

Interim results for the six months ended 30 June 2009

September 2009

Presented by:

Paul Blackler – Chief Executive

Peter Southby – Finance Director

Highlights

- Period challenging as key client sectors suffer from downturn
- Full commissioning of the ITD process at the Waste Recovery Park
- Application submitted for the authorisation to manage Low Level Waste (LLW)
- Opportunities to extend MECO technologies
- Landfill tax consultation underway, claim for overpaid tax submitted
- Actions taken to reduce cost base to adapt to difficult trading environment
- Placing of 34,210,522 ordinary shares at 38 pence per share to raise £13m before expenses

Interim results - Financial overview

- Revenue excluding landfill tax of £15.0m (2008: £16.8m)
- Underlying operating profit of £1.5m (2008: £2.3m)
- Underlying profit before tax of £1.0m (2008: £1.2m)
- Adjusted earnings per share of 1.5p (2008: 1.8p)
- Cash flow from operations of £3.0m (2008: £4.3m)
- Net debt of £18.0m (2008: £20.4m)

Income statement

	2009 H1 £'000	2008 H1 £'000
Revenue	16,767	18,603
Revenue excluding landfill tax	15,015	16,837
Underlying operating profit*	1,500	2,267
Exceptional items	(281)	(246)
Operating profit	1,219	2,021
Finance charges	(558)	(911)
Share of result of jointly controlled entity	12	(151)
Profit before tax	673	959
Underlying profit before tax*	954	1,205
Tax	-	-
Retained profit for the period	673	959
Basic and diluted earnings per share	1.0p	1.5p
Adjusted earnings per share (pre-exceptional items)	1.5p	1.8p

* Adjusted for exceptional items

Balance sheet

	2009 H1 £'000	2008 H1 £'000
Goodwill and intangibles	77,945	78,489
Property, plant and equipment	34,452	32,538
Current assets	7,574	9,745
Current liabilities	(9,974)	(10,706)
Non-current liabilities	(4,147)	(5,257)
	105,850	104,809
Shareholders' equity	87,804	84,419
Net debt	18,046	20,390
	105,850	104,809
Gearing	21%	
Facility	£31m	

Successful Fundraising

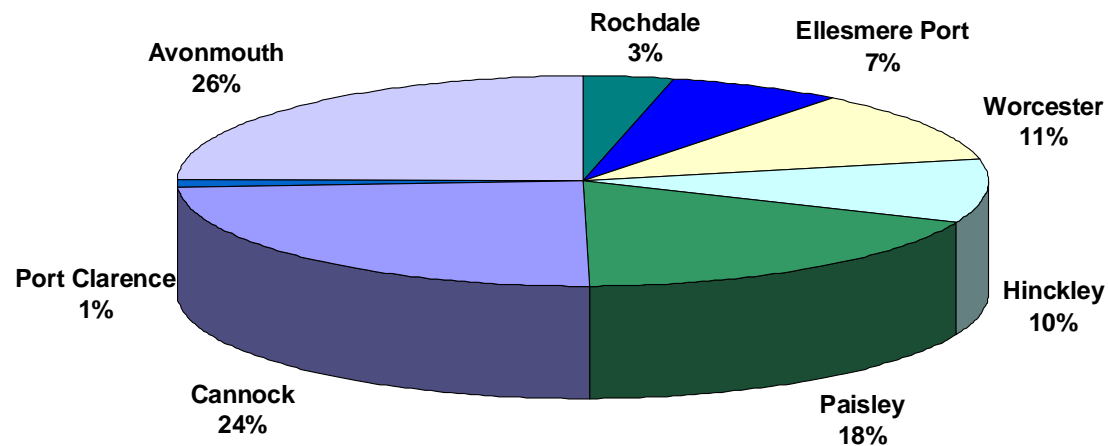
- Placed 34,210,522 new ordinary shares at 38 pence per share to raise £13m before expenses
 - With existing and new institutional investors
- Funds raised will be used to reduce debt and provide working capital for growth
- Cashbox structure with two tranches
- Director participation pro rata to existing share holdings

