

AEA Half Year Results

26 November 2010



Group Highlights

- Strong growth in US
 - c 65% of revenue now in US
 - AEA is now a leading advisor to the US Government
 - First half revenue up 28%
 - Expect to bid for >\$400m
 - \$83m ERG acquisition will accelerate growth
- UK market conditions remain challenging
 - Little improvement post CSR
 - Strategic review underway

Financial Summary

£m	2010	2009
Orders	39.6	63.1
Revenue	50.6	51.0
Adjusted Operating Profit	2.1	4.2
Adjusted PBT	1.1	3.7
Net Debt	31.7	32.0

European Operating Performance

£m	2010	2009
Orders	15.2	32.4
Revenue	28.0	33.4
Adjusted Operating Profit	0.1	2.2
Cash used in business operations	(1.7)	(3.4)

US Operating Performance

£m	2010	2009
Orders	24.4	30.7
Revenue	22.6	17.6
Adjusted Operating Profit	2.0	2.0
Cash generated from business operations	4.0	2.8

Strong Cash Flow Performance

£m	2010	2009
Cash generated from business operations	2.3	(0.6)
Integration & restructuring costs	(2.4)	(0.6)
Acquisition & Group reorganisation	(0.2)	-
Legacy cash flows	(2.5)	(1.4)
Funding of pension deficit	(0.6)	(1.1)
Cash used in operations	<u>(3.4)</u>	<u>(3.7)</u>
Net debt	<u>31.7</u>	<u>32.0</u>

Financial Plan

- Financial integration & control in new US business
- Further improve cash management in US
- Cost reduction
- Medium term priorities
 - debt reduction
 - dividend
 - pension deficit reduction

Operations and Market Update

New Group – Executive Summary

- Revenue c £150m
- Revenue split: US c 65% Europe c 35%
- Forward order book c \$600m
- 1200 employees
- Principal centres:
London, Washington, Boston, Oxford,
North Carolina



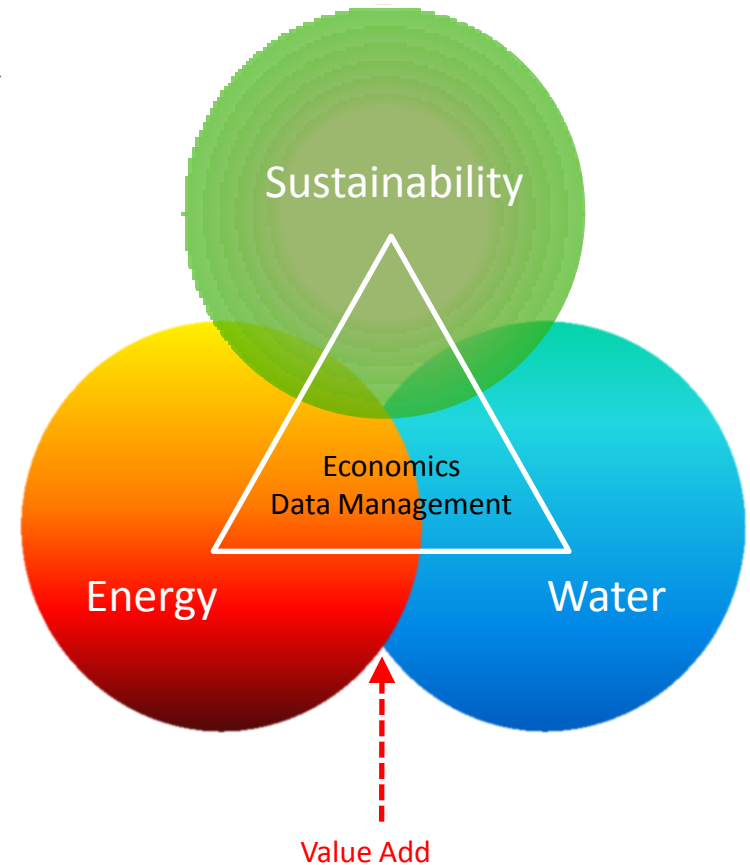
Major Customers – Forward Order Book

	Energy	Sustain- ability	Water	Data / IT	\$m
EPA	59	117	35	9	220
US DoC	-	-	-	64	64
US DoE	43	-	-	3	46
DEFRA	-	35	2	1	38
US DoJ	-	-	-	32	32
\$m	102	152	37	109	400

