

REMUNERATION REPORT

Introduction

In preparing this report, the Committee has complied with the Directors' Remuneration Report Regulations 2002 (the Regulations) and the Combined Code on Corporate Governance (the Code) as appended to the Listing Rules of the UK Listing Authority. A resolution to approve the report will be proposed at the forthcoming Annual General Meeting of the Company.

The Regulations require the Auditors to report to the Company's members on the 'auditable part' of the Remuneration Report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for unaudited and audited information. Within the unaudited section, the report deals with the remuneration policy which is to be followed from 1 January 2009.

UNAUDITED INFORMATION

Remuneration Committee

The Company has established a Remuneration Committee (the Committee) in accordance with the recommendations of the Code. The names of members of the Committee during the year are given below. The Committee was chaired by Mr Brown and all members served on the Committee throughout the year, except where indicated.

Committee members

E G F Brown (Chairman)
Dr K Bond
R A Franklin
K F Payne (Resigned 31 January 2008)
R T Scholes

The Committee's terms of reference are available on the Group's website and on request from the Company Secretary. The principal function of the Committee is to agree the framework and policy for the remuneration of the Group's senior management and to determine, on behalf of the Board, the remuneration packages of the Executive Directors. The Committee is also responsible for monitoring the level and structure of remuneration for senior management and for annually reviewing and noting remuneration trends across the Group. As more than 90% of the workforce is based outside the UK, remuneration packages for the Group's senior management will vary according to local market norms and conditions.

No member of the Committee has any personal financial interest (other than as a shareholder), conflict of interest arising from cross-directorships or day-to-day involvement in running the business. As discussed in the Corporate Governance Report on pages 38 to 41, the Board considers all members of the Remuneration Committee to be Independent Directors. Given their diverse backgrounds, the Board believes that the members of the Committee are able to offer an informed and balanced view on executive remuneration issues.

The frequency of, and attendance at, meetings of the Committee during the year is shown in the Corporate Governance Report on page 39.

In determining the Executive Directors' remuneration for the year, the Committee has consulted Dr West, the Chairman and Mr Atkinson, the Chief Executive about its proposals, except

(in the case of Mr Atkinson) in relation to his own remuneration. No Executive Director is involved in determining his own remuneration.

During the year, the Committee has received advice on Executive Directors' remuneration from Hewitt New Bridge Street (HNBS), who were appointed by the Committee and who have also advised the Company on the valuation of share-based payments.

Remuneration policy and arrangements

The objective of the remuneration policy is to attract, retain and motivate Executive Directors and senior executives of the highest calibre to further the Company's interests and to optimise long-term shareholder value creation. The remuneration policy also seeks to ensure that members of the Group's senior management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

Executive Directors are assessed individually so that their remuneration is directly related to their performance over time.

An appropriate balance is maintained between fixed remuneration and variable (performance-related) remuneration. Fixed remuneration is made up of base salary, pension and other benefits. Variable remuneration is made up of an appropriate mix of short-term and long-term incentives (further details of which are given below). At 'target' performance (i.e., assuming that 50% of the 'normal' bonus maximum is payable and that 55% of the performance share awards vest), 51% of the package for each of the Executive Directors comprises variable elements. Assuming performance-linked elements pay out in full, the proportion of the variable elements increases to 71% of the total package.

The Committee has adopted the principle that basic salary should be set broadly in line with the median for executives in a role of comparable standing and that Executive Directors should be able to achieve total remuneration at the market upper quartile level when justified by superior performance. The Committee also takes into account levels of pay elsewhere in the Group.

This remuneration policy is expected to apply to the 2009 financial year and to subsequent financial years.

The details of the component parts of the remuneration package for Executive Directors are set out below.

Elements of remuneration

There are five main elements of the remuneration package for Executive Directors and selected senior managers: basic salary, performance-related annual bonus, long-term incentive arrangements, pension arrangements and other benefits. Only basic salary is pensionable.

(i) Basic salary

Salaries for Executive Directors are determined by the Committee before the start of each year and when an individual changes position or responsibility.