Cash flow

	2009 H1 £'000	2008 H1 £'000
EBITDA	3,228	4,041
Working capital	29	268
Operating cash flow before provisions	3,257	4,309
Provisions	(293)	(50)
Operating cash flow	2,964	4,259
Tax & interest	(738)	(1,143)
Capital expenditure	(3,491)	(2,614)
Free cash flow	(1,265)	502
Acquisitions	-	(713)
Movement in net debt	(1,265)	(211)

Treatment division

- Revenue of £8.6m (2008: £12.3m)
- Operating loss of £1.1m (2008: £1.2m profit)
- Cannock facility suffering commissioning issues – under review
- Hitech earnout period completed
- Avonmouth biological treatment plant upgrade and new VIR technology



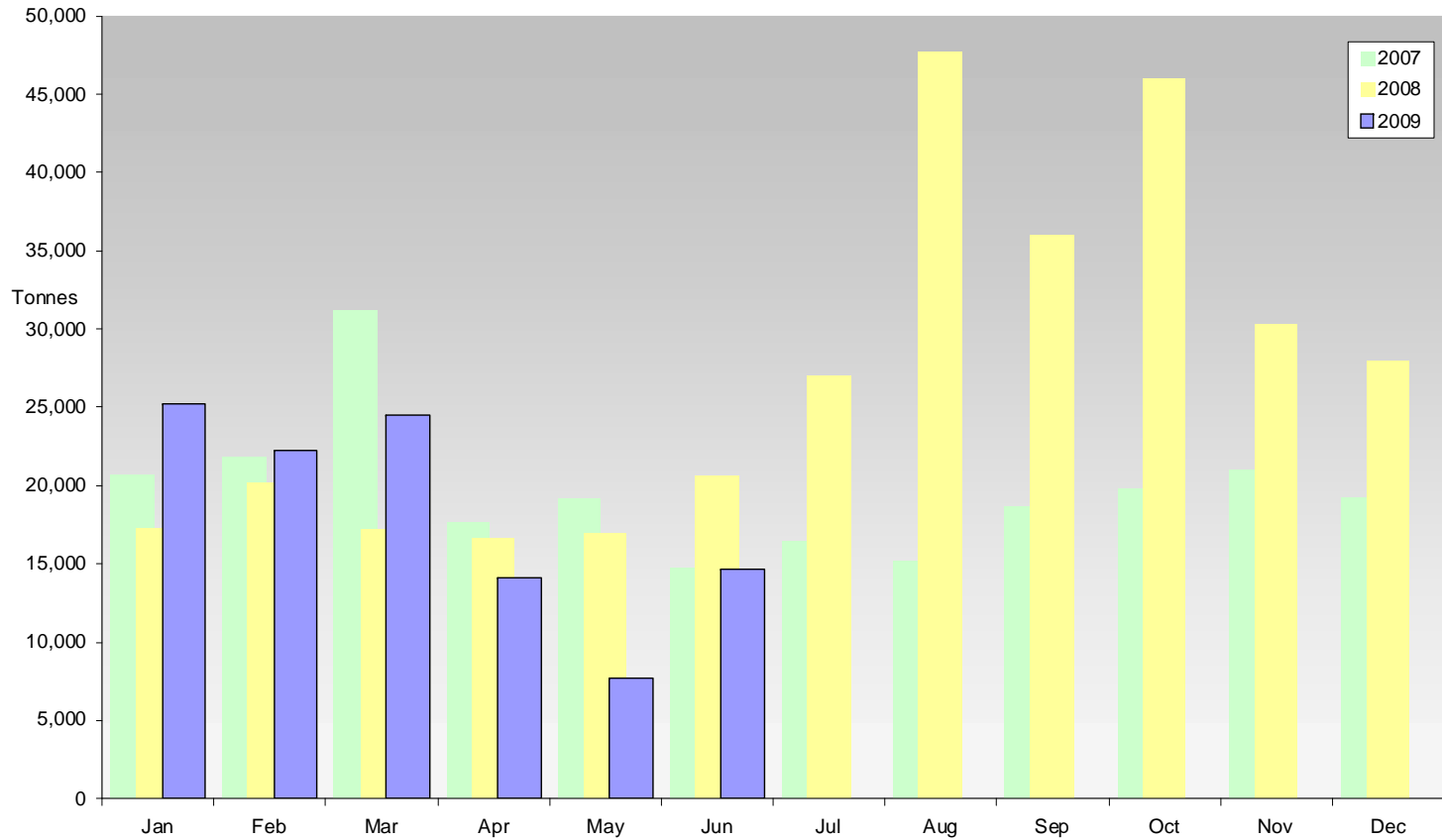
Treatment division H1 2009 revenue by site

