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30 May 2007

May Gurney Integrated Services plc, the dynamic integrated support and construction services company, providing maintenance and enhancement services to the highways, rail, utilities and general infrastructure sectors, today reports preliminary results for the year ended 31 March 2007.

- Record earnings before interest, tax, amortisation and exceptional items of £15.5m (2006 £13.7m) and margin up to 3.8%
- Revenues up by 11% to £406m, almost all due to organic growth
- Profit before tax (before flotation costs and property transactions) up by 27% to £14.9m (2006 £11.7m)
- Final dividend of 2.1p per share proposed giving a total in the year of 3p
- Net cash increased to £22.4.m at end of March 2007 (March 2006 £8.0m)
- Excellent visibility of earnings:
 - Order book, including framework agreements, in excess of £1 bn
 - More than 70% of business in long-term maintenance contracts
- Growth strategy in place
- 100% customer retention
- Future opportunities in all of our target markets

Commenting on the results, David Sterry, Chief Executive, said:

“We have made significant progress during our first year as a public company, reporting record turnover and profits for the eighth year in succession, strong cash flow and an order book which exceeds £1bn. Our strategy of developing long-term customer relationships and high quality of service ensures that we can pursue strong organic growth, alongside a prudent approach to acquisitions driving long term earnings enhancement. With excellent visibility of earnings, a dedicated team of employees and the overall strength of our markets, we look forward with considerable confidence to the continued success of the business.”

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Chairman's introduction

After more than 80 years as a successful private company, May Gurney became a public company when it was admitted to AIM in June 2006. Since flotation we have continued to build on our long-term customer relationships, strengthening our extensive portfolio of partnering and framework contracts.

Performance

This is the eighth consecutive year that the Company has achieved record levels of both turnover and underlying profits. Turnover has grown by 11% and is above £400 million for the first time and underlying EBITA has grown by 13% achieving £15.5 million – a margin of 3.8%.

This growth has all been achieved almost entirely organically, with no material contribution in this financial year from AC Chesters & Son Ltd (AC Chesters), acquired in March 2007. The year saw good results from our core water utilities business and this latest acquisition will further enhance our position in an important segment of the water utilities market – mechanical and electrical services.

We have built upon our strong order book that now stands at £800 million and, with framework contracts included, exceeds £1 billion. Our continuing involvement with Norfolk County Council is a particularly good example of the strength of our long-term customer relationships, which this year has expanded to include providing local recycling and waste disposal services.

The overall success of our business, the strength of our balance sheet and excellent future prospects have encouraged our Board to recommend a final dividend of 2.1 pence per share, giving a total in the year of 3.0 pence per share.

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Strategy and outlook

Our growth strategy is focused on organic growth by continuing development of key long-term customer relationships in the public and regulated sectors, combined with our plans for earnings-enhancing acquisitions, aimed at adding value to our core services.

We are dedicated to being the best in our field of operations and attach great importance to our strong corporate culture, emphasising people development and high standards of customer service. Combining these factors with the continued strength of our main market – the maintenance and improvement of assets for public and regulated customers – we look forward with considerable confidence.

Tim Ross

Chairman

Business Review

We have made significant progress during the year, reporting record turnover and profits for the eighth year in succession, strong cash flow and a growing order book that exceeds £1 billion (including framework contracts).

Marketplace

We operate primarily in the infrastructure market, maintaining highways, water and gas installations, and enhancing general infrastructure across the UK, including roads, rail, waste treatment facilities, flood defence and public buildings.

Infrastructure investment typically derives from either public funding or as a result of regulation. Since the majority of our revenues come from maintenance activities, thereby supporting essential services, they are not subject to the peaks and troughs of capital spending. In addition, there is long-term investment in water, waste, gas and rail driven

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primarily by quality in the water market, regulation in the waste market, safety in the gas market and demand in the rail market.