Salaries for three of the four Executive Directors from 1 January 2009 have been increased by between 3.0% and 4.1%. This is broadly in line with increases across the Group, although there are regional differences reflecting local market and trading conditions. Mr Hind's salary from 1 January 2009 has been increased by around 14% in recognition of his strong

performance and experience of dealing with a complex international business. In addition, it is recognised that the benchmark previously adopted (lower half of the FTSE 250) does not reflect the complexity of his role, as measured by the Group's turnover, profitability and, most importantly, its geographic diversity. This is illustrated in the table below. Accordingly, Mr Hind's 2009 remuneration has been positioned between the median for the lower half of the FTSE 250 and the median for the FTSE 250 as a whole.

The Committee has recognised that the same issue will need to be addressed in relation to Mr Atkinson and it proposes to review the benchmark for Mr Atkinson's remuneration by the end of 2009.

Keller's size and complexity compared with benchmarks

	2008 Market Cap. £m as at 30 November	2007 Turnover £m	2007 Overseas Turnover %	2007 PBT £m	2007 No. of Employees
FTSE 250					
Lower Quartile	£259	£310	4	£34	804
Median	£430	£693	47	£71	4,294
Upper Quartile	£719	£1,560	82	£124	11,000
FTSE 250 – lower half					
Lower Quartile	£223	£219	0	£27	595
Median	£286	£471	15	£48	3,359
Upper Quartile	£406	£842	60	£72	9,176
Keller	£313	£955	92	£103	6,189

(ii) Performance-related annual bonus

The maximum annual cash bonuses for Executive Directors are set by the Committee and are subject to stretching financial performance targets designed to enhance shareholder value and to individual performance against objectives set by the Committee. The performance-related bonuses are not pensionable.

In line with the principle that Executive Directors should be able to achieve total remuneration at the market upper quartile level when justified by superior performance, the maximum bonus potential is 150% of basic annual salary. Bonus representing up to 100% of salary will only become payable in full where very strong financial performance has been delivered. Any bonus earned in excess of 100% of salary will only become payable for truly exceptional performance and will be deferred for a period of three years. The deferred element of the bonus will be satisfied in cash, subject to continued employment over the deferral period. The amount of cash payable will be adjusted in line with movements in the Company's share price over the three-year period commencing on the last day of the year to which the bonus relates.

The 2009 bonus for Mr Atkinson and Mr Hind will be linked to the achievement of:

- Group earnings per share (EPS), profit before tax (PBT) and average net debt targets; and
- personal, task-based objectives.

The 2009 bonus for Mr Rubright and Dr Sondermann will be linked to the achievement of:

- divisional operating profit and average net debt targets;
- Group EPS and PBT targets; and
- personal, task-based objectives.

Actual financial performance targets for 2009 are considered to be commercially sensitive and accordingly they are not disclosed in this report.

(iii) Long-term incentive arrangements

The Company's long-term incentive arrangements are intended to encourage Executive Directors and selected senior managers to focus on long-term, strategic corporate objectives and to further align the interests of management and shareholders.

Under the Performance Share Plan, approved by shareholders in 2004, performance share awards may be granted each year to selected senior managers. The rules limit annual awards to 100% of an executive's basic annual salary, unless the Committee determines that exceptional circumstances exist, e.g. to facilitate the recruitment or retention of a key executive, in which case an award may be granted up to 200% of the relevant executive's basic annual salary. After having considered carefully the grant levels, taking account of the share price (which has held up relatively well compared to peers) and the performance conditions (which are proposed to be unchanged, as described below), grants to Executive Directors in 2009 will be made over shares worth 100% of salary.

Performance share awards are released to executives after three years, subject to demanding performance conditions being met. Currently, 50% of a performance share award is conditional on targets based on growth in EPS and the remaining 50% is based on relative total shareholder return (TSR) against companies comprising the FTSE All-Share Index. Under this approach, in order for awards to vest in full, there must be strong financial performance as well as stock market outperformance, thereby aligning the interests of Executive Directors with those of shareholders.

The Committee has considered carefully the range of growth targets for awards in 2009 and has decided to retain the same targets as were adopted in 2007 and 2008, notwithstanding the very high base line from which performance will be measured following four years of exceptionally high performance of the business.

The following EPS growth targets will apply for awards granted in 2009:

For half of the shares subject to a performance share award

EPS growth (average over 3 years)	Proportion of shares that vest
Less than RPI + 4% pa	0%
RPI + 4% pa	30%
RPI + 9% pa	100%
Between RPI + 4% pa and RPI + 9% pa	Between 30% and 100% on a straight line basis

Earnings per share, for the purposes of the performance condition, is earnings per share before amortisation of goodwill and exceptional items, as disclosed in the Company's annual report and accounts.

