



Preliminary Results
Year ended 31 December 2003

March 2004

Introduction

- ◆ Disappointing result for the year
- ◆ Poor performance from Makers
- ◆ Good result from specialist ground engineering
- ◆ Suncoast affected by raw material cost increases
- ◆ Business fundamentals still strong
- ◆ Management succession completed



Financial Highlights

- ◆ Turnover up 11% at £568m (2002: £511m)
- ◆ Good first year contributions from McKinney and Keller-Terra
- ◆ Profit before tax* down 6% to £28.7m (2002: £30.4m)
- ◆ Earnings per share* reduced to 24.1p (2002: 32.7p)
- ◆ Total dividend increased by 5% to 10.4p (2002: 9.9p)
- ◆ Strong cash performance with net debt of £60.7m (2002: £68.0m)

*Before exceptionals and amortisation of intangibles



Profit and Loss Account

£m	2003	2002	% change
Turnover	567.5	511.0	+11%
Operating profit*	32.8	34.3	-4%
Interest	(4.1)	(3.9)	
Profit before tax*	28.7	30.4	-6%
Exceptional items	(3.1)	-	
Amortisation	(10.8)	(3.1)	
	14.8	27.3	
Taxation	(10.7)	(10.7)	
Profit after tax	4.1	16.6	
Minority interests	(1.8)	(0.2)	
	2.3	16.4	
Adjusted earnings per share*	24.1p	32.7p	-26%
Basic earnings per share	3.5p	27.5p	
Dividends per share	10.4p	9.9p	+5%

*before exceptionals and amortisation of intangibles



- ◆ Exceptional restructuring costs relate to UK businesses
- ◆ Amortisation includes £7.4m exceptional impairment re Makers

Group Balance Sheet

£m	2003	2002
Goodwill/intangibles	57.0	66.7
Tangible assets	<u>82.2</u>	<u>79.8</u>
	139.2	146.5
Stocks	16.9	15.1
Debtors	137.9	143.9
Creditors	<u>(113.0)</u>	<u>(113.4)</u>
Working capital	41.8	45.6
Provisions/long-term creditors	<u>(8.7)</u>	<u>(8.7)</u>
Capital employed	172.3	183.4
Tax/dividends	(11.9)	(11.2)
Deferred consideration	(2.1)	(4.1)
Net debt	<u>(60.7)</u>	<u>(68.0)</u>
Net assets	<u>97.6</u>	<u>100.1</u>

- ◆ Good working capital performance
- ◆ Gearing down to 62% (2002: 68%)



Group Cash Flow Statement

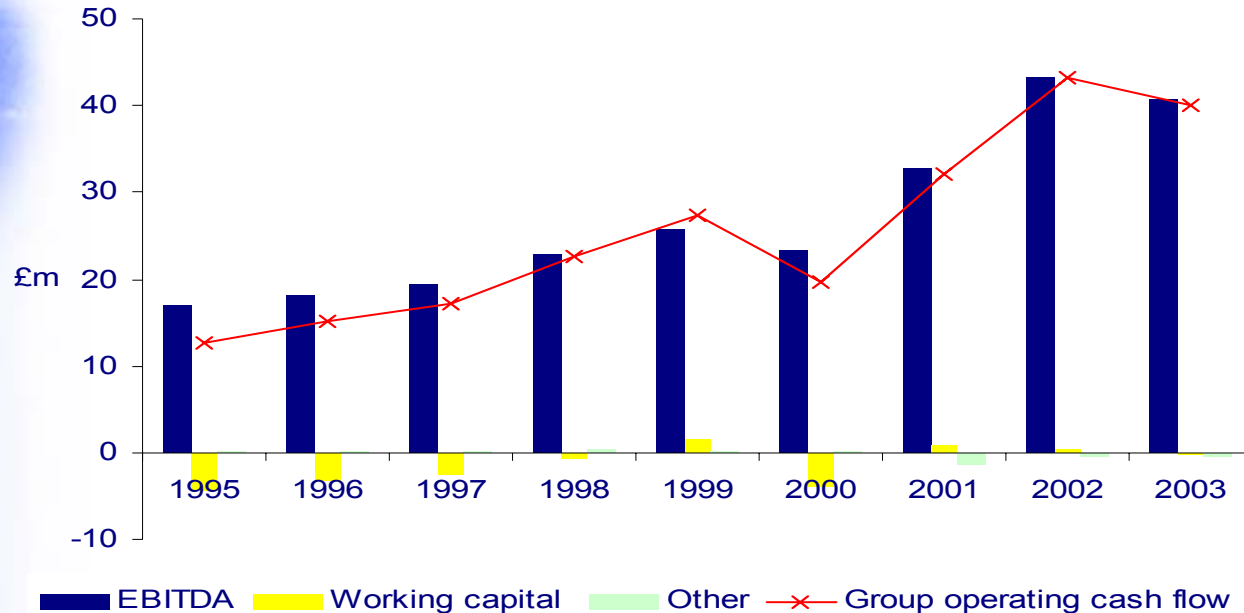
£m	2003	2002
Cash from operating activities	40.0	43.2
Capex – net	(13.4)	(12.7)
Tax	(12.8)	(9.0)
Interest	(5.0)	(4.4)
Dividends	(6.5)	(5.6)
Acquisitions	0.4	(32.0)
Net cash flow	2.7	(20.5)
Share issues	0.1	13.6
Net debt acquired	-	(1.7)
Exchange differences	4.5	3.8
Opening net debt	(68.0)	(63.2)
Closing net debt	(60.7)	(68.0)