Our core markets are sizeable – in highways, the County Council, Metropolitan Borough Councils, Unitary Authorities, Transport for London and the London Boroughs maintenance market is valued at £1.1 billion per annum [1] and the strategic network market (the Highways Agency) at £862 million per annum [2]. In the utilities market, water investment under AMP4 is expected to be c.£3.5 billion per annum (above and below ground assets) [3] for the next three years and in the gas market, OFGEM is allowing the gas distribution networks (GDN's) to recover £2.32 billion from customers in 2007-08, of which £946 million is to be for upgrading the network to benefit customers as part of a thirty-year investment programme (OFGEM are still to set the next price control period for 2008-2013). In the rail sector, Network Rail's business plan for the next two years shows expenditure in our core markets of £2 billion with growth in signalling and an additional £2.4 billion of enhancement expenditure [5]. This enhancement expenditure includes lengthened platforms, new platforms, new lines and capacity added through major re-signalling schemes.

May Gurney has a diversified market position, supported by long-term investment plans in a strong and growing market place.

Notes: [1] Transport Statistics for Great Britain 2005 edition. [2] Highways Agency Business Plan 2006/7. [3] OFWAT AMP Final Determination – 2005-2010. [4] OFGEM – Gas Distribution Price Control Review, One Year Control Final Proposals. December 2006. [5] Network Rail Business Plan 2007.

Strategy

Long-term relationships

Our strategy of developing long-term relationships in the public and regulated sectors and concentrating on maintenance and enhancement of existing infrastructure assets has been strongly supported by our new institutional investors and continues to be our focus.

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Our customer relationships are the heart of our strategy. We seek to add wider services with existing and new customers where we can continue to build strong long-term relationships. For example, adding waste recycling and treatment to our portfolio of services to local authorities where significant expenditure is planned in future years to meet landfill reduction targets. Deploying further innovative methodologies for effective customer relationship management is a key feature of our strategy over the next few years.

Integrated services

Although we operate within two segments (maintenance services and engineering and project services), and four sectors (highways, utilities, rail and infrastructure), we deliver through an integrated model where we cross-fertilise services and resources to maximise the solutions we provide to our customers.

Acquisitions

While we are primarily focused on organic growth, we will continue to pursue our policy of complementary acquisitions. We are constantly on the look out for potential acquisitions in our target market sectors that are earnings enhancing, have a culture that matches our focus on long-term relationships and whose management teams can integrate into May Gurney's business. The strength of our net cash position together with available facilities means that we have the ability to fund acquisitions from our existing resources. Currently, our target market sectors include utility maintenance in electricity, gas and telecommunications, utilities mechanical and electrical maintenance and waste management.

During the financial year we acquired AC Chesters, a mechanical and electrical (M&E) contractor with a strong order book for Severn Trent Water. The integration of the business is proceeding well and we are confident that this will prove a very successful acquisition for May Gurney. Our aim is to conclude similar bolt-on acquisitions during the current year.

Performance

This strategy of long-term relationships, integrated services and direct delivery have underpinned our growth in 2006/07 such that revenues have increased to £406 million which represents 11% growth (which is almost entirely organic), whilst underlying EBITA has

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increased to £15.5 million which represents a growth of 13%. The underlying EBITA margin has improved to 3.8%, despite the mobilisation of new contracts in the first half of the year that impacted on first half margins in the maintenance segment. Our net cash position at the year-end was £22.4 million.

Forward Order Book

At 31 March 2007 the forward order book stood at £800 million, which is a £40 million increase from the same period last year. Once we add framework contracts to the total, the forward order book exceeds £1 billion. The position reflects our success in renewing existing contracts and winning new ones. We continue to be selective in bidding for new opportunities. Nonetheless, we have a strong pipeline of attractive contracts over the next few years particularly in highways, waste, utilities and rail.

Outlook

Prospects for the business are positive in all of our markets. We continue to see strong demand for our services and with our order book exceeding £1 billion, we have good visibility of our workload over the next few years. By diversifying into the waste recycling and treatment market we have widened our service offering to our local authority customers and by development of technology and processes we are improving our ability to offer them efficiency improvements. This will be necessary to meet service standards in the tighter budget climate expected as a result of the Government's Comprehensive Spending Review 2007.

