



Triodos Renewables Plc half year report

30 June 2015

Directors' report

We are pleased to present our half year 2015 operational update for the Triodos Renewables Plc Group of Companies for the half year ended 30 June 2015.

Summary

The first half of 2015, our 20th anniversary year, has been eventful. We welcomed over 800 new shareholders, and would like to thank our existing investors who bought shares in our last share issue. These funds have contributed to commencing generation at three new wind farms, growing our renewable energy capacity by 16% to 64.1MW¹. These new projects have the capacity to generate enough electricity for a further 7,900 homes.² The sale of record volumes of renewable energy has resulted in half year operating profit of £2.68million (half year 2014: £2.38million). At our Annual General Meeting our shareholders voted in favour of a 4p dividend for the second year running.

Share Issues

Our 8th share issue was closed on 30 January with a private placement for a large shareholder completed in April 2015. In total £4.1million was raised taking our total raised over the last 20 years to £36million.

We have already invested £1.3million in an additional 20% holding in Boardinghouse Wind Farm and are currently pursuing a number of opportunities which we aim to complete before the end of 2015.

In addition, we have used some of the capital raised to buy back 288,117 shares that had been listed for sale on the Matched Bargain Market for 12 months, to help with the liquidity of the market. Triodos Renewables' shares can be traded all year round on the Matched Bargain Market. More information on how this works is available on our website or you can contact our team with any questions.

40,310

number of homes equivalent powered from our portfolio in the first 6 months of 2015³

Following the successful energisation of our two development sites in Aberdeenshire, we are considering the refinancing of equity in the Triodos Mellinsus Projects Ltd (TMPL) projects Auchtygills and Clayfords. This would enable us to acquire further projects and grow the portfolio. We currently have "in principle" offers from our banking relationship to fund these two projects but we are exploring options to give our shareholders the opportunity to participate in a shorter term investment opportunity with Triodos Renewables as well as our long term equity offering. We are, therefore, investigating the possibility of offering, to our existing shareholders and the communities living close

1 64.15MW – our owned share of the portfolio. Total portfolio capacity is 74.9MW.

2 Home equivalent of 7900 is for our share of electricity, the total portfolio 9,700 homes. Homes Powered Equivalent (p.a.) – This is calculated using the most recent statistics from the Department of Energy and Climate Change showing

that annual UK average domestic household consumption is 4,115kWh. - See more at: <http://www.renewableuk.com/en/renewable-energy/wind-energy/uk-wind-energy-database/figures-explained.cfm>

3 <http://www.renewableuk.com/en/renewable-energy/wind-energy/uk-wind-energy-database/figures-explained.cfm>

Map showing Triodos Renewables' operational renewable energy project sites



to the turbines only, a bond that would mirror the terms offered by our banking relationships. We hope to provide more information on this in the coming months.

We are also planning a new share issue in 2016 to raise further equity for continued growth from a strong pipeline of new sustainable energy projects. We are grateful for the continued support from our shareholders and are pleased that Triodos Renewables now unites 5,762⁴ individuals, charitable foundations and institutions in a common goal of combating climate change by the generation of clean, green electricity.

Triodos Renewables seeks to allow as many individuals as possible to contribute to building more sustainable energy generating capacity. For example, the equity required to build a 1.5MW project such as March (Floods Ferry Road, located at Greenvale's potato packaging plant) is equivalent to 172 of our average shareholders' investments (based on average shareholding of 3,738 shares). We are proud that Triodos Renewables provides so many people with the opportunity to pull together, pool resources and do something powerful with their investment.

UK renewable industry outlook

The energy sector has experienced turbulent times in recent months. The new Conservative government has commenced a number of changes which will have an impact on the future deployment of the three lowest cost sources of renewable energy (onshore wind, solar and hydro). Policies have been changed which impact both the planning consent process and the financial support for new onshore wind projects and other sustainable technologies.

It is important to note that the government remains committed to honouring the obligations (Renewables Obligation Certificates and Feed in Tariffs) already made to existing projects and those which would have reached critical development milestones by the end of March 2016. We calculate the value of Triodos Renewables' shares using the performance of our existing projects. We, therefore, remain comfortable with the current share valuation (as of 17 July 2015) and future earning potential of our existing 15 operational projects.

