



September 2012

Presented by: Paul Blackler – Chief Executive

Richard Allen – Finance Director

# Interim Results

for the six months to 30 June 2012





# Agenda

- Highlights
- Market update
- Financial review
- Operational review
- Strategic update
- Outlook





# Highlights





## Financial highlights H1 2012

- Revenue
  - Including landfill tax; increase of 3% to £20.0m (2011: £19.4m)
  - Excluding landfill tax; increase of 9% to £17.5m (2011: £16.0m)
- EBITDA
  - Fell to £3.0m following exceptional project costs (2011: £3.5m)
- Operating profit
  - Adjusted £1.2m (2011: £0.2m); Total £0.9m (2011: £0.4m)
- Profit before tax
  - Adjusted £0.9m (2011: loss £(0.1)m); Total £0.5m (2011: £0.1m)
- Cash flow
  - From operations £1.0m (2011: £1.8m) following capital payments
- Net debt
  - Increased to £6.6m (2011: £3.5m) following investments
  - Maintained covenant compliance



## Operations and strategic highlights H1 2012

- Increasing sales volumes from remediation activity
- Challenging markets for waste transfer and treatment
- Price and disposal cost control improving operating margins
- Investment continues in waste treatment capabilities
  
- LLW disposal successfully commenced at ENRMF
- Minerals extraction commenced at Cooks Hole
- 10 year agreement signed to operate a high temperature incinerator, with energy recovery
- Augean North Sea Services acquired and operating in North Sea waste markets
  
- Reduction of capital approved by the High Court
- *(Approval of planning permission to extend ENRMF site life to December 2016)*





# Market update

for activities during 2012





## The UK hazardous waste markets

- Volumes of waste arising are flat
  - Landfill tax and economy impacting total hazardous outputs
  - Limited growth expected in the medium term
  - New LLW market emerging gradually
- Price pressures continue
  - Landfill exemption certificates expired on 1 April 2012
  - Gradual reduction of market price for larger contracts and volume activities
  - Opportunities to reduce disposal prices
- Waste hierarchy development continues
  - Recycling & recovery solutions attractive to customers
- No significant new technologies emerging
  - Proven technology available in Europe and USA



# Financial review

for the six months to 30 June 2012







## Group statement of comprehensive income

	H1 2012 £'000	H1 2011 £'000	FY 2011 £'000
<b>Continuing operations</b>			
Revenue	19,986	19,412	37,459
Operating expenses	(18,786)	(19,218)	(35,814)
<b>Operating profit before exceptional items</b>	<b>1,200</b>	194	1,645
Exceptional items	(318)	230	331
<b>Operating profit</b>	<b>882</b>	424	1,976
Finance charges	(332)	(300)	(571)
Share of result of jointly controlled entity	(10)	(8)	(16)
<b>Profit before tax</b>	<b>540</b>	116	1,389
Profit/(loss) before tax and exceptional items	858	(114)	1,058
Tax	(210)	-	193
<b>Profit for the period and total comprehensive income</b>	<b>330</b>	116	1,582
<b>Earnings per share</b>			
Basic and diluted	0.33p	0.12p	1.59p



## Group statement of financial position

	<i>Adjusted H1 2012 £'000</i>	<b>H1 2012 £'000</b>	H1 2011 £'000	FY 2011 £'000
<b>Non-current assets</b>				
Goodwill		<b>21,705</b>	21,705	21,705
Property, plant and equipment		<b>38,535</b>	34,058	35,415
Deferred tax asset		<b>852</b>	4	854
Others		<b>548</b>	527	541
		<b>61,640</b>	56,294	58,515
<b>Current assets</b>		<b>9,146</b>	9,387	7,881
<b>Current liabilities</b>		<b>(9,947)</b>	(9,685)	(9,949)
<b>Net current liabilities</b>		<b>(601)</b>	(298)	(1,868)
<b>Non-current liabilities</b>		<b>(12,917)</b>	(10,683)	(9,784)
<b>Net assets</b>	<i>48,122</i>	<b>48,122</b>	45,313	46,863
<b>Equity</b>				
Share capital	<i>9,970</i>	<b>9,970</b>	9,970	9,970
Share premium account	<i>0</i>	<b>114,960</b>	114,960	114,960
Retained losses	<i>0</i>	<b>(77,688)</b>	(79,617)	(78,067)
<i>Special profit reserve</i>	<i>37,272</i>	<b>0</b>	0	0
<b>Equity attributable to owners of the parent</b>	<i>47,242</i>	<b>47,242</b>	45,313	46,863
Non-controlling interest	<i>880</i>	<b>880</b>	-	-
<b>Total equity</b>	<i>48,122</i>	<b>48,122</b>	45,313	46,863



