



March 2012

Presented by: Paul Blackler – Chief Executive

Richard Allen – Finance Director

**Results**  
for the year to 31 December 2011



# Agenda

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





# Highlights

for the year to 31 December 2011





## Financial highlights for 2011

- Revenue
  - Including landfill tax; increase of 10% to £37.5m (2010: £34.1m)
  - Excluding landfill tax; increase of 8% to £31.3m (2010: £29.0m)
- EBITDA
  - Increased to £6.5m (2010: £5.6m)
- Profit before tax
  - Adjusted £1.1m (2010: £0.4m); Total £1.4m (2010: £0.5m)
- Earnings per share
  - Adjusted 1.26p (2010: 0.24p); Total 1.59p (2010: 0.42p)
- Cash flow
  - From operations £4.7m (2010: £5.8m); free cash flow\* £0.0m (2010: £1.8m)
- Net debt
  - Stable at £4.0m (2010: £3.9m); maintained covenant compliance

\* Adjusted for late collections from customers received during January 2012



## Operational & strategic highlights for 2011

- Increasing sales volumes & revenues in both operating divisions
- Improvements to operating margins
- Capital investment in landfill capacity
  
- Divisional reorganisation
  
- Low Level Waste disposal activated at ENRMF
- Minerals extraction permission at Cook's Hole
- Extended activities in offshore waste management
- Energy plant operational at Port Clarence WRP
  
- Group restructuring underway to enable future dividend payments





# Market update

for the year to 31 December 2011





## Market update

- Volumes of waste arising are flat
  - 8% reduction in total hazardous landfill tonnage from 2009 to 2010\*
  - Limited growth seen and expected in the medium term
  - Increased exportation of waste into Europe
- Price pressures continue
  - Landfill exemption certificates expire on 1 April 2012
  - Gradual reduction of market price for larger contracts and volume activities
- Waste hierarchy development continues
  - Recycling & recovery solutions attractive to customers
- No significant new technologies emerging

# Financial review

for the year to 31 December 2011







## Group statement of comprehensive income

|  | Before<br>exceptional<br>items<br>2011<br>£'000 | Exceptional<br>items<br>2011<br>£'000 | Total<br>2011<br>£'000 | Total<br>2010<br>£'000 |                           |
|--|---|---------------------------------------|------------------------|------------------------|---------------------------|
| <b>Revenue</b>   | <b>37,459</b>                                   | -                                     | <b>37,459</b>          | 34,120                 | •Revenue growth net 8%    |
| Operating expenses   | (35,814)  | 331                                   | (35,483)               | (33,168)               | •Reductions & restructure |
| <b>Operating profit</b>  | <b>1,645</b>                                    | <b>331</b>                            | <b>1,976</b>           | 952                    |                           |
| Finance charges  | (571)   | -                                     | (571)                  | (399)                  | •2010 interest receipt    |
| Share of loss of jointly controlled entity                     | (16)  | -                                     | (16)                   | (14)                   | •Terramundo on hold       |
| <b>Profit before tax</b>                                       | <b>1,058</b>                                    | <b>331</b>                            | <b>1,389</b>           | 539                    |                           |
| Tax  | 193   | -                                     | 193                    | (117)                  | •Deferred tax credit      |
| <b>Profit for the year attributable to equity shareholders</b> | <b>1,251</b>                                    | <b>331</b>                            | <b>1,582</b>           | 422                    |                           |
| <b>Earnings per share</b>                                      |   |                                       |                        |                        |                           |
| Basic and diluted  | 1.26p   | 0.33p                                 | 1.59p                  | 0.42p                  |                           |

