses from £1.1 million to £0.7 million.
- A significant reduction in cash outflow from the business – cash outflows on expenses, payment of deferred consideration and payment of creditor arrears fell to £1.1 million (2017: £2.3 million).
- Significant reduction in current liabilities from £7.0 million to £2.4 million due to a £2.8 million reduction in borrowings, a £0.3 million reduction in trade payables (including deferred consideration) and a £1.5 million fall in liabilities held for resale.
- The fall in borrowings from £4.3 million to £1.5 million was driven by a £2.5 million reduction in sums payable in connection with the Peruvian Operations (disposed of in January 2018) and a £0.3 million repayment in the second half of 2017 of secured debt principal owed to Bridge Properties (Arena Central) Ltd ("BPAC").
- Commensurate with the fall in indebtedness, the interest costs of the Group fell to £75k (2017: £214k) as the Board prioritised the repayment of the highest interest-bearing debt.
- A reduction in cash outflows and operating expenses of the business has been necessary in response to a significant drop in receipts as the Energia del Sur S.A. ("EdS") plant in Argentina suffered the effects of running at reduced power output from September 2017 to the present date, and consequently was unable to make debt repayments to the Group at the rate it had planned.
- Chile –The Rurelec Board continues to explore options for the Chilean operations and the Group's two 128 MW Turbines.

Commenting on the results, Simon Morris, Rurelec's Executive Director, said:

"The Company continues to pursue measures to restore value to the Company and its shareholders through developments in Argentina and Chile, whilst pursuing cost savings at the head office in London and the sale of the Peruvian assets."

EXECUTIVE DIRECTOR'S STATEMENT

Review of Operations

In Argentina our 50% owned operating entity, EdS, and its parent company, Patagonia Energy Limited, have outstanding borrowings and interest before impairments of £37.4 million (2017: £37.9 million) due to the Group. EdS has been subject to two significant operational outages (as previously reported). The second outage occurring in September 2017 involved a shutdown of the plant following problems identified in the steam turbine. A temporary engineering modification was implemented. The plant resumed generation of electricity from one of its two gas turbines on 24 September 2017 and from the steam turbine on 17 October 2017, albeit at a reduced output of approximately 20 MW rather than its normal contracted 43.7 MW. This latter outage severely impacted on the operating entity to remit loan repayments such that just £1.1 million (2017: £2.0 million) was remitted to the UK during the period.

In Chile, the necessary environmental consents and land leases were renewed to extend the project and the Board continues to review options in the light of the risks versus rewards of undertaking this project.

A very tight rein continues to be maintained on overheads in the UK.

As previously announced, in the first half of 2018 the Group was able to extend, to 30 June 2019, its facilities from BPAC, the principal totalling £1.2 million. Rurelec received sufficient debt repayments from Argentina to enable it to repay £320k of the highest yielding portion of BPAC debt during the second half of 2017. These repayments were subsequently suspended as a result of the fall-off in receipts from Argentina. On resumption of regular debt repayments from Argentina, the Board will resume the repayment of the secured BPAC facilities.

Cash flow remains a concern but the reduction in cash outflow from the Group achieved through cost cutting and disposal of some loss-making entities has enabled the Group to endure a period of cash shortage. This position is expected to recover as and when the Argentinian operation recommences regular debt repayments to the UK and/or further asset sales are achieved by the Group.

Given the progress on the sale of the Group's assets and the expected cash remittances from our Argentine operation, the directors continue to adopt the going concern basis of accounting.

Events after the period under review

As announced on 24 September 2018, the directors have been informed that the management of Eds, which owns and operates the 136 MW Southern Patagonian CCGT power plant in Argentina, are expecting to commence a major maintenance shutdown of its steam turbine in mid-October 2018. Whilst the turbine is shut down it is anticipated that there will be reduced cash payments from Eds to the Group. Accordingly, until EdS resumes full output or Rurelec sources alternative funds, or generates funds from asset sales, Rurelec's working capital position will remain severely constrained. Assuming the major maintenance results in a return to full power output in late December 2018, this should improve the cashflow of EdS from approximately February 2019 and therefore enhance EdS's ability to recommence regular repayments of debt to Rurelec Project Finance Limited. However, there is no guarantee that EdS will be able to recommence debt repayments in that timeframe. Rurelec continues to explore other funding options and will provide further updates in due course.

