

Interim Results 2010

8 September 2010



Intelligent
solutions
for industrial
services

Martin K May – Chief Executive Officer
Richard Bingham – Chief Financial Officer

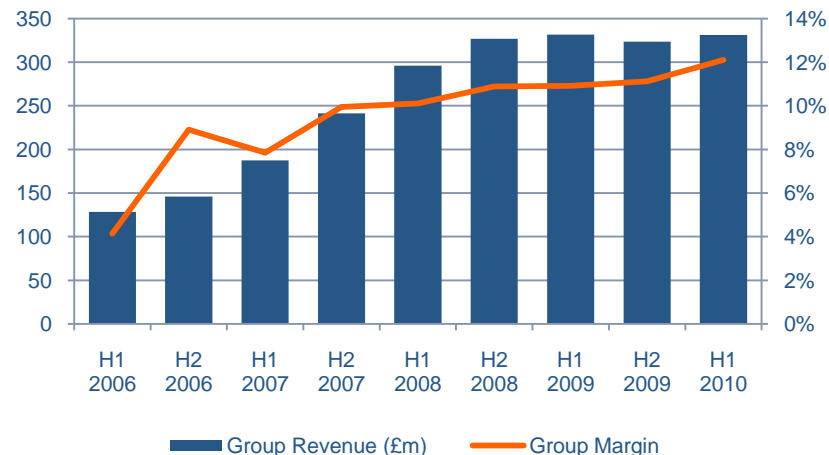
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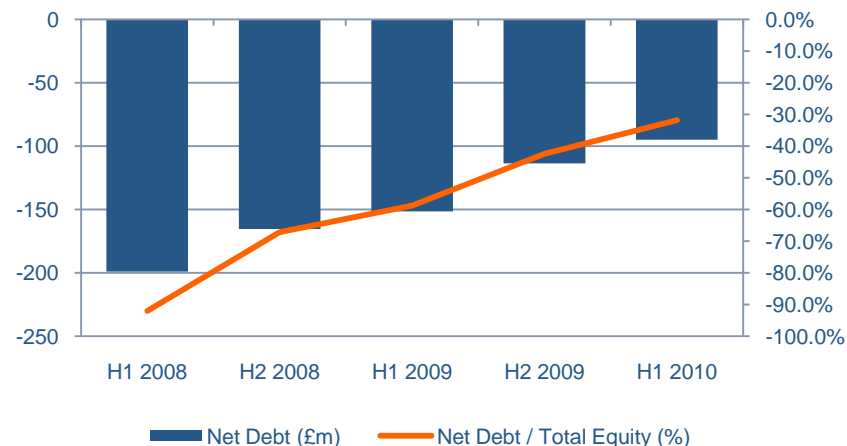
Headlines

- Adjusted Profit Before Tax⁽¹⁾ up 17.5% to £35.5m (2009: £30.2m) at AER⁽¹⁰⁾ and up 19.5% at CER⁽¹⁰⁾
- Adjusted operating profit margin⁽²⁾ improved by 160bps to 12.1% (2009: 10.5%) reflecting benefits of geographic diversification and restructuring
- 76% of revenues generated from the energy and mineral resources sectors
- Adjusted diluted earnings per share⁽³⁾ up 16.0% to 21.0p (2009: 18.1p)
- Net debt⁽⁶⁾ reducing by 37.2% to £95.1m (2009: £151.5m) with net debt to annualised adjusted EBITDA⁽⁷⁾ reducing to less than one times (2009: 1.7 times)
- Declared interim dividend of 4.0p per share (2009: nil)
- Agreed timetable for move to Main List in Q2 2011

Revenue & EBITA Margin



Net Debt Gearing



“Record financial and operating results”

