

# 2003 Results Presentation

## 8 March 2004

Richard Nelson, Chief Executive Officer  
Bill Spencer, Chief Financial Officer

# Bill Spencer

## Chief Financial Officer

### Financial Performance

2003 Results Presentation – 8 March 2004

# Financial Highlights

for the twelve months to 31 December 2003

Turnover	£471.1m	- Up 2.2% at actual exchange rates - Up 6.4% at constant exchange rates <sup>1</sup>
Operating profit <sup>2</sup>	£76.2m	- Down 0.9% at actual exchange rates - Up 5.2% at constant exchange rates <sup>1</sup>
Operating margin	16.2%	- Down from 16.4%
Operating cash flow <sup>3</sup>	£62.4m	- Up 3.1%
Profit before tax	£70.6m	- Up 31.0% (up 7.8% pro forma)
EPS <sup>4</sup>	29.7p	- Up 10.4% (up 8.4% pro forma)
Dividend per share	8.8p	- Up 12.8% pro forma
Proposed final dividend	5.9p	- Up 13.5%

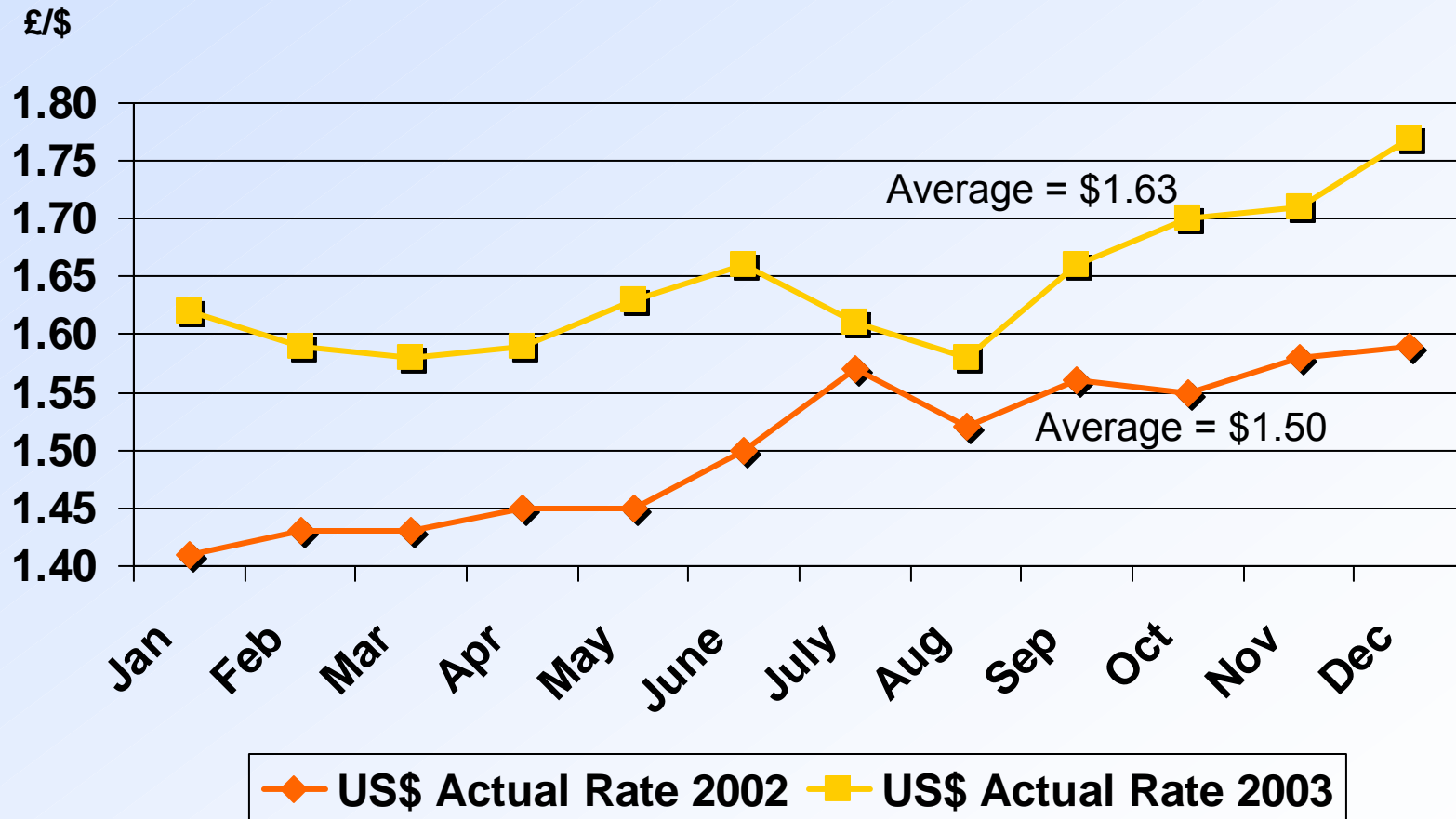
1 Excluding disposal and acquisitions, turnover was up 7.2% and operating profit was up 6.5% at constant rates