Total forward order book \$600m

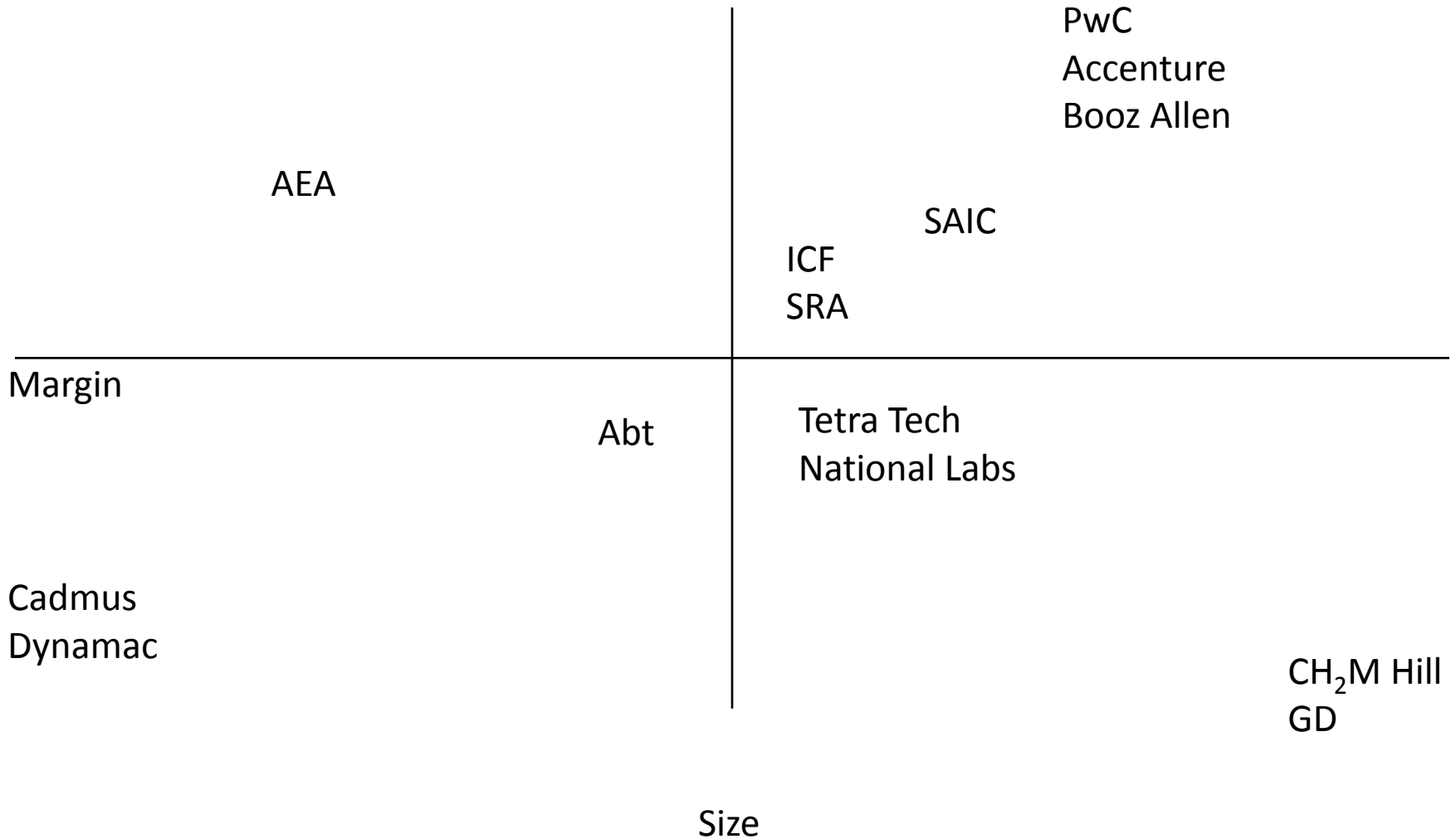
New Group

- A leading technical advisor to the UK and US Governments
- Delivering strong growth in US
- Energy efficiency v Water
- Contract vehicles
 - PPC → US DoE
 - ERG → EPA, OSHA



