



## PRESS RELEASE

For Immediate Release

May 8, 2008

### The Churchill Corporation Reports Record First Quarter Results

Edmonton, Canada - The Churchill Corporation (TSX: CUQ) today announced record financial results for its first quarter ended March 31, 2008.

#### CONSOLIDATED FINANCIAL HIGHLIGHTS

| (\$ millions, except<br>per share amounts) | Three months ended<br>March 31 |           |              |             |
|--|--------------------------------|-----------|--------------|-------------|
|  | 2008                           | 2007      | \$<br>Change | %<br>Change |
| Contract Revenue                           | \$184.0                        | \$153.9   | \$30.1       | 20%         |
| Contract Income                            | 17.9                           | 12.4      | 5.5          | 44%         |
| EBITDA <sup>(1)</sup>                      | 8.1                            | 4.3       | 3.8          | 88%         |
| Earnings before Tax                        | 6.9                            | 3.3       | 3.6          | 109%        |
| Net Earnings                               | 4.5                            | 2.3       | 2.2          | 96%         |
| Per Share - Basic                          | \$0.25                         | \$0.13    | \$0.12       | 92%         |
| Work-in-hand <sup>(2)</sup>                | 639.7                          | 596.6     | 43.1         | 7%          |
| Backlog <sup>(3)</sup>                     | \$1,428.0                      | \$1,047.1 | \$380.9      | 36%         |

<sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup> Refer to the “Terminology” section for further details.

The Corporation posted first quarter contract revenue of \$184.0 million and net earnings of \$4.5 million, or \$0.25 per basic common share. These results compare to contract revenue of \$153.9 million and net earnings of \$2.3 million, or \$0.13 per basic common share, for the first quarter of 2007.

“Our first quarter results were very strong,” said Chairman and Interim Chief Executive Officer, Peter Adams. “Strong demand and solid execution on infrastructure and industrial projects by all four of our operating companies enabled us to make significant revenue and profit gains during this quarter. On a year-over-year basis our backlog has grown by 36% and we are optimistic that we will see further awards as 2008 unfolds.”

#### FIRST QUARTER RESULTS

For the first quarter of 2008, consolidated contract revenue was \$184.0 million, which was \$30.1 million or 20% greater than the same period in 2007. This higher level of revenue on a year-over-year basis was a result of continued strength in our building construction segment and significant growth in our industrial general contracting segment.

Contract income increased from \$12.4 million in the first quarter of 2007 to \$17.9 million in the current period as stronger margins in all of our business segments improved overall results.

Indirect and administrative expenses amounted to \$10.8 million in the quarter, compared to \$8.6 million in the comparable period of 2007, reflecting increased expenses associated with higher revenue.

Earnings before interest, taxes, depreciation and amortization in the quarter were \$8.1 million, compared to \$4.3 million in the first quarter of 2007. Earnings before tax in Q1 2008 increased 109% to \$6.9 million, compared to \$3.3 million reported in Q1 2007. All of the operating companies were profitable in the first quarter of 2008. The Corporation's consolidated net earnings for the three months ended March 31, 2008 were \$4.5 million compared to net earnings of \$2.3 million in 2007.

Work-in-hand at March 31, 2008 was \$639.7 million, an increase of \$43.1 million compared to \$596.6 million in the first quarter of 2007. New contract awards of \$109.9 million were booked in the current quarter, which compares with \$256.7 million in Q1 2007. The majority of the variance in new work secured was from the buildings segment. Stuart Olson is targeting certain large projects within Alberta and British Columbia with a view to securing new projects for late 2008 and early 2009 construction.

## **RESULTS OF OPERATIONS**

### **Buildings**

For the three months ended March 31, 2008, Stuart Olson's revenue increased by \$28.2 million to \$127.4 million, compared to \$99.2 million in the prior year. The company experienced higher levels of activity at all the branches, however growth was particularly strong in the British Columbia branch. Stuart Olson was active during the period on projects ranging from educational and healthcare facilities, to civic infrastructure and commercial buildings.

