*Monday, 2 August 2010*

**Keller Group plc**
**Interim Results for the six months ended 30 June 2010**

Keller Group plc ("Keller" or "the Group"), the international ground engineering specialist, is pleased to announce its interim results for the six months ended 30 June 2010.

| Results summary: | | |
|---|---|---|
| | **2010** | 2009 |
| Revenue | **£496.9m** | £552.6m |
| Operating profit | **£13.7m** | £42.8m |
| Profit before tax | **£11.3m** | £41.0m |
| Earnings per share | **12.5p** | 42.1p |
| Cash from operations | **£15.0m** | £40.1m |
| Total dividend per share | **7.6p** | 7.25p |

**Highlights include:**

- Results in line with expectations at the time of the IMS in May
- Benefits of geographic diversification, with 35% of revenue now from Australia and the Group's developing markets
- June acquisitions in Australia and the US mark further progress in the Group's long-term growth strategy
- Order book increases every month since December 2009; now 1% ahead of this time last year
- Cash generated from operations over the last 12 months represents 113% of EBITDA, reflecting continued focus on cash collection and working capital
- Net debt of £121.5m (1.4x annualised EBITDA); substantial covenant headroom
- Interim dividend of 7.6p per share (2009: 7.25p), a 5% increase
- Expectations for the full year remain within the current range of market expectations

**Justin Atkinson, Keller Chief Executive said:**

"The first half has been a challenging period for the Group particularly in the US, where the construction market continued to deteriorate.

"However, we have been encouraged by the progress made in our developing markets, where we have continued our success of recent years in profitably growing our business. This demonstrates the benefit of our strategy of geographic diversification, to which we remain fully committed.

"Given the Group's financial strength and the Board's confidence in its long term growth prospects, we are continuing our unbroken record of increasing the dividend every year since the flotation in 1994."

**For further information, please contact:**


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| --- | --- |
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***A presentation for analysts will be held at 9.15 for 9.30am at the Theatre & Gallery, London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS***
***An audio webcast will be available from 2.00 pm at***
***http://www.axisto.com/webcasting/investis/keller/interim-results-2010/register.htm***

Notes to Editors:

Keller is the world's largest independent ground engineering specialist, providing technically advanced and cost-effective foundation solutions to the construction industry. With 2009 revenue of £1,038m, Keller is a member of the FTSE-250. It has around 6,000 staff world-wide, with offices in over 30 countries on five continents.

Keller is the market leader in the US and Australia; it has prime positions in most established European markets; and a strong profile in many developing markets.

## Chairman's Statement

### Financial overview

I am pleased to report our results for the six months ended 30 June 2010. As expected, the first half has been a challenging period for the Group particularly in the US, where the construction market continued to deteriorate.

However, we have been encouraged by the progress made in our developing markets[1], where we have continued our success of recent years in profitably growing our business. This demonstrates the benefit of our strategy of geographic diversification, to which we remain fully committed.

Group revenue was down 10% at £496.9m (2009: £552.6m) and down 11% on a constant currency basis. The first-half operating profit was £13.7m (2009: £42.8m) with an operating margin of 2.8%, compared with last year's 7.7%. Following a small loss in the first quarter as a result of severe weather impacting our US and European businesses, the second quarter saw a significant improvement in the Group's results.

Profit before tax was £11.3m (2009: £41.0m) and earnings per share were 12.5p (2009: 42.1p).

Cash generated from operations was £15.0m, down on last year's £40.1m, reflecting the lower profit and the usual, seasonal first-half working capital outflow. Over the last 12 months, cash generated from operations was £98.1m, representing 113% of EBITDA. Cash collection and minimising working capital continue to be key priorities.

Net debt at 30 June 2010 was £121.5m, which compares to £95.3m at the end of June 2009. This increase is stated after total expenditure on acquisitions over the past year of £49.3m. Capital expenditure in the first half totalled £12.7m (2009: £23.2m), a reduction of 45%.

Net debt at 30 June 2010 represented 1.4 times annualised EBITDA and annualised EBITDA interest cover was 27 times. The Group continues to have sufficient available financing to meet its strategic and operational goals and operates comfortably within all its covenant limits. The Group's £65m revolving credit facility, which was due to expire in July 2010, has been extended to March 2011 to allow a single refinancing of the Group's two central banking facilities later this year.