Strategy for growth...is all about focus

What

non mechanical industrial services

Where

on and offshore across our existing footprint

When

throughout the life cycle of large secure industrial assets

Who

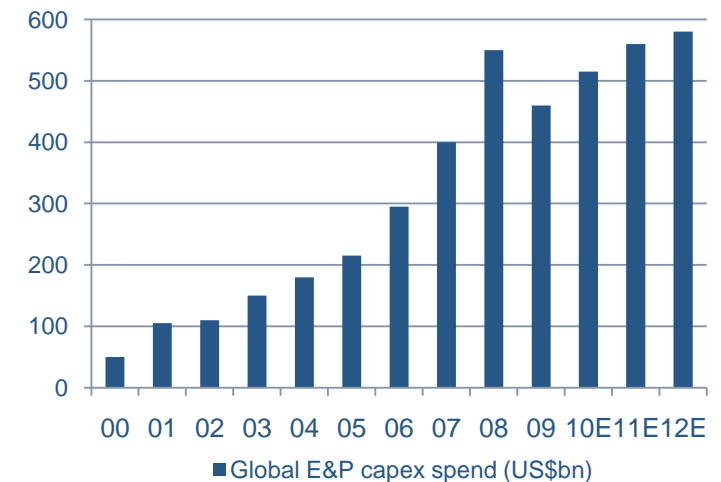
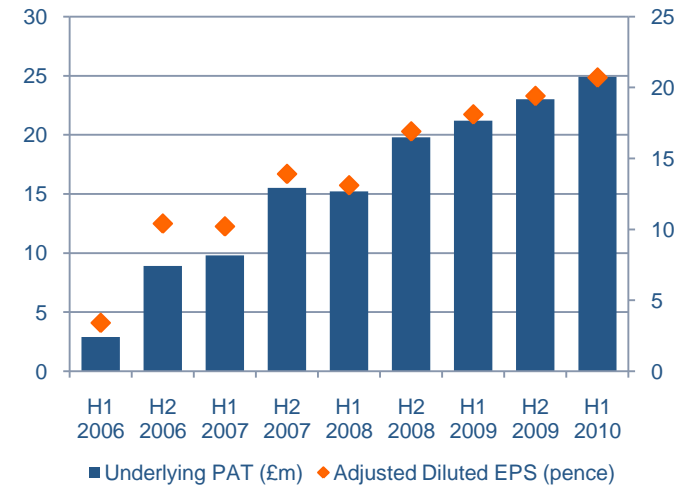
global E & P Contractors and owner operators in the energy and resources sectors

How

safely, on time, peace of mind

Why

intelligent, international, relationships



“Target is to double our EPS over the next 5 years”

Some significant contract awards and renewals

Customer	Service	Value	Territory
BAE Systems	Access & Specialist Coating	>£100 million	UK
Shell	Multi Discipline		Far East / Pacific Rim
BP	Maintenance	£150 million	UK
Total	Multi Discipline	>€15 million	UK
CCIC & Linde Engineering	Thermal insulation	US\$18 million	Gulf / ME
RWE npower	Multi Discipline	£16 million	UK
Samsung, Hyundai & GS Construction	Multi Discipline	US\$20 million	Gulf / ME
Snamprogetti Chiyoda Saipem	Insulation	€27 million	CIS, Med & NA
International Power	Multi Discipline	>£16 million	UK & Far East / Pacific Rim
Scottish & Southern	Multi Discipline	£20 million	UK
Drax Power Limited	Multi Discipline	£6 million	UK
Macquarie Generation	Multi Discipline	AU\$8 million	Far East / Pacific Rim

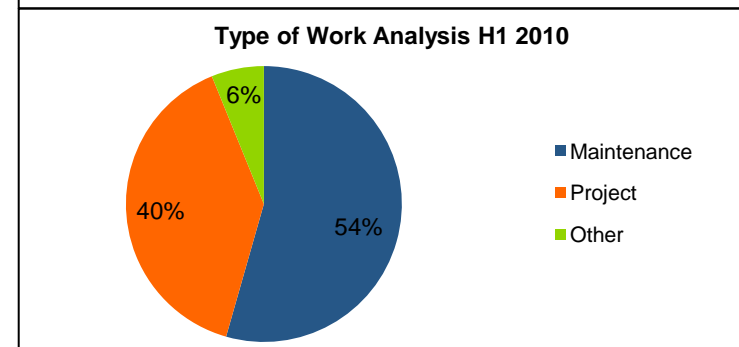
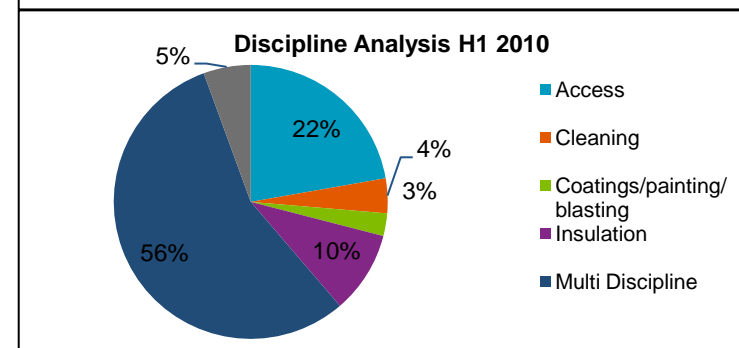
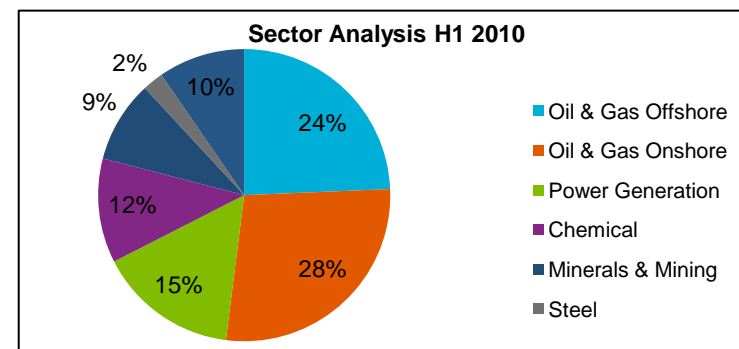
“Winning quality contracts across the footprint”