Contract income in the first quarter increased 73% to \$10.7 million from \$6.2 million for the same period in 2007. Contract income margin percentage increased to 8.4% in 2008 as compared to 6.2% in 2007. Stuart Olson continues to demonstrate an ability to effectively manage its construction costs.

Earnings before tax from the buildings segment were \$5.9 million in Q1 2008, compared to \$2.7 million in Q1 2007. This 119% improvement in earnings was a result of the increase in overall contract volume and strong project execution.

Stuart Olson ended 2007 with \$581.2 million of work-in-hand and a backlog of \$1.2 billion. In the three months ended March 31, 2008, the company secured a further \$54.8 million of contracts, and executed \$127.4 million of contract revenue. The company completed the quarter with \$508.6 million of work-in-hand, of which \$84.0 million is expected to carryover into 2009. The company continues to focus its efforts on securing larger projects with construction starts scheduled for the second half of 2008 and into 2009. At March 31, 2008, Stuart Olson's backlog amounted to \$1.3 billion, compared to \$0.95 billion in Q1 2007, an increase of 37%.

### **Industrial General Contracting**

Triton's revenue for the period ending March 31, 2008, was \$26.2 million, increasing 182% from the \$9.3 million generated in the comparable quarter of 2007. Revenues from all divisions were higher during the first quarter of 2008, but most significantly in the construction division.

Contract income margin increased 189% to \$2.6 million in Q1 2008 from \$0.9 million in Q1 2007. The company's contract income margin percentage was slightly higher at 9.9%, up from 9.7% in 2007.

Earnings before tax increased to \$1.3 million in the first quarter of 2008, as compared to a loss before tax of \$0.7 million in 2007. The increase in pre-tax earnings was a result of greater activity levels and a reduction in company overheads not allocated to work-in-progress.

Triton entered the year with \$45.1 million of work-in-hand and a backlog of \$50.5 million. For the quarter ending March 31, 2008, the company secured a further \$22.0 million of contracts, and executed \$26.2 million of contractual work. Triton was awarded contracts from CNRL, Encana, Enbridge, MEG Energy, TCPL and others during the quarter. The company ended the quarter with \$40.9 million of work-in-hand, which it expects to execute during the balance of 2008. At March 31, 2008, the company's backlog was \$42.7 million versus a Q1 2007 backlog of \$30.5 million.

### **Industrial Insulation Contracting**

Insulation Holdings Inc. operates three business units – Fuller Austin, Northern Industrial Insulation and Lakehead Insulation – all providing insulation related contracting services for capital projects and maintenance work. Lakehead is a wholly-owned subsidiary of Fuller Austin.

Revenue for the three months ended March 31, 2008, increased to \$13.6 million, compared to \$11.9 million for the comparable period in 2007. The increase in revenue was primarily the result of greater activity in the Saskatchewan market.

Contract income margin increased to \$2.1 million in Q1 2008 from \$1.8 million for the comparable period of 2007. The increase in margin was a result of continued strong project execution and greater volume of work executed. The contract income margin percentage was 15.4% in this quarter as compared to 15.1% in the prior year.

The company's earnings before tax increased 50% to \$0.9 million during the period, compared to earnings before tax of \$0.6 million in the first quarter of 2007.

Insulation Holdings ended 2007 with work-in-hand of \$35.8 million and backlog of \$46.7 million. During Q1 2008, they secured a further \$22.2 million of contracts and executed \$13.6 million of contracts. The insulation segment secured 19% more work in this quarter than it obtained in 2007. New contracts were secured from clients such as Horton CBI, Potash Corporation, Suncor and TIC Canada. The insulation segment ended the quarter with \$44.4 million of work-in-hand, of which \$2.5 million is expected to be completed in 2009. At March 31, 2008, the company had a backlog of \$52.6 million, as compared to \$21.8 million in the prior year.

### **Industrial Electrical Contracting**

For the three months ended March 31, 2008, Laird's contract revenue was \$16.8 million compared to the \$33.6 million reported in Q1 2007. This decrease in revenue was primarily due to a reduction in activity levels associated with several oil sands development projects in the Fort McMurray area and the corresponding lull until new work is awarded on new construction sites. Management believes that activity levels will be higher in subsequent quarters.

