

# Preliminary results for the year ended 31 December 2008

March 2009

Presented by:

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# Period highlights

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- Strong cash generation
- Construction of first phase of Waste Recovery Park
- Upgrade of the Cannock facility
- Significant contract wins and record landfill tonnages
- Strengthened management team
- Economic downturn affecting treatment division
- Sales team development
- New authorisation for decommissioning projects in pipe
- Acquisition of Astec – specialist in laboratory chemicals

# Financial overview

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- 61% increase in revenue excluding landfill tax to £36.3m
- 25% increase in underlying operating profit to £6.2m
- 9% increase in underlying profit before tax to £4.0m
- 25% increase in adjusted earnings per share to 7.1p
- 51% increase in cash flow from operations to £11.6m
- Net debt reduced by £3.4m to £16.8m

# Income statement

|   | 2008<br>£'000 | 2007<br>£'000 |
|---|---------------|---------------|
| Revenue   | 40,081        | 26,302        |
| Revenue excluding landfill tax                      | 36,253        | 22,565        |
| <b>Underlying operating profit*</b>                 | <b>6,157</b>  | <b>4,924</b>  |
| Exceptional items                                   | (996)         | (27,617)      |
| Operating profit/(loss)                             | 5,161         | (22,693)      |
| Finance charges                                     | (1,844)       | (1,096)       |
| Share of loss of joint venture                      | (292)         | (124)         |
| Profit/(loss) before tax                            | 3,025         | (23,913)      |
| <b>Underlying profit before tax*</b>                | <b>4,021</b>  | <b>3,704</b>  |
| Tax   | 621           | -             |
| Retained profit/(loss)                              | 3,646         | (23,913)      |
| Basic and diluted earnings per share                | 5.6p          | (36.5p)       |
| Adjusted earnings per share (pre-exceptional items) | 7.1p          | 5.7p          |

\* Adjusted for exceptional items

# Balance sheet

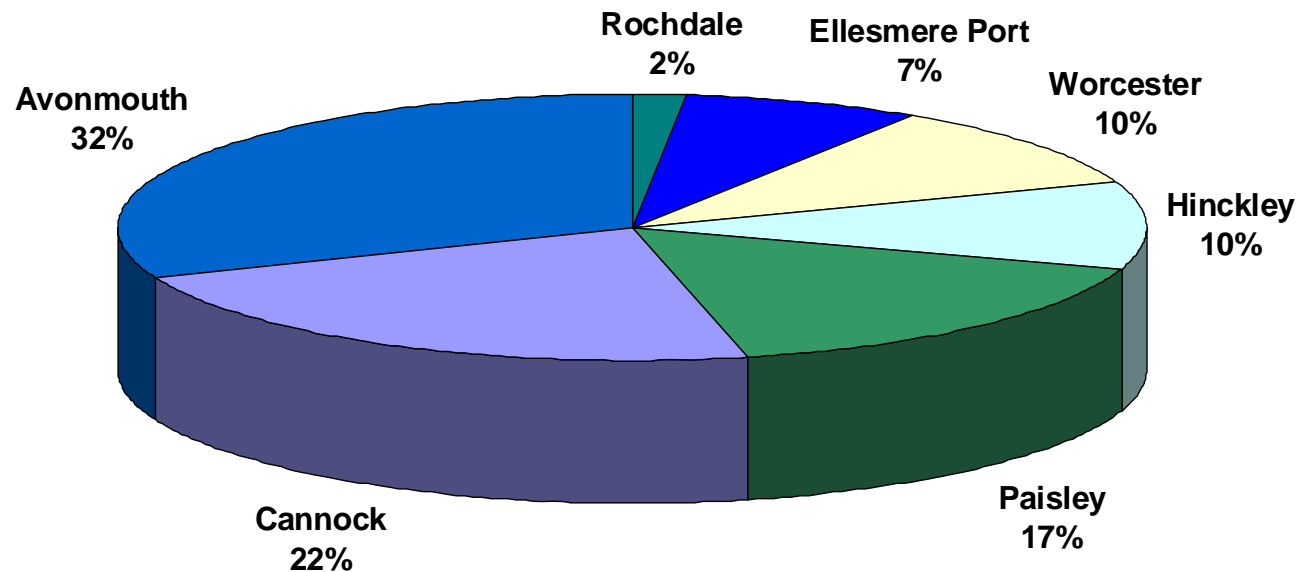
|                               | 2008<br>£'000 | 2007<br>£'000 |
|-------------------------------|---------------|---------------|
| Goodwill and intangibles      | 77,985        | 77,610        |
| Property, plant and equipment | 33,176        | 31,500        |
| Current assets                | 9,097         | 8,340         |
| Current liabilities           | (11,772)      | (9,127)       |
| Non-current liabilities       | (4,601)       | (4,762)       |
|                               | 103,885       | 103,561       |
| Shareholders' equity          | 87,104        | 83,382        |
| Net debt                      | 16,781        | 20,179        |
|                               | 103,885       | 103,561       |
| <b>Gearing</b>                | <b>19%</b>    |               |
| <b>Facility</b>               | <b>£34m</b>   |               |

