

# OPERATING REVIEW

JUSTIN ATKINSON

**“By continuing to focus on what we do best, we expect to maintain our track record of out-performing general construction markets over the medium to long term.”**

Justin Atkinson, Chief Executive



**2008 was another record year for the Group, in which we succeeded in maintaining the momentum achieved over the previous three years.**

#### **Conditions in our major markets**

In the US, non-residential construction expenditure was some 12% higher than the previous year<sup>1</sup>, largely driven by high levels of public infrastructure spending and, within the private sector, strong investment in power and manufacturing. The residential sector continued to contract, with housing starts for single-family homes virtually halving in the year and more than 75% down on the 2005 peak. Taken as a whole, US construction expenditure reduced in the year by around 5%.

Conditions within our principal European markets were mixed: demand in Poland remained strong; Austria and Germany held up well; whilst the UK, France, and, in particular, Spain experienced a more abrupt slowdown.

Elsewhere, construction activity in the Middle East and Australia remained brisk for most of 2008, although the latter part of the year showed that these regions were not immune from the global recession, particularly in respect of privately-funded projects.

<sup>1</sup> The US Census Bureau of the Department of Commerce, 2 February 2009.

#### **Principal risks and uncertainties**

The main areas of uncertainty facing the Group relate to market conditions, acquisitions, technical risk and people. These also represent the Group's greatest opportunities and how we manage risks is a key differentiator between Keller and similar businesses.

#### **Market cycles**

Whilst our business will always be subject to economic cycles, market risk is reduced by the diversity of our markets, both in terms of geography and market segment. It is also partially offset by opportunities for consolidation in our highly fragmented markets. Typically, even where we are the clear leader, we still have a relatively small share of the market. Our ability to exploit these opportunities through bolt-on acquisitions is reflected in our track record of growing sales, and doing so profitably, across market cycles. (KPI: our growth compared with the growth of our markets.)

#### **Acquisitions**

We recognise the risks associated with acquisitions and our approach to buying businesses aims to manage these to acceptable levels. First, we try to get to know a target company, often working in joint venture, to understand the operational and cultural differences and potential

synergies. This is followed by a robust due diligence process, most of which is undertaken by our own managers, and we then develop a clear integration plan which takes account of the unique character of the target company. (KPI: return on net operating assets.)

#### **Technical risk**

It is in the nature of our business that we continually assess and manage technical, and other operational, risks. The controls we have in place, particularly at the crucial stage of bidding for contracts, is set out in the Internal Control section of our Corporate Governance Report. Given the Group's relatively small average contract value (less than £200,000), it is unlikely that any one contract is able to materially affect the results of the Group. Our ability to manage technical risks will generally be reflected in our profitability. (KPI: operating margin.)

#### **People**

The risk of losing, or not being able to attract, good people is key. We pride ourselves in having some of the best professional and skilled people in the industry, who are motivated by our culture and the opportunities for career growth. The approach to training and developing employees is discussed in our Social Responsibility Report. (KPI: staff turnover.)

# OPERATING REVIEW

CONTINUED UNITED STATES

**“We anticipate continued strength in the power sector and, in particular, we expect to see an increasing number of electricity transmission projects over the medium term.”**

Bob Rubright,  
Managing Director, US

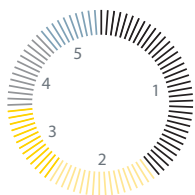
## Highlights

- Excellent performance from Hayward Baker
- Suncoast breakeven, despite US housing crash
- Strong synergies between Keller companies
- Progress in developing share of CFA market
- Acquisition of Olden (October)

## Priorities for 2009

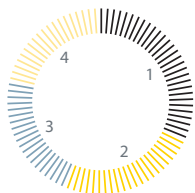
- Focus on cash generation
- Firm cost control
- Develop synergies from Olden acquisition
- Further develop safety and environmental programmes

## Revenue by type of service



- 1 Piling/diaphragm walls 39%
- 2 Post-tensioning 20%
- 3 Ground improvement 15%
- 4 Anchors/nails/minipiles 15%
- 5 Specialty grouting 11%