The reduction in financial support is a sign of progress towards sustainability of the energy sector which we anticipated and welcome. However, the rhetoric characterising

4 Figure correct at 11 August 2015



renewables as expensive and unpopular is unhelpful and poorly founded. The number of people who support wind farms is twice as high as gas generation and 6 times greater than fracking for shale gas⁵. The suggestion that renewables are too expensive is incorrect, with fossil fuels receiving 6 times the subsidies of renewable onshore wind, solar PV and hydro⁶. Surveys suggest that 31% of the UK population consider £10/per household (83p per month) to make the transition to a more sustainable energy system a price worth paying⁷. Electricity generated using onshore wind can be delivered to consumers at a lower cost than electricity from nuclear and the proposed coal carbon capture and storage.⁸ Whilst we acknowledge the need for a mix of generation sources to the electricity system, it is inaccurate to suggest that onshore wind is an expensive option for the country. If an

economy like the UK, with the world's fifth highest Gross Domestic Product⁹, can't afford to make the transition to the sustainable energy system, what hope is there for less developed countries?

We predict that the changing political landscape will slow the speed of growth in onshore wind, solar PV and hydro in the UK (the three lowest cost sources of renewable energy) as the developer and equipment supply markets adjust in response. However, Triodos Renewables has a pipeline of assets which allow us to continue modest growth whilst mitigating the evolving regulatory risk. These changes are also accelerating our plans for diversification into other renewable generation technologies, energy efficiency, storage and support of community sustainable energy initiatives.

5 <http://www.theguardian.com/environment/2015/aug/04/public-support-for-uk-nuclear-shale-gas-falls-new-low>

6 IMF Working Paper: How Large Are Global Energy Subsidies? May 2015. <http://www.theguardian.com/environment/2015/may/18/fossil-fuel-companies-getting-10m-a-minute-in-subsidies-says-imf>

7 <http://www.drax.com/news/news-articles/2015/07/nearly-a-third-would-pay-more-to-go-green-but-value-for-money-is-key/>

8 <http://www.windpowermonthly.com/article/1330525/onshore-wind-competitive-ever>

9 <http://www.tradingeconomics.com/country-list/gdp>



Revision of the Directors' recommended share price

In the Chancellor's budget on 8 July, he announced two changes which have an impact on the valuation of Triodos Renewables Plc. The first, a reduction in Corporation Tax to 18% from 2020, has a positive impact on valuation. The second was the abolishment of the eligibility of renewable generators to claim exemption from the Climate Change Levy. The removal of the exemption from the Climate Change Levy will reduce the financial performance of all renewable projects in the UK including our wind farms and hydro project. The justification for change to Climate Change Levy exemption announced relates to approximately a third of the exemption payments being made to operators of renewable projects located overseas which was not the intended purpose of the exemption. This change to the levy regime falls outside the grandfathering of existing support mechanisms to which the government committed.

These two changes combined with a reduction in our long term view of electricity prices have

a negative impact on the value of Triodos Renewables plc. As a result on the 17 July 2015 the Directors' recommended share price was amended to £2.18. This represents a 7% reduction from the £2.34 recommended earlier in the year.

Operating performance

In the first half year to 30 June 2015, the Triodos Renewables portfolio generated 82,938MWh¹⁰, 19% higher than generation for the same period in 2014. The addition of our newly operational sites at Auchtygills, Clayfords and Boardinghouse ahead of schedule has contributed to this growth in generation.

The early part of 2015 was characterised by an exceptionally high wind resource in the UK in January, March and May whilst February and April experienced lower than expected wind resource. The net impact of this was that the portfolio was 9% ahead of target electricity generation for the first half of 2015. This is compared to 4.5% below target for the first half of 2014.

¹⁰ Triodos Renewables' owned share production

Cumulatively, the Company's four newest sites at Avonmouth, Dunfermline, Eye and Ransonmoor (Fenpower) continue to perform ahead of generation targets.

Operational turbine availability has improved during the first half of the year with an overall average availability over 92% across the portfolio to June 2015 (2014: 91%). We continue to seek ways to improve the portfolio's availability. At our newest sites the average availability is 98% for the year to date. However, we have had some operational issues at our older sites Haverigg II, Ness Point, Sigurd and Beochlich. Whilst repairs were carried out quickly and effectively by our operational partners this has still affected the generation for these sites and means that all but Haverigg II are below target for the year to date. We continue to look for opportunities to undertake proactive maintenance and improvements to the remaining plant to avoid further unnecessary downtime from the sites in high yielding parts of the year.

