



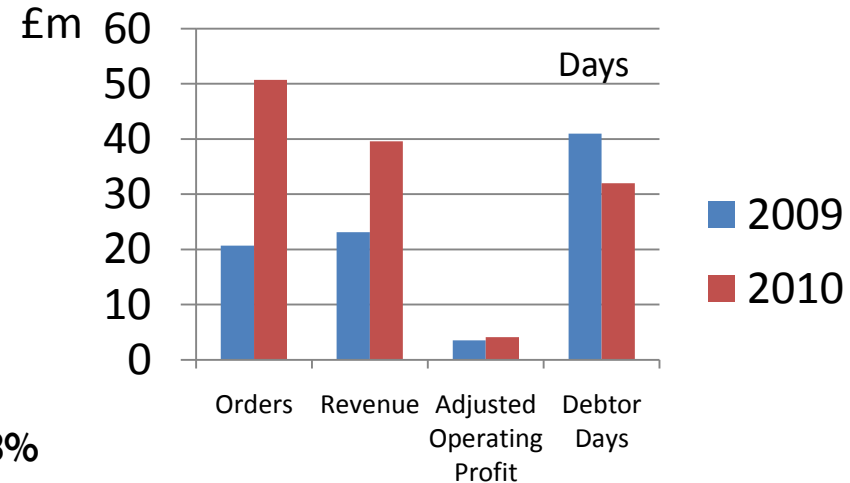
# **AEA Annual Results 31 March 2010**

**24 June 2010**

# Group highlights

- **Strong performance in US**
  - PPC acquisition very successful
  - US operations orders growth of 145%
  - Exciting US DOE win- up to \$45.7m
  - Orders opportunity pipeline c. \$3bn
  - Strengthened cash collection
- **Resilient performance in Europe**
  - European operations orders growth of 8%
  - Number of large strategic wins
  - Revenue up 4%- c. 40 less people
  - Improved cash collection

Post-acquisition US performance



# Financial summary

- Global orders up 41% to £119.2m (2009: £84.3m)
- Revenue up 21% to £113.2m (2009: £93.7m)
- Adjusted operating profit up to £12.4m (2009: £12.0m)<sup>1,2</sup>
- Strong cash generated from operations of £6.0m (2009: £1.1m)
- Net debt of £26.2m (31 March 2009: £27.3m)

<sup>1</sup> *Adjusted operating profit is defined as operating profit before amortisation of acquired intangibles and significant items*

<sup>2</sup> *Adjusted operating profit is after charging additional bidding costs in the US of >£1m*

# Trading performance

£m	2010	2009
Revenue	113.2	93.7
Adjusted operating profit	12.4	12.0
<b>Adjustments</b>		
Amortisation of acquired intangibles	(1.2)	(0.7)
Net pension credit	0.2	-
Integration & restructuring	(1.0)	(0.9)
	<u>(2.0)</u>	<u>(1.6)</u>
Operating profit	10.4	10.4
Net finance costs	(6.9)	(2.9)
Profit before tax	3.5	7.5
Adjustments (see above)	2.0	1.6
Net pension finance costs	5.5	1.5
Adjusted profit before tax	<u>11.0</u>	<u>10.6</u>

# European Operating Performance

	2010	2009
Orders	£68.5m	£63.6m
Revenue	£73.6m	£70.6m
Adjusted operating profit	£8.3m	£8.5m
Adjusted operating margin	11.3%	12.0%
Debtor days	16 days	17 days

# US Operating Performance

	2010	2009
Orders	£50.7m	£20.7m
Revenue	£39.6m	£23.1m
Adjusted operating profit	£4.1m	£3.5m
Adjusted operating margin	10.4%	15.2%
Debtor days	32 days	41 days

# Strong cash flow performance

£m	2010	2009
Cash flow from business operations	10.2	16.2
Integration & restructuring costs	(1.0)	(1.3)
Legacy cash flows	(2.1)	(7.8)
Funding of pension deficit	(1.1)	(6.0)
Cash generated from operations	<u>6.0</u>	<u>1.1</u>
Net debt	<u>26.2</u>	<u>27.3</u>

