For immediate release 31 July 2017

Keller Group plc
Results for the six months ended 30 June 2017

Keller Group plc ("Keller"), the world's largest geotechnical contractor, announces its results for the six months ended 30 June 2017.

	H1 2017 £m	**H1 2016 £m**	**% change**	**Constant currency % change**
Revenue	991.1	849.7	+17%	+4%
Underlying EBITDA[1]	78.1	66.5	+17%	+6%
Underlying operating profit[1]	44.0	35.6	+24%	+14%
Underlying profit before tax[1]	39.3	30.2	+30%	+20%
Underlying earnings per share[1]	35.0p	27.4p	+28%	+15%
Interim dividend per share	9.7p	9.25p	+5%	n/a
Statutory operating profit	60.4	30.9	+95%	+86%
Statutory profit before tax	55.2	25.0	+121%	+106%
Statutory earnings per share	57.0p	21.9p	+160%	+128%

[1] Before non-underlying items, details of which are set out in note 5 of the consolidated financial information.

2017 H1 summary:

- Record first half revenue of £991.1m (2016: £849.7m)
- Underlying operating profit up 24% or 14% on a constant currency basis
- Divisional performance
  - EMEA: continued strong growth in both revenue and profit
  - APAC: good progress towards profitability
  - North America: lower revenue and profit reflecting a slowdown in commercial construction in two large metropolitan areas where Keller has strong positions
- Exceptional profit of £21.0m from profit on sale of the Avonmouth property and further insurance proceeds received
- Net debt decreased to £297.3m (31 December 2016: £305.6m), with £62.0m sale of the Avonmouth property offset by seasonal first half cash outflow. Net debt represents 1.7x annualised EBITDA
- Year-end order book over £1.1bn; an all-time high and 20% above last year on a constant currency basis
- Interim dividend per share of 9.7p (2016: 9.25p), an increase of 5%

Alain Michaelis, Keller Chief Executive, said:

"We have all been immensely saddened by the recent road traffic accident in South Africa, in which 18 Keller employees lost their lives and a further 15 were injured. Our deepest sympathies go out to the victims and their families, friends and colleagues. Our priority is providing support to them during this difficult time.

From a financial perspective, our results show significant overall profit growth and we have ended the half year with a record order book. As a result, the Board is confident that the group's full year 2017 results will be in line with its expectations."

Basis of preparation

The group's results as reported under International Financial Reporting Standards (IFRS) and presented in these interim financial statements (the "statutory results") are significantly impacted by movements in exchange rates relative to sterling, as well as by exceptional items and non-trading amounts relating to acquisitions.

As a result, adjusted performance measures have been used throughout this report to describe the group's underlying performance. The Board and Executive Committee use these adjusted measures to assess the performance of the business because they consider them more representative of the underlying ongoing trading result and allow more meaningful comparison to prior year. Where not presented on the face of the consolidated income statement or cash flow statement, the adjusted measures are defined and reconciled to the amounts reported under IFRS in the adjusted performance measures section at the end of this statement.

The constant currency basis ("constant currency") adjusts the comparative to exclude the impact of movements in exchange rates relative to sterling on the translation of the results of overseas operations. Retranslating at 2017 average exchange rates increases prior year first half revenue and underlying operating profit by £107.1m and £2.9m respectively.

The term "underlying" excludes the impact of exceptional items, amortisation of acquired intangible assets and other non-trading amounts relating to acquisitions (collectively "non-underlying items"), net of any associated tax. Non-underlying items mainly comprise £4.5m amortisation of acquired intangible assets and a £21.0m exceptional credit relating to a historic contract dispute on a project in Avonmouth, in the UK.

Group overview

Major road traffic accident in South Africa

On 4 July 2017, two buses transporting Keller employees to work at a project in South Africa had a major head-on collision with a truck coming in the opposite direction. Tragically, 18 of our employees lost their lives and 15 were injured. We are, through our local company Franki Africa, providing wide ranging support to all of those affected by this accident.

Financial results

Group revenue increased by 17% to £991.1m in the period (2016: £849.7m), in large part due to the weakening of sterling over the last year. Constant currency revenue was up 4%, reflecting strong growth in EMEA and APAC, partly offset by a decrease in North America.

Underlying operating profit was £44.0m, an increase of 24% on the £35.6m generated in the first half of 2016. On a constant currency basis underlying operating profit was up 14% and the underlying operating margin increased from 4.2% to 4.4%. The increase in profitability is attributable to a strong performance in EMEA and a significant reduction in the loss recorded by APAC in the period. The first half profit in North America however was down on the comparable period last year, largely as a result of a significant slowdown in construction activity in two large metropolitan areas where Keller has strong market positions.

After taking account of a £21.0m credit (2016: £1.1m credit) on the exceptional contract dispute and other non-underlying items, totalling a £4.6m charge (2016: £5.8m charge), the statutory operating profit was £60.4m (2016: £30.9m). Further details on non-underlying items are given after the discussion of divisional results.

On an underlying basis, after net finance costs of £4.7m (2016: £5.4m), the profit before tax was £39.3m, which compares with £30.2m in the first half of 2016. Tax has been provided on the underlying profits at the expected 2017 full year rate of 34% (2016: 35%). Underlying first half earnings per share were 35.0p (2016: 27.4p).

The statutory profit before tax was £55.2m (2016: £25.0m). Statutory earnings per share were 57.0p, compared with 21.9p in the first half of 2016.

