RURELEC

Rurelec PLC
Interim Results
for the 6 months ended 30 June 2009

CHAIRMAN'S STATEMENT

I am pleased to report the results of Rurelec PLC ("Rurelec" or the "Company") for the half year to 30 June, 2009. Although the loss for the period reported is disappointing, since the end of June there have been a number of encouraging factors for the company and others which are planned. These are described in some detail below.

Rurelec recorded a loss after tax for the period of £3.4 million (2008: £0.84 million profit) on revenues of £18.5 million (2008: £11.95 million). Operating loss for the period was £0.7 million compared to an operating profit of £1.3 million for the same period in 2008. The principal reasons for the deterioration in operating margins are the increase in gas costs in Bolivia and the delay in bringing the combined cycle expansion project into commercial operations in Argentina. The increased interest expense and the foreign exchange losses, both of which are largely attributable to the now unwound acquisition of the balance of shares in Argentina were offset by a gain on its sale. Revenue has increased by 50%, but when compared with the previous year on a like-for-like accounting basis, i.e., recognising only 50 per cent. of revenues from Energia del Sur S.A. ("EdS"), the year on year increase falls to 36 per cent.

Such a dismal opening to the year does not reflect the strength of the power generation business of Rurelec power plants in Argentina and Bolivia. The underlying business of producing electricity in Latin America is at an all time high and the outlook for the future is stronger still. Empresa Guaracachi S.A. ("Guaracachi"), our Bolivian subsidiary has beaten previous half-year generation records. The Board of Rurelec therefore regards the current set of results as a watershed as the world banking crisis begins to abate and focus returns to the performance of primary industries in the real world.

The factors that contributed to the first half loss are now largely reversed: Bolivian operations have seen an increase in the capacity price from April this year; the plant in Argentina achieved commercial operations in May and the disposal of the 50 per cent. interest in EdS has removed the interest cost associated with its acquisition.

The share issues in April and June allowed us to move towards resolving the funding challenges the Company faced, like many others, in the latter part of 2008 and in early 2009 as the global economy battled the credit crisis. The funds were used to provide a portion of the funds required to refinance the plant in Argentina, funds that would normally be obtainable from the banking system. As indicated in the

documentation sent to shareholders, this did not complete the funding programme.

While Rurelec experienced funding problems for its 60 MW of additional combined cycle capacity in Argentina, its 96 MW combined cycle expansion project in Bolivia was successfully financed from project loans and bond issues placed exclusively with local and regional banks and bondholders. In the last week Guaracachi has announced that it has closed out the last of its bond placings at US $24 million instead of the US $20.2 million previously announced. Guaracachi has been able to successfully tap funding sources based on its position as Bolivia's largest and most reliable power company.

Rurelec now intends to adopt the same regional funding strategy in Argentina which it has successfully pursued in Bolivia. EdS is currently working on its first ever debt rating for an Argentine peso based bond issue to be placed in Buenos Aires with Argentine pension funds. This landmark step is expected to set a benchmark for the full refinancing of EdS based on a commercially operating plant benefitting from enhanced operating margins and Certified Emission Reductions ("CER") revenues, the latter being generated during the last quarter. From 2010 onwards, when the new Guaracachi Combined Cycle Gas Turbine ("CCGT") plant comes fully on line, Rurelec power plants will be producing nearly half a million CERs a year.

Today, Rurelec has controlling stakes in 590 MW of nominal generation capacity with net ownership of 298 MW. Capacity increases recently announced in San Matias and the combined cycle development in Santa Cruz will increase capacity by a further 101 MW (nominal), and 51 MW (net).

As we release the first half's figures, there are two important developments taking place in Bolivia to which shareholders' attention should be drawn.

The first is the expansion announced in the last few days whereby Guaracachi will install its first isolated generation capacity in San Matias, working at the request of the Government of Bolivia and as the partner of the Government. Guaracachi has been authorized to take administrative control of the San Matias electricity distribution network and to expand power supplies both to the surrounding region in Bolivia and to the immediate border area in Brazil.

An initial project to add 1.4 MW new capacity in San Matias announced on 24 August was formally inaugurated on 3rd September. A further addition of a second Deutz gas engine as well as new 60 Hz generation capacity based in Bolivia but serving Brazil has also been agreed an announced. This will increase the overall project to around 5 MW and will be a flagship example of a new public-private partnership with the Government of Bolivia. It will also be Guaracachi's first export of electricity to a neighbouring country.

The second development is the planned change-over to a new way of working with the Government of Bolivia. Rurelec is in discussions that could lead to a new form of public- private partnership being established with the Government of Bolivia on a national basis for which the San Matias project is a working study. Guaracachi is currently at the limit permitted by Bolivian law for control of generation capacity on the grid and yet Rurelec is the only power company operating in Bolivia which has consistently added to generation capacity each year and which has a proven and respected power development team in situ. Our shareholders will receive further information regarding these possible developments as it becomes available.

