

# **Third Quarter FY 2007: Earnings Call**

**Wednesday, October 10, 2007**

**J.M. Bernhard, Jr.**  
**Chairman, President & Chief Executive Officer**

**Brian K. Ferraioli**  
**Executive Vice President & Chief Financial Officer**

# Forward Looking Statements & Regulation G Disclosure

**This presentation contains forward-looking information and statements within the meaning of the Private Securities Litigation Act of 1995. The words “believe,” “expect,” “anticipate,” “plan,” “intend,” “foresee,” “should,” “would,” “could,” or other similar expressions are intended to identify forward-looking statements. However, the absence of these words does not mean that the statements are not forward-looking. Actual results may differ materially from those expressed or implied by forward-looking statements as a result of many factors or events, including the factors we discuss or refer to in the “Risk Factors” section of our most recent Annual Report on Form 10-K/A, Quarterly Reports on Forms 10-Q and 10Q/A and Current Reports on Form 8-K filed with the Securities and Exchange Commission and on our website under the heading “Forward-Looking Statements.”**

**This presentation contains non-GAAP measures as defined by the Securities and Exchange Commission rules. A reconciliation of these measures to the most directly comparable GAAP measures is included in the attached appendix and on our website at [www.shawgrp.com](http://www.shawgrp.com) in the Investor Relations section under Regulation G Disclosures.**

# Q3 2007: Recap and Status

- Strong Third Quarter Financial Performance
- Markets for Our Services Remain Strong
- Improved Execution on Projects

Q3 FY 2007		
(in millions, except per share data)		
Revenue	\$	1,601
EBITDA		92 *
EBITDA - Excluding Westinghouse		74 *
EPS - Excluding Westinghouse	\$	0.60 *
Operating Cash Flow	\$	131
Q3 New Awards	\$	3,600

# Business Segments



**Fossil & Nuclear**



**Maintenance**



**Energy &  
Chemicals**



**Fabrication &  
Manufacturing**

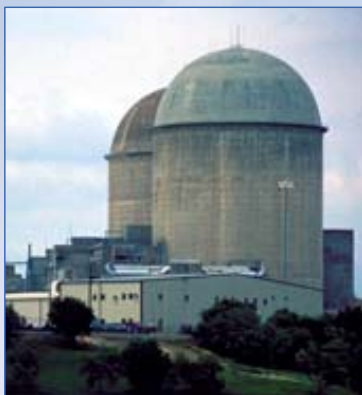


**Environmental &  
Infrastructure**

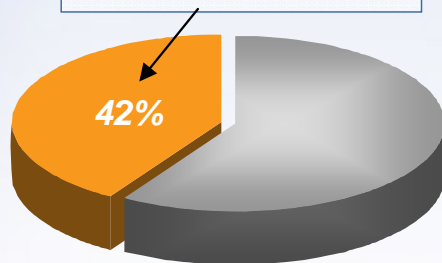
**The Shaw Group Inc. is a full service provider of engineering, design, technology, procurement, construction, maintenance, fabrication, manufacturing, consulting and facilities management services for private sector and government clients in the energy, chemicals, environmental, infrastructure and emergency response markets.**



# Fossil and Nuclear



Fossil and Nuclear  
Backlog:  
\$5.5 billion



Total Backlog: \$13.3 billion

## Market

- Strong demand for fossil services
- Combined cycle gas technology re-emergence
- New nuclear deployment

## Q3 2007: New Awards

### New Awards: \$1.2 billion

- AEP Turk - coal-fired power plant - \$700 million
- PSEG Mercer - air emissions control project - \$440 million
- Nuclear power uprate study

## Significant Customers

- |                       |   |
|-----------------------|---|
| • Duke                | • Entergy                               |
| • Dominion            | • SCANA                                 |
| • Mirant              | • Progress                              |
| • Entergy             | • Dominion                              |
| • Cleco               | • KOPEC                                 |
| • AEP                 | • Florida Power and Light               |
| • PSEG                | • First Energy                          |
| • PPL                 | • Chinese State Nuclear Power Companies |
| • NRG                 | • Louisiana Energy Services             |
| • Southern            |   |
| • Xcel Energy         |   |
| • China Light & Power |   |

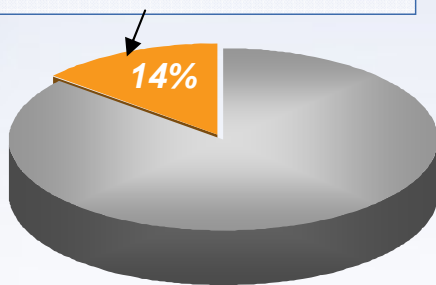
An industry leader in new coal-fired capacity

