

# Keller Group plc

## Interim Results 2007

Half year ended June 2007



# Highlights

- Revenue of £465.2m up 3% (9% on a constant currency basis)
- Record first-half operating margin of 9.0% (2006: 7.9%)
- Profit before tax of £40.1m up 20% (28% on a constant currency basis)
- Basic earnings per share up 23% to 37.2p (2006: 30.3p)
- Recent major contract wins contribute to a record order book
- Interim dividend per share increased to 6.0p (2006: 4.2p)
- Withdrawal from the loss-making, non-core Makers business

# Group Income Statement

£m	June 2007	June 2006	% change	Full Year 2006
Revenue	<b>465.2</b>	450.0	+3%	920.2
Operating profit	<b>42.1</b>	35.7	+18%	89.1
Interest	<b>(2.0)</b>	(2.3)		(5.4)
Profit before tax	<b>40.1</b>	33.4	+20%	83.7
Tax - recurring	<b>(14.5)</b>	(13.1)		(30.7)
- one off	-	-		3.8
Profit after tax	<b>25.6</b>	20.3		56.8
Minority interests	<b>(1.1)</b>	(0.4)		(1.1)
	<b>24.5</b>	19.9		55.7
Earnings per share*	<b>37.2p</b>	30.3p	+23%	79.0p
Dividends per share (declared)	<b>6.0p</b>	4.2p		15.6p

Average US\$ rate of \$1.97 (2006 H1: \$1.79)

Good contributions from acquisitions

Effective tax rate 36% (2006 FY: 37%)

Expected total full-year dividend of 18.0p (up 15%)



\*Before one-off tax credit in 2006

# Revenue and Profit Reconciliation

£m	Revenue	Operating Profit
2006 H1 – as reported	450.0	35.7
Makers	(32.0)	0.5
2006 H1 – continuing operations	418.0	36.2
Acquisitions – incremental impact	37.5	4.1
FX differences	(24.0)	(2.7)
Underlying growth	12.4	9.8
2007 H1 – continuing operations	443.9	47.4
Makers	21.3	(5.3)
2007 H1 – as reported	465.2	42.1

Makers 2006 full year revenue of £62.5m and operating loss of £0.2m

Underlying revenue growth of 7% excluding Suncoast

Acquisitions are:

- Phi (Apr 06)
- Piling Contractors (Aug 06)
- Anderson Drilling (Oct 06)
- Systems Geotechnique (Apr 07)

Total cost of acquisitions £38.8m



# Operating Profit & Margin

	June 2007			June 2006		
£m	Revenue	Op Profit	Margin	Revenue	Op Profit	Margin
UK	56.7	(3.6)	(6.3%)	60.0	0.9	1.5%
USA	232.7	29.4	12.6%	241.1	27.8	11.5%
Europe/Overseas	136.2	13.7	10.1%	125.8	7.0	5.6%
Australia	39.6	4.6	11.6%	23.1	2.2	9.5%
	465.2	44.1	9.5%	450.0	37.9	8.4%
Central costs	-	(2.0)		-	(2.2)	
	465.2	42.1	9.0%	450.0	35.7	7.9%

Another record H1 margin

Ex-Makers margins:

Group 10.7%  
UK 4.8%

US revenue up 9%  
in dollar terms

Europe/Overseas  
margin nearly  
doubled



# Group Balance Sheet

£m	June 2007	June 2006	Dec 2006
Goodwill / intangibles	63.9	58.9	57.5
Property, plant & equipment	130.8	93.5	114.6
Other non-current assets	12.4	-	8.8
	<b>207.1</b>	<b>152.4</b>	<b>180.9</b>
Inventories	27.4	25.7	25.5
Debtors	260.5	236.0	221.7
Creditors	(222.2)	(204.3)	(192.4)
Working capital	<b>65.7</b>	<b>57.4</b>	<b>54.8</b>
Long-term liabilities	(13.6)	(12.8)	(11.5)
Capital employed	<b>259.2</b>	<b>197.0</b>	<b>224.2</b>
Employee benefits	(18.2)	(15.5)	(18.8)
Tax	(8.4)	(7.3)	(7.7)
Net debt	(53.8)	(47.6)	(38.6)
Net assets	<b>178.8</b>	<b>126.6</b>	<b>159.1</b>

Period-end  
exchange rate  
£1 = \$2.00  
(June 2006:  
\$1.82)

Gearing of  
30% (June  
2006: 38%)



