22 August 2005

Keller Group plc
Interim Results for the
Six Months Ended 30 June 2005

Keller Group plc ("Keller" or "the Group"), the international ground engineering specialist, reports excellent results for the first half of 2005. Highlights include:

- Turnover increased by 14% to £335.0m (2004: £294.1m)
- Half-year operating margin increased to 5.2% from 4.5%
- Profit before tax up 39% to £15.6m (2004: £11.2m)
- Earnings per share up 50% to 12.9p (2004: 8.6p)
- Excellent results from all four US businesses
- Record order book
- Interim dividend raised 5.5% to 3.8p (2004: 3.6p)

Justin Atkinson, Keller Chief Executive said:

"This is an excellent result for the Group, particularly from North America where all four businesses have taken full advantage of the strong market conditions and are performing very well.

"We go into the second half with a record order book. Based on this and our very strong current trading, the Board anticipates that the Group's results for the year as a whole will be ahead of market expectations."

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A briefing for analysts will be held at 9.15 for 9.30 am on Monday, 22 August 2005 at The Theatre & Gallery, London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS

Print resolution images are available for the media to download from www.vismedia.co.uk

Chairman’s Statement

Financial Overview

I am pleased to report an excellent set of results for the first half of 2005, driven by a very strong performance from our North American businesses.

Group sales for the period were up 14% at £335.0m (2004: £294.1m), reflecting another period of good organic growth. Profit before tax increased by 39% to £15.6m (2004: £11.2m) and the operating margin rose to 5.2% from 4.5% in the first half of 2004. This exceptional first-half performance means that the results for the full year are expected to be more first-half weighted than in previous years.

Earnings per share were up 50% at 12.9p (2004: 8.6p).

Operating cash flow was much improved at £13.8m, compared to last year’s £6.3m. The period end net debt was £65.3m, which compares to £71.8m at the end of June 2004 and £58.7m at the end of December 2004.

As now required, these results are reported under International Financial Reporting Standards (IFRS) and the 2004 comparatives have been restated accordingly. This restatement had a minor impact on profits and reduced the reported 2004 net assets by about £10m. Further details are set out in our announcement on IFRS restatement dated 17 June 2005, a copy of which is posted on the Group’s website.

Dividend

The Board has declared an interim dividend of 3.8p per share (2004: 3.6p), representing an increase of 5.5%. This will be paid on 1 November 2005 to shareholders on the register at 7 October 2005.

Operational Overview

North America

Our North American operations had an excellent first half, with record results from all four of our businesses. This in part reflects a strong market in which the three main sectors – residential, commercial and public infrastructure – were all buoyant. Sales of £177.7m (2004: £133.1m) were up 33%, whilst operating profit of £13.6m (2004: £9.2m) was 48% ahead of the previous year, despite a small adverse impact from currency translation.

Hayward Baker’s first half was characterised by a strong performance across the business, particularly on the West Coast. In addition to the favourable market conditions, its good results reflected recent operational improvements. Amongst the many projects worked on in the first half was the Los Angeles Metro Gold Line Eastside Extension. Hayward Baker is undertaking grouting, both to stabilise the ground ahead of tunnelling and to counter potential settlement, on this six-mile, light rail system linking Union Station and East Los Angeles.

Case had a good first half, despite its contract for the new Goldman Sachs headquarters building not proceeding in the period as planned. Good progress was made however on the contract to provide foundations and excavation support for the new Trump International Hotel and Tower in Chicago. Case's order book has recently been further bolstered by the award of a $20m contract to install shafts to provide intake water for the Elm Road Generating Station in Milwaukee. This two-year project, set in over 40 feet of water one mile offshore in Lake Michigan, involves working from barges and two large drilling platforms which have been set on piles driven into the lake bed.

McKinney, our other US foundation business now in its third year under Keller ownership, built on last year's good performance. With a new generation of management now at the helm, after a well-planned and executed transition, McKinney continues to exceed our pre-acquisition expectations. The successful integration and strong returns of this business illustrate the Group's proven ability to deliver value from acquisitions.

The first half result from Suncoast was also excellent, with an outstanding contribution from the commercial high-rise division and further growth in residential sales. Across the business, a combination of high volumes, stable raw material costs and operating cost efficiencies continued to benefit margins. Further progress was made in growing sales outside Suncoast's traditional Texan market, through targeted growth in California and Arizona in particular. Revenues from outside Texas, which represent about 45% of total sales, are now three times the level of 2002, the first year under Keller's ownership.

Overall, there are few signs at present of the market momentum in the US stalling and, as a result, we expect another good performance from our US businesses in the second half.

