



29 July 2019

### Keller Group plc Interim Results for the six months ended 30 June 2019

Keller Group plc ('Keller' or 'the group'), the world's largest geotechnical specialist contractor, announces its results for the six months ended 30 June 2019.

#### H1 in line with expectations and full year guidance re-iterated

	H1 2019 £m (IAS 17 basis)	H1 2019 £m (IFRS 16 basis) <sup>2</sup>	H1 2018 £m (IAS 17 basis)	% change (IAS 17 basis)	Constant currency % change (IAS 17 basis)
Revenue	1,091.7	<b>1,091.7</b>	1,075.1	+2%	-2%
Underlying operating profit <sup>1</sup>	37.5	<b>38.3</b>	49.1	-24%	-29%
Underlying profit before tax <sup>1</sup>	28.9	<b>27.5</b>	42.2	-32%	-37%
Underlying diluted earnings per share <sup>1</sup>	28.5p	<b>27.1p</b>	40.7p	-30%	-36%
Net debt	333.5	<b>419.6</b>	367.0	-9%	-11%
Interim dividend per share	12.6p	<b>12.6p</b>	12.0p	+5%	+5%
Statutory operating profit		<b>32.5</b>	42.8		
Statutory profit before tax		<b>21.7</b>	35.9		
Statutory diluted earnings per share		<b>4.8p</b>	33.7p		

<sup>1</sup>Underlying operating profit, profit before tax and underlying diluted earnings per share are non-statutory measures which provide readers of this interim announcement with a balanced and comparable view of the group's performance by excluding the impact of non-underlying items, as disclosed in note 7 of the interim condensed consolidated financial statements.

<sup>2</sup>The group adopted IFRS 16 on 1 January 2019, as disclosed in note 2 to the interim condensed consolidated financial statements and comparative financial measures have not been restated. The 2019 interim results prepared on the basis of IAS 17, the previous leasing standard, as well as under IFRS 16 have been presented and commented upon to allow meaningful comparison to prior periods.

#### Highlights

- First half results in line with expectations; driven by an increased momentum in the second quarter, offsetting a weak start to the year
- Revenue of £1,091.7m, broadly flat versus last year with growth in North America and EMEA offset by a decline in APAC
- On a comparable IAS 17 basis the underlying operating profit was £37.5m, with the year-on-year decrease primarily driven by the completion of two large projects in 2018 in EMEA. Underlying operating profit on an IFRS16 basis was £38.3m
- On a comparable basis net debt decreased by £33.5m to £333.5m, driven by an increased focus on capex and working capital, more than offsetting currency headwinds. This represents 2.1x net debt/EBITDA (on a covenant and IAS 17 basis) in line with expectations and seasonal profile. Net debt was £419.6m on an IFRS 16 basis
- The group restructuring programme started in 2018 has progressed well with the restructuring in ASEAN proving successful. In June we announced Waterway will cease operations from October 2019
- We have continued to make good progress in safety with a 30% year-on-year improvement in the accident frequency rate
- The order book in excess of £1bn remains robust and is particularly strong in North America, offset by a decline in the restructured APAC division

- In July we announced the reorganisation of our North American business, integrating the seven individually branded geotechnical foundation businesses into one Keller branded company. We expect this to drive material revenue growth in the future by providing the opportunity to offer our full range of products and services across the whole of our North American geographic footprint. The new structure will take effect in January 2020.
- The Board's full year expectations are unchanged with a stronger second half anticipated. Full year revenue is expected to be broadly flat versus 2018 and an improvement in margin will drive a growth in profit. The group remains on track to meet year-end banking leverage target of net debt/EBITDA between 1.0x and 1.5x
- Interim dividend of 12.6p per share declared, an increase of 5%

**Alain Michaelis, Chief Executive, said:**

*"The first half of the year has been a period of significant activity for Keller, implementing a series of group-wide improvements. Our 2018 restructuring plan has been a strong step forward, demonstrated by the successful ASEAN turnaround, and we remain confident in APAC returning to profitability in the second half. We are also enhancing our North America division through a reorganisation programme which we expect to drive material revenue growth.*

*"Despite a weaker start to the year, first half results were in line with our expectations. Recent trading means we are entering the second half of the year with good momentum and expect a stronger second half performance, supported by a robust order book. Looking to the future, Keller remains well positioned to take advantage of strong underlying market fundamentals driven by the ongoing global demand for urbanisation and infrastructure growth."*

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**A presentation for analysts will be held at 10.00am at  
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**A live webcast will be available from 10.00am and, on demand, from 2.00pm at  
<https://www.investis-live.com/keller/5d0211ec356b240b00a10ad1/ybdd>**

Notes to editors:

Keller is the world's largest geotechnical specialist contractor providing a wide portfolio of advanced foundation and ground improvement techniques used across the entire construction sector. With around 10,000 staff and operations across six continents, Keller tackles an unrivalled 7,000 projects every year, generating annual revenue of more than £2bn.