For awards granted in 2009, TSR performance will once again be compared to the companies comprising the FTSE All-Share Index at the date of grant (as it was for awards granted in 2007 and 2008).

For half of shares subject to a performance share award

Relative TSR (after 3 years)	Proportion of shares that vest
Below median ranking	0%
Median ranking	30%
Upper quintile ranking	100%
Between median and upper quintile ranking	Between 30% and 100% on a straight line basis

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Performance is measured over a single three-year period, with the return at the end of the period being the average over the last three months of the performance period. To the extent that the targets are not achieved, the award lapses. At the end of the performance period, TSR calculations are independently performed for the Committee by HNBS.

The Committee expects that performance share awards granted since March 2006, and to be granted for the foreseeable future, will be satisfied by shares purchased in the market.

Since 2001, the Group has had an Inland Revenue approved executive share option plan and an unapproved executive share option plan (the 2001 Plans). No options have been granted under the 2001 Plans since 2003 and the Committee has no current intention of granting further options under these Plans.

(iv) Pension arrangements

Mr Atkinson and Dr West are both members of the Keller Group Pension Scheme (the Scheme). The Scheme provides a pension based upon a percentage of final salary and pensions for dependants on death in service or following retirement. Dr West retired in 1997 and is currently receiving a pension under the Scheme.

The table on page 36 shows Mr Atkinson's accrued Scheme benefits. The Scheme closed to future benefit accrual with effect from 31 March 2006, since when Mr Atkinson has received a salary supplement in lieu of a Company contribution to an alternative pension arrangement. The salary supplement is not taken into account in determining bonuses or any other form of remuneration.

Dr Sondermann is a member of the defined benefit pension arrangements established by Keller Grundbau GmbH. Dr Sondermann's accrued benefits under these arrangements are included in the table on page 36.

Dr Sondermann is also a member of a defined contribution scheme, as are Mr Hind and Mr Rubright.

(v) Other benefits

Other benefits for Executive Directors comprise a car and payment of its operating expenses, or car allowance; private health care; life assurance; and long-term disability insurance.

Service contracts

In accordance with general market practice, it is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice. However, it may be necessary occasionally to offer longer initial notice periods to attract new directors, provided that the notice period shall reduce to one year after the initial period.

Service contracts between the Company (or other companies in the Group*) and individuals who served as Executive Directors at any time during the year are summarised below:

Director	Date of service contract	Notice period
J R Atkinson	11 October 1999	12 months
J W G Hind	16 May 2003	12 months
R M Rubright	8 August 1977	12 months
	(modified by a memorandum of employment dated 12 May 2003)	
Dr W Sondermann	12 February 1998	12 months
	(modified by a memorandum of employment dated 5 March 2004)	

*Mr Rubright's service contract is with Hayward Baker Inc.
Dr Sondermann's service contract is with Keller Holding GmbH.

In the event of early termination, the Directors' contracts provide for compensation up to a maximum of basic annual salary plus the fair value of benefits to which the Directors are contractually entitled for the unexpired portion of the notice period. The Company seeks to apply the principle of mitigation in the payment of compensation on the termination of the service agreement of any Executive Director. There are no special provisions for payments to Executive Directors on a change of control.

The Board may allow Executive Directors to accept external appointments, provided that the Company retains any related remuneration. In accordance with the Code, the Board will not agree to a full-time executive taking on more than one non-executive directorship, nor the chairmanship of any company. None of the Executive Directors held external appointments during 2008.

During the year, £81,000 was paid to Mr T Dobson (including benefits of £27,000 and pension contributions of £3,000), £10,000 was paid to Mr K Kirsch and £19,000 was paid to Mr M W C Martin, all former Directors of the Company, for services provided to Group companies.

Non-executive Directors

All Non-executive Directors have specific terms of engagement, the dates of which are set out below. For Non-executive Directors appointed before 1 October 2003, the initial appointment period is 12 months and thereafter the appointment is subject to three months' notice by either party. Subsequent appointments are for an initial three-year period, and thereafter are subject to review by the Nomination Committee, unless terminated by either party on three months' notice. There are no provisions for compensation payable in the event of early termination.

