

Investor Presentation

March 2010



The Way Forward with Organic Waste



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The TEG Group Overview

TEG Background

- Incorporated in 1995, AIM listing in July 2004
- Technology based recycling company
 - Focused to date on organic waste sector
 - Food and green waste
- Four owned and operated plants
 - Sherdley (12 ktpa)
 - Perth (38 ktpa)
 - Todmorden (37 ktpa)
 - Carleton Rode (28 ktpa)
- Four plant sales to 3rd party customers
 - Swansea (7 ktpa)
 - Gwynedd (6 ktpa)
 - Exeter (14 ktpa)
 - Rochdale (25 ktpa)
- Further plant sales in progress
 - Bredbury (54 ktpa)
 - Matlock (19 ktpa)
- Exclusive supplier to the Greater Manchester Waste ("GMW") PFI contract
 - £38m contract value over 3 years
- Renewable energy (AD) partnerships launched
 - German AD technology supplier, UTS
 - Energy specialist, Alkane

TEG Competitive Position

- Well established with more plants than any other technology
- High quality management team
- Proven operator, proven technology
- Full Animal by-product approval
- Continuous, single pass scale operation
- Very good environmental control
 - Positioned to benefit from increasing focus on raising industry standards
 - EA hardened policy on containment expected shortly
- Low process energy costs
 - Small carbon footprint
- Consistent, high quality end product
 - All plants have achieved PAS100
- Small process footprint
- Low operating costs