Continental Europe & Overseas

Our Continental Europe & Overseas business reported another commendable performance, given the mixed markets in which it is operating. Sales of £93.8m (2004: £87.9m) were 7% ahead of the previous year, whilst operating profit was £4.6m (2004: £5.0m).

Keller-Terra reported another strong result for the period, with a consistently high performance across all its product lines, in a Spanish market that is showing no signs of softening. In Eastern Europe both sales and profit were about twice their level in the same period last year.

In Central Europe we faced challenging market conditions, notably a continued decline in construction in Germany and distinct signs of overcapacity in Austria, following the drift of German competition into the Austrian market. In both of these territories, our operations were also affected by adverse weather in January and February. Activity increased in the second quarter, with a number of major projects getting into full swing, including jet-grouting works under Amsterdam's Central Station and on the major underground rail link project in Cologne. Cost-reduction measures in Germany, which were implemented as anticipated in the first half, will realise benefits in the second half of the year.

Within our Overseas businesses, the Far East rallied after a slow start to the year and enters the second half with a strong order book. In the second quarter we commenced work on Penang Island, Malaysia at the site for a new sewerage treatment plant. Here, we were awarded the contract ahead of local competition, following our redesign of the client's original proposal which enabled us to reduce the cost to the client, whilst ensuring the same performance. Good results were reported in the Middle East, in particular in Bahrain where we completed a design and build contract for the foundations of a new power station at Al Ezzel.

UK

Makers contributed a modest half-year profit, with its result being held back by low volumes in its social housing business, as the interval between winning preferred contractor status and getting on site increased. With a new management team now established, and with a good recent order intake in a market that remains strong, the business is expected to have a better second half.

Within Keller Ground Engineering, the foundation support division was busy, whilst the geotechnical division suffered from a lack of major infrastructure projects. In June, both divisions commenced work at the Millennium Dome. The broad range of solutions at our disposal enabled us to re-use some of the original foundations which we installed back in 1998 and to supplement these with a combination of driven cast in situ piles, continuous flight auger piles and minipiles, to take account of the uniqueness of the site and the different structures soon to be constructed within the shell of the Dome.

Australia

After a slow first quarter, the Australian businesses picked up pace in the second quarter and, with some good prospects for the second half, are well positioned to achieve a satisfactory result for the full year.

Outlook

We go into the second half with a record order book, representing over four months' sales. Based on this and our very strong current trading, the Board anticipates that the Group's results for the year as a whole will be ahead of market expectations.

Dr J.M.West
Chairman
22 August 2005

Consolidated income statement
for the half year ended 30 June 2005

	Note	Half year to 30 June 2005 £000	Half year to 30 June 2004 £000	Year to 31 December 2004 £000
Revenue	3	**335,037**	294,124	595,856
Operating costs		**(317,481)**	(280,892)	(561,961)
Operating profit	3	**17,556**	13,232	33,895
Interest receivable		**79**	122	340
Finance costs		**(2,021)**	(2,156)	(4,487)
Profit before taxation		**15,614**	11,198	29,748
Taxation	4	**(6,245)**	(4,718)	(11,874)
Profit for the period		**9,369**	6,480	17,874
Attributable to:				
Equity holders of the parent		**8,402**	5,590	15,743
Minority interests		**967**	890	2,131
		9,369	6,480	17,874
Earnings per share	6	**12.9p**	8.6p	24.2p
Diluted earnings per share	6	**12.8p**	8.6p	24.1p

Consolidated statement of recognised income and expense
for the half year ended 30 June 2005

	Half year to 30 June 2005 £000	Half year to 30 June 2004 £000	Year to 31 December 2004 £000
Exchange differences on translation of foreign operations	**3,501**	(3,173)	(5,676)
Actuarial gains/(losses) on defined benefit pension schemes	**1,224**	(1,833)	(2,668)
Tax on items taken directly to equity	**(367)**	554	856
Net income/(expense) recognised directly in equity	**4,358**	(4,452)	(7,488)
Profit for the period	**9,369**	6,480	17,874
Total recognised income and expense for the period	**13,727**	2,028	10,386
Attributable to:			
Equity holders of the parent	**12,760**	1,138	8,255
Minority interests	**967**	890	2,131
	13,727	2,028	10,386