AP1000 Consortium  
executing four nuclear  
reactors in China

# Maintenance



Maintenance Backlog:  
\$1.9 billion



Total Backlog: \$13.3 billion

## Market

- Fossil and nuclear plant fleet-wide agreements
- Petrochemical and refining customers

## Q3 2007: New Awards

### New Awards: \$412 million

- Uprate services for an existing nuclear client
- Construction of new unit in petrochemical complex
- Fleet-wide maintenance agreement for chemical client

## Significant Customers

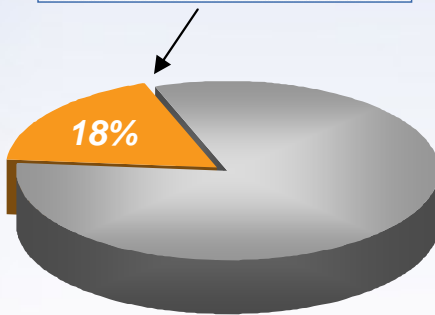
- Tennessee Valley Authority
- Entergy
- Exelon
- Southern
- NRG
- PSEG
- Honeywell
- Shintech
- Huntsman
- Pioneer Companies
- Occidental Chemical

Provide maintenance services to approximately 40% of the nuclear reactors in the U.S.

# Energy & Chemicals



E & C Backlog:  
\$2.5 billion



## Market

- Worldwide growth in all sectors and regions
- High global demand for olefins and derivatives
- Refining margins remain strong worldwide

## Q3 2007: New Awards

### New Awards: \$1.4 billion

- ExxonMobil Chemical-olefins recovery facility EPC project in Singapore
- Abu Dhabi Marine Operating Co. – offshore gas well injection project

## Significant Customers

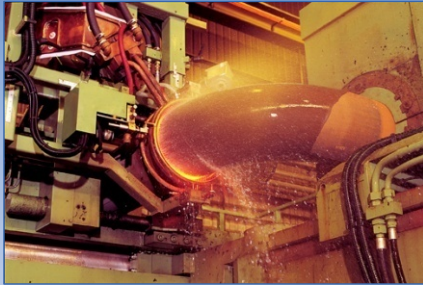
- |                   |                   |
|-------------------|-------------------|
| • Aramco          | • PetroChina      |
| • BASF            | • SABIC           |
| • BP              | • Shell           |
| • Chevron         | • Sinopec         |
| • Conoco Phillips | • Sonatrach       |
| • Dow             | • QAPCO           |
| • ExxonMobil      | • Qatar Petroleum |
|                   | • Marathon        |

Supplier of 35% of the world's incremental ethylene production capacity since 1995

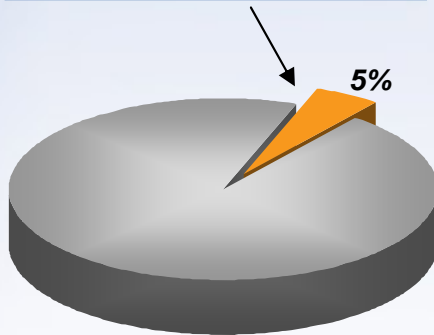
Total Backlog: \$13.3 billion



# Fabrication & Manufacturing



**F & M Backlog:**  
**\$0.7 billion**



**Total Backlog: \$13.3 billion**

## Market

- International and domestic markets are strong
- Expanding capacity
- Anticipated nuclear market

## Significant Customers

- Marathon
- ConocoPhillips
- Alstom
- Fluor
- Kiewit
- ExxonMobil
- Jacobs
- BASF
- JGC
- Total
- BP

## Q3 2007: New Awards

### New Awards: \$261 million

- Pipe fabrication for ExxonMobil Chemical
- Pipe fabrication for new coal facility

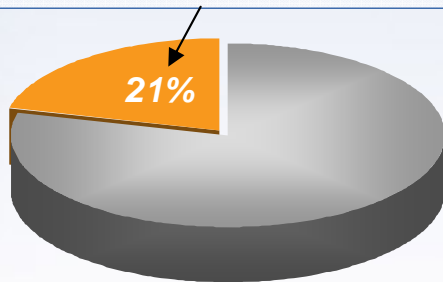
**Largest supplier of  
fabricated piping in the U.S.**



# Environmental & Infrastructure



E & I Backlog:  
\$2.7 billion



Total Backlog: \$13.3 billion

## Market

- Environmental remediation services for the U.S. government and large corporate clients
- Infrastructure opportunities

## Q3 2007: New Awards

### New Awards: \$269 million

- MOX construction (interim agreement)
- NASA Kennedy Space Center multiple award construction contract