Landfill division

	2009 H1 Tonnes	2008 H1 Tonnes		2008 H2 Tonnes	
Hazardous	108,523	108,693	-0%	214,824	-49%
Non-hazardous	28,719	19,680	+9%	35,536	-19%
Total	137,242	128,373	+7%	250,360	-45%

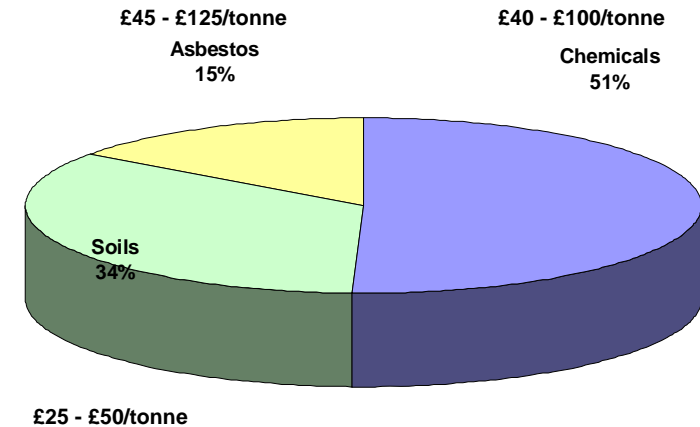
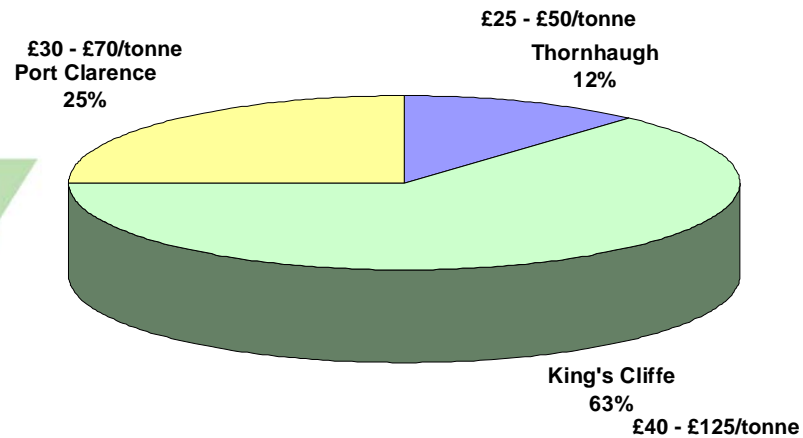
- Revenue net of landfill tax of £7.3m (2008: £5.4m)
- Operating profit of £2.6m (2008: £1.1m)
- Margin of 35% (2008: 20%)
- Olympics volumes of H2 2008 now ceased
- Landfill tax claim in progress