2 Before goodwill amortisation and exceptional items and including profit from associates

3 Before exceptional items and after capital expenditure

4 Fully diluted underlying earnings per share before goodwill amortisation and exceptional items

# GBP/USD Exchange Rates



# Profitability – Operating Profit

<u>£m</u>	<u>2003</u>	<u>2002</u>
Operating profit <sup>1</sup> (EBITA)	76.2	76.9
Goodwill amortisation	(1.0)	(0.9)
Exceptional items <sup>2</sup>	(1.1)	15.6
Operating profit	<u>74.1</u>	<u>91.6</u>

1 Before goodwill amortisation and exceptional items

2 Exceptional items in 2003: insurance £2.6m, FTS Nigeria £2.8m, Caleb Brett restructuring £(3.0)m, ETL SEMKO and FTS restructuring £(3.5)m

# Profitability – Profit Before Tax

<u>£m</u>	<u>2003</u>	<u>2002</u>
Operating profit	74.1	91.6
Exceptional profit on disposal	4.5	—
Interest cost	(7.0)	(21.2)
Amortisation of debt fees	(0.9)	(16.8) <sup>2</sup>
Pensions – FRS17	(0.1)	0.3
Profit before tax <sup>1</sup>	<u>70.6</u>	<u>53.9</u>
<i>Interest cover</i>	<i>10.6</i>	<i>4.3</i>

1 PBT excluding amortisation and exceptionals was £68.2m in 2003, compared to £54.7m in 2002

2 In 2002, debt fees included premiums on debt redemption

# Taxation

<u>£m</u>	<u>2003</u>	<u>2002</u>
Profit before tax	70.6	53.9
Remove exceptional items	(3.4)	(0.1)
Normalised profit before tax	<u>67.2</u>	<u>53.8</u>
Tax	18.7	16.0
<i>Normalised effective tax rate</i>	<i>27.8%</i>	<i>29.7%</i>

# Earnings & Dividends

<u>Pence</u>	<u>2003</u>	<u>2002</u>	
Fully diluted EPS	29.7p	26.9p	10.4%
Excluding amortisation & exceptionals			
Dividend per share <sup>1</sup>	8.8p	7.8p	12.8%
<i>Dividend cover</i> <sup>2</sup>	<i>3.4 times</i>	<i>3.5 times</i>	

*Proposed final dividend 2003 = 5.9p (up 13.5% from 5.2p in 2002)*

- 1 Dividend for 2002 is full year equivalent as no interim dividend was paid in 2002
- 2 Dividend cover is 3.3 times based on basic EPS

# Operating Cash Flow

<u>£m</u>	<u>2003</u>	<u>2002</u>
Pre exceptional operating cash flow	86.0	83.8
Exceptional cash flow	(6.0)	13.6
Operating cash flow	<u>80.0</u>	<u>97.4</u>
Capital expenditure	<u>(23.6)</u>	<u>(23.3)</u>
Cash flow after capex	<u>56.4</u>	<u>74.1</u>
<i>Operating cash flow after capex to operating profit</i>	76%	81%
<i>Capital expenditure to sales %</i>	5.0%	5.1%

