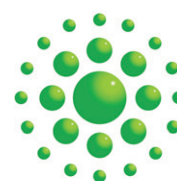


INVESTMENT CASE STUDY



RockTron (Widnes) Limited

recycling 100% of fly ash waste from coal-fired power stations

RockTron

Introduction

Scottish and Southern Energy's Ventures team was established in 2007 with the objective of growing SSE's portfolio of investments in SMEs whose products and services will strategically support the SSE Group's businesses. Additional benefits from investments include building SSE's progressive, sustainable brand, and developing staff know-how and an entrepreneurial culture. Investments are mainly made in cleantech products and services.

RockTron proprietary technology recycles waste fly ash from coal-fired power stations into a range of high quality eco-minerals in a system known as the RockTron Fly Ash Beneficiation Process. The products of this process can be used in concrete, cement, paints, coatings, flooring, plastics and electronics. SSE initially invested in RockTron in 2007.

Company overview and investment drivers

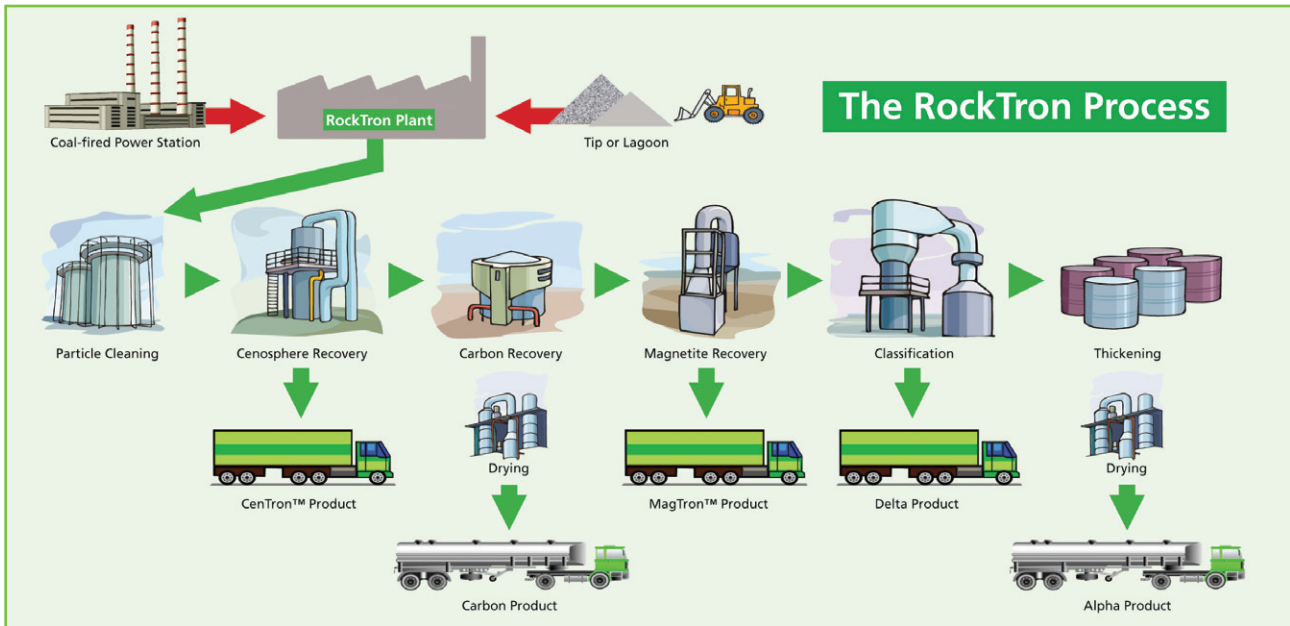
Fly ash is generated from the combustion of pulverised hard coal in coal-fired power stations. It is mainly derived from the inorganic component of the coal but also contains residual carbon from unburnt fuel (known as LOI). More than 500 million tonnes of fly ash per annum has been generated globally since 2005 and this figure has risen with the demand for energy in developing countries. Despite the significant advantages the minerals composing fly ash have to offer the industry, utilisation of this resource to date has remained relatively low due to the lack of processes able to purify and separate the individual component minerals.

The RockTron process recovers cementitious products that meet and exceed the minimum requirements of EN450 Categories A and S, alumino silicate cenospheres, spherical magnetite and unburnt carbon to a high quality for use in advanced polymers, electronic applications, high grade cement substitution and fillers for polymers, coatings, adhesives and other markets seeking light weight and strong materials. The company currently showcases the technology at a research and development and demonstration plant in Yorkshire, UK.

There are great opportunities for the utilisation of RockTron's proprietary technology. SSE currently has 4,363MW of coal-fired capacity, with fly ash a resulting by-product. It is expected that coal-fired electricity generation will remain a key part of the UK's energy mix for many years to come, albeit within certain

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environmental constraints. Economic and environmental drivers such as CO2 reduction measures, higher landfill duty (potentially up to £40/tonne) and the implementation of bonds for remediation of stockpiled ash sites will support the growth of the company and uptake of the technology by third parties.



Commercial, financial and legal issues

The parent company RockTron Limited has three subsidiaries through which it is exploiting and developing its technology: RockTron (Widnes) Limited, RockTron (Gale Common) Limited and RockTron Research Limited. SSE currently has a 49.9% shareholding in RockTron (Widnes) Limited. Equity and loan funding has been channelled into the construction of a full-scale commercial ash processing plant at SSE's Fiddler's Ferry power station, which was commissioned in February 2009 and where 15 million tonnes of fly ash are stockpiled for treatment. Over a period of up to 25 years, the RockTron plant at Fiddler's Ferry will remove and process all fresh ash produced by the power station, and much of that currently stored in lagoons at the site, up to a total of around 800,000 tonnes per annum. SSE has two seats on the board of RockTron (Widnes) Limited.

Synergy benefits

RockTron benefits from SSE's investment, which allows it to progress its business objectives, developing and proving its technology and constructing a commercial plant, and partnership, which provides the company with a guaranteed source of fly ash. SSE benefits from access to unrivalled technology which allows it to improve its environmental performance, and is also in a position to take advantage of the growth of the company as an investor and potentially through exit at a later stage.

October 2009