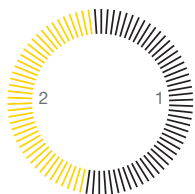
## Revenue by end market



- 1 Infrastructure 32%
- 2 Office/commercial 24%
- 3 Power/manufacturing/industrial 22%
- 4 Residential 22%

## Employees

**2,824** (2007: 2,792)



- 1 Rest of Group 55%
- 2 US 45%

On a constant currency basis, revenue from our US operations as a whole was up by 5%, whilst operating profit was down by 21%, mainly reflecting a loss of contribution from Suncoast. Translated into sterling, overall revenue was 12% up, whilst operating profit was down by 15%.

## Hayward Baker

2008 was another outstanding year for Hayward Baker, the largest of our US foundation businesses and the most diverse in terms of its geographic presence, range of services and the sectors it serves. This diversity has served Hayward Baker well, enabling it to take advantage of continued strong demand in sectors such as power, health and infrastructure. Power-related projects in which it was involved included piling and dynamic compaction works to support new wind farms in Wyoming and Oregon; design and build of an earth retention system for the installation of a coal conveyor at an energy plant in Texas; vibro works for the construction of petroleum storage tanks on the Gulf Coast; micropiling for a hybrid power plant in Virginia; jet grouting at a gas plant in New Jersey; and soil mixing at a nuclear plant in North Connecticut.

Flood prevention work on dams was also a significant feature of its 2008 workload. Major grouting works were undertaken at the Elk Water Dam in West Virginia and awarded at Wolf Creek Dam in Kentucky. Following the successful deployment of its new TRD (Trench cutting Re-mixing Deep wall) technology on a test section of the Herbert Hoover Dyke, Hayward Baker is continuing to use TRD technology to create a cutoff wall within the existing levee around Florida's Lake Okeechobee.

As a national network of local businesses, Hayward Baker is close to its clients and can respond quickly to their needs. Its ability and willingness to mobilise for small and medium-sized jobs as well as larger, complex jobs has been an important factor in its success. Sometimes the small jobs develop into very significant contracts. Such was the case on what first appeared to be a minor slab-jacking project in Alabama, where Hayward Baker discovered that underlying the facility was actually a 200-foot diameter sinkhole, requiring emergency compaction grouting on a large scale.

In the last quarter of the year Hayward Baker acquired Olden for a total consideration of \$13.0m (£7.0m), including the assumption of debt. The acquired business reported annual revenues of around \$35m (£19m) for the year ended 31 October 2008, with approximately 75% of its sales coming from the public sector. As the leading earth retention contractor in Texas, Olden is the preferred supplier of earth retention solutions to the Texas Department of Transport.

## Case, McKinney, Anderson and HJ

Amongst our US piling businesses, a strong performance was delivered by Case and McKinney, whilst Anderson and HJ did well to manage a sharp fall-off in demand for privately funded projects in their respective home markets of California and Florida.

Our US businesses once again found that, by combining their skills and resources on large or particularly complex projects, they created good opportunities. The successful first-half co-operation between Case and McKinney to install foundations for the Fort Martin Power Station in West Virginia was followed up in the second half with several

## Below

Installation of a secant wall forming the perimeter walls of an underground car park, for a tower development at Chicago's Museum Park.





**Above**  
Fabricated post-tensioning materials being prepared for delivery to a Suncoast job site.



**Above**  
Construction of foundations for a wind farm in Mountain Home, Idaho.

similar joint ventures, including foundations for the upgrade of the Brandon Shores Power Plant in Maryland and the new Philadelphia Convention Center. We anticipate continued strength in the power sector and, in particular, we expect to see an increasing number of electricity transmission projects over the medium term. Several of our US businesses should benefit from this opportunity; in particular McKinney, whose broad geographic spread and lighter, mobile fleet are well suited to this type of work.