# Cash flow

|                                       | 2008<br>£'000 | 2007<br>£'000 |
|---------------------------------------|---------------|---------------|
| EBITDA                                | 10,498        | 8,331         |
| Working capital                       | 1,176         | 5             |
| Operating cash flow before provisions | 11,674        | 8,336         |
| Provisions                            | (43)          | (622)         |
| Operating cash flow                   | 11,631        | 7,714         |
| Tax & interest                        | (2,130)       | (968)         |
| Capital expenditure                   | (5,333)       | (3,537)       |
| Free cash flow                        | 4,168         | 3,209         |
| Acquisitions                          | (770)         | (11,708)      |
| Finance leases acquired               | -             | (793)         |
| Movement in net debt                  | 3,398         | (9,292)       |

# Treatment division

- Revenue of £22.3m (2007: £10.5m)
- Operating profit of £1.2m (2007: £1.5m)
- Bolt-on acquisition completed for £1m



Treatment division turnover by site

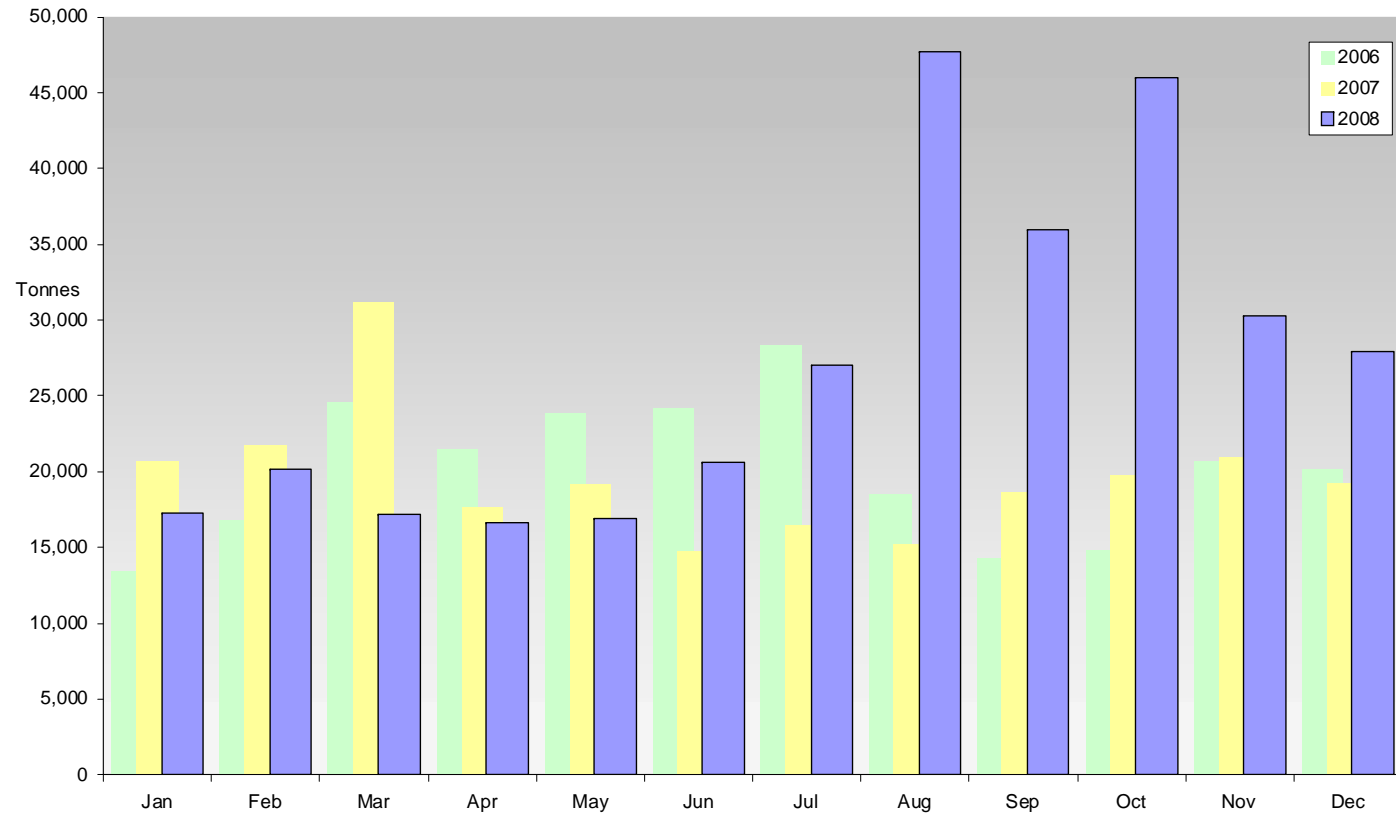
# Landfill division

|               | 2008 H1<br>Tonnes | 2008 H2<br>Tonnes | 2008<br>Tonnes | 2007<br>Tonnes |             |
|---------------|-------------------|-------------------|----------------|----------------|-------------|
| Hazardous     | 108,693           | 214,824           | 323,517        | 235,461        | +37%        |
| Non-hazardous | 19,680            | 35,536            | 55,216         | 69,250         | -20%        |
| <b>Total</b>  | <b>128,373</b>    | <b>250,360</b>    | <b>378,733</b> | <b>304,711</b> | <b>+24%</b> |

- Revenue net of landfill tax of £15.6m (2007: £13.8m)
- Operating profit of £4.9m (2007: £3.4m)
- Margin of 32% (2007: 25%)

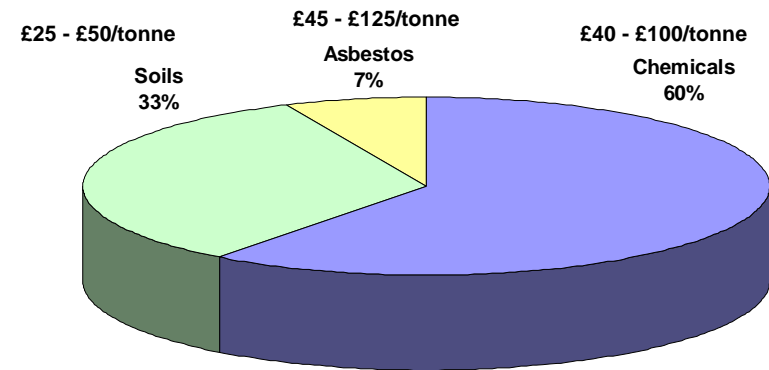
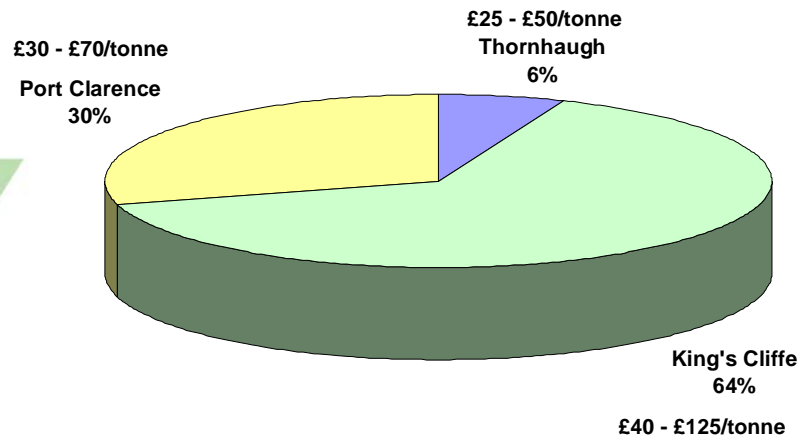


