



Specialist services focused on  
managing hazardous wastes



# Interim Results

for the six months to 30 June 2014

September 2014

Presented by:

**Dr Stewart Davies, Chief Executive Officer**  
**Richard Laker, Group Finance Director**

- Headlines
- Highlights for H1 2014
- Market update
- Financial review
- Operational review
- Strategic update
- Outlook



# Market Sectors



Specialist services focused on managing hazardous wastes



ENERGY & CONSTRUCTION

- ▶ Energy from Waste
- ▶ Construction & Demolition

Waste treatment & disposal solutions



INDUSTRY & INFRASTRUCTURE

- ▶ Refineries & Chemicals
- ▶ Ports
- ▶ Waste management operators

Recovery of resources from wastes



NORTH SEA SERVICES

- ▶ Oil & Gas
- ▶ North Sea support services
- ▶ North Sea decommissioning

Complete waste services for North Sea



INTEGRATED SERVICES

- ▶ High Value Manufacturing
- ▶ Life Sciences
- ▶ Clinical

Integrated solutions for waste-producing clients



RADIOACTIVE WASTE SERVICES

- ▶ Nuclear Energy
- ▶ Oil & Gas waste Intermediaries
- ▶ Medical scanning & radiotherapy

Specialist treatment & disposal

# Sites & Services



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ENERGY & CONSTRUCTION

- ENRMF, Port Clarence, Thornhaugh
- Soil treatment
- EFW Ash stabilisation
- Hazardous Waste disposal
- Energy & mineral resources

Waste treatment & disposal solutions



INDUSTRY & INFRASTRUCTURE

- Avonmouth, East Kent, Paisley, Port Clarence WaRP
- Industrial wastewater treatment
- Industrial services
- Thermal recovery
- Secondary Fuels production

Recovery of resources from wastes



NORTH SEA SERVICES

- Aberdeen (x4) Lerwick
- Drilling waste management
- Water treatment
- Marine services
- Hazardous waste management
- Industrial services

Complete waste services for North Sea



INTEGRATED SERVICES

- Cannock, East Kent
- Client solutions
- Hazardous waste management
- Support services
- High temperature incineration

Integrated solutions for waste-producing clients



RADIOACTIVE WASTE SERVICES

- ENRMF, East Kent, Port Clarence
- Stabilisation
- Thermal treatment
- Secure disposal
- Client site services

Specialist treatment & disposal

- The Group continues to trade overall in line with management expectations for the full year
- Growth in Revenue and Profit Before Tax
- Continuing improving trend in ROCE
- Strong performance in Radioactive Waste Services and Energy & Construction
- Augean North Sea Services back on track
- AIS behind due to delays in securing East Kent contracted work
- Improving profitability in the Industry & Infrastructure division

# HIGHLIGHTS

FOR THE SIX MONTHS TO 30 JUNE 2014



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ENERGY &  
CONSTRUCTION

RADIOACTIVE  
WASTE SERVICES

- Revenue
  - Including landfill tax; increase of 7% to £24.9m (2013: £23.4m)
  - Excluding landfill tax; increase of 12% to £21.9m (2013: £19.6m)
- Profit
  - Adjusted PBT increase of 121% to £2.2m (2013: £1.0m)
  - EBITDA 101% increase to £4.4m;
  - EBITDA margin increased to 18.5% (2013: 12.7%)
- ROCE
  - Return on capital employed from continuing operations increased to 10.1%, from 8.3%
- Earnings per share
  - Total 1.49p (2013: 0.55p)
- Cash flow
  - From operations £1.9m (2013: £3.8m); free cash flow £0.3m (2013: £0.7m)
- Net debt
  - £8.9m (2013 Full Year: £8.5m)
  - Net debt to EBITDA 1.1x (2013 Full Year: 1.3x); Gearing at 18% (2013 Full Year: 18%)

## Energy & Construction:

- Landfill volumes grew by 8% over H1 2013

## Radioactive Waste Services:

- Increased sales revenues from radioactive waste disposal
- Total of 2,453 tonnes received

## Industry & Infrastructure:

- Divisional performance improved from 2013

## North Sea Services:

- Recovered following impact of poor sea conditions in Q1

## Integrated Services:

- AIS grew revenues ahead of plan
- East Kent shortfall in contracted sales



- Sale of Waste Networks completed
- New market-focused Divisions fully in place
- Radioactive Waste Services won place on LLWR Treatment framework
- East Kent acquisition
- 2013 investments in E&C's treatment facilities enabling higher activity
- Integrated Services key TWM contract win
- Re-focused Business Planning & Development function