We made progress in increasing our share of the fast-developing and highly fragmented continuous flight augur (CFA) market, despite the adverse market conditions. Our approach to this involves two or more of our businesses, usually including HJ with its particular CFA expertise, co-operating on very large projects, such as the Majestic Star Casino project in Pennsylvania, which was completed in the first half. In addition, individual businesses are seeking to introduce this technique into their local markets where to date it has not been widely-used, such as southern California, where Anderson used CFA for the foundation system for a new office and condominium development.

### Suncoast

Despite the deepening recession in US housing, Suncoast managed to maintain a good sales volume, albeit down 16% in dollar terms on the previous year. However, as expected, competitive selling prices, combined with high material costs for most of the year, put margins under extreme pressure. Tight cost management, including a further reduction in headcount which is now at around one third of its peak level, produced a breakeven result for the year.

Existing home selling prices are now more than 25% below their 2006 high on a national basis<sup>2</sup> and the actual decline in many of Suncoast's markets is even greater. Construction activity in housing is unlikely to increase until prices have levelled out and the inventory of unsold homes has reduced. Most commentators, including the National Association of Home Builders, are not anticipating a significant turnaround before 2011. Until then, management will continue to focus on preserving cash, tight cost control and reducing overheads.

<sup>2</sup> S&P/Case-Schiller US National Home Price Index, 24 February 2009.



**Right**  
Installation of drilled shafts for the Phillip Morris Research and Technology Campus in Richmond, Virginia.

## Operations – US

### Results summary and KPIs

Revenue	
2008	£532.1m
2007	£473.2m

### Operating profit

2008	£52.1m
2007	£61.6m

### Operating margin

2008	9.8%
2007	13.0%

### Our growth compared with the growth of our markets

	2008	2007
over 1-year	5% (-5%)	8% (-2%)
over 3-years	36% (-4%)	85% (11%)

#### Definition and method of calculation

Year-on-year sales growth (including acquisitions) in local currency compared with growth in the total US construction market (in brackets).

### Return on net operating assets

2008	25%
2007	40%

#### Definition and method of calculation

Operating profit expressed as a percentage of net operating assets<sup>1</sup> (including goodwill acquired through acquisitions).

### Staff turnover

#### Foundation contracting businesses

2008	8%
2007	7%

#### Suncoast

2008	18%
2007	26%

#### Definition and method of calculation

The number of managerial, professional and technical staff leaving the division in the period, expressed as a percentage of employees in this category.

<sup>1</sup> Data published by the US Census Bureau of the Department of Commerce on 2 February 2009.

<sup>2</sup> Net operating assets excludes net debt, tax balances, deferred consideration and net defined benefit pension liabilities.

# OPERATING REVIEW

## CONTINUED CONTINENTAL EUROPE, MIDDLE EAST & ASIA (CEMEA)

### “Market share gains in the Middle East and Poland were important drivers of revenue and profit growth.”

Dr Wolfgang Sondermann,  
Managing Director, CEMEA

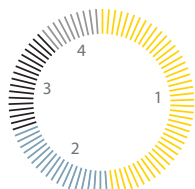
#### Highlights

- Excellent organic growth
- Record operating margin
- Market outperformance in Europe
- Strong growth in E. Europe and M. East
- Acquisition of Boreta (November)

#### Priorities for 2009

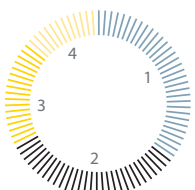
- Focus on cash generation
- Firm cost control
- Continue to develop new geographic markets
- Further develop safety and environmental programmes

#### Revenue by type of service



- 1 Ground improvement 48%
- 2 Specialty grouting 22%
- 3 Piling/diaphragm walls 18%
- 4 Anchors/nails/minipiles 12%

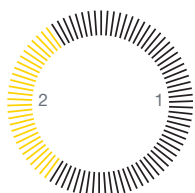
#### Revenue by end market



- 1 Power/manufacturing/industrial 35%
- 2 Infrastructure 32%
- 3 Office/commercial 20%
- 4 Residential 13%

#### Employees

**2,198** (2007: 1,960)



- 1 Rest of Group 65%
- 2 CEMEA 35%

2008 saw an outstanding performance from our CEMEA business. On a constant currency basis, revenue was up some 29% and operating profit was 42% above the previous year, marking the fourth consecutive year of strong growth. Translated into sterling, revenue was 49% ahead of the previous year and operating profit was up by 65%. Market share gains in the Middle East and Poland were important drivers of revenue and profit growth.

