Augean PLC
specialists in waste management

Interim Report 2009

CORPORATE STATEMENT

Augean PLC is a market-leading, UK-based specialist waste and resource management group focused on providing a broad range of services to the hazardous waste sector. The group is at the forefront of developing innovative process and technological solutions, has permitted strategic locations throughout the UK and is positioned to lead the modernisation of the UK specialist waste infrastructure.

HIGHLIGHTS

Financial

- 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)
- Placing of 34,210,522 million ordinary shares at 38 pence per share to raise £13.0m before expenses

Operational

- Period challenging as key client sectors suffer from economic downturn
- Despite available market contraction, underlying client base increased
- Full commissioning of the ITD process and strong inputs in H2 to the Waste Recovery Park
- Application submitted for the authorisation to manage Low Level Waste (LLW) from the decommissioning markets
- Opportunities to extend MECO technology to the site services and offshore drilling markets
- Landfill tax consultation underway, claim for overpaid tax submitted
- Actions taken to reduce cost base to adapt to difficult trading environment
- Outturn for the full year expected to be broadly in line with board expectation

CHIEF EXECUTIVE'S REVIEW

Introduction

The trading environment in the first half has been the most challenging the waste sector has experienced in recent years with the economic downturn affecting a number of key sectors such as the automotive, chemicals, commodities and construction markets. The impact on these sectors has resulted in a significant reduction in waste generation.

We have endeavoured to face this challenging environment with a team that is positive and focused on providing the best service possible in a complex and competitive market. The short term shock of the economy has seen a contraction in the available market but we feel confident that Augean has increased the number of customers in the period. With the newly created business development team targeting new clients, we are confident that as the markets recover our position will strengthen further. We have taken the appropriate actions to reduce costs and manage working capital and capital expenditure accordingly. Our priority remains to grow our existing business base and deliver the significant opportunities the group is working on that will bring both earnings and further market share growth in the future. This will be facilitated by the balance sheet restructuring we announced on 30 September 2009 which included an equity capital raising of £13.0m. Specific details are set out in a separate announcement made on that date.

Strategy

The board's priority is the creation of long term shareholder value. The group has an invested platform structured to deliver good earnings growth as we move out of these exceptional market conditions. The core focus is on building our market position through the invested infrastructure and focused business development teams, to broaden our client base and improve margins. 2009 is the first full year of the new sales approach and to ensure that the objectives are delivered the group appointed David Unsworth in March 2009 to head up the commercial teams as sales director. David comes with a wealth of market, transaction and technical expertise and will be a great asset to the group in building our existing and future client base.

The group's platform was strategically developed through an acquisition phase, followed by a phase of facility upgrade, by either consent or process development. We are now in a phase of operation where we have positioned the group to deliver the investment without any further significant capital expenditure. This means we look forward to 2010 with the

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> The sales focused approach is showing signs of traction as we focus on market share gains and, coupled with our new initiatives, we believe the group has now turned a corner and is well positioned to deliver attractive earnings growth in the future.

ability to provide unique services to our clients and the capability of extending our services to new markets.

Results

Net revenue excluding landfill tax for the six months ended 30 June 2009 fell by 11% to £15.0m (2008: £16.8m). With the inclusion of landfill tax charged to customers of £1.8m (2008: £1.8m), on which the group makes no margin, total group revenue was £16.8m (2008: £18.6m).

Underlying operating profit before goodwill tax adjustment and other exceptional items decreased by 34% to £1.5m (2008: £2.3m) following a weaker performance from the treatment division.

Within the landfill division hazardous volumes were 108,000 tonnes in the absence of any significant projects but average hazardous gate fees were higher in the period at £46 per tonne. The group continues to make progress with its claim for overpaid landfill tax and expects the matter to be settled in the second half of the year. A provisional £0.5m has been included in the first half results in respect of the claim. The division has also benefited from the reassessment of certain stockpiled waste according to new Environment Agency guidance, which has resulted in the recognition of £0.7m of revenue previously deferred.

NET REVENUE[1]

£15.0m

(2008: £16.8m)

EARNINGS PER SHARE[2]

1.5p

(2008: 1.8p)

OPERATING PROFIT[2]

£1.5m

(2008: £2.3m)

[1] Excluding landfill tax.