The Way Forward with Organic Waste

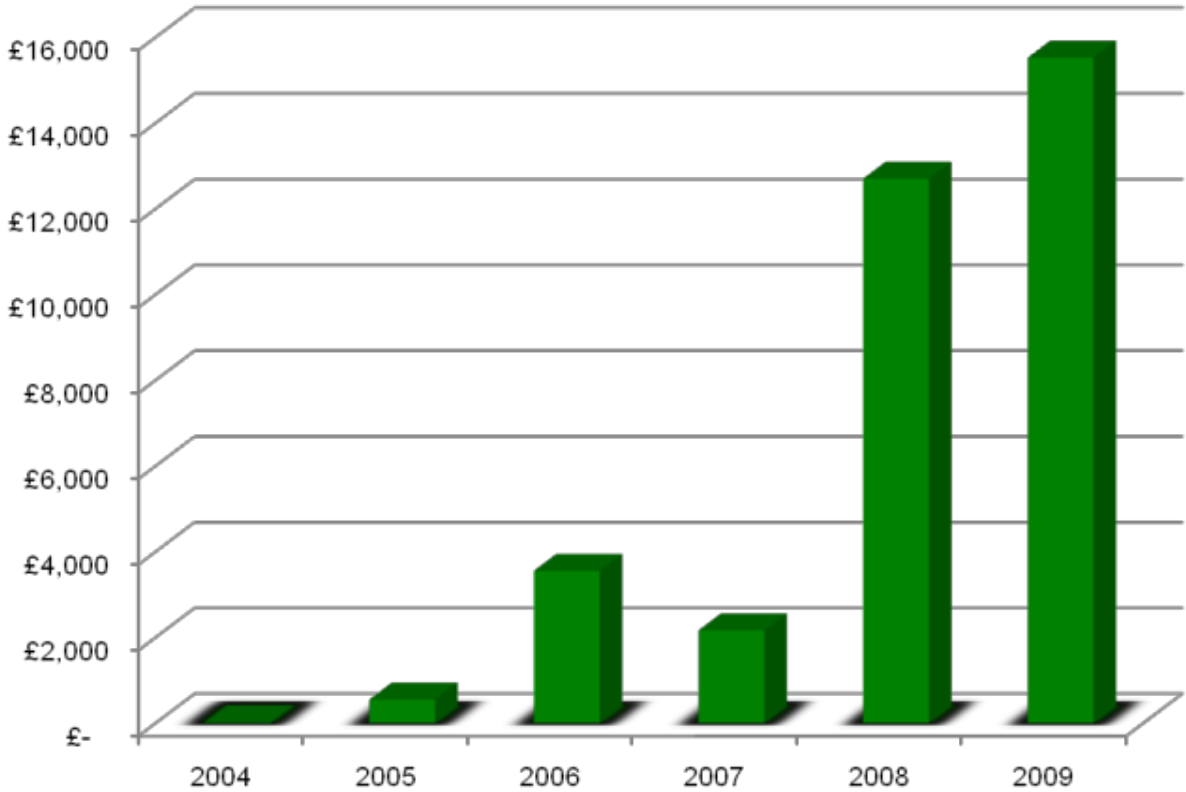
Financial Highlights

	2009	2008	▲
Revenues	£15.40m	£12.70m	+21.3%
Gross Profit	£3.50m	£2.00m	+ 75.0%
Gross Margin	23%	16%	+7.0%
EBIT	<u>£0.24m</u>	<u>(£1.80m)</u>	
Net Income	<u>£0.24m</u>	<u>(£1.60m)</u>	
Year End Cash	£3.80m	£6.80m	
Net Assets	£18.10m	£16.00m	

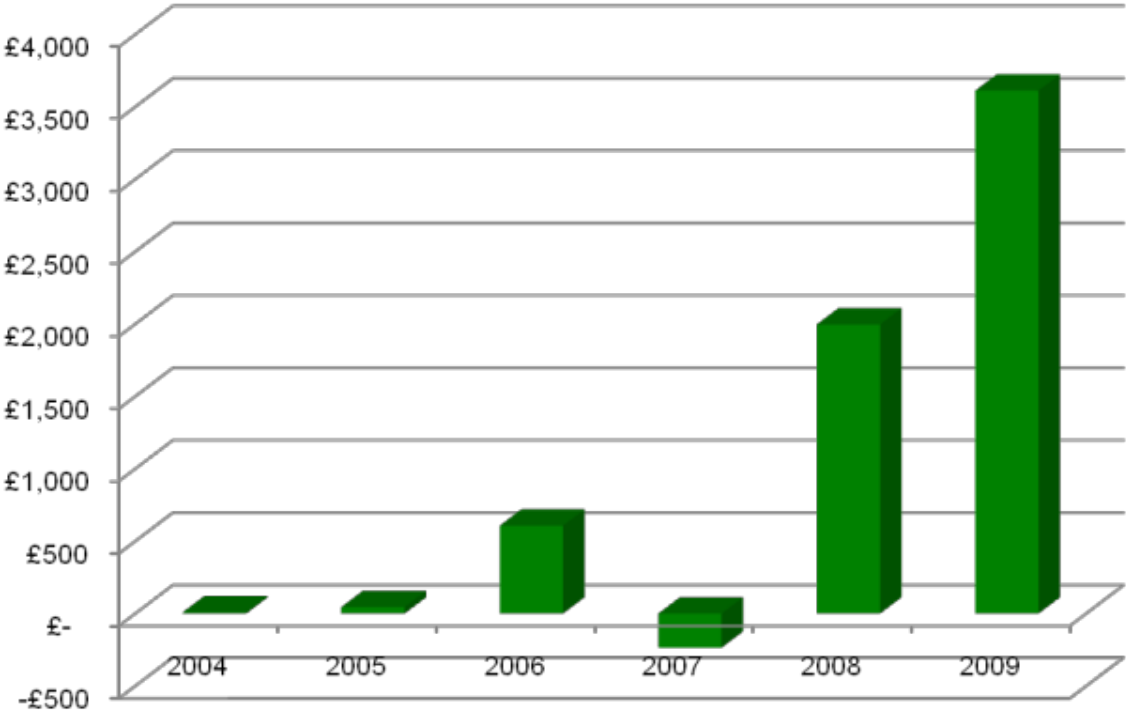
2009 Full Year Results (P&L)

	2009	2008
	Audited	Audited
Revenues	15,394	12,706
Cost of sales	<u>(11,905)</u>	<u>(10,709)</u>
Gross profit	3,489	1,997
GM	23%	16%
Other expenses	(4,344)	(3,773)
Profit on sale of JV	135	0
Negative goodwill	<u>956</u>	<u>0</u>
Operating profit	236	(1,776)
Finance income	71	407
Finance expenses	<u>(152)</u>	<u>(248)</u>
Profit before income taxes	155	(1,617)
Income taxes	<u>88</u>	<u>142</u>
Profit for the period	<u>243</u>	<u>(1,475)</u>