## Significant Customers

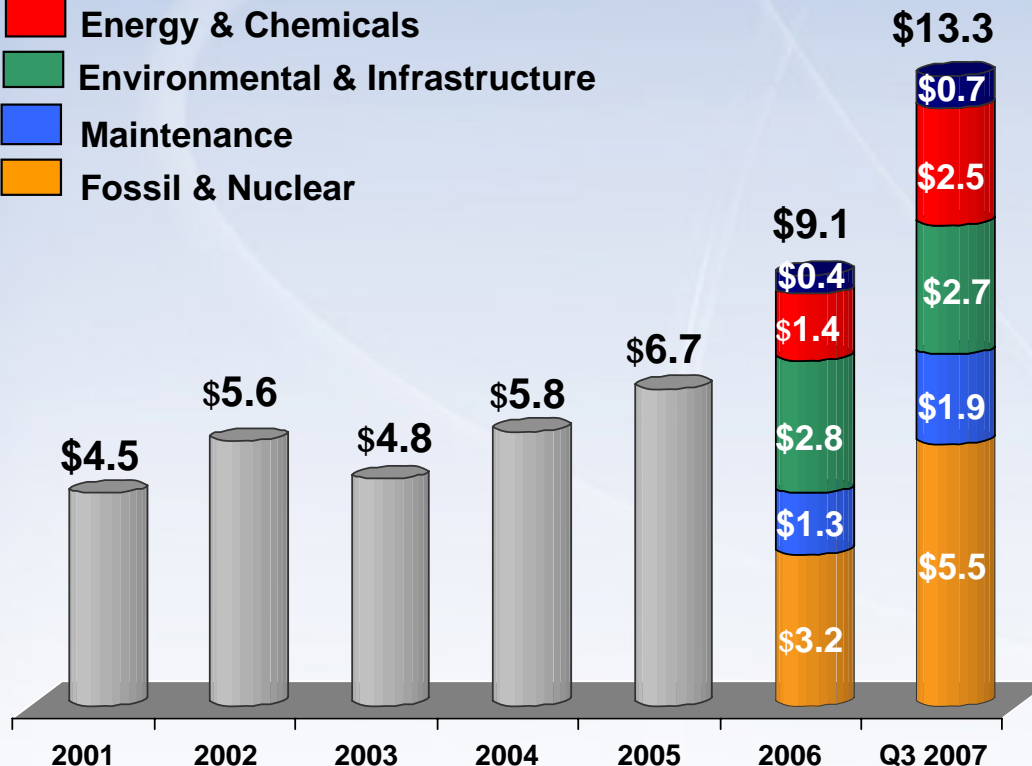
- U.S. Government
  - Defense
  - Energy
  - EPA
  - Homeland Security
- State/Local Government
  - Louisiana
  - Georgia
  - New York
  - Regional Authorities
- Commercial Customers
  - Waste Management
  - Honeywell

One of the largest and most experienced environmental remediation and emergency response contractors in the U.S.

# Business Segment Backlog and Backlog Conversion

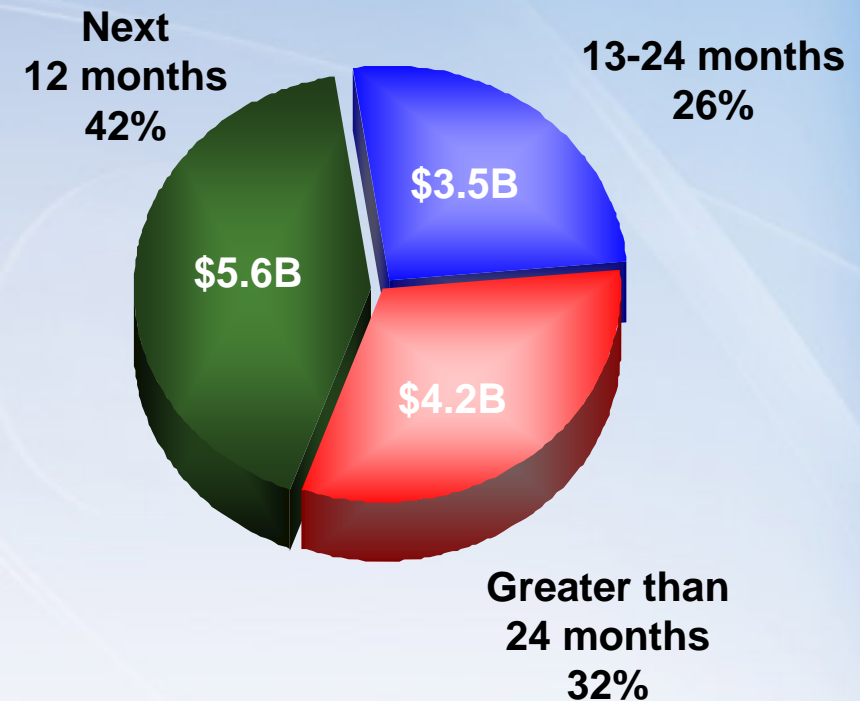
## Backlog by Business Segment

(\$ in billions)