◆ EBITDA of £40.7m after exceptionals (2002: £43.2m)

◆ Capex equals 1.2x depreciation



Operating Cash Flow

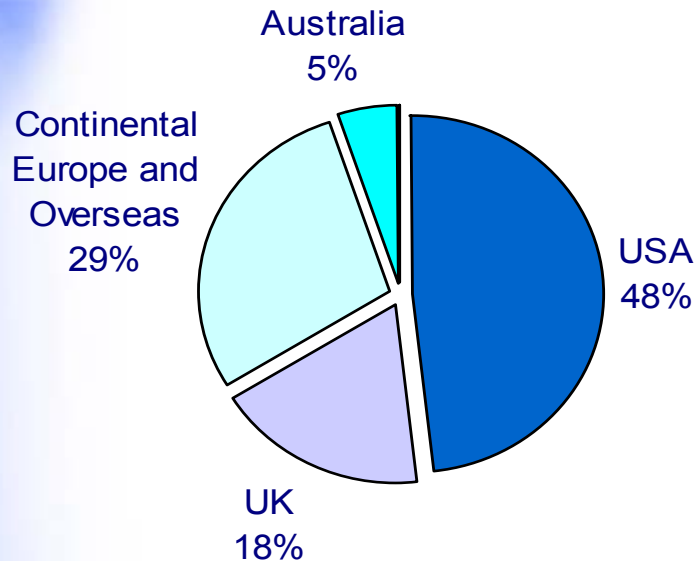


- ◆ 15% compound growth in operating cash flow 1995-2003
- ◆ Nine year operating cash flow represents 94% of EBITDA

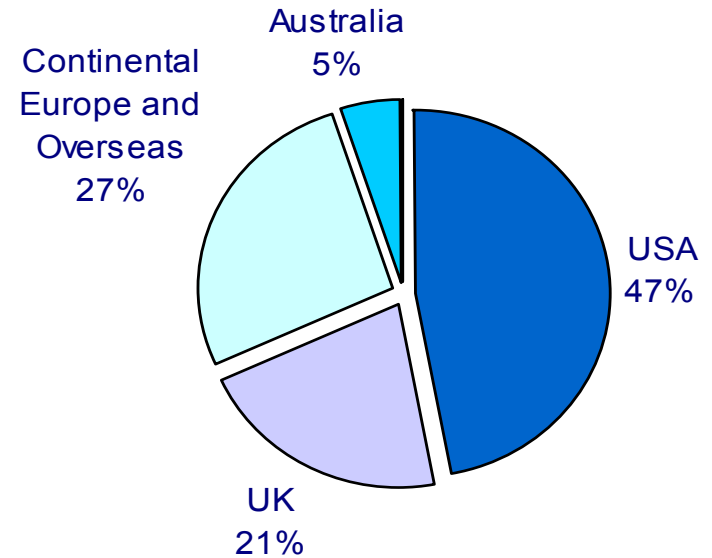


Geographical Analysis

2003 turnover



2002 turnover



- ◆ USA up 22% in dollars
- ◆ Europe/Overseas up 11% in euros



Operating profit and margin

(before exceptionals and amortisation of intangibles)

£m	2003		2002	
	Operating profit	Margin	Operating profit	Margin
UK	0.5	0.5%	4.3	4.1%
USA	19.3	7.1%	22.3	9.2%
Europe/Overseas	13.8	8.4%	8.1	5.9%
Australia	2.0	7.2%	1.8	6.9%
	35.6	6.3%	36.5	7.1%
Central costs	(2.8)		(2.2)	
	32.8	5.8%	34.3	6.7%

- ◆ Makers loss of £0.9m (2002: £2.8m profit)
- ◆ Group margin excluding Makers was 6.7% (2002: 7.0%)
- ◆ KGE margin of 3.5% (2002: 3.5%)
- ◆ Suncoast margin down by 3% to 3.7%



