

# Keller Group plc

## Preliminary Results 2004

March 2005



# Highlights

- Turnover of £595.9m up 11% on a constant currency basis
  - Strong organic growth across our international markets
- Profit before tax\* up 3% to £29.6m, despite adverse currency fluctuations of £2.3m
- Strong US performance on the back of restored Suncoast margins
- Improved UK performance following Makers recovery
- Total dividend increased by 5% to 10.9p
- Record order book, boosted by recent large US contract wins

\* Before amortisation and 2003 exceptionals



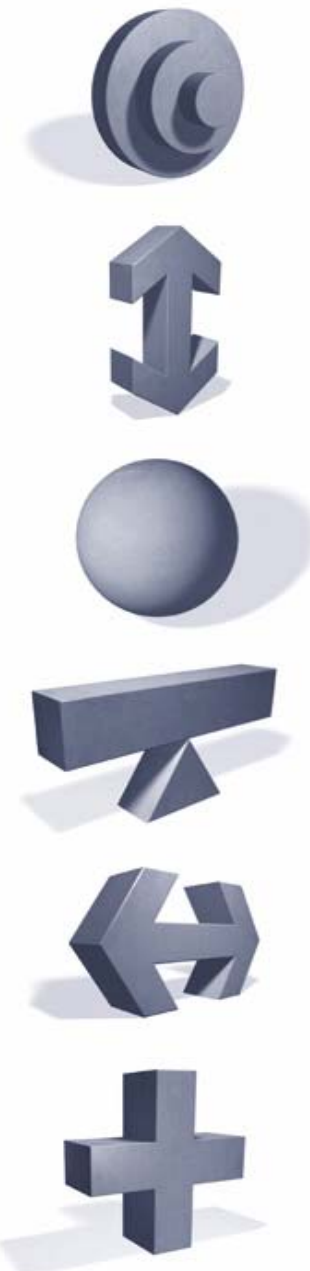
# Profit and Loss Account

£m	2004	2003	% change
Turnover	595.9	567.5	+ 5%
Operating profit*	33.7	32.8	+ 3%
Interest	(4.1)	(4.1)	
Profit before tax*	29.6	28.7	+ 3%
Exceptional items	-	(3.1)	
Amortisation	(3.0)	(10.8)	
	26.6	14.8	
Taxation	(11.1)	(10.7)	
Profit after tax	15.5	4.1	
Minority interests	(2.1)	(1.8)	
	13.4	2.3	
Adjusted earnings per share*	25.1p	24.1p	+ 4%
Basic earnings per share	20.5p	3.5p	
Dividends per share	10.9p	10.4p	+ 5%

\* before amortisation and 2003 exceptionals



- Turnover and operating profit both up by 11% on a constant currency basis
- Adverse currency impact of £2.3m on profit
- Dividend covered 2.3 x

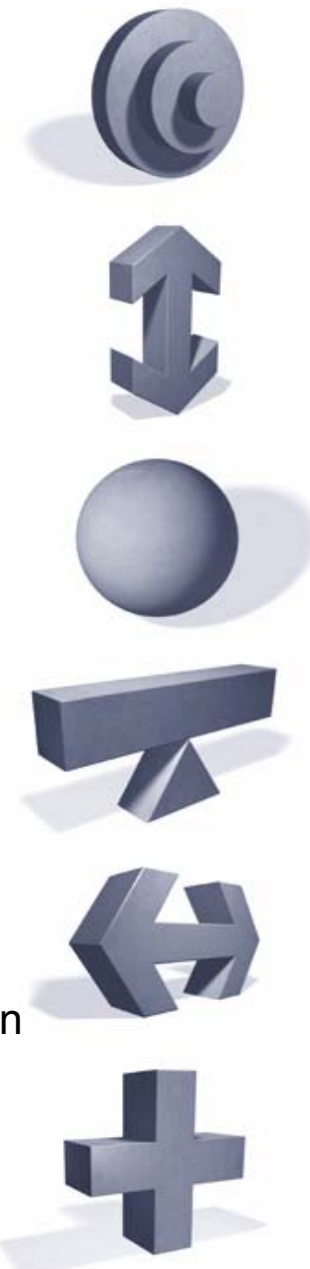


# Operating Profit and Margin

( before amortisation of intangibles and 2003 exceptionals)

£m	2004		2003	
	Operating profit	Margin	Operating profit	Margin
UK	1.7	1.6%	0.5	0.5%
USA	21.0	7.5%	19.3	7.1%
Europe/Overseas	11.9	6.8%	13.8	8.4%
Australia	1.7	5.2%	2.0	7.2%
	<b>36.3</b>	<b>6.1%</b>	<b>35.6</b>	<b>6.3%</b>
Central costs	(2.6)		(2.8)	
	<b>33.7</b>	<b>5.7%</b>	<b>32.8</b>	<b>5.8%</b>

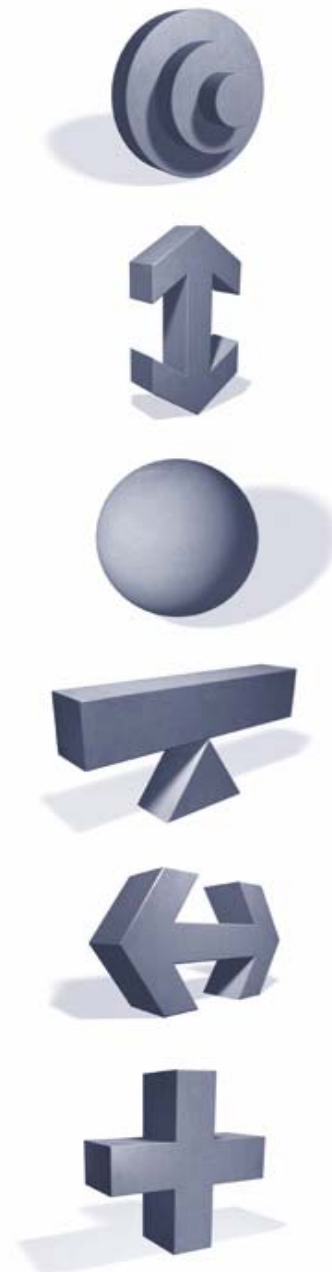
- Small profit at Makers (2003: £0.9m loss)
- U.S. profits up 22% in dollar terms
- Suncoast margins restored
- Europe/Overseas performance affected by Germany and £0.4m restructuring costs in Portugal