We are increasing our capability of providing the services required in the utilities sector, by the introduction of technology improvements and investment, particularly in water and gas. The acquisition of AC Chesters strengthens our position in the M&E maintenance market and we are pursuing other possibilities in the utilities sector. There is planned expenditure in the rail market as supported by the Network Rail Business Plan 2007. All these factors give us confidence that we will continue to deliver targeted growth in 2007/08 and beyond.

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Maintenance Services

Our Maintenance Services segment includes Highways and Utility Services and is concerned primarily with the maintenance of assets in highways, water and gas. We also undertake some enhancement work as part of all these long-term contracts. Revenues in this segment have increased to £253 million, representing growth of 14%. EBITA (Operating profit before amortisation and non-recurring items.) has grown to £9.4 million. Mobilisation costs in the first half of the year caused operating margins to fall to 3.7%, which recovered in the second half of the year.

Highway Services

Marketplace

We operate primarily in the county council maintenance market in England, of which we have a 12% market share with a high contract win rate. Contracts are generally re-bid on a five or seven-year cycle, although this period is gradually increasing. We seek customers with whom we can build long-term relationships and develop modern partnering contracts – all of our contracts are secure until at least 2009. In addition to the county council maintenance market – worth £1.1 billion – there is also the strategic network market valued at approximately £862 million per annum.

Strategy

Our strategy is to build on our core long-term contracts. We seek to retain contracts by the introduction of new technology and processes, thereby driving efficiency and value for money. We aim to add at least one major new customer per annum through our targeted bidding programme.

Performance

During 2006/07 we have successfully mobilised new contracts in West Sussex and Essex, renewed the street lighting contract in the London Borough of Redbridge and won a new contract in the London Borough of Bromley. The year 2006/07 has, as we predicted, seen the start-up cost of these new contracts impact on margins, but we anticipate that in 2007/08 this position will recover as the contracts mature. During the year we have invested in new

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equipment and new technology deploying our Works Order Management Systems (WOMS) in West Sussex, with East Sussex and Essex to follow.

Outlook

During 2007/08 we will be bidding a number of significant new long-term maintenance contracts and the sales pipeline for 2008/09 and 2009/10 looks strong. We anticipate strong growth in this market in the coming years.

Utility Services

Marketplace

We operate primarily in the clean water network and gas distribution markets. The water market is in the middle of the regulatory cycle Asset Management Plan 4 (AMP4) that concludes in 2010. Water investment under AMP4 is expected to be c.£3.5 billion per annum (above and below ground assets) over the next three years. In the gas market, OFGEM is allowing GDN's to recover £2.32 billion from customers in 2007/08, of which, £946 million is to be for upgrading the network to benefit customers as part of a thirty-year investment programme (OFGEM are still to set the next price control period for 2008-2013). There is also a shift in expenditure from clean water to waste water networks (due to increased pressure to resolve flooding and environmental issues) and we are adapting our capabilities to match this requirement. In addition, there are opportunities in the electricity and telecommunications markets where we have limited exposure at present.

Strategy

Our strategy is to build asset management expertise in clean water, waste water and gas markets, and to increase our maintenance skills in all areas – but particularly water ahead of the next regulatory period, AMP5. We will selectively explore opportunities, both organically and by acquisition in those markets where we are not currently active.

Performance

In the year 2006/07 we have seen good performances from our core network and maintenance activities in water and gas. The M&E engineering business in particular has done well, increasing its share of work for Anglian Water as well as providing a continuing

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service to United Utilities, South West Water, Wessex Water and Severn Trent Water. In March 2007 we further enhanced this business by acquiring AC Chesters, an M&E contractor, and thus strengthened our position further with Severn Trent Water. Our clean water networks contracts with South West Water, Cambridge Water and Essex & Suffolk Water, the latter of which has been re-secured during the year, are being continually improved by new processes, new technology and strengthened management. We expect these contracts to perform strongly in the remaining years of the AMP4 cycle and we are already preparing for the next cycle, AMP5 which is due to commence in 2010.