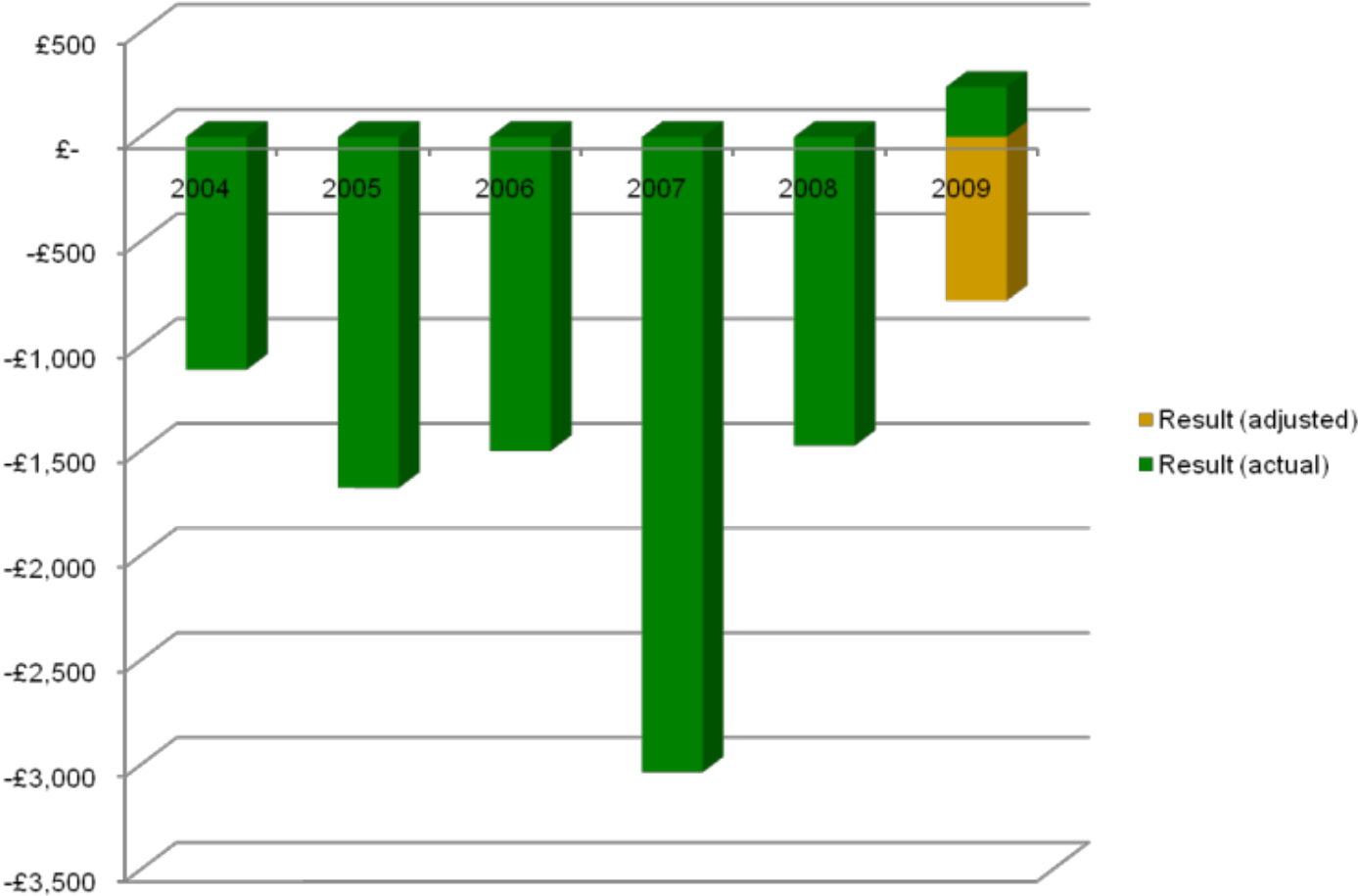
Financial review – Revenue performance (£k)



Financial review – Gross margin (£k)



Financial review – Net Income (£k)