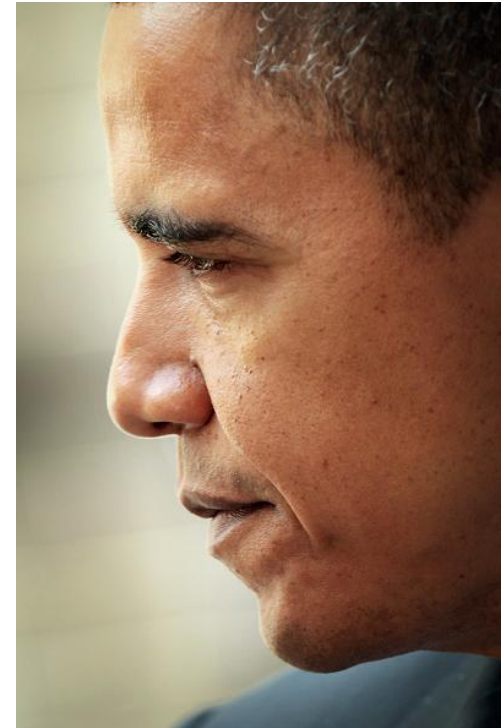
Competitive Landscape

McKinsey



Federal Market

- Energy
 - security & efficiency
 - opportunities pipeline \$500m
- Sustainability
 - efficiency
 - opportunities pipeline \$1.5Bn
- Water
 - Emerging – GDP
- IT / Data
 - efficiency & investment
 - green data
 - opportunities pipeline \$2Bn



Federal Market

- Growing strongly
 - political consensus, energy & sustainability
- Market needs
 - experienced based solutions
 - data driven
 - science & economics
- Our competitive position
 - a rich technical base
 - the key contract vehicles
 - global CV



Immediate Priorities

US

- Build forward order book >15%
- Accelerate organic growth >20%, revenue & profit
- Further improve cash generation
- Drive efficiencies; AEA + PPC + ERG

UK

- Focus is on winning orders & convert into revenue
- Strategic market review underway

New 3 Year Plan

- Drive revenue up c 50%
- Accelerate profit improvement up c 50%
- Grow forward order book from \$600m 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

Conclusion

- UK
 - market conditions remain challenging
 - little improvement expected this financial year
- US
 - strong growth is being delivered
 - prospects look very encouraging
- A transformed business
 - much stronger financial platform
 - more diversified customer base
 - significantly increased forward order book

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Appendix

Trading Performance

£m	2010	2009
Adjusted Operating Profit	2.1	4.2
<u>Adjustments</u>		
Amortisation of intangibles	(0.6)	(0.6)
Acquisition and Group reorganisation	(5.8)	-
Other non recurring net expenditure	(2.4)	(0.4)
	<hr/>	<hr/>
	(8.8)	(1.0)
Operating (Loss) / Profit	<hr/> (6.7) <hr/>	<hr/> 3.2 <hr/>
Net finance costs	(2.1)	(3.0)
	<hr/>	<hr/>
(Loss) / Profit before Tax	(8.8)	0.2
Adjustments above	8.8	1.0
Net pension finance costs	1.1	2.5
	<hr/>	<hr/>
Adjusted PBT	1.1	3.7
	<hr/>	<hr/>

Net Debt Statement

£m	2010	2009
Cash generated from operations	(3.4)	(3.7)
Net interest / tax paid	(1.1)	(0.4)
Capital expenditure / product development	(1.4)	(0.3)
Non – cash financing	(0.3)	-
Foreign exchange	0.7	(0.3)
Movement in Net Debt	(5.5)	(4.7)
Opening Net Debt	(26.2)	(27.3)
Closing Net Debt	(31.7)	(32.0)

IFRS Pension Deficit

£m	2010	2009
Liabilities	(440.5)	(398.6)
Assets	<u>278.7</u>	<u>261.0</u>
Deficit	<u>(161.8)</u>	<u>(137.6)</u>
Discount rate	5.0%	5.6%
Asset funding - equity	51%	77%

- The Pensions Regulator confirmed AEA's pension deficit funding plan at the end of March 2010
- Group to spread the cash contributions into the Scheme over approximately 19 years
- This provides increased certainty over future cash flow demands

Water embedded in the supply chain

A4 paper sheet - 10 litres

Tomato - 13 litres

Apple - 70 litres

Pint of beer - 170 litres

Bag of potato crisps - 185 litres

Glass of milk - 200 litres

Hamburger - 2,400 litres

Leather shoes - 8,000 litres

Car - 400,000 litres

