For immediate release ***Monday, 27 February 2017***

Keller Group plc
Results for the year ended 31 December 2016

Keller Group plc ("Keller" or "the Group"), the world's largest geotechnical contractor, announces its results for the year ended 31 December 2016.

	2016 £m	2015 £m	% change	Constant currency % change
Revenue	1,780.0	1,562.4	+14%	+3%
Underlying EBITDA[1]	158.6	155.5	+2%	-9%
Underlying operating profit[1]	95.3	103.4	-8%	-18%
Underlying profit before tax[1]	85.1	95.7	-11%	-21%
Underlying earnings per share[1]	75.9p	86.4p	-12%	-22%
Total dividend per share	28.5p	27.1p	+5%	n/a
Statutory operating profit	85.2	64.7	+32%	+16%
Statutory profit before tax	73.9	56.3	+31%	+14%
Statutory earnings per share	65.7p	35.5p	+85%	+60%

[1] Before pre-tax non-underlying items of £11.2m (2015: £39.4m). Details of the non-underlying items are set out in note 5 of the consolidated financial information.

2016 summary:

- Record revenue of £1,780m (2015: £1,562m), mainly due to currency movements and strong growth in EMEA
- Underlying profit before tax down 11% due to £18m loss in APAC division largely as a result of continuing very difficult market conditions in Australia and Singapore. Significant restructuring undertaken; APAC cost base reduced by an annualised £12m
- Strong margin in North America and excellent growth in EMEA
- Exceptional restructuring charge of £14.3m offset by exceptional credit due to Avonmouth insurance proceeds received and valuation uplift
- Statutory operating profit up 32% to £85.2m (2015: £64.7m, stated after exceptional goodwill impairment of £31.2m)
- Net debt increased to £306m (2015: £183m), in large part due to currency differences and £62m purchase of the Avonmouth property
- Continuing to make good progress against the Group's medium term strategic objectives
- Year-end order book at all-time high, 20% above last year, with some major contract wins in the second half of 2016
- Total dividend per share of 28.5p (2015: 27.1p), an increase of 5%

Alain Michaelis, Keller Chief Executive said:

"Keller has had a mixed year, with disappointing financial results in our most challenging markets, notably Asia and Australia, overshadowing continued good progress in the US and Europe. However we have continued to strengthen our industry position in terms of geographic reach, product range, and project scale. The Group continues to implement our strategic initiatives which we are confident will realise gross benefits of £50m by 2020, around half of which is expected to be reflected as improved profitability.

Despite the ongoing challenges in APAC, cost reduction measures already implemented and the Group record order book of more than £1 billion gives us confidence for 2017. We also remain ideally placed to help respond to any increase in infrastructure spending in the US and beyond."

Basis of preparation

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. 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 2016 average exchange rates increases prior year revenue and underlying operating profit by £168.2m and £12.3m 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 £9.7m amortisation of acquired intangible assets, £14.3m of exceptional restructuring costs and a £14.3m exceptional credit relating to a historic contract dispute on a project in Avonmouth, in the UK.

Group overview

Financial results

Group revenue for the year was £1,780.0m, up 14% on 2015. Constant currency revenue was up 3%, primarily as a result of strong growth in EMEA more than offsetting lower revenues from the APAC region. Constant currency revenue in North America was flat year on year.

Underlying operating profit was £95.3m, a reduction of 8% on the £103.4m generated in 2015. On a constant currency basis underlying operating profit was down 18%. The Group underlying operating margin decreased from 6.6% to 5.4%. The reduction in profitability is attributable to the £18.0m loss reported by the APAC division as a result of the very difficult conditions in Singapore and Australia which continued through the second half. The constant currency operating profit in North America was up 2% year-on-year, whilst EMEA's was up 30%.

After taking account of £9.7m of amortisation of acquired intangible assets and other non-underlying items, totalling a net £0.4m expense, the statutory operating profit was £85.2m (2015: £64.7m). The 2015 statutory operating profit was impacted by a £31.2m exceptional impairment of goodwill relating to Keller Canada. Further details on non-underlying items are given after the discussion of divisional results.

On an underlying basis, after net finance costs of £10.2m (2015: £7.7m), the profit before tax was £85.1m, down 11% on the previous year's £95.7m. The effective tax rate on underlying profit before tax increased from 34.5% in 2015 to 35.0% in 2016. Underlying earnings per share were 75.9p (2015: 86.4p).

The statutory profit before tax was up 31% at £73.9m (2015: £56.3m). After the statutory tax charge of £25.9m (2015: £30.0m), statutory profit after tax was £48.0m (2015: £26.3m) and statutory earnings per share were 65.7p, compared with 35.5p in 2015.

Net debt at the year-end was £305.6m (2015: £183.0m), representing 1.9x underlying EBITDA. The financial position of the Group remains strong with undrawn borrowing facilities totalling £149m. The Group continues to operate well within all of its financial covenants.

Cash generated from operations before non-underlying items was £135.7m, which represents 86% of EBITDA. The Group's continued focus on cash management across its business has resulted in another good cash performance.

Strategy

Keller's vision is to be the world leader in geotechnical solutions. We will achieve this through five strategic levers:

- Growing our product range and entering new markets, organically and by acquisition
- Building strong, customer-focused businesses
- Leveraging the scale and expertise of the Group
- Enhancing our engineering and operational capabilities
- Investing in our people

Towards the end of 2015, the Group adopted a revised organisational model to enhance and accelerate efforts to progress all the strategic levers. The model was designed to make the Group better connected, to improve functional capability and to facilitate both the leveraging of the Group's scale and the sharing of knowledge and best practice. Since then, we have launched a number of strategic initiatives across all the five levers, many of which are beginning to deliver real benefits. Based on our assessment of the opportunities and progress to date, the Group is confident that these initiatives will realise gross benefits of £50m by 2020, around half of which is expected to be reflected as improved profitability.