# Group Cash Flow Statement

£m	June 2007	June 2006	Dec 2006
Cash from operating activities	<b>40.2</b>	28.8	98.3
Capex – net	(21.8)	(11.9)	(27.4)
Tax	(14.0)	(15.9)	(30.7)
Interest	(1.8)	(2.2)	(5.1)
Free cash flow	<b>2.6</b>	(1.2)	35.1
Dividends	(8.0)	(6.2)	(9.0)
Acquisitions	(9.0)	(5.9)	(26.4)
Net cash flow	<b>(14.4)</b>	(13.3)	(0.3)
Other	(0.8)	6.6	2.6
Opening net debt	(38.6)	(40.9)	(40.9)
Closing net debt	<b>(53.8)</b>	(47.6)	(38.6)

Usual H1 working capital outflow

Capex: investing for growth

Acquisitions mainly Systems  
Geotechnique



# 2007 Guidance

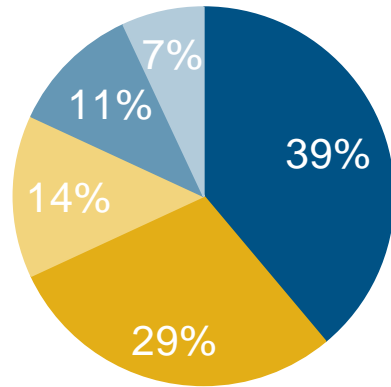
- Excellent overall start to H2 in continuing operations
  - Suncoast result still trending down
  - full H2 benefit of recent acquisitions
  - full-year results of continuing operations expected to be significantly above 2006
- One-off H2 charge re Makers expected to be less than £10m
  - almost all cash
  - assume not tax deductible
- Expected effective tax rate of circa 36%
- Full-year capex around £40m



# North America Analysis of Revenue

## H1 2007 Revenue by Company

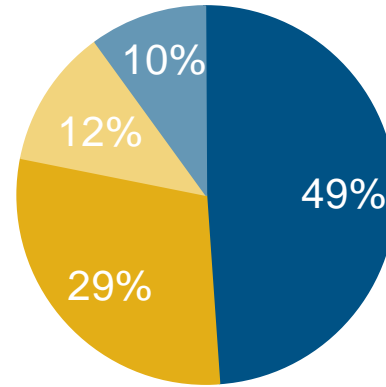
Total revenue £232.7m



- Hayward Baker
- Suncoast
- Case
- McKinney
- Anderson

## H1 2007 Revenue by Product

Total revenue £232.7m



- Piling (incl. earth retention)
- Post-tensioning
- Ground improvement
- Specialty grouting

Overall, US construction expenditure in H1 3.5% down on 2006 H1\*

Total non-residential expenditure in H1 15% above 2006 H1\*

Contraction in residential sector continues – total residential expenditure down 18% on 2006 H1\*

Residential sales 20% of US business



\* Data published by US Census Bureau of the Dept. of Commerce on 18 July 07

# North America Highlights

- Excellent performance from foundation businesses
  - Hayward Baker regions all performed well
  - Case set to have a record year
  - McKinney average job size continues to grow
  - first-time contribution from Anderson beat expectations
- Suncoast impacted by ongoing weakness in residential sector
  - partially offset by buoyant demand for high-rise products and operational improvements
  - pricing pressures on high-rise margins expected in H2



# North America Case Studies



Hayward Baker & Anderson  
Pacific Ethanol Plant, Stockton, CA  
Vibro replacement and deep soil mixing  
Multi-company, multi-product site



Hayward Baker (including Donaldson division)  
Combined Sewer Overflow System, Providence, RI  
Piling, excavation support and jet grouting  
Illustrates synergies from Donaldson acquisition