A bundled service provider to the energy sector

Sector	UK	ME	CIS, Med & NA	FE/PR	Total
Oil & Gas Offshore	40%	8%	29%	14%	24%
Oil & Gas Onshore	3%	52%	71%	33%	28%
Power Generation	34%	3%	-	2%	15%
Chemical	10%	27%	-	3%	12%
Minerals & Mining	-	1%	-	31%	9%
Steel	4%	2%	-	-	2%
Other	9%	6%	-	16%	10%

Discipline	UK	ME	CIS, Med & NA	FE/PR	Total
Access	18%	12%	24%	38%	22%
Cleaning	10%	-	-	-	4%
Coatings/painting/blasting	-	-	4%	8%	3%
Insulation	2%	33%	-	3%	10%
Multi Discipline	71%	42%	71%	41%	56%
Other	-	12%	2%	9%	5%

Type of Work	UK	ME	CIS, Med & NA	FE/PR	Total
Maintenance	93%	26%	7%	31%	54%
Project	7%	73%	91%	47%	40%
Other	-	1%	2%	21%	6%



“Over half of revenues derived from multi-year maintenance contracts”

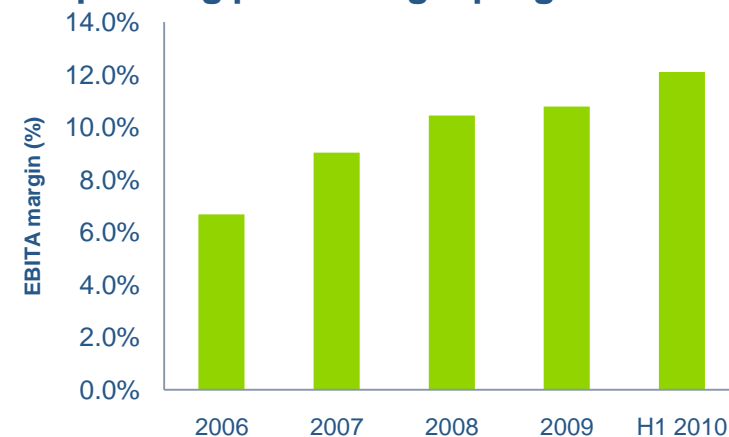
Financial Review



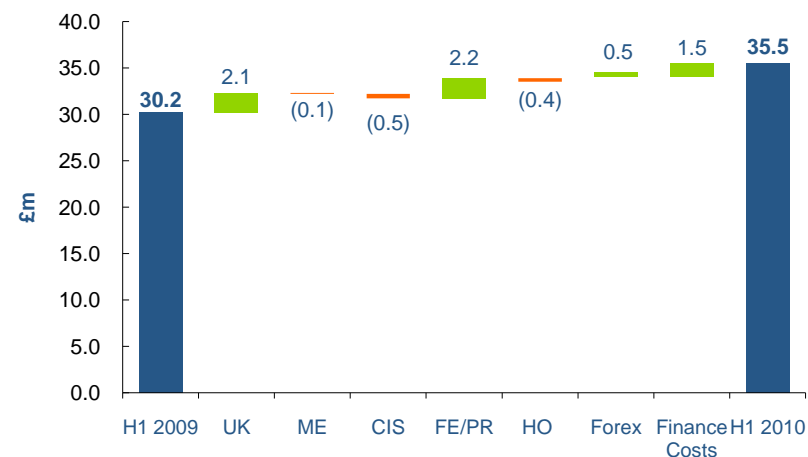
Income Statement

£m	FY 2009	H1 2010	H1 2009	
Revenue	655.1	331.3	331.6	-0%
Operating profit	70.6	40.1	34.7	+16%
Operating profit margin	10.8%	12.1%	10.5%	+160 bps
Amortisation	(2.9)	(1.3)	(1.4)	
IDC costs	(74.2)	-	(2.0)	
JV Income	1.6	-	1.5	-100%
Profit before interest & tax	(4.9)	38.8	32.8	+18%
Net finance charges	(10.7)	(4.1)	(5.6)	-27%
Profit before tax	(15.6)	34.7	27.2	+28%
Tax credit / (charge)	14.1	(8.0)	(6.8)	+18%
Profit after tax	(1.5)	26.7	20.4	+31%
Adjusted PBT ⁽¹⁾	60.7	35.5	30.2	+17.5%
Adjusted diluted earnings per share⁽³⁾	37.5	21.0	18.1	+16.0%
Declared Interim Dividend (pence per share)	-	4.0	-	