Cash generated from operations before non-underlying items in the first half of 2017 was an outflow of £3.7m (2016: £41.9m inflow). Net debt at 30 June 2017 was £297.3m (2016: £339.7m), representing 1.7x the previous twelve months' underlying EBITDA. The financial position of the group remains strong with undrawn committed borrowing facilities totalling £108m. The group continues to operate well within all of its financial covenants.

As noted in the group's 2016 preliminary announcement, we are now seeing tangible benefits from a number of the group's strategic initiatives launched in the last eighteen months. We remain confident that these will produce the targeted £50m of gross benefits by 2020, of which we expect about half to be reflected in improved profitability.

Interim dividend

The Board has decided to increase the interim dividend by 5% to 9.7p (2016: 9.25p), reflecting its confidence in the future direction of the group. The dividend will be paid on 5 September 2017 to shareholders on the register at the close of business on 11 August 2017.

Outlook

The US construction market and most of the group's major European markets are robust whilst elsewhere a number of our markets remain difficult. Contract awards have been strong in the first half and the group's constant currency order book shows a year on year increase of around 20%. As a result, the Board is confident that the group's full year 2017 result will be in line with its expectations.

Divisional results – underlying

North America

	2017 £m	2016 £m	Constant currency
Revenue	**474.5**	464.8	-10%
Underlying operating profit	**28.6**	33.6	-24%
Underlying operating margin	**6.0%**	7.2%	

In North America, which accounts for around half of the group's revenue, revenue increased by 2% although on a constant currency basis revenue was down 10%. The half year underlying operating profit decreased to £28.6m (2016: £33.6m) and the underlying operating margin from 7.2% to 6.0%.

US

The US construction market as a whole is solid but with regional and sectoral variations. In general terms, residential construction continues to grow strongly, infrastructure spending has slowed and commercial construction markets vary by region. The group's US businesses had a steady first half with good contract execution. However, revenue and profit were both down on the same period in 2016, largely as a result of a slowdown in construction activity in two major metropolitan areas where Keller has very strong market positions.

Hayward Baker, our largest and most broadly-based business in the US, had a solid first half with revenue and profit slightly ahead of last year. Case and HJ Foundation, after a very strong couple of years, both recorded lower revenue and profit as their core geographical markets saw a reduction in construction activity, particularly of high end residential apartments. The group's largest job in the US, Bencor's US$135m diaphragm wall and grouting contract at East Branch Dam in Pennsylvania, is performing well.

Suncoast, which is mainly focused on residential construction, had another good first half, taking full advantage of the ongoing increase in housing starts.

Across the US as a whole, our bidding activity remains healthy and the US constant currency order book of work to be undertaken in the next twelve months is up about 8% on the same time in 2016. As a result, we expect revenue in the second half to be ahead of the comparable period in 2016.

Looking further forward, increased infrastructure spending remains a significant opportunity for the group, although the timing of any increase remains uncertain.

Canada

Keller Canada continues to operate in a difficult market and made a small loss in the seasonally weak first half. The major C$42m subway contract in Toronto, which finally mobilised in the second quarter after more than a year's delay, has started well. In June, we announced changes in leadership and further cost saving measures including the relocation of the company's administrative centre from Edmonton to Toronto, which better reflects where the bulk of the business and the opportunities now lie.

EMEA

	2017 £m	2016 £m	Constant currency
Revenue	**346.4**	261.7	+20%
Underlying operating profit	**20.0**	13.6	+50%
Underlying operating margin	**5.8%**	5.2%	

Revenue in EMEA in the first half of the year was over 30% up on the same period in 2016. On a constant currency basis, revenue was up 20%. Underlying operating profit increased from £13.6m to £20.0m and the underlying operating margin increased from 5.2% to 5.8%. The increase in profit in particular was helped by the ongoing excellent execution of the US$180m contract in the Caspian region, the group's largest project, which is scheduled to be substantially finished by the end of 2017.

Whilst a number of EMEA's markets remain challenging, the group's most significant European businesses (the UK, Germany, Poland and Austria) all had a good first half. Between them, these businesses account for around half of the division's revenue. We have recently seen a slowdown in our UK business, but the others all begin the second half with strong order books and good prospects.

Elsewhere, market conditions and performance are more mixed. Construction markets in the Middle East are patchy. Keller however has had a busy first half in the region, starting work on major projects in Abu Dhabi and Egypt, and is well set for a strong second half.

The political and economic situations in both South Africa and Brazil are holding back construction activity in these countries. Whilst our major project at the Clairwood distribution park near Durban is progressing well, activity generally in both South Africa and other Sub-Saharan African countries is at a low ebb. Our Brazilian business, which also faces challenging market conditions, made a small loss in the period.

The division has had a number of good project wins in the period. The constant currency order book of work to be undertaken in the next twelve months is over 30% ahead of this time in 2016, giving us confidence in a good second half of 2017. The completion of the major Caspian project at the end of 2017 means that the division's 2018 profit will be materially down on what is expected to be an excellent 2017 result. Excluding this major project, however, EMEA's performance is expected to continue to improve.

APAC

	2017 £m	2016 £m	Constant currency
Revenue	**170.2**	123.2	+21%
Underlying operating (loss)/profit	**(3.8)**	(9.6)	n/a
Underlying operating margin	**-2.2%**	-7.8%	

The group's APAC businesses reported a much improved performance, despite markets remaining very difficult in Australia and Singapore. Reported revenue for the division was 38% up on the first half of 2016, mainly reflecting growth in Australia. On a constant currency basis, revenue increased by 21%. As expected, however, the division still made a loss in the first half of the year, not helped by two significant loss-making projects, a joint venture in Australia and a legacy piling job in Singapore.