## Group statement of cash flows

	H1 2012	H1 2011	FY 2011
	£'000	£'000	£'000
<b>Operating activities</b>			
Cash generated from operations	1,184	1,978	4,713
Finance charges paid	(165)	(151)	(469)
Tax paid	-	-	(123)
<b>Net cash generated from operating activities</b>	<b>1,019</b>	<b>1,827</b>	<b>4,121</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment	(1,566)	(1,398)	(4,186)
Purchase of businesses (net of cash and cash equivalents acquired)	(2,043)	-	-
Others	(30)	(4)	(13)
<b>Net cash used in investing activities</b>	<b>(3,639)</b>	<b>(1,402)</b>	<b>(4,199)</b>
<b>Net cash used in financing activities</b>	<b>2,620</b>	<b>(552)</b>	<b>(78)</b>
<b>Net change in cash and cash equivalents</b>	<b>-</b>	<b>(127)</b>	<b>(156)</b>



## Financial ratios

### Financial Ratios

	H1 2012 £'000	H1 2011 £'000	FY 2011 £'000
Net Debt	<b>(6,588)</b>	(3,465)	(3,968)
Cash interest	<b>(165)</b>	(151)	(469)
EBITDA	<b>3,047</b>	3,488	6,479
Net operating cash flow	<b>1,019</b>	1,827	4,121
Capital investment	<b>(1,566)</b>	(1,398)	(4,186)
Equity	<b>48,122</b>	45,313	46,863
Free cash flow	<b>(738)</b>	210	(479)
Net debt / Equity (%)	<b>13.7%</b>	7.6%	8.5%
Rolling 12 month covenants			
Net debt / EBITDA (Covenant target <2.5x)	<b>1.0x</b>	0.5x	0.6x
EBIT / cash interest (Covenant target >2.0x)	<b>12.2x</b>	4.9x	8.7x

Note: FCF = net operating cashflow less capital investment and finance lease payments



# Operational review

for the six months to 30 June 2012





# Group structure and sources of revenue





## Divisional performance: operating segments

	Land Resources division	Waste Network division	Oil and Gas division	North Sea Services subsidiary	Group
	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>					
Hazardous landfill activities	6,630	-	-	-	6,630
Non-hazardous landfill activities	730	-	-	-	730
Waste treatment activities		125	5,300	-	5,425
Energy generation	74	-	-	-	74
APCR management	1,886	-	-	-	1,886
Low Level Waste management	62	-	-	-	62
Processing of offshore waste	-	-	-	362	362
Rental of offshore equipment and personnel	-	-	-	220	220
Waste transfer activities	-	2,537	-	-	2,537
<b>Total revenue net of landfill tax</b>	<b>9,382</b>	<b>2,662</b>	<b>5,300</b>	<b>582</b>	<b>17,926</b>



## Divisional performance

### **Land Resources**

- Sales revenues growing year on year
- Increasing contribution from Remediation Centres (43% volume increase)
- Price competition offset by treatment solutions
- LLW disposal underway
- Investment in stabilisation plant and bio-remediation facilities

### **Waste Network**

- Sales revenues impacted by transfer of ash activities to LR Division
- Sales growth limited in current economic conditions
- Focus on disposal costs improved gross margin by 5%
- East Kent facility operational and incurring set up costs
- Sales overhead maintained to drive sales growth





## Divisional performance

### **Oil & Gas Services**

- Activities re-focused onto profitable revenue streams
- Improvement to gross margins (4%-8%)
- Gradual improvement to ITD throughput
- New Industrial Services activities; margin enhancing
- Developing working relationships with ANSS
- Sales overhead maintained to drive sales growth

### **Augean North Sea Services**

- First month of trading included in H1 results
- Revenue derived from offshore waste management and onshore waste treatment activities
- Borrower within the Group banking facilities



