



**KELLER**

Interim results

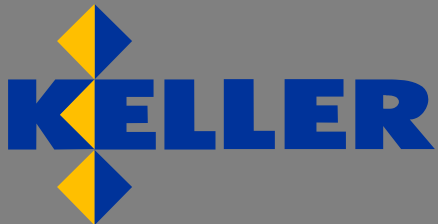


# *Introduction*

Tom Dobson, Chief Executive

Justin Atkinson, Chief Operating Officer

James Hind, Finance Director





# Highlights

- ◆ Turnover and profit up
- ◆ Interim dividend raised 4.5% to 3.45p (2002: 3.3p)
- ◆ Strong performance from Foundation Services
  -
- ◆ Encouraging first contributions from Keller-Terra and McKinney
- ◆ Good volume from Suncoast
- ◆ Action taken to restore margins in the UK
- ◆ Board succession plans completed



# Profit and Loss Account

£millions	Half Year 2003	Half Year 2002	% Change	Full Year 2002
Turnover	278.7	250.5	+11%	511.0
Operating profit*	14.9	13.8	+8%	34.3
Interest	(2.1)	(1.8)		(3.9)
Profit before tax*	12.8	12.0	+7%	30.4
Exceptional items	(0.7)	-		-
Amortisation	(1.9)	(1.6)		(3.1)
	10.2	10.4		27.3
Taxation	(4.1)	(4.1)		(10.7)
Profit after tax	6.1	6.3		16.6
Minority interests	(1.0)	(0.2)		(0.2)
	5.1	6.1		16.4
Earnings per share*	11.6p	12.8p	-9%	32.7p
Dividend per share	3.45p	3.3p	+5%	9.9p

\* before exceptionals and amortisation of intangibles



- ◆ Underlying organic growth in Q2
- ◆ Exchange movements reduced profits by £0.6m
- ◆ Interest covered 11x by EBITDA
- ◆ 9% increase in shares in issue

# Group Balance Sheet

£millions	At June 2003	At June 2002	At Dec 2002
<b>Fixed assets</b>			
Goodwill	66.3	58.4	66.3
Other intangibles	0.3	0.3	0.3
Associates	-	1.4	-
Tangible assets	83.6	61.6	79.8
	<u>150.2</u>	<u>121.7</u>	<u>146.4</u>
<b>Current assets</b>			
Stocks	17.4	12.1	15.1
Debtors	152.7	124.8	143.9
Cash	12.4	7.9	16.2
	<u>182.5</u>	<u>144.8</u>	<u>175.2</u>
<b>Creditors</b>	<u>(154.2)</u>	<u>(129.8)</u>	<u>(141.4)</u>
<b>Net current assets</b>	<u>28.3</u>	<u>15.0</u>	<u>33.8</u>
<b>Total assets less current liabilities</b>	178.4	136.7	180.2
<b>Long term creditors</b>	(63.2)	(51.9)	(72.3)
<b>Provisions</b>	<u>(10.4)</u>	<u>(6.8)</u>	<u>(7.8)</u>
<b>Net assets</b>	<u>104.8</u>	<u>78.0</u>	<u>100.1</u>



- ◆ Net tangible assets £38.2m (Dec 2002: £33.4m)
- ◆ Net debt of £76.8m (Dec 2002: £68.0m)