Having survived a torrid first half which will inevitably still be evident in the full year results, I am looking forward to and improved second half performance from the underlying businesses. I expect to be in a position to make an announcement regarding dividends in the coming months.

Jimmy West
Chairman
8 September 2009

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the half year ended 30 June 2009

	Notes	6 months to 30.6.09 £'000	6 months to 30.6.08 £'000	12 months to 31.12.08 £'000
Revenue		18,476	11,950	29,133
Cost of sales		(16,672)	(9,156)	(24,719)
Gross profit		**1,804**	**2,794**	**4,414**
Administrative expenses		(2,506)	(1,501)	(3,174)
(Loss)/profit from operations		**(702)**	**1,293**	**1,240**
Foreign exchange losses		(2,674)	(183)	(1,390)
Finance income		40	41	203
Finance expense		(2,163)	(676)	(3,283)
Other income	3	2,361	1,279	-
(Loss)/profit before tax		**(3,138)**	**1,754**	**(3,230)**
Tax expense		(236)	(910)	(923)
(Loss)/profit after tax		**(3,374)**	**844**	**(4,153)**
Attributable to:				
Equity interests		(3,105)	108	(4,157)
Minority interests		(269)	736	4
		(3,374)	**844**	**(4,153)**
Basic and diluted (loss)/earnings per share	4	(2.99p)	0.15p	(5.23p)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the half year ended 30 June 2009

	6 months to 30.6.09 £'000	6 months to 30.6.08 £'000	12 months to 31.12.08 £'000
(Loss)/profit after tax attributable to equity interests for the period	**(3,105)**	**108**	**(4,157)**
Other comprehensive income:			
Revaluation on acquisition	–	2,800	3,150
Exchange differences on translation of foreign operations	(6,745)	37	13,120
Total other comprehensive income	**(6,745)**	**2,837**	**16,270**
Total comprehensive income for the Period attributable to equity interests	**(9,850)**	**2,945**	**12,113**

CONSOLIDATED BALANCE SHEET (UNAUDITED)

at 30 June 2009

	30.6.09 £'000	30.6.08 £'000	31.12.08 £'000
Assets			
Non-current assets			
Property, plant and equipment	132,735	113,763	168,053
Intangible assets	4,003	8,959	9,335
Trade and other receivables	4,713	12	4,793
Deferred tax assets	1,158	705	1,112
	142,609	**123,439**	**183,293**
Current assets			
Inventories	2,673	3,139	3,817
Trade and other receivables	11,021	8,474	9,939
Current tax assets	2,599	6,549	4,154
Cash and cash equivalents	7,382	7,126	5,031
	23,675	**25,288**	**22,941**
Total assets	**166,284**	**148,727**	**206,234**
Equity and liabilities			
Shareholders' equity			
Share capital	4,108	1,716	1,716
Share premium account	38,182	31,608	31,558
Foreign currency reserve	825	(5,513)	7,570
Other reserves	1,575	2,800	3,150
Profit and loss reserve	6,494	14,434	8,024
Total equity attributable to Shareholders of Rurelec PLC	**51,184**	**45,045**	**52,018**
Minority interests	32,288	27,603	37,116
Total equity	**83,472**	**72,648**	**89,134**
Non-current liabilities			
Trade and other payables	296	225	290
Deferred tax liabilities	2,153	3,379	4,052
Borrowings	49,082	31,469	47,264
	51,531	**35,073**	**51,606**
Current liabilities			
Trade and other payables	18,266	20,038	27,185
Current tax liabilities	1,395	1,887	2,347
Borrowings	11,620	19,081	35,962
	31,281	**41,006**	**65,494**
Total liabilities	**82,812**	**76,079**	**117,100**
Total equity and liabilities	**166,284**	**148,727**	**206,234**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the half year ended 30 June 2009