# Free Cash Flow

<u>£m</u>	<u>2003</u>	<u>2002</u>
Operating cash flow after capex	56.4	74.1
Interest and fees	(7.3)	(30.4)
Dividends paid to minorities	(2.8)	(4.0)
Dividends from associates	0.7	0.5
Taxation	(13.7)	(12.7)
Acquisitions & disposals	(1.2)	(4.3)
Free cash flow	<u>32.1</u>	<u>23.2</u>

# Net Debt

<u>£m</u>	<u>31 Dec 2003</u>	<u>31 Dec 2002</u>
Gross borrowings	216.5	241.3
Cash	(81.5)	(70.6)
Net Debt	<u>135.0</u>	<u>170.7</u>

*Unutilised debt facilities of £45.8m*

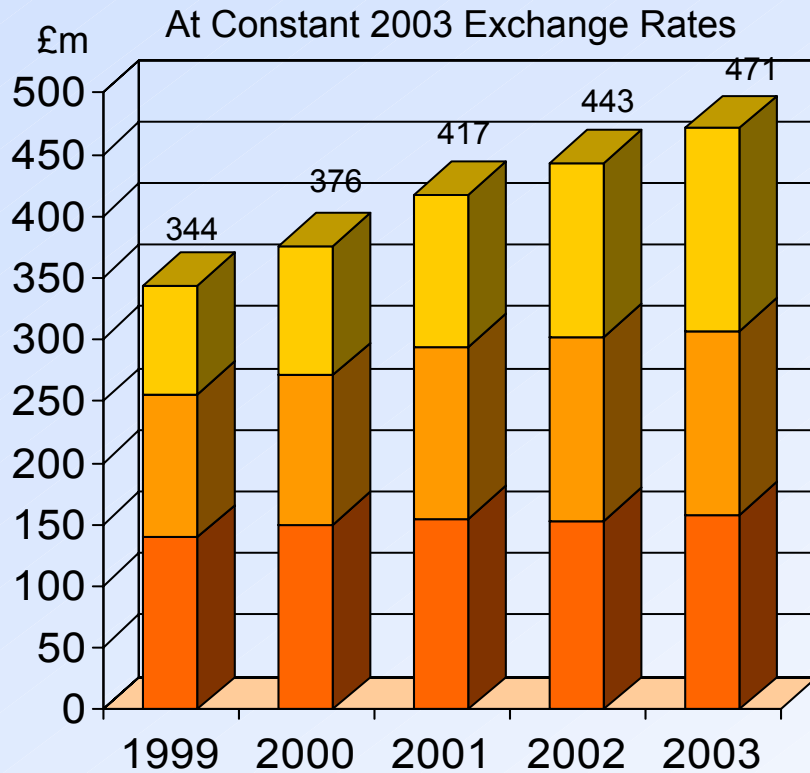
# Gearing

<u>£m</u>	<u>31 Dec 2003</u>	<u>31 Dec 2002</u>
Net debt	135.0	170.7
Shareholders equity <sup>1</sup>	201.1	174.2
<i>Ratio</i>	<i>67%</i>	<i>98%</i>