Dividends

The Board has decided to recommend a final dividend of 19.25p per share (2015: 18.3p per share), to be paid on 9 June 2017 to shareholders on the register as at the close of business on 19 May 2017. Together with the interim dividend paid of 9.25p, this brings the total dividend per share for the year to 28.5p (2015: 27.1p), an increase of 5% for the year. Dividend cover, before non-underlying items, for the full year was 2.7x (2015: 3.2x).

Outlook

Conditions in the Group's major markets are not expected to change materially in 2017. The US construction market is forecast to continue to grow steadily. Keller's strong US market share and large project track record means we are very well placed to benefit from any acceleration of infrastructure spending, although we believe this will likely be an opportunity for 2018 and beyond. Our main European markets should generally continue to be relatively solid, although we may see a slowdown in the UK. Elsewhere, the Group's markets are expected to remain challenging and, while we expect to see a material improvement in APAC's results during 2017, we do not expect to see a return to profitability until 2018.

On a positive note, the Group begins 2017 with a record order book, with work to be undertaken over the next twelve months 20% above last year on a constant currency basis. Also encouragingly, the order book includes some major projects in some of the most challenging markets; Australia, the Middle East, South Africa and Canada.

We are also beginning to see tangible results from a number of the strategic initiatives launched in the last year; product capabilities are being transferred faster, Global Product teams are positively impacting contract performance and real benefits are coming from improved procurement. As a result, the Board is confident in the Group's prospects for 2017.

Divisional results - underlying

North America

	2016 £m	2015 £m	Constant currency
Revenue	**952.9**	851.2	-
Underlying operating profit	**86.9**	76.4	+2%
Underlying operating margin	**9.1%**	9.0%	

Taken as a whole, constant currency revenue was flat in North America with underlying constant currency operating profit up 2%. The profit improvement reflects a 4% increase in the US, which represents over 90% of North American revenue, offset by a deterioration in the Canadian result. Canada recorded a small loss in 2016 compared to a small profit in 2015.

US

The US business had a strong year, helped by a steadily growing construction market. Total construction spend in the US in 2016 was up 4% on 2015, driven by private construction which grew by 6%. Public expenditure on construction marginally declined.

Keller's US revenue was flat year-on-year, reflecting lower revenue from large jobs in 2016. However, the operating margin increased by 0.4 percentage points as a result of good contract performance and better overall market conditions.

Our largest North American business, Hayward Baker, increased profits despite fewer major contracts, proving the strength of its business model of performing a wide range of small to medium sized contracts across a broad range of products and geographies.

Suncoast, the Group's post-tension business which mainly serves the residential construction market, had an outstanding year, benefitting from the continued increase in housing starts where it operates, particularly in its home state of Texas. Suncoast installed new, more automated cut-lines in its two largest facilities in the second half. While these are still relatively new, early signs are that they will lead to significant productivity improvements.

These excellent performances were offset by reduced profits in the US piling companies. Case and HJ Foundation, who both reported record results in 2015, returned to more normal levels of profitability due to fewer large jobs and increased competition in their home cities of Chicago and Miami. McKinney had a number of poorly performing projects. In response, we altered the McKinney organisation to introduce a more centralised management and organisational model.

Bencor, the diaphragm wall company acquired in August 2015, continues to perform well, with its US$135m project to repair and upgrade the East Branch Dam in Pennsylvania progressing to plan.

Canada

Canada continues to be a very tough market, especially in the west. Keller Canada continued to struggle and recorded a small loss for the year. The business has undertaken further cost reduction measures, reducing overheads, streamlining the equipment fleet and closing an office. Annualised costs have now been reduced by a total of C$8m and we continue to look at opportunities to consolidate further and improve performance.

The Canadian result was also adversely impacted by the delay in the C$43m project in Toronto in connection with the expansion of the city's metro system. This was originally scheduled to begin in April 2016, but is not now due to start until the spring of 2017.

Europe, Middle East & Africa (EMEA)

	2016 **£m**	2015 £m	Constant currency
Revenue	**552.6**	441.5	+16%
Underlying operating profit	**30.2**	21.3	+30%
Underlying operating margin	**5.5%**	4.8%	

In EMEA, constant currency revenue increased by 16% and underlying constant currency operating profit increased by 30%. As a result, the underlying operating margin improved from 4.8% to 5.5%, the highest margin earned by the division since 2009. This much improved result reflects good performances from all of the most significant European businesses (the UK, Germany, Poland and Austria) and, in particular, excellent project execution at our large project in the Caspian region.

Europe

Our businesses in central Europe performed well, helped by slowly improving markets. Germany, Austria and Poland are the original heart of Keller's engineering excellence and all these countries' results continue to benefit from the introduction of new products and ongoing improvements to existing products and techniques. All are also leading the way in helping business units elsewhere in the world to expand their product ranges, offering significant expertise, resources and training.

The UK also had a good year in 2016, working on a wide variety of commercial and infrastructure projects. The business had fewer poorly performing projects than in recent years, following extensive work on tendering and execution disciplines. Whilst we have seen some market slowdown recently, much effort is currently being devoted to securing significant work on the major infrastructure projects coming up in the UK.

The major project in the Caspian region was the Group's best performing contract during the year. We recently received notices to proceed for a further US$80m which will take the total project to around US$180m.

Middle East and Africa

The Group had a difficult year in the Middle East and Africa. Revenue in the Middle East can be lumpy, being relatively dependent on large projects, and there were few such projects in the first half of the year. The result also suffered from a poorly executed project completed in the first half. The revenue run rate improved in the second half and should improve significantly in 2017 following the award of two major projects announced recently; the £45m East Port Said Development Complex in Egypt, and the £25m urban development project in Zayed City, Abu Dhabi.