# Group Balance Sheet

£m	2004	2003
Goodwill/intangibles	57.9	57.0
Tangible assets	80.9	82.2
	<b>138.8</b>	<b>139.2</b>
Stocks	24.3	16.9
Debtors	144.5	137.9
Creditors	(118.4)	(113.0)
Working capital	<b>50.4</b>	<b>41.8</b>
Provisions/long-term creditors	(9.3)	(8.7)
Capital employed	<b>179.9</b>	<b>172.3</b>
Tax/dividends	(16.3)	(11.9)
Deferred consideration	(2.2)	(2.1)
Net debt	(60.0)	(60.7)
Net assets	<b>101.4</b>	<b>97.6</b>

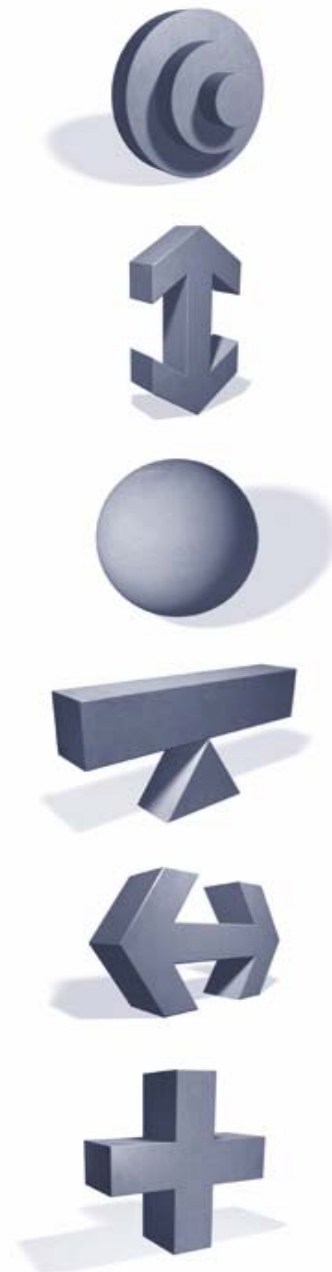
- Stocks reflect higher cost of steel strand at Suncoast
- Pre-tax return on capital employed of 19% (2003: 19%)



# Group Cash Flow Statement

£m	2004	2003
Cash from operating activities	33.6	40.0
Capex – net	(11.8)	(13.4)
Tax	(7.4)	(12.8)
Interest/Financing	(6.5)	(5.0)
<b>Free Cash Flow</b>	<b>7.9</b>	<b>8.8</b>
Dividends	(6.9)	(6.5)
Acquisitions	(3.4)	0.4
<b>Net cash flow</b>	<b>(2.4)</b>	<b>2.7</b>
Share issues	-	0.1
Exchange differences	3.1	4.5
Opening net debt	(60.7)	(68.0)
<b>Closing net debt</b>	<b>(60.0)</b>	<b>(60.7)</b>

- Gearing of 59% (2003: 62%)



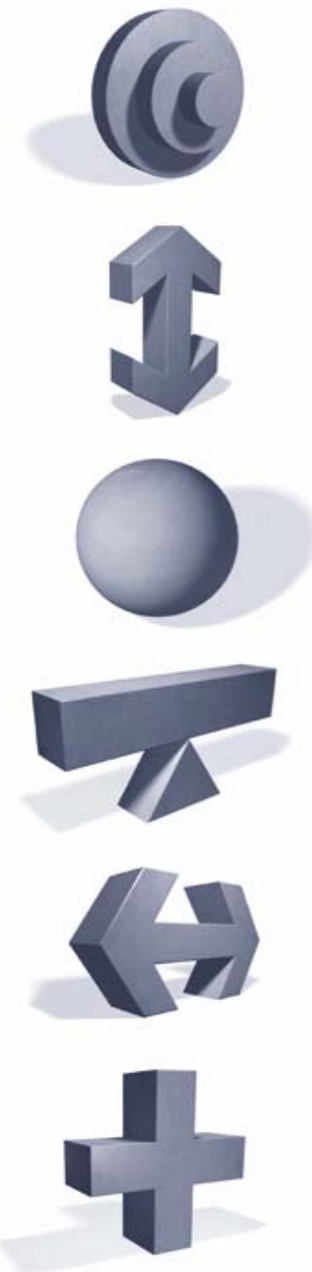
# 2005 Guidance

- US \$ translation impact: 5c change in average rate = £0.5m
  - 2005 budget at £1 = \$1.90 (2004 actual: \$1.83)
- Euro translation impact: 5c change in average rate = £0.4m
  - 2005 budget at £1 = €1.45 (2004 actual: €1.47)
- US interest rate increases offset refinancing benefits
- Typically 35%-40% of profit in H1
- Working capital outflow in H1
- Remember IFRS



# IFRS – Estimated Impact on 2004

	Profit before tax £m	Net assets £m
As reported under UK GAAP (post amortisation)	26.6	101.4
Adjustments to comply with IFRS:		
Goodwill	2.9	(7.6)
Pensions	0.1	(6.5)
Dividends	-	4.8
Share based payments	0.1	-
Restated to comply with IFRS	<u>29.7</u>	<u>92.1</u>