# Hazardous volumes



- Material upturn in volumes after June
- Steady start to 2009 despite weather difficulties

# Hazardous volumes/prices



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

# UK hazardous waste market

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- 7% growth in production trends
- Market size circa 6m tpa (2007)
- More hazardous waste being treated & recycled
- Statistic showing fate of wastes
- Ban on open mixing
- Large opportunities to develop more sophisticated capacity
- Markets becoming stricter (in part)
- Still a distance to go in developing a consistent market

# Market position

- National geographical reach
- Creating regional markets
- Multi-service centres
- Complementary capabilities
- Treatment division growth
- Asset enhancement programme
- Growing market share



# Development programme

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- Planning



- Infrastructure



- Permitting




- Operations

- Transfer station – Paisley
- Cannock treatment process
- WaRP – thermal treatment
- WaRP – CHP
- Avonmouth/Paisley – VIR
- King's Cliffe – soil treatment
- Integration values

# Operational highlights

## Treatment division

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- Larger division with national reach
  - Contract wins – secure and visible revenue streams
  - Disappointing short term performance
  - Assets under development – disruption
  - Delay in the delivery of the Cannock upgrade
  - Hitech integration from June 2009
  - New sales approach
  - Focus on technology



# Operational highlights

## Landfill division

- Focus on infrastructure projects
- Strong contract wins in H2
- Record tonnages in 2008
- New Customer Support Centre
- Application underway for an authorisation to handle wastes from government decommissioning



# Operational highlights

## Waste Recovery Park

- Licence agreement with MECO
- Construction of phase 1 commenced in 2008
- US Indirect thermal technology to be commissioned in Q2 2009
- Facility to include a transfer station
- Environmental permits due in April 2009
- Further projects in pipe
- Significant focus on long term energy income streams





# Operational highlights

- Difficult market conditions
- Recycled 20,480 tonnes of contaminated soil in 2008
- Provided the infrastructure for the DEC on-site projects for stabilisation
- Second facility under construction at King's Cliffe
- Strategic importance as the tax mechanisms change by 2012



# 2008 Acquisition



- Astec - Small strategic bolt on
- Performing to expectation
- Immediate services synergy
- Strong commercial & technical team
- Strategic location – North West
- Significant growth opportunities
- Very specialist operation focused on laboratory chemicals




# Strategic opportunities

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- Broadening of markets
  - Asset maximisation
  - Property enhancement
  - Permitting extension
  - Regulatory enforcement
  - Market share growth
  - Trans frontier shipment
  - Asset valuation = rarity value
  - New decommissioning markets

# Outlook

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- Started 2009 with new operations, more capacity and capability to deliver enhanced income and profit streams for future
  - Faced with the difficulties of a new economic world
  - Management team experienced, strong and focused
  - Trading tough in January/February & weather added to the challenge
  - A great deal of work has been completed to ensure the long term growth and development of the business
  - A slow recovery in our market place means we must lower expectation in the short term
  - Still faced with significant deliverable opportunities in the future

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