There has been one accident on site which was notified to the Health and Safety Executive (HSE) under RIDDOR¹¹ guidelines. A crane operative at one of the construction sites broke his wrist whilst demobilising the main crane. Operations were stopped until an investigation established that the circumstances and work could be continued safely following a reminder briefing to all workers on requirement to follow correct procedures.

Half year reporting

You will notice below that the format of reporting the half year financial information has changed this year and gives slightly reduced financial information than usual. In previous years we have included a full profit and loss account whereas this year we have given an operating statement instead.

This is because we plan to implement International Financial Reporting Standards (IFRS) for our financial statements for the year ending 31 December 2015. To do this we need to re-state our financial statements as at 31 December 2013 and 31 December 2014 as these accounts were prepared under UK Generally Accepted Accounting Principles (GAAP).

The main accounting policies likely to be affected are:

- Business combinations (Goodwill, *where the value of the project is greater than the build costs of the asset*)
- Financial Instruments (Swaps, *which have been put in place to protect Triodos Renewables from changes in the markets such as interest rates and inflation*)
- Deferred taxation (Future taxation liability, *based on the differences of tax allowances for assets and the accounting for depreciation*)

7 homes

our average shareholder's investment produces enough energy to power 7 homes¹²

There will also need to be a substantial change to the formatting of our financial statements and additional disclosures. We are preparing for this in restatement of 2013 and 2014 accounts now but we will not be in a position to publish any results including this information until the Annual Report 2015.

We still wanted to provide shareholders with a half year update as we are committed to doing this each year, so we have provided information but in a different format to previous years.

¹¹ The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995

¹² This is calculated using the most recent statistics from the Department of Energy and Climate Change

showing that annual UK average domestic household consumption is 4,115kWh. - See more at: <http://www.renewableuk.com/en/renewable-energy/wind-energy/uk-wind-energy-database/figures-explained.cfm#sthash.3DOasfsP.dpuf>

Operating results

The first half year operating results are as follows:

Consolidated operating statement half year ended 30 June 2015					
	Half year to 30 June 2015 £	Half year to 30 June 2014 £	Full year to 31 Dec 2014 £	Half year to 30 June 2013 £	Full year to 31 Dec 2013 £
Turnover	7,396,374	6,565,454	12,533,906	4,839,200	10,233,696
Cost of sales	(3,406,654)	(3,052,689)	(5,863,600)	(2,292,707)	(4,706,732)
Gross profit	3,989,719	3,512,765	6,670,306	2,546,493	5,526,964
Administrative expenses	(1,314,827)	(1,135,987)	(2,253,943)	(900,845)	(1,829,839)
Operating profit	2,674,893	2,376,779	4,416,363	1,645,648	3,697,125
Operating profit %	36.2%	36.2%	35.2%	34.0%	36.1%

The Group achieved a half year operating profit of £2.67million on turnover of £7.4million compared to an operating profit of £2.38million on turnover of £6.57million in the first half of 2014. The improvement in performance is down to increased capacity with initial operations at Auchtygills, Clayfords and Boardinghouse along with March (Floods Ferry Road) now fully operational.

35,663

tonnes of CO₂ saved by green energy from our portfolio¹³

For the half year to the end of June 2015 our ownership proportion of the portfolio (100% apart from Haverigg II in which we own a 75% share, and respectively Fenpower 25%, and Boardinghouse 75%) has generated 82,938MWh which is 9.2% ahead of target (compared to 69,712MWh and 4.5% below target at half year stage 2014).

Key factors which have contributed positively to the variance in this period are:

- Good wind resource overall during the half year (particularly January and March)
- Particularly strong contribution from the following sites due to good wind – Wern Ddu, Dunfermline, Eye and Ransonmoor
- Improved overall availability at 92% average for half year (2014: 91%)
- Earlier than expected operations at Auchtygills, Clayfords and Boardinghouse

Factors which have contributed negatively to the variance in this period are:

- Poor wind resource in February and particularly April
- Operational issues at Ness Point, Haverigg II, Sigurd and Beochlich
- Lower than forecast energy prices driven by low demand and low global oil prices

¹³ CO₂ Reductions (p.a.) in Tonnes



Recently acquired projects now operational

Boardinghouse

In 2014 Triodos Renewables acquired a 55% stake in Boardinghouse wind farm in Cambridgeshire, a five-turbine site totalling 10.25MW. A further investment was added in early 2015 to bring our ownership of this project to 75%. Triodos Renewables co-owns the project with the site developers and landlord. Thanks to good local wind speeds, it is expected to generate renewable electricity equivalent to the average annual electricity demand of 7,300 homes¹⁴.