In Australia, the revenue run-rate increased significantly in the first half of 2017, in large part due to higher market activity. Whilst this pick up is yet to feed through into higher pricing, Keller's Australian businesses broke even before divisional costs, a result which compares to a loss of around £5.0m in the first half of 2016.

In Asia, revenue was broadly flat year-on-year, with a significant increase in India being offset by a reduction in Singapore as a result of the major downsizing of Resource Piling over the last year. However, taken together, the Asian operations recorded a loss in the first half as a result of piling contracts in Singapore bid and won in 2016. The Singaporean and Malaysian Heavy Foundation businesses have now been merged into one, with resources being shared and tendering being managed out of Malaysia.

The second quarter of 2017 has seen some excellent contract wins in India, including a £14.0m dam grouting project in Polavarum and an £11.0m stone column contract to improve the ground for the new Navi Mumbai airport.

Looking forward, APAC's order book of work to be undertaken in the next twelve months is around 30% up on this time in 2016. This, together with the restructured business units and the improving Australian market, should result in continuing improvement in performance.

Other financial items

Non-underlying items

Non-underlying items before net finance costs and taxation totalled £16.4m in the first half of 2017. These comprise:

Amortisation: £4.5m of amortisation of acquired intangible assets (2016: £5.0m).

Exceptional contract dispute: A £21.0m credit as a part reversal of a £54.0m exceptional charge taken in 2014 for a contract dispute relating to a UK project completed in 2008. The project was in connection with the construction of a major warehouse and processing facility in Avonmouth, near Bristol.

As previously announced, the group acquired the relevant property in May 2016 pursuant to the dispute settlement agreement for £62.0m and subsequently sold it for the same amount in 2017. The property was held on the group 31 December 2016 balance sheet as a non-current asset held for sale at a value of £54.0m. The sale therefore realised an exceptional profit before costs of £8.0m.

In the first half of 2017, the group reached agreements to receive £11.7m of insurance proceeds in respect of this dispute, of which £8.8m was received before 30 June 2017.

As noted at the time, the original provision was expected to be reduced by future insurance recoveries and the sale of the property. Taking account of credits in both 2016 and the first half of 2017, the group has recovered £35.3m of the original £54.0m provision. No significant further recoveries are expected. The net cash cost to date of this dispute is £14.3m.

Tax

The Group's underlying first half effective tax rate was 34.0%, the expected 2017 full year rate (2016 full year rate: 35.0%). The effective tax rate is high compared to the UK statutory rate because of the geographic mix of profits, with the majority of the group's underlying profit before tax being earned in the US, where the underlying combined federal and state corporate tax rates total nearly 40%.

A non-underlying tax charge of £0.1m has been recognised, representing the net tax impact of the 2017 non-underlying items.

Cash flow and financing
Net underlying capital expenditure in the first half of 2017 totalled £31.5m (2016: £30.8m) compared to depreciation and amortisation of £34.1m. The group continues to invest in transferring technologies into new geographies and to upgrade the equipment fleet.

At 30 June 2017, net debt amounted to £297.3m (31 December 2016: £305.6m). The decrease in net debt is explained as follows:

	£m
Net debt at 1 January 2017	305.6
Free cash outflow	49.8
Dividends	13.8
Foreign exchange movements	(4.6)
Exceptional items	(70.3)
Acquisitions	3.0
Net debt at 30 June 2017	297.3

Net debt represents 1.7x underlying EBITDA on a headline basis or 1.9x calculated on a covenant basis, well within the covenant limit of 3.0x.

Principal risks and uncertainties

The principal risks and uncertainties faced by Keller in the remaining six months of the year remain largely unchanged from those reported in the 2016 annual report and can be found, together with the mitigating actions in place, in pages 41 to 43 of the report. In summary, these are:

Market risk: A rapid downturn in our markets

Strategic risk:
- Failure to procure new contracts
- Losing our market share
- Non-compliance with our Code of Business Conduct

Financial risk: Inability to finance our business

Operational risk:
- Product and/or solution failure
- Ineffective management of our contracts
- Causing a serious injury or fatality to an employee or member of the public
- Not having the right skills to deliver