Franki Africa had a very difficult year as the South African construction market contracted significantly as a result of the economic and political uncertainty in the country and many projects elsewhere in sub-Saharan Africa were delayed. However, cost reduction measures allowed the business to record a small profit. On a positive note, the company recently started work on a £40m design and build contract for a foundation solution at the Clairwood Logistics Park development. This project is using a technique new to the South African market and has been introduced in conjunction with Keller experts from Europe.

Brazil

We announced the acquisition of Tecnogeo, one of Brazil's largest independent geotechnical companies, in the first quarter of 2016. Keller is now a top 3 player by market share and is well placed to benefit from the eventual market upturn. As expected, trading has been difficult in a depressed economy with political challenges. Keller's existing business is being integrated into Tecnogeo. Operations from our Rio location have now been transferred to Sao Paolo and an existing Keller leader has recently been relocated to Brazil to manage the enlarged business.

Asia-Pacific (APAC)

	2016 **£m**	2015 £m	Constant currency
Revenue	**274.5**	269.7	-8%
Underlying operating (loss)/profit	**(18.0)**	11.7	n/a
Underlying operating margin	**-**	4.3%	

In APAC, constant currency revenue was 8% down due to continuing very difficult market conditions, primarily faced by our Singapore and Australia businesses. The lower revenue reflects both a reduction in volumes and a very challenging pricing environment. For some of the Group's more commoditised heavy foundation products, pricing levels were more than 20% down year-on-year in both Singapore and Australia.

The extremely difficult market conditions, together with a number of loss making contracts in the year, resulted in the APAC division reporting an £18.0m underlying operating loss for the year. This compares to a profit of £11.7m in 2015, although much of that profit arose from the major, stand-alone Wheatstone project completed in that year. The 2016 loss was split broadly equally between Asia and Australia. In local currency, the second half loss was S$4.2m (£2.4m at current exchange rates) less than that incurred in the first half. This improvement was less than expected as revenue growth was below forecast and the results of some key projects were adversely impacted by operational difficulties.

Significant restructuring has been undertaken in both Australia and ASEAN. Taken together, these measures have reduced the annualised cost base in the division by £12.0m, of which £3.3m benefitted the 2016 result.

The merger of the Asia and Australia divisions was completed in the year. As anticipated, this has allowed capability in Asia to be upgraded, management costs in Australia to be reduced and increased collaboration across the businesses.

Australia

The Group's geotechnical businesses in Australia had an extremely difficult year. Whilst revenue excluding Wheatstone was up 5% on a constant currency basis, contract margins were down about 4%, mainly due to the very competitive pricing environment. Proactive reorganisation has achieved significant cost savings; three piling companies were consolidated into one business unit at the end of 2015, achieving A$7m of annualised overhead savings, whilst in 2016 the number of workshops in the country were reduced from 10 to 6 and headcount was reduced by a further 10%.

While margins remain under pressure, there are some signs of more work being awarded recently, particularly in the infrastructure sector, and the business begins 2017 with an order book well above this time last year.

The Group's near-shore marine businesses, Waterway and Austral, also had a tough year with both revenue and margins down on 2015. Austral suffered from the major miners cutting their maintenance spend, although there are signs that this is now recovering somewhat. The market for Waterway's more traditional near-shore work has become more competitive over the last year, reflecting conditions in the wider construction market.

Asia

The large loss in Asia was mainly due to the Group's piling business in Singapore. A combination of intense competition and a downturn in the market has resulted in very substantial price reductions. As a result, all the major players are recording significant losses and downsizing their businesses.

Keller's piling business in Singapore was placed under new management early in 2016 and has been significantly restructured since.

Headcount at the end of 2016 was less than half that at the beginning of the year and a large part of the equipment fleet has been either sold or relocated to Malaysia, where the market is much busier. Going forward, the business will be managed together with the Group's existing heavy foundations business in Malaysia as a single business unit operating throughout the ASEAN region. The enlarged business will concentrate on winning multi-product, foundation solution projects, avoiding the more commoditised end of the market. It is positive that the Group recently won a large station box project in Kuala Lumpur, using diaphragm wall technology for the first time in the region.

Our ground improvement business in Singapore and Malaysia has performed acceptably, although is not immune from new competition. It recorded a small profit in the year, helped by the successful large vibro-compaction contract at Changi airport.

In contrast to the rest of the region, Keller India continued to perform well in 2016. The business won its first ever diaphragm wall contract as part of the Lucknow metro project, assisted by Keller teams from Poland and Australia. It also recently won its first near-shore marine project, with support from Australia. Prospects in 2017 are encouraging.

Other financial items

Non-underlying items

Non-underlying items before taxation totalled £11.2m in 2016. These comprise:

Amortisation: £9.7m of amortisation of acquired intangible assets (2015: £7.3m)

Exceptional restructuring charges: A £14.3m restructuring charge relating to asset write-downs, redundancy costs and other reorganisation charges in markets experiencing significantly depressed trading conditions (Singapore, Australia, Canada and South Africa). This includes a non-cash charge of £9.0m relating to the write-down of surplus equipment not being relocated to other parts of the Group.

Exceptional contract dispute: A £14.3m 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 noted at the time, the provision was expected to be reduced by future insurance recoveries and the Group's final liability for the dispute would also be dependent in part on the value of the property.

As previously announced, the Group acquired the relevant property in May 2016 pursuant to the dispute settlement agreement for £62.0m with a view to marketing it to third parties. The marketing process continues and the Group remains confident of recouping most, if not all, of the consideration on sale. The property is shown on the Group year-end balance sheet as an asset held for sale at a value of £54m. This is based on a third party valuation and is £6m higher than the amount at which the property was included in the 30 June 2016 balance sheet.