# North America

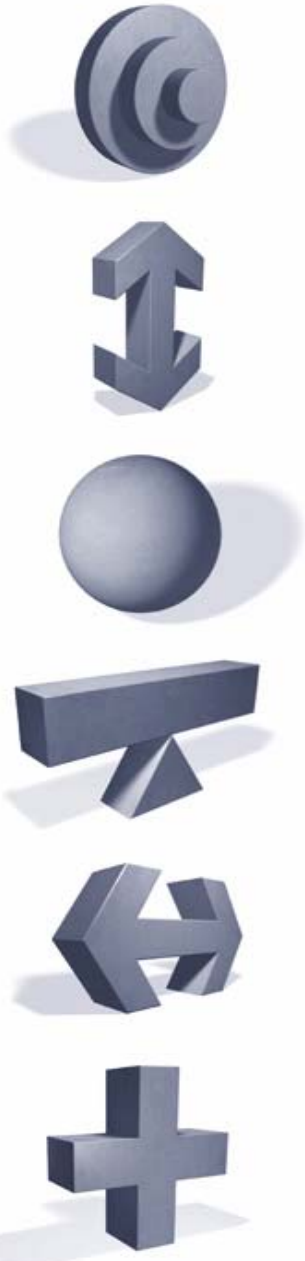
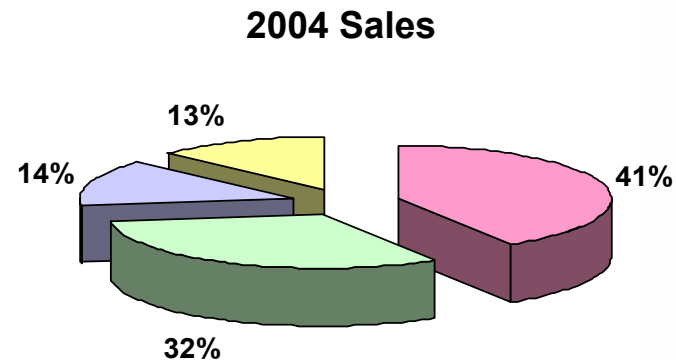
## Results

£m	2004	2003	% Change £	% Change \$
Sales	280.2	270.4	+ 4%	+ 16%
Operating profit	21.0	19.3	+ 9%	+ 22%
Operating margin	7.5%	7.1%		
\$ Exchange Rate	1.83	1.64		

- Record result from North America



- Suncoast
- Hayward Baker
- Case
- McKinney



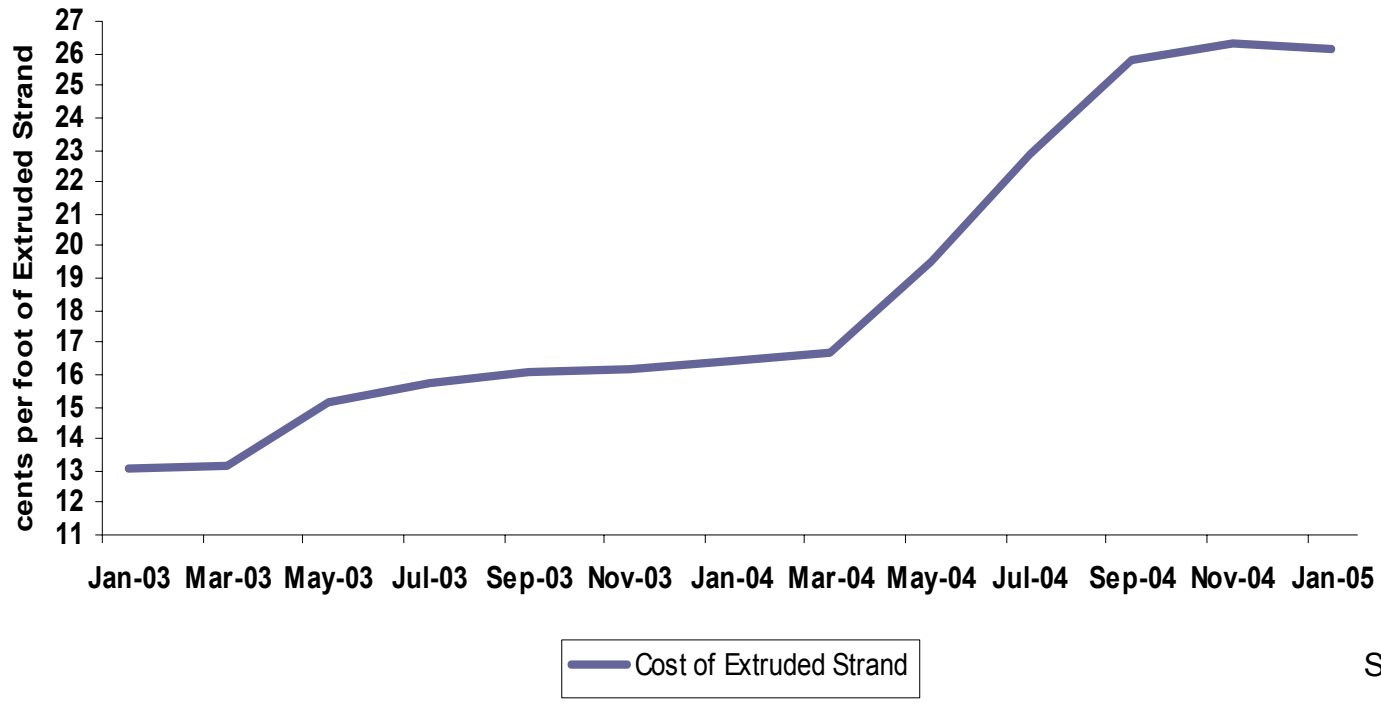
# North America

## Trading Highlights

- Suncoast margins restored
  - Revenues up by more than 30%
  - Excellent growth in California and Arizona
  - Raw material costs stabilising in the fourth quarter
- Hayward Baker improved after a sluggish start
- Stable volumes and margins from Case
- McKinney business successfully integrated into the Group