# IFRS pension deficit

£m	2010	2009
Liabilities	(420.3)	(313.7)
Assets	<u>280.5</u>	<u>205.5</u>
Deficit	<u>(139.8)</u>	<u>(108.2)</u>
Discount rate	5.6%	6.6%
Asset funding - equity	62%	77%

# Market Overview

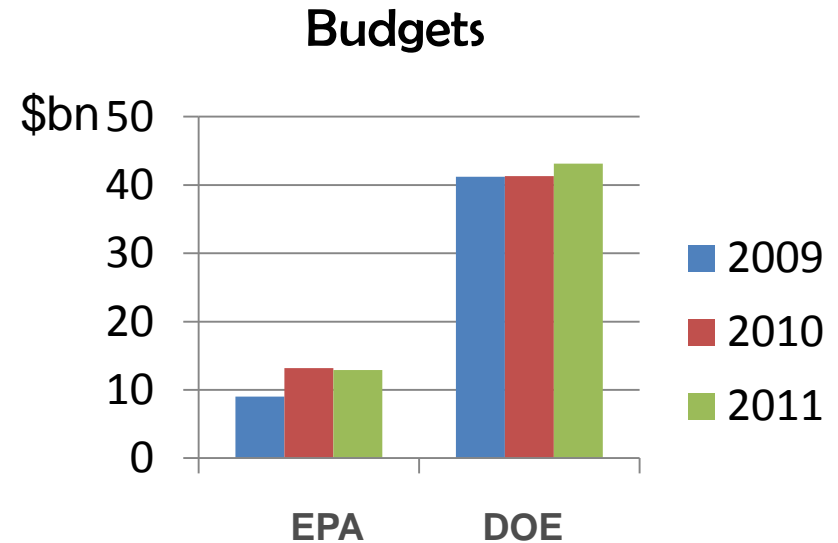
**“In the same way that our view of our vulnerabilities and our foreign policy was shaped profoundly by 9/11, I think this disaster is going to shape how we think about the environment and energy for many years to come.”**

***President Obama, June 14, 2010***



# US

- **Presidential priorities:**
  - Reduce dependence on foreign oil
  - Minimise resource consumption & improve economic efficiency
  - Invest in clean-tech & own IPR
  - Create jobs
- **Federal Government will lead by example**
  - Sustainability targets linked to internal budgets
  - Major Government contracts now require energy & resource efficiency targets



# US market place

- Energy & Sustainability
  - A Federal Government and private sector growth area
- Presidential priorities now heightened by Gulf spill are driving M&A activity
- Large engineering & defence companies establishing credibility by acquisition
- Global consulting firms leveraging networks to try and gain credibility