Consolidated balance sheet
as at 30 June 2005

	Note	As at 30 June 2005 £000	As at 30 June 2004 £000	As at 31 December 2004 £000
ASSETS				
Non-current assets				
Intangible assets		**53,512**	52,161	51,761
Property, plant and equipment		**79,695**	79,298	80,937
Deferred tax assets		**2,779**	2,862	3,146
		135,986	134,321	135,844
Current assets				
Inventories		**23,675**	21,850	24,319
Trade and other receivables		**182,264**	161,321	143,926
Cash and cash equivalents		**20,463**	10,436	16,416
		226,402	193,607	184,661
Total Assets		**362,388**	327,928	320,505
LIABILITIES				
Current liabilities				
Loans and borrowings		**(17,030)**	(31,223)	(9,787)
Current tax liabilities		**(8,058)**	(5,690)	(5,538)
Trade and other payables		**(144,284)**	(129,984)	(120,701)
		(169,372)	(166,897)	(136,026)
Non-current liabilities				
Loans and borrowings		**(68,753)**	(51,043)	(65,286)
Employee benefits		**(15,628)**	(15,782)	(17,211)
Deferred tax liabilities		**(6,204)**	(6,644)	(8,138)
Other liabilities		**(3,677)**	(2,329)	(2,875)
		(94,262)	(75,798)	(93,510)
Total liabilities		**(263,634)**	(242,695)	(229,536)
NET ASSETS		**98,754**	85,233	90,969
EQUITY				
Share capital		**6,537**	6,535	6,536
Share premium account		**36,043**	36,014	36,027
Capital redemption reserve		**7,629**	7,629	7,629
Translation reserve		**(2,165)**	(3,191)	(5,666)
Retained earnings		**45,420**	33,486	40,832
Equity attributable to equity holders of the parent	7	**93,464**	80,473	85,358
Minority interests		**5,290**	4,760	5,611
Total equity		**98,754**	85,233	90,969

Consolidated cash flow statement
for the half year ended 30 June 2005

	Note	Half year to 30 June 2005	Half year to 30 June 2004	Year to
		£000	**£000**	**£000**
Cash flows from operating activities				
Cash generated from operations	8	**13,828**	6,325	33,577
Interest paid		**(1,834)**	(2,264)	(4,368)
Income tax paid		**(5,914)**	(1,358)	(7,339)
Net cash from operating activities		**6,080**	2,703	21,870
Cash flows from investing activities				
Proceeds from sale of property, plant & equipment		**721**	333	2,063
Interest received		**79**	122	339
Acquisition of subsidiary, net of cash acquired		**(1,933)**	(2,835)	(3,422)
Acquisition of property, plant & equipment		**(4,465)**	(5,847)	(13,887)
Acquisition of intangible fixed assets		**-**	-	(15)
Net cash from investing activities		**(5,598)**	(8,227)	(14,922)
Cash flows from financing activities				
Proceeds from the issue of share capital		**17**	15	15
New borrowings		**4,573**	16,815	55,982
Repayment of borrowings		**(632)**	(7,970)	(52,498)
Payment of finance lease liabilities		**(121)**	(84)	(373)
Dividends paid		**(5,680)**	(6,225)	(9,345)
Net cash from financing activities		**(1,843)**	2,551	(6,219)
Net (decrease)/increase in cash and cash equivalents		**(1,361)**	(2,973)	729
Cash and cash equivalents at beginning of period		**11,109**	10,812	10,812
Effect of exchange rate fluctuations		**182**	(807)	(432)
Cash and cash equivalents at end of period		**9,930**	7,032	11,109

	As at 30 June 2005	As at 30 June 2004	As at
	£000	**£000**	**£000**
Analysis of closing net debt			
Cash in hand	**20,461**	10,217	15,907
Short term deposits	**2**	219	509
Bank overdrafts	**(10,533)**	(3,404)	(5,307)
Net cash	**9,930**	7,032	11,109
Bank and other loans	**(70,793)**	(73,819)	(65,114)
Loan notes due within one year	**(3,011)**	(3,188)	(3,036)
Finance leases	**(1,446)**	(1,855)	(1,616)
Closing net debt	**(65,320)**	(71,830)	(58,657)

Notes to the interim report:

1. Basis of preparation

EU law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of the company, for the year ending 31 December 2005, be prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the EU ("adopted IFRS").

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that either are endorsed by the EU and effective (or available for early adoption) at 31 December 2005 or are expected to be endorsed and effective (or available for early adoption) at 31 December 2005, the Group's first annual reporting date at which it is required to use adopted IFRS. Based on these adopted and unadopted IFRS, the directors have made assumptions about the accounting policies expected to be applied when the first annual IFRS financial statements are prepared for the year ending 31 December 2005. These accounting policies are set out in the announcement "Restatement of financial information for 2004 under International Financial Reporting Standards" dated 17 June 2005, available on the Group's web site www.keller.co.uk.

In particular, the directors have assumed that IAS 19 Employee Benefits will be adopted by the EU in sufficient time that it will be available for use in the annual IFRS financial statements for the year ending 31 December 2005.

