

AEA Annual Results 31 March 2011

20 July 2011



Group highlights

- Our strategy is delivering strong growth in the US
 - organic growth (constant currency) c.19% in AOP* in 2010/11
 - ERG acquisition enables scale & access to new customers
 - expect to bid for c.\$1.2bn of opportunities in 2011/12
 - strong start to this year on order intake + 100%
 - good orders growth expected this year
- We remain cautious about UK Government spending
 - major downsizing of the European business took place in 2010/11
 - c.£5m removed from annualised cost base
 - head count reduced by a third

Financial summary

- Global order intake £80.9m (2010: £119.2m)
- Revenue £113.7m (2010: £113.2m)
- Adjusted operating profit £8.8m (2010: £12.4m)¹
- Net debt of £28.3m (31 March 2010: £26.2m)

¹Adjusted operating profit is defined as operating profit before amortisation of acquired intangibles and significant items

Trading performance

	2011		2010	
	£m		£m	
Revenue	<u>113.7</u>		<u>113.2</u>	
Adjusted operating profit	8.8	7.7%	12.4	11.0%
Net interest	(1.8)		(1.4)	
Adjusted profit before tax	<u>7.0</u>		<u>11.0</u>	
Adjusted EPS	0.0p		1.0p	
Basic/Diluted EPS	(1.2)p		0.3p	

Trading performance

	2011	2010
	£m	£m
Adjusted profit before tax	7.0	11.0
Intangibles/pension credit	(1.2)	(1.0)
Acquisition costs	(4.3)	-
Restructuring	(9.2)	(1.0)
Net pension finance costs	(2.0)	(5.5)
(Loss)/profit before tax	<u>(9.7)</u>	<u>3.5</u>

Revenue analysis

	2010	FX	Acqn	Growth	2011
	£m				
US	39.6	0.6	15.4	3.4	59.0
Europe	73.6	-	-	(18.9)	54.7
Total	113.2	0.6	15.4	(15.5)	113.7

- Organic growth in existing US business +8.5% at constant currency
- Significant deterioration in Europe (- 26%) due to Government spending cut back
- First time contribution from ERG

Adjusted operating profit analysis

	2010	FX	Acqn	Growth	2011
	£m				
US	4.1	0.1	2.2	0.8	7.2
Europe	10.9	-	-	(6.6)	4.3
Central costs	(2.6)	-	-	(0.1)	(2.7)
Total	12.4	0.1	2.2	(5.9)	8.8

- Organic growth in existing US business profit of 19% at constant currency
- As anticipated: significant deterioration in European profits
- Performance from ERG as expected

US operating performance

	2011	2010
Order intake	£49.7m	£50.7m
Revenue	£59.0m	£39.6m
Adjusted operating profit	£7.2m	£4.1m
Adjusted operating margin	12.2%	10.4%

- Improved margin from existing & acquired businesses
- Strong revenue (8.5%) and AOP (19%) organic growth
- Orders delayed in 2011 by US Continuing Resolution
- Good start to new financial year in orders

European operating performance

	2011	2010
Order intake	£31.2m	£68.5m
Revenue	£54.7m	£73.6m
Adjusted operating profit	£4.3m	£10.9m
Adjusted operating margin	7.9%	14.8%

- Full year effect will impact revenue in 2011/12
- Head count reduced by a third
- Continued focus on cost minimisation

Balance sheet

	2011	2010
	£m	£m
Goodwill/intangibles	81.6	37.3
Fixed assets/working capital	5.5	4.6
Provisions	(6.0)	(9.8)
Net debt	(28.3)	(26.2)
Pension liability	(121.8)	(139.8)
Other	(1.1)	3.7
Net liabilities	<u>(70.1)</u>	<u>(130.2)</u>

- Pension deficit fallen from H1 due to rise in discount rate
- Substantial reduction in legacy provisions

Cash flow performance

Key Items

	2011	2010
	£m	£m
Cash generated from business operations	10.3	10.2
Acquisition costs	(3.6)	-
Restructuring costs	(4.7)	(1.0)
Legacies	(4.1)	(2.1)
Pensions	(1.8)	(1.1)

IFRS pension deficit

	2011	2010
	£m	£m
Assets	287.8	280.5
Liabilities	<u>(409.6)</u>	<u>(420.3)</u>
Deficit	<u>(121.8)</u>	<u>(139.8)</u>
Discount rate	5.6%	5.6%

- New Chair of Trustees appointed
- Actions underway to reduce volatility at prescribed funding levels
- Actuarial valuation as at 31 March 2011 underway

- NB. 0.5% change in discount rate circa £40m change in liability

Financial priorities

- Focus this year is on driving performance
 - orders
 - revenue
 - AOP
 - cash flow
- Renewal of banking facilities
- Pension scheme valuation
 - agreeing new schedule of contributions

Order / pipeline definitions

Pipeline

Identified opportunities where the nature of the project is known, a reasonable estimate of value can be made and we are in discussion with the client.

Win

Initial notification that we have been successfully awarded a contract. It may take weeks or months before an order is received. In addition the orders from any win could be spread over a number of years.