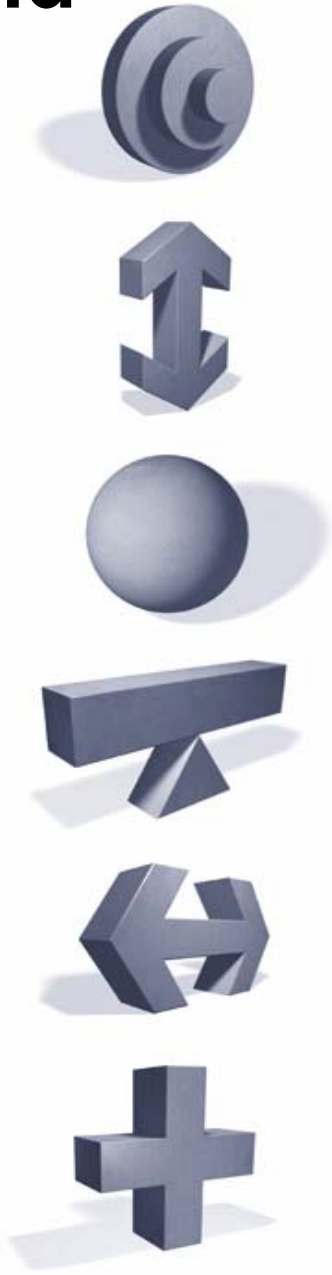


# Suncoast—Average Cost of Extruded Strand



Source: Suncoast

- Stable cost prior to 2003
- Cost doubled in two years
- Selling price increases passed on in 2004
- Further volatility to be expected



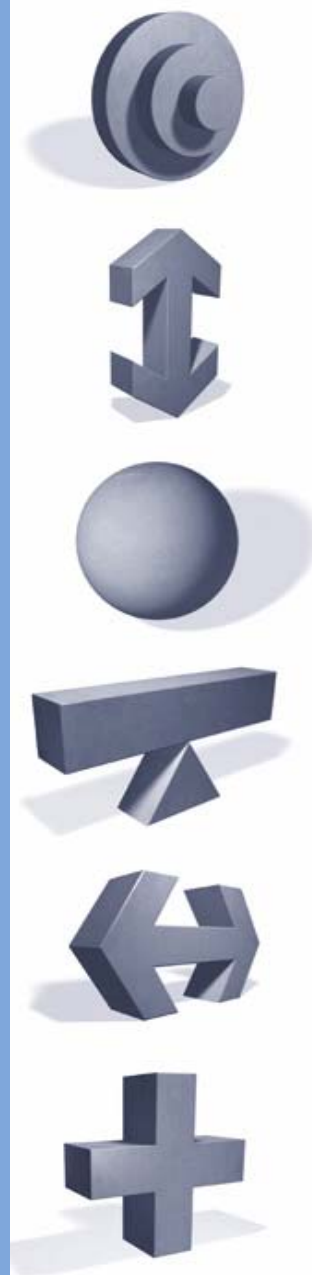
# Suncoast - Growth Opportunities



States with highest authorised housing starts

Source: US Census Bureau

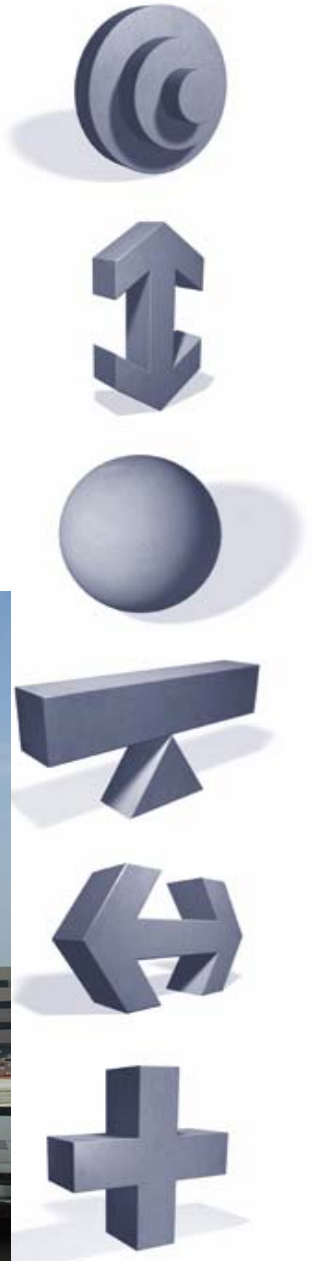
- California has the second highest new housing starts in the U.S.
- New code standards will benefit post tensioning technique





Hayward Baker  
Soil Mixing & Vibro Replacement  
Waterfront Condominium Development  
Los Angeles

Case & McKinney  
Piling  
New Leisure Facility  
New York State

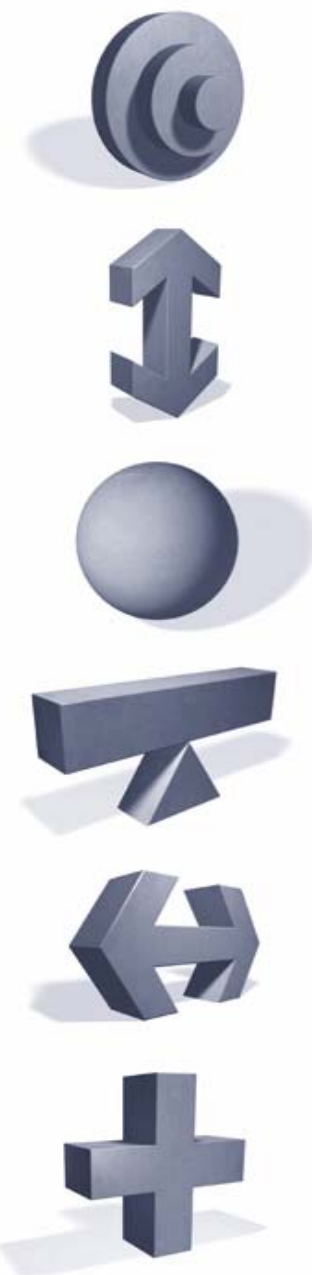
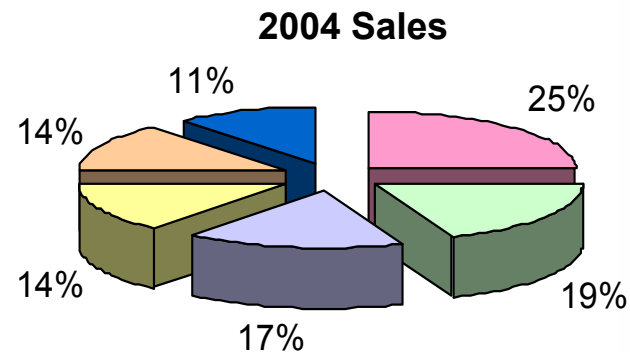