2004 Guidance

- ◆ US \$ translation impact: 5c change in average rate = £0.5m
 - ◆ 2004 budget at £1 = \$1.70
- ◆ Euro translation impact: 5c change in average rate = £0.4m
 - ◆ 2004 budget at £1 = €1.45
- ◆ Typically 35%-40% of profit in H1
- ◆ Improved UK result should lower effective tax rate
- ◆ Working capital outflow in H1
- ◆ Gross capex will be less than in 2003

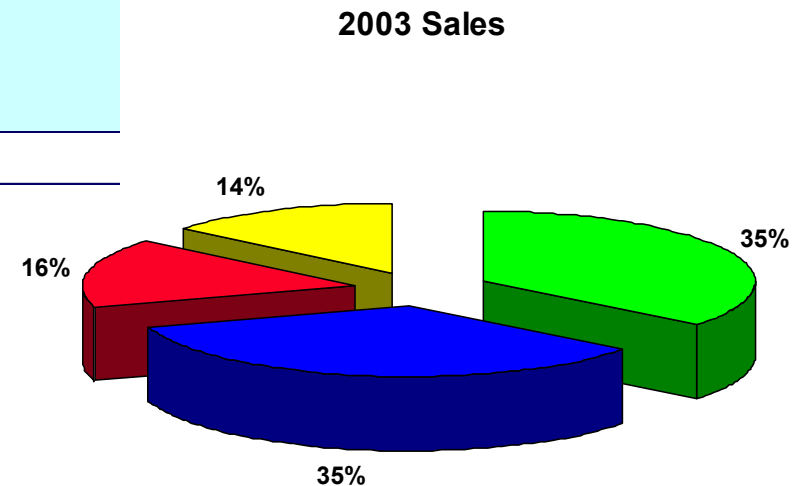


North America

Results

£m	2003	2002	% Change £	% Change \$
Sales	270.4	242.6	+ 11%	+22%
Operating profit	19.3	22.3	-13%	-6%
Operating margin	7.1%	9.2%		
\$ Exchange Rate	1.64	1.50		

◆ First year McKinney sales of \$61m



■ Hayward Baker ■ Suncoast ■ Case ■ McKinney

North America

Trading Highlights

- ◆ Encouraging first year result for McKinney
 - ◆ Particularly good second half
 - ◆ Integration proceeding to plan

- ◆ Another good result for Case
 - ◆ Case Atlantic performed well
 - ◆ Several multi million dollar contracts

- ◆ Hayward Baker volumes less than expected
 - Western region subdued
 - Overall margins remain high



North America

Suncoast

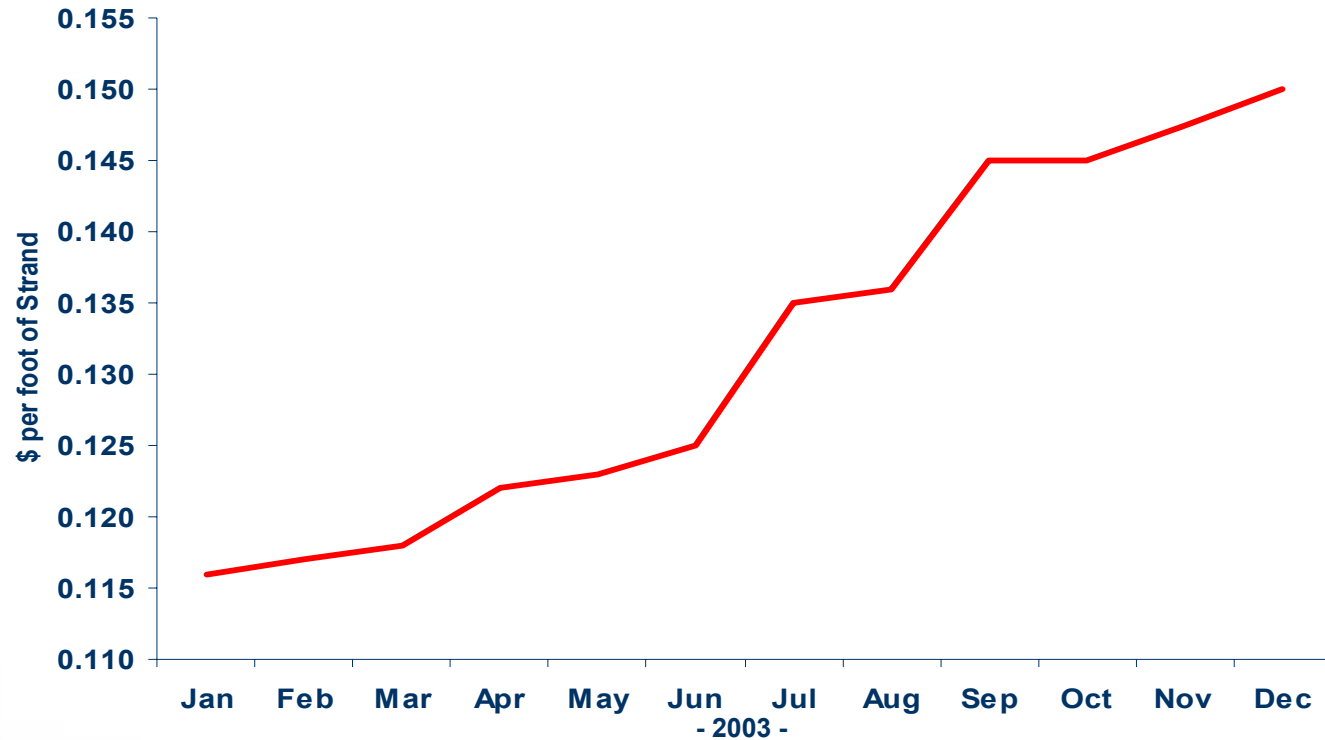
- ◆ Turnover up by 20%
 - ◆ Reliance on Texas continues to reduce
 - ◆ Turnover up by 50% in California/Arizona