## US market position



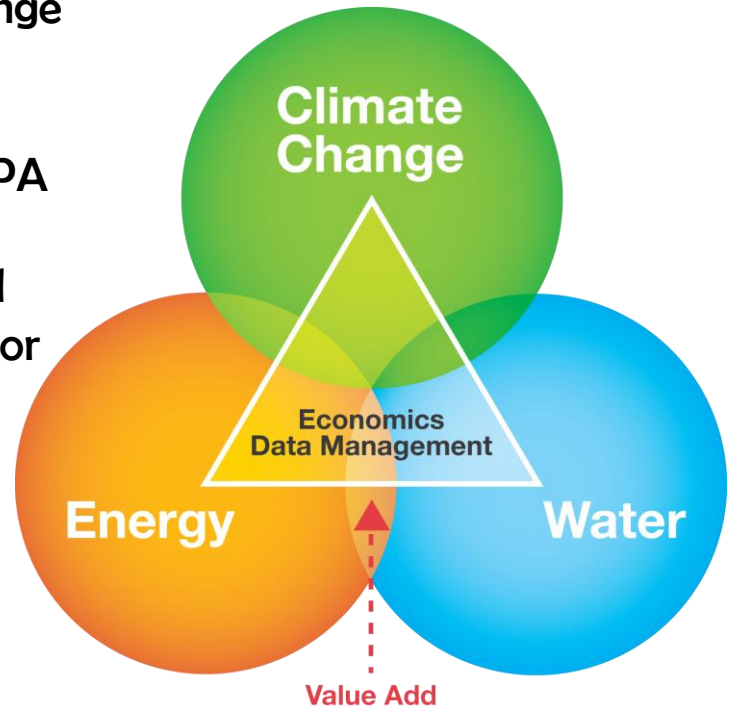
# Europe

- **Anticipate c. 30% reduction in Government markets**
- **Significant change likely in core customers: Defra, DECC & WRAP**
- **Changes in UK Government procurement reduces visibility & causes delay**
- **Climate change & energy still a priority for UK Coalition Government**
- **European regulations and international obligations on the UK Government means that 30% of AEA's European revenue is underpinned**
- **Growth in the medium term is expected to be mainly in the private sector**