[2] Before exceptional items.

Results continued

After exceptional items of £0.3m (2008: £0.2m) relating to an Environment Agency prosecution (£0.2m) and further costs of the offer period (£0.1m), operating profit was £1.2m (2008: £2.0m). Underlying profit before tax was £1.0m (2008: £1.2m) following an improved breakeven result from the Terramundo joint venture (2008: £0.2m loss) and finance charges of £0.6m (2008: £0.9m). After exceptional items, profit before tax was £0.7m (2008: £1.0m).

Adjusted earnings per share before exceptional items were 1.5p (2008: 1.8p). Basic earnings per share were 1.0p (2008: 1.5p). The board does not recommend the payment of a dividend.

Despite a tougher trading environment, the group generated cash flow from operations of £3.0m (2008: £4.3m). After deducting an increased level of capital expenditure (driven by the completion of previously committed investment in the group's facilities), interest and tax, net debt at 30 June 2009 increased by £1.2m from the last year end to £18.0m (2008: £20.4m), equating to a gearing level of 21% (2008: 24%). This gearing level has subsequently reduced significantly through the Placing announced in our interim results.

Treatment division

Given the market conditions, we took the decision to reduce our cost base, in particular in the treatment division which has been disproportionally impacted by the economic environment due to its industrial client base. The impact of the cost reductions will flow through in the second half and represents approximately £0.5m annualised savings. The management team has continued to be disappointed by the Cannock site in its technical development, although it has remained a key complementary facility for the landfill division. The installation of the upgrade has cost the group time and money, but these issues are actively being pursued and our focus remains on returning the business to a successful and profitable operation going forward.

The group has strong and scarce assets and development of these through gaining consent to build new facilities coupled with the installation of the most modern, proven technologies is most prominent at the Port Clarence Waste Recovery Park. Construction of the first phase was completed in May 2009 with installation and commissioning of the Indirect Thermal Desorption (ITD) process finalised in July 2009. The facility is now receiving waste and is delivering both better production data than anticipated and also higher levels of inputs. It is further complemented by a new transfer station. Revenues and profits

"Our latest development is to construct an energy-from-waste facility utilising gasification technology. Augean has established a partnership to build the facility, has selected the most appropriate proven technology and structured the business plan on utilising forestry wastes initially with the option to substitute other wastes in the future."

from these operations are anticipated in the second half of the year. The technology was designed to provide solutions to the oil and gas markets which have lesser exposure to the volatile economic markets. We are now extending the capabilities from the portfolio of technologies and are developing new opportunities in both the mobile equipment markets where site maintenance services are required at large storage and process installations such as refineries and the offshore drilling markets.

Landfill division

The division primarily provides services to the construction and brownfield markets and continues to deliver a first class service to this sector. These markets have been slow for a number of years however as the economy recovers the division is extremely well positioned to benefit from more sector activity.

New rules were established in 2008 for the management of certain low level wastes, which are derived from the decommissioning strategies for the UK's nuclear power industry. The current UK capacity is insufficient to manage the inventory of waste which consists mainly of demolition wastes from site infrastructure. Augean operates some of the most highly engineered landfill sites in the UK with stringent pre-acceptance, acceptance and monitoring regimes which

PROFIT BEFORE TAX[1]

£1.0m

(2008: £1.2m)

OPERATING CASH FLOW

£3.0m

(2008: £4.3m)

AVERAGE LANDFILL HAZARDOUS WASTE PRICE

£46 per tonne

(2008: £44 per tonne)

LANDFILL HAZARDOUS WASTE VOLUMES

108,524 tonnes

(2008: 108,693 tonnes)

[1] Before exceptional items.

> Augean has now completed the major investment programme to construct a UK-wide services business specialising in the more difficult to handle waste streams. This is coupled with the strategic decision to move the business into specific new markets which will provide opportunities going forward.

Landfill division continued

position our operations as particularly suitable to handle these waste streams. After extensive consultation with the regulators we commenced the public consultation process in May 2009 and submitted our application in July 2009. We are working closely with the Nuclear Decommissioning Authority, UKAEA at Harwell and other clients from the sector to develop a waste plan matching their inventories with the site capacity.