Towards the end of 2016, the Group received £7.5m of insurance proceeds in respect of this dispute. A further £5.9m was received in February 2017 which will be included in the 2017 results as an exceptional credit.

The Group's 2016 results therefore include an exceptional credit relating to this dispute, comprising the insurance proceeds received in the year, the £6m valuation uplift and rental income from the property, less operating costs.

Other non-trading items relating to acquisitions: A net charge of £0.4m (2015: £0.2m) relating to changes in estimated contingent consideration payable in respect of recent acquisitions and acquisition costs.

Interest
Underlying net finance costs increased from £7.7m in 2015 to £10.2m in 2016. This increase is mainly attributable to interest payable on the Group's higher average net borrowings during the year. The reasons for the increase in net debt are outlined in the cash flow and financing section below. Statutory net finance costs increased from £8.4m in 2015 to £11.3m in 2016.

Tax
The Group's underlying effective tax rate was 35.0%, a slight increase on the 2015 effective rate of 34.5%. 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 2016 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 credit of £3.9m has been recognised, representing the net tax impact of the 2016 non-underlying items.

Cash flow and financing
The Group has always placed a high priority on cash generation and the active management of working capital. In 2016, underlying cash generated from operations was £135.7m, representing 86% (2015: 92%) of EBITDA. This continues the Group's excellent record of converting profits into cash, with the aggregate of the last 10 years' of cash generated from operations representing 98% of EBITDA.

Net underlying capital expenditure, excluding the Avonmouth property acquisition referred to above, totalled £73.0m, compared to depreciation and amortisation of £63.3m. The Group continues to invest in transferring technologies into new geographies and to upgrade the equipment fleet.

At 31 December 2016, net debt amounted to £305.6m (2015: £183.0m). The increase in net debt is explained as follows:

	£m
Net debt at 1 January 2016	183.0
Free cash flow	(25.8)
Dividends	20.5
Foreign exchange movements	31.6
Exceptional items	57.1
Opening swap liability	24.6
Acquisitions	14.6
Net debt at 31 December 2016	305.6

Net debt represents 1.9x underlying EBITDA on a headline basis or 2.1x calculated on a covenant basis, well within the covenant limit of 3.0x. The ratio will reduce by 0.4x should the Avonmouth property be sold.

Consolidated income statement

For the year ended 31 December 2016

		2016			2015		
	Note	**Before non-underlying items £m**	**Non-underlying items (note 5) £m**	**Statutory £m**	Before non-underlying items £m	Non-underlying items (note 5) £m	Statutory £m
Revenue	3	**1,780.0**	**–**	**1,780.0**	1,562.4	–	1,562.4
Operating costs		**(1,684.7)**	**(18.9)**	**(1,703.6)**	(1,459.0)	(32.3)	(1,491.3)
Amortisation of acquired intangible assets		**–**	**(9.7)**	**(9.7)**	–	(7.3)	(7.3)
Other operating income		**–**	**18.5**	**18.5**	–	0.9	0.9
Operating profit	3	**95.3**	**(10.1)**	**85.2**	103.4	(38.7)	64.7
Finance income		**1.6**	**–**	**1.6**	0.8	–	0.8
Finance costs		**(11.8)**	**(1.1)**	**(12.9)**	(8.5)	(0.7)	(9.2)
Profit before taxation		**85.1**	**(11.2)**	**73.9**	95.7	(39.4)	56.3
Taxation		**(29.8)**	**3.9**	**(25.9)**	(33.0)	3.0	(30.0)
Profit for the period		**55.3**	**(7.3)**	**48.0**	62.7	(36.4)	26.3
Attributable to:							
Equity holders of the parent		**54.5**	**(7.3)**	**47.2**	61.9	(36.4)	25.5
Non-controlling interests		**0.8**	**–**	**0.8**	0.8	–	0.8
		55.3	**(7.3)**	**48.0**	62.7	(36.4)	26.3
Earnings per share							
Basic	7	**75.9p**		**65.7p**	86.4p		35.5p
Diluted	7	**74.8p**		**64.7p**	85.4p		35.1p

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	2016 £m	2015 £m
Profit for the period	**48.0**	26.3
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**77.0**	(22.9)
Net investment hedge (losses)/gains	**(3.8)**	1.7
Cash flow hedge gains/(losses) taken to equity	**1.9**	(4.2)
Cash flow hedge transfers to income statement	**(1.9)**	4.1
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit pension schemes	**(7.4)**	0.3
Tax on remeasurements of defined benefit pension schemes	**1.3**	(0.3)
Other comprehensive income for the period, net of tax	**67.1**	(21.3)
Total comprehensive income for the period	**115.1**	5.0
Attributable to:		
Equity holders of the parent	**113.7**	4.3
Non-controlling interests	**1.4**	0.7
	115.1	5.0