### Dividend

Given the Group's financial strength and the Board's confidence in its long term growth prospects, we are continuing our unbroken record of increasing the dividend every year since the flotation in 1994.

Accordingly, the Board has declared an interim dividend of 7.6p per share (2009: 7.25p), an increase of 5%. The dividend will be paid on 1 November 2010 to shareholders on the register at the close of business on 8 October 2010.

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[1] Our markets in Eastern Europe, North Africa, the Middle East and Asia

## Operational overview

### US

From a market perspective, the value of US non-residential construction spending in the year to date was down by 17% from the 2009 level. A fall of 36% in the commercial sector[2] was even more severe than we had anticipated at the start of the year, following a 26% year-on-year decline in 2009. This was accompanied by a slowdown in investment in power and, in particular, the industrial sector, whilst total public expenditure on construction fell by 5% compared to the same period last year. Although there was some benefit from federal stimulus spending, this seems to have been offset by a corresponding reduction in state spending. The improvement in the residential sector in the first few months of the year has recently faltered with the removal of federal tax credits for first-time home buyers at the end of April.

Overall, our US operations reported revenue of £198.0m (2009: £268.0m) and an operating loss of £1.0m (2009: £18.6m profit). On a constant currency basis, total US revenue was 24% down on last year. The continued market deterioration has not only driven down volumes, but has also created an intensely competitive pricing environment as a result of which margins have been severely constricted.

As a result of this further decline in the total US construction market, coupled with the impact of the adverse weather conditions in the first quarter, our US foundation companies have been severely challenged in the first half of this year. All five companies have made significant reductions in staffing levels, with total headcount, adjusted for acquisitions, now down by about 25% from the peak of two years ago, broadly in line with the reduction in volume. This downsizing has been achieved despite the greater demands created by a sustained high level of bidding and a protraction of the work-winning process in this buyers' market.

Public work now accounts for almost 50% of our work in the US, up from around one third two years ago. Public infrastructure contracts on which we have worked in the first half of this year include several bridge projects, such as the Nicodemus Road bridge project in Maryland, where Case constructed eight large caissons in 40 feet of water adjacent to an existing road bridge. Public work in the New York area has also provided some good opportunities, such as a contract associated with a large tunnelling project in the Borough of Queens, where Hayward Baker has undertaken deep jet grouting works in preparation for the construction of four new rail tunnels.

The US order book at the end of June was 13% higher than at the same time last year, which encourages our belief that activity levels in our US foundation businesses will pick up through the second half of the year. However, we remain of the view that margins will not improve materially until there is confidence in a sustained recovery in US construction.

Despite current market conditions, our long term confidence in this key market is undiminished and we will continue our strategy of consolidating our market-leading position in the US where we find high value or good growth opportunities. In furtherance of this strategy, in June we acquired the wick drain business of Nilex, the leading wick drain contractor in the US and Canada, for an initial cash consideration of $7.2m (£4.7m), together with a deferred consideration of up to $1.0m (£0.7m) based on profits over the next two years. Over the four years ended 2009, the Nilex business reported average revenue of around $15.5m (£10.1m). Wick drains are used for accelerating the consolidation of compressible soils and they are often used alongside Hayward Baker's other ground improvement products.

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[2] Office, Commercial, Leisure and Lodging, US Census Bureau of the Department of Commerce, 1 July 2010.

The acquisition gives scale to Hayward Baker's existing wick drains business, extending and complementing the company's ground improvement product range.

With the residential market showing no sustained improvement, demand for high-rise products deteriorating and further increases in the cost of steel strand, the Suncoast business has continued to struggle, resulting in a loss in the first half of the year. Headcount has now been reduced from just over 1,000 at its peak in 2006 to around 300 and four regional offices have been closed, including two this year. Management continues to adapt the business as necessary to the unprecedented changes that have occurred in this sector, whilst maintaining the ability to respond to any pick-up in demand.

**Continental Europe, Middle East & Asia (CEMEA)**

CEMEA reported revenue of £190.1m (2009: £191.1m) and operating profit of £9.3m (2009: £20.4m). On a constant currency basis, revenue was 2% ahead of last year, whilst operating profit was 53% lower.

Most of our Continental European businesses were severely impacted by the adverse weather conditions in the first few months of the year.

