Presentation
to
Rurelec PLC's Shareholders
at
Annual General Meeting

27 June 2019

RURELEC

Disclaimer

RESTRICTIONS ON USE

This presentation is not an advertisement or a prospectus and is not intended for public use or distribution. It has been prepared for information purposes only for the shareholders of Rurelec PLC ("Rurelec" or the "Company") and it was presented at the Company's annual general meeting on 27 June 2019.

This presentation may not be copied, circulated or published, in whole or in part, without the prior written consent of Rurelec. This document shall not be deemed to constitute investment, tax or legal advice and should not be relied upon as the basis for a decision to enter into a transaction or as the basis for an investment decision. Prospective investors are encouraged to consult their legal, financial and/or tax advisors in all matters. Interests in Rurelec have not and will not be registered for sale, and there will be no public offering of interests in any jurisdiction.

This presentation does not constitute or form part of any offer for sale or subscription or any solicitation for any offer to buy or subscribe for any securities nor shall it or any part of it form the basis of or be relied upon in connection with any contract or commitment whatsoever. No responsibility or liability whatsoever is accepted by any person for any loss howsoever arising from any use of, or in connection with, this presentation or its contents or otherwise arising in connection therewith.

This presentation may contain forward-looking statements relating to the future prospects, developments and strategies of the Company, which are based on directors' current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Each forward-looking statement speaks only as of the date of the particular statement and, except as required by law or regulations to which the Company is subject, the Company disclaims any obligation to update any such forward-looking statement to reflect future events or developments.

Introduction

What follows is a short presentation, covering what has been going on over the last 4 years of Rurelec PLC, your company.

This presentation will not be analysing the 2018 Annual Report and Accounts, which is already available on the website (https://www.rurelec.com/investors/reporting-and-presentations).

Instead, we will look at some of the issues that don't necessarily get released through a regulatory announcement ("RNS") or the accounts.

This is what we are going to run through.

Rurelec PLC - What has been going on?

First, we will set the scene in July 2015. This is when Simon Morris joined the Board of Rurelec PLC ("Rurelec"). Brian Rowbotham of course was a director prior to this date, as now, in a non-executive capacity. Andy Coveney joined the Board in December 2016 to give further welcome support.

We will then run through the major issues during the period, of which you will be familiar.

We will then cover what the Board have done to deal with these issues, and what has been achieved.

Back to July 2015.

July 2015

- During late 2014, and into 2015, the then Board were in discussions with an Cayman Islands company, hoping to execute a reverse takeover of Rurelec. Nothing came of this exercise.
- One hydro scheme in Peru, Canchayllo, was sold in early July to Union Group. The proceeds from the sale were used to pay off certain creditors, and director loans to the company.
- Through shareholder action, the whole of the executive director team was removed from office in June and late July, at the AGM. Simon Morris then joined the Board.
- Independent Power Corporation PLC was sold to Rurelec's ex CEO (Peter Earl) as part of his severance package.
- The group faced massive liquidity problems. At 31 December 2014, trade creditors and borrowings totalled £7.7m. Most of this amount was overdue. The group had little prospect of being able to meet these commitments.
- An Open Offer was put before shareholders in November 2015, but was rejected by the major shareholder, Sterling Trust Limited, which at that time had entered Administration itself.
- A short-term loan was organised from Radix UK Limited ("Radix") for £600k to keep the Group alive whilst other options were explored.
- In summary, the Group had on-going projects, which had been financed with wholly inappropriate lending, faced increasing debts due to the further financing needs of the projects, was totally illiquid, and had virtually no prospect of being able to resolve the financing needs of the Group.
- What the new Board set about to achieve was to bring some financial stability to the Group, to enable the assets to be realised in an orderly fashion. The alternative was insolvency, which almost undoubtedly would have resulted in nil returns to Rurelec shareholders. That is what shareholders faced in late 2015.

Let's now look at the major issues that the Group has faced since late 2015.