Developments

To maximise use of the group's assets we applied for a broad range of technologies at the Waste Recovery Park in Port Clarence. The development was designed with the expectation that the capital projects could be structured with strategic partners. Our latest development is to construct an energy-from-waste facility utilising gasification technology. The site has full planning consent and an IPPC permit to operate the technology. Augean has established a partnership to build the facility, has selected the most appropriate proven technology and structured the business plan on utilising forestry wastes, initially with the option to substitute other wastes in the future. The partnership is structured with Augean injecting the assets into the business in return for a 20% equity stake with the main capital expenditure being financed by our partner. Construction is anticipated in 2010 with income expected in 2011.

Outlook

Augean has now completed the major investment programme to construct a UK-wide services business specialising in the more difficult to handle waste streams. The platform now allows the group to provide its broad range of disposal, treatment and recycling services to its existing clients and expand into new exciting sectors. The management's objectives are to develop the existing market by gaining market share year on year. This is coupled with the strategic decision to move the business into specific new markets which will provide opportunities going forward. This strategy will move Augean into the nuclear, oil, gas and drilling markets which will provide a solid growth plan for the group into 2010 and beyond.

Trading in 2009 has been extremely challenging as the available markets contracted due to the downturn. Augean has reacted to the changing climate quickly and is positioned extremely well as the client sectors the group services recover. Capital expenditure is a primary focus of the management team who set the objective of reducing capital expense. We therefore anticipate a significant reduction in capital investment for the remainder of the year and into 2010.

The new management team is providing strong sector experience and we are confident that we have traded through the worst of the downturn. The sales focused approach is showing signs of traction as we focus on market share gains and, coupled with our new initiatives, we believe the group has now turned a corner and is well positioned to deliver attractive earnings growth in the future.

Paul Blackler
Chief executive
30 September 2009

CAPEX

£3.5m
(2008: £2.6m)

NET DEBT

£18.0m
(2008: £20.4m)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Note	Six months ended 30 June 2009 £'000	Six months ended 30 June 2008 £'000	Year ended 31 December 2008 £'000
Continuing operations				
Revenue	3	16,767	18,603	40,081
Operating expenses		(15,267)	(16,336)	(33,924)
Goodwill tax adjustment		—	(246)	(765)
Other exceptional items		(281)	—	(231)
Operating profit		1,219	2,021	5,161
Operating profit before goodwill tax adjustment and other exceptional items		1,500	2,267	6,157
Finance charges		(558)	(911)	(1,844)
Share of result of jointly controlled entity		12	(151)	(292)
Profit before tax		673	959	3,025
Profit before tax, goodwill tax adjustment and other exceptional items		954	1,205	4,021
Tax	4	—	—	621
Profit attributable to equity holders of the parent company		673	959	3,646
Total comprehensive income attributable to equity holders of the parent company		673	959	3,646
Earnings per share				
Basic and diluted	5	1.0p	1.5p	5.6p

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	30 June 2009 £'000	30 June 2008 £'000	31 December 2008 £'000
Non-current assets			
Goodwill	77,768	78,197	77,768
Other intangible assets	177	292	217
Property, plant and equipment	34,452	32,538	33,176
Deferred tax asset	413	—	413
	112,810	111,027	111,574
Current assets			
Inventories	121	120	138
Trade and other receivables	7,040	9,625	8,546
Cash and cash equivalents	129	—	765
	7,290	9,745	9,449
Current liabilities			
Trade and other payables	(8,628)	(9,167)	(10,232)
Current tax liabilities	(1,346)	(1,539)	(1,540)
Financial liabilities	(6,498)	(5,209)	(4,652)
	(16,472)	(15,915)	(16,424)
Net current liabilities	(9,182)	(6,170)	(6,975)
Non-current liabilities			
Financial liabilities	(11,677)	(15,181)	(12,894)
Provisions	(3,743)	(3,724)	(3,885)
Trade and other payables	—	(1,050)	(300)
Share of losses of jointly controlled entity	(404)	(275)	(416)
Deferred tax liabilities	—	(208)	—
	(15,824)	(20,438)	(17,495)
Net assets	87,804	84,419	87,104
Equity attributable to equity holders of the parent company			
Share capital	6,549	6,549	6,549
Share premium account	106,222	106,222	106,222
Retained losses	(24,967)	(28,352)	(25,667)
Total equity attributable to equity holders of the parent company	87,804	84,419	87,104