# North America – The Chicago Spire



150-storey, 610-metre high residential tower overlooking Lake Michigan

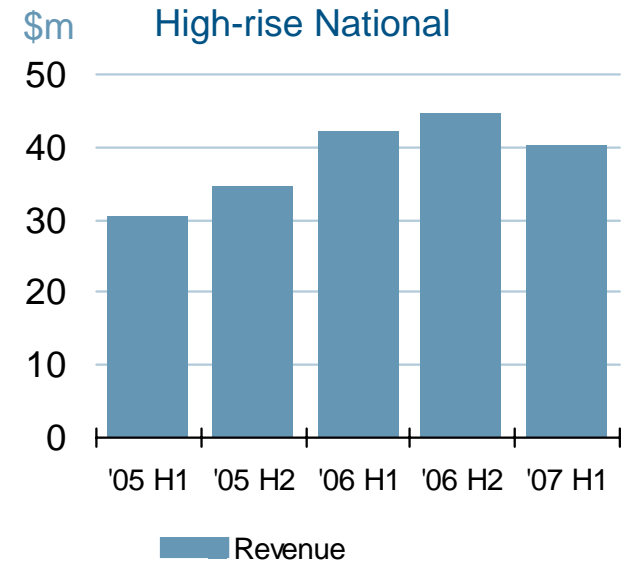
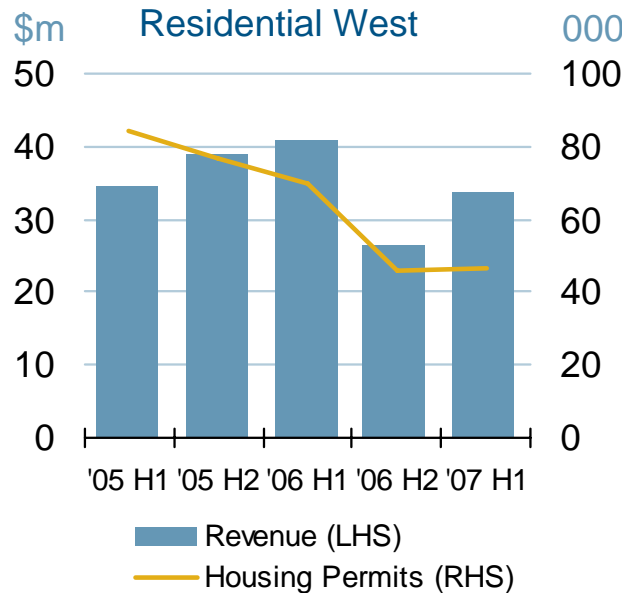
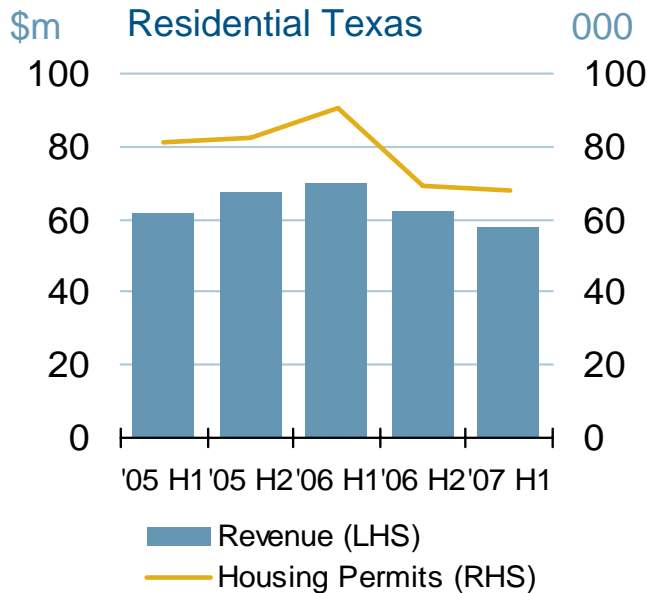
Expected to be the tallest building in US

Case to install 34 x 36-metre steel-reinforced concrete caissons

Hayward Baker to construct a 32-metre diameter sheet piled wall

Our work is underway and expected to complete Spring 2008

# North America Suncoast Regional Analysis



Suncoast sales down 17% H1/H1

Single family home permits down 25% H1/H1

Suncoast sales down 18% H1/H1

Single family home permits down 30% H1/H1

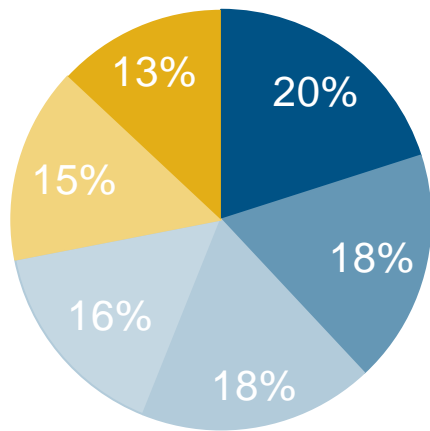
Suncoast sales down 4% H1/H1

High-rise work in hand now down circa 20% from peak



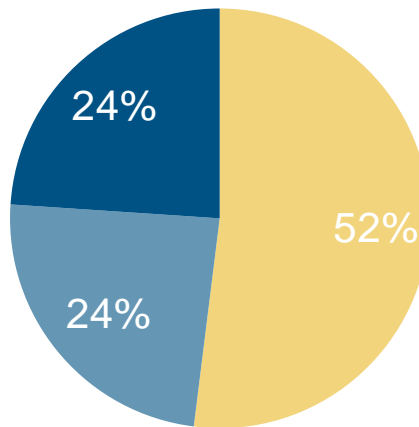
# Continental Europe & Overseas Revenue

H1 2007 Revenue by Country  
Total revenue £136.2m



- Spain
- France
- Other Europe
- Germany
- Eastern Europe
- M East / F East

H1 2007 Revenue by Product  
Total revenue £136.2m



- Ground improvement
- Specialty grouting
- Piling (incl. earth retention)