Operating profit margin progression



Adjusted PBT Bridge H1 2009 to H1 2010

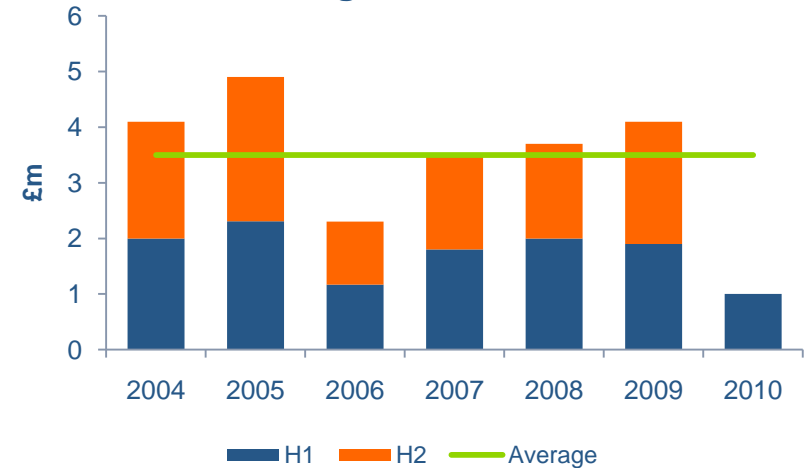


“Adjusted PBT up 17.5% driven by UK and FE/PR performance and reduced finance charge”

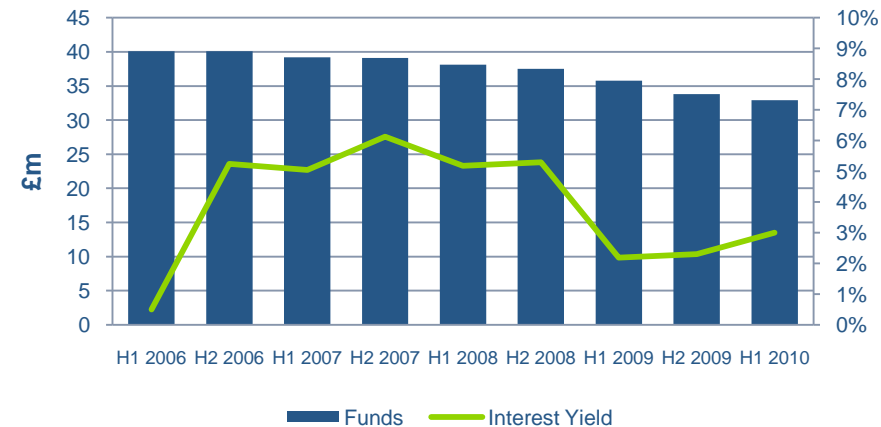
IDC Scheme

- No P&L impact at half year following the taking of additional £70.5m provision for future liability last year
- Claims received continue to track to actuarial forecast
- Settlements and costs totalling £0.9m paid to claimants in H1 with Scheme funds reducing to £32.9m
- Interest earned of £0.5m (no cash interest received) with funds locked into longer term deposits resulting in yield increase from 2.1% to 3.2%
- Next triennial actuarial review December 2010

Average Cash Paid



Scheme Funds & Interest Yield



“Claims received continue to track to actuarial forecast”

Cash Flow

£m	FY 2009	H1 2010	H1 2009
EBITDA	88.0	48.8	44.0
Other non-cash items	3.0	0.8	0.6
Gross cashflow	91.0	49.6	44.6
Working capital movement	(6.6)	(14.1)	(12.1)
Cash generated from operations	84.4	35.5	32.5
Operating cash conversion %	96%	73%	74%
Capital expenditure (net of disposals)	(10.8)	(4.1)	(5.7)
Tax	(7.6)	(7.9)	(5.3)
Net interest	(11.4)	(4.7)	(6.2)
Free cash flow	54.6	18.8	15.3
Share issue	0.9	0.1	0.0
Dividend paid to minority	(0.2)	(1.4)	0.0
Translation difference	(3.4)	1.0	(1.3)
Movement in net debt	51.9	18.5	14.0
Opening net debt	(165.5)	(113.6)	(165.5)
Closing net debt	(113.6)	(95.1)	(151.5)