- ◆ Raw material cost increased by circa 30%
 - ◆ Introduction of tariffs on imports in July 2003
 - ◆ Chinese demand

- ◆ Management action taken
 - ◆ Further increases in selling prices announced
 - ◆ Sales price quoted for 30 days only
 - ◆ Supply of strand guaranteed through first half
 - ◆ Overheads reduced



Suncoast – Average Cost of Raw Strand



- ◆ Stable costs prior to 2003
- ◆ \$8.5m raw material cost increase in 2003



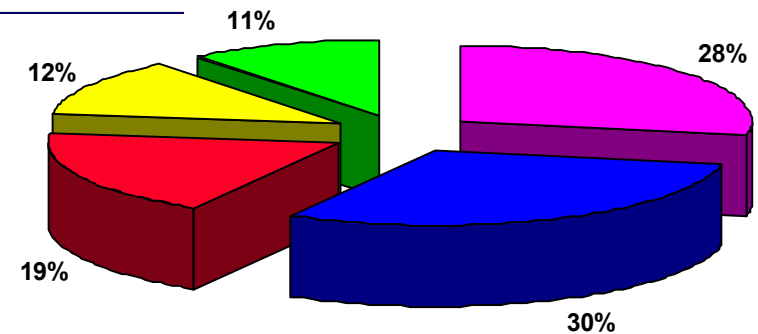
Continental Europe & Overseas

Results

£m	2003	2002	% Change £	% Change €
Sales	165.2	135.6	+ 22%	+11%
Operating profit	13.8	8.0	+ 73%	+54%
Operating margin	8.4%	5.9%		
€ Exchange Rate	1.45	1.59		

◆ Wide geographical coverage

2003 Sales



■ Central Eur ■ S West Eur ■ S East Eur
■ Overseas ■ New Businesses

Continental Europe & Overseas

Trading Highlights

- ◆ Flat results from Central Europe
 - ◆ Continuing decline of German construction market
- ◆ Results for Keller-Terra exceeded expectations
- ◆ Improved volumes in Italy
- ◆ Malaysia good but Singapore work delayed until 2004
- ◆ Strong result from LCM in Sweden



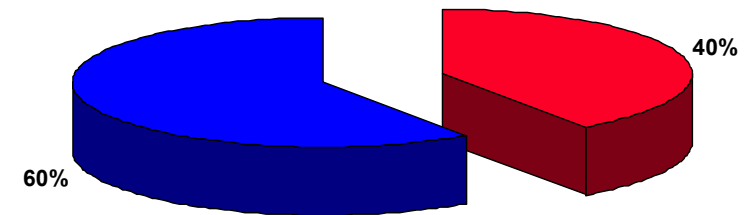
United Kingdom

Results

£m	2003	2002	% Change
Sales	104.0	106.7	- 3%
Operating profit	0.5	4.3	- 88%
Operating margin	0.5%	4.0%	

◆ 2003 operating profit before exceptional items

2003 Sales



■ KGE ■ Makers



United Kingdom

Makers

- What went wrong
 - ◆ Lack of focus
 - ◆ Poor contracting margins in infrastructure business
 - ◆ Lower than anticipated volumes in Social Housing
- Actions taken to restore profitability
 - ◆ Management change in December 2003
 - ◆ Exited poorly performing sectors
 - ◆ Overhead and cost base reduced by £1m
 - ◆ Stabilised core business
- Core business going forward
 - ◆ South East Social Housing – order book increased
 - Concrete repair – water related and car parks



United Kingdom

KGE

- ◆ Withdrawal from heavy piling mid year
- ◆ Restructuring now complete
- ◆ Improved result in the second half
- ◆ Retained ability to offer integrated solutions