Despite the weather, the dearth of major projects and strong competition for a reduced volume of small and medium-sized contracts, trading in our German subsidiary again held up reasonably well. Our Austrian company had a more difficult first half, although its ability to redesign customers' proposals and to offer more cost-effective, packaged solutions has helped it to secure some good opportunities for the second half of the year.

As expected, the French and Spanish construction markets contracted further; in the case of Spain, considerably more than the contraction in the general economy. As a result, we have continued to focus on reorganising these businesses and in Spain, further reductions in headcount have been accompanied by an agreement with the remaining workforce to reduce salaries and wages by 5%.

With public spending cuts announced across these and other European countries, these markets are expected to remain difficult for some time.

In Eastern Europe, Poland's infrastructure upgrades continued to be a major source of work, with several more such contracts still in the pipeline, of which we should win our share. However, whilst our Polish company should be busy for the rest of the year, its margins will remain under pressure, reflecting the current competitive environment. Elsewhere in the region, we embarked on our first work in Russia at the site of the new ice skating arena for the 2014 Winter Olympics at Sochi, where we undertook vibro compaction and jet grouting works, with good results. Separately, we are working with a local partner on a slope stabilisation contract, also at Sochi. We will continue to target carefully selected contracts in the Russian market.

In the Middle East, our company in Saudi Arabia worked on a variety of small and medium sized contracts in the first half and the business remained profitable. However, the award of several major contracts for the petrochemical industry has been hampered by delays. Elsewhere in the region, despite much reduced volumes, good operational performance and tight cost control have enabled our business to report a modest profit.

All of our key markets in Asia – India, Malaysia and Singapore – remained buoyant and our companies there performed very well in the first half. Resource Holdings, acquired in October 2009, made a good contribution and continues to work in close co-operation with Keller's existing business in Singapore.

Our Malaysian company continued its work on the Ipoh to Penang railway project, where it currently has 11 rigs in operation and expects to remain busy for the remainder of this year.

In India, where revenue was more than double that of last year's first half, headcount has now reached 270 and we are looking to extend our current network of four offices by the end of the year. The extension of the product range from the original ground improvement and grouting products to include ground anchors and bored piling has gained momentum and we will continue to target jobs which are particularly suited to our competitive advantages: our design and build capability, advanced techniques and specialist equipment which are not generally available in the local market. One of our largest piling projects in India to date, at a petrochemical terminal in Chennai, was successfully completed in the first half and we have now secured a second contract for the same client.

Our new subsidiary in Vietnam has secured its first contract, vibro replacement works at a petrochemical site in Vung Tau, which will be undertaken in the second half of this year with support from Keller in Malaysia.

**Australia**

In Australia, market conditions remain very strong, fuelled by demand for resources from China and the rest of Asia, increased infrastructure needs and a growing population. The recent political compromise in respect of the proposed resources tax has helped to buoy confidence in this important sector.

Australian revenue was £80.7m (2009: £62.8m) and operating profit was £8.0m, compared to £6.2m in the first half last year. On a constant currency basis, both revenue and operating profit were up 5% on last year.

This first-half result reflects a strong operating performance across a range of larger infrastructure projects, such as the Ipswich Minefill project and the Eastern Busway project, both in Queensland. A good contribution also came from a number of resources-related contracts in Western Australia, such as the foundations for new mine infrastructure at Marradong.

In June, we acquired a Sydney-based near-shore marine foundation contractor trading as Waterway Constructions ("Waterway") for an initial cash payment of A$37.0m (£21.7m), including A$7.5m (£4.4m) of acquired net cash, together with a maximum deferred cash consideration of A$16.5m (£9.7m), based on profits in the three years to 30 June 2013.

Waterway specialises in the construction of foundations for wharves, jetties and other marine structures and the maintenance and extension of existing structures. With a leading position in its New South Wales home market, Waterway also has an opportunity to increase its penetration of the Queensland and Victoria markets. Over the medium term, there are good prospects for expansion into Western Australia, where planned minerals and energy projects are expected to generate strong demand for both land and near-shore marine based foundation services. The acquisition also offers strong potential for synergy with the Group's existing foundation businesses, uniquely positioning Keller Australia to offer combined packages of land and near-shore marine foundation solutions.

With a good order book and several sizeable projects in the pipeline, the prospects for our Australian business are looking strong for the remainder of the year.