- Exceptional costs £409k
- Exceptional credit £740k



## Split of H1 and H2 trading results

|                           | H1<br>2011<br>£'000 | H2<br>2011<br>£'000 | Total<br>2011<br>£'000 | Total<br>2010<br>£'000 |
|---------------------------|---------------------|---------------------|------------------------|------------------------|
| <b>Net Revenue</b>        |                     |                     |                        |                        |
| Landfill division         | 7,118               | 7,473               | 14,591                 | 10,912                 |
| Treatment division        | 8,759               | 7,937               | 16,696                 | 18,061                 |
| Group                     | 15,877              | 15,410              | 31,287                 | 28,973                 |
| <b>Operating expenses</b> |                     |                     |                        |                        |
| Landfill division         | (5,778)             | (4,894)             | (10,672)               | (7,916)                |
| Treatment division        | (9,905)             | (9,065)             | (18,970)               | (20,290)               |
| Group                     | (15,683)            | (13,959)            | (29,642)               | (28,206)               |
| <b>Operating profit</b>   |                     |                     |                        |                        |
| Landfill division         | 1,340               | 2,579               | 3,919                  | 2,996                  |
| Treatment division        | (1,146)             | (1,128)             | (2,274)                | (2,229)                |
| Group                     | 194                 | 1,451               | 1,645                  | 767                    |

Note: Excludes landfill tax and inter-segment sales



## Statement of financial position

|                                   | 2011<br>£'000  | 2010<br>£'000 |   |
|-----------------------------------|----------------|---------------|---|
| <b>Non-current assets</b>         |                |               |   |
| Goodwill                          | 21,705         | 21,705        | • Impairment reviewed                                       |
| Property, plant and equipment     | 35,415         | 35,245        | • Capex of £4.2m  |
| Deferred tax asset                | 854            | 4             | • Depreciation vs capital allowances                        |
| Others                            | 541            | 531           |   |
|                                   | <b>58,515</b>  | 57,485        |   |
| <b>Current assets</b>             | <b>8,081</b>   | 7,194         | • Debtor increases  |
| <b>Current liabilities</b>        | <b>(9,949)</b> | (7,671)       | • Reclassification of debt; higher creditors; tax liability |
| <b>Net current liabilities</b>    | <b>(1,868)</b> | (477)         |   |
| <b>Non-current liabilities</b>    | <b>(9,784)</b> | (11,811)      | • Reduction in debt; provisions released                    |
| <b>Net assets</b>                 | <b>46,863</b>  | 45,197        |   |
| <b>Shareholders' equity</b>       |                |               |   |
| Share capital                     | 9,970          | 9,970         |   |
| Share premium account             | 114,960        | 114,960       | • Capital reduction process underway                        |
| Retained losses                   | (78,067)       | (79,733)      |   |
| <b>Total shareholders' equity</b> | <b>46,863</b>  | 45,197        |   |



## Statement of cash flows

|  | 2011           | 2010         |                             |
|--|----------------|--------------|-----------------------------|
|  | £'000          | £'000        |                             |
| <b>EBITDA</b>  | <b>6,479</b>   | <b>5,558</b> | •Depreciation stable        |
| Working capital movement                               | (1,766)        | 258          | •Provisions; YE collections |
| <b>Cash generated from operations</b>                  | <b>4,713</b>   | 5,816        |                             |
| Interest paid  | (469)          | (297)        |                             |
| Tax paid   | (123)          | (72)         |                             |
| <b>Net cash generated from operating activities</b>    | <b>4,121</b>   | 5,447        |                             |
| <b>Net cash used in investing activities</b>           | <b>(4,199)</b> | (3,358)      | •Landfill cell capex (x3)   |
| <b>Net cash generated used in financing activities</b> | <b>(78)</b>    | (2,264)      | •Lease repayments           |
| Net decrease in cash and cash equivalents              | (156)          | (175)        |                             |
| Cash and cash equivalents at beginning of period       | 160            | 335          |                             |
| <b>Cash and cash equivalents at end of period</b>      | <b>4</b>       | 160          |                             |



## Financial ratios

| Financial ratios                             | FY 2011        | FY 2010 |
|--|----------------|---------|
|  | £'000          | £'000   |
| Net Debt                                     | <b>(3,968)</b> | (3,890) |
| Cash interest                                | <b>(469)</b>   | (297)   |
| EBITDA                                       | <b>6,479</b>   | 5,558   |
| Net operating cash flow                      | <b>4,121</b>   | 5,447   |
| Capital investment                           | <b>(4,186)</b> | (3,159) |
| Equity                                       | <b>46,863</b>  | 45,197  |
| Free cash flow                               | <b>(479)</b>   | 1,834   |
| <i>Adjusted FCF</i>                          | <b>14</b>      | -       |
| Net debt / Equity (%)                        | <b>8.5%</b>    | 8.6%    |
| Rolling 12 month covenants                   |                |         |
| Net debt / EBITDA (Covenant target <2.5x)    | <b>0.6x</b>    | 0.7x    |
| EBIT / cash interest (Covenant target >2.0x) | <b>8.7x</b>    | 4.1x    |

