

# 2004 Results Presentation

7 March 2005

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

Bill Spencer  
Chief Financial Officer

Financial Performance

2004 Results Presentation – 7 March 2005

# Financial Highlights

for the twelve months to 31 December 2004

Turnover	£499.6m	Up 6.0% at actual exchange rates Up 14.5% at constant exchange rates <sup>1</sup>
Operating profit <sup>2</sup>	£85.2m	Up 11.8% at actual exchange rates Up 23.5% at constant exchange rates <sup>1</sup>
Operating margin	17.1%	Up from 15.8%
Operating cash flow <sup>3</sup>	£73.9m	Up 31.0%
Profit before tax	£75.8m	Up 7.4%
Earnings per share <sup>4</sup>	36.3p	Up 22.2%
Dividend per share	10.4p	Up 18.2%

1 Excl acquisitions and disposals turnover was up 11.6% and operating profit was up 20.1% at constant rates

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

3 After capital expenditure

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

# Profitability – Operating Profit

<u>£m</u>	<u>2004</u>	<u>2003</u>
Operating profit (EBITA)	85.2	76.2
Goodwill amortisation	(1.5)	(1.0)
Exceptional items	–	(1.1)
Operating profit	<u>83.7</u>	<u>74.1</u>

# Profitability – Profit Before Tax

<u>£m</u>	<u>2004</u>	<u>2003</u>
Operating profit	83.7	74.1
Exceptional profit on disposal	—	4.5
Interest cost	(5.4)	(7.9)
Exceptional bank fees	(2.7)	—
Pensions – FRS17	0.2	(0.1)
Profit before tax	<u>75.8</u>	<u>70.6</u>
<i>Interest cover</i>	<u>15.5</u>	<u>9.4</u>

# Taxation

<u>£m</u>	<u>2004</u>	<u>2003</u>
Profit before tax	75.8	70.6
Adjust for exceptional items	2.7	(3.4)
Normalised profit before tax	<u>78.5</u>	<u>67.2</u>
Tax	20.8	18.7
<i>Normalised effective tax rate</i>	<i>26.5%</i>	<i>27.8%</i>

# Earnings & Dividends

<u>Pence</u>	<u>2004</u>	<u>2003</u>	
Fully diluted EPS	36.3p	29.7p	22.2%
Excluding amortisation & exceptionals			
Dividend per share	10.4p	8.8p	18.2%
Dividend cover	<i>3.5 times</i>	<i>3.4 times</i>	

*Proposed final dividend 2004 = 7.0p (up 18.6% from 5.9p in 2003)*

# Operating Cash Flow

<u>£m</u>	<u>2004</u>	<u>2003</u>
EBITDA	102.4	92.5
Working capital	(0.5)	(12.5)
Operating cash flow	101.9	80.0
Capital expenditure	(28.0)	(23.6)
Cash flow	73.9	56.4
<i>Cash flow after capex to operating profit</i>	88%	76%
<i>Operating working capital to sales</i>	7.0%	8.6%
<i>Trade debtors collection period</i>	64 days	68 days
<i>Capital expenditure to sales</i>	5.6%	5.0%



# Free Cash Flow

<u>£m</u>	<u>2004</u>	<u>2003</u>
Cash flow after capex	73.9	56.4
Minorities and associates	(3.3)	(2.1)
Interest paid and fees	(5.3)	(7.3)
Tax paid	(16.0)	(13.7)
Free cash flow	<u>49.3</u>	<u>33.3</u>

# Refinancing

<u>£m</u>	<u>2004</u>	<u>2003</u>
Net debt	£112m	£132m
Weighted average interest rate	3.4%	4.6%
% of debt at fixed rates	40%	30%
Interest cover	15x	9x
Cash & available undrawn committed facilities	£183m	£127m

# Changes in Accounting & Share Incentives

- International Financial Reporting Standards- 2005
  - Share option cost
  - Reduced goodwill cost
  - Pensions, financial instruments
- Long Term Incentive Plan – 2006
  - Seek shareholder approval at AGM May 2005
  - Deferred shares replace share options
  - Less dilutive
  - Full details provided in notice of AGM

Richard Nelson  
Chief Executive Officer  
to 31 March 2005

Operating Performance  
at constant exchange rates

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# Intertek Group plc

**£m @ constant 2004 exchange rates**

	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>%</u></b>
Turnover	499.6	436.2	14.5%
Operating Profit	85.2	69.0	23.5%
Margin	17.1%	15.8%	

Excluding the results of acquisitions and disposals, turnover increased by 11.6% and operating profit increased by 20.1%.

# Labtest (Consumer Goods)

**£m @ constant 2004 exchange rates**

	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>%</u></b>
Turnover	132.3	119.0	11.2%
Operating Profit	45.0	38.5	16.9%
Margin	34.0%	32.4%	

Excluding the results of acquisitions and disposals, turnover increased by 13.5% and operating profit increased by 16.6%.