Very balanced split of revenue between geographic areas

Piling activity expected to increase in H2

Poland  
Middle East

# Continental Europe & Overseas Highlights

- Excellent overall result with operating profit nearly doubled
  - record operating margin of 10.1%
- Margin recovery in Spain, following measures taken to strengthen the business
- Poland's revenue boosted by investment in heavy foundations
- Increased pace in Germany in Q2, should continue through the second half
- Major contract wins in the Middle East, including significant work in heavy foundations

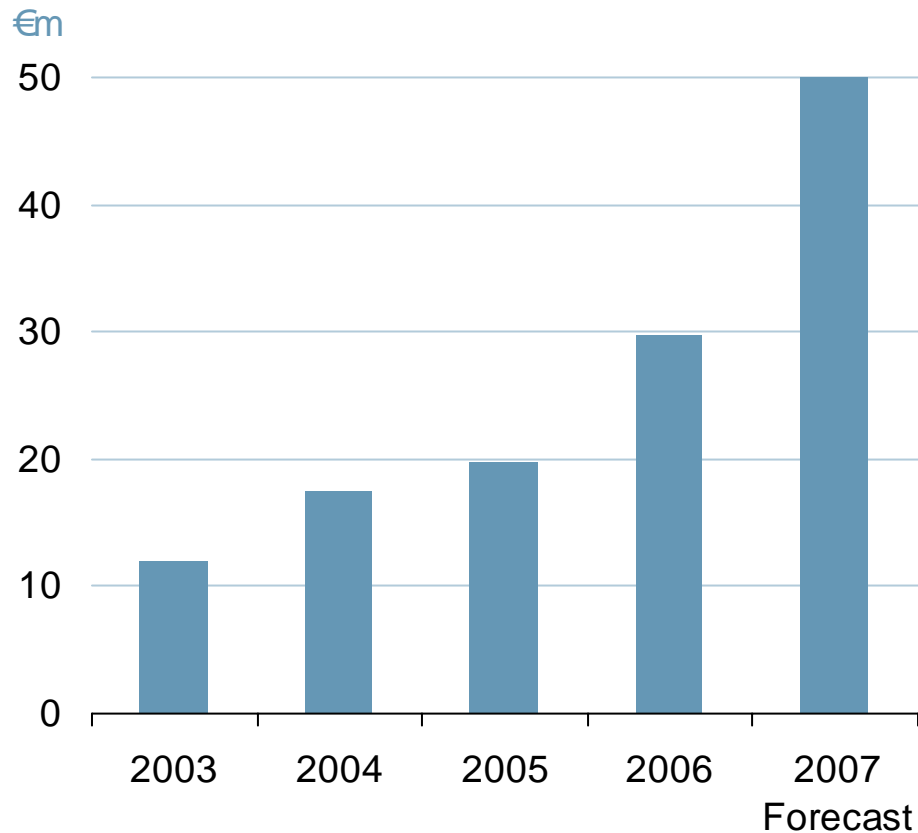
# Continental Europe Case Study



Site of emergency works

Canary Islands, Spain  
Emergency works to stabilise storm-damaged embankments  
Micropiles, anchors and soil nails

# Middle East Sales Growth



Increased strategic focus and investment in heavy foundations

Record revenue for the region forecast in 2007

Order book boosted by recent major contract awards:

Saudi Kayan, S Arabia - c.€60m (£40m)

Al Raha Beach, UAE - c.€22m (£15m)

Bahrain also very busy



# Middle East Case Studies



Foundations for petrochemical complex, Al-Jubail, SA  
Three contracts totalling c. €60m (£40m)  
Piling underway with peak activity by September



Sand compaction at Palm Deira ("Palm III"), Dubai  
Use of new S700 vibrators

# UK - Makers

- Inconsistent performance in recent years, culminating in £5.3m H1 operating loss
  - issues on two large contracts and significant decline in volumes
- Board decision to withdraw from Makers
  - will enable greater focus on strongly-performing core business
- A sale of the business in its current form unlikely
  - individual divisions to be sold/discontinued as appropriate
  - process should be largely complete within six months

# UK - KGE



Good first half performance overall

Strong contribution from Phi (acquired April 2006)

Systems Geotechnique acquired for initial cost of £9.1m in April 2007:

- market leader in restricted access piling
- adds to KGE's drilling and grouting capabilities