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	Note	Six months ended 30 June 2009 £'000	Six months ended 30 June 2008 £'000	Year ended 31 December 2008 £'000
Operating activities				
Cash generated from operations	6	2,964	4,259	11,631
Interest paid		(544)	(1,042)	(2,031)
Tax paid		(194)	(101)	(99)
Net cash generated from operating activities		2,226	3,116	9,501
Investing activities				
Proceeds on disposal of property, plant and equipment		23	26	55
Purchases of property, plant and equipment		(3,480)	(2,632)	(5,366)
Purchases of intangible assets		(34)	(8)	(22)
Purchase of businesses		—	(713)	(770)
Net cash used in investing activities		(3,491)	(3,327)	(6,103)
Financing activities				
Repayments of borrowings		(2,200)	(1,000)	(2,000)
Drawdown of loan facilities		—	1,000	1,000
Repayments of obligations under finance leases and hire purchase contracts		(193)	(195)	(347)
Drawdown under finance leases and hire purchase contracts		1,368	—	—
Net cash used in financing activities		(1,025)	(195)	(1,347)
Net (decrease)/increase in cash and cash equivalents		(2,290)	(406)	2,051
Cash and cash equivalents at beginning of period		765	(1,286)	(1,286)
Cash and cash equivalents at end of period		(1,525)	(1,692)	765

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2009

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 January 2008	6,549	106,222	(29,389)	83,382
Transactions with owners – share-based payments	—	—	78	78
Total comprehensive income – profit for the period	—	—	959	959
At 30 June 2008	6,549	106,222	(28,352)	84,419
Transactions with owners – share-based payments	—	—	(2)	(2)
Total comprehensive income – profit for the period	—	—	2,687	2,687
At 1 January 2009	6,549	106,222	(25,667)	87,104
Transactions with owners – share-based payments	—	—	27	27
Total comprehensive income – profit for the period	—	—	673	673
At 30 June 2009	**6,549**	**106,222**	**(24,967)**	**87,804**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1 Statutory information

The financial information for the period ended 30 June 2009 set out in this interim report does not constitute statutory accounts as defined by Section 240 of the Companies Act 2006. The financial information relating to the year ended 31 December 2008 is an extract from the latest published financial statements on which the auditors gave an unqualified report that did not contain statements under Section 237 (2) or (3) of the Companies Act 2006 and which have been filed with the Registrar of Companies.

These interim financial statements are available from the registered office at 4 Rudgate Court, Walton, Wetherby, West Yorkshire LS23 7BF or from our website at www.augeanplc.com.

2 Accounting policies

The interim financial statements have been prepared in accordance with the AIM Rules for Companies and on a basis consistent with the accounting policies (except for the adoption of IAS 1 'Presentation of Financial Statements' (revised 2007) and IFRS 8 'Operating Segments') and methods of computation as published by the group in its annual report for the year ended 31 December 2008, which is available on the group's website.

The group has chosen not to adopt IAS 34 'Interim Financial Statements' in preparing these interim financial statements and therefore the interim financial information is not in full compliance with International Financial Reporting Standards.

The adoption of IAS 1 (revised 2007) does not affect the financial position or profits of the group, but gives rise to additional disclosures. The measurement and recognition of the group's assets, liabilities, income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income. In accordance with the new standard the entity does not present a 'Statement of Recognised Income and Expenses'. Furthermore, a 'Statement of Changes in Equity' is presented.

The adoption of IFRS 8 has not changed the segments that are disclosed in these interim financial statements because, in the previous annual and interim financial statements, segments were already based on the internal management reporting information that is regularly reviewed by the chief operating decision maker.

3 Segmental information

For management purposes the group is currently organised into two operating divisions. These business segments are the basis on which the group reports its primary segmental information. Inter-segmental trading is undertaken on normal commercial terms.