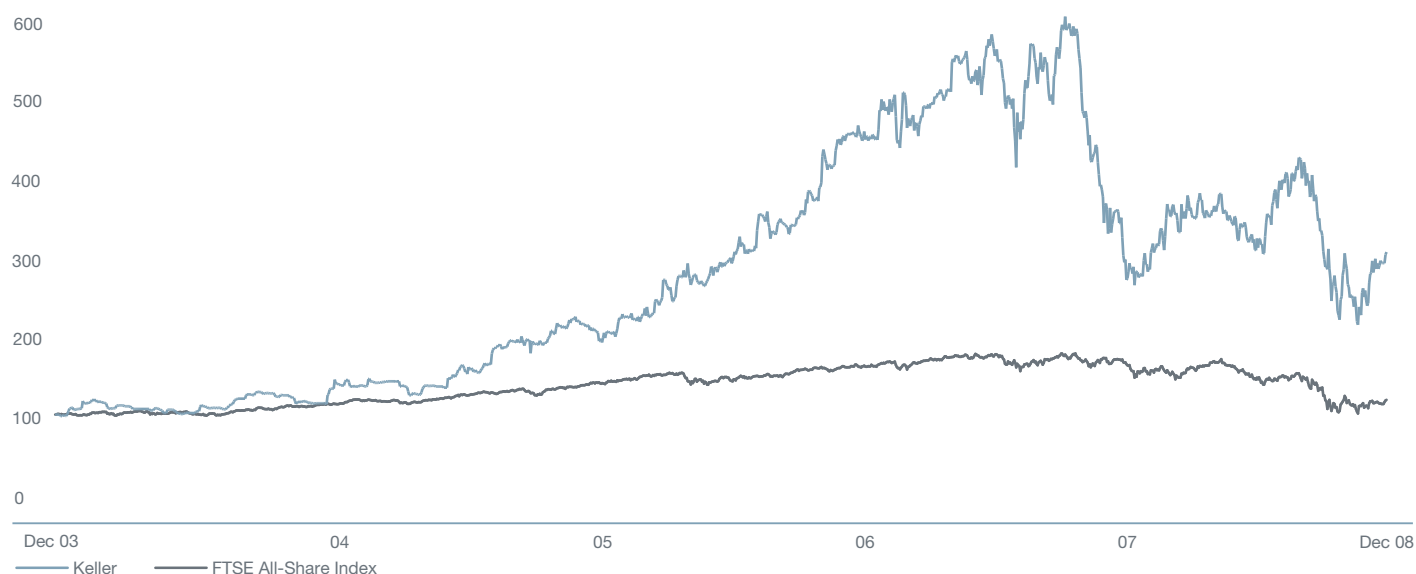
Director	Date of engagement letter
Dr K Bond	24 November 2003 (renewed 25 January 2007)
E G F Brown	18 January 2002
R A Franklin	19 July 2007
P J López Jiménez	21 January 2003
R T Scholes	8 February 2002
Dr J M West	8 June 1998

The determination of the Non-executive Directors' remuneration, including that of the Chairman, has been delegated by the Board to the Executive Directors, based on independent surveys of fees paid to non-executive directors of similar companies. The fees paid to Non-executive Directors in the year, shown below, are inclusive of the additional work performed for the Company in respect of membership of the Board Committees and reflect the time commitment and responsibilities of their roles. Non-executive Directors cannot participate in any of the Company's short- or long-term incentive arrangements.

Relative performance

The following graph shows the Company's performance, measured by TSR, compared with the performance of the FTSE All-Share Index. This index has been selected because it best reflects the Company's international nature and size. The graph looks at the value, by the end of 2008, of £100 invested in Keller on 31 December 2003 compared with the value of £100 invested in the FTSE All-Share Index.

Total Shareholder Return



AUDITED INFORMATION

Directors' emoluments for the year ended 31 December 2008

	Basic salary 2008 £000	Fees 2008 £000	Benefits 2008 £000	Annual bonus 2008 £000	Other 2008 £000	Total emoluments 2008 £000	Total emoluments 2007 £000
Executive							
J R Atkinson	394	–	16	323	119	852	878
J W G Hind	259	–	11	207	–	477	505
R M Rubright	310	–	9	115	–	434	558
Dr W Sondermann	292	–	90	292	–	674	470
Non-executive							
Dr K Bond	–	38	–	–	–	38	36
E G F Brown	–	44	–	–	–	44	41
R A Franklin	–	38	–	–	–	38	16
P J López Jiménez	–	38	–	–	–	38	36
K F Payne	–	3	–	–	–	3	41
R T Scholes	–	46	–	–	–	46	38
Dr J M West	–	120	18	–	–	138	128
	1,255	327	144	937	119	2,782	2,747

