

# 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
<b>Underlying operating profit*</b>	<b>1,500</b>	<b>2,267</b>
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
<b>Underlying profit before tax*</b>	<b>954</b>	<b>1,205</b>
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
<b>Gearing</b>	<b>21%</b>	
<b>Facility</b>	<b>£31m</b>	

## Successful Fundraising

---

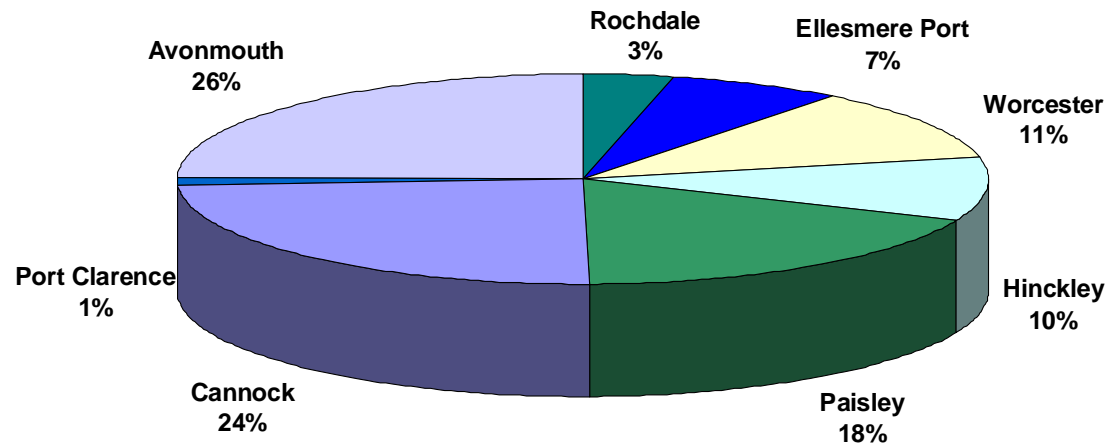
- Placed 34,210,522 new ordinary shares at 38 pence per share to raise £13m before expenses
  - With existing and new institutional investors
- Funds raised will be used to reduce debt and provide working capital for growth
- Cashbox structure with two tranches
- Director participation pro rata to existing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