Consolidated income statement
For the half year ended 30 June 2017

	Note	**Half year to 30 June 2017** Before non-underlying items £m	**Half year to 30 June 2017** Non-underlying items (Note 5) £m	**Half year to 30 June 2017** Total £m	Half year to 30 June 2016 Before non-underlying items £m	Half year to 30 June 2016 Non-underlying items (Note 5) £m	Half year to 30 June 2016 Total £m	Year to 31 December 2016 Before non-underlying items £m	Year to 31 December 2016 Non-underlying items (Note 5) £m	Year to 31 December 2016 Total £m
Revenue	3	**991.1**	**–**	**991.1**	849.7	–	849.7	1,780.0	–	1,780.0
Operating costs		**(947.1)**	**(0.1)**	**(947.2)**	(814.1)	(0.8)	(814.9)	(1,684.7)	(18.9)	(1,703.6)
Amortisation of acquired intangible assets		**–**	**(4.5)**	**(4.5)**	–	(5.0)	(5.0)	–	(9.7)	(9.7)
Other operating income		**–**	**21.0**	**21.0**	–	1.1	1.1	–	18.5	18.5
Operating profit	3	**44.0**	**16.4**	**60.4**	35.6	(4.7)	30.9	95.3	(10.1)	85.2
Finance income		**1.8**	**–**	**1.8**	0.5	–	0.5	1.6	–	1.6
Finance costs		**(6.5)**	**(0.5)**	**(7.0)**	(5.9)	(0.5)	(6.4)	(11.8)	(1.1)	(12.9)
Profit before taxation		**39.3**	**15.9**	**55.2**	30.2	(5.2)	25.0	85.1	(11.2)	73.9
Taxation	6	**(13.4)**	**(0.1)**	**(13.5)**	(10.2)	1.2	(9.0)	(29.8)	3.9	(25.9)
Profit for the period		**25.9**	**15.8**	**41.7**	20.0	(4.0)	16.0	55.3	(7.3)	48.0
Attributable to:										
Equity holders of the parent		**25.2**	**15.8**	**41.0**	19.7	(4.0)	15.7	54.5	(7.3)	47.2
Non-controlling interests		**0.7**	**–**	**0.7**	0.3	–	0.3	0.8	–	0.8
		25.9	**15.8**	**41.7**	20.0	(4.0)	16.0	55.3	(7.3)	48.0
Earnings per share										
Basic (pence)	8	**35.0**		**57.0**	27.4		21.9	75.9		65.7
Diluted (pence)	8	**34.4**		**56.0**	27.0		21.5	74.8		64.7

Consolidated statement of comprehensive income
For the half year ended 30 June 2017

	Half year to 30 June 2017 £m	Half year to 30 June 2016 £m	Year to 31 December 2016 £m
Profit for the period	**41.7**	16.0	48.0
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(14.0)**	48.1	77.0
Net investment hedge (losses)	**(0.6)**	(2.9)	(3.8)
Cash flow hedge (losses)/gains taken to equity	**(1.8)**	(0.6)	1.9
Cash flow hedge transfers to income statement	**1.8**	0.6	(1.9)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension schemes	**2.0**	(6.0)	(7.4)
Tax on remeasurements of defined benefit pension schemes	**(0.2)**	0.8	1.3
Other comprehensive income for the period, net of tax	**(12.8)**	40.0	67.1
Total comprehensive income for the period	**28.9**	56.0	115.1
Attributable to:			
Equity holders of the parent	**28.3**	55.3	113.7
Non-controlling interests	**0.6**	0.7	1.4
	28.9	56.0	115.1

Consolidated balance sheet

As at 30 June 2017

	Note	As at 30 June 2017 £m	As at 30 June 2016 £m	As at 31 December 2016 £m
ASSETS				
Non-current assets				
Intangible assets		**178.5**	181.5	188.0
Property, plant and equipment		**398.7**	383.7	405.6
Deferred tax assets		**22.9**	17.4	21.6
Other assets		**29.8**	32.0	30.2
		629.9	614.6	645.4
Current assets				
Inventories		**69.5**	56.3	59.4
Trade and other receivables		**598.9**	534.6	528.5
Current tax assets		**19.6**	11.3	18.2
Cash and cash equivalents	9	**61.9**	75.3	84.4
		749.9	677.5	690.5
Non-current assets held for sale	10	**–**	48.0	54.0
Total assets		**1,379.8**	1,340.1	1,389.9
LIABILITIES				
Current liabilities				
Loans and borrowings		**(19.1)**	(59.6)	(54.0)
Current tax liabilities		**(23.1)**	(4.1)	(16.4)
Trade and other payables		**(436.8)**	(423.9)	(435.4)
Provisions		**(7.7)**	(18.5)	(9.9)
		(486.7)	(506.1)	(515.7)
Non-current liabilities				
Loans and borrowings		**(340.1)**	(355.4)	(336.0)
Retirement benefit liabilities		**(29.7)**	(30.5)	(31.4)
Deferred tax liabilities		**(32.8)**	(32.0)	(33.5)
Provisions		**(15.3)**	(10.5)	(14.7)
Other liabilities		**(29.1)**	(28.8)	(29.0)
		(447.0)	(457.2)	(444.6)
Total liabilities		**(933.7)**	(963.3)	(960.3)
Net assets		**446.1**	376.8	429.6
EQUITY				
Share capital	11	**7.3**	7.3	7.3
Share premium account		**38.1**	38.1	38.1
Capital redemption reserve		**7.6**	7.6	7.6
Translation reserve		**45.3**	32.0	59.8
Other reserve		**56.9**	56.9	56.9
Hedging reserve		**(0.1)**	(0.1)	(0.1)
Retained earnings		**286.2**	231.4	255.8
Equity attributable to equity holders of the parent		**441.3**	373.2	425.4
Non-controlling interests		**4.8**	3.6	4.2
Total equity		**446.1**	376.8	429.6

Condensed consolidated statement of changes in equity

For the half year ended 30 June 2017

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Hedging Reserve £m	Retained earnings £m	Non-controlling interests £m	**Total equity £m**
At 30 June 2016	7.3	38.1	7.6	32.0	56.9	(0.1)	231.4	3.6	**376.8**
At 31 December 2016	7.3	38.1	7.6	59.8	56.9	(0.1)	255.8	4.2	**429.6**
Total comprehensive income for the period	–	–	–	(14.5)	–	–	42.8	0.6	**28.9**
Dividends	–	–	–	–	–	–	(13.8)	–	**(13.8)**
Share-based payments	–	–	–	–	–	–	1.4	–	**1.4**
At 30 June 2017	7.3	38.1	7.6	45.3	56.9	(0.1)	286.2	4.8	**446.1**

