

**REENERGY GROUP PLC  
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006**

**ReEnergy Group plc (“RGY”), the waste management, sustainable energy and water treatment company, is pleased to announce its interim results for the six months ended 30 June 2006.**

**HIGHLIGHTS**

- £12.75m raised in public placing
- Appointment of Robert Smyth as Group Finance Director
- Appointment of Tony Morgan and Wayne Keast as Non-Executive Directors
- Signing of a Collaboration Agreement with Consensus Business Group
- Reduction in overhead costs and cash burn rate
- Positive progress on the conclusion of the Hereford & Worcester project negotiations
- Progress with the testing and provision of Thermal Recovery Units
- Re-organisation and updated business development programme of U.S. desalination activities

**Roger Hewitt, Executive Chairman, comments:**

“I am very pleased with the Group board appointments and the Consensus Collaboration Agreement. I am also pleased with the progress that the Group is making in all of its activities. The re-financing exercise earlier in the year was a significant success and although the circumstances that created the necessity for the re-financing caused some slow-down in the rate of development, this has now been more than compensated for.

Management is keenly aware of the level of shareholder support that the Group has received and is committed to returning that support and securing the objectives that will deliver shareholder expectations.”

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## **CHAIRMAN'S STATEMENT**

I am pleased to present ReEnergy Group plc's results for the half-year ended 30 June 2006.

### **Board Appointments**

On 4 September 2006, we announced that Robert Smyth had joined the Company as Group Finance Director.

I am pleased to further report the appointment of two new non-executive directors to the Group Board with effect from 27 September 2006.

#### Tony Morgan

Tony is non-executive chairman of Octopus Protected VCT plc, a non-executive director of Phoenix VCT plc and a non-executive director of Quickheart Ltd. He is also involved in a number of private companies.

Tony is also chairman of the prominent charity, Youth At Risk, which helps society's most disadvantaged, difficult and damaged young people to transform their lives and build a future beyond their present expectations.

Tony was formerly a Governor of the BBC and until recently was the Chief Executive for a number of years of the Industrial Society and was particularly responsible for the transformation of that organisation in regaining its confidence and competitiveness as well as exerting a major influence on the UK's industrial sector. He was an influential member of the Government taskforce focusing on workforce development and competitiveness and received particular praise from the Prime Minister for the Society's vision programme on the role of young people in work and society.

Before joining the Industrial Society, Tony's career included a number of years as Chairman and Chief Executive Officer of the waste management contractor Purle, until its merger with Redland plc, whereafter he continued on Redland's board. He was a founding director and shareholder of Wimpey Waste Management, a joint venture with Wimpey Construction, which created a major environmental business throughout the UK which was subsequently divested by Wimpey for a substantial sum.

Tony is also an Olympic silver medallist in sailing at the Tokyo Games in 1964.

#### Wayne Keast

Wayne is Chief Executive of Consensus Environmental Investments, a part of Consensus Business Group Ltd. Prior to joining Consensus, Wayne held a number of senior positions, including Vice-President of Corporate Finance at Edengene Ltd, a leading European growth consultancy, where he worked on M&A, corporate strategy projects and advising FTSE 100/250 and European listed companies on acquisition and growth strategy.

Previously, Wayne spent a number of years as CFO at epartners, the \$1.2 billion global private equity and business incubation group owned by News Corporation, where he was primarily responsible for financial and corporate strategy.

Wayne has also held a number of other senior roles, including CFO roles, in the retail, manufacturing, property & construction and financial services sectors.

Tony brings with him a wealth of experience of running and advising UK listed companies and particular knowledge over many years of the waste management sector and Wayne has direct experience and in-depth knowledge of the sectors within which the Group operates. I believe that they will both make valuable contributions to the achievement of our goal of establishing a leading waste management and renewables business in the UK.