# MARKET UPDATE



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WASTE SERVICES

- UK hazardous waste
  - Remained steady and competitive; opportunities exist in specialist areas
- UK land remediation
  - Small projects more active, no large high profile projects
  - Market requires wide range of treatment and disposal options
- APCR
  - Further strong growth over next 3 years as investment in new Energy from Waste incinerators continues
- Radioactives
  - LLW landfill supply chain well established
  - New treatment framework awarded
- North Sea oil & gas
  - Development drilling activity in the North Sea remains stable

# FINANCIAL REVIEW

## FOR THE SIX MONTHS TO 30 JUNE 2014



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	Six months ended June 2014 £000	Six months ended June 2013 £000	Change %
<b>Continuing operations</b>			
Revenue	24,729	21,002	18%
Operating expenses	(21,987)	(19,159)	
<b>Operating profit before exceptional items</b>	<b>2,742</b>	<b>1,843</b>	<b>49%</b>
Exceptional items	(201)	(106)	
<b>Operating profit</b>	<b>2,541</b>	<b>1,737</b>	<b>46%</b>
Finance charges	(374)	(259)	
Share of result of jointly controlled entity	(7)	(10)	
<b>Profit before tax</b>	<b>2,160</b>	<b>1,468</b>	<b>47%</b>
<b>Profit before tax and exceptional items</b>	<b>2,361</b>	<b>1,574</b>	<b>50%</b>
<b>Profit before tax from continuing and discontinued operations</b>	<b>1,943</b>	<b>901</b>	<b>116%</b>

	Six months ended June 2014 £000	Six months ended June 2013 £000	Change £000
Cash generated from operations	2,584	4,124	(1,540)
Finance charges paid	(352)	(165)	(187)
Tax paid	(337)	(197)	(140)
<b>Net operating cash flows</b>	<b>1,895</b>	<b>3,762</b>	<b>(1,867)</b>
Disposal of business	1,163	-	1,163
Purchases of property, plant and equipment	(3,160)	(3,087)	(73)
Purchases of intangible assets	(7)	-	(7)
Payments for equity in non-controlling interest	-	(312)	312
<b>Net investing cash flows</b>	<b>(2,004)</b>	<b>(3,399)</b>	<b>1,395</b>
Dividends paid	(349)	(249)	(100)
<b>Total change in net debt</b>	<b>(458)</b>	<b>114</b>	<b>(572)</b>
Opening net debt	(8,491)	(6,115)	
<b>Closing net debt</b>	<b>(8,949)</b>	<b>(6,001)</b>	

	Six months ended June 2014	Six months ended June 2013	Change
	£000	£000	£000
EBITDA	4,359	2,165	2,194
Tax/interest	(689)	(362)	(327)
East Kent VAT	(380)	-	(380)
Working capital: customers	(2,047)	(66)	(1,981)
Working capital: suppliers	607	1,701	(1,094)
Other	45	324	(279)
<b>Net operating cash flow</b>	<b>1,895</b>	<b>3,762</b>	<b>(1,867)</b>

	Six months ended June 2014 £000	Six months ended June 2013 £000
Total capital investment	(2,004)	(3,399)
Exclude acquisitions	1,554	312
Exclude disposals	(1,163)	-
	<b>(1,613)</b>	<b>(3,087)</b>
Net operating cash flows	1,895	3,762
<b>Free cash flow</b>	<b>282</b>	<b>675</b>



	30 June 2014 £000	31 Dec 2013 £000	Change £000
Goodwill and intangible assets	19,754	19,800	(46)
Property, plant and equipment	42,091	40,192	1,899
Other non-current assets	1,147	1,148	(1)
<b>Total non-current assets</b>	<b>62,992</b>	<b>61,140</b>	<b>1,852</b>
Net current assets (excluding cash and short term debt)	1,902	727	1,175
Waste Networks assets held for sale	-	1,200	(1,200)
Net debt	(8,949)	(8,491)	(458)
Provisions	(6,704)	(6,622)	(82)
<b>Net assets</b>	<b>49,241</b>	<b>47,954</b>	<b>1,287</b>
<b>Gearing</b>	<b>18%</b>	<b>18%</b>	