- integration on track

- performed well since acquisition

# Australia Highlights

- Excellent H1 trading, building on last year's record result
- Good market opportunities, particularly in infrastructure
- Expected benefits of Piling Contractors acquisition (Aug 2006) being realised
  - improved access to civil engineering, infrastructure and mining sectors
  - increased scale and ability to offer packaged solutions
  - Gateway Upgrade Project – led by Piling Contractors and involving Keller's three other Australian businesses

# Australia – Gateway Upgrade Project



A\$1.9bn project - largest road/bridge development in Queensland's history

Expected value to Keller A\$72m (£30m)

Our work scheduled to complete by September 2008

Bridge completion August 2010

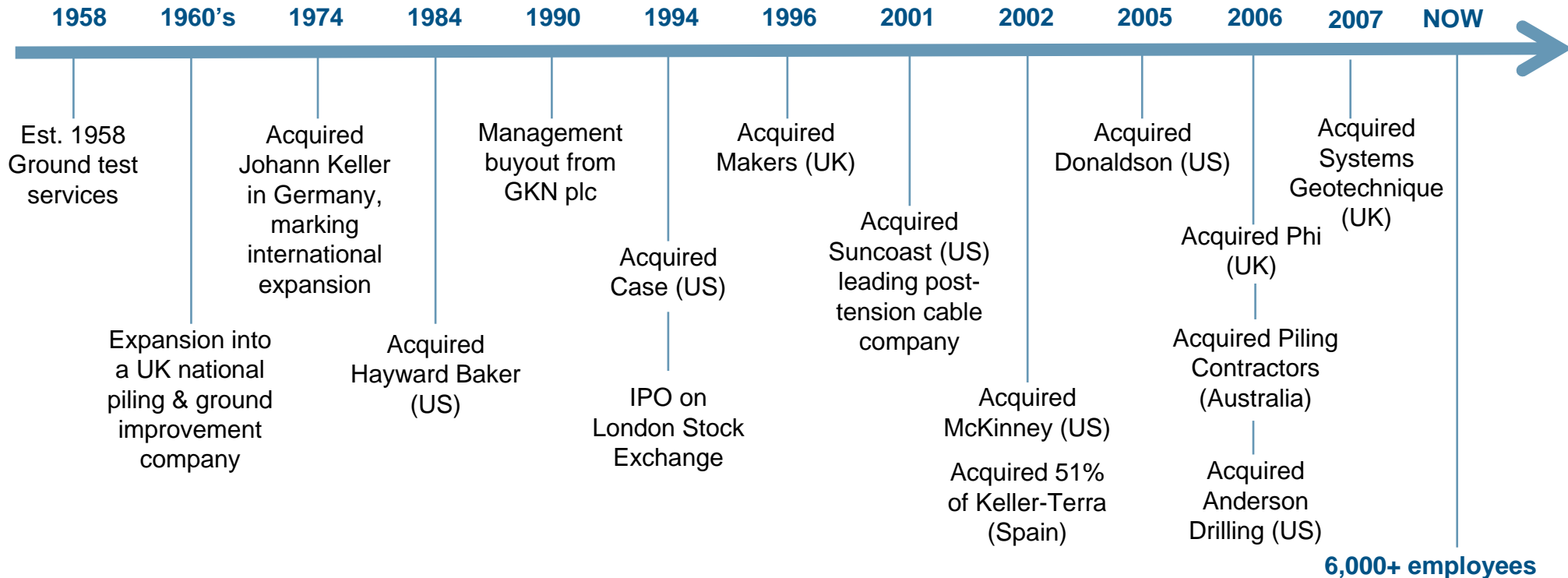
# Outlook

- Overall markets remain strong
  - US non residential continues to grow
  - US residential still weak
  - other principal markets very good
- Prevalence of very large development projects plays to Keller's strengths
- Recent major contract wins contribute to record order book
- Strong trading in most parts of the Group
- Full-year results of continuing operations now expected to significantly exceed last year's outstanding results