Australia

Results

£m	2003	2002	% Change £	% Change AU\$
Sales	27.9	26.1	+ 7%	-3%
Operating profit	2.0	1.8	+ 11%	+1%
Operating margin	7.2%	6.9%		
\$ Exchange Rate	2.52	2.77		

- ◆ Australian construction market buoyant
- ◆ Several large contracts in year
- ◆ Opening of new geotechnical subsidiary



Business Model

- ◆ Technological leadership, specialised equipment and people
- ◆ Autonomous and well incentivised business units
- ◆ Regionalisation offers clients a local presence
- ◆ Contract mix spreads risk and enhances margins
- ◆ Acquisitions sourced and integrated on a local basis



Strategy

To continue to enhance our international leadership in specialist ground engineering

By

- ◆ Organic growth
 - ◆ Existing territories
 - ◆ New territories
 - ◆ New technologies

◆ Acquisitions

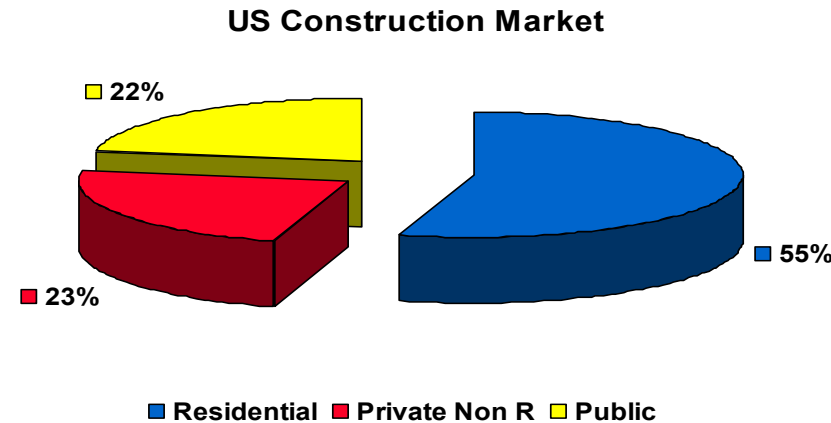
In

- United States
 - Fragmented market
- Europe (inc UK)
- South East Asia



U.S. – Market Dynamics

- ◆ Current construction market \$930 billion¹
 - ◆ Residential 55%
 - ◆ Growth rates 01/03 +24%
 - ◆ Non Residential 45%
 - ◆ Growth rates 01/03 – 3%



- ◆ Residential sector driving US construction market
- ◆ Estimated geotechnical/foundation market circa \$3billion
- ◆ Estimated post tensioning market circa \$600million

¹ Source: US Consensus Bureau/Economics & Statistic Administration – March 2004

U.S – Fragmented Market

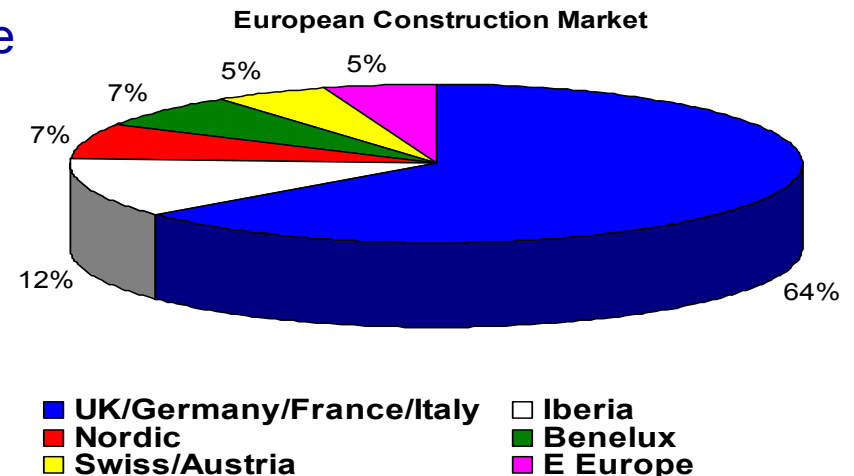
- ◆ Market leader in geotechnical/foundation market
 - Keller has 10% market share
 - Keller is 2.5 x bigger than nearest competitor
 - Higher market share in specialist products
- ◆ Market leader in post tensioning market
 - Keller has 25% share of current market
 - Suncoast is 7-8 x bigger than nearest competitor
 - But further conversion opportunities exist
- Opportunities for growth remain



Europe – Market Dynamics

- ◆ Current construction market €1,050 billion¹
- ◆ Civil engineering sector circa 20% of the market
- ◆ Construction growth rates expected
 - ◆ 1-2% in Europe
 - ◆ 6-9 % in Eastern Europe
 - ◆ 3% + in civil engineering
- ◆ Positioning within Western Europe
 - ◆ Established in mature markets in Germany/France/UK
 - ◆ Movement into growing markets in Spain/Poland/Sweden
- ◆ Growth potential of Eastern Europe
 - ◆ But market is small