Consolidated balance sheet

As at 31 December 2016

	Note	2016 £m	2015 £m
Assets			
Non-current assets			
Intangible assets		**188.0**	160.1
Property, plant and equipment		**405.6**	331.8
Deferred tax assets		**21.6**	13.4
Other assets		**30.2**	22.9
		645.4	528.2
Current assets			
Inventories		**59.4**	47.3
Trade and other receivables		**528.5**	423.2
Current tax assets		**18.2**	12.6
Cash and cash equivalents		**84.4**	63.1
		690.5	546.2
Non-current assets held for sale	9	**54.0**	-
Total assets	3	**1,389.9**	1,074.4
Liabilities			
Current liabilities			
Loans and borrowings		**(54.0)**	(3.5)
Current tax liabilities		**(16.4)**	(6.7)
Trade and other payables		**(435.4)**	(373.4)
Provisions		**(9.9)**	(34.7)
		(515.7)	(418.3)
Non-current liabilities			
Loans and borrowings		**(336.0)**	(242.6)
Retirement benefit liabilities		**(31.4)**	(23.1)
Deferred tax liabilities		**(33.5)**	(26.7)
Provisions		**(14.7)**	(7.1)
Other liabilities		**(29.0)**	(22.6)
		(444.6)	(322.1)
Total liabilities	3	**(960.3)**	(740.4)
Net assets	3	**429.6**	334.0
Equity			
Share capital	8	**7.3**	7.3
Share premium account		**38.1**	38.1
Capital redemption reserve	8	**7.6**	7.6
Translation reserve		**59.8**	(12.8)
Other reserve	8	**56.9**	56.9
Hedging reserve		**(0.1)**	(0.1)
Retained earnings		**255.8**	233.5
Equity attributable to equity holders of the parent		**425.4**	330.5
Non-controlling interests		**4.2**	3.5
Total equity		**429.6**	334.0

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Hedging reserve £m	Retained earnings £m	**Attributable to equity holders of the parent £m**	Non-controlling interests £m	**Total equity £m**
At 1 January 2015	7.3	38.1	7.6	8.3	56.9	–	224.5	**342.7**	3.6	**346.3**
Profit for the period	–	–	–	–	–	–	25.5	**25.5**	0.8	**26.3**
Other comprehensive income										
Exchange differences on translation of foreign operations	–	–	–	(22.8)	–	–	–	**(22.8)**	(0.1)	**(22.9)**
Net investment hedge gains	–	–	–	1.7	–	–	–	**1.7**	–	**1.7**
Cash flow hedge losses taken to equity	–	–	–	–	–	(4.2)	–	**(4.2)**	–	**(4.2)**
Cash flow hedge transfers to income statement	–	–	–	–	–	4.1	–	**4.1**	–	**4.1**
Remeasurements of defined benefit pension schemes	–	–	–	–	–	–	0.3	**0.3**	–	**0.3**
Tax on remeasurements of defined benefit pension schemes	–	–	–	–	–	–	(0.3)	**(0.3)**	–	**(0.3)**
Other comprehensive income/(loss) for the period, net of tax	–	–	–	(21.1)	–	(0.1)	–	**(21.2)**	(0.1)	**(21.3)**
Total comprehensive income/(loss) for the period	–	–	–	(21.1)	–	(0.1)	25.5	**4.3**	0.7	**5.0**
Dividends	–	–	–	–	–	–	(18.3)	**(18.3)**	(0.8)	**(19.1)**
Share-based payments	–	–	–	–	–	–	1.8	**1.8**	–	**1.8**
At 31 December 2015 and 1 January 2016	7.3	38.1	7.6	(12.8)	56.9	(0.1)	233.5	**330.5**	3.5	**334.0**
Profit for the period	–	–	–	–	–	–	47.2	**47.2**	0.8	**48.0**
Other comprehensive income										
Exchange differences on translation of foreign operations	–	–	–	76.4	–	–	–	**76.4**	0.6	**77.0**
Net investment hedge losses	–	–	–	(3.8)	–	–	–	**(3.8)**	–	**(3.8)**
Cash flow hedge gains taken to equity	–	–	–	–	–	1.9	–	**1.9**	–	**1.9**
Cash flow hedge transfers to income statement	–	–	–	–	–	(1.9)	–	**(1.9)**	–	**(1.9)**
Remeasurements of defined benefit pension schemes	–	–	–	–	–	–	(7.4)	**(7.4)**	–	**(7.4)**
Tax on remeasurements of defined benefit pension schemes	–	–	–	–	–	–	1.3	**1.3**	–	**1.3**
Other comprehensive income/(loss) for the period, net of tax	–	–	–	72.6	–	–	(6.1)	**66.5**	0.6	**67.1**
Total comprehensive income for the period	–	–	–	72.6	–	–	41.1	**113.7**	1.4	**115.1**
Dividends	–	–	–	–	–	–	(19.8)	**(19.8)**	(0.7)	**(20.5)**
Share-based payments	–	–	–	–	–	–	1.0	**1.0**	-	**1.0**
At 31 December 2016	**7.3**	**38.1**	**7.6**	**59.8**	**56.9**	**(0.1)**	**255.8**	**425.4**	**4.2**	**429.6**

Consolidated cash flow statement
For the year ended 31 December 2016

	2016 £m	2015 £m
Cash flows from operating activities		
Operating profit before non-underlying items	**95.3**	103.4
Depreciation of property, plant and equipment	**62.0**	50.9
Amortisation of intangible assets	**1.3**	1.2
Loss/(profit) on sale of property, plant and equipment	**2.3**	(0.3)
Other non-cash movements	**(5.2)**	6.4
Foreign exchange losses	**0.3**	0.1
Operating cash flows before movements in working capital	**156.0**	161.7
(Increase)/decrease in inventories	**(3.1)**	0.5
Increase in trade and other receivables	**(7.4)**	(11.1)
Decrease in trade and other payables	**(2.7)**	(1.4)
Change in provisions, retirement benefit and other non-current liabilities	**(7.1)**	(7.4)
Cash generated from operations before non-underlying items	**135.7**	142.3
Cash inflows from non-underlying items	**9.0**	-
Cash outflows from non-underlying items	**(4.1)**	(27.5)
Cash generated from operations	**140.6**	114.8
Interest paid	**(12.3)**	(6.6)
Income tax paid	**(25.3)**	(44.3)
Net cash inflow from operating activities	**103.0**	63.9
Cash flows from investing activities		
Interest received	**0.7**	0.5
Proceeds from sale of property, plant and equipment	**5.8**	5.1
Acquisition of subsidiaries, net of cash acquired	**(14.6)**	(52.5)
Acquisition of property, plant and equipment	**(78.2)**	(74.2)
Acquisition of non-current assets held for sale	**(62.0)**	-
Acquisition of intangible assets	**(0.6)**	(0.8)
Net cash outflow from investing activities	**(148.9)**	(121.9)
Cash flows from financing activities		
New borrowings	**103.1**	71.2
Repayment of borrowings	**(4.2)**	(9.3)
Cash flows from derivative instruments	**(28.0)**	-
Payment of finance lease liabilities	**(2.9)**	(1.4)
Dividends paid	**(20.5)**	(19.1)
Net cash inflow from financing activities	**47.5**	41.4
Net increase/(decrease) in cash and cash equivalents	**1.6**	(16.6)
Cash and cash equivalents at beginning of period	**62.9**	85.6
Effect of exchange rate fluctuations	**19.5**	(6.1)
Cash and cash equivalents at end of period	**84.0**	62.9

