



**For Immediate Release**

**30<sup>th</sup> September 2008**  
**AIM: RUR**

## **Rurelec PLC**

### **Interim results for the 6 months ended 30th June 2008**

Rurelec PLC (“Rurelec” or “the Company”; AIM: RUR), the electric utility focused on the development of power generation capacity and rural electrification projects in Latin America, announces its unaudited interim results for the six months ended 30 June 2008.

#### **Financial Highlights:**

- Revenues increased by 14% to £11.95m (2007: £10.52m)
- Earnings per share increased by 7% to 0.15p (2007: 0.14p)
- Net Asset value per share increased by 10.5% to 52.5p (2007: 47.5p)
- Profit seasonally weighted to second half of the year when Rurelec’s thermal power plants operate at higher utilisation rates
- Placing in June of 12.5m new ordinary shares at 65p raising £7.88m net of expenses

#### **Operational Highlights:**

- Continued construction of new generation capacity in both Argentina and Bolivia
- Purchase in June 2008 of remaining 50% of Energia del Sur (“EdS”) has significantly enhanced earnings potential since initial acquisition of 50% stake in 2005
- Its Guaracachi subsidiary, Bolivia’s largest power company, closed a series of important financings in relation to its 96 MW combined cycle conversion project
- Considerable progress made in Argentina, where EdS, Rurelec’s now wholly-owned subsidiary, will bring a new 60 MW steam turbine on stream by October 2008
- Future income from carbon credits in Argentina expected to be an important source of future cash flow and profits

Commenting on these results, Peter Earl, Rurelec’s Chief Executive, said:

*“Near term, we will be focusing our regional expansion in Bolivia, whose fledgling markets remain buoyant. Although we are not immune to the impact of the global credit crunch in terms of access to debt financing, Rurelec’s management is resolved to continue to create for shareholders a valuable long term portfolio of infrastructure assets in Latin America.”*

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## Chairman's Statement

I am pleased to report the results of Rurelec PLC for the half year to 30<sup>th</sup> June, 2008. Rurelec recorded a profit after tax for the period of £0.84 million (2007: £0.94m) on revenues of £11.95 million (2007: £10.52m). Operating profit for the period was £1.11 million compared to £1.97 million for the same period in 2007. This decline in operating profit arose due to higher fuel and maintenance costs in Guaracachi.

It should be noted that the first six months of the year traditionally produce lower net income than the second since all of the group's generation capacity is in the southern hemisphere where the rainy season in the Cono Sur always occurs in the opening months. In rainy times hydroelectric plants are dispatched to run in priority over thermal plants such as those owned by Rurelec. This year has seen the return of La Nina weather conditions and there was an abnormally wet opening to the year with appalling flooding in Bolivia. The first half operating figures reflect the lower than normal levels of generation, however, the second half is expected to make up much of the first half generation deficit.

Margins on electricity production in Bolivia were squeezed by a rise in gas prices which has not yet been matched by an equivalent increase in energy prices in the wholesale power market. However this is expected to be offset by an increase in capacity prices by the end of the year, which are due to rise in line with the worldwide increase in the cost of gas turbines since the Bolivian power pricing mechanism is indexed to the Platts Turbine World Blue Book which sets out the list price for new gas turbines. The last eighteen months have seen record increases in turbine prices, and so the Bolivian power capacity formula has to track this independently set benchmark.

The purchase in June 2008 of the remaining 50% of Energia del Sur ("EdS") has resulted in a credit to the Revaluation Reserve of £2.8m in respect of the uplift in the underlying 'fair value' of the 50% of EdS's net assets already owned and reflects the excellent progress made in developing the future earnings potential of EdS since we acquired our initial 50% stake in 2005.

The current year has seen Rurelec delivering capacity expansion for shareholders as the company has continued to construct new generation capacity in both Argentina and Bolivia and has increased its net ownership of power plants in Latin America by buying out the 50 per cent. in EdS in Argentina which it did not already own. By the end of 2008 Rurelec will have controlling stakes in 585 MW of nominal capacity with net ownership of 354 MW. This expansion has been funded partly through debt and partly through a capital increase completed in July.

On 13th June Rurelec announced that it had placed 12.5 million new ordinary shares with institutions at a price of 65 pence per share. The issue was well received with five new institutions, including Invesco, Legal & General and Prudential Assurance added as shareholders. Despite the recent difficult market conditions, which have resulted in the disproportionate deterioration in the share prices of AIM quoted companies, Rurelec's share price has performed better than that of many of its peers.