	Six months ended June 2014 £000	Six months ended June 2013 £000	Year ended December 2013 £000
<b><i>During the period:</i></b>			
Return on capital employed	10.1%	8.3%	9.1%
EBITDA	4,359	2,165	6,220
EBITDA margin	18.5%	12.7%	17.2%
Net operating cash flows	1,895	3,762	4,917
Capital investment	1,613	3,087	6,898
Free cash flow	282	675	(1,308)
<b><i>Closing debt levels:</i></b>			
Closing net debt	8,949	6,001	8,491
Gearing (net debt/equity)	18%	13%	18%
<b><i>Rolling 12 month bank covenants:</i></b>			
Net debt/EBITDA (target < 2.5x)	1.1x	1.1x	1.3x
EBIT/interest charge (target >2.0x)	12.5x	12.3x	12.3x

# OPERATIONAL REVIEW

FOR THE SIX MONTHS TO 30 JUNE 2014



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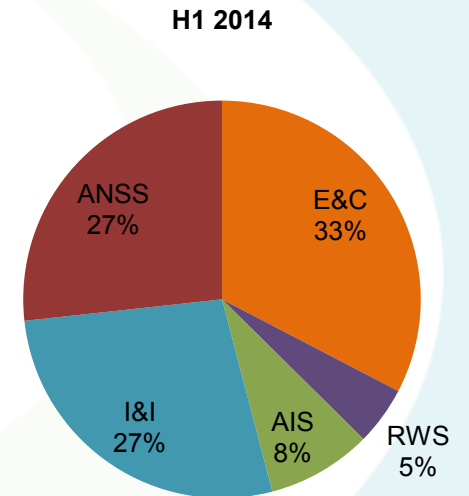
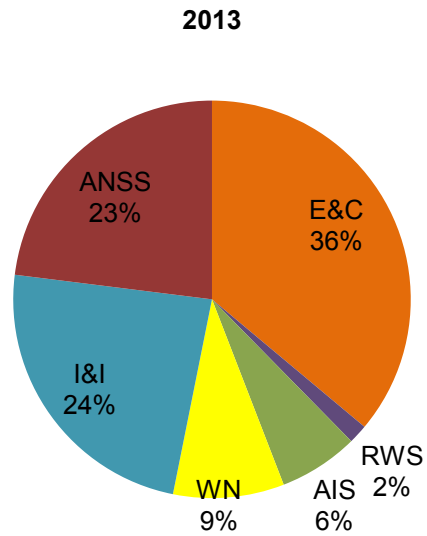
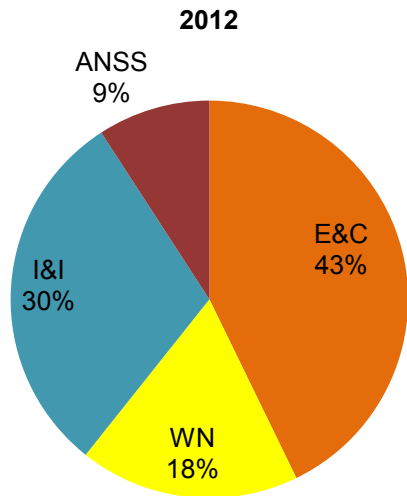
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RADIOACTIVE  
WASTE SERVICES

# Divisional contributions to Group revenues



Revenue net of landfill tax and inter segment trading

	Energy and Construction 2014 £'000	Radioactive Waste Services 2014 £'000	Land Resources 2013 £'000	Integrated Services 2014 £'000	Waste Networks Continuing 2013 £'000
<b>Revenue</b>					
Hazardous landfill activities	4,426	-	4,351	-	-
Non-hazardous landfill activities	210	-	616	-	-
Waste treatment activities	-	-	-	1,060	701
Energy generation	53	-	62	-	-
APCR management	3,107	-	2,467	-	-
Radioactive waste management	-	1,033	628	-	-
Processing of offshore waste	-	-	-	-	-
Rental offshore equipment & personnel	-	-	-	-	-
Waste management and transfer activities	-	-	-	958	519
Total revenue net of landfill tax	7,796	1,033	8,124	2,018	1,220
Inter-segment sales	(722)	-	(724)	(172)	(139)
<b>Revenue</b>	<b>7,074</b>	<b>1,033</b>	<b>7,400</b>	<b>1,846</b>	<b>1,081</b>
<b>Result</b>					
Operating profit/(loss) before exceptional items	2,924	703	3,191	(466)	(529)
Exceptional items	(25)	(25)	(21)	(32)	(19)
<b>Operating profit/(loss)</b>	<b>2,899</b>	<b>678</b>	<b>3,170</b>	<b>(498)</b>	<b>(548)</b>