Hazardous volumes



- Material downturn in volumes in Q2

Hazardous volumes/prices



- King's Cliffe premium site
- Chemicals & asbestos higher value than soils
- Some pressure on prices to maintain volume

Operational highlights

Treatment division

- Development slowed by recessionary markets - some of its clients simply shut up shop – no productivity = no waste
 - Automotive
 - Chemical
 - Commodities e.g. waste oil market
- Operationally geared business – capable of delivering the service to a recovering market – adjustments made to adapt to trading environment
- Strong sales management – market share focus
- Strategy of strong regional centres capable of offering the Group’s broad range of services key to the future
- Installation of technology and the asset base means the division is invested for any market improvement

Operational highlights

Landfill division

- >50% UK's consented hazardous landfill void
- Scarce assets in the UK – not to be underestimated
- The construction and brownfield markets have been slow, any recovery will benefit the division
- The opportunity in the emerging decommissioning markets (low volume/higher value)
- Operationally geared business
- Very simple return on investment case
 - tonnes/price/mix/volume

Operational highlights

Waste Recovery Park

- Full commissioning of the Indirect Thermal Desorption (ITD) process
- Open days completed with major client base
- Transfer station fully commissioned
- Wastes received from refinery and oil sector
- Commissioning data very encouraging with process achieving higher production rates
- Current inputs strong
- Projects underway to develop Anaerobic Digestion (AD), Waste to Energy (WtE) and a wind farm

Strategic Opportunities (1)

Low level waste (LLW)

- New rules established in 2008 for the management of certain wastes with radioactivity
- Applies to both nuclear & non-nuclear sectors
- Current UK capacity insufficient to manage inventory
- Complex authorisation process
- Augean first to prepare application
- Application submitted July 2009, 4 month stat period
- Public consultation process commenced May 2009
- Working with NDA, UKAEA and LLWR
- Application for 200Bq/g which will include VLLW & certain LLW waste streams

Strategic Opportunities (2)

Refineries

- Development of a site services business
- Extension of current activities to MOBILE services
- Integrate Augean's current services
- Targeting repeat & maintenance business
- Business model developed around patented MECO technology
- Significant improvement from current service – **green credentials**
- The thermal recovery technology utilises Infra Red thermal transfer techniques thus no combustion
- Target major refineries in the UK

Strategic Opportunities (3)

Offshore drilling markets

- JVC to be formed with MECO Environmental specifically for this market
- Recovery technology – reclaims drill cutting fluids
- Business model in 3 stages
 - Waste brought to land based facility
 - Separation technology on drilling platform or mobile facility
 - Separation and thermal recovery on drilling platform
- Large market to serve – 80 - 150Ktpa

Strategic Opportunities (4)

Gasification – energy

- Planning consent granted at WaRP
 - Permit issued - requires pre-operational conditions only
 - Proven technology identified
 - Business model based on forestry waste
 - Option to substitute general waste wood
 - Construction anticipated to commence 2010
 - Projected income from 2011
 - Income from Renewable Obligation Certificates (ROC)
 - Augean asset backed business
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- Current agreement for 20% equity in business – with further investment opportunities

Summary projections

	2010 £'m	2011 £'m
Net revenue	34.2	36.5
EBITDA	8.8	10.3
PBT	3.4	7.3
Free cash flow	2.2	4.7

- Assumes steady core Landfill, some economy-related improvement in Treatment
- Some impact of strategic opportunities in 2010, but more significant in 2011
- Capex assumed at £4m per annum

Outlook

- Business platform well positioned as economy starts to recover
- Fully invested – business now focused on delivering return on investment and value from its assets
- Maintenance capital structure – business now ready to deliver investment without further capital injection
 - Balance Sheet strengthened through fundraising
- New initiatives extend into wider markets
- New management team providing strong sector experience
- Confident through the worst of the downturn
- Sales focused - trading out – market share focus
- Creating a true specialist in the market



Augean PLC

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Strong experienced new management team