# Appendix



# Keller's History

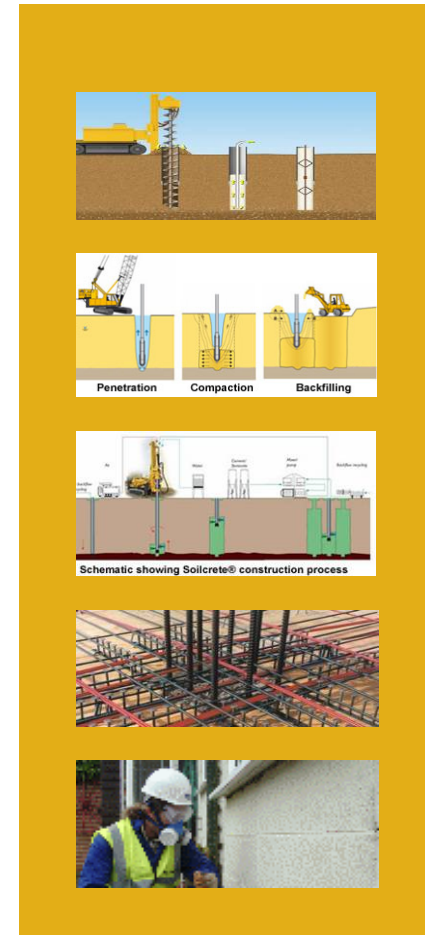


Only larger and most recent acquisitions shown









# Ground engineering worldwide

Activities	% of 2006 revenue	Regions of use	Applications
<b>Piling &amp; earth retention</b>	35 %	Mainly: US Australia	Foundation support Walls and excavation support
<b>Ground improvement</b>	26 %	US UK Continental Europe & Overseas Australia	Foundation support Seismic risk protection
<b>Specialty grouting</b>	15 %	US UK Continental Europe & Overseas Australia	Control of building settlement Groundwater control
<b>Post-tension concrete</b>	17 %	US	Slab-on-grade foundations High rise structures
<b>Structural refurbishment</b>	7 %	UK	Local authority housing Concrete repair; car parks: water

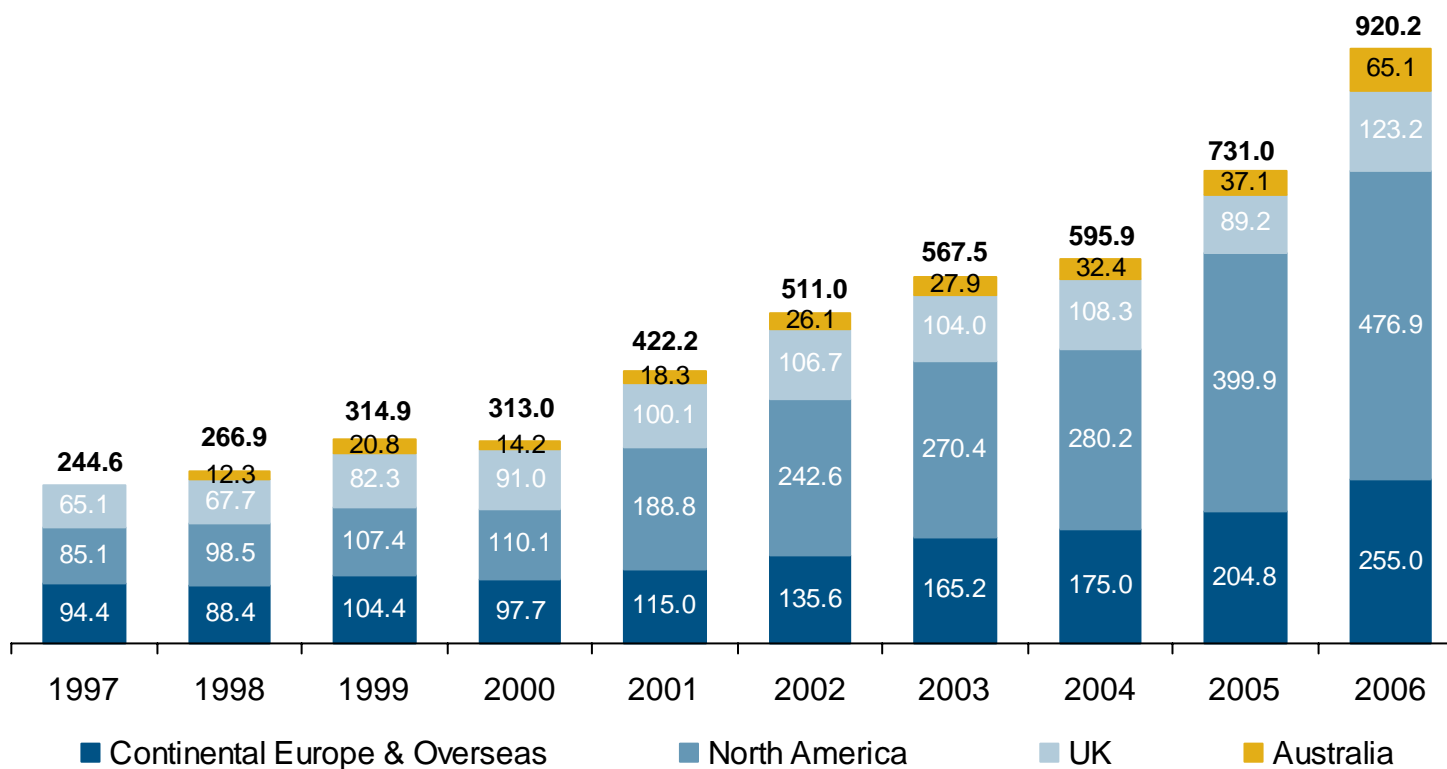


# Our Business Model

-  • Specialist with a tight focus
-  • Experienced people with deep industry knowledge
-  • Global business, but with strong local knowledge
-  • Well balanced with broad markets and customer base
-  • Broad range of industry-leading technologies and processes
-  • Good long-term growth record and prospects