**UK**

The UK business reported revenue of £28.1m (2009: £30.7m) and an operating loss of £0.1m (2009: loss of £0.4m).

The UK market remains very challenging and our UK business has been further downsized to reflect this. Where possible, skilled people are being considered for transfer to other parts of the Group, such as Australia, where demand remains high.

As part of the Crossrail project, we are currently working on a piling contract at London's Tottenham Court Road tube station and we are hopeful that the continuation of investment in Crossrail, together with other planned infrastructure projects which will call for specialist geotechnical and monitoring services, will underpin an improvement in our UK business in 2011.

**Outlook**

Since our May 2010 interim management statement, we have not seen any real change in our key construction markets. In recent weeks, general sentiment in our mature markets has turned rather more cautious, influenced by lacklustre economic data, fears over European sovereign debt and the resultant plans to curtail public expenditure in much of the western world.

Against this backdrop of uncertain times, we are encouraged that contract awards in the first half were 12% above last year and the Group's order book has increased every month since December 2009. On a constant currency basis, the order book is now 1% ahead of this time last year, including a small benefit from the June acquisitions, compared with 14% below at the end of January 2010. However, the general economic uncertainty and intense competition in our mature markets are expected to continue to put pressure on margins until such time as there is confidence in a sustained recovery.

Elsewhere, the increasing contribution from our developing markets and Australia is set to continue, as indicated by projects in the pipeline in Asia and Australia and the recent award of contracts in markets which are relatively new to Keller, such as Russia, Brazil and Vietnam.

Overall, the expected results for the full year remain within the current range of market expectations. Longer term, the Group's geographic diversification and strong financial position mean that it is well placed to take advantage of growth opportunities in both existing and new markets.

**Roy Franklin, OBE**
**Chairman**
**2 August 2010**

## Consolidated Income Statement
for the half year ended 30 June 2010

| | Note | **Half year to 30 June 2010 £m** | Half year to 30 June 2009 £m | Year to 31 December 2009 £m |
|---|---|---|---|---|
| **Revenue** | 3 | 496.9 | 552.6 | 1,037.9 |
| Operating costs | | (483.2) | (509.8) | (960.6) |
| **Operating profit** | 3 | 13.7 | 42.8 | 77.3 |
| Finance income | | 0.8 | 0.8 | 3.7 |
| Finance costs | | (3.2) | (2.6) | (6.3) |
| **Profit before taxation** | | 11.3 | 41.0 | 74.7 |
| Taxation | 5 | (3.2) | (13.1) | (22.6) |
| **Profit for the period** | | 8.1 | 27.9 | 52.1 |
| **Attributable to:** | | | | |
| Equity holders of the parent | | 8.0 | 26.9 | 50.4 |
| Minority interests | | 0.1 | 1.0 | 1.7 |
| | | 8.1 | 27.9 | 52.1 |
| **Earnings per share** | | | | |
| Basic earnings per share | 7 | 12.5p | 42.1p | 78.8p |
| Diluted earnings per share | 7 | 12.3p | 41.3p | 77.4p |

## Consolidated Statement of Comprehensive Income
for the half year ended 30 June 2010

| | **Half year to 30 June 2010 £m** | Half year to 30 June 2009 £m | Year to 31 December 2009 £m |
|---|---|---|---|
| **Profit for the period** | 8.1 | 27.9 | 52.1 |
| **Other comprehensive income** | | | |
| Exchange differences on translation of foreign operations | (15.5) | (31.0) | (14.5) |
| Net investment hedge (losses)/gains | (0.7) | 8.9 | 6.1 |
| Cash flow hedge (losses)/gains taken to equity | (6.2) | 15.5 | 11.3 |
| Cash flow hedge transfers to income statement | 6.2 | (15.5) | (11.3) |
| Actuarial gains/(losses) on defined benefit pension schemes | 0.1 | (5.1) | (7.9) |
| Tax on actuarial losses on defined benefit pension schemes | - | 1.4 | 2.2 |
| **Other comprehensive income for the period, net of tax** | (16.1) | (25.8) | (14.1) |
| **Total comprehensive income for the period** | (8.0) | 2.1 | 38.0 |
| **Attributable to:** | | | |
| Equity holders of the parent | (7.1) | 2.4 | 37.2 |
| Minority interests | (0.9) | (0.3) | 0.8 |
| | (8.0) | 2.1 | 38.0 |