Consolidated cash flow statement
For the half year ended 30 June 2017

	Note	**Half year to 30 June 2017 £m**	Half year to 30 June 2016 £m	Year to 31 December 2016 £m
Cash flows from operating activities				
Operating profit before non-underlying items		**44.0**	35.6	95.3
Depreciation of property, plant and equipment		**33.5**	30.2	62.0
Amortisation of intangible assets		**0.6**	0.7	1.3
(Profit)/loss on sale of property, plant and equipment		**(0.6)**	1.1	2.3
Other non-cash movements		**3.7**	3.4	(5.2)
Foreign exchange losses/(gains)		**0.4**	(0.3)	0.3
Operating cash flows before movements in working capital		**81.6**	70.7	156.0
(Increase) in inventories		**(11.2)**	(3.3)	(3.1)
(Increase) in trade and other receivables		**(81.8)**	(44.3)	(7.4)
Increase/(decrease) in trade and other payables		**8.6**	18.9	(2.7)
Change in provisions, retirement benefit and other non-current liabilities		**(0.9)**	(0.1)	(7.1)
Cash generated from operations before non-underlying items		**(3.7)**	41.9	135.7
Cash inflows from non-underlying items		**9.8**	-	9.0
Cash outflows from non-underlying items		**(1.5)**	(2.1)	(4.1)
Cash generated from operations		**4.6**	39.8	140.6
Interest paid		**(6.1)**	(5.5)	(12.3)
Income tax paid		**(8.7)**	(11.0)	(25.3)
Net cash (outflow)/inflow from operating activities		**(10.2)**	23.3	103.0
Cash flows from investing activities				
Interest received		**0.2**	0.4	0.7
Proceeds from sale of property, plant and equipment		**2.5**	2.8	5.8
Acquisition of subsidiaries, net of cash acquired		**(3.0)**	(12.2)	(14.6)
Acquisition of property, plant and equipment		**(33.6)**	(33.4)	(78.2)
Disposal/(acquisition) of non-current assets held for sale		**62.0**	(62.0)	(62.0)
Acquisition of intangible assets		**(0.4)**	(0.2)	(0.6)
Net cash inflow/(outflow) from investing activities		**27.7**	(104.6)	(148.9)
Cash flows from financing activities				
New borrowings		**12.8**	126.7	103.1
Repayment of borrowings		**(52.4)**	–	(4.2)
Cash flows from derivative instruments		**–**	(28.0)	(28.0)
Payment of finance lease liabilities		**(0.6)**	(1.1)	(2.9)
Dividends paid		**(13.8)**	(13.7)	(20.5)
Net cash (outflow)/inflow from financing activities		**(54.0)**	83.9	47.5
Net (decrease)/increase in cash and cash equivalents		**(36.5)**	2.6	1.6
Cash and cash equivalents at beginning of period		**84.0**	62.9	62.9
Effect of exchange rate fluctuations		**(1.5)**	8.3	19.5
Cash and cash equivalents at end of period	9	**46.0**	73.8	84.0

1. Basis of preparation

The condensed financial statements included in this interim financial report have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the group as at and for the year ended 31 December 2016. The same accounting policies and presentation are followed in the financial statements that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2016.

IFRS 15, 'Revenue from contracts with customers' has been adopted by the EU with an effective date of 1 January 2018. The group is continuing to assess the impact of the standard but based on the progress to date, does not expect the standard to have a significant impact on the group's results. It is likely that the group will adopt a prospective transition approach to the standard.

The standard is only expected to impact those contracts that are ongoing at the end of a reporting period and have multiple performance obligations and/or contract modifications. With a typical contract size of approximately £250k with short duration, for the vast majority of contracts revenue will continue to be recognised in year. It is not possible to quantify the expected financial impact on the 2017 results at this point in time as the application of the standard is dependent on the specific details of contracts ongoing at 31 December 2017. For the limited number of contracts that will be ongoing at the end of a reporting period and have multiple performance obligations and/or contract modifications, these will need to be considered on a contract by contract basis. Given that the group's largest contract only contributed 2% of revenue in 2016, any impact of the standard on the group's reported revenue for any given year is likely to be limited. We will continue to progress our assessment of the impact of this standard.

The group is also considering the impact on the group financial statements of adopting other standards, amendments or interpretations in issue but not yet effective, including IFRS 9, 'Financial instruments'. The Group is also considering the impact of IFRS 16, 'Leases' which is not yet endorsed by the EU.

The figures for the year ended 31 December 2016 are not statutory accounts but have been extracted from the group's statutory accounts for that financial year. The auditor's report on those accounts was not qualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies and has been made available on the Company's website at www.keller.com.

The financial information in this interim financial report for the half years ended 30 June 2017 and 30 June 2016 has neither been reviewed, nor audited.

The key risks and uncertainties facing the group, as explained in the group's annual report for the year ended 31 December 2016, continue to be: market risk, strategic risk, financial risk and operational risk.

Going concern
The directors have satisfied themselves that the group is in a sound financial position, that it has access to sufficient borrowing facilities and can reasonably expect sufficient facilities to be available to meet the group's foreseeable cash requirements. As a consequence, the directors continue to adopt the going concern basis in preparing the condensed financial statements.