## **Financial performance**

During the period, expenditure has been consistent with budget. The level of activity involved in the negotiation and development of the contractual structures for the Hereford & Worcester project has led to increased professional fees. However, bearing in mind the complex structure of such contracts and the fact that they are required to be durable for a 25-year period, it is important that they are carefully negotiated and determined.

Overheads in both the UK and the USA have been reduced and the underlying cash burn rate which has been at a level of £600,000 per month, is expected to reduce by £210,000 to £390,000 per month from January 2007 to December 2007. Tight control of overhead and costs expenditure is being maintained in all Company activities.

## **Operations**

### Waste Management

As stated at the time of the AGM in July, a key objective for the Company is the securement of the Hereford & Worcester project. Before and since that time, ReEnergy, through its subsidiary Estech, has been in detailed negotiations with Hereford and Worcester Councils, potential engineering, procurement and construction contractors, sub-contractors and banks in respect of the provision of debt funding. The key contract with Hereford & Worcester is the Waste Supply Contract, and we believe that we are close to a position whereby it may be signed, thus achieving commercial closure, with financial close taking place some three months later. This programme anticipates the contract, following commercial and financial close, commencing in the first half of 2007, which is broadly in line with the Group's original projections.

With respect to the Pirelli licence, we continue with our planned programme of working with Pirelli Ambiente, both in Europe and the UK, for the re-classification of high-grade refuse derived fuel (RDF) as a resource, rather than a waste. This is important to enable high-grade RDF to be burned in combustors, without the additional and considerable cost of their complying with the Waste Incineration Directive.

### Thermal Recovery (TRU)

Kirell Energy Systems (KES), the licensor and developer of the TRU process, completed its first stage testing of a 150kW pilot unit at a site in California, USA. They have now moved into a second testing particularly linked to power production, in line with design parameters. KES is producing a 150kW unit for delivery to Spain in the first quarter of 2007 which, following detailed testing, will be located on a site for commercial application.

### Water Desalination

Significant management changes have been made to Oases Global Systems (OGS) and this activity has now been relocated from Sacramento to the ReEnergy offices in San Diego. OGS is now under the direct management of the Chief Operating Officer of ReEnergy's subsidiary in the USA, Renergy Pacific Corp.

Effort is now being directed at stimulating the OGS joint ventures, both in the Americas and internationally, to identify and actively pursue new desalination projects. At the same time, a number of existing and potential projects of various sizes are being pursued in the Americas and Caribbean and opportunities are also being evaluated in Australia, Greece and Turkey. Relationships with technology providers have also been strengthened.

## **Business opportunities**

A number of potential waste management contracts for the Estech process are being pursued in the UK and we anticipate securement of preferred bidder status on several of these over the course of the next 12 to 24 months. Concern has been expressed by both the National Audit Office and the Office of Government Commerce regarding the time taken for the negotiation and award of waste PFI contracts, which are often of considerable value. This delays delivery of the smaller elements of the waste

infrastructure because everything is tied into the one major contract. This should bode well for the elements such as those provided by Estech being speeded up in the process but also indicates the potential market for the establishment of commercially funded merchant plants. ReEnergy is particularly interested in this latter opportunity as the establishment of such facilities fits very well with the Estech technology.

Opportunities continue to arise for the KES thermal recovery equipment and these will be progressed upon the successful installation of the first 150kW unit in Spain projected for the first half of next year.

Water desalination is a burgeoning requirement on a global basis and it is clear that the provision of small scale units will be a key market in which OGS will be able to be competitive.

The investment required by the OGS subsidiary, Oases Federal Systems (OFS), to commercialise the Plasma Chemical Reactor (PCR) technology would be considerable and the technology has many applications outside of the particular field of interest of ReEnergy. The PCR technology is a recent area of business development by OFS and did not form part of the original IPO or subsequent re-financing. Accordingly, it has been decided to seek a joint venture partner for this initiative.

ReEnergy signed a Collaboration Agreement on 27 September 2006 with Consensus Business Group. Consensus are holders of 20% of the issued share capital of ReEnergy and, as commented above, have, as of the same date, a non-executive director on the board of the Group.