Operational Review - Greater Manchester

- Total contract value £38m
 - 4 Facilities
 - 175,000 tpa total capacity
- First site construction completed at Rochdale
 - 25,000 tpa
 - Handed over in November 2009 subject to contractual 12 month warranty and snagging period
- Second site - construction commenced August 2009 at Bredbury
 - 54,000 tpa
 - Hand over expected Q4 2010
- Third site - order received for plant at Trafford
 - 50,000 tpa
 - Construction commencement planned for Q2 2010
- Fourth site - planning permission has already been obtained
 - Design and final pricing underway



Operational Review - TEG BOO Plants

- **Perth (38,000 tpa)**
 - Overall 36% increase in sales on 2008
 - Perth & Kinross contract secured for 4 years from March 2010
- **Todmorden (37,000 tpa)**
 - Overall sales up 64% on 2008
- **Sherdley (12,000 tpa)**
 - 45 % increase in sales on 2008
 - Very strong market interest in North West region
 - Plant is now over capacity and buildings do not meet revised EA standards
 - Transfer station operation until new facility completed
- **Carleton Rode (28,000 tpa)**
 - First half year of operation met expectations
 - PAS100 achieved and all compost product now sold
 - Sales overall for 2010 meeting expectations
 - Sales from H2 forwards exceeding expectations



BCL acquisition – Carleton Rode site

- 28,000 tonnes per annum TEG Silo Cage facility
- Acquisition completed 19 June 2009
- Integration successfully completed
 - Fully operational
 - PAS100 already achieved
- Highly successful acquisition
 - Provisional £956,000 fair value (goodwill) benefit
 - Natural fit for TEG in keeping with expansion strategy
 - Delivering immediate revenues and cashflow though short term debt finance charge (£400k per annum) shown as cost item rather than a cash item
 - Sales already exceed target for 2010 - capacity is expected to be entirely filled by June 2010
 - Site has potential for further expansion



Operational Review - Renewable Energy Collaborations – Anaerobic Digestion

- **Collaboration agreement for AD technology with UTS Biogastechnik GmbH**
 - UTS has 70 full facilities developed & equipment in over 1500 plants
 - Good reference plants in food waste
 - Good fit with TEG technology and expertise
 - Selected technology by Anagest (South West Wales hubs)
 - Supporting several TEG bids
- **Collaboration agreement for energy management with Alkane Energy plc**
 - Alkane is a methane to energy business
 - Brings expertise in grid connections and contracting in the energy sector
 - Early success together in WAG procurement qualification
- **TEG offers a track record in organic waste in the UK**
 - Delivering projects into Local Authorities
 - Commercial, engineering and project expertise



The Way Forward with Organic Waste

Strategy

- Growth through
 - Build Own and Operate projects (BOOs)
 - Provide sustainable, long term revenues
 - Allow us to take advantage of rising prices
 - Services the outsourcing market
 - 3rd Party plant sales
 - Provide large revenues
 - Services market preferring to make capital investments (including PFI market)
 - IVC and AD technologies
 - AD offers both defence and opportunities for growth
- Opportunities for complimentary acquisitions are growing – a function of TEG's scale and the current financial market
 - Success of the BCL acquisition demonstrates the opportunities in the market
 - A number of complimentary, regional businesses are potential targets
 - Opportunities for expansion into related renewable energy markets
- Key sectors are Local Authorities and major waste management companies – private sector adds opportunities on top
 - Long Term supply agreements lock in cashflows
 - Enhances ability to debt finance
 - Local Authority activity throughout the UK greater than ever
 - Particular focus on Wales and London/South East

Update on Projects

- 20-30 major projects in pipeline – from pre-qualification through to submitted tender
- Local Authority activity levels are very high
 - TEG supporting further PFI/PPP bidders and bidding directly on small sale contracts
 - Emerging trend for private investment (BOO) on even small projects presents a great opportunity for TEG to secure long term (15-25 years) waste supply contracts in return for investment
 - London procurement levels are increasing, largely interim contracts while infrastructure develops
 - Large number of smaller single plant procurement tenders underway (private finance)
- Energy projects under consideration
 - Significant level of AD procurement activity throughout the UK and a large number of ongoing tender processes
 - Welsh Assembly Government supporting several AD facilities to be constructed by the private sector over the next 3 years with potential dual IVC capacity
- Acquisition opportunities provide potential for step-change in growth
 - Distressed purchases
 - Complimentary businesses unable to expand or utilise freehold assets
 - **BCL acquisition demonstrates the value available**