2. Foreign currencies

The exchange rates used in respect of principal currencies are:

	Average for period			Period end		
	Half year to 30 June 2017	Half year to 30 June 2016	Year to 31 December 2016	**As at 30 June 2017**	As at 30 June 2016	As at 31 December 2016
US dollar	**1.26**	1.43	1.36	**1.30**	1.34	1.23
Canadian dollar	**1.68**	1.90	1.80	**1.69**	1.73	1.66
Euro	**1.16**	1.28	1.22	**1.14**	1.21	1.17
Singapore dollar	**1.77**	1.98	1.87	**1.79**	1.80	1.78
Australian dollar	**1.67**	1.95	1.82	**1.69**	1.80	1.71

3. Segmental analysis

In accordance with IFRS 8, the group has determined its operating segments based upon the information reported to the Chief Operating Decision Maker. The group compromises of three geographical divisions which have only one major product or service: specialist ground engineering services. APAC, North America and EMEA continue to be managed as separate geographical divisions. This is reflected in the group's management structure and in the segment information reviewed by the Chief Operating Decision Maker. Except for the disposal of non-current assets held for sale as noted in Note 10, there have been no material changes to the assets and liabilities of these segments since the year end. Revenue and operating profit of the three reportable segments is given below:

	Revenue			Operating profit		
	Half year to 30 June 2017 £m	Half year to 30 June 2016 £m	Year to 31 December 2016 £m	**Half year to 30 June 2017 £m**	Half year to 30 June 2016 £m	Year to 31 December 2016 £m
North America	**474.5**	464.8	952.9	**28.6**	33.6	86.9
EMEA[1]	**346.4**	261.7	552.6	**20.0**	13.6	30.2
APAC[2]	**170.2**	123.2	274.5	**(3.8)**	(9.6)	(18.0)
	991.1	849.7	1,780.0	**44.8**	37.6	99.1
Central items and eliminations	**–**	–	–	**(0.8)**	(2.0)	(3.8)
Before non-underlying items	**991.1**	849.7	1,780.0	**44.0**	35.6	95.3
Non-underlying items (Note 5)	**–**	–	–	**16.4**	(4.7)	(10.1)
	991.1	849.7	1,780.0	**60.4**	30.9	85.2

[1] Europe, Middle East and Africa.
[2] Asia-Pacific.

4. Acquisitions

2017 acquisitions

On 6 March 2017, the group acquired the assets and liabilities of GEO-instruments, an instrumentation and monitoring company based in North America, for cash consideration of £2.5m ($3.1m). The purchase price reflects the fair value of the net assets acquired.

Any adjustments made in respect of acquisitions in the period to 30 June 2017 are provisional and will be finalised within 12 months of the acquisition date.

2016 acquisitions

	Tecnogeo		
	Carrying amount £m	Fair value adjustment £m	Fair value £m
Net assets acquired			
Intangible assets	–	0.8	0.8
Property, plant and equipment	6.8	–	6.8
Cash and cash equivalents	1.2	–	1.2
Receivables	4.2	(0.7)	3.5
Other assets	0.3	–	0.3
Loans and borrowings	(1.8)	–	(1.8)
Deferred tax	–	(0.3)	(0.3)
Other liabilities	(1.5)	(2.2)	(3.7)
	9.2	**(2.4)**	**6.8**
Goodwill			6.6
Total consideration			**13.4**
Satisfied by			
Initial cash consideration			12.8
Contingent consideration			0.6
			13.4

On 29 February 2016, the group acquired 100% of the share capital of the Tecnogeo group of companies, a business based in Sao Paulo, Brazil, for an initial cash consideration of £12.8m (BRL 60.8m). The fair value of the intangible assets acquired represents the fair value of customer contracts at the date of acquisition and the trade name. Goodwill arising on acquisition is attributable to the knowledge and expertise of the assembled workforce, the expectation of future contracts and customer relationships and the operating synergies that arise from the group's strengthened market position. Contingent consideration of up to £13.2m (BRL 53.0m) is payable based on total earnings before interest, tax, depreciation and amortisation in the two year period following acquisition.

On 4 April 2016, the group acquired assets and certain liabilities of Smithbridge Group Pty Limited, a business based in Brisbane, Australia, for an initial cash consideration of £1.8m (AUD 3.4m). The purchase price reflects the fair value of the assets and liabilities acquired.

5. Non-underlying items

Non-underlying items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are items which are exceptional by their size or are non-trading in nature, including those relating to acquisitions.

Non-underlying items comprise the following:

	Half year to 30 June 2017 £m	Half year to 30 June 2016 £m	Year to 31 December 2016 £m
Amortisation of acquired intangible assets	**(4.5)**	(5.0)	(9.7)
Restructuring costs	**–**	–	(14.3)
Contingent consideration: additional amounts provided	**(0.1)**	(0.6)	(3.9)
Acquisition costs	**–**	(0.2)	(0.7)
Non-underlying items in operating costs	**(0.1)**	(0.8)	(18.9)
Contract dispute	**21.0**	0.5	14.3
Contract consideration: provision released	**–**	0.6	4.2
Non-underlying items in other operating income	**21.0**	1.1	18.5
Total non-underlying items in operating profit	**16.4**	(4.7)	(10.1)
Non-underlying finance costs	**(0.5)**	(0.5)	(1.1)
Total non-underlying items	**15.9**	(5.2)	(11.2)

Amortisation of acquired intangible assets primarily relate to the acquisitions of Keller Canada, Franki Africa, Austral, Bencor and Tecnogeo.