## Consolidated Balance Sheet

as at 30 June 2010

| | Note | **As at 30 June 2010 £m** | As at 30 June 2009 £m | As at 31 December 2009 £m |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | | 128.0 | 99.9 | 119.1 |
| Property, plant and equipment | | 261.3 | 237.5 | 264.4 |
| Deferred tax assets | | 8.8 | 8.0 | 8.1 |
| Other assets | | 16.2 | 12.0 | 12.7 |
| | | 414.3 | 357.4 | 404.3 |
| **Current assets** | | | | |
| Inventories | | 37.8 | 41.8 | 37.4 |
| Trade and other receivables | | 313.6 | 328.6 | 299.9 |
| Current tax assets | | 7.2 | 1.7 | 5.9 |
| Cash and cash equivalents | 8 | 30.2 | 27.4 | 35.3 |
| | | 388.8 | 399.5 | 378.5 |
| **Total assets** | | 803.1 | 756.9 | 782.8 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Loans and borrowings | 8 | (79.2) | (9.7) | (7.9) |
| Current tax liabilities | | (4.3) | (11.3) | (9.0) |
| Trade and other payables | | (248.5) | (266.3) | (252.3) |
| Provisions | | (6.8) | (6.7) | (6.3) |
| | | (338.8) | (294.0) | (275.5) |
| **Non-current liabilities** | | | | |
| Loans and borrowings | 8 | (72.5) | (113.0) | (106.2) |
| Retirement benefit liabilities | | (19.0) | (17.2) | (20.2) |
| Deferred tax liabilities | | (20.9) | (14.4) | (19.6) |
| Provisions | | (5.0) | (4.4) | (4.2) |
| Other liabilities | | (40.9) | (21.8) | (33.8) |
| | | (158.3) | (170.8) | (184.0) |
| **Total liabilities** | | (497.1) | (464.8) | (459.5) |
| **NET ASSETS** | | 306.0 | 292.1 | 323.3 |
| **EQUITY** | | | | |
| Share capital | | 6.6 | 6.6 | 6.6 |
| Share premium account | | 38.0 | 37.8 | 38.0 |
| Capital redemption reserve | | 7.6 | 7.6 | 7.6 |
| Translation reserve | | 21.2 | 23.1 | 36.4 |
| Retained earnings | | 223.2 | 206.8 | 224.1 |
| **Equity attributable to equity holders of the parent** | | 296.6 | 281.9 | 312.7 |
| Minority interests | | 9.4 | 10.2 | 10.6 |
| **Total equity** | | 306.0 | 292.1 | 323.3 |

## Condensed Consolidated Statement of Changes in Equity

for the half year ended 30 June 2010

| | Share capital £m | Share premium account £m | Capital redemption reserve £m | Translation reserve £m | Retained earnings £m | Minority interest £m | **Total equity £m** |
|---|---|---|---|---|---|---|---|
| At 30 June 2009 | 6.6 | 37.8 | 7.6 | 23.1 | 206.8 | 10.2 | **292.1** |
| At 31 December 2009 | 6.6 | 38.0 | 7.6 | 36.4 | 224.1 | 10.6 | **323.3** |
| Total comprehensive income | - | - | - | (15.2) | 8.1 | (0.9) | **(8.0)** |
| Share-based payments | - | - | - | - | 0.3 | - | **0.3** |
| Dividends | - | - | - | - | (9.3) | (0.3) | **(9.6)** |
| At 30 June 2010 | 6.6 | 38.0 | 7.6 | 21.2 | 223.2 | 9.4 | **306.0** |

