

AEA Half Year Results 30 September 2011

30 November 2011



Group Half Year Summary

- H1 trading has been in line with expectations and order intake has been strong throughout the Group
- However, as reported, H2 will be impacted by a reduced forecast revenue and adjusted operating profit outturn at PPC
- ERG and Europe are trading in line with our expectations
- Agreement reached with Lloyds to amend 2012 covenants and allow continued access to the banking facilities. Expect to successfully renegotiate 2013 covenants during 2012
- Appointed John Lowry as Interim CEO with immediate effect following the resignation of Andrew McCree
- The Board is firmly focused on improving profitability and managing cash flow

Half Year summary

- Order intake £73.0m up 84% (2010: £39.6m)
- Revenue £53.3m up 5% (2010: £50.6m)
- Adjusted operating profit £2.3m up 10% (2010: £2.1m)¹
- Operating profit £0.2m (2010: £6.7m loss)
- Net debt of £34.3m (30 September 2010: £31.7m)

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

Trading performance – Half Year

	2011		2010	
	£m		£m	
Revenue	<u>53.3</u>		<u>50.6</u>	
Adjusted operating profit	2.3	4.3%	2.1	4.2%
Net interest	(1.3)		(1.0)	
Adjusted profit before tax	<u>1.0</u>		<u>1.1</u>	
Adjusted EPS	0.0p		0.1p	
Basic/Diluted EPS	(0.2)p		(0.9)p	

Trading performance – Half Year

	2011	2010
	£m	£m
Adjusted profit before tax	1.0	1.1
Intangibles amortisation	(0.9)	(0.6)
Acquisition costs	(0.1)	(4.5)
Restructuring	(1.1)	(3.7)
Net pension finance costs	(1.0)	(1.1)
Loss before tax	<u>(2.1)</u>	<u>(8.8)</u>

Revenue analysis – Half Year

			£m		
	2010	FX	Acqn	Fall	2011
			£m		
US	22.6	(1.0)	18.0	(3.1)	36.5
Europe	28.0	-	-	(11.2)	16.8
Total	50.6	(1.0)	18.0	(14.3)	53.3

Adjusted operating profit analysis – Half Year

	£m				
	2010	FX	Acqn	Fall	2011
	£m				
US	2.0	(0.1)	2.5	(1.5)	2.9
Europe	1.4	-	-	(0.7)	0.7
Corporate centre	(1.3)	-	-	-	(1.3)
Total	2.1	(0.1)	2.5	(2.2)	2.3

US operating performance – Half Year

	2011	2010
Order intake	£52.9m ¹	£24.4m
Revenue	£36.5m	£22.6m
Adjusted operating profit	£2.9m	£2.0m
Adjusted operating margin	7.9%	8.8%

¹ Includes PPC like for like, constant currency, order intake growth of +23%

European operating performance – Half Year

	2011	2010
Order intake	£20.1m	£15.2m
Revenue	£16.8m	£28.0m
Adjusted operating profit	£0.7m	£1.4m
Adjusted operating margin	4.2%	5.0%

Cash flow performance

	2011	2010
	£m	£m
AOP	2.3	2.1
Changes in working capital/provisions	(3.2)	(0.4)
Depreciation/amortisation	1.0	0.7
Other	(0.1)	(0.1)
Cash generated from business operations	-	2.3
Acquisition and restructuring costs	(2.5)	(2.6)
Legacy cash flows	(0.3)	(2.5)
Pension cash flows	(1.2)	(0.6)
Interest and tax paid	(1.1)	(1.2)
Investing activities	(0.8)	(1.3)
Foreign exchange/other	(0.1)	0.4
Movement in net debt	(6.0)	(5.5)
Net Debt at 31 March	(28.3)	(26.2)
Net debt at end of September	(34.3)	(31.7)

Balance sheet

	September 2011	March 2011	September 2010
	£m	£m	£m
Goodwill/intangibles	83.6	81.6	35.3
Fixed assets/working capital	8.4	4.2	(0.3)
Provisions	(5.5)	(6.0)	(6.9)
Net debt	(34.3)	(28.3)	(31.7)
Pension liability	(165.5)	(121.8)	(161.8)
Other	(0.6)	0.2	3.9
Net liabilities	<u>(113.9)</u>	<u>(70.1)</u>	<u>(161.5)</u>

IFRS pension deficit

	Sept 2011 £m	Mar 2011 £m	Sept 2010 £m
Assets	270.3	287.8	278.7
Liabilities	<u>(435.8)</u>	<u>(409.6)</u>	<u>(440.5)</u>
Deficit	<u>(165.5)</u>	<u>(121.8)</u>	<u>(161.8)</u>
Discount rate	5.1%	5.6%	5.0%

- Actuarial valuation as at 31 March 2011 ongoing

Group order intake at 30 September

	H1 2011/12	H1 2010/11
	\$m	\$m
US	84.8	37.3
Europe	32.2	24.3
Total	<hr/> 117.0 <hr/>	<hr/> 61.6 <hr/>

- ERG contribution - \$38.9m
- Like for like constant currency growth in PPC +23%

Outlook

“The second half of the current financial year will be impacted by a reduced forecast revenue and adjusted operating profit outturn at PPC, our Washington based operation. As reported previously, performance at ERG, our Boston based operation, and Europe remain in line with Management’s expectations.”

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