1. Basis of preparation

The Group's 2016 results have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU.

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 2015, except for the adoption of:

- Amendments to IAS 1, 'Disclosure Initiative'
- Amendments to IAS 16 and 38, 'Clarification of Acceptable Methods of Depreciation and Amortisation'
- Amendments to IAS 27, 'Equity Method in Separate Financial Statements'
- Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment Entities – Applying the Consolidation Exception'
- Amendments to IFRS 11, 'Accounting for Acquisitions of Interests in Joint Operations'
- Annual Improvements to IFRSs 2012-2014 Cycle

There is no significant impact on the Group financial statements as a result of adopting these new and amended standards.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2016 or 2015 but is derived from the 2016 accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies. Those for 2016, prepared under IFRS as adopted by the EU, will be delivered to the Registrar of Companies and made available on the Company's website at www.keller.com in March 2017. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. Foreign currencies

The exchange rates used in respect of principal currencies are:

	Average for period		**Period end**	
	2016	2015	**2016**	2015
US dollar	**1.36**	1.53	**1.23**	1.48
Canadian dollar	**1.80**	1.95	**1.66**	2.05
Euro	**1.22**	1.38	**1.17**	1.36
Singapore dollar	**1.87**	2.10	**1.78**	2.09
Australian dollar	**1.82**	2.03	**1.71**	2.03

3. Segmental analysis

With effect from 1 January 2016, the Group has implemented a new organisation structure, comprising three geographical divisions which have only one major product or service: specialist ground engineering services. Australia and Asia have been combined to form the new geographical division, 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. Comparative information has been restated to reflect the new geographic structure.

	2016 Revenue £m	**2016 Operating profit £m**	2015 Revenue £m	2015 Operating profit £m
North America	**952.9**	**86.9**	851.2	76.4
EMEA[1]	**552.6**	**30.2**	441.5	21.3
APAC[2]	**274.5**	**(18.0)**	269.7	11.7
	1,780.0	**99.1**	1,562.4	109.4
Central items and eliminations	**–**	**(3.8)**	–	(6.0)
Before non-underlying items	**1,780.0**	**95.3**	1,562.4	103.4
Non-underlying items (note 5)	**–**	**(10.1)**	–	(38.7)
	1,780.0	**85.2**	1,562.4	64.7

	2016 Segment assets £m	**2016 Segment liabilities £m**	**2016 Capital employed £m**	**2016 Capital additions £m**	**2016 Depreciation and amortisation £m**	**2016 Tangible and intangible assets £m**
North America	**612.1**	**(206.1)**	**406.0**	**33.3**	**24.7**	**294.8**
EMEA[1]	**413.7**	**(213.3)**	**200.4**	**33.0**	**20.7**	**174.6**
APAC[2]	**229.3**	**(85.2)**	**144.1**	**12.3**	**17.8**	**123.6**
	1,255.1	**(504.6)**	**750.5**	**78.6**	**63.2**	**593.0**
Central items and eliminations[3]	**134.8**	**(455.7)**	**(320.9)**	**0.2**	**0.1**	**0.6**
	1,389.9	**(960.3)**	**429.6**	**78.8**	**63.3**	**593.6**

	2015 Segment assets £m	2015 Segment liabilities £m	2015 Capital employed £m	2015 Capital additions £m	2015 Depreciation and amortisation £m	2015 Tangible and intangible assets £m
North America	508.7	(165.5)	343.2	30.5	19.8	245.6
EMEA[1]	269.9	(183.2)	86.7	31.4	17.4	130.9
APAC[2]	199.3	(71.1)	128.2	12.5	14.8	114.8
	977.9	(419.8)	558.1	74.4	52.0	491.3
Central items and eliminations[3]	96.5	(320.6)	(224.1)	0.6	0.1	0.6
	1,074.4	(740.4)	334.0	75.0	52.1	491.9

1 Europe, Middle East and Africa.

2 Asia-Pacific.

3 Central items include net debt and tax balances.

Revenue and non-current non-financial assets are analysed by country below:

	Revenue		**Non-current non-financial assets[4]**	
	2016 £m	2015 £m	**2016 £m**	2015 £m
United States	**870.3**	773.4	**245.8**	196.7
Australia	**171.0**	161.5	**73.5**	69.6
Canada	**80.1**	77.7	**69.3**	64.9
Germany	**82.7**	62.1	**42.7**	34.7
United Kingdom (country of domicile)	**64.7**	61.8	**23.7**	19.2
Other	**511.2**	425.9	**158.9**	122.8
	1,780.0	1,562.4	**613.9**	507.9

4 Non-current non-financial assets comprise intangible assets, property, plant and equipment and other non-current non-financial assets.