# Continental Europe & Overseas

## Results

£m	2004	2003	% Change £	% Change €
Sales	175.0	165.2	+ 6 %	+ 8%
Operating profit	11.9	13.8	- 14%	- 12%
Operating margin	6.8%	8.4%		
€ Exchange Rate	1.47	1.45		

- German sales now only 25% of divisional total (1995: 65%)
- Margin erosion due to Germany & Portuguese restructuring costs



# Continental Europe & Overseas

## Trading Highlights

- Another very strong result from Keller-Terra
  - Excellent progress made in last two years in Spain
- Portuguese business returned to profitability in H2 after cost cuts
- Construction market in Germany declined further in 2004
  - Our volumes maintained, but margins reduced
  - Action taken to reduce costs
- Further organic growth and expansion
  - Eastern Europe: Volumes up by more than 20%
  - North Africa: Growing presence

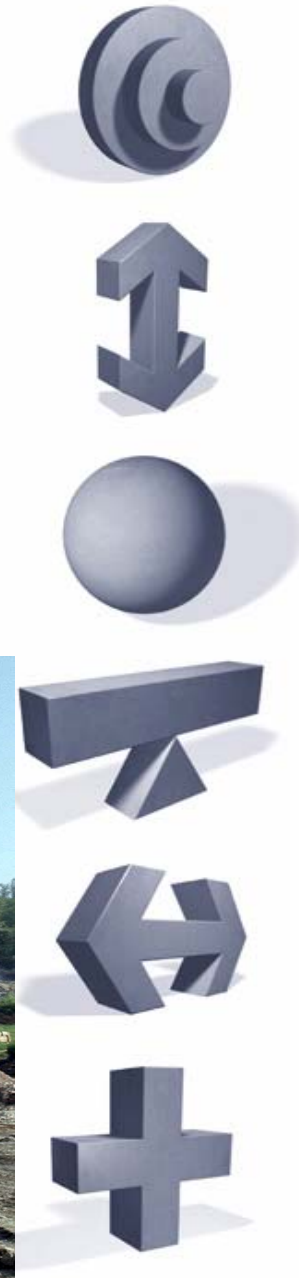




Germany  
Grouting and Anchors  
New underground rail link, Cologne



Croatia  
Ground Improvement  
New Motorway



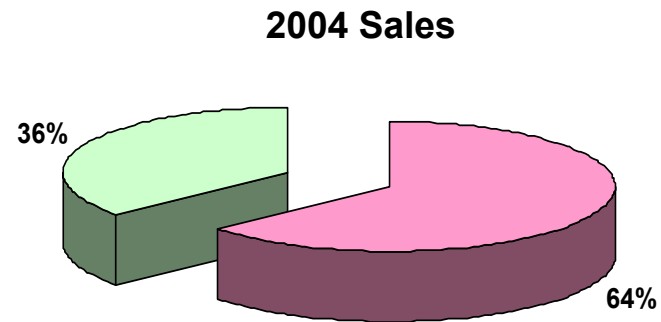
# United Kingdom

## Results

£m	2004	2003	% Change £
Sales	108.3	104.0	+ 4 %
Operating profit	1.7	0.5	+ 240%
Operating margin	1.6%	0.5%	



■ Makers  
■ KGE



# United Kingdom

## Trading Highlights

- Makers returned to profitability in 2004
  - Good result from Social Housing in the South East
  - Social Housing management further strengthened
  - Car Parks Division performed well
  - Losses from old contracts now stemmed
- KGE result satisfactory on lower sales



# Australia

## Results

£m	2004	2003	% Change £	% Change AU\$
Sales	32.4	27.9	+ 16%	+ 15%
Operating profit	1.7	2.0	- 17%	- 18%
Operating margin	5.2%	7.2%		
\$ Exchange Rate	2.49	2.52		

- Lower margins on some bigger contracts
- Geotechnical subsidiary expected to move into profit
- Opportunities still good



# Strategy

- To continue our long term track record of growth within specialist ground engineering