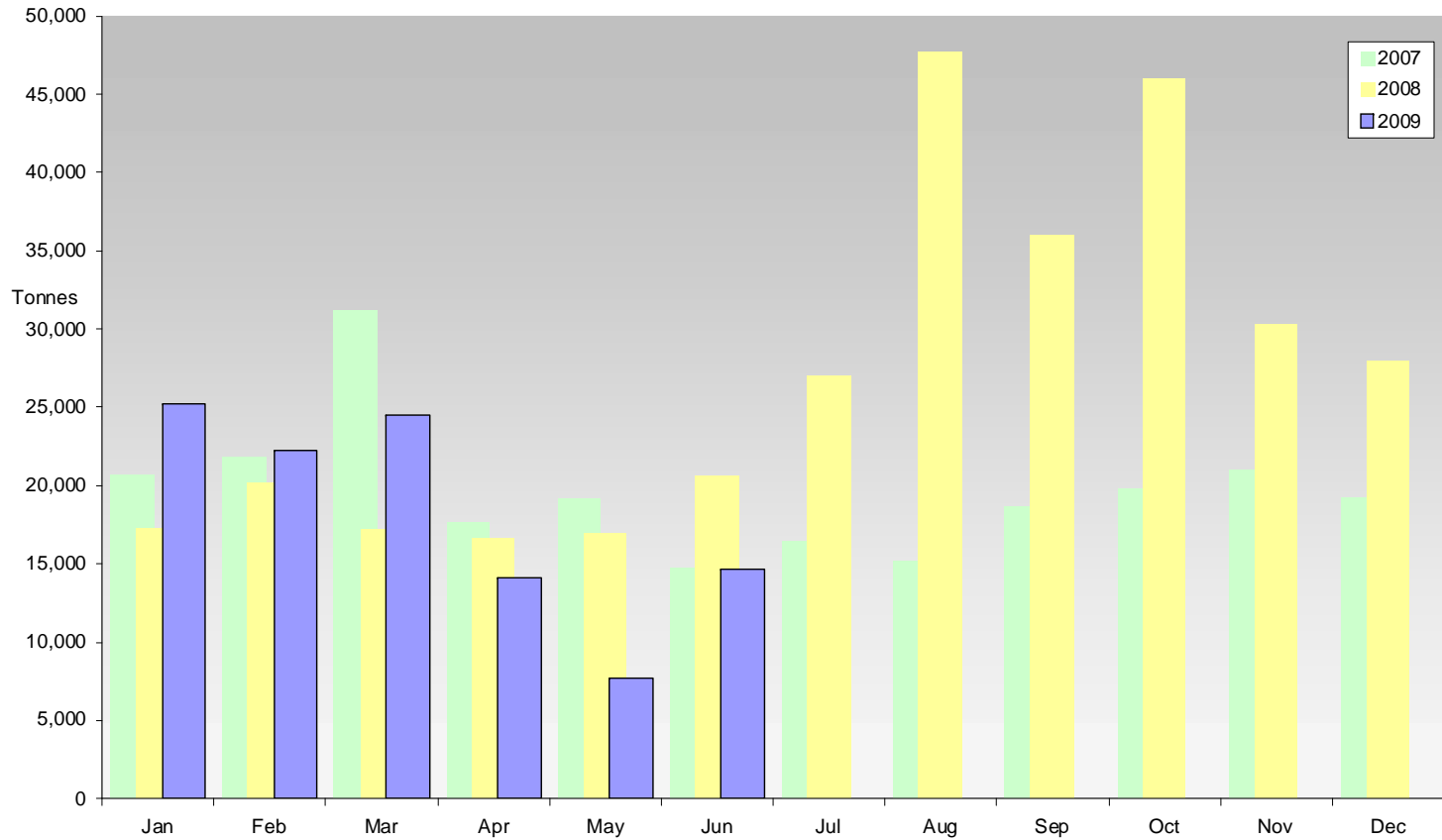


## Landfill division

	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%
<b>Total</b>	<b>137,242</b>	<b>128,373</b>	<b>+7%</b>	<b>250,360</b>	<b>-45%</b>

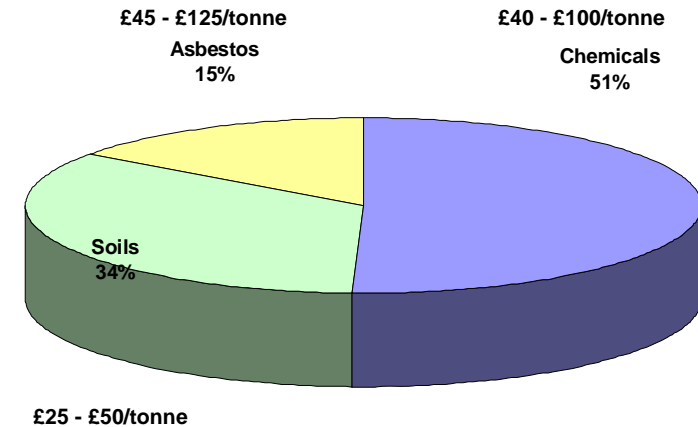
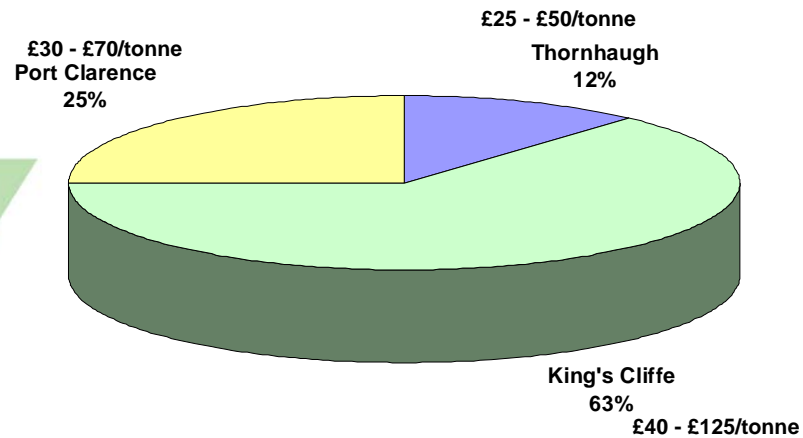
- Revenue net of landfill tax of £7.3m (2008: £5.4m)
- Operating profit of £2.6m (2008: £1.1m)
- Margin of 35% (2008: 20%)
- Olympics volumes of H2 2008 now ceased
- Landfill tax claim in progress

# 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
- 
- 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

---

September 2009

Presented by:

Paul Blackler – Chief Executive

Peter Southby – Finance Director

## Strong experienced new management team