Review of future strategy

The strategy of the Group continues to be focussed on stabilising the financial position, keeping costs under tight control, whilst certain assets are sold. The underlying strategy is to preserve the value of the Group assets, which will in turn enable all creditors Rurelec to be repaid and maximise returns to shareholders.

Simon Morris
Executive Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

for the half year ended 30 June 2018

(expressed in thousands of pounds)

	Notes	6 months to 30/06/18 £'000	6 months to 30/06/17 £'000	Audited 12 months to 31/12/17 £'000
Administrative expenses		(731)	(1,134)	(2,070)
Other income		1,250	-	-
Other expense		-	-	(1,651)
Operating profit / (loss)		**519**	**(1,134)**	**(3,721)**
Foreign exchange gains / (losses)		661	(963)	(2,547)
Finance income		-	364	862
Finance expense		(75)	(214)	(419)
Profit / (Loss) before tax		**1,105**	**(1,947)**	**(5,825)**
Tax expense		-	-	-
Profit / (Loss) for the period		**1,105**	**(1,947)**	**(5,825)**
Profit / (Loss) per share	3	0.20p	(0.35p)	(1.04)
Other comprehensive income				
Items that will be subsequently reclassified to Profit & Loss				
Exchange differences on translation of foreign operations		80	(1,025)	(386)
Total other comprehensive income / (loss)		80	(1,025)	(386)
Total comprehensive profit / (loss) for the period		**1,185**	**(2,972)**	**(6,211)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)

for the half year ended 30 June 2018

(expressed in thousands of pounds)

	Notes	30/6/18 £'000	30/6/17 £'000	Audited 31/12/17 £'000
Assets				
Non-current assets				
Property, plant and equipment		9,922	11,153	9,699
Intangible assets		-	30	-
		9,922	**11,183**	**9,699**
Current assets				
Trade and other receivables		18,485	21,818	18,951
Cash and cash equivalents		398	636	163
Assets Classified as held for sale	4	-	1,819	2,265
		18,883	**24,273**	**21,379**
Total assets		**28,805**	**35,456**	**31,078**
Equity and liabilities				
Shareholders' equity				
Share capital		11,228	11,228	11,228
Share premium account		22,754	22,754	22,754
Foreign currency reserve		652	(67)	572
Other reserve	5	45,000	45,000	45,000
Profit and loss reserve		(53,240)	(50,467)	(54,345)
Total equity attributable to shareholders of Rurelec PLC		**26,394**	**28,448**	**25,209**
Non–controlling interest		**-**	**-**	**-**
Total equity		**26,394**	**28,448**	**25,209**
Current liabilities				
Trade and other payables		879	1,192	899
Current tax liabilities		8	13	7
Borrowings		1,524	4,345	1,448
Liabilities Classified as held for sale		-	1,458	3,515
		2,411	**7,008**	**5,869**
Total liabilities		**2,411**	**7,008**	**5,869**
Total equity and liabilities		**28,805**	**35,456**	**31,078**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

for the half year ended 30 June 2018

(expressed in thousands of pounds)