## Organic Growth

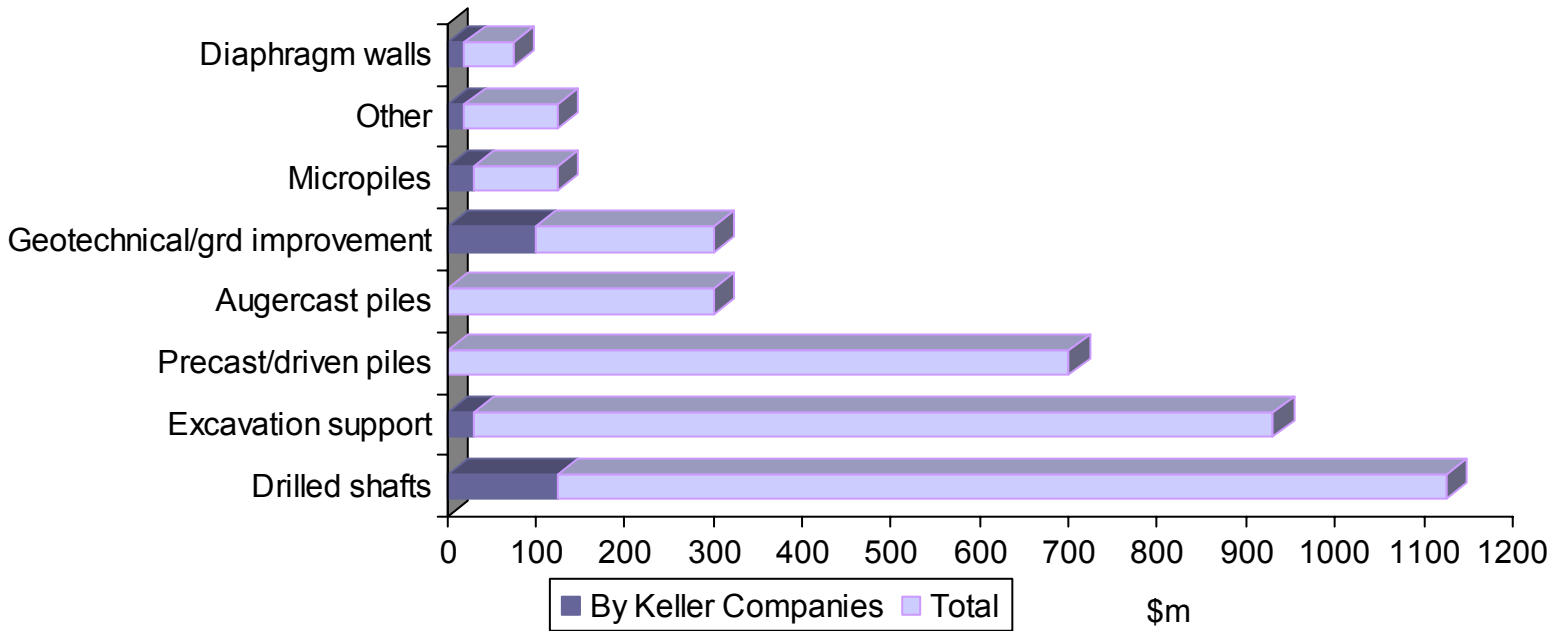
- Existing and new territories
- New products and technologies
  - Growth of Suncoast in West Coast of U.S.
  - Growth into North Africa
  - Growth of geotechnical products in Australia

## Acquisitions

- In existing markets
  - Broadening product range
  - U.S. market still very fragmented

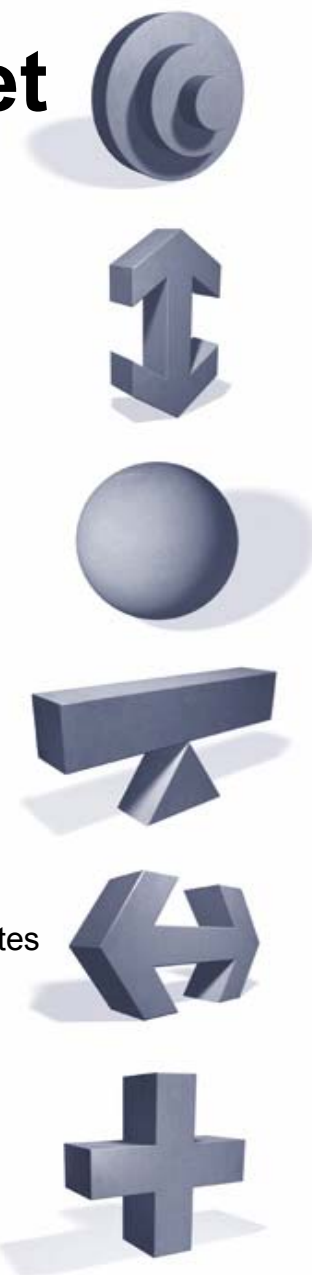


# Keller's Share of the US Foundation Market



Source: Keller US estimates

- Conclusion:
  - Good growth opportunities



# Outlook

- Good prospects for Suncoast on the West Coast of the U.S.
- Office & Commercial market in the U.S is improving
- European markets ex-Germany remain broadly stable
- Record order book, over four months' sales
  - Recent order intake has remained good



# Appendix



# Ground Engineering Worldwide

## Activities

- Specialty grouting
- Ground improvement
- Caissons & piling
- Post-tension concrete
- Structural refurbishment

## Applications

- Control of building settlement
- Groundwater control
- Seismic risk protection
- Foundation support
- Foundation support
- Earth retention
- Slab-on-grade foundations
- High rise structures
- Local authority housing
- Concrete repair: car parks, water



# Competitive Positioning

- Competition
  - Global
  - National
  - Local
- No UK or US quoted peer
- Specialist contractor (people and equipment)
- Balanced contract portfolio
  - Size of contract
  - Type of work
  - End customer
  - Geographic spread