Contract income decreased from \$3.3 million in 2007 to \$2.3 million in 2008, due to the lower volume of activity. The contract income margin percentage was higher during the first quarter at 13.4% as compared to 9.8% in 2007. This was a result of the revenue mix from contracts under construction, strong project execution and ongoing systems and process improvements.

Laird achieved earnings before tax of \$0.3 million for the period, compared to earnings before tax of \$1.6 million in Q1 2007. The decrease in earnings was a result of the lower volume of activity and greater indirect and administrative expenses associated with process improvement and reengineering projects undertaken in Q1 2008, as compared to the prior year.

Laird ended 2007 with work-in-hand and backlog amounting to \$51.7 million. New contract awards of \$10.9 million were secured in the first quarter and \$16.8 million of contracts were executed. Projects were

secured from clients including Albion, Nexen, TransAlta and Suncor. Laird ended the first quarter with \$45.8 million of work-in-hand and backlog, of which \$4.0 million is expected to be completed in 2009. Laird's backlog at the end of Q1 2007 was \$44.8 million.

### **Corporate and Other**

In the first quarter of 2008, the Corporate and Other segment incurred \$1.7 million of indirect and administrative expenses compared to \$1.2 million of indirect and administrative expenses in 2007.

### **CASH FLOW, FINANCING, CAPITAL REQUIREMENTS, LIQUIDITY**

Cash and cash equivalents at March 31, 2008, totaled \$85.0 million, which compares with \$108.1 million at the end of 2007. Of the \$85.0 million of cash and cash equivalents, \$16.4 million was subject to deemed trust conditions under the British Columbia Lien Act, compared to \$25.3 million at December 31, 2007. As such, this cash is restricted to the payment of direct costs related to specific construction projects.

Operating activities consumed \$21.1 million of cash during the quarter as compared to providing \$5.3 million of cash from operations during the first quarter of 2007. This change was primarily due to the impact of tax payments made by the Corporation in the first quarter of 2008.

Investing activities resulted in a use of cash of \$1.5 million during the first quarter of 2008, which compares with cash used of \$0.7 million in 2007. The investments were made in property and equipment to support ongoing demand for the Corporation's services.

During the first quarter of 2008 net cash used in financing activities amounted to \$0.5 million, compared to proceeds from financing of \$3.0 million in 2007. The Corporation repaid \$0.5 million of long-term debt during Q1 2008.

As at March 31, 2008, Churchill had working capital of \$51.4 million, which compares favourably to the working capital position of \$47.9 million at the end of 2007.

The Corporation remains a partner in two joint ventures. In each instance the Corporation has provided a joint and several guarantee, increasing the maximum potential exposure to the full value of the work remaining under the contract.

Shareholders' equity was \$74.3 million at March 31, 2008, as compared to \$69.7 million at December 31, 2007. During the quarter, contributed surplus increased \$67 thousand as a result of the recognition of stock-based compensation. Retained earnings increased from \$47.5 million at December 31, 2007 to \$52.1 million at March 31, 2008, reflecting the addition of net earnings of \$4.6 million for the quarter.

### ***Share Data***

As at March 31, 2008, the Corporation had 17,886,991 common share issued and outstanding and 428,604 options convertible into common shares upon exercise (March 31, 2007 - 17,667,491 common shares and 455,000 options). During the period from March 31, 2008, to May 7, 2008, no new share options were granted or exercised, however 12,638 share options were cancelled.

The Corporation has an Employee Share Purchase Plan available to all full-time employees. At March 31, 2008, the plan held 838,649 Churchill common shares for employees. Under the plan, shares are acquired in the open market.