In addition, the adopted IFRSs that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 December 2005 may still be subject to change or to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 December 2005.

The comparative figures for the financial year ended 31 December 2004 have been restated to comply with adopted IFRS and are not the company's statutory accounts for that financial year. Those accounts, which were prepared under UK Generally Accepted Accounting Practices, have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

2. Exchange rates

The exchange rates used in respect of principal currencies are:

		Half year to 30 June 2005	**Half year to 30 June 2004**	**Year to 31 December 2004**
US dollar:	average for period	**1.87**	1.82	1.83
	period end	**1.80**	1.81	1.93
Euro:	average for period	**1.46**	1.49	1.47
	period end	**1.50**	1.50	1.41
Australian dollar:	average for period	**2.43**	2.47	2.49
	period end	**2.37**	2.62	2.47

3. Segmental analysis

	Revenue			Operating profit		
	Half year to 30 June 2005 £000	**Half year to 30 June 2004 £000**	**Year to 31 December 2004 £000**	**Half year to 30 June 2005 £000**	**Half year to 30 June 2004 £000**	**Year to 31 December 2004 £000**
United Kingdom	**46,150**	54,756	108,263	**394**	(205)	1,901
North America	**177,663**	133,121	280,212	**13,581**	9,178	20,981
Continental Europe & Overseas	**93,833**	87,905	175,024	**4,592**	4,989	11,867
Australia	**17,391**	18,342	32,357	**709**	870	1,671
	335,037	294,124	595,856	**19,276**	14,832	36,420
Less: Unallocated central costs	**-**	-	-	**(1,720)**	(1,600)	(2,525)
	335,037	294,124	595,856	**17,556**	13,232	33,895

4. Taxation

Taxation based on the profit before tax is:

	Half year to 30 June 2005 £000	**Half year to 30 June 2004 £000**	**Year to 31 December 2004 £000**
UK corporation tax at 30% (2004: 30%)	-	-	-
Overseas tax	**6,245**	4,718	11,874
	6,245	4,718	11,874

5. Dividends payable to equity holders of the parent

	Half year to 30 June 2005 £000	**Half year to 30 June 2004 £000**	**Year to 31 December 2004 £000**
Ordinary dividends paid on equity shares	**4,771**	4,522	6,872

In addition to the above, an interim ordinary dividend of 3.8p per share (2004: 3.6p) will be paid on 1 November 2005 to shareholders on the register at 7 October 2005.

6. Earnings per share

Earnings per share is calculated as follows:

	2005 Basic £000	2005 Diluted £000	2004 Basic £000	2004 Diluted £000
Profit attributable to equity holders of the parent	**8,402**	**8,402**	5,590	5,590

	No. of shares 000s	No. of shares 000s	No. of shares 000s	No. of shares 000s
Weighted average of ordinary shares in issue	**65,294**	**65,294**	64,980	64,980
Adjusted weighted average of ordinary shares in issue	**65,294**	**65,511**	64,980	65,097
Earnings per share	**12.9p**	**12.8p**	8.6p	8.6p

7. Reconciliation of movements in equity attributable to equity holders of the parent

	Half year to 30 June 2005 £000	Half year to 30 June 2004 £000	Year to 31 December 2004 £000
Equity at start of period	**85,358**	83,829	83,829
Total recognised income and expense	**12,760**	1,138	8,255
Dividends to shareholders	**(4,771)**	(4,522)	(6,872)
Shares issued*	**17**	667	682
Share options granted	**100**	41	144
Share capital to be issued	**-**	(680)	(680)
Equity at end of period	**93,464**	80,473	85,358

* Includes share premium.

8. Reconciliation of operating profit to cash generated from operations

	Half year to 30 June 2005 £000	Half year to 30 June 2004 £000	Year to 31 December 2004 £000
Operating profit	**17,556**	13,232	33,895
Depreciation of property, plant and equipment	**5,730**	5,272	10,992
Amortisation of intangible assets	**53**	23	87
Foreign exchange (gains)/losses	**(146)**	499	501
Gain on sale of property, plant and equipment	**(98)**	(101)	(727)
Other non-cash movements	**94**	58	117
Operating cash flows before changes in working capital and provisions	**23,189**	18,983	44,865
Increase in trade and other receivables	**(22,027)**	(15,887)	(11,483)
Decrease/(increase) in inventories	**1,343**	(5,591)	(8,559)
Increase in trade and other payables	**11,202**	8,719	8,548
Increase in provisions and employee benefits	**121**	101	206
Cash generated from operations	**13,828**	6,325	33,577