# Strategy

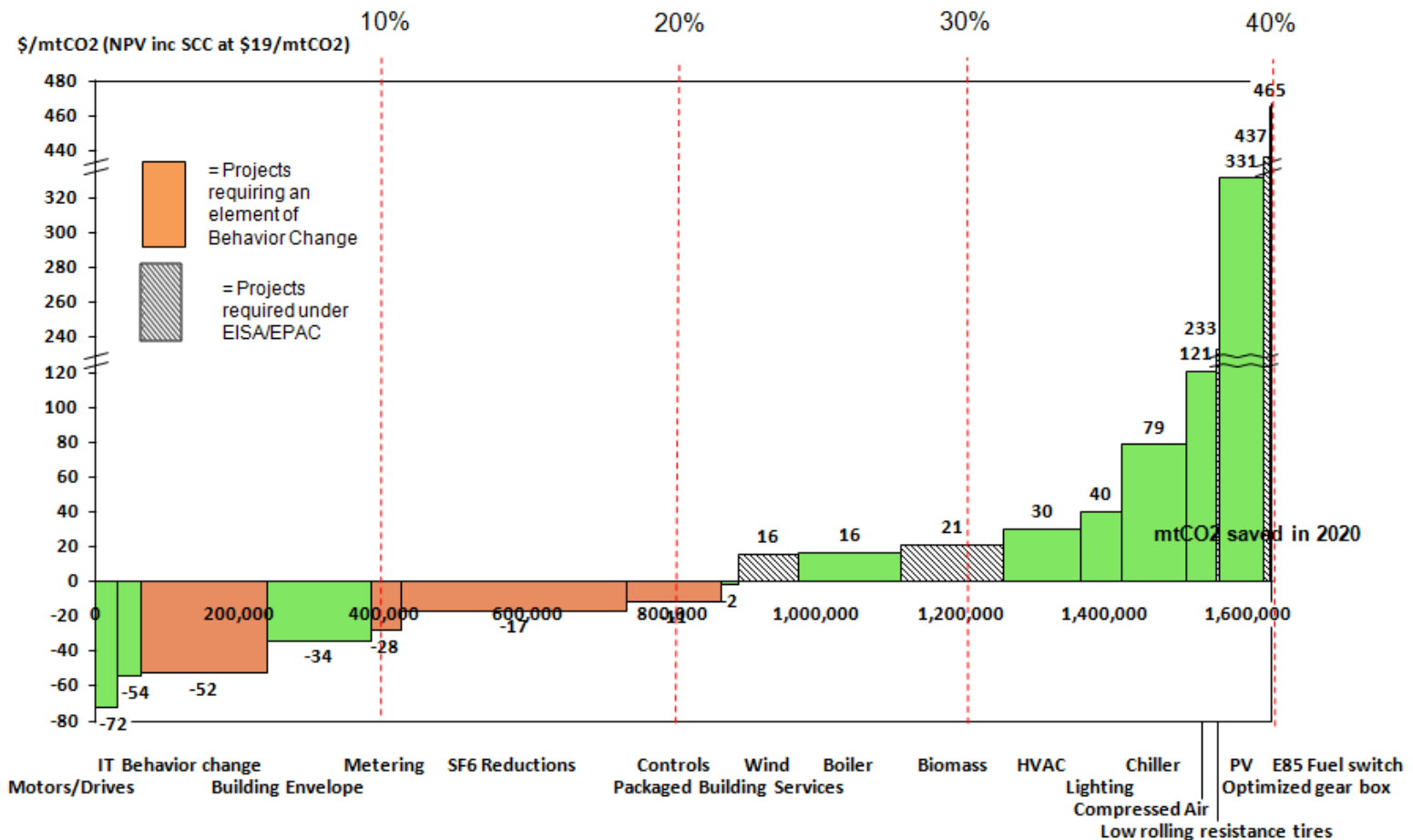
# Strategy

- Leverage UK expertise in energy & climate change into US Federal Government
- Build out from our current US DOE base into EPA
- Expand Federal Government 'track record' and leverage into the higher margin US private sector
- Climate change, water & energy are inter-dependent- we need to acquire water
- Underpin scientific & technical capability with economics and data management



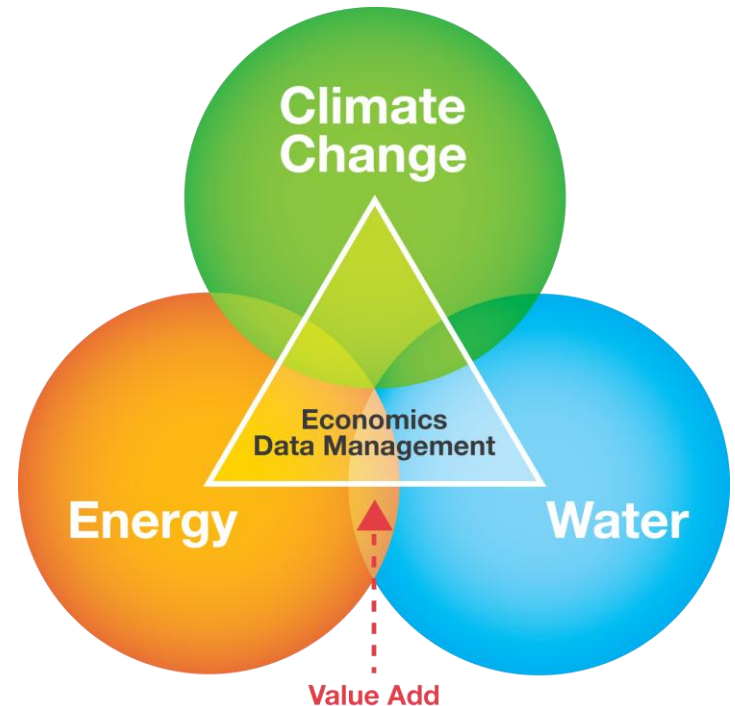
# Strategy in Action

Behaviour Change, Environmental Stewardship, Fossil Fuel, Energy and Renewables, Business Planning, ICT and Data Centres, High Performance Buildings, High Energy Mission Specific Activities



# Water

- Global population is rising
- Climate change is impacting reservoir replenishment
- Consumption per head is rising significantly
- New water efficiency policy & programmes are needed by governments
- Create demand for new investment in technologies which reduce water in manufacturing and production
- New technologies will be needed in metering and irrigation as well as storage



# Conclusion

- **Our strategy is delivering**
- **The acquisition of Project Performance Corporation has been a great success**
- **The US market offers strong growth prospects**
- **In Europe there are challenges but the business has been transformed over the last two years in both people & technology**
- **Our edge is that we provide a powerful combination of good science, good data & good economics to help our customers save money**