	Share capital £'000	Share premium £'000	Foreign currency reserve £'000	Retained earnings £'000	Other reserve £'000	Total equity £'000
Balance at 01.01.17	**11,228**	**22,754**	**958**	**(48,520)**	**45,000**	**31,420**
Loss for the first 6 months	-	-	-	(1,947)	-	(1,947)
Exchange differences	-	-	(1,025)	-	-	(1,025)
Total comprehensive Loss	-	-	(1,025)	(1,947)	-	(2,972)
Balance at 30.06.17	**11,228**	**22,754**	**(67)**	**(50,467)**	**45,000**	**28,448**
Loss for the Period	-	-	-	(3,878)	-	(3,878)
Exchange differences	-	-	639	-	-	639
Total comprehensive Loss	-	-	639	(3,878)	-	(3,239)
Balance at 31.12.17	**11,228**	**22,754**	**572**	**(54,345)**	**45,000**	**25,209**
Gain for the first 6 months	-	-	-	1,105	-	1,105
Exchange differences	-	-	80	-	-	80
Total comprehensive Profit	-	-	80	1,105	-	1,185
Balance at 30.06.18	**11,228**	**22,754**	**652**	**(53,240)**	**45,000**	**26,394**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

for the half year ended 30 June 2018

(expressed in thousands of pounds)

			Audited
	6 months to 30/06/18	6 months to 30/06/17	12 months to 31/12/17
Result for the period before tax from operations	1,105	(1,947)	(5,825)
Net finance income	(75)	(150)	(1,096)
Adjustments for:			
Unrealised exchange (gains) / losses	(661)	963	2,570
Impairment of Goodwill	-	-	29
Gain on disposal	(1,250)	-	-
Impairment of Assets	-	-	1,625
Change in trade and other receivables	158	32	103
Change in trade and other payables	(57)	(252)	123
Cash used in operating activities	**(780)**	**(1,354)**	**(2,471)**
Taxation paid	-	-	-
Interest paid	-	-	-
Net cash used in operating activities	**(780)**	**(1,354)**	**(2,471)**
Cash flows from investing activities			
Repayments from joint venture company	1,082	2,022	3,331
Settlement of Deferred Consideration	(67)	(992)	(1,257)
Net cash generated from investing activities	**1,015**	**1,030**	**2,074**
Net cash inflow / (outflow) before financing activities	**235**	**(324)**	**(397)**
Cash flows from financing activities			
Loan Principal Repayments	-	-	(320)
Loan Interest Repayments	-	-	(80)
Net cash (used in) / generated from financing activities	**-**	**-**	**(400)**
Increase / (decrease) in cash and cash equivalents	**235**	**(324)**	**(797)**
Cash and cash equivalents at start of period	**163**	**960**	**960**
Cash and cash equivalents at end of period	**398**	**636**	**163**

NOTES TO THE INTERIM STATEMENTS

for the six months ended 30 June 2018

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 December 2017 were derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The financial information contained in this interim statement has been prepared in accordance with all relevant International Reporting Standards as adopted by the European Union and expected to apply to the Group's results for the year ending 31 December 2018 and on interpretations of those Standards released to date.

2. ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies set out in the Group's financial statements for the year ended 31 December 2017.

3. EARNINGS PER SHARE

	6 months to 30/6/18	6 months to 30/6/17	12 months to 31/12/17
Basic and diluted			
Average number of shares in issue during the period	561m	561m	561m
Profit / (loss) attributable to equity holders of the parent from continuing operations	£1.1m	£(1.9m)	£(5.8m)
Basic and diluted profit / (loss) per share on continuing operations	0.20p	(0.35p)	(1.04p)

4. ASSETS HELD FOR SALE

As reported in the December 2017 financial statements, the assets held for sale relate to entities within Peru, which have been held for sale following the commitment of the Group to restructure the business. Since the year end this sale has been completed, these interims reflect the disposal.

5. OTHER RESERVE

The Capital Reduction that took place during December 2014 resulted in the creation of a non-distributable reserve. The condition for this reserve to become distributable is for the outstanding creditors in December 2014 to be settled. At the date of approval of these accounts there are some £0.2 million of these creditors outstanding. The Board of Directors consider that these amounts will be settled in the short term and therefore the £45 million remains within the Other Reserve, which is non-distributable until these settlements have occurred.

NOTES TO THE INTERIM STATEMENT

for the half year ended 30 June 2018

6. The Board of Directors approved this interim statement on 25 September 2018. This interim `statement has not been audited.

7. Copies of this statement are available at the Company's website www.rurelec.com

RURELEC PLC

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