Summary of capital (owner operated) projects In development or in tender

Name	Type	Planned construction start	Planned operation
Announced projects			
Anagest	AD/IVC	Apr 2010	Sept 2010
Lancashire plant	IVC	June 2010	May 2011
High priority – medium term			
Local Authority projects (2)	AD/IVC	2010	2011
Further BOOs (3)	AD/IVC	2010	2012
High priority – longer term			
Local Authority projects and BOOs (4)	AD/IVC	2011	2014
Other projects Early bid stage or low priority			
Local Authority projects and BOOs (7)	AD/IVC	2011	2015

Summary of plant and technology sales pipeline

Name	Type	Estimated construction start	Estimated operation
Bredbury	IVC	Aug 2009	Sept 2010
Nash Road	IVC	April 2010	June 2011
Bolton	IVC	Q4 2010	Q4 2011
Taywell	IVC	Q2 2010	Oct 2010
6 IVC sales bids	IVC	2010/2012	2011/2014
3 AD sales bids	AD	2011/2012	2012/2013

Summary

- Strong growth has given TEG a solid platform for further rapid development
- The market continues to grow strongly, driven by increasing environmental legislation
- Opportunities are presenting themselves now for expansion in the organic sector and the next 3-5 years will offer real opportunity for accelerated growth and investment
 - Composting plants
 - AD developments
 - Further earnings enhancing acquisitions
- TEG has a strong pipeline of projects that will enhance growth and earnings
- TEG is positioned to continue to grow strongly with a number of its projects in advanced stage of development

Appendices



2009 Full Year Results (Balance Sheet & Cashflow)

Consolidated balance sheet

ASSETS	2009 Audited	2008 Audited
Non-current assets		
Goodwill	2,270	2,270
Property, plant and equipment	14,400	11,014
	<u>16,670</u>	<u>13,284</u>
Current assets		
Inventories	407	192
Trade and other receivables	8,880	3,646
Taxation receivable	88	142
Cash and cash equivalents	3,770	6,831
	<u>13,145</u>	<u>10,811</u>
Total assets	<u>29,815</u>	<u>24,095</u>
LIABILITIES		
Current liabilities		
Trade and other payables	7,955	4,189
Borrowings	328	247
Deferred consideration	224	238
	<u>8,507</u>	<u>4,674</u>
Non-current liabilities		
Borrowings	1,942	2,024
Deferred consideration	1,183	1,390
	<u>3,125</u>	<u>3,414</u>
Total liabilities	<u>11,633</u>	<u>8,088</u>
Net assets	<u>18,183</u>	<u>16,007</u>
EQUITY		
Equity attributable to equity holders of the company		
Share capital	2,651	2,414
Share premium	30,907	29,357
Other reserves	898	752
Profit and loss account	(16,273)	(16,516)
	<u>18,183</u>	<u>16,007</u>

Consolidated cashflow statement	2009 Audited	2008 Audited
Net cash used in operating activities	(1,934)	(188)
Net cash used in investing activities	(2,610)	(1,707)
Net cash used in financing activities	1,483	(190)
Net decrease in cash and cash equivalents	<u>(3,061)</u>	<u>(2,085)</u>
Cash and cash equivalents at beginning of year	6,831	8,916
Cash and cash equivalents at end of year.	<u>3,770</u>	<u>6,831</u>