	Waste Network discontinued 2014 £'000	Waste Network discontinued 2013 £'000	Industry and Infrastructure 2014 £'000	Industry and Infrastructure 2013 £'000	North Sea Services 2014 £'000	North Sea Services 2013 £'000
<b>Revenue</b>						
Hazardous landfill activities	-	-	-	-	-	-
Non-hazardous landfill activities	-	-	-	-	-	-
Waste treatment activities	-	-	<b>6,944</b>	6,287	-	-
Energy generation	-	-	-	-	-	-
APCR management	-	-	-	-	-	-
Radioactive waste management	-	-	-	-	-	-
Processing of offshore waste	-	-	-	-	<b>2,185</b>	2,662
Rental offshore equipment & personnel	-	-	-	-	<b>3,366</b>	1,345
Waste management and transfer activities	<b>219</b>	2,432	-	-	<b>309</b>	230
Total revenue net of landfill tax	<b>219</b>	2,432	<b>6,944</b>	6,287	<b>5,860</b>	4,237
Inter-segment sales	<b>(8)</b>	(77)	<b>(1,015)</b>	(1,737)	<b>(67)</b>	(28)
<b>Revenue</b>	<b>211</b>	2,355	<b>5,929</b>	4,550	<b>5,793</b>	4,209
<b>Result</b>						
Operating (loss)/profit before exceptional items	<b>(118)</b>	(560)	<b>(515)</b>	(590)	<b>302</b>	234
Exceptional items	-	(7)	<b>(94)</b>	(47)	<b>(25)</b>	(19)
<b>Operating (loss)/profit</b>	<b>(118)</b>	(567)	<b>(609)</b>	(637)	<b>277</b>	215

## **Energy & Construction – mix changing towards higher margin activities**

- Volumes growing from H1 2013
- APCR volumes grew by 17% from H1 2013 facilitated by investment during 2013 in site facilities
- Investment continuing, including £0.5m to enhance APCR facilities
- Management's initial expectations for 2014 are likely to be exceeded

## **Radioactive Waste Services – further progress**

- Increase in volumes disposed
- Majority of waste received under NDA framework
- Strategy to move up supply chain
- Initial management expectation maintained

## Augean Integrated Services – strong growth potential

- Growth in total revenues and improvement in profitability
- New Total Waste Management contracts secured in high value manufacturing
- Solids handling overhaul in 2013 at East Kent has improved stability
- Delays in securing new contracted waste streams for East Kent
- Behind operating profit plan although encouraging progress being made

£'000	2014	2013
AIS Cannock	(8)	(53)
East Kent	(458)	(476)
<b>Total AIS</b>	<b>(466)</b>	<b>(529)</b>



## **Augean North Sea Services – delivering growth strategy**

- Slow Q1 due to prolonged period of poor sea conditions
- Maintaining incumbency on drilling rigs
- Expanding in hazardous waste management
- External revenues growth of £1.6m over 2013 to £5.8m
- £0.4m capital investment
- Back on track for delivering management expectation for full year

## **Industry & Infrastructure – working towards higher margins**

- Impacted by North Sea slow Q1 reducing volumes of drill cuttings
- Improving performance at processing sites
- Year on year improvement in external revenue to £5.9m from £4.6m
- Despite delays confident of improved profitability for 2014