# Business Model

Specialist with a tight focus



Experienced people with deep industry knowledge



Global business, but with strong local knowledge



Well balanced with broad markets and customer base



Broad range of industry-leading technologies and processes

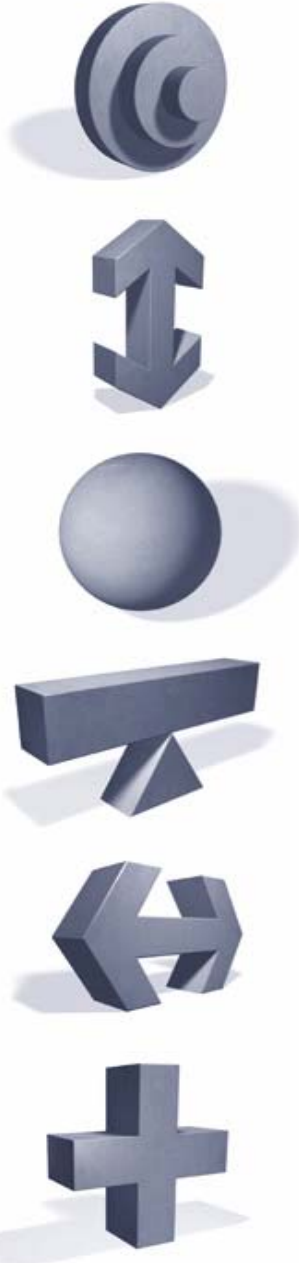
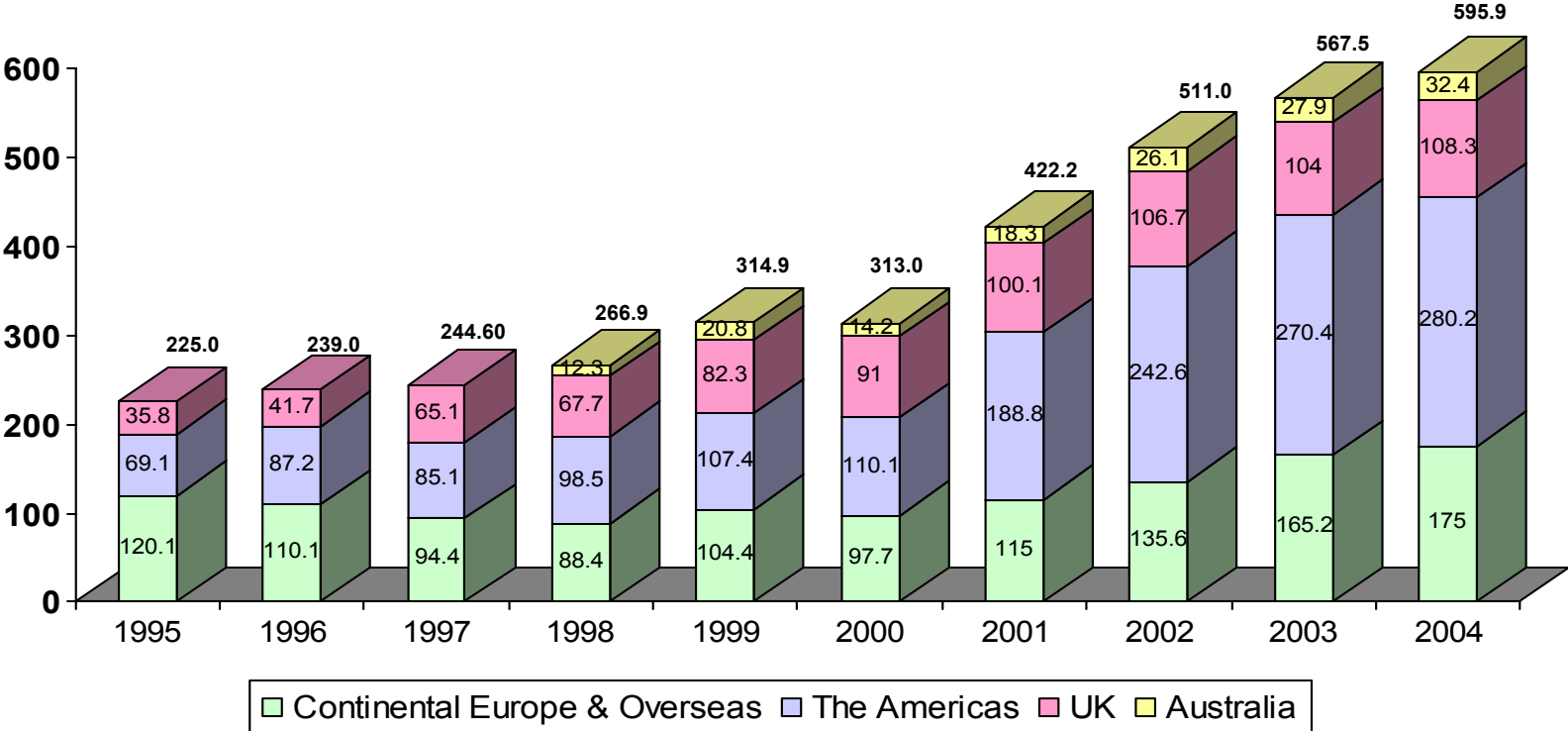