## CONSOLIDATED STATEMENTS OF EARNINGS, COMPREHENSIVE INCOME AND RETAINED EARNINGS

| (\$ thousands, except per share amounts)              | Three months ended<br>March 31 (unaudited) |            |
|---|--|------------|
|   | 2008                                       | 2007       |
| Contract revenue                                      | \$ 183,984                                 | \$ 153,904 |
| Contract costs  | 166,109                                    | 141,470    |
| Contract income                                       | 17,875                                     | 12,434     |
| Interest income                                       | 956  | 413        |
| Sundry income   | 96   | 4          |
| Indirect and administrative expenses                  | (10,839)                                   | (8,580)    |
| Depreciation and amortization                         | (1,070)                                    | (740)      |
| Interest expense                                      | (160)                                      | (194)      |
| Earnings before income taxes                          | 6,858                                      | 3,337      |
| Income tax (expense) recovery                         |  |            |
| Current income tax                                    | (3,091)                                    | (370)      |
| Future income tax                                     | 759  | (648)      |
|   | (2,332)                                    | (1,018)    |
| Net earnings  | 4,526                                      | 2,319      |
| Comprehensive income                                  | -  | -          |
| Net earnings and comprehensive income                 | 4,526                                      | 2,319      |
| Retained earnings, beginning of period                | 47,528                                     | 26,402     |
| Retained earnings, end of period                      | \$ 52,054                                  | \$ 28,721  |
| Accumulated comprehensive income, beginning of period | \$ -                                       | \$ -       |
| Comprehensive income for the period                   | -  | -          |
| Accumulated comprehensive income, end of period       | \$ -                                       | \$ -       |
| Net earnings per common share:                        |  |            |
| Basic   | \$ 0.25                                    | \$ 0.13    |
| Fully diluted   | \$ 0.25                                    | \$ 0.13    |
| Weighted average common shares:                       |  |            |
| Basic   | 17,886,991                                 | 17,667,491 |
| Diluted   | 18,099,719                                 | 17,914,755 |

## CONSOLIDATED BALANCE SHEETS

(\$ thousands)

|  | March 31,<br>2008<br>(unaudited) | December 31,<br>2007 |
|--|----------------------------------|----------------------|
| <b>ASSETS</b>                            |                                  |                      |
| Current Assets                           |                                  |                      |
| Cash and cash equivalents                | \$ 84,980                        | \$ 108,105           |
| Accounts receivable                      | 164,935                          | 123,906              |
| Inventories and prepaid expenses         | 2,186                            | 859                  |
| Income taxes recoverable                 | 4,338                            | -                    |
| Future income tax assets                 | 1,445                            | 759                  |
|  | <b>257,884</b>                   | <b>233,629</b>       |
| Future income tax assets                 | 1,067                            | 788                  |
| Property and equipment                   | 23,328                           | 22,832               |
| Goodwill and intangible assets           | 7,399                            | 7,420                |
|  | <b>\$ 289,678</b>                | <b>\$ 264,669</b>    |
| <b>LIABILITIES</b>                       |                                  |                      |
| Current Liabilities                      |                                  |                      |
| Accounts payable and accrued liabilities | \$ 146,610                       | \$ 149,057           |
| Contract advances and unearned income    | 57,927                           | 24,611               |
| Income taxes payable                     | -                                | 10,148               |
| Current portion of long-term debt        | 1,975                            | 1,963                |
|  | <b>206,512</b>                   | <b>185,779</b>       |
| Long-term debt                           | 8,232                            | 8,755                |
| Future income tax liabilities            | 663                              | 457                  |
|  | <b>215,407</b>                   | <b>194,991</b>       |
| <b>SHAREHOLDERS' EQUITY</b>              |                                  |                      |
| Share capital                            | 16,414                           | 16,414               |
| Contributed surplus                      | 5,803                            | 5,736                |
| Retained earnings                        | 52,054                           | 47,528               |
| Accumulated other comprehensive income   | -                                | -                    |
|  | <b>74,271</b>                    | <b>69,678</b>        |
|  | <b>\$ 289,678</b>                | <b>\$ 264,669</b>    |