3 Segmental information continued

The segmental results for the six months ended 30 June 2009 are as follows:

	Landfill division £'000	Treatment division £'000	Group £'000
Revenue			
External sales net of landfill tax	6,463	8,552	15,015
Landfill tax	1,752	—	1,752
External sales	8,215	8,552	16,767
Inter-segment sales	874	—	874
Total revenue	9,089	8,552	17,641
Result			
Operating profit/(loss) before exceptional items	2,585	(1,085)	1,500
Exceptional items	(118)	(163)	(281)
Operating profit/(loss)	2,467	(1,248)	1,219
Share of result of jointly controlled entity			12
Finance charges			(558)
Profit before tax			673
Tax			—
Profit attributable to equity holders of the parent company			673

Exceptional items comprise costs of the offer period of £118,000 and fines and costs relating to an Environment Agency prosecution of £163,000.

3 Segmental information continued

The segmental results for the six months ended 30 June 2008 are as follows:

	Landfill division £'000	Treatment division £'000	Group £'000
Revenue			
External sales net of landfill tax	4,526	12,311	16,837
Landfill tax	1,766	—	1,766
External sales	6,292	12,311	18,603
Inter-segment sales	900	—	900
Total revenue	7,192	12,311	19,503
Result			
Operating profit before goodwill tax adjustment	1,072	1,195	2,267
Goodwill tax adjustment	(246)	—	(246)
Operating profit	826	1,195	2,021
Share of result of jointly controlled entity			(151)
Finance charges			(911)
Profit before tax			959
Tax			—
Profit attributable to equity holders of the parent company			959

4 Tax

No tax charge has been included for the six months ended 30 June 2009. This is consistent with current projections for the year ending 31 December 2009.

5 Earnings per share

	Six months ended 30 June 2009 £'000	Six months ended 30 June 2008 £'000	Year ended 31 December 2008 £'000
Profit after tax for the purposes of basic and diluted earnings per share	673	959	3,646
Goodwill tax adjustment	—	246	765
Other exceptional items	281	—	231
Adjusted profit after tax for the purposes of basic and diluted adjusted earnings per share	954	1,205	4,642
	Number	Number	Number
Number of shares			
Weighted average number of shares for basic and diluted earnings per share	65,488,892	65,488,892	65,488,892
Earnings per share			
Basic and diluted	1.0p	1.5p	5.6p
Adjusted earnings per share			
Basic and diluted	1.5p	1.8p	7.1p

6 Reconciliation of operating profit to cash generated from operations

	Six months ended 30 June 2009 £'000	Six months ended 30 June 2008 £'000	Year ended 31 December 2008 £'000
Operating profit	1,219	2,021	5,161
Other non-cash charge – goodwill tax adjustment	—	246	765
Amortisation of intangible assets	74	96	185
Depreciation	1,834	1,584	4,239
After-care provisions	101	94	148
Earnings before interest, tax, depreciation and amortisation (EBITDA)	3,228	4,041	10,498
Loss/(profit) on sale of property, plant and equipment	2	(16)	(13)
Share-based payments	27	78	76
Decrease/(increase) in inventories	17	(24)	(42)
Decrease/(increase) in trade and other receivables	1,506	(1,235)	32
(Decrease)/increase in trade and other payables	(1,523)	1,465	1,123
Decrease in provisions	(293)	(50)	(43)
Cash generated from operations	2,964	4,259	11,631

7 Analysis of changes in net financial liabilities

	31 December 2008 £'000	Cash flow £'000	Other non-cash items £'000	30 June 2009 £'000
Cash and cash equivalents	765	(636)	—	129
Overdraft	—	(1,654)	—	(1,654)
Debt due within one year	(4,400)	—	—	(4,400)
Debt due after one year	(12,600)	2,200	—	(10,400)
Finance leases and hire purchase contracts	(546)	193	(1,368)	(1,721)
Net financial liabilities	(16,781)	103	(1,368)	(18,046)

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Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fibre
FSC
www.fsc.org Cert no. SGS-COC-0620

Augean's commitment to environmental issues is reflected in this interim report which has been printed on Core Silk.

This document was printed by Beacon Press using *pure***print**®, their environmental print technology which minimises the impact of printing on the environment. All energy used comes from renewable sources and 98% of all dry waste associated with this production has been diverted from landfill. The printer is a CarbonNeutral® company.

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