Cash Generated from Operations



Free Cash Flow

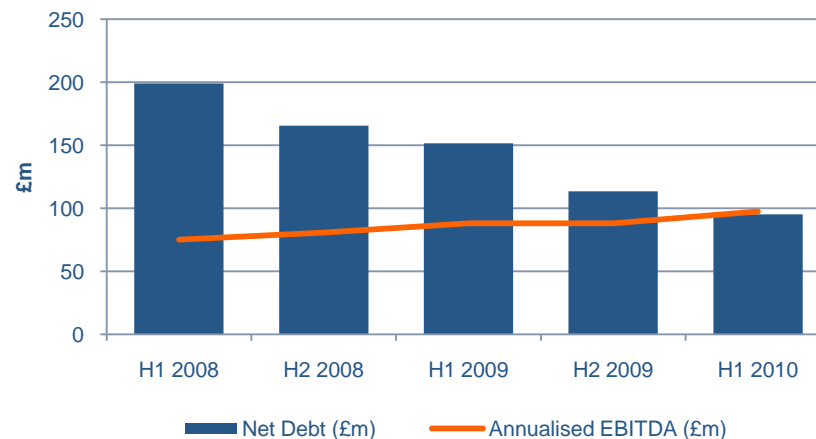


“The Group’s strong operating cash generation continued”

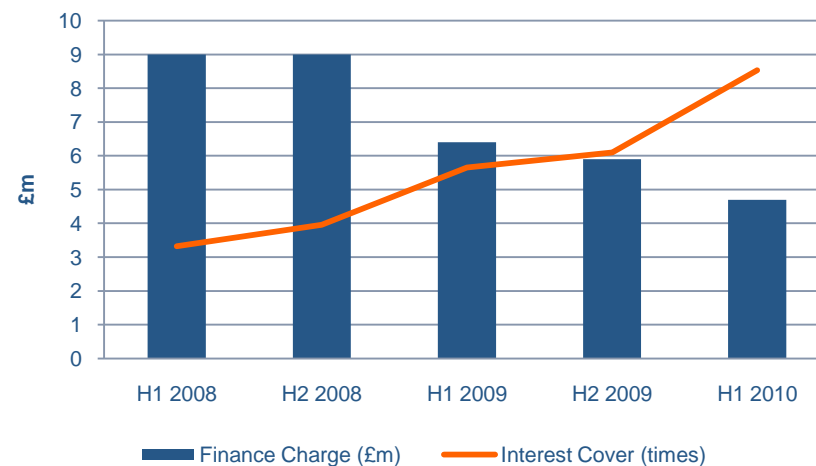
Balance Sheet

£m	FY 2009	H1 2010	H1 2009
Intangibles	210.5	209.2	188.3
Managed assets			
Tangible fixed assets	142.9	141.2	140.4
Debtors & WIP	173.3	197.6	190.7
Other net working capital	(95.7)	(103.3)	(109.9)
Total managed assets	220.5	235.5	221.2
Provisions, tax and other	(3.3)	(4.2)	(26.7)
IDC Provision	(80.2)	(79.2)	(9.7)
	347.5	361.3	373.1
Funded by:			
Debt/(funds)	113.6	95.1	151.5
IDC restricted funds	(33.8)	(32.9)	(35.8)
Shareholders funds	267.7	299.1	257.4
Total	347.5	361.3	373.1
Gearing	42.4%	31.8%	58.9%
ROMA	32.0%	34.1%	31.4%
Interest Cover	5.7	8.5	5.4
Net debt / adjusted EBITDA	1.3	1.0	1.7

Net Debt vs Annualised EBITDA



Interest Cover (times)



“Balance sheet continues to strengthen”