#### Continental Europe

Overall, our businesses within the more mature Continental European markets fared well, with year-on-year growth exceeding the growth in their markets. The exception to this was Spain, where the severe market conditions had a pronounced impact, resulting in a 22% reduction in revenue compared with the previous year. However, management responded quickly with a series of cost-reduction measures and the business remains reasonably profitable.

In France we saw a drop in our usual volume of residential work, but were successful in substituting this with work in other sectors, such as a large contract with Areva to install stone columns for a new uranium energy facility. One of the success factors of this project was being able to demonstrate the energy efficiency of our stone column system, relative to traditional foundation methods. This, and the fact that stone columns, being inert and uncemented, can be easily and cheaply removed or re-used, was important to the client who wished to reduce the environmental impacts arising from the construction of the new plant and to assess the whole life costs, including decommissioning, of the project.

Our German business reported another improved result, partly reflecting management's focus on work selection to ensure that resources are deployed on those contracts with the highest value-added content, while our Austrian business had an excellent year, growing both sales and profit.

In Europe's emerging markets, we have seen growth of nearly 50% per annum over the past four years, largely reflecting the addition of heavy foundations to our

product offering in this region. Once again, the largest contributor in 2008 was our Polish business, which was awarded a significant amount of work based on its packaged solutions. One such contract was for the new S8 expressway in Warsaw, where it installed diaphragm walls and jet grouted sealing slabs. While the business has worked across all sectors of the market, the development of the country's infrastructure has been particularly important to the growth of Keller in Poland. The 2012 European Football Championship has been one of the triggers for this development, creating a demand for new road, rail and airport infrastructure, as well as the National Stadium in Warsaw, for which Keller installed vibro stone columns.

In November, the Group purchased Boreta, a well-established and highly profitable foundations specialist based in Zlin, in the Czech Republic, for an initial consideration of around CZK170m (£5.6m) on a debt-free basis, together with an earn-out based on future profits. Boreta, which reported annual revenues of around CZK185m (£6m) for the year ended 31 December 2008, specialises in heavy foundation products.

#### Below

Jet grouting works at Hamburg's Hafen City harbour-side development, Germany.





**Above**  
Piling works at the Saudi Kayan petrochemical complex in Saudi Arabia.



**Above**  
Construction of diaphragm walls for the S8 expressway in Warsaw, Poland.

## Middle East

Once again, our business in the Middle East produced an excellent performance, doubling its revenue in the year and generating very strong margins. This result highlights the importance of our strategy of building up our heavy foundations capability in the Middle East, with more than 50% of the region's 2008 sales derived from heavy foundations contracts. Saudi Arabia, UAE and Bahrain all made excellent contributions.

However, there is now considerable uncertainty regarding the future prospects for construction in the Middle East, as reflected in a rapid cooling of the Dubai market in the final few months of 2008. We remain busy in Abu Dhabi, where we continue to work at the Al Raha Beach complex and are now installing foundations for the new Khalifa Stadium. Saudi Arabia still has several major industrial projects in the pipeline, although the average lead time between initial tender and contract award for many large contracts has been noticeably extended and this has been reflected in a considerably reduced order book compared with this time last year.

## Asia

Our Asian business, whilst still relatively small, almost doubled its revenue and profit year-on-year. Our operations in Malaysia and Singapore performed well and India made progress in broadening its product offering, with the addition of ground anchors. In Malaysia, we benefited from participation on a number of road and rail projects, such as the East Coast Highway, South Klang Valley Expressway and the Ipoh to Padang Besar railway, whilst in Singapore, much of our work was related to developments in the petrochemical sector.