# Labtest (Consumer Goods)

## Drivers

- Sourcing of products from Asia
- Widening ranges of products, shorter product life cycles
- Increasing quality and safety requirements
- Expansion in China, 19.5% of division (16.3% in 2003)
- Reduced trade restrictions on textiles from January 2005

# Textiles

(45% of division)

- Retailers and manufacturers expect strong growth in China (22% of textiles) and India (6% of textiles)
- Retailers are focusing on fewer but larger suppliers
- Manufacturers are investing in more facilities
- Retailers/manufacturers are cautious to see what restrictions may be put on trade
- Intertek is planning for different growth scenarios
- There will be some corresponding contraction in supply elsewhere



# Caleb Brett

(Oil & Chemical)

## £m @ constant 2004 exchange rates

	<u>2004</u>	<u>2003</u>	<u>%</u>
Turnover	177.3	157.9	12.3%
Operating Profit	15.5	11.9	30.3%
Margin	8.7%	7.5%	

# Caleb Brett

## (Oil & Chemical)

### Drivers

- Cargo Inspection (70%, 75% previous year)
  - Improved trading conditions in USA
  - Lower overheads
  - Margin 7.0% (6.1%)
- Outsourcing (30%, 25% previous year)
  - New contracts with ChevronTexaco (£1m pa), Avecia (£4m pa) in 2004 and Rolls-Royce (£1m pa) in 2005
  - Upstream testing acquisition in Dec 04 (turnover £5m pa)
  - Margin 12.8% (12.8%)

# ETL SEMKO

## (Electrical)

**£m @ constant 2004 exchange rates**

	<u>2004</u>	<u>2003</u>	<u>%</u>
Turnover	122.4	102.5	19.4%
Operating Profit	17.5	13.0	34.6%
Margin	14.3%	12.7%	

Excluding the results of acquisitions, turnover increased by 8.0% and operating profit increased by 23.8%

# ETL SEMKO

## (Electrical)

### Drivers

- Continued growth in China and Asia (24% of business)
- Reduced overheads in USA
- Acquisition of Entela May 04, automotive component testing: growth opportunity (turnover £16m pa)
- Acceptance of ETL safety label in USA, leading to growth of home appliances in USA (market share 1-2%)
- Organic sales growth – Asia 11%, Americas 10%, Europe 1%
- Margins – Asia 29%, Americas 11%, Europe 4%

# FTS

## (Foreign Trade Standards)

**£m @ constant 2004 exchange rates**

	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>%</u></b>
Turnover	67.6	56.8	19.0%
Operating Profit	14.0	11.4	22.8%
Margin	20.7%	20.1%	

# FTS

(Foreign Trade Standards)

## **Drivers & Issues**

- Saudi Arabia, Nigeria and Venezuela – performing well
- Container scanner project in Sierra Leone
- New standards programmes in Nigeria and Ghana
- Risks and projects

# Summary

- **Labtest:** Growing strongly in Asia in all areas of consumer goods
- **Caleb Brett:** Traditional market improving and costs reduced, outsourcing growing well
- **ETL SEMKO:** Growing well in Asia, reduced overheads in USA, retailer acceptance, automotive component testing
- **FTS:** Contracts performing well, risks and prospects

**Wolfhart Hauser**  
**Chief Executive Officer**  
from 1 March 2005

**Medium Term Strategy**

2004 Results Presentation – 7 March 2005



# Excellent Resources

- **Management:** Local, close to customers, drives growth
- **Network:** Commonality of culture
- **Brand Names:** Very well known in related industries
- **Knowledge Base:** Added value through advisory services
- **Financial Resources:** Funding of bolt on acquisitions

	<u>Excellent position</u>	<u>Additional Growth Areas</u>
<b>Labtest</b>	<ul style="list-style-type: none"> <li>• Textiles</li> <li>• Toys</li> <li>• Inspection</li> <li>• RAM</li> </ul>	<ul style="list-style-type: none"> <li>• Systems certification</li> <li>• Hardlines</li> <li>• WEEE - RoHS</li> </ul>
<b>Caleb Brett</b>	<ul style="list-style-type: none"> <li>• Cargo inspection</li> <li>• Outsourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Analytical services</li> </ul>
<b>ETL SEMKO</b>	<ul style="list-style-type: none"> <li>• Industrial equipment</li> <li>• Building products</li> <li>• Home appliances Asia</li> </ul>	<ul style="list-style-type: none"> <li>• Home appliances (USA, Europe)</li> <li>• IT products</li> <li>• Medical products</li> <li>• Automotive components</li> </ul>
<b>FTS</b>	<ul style="list-style-type: none"> <li>• Pre-shipment inspection</li> <li>• Standards programmes</li> </ul>	<ul style="list-style-type: none"> <li>• More standards programmes</li> </ul>
		<ul style="list-style-type: none"> <li>• Cross divisional</li> </ul>
		<ul style="list-style-type: none"> <li>• Emerging/ additional opportunities</li> </ul>
		<ul style="list-style-type: none"> <li>• China</li> </ul>
<b>Growth</b>	<ul style="list-style-type: none"> <li>• Market related</li> </ul>	<ul style="list-style-type: none"> <li>• Additional market share</li> </ul>
<b>Acquisitions</b>	<ul style="list-style-type: none"> <li>• In-fill</li> </ul>	<ul style="list-style-type: none"> <li>• Bolt on</li> </ul>