*Interest cover = 10.6 times*

1. Excludes goodwill of £244.1m written off to reserves prior to 1998

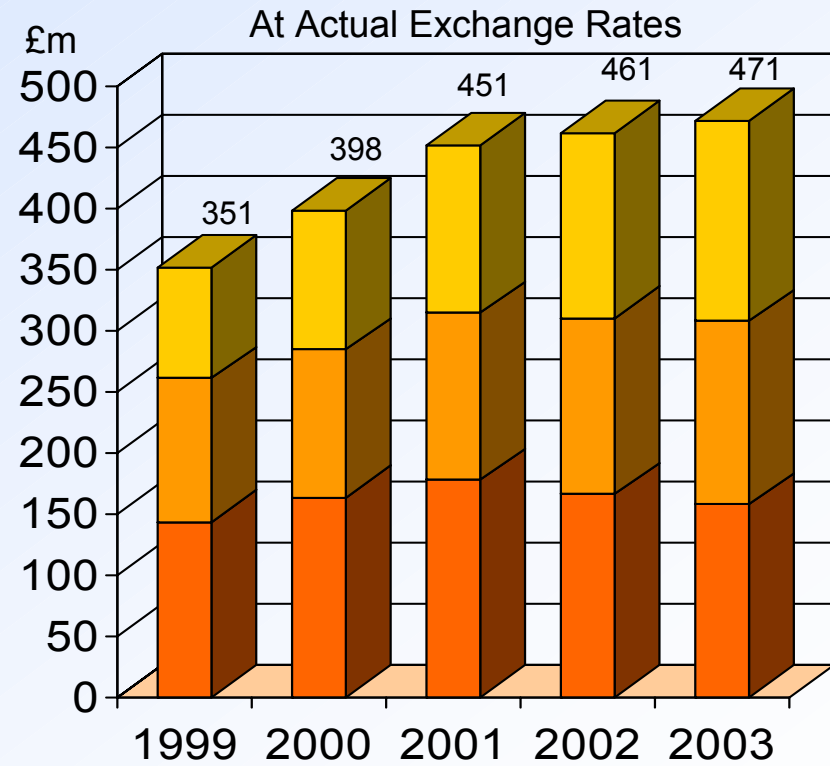
# Trend in Turnover<sup>1</sup>



Americas EAME Asia

**CAGR = 8.2%**

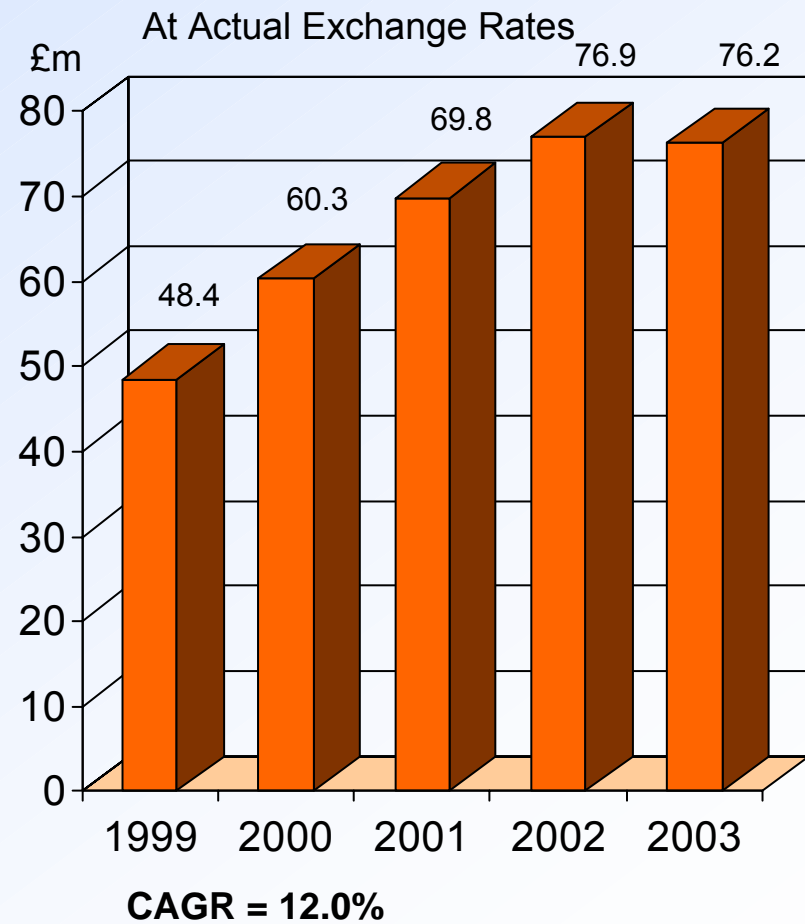
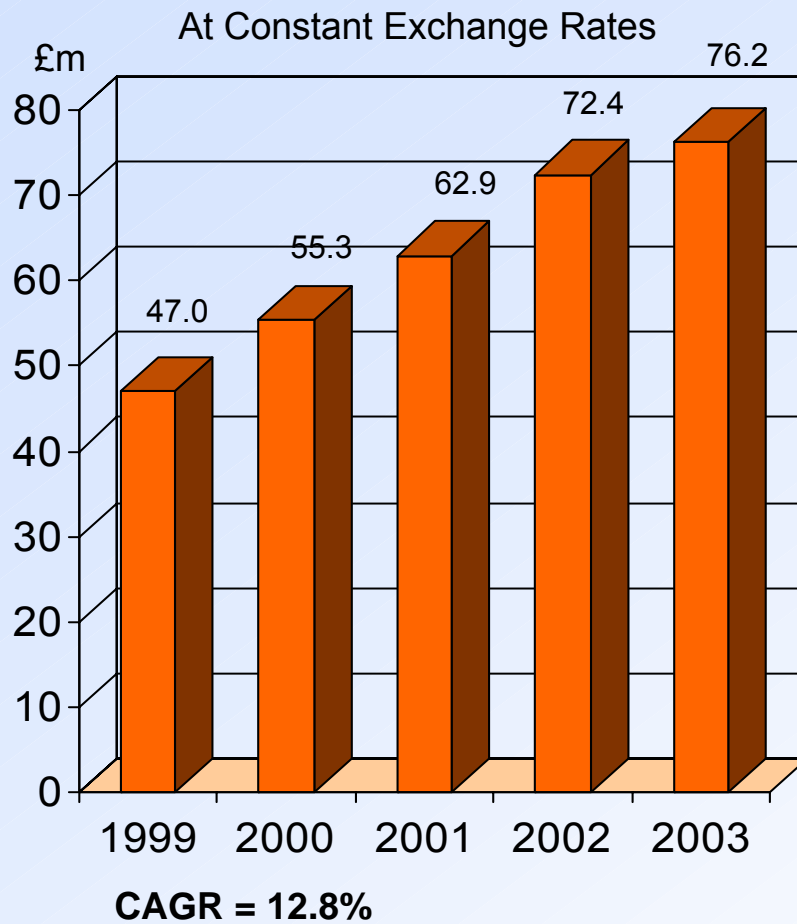
**1 Continuing business**



Americas EAME Asia

**CAGR = 7.6%**

# Trend in Operating Profit<sup>1</sup>



\* Continuing business before goodwill amortisation and exceptional items

# Richard Nelson Chief Executive Officer

Operating Performance  
at constant exchange rates

2003 Results Presentation – 8 March 2004

# Intertek Group plc

## £m @ constant 2003 exchange rates

	<u>2003</u>	<u>2002</u>	<u>%<sup>2</sup></u>
Turnover	471.1	442.6	6.4%
Operating Profit <sup>1</sup>	76.2	72.4	5.2%
Margin	16.2%	16.4%	

1. Before goodwill amortisation and exceptional items

2. Excluding acquisitions and disposals, turnover grew by 7.2% and operating profit grew by 6.5%

# Labtest

(Consumer Goods)

## £m @ constant 2003 exchange rates

	<u>2003</u>	<u>2002<sup>2</sup></u>	<u>%</u>
Turnover <sup>1</sup>	130.8	111.1	17.7%
Operating Profit <sup>1</sup>	42.8	36.3	17.9%
Margin	32.7%	32.7%	

1. Excluding the disposal in May of a joint venture and a small acquisition in October, turnover grew by 21.6% and operating profit grew by 20.9%
2. In 2003, inspection of electronic and electrical goods was transferred from Labtest to ETL SEMKO. The 2002 figures have been restated to reflect this change.