## CONSOLIDATED STATEMENTS OF CASH FLOW

| (\$ thousands)  | Three months ended<br>March 31 (unaudited) |                  |
|---|--|------------------|
|   | 2008                                       | 2007             |
| <b>OPERATING ACTIVITIES</b>   |  |                  |
| Net earnings  | \$ 4,526                                   | \$ 2,319         |
| Depreciation and amortization   | 1,070                                      | 740              |
| Gain on disposal of equipment   | (23)                                       | (2)              |
| Share-based compensation  | 67   | 7                |
| Future income taxes   | (759)                                      | 648              |
|   | <b>4,881</b>                               | <b>3,712</b>     |
| Net change in accounts receivable, inventories and prepaid expenses                 | (42,356)                                   | (40,674)         |
| Net change in accounts payable and accrued liabilities                              | (2,447)                                    | 14,905           |
| Net change in contract advances and unearned income and costs in excess of billings | 33,316                                     | 31,338           |
| Net change in income taxes payable  | (14,486)                                   | (3,960)          |
|   | <b>(21,092)</b>                            | <b>5,321</b>     |
| <b>INVESTING ACTIVITIES</b>   |  |                  |
| Proceeds on disposal of equipment   | 24   | 2                |
| Additions to property and equipment   | (1,546)                                    | (740)            |
|   | <b>(1,522)</b>                             | <b>(738)</b>     |
| <b>FINANCING ACTIVITIES</b>   |  |                  |
| Proceeds under operating line of credit   | 5,000                                      | 5,000            |
| Repayments under operating line of credit   | (5,000)                                    | (1,500)          |
| Repayment of long-term debt   | (511)                                      | (262)            |
| Repayment of demand term loan   | -  | (260)            |
|   | <b>(511)</b>                               | <b>2,978</b>     |
| (Decrease) increase in cash   | (23,125)                                   | 7,561            |
| Cash, beginning of period   | 108,105                                    | 50,387           |
| Cash, end of period   | <b>\$ 84,980</b>                           | <b>\$ 57,948</b> |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>   |  |                  |
| Cash received (paid) during the year for:   |  |                  |
| Interest  | \$ 798                                     | \$ 241           |
| Income taxes  | \$ (17,577)                                | \$ (4,330)       |

## SELECTED FINANCIAL STATEMENT DISCLOSURE

| March 31, 2008                  | Buildings  | Industrial<br>General | Industrial<br>Insulation | Industrial<br>Electric | Corporate<br>and Other | Total      |
|---------------------------------|------------|-----------------------|--------------------------|------------------------|------------------------|------------|
| Revenues                        | \$ 127,398 | \$ 26,204             | \$ 13,603                | \$ 16,779              | \$ -                   | \$ 183,984 |
| EBITDA                          | 5,918      | 1,295                 | 855                      | 315                    | (1,525)                | 6,858      |
| Depreciation and amortization   |            |                       |                          |                        |                        | -          |
| Segment operating profit (loss) | \$ 5,918   | \$ 1,295              | \$ 855                   | \$ 315                 | \$ (1,525)             | \$ 6,858   |
| Interest and income taxes       |            |                       |                          |                        |                        | (2,492)    |
| Net earnings                    |            |                       |                          |                        |                        | \$ 4,366   |
| Intangible assets and goodwill  | \$ -       | \$ -                  | \$ -                     | \$ 7,315               | \$ 84                  | \$ 7,399   |
| Total Assets                    | \$ 200,494 | \$ 8,048              | \$ 37,510                | \$ 24,420              | \$ 19,206              | \$ 289,678 |
| Capital Expenditures            | \$ 730     | \$ 31                 | \$ 155                   | \$ 54                  | \$ 576                 | \$ 1,546   |

| March 31, 2007                  | Buildings  | Industrial<br>General | Industrial<br>Insulation | Industrial<br>Electric | Corporate<br>and Other | Total      |
|---------------------------------|------------|-----------------------|--------------------------|------------------------|------------------------|------------|
| Revenues                        | \$ 99,162  | \$ 9,269              | \$ 11,887                | \$ 33,586              | \$ -                   | \$ 153,904 |
| EBITDA                          | 3,002      | (513)                 | 642                      | 1,841                  | (701)                  | 4,271      |
| Depreciation and amortization   | 241        | 132                   | 64                       | 184                    | 119                    | 740        |
| Segment operating profit (loss) | \$ 2,761   | \$ (645)              | \$ 578                   | \$ 1,657               | \$ (820)               | \$ 3,531   |
| Interest and income taxes       |            |                       |                          |                        |                        |            |
| Net earnings                    |            |                       |                          |                        |                        | \$ 3,531   |
| Intangible assets and goodwill  | \$ -       | \$ -                  | \$ -                     | \$ 7,315               | \$ 168                 | \$ 7,483   |
| Total Assets                    | \$ 128,587 | \$ 16,080             | \$ 17,213                | \$ 39,206              | \$ 12,707              | \$ 213,793 |
| Capital Expenditures            | \$ 694     | \$ 4                  | \$ 59                    | \$ 606                 | \$ 13                  | \$ 1,376   |