# Group Cash Flow Statement

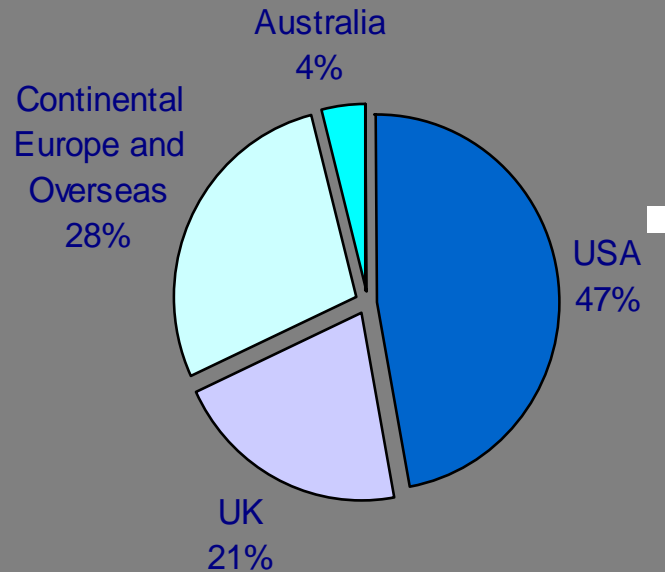
£millions	Half Year 2003	Half Year 2002	Full Year 2002
Net cash inflow from operating activities	9.9	18.3	43.2
Interest	(2.3)	(2.2)	(4.4)
Taxation	(5.8)	(5.8)	(9.0)
Capital expenditure - net	(7.5)	(6.3)	(12.7)
Acquisitions	0.2	(0.6)	(32.0)
Dividends	(4.4)	(3.6)	(5.6)
Net cash outflow	(9.9)	(0.2)	(20.5)
Share issues	0.1	0.1	13.6
Net debt acquired	-	-	(1.7)
Other movements	1.0	1.9	3.8
Net debt brought forward	(68.0)	(63.2)	(63.2)
Net debt carried forward	(76.8)	(61.4)	(68.0)



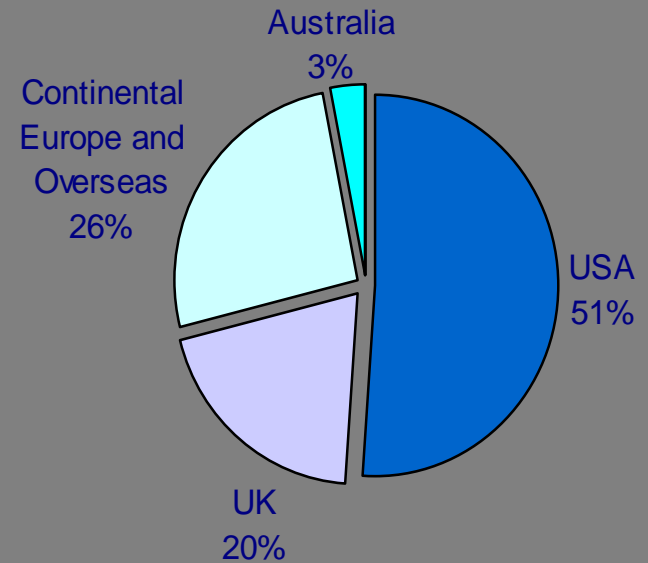
◆ Capex 1.6 x depreciation – will be less in full year