The income relating to the contract dispute represents the gain on disposal of the freehold of the processing and warehousing facility at Avonmouth, near Bristol, acquired in 2016 (Note 10), rental income less operating costs to the date of disposal and insurance recoveries in the period.

Non-underlying finance costs relate to the finance costs incurred to fund the acquisition of the freehold of a processing and warehousing facility at Avonmouth, near Bristol (Note 10) and the unwinding of discounted contingent consideration for acquisitions.

6. Taxation

Taxation, representing management’s best estimate of the average annual effective income tax rate expected for the full year, based on the underlying profit before tax, is 34.0% (half year ended 30 June 2016: 34.0%; year ended 31 December 2016: 35.0%).

7. Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	Half year to 30 June 2017 £m	Half year to 30 June 2016 £m	Year to 31 December 2016 £m
Amounts recognised as distributions to equity holders in the period:			
Interim dividend for the year ended 31 December 2016 of 9.25p (2015: 8.8p) per share	**–**	–	6.7
Final dividend for the year ended 31 December 2016 of 19.25p (2015: 18.3p) per share	**13.8**	13.1	13.1
	13.8	13.1	19.8

In addition to the above, an interim ordinary dividend of 9.7p per share (2016: 9.25p) will be paid on 5 September 2017 to shareholders on the register at 11 August 2017. This proposed dividend has not been included as a liability in these financial statements and will be accounted for in the period in which it is paid.

8. Earnings per share

	Earnings attributable to equity holders of the parent before non-underlying items			**Earnings attributable to equity holders of the parent**		
	30 June 2017	30 June 2016	31 December 2016	**30 June 2017**	30 June 2016	31 December 2016
Basic and diluted earnings (£m)	**25.2**	19.7	54.5	**41.0**	15.7	47.2
Number of shares (million)						
Basic number of ordinary shares outstanding	**71.9**	71.8	71.8	**71.9**	71.8	71.8
Effect of dilutive potential ordinary shares:						
Share options and awards	**1.3**	1.1	1.1	**1.3**	1.1	1.1
Diluted number of ordinary shares	**73.2**	72.9	72.9	**73.2**	72.9	72.9
Earnings per share						
Basic earnings per share (pence)	**35.0**	27.4	75.9	**57.0**	21.9	65.7
Diluted earnings per share (pence)	**34.4**	27.0	74.8	**56.0**	21.5	64.7

9. Analysis of closing net debt

	As at 30 June 2017 £m	As at 30 June 2016 £m	As at 31 December 2016 £m
Bank balances	**60.0**	73.9	82.8
Short-term deposits	**1.9**	1.4	1.6
Cash and cash equivalents in the balance sheet	**61.9**	75.3	84.4
Bank overdrafts	**(15.9)**	(1.5)	(0.4)
Cash and cash equivalents in the cash flow statement	**46.0**	73.8	84.0
Bank and other loans	**(341.0)**	(409.1)	(386.7)
Finance leases	**(2.3)**	(4.4)	(2.9)
Closing net debt	**(297.3)**	(339.7)	(305.6)

10. Non-current assets held for sale

On 11 May 2017, the group disposed of the freehold of a processing and warehousing facility at Avonmouth, near Bristol, for a consideration of £62m. A gain of £8m has been recognised within other non-underlying operating income in the period to 30 June 2017.

11. Share capital and reserves

	As at 30 June 2017 £m	As at 30 June 2016 £m	As at 31 December 2016 £m
Allotted, called up and fully paid			
Equity share capital:			
73,099,735 ordinary shares of 10p each			
(30 June 2016: 73,099,735; 31 December 2016: 73,099,735)	**7.3**	7.3	7.3

The Company has one class of ordinary shares, which carries no rights to fixed income. There are no restrictions on the transfer of these shares. The total number of shares held in Treasury was 1.1m (30 June 2016: 1.3m; 31 December 2016: 1.1m).

12. Related party transactions

Transactions between the parent, its subsidiaries and jointly controlled operations, which are related parties, have been eliminated on consolidation.

13. Post balance sheet events

There were no material post balance sheet events between the balance sheet date and the date of this report.

Responsibility Statement

The half yearly financial report is the responsibility of the directors who confirm that to the best of their knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS34 – Interim Financial Reporting;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R – indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year; and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R – disclosure of related party transactions and changes therein.

The directors of Keller Group plc are listed in the Keller annual report for 2016; however, since the publication of the annual report, Ruth Cairnie has retired from the Board and Eva Lindqvist has joined the Board as an independent Non-Executive Director.

Approved by the Board of Keller Group plc and signed on its behalf by:

Alain Michaelis
Chief Executive

James Hind
Finance Director

31 July 2017

Adjusted performance measures

The group's results as reported under International Financial Reporting Standards (IFRS) and presented in the financial statements (the "statutory results") are significantly impacted by movements in exchange rates relative to sterling, as well as by exceptional items and non-trading amounts relating to acquisitions.

As a result, adjusted performance measures have been used throughout this report to describe the group's underlying performance. The Board and Executive Committee use these adjusted measures to assess the performance of the business because they consider them more representative of the underlying ongoing trading result and allow more meaningful comparison to prior year.

