



AEA Interim Results 30 September 2006

Andrew McCree and Alice Cummings

14th December, 2006

Linklaters, One Silk Street, London

Group Highlights

Financial Performance

- Turnover up 29%
- Adjusted Operating Profit up 121%
- Net debt has reduced by £8.8m to £20.5m

Strong Market

- Energy security & climate change
- Orders up 17% to £34m

Growth Strategy

- Organic and acquisition
- Successful disposal of non-core businesses to Vision Capital

Management

- Four new senior management appointments



Financial Review

Alice Cummings, CFO

14th December, 2006

Financial Summary

£m	2006	2005
Turnover	32.1	24.9
Adjusted Operating Profit	3.1	1.4
PBT	5.9	11.3
Cashflow from operations	(4.2)	(12.8)
Net Debt	20.5	49.8
Pension liability	95.7	124.9

Adjusted Operating Profit

£m	2006	2005
Environment	5.4	4.8
Central costs	(2.3)	(3.4)
Adjusted Operating Profit	3.1	1.4

Central costs reduction programme on target

- Annualised run rate of £3.0m
- 25 staff left as a result of last year's centre cost reduction
- 23 further staff leaving centre as a result of this year's cost reduction

PBT

£m	2006	2005
Adjusted Operating Profit	3.1	1.4
Non-recurring items		
Pension gain	4.1	14.8
Re-financing costs	(0.4)	(2.7)
Redundancy costs	-	(0.9)
	<u>3.7</u>	<u>11.2</u>
Operating profit	6.8	12.6
Net finance costs	(0.9)	(1.3)
PBT	<u>5.9</u>	<u>11.3</u>

Cash flow

£m	2006	2005
Cash flow from operations	(4.2)	(12.8)
Net interest / tax	(1.9)	(2.1)
Capital expenditure	(1.0)	(4.7)
Disposal proceeds (net)	16.1	(2.1)
Share issue	-	30.2
Other	(0.2)	0.7
Movement in Net Debt	8.8	9.2
Opening Net Debt	(29.3)	(59.0)
Bank Net Debt	(20.5)	(49.8)

Cash flow from operations

£m	2006	2005
Cash flow from operations	(4.2)	(12.8)
Disposed business outflow	1.9	5.9
Legacy Outflow	5.3	3.2
Cash from continuing operations	3.0	(3.7)

Cash flow

£m	2006	2005
Cash flow from operations	(4.2)	(12.8)
Net interest / tax	(1.9)	(2.1)
Capital expenditure	(1.0)	(4.7)
Disposal proceeds (net)	16.1	(2.1)
Share issue	-	30.2
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Summary

Financial Performance

- Adjusted Operating Profit up
- Strong underlying cash flow
- Central cost reduction on target

Group Funding

- Good headroom
- Debt reduction achieved

Going Forward

- Maintaining tight financial control
- Increasing investment in organic growth



Business Review

Andrew McCree, CEO

14th December, 2006

Performance Highlights

Sales

- Up 29% from £24.9m to £32.1m

Orders

- Up 17% from £29m to £34m
- Secured sales for year end 87% (2005: 85%)
- 2-3 year pipeline now at £250m

Utilisation

- Up 1% to 78%

Recognition

- Awarded the top consultant in Renewables & Climate Change

Energy and Environment Consultancy

Policy & Implementation Support

- *Air quality*
- *Energy security*
- *Climate change agreements*
- *Climate change adaptation*
- *Renewable energy technologies*
- *Transport*
- *Aviation*
- *Cleaner fossil fuels*

22 World experts

45 PhDs

221 Graduates

Main customer UK Government – 80% sales

Energy and Environment - Highlights

DTI

- Emerging Energy Technologies Programme
- Wave and Tidal Stream Energy Demonstration Scheme
- Closed Russian Cities Project (Phase 2)

DEFRA

- Market Transformation Programme
- Baseline Measurements & Analysis of UK Ozone and UV Radiation

SCOTTISH EXECUTIVE

- Marine Renewable Study

EU

- Energy and Environment Programme China
- IPR Infrastructure Croatia
- Russia Science & Technology Commercialisation

Momenta Consultancy

Policy into Practice

- *Agriculture*
- *Education*
- *Environment*
- *Health*
- *Industry*
- *Transport*

Market leaders in:

Knowledge Transfer

Behaviour Change

Main customer UK Government – 99% sales

Momenta - Highlights

DTI

- Knowledge Transfer Partnerships (KTP) Programme

DEFRA

- Envirowise Scotland & Wales

DFT

- SAFED for Vans

SCOTTISH EXECUTIVE

- The Increase Programme
- SAFED Scotland



Growth Update

A Strong Base on which to build

Good technical base

- World leading experts in:
 - Air quality, energy efficiency & climate change
 - Resource efficiency, knowledge transfer & behaviour change

Trusted supplier to UK Government

- 35 year track record with Government
- Manage c.£500 million Government funds

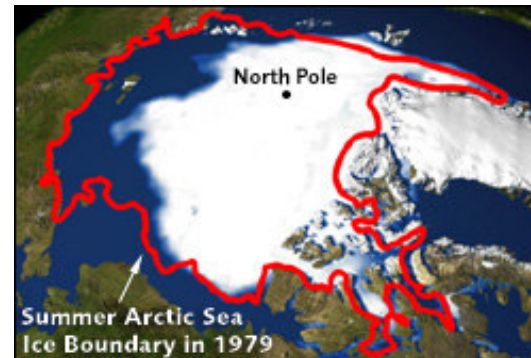
Respected international reputation

- UN, EU, EBRD/World Bank aid projects

A Strong Market

Global drivers

- Climate change
- Energy security



EU - enlargement

US - energy costs



Strategic Goals

Double revenues

- Aggressive organic growth
- Focused acquisition programme

Sustain mid-teen margins

- Increase utilisation
- Maintain tight cost control

Enhance management

- Focus on commercial & marketing skills

Organic & Acquisition Growth

UK Government market expected to grow

- Aim to sell to more Government departments
 - eg. Health & Education
- Aim to get larger share of market with existing customers
 - eg. DEFRA, DFT & Scottish Executive

EU expansion

- Aim to sell more to Brussels
- Accession States will access structural funds of €5bn by 2007

US - acquisitions

- Prospects identified
- Criteria, growth, earnings, routes to market, US/UK leverage

Summary

Strong market

Growth strategy is in place

Attracting top management talent

Order book & pipeline improving

Performance is getting stronger

*WE LOOK FORWARD TO THE FUTURE
WITH CONFIDENCE*



The environmental consultancy survey 2006

“Although last year consultants did not share the customers’ admiration for AEA, the two groups have come to agree and overwhelmingly voted for the consultancy as the top player in climate change and renewable energies.”

Source: The Environmental Data Interactive Exchange



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