# Geographical Analysis - Turnover

Half year 2003



Half year 2002

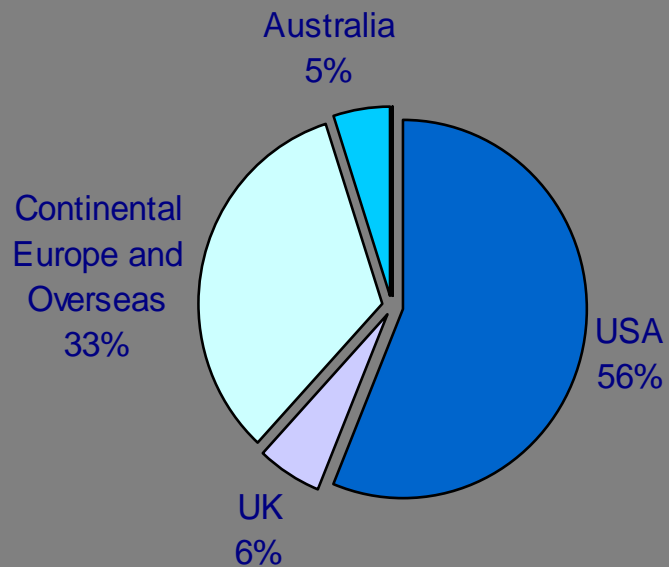


◆ Dollar sales up 14%

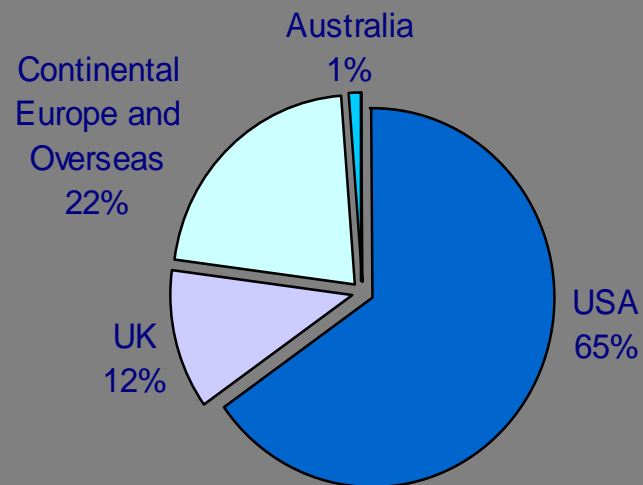


# Geographical Analysis – Operating Profit

Half year 2003



Half year 2002



◆ Dollar profit up 2%



# UK Restructuring - Issues

## *KGE*

- ◆ Weak margins from heavy piling
- ◆ Good performance from high value-added specialty grouting and ground improvement businesses
- ◆ Operational inefficiencies

## *Makers*

- ◆ Poor productivity in highways division
- ◆ Disappointing spend under social housing partnering agreements
- ◆ Cancellation of new-build car park contract
- ◆ Lack of focus





# ***UK Restructuring - Actions***

## ***KGE***

- ◆ Withdrawal from heavy piling
- ◆ Continued offering of mixed product packages
- ◆ Business processes streamlined and headcount reduced

## ***Makers***

- ◆ Concentration on direct work for highway agencies
- ◆ Sale of reactive maintenance joint venture and closure of Makers' own reactive maintenance business
- ◆ Headcount reduced
- ◆ Now focused on social housing and infrastructure
- ◆ We continue to monitor the performance of the business closely



# Foundation Services

£millions	Half Year 2003	Half Year 2002	% Change	Full Year 2002
Sales	198.8	173.8	+14%	361.4
Operating profit	13.2	10.8	+22%	27.7
Operating margin	6.6%	6.2%		7.7%





# Foundation Services

## *Trading Highlights*

- ◆ Strong performance from Continental Europe & Overseas despite challenging markets
- ◆ Good performance from geotechnical and ground improvement businesses in the UK
- ◆ Australia performing in line with expectations
- ◆ Q2 improvements at Hayward Baker and McKinney after a slow start
- ◆ Good result from Case; Cooper River bridge project almost complete



# ***Cooper River Bridge***











# Foundation Services

## *Acquisitions*

- ◆ McKinney: performance improvement in Q2, good prospects
- ◆ Keller-Terra: strong start, particularly geotechnical products
- ◆ Combined turnover of £27m in H1 2003, with an operating margin of 11%
- ◆ Integration of both businesses on plan
  - ◆ Re-location of McKinney finance function to Baltimore
  - ◆ McKinney equipment facility shared by Group companies
  - ◆ Introduction of vibro technology in Spain progressing



# Specialist Services

£millions	Half Year 2003	Half Year 2002	% Change	Full Year 2002
Sales	79.9	76.7	+4%	149.5
Operating profit	3.1	4.2	-28%	8.8
Operating margin	3.8%	5.5%		5.9%





# Specialist Services

## *Suncoast*

- ◆ Suncoast's residential markets remain strong; increase in high-rise market share
- ◆ Geographic expansion outside Texas
- ◆ Q2 recovery in slab-on-grade volumes after weather impact in Q1
- ◆ Introduction of import duties on steel strand
- ◆ Price increases announced with effect from 1 September