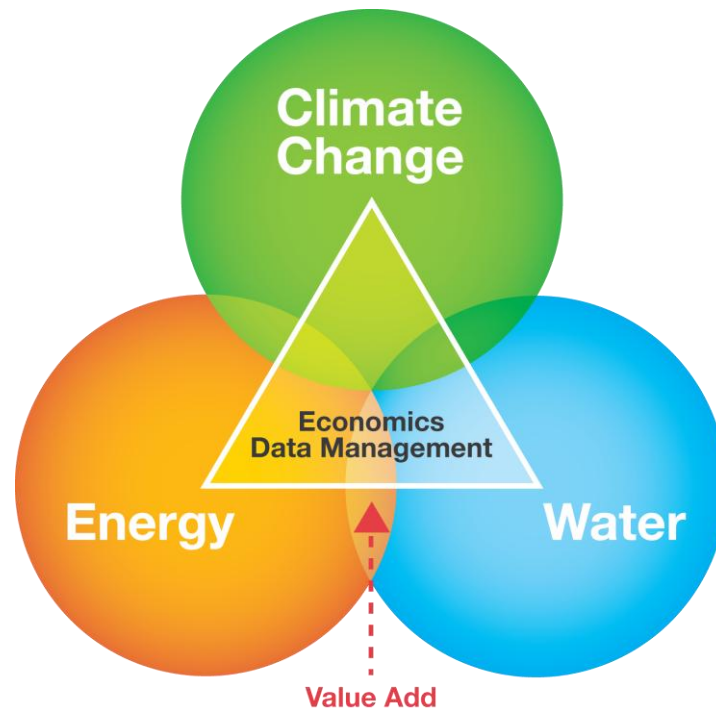
Order Intake

When the scope and value have been agreed in writing and the customer has funding for the work, we report the value of orders received in the year.

Forward Order Book

Management's judgement of the future value of orders.

Performance



Performance outlook - US

- Strong orders performance to date
 - PPC up 100% year on year
 - ERG performing as expected
- Expect to bid c.\$1.2bn this year
 - good joint bid pipeline, AEA+PPC+ERG
 - historically bid/win rates are c.50%
- Federal Government fiscal problems could delay orders
- Federal Government looking for cost saving solutions in energy, sustainability, compliance & IT
- PPC management team strengthened for higher growth trajectory



Federal Highway Administration

- \$7.9m multi award
- ERG, PPC, AEA
- Research into transportation, real estate & environment
- National Environmental Policy Act
- Climate change & sustainability
- Property acquisition
- Marketing & communications



Performance outlook - Europe

- Remain cautious about UK Government spend
 - head count reduced by 200
 - cost control remains very tight
- Business was downsized in 2010/11
 - c.85% of Europe's revenue & AOP
 - expect to bid for c.\$100m opportunities
- New management team appointed
- Opportunities now being delivered for UK employees to work on US Government projects
 - eg. US Transportation Research Board
 - particulate emissions research



Climate change 'could lead to rise in coal power plants'

Ben Webster Environment Editor

Climate change could leave wind turbines becalmed for many more days in the year, forcing power generators to burn fossil fuels, the Government's watchdog on global warming says.

Prolonged lulls in wind speed could occur at times of greatest demand for electricity, exposing Britain to a greater risk of blackouts unless more coal and gas plants are built and kept on standby.

The research, published by the Committee on Climate Change, calls into question the Government's decision to rely heavily on wind turbines for future energy. The committee said changes in wind speeds could undermine progress towards having legally-binding targets to cut emissions.

Heatwaves and cold snaps tend to cause wind speeds to drop close to zero and are expected to occur more frequently as the average temperature

The committee commissioned AEA, an energy and climate change consultancy, to assess the risk posed by a changing climate to Britain's strategy for cutting emissions. The report concludes: "The potential for climate change to influence the performance of wind turbines is a real and significant risk."

It adds: "A fundamental question that could arise is whether the frequency or duration of lull periods might ever increase to such an extent that the viability of using wind in the UK power sector at all is questioned."

Output could also be affected by more storms because turbines stop generating above a certain wind speed.



Lulls in wind speed are forecast to occur more often

Source: The Times

15 July 2011, p.19

AEA 3 year plan

- Drive revenue up c.50%
- Accelerate profit improvement up c.50%
- Grow forward order book from \$400m to c.\$1bn
- Further reduce debt
- Be able to pay dividend
- Significantly reduce pension deficit
- Re Brand and reposition Group as the leading global sustainability consultancy

Group bid pipeline at 30 June 2011

	First Half	Second Half
	\$m	\$m
US	705	478
Europe	61	64
Total	<hr/> 766 <hr/>	<hr/> 542 <hr/>

Group order intake at 30 June 2011

	2011/12	2010/11
	\$m	\$m
US	38.3*	11.4
Europe	12.8	13.4
Total	<hr/> 51.1 <hr/>	<hr/> 24.8 <hr/>

* ERG contribution \$14.9m

- 46% organic improvement at constant currency

Forward order book at 30 June 2011

	2011/12	2010/11
	\$m	\$m
US	355	145
Europe	60	100
Total	<hr/> 415 <hr/>	<hr/> 245 <hr/>

Outlook

“We remain very cautious on the outlook for UK Government market. By contrast we expect this year to be a period of good growth in orders in the US.