## Consolidated Cash Flow Statement
for the half year ended 30 June 2010

| | Note | **Half year to 30 June 2010 £m** | Half year to 30 June 2009 £m | Year to 31 December 2009 £m |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Operating profit | | 13.7 | 42.8 | 77.3 |
| Depreciation of property, plant and equipment | | 19.4 | 16.8 | 34.4 |
| Amortisation of intangible assets | | 0.3 | 0.5 | 1.5 |
| Loss/(profit) on sale of property, plant and equipment | | 0.1 | - | (1.2) |
| Other non-cash movements | | 0.3 | - | 0.5 |
| Foreign exchange losses/(gains) | | 0.6 | (1.8) | (0.1) |
| **Operating cash flows before movements in working capital** | | 34.4 | 58.3 | 112.4 |
| (Increase)/decrease in inventories | | (1.0) | 4.4 | 10.2 |
| (Increase)/decrease in trade and other receivables | | (17.2) | (0.8) | 50.2 |
| Decrease in trade and other payables | | (0.9) | (24.5) | (52.5) |
| Change in provisions, retirement benefit and other non-current liabilities | | (0.3) | 2.7 | 2.9 |
| **Cash generated from operations** | | 15.0 | 40.1 | 123.2 |
| Interest paid | | (1.5) | (2.4) | (4.8) |
| Income tax paid | | (7.3) | (14.5) | (30.0) |
| **Net cash inflow from operating activities** | | 6.2 | 23.2 | 88.4 |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Interest received | | 0.5 | 0.2 | 0.3 |
| Proceeds from sale of property, plant and equipment | | 0.3 | 0.6 | 4.5 |
| Acquisition of subsidiaries, net of cash acquired | | (22.2) | (7.6) | (34.7) |
| Acquisition of property, plant and equipment | | (12.7) | (23.2) | (39.3) |
| Acquisition of intangible assets | | - | (0.5) | (0.7) |
| Acquisition of other non-current assets | | (0.4) | (2.0) | (0.8) |
| **Net cash outflow from investing activities** | | (34.5) | (32.5) | (70.7) |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Proceeds from the issue of share capital | | - | 0.2 | 0.4 |
| Repurchase of own shares | | - | (1.6) | (1.6) |
| New borrowings | | 41.5 | 11.5 | 7.0 |
| Repayment of borrowings | | (10.0) | (10.5) | (12.7) |
| Payment of finance lease liabilities | | - | (0.7) | (5.6) |
| Dividends paid | | (9.7) | (11.3) | (17.4) |
| **Net cash inflow/(outflow) from financing activities** | | 21.8 | (12.4) | (29.9) |
| | | | | |
| **Net decrease in cash and cash equivalents** | | (6.5) | (21.7) | (12.2) |
| **Cash and cash equivalents at beginning of period** | | 29.3 | 46.5 | 46.5 |
| Effect of exchange rate fluctuations | | (2.1) | (4.0) | (5.0) |
| **Cash and cash equivalents at end of period** | 8 | 20.7 | 20.8 | 29.3 |

## Responsibility Statement

We confirm that to the best of our knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34 – Interim Financial Reporting;
b) the interim management report includes a fair review of the information required by DTR 4.2.7R – indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year; and
c) the interim management report includes a fair review of the information required by DTR 4.2.8R – disclosure of related party transactions and changes therein.

**By order of the Board**

**J R Atkinson Chief Executive**
**J W G Hind Finance Director**

**Notes to the Condensed Financial Statements**
**Half year ended 30 June 2010**

## 1. Basis of preparation

The condensed financial statements included in this interim financial report have been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009. The same accounting policies and presentation are followed in the financial statements that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2009 apart from the following:

The Company has adopted the following revision and amendments to standards: IFRS 3 Business Combinations; IAS 27 Consolidated and Separate Financial Statements; and IFRS 2 Group Cash-settled Share-based Payment Transactions. The adoption of this revision and amendments did not have a material impact on the condensed consolidated financial statements. IFRS 3 (revised) may have a significant impact on future operating profits due to the requirement to take any differences between actual and originally estimated deferred payments relating to acquisitions made after 1 January 2010 into the income statement, following the measurement period.

The figures for the year ended 31 December 2009 are not statutory accounts but have been extracted from the Group's statutory accounts for that financial year. The auditor's report on those accounts was not qualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies and has been made available on the Company's website at www.keller.co.uk.

The financial information in this interim financial report for the half years ended 30 June 2010 and 30 June 2009 has neither been reviewed, nor audited.

The key risks and uncertainties facing the Group, as explained in the Group's Annual Report for the year ended 31 December 2009, continue to be: market cycles, acquisitions, technical risk and people.