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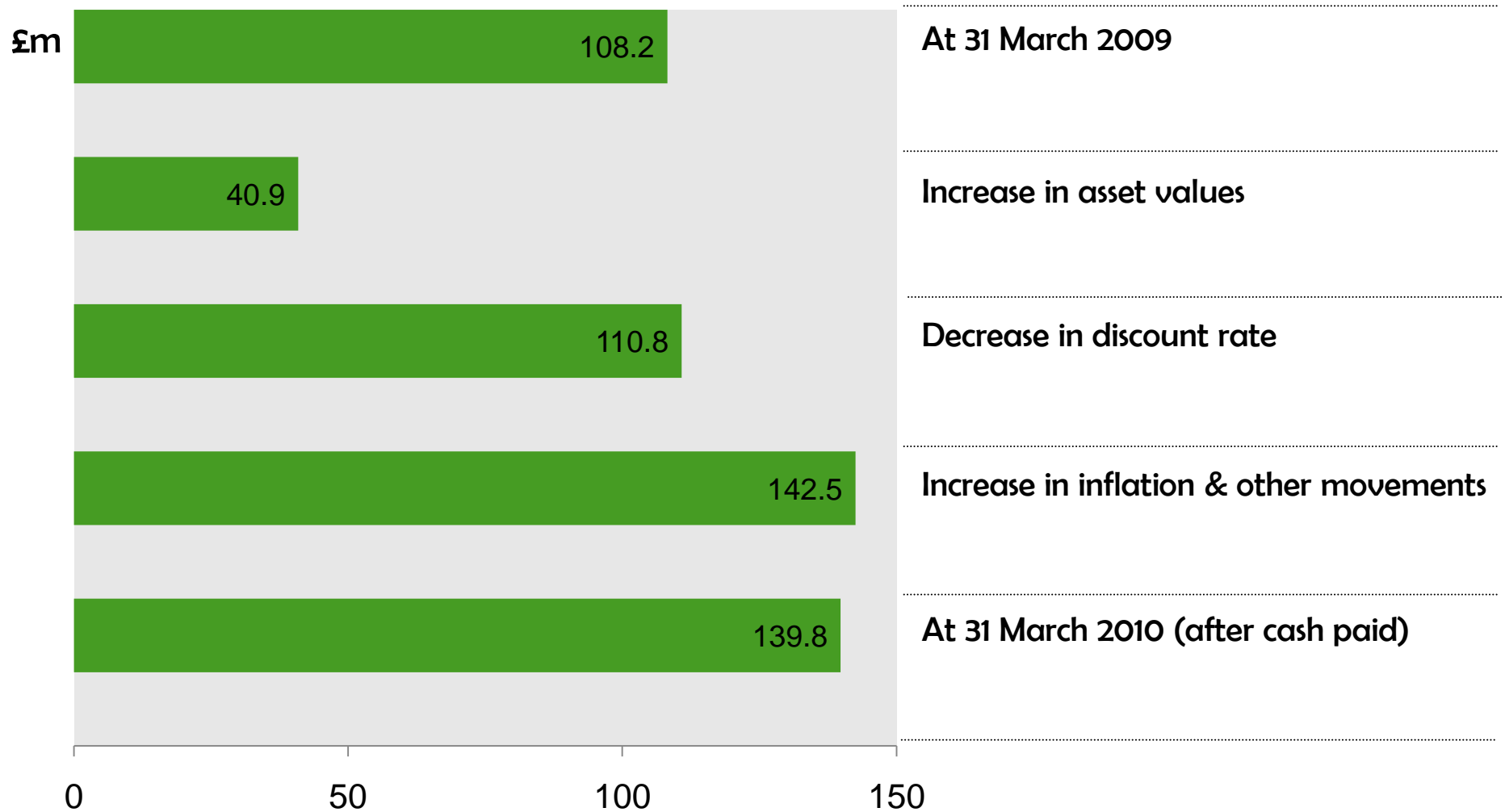
**24 June 2010**

# Appendices

# Net Debt statement

£m	2010	2009
Cash generated from operations	6.0	1.1
Net interest/tax	(1.1)	(1.5)
Capital expenditure/product development	(1.0)	(1.0)
Acquisition of PPC	(0.9)	(36.4)
Share issue proceeds (net of costs)	-	36.2
Non – cash financing	(0.8)	-
Foreign exchange	(1.1)	(6.3)
Movement in Net Debt	1.1	(7.9)
Opening Net Debt	(27.3)	(19.4)
Closing Net Debt	(26.2)	(27.3)

# IFRS pension deficit





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