Following completion of the construction the site was operational five months earlier than anticipated in April 2015. The construction and commissioning phase took 12 months. The project is located on farmland and the civil

works are being delivered by a local firm, RG Carter. At its peak, 50 people were employed on the site using local sub contractors.

To date the site has generated 3,542MWh of electricity.

March (Floods Ferry Road)

In late 2013 Triodos Renewables acquired a new company with rights to develop and build a 1.5MW wind turbine project in March, Cambridgeshire.

The wind farm is located on an industrial site, which belongs to Greenvale AP, a leading supplier of potatoes. The turbine provides enough energy to power Greenvale's potato processing facility, providing them with lower cost energy. The remaining energy, around 40% of the total output, is supplied to the local electricity network. By reducing energy costs for Greenvale, the wind farm is contributing to the security of local jobs.

¹⁴ Latest estimates at 11th August.



Following completion of the construction, the site was operational three months earlier than anticipated in November 2014. The construction and commissioning phase took 12 months. During the first half of 2015 we have concentrated on clearing construction snagging items and transferred the site to operations. At its peak of construction activity, 25 people were employed on the site using local sub contractors.

To date the site has generated 2,322MWh of electricity.

Triodos Mellinus Projects Limited (TMPL) - projects Auchtygills and Clayfords

These two 0.8MW single turbine wind farms in Aberdeenshire have been jointly developed with Mellinus Renewables Ltd (60% owned by Triodos Renewables Plc) since 2007. These projects have been taken through the planning process, obtaining land leases and grid connection, procurement and construction stages. In December 2014 Triodos Renewables exercised its option to purchase the remaining 40% of TMPL to

become 100% owners. In April 2015 both projects became operational on schedule.

To date the sites have generated 591MWh of electricity.

Pipeline

Thanks to the success of our share issues, refinancing and strong relationships with developers and suppliers, we are continuing to actively progress a number of hydro, solar and onshore wind farm projects. We are also evaluating projects integrating energy efficiency, storage and community solutions. When considering new investments, we are taking into account the technical feasibility, financial performance, environmental impact and regulatory risks and will select projects which balance all these factors appropriately.

In May this year we exhibited at the All Energy exhibition in Glasgow. Our stand was visited by many developers and project operators representing a mix of technologies interested in investment from Triodos Renewables.

Community investments

During the first half of 2015, Triodos Renewables has maintained a focus on creating impact beyond just the delivery of renewable energy. At a community level our Wern Ddu, Eye, Ransonmoor, Auchtygills, Clayfords and Avonmouth sites contribute directly into locally managed community schemes supporting a range of worthwhile initiatives with social and environmental value. These have included providing children's play and sports equipment, improvements to community buildings and upgrades to energy efficient street lighting.

In terms of education, we have commissioned an interactive renewable energy show targeted at 5-11 year olds which is delivered into schools by specialist provider, ExplorerDome, to support national curriculum learning and raise awareness of climate change and energy issues in the younger generations. We have welcomed school groups onto site at Avonmouth and Caton Moor to experience wind energy first hand and answer their diverse range of questions. At the Avonmouth site this has been linked into the Bristol 2015 European Green Capital programme.

In addition, our wind turbines at Eye, Dunfermline and March (Floods Ferry Road) supply renewable energy directly to local industrial units allowing them to better manage their energy costs as well as seek a competitive edge for tenders based on their

environmental responsibility. Managing costs and winning business, of course, also means that local jobs are maintained at these facilities.

At the start of June we repeated the successful format of our family-oriented open day at our Avonmouth project, receiving over 400 local people onto the site during the day. Visitors of all ages were able to learn about renewable energy, ecology on the site, engage with interactive displays and chat with our team. Events like this offer members of the public the opportunity to form (or even adjust) their own informed opinion about renewable energy and also allow Triodos Renewables to strengthen relationships with other parties we work closely with in operating the sites most efficiently.

We could not do this without the continued support of our shareholders and we thank you for your involvement.

Subscribe to our e-newsletter

We consider it important to engage with the communities near our operational projects as well as our shareholders. We are now producing a regular e-newsletter to inform shareholders, stakeholders and other interested parties about our activities and sustainable energy.

You can subscribe to the e-newsletter at www.triodosrenewables.co.uk/newsletter

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