In contrast to London's capital markets, Bolivia's fledgling markets have been buoyant. Rurelec's Guaracachi subsidiary is an important company in Bolivia where it is the largest power company and the country's largest user of natural gas. As a result, Guaracachi has closed a series of important financings in connection with the funding of its 96 MW combined cycle conversion project. In January Guaracachi placed the first tranche of long term unsecured bonds with Bolivian pension funds. The ten year US \$16 million dollar denominated bonds carried a coupon of 10 per cent. In August Guaracachi completed and

drew down a project loan of US \$20 million on concessionary terms. This loan was funded by Corporacion Andina de Fomento (CAF), the principal Latin American development bank, and KfW, the development agency of the German government. A final US \$24 million tranche of Guaracachi unsecured bonds has been authorized and debt rated by Fitch. Completion of the issue is expected prior to the year end. The 96 MW of new combined cycle capacity in Bolivia is expected to enter commercial operation by October 2009.

Considerable progress has been made in Argentina where the company's now wholly owned subsidiary is currently commissioning its new 60 MW steam turbine and heat recovery steam generators (HRSGs) as it brings online its new combined cycle capacity. Subject to testing, the full capacity is due to be in commercial operation by the end of October 2008 at which point EdS will generate its first CER carbon credits, which were successfully registered at the United Nations earlier in the year. EdS has received offers for its CERs that would secure a revenue stream in excess of US\$3m per annum. It is the intention of Rurelec to contract these CERs for the life of the current Kyoto Protocol, which comes to an end in December 2012, but to remain uncontracted after that period. The EdS registration at the United Nations recognizes 20 years of CER eligibility and hence Rurelec's future income from carbon credits in Argentina is expected to be an important source of future cash flow and profits. In Bolivia, similar progress has been made at Guaracachi where the company expects to have 350,000 tonnes a year of CERs fully registered by the end of 2008. It is Guaracachi's policy to contract only half of its CER capacity.

A final decision on the identity of the buyers for both Eds and Guaracachi CERs will be made in the coming weeks.

At the time of writing, both equity and debt market conditions worldwide continue to be nervous. The good news of Argentina's decision to repay all of its Paris Club debt went largely unnoticed against the bad news of the collapse of investment banking giants such as Lehman Brothers and Merrill Lynch which occurred within days of the former announcement. As a result of the meltdown in global credit markets, the Latin American debt markets remain closed to borrowers such as EdS and Rurelec. This will leave Bolivia as the bright spot in Rurelec's expansion territories. In spite of reports to the contrary, Bolivia is stable and growing at higher rates of economic GDP growth than at any time for a decade. Rurelec was instrumental in introducing Gazprom, Russia's principal gas company, to Bolivia over the last twelve months. In the middle of September, Gazprom signed an agreement with the Government of Bolivia and announced that it is to invest US \$4.5 billion in expanding Bolivian gas production by between 13 million and 26 million cubic meters of gas a day. This increase is sufficient to run between 2,400 MW and 4,800 MW of new gas fired combined cycle power generation capacity. This announcement too went largely unnoticed.

The Board of Rurelec is adamant, that it will maintain its resolve and will keep on expanding Rurelec's portfolio of profitable power plants in order to create for shareholders a long term store of valuable infrastructure assets in Latin America.

Jimmy West  
**Chairman**

**RURELEC PLC**  
**Interim Summarised Financial Statements**

**CONSOLIDATED INCOME STATEMENT (unaudited)**  
**for the half year ended 30 June 2008**

		6 months to 30/6/08 £'000	6 months to 30/6/07 £'000
	Notes		
Revenue		11,950	10,521
Cost of sales		<u>(9,156)</u>	<u>(7,291)</u>
<b>Gross profit</b>		<b>2,794</b>	<b>3,230</b>
Administrative expenses		<u>(1,684)</u>	<u>(1,261)</u>
<b>Operating profit</b>		<b>1,110</b>	<b>1,969</b>
Other income	3	1,279	-
Finance income		41	33
Finance expense		<u>(676)</u>	<u>(443)</u>
<b>Profit before tax</b>		<b>1,754</b>	<b>1,559</b>
Tax expense	4	<u>(910)</u>	<u>(618)</u>
<b>Profit for the period</b>		<b>844</b>	<b>941</b>
Attributable to minority interest		736	843
Attributable to shareholders of Rurelec PLC		108	98
Earnings per share (basic and diluted)	5	0.15p	0.14p
Other financial information:			
Net asset value per share	6	52.5p	47.5p