# *Current Trading and Prospects*

- ◆ Overall, little change anticipated in major markets in second half
- ◆ Good performance from Foundation Services expected to continue
- ◆ Anticipated margin improvement in Specialist Services
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- ◆ Tender levels continue to be high
- ◆ Current order book at 4 months' sales





Interim results  
Half year ended 30 June 2003

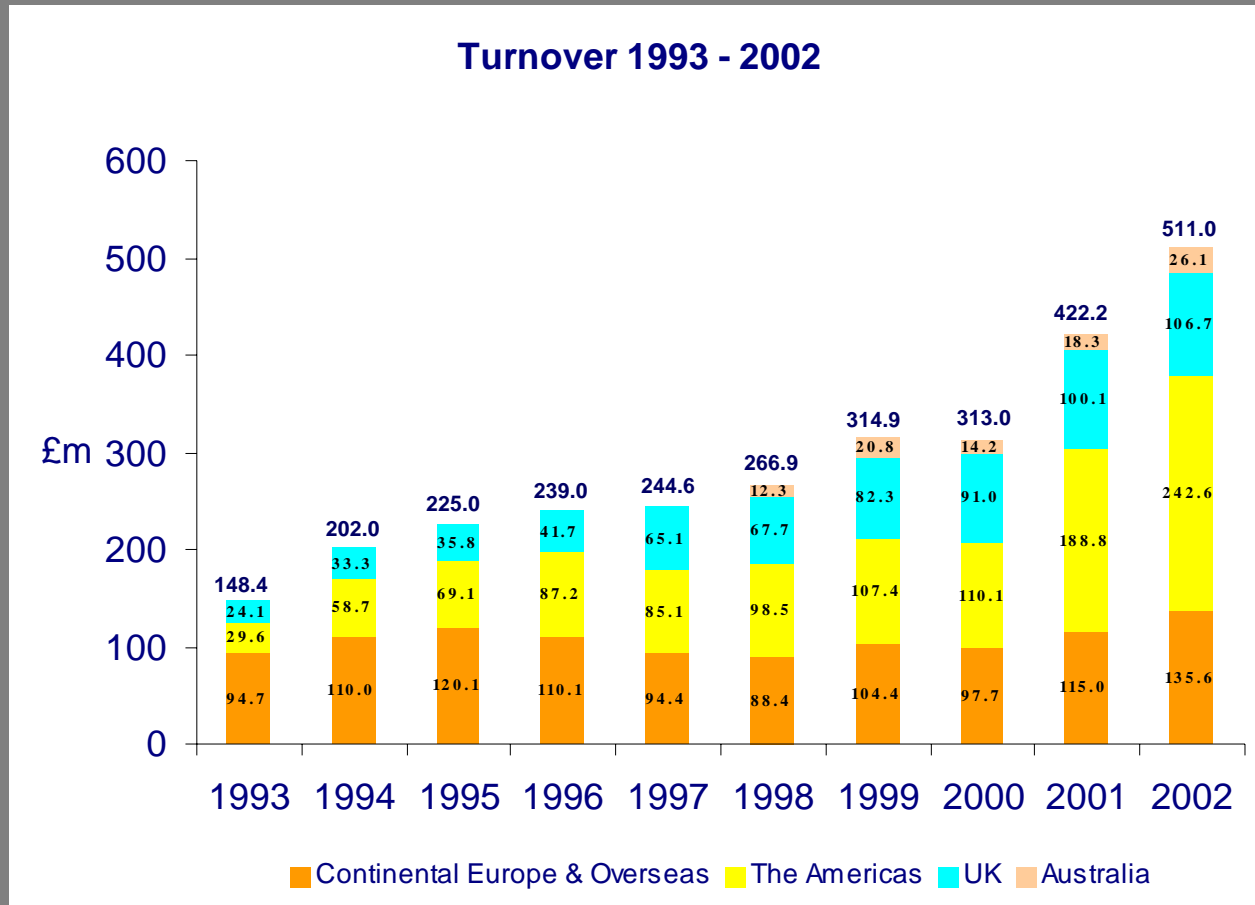
August 2003



# *Appendix*



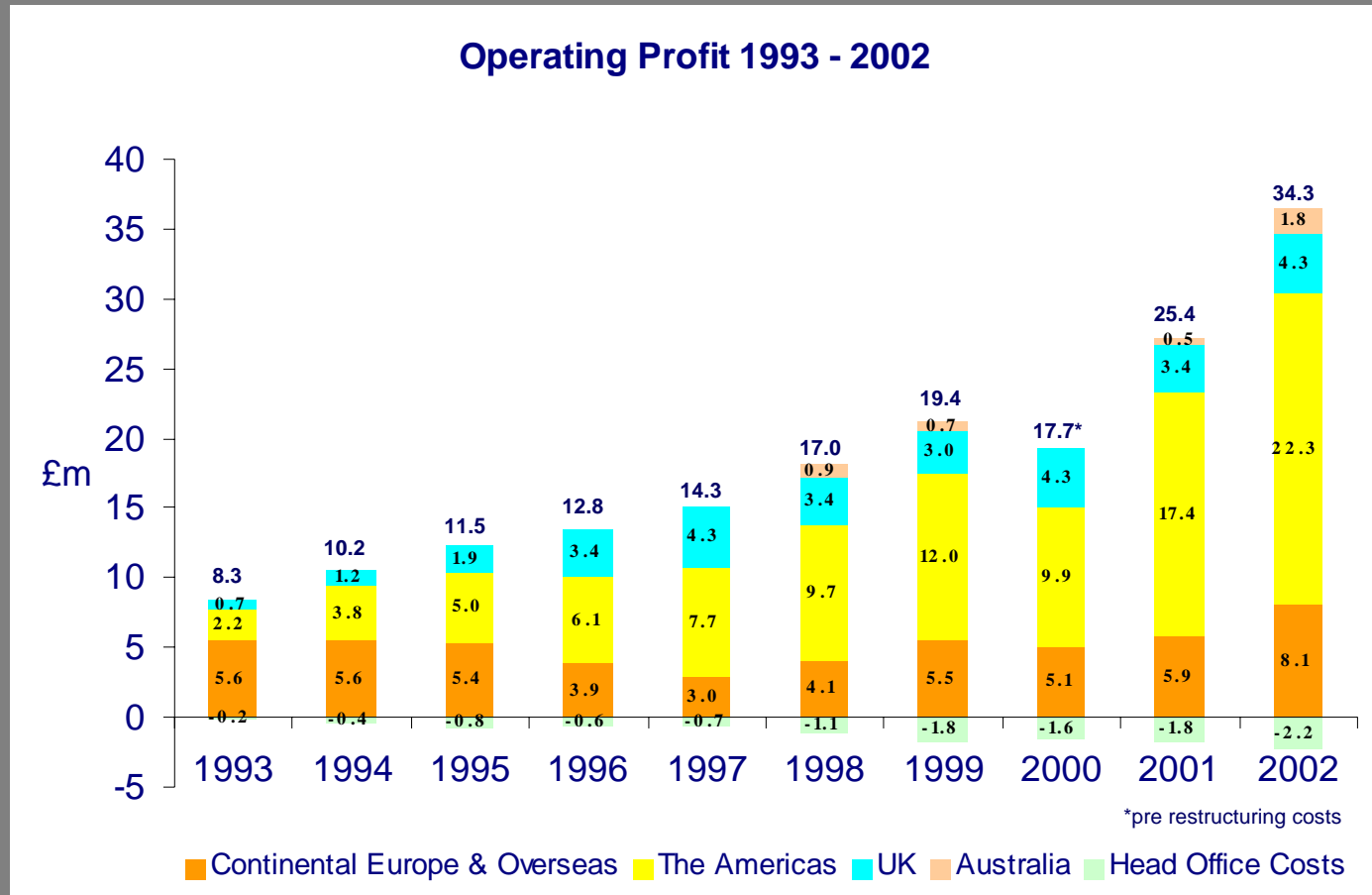
# Ten Year Track Record



◆ 15% compound growth in turnover 1993 - 2002



# Ten Year Track Record

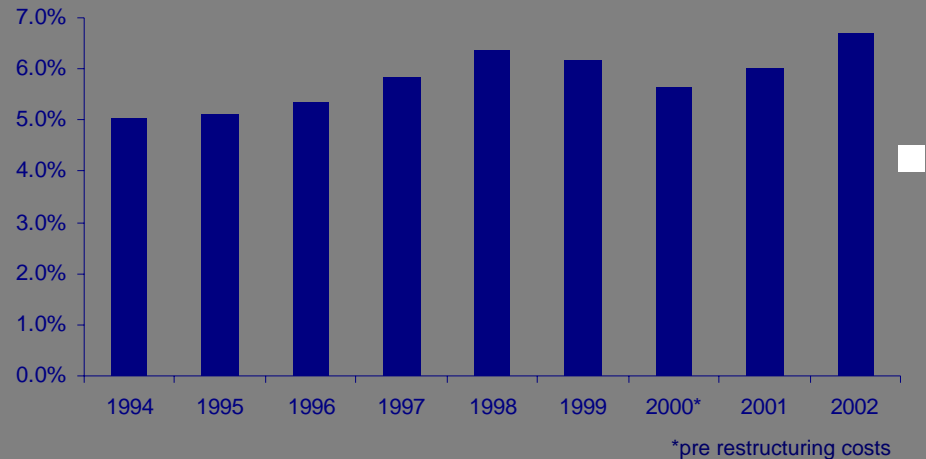