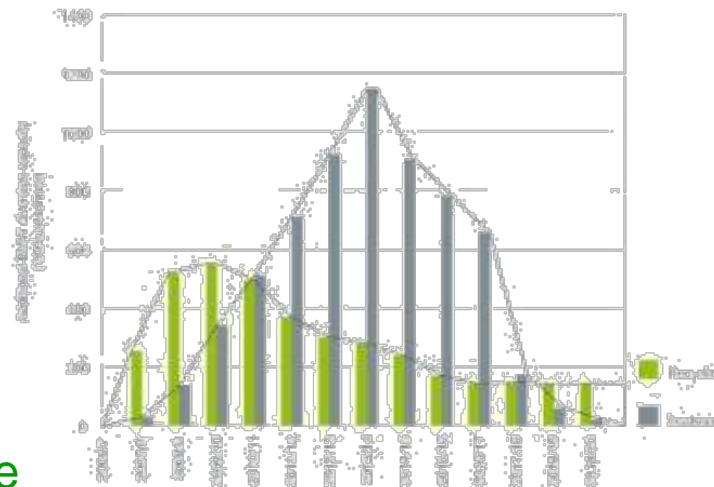
Market Background – Key Points

- **Landfill tax increases implemented**
 - Rising £8 per tonne per annum to 2013
 - Landfill tax now £40 per tonne
 - Landfill prices now around £70 per tonne
- **Landfill Allowance Trading Scheme (“LATS”) in full force**
 - Recycling and composting targets grow annually
 - Rate of increase in organic recycling outgrowing dry recycling
 - Government consulting on possible ban of organic waste to landfill
- **Energy recovery gaining momentum**
 - ROCS and Feed-In Tariffs established
 - Government is placing emphasis on AD as a renewable energy option
- **Regulatory environment favouring in vessel systems**
 - EA expected to make policy statement against new open composting sites
 - EA interim statement confirms higher level of enforcement of current sites

Forecast BMW Trends



Planned Local Authority Procurement



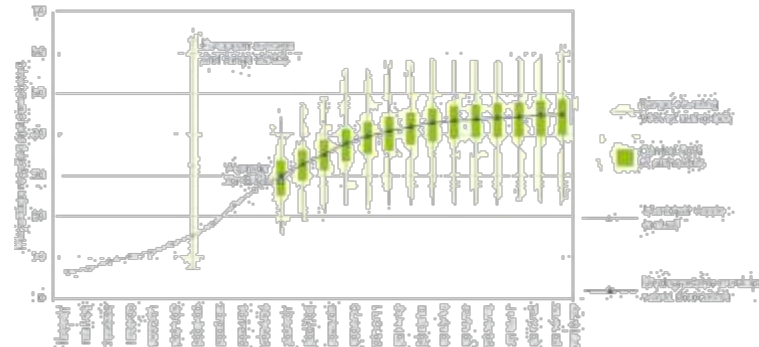
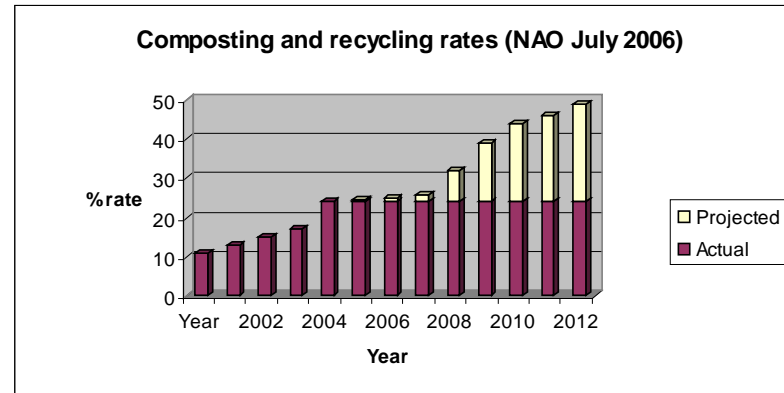
The Way Forward with Organic Waste

Market Background (Cont'd)

	Million tonnes per annum
Total waste arising in the UK	361
Controlled waste:	69
Industrial	21
Commercial	28
Household	
Total	118
Total controlled waste suitable for composting (36%)	42

Market Background (Cont'd)

- Statutory target of 25 million tonnes per annum of waste to be diverted from landfill by 2020
- 1.6 million tonnes of additional ABP
- National Audit Office estimate in 2006 need for at least 1.1m tonnes extra composting capacity by 2012 (equivalent of 60 TEG plants)
- The Composting Association announced in October 2006 a major capacity shortfall for food waste processing
 - 4 million tonnes of food waste suitable for composting sent to landfill in 2004/2005
 - demonstrates scope of opportunity for diversion
- Defra is anticipating a “ramp-up” of waste PFI deals to peak in 2010/11, to support the funding £11 billion of new waste management infrastructure
- Forecast demand for 9 million tonnes of compost
 - Market price for green waste compost £4-11/t (Letsrecycle.com, February 2010)
- Market gate fees for typical waste streams
 - £28-£53/t for catering waste (Letsrecycle.com, February 2010)
 - £18-£26/t for green waste (Letsrecycle.com, February 2010)
 - £67/t landfill disposal (MRW Weekly, February 2010)