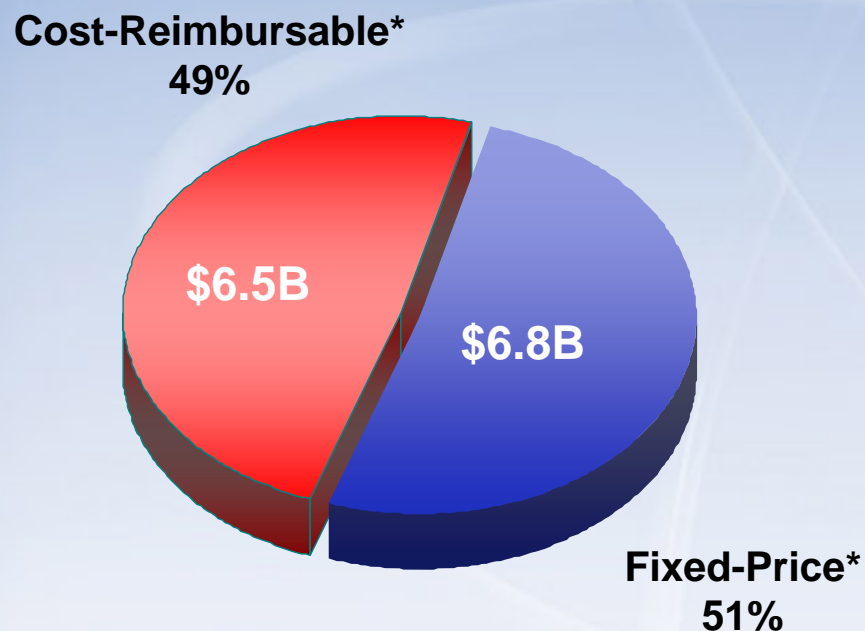
**Record Backlog at Q3 2007**

## Q3 2007: Backlog Conversion

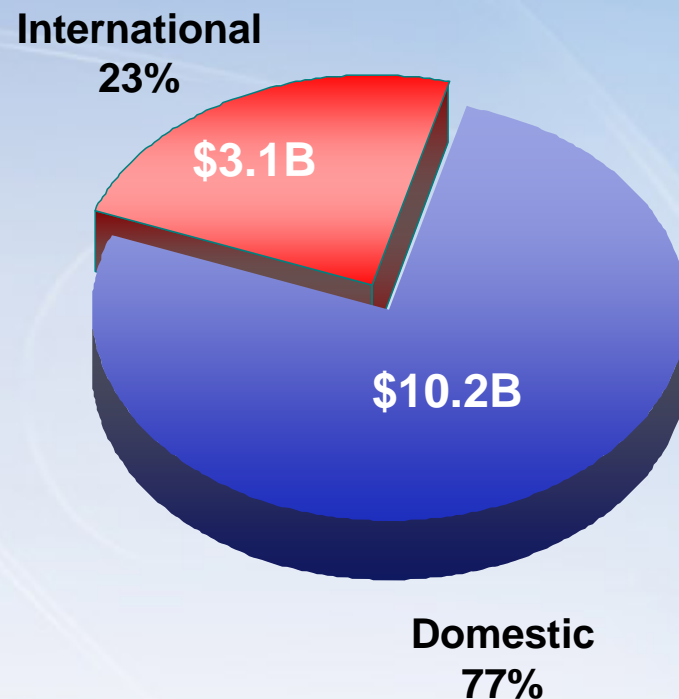


# Backlog Profile

Q3 2007: Backlog by Contract Type



Q3 2007: Backlog by Geography



Note: There are no true lump sum turnkey contracts within the "Fixed Price" category

# Financial Overview

- Consolidated Financial Highlights
- Segment Analysis
- Q4 Outlook
- FY 2008 Outlook
- Summary



# Q3 FY 2007: Quarter in Summary

(in millions, except per share data)

	Q3 FY 2007			Q3 FY 2006
	As Reported	Westinghouse Segment	Actuals Excluding Westinghouse**	Actuals*
<b>Revenue</b>	\$ 1,601.4	N/A	\$ 1,601.4	\$ 1,226.7
<b>EBITDA**</b>	92.2	18.0	74.2	(15.7)
<b>EBITDA %</b>	5.8%	N/A	4.6%	-1.3%
<b>Net Income</b>	54.6	5.7	48.9	(16.7)
<b>Diluted EPS</b>	0.67	0.07	0.60	(0.21)
<b>New Awards</b>	3,600	N/A	3,600	1,700
<b>Backlog</b>	13,300	N/A	13,300	8,000