Overall this year is expected to be one of continued progress.”

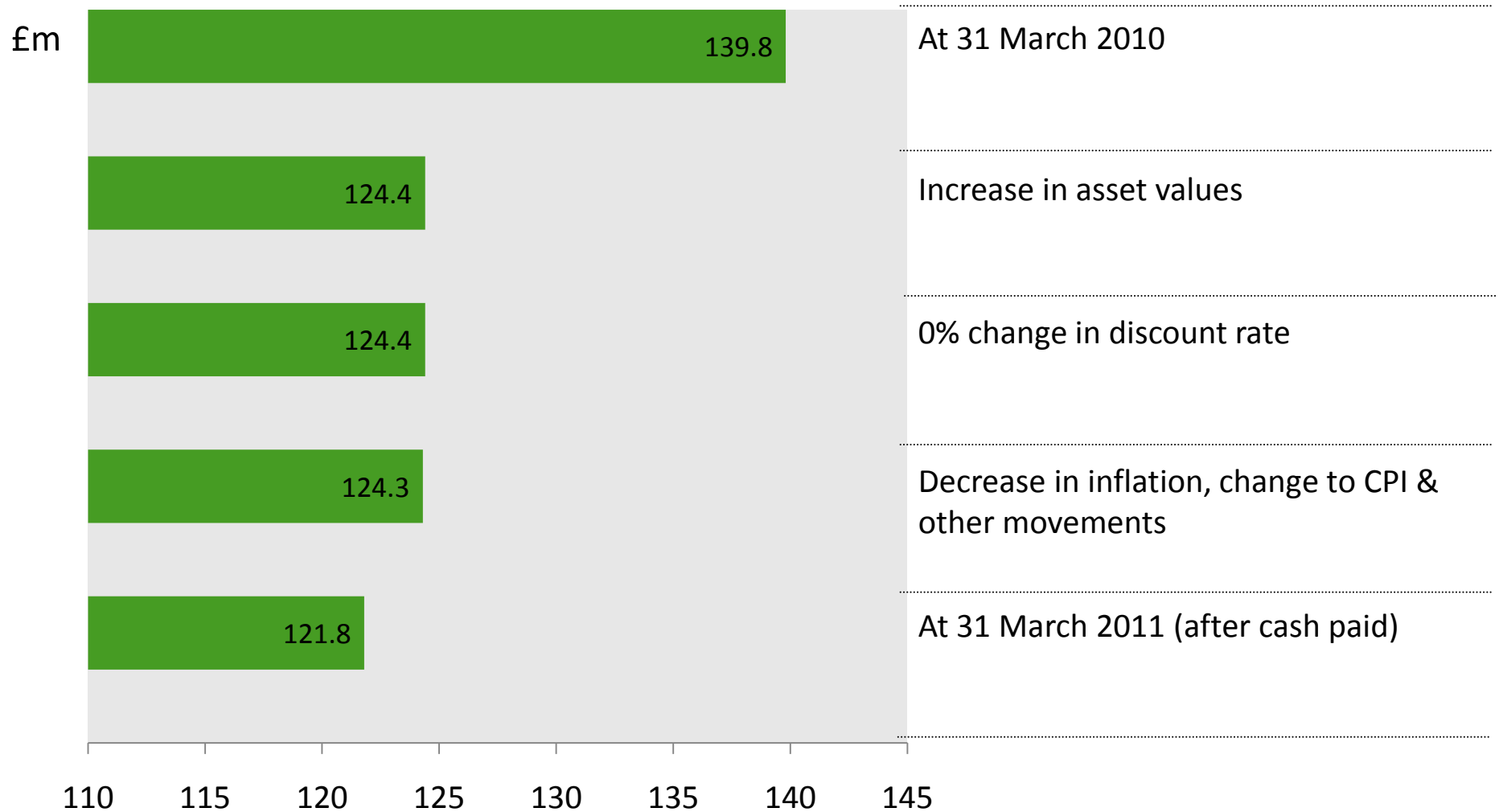


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Appendices

IFRS pension deficit



Cash flow performance

	2011	2010
	£m	£m
AOP	8.8	12.4
Changes in working capital/provisions	(0.2)	(5.1)
Depreciation/amortisation/impairment	2.6	1.4
Other	(0.9)	1.5
Cash generated from business operations	10.3	10.2
Acquisition and restructuring costs	(8.3)	(1.0)
Legacy cash flows	(4.1)	(2.1)
Pension cash flows	(1.8)	(1.1)
Interest and tax paid	(2.4)	(1.1)
Investing activities	(49.9)	(1.9)
New equity issues	51.7	-
Cancellation of debt	2.0	-
Foreign exchange/other	0.4	(1.9)
Movement in debt	(2.1)	1.1
Net debt at end of year	(28.3)	(26.2)

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