Major Issues faced by the Group since late 2015

- The main issue has of course been liquidity. As we have already seen, the Group was effectively insolvent by the end of 2015. It had been propped up by a short-term loan from Radix. At one point in early 2016, Rurelec had just £120 in its bank account, and faced over £7m of overdue debts.
- In January 2016, the Board received an offer for our 50% shareholding in Patagonia Energy Limited ("PEL"), the holding company of the Argentinian subsidiary, Energia del Sur, S.A. ("EdS"). This led to EdS cutting off all cash repayments to Rurelec for 9 months. As a result, the Board organised the loan from Bridge Properties (Arena Central) Limited ("BPAC"), which in part was used to settle the Radix loan. The loan from BPAC enabled Rurelec to survive.
- During the period Rurelec received 4 statutory demands for the non-payment of debts from three separate companies. These were all dealt with, avoiding the triggering of a default situation.
- The cash flows from EdS during the rest of the period under review were unstable. The repayments from Argentina are the principal cash generator for Rurelec. Cash management was paramount at all times.
- The state of the Argentinian economy has been widely covered in the UK Press. When times were getting tough, the Argentinian Government either put a stop on payments to energy suppliers altogether, or severely rationed the money going back to suppliers. There was nothing that the local management team, yet alone the Board in London, could do about this.
- Another contributing factor to this unstability was the outages suffered by the plant. In 2017, the plant suffered both flood damage which affected the whole plant, and later in the year damage to the steam turbine blades. 79 days of output were lost. And when production resumed, the plant was operating at less than half normal output due to the turbine blade issue. In 2018, over 70 days of output were lost due to the delayed major overhaul of the steam turbine. That delay had been caused by the lack of funding available from the Argentinian Government, as noted above.
- During these outages, the output from the plant was severely restricted, which in turn led to a material shortfall in cash remittances back to Rurelec.
- The damage to the steam turbine blades gave rise to an insurance claim, the proceeds of which were at the time desperately needed. The Board had a major hand in bringing the negotiations with the underwriters to a satisfactory conclusion.

Given all of the above, where we started from, and what we have had to face, what has the board achieved during this period?

What has been achieved

- All of the major issues have been dealt with. Not one of them has been allowed to bring the Group down.
- During the period the Board has entered into negotiations with over 30 different parties for the sale of parts of the Group. All of these negotiations were subject to Non-Disclosure Agreements.
- The sale of the Peruvian projects, which were never properly financed since their inception, stopped a massive cash drain for the Group. In addition, a net £2.3m of debt was removed from the balance sheet as part of this deal.
- The on-going cost base of the Company has been massively reduced. Administration costs have more than halved between 2014 and 2018, down by over 60%.
- And the Company had to absorb the severance payments of the previous Board, who were all on one-year notice periods, totalling over £600k.
- Staff reductions have also been achieved, and consultant contracts renegotiated.
- Over £800k in rent/accommodation costs has been saved in the period compared to the pre 2015 period.
- In addition, very significant savings have been achieved in third party debts through the Board renegotiating terms. Over a £1m has been saved for shareholders through these negotiations.
- The Board also had a major input into the negotiations with the Lloyds underwriters on the EdS plant claim. Underwriters took an extremely aggressive stance at the outset, trying to avoid paying out anything under the policy, which was totally unacceptable. After the Board's direct intervention, and bringing in industry experts, the eventual settlement was US $2.5m. At least a US $1m of this increase can be directly attributed to the Rurelec Board's efforts.
- The financial position of the Group is now considerably stronger than in December 2014. Net creditors, and borrowings in December 2018 totalled £2m, compared to £7.7m in 2014. The Board expect that this position will have improved further by the end of June this month, with overall debts forecast to be less than £1m.
- All values of the assets in the Group have been realistically reappraised during the period. This has given rise to significant provisioning, totalling £28m in the period. This includes the carrying value of the Group's 50% shareholding in PEL, the value of the two 701 turbines stored in Italy, and the smaller turbine which was originally bought for the Arica project in Chile.
- The Board consider that these values represent a far more realistic picture of the assets current worth. However, the relevant markets in which the Group are operating remain very sluggish.

Rurelec PLC – Summary

- The Group is now far more financially stable than at any time since 2015.
- On-going costs are under control.
- The cash remittances from Argentina are now more regular.
- Third party debt is under control. The BPAC loan should be fully repaid before December 2019.
- Most importantly, the Group survived.
- Preserving value for all shareholders.

Rurelec PLC

18 Soho Square

London W1D 3QL

England

United Kingdom

Telephone: +44 (0)20 7025 8028

www.rurelec.com