◆ 17% compound growth in operating profit 1993 - 2002

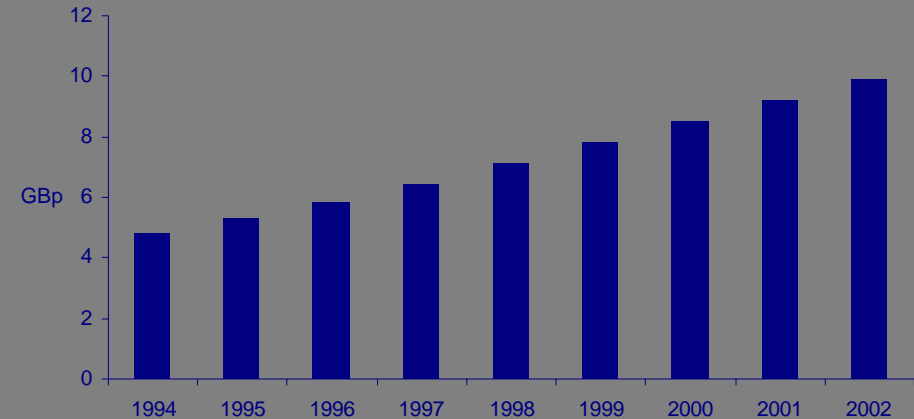


# Results History

## Operating margin



## Dividend per share



- ◆ Industry leading margins
- ◆ Dividend per share more than doubled since flotation





# Foundation Services

- ◆ **Strategy**

- ◆ Consolidate our global leadership in Foundation Services

- ◆ **Market growth**

- ◆ Increase in use of marginal land including brownfield sites
- ◆ Land reclamation
- ◆ Seismic design
- ◆ Environmental considerations





# Specialist Services

- ◆ **Strategy**

- ◆ Strengthen and broaden our offering of technical services and products to the construction industry

- ◆ **Makers – market growth**

- ◆ Social housing – UK’s “Decent Homes” initiative: £19bn over 10 years
- ◆ Move to partnering
- ◆ Increased infrastructure and utilities spend
- ◆ Increased requirement for car parking

- ◆ **Suncoast – market growth**

- ◆ Market demographics
- ◆ New geographic markets
- ◆ Additional products





# Business Model

- ◆ Lean head office
- ◆ Autonomous and well incentivised business units
- ◆ Specialized equipment and people support niche positions
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- ◆ Regionalisation offers clients a local presence
- ◆ Contract mix spreads risk and enhances margins
- ◆ Acquisitions sourced and integrated on a local basis