\* Q3 FY 2006 not presented excluding Westinghouse because investment agreement was completed in Q1 FY 2007

**Strong Quarter, Continued Growth  
Backlog Up \$5B over Q3 FY 2006**

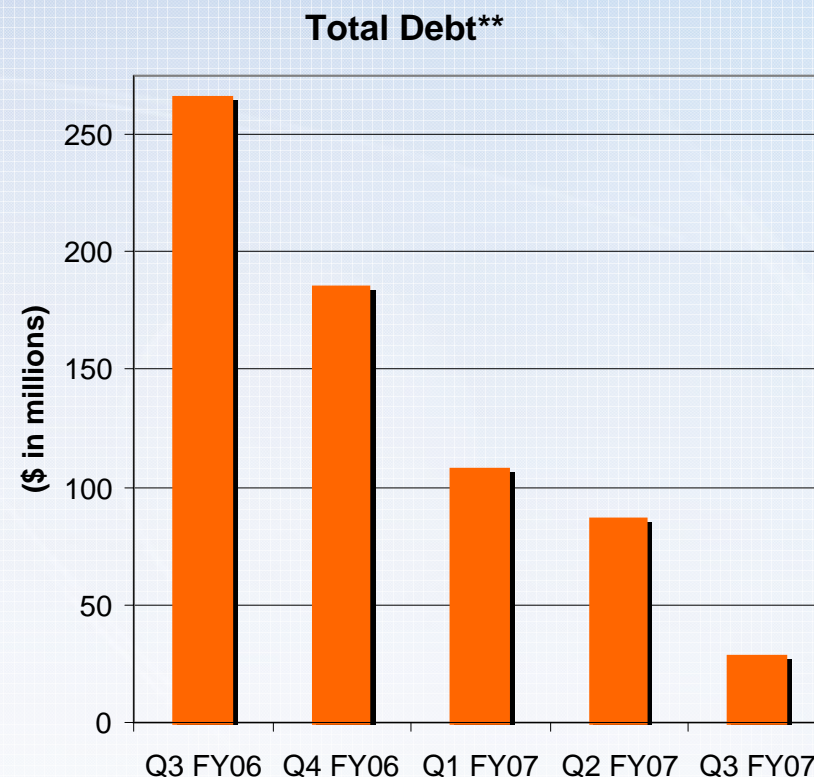
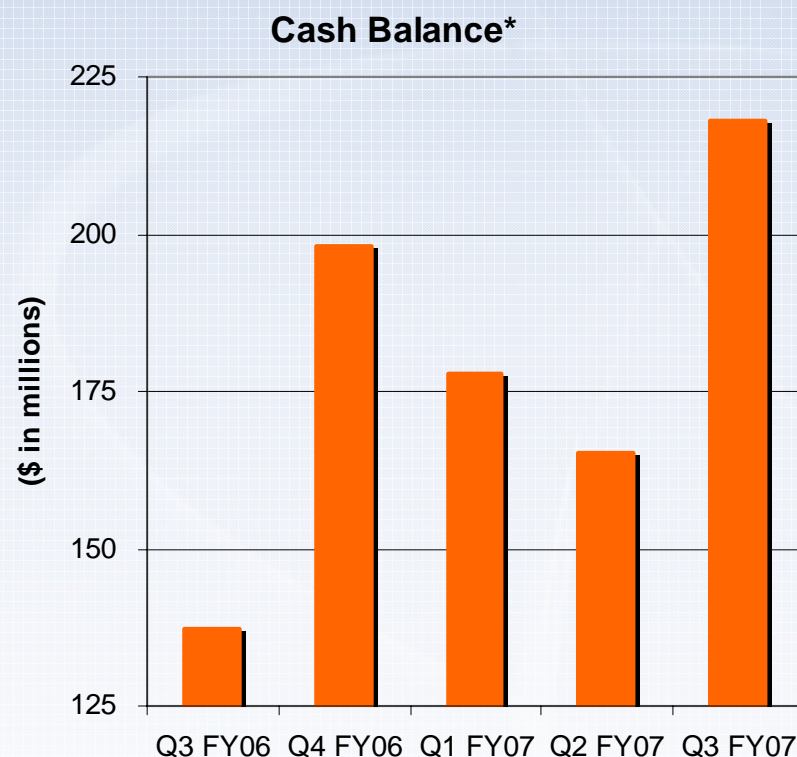
# Q3 2007: Segment Analysis