The table above includes (i) a salary supplement of £119,000 paid to Mr Atkinson in lieu of a Company pension contribution in 2008 (2007: £112,000) following the closure of the Scheme to future benefit accrual on 31 March 2006; and (ii) a benefit of £79,000 payable to Dr Sondermann as reimbursement for the loss incurred on the sale of his family home, following his relocation at the Company's request (2007: £nil).

The fees amounting to £38,000 shown above for Mr López Jiménez were paid to Fapindus, S.L. in respect of his services.

A maximum annual cash bonus of 150% of basic annual salary was set for the Executive Directors for the year ended 31 December 2008. The 2008 bonus targets for Mr Atkinson and Mr Hind were linked to the achievement of Group EPS,

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PBT and average net debt targets (up to 135% of salary); and to personal, task-based objectives (up to 15% of salary). The 2008 bonus targets for Mr Rubright and Dr Sondermann were linked to the achievement of Group EPS and PBT targets (up to 20% of salary); to divisional operating profit and average net debt targets (up to 115% of salary); and to personal, task-based objectives (up to 15% of salary).

The baselines for the 2008 Group financial performance targets at which no bonus was payable (as adjusted for actual 2008 exchange rates) were PBT of £96m, EPS of 91p and average net debt of £70m. The financial performance targets attracting maximum bonus are considered commercially sensitive and are not, therefore, disclosed.

In addition to the amounts shown in the annual bonus column in the above table, a deferred bonus of £117,000 was awarded to Dr Sondermann. This amount, which will be adjusted in line with movements in the Company's share price over the deferral period, will be paid in 2012, subject to continued employment. Accordingly, Dr Sondermann's total bonus payable was £409,000 (140% of base salary), recognising the outstanding performance of the CEMEA division for which he is responsible.

Overall, the level of bonuses payable for 2008 reflects the extremely strong results delivered.

Directors' shareholdings

The interests in the issued ordinary share capital of the Company of Directors holding office at the year end were:

Director	At 31 December 2008 Ordinary shares	At 31 December 2007 Ordinary shares
J R Atkinson	101,467	73,737
Dr K Bond	–	–
E G F Brown	24,840	10,000
R A Franklin	6,000	6,000
J W G Hind	38,880	20,000
P J López Jiménez*	3,691,985	3,691,985
R M Rubright	58,000	40,000
R T Scholes	7,000	5,000
Dr W Sondermann	60,000	40,000
Dr J M West	1,246,200	1,348,000

*Shares are registered in the name of GTCEISU Construcción, S.A., a connected person of Mr López Jiménez.

There have been no changes in Directors' shareholdings between the end of the financial year and 2 March 2009.

Directors' pension rights

In 2008, a pension of £162,000 (2007: £156,000) was paid to Dr West, who retired in 1997, under the Scheme.

Company pension contributions for Directors to defined contribution schemes were as follows:

Director	2008 £000	2007 £000
J W G Hind	47	44
R M Rubright	43	40
Dr W Sondermann	44	38
Total	134	122

The changes during the year in the accrued pension entitlements of Mr Atkinson under the Scheme and of Dr Sondermann under the defined benefit pension arrangements operated by Keller Grundbau GmbH are shown in the table below. The amount shown as accrued pension at the end of the year is that which would be paid annually on retirement, based on service to the end of the year.

Director	Transfer value of accrued benefit at beginning of year £000	Transfer value of accrued benefit at end of year £000	Increase in transfer value during the year less member contributions £000	Accrued pension at end of year £000	Increase in accrued pension including inflation £000	Increase in accrued pension excluding inflation £000	Transfer value of increase in accrued pension excluding inflation less member contributions £000
J R Atkinson	1,103	1,260	157	91	3	–	–
Dr W Sondermann	52	65	13	5	–	–	3