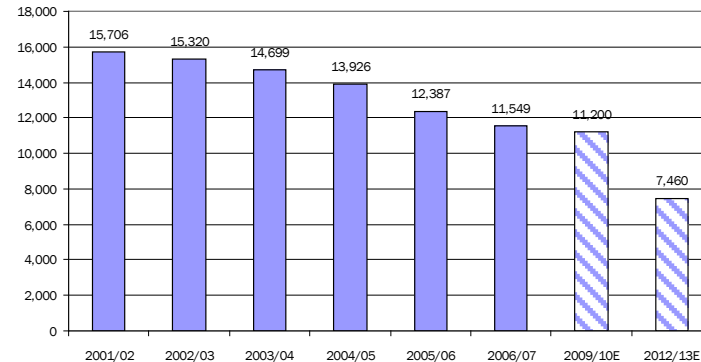


Market Background (Cont'd)

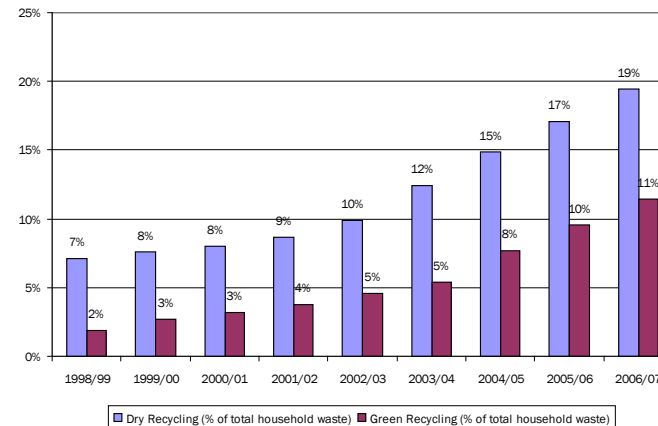
Audit Commission Report “Well Disposed” (September 2008) drew the following extracted conclusions

- Reducing waste to landfill is an urgent environmental and financial priority for the UK
- English councils are under pressure to reduce the volume of municipal waste sent to landfill
- Councils are planning to spend billions of pounds on new waste disposal infrastructure
- The amount of waste recycled or composted should increase by half and the capacity of treatment plants to deal with residual waste will need to double by 2020
- A minority of councils with waste disposal responsibilities expect to be able to recycle more than half their biodegradable waste.
- Most council plans involve generating energy by burning waste or its by-products.
- Few councils expect waste minimisation to reduce total waste significantly.
- Short term landfill diversion targets are likely to be met, but the medium and longer term picture is less certain
- Councils face significant financial risks if targets are not met

BMW landfilled (actual and target in 000 tonnes)



Recycling Growth Rate



Legislative Drivers

EU and UK Directives are already in place....

- 1999/31/EC Directive on the landfill of waste
 - Sets targets for reduction of biodegradable municipal waste to landfill
 - Limits on biodegradable waste that can be landfilled
 - Penalty system imposed by English legislation in April 2005 (£150 per tonne) in connection with the Landfill Allowance Trading Scheme
 - Backed up by landfill tax already in legislation
 - Increases £8/t on 1 April each year until at least 2013
 - The current standard rate is £40/t
 - £21/t → £48/t in 4 years
- Waste and Emissions Trading Act 2003 (as amended)
 - Landfill Allowance Trading Scheme rewards recycling, implemented in April 2005
- Regulation (EC) No 1774/2002 and Animal By-Products Regulations 2005 (as amended) (replacing Animal By Products Regulations 2003)
 - Driven by the BSE crisis and Foot and Mouth outbreaks
 - Specific treatment methods for food waste from for example supermarkets, canteens and factories
- **...and they have created demand for recycling as a treatment option**