	Revenue		Gross Profit		Gross Profit %	
	Q3 FY 2007	Q3 FY 2006	Q3 FY 2007	Q3 FY 2006	Q3 FY 2007	Q3 FY 2006
<b>Fossil &amp; Nuclear</b>	\$ 441.4	\$ 180.2	\$ 33.9	\$ (54.6)	7.7%	(30.3)%
<b>E&amp;C*</b>	167.0	134.5	25.2	14.7	15.1%	10.9%
<b>Maintenance</b>	363.2	296.5	16.9	10.6	4.7%	3.6%
<b>E&amp;I</b>	381.1	513.4	29.0	45.6	7.6%	8.9%
<b>F&amp;M</b>	122.4	73.1	30.5	17.6	25.0%	24.1%
	<b>\$ 1,475.1</b>	<b>\$ 1,197.7</b>	<b>\$ 135.5</b>	<b>\$ 33.9</b>	<b>9.2%</b>	<b>2.8%</b>

**Record Revenues and Gross Profit**

\*E&C revenues presented net of pass through costs of \$126.3M and \$29.1M for Q3 FY 2007 and Q3 FY 2006, respectively. See Appendix for a reconciliation to the corresponding GAAP measure.

# Q3 2007: Cash and Debt



**Cash and Debt balances have improved significantly from Q3 FY 2006**

\*Cash balance represents the sum of cash, cash equivalents and restricted cash.

\*\* Total debt excludes Japanese Yen-denominated bonds secured by Investment in Westinghouse. See Appendix for a reconciliation of the corresponding GAAP measure.

## Q4 2007: Outlook

- Segments remain very active, revenue expected to be slightly greater than Q3
- Q4 Earnings (excluding Westinghouse) still open, but expected to be consistent with Q3
- \$52 Million Non-Cash Currency Translation Loss on Westinghouse Debt
- Operating Cash Flow expected to be greater than \$165 million
- Backlog expected to be \$14.3 billion

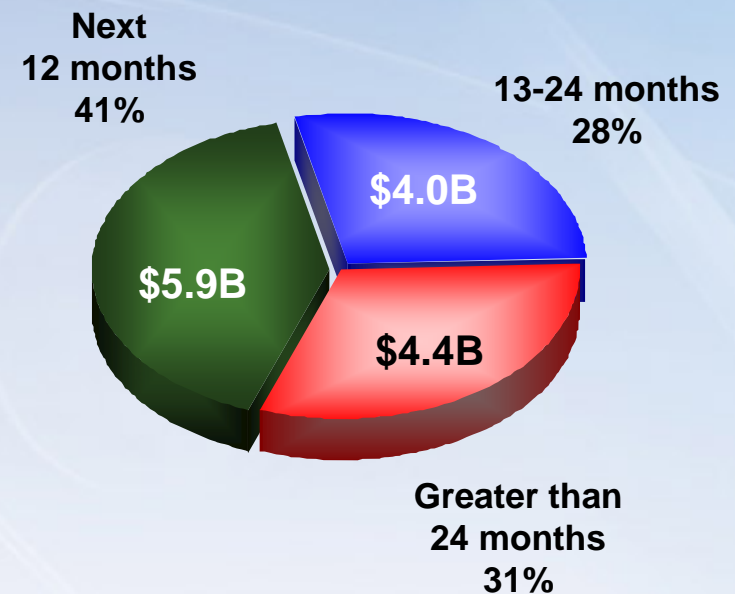
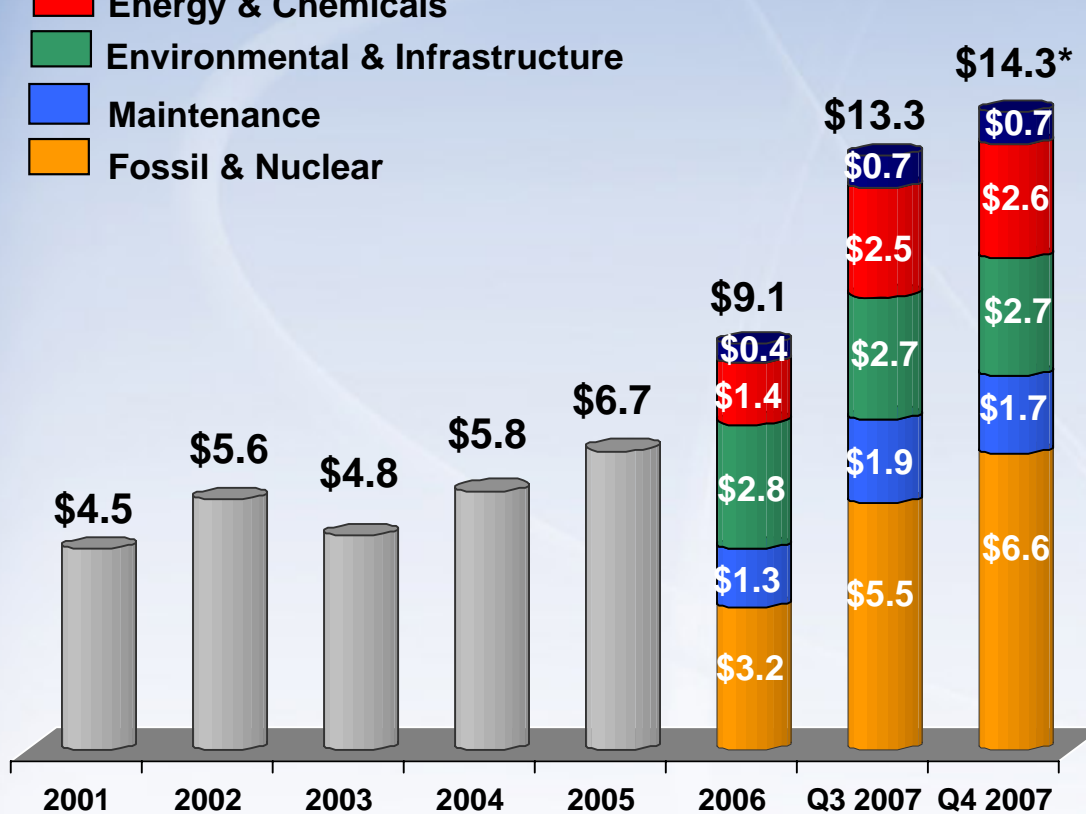