The agreement provides for both ReEnergy and Consensus to co-operate in the development of the elements of the ReEnergy business where a material benefit is defined and agreed. The agreement is arms-length and neither party is committed to any involvement unless it is perceived to be in the interests of their respective organisations and shareholders.

## **Outlook**

ReEnergy is well structured and resourced to deliver the business plan set out in our admission document and reinforced at the time of the re-financing in April of this year. As with all changes in environmental legislation and regulation, the evolution of the commercial structures is slow and must be approached carefully. However, it is clear that an increased focus is being placed on the development of sustainable waste management systems and infrastructure to comply with European directives. Estech has excellent and competitive technology to meet these market demands. The classification of RDF as a fuel rather than a waste is an obvious development, particularly when the pressures on the replacement of conventional fossil fuels with other sustainable materials are considered. The Group's thermal recovery technology and desalination applications know-how are both directed at markets with considerable potential and ones that are not over-burdened by competition.

The Group has excellent professional management and sound platforms for the establishment of a very rewarding business.

Roger Hewitt  
Chairman  
27 September 2006

**ReEnergy Group plc**  
**Consolidated Profit and Loss Account**

	<b>Unaudited 6 months to 30 June 2006</b>	Unaudited 6 months to 30 June 2005	Audited Year ended 31 December 2005
	<b>£000</b>	£000	£000
<b>Operating loss attributable to:</b>			
Continuing operations	(4,637)	(1,122)	(2,468)
Acquisitions in the year	-	-	(327)
<b>Operating Loss</b>	<b>(4,637)</b>	<b>(1,122)</b>	<b>(2,795)</b>
Interest income	101	11	
Finance charges	(52)	(144)	(596)
<b>Loss on ordinary activities before tax</b>	<b>(4,588)</b>	<b>(1,255)</b>	<b>(3,363)</b>
Tax	-	-	-
<b>Loss on ordinary activities after tax</b>	<b>(4,588)</b>	<b>(1,255)</b>	<b>(3,363)</b>
Minority interest	53	-	30
<b>Loss retained on ordinary activities after tax and minority interest</b>	<b>(4,535)</b>	<b>(1,255)</b>	<b>(3,333)</b>
Loss per ordinary share – basic and diluted	<b>(8.4p)</b>	<b>(7.3p)</b>	<b>(17.9p)</b>

**Group Statement of Total Recognised Gains and Losses**

	<b>Unaudited 6 months to 30 June 2006</b>	Unaudited 6 months to 30 June 2005	Audited Year ended 31 December 2005
	<b>£000</b>	£000	£000
<b>Loss for the period</b>	<b>(4,535)</b>	<b>(1,255)</b>	<b>(3,333)</b>
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	(59)	(9)	(26)
<b>Total recognised gains and losses for the period</b>	<b>(4,594)</b>	<b>(1,264)</b>	<b>(3,359)</b>