Operating Review

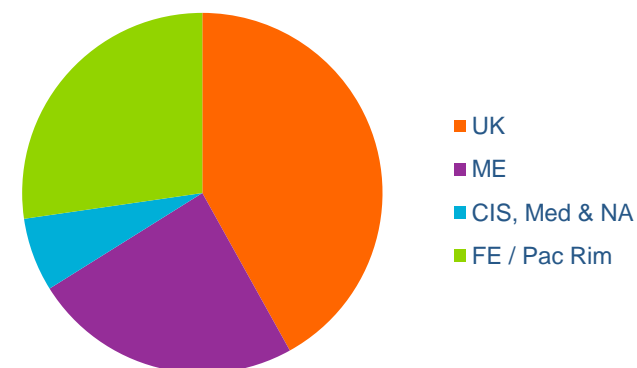


Regional Performance Summary

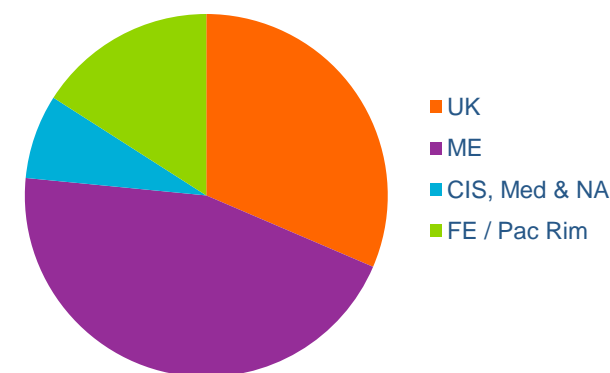
£m		FY 2009	H1 2010	H1 2009	Growth
UK	Revenue	304.7	138.9	144.1	-4%
	Operating Profit	27.2	13.8	11.7	18%
	<i>Operating margin (%)</i>	8.9%	9.9%	8.1%	↑ 180bps
Gulf / Middle East	Revenue	170.7	80.1	102.7	-22%
	Operating Profit	38.6	19.8	20.6	-4%
	<i>Operating margin (%)</i>	22.6%	24.7%	20.1%	↑ 460bps
CIS, Med & NA	Revenue	48.4	21.9	23.2	-6%
	Operating Profit*	7.7*	3.3	3.9*	-15%
	<i>Operating margin (%)</i>	15.9%	15.1%	16.8%	↓ 170bps
Far East / Pacific Rim	Revenue	131.3	90.4	61.6	47%
	Operating Profit	7.9	7.0	4.5	56%
	<i>Operating margin (%)</i>	6.0%	7.7%	7.3%	↑ 40bps
Central costs		-9.2	-3.8	-4.5	
Group	Revenue	655.1	331.3	331.6	0%
	Operating Profit	72.2	40.1	36.2	11%
	<i>Operating margin (%)</i>	11.0%	12.1%	10.9%	↑ 120 bps

* Includes JV profit

Revenue per Region H1 2010

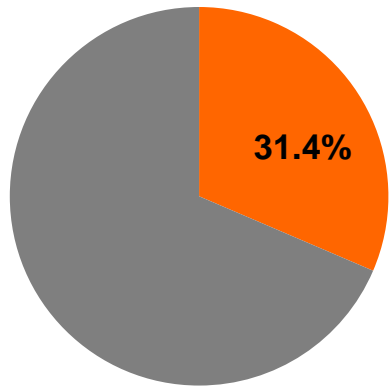


Operating Profit per Region H1 2010



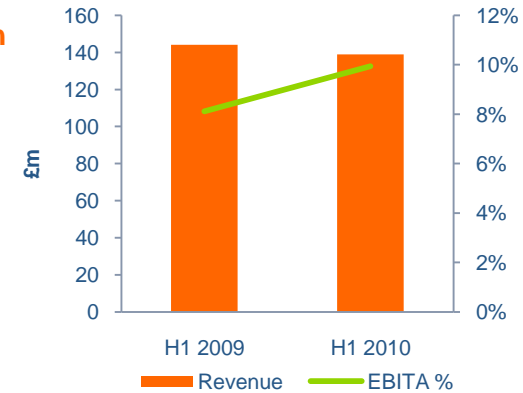
“A balanced international portfolio with 69% of profits generated outside UK”

Share of Group EBITA



United Kingdom

	FY 2009	H1 2010	H1 2009	Growth
Revenue	304.7	138.9	144.1	-4%
EBITA	27.2	13.8	11.7	18%
EBITA Margin %	8.9%	9.9%	8.1%	
Share of group EBITA	33.4%	31.4%	28.7%	

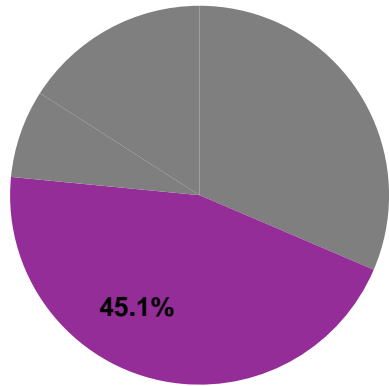


- Operating profits increased by 18% despite 4% revenue reduction
- Reflects completion of low margin projects and benefits of restructuring activities
- First offshore contract win in the European Continental Shelf with Total
- Strength of business more apparent with 93% (2009: 84%) of revenues now derived from maintenance activities