4. Acquisitions

2016 acquisitions

	Tecnogeo Carrying amount £m	Tecnogeo Fair value adjustment £m	Tecnogeo 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.

The fair value of the total trade receivables is not materially different from the gross contractual amounts receivable and is expected to be recovered in full. In the period to 31 December 2016, Tecnogeo contributed £13.4m to revenue and a net loss of £0.8m. Had the acquisition taken place on 1 January 2016, total Group turnover would have been £1,782.7m and total net profit before non-underlying items would have been £55.3m.

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 (A$3.4m). The purchase price reflects the fair value of the assets and liabilities acquired.

The adjustments made in respect of acquisitions in the year to 31 December 2016 are provisional and will be finalised within 12 months of the acquisition date.

2015 acquisitions

	Bencor			Austral			Ellington Cross			**Total**		
	Carrying amount £m	Fair value adjust-ment £m	Fair value £m	Carrying amount £m	Fair value adjust-ment £m	Fair value £m	Carrying amount £m	Fair value adjust-ment £m	Fair value £m	**Carrying amount £m**	**Fair value adjust-ment £m**	**Fair value £m**
Net assets acquired												
Intangible assets	–	3.8	3.8	–	8.7	8.7	–	0.4	0.4	**–**	**12.9**	**12.9**
Property, plant and equipment	16.7	–	16.7	9.6	1.5	11.1	0.6	–	0.6	**26.9**	**1.5**	**28.4**
Cash and cash equivalents	–	–	–	1.1	–	1.1	–	–	–	**1.1**	**–**	**1.1**
Receivables	10.0	–	10.0	3.9	–	3.9	1.2	–	1.2	**15.1**	**–**	**15.1**
Other assets	0.1	–	0.1	1.6	–	1.6	–	–	–	**1.7**	**–**	**1.7**
Loans and borrowings	–	–	–	(1.0)	–	(1.0)	–	–	–	**(1.0)**	**–**	**(1.0)**
Deferred tax	–	–	–	0.3	–	0.3	–	–	–	**0.3**	**–**	**0.3**
Other liabilities	(4.8)	–	(4.8)	(5.9)	–	(5.9)	(0.5)	–	(0.5)	**(11.2)**	**–**	**(11.2)**
	22.0	3.8	25.8	9.6	10.2	19.8	1.3	0.4	1.7	**32.9**	**14.4**	**47.3**
Goodwill			3.2			6.7			0.2			**10.1**
Total consideration			29.0			26.5			1.9			**57.4**
Satisfied by												
Initial cash consideration			29.0			19.9			1.9			**50.8**
Contingent consideration			–			6.6			–			**6.6**
			29.0			26.5			1.9			**57.4**

On 17 August 2015, the Group acquired the trade and selected assets of the GeoConstruction group ('Bencor') of Layne Christensen Company, a business based in Dallas, USA. 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 opportunity to expand Bencor's diaphragm wall technology around the Group.

On 2 July 2015, the Group acquired 100% of the share capital of Austral Construction Pty Limited ('Austral'), a business based in Melbourne, Australia. The fair value of the intangible assets acquired represents the fair value of customer relationships and customer contracts at the date of acquisition. 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 £11.7m (A$20.0m) is payable based on total earnings before interest, tax, depreciation and amortisation in the three year period following acquisition.

On 17 August 2015, the Group acquired the trade and selected assets of Ellington Cross, LLC ('Ellington Cross'), a business based in Charleston, USA.

5. Non-underlying items

Non-underlying items include items which are exceptional by their size or are non-trading in nature and comprise the following:

	2016 £m	2015 £m
Amortisation of acquired intangible assets	**(9.7)**	(7.3)
Restructuring costs	**(14.3)**	–
Contingent consideration: additional amounts provided	**(3.9)**	(0.9)
Acquisition costs	**(0.7)**	(0.2)
Goodwill impairment	**–**	(31.2)
Non-underlying items in operating costs	**(18.9)**	(32.3)
Contract dispute	**14.3**	–
Contingent consideration: provision released	**4.2**	0.9
Non-underlying items in other operating income	**18.5**	0.9
Total non-underlying items in operating profit	**(10.1)**	(38.7)
Non-underlying finance costs	**(1.1)**	(0.7)
Total non-underlying items	**(11.2)**	(39.4)

Amortisation of acquired intangible assets primarily relate to Keller Canada, Franki Africa and the acquisitions set out in note 4.

The £14.3m exceptional restructuring charge relates to asset write downs, redundancy costs and other reorganisation charges in markets experiencing significantly depressed trading conditions (Singapore, Australia, Canada and South Africa). This includes the write-down of surplus equipment to current market values where it is not being relocated to more active parts of the Group.

Additional contingent consideration provided relates to the Bencor and Ellington Cross acquisitions.

The goodwill impairment in 2015 relates to Keller Canada. The results for Keller Canada have been below those expected at the time of the acquisition, primarily due to a severe slowdown in investment in the Canadian oil sands following the very significant reduction in the oil price since the time of acquisition.

£14.3m of exceptional credits relate to the contract dispute settled in 2014. These credits are attributable to insurance proceeds received after an initial settlement with insurers, rental income less operating costs from the acquired processing and warehousing facility (note 9) and the release of the portion of the contract dispute provision that was dependent on the valuation of the property.

Contingent consideration released relates to adjustments to estimated amounts payable for the Austral, Franki Africa and Geo-Foundations acquisitions.

6. Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	2016 £m	2015 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2015 of 18.3p (2014: 16.8p) per share	**13.1**	12.0
Interim dividend for the year ended 31 December 2016 of 9.25p (2015: 8.8p) per share	**6.7**	6.3
	19.8	18.3

The Board has recommended a final dividend for the year ended 31 December 2016 of £13.8m, representing 19.25p (2015: 18.3p) per share. The proposed dividend is subject to approval by shareholders at the AGM on 11 May 2017 and has not been included as a liability in these financial statements.