# Business Segment Backlog and Backlog Conversion

## Backlog by Business Segment

## Estimated Q4 2007: Backlog Conversion

(\$ in billions)



**Record Estimated Backlog at August 31, 2007**

# FY2008 Guidance

## Estimated FY 2008

(in millions, except per share data)

Revenue	Approximately \$7,000
Diluted EPS excluding Westinghouse	\$ 2.30 - \$ 2.60
Operating cash flow	In excess of \$400

- **Markets served by Fossil & Nuclear, E&C, Maintenance and F&M segments remain very robust**
- **FY 2008 earnings - more execution than bookings dependent**
- **Balance Sheet expected to continue to strengthen**

# Summary

- **Record Revenue in Q3**
- **Record Earnings in Q3**
- **Record Backlog in Q3**
- **Record Backlog Expected for Q4**
- **Markets Remain Strong**



# Investor Relations Contact Information

Chris D. Sammons

Vice President, Investor Relations

225.932.2546

[chris.sammons@shawgrp.com](mailto:chris.sammons@shawgrp.com)

Chris M. Chambers

Manager, Investor Relations

225.987.7372

[chris.chambers@shawgrp.com](mailto:chris.chambers@shawgrp.com)



# **Third Quarter FY 2007: Earnings Call**

## **Regulation G Appendices**

**Wednesday, October 10, 2007**

# Appendix 1: EBITDA Reconciliation

(in millions)	Q3 FY 2007			Q3 FY 2006
	As Reported	Westinghouse Segment	Actuals Excluding Westinghouse	Actuals
<b>Net Income (Loss)</b>	<b>\$ 54.6</b>	<b>\$ 5.7</b>	<b>\$ 48.9</b>	<b>\$ (16.7)</b>
Interest Expense	11.6	8.5	3.1	4.9
Depreciation and Amortization	10.1	-	10.1	8.3
Provision for Income Taxes	15.7	2.7	13.0	(12.2)
Income Taxes on Unconsolidated Subs	0.3	1.1	(0.8)	0.2
Income Taxes on Discontinued Ops	(0.1)	-	(0.1)	(0.2)
<b>EBITDA</b>	<b>\$ 92.2</b>	<b>\$ 18.0</b>	<b>\$ 74.2</b>	<b>\$ (15.7)</b>
Revenue	1,601.4	N/A	1,601.4	1,227.0
<b>EBITDA %</b>	<b>5.8%</b>	<b>N/A</b>	<b>4.6%</b>	<b>-1.3%</b>

Note: EBITDA is defined as income (loss) before interest expense, income taxes, depreciation and amortization. EBITDA is an important financial measure used by The Shaw Group Inc. to assess performance.