# Labtest

(Consumer Goods)

## Drivers

- Continued sourcing from Asia
- Widening ranges of products, shorter product life cycles
- Increasing quality and safety requirements
- Expansion in China with lower prices and costs, (964 to 1361 employees)
- Strong local management
- Disposal of 50% of BSIP, May 03 (annualised sales £5.0m)
- Acquisition of Fastech, Oct 03 (annualised sales £2.0m)

# Caleb Brett

(Oil & Chemical)

## £m @ constant 2003 exchange rates

	<u>2003</u>	<u>2002</u>	<u>%</u>
Turnover	169.6	166.5	1.9%
Operating Profit	13.2	15.4	(14.3)%
Margin	7.8%	9.2%	

# Caleb Brett

(Oil & Chemical)

## **Drivers & Issues – Traditional Cargo (75% of sales)**

- Competitive, low growth
- Reduced activity, Iraq war
- Low stocks
- Reduced cost – management strengthened, June 03
- H1 margin 5.4%, H2 margin 6.8%

# Caleb Brett

(Oil & Chemical)

## Drivers & Issues – Outsourcing (25% of sales)

- Now 25% of sales up from 23% previous year
  - Global Management team
- Contract wins in 2003 > £1m:
  - Unilever, June 03, annualised sales £1.5m
  - Irving Oil, July 03, annualised sales of £1.2m
  - Citgo, Dec 03, annualised sales £1.0m
  - Swiss Federal Labs, Dec 03, annualised sales £1.0m
- Contract wins in 2004 > £1m:
  - Chevron Texaco, starts April 04, annualised sales £1.0m
- Upgraded labs Singapore (July 03) New Jersey (Sept 03)

# Caleb Brett Outsourcing

## Annual Sales Value

Contracts won in 2003	£8.5m
Contracts won ytd 2004	£1.3m
Proposals awaiting decision	£20.5m
Top prospects	£33.8m
Others in pipeline	£26.8m

# ETL SEMKO

(Electrical)

## £m @ constant 2003 exchange rates

	<u>2003</u>	<u>2002<sup>1</sup></u>	<u>%</u>
Turnover	111.6	106.0	5.3%
Operating Profit	14.2	15.6	(9.0)%
Margin	12.7%	14.7%	

1. In 2003, inspection of electronic and electrical goods was transferred from Labtest to ETL SEMKO. The 2002 figures have been restated to reflect this change.

# ETL SEMKO

## (Electrical)

### Drivers

- Continued growth in China and Asia from 23% to 28% of division's sales (21% profit margin)
- Weak in West safety testing, especially telecoms
- Retail promotion in USA
- Management combined with FTS division, end 03
- Overheads reduced Q4 2003 by £1.9m annualised
- Amtac acquisition, Dec 03, annualised sales £1.0m

# FTS

(Foreign Trade Standards)

**£m @ constant 2003 exchange rates**

	<u>2003</u>	<u>2002</u>	<u>%</u>
Turnover	59.1	59.0	0.2%
Operating Profit	11.9	11.2	6.3%
Margin	20.1%	19.0%	

# FTS

(Foreign Trade Standards)

## **Drivers & Issues**

- New contracts:
  - Kuwait, April 03, annualised sales £4.0m
  - Venezuela, Sept 03, annualised sales £8.0m
- Further prospects
- Nigeria continuing
- New contract planned in Saudi (August 04)
- Reduced overheads – combined management with ETL SEMKO
- IT systems development

# Summary

- **Labtest:** Growing strongly in Asia in all areas of consumer goods
- **ETL SEMKO:** Growing well in Asia, reduced overheads in the West, retailer opportunity
- **Caleb Brett:** Traditional market improving and costs reduced, outsourcing growing
- **FTS:** Nigeria and Saudi continuing, reduced overheads, further prospects
- **Acquisitions:** Progressing well

*The drivers of our business continue to be positive and we are confident that we will continue to provide good performance and growth.*