## 2. Foreign currencies

The exchange rates used in respect of principal currencies are:

| | Average for Period | | | Period End | | |
|---|---|---|---|---|---|---|
| | **Half year to 30 June 2010** | Half year to 30 June 2009 | Year to 31 December 2009 | **Half year to 30 June 2010** | Half year to 30 June 2009 | Year to 31 December 2009 |
| US dollar: | 1.53 | 1.49 | 1.57 | 1.51 | 1.65 | 1.59 |
| Euro: | 1.15 | 1.12 | 1.12 | 1.23 | 1.18 | 1.11 |
| Australian dollar: | 1.71 | 2.10 | 1.99 | 1.76 | 2.05 | 1.78 |

## 3. Segmental analysis

The Group is managed as four geographical divisions and has only one major product or service: specialist ground engineering services. This is reflected in the Group's management structure and in the segment information reviewed by the Chief Operating Decision Maker. There have been no material changes to the assets of these segments since the year end other than in Australia as disclosed in note 4. Revenue and operating profit of the four reportable segments is given below:

| | Revenue | | | Operating profit | | |
|---|---|---|---|---|---|---|
| | **Half year to 30 June 2010 £m** | Half year to 30 June 2009 £m | Year to 31 December 2009 £m | **Half year to 30 June 2010 £m** | Half year to 30 June 2009 £m | Year to 31 December 2009 £m |
| UK | 28.1 | 30.7 | 57.6 | (0.1) | (0.4) | 0.5 |
| US | 198.0 | 268.0 | 467.0 | (1.0) | 18.6 | 32.2 |
| CEMEA [1] | 190.1 | 191.1 | 386.4 | 9.3 | 20.4 | 33.6 |
| Australia | 80.7 | 62.8 | 126.9 | 8.0 | 6.2 | 16.6 |
| | 496.9 | 552.6 | 1,037.9 | 16.2 | 44.8 | 82.9 |
| Central items and eliminations | - | - | - | (2.5) | (2.0) | (5.6) |
| | 496.9 | 552.6 | 1,037.9 | 13.7 | 42.8 | 77.3 |

1 Continental Europe, Middle East and Asia.

## 4. Acquisitions

| | Waterway | | | Nilex | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount £m | Fair value adjustment £m | Fair value £m | Carrying amount £m | Fair value adjustment £m | Fair value £m | Carrying amount £m | Fair value adjustment £m | Fair value £m |
| **Net assets acquired** | | | | | | | | | |
| Intangible assets | 0.1 | 1.2 | 1.3 | 0.1 | 0.3 | 0.4 | 0.2 | 1.5 | 1.7 |
| Property, plant and equipment | 8.0 | 2.9 | 10.9 | 1.4 | (0.2) | 1.2 | 9.4 | 2.7 | 12.1 |
| Cash and cash equivalents | 9.3 | - | 9.3 | - | - | - | 9.3 | - | 9.3 |
| Receivables | 2.4 | - | 2.4 | 3.2 | - | 3.2 | 5.6 | - | 5.6 |
| Other assets | 0.5 | - | 0.5 | 0.6 | - | 0.6 | 1.1 | - | 1.1 |
| Loans and borrowings | (4.9) | - | (4.9) | - | - | - | (4.9) | - | (4.9) |
| Other liabilities | (4.7) | (0.4) | (5.1) | (0.7) | - | (0.7) | (5.4) | (0.4) | (5.8) |
| | 10.7 | 3.7 | 14.4 | 4.6 | 0.1 | 4.7 | 15.3 | 3.8 | 19.1 |
| Goodwill | | | 9.1 | | | - | | | 9.1 |
| Total consideration | | | 23.5 | | | 4.7 | | | 28.2 |
| | | | | | | | | | |
| Satisfied by: | | | | | | | | | |
| Initial cash consideration | | | 21.7 | | | 4.7 | | | 26.4 |
| Deferred consideration | | | 1.8 | | | - | | | 1.8 |
| | | | 23.5 | | | 4.7 | | | 28.2 |

On 10 June 2010 the Group acquired 100% of the share capital of Waterfront Services Pty Limited, Australia, with subsidiaries, trading as Waterway Constructions (‘Waterway’). The provisional fair value of the intangible assets acquired represents the fair value of customer contracts at the date of acquisition. The goodwill arising on acquisition is attributable to the knowledge and expertise of the assembled workforce and the operating synergies that arise from the Group’s strengthened market position. Deferred consideration of up to £9.7m (A$16.5m) is payable based on total earnings before interest and tax in the three year-period to 30 June 2013.