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME  
AND EXPENSE**  
**(unaudited) for the half year ended 30 June 2008**

Profit for the period attributable to shareholders of Rurelec plc		108	98
Exchange differences on translation of overseas operations		<u>37</u>	<u>(686)</u>
Total recognised income and expense for the period	7	<b><u>145</u></b>	<b><u>(588)</u></b>

## CONSOLIDATED BALANCE SHEET (unaudited)

	Notes	30/6/08 £'000	31/12/07 £'000	30/6/07 £'000
<b>Assets</b>				
Non-current assets				
Property, plant and equipment		113,763	87,235	75,063
Goodwill	8	5,959	-	-
Intangibles		3,000	-	-
Trade and other receivables		12	100	442
Deferred tax assets		705	650	460
		<u>123,439</u>	<u>87,985</u>	<u>75,965</u>
<b>Current assets</b>				
Inventories		3,139	2,562	2,985
Trade and other receivables		8,474	5,150	7,553
Current tax assets		6,549	3,238	895
Cash and cash equivalents		7,126	10,599	5,104
		<u>25,288</u>	<u>21,549</u>	<u>16,537</u>
<b>Total assets</b>		<u>148,727</u>	<u>109,534</u>	<u>92,502</u>
<b>Equity and liabilities</b>				
Equity attributable to shareholders of Rurelec PLC:				
Share capital		1,716	1,466	1,466
Share premium		31,608	23,983	23,983
Translation reserve		(5,513)	(5,550)	(5,634)
Revaluation reserve		2,800	-	-
Retained earnings		14,434	14,326	15,027
	7	<u>45,045</u>	<u>34,225</u>	<u>34,842</u>
Minority interest		27,603	28,681	28,434
<b>Total equity</b>		<u>72,648</u>	<u>62,906</u>	<u>63,276</u>
<b>Non-current liabilities</b>				
Trade and other payables		225	179	246
Deferred tax liabilities		3,379	978	723
Borrowings		31,469	20,479	13,596
		<u>35,073</u>	<u>21,636</u>	<u>14,565</u>
<b>Current liabilities</b>				
Trade and other payables		20,898	15,239	7,299
Current tax liabilities		1,887	1,707	730
Deferred consideration		9,809	-	-
Borrowings	8	8,412	8,046	6,632
		<u>41,006</u>	<u>24,992</u>	<u>14,661</u>
<b>Total liabilities</b>		<u>76,079</u>	<u>46,628</u>	<u>29,226</u>
<b>Total equity and liabilities</b>		<u>148,727</u>	<u>109,534</u>	<u>92,502</u>

**STATEMENT OF CONSOLIDATED CASH FLOWS (unaudited)  
for the half year ended 30 June 2008**

	Notes	6 months to 30/6/08	6 months to 30/6/07
<b>Cash flows from operating activities</b>			
Result for the period before tax		1,754	1,559
Adjustment for depreciation		1,717	1,457
Adjustment for profit on sale of land		(562)	-
Taxation paid		(1,077)	(1,002)
Change in inventories		(173)	88
Change in trade and other receivables		(3,053)	(486)
Change in trade and other payables		3,679	2,999
Net cash generated from operating activities		<u>2,285</u>	<u>4,615</u>
<b>Investing activities</b>			
Additions to plant, property and equipment		(13,095)	(7,105)
Sale of land		1,500	-
Acquisition of 50% of Energia del Sur (net of cash)	8	(5,893)	-
Net cash used in investing activities		<u>(17,488)</u>	<u>(7,105)</u>
Net cash outflow before financing activities		<u>(15,203)</u>	<u>(2,490)</u>
<b>Financing activities</b>			
Net increase in loans		5,719	4,962
Proceeds from share issue	7	7,875	2,780
Dividend paid to equity shareholders		-	(1,613)
Dividend paid to minority shareholders of Empresa Electrica Guaracachi S.A.		(1,814)	(1,714)
Net cash generated from financing activities		<u>11,780</u>	<u>4,415</u>
(Decrease) / increase in cash and cash equivalents during period		(3,423)	1,925
Cash and cash equivalents at beginning of period		<u>10,599</u>	<u>3,179</u>
Cash and cash equivalents at end of period		<u>7,176</u>	<u>5,104</u>

## RURELEC PLC

### Notes to the Interim Statement for the six months ended 30 June 2007

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#### 1. Basis of preparation

This interim statement is unaudited and does not constitute Statutory Accounts within the meaning of Section 240 of the Companies Act 1985. Statutory Accounts for the year ended 31 December 2007 have been filed with the Registrar of Companies. The auditors have made a report on those Statutory Accounts under Section 235 of the Companies Act 1985. The auditors' reports were unqualified and did not contain a statement under Section 237 (2) of the Companies Act 1985. The financial information contained in this interim statement has been prepared in accordance with all International Reporting Standards ('IFRS') in force and expected to apply to the Group's results for the year ending 31 December 2008 and on interpretations of those Standards released to date.