**ReEnergy Group plc**  
**Consolidated Balance Sheet**

	Unaudited 30 June 2006	Unaudited 30 June 2005	Audited 31 December 2005
	£000	£000	£000
<b>Fixed assets</b>			
Intangible assets	27,860	198	28,570
Tangible assets	301	6	359
Investments	3	-	3
	<u>28,164</u>	<u>204</u>	<u>28,932</u>
<b>Current assets</b>			
Debtors due within one year	311	70	5,926
Cash at bank and in hand	9,805	697	2,083
	<u>10,116</u>	<u>767</u>	<u>8,009</u>
<b>Creditors:</b>			
Amounts falling due within one year	<u>(2,478)</u>	<u>(702)</u>	<u>(8,766)</u>
<b>Net current assets / (liabilities)</b>	<b>7,638</b>	<b>65</b>	<b>(757)</b>
<b>Total assets less current liabilities</b>	<u><b>35,802</b></u>	<u>269</u>	<u>28,175</u>
Creditors: amounts falling due after more than one year	<u>(979)</u>	<u>-</u>	<u>(1,028)</u>
<b>Net Assets</b>	<u><u><b>34,823</b></u></u>	<u><u>269</u></u>	<u><u>27,147</u></u>
<b>Capital and reserves</b>			
Called-up share capital	4,058	982	1,867
Share premium account	20,424	1,496	10,051
Share option reserve	304	-	304
Shares to be issued	17,686	-	17,927
Merger reserve	209	209	209
Profit and loss account	<u>(9,107)</u>	<u>(2,418)</u>	<u>(4,513)</u>
<b>Shareholders' funds</b>	<b>33,574</b>	269	25,845
Minority interest	<u>1,249</u>	<u>-</u>	<u>1,302</u>
<b>Total capital employed</b>	<u><u><b>34,823</b></u></u>	<u><u>269</u></u>	<u><u>27,147</u></u>

**ReEnergy Group plc**  
**Consolidated Cash Flow Statement**

	<b>Unaudited 6 months to 30 June 2006</b>	Unaudited 6 months to 30 June 2005	Audited Year ended 31 December 2005
	<b>£000</b>	£000	£000
<b>Net cash outflow from operating activities</b>	<b>(4,410)</b>	(1,144)	(1,646)
<b>Returns on investments and servicing of finance</b>			
Interest received	<b>101</b>	11	28
Finance charges	<b>(52)</b>	(144)	(437)
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>	<b>49</b>	(133)	(409)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets	<b>(5)</b>	(6)	(39)
Payments to acquire intangible fixed assets	<b>(124)</b>	(85)	(147)
Loan made	-	-	(1,000)
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(129)</b>	(91)	(1,186)
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings	-	-	(899)
Net cash acquired with subsidiaries	-	-	119
<b>Net cash flow from acquisitions</b>	-	-	(780)
<b>Cash outflow before financing</b>	<b>(4,490)</b>	(1,368)	(4,021)
<b>Financing</b>			
Net proceeds from issue of shares	<b>12,196</b>	1,752	2,354
Issue of convertible loan notes	-	-	3,926
Loans received / (repaid)	-	69	(389)
<b>Net cash flow from financing</b>	<b>12,196</b>	1,821	5,891
<b>Increase in cash</b>	<b>7,706</b>	453	1,870

**Reconciliation of net cash flow to movement in net debt:**

	<b>Unaudited 6 months to 30 June 2006</b>	Unaudited 6 months to 30 June 2005	Audited Year ended 31 December 2005
	<b>£000</b>	£000	£000
Increase in net cash in year	<b>7,706</b>	453	1,870
Cash outflow/(inflow) from decrease/(increase) in debt financing	<u><b>52</b></u>	<u>(69)</u>	<u>(3,537)</u>
Change in net debt resulting from cash flows	<b>(7,758)</b>	384	(1,667)
Loans and finance leases acquired with subsidiaries	-	-	(1,130)
Loans converted into shares	-	-	3,926
Translation difference	<u><b>16</b></u>	<u>(8)</u>	<u>(39)</u>
Movement in funds in year	<b>7,774</b>	376	1,090
Opening net funds	<u><b>953</b></u>	<u>(137)</u>	<u>(137)</u>
Closing net funds	<u><u><b>8,727</b></u></u>	<u><u>239</u></u>	<u><u>953</u></u>

**Notes to the Interim Financial Statements**

1. The interim results are unaudited and do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. The results for the year ended 31 December 2005 have been extracted from the Group accounts for that period. Those financial statements have been filed with the Registrar of Companies and included an auditor's report which was unqualified.

The Board of Directors approved the interim financial statements on 27 September 2006.

2. The interim results have been prepared using UK Generally Accepted Accounting Standards in accordance with the accounting policies adopted in the accounts for the year ended 31 December 2005. For the year ending 31 December 2006 the company will be converting to International Financial Reporting Standards as required under the AIM rules.
3. Loss per share is based on a loss after taxation of £4,535,000 and on 53,778,700 ordinary shares, being the weighted average number in issue during the period.