## Operations – CEMEA

### Results summary and KPIs

Revenue	
2008	£442.2m
2007	£296.8m

### Operating profit

2008	£49.9m
2007	£30.4m

### Operating margin

2008	11.3%
2007	10.2%

### Our growth compared with the growth of our markets

	2008	2007
<b>Austria</b>		
over 1-year	41% (6%)	-2% (9%)
over 3-years	110% (21%)	30% (16%)
<b>France</b>		
over 1-year	16% (2%)	-1% (6%)
over 3-years	59% (21%)	68% (26%)
<b>Germany</b>		
over 1-year	12% (6%)	-2% (8%)
over 3-years	37% (23%)	-10% (13%)
<b>Poland</b>		
over 1-year	61% (16%)	52% (24%)
over 3-years	350% (65%)	354% (56%)
<b>Spain</b>		
over 1-year	-22% (-7%)	15% (6%)
over 3-years	4% (11%)	n/a

#### Definition and method of calculation

Year-on-year sales growth (including acquisitions) in local currency in Austria, France, Germany, Poland and Spain compared with absolute growth (defined as real growth plus estimated price inflation) in these major European construction markets (in brackets)<sup>1</sup>.

### Return on net operating assets

2008	38%
2007	33%

#### Definition and method of calculation

Operating profit expressed as a percentage of net operating assets<sup>2</sup> (including goodwill acquired through acquisitions).

### Staff turnover

2008	12%
2007	12%

#### Definition and method of calculation

The number of managerial, professional and technical staff leaving the division in the period, expressed as a percentage of employees in this category.

<sup>1</sup> Estimates of real annual growth plus estimated change in construction prices published by Euroconstruct in December 2008.

<sup>2</sup> Net operating assets excludes net debt, tax balances, deferred consideration and net defined benefit pension liabilities.

# OPERATING REVIEW

CONTINUED AUSTRALIA

“We are seeing a significant number of major infrastructure projects being tendered, which should keep us busy during 2009.”

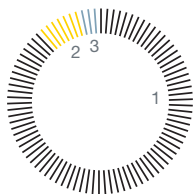
## Highlights

- Strong revenue and profit growth
- Record operating margin
- Good contribution from all four companies
- Gateway Upgrade a success
- Resilient order book

## Priorities for 2009

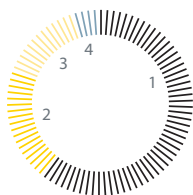
- Focus on cash generation
- Firm cost control
- Target major infrastructure projects
- Further develop safety and environmental programmes

## Revenue by type of service



- 1 Piling/diaphragm walls 89%
- 2 Ground improvement 8%
- 3 Specialty grouting 3%

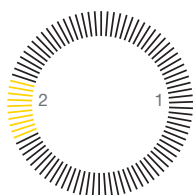
## Revenue by end market



- 1 Infrastructure 61%
- 2 Office/commercial 20%
- 3 Residential 14%
- 4 Power/manufacturing/industrial 5%

## Employees

700 (2007: 649)



- 1 Rest of Group 89%
- 2 Australia 11%



**Above**  
Continuous flight auger piling for the Monash Freeway upgrade at Dandenong Creek Bridge, Victoria.



**Top**  
Drilling of bored piles at a residential development in Pymble, a suburb of Sydney.



**Above**  
Installation of piled foundations for the Wodonga Rail Bypass in Victoria.

**Our Australian business beat its formidable 2007 result by some margin, with all four operating companies making a strong contribution. On a constant currency basis, revenue increased by 17% and operating profit was up 21% whilst in sterling terms, revenue and operating profit increased by 28% and 32% respectively.**

The core of the business in 2008 was a steady stream of infrastructure projects such as the foundations for a desalination plant in Sydney, New South Wales, the Mackay Bridge Upgrade project in Queensland and the Pacific Highway Ballina road bypass scheme in Northern New South Wales. At Ballina, two of our companies are engaged in dry soil mixing and installing stone columns, bored piles and driven piles. Our promising ground engineering subsidiary more than doubled its revenue year on year and made a significant profit contribution, reflecting its success on such projects as the coal handling facility upgrade for the Newcastle Coal Industrial Group, where its ground improvement works have continued into the first half of 2009.