Good long-term growth record and prospects



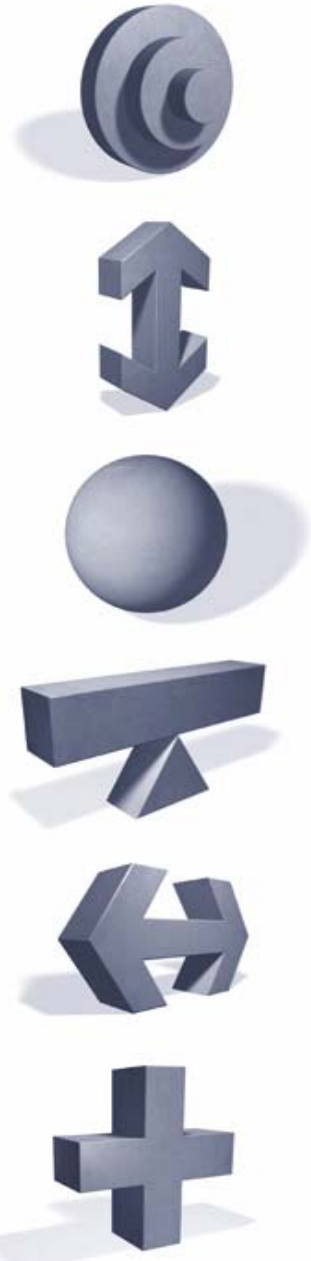
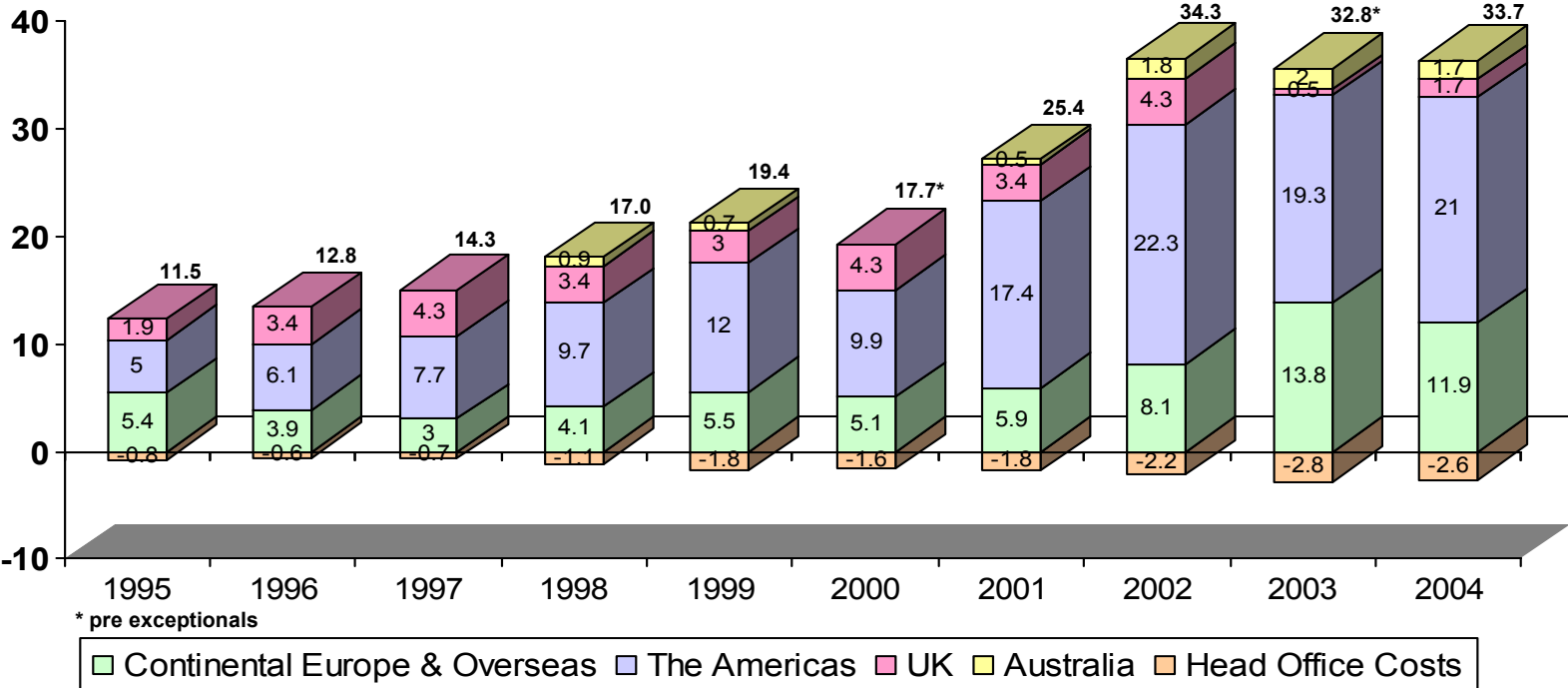
# Ten Year Track Record

Turnover 1995 - 2004



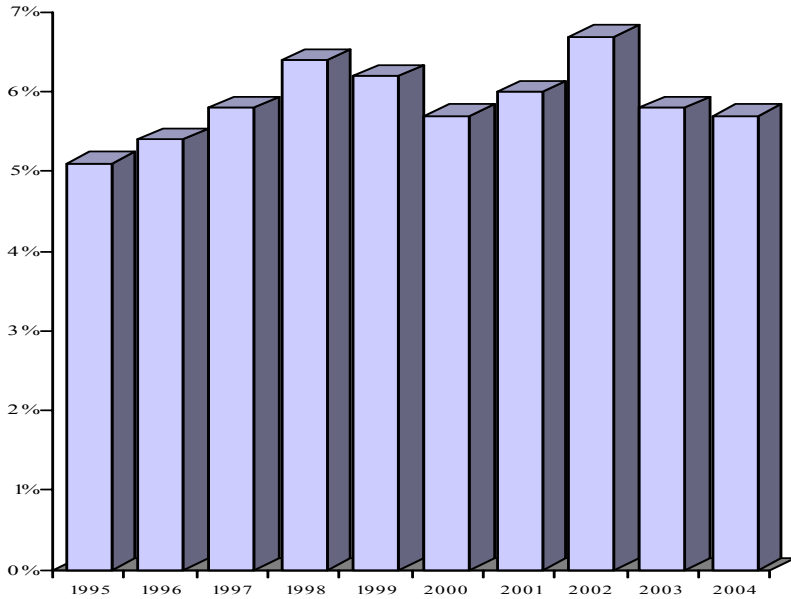
# Ten Year Track Record

Operating Profit 1995 - 2004

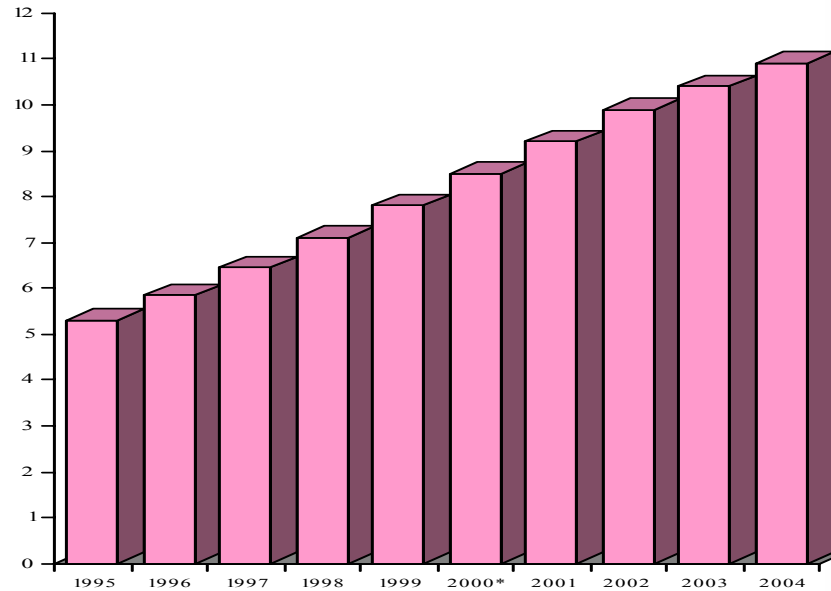


# Results History

## Operating margin



## Dividend per share



- Industry leading margins
- Uninterrupted dividend growth