# Appendix 2: Reconciliation of Income excluding Westinghouse

(in millions, except per share data)

Q3 FY 2007			
Quarter ended May 31, 2007			
	As Reported	Westinghouse Segment	Actuals Excluding Westinghouse
Revenues	\$1,601.4	\$0.0	\$1,601.4
Cost of revenues	1,465.9	0.0	1,465.9
Gross profit	135.5	0.0	135.5
General and administrative expenses	68.5	0.1	68.4
Operating income (loss)	67.0	(0.1)	67.1
Interest expense	(3.1)	0.0	(3.1)
Interest expense on JPY-denominated bonds including accretion and amortization	(8.5)	(8.5)	0.0
Interest income	3.0	0.0	3.0
Foreign currency translation gains (losses) on JPY-denominated bonds, net	15.4	15.4	0.0
Other foreign currency transaction gains (losses), net	(0.3)	0.0	(0.3)
Other income (expense), net	0.4	0.0	0.4
	6.9	6.9	0.0
Income (loss) before income taxes, minority interest, earnings (losses) from unconsolidated entities and loss from and impairment of discontinued operations	73.9	6.8	67.1
Provision (benefit) for income taxes	15.7	2.7	13.0
Income (loss) before minority interest, earnings (losses) from unconsolidated entities and loss from and impairment of discontinued operations	58.2	4.1	54.1
Minority interest	(4.3)	0.0	(4.3)
Income from 20% Investment in Westinghouse, net of income taxes	1.6	1.6	0.0
Earnings (losses) from unconsolidated entities, net of income taxes	(0.8)	0.0	(0.8)
Income (loss) from continuing operations	54.7	5.7	49.0
Loss from and impairment of discontinued operations, net of income taxes	(0.1)	0.0	(0.1)
Net income (loss)	\$54.6	\$5.7	\$48.9
Net income (loss) per common share:			
Basic income (loss) per common share	\$ 0.68	\$ 0.07	\$ 0.61
Diluted income (loss) per common share	\$ 0.67	\$ 0.07	\$ 0.60
Weighted average shares outstanding:			
Basic	80.1	80.1	80.1
Diluted:	81.9	81.9	81.9

# Appendix 3: Pass-Through Revenues and Cost Reconciliation

(in millions)

Income:

Revenues

Cost of Revenues

Gross Profit

Energy and Chemicals Q3 FY 2007		Energy and Chemicals Q3 FY 2007 Pass-Through Costs		Energy and Chemicals Q3 FY 2007 Excluding Pass-Through Costs	
Revenue	%	Revenue	%	Revenue	%
\$ 293.3	100.0%	\$ (126.3)	100.0%	\$ 167.0	100.0%
268.1	91.4%	(126.3)	100.0%	141.8	84.9%
\$ 25.2	8.6%	\$ -	0.0%	\$ 25.2	15.1%

(in millions)

Income:

Revenues

Cost of Revenues

Gross Profit

Energy and Chemicals Q3 FY 2006		Energy and Chemicals Q3 FY 2006 Pass-Through Costs		Energy and Chemicals Q3 FY 2006 Excluding Pass-Through Costs	
Revenue	%	Revenue	%	Revenue	%
\$ 163.6	100.0%	\$ (29.1)	100.0%	\$ 134.5	100.0%
148.9	91.0%	(29.1)	100.0%	119.8	89.1%
\$ 14.7	9.0%	\$ -	0.0%	\$ 14.7	10.9%



# Appendix 4: Total Debt Reconciliation

(in millions)

	Q3 FY 2007	Q2 FY 2007	Q1 FY 2007	Q4 FY 2006	Q3 FY 2006
Current maturities of long-term debt	\$8.8	\$9.1	\$5.8	\$2.5	\$6.5
Short-term revolving line of credit	2.8	2.7	2.5	5.5	5.8
Short-term debt	3.1	6.6	10.4	1.9	0.0
Current portion of obligations under capital leases	2.2	2.2	1.8	1.8	2.0
Revolving line of credit	0.0	39.0	53.0	145.5	226.4
Long-term debt, less current maturities	8.6	23.8	30.3	24.6	21.5
Japanese Yen-denominated long-term bonds secured by Investment in Westinghouse, net	1,033.9	1,048.3	1,080.6	-	-
Obligations under capital leases, less current portion	2.2	2.8	3.0	3.4	3.6
<b>Total Debt</b>	<b>\$1,061.6</b>	<b>\$1,134.5</b>	<b>\$1,187.4</b>	<b>\$185.2</b>	<b>\$265.8</b>
Less: Westinghouse Debt	1,033.9	1,048.3	1,080.6	-	-
<b>Total Debt, excluding Westinghouse</b>	<b>\$27.7</b>	<b>\$86.2</b>	<b>\$106.8</b>	<b>\$185.2</b>	<b>\$265.8</b>

# Appendix 5: Reconciliation Projected FY 2008 Earnings Per Share

	Year ended August 31, 2008 Projections	
	Low Range	High Range
Diluted Earnings Per Share	\$ 2.10	\$ 2.40
Investment in Westinghouse Earnings Per Share	(0.20)	(0.20)
Diluted Earnings Per Share Excluding Investment in Westinghouse	\$ 2.30	\$ 2.60