	Attributable to equity shareholders							
	Share capital £000	Share premium £000	Foreign currency £000	Retained earnings £000	Other reserves £000	Total £000	Minority interest £000	Total equity £000
Balance at 1.1.08	**1,466**	**23,983**	**(5,550)**	**14,326**	**–**	**34,225**	**28,681**	**62,906**
Allotment of shares	250	7,875	–	–	–	8,125	–	8,125
Share issue costs	–	(250)	–	–	–	(250)	–	(250)
Minority dividend	–	–	–	–	–	–	(1,814)	(1,814)
Profit for period	–	–	–	108	–	108	736	844
Exchange differences	–	–	37	–	–	37	–	37
Revaluation on acquisition	–	–	–	–	2,800	2,800	–	2,800
Total recognised income and expense for the period	**–**	**–**	**37**	**108**	**2,800**	**2,945**	**736**	**3,681**
Balance at 30.6.08	**1,716**	**31,608**	**(5,513)**	**14,434**	**2,800**	**45,045**	**27,603**	**72,648**
Share issue costs	–	(50)	–	–	–	(50)	–	(50)
Minority dividend exchange adjustment	–	–	–	–	–	–	(692)	(692)
Equity dividend	–	–	–	(2,145)	–	(2,145)	–	(2,145)
Loss for period	–	–	–	(4,265)	–	(4,265)	(732)	(4,997)
Exchange differences	–	–	13,083	–	350	13,433	10,937	24,370
Total recognised income and expense for the period	**–**	**–**	**13,083**	**(4,265)**	**350**	**9,168**	**10,205**	**19,373**
Balance at 31.12.08	**1,716**	**31,558**	**7,570**	**8,024**	**3,150**	**52,018**	**37,116**	**89,134**
Allotment of shares	2,392	7,178	–	–	–	9,570	–	9,570
Share issue costs	–	(554)	–	–	–	(554)	–	(554)
Loss for period	–	–	–	(3,105)	–	(3,105)	(269)	(3,374)
Transfer on realisation of revaluation	–	–	–	1,575	(1,575)	–	–	-
Exchange differences	–	–	(6,745)	–	–	(6,745)	(4,559)	(11,304)
Total recognised income and expense for the period	**–**	**–**	**(6,745)**	**(1,530)**	**(1,575)**	**(9,850)**	**(4,828)**	**(14,678)**
Balance at 30.6.09	**4,108**	**38,182**	**825**	**6,494**	**1,575**	**51,184**	**32,288**	**83,472**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

for the half year ended 30 June 2009

	6 months to 30.6.09 £'000	6 months to 30.6.08 £'000	12 months to 31.12.08 £'000
Result for the period before tax	**(3,138)**	**1,754**	**(3,230)**
Net finance costs	2,123	635	3,080
Adjustments for:			
Depreciation	2,711	1,717	4,051
Profit on sale of 50% of EdS	(2,361)	–	–
Profit on sale of equipment	–	–	(577)
Profit on sale of land	–	(562)	–
Change in inventories	351	(173)	80
Change in trade and other receivables	(3,321)	(3,053)	(4,209)
Change in trade and other payables	221	3,679	4,283
Cash (used in) generated from operations	**(3,414)**	**3,997**	**3,478**
Taxation paid	(953)	(1,077)	(915)
Interest received	40	41	203
Interest paid	(827)	(726)	(1,418)
Net cash (used in) generated from operations	**(5,154)**	**2,235**	**1,348**
Cash flows from investing activities			
Purchase of plant and equipment	(9,195)	(13,095)	(29,186)
Sale of plant and equipment	–	–	1,250
Sale of land	–	1,500	–
Acquisition (net of cash)	–	(5,893)	(5,989)
Net cash used in investing activities	**(9,195)**	**(17,488)**	**(33,925)**
Net cash outflow before financing activities	**(14,349)**	**(15,253)**	**(32,577)**
Cash flows from financing activities			
Issue of shares (net of costs)	6,770	7,875	7,825
Net increase in loans	9,930	5,719	23,835
Dividend paid to minorities	–	(1,814)	(2,506)
Equity dividend paid	–	–	(2,145)
Net cash generated from financing activities	**16,700**	**11,780**	**27,009**
Increase/(decrease) in cash and cash equivalents	**2,351**	**(3,473)**	**(5,568)**
Cash at cash equivalents at start of period	5,031	10,599	10,599
Cash and cash equivalents at end of period	**7,382**	**7,126**	**5,031**

NOTES TO THE INTERIM STATEMENT
for the six months ended 30 June 2009

1. BASIS OF PREPARATION

The 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 2008 were derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. Those accounts received an unqualified audit report which did not contain statements under section 237(2) or (3) of the Companies Act 1985. The financial information contained in this interim statement has been prepared in accordance with all relevant International Reporting Standards ("IFRS") in force and expected to apply to the Group's results for the year ending 31 December 2009 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 2008 except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007).

3. OTHER INCOME

Other income in the six months to 30 June 2009 comprises the profit arising on the sale of 50 per cent. of Patagonia Energy Ltd, following which the Group now owns 50 per cent. of EdS, a company incorporated in Argentina.

4. EARNINGS PER SHARE

Basic and diluted

	6 months to 30.6.09	6 months to 30.6.08	12 months to 31.12.08
Average number of shares in issue during the period	104m	80m	74m
Loss (profit) for the period	(£3.1m)	£0.1m	(£4.2m)
Basic and diluted (loss)	(2.99p)	0.15p	(5.23p)

5. The Board of Directors approved this interim statement on 8 September 2009. This interim statement has not been audited.

6. Copies of this statement are being sent to all shareholders. Copies may be obtained from the company's registered office, 5th Floor, Prince Consort House, Albert Embankment, London SE1 7TJ.

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