7. Earnings per share

Basic and diluted earnings per share are calculated as follows:

	Earnings attributable to equity holders of the parent before non-underlying items		Earnings attributable to equity holders of the parent	
	2016	2015	**2016**	2015
Basic and diluted earnings (£m)	**54.5**	61.9	**47.2**	25.5
Weighted average number of shares (million)				
Basic number of ordinary shares outstanding	**71.8**	71.7	**71.8**	71.7
Effect of dilutive potential ordinary shares:				
Share options and awards	**1.1**	0.8	**1.1**	0.8
Diluted number of ordinary shares outstanding	**72.9**	72.5	**72.9**	72.5
Earnings per share				
Basic earnings per share (pence)	**75.9**	86.4	**65.7**	35.5
Diluted earnings per share (pence)	**74.8**	85.4	**64.7**	35.1

8. Share capital and reserves

	2016 **£m**	2015 £m
Allotted, called up and fully paid		
Equity share capital:		
73,099,735 ordinary shares of 10p each (2015: 73,099,735)	**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 capital redemption reserve is a non-distributable reserve created when the Company’s shares were redeemed or purchased other than from the proceeds of a fresh issue of shares.

The other reserve is a non-distributable reserve created when merger relief was applied to an issue of shares under section 612 of the Companies Act 2006 to part fund the acquisition of Keller Canada. The reserve becomes distributable should Keller Canada be disposed of.

The total number of shares held in Treasury was 1.1m (2015: 1.3m).

9. Non-current assets held for sale

On 12 May 2016, the Group acquired the freehold of a processing and warehousing facility at Avonmouth, near Bristol, for a consideration of £62m. As set out in the 2015 Annual Report & Accounts, the Group's final liability with regards to the historic contract dispute involving the property is in part dependent on the value of the property. In order to maximise this value, the Group decided to acquire the property with a view to marketing it to third parties.

In accordance with IFRS 5, the property is being held at the lower of carrying amount and fair value less costs to sell. At 30 June 2016, the fair value of the property was £48m, based on an external valuation. The property was impaired by £14m at 30 June 2016, however the Group previously held a £14m provision for the diminution in value of the property as part of the overall contract dispute provision, and therefore no additional impairment charge was recognised.

At 31 December 2016, the fair value of the property based on an external valuation was £54m. The £6m reversal of impairment has been recognised as exceptional other operating income (note 5).

Rental income less operating costs for the period has been included within exceptional other operating income (note 5).

10. Related party transactions

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

11. Post balance sheet events

A further £5.9m of insurance proceeds relating to the contract dispute settled in 2014 was received in February 2017. This will be recognised as exceptional other operating income in 2017 as the receipt of these insurance proceeds was not considered virtually certain as at 31 December 2016.

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 intangible assets 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 2015 results of overseas operations into sterling at the 2016 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 2015 underlying result and the 2015 constant currency result is shown below and compared to the underlying 2016 performance:

Revenue by segment

	Statutory 2016	Statutory 2015	Impact of exchange movements 2015	Constant currency 2015	**Statutory change**	**Constant currency change**
	£m	£m	£m	£m	**%**	**%**
North America	**952.9**	851.2	103.2	954.4	**+12%**	**-**
EMEA	**552.6**	441.5	36.8	478.3	**+25%**	**+16%**
APAC	**274.5**	269.7	28.2	297.9	**+2%**	**-8%**
Group	**1,780.0**	1,562.4	168.2	1,730.6	**+14%**	**+3%**

Underlying operating profit by segment

	Underlying 2016	Underlying 2015	Impact of exchange movements 2015	Constant currency 2015	**Underlying change**	**Constant currency change**
	£m	£m	£m	£m	**%**	**%**
North America	**86.9**	76.4	9.2	85.6	**+14%**	**+2%**
EMEA	**30.2**	21.3	2.0	23.3	**+42%**	**+30%**
APAC	**(18.0)**	11.7	1.1	12.8	**-254%**	**-241%**
Central items and eliminations	**(3.8)**	(6.0)	-	(6.0)	**+37%**	**+37%**
Group	**95.3**	103.4	12.3	115.7	**-8%**	**-18%**

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

	2016 £m	2015 £m
Operating profit before non-underlying items	**95.3**	103.4
Depreciation	**62.0**	50.9
Amortisation	**1.3**	1.2
Underlying EBITDA	**158.6**	155.5
Non-underlying items in operating costs	**(18.9)**	(1.1)
Non-underlying items in other operating income	**18.5**	0.9
EBITDA	**158.2**	155.3

Net finance costs

	2016 £m	2015 £m
Finance income	**(1.6)**	(0.8)
Finance costs before non-underlying items	**11.8**	8.5
Underlying net finance costs	**10.2**	7.7
Non-underlying finance costs	**1.1**	0.7
Net finance costs	**11.3**	8.4

Net capital expenditure

	2016 £m	2015 £m
Acquisition of property, plant and equipment	**78.2**	74.2
Acquisition of intangible assets	**0.6**	0.8
Proceeds from sale of property, plant and equipment	**(5.8)**	(5.1)
Net capital expenditure	**73.0**	69.9

Net debt

	2016 £m	2015 £m
Current loans and borrowings	**54.0**	3.5
Non-current loans and borrowings	**336.0**	242.6
Cash and cash equivalents	**(84.4)**	(63.1)
Net debt	**305.6**	183.0

For further information, please contact:

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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/587362bf85d36716002de4c6/tj6f
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 £1.8bn, 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.

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