On 14 June 2010 the Group acquired selected assets and businesses of Nilex Construction LLC and other entities (collectively ‘Nilex’), the leading wick drain contractor in the United States and Canada. The acquisition provides a good strategic fit, complementing the Group’s existing ground improvement offering. Deferred consideration of up to £0.7m ($1.0m) is payable based on total earnings before interest and tax in the two year-period to 30 June 2012.

The fair value of the total receivables in both acquisitions is not materially different from the gross contractual amounts receivable and is expected to be recovered in full. In the period to 30 June 2010 Waterway and Nilex made no contribution to the net profit of the Group. Had both acquisitions taken place on 1 January 2010, total Group revenue would have been £518.0m and total net profit would have been £9.6m.

## 5. Taxation

Taxation from continuing operations, representing management’s best estimate of the average annual effective income tax rate expected for the full year, based on the profit before tax is: 28% (half year ended 30 June 2009: 32%; year ended 31 December 2009: 30%).

### 6. Dividends paid to equity holders of the parent

Ordinary dividends on equity shares:

| | **Half year to 30 June 2010 £m** | Half year to 30 June 2009 £m | Year to 31 December 2009 £m |
|---|---|---|---|
| Amounts recognised as distributions to equity holders in the period: | | | |
| Final dividend for the year ended 31 December 2008 of 13.8p per share | - | 8.8 | 8.8 |
| Interim dividend for the year ended 31 December 2009 of 7.25p (2008: 6.9p) per share | - | - | 4.7 |
| Second interim dividend for the year ended 31 December 2009 of 14.5p per share in lieu of a final dividend | 9.3 | - | - |
| | 9.3 | 8.8 | 13.5 |

In addition to the above, an interim ordinary dividend of 7.6p per share (2009: 7.25p) will be paid on 1 November 2010 to shareholders on the register at 8 October 2010. This proposed dividend has not been included as a liability in these financial statements and will be accounted for in the period in which it is paid.

### 7. Earnings per share

Earnings for the purposes of calculating the basic and diluted earnings per share were £8.0m (half year ended 30 June 2009: £26.9m; year ended 31 December 2009: £50.4m).

The weighted average number of shares for the purposes of calculating the basic and diluted earnings per share was 64.2m (half year ended 30 June 2009: 63.9m; year ended 31 December 2009: 64.0m) and 65.3m (half year ended 30 June 2009: 65.1m; year ended 31 December 2009: 65.1m) respectively.

The total number of shares held in Treasury was 2.2m (30 June 2009: 2.3m; 31 December 2009: 2.2m).

During 2009, the Company purchased 330,000 shares specifically to satisfy Performance Share Plan awards. The average cost of purchased shares in 2009 was £4.81. No shares were purchased in the half year ended 30 June 2010. All shares issued related to share options exercised.

### 8. Analysis of closing net debt

| | **As at 30 June 2010 £m** | As at 30 June 2009 £m | As at 31 December 2009 £m |
|---|---|---|---|
| Bank balances | 25.9 | 25.7 | 34.7 |
| Short-term deposits | 4.3 | 1.7 | 0.6 |
| **Cash and cash equivalents in the balance sheet** | 30.2 | 27.4 | 35.3 |
| Bank overdrafts | (9.5) | (6.6) | (6.0) |
| **Cash and cash equivalents in the cash flow statement** | 20.7 | 20.8 | 29.3 |
| Bank and other loans | (135.5) | (113.1) | (105.9) |
| Finance leases | (6.7) | (3.0) | (2.2) |
| **Closing net debt** | (121.5) | (95.3) | (78.8) |

### 9. Related party transactions

Transactions between the parent, its subsidiaries and jointly controlled operations, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the period the Group undertook various contracts with a total value of £1.5m (half year to 30 June 2009: £3.8m; year ended 31 December 2009: £9.0m) for GTCEISU Construcción, S.A., a connected person of Mr López Jiménez, a Director of the Company. An amount of £1.4m (30 June 2009: £5.7m; 31 December 2009: £6.9m) is included in trade and other receivables in respect of amounts outstanding as at 30 June 2010. During the period the Group made purchases from GTCEISU Construcción, S.A with a total value of £2.0m (half year to 30 June 2009: £2.7m; year ended 31 December 2009: £6.0m). An amount of £4.0m (30 June 2009: £5.1m; 31 December 2009: £3.8m) is included in trade and other payables in respect of amounts outstanding as at 30 June 2010.

All amounts outstanding from related parties are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.