¹ Source: Euroconstruct/FEIC – Dec 2003



Asia – Current Status

- ◆ Large and growing construction market in Asia
 - ◆ But much of this is in China and Japan
 - ◆ Undertaking review of main markets

- ◆ Strong current presence in Malaysia/Singapore
 - Also in Hong Kong/Taiwan/Philippines/Indonesia
 - New subsidiary in India

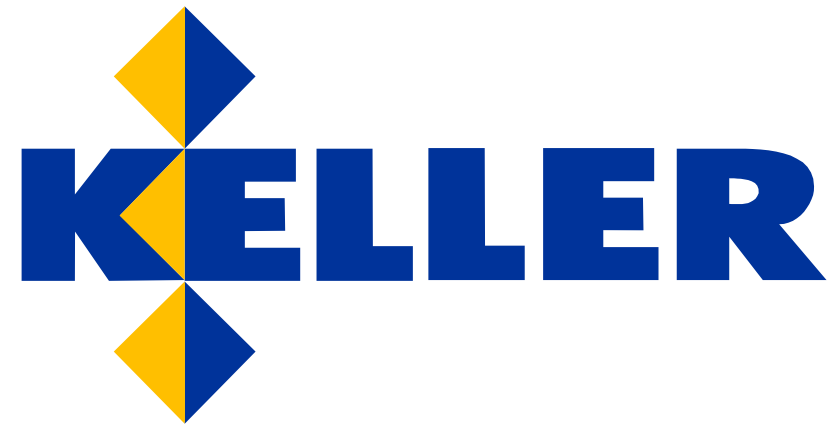
- Opportunities to expand in line with strategy
 - Organic growth
 - Acquisition



Current Trading & Prospects

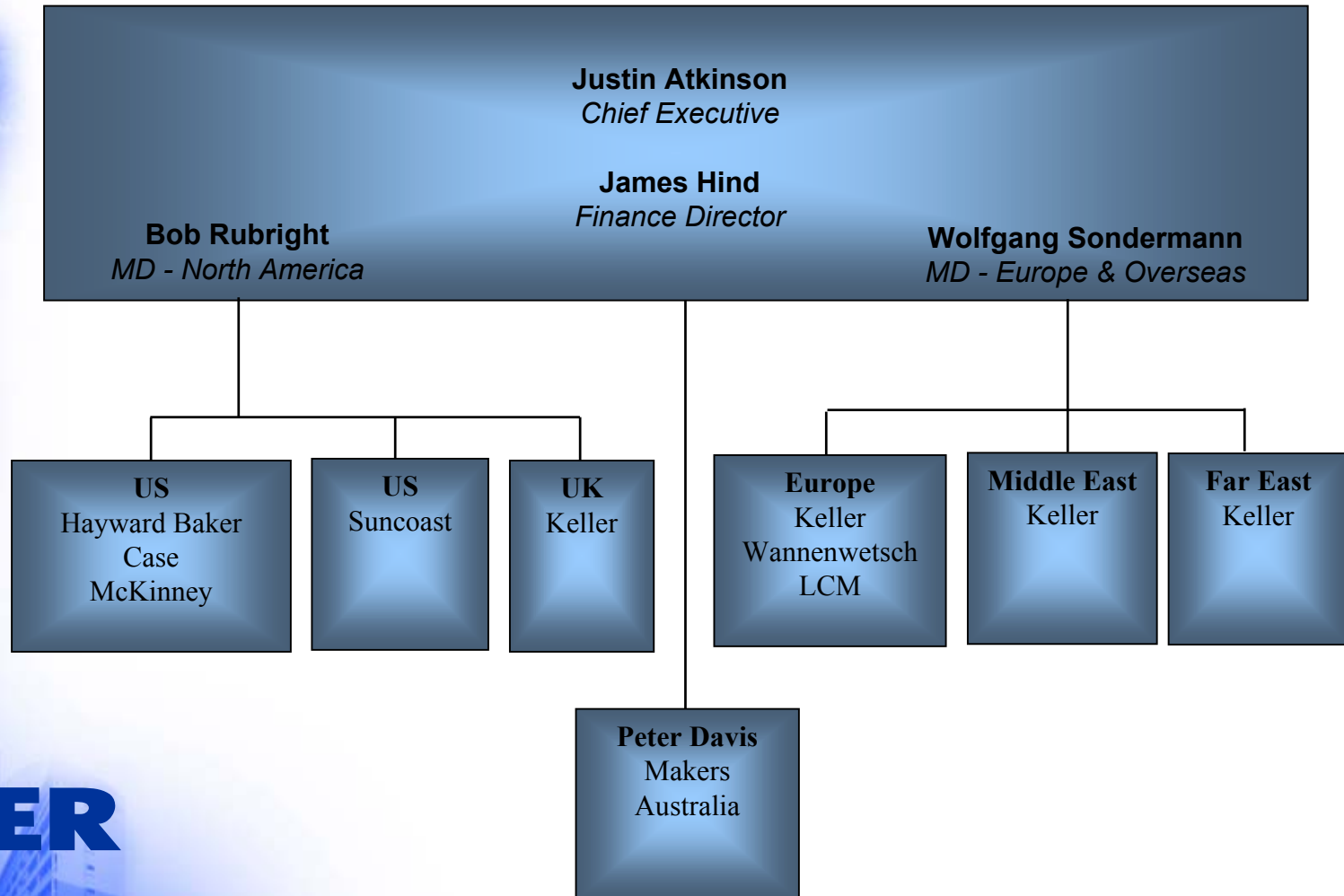
- ◆ Slow start to year, expect more traditional H1/H2 split
- Encouraging prospects in Continental Europe & Overseas
- Little change in our major markets in the US
- Continuing effects of currency translation
- Current focus
 - to consolidate and strengthen existing business
 - to return Makers to profitability and improve Suncoast's margins
- Current order book four months' sales (2002: four months)