# Strategic update





## New Divisions: activity, asset and market focus

DIVISION	WASTE TYPE	MARKETS	ASSETS
<b>Land Resources</b>	<ul style="list-style-type: none"> <li>• Soils</li> <li>• Asbestos</li> <li>• Ash</li> <li>• VLLW &amp; LLW</li> <li>• Minerals</li> </ul>	<ul style="list-style-type: none"> <li>• Remediation companies</li> <li>• Construction companies</li> <li>• Incinerators</li> <li>• Site Licence Companies (SLC's)</li> </ul>	<ul style="list-style-type: none"> <li>• East Northants Resource Management Facility</li> <li>• Thornhaugh</li> <li>• Port Clarence</li> <li>• Laboratory Services</li> <li>• Cooks Hole</li> </ul>
<b>Waste Network</b>	<ul style="list-style-type: none"> <li>• Chemicals</li> <li>• All wastes</li> </ul>	<ul style="list-style-type: none"> <li>• SME's</li> <li>• Waste companies</li> </ul>	<ul style="list-style-type: none"> <li>• Worcester</li> <li>• Hinckley</li> <li>• Rochdale</li> <li>• Cannock</li> <li>• Group Transport</li> </ul>
<b>Oil &amp; Gas</b>	<ul style="list-style-type: none"> <li>• Drill cuttings</li> <li>• Rig wastes</li> <li>• Oils slops (Marpol)</li> <li>• Oil/Water mixes</li> <li>• Oil sludge</li> <li>• Filters</li> <li>• Rags</li> </ul>	<ul style="list-style-type: none"> <li>• Offshore service companies</li> <li>• Decommissioning companies</li> <li>• Refineries</li> <li>• Garages</li> <li>• Oil treatment</li> <li>• Waste network</li> </ul>	<ul style="list-style-type: none"> <li>• Waste Recovery Park</li> <li>• Avonmouth</li> <li>• Paisley</li> <li>• Industrial Services</li> <li>• Aberdeen</li> </ul>
<b>North Sea Services</b>	<ul style="list-style-type: none"> <li>• Drill cuttings</li> <li>• Drilling muds</li> <li>• Slops</li> <li>• Hazardous wastes</li> <li>• NORM</li> </ul>	<ul style="list-style-type: none"> <li>• Northern &amp; Southern North Sea</li> <li>• Aberdeen</li> <li>• Shetland</li> <li>• Yarmouth</li> <li>• (Norwegian &amp; Dutch territories)</li> </ul>	<ul style="list-style-type: none"> <li>• Aberdeen</li> <li>• Woodside Road</li> <li>• Pocrá Quay</li> <li>• Lerwick</li> </ul>



## Strategy: Low Level Waste (LLW)

- Legal process
  - Appeals heard and rejected by the High Court and Court of Appeal
  - Planning permission has been confirmed as lawful, allowing operations
- Operational readiness
  - All environmental requirements satisfied
  - Specific EL and PL insurance in place
  - Full training of staff at site
  - First consignments received successfully (VLLW)
- Commercial pipeline
  - LLWR framework in place for NDA estate
  - Agency agreement for non-nuclear sites
  - Prices range £150 - £850/te (VLLW – LLW)
  - Expecting H2 2012 volumes up to 2,000 tonnes, delivering £1m PBT



## Strategy: Minerals extraction

- Planning permission secured at Cook's Hole
- Limestone (3m tonnes) and sand (1m tonnes) available
- Tender process completed & partner selected
- Certain rent of £175k p.a.
- Royalties based on volume extracted
- Site expected to support 10-20 years of activity, depending on rate of extraction



## Strategy: Offshore waste management

- Formation of Augean North Sea Services Ltd
  - 70% / 30% joint venture
  - £2.05m investment, plus £1.0m debt
  - Using established assets & resources
- Management of wastes on drilling rigs
- Drill cuttings treatment at Port Clarence
- Slops (water) treatment in Aberdeen
- Other waste streams available (e.g. NORM)
- Future medium-term decommissioning opportunities
- Revenues expected at £6.0m p.a. from 2013
- EBITDA £0.7m and EBIT £0.4m p.a.



## Strategy: Incineration

- Lease of former Pfizer assets at Sandwich Kent
- Includes high temperature incinerator
- 10,000 tonne per annum capacity
  
- One of only 3 commercial facilities in the UK
- Energy recovery (as steam) provides USP
- Additional land assets available for development
  
- Prices range from £50/tn to £1000/tn
- Expected EBITDA ranging from £0.3m to £0.5m p.a.

The logo for Augean PLC features a stylized green and blue circular arrow icon to the left of the company name. The word "Augean" is in a large, blue, sans-serif font, and "PLC" is in a smaller, blue, sans-serif font to its right.

## Augean<sub>PLC</sub> Strategy: Energy

- Two sites now deliver gas-fired electricity (£0.2m p.a.)
- Smaller scale gas options still remain
- Wind energy on hold pending PCWRP review
- Small scale energy from waste plants under investigation
- Oil recovery and conversion to fuel under development at PCWRP





# Outlook for 2012





## Outlook for 2012

- Competitive market with little or no growth
- Land remediation projects slowed over summer period
- New divisions fully operational and targeting new direct customers
- Material contribution expected from LLW contracts during Q4
- Integration of incineration, offshore and minerals activities
- Capital investment £3.5m
- Profit before tax forecast: £2.7m