The amount of investment in waste water is increasing. Our Sewer Management Contract with South West Water is developing and we expect to carry out a wider portfolio of work in 2007/08. We are also seeing visibility of greater work opportunities in our alliance with Scottish Water Contracting for Scottish Water, with Anglian Water and Wessex Water.

Our gas business is also developing. The work for National Grid in the North West is performing well and there are opportunities to grow this further in future years as the customer looks to establish a larger and longer alliance. The work with Scotia Gas in Scotland is now gathering pace and we are likely to extend our area of activity into the South of England where Scotia Gas is also the network operator.

Outlook

With further opportunities with both existing and new customers in the clean and waste water markets, the added opportunity in gas and the opportunity to move into electricity and telecommunications, we look forward to the continuing growth of Utility Services business in the future.

Engineering & Project Services

Our Engineering & Project Services segment includes Rail Services and Infrastructure Services, the latter encompassing roads and bridges, flood defence, waste treatment and recycling, environmental engineering, geotechnical engineering and public building. Much of

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the work undertaken is in framework or term contracts and where this is not the case we are involved in the long-term through "Early Contractor Involvement" (ECI).

Revenues have grown in the segment to £153 million representing a growth of 9% on the prior year, with EBITA rising 33% to £6.0 million. The EBITA margin has also improved, growing to 3.9% following a strong performance in Infrastructure Services.

Rail Services

Marketplace

In the rail sector, Network Rail's business plan for the next two years shows expenditure in our core markets of £2 billion with growth in signalling and an additional £2.4 billion of enhancement expenditure. This enhancement expenditure includes lengthened platforms, new platforms, new lines and capacity added through major re-signalling schemes. Investment in future years is dependent on the High Level Operating Statement as part of the spending review 2007 when Network Rail will issue its plan for the next regulatory period. Parallel with this is the Government's commitment to London Underground, London Rail and Transport for Scotland, ensuring there is plenty of opportunity for investment in rail infrastructure and enhancement over the next few years.

Strategy

Our strategy is to deliver services through framework contracts in Structures, Property and Signalling, to bid for other contracts selectively where we have the resources available to meet delivery programmes and the efficiency targets required by Network Rail and the Rail Regulator. We will ensure sufficient time is available from our engineering teams to look for more innovative solutions, thereby supporting Network Rail's desire to be a world-class organisation.

Performance

Revenues have grown this year primarily as a result of additional work being carried out on the High Level Bridge in Newcastle. Our structures contracts in the London North East Territory (LNE) and our property contract in the East Anglia Territory continue to generate revenues in line with expectations. Margins however are continually under pressure with

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Network Rail's efficiency drive having an impact. During the period under review, our Signalling business was impacted as a result of the delayed signing of the Type "C" signalling contract, scheduled for mid year but delayed to January 2007. This contract is now in place and we anticipate signalling revenues to grow in 2007/08 in line with Network Rail's business plan.

Outlook

The structures work is mature and should have consistent revenues and margins in the next two years with the option of extensions for two years beyond that. The property contract has been extended to 2008 but will be re-bid during 2007 with an expected larger revenue potential. The Type C signalling contract will be mobilised in 2007/08 and hence there will be costs incurred before the contract settles into consistent revenue and returns. Given these circumstances we are cautious about rail growth in the next 12 months, although we do see potential for growth in future years.

Infrastructure Services

Marketplace

Infrastructure Services operates in a range of markets including national and regional road and bridge projects, national flood defence schemes, waste management infrastructure, geotechnical and environmental engineering and public buildings. Such diversity gives a good range of market sectors that move in different phases and enable us to develop skills that are readily transferable.