Appendix

New Management Structure



Ground Engineering Worldwide

Activities

- ◆ Speciality grouting
- ◆ Ground improvement
- ◆ Caisson & piling in specific local/niche markets
- ◆ Post-tension concrete

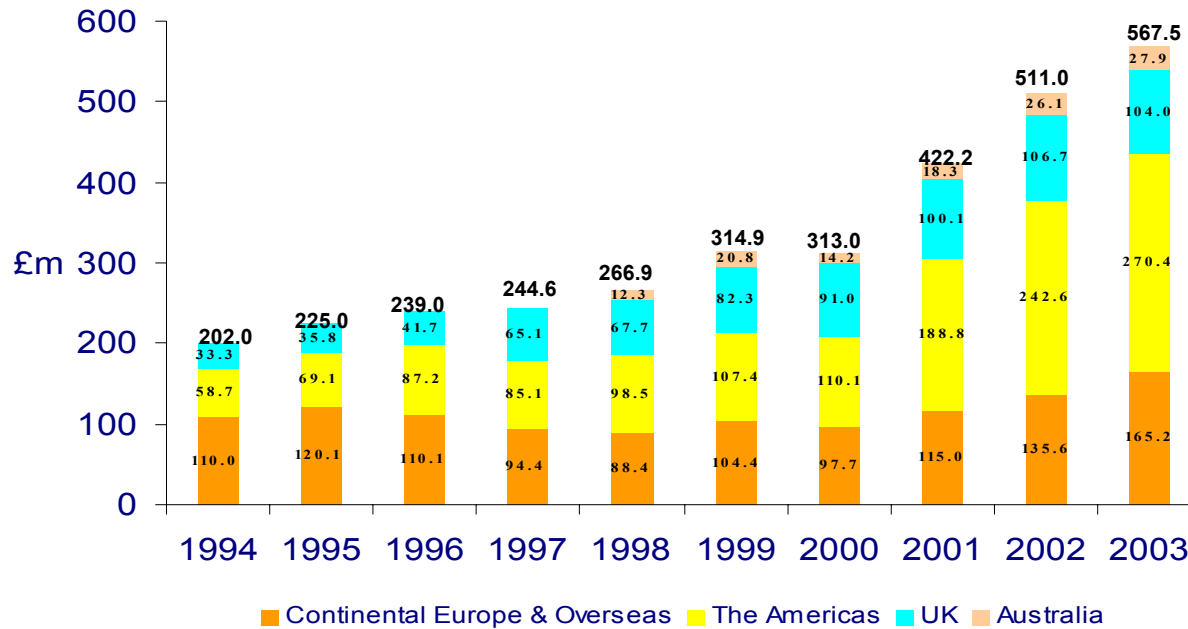
Applications

- ◆ Control of building settlement
- ◆ Groundwater control
- ◆ Cavity filling
- ◆ Seismic risk protection
- ◆ Foundation support
- ◆ Foundation support
- ◆ Earth retention
- ◆ Slab-on-grade foundations
- ◆ High rise structures