# Ten Year Track Record

Revenue 1997 – 2006 (£m)

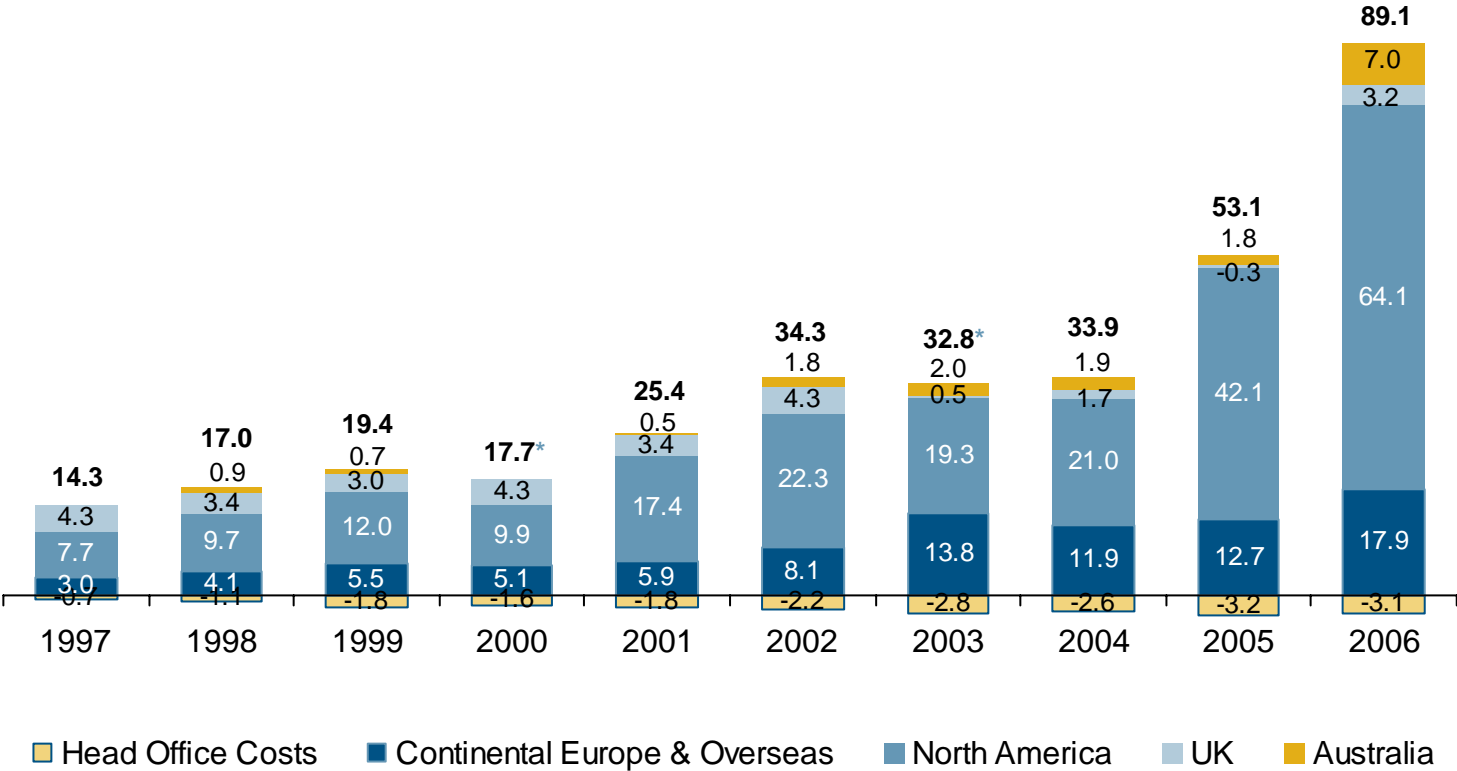


Compound annual growth rate of 15%



# Ten Year Track Record

Operating Profit 1997 – 2006 (£m)