The excellent 2008 result was also helped by the success of the Gateway Upgrade project in Brisbane. At around A\$110m, this was an unusually large contract for our Australian business, but as this work has been performed a steady volume of medium-to-large contracts has filled its place, resulting in a resilient order book. In part, this reflects successful market positioning, which has allowed our Australian companies to take advantage of continued strong demand in the infrastructure sector, offsetting weaker demand from the commercial sector in the latter part of 2008. We are also seeing a significant number of major infrastructure projects being tendered, which should keep us busy during 2009. However, the buoyant market of recent years has increased competition which, together with the softer market conditions, is likely to have an impact on our future margins from the region.

**Operations – Australia  
Results summary and KPIs  
Revenue**

2008	£137.1m
2007	£107.1m

**Operating profit**

2008	£19.4m
2007	£14.7m

**Operating margin**

2008	14.2%
2007	13.7%

**Our growth compared with the growth of our markets**

	2008	2007
over 1-year	17% (7%)	60% (7%)
over 3-years	238% (23%)	218% (22%)

**Definition and method of calculation**

Year-on-year sales growth (including acquisitions) in local currency compared with growth in Australia's construction market (in brackets)<sup>1</sup>.

**Return on net operating assets**

2008	68%
2007	67%

**Definition and method of calculation**

Operating profit expressed as a percentage of net operating assets<sup>2</sup> (including goodwill acquired through acquisitions).

**Staff turnover**

2008	2%
2007	7%

**Definition and method of calculation**

The number of managerial, professional and technical staff leaving the division in the period, expressed as a percentage of employees in this category.

<sup>1</sup> Data published by Australian Bureau of Statistics in September 2008.

<sup>2</sup> Net operating assets excludes net debt, tax balances, deferred consideration and net defined benefit pension liabilities.



**Above and right**  
Ground improvement works for the Pacific Highway Ballina road bypass scheme in Northern New South Wales.

# OPERATING REVIEW

CONTINUED **UK**

“We were pleased to hand over the foundations at the Olympic Stadium in October 2008, ahead of schedule and on budget.”

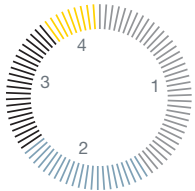
## Highlights

- Olympics-related work successfully completed
- Good result from geotechnical business
- Ground improvement business hit by housing crash
- Significant overheads reduction in Q4

## Priorities for 2009

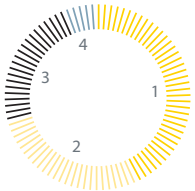
- Focus on cash generation
- Firm cost control
- Continue to develop internal synergies
- Further develop safety and environmental programmes

## Revenue by type of service



- 1 Anchors/nails/minipiles 40%
- 2 Specialty grouting 25%
- 3 Piling/diaphragm walls 25%
- 4 Ground improvement 10%

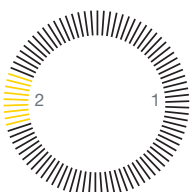
## Revenue by end market



- 1 Office/commercial 43%
- 2 Residential 28%
- 3 Infrastructure 23%
- 4 Power/manufacturing/industrial 6%

## Employees

**595** (2007: 571)



- 1 Rest of Group 91%
- 2 UK 9%



**Top**  
Installation of tension piles, removable ground anchors and a grout curtain for the SouthGate centre in Bristol.

**Above**  
Compaction grouting and dynamic compaction at a landfill site in Buckinghamshire.

The rapid deterioration in UK housing impacted in the second half of the year on the ground improvement business and, to a lesser extent, on Phi, which are most dependent on this sector. As a result, both of these businesses have taken steps to scale back their costs. The geotechnical business, which is more focused on infrastructure work, fared rather better in the year and a good contribution was made by the components manufacturing division.