Full Year outlook

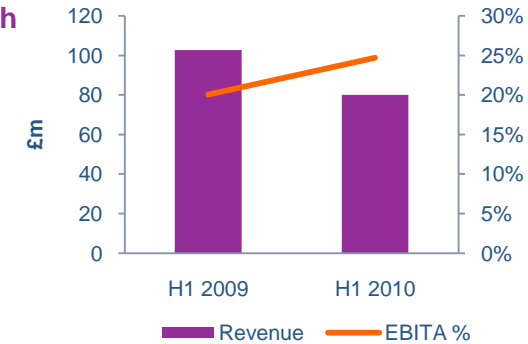
- Deferral of shutdown outages and de-scoping of maintenance works will result in no increase in activity levels in H2

Share of Group EBITA



Gulf / Middle East

	FY 2009	H1 2010	H1 2009	Growth
Revenue	170.7	80.1	102.7	-22%
EBITA	38.6	19.8	20.6	-4%
EBITA Margin %	22.6%	24.7%	20.1%	
Share of group EBITA	47.4%	45.1%	50.6%	

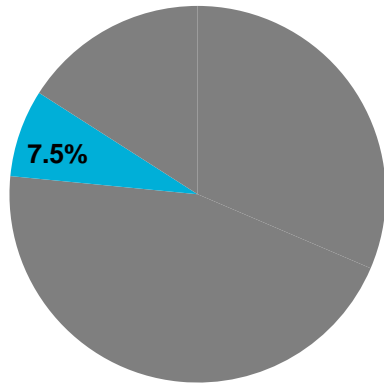


- As anticipated revenue down 22% driven by slowdown in project activity although stronger margin performance reflecting higher margin shutdown work
- Benefitted from substantial (high manpower and short duration) shutdown contracts

Full Year outlook

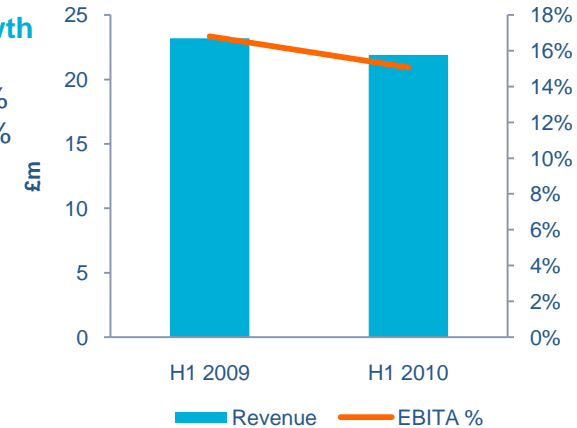
- H2 activity levels similar to last year
- Major contracts will complete in 2010 but increased tendering activity in both Southern and Northern Gulf markets for commencement in H2 2011

Share of Group EBITA



CIS, Mediterranean & North Africa

	FY 2009	H1 2010	H1 2009	Growth
Revenue	48.4	21.9	23.2	-6%
EBITA	6.1	3.3	2.4	38%
<i>EBITA Margin %</i>	12.6%	15.1%	10.3%	
JV (post tax)	1.6	-	1.5	
Total EBITA	7.7	3.3	3.9	
Share of group EBITA	9.5%	7.5%	9.6%	

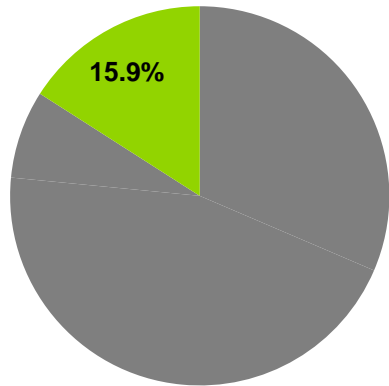


- Almost all revenues relate to activities in Kazakhstan (Kashagan, Karachaganak) and Sakhalin
- JV established with SOCAR in Azerbaijan
- Single project JV (Adriatic LNG) completed last year
- Awarded £23m contract for GL3-Z in Algeria to commence Q2 2011

Full Year outlook

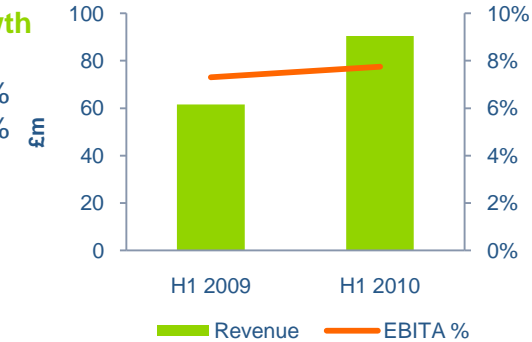
- H2 activity levels will reduce in Kazakhstan mitigated by commencement of work in Azerbaijan