Directors' interests in 2001 Option Plans and 2004 Performance Share Plan

	Options held at 1 January 2008	Options granted during the year	Options exercised during the year	Options held at 31 December 2008	Exercise price	Date from which exercisable	Expiry date
J R Atkinson							
Unapproved Plan							
13 March 2003	72,521	–	–	72,521	251.0p	13/03/06	12/03/13
Approved Plan							
13 March 2003	2,479	–	–	2,479	251.0p	13/03/06	12/03/13
Performance Share Plan							
8 March 2005	47,000	–	47,000	–	100.0p*	08/03/08	07/09/08
7 March 2006 (i)	60,000	–	–	60,000	100.0p*	07/03/09	06/09/09
2 March 2007 (ii)	41,713	–	–	41,713	100.0p*	02/03/10	01/09/10
6 March 2008 (ii)	–	58,594	–	58,594	100.0p*	06/03/11	05/09/11
J W G Hind							
Performance Share Plan							
8 March 2005	32,000	–	32,000	–	100.0p*	08/03/08	07/09/08
7 March 2006 (i)	40,000	–	–	40,000	100.0p*	07/03/09	06/09/09
2 March 2007 (ii)	27,475	–	–	27,475	100.0p*	02/03/10	01/09/10
6 March 2008 (ii)	–	38,594	–	38,594	100.0p*	06/03/11	05/09/11
R M Rubright							
Unapproved Plan							
14 May 2001	20,000	–	–	20,000	231.5p	14/05/04	13/05/11
13 March 2003	50,000	–	–	50,000	251.0p	13/03/06	12/03/13
Performance Share Plan							
8 March 2005	32,000	–	32,000	–	100.0p*	08/03/08	07/09/08
7 March 2006 (i)	40,000	–	–	40,000	100.0p*	07/03/09	06/09/09
2 March 2007 (ii)	32,200	–	–	32,200	100.0p*	02/03/10	01/09/10
6 March 2008 (ii)	–	41,921	–	41,921	100.0p*	06/03/11	05/09/11
Dr W Sondermann							
Performance Share Plan							
8 March 2005	32,000	–	32,000	–	100.0p*	08/03/08	07/09/08
7 March 2006 (i)	40,000	–	–	40,000	100.0p*	07/03/09	06/09/09
2 March 2007 (ii)	25,955	–	–	25,955	100.0p*	02/03/10	01/09/10
6 March 2008 (ii)	–	37,716	–	37,716	100.0p*	06/03/11	05/09/11

No options lapsed during the year.

* All awards under the Performance Share Plan have an exercise price of 100.0p per exercise.

The market value of the shares on the dates of grant were: 8 March 2005: 296.5p; 7 March 2006: 445.0p; 2 March 2007: 881.0p; and 6 March 2008: 696.0p.

Mr Atkinson exercised an option over 47,000 shares and Mr Hind exercised an option over 32,000 shares on 31 March 2008, when the market value of the shares was 676p. Mr Rubright exercised an option over 32,000 shares on 21 April 2008 when the market value of the shares was 719p. Dr Sondermann exercised an option over 32,000 shares on 4 September 2008 when the market value of the shares was 820p. The aggregate gain on options exercised by Directors during the year was £1,026,516.

(i) In the three-year performance period ended 31 December 2008 average real EPS growth exceeded 50% per annum and TSR ranked number 44 out of 558 in the FTSE All-share Index, the TSR comparator group for the 2006 grant. Accordingly, the performance share awards granted on 7 March 2006 will be exercisable in full from 7 March 2009.

(ii) The 2007 and 2008 awards are subject to two performance conditions. 50% of each award is subject to a performance condition requiring EPS growth of at least RPI + 4% p.a. over the performance period (for 30% of that half of the award to vest), rising to full vesting of that half of the award if EPS growth equals or exceeds RPI + 9% p.a. over the performance period (with straight-line vesting in between those points). The other half of each award is subject to a performance condition measuring the total shareholder return (TSR) performance of the Company over the performance period against the TSR performance of the companies comprising the FTSE All-Share Index at the date of grant. 30% of this half of the award will vest for median performance, rising to full vesting of this half of the award for upper quintile performance or better (with straight-line vesting in between these points).

(iii) The market value of the shares at 31 December 2008 was 575.0p and the range during the year was 402.0p to 810.0p.

There have been no variations to the terms and conditions or performance criteria for share options or performance share awards granted to Executive Directors during the financial year (other than minor changes to the rules of the 2004 Performance Share Plan to reflect changes in legislation).

On behalf of the Board

E G F Brown

Chairman
Remuneration Committee
2 March 2009