We were pleased to hand over the foundations at the Olympic Stadium in October 2008, ahead of schedule and on budget, marking our contribution towards London meeting its 2012 deadline. Phi also benefited from Olympics-related work, with a contract to install retaining walls for roadways and other infrastructure for the Olympic Park.

Much lower profile, but equally successful, was another of the year's notable contracts, at the site of a new leisure centre in Oxfordshire, with particularly challenging ground conditions. Lying on brownfield land, with a main road to one side and a river to the other, the higher level of the river exposed the site to a flood risk. The site's previous use as a refuse tip meant there was a risk that any disturbance of the ground might release contaminants into the water supply and this was exacerbated by



**Above and right**  
Installation of driven cast in situ piles, continuous flight auger piles and vibro concrete columns for the 2012 Olympics Stadium in London.



underlying layers of soft clay and sand beneath the polluted landfill waste. Our solution was to use environmental stone columns with a concrete plug in the base to prevent the potential transfer of contamination via rainwater into the sands and out into the water course. To satisfy concerns about flooding, we built a reinforced earth retaining wall along the boundary with the river. Like many of the projects we are involved in daily around the world, this one illustrates how the toughest technical challenges are often solved well before the building starts.

### Makers

We reported in our interim results announcement in July 2008 that, having successfully completed the disposal of the vast majority of the Makers business in 2007, we continue to resolve the legacy issues, which resulted in a post-tax loss of £1.7m in the full year.

### Future performance, development and position

As indicated in the Chairman's Statement, the prospects for worldwide construction markets in the short to medium term are uncertain, with much resting on the speed and effectiveness of measures taken by governments to stimulate their economies. With some further contraction in privately-funded construction, we expect to face increased competition for 'standard' products where the ground conditions are relatively uncomplicated and where the barriers to entry are lower.

We will continue to focus on those sectors where we have a clear competitive

advantage: providing bigger and more sophisticated foundation systems, for which a growing demand is being driven by long-term trends such as:

- the increased use of marginal land;
- the prevalence of very large-scale development projects;
- increasing investment in power plants and outdated road and rail infrastructure;
- climate change triggering more river and dam flood protection projects; and
- an expanding market for buildings with reduced environmental impacts which should, over time, create a shift in favour of more sustainable ground engineering techniques.

Over the medium to long term, we expect to continue to see above-average levels of construction growth in those emerging markets where we are established and have the means to grow. We will focus resources on those regions which continue to offer growth opportunities through the global downturn.

Finally, we can expect the current difficult market conditions to give rise to further consolidation within our highly fragmented industry and we are well placed to take full advantage of such opportunities as they arise.

By continuing to focus on what we do best, we expect to continue our track record of out-performing general construction markets over the medium to long term.

**Justin Atkinson**

2 March 2009

## Operations – UK

### Results summary and KPIs (continuing operations)

Revenue	
2008	£85.2m
2007	£78.0m

### Operating profit

2008	£2.7m
2007	£3.8m

### Operating margin

2008	3.2%
2007	4.9%

### Our growth compared with the growth of our markets

	2008	2007
over 1-year	9% (5%)	28% (7%)
over 3-years	96% (17%)	102% (16%)

#### Definition and method of calculation

Year-on-year sales growth (including acquisitions) compared with absolute growth (defined as real growth plus estimated price inflation) in the total UK construction market (in brackets)<sup>1</sup>.

### Return on net operating assets

2008	9%
2007	16%

#### Definition and method of calculation

Operating profit expressed as a percentage of net operating assets<sup>2</sup> (including goodwill acquired through acquisitions).

### Staff turnover

2008	7%
2007	8%

#### Definition and method of calculation

The number of managerial, professional and technical staff leaving the division in the period, expressed as a percentage of employees in this category.

<sup>1</sup> Estimates of real annual growth plus estimated change in construction prices published by Euroconstruct in December 2008.

<sup>2</sup> Net operating assets excludes net debt, tax balances, deferred consideration and net defined benefit pension liabilities.