#### 2. Accounting policies

This interim statement has been prepared in accordance with the Group's IFRS accounting policies. These policies were set out in the Group's Financial Statements for the year ended 31 December 2007.

#### 3. Other income

Other income comprises the profit arising on the sale of surplus land owned by Empresa Electric Guaracachi S.A. and the recognition of an item of plant which had previously not been recorded pending a potential claim by the former owner of the plant. The claim is now statute barred.

#### 4. Tax expense

The tax expense includes irrecoverable Bolivian withholding tax on dividends received from Empresa Electric Guaracachi S.A.

#### 5. Earnings per share

Basic and diluted	30/6/08	30/6/07
	'000	'000
Average number of shares in issue during the period	73,634	69,072
Profit for the period	£108,000	£98,000
Basic and diluted EPS	0.15p	0.14p

#### 6. Net asset value

Based on the number of shares in issue at 30 June 2008 and the equity attributable to the shareholders of the company, the net asset value per share at 30 June 2008 was 52.5p (30 June 2007 - 47.5p).

7. Consolidated statement of changes in equity	30/6/08 £'000	30/6/07 £'000
Opening equity shareholders' funds	34,225	34,263
Proceeds from issue of shares (i)	7,875	2,780
Total recognised income and expense	145	(588)
Dividend paid (ii)	-	(1,613)
Revaluation reserve arising on acquisition of 50% of Energia del Sur (see note 8 (iv))	2,800	-
	<hr/>	<hr/>
Closing equity shareholders' funds	<u>45,045</u>	<u>34,842</u>

i) On 25 June 2008, the company issued 12,500,000 Ordinary 2p shares at 65p per share raising £7.875m net of expenses.

ii) The Company paid a dividend on 2.5p per share after the period end.

#### 8. Acquisition of 50% of Energia del Sur

In 2005, the Company acquired 50% of Patagonia Energy Ltd which, together with an intermediary subsidiary, owns 100% of Energia del Sur, a company incorporated in Argentina.

In June 2008, the Company acquired the remaining 50% of Patagonia Energy Ltd and as a result the Group now owns 100% of Energia del Sur.

The provisional fair values of the assets and liabilities acquired, which represent 50% of the provisional fair values of the actual assets and liabilities acquired, are as follows:

	Book values £'000	Fair value adjustment £'000	Provisional Fair values £'000
Property, plant and equipment	10,861	2,500	13,361
Intangible assets (i)	-	1,500	1,500
Inventories	404	-	404
Trade and other receivables < 1 year	1,639	-	1,639
Current tax assets	1,806	-	1,806
Cash	255	-	255
Deferred tax liabilities	-	(1,200)	(1,200)
Borrowings > 1 year	(4,467)	-	(4,467)
Trade and other payables < 1 year	(2,024)	-	(2,024)
Current tax liabilities	(105)	-	(105)
Borrowings < 1 year	(1,171)	-	(1,171)
	<hr/>	<hr/>	<hr/>
Total net assets acquired	<u>7,198</u>	<u>2,800</u>	<u>9,998</u>
Goodwill arising on acquisition			<u>5,959</u>
Purchase consideration			<u>15,957</u>
Purchase consideration paid on completion		6,148	
Deferred consideration (ii and iii)			<u>9,809</u>
			<u>15,957</u>

i) The intangible asset represents 50% of the provisional fair value of the future income which is expected to be realised from the sale of Carbon Emission Credits.

ii) The deferred consideration carries interest at 11.32% and is payable by June 2009.

- iii) The deferred consideration includes £3.15m in respect of the purchase by the Company of a loan by the vendor to Patagonia Energy Ltd. This debt is now receivable by the Company.
- iv) The revaluation reserve of £2.8m (see note 7 above) arises from the increase in the fair value of the net assets acquired in the original acquisition of 50% in 2005 and their fair values in June 2008.

9. The Board of Directors approved this interim statement on 26 September 2008. This interim statement has not been audited.

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