The Churchill Corporation provides building construction, industrial construction and maintenance services throughout western Canada. Churchill common shares are listed on The Toronto Stock Exchange under the symbol “CUQ”.

## TERMINOLOGY

Throughout this Press Release, and other documents referred to, management refers to certain terms when explaining its financial results that do not have any standardized meaning under Canadian GAAP as set out in the CICA Handbook. Specifically, the terms “contract income margin percentage”, “work-in-hand”, “backlog”, “working capital”, “EBITDA” and “book value per share” have been defined as:

*Contract income margin percentage* is the percentage derived by dividing contract income by contract revenue. Contract income is calculated by deducting all associated direct and indirect costs from contract revenue in the period.

*Work-in-hand* is the unexecuted portion of work that has been contractually awarded for construction to the Corporation. It includes an estimate of the revenue to be generated from contracts during the shorter of (a) twelve months, or (b) the remaining life of the contract.

*Backlog* means the total value of work that has not yet been completed that; (a) is assessed by the Corporation as having high certainty of being performed by the Corporation or its subsidiaries by either the existence of a contract or work order specifying job scope, value and timing; or (b) has been awarded to the Corporation or its subsidiaries, as evidenced by an executed binding or non-binding letter of intent or agreement, describing the general job scope, value and timing of such work, and with the finalization of a formal contract respecting such work currently assessed by the Corporation as being reasonably assured.

*Working capital* is current assets less current liabilities. Our calculation of working capital is provided in the table below:

| As at<br>(\$ millions) | March 31,<br>2008 | December 31,<br>2007 |
|------------------------|-------------------|----------------------|
| Current assets         | \$257.9           | \$233.6              |
| Less:                  |                   |                      |
| Current liabilities    | 206.5             | 185.7                |
| <b>Working Capital</b> | <b>\$51.4</b>     | <b>\$47.9</b>        |

*EBITDA* is equal to earnings before interest expense, taxes, depreciation and amortization. This measure as reported by the Corporation may not be comparable to similar measures presented by other reporting issuers.

| (\$ millions)               | Three months ended |              |
|-----------------------------|--------------------|--------------|
|                             | March 31,          |              |
|                             | 2008               | 2007         |
| Net Earnings                | \$4.5              | \$2.3        |
| Add:                        |                    |              |
| Income Taxes                | 2.3                | 1.0          |
| Depreciation & Amortization | 1.1                | 0.7          |
| Interest expense            | 0.2                | 0.2          |
| <b>EBITDA</b>               | <b>\$8.1</b>       | <b>\$4.3</b> |

*Book value per share* is the value of shareholders' equity less value of preferred stock divided by basic shares outstanding at the end of the period.

#### **FORWARD LOOKING STATEMENTS**

Certain statements in this First Quarter Press Release may constitute "forward-looking statements". Forward-looking statements include, without limitation, statements regarding the future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives of the Corporation. Many of these statements can be identified by looking for words such as "believes," "expects," "may," "will," "intends," "anticipates," "estimates," "continues," or the negative thereof, or other variations thereon. Although management of Churchill believes its expectations regarding future performance of the Corporation are based on reasonable assumptions and currently available competitive, financial and economic data, market conditions and operating plans, it can give no assurance its expectations will be achieved. The Corporation cautions that, by their nature, forward-looking statements, involve risks, and uncertainties and that its actual actions, and/or results could differ materially from those expressed or implied in such forward-looking statements, and that the aforementioned risks, uncertainties and actions could affect the extent to which a particular projection materializes. The Corporation assumes no obligation to update the forward-looking statements should circumstances or the Corporation's management's estimates or opinions change.

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