FCF defined as net operating cashflow less capital investment and finance lease payments  
 Adjusted FCF defined as FCF plus cash expected in December but collected in January



# Operational review

for the year to 31 December 2011





## Divisional performance: Landfill

- Robust operating performance
- Volume growth from projects and ash transfer from Cannock
- Use of remediation centres to provide recycling solutions for customers
- Achieving higher prices through recycling
- Focus moving away from lower margin non-hazardous work
- Overall increase in gross margin

|                  | <b>2011</b> | <b>2010</b> | <b>% change</b> |
|------------------|-------------|-------------|-----------------|
| Volume (tonnes)  |             |             |                 |
| Hazardous*       | 252,477     | 192,910     | +31%            |
| Non-hazardous    | 87,906      | 110,351     | -20%            |
| Total            | 340,383     | 303,261     | +12%            |
| Prices (£/tonne) |             |             |                 |
| Hazardous        | 48          | 45          | +7%             |
| Non-hazardous    | 17          | 20          | -15%            |
| Total            | 40          | 36          | +11%            |

\* Includes ash of 47,000 tonnes



# Customer routes into landfill sites in 2011

|                    | Customers                                     |   |  |   |                         |
|--------------------|---|---|--|---|-------------------------|
| Pre-testing        | Yes   | Yes   | Yes  | Yes   | No                      |
| Classification     | <b>Non-hazardous</b>                          | <b>Hazardous</b>                                | <b>Non-hazardous</b>                         | <b>Hazardous</b>                                | <b>APCR Ash</b>         |
| Example            | Building rubble                               | Asbestos  | Contaminated soils                           | Contaminated soils                              | n/a                     |
| Solution           | <b>Direct to landfill</b>                     | <b>Direct to landfill</b>                       | <b>Into Rem. Centre</b>                      | <b>Into Rem. Centre</b>                         | <b>Into Rem. Centre</b> |
| Treated at         | n/a   | n/a   | Kings Cliffe centre                          | Kings Cliffe centre<br>Port Clarence centre     | Kings Cliffe centre     |
| Disposal at        | Port Clarence landfill<br>Thornhaugh landfill | Port Clarence landfill<br>Kings Cliffe landfill | Kings Cliffe landfill<br>Thornhaugh landfill | Kings Cliffe landfill<br>Port Clarence landfill | Kings Cliffe landfill   |
| % of total tonnage | 15.5%   | 33.3%   | 10.4%  | 27.0%   | 13.9%                   |

Threefold increase in Remediation Centres volumes from 2010







## Divisional performance: Treatment

- Underlying revenues +5% year on year
  - Competitive market with limited growth
  - Growth in transfer activities
  - Growth in direct customers (50% direct / 50% third party)
- Site profitability flat year on year
  - Close control of disposal costs allowed 2% gross margin improvement
  - £400k reduction in site fixed costs year on year
  - Sales infrastructure investment required to drive future growth
  - Impacted by Cannock interruption and other restructuring
- Port Clarence Waste Recovery Park development continues
- Cannock incident update
  - Insurance settlement of £1.6m
  - HSE investigation ongoing
  - Relocation of assets to PC WaRP