Share of Group EBITA



Far East / Pacific Rim

	FY 2009	H1 2010	H1 2009	Growth
Revenue	131.3	90.4	61.6	47%
EBITA	7.9	7.0	4.5	56%
EBITA Margin %	6.0%	7.7%	7.3%	
Share of group EBITA	9.7%	15.9%	11.1%	



- Headline results benefitted from exchange movements - revenue and EBITA increased by 29% and 51% at CER
- Made considerable progress in developing Industrial Services business (Revenue growth +37% at CER) however market remains depressed for Access Solutions business (Revenue down 12.5% at CER)
- Major onshore projects Pluto and SPT
- With exception of BP Kwinana, maintenance activities are mining services sector

Full Year outlook

- Current activity levels remain at or near H1 levels with continued focus on margins

Outlook





Outlook

Full year outcome

The strong first half and the high level of revenue visibility gives us confidence that full year outcome will be at least in line with the Board's expectations

Looking further ahead...

We do not anticipate a return to sustained organic revenue growth until at least the second half of 2011

Continued focus on laying foundations for future growth agenda including selective bolt on acquisitions

Definitions

- 1 Adjusted PBT comprises profit before tax of £34.7m (2009: profit of £27.2m), adjusted for the IDC charge of £nil (2009: £2.0m), IDC finance income of £0.5m (2009: £0.4m) and amortisation of intangible assets of £1.3m (2009: £1.4m).
- 2 Adjusted operating profit margin is calculated as adjusted operating profit (before share from joint ventures) of £40.1m (2009: £34.7m) divided by revenue of £331.3m (2009: £331.6m).
- 3 Adjusted diluted earnings per share is calculated by dividing adjusted operating profit, net of tax, by the weighted average number of ordinary shares in issue during the period adjusted to assume conversion of all potentially dilutive ordinary shares.
- 4 Free cash flow is defined as cash generated from operations adjusted for the impact of industrial disease costs, interest, tax, net capital expenditure, amortisation of bank fee and exceptional costs paid.
- 5 Operating cash conversion is defined as cash generated from operating activities of £35.5m (2009: £32.5m) divided by adjusted EBITDA⁽⁸⁾.
- 6 Net debt is calculated by deducting current borrowings of £34.4m (2009: £35.8m) and non current borrowings of £121.1m (2009: £148.4m) from cash and cash equivalents of £60.4m (2009: £32.7m).
- 7 Ratio of net debt to annualised adjusted EBITDA⁽⁸⁾ is calculated by dividing the net debt figure at the period end of £95.1m (2009: £151.5m) by twice the adjusted EBITDA⁽⁸⁾ of £48.8m (2009: £44.0m).
- 8 Adjusted EBITDA is calculated by adding back depreciation of £8.7m (2009: £7.8m) to adjusted operating profit of £40.1m (2009: £36.2m).
- 9 Based on 2010 consensus revenues.
- 10 Constant currency figures reflect actual 2010 results retranslated using the foreign currency exchange rates used for the 2009 reporting. The average exchange rates for the period ended 30 June 2010 were GBP/AUD 1.7291 and GBP/USD 1.5376 (2009: GBP/AUD 2.0817 and GBP/USD 1.4829)
- 11 Adjusted operating profit (EBITA) comprises profit before interest and taxation of £38.8m (2009: £32.8m), adjusted for IDC charge of £nil (2009: £2.0m) and amortisation of intangible assets of £1.3m (2009: £1.4m).
- 12 Gearing is net debt divided by total equity.
- 13 Return on Managed Assets (ROMA) is calculated as annualised operating profit (before share from joint ventures) of £40.1m (2009: £34.7m) divided by managed assets.
- 14 Managed assets is calculated by deducting the trade and other payables of £103.3m (2009: £109.9m) from the sum of property, plant and equipment of £141.2m (2009: £140.4m), inventories of £10.1m (2009: £12.5m) and trade and other receivables of £187.5m (2009: £178.2m).
- 15 Interest cover is calculated by dividing the adjusted operating profit (before share from joint ventures) of £40.1m (2009: £34.7m) by the finance costs of £4.7m (2009: £6.4m).
- 16 Net profit after tax is profit net of all costs for the period.
- 17 Free cash flow yield is calculated based on free cash flow per share (free cash flow divided by the dilutive weighted average number of ordinary shares) divided by the current share price.
- 18 The asset replacement ratio is calculated by dividing capital expenditure for the period of £4.3m (2009: £6.3m) by the depreciation charge of £8.7m (2009: £7.8m).