Underlying measures
The term "underlying" excludes the impact of exceptional items, amortisation of acquired intangibles and other non-trading amounts relating to acquisitions (collectively "non-underlying items"), net of any associated tax. Underlying measures allow management and investors to compare performance without the potentially distorting effects of one-off items or non-trading items. Non-underlying items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are items which are exceptional by their size or are non-trading in nature, including those relating to acquisitions.

Constant currency measures
The constant currency basis ("constant currency") adjusts the comparative to exclude the impact of movements in exchange rates relative to sterling. This is achieved by retranslating the 2016 results of overseas operations into sterling at the 2017 average exchange rates.

A reconciliation between the underlying results and the reported statutory results is shown on the face of the consolidated income statement, with non-underlying items detailed in note 5. A reconciliation between the 2016 underlying result to the 2017 constant currency result is shown below and compared to the underlying 2017 performance:

Revenue by segment

	Statutory 2017 £m	Statutory 2016 £m	Impact of exchange movements 2016 £m	Constant currency 2016 £m	**Statutory change %**	**Constant currency change %**
North America	**474.5**	464.8	62.6	527.4	**+2%**	**-10%**
EMEA	**346.4**	261.7	27.6	289.3	**+32%**	**+20%**
APAC	**170.2**	123.2	16.9	140.1	**+38%**	**+21%**
Group	**991.1**	849.7	107.1	956.8	**+17%**	**+4%**

Underlying operating profit by segment

	Underlying 2017 £m	Underlying 2016 £m	Impact of exchange movements 2016 £m	Constant currency 2016 £m	**Underlying change %**	**Constant currency change %**
North America	**28.6**	33.6	4.3	37.9	**-15%**	**-24%**
EMEA	**20.0**	13.6	(0.3)	13.3	**+47%**	**+50%**
APAC	**(3.8)**	(9.6)	(1.6)	(11.2)	**+60%**	**+66%**
Central items and eliminations	**(0.8)**	(2.0)	0.5	(1.5)	**+60%**	**+47%**
Group	**44.0**	35.6	2.9	38.5	**+24%**	**+14%**

Underlying operating margin
Underlying operating margin is underlying operating profit as a percentage of revenue.

Other adjusted measures

Where not presented and reconciled on the face of the consolidated income statement, consolidated balance sheet or consolidated cash flow statement, the adjusted measures are reconciled to the IFRS statutory numbers below:

EBITDA

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Operating profit before non-underlying items	**44.0**	35.6	95.3
Depreciation	**33.5**	30.2	62.0
Amortisation	**0.6**	0.7	1.3
Underlying EBITDA	**78.1**	66.5	158.6
Non-underlying items in operating costs	**(0.1)**	(0.8)	(18.9)
Non-underlying items in other operating income	**21.0**	1.1	18.5
EBITDA	**99.0**	66.8	158.2

Net finance costs

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Finance income	**(1.8)**	(0.5)	(1.6)
Finance costs before non-underlying items	**6.5**	5.9	11.8
Underlying net finance costs	**4.7**	5.4	10.2
Non-underlying finance costs	**0.5**	0.5	1.1
Net finance costs	**5.2**	5.9	11.3

Net capital expenditure

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Acquisition of property, plant and equipment	**33.6**	33.4	78.2
Acquisition of intangible assets	**0.4**	0.2	0.6
Proceeds from sale of property, plant and equipment	**(2.5)**	(2.8)	(5.8)
Net capital expenditure	**31.5**	30.8	73.0

Net debt

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Current loans and borrowings	**19.1**	59.6	54.0
Non-current loans and borrowings	**340.1**	355.4	336.0
Cash and cash equivalents	**(61.9)**	(75.3)	(84.4)
Net debt	**297.3**	339.7	305.6

For further information, please contact:

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James Hind, Finance Director **020 7616 7575**

Finsbury
Gordon Simpson/Theo Hildebrand **020 7251 3801**

A presentation for analysts will be held at 9.30am at
One Moorgate Place - Chartered Accountants Hall,
1 Moorgate Place, London EC2R 6EA

A live webcast will be available from 9.30am and, on demand, from 2.00pm at
http://www.investis-live.com/keller/596cd927c6702b0a00524c2e/jtye
Print resolution images are available for the media to download from www.vismedia.co.uk

Notes to Editors:
Keller is the world's largest geotechnical contractor, providing technically advanced geotechnical solutions to the construction industry. With annual revenue of around £2.0bn, Keller has approximately 10,000 staff world-wide.

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

Cautionary statements:

This document contains certain 'forward looking statements' with respect to Keller's financial condition, results of operations and business and certain of Keller's plans and objectives with respect to these items.

Forward looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'potential', 'reasonably possible', 'targets', 'goal' or 'estimates'. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the group operates; changes in the regulatory and competition frameworks in which the group operates; the impact of legal or other proceedings against or which affect the group; and changes in interest and exchange rates.

All written or verbal forward looking statements, made in this document or made subsequently, which are attributable to Keller or any other member of the group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Keller does not intend to update these forward looking statements.

Nothing in this document should be regarded as a profits forecast.

This document is not an offer to sell, exchange or transfer any securities of Keller Group plc or any of its subsidiaries and is not soliciting an offer to purchase, exchange or transfer such securities in any jurisdiction. Securities may not be offered, sold or transferred in the United States absent registration or an applicable exemption from the registration requirements of the US Securities Act of 1933 (as amended).

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