## Divisional performance 2011

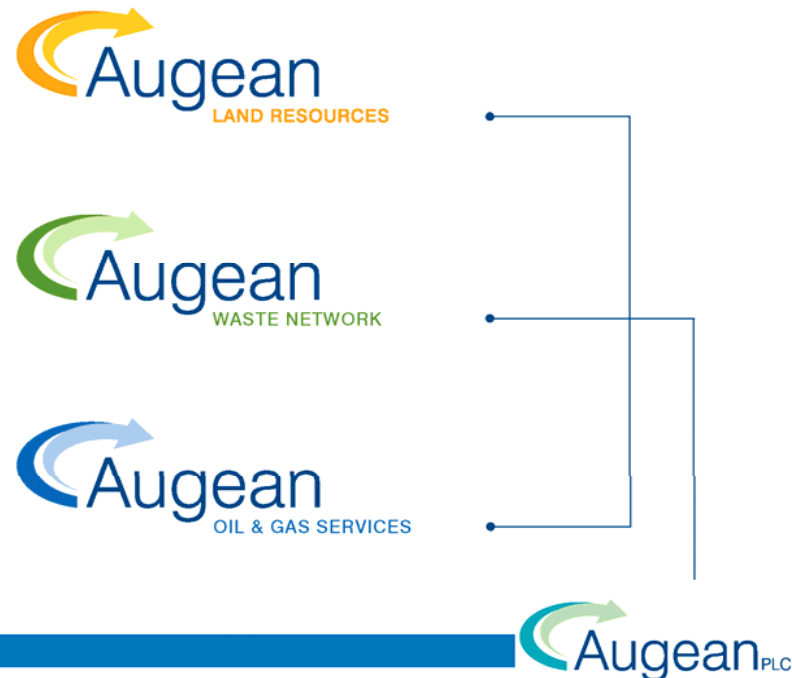
|   | 2011            | 2010     | 2011             | 2010      |
|---|-----------------|----------|------------------|-----------|
|   | <b>Landfill</b> | Landfill | <b>Treatment</b> | Treatment |
|   | <b>division</b> | division | <b>division</b>  | division  |
|   | <b>£'000</b>    | £'000    | <b>£'000</b>     | £'000     |
| <b>Revenue</b>                                    |                 |          |                  |           |
| Hazardous landfill activities                     | <b>11,175</b>   | 8,538    | -                | -         |
| Non-hazardous landfill activities                 | <b>1,564</b>    | 2,372    | -                | -         |
| Waste treatment activities                        | -               | -        | <b>10,271</b>    | 10,000    |
| Energy generation                                 | <b>170</b>      | 217      | -                | -         |
| APCR management                                   | <b>1,846</b>    | 572      | <b>416</b>       | 1,642     |
| Waste transfer activity                           | -               | -        | <b>6,009</b>     | 6,420     |
| Total revenue net of landfill tax                 | <b>14,755</b>   | 11,699   | <b>16,696</b>    | 18,061    |
| Inter-segment sales                               | <b>(164)</b>    | (787)    | -                | -         |
| <b>Total net revenue</b>                          | <b>14,591</b>   | 10,912   | <b>16,696</b>    | 18,061    |
| <b>Operating profit/(loss) before exceptional</b> | <b>3,919</b>    | 2,996    | <b>(2,274)</b>   | (2,229)   |

# Strategic update





## Strategy: Aligning Divisions with future markets



- Evolve from 2 to 3 operating divisions
- Split current Treatment division between processing and network activities
- Focus on key markets through aligned assets and resources
- Absorb strategic opportunities as they reach delivery phase



## 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>                                |

\* SCOMI contract



## Strategy: Low Level Waste (LLW)

- Legal process
  - Appeals heard and rejected by the High Court and Court of Appeal
  - Further application to Supreme Court possible
  - 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
- Commercial pipeline
  - LLWR framework in place for NDA estate
  - Agency agreement for non-nuclear sites
  - Expecting volumes around 2,000 tonnes, delivering £1m PBT p.a.



## 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

- Drill cuttings contract with Scomi continues
- Boat cleaning operations established
- Other waste streams available
- Continuing to integrate offshore and onshore capabilities





The logo for Augean PLC features a stylized 'A' composed of two curved arrows, one blue and one green, pointing clockwise. To the right of the logo, the text 'Augean' is written in a blue sans-serif font, with 'PLC' in a smaller, lighter blue font to its right.

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

- Two sites now deliver gas-fired electricity
- 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





## Outlook

- Competitive market but maintaining market share
- New divisions fully operational
- Targeting new direct customers
- Material contribution from LLW contracts
- Contributions from energy and minerals
- Capital investment circa £3.5m
- Increase to profit before tax forecast: £2.7m