	Unaudited 6 months to 30 June 2006	Unaudited 6 months to 30 June 2005	Audited Year ended 31 December 2005
	No.	No.	No.
Basic weighted average number of shares	53,778,700	17,261,756	18,659,949
Dilutive potential ordinary shares:			
Employee share options	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
	<u><u>54,778,700</u></u>	<u><u>18,261,756</u></u>	<u><u>19,659,949</u></u>

The loss for the period and the weighted average number of ordinary shares for calculating the diluted earnings per share is identical for all periods to those used for the basic earnings per share. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and would therefore not be dilutive under the terms of Financial Reporting Standard No. 22.

The loss per share of 17.9pence, for the year ended 31 December 2005, was calculated after charging to the Profit & Loss £304,000 in respect of share options. After adjusting for that charge the loss per share would have been 16.2pence.

#### 4. Reconciliation of shareholders' funds and movements on reserves

	<b>Unaudited 6 months to 30 June 2006</b>	Unaudited 6 months to 30 June 2005	Audited Year ended 31 December 2005
	<b>£000</b>	£000	£000
Loss for the period	<b>(4,535)</b>	(1,255)	(3,333)
New share capital subscribed (net of expenses)	<b>12,564</b>	1,752	11,192
(Decrease)/Increase in shares to be issued	<b>(241)</b>	-	17,927
Share option reserve	-	-	304
Currency translation differences	<b>(59)</b>	(9)	(26)
<b>Net addition to shareholders' funds</b>	<b>7,729</b>	488	26,064
Opening shareholders' funds	<b>25,845</b>	(219)	(219)
<b>Closing shareholder funds</b>	<b>33,574</b>	269	25,845

#### 5. Reconciliation of operating loss to net cash outflow from operating activities

	<b>Unaudited 6 months to 30 June 2006</b>	Unaudited 6 months to 30 June 2005	Audited Year ended 31 December 2005
	<b>£000</b>	£000	£000
Operating loss	<b>(4,637)</b>	(1,122)	(2,795)
Depreciation of tangible assets	<b>63</b>	-	14
Amortisation of goodwill	<b>659</b>	-	46
Amortisation of other intangible assets	<b>175</b>	10	20
Employee share option charge	-	-	4
Warrants issued for financial services	-	-	300
Decrease/(increase) in debtors	<b>5,615</b>	(65)	(330)
(Decrease)/increase in creditors	<b>(6,285)</b>	33	1,095
<b>Net cash outflow from operating activities</b>	<b>(4,410)</b>	(1,144)	(1,646)

6. Analysis of change in net funds/(debt) in the six month period:

	At 1 January 2006	Cash flow	30 June 2006
	£000	£000	£000
Cash in hand and at bank	2,083	7,722	9,805
Debt due after one year	(851)	-	(851)
Finance leases	(279)	52	(227)
<b>Net funds</b>	<b>953</b>	<b>7,774</b>	<b>8,727</b>

7. Segmental analysis

The operating losses and net liabilities in relation to the group's activities have been incurred primarily in Europe and the US as presented below:

	Unaudited 6 months to 30 June 2006		Unaudited 6 months to 30 June 2005		Audited Year ended 31 December 2005	
	Operating Loss	Net Assets/ (Liabilities)	Operating Loss	Net Assets/ (Liabilities)	Operating Loss	Net Assets/ (Liabilities)
	£000	£000	£000	£000	£000	£000
Europe	(4,027)	35,729	(980)	462	(2,245)	27,766
US	(610)	(906)	(142)	(193)	(550)	(619)
<b>Total</b>	<b>(4,637)</b>	<b>34,823</b>	<b>(1,122)</b>	<b>269</b>	<b>(2,795)</b>	<b>27,147</b>