Strategy

Our strategy is to work in framework or Early Contractor Involvement (ECI) contracts with customers, with whom we can build long-term relationships and where we can be involved in the early stages of design and budget setting, that enables us to influence buildability and manage risk more effectively. As the more traditional road and bridge market has become more mature, we have moved our attention to waste management where DEFRA estimates £10 billion will be spent on waste treatment facilities over the next ten years and where we see ample opportunity for growth.

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Performance

Revenues have been strong this year primarily due to two ECI schemes reaching the implementation stage. These schemes for the Highways Agency and Kent County Council have been very successful in terms of delivery to time and budget. There have also been good levels of activity in flood defence with the Environment Agency National Framework, in roads and bridges for the frameworks for Lincolnshire and Suffolk County Councils and in geotechnical engineering. The framework contract for the Environment Agency has been successfully re-bid under the Team Van Oord banner with new projects commencing in the spring/early summer of 2007.

Waste Management is a continuing area of growth. Work in landfill engineering has grown in 2006/07 although we anticipate that this will fall back in future years. We view the area for growth as waste recycling and waste treatment. During the year we secured a household waste recycling contract for Norfolk County Council in joint venture with Environmental Waste Controls (EWC). The contract commenced in April 2007 and hence has had no impact on the 2006/07 year and there will be some mobilisation impact in the first half of 2007/08. We anticipate that this will be the first of many opportunities that we will be able to pursue with existing customers, which involve the recycling or treatment of waste. In addition, we are part of the SRM (Sustainable Resource Management) consortium that expects to be appointed as preferred bidder on a waste treatment facility worth £500 million over 25 years for the same customer. This could pave the way for future contracts in this area as local authorities and DEFRA seek alternative solutions to PFI.

Outlook

The national roads market has moved into a phase of major motorway widening which carries a risk profile that is out of step with the size of our business. Hence this market is likely to decline in the short term. Local authority capital spending is also likely to come under the spotlight due to pressure on public spending subsequent to the Comprehensive Spending Review 2007. However, we do see opportunities in the waste and environmental markets and since Infrastructure Services provides integrated services to our other sectors, we see ample opportunity for the full utilisation of our resources in 2007/08 and growth opportunities beyond

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Financial Review

Revenues have increased by 11% to £406 million, underlying EBITA [1] is up 13% to £15.5 million, underlying earnings per share [2] increased by 11%, cash generation remains strong – operating cash flow [3] of £8.0 million – the balance sheet remains robust and our pension scheme is fully funded on the basis of the IAS 19 actuarial assumptions.

Notes: [1] Underlying EBITA is Group operating profit before amortisation and non-recurring items. [2] Underlying earnings per share is calculated by adding back shares held by employee trusts to the weighted average number of shares and by excluding amortisation and exceptional amounts such as property disposals and flotation costs. Basic earnings per share 17.70 pence (2006: 22.49 pence). Diluted earnings per share 16.21 pence (2006: 19.69 pence). [3] Operating cash flow is cash generated from operations plus net interest received, less corporation tax paid and less net capital expenditure.

Turnover

Turnover has grown by 11% in the year, generated almost entirely by organic growth. Our order book remains substantial, giving us confidence in the sustainability of our turnover levels.

Underlying EBITA

Margins increased to 3.8% despite the impact of significant contract mobilisations in the first half of the year.

Profit before tax

The profit from the sale of the Legislator joint venture has offset the costs of our IPO. Interest on the cash that has been generated from both events, together with ongoing amortisation of intangible assets, have contributed to a profit before tax of £15.2 million. In 2006 profit before tax was influenced by the non-recurring profits from the sale of the Asphalt Plant in January 2006.

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Tax

Our tax rate this year is 29.6%. The actual tax payments for 2007 and 2008 should benefit from the impact of the pensions contribution following flotation and the employee share issues at the time of flotation (under IFRS most of the benefit of such tax relief is taken directly to reserves).

As a result of the flotation, a significant deferred tax asset has been recognised in the period, representing the potential future corporation tax relief arising on the future exercise of existing share options arrangements. Based on the share price at the period end, the related deferred tax asset at 31 March 2007 was £4.9 million.