Ten Year Track Record

Turnover 1994 - 2003

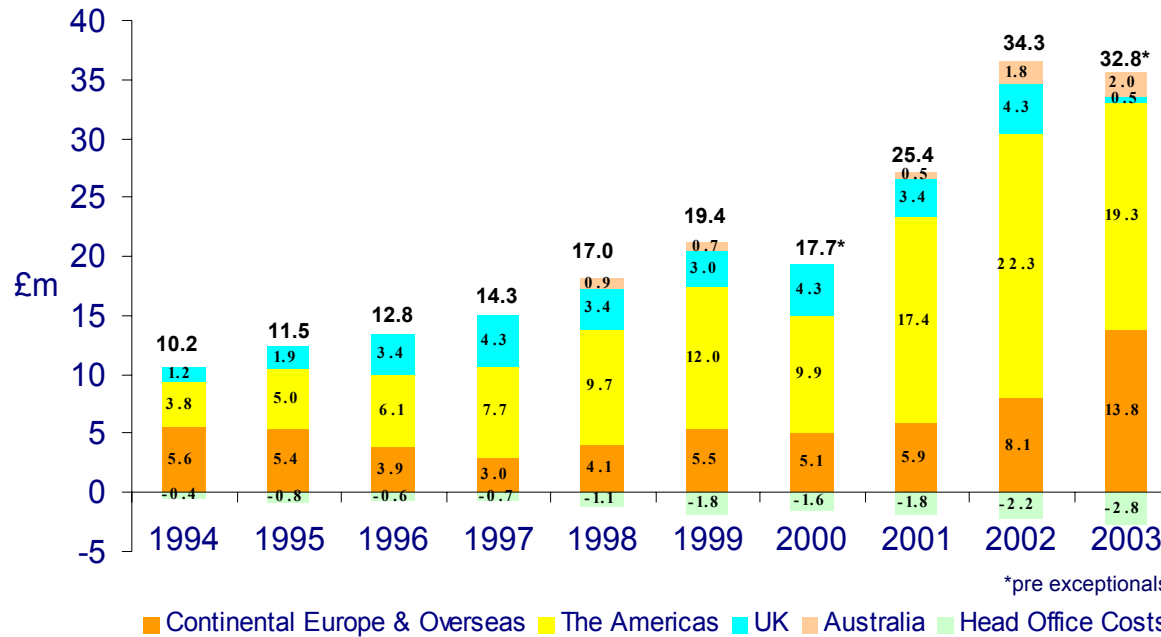


◆ 12% compound growth in turnover 1994 - 2003



Ten Year Track Record

Operating Profit 1994 - 2003

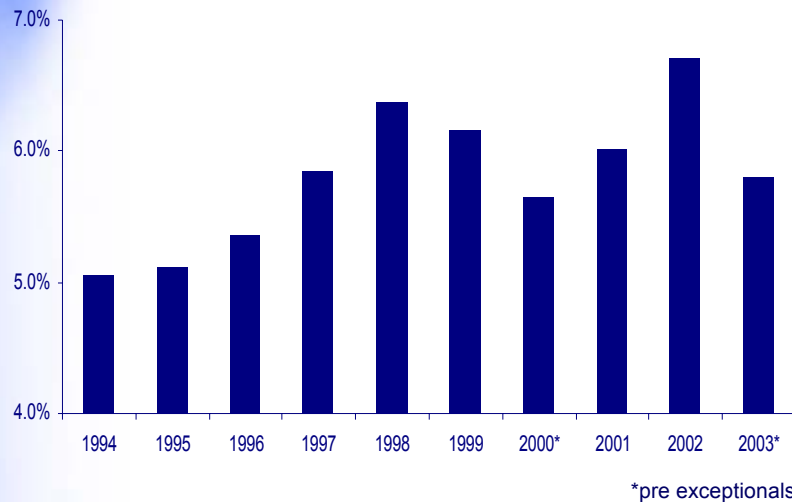


◆ 14% compound growth in operating profit 1994 - 2003

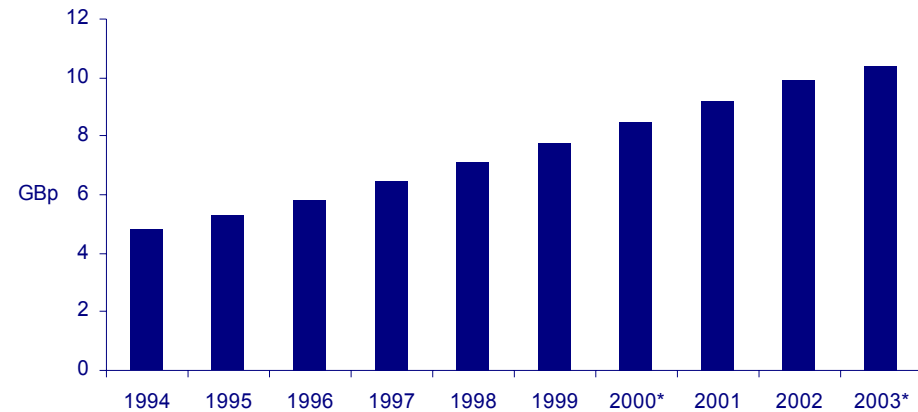


Results History

Operating Margin



Dividend per share



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