# STRATEGIC UPDATE



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**INTEGRATED  
SERVICES**

**INDUSTRY &  
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**ENERGY &  
CONSTRUCTION**

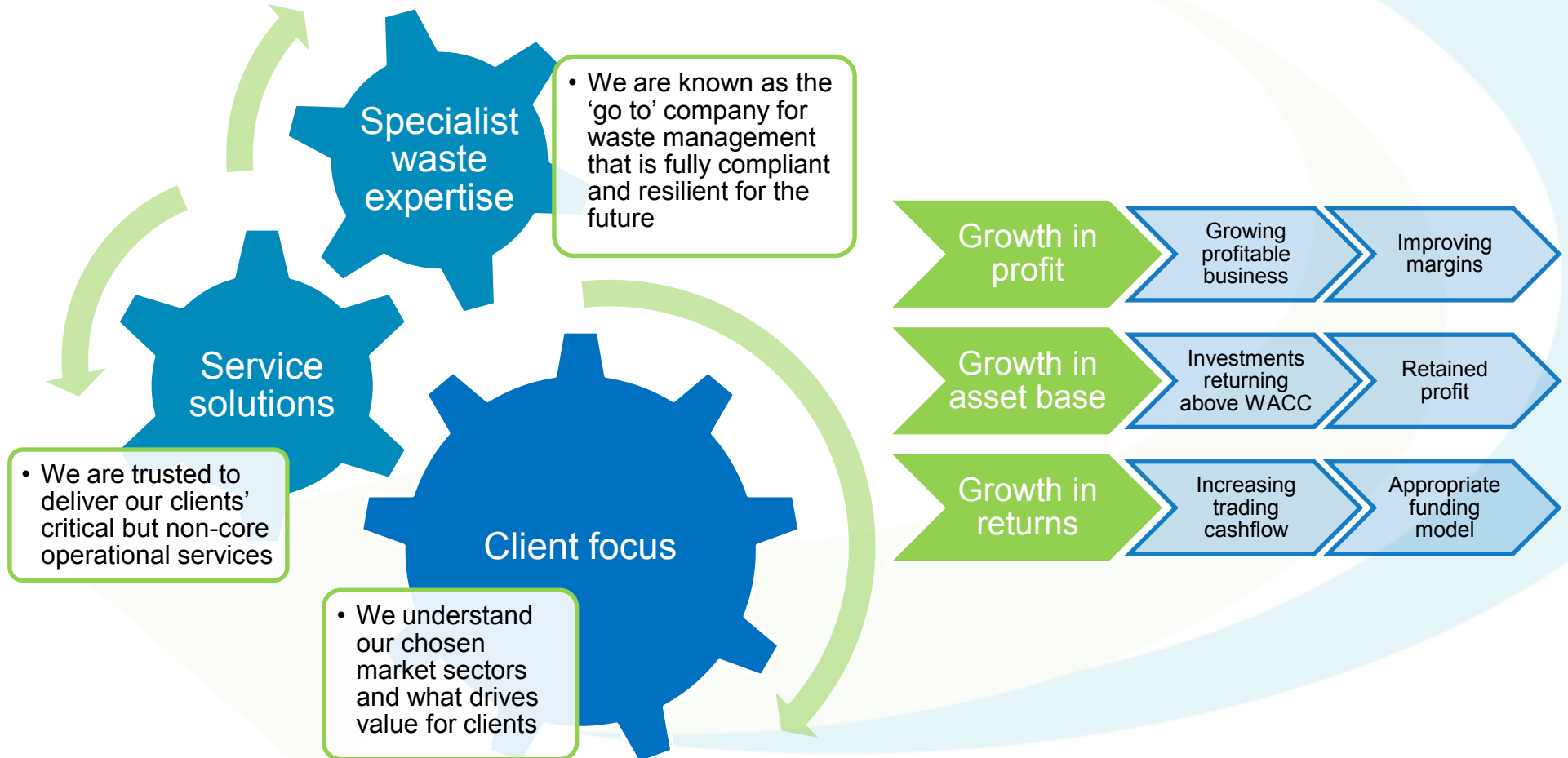
**RADIOACTIVE  
WASTE SERVICES**

- Enhancing market focus through new organisation thereby generating more quality opportunities
- Investing in business development to support organic growth
- Offering ‘one Augean’ solutions, including our HTI capacity, is winning new clients
- Expanding sales pipeline through added-value services
- Building capability to increase service offerings – potential for acceleration through acquisition

develop sustainable market positions

to

grow shareholder value



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# OUTLOOK



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RADIOACTIVE  
WASTE SERVICES

- Strong performance in the Energy & Construction division, anticipated to continue ahead of initial management expectations.
- Radioactive Waste Services division expected to normalise after exceptionally strong first half
- Improvements seen in Augean Integrated Services, making progress at East Kent
- ANSS recovered from slow first quarter
- Continuing improvement in profitability at Industry & Infrastructure
- The Group continues to trade overall in line with management expectations for the full year



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