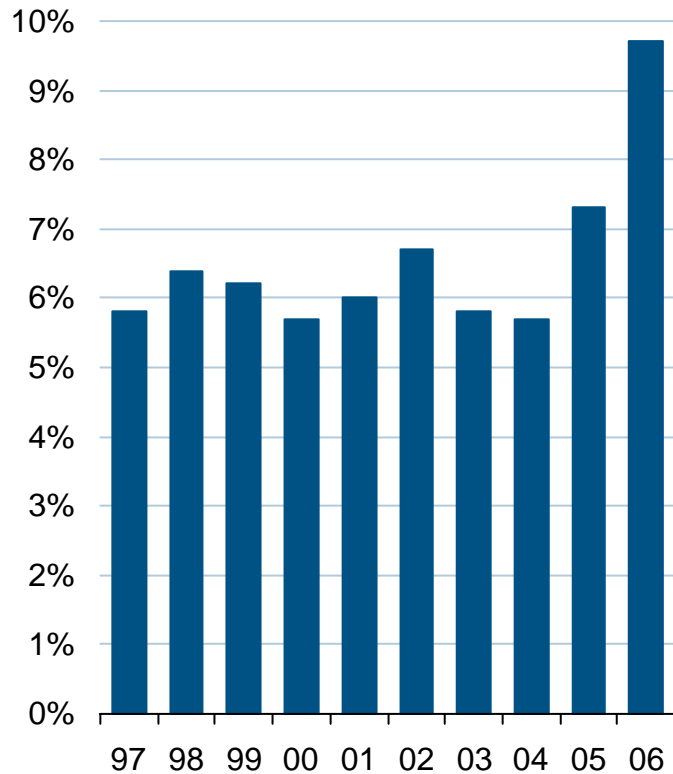


Compound annual growth rate of 22%

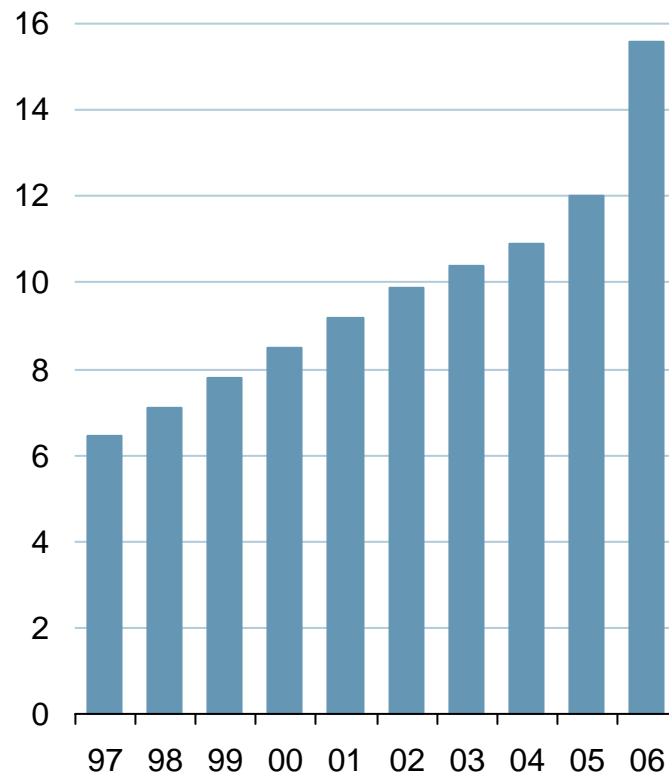


# Financial Performance

Operating margin



Dividend per share



Industry-leading margins

Uninterrupted dividend growth

New dividend policy

– 15% growth subject to 3x cover



# Strategy

- Our Objective
  - The further consolidation of our global leadership in specialist ground engineering services through:
    - Organic growth
      - Particularly in growing markets
    - Targeted acquisitions
      - Both in the US and Europe
- Our Execution
  - Transfer of technologies within our current geographic regions
  - Expansion into new geographic regions
  - Acquisition and development of new technologies and techniques



# Recent Acquisitions > £5m

Company	Date acquired	Total investment	Revenue in year of acquisition	Revenue in 2006	CAGR
Suncoast	Oct 2001	\$90m	\$134m	\$280m	16%
Keller-Terra*	Dec 2002	€14m	€22m	€72m	34%
McKinney	Dec 2002	\$30m	\$60m	\$102m	14%
Donaldson	Sep 2005	\$18m	\$40m	\$47m	18%
Phi	Apr 2006	£7m	£12m	n/a	n/a
Piling Contractors	Aug 2006	A\$28m	A\$55m	n/a	n/a
Anderson Drilling	Oct 2006	US\$22m	US\$59m	n/a	n/a
Systems Geotech	Apr 2007	£10.6m	£17m	n/a	n/a

Excellent organic growth achieved post acquisition



