

Regulatory Story

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AEA Technology plc ("AEA" or "The Group")

Interim Management Statement

AEA Technology Plc, a market leading energy and climate change consultancy, is today publishing its Interim Management Statement for the period up to 12 February 2009.

The European business continues to make progress in a tough market. During the period, we were able for the first time to harness the combined capabilities of AEA and PPC and a number of important orders were won. Our strong relationships and reputation in the UK and US public sectors continue to be an asset in these difficult economic conditions, although for a number of reasons the order flow from government in both the UK and US has been slower than this time last year.

In the US, the weakness in the economy and a change in Administration have led to longer than usual delays. In the UK, a key customer for the Group's services, DECC (Department of Energy and Climate Change), was only set up in June, which has led to some delays in procurement. Furthermore, the Government has postponed the implementation of the Carbon Reduction Commitment for six months and, while this important element of the Climate Change Bill will be a key driver for the Group's services going forward, this delay along with general market conditions has meant that private sector orders have slowed significantly in the second half.

Management has taken decisive action to streamline the business and reduce costs, while ensuring the combined business is well placed to take advantage of growing opportunities. Performance in a number of areas across the Group is much improved, reflecting the investment in the business during the current year. These actions have helped offset the delay in orders and put the business in a better position for the future.

Management has also taken strong action to improve the debtor management in PPC. This has resulted in a much-improved operating cash performance. As a result, the Group has been able to settle a number of historical liabilities whilst maintaining sufficient banking headroom.

The order pipeline for 2009/10 is encouraging. In the US, the new President's focus on Climate Change and Energy Efficiency is expected to lead to significant opportunities for the Group. In the UK, despite worsening economic conditions, the regulatory drivers of the Climate Change Bill are expected to impact the Group positively. It is clear that the combination of AEA and PPC's capabilities will be in strong demand and put the Group in a good competitive position.

While the current economic climate means that visibility is limited, the Group continues to expect to make progress in 2008/09 provided that there is no further significant deterioration in the economy.

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