Earnings per share

Underlying earnings per share increased by 11% to 16.95 pence per share (2005 15.28 pence).

Underlying earnings per share is calculated by adding back shares held by employee trusts to the weighted average number of shares and by excluding amortisation and exceptional amounts such as property disposals and flotation costs.

Cash

Cash generated from operations in the year was £14.9 million. Positive cash generation was maintained despite the working capital needed for the mobilisation of new contracts in the first half of the year. No further investment in working capital was required in the second half of the year.

At the year end we had net cash (cash at bank less loans, loan notes and finance lease obligations) of £22.4 million (2006: net cash of £8.0 million). This includes the funds raised on flotation and the cash generated from the sale of our non-core interest in the Legislator property joint venture, offset by the flotation costs, investment in AC Chesters and a special pension contribution of £3.5 million. The positive movement in the year also reflects the strong operational cash flow that May Gurney continues to generate.

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Balance sheet

We continue to invest in fixed assets where secured contracts mean that we have a high level of confidence in utilisation and returns.

Our working capital position is influenced by the seasonal and monthly cycles that apply in our chosen sectors. While the quality of our long-term relationships and the maintenance based nature of much of our work means that this volatility is much reduced from previous years, some fluctuation remains. Also, new contract mobilisations now tend to absorb working capital as we pay our workforce before we are paid. Consequently we retain higher levels of funding facilities than are needed on an ongoing basis.

We have taken the opportunity provided by our fundraising and the subsequent expiry of the break clause period on our bank loans to restructure our bank financing. All our bank loans have been repaid, although we continue to use asset based finance for our investment in plant and equipment.

IPO costs that related to the issue of new shares have been offset against the share premium reserve. Other related costs have been charged to the profit and loss account.

In July 2006 we paid a further £3.5 million into our defined benefit pension scheme. This was in addition to £2.5 million injected in March 2006, making the pension scheme fully funded at the year end on the basis of the IAS 19 actuarial assumptions. It is closed to new entrants and the asset weighting in the scheme has been further adjusted towards bonds and property in order to minimise the future risk of substantial pension deficits. The next actuarial review is due in March 2008 when there is likely to be a change in the mortality assumptions.

Our balance sheet remains well structured and is a sound platform for the increasingly long-term contracts that we are securing with our principal customers. It should also facilitate May Gurney's participation in the ongoing consolidation of our industry.

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Accounting policies

Our reporting is fully IFRS compliant; no further impact is expected from the transition. All our policies remain consistent with those of the previous year.

Dividends

A final dividend of 2.1 pence per share will be paid on 6 July 2007 to shareholders on the register at 8 June 2007. In line with expectations set on Admission to AIM, the dividend is pro-rated to adjust for the period that the Company was unquoted.

Employee Share Ownership Trust

The business operates an Employee Share Ownership Trust (ESOT). Shares owned by the ESOT are shown as a reduction in reserves. Periodically payments are made by May Gurney to the ESOT to reimburse the ESOT for selling shares to employees at less than cost.

Summary

May Gurney has been able to continue its successful financial progress during the financial year to March 2007. The financial base is sound and will provide an excellent platform for our anticipated further development.

About May Gurney

May Gurney is a dynamic integrated support and construction services company providing maintenance and enhancement services to the highways, rail, utilities and general infrastructure markets, primarily with public sector and regulated sector customers, across the UK. The company focuses on long term relationships, has 3,200 employees and delivers solutions through two primary business segments - Maintenance Services and Engineering & Project Services.

The **Maintenance Services** segment is focused on the core markets of highways and utilities. Activities include highways maintenance under long term partnerships with Local Authorities and network improvement and maintenance services provided to major UK utilities networks under long-term framework contracts.

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The **Engineering & Project Services** segment serves public and regulated sector clients across a broad range of industries. Core services include the enhancement of road and rail infrastructure, waste management, flood protection, ground remediation, foundations, geotechnical engineering and building.

For further details about May Gurney please go to www.maygurney.co.uk

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