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. For a more detailed description of these risks, uncertainties and other factors, please see the Risk Management approach and Principal Risks section of the Strategic Report in the Annual Report and Accounts.

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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Classification: 1.2 (Half yearly financial reports)

## **Adjusted performance measures**

In addition to statutory measures, a number of Adjusted Performance Measures (APMs) are included in this interim announcement to assist investors in gaining a clearer understanding and balanced view of the group's underlying performance and in comparing performance. These measures are consistent with how business performance is measured internally.

The APMs used include underlying operating profit, underlying earnings before interest, tax, depreciation and amortisation, underlying net finance costs and underlying earnings per share, each of which are the equivalent statutory measure adjusted to eliminate the amortisation of acquired intangibles and other significant one-off items not linked to the underlying performance of the business. Further underlying constant exchange rate measures are given which eliminate the impact of currency movements by comparing the current measure against the comparative restated at this year's actual average exchange rates. Where APMs are given, these are compared to the equivalent measures in the prior period.

During the interim reporting period the group has adopted IFRS 16 'Leases', using the modified retrospective adoption method which does not require the restatement of prior period comparatives, with an initial date of application of 1 January 2019. IFRS 16 replaces IAS 17, the previous accounting standard, and has had an impact on the costs, profits, assets and liabilities included within the statutory results of the group. To further assist investors to understand the trading performance of the group during this transition period compared to previously reported results, APMs for the current reporting period are also stated on an IAS 17 basis.

APMs are reconciled to the statutory equivalent in the final section of this interim announcement and within other notes to the interim condensed consolidated financial statements, as relevant.

## **GROUP OVERVIEW**

The group's first half performance was overall in line with expectations, with a stronger second quarter offsetting a weak start to the year. Management actions to drive future benefits continued at pace with significant changes to our business being executed and planned.

Group revenue was £1,091.7m, similar to last year, driven by the acquisition of Moretrench in North America in March 2018, growth in EMEA, and a decline in APAC; the latter a combination of the restructuring actions taken in 2018 and soft market conditions in Australia. The group's underlying operating profit, while in line with expectations, was materially lower than 2018, following the completion of two large projects in EMEA and a weak first half in Australia. North America profits were flat versus 2018, with a good performance from the acquired Moretrench business and successful margin recovery in Suncoast offset by softer margins in our foundation businesses. EMEA continued to make underlying progress while in APAC, losses in Australia more than offset a recovery in ASEAN. Group cash performance was in line with expectations, net debt reduced by £33.5m year-on-year, driven by capex and working capital efficiencies, partially offset by foreign exchange headwinds. Leverage seasonally increased to 2.1x net debt/EBITDA as anticipated.

We continued to make progress in reorganising and restructuring the group. In July we said that we are reorganising our North America division, integrating the seven individually branded foundation businesses into one Keller branded company. We expect this project to drive material revenue growth in the future by providing the opportunity to offer our full range of products and services into the whole of our North American geographic footprint. The new structure will take effect in January 2020.

The restructuring programme announced in 2018 has been well executed, with the ASEAN business showing a solid turnaround. Despite this, contract awards at Waterway in Australia have not improved and in June 2019 the decision was taken to cease operations from October 2019. In 2018 we reduced capacity in South Africa and Brazil, however, they remain tough markets and we continue to manage them closely with further cost reduction actions potentially required in the second half of 2019.

Safety has been an area of continued progress, with our accident frequency rate now 30% lower than a year ago and 70% lower than five years ago. Although we have a strong industry leading track record, we are not complacent and strive to continually improve the safety of our employees.

### Interim dividend

In line with the group's progressive dividend policy, the Board has declared an interim dividend of 12.6p per share, an increase of 5%, reflecting the Board's confidence in the second half and prospects for the group.

### Outlook

Keller remains strategically well positioned as the world's largest geotechnical specialist contractor with ongoing favourable market fundamentals expected to support growth in the medium term. We are focused on re-shaping the business to take advantage of the positive market trends of urbanisation and infrastructure growth.

We are confident in the overall health of our markets as reflected by our strong order book. In the second half we expect to maintain the second quarter momentum in the performance of the North American division, win targeted projects in Australia and continue to deliver on our restructuring programme. Therefore we expect a stronger second half with an improvement in margin driving an increase in profit, while full year revenue is expected to be broadly flat versus 2018. Year-end net debt is expected to fall year-on-year driven by the expected improvement in profit and focus on cash generation. Accordingly, we expect debt leverage to reduce and be within our net debt/EBITDA guidance of between 1.0x to 1.5x at year-end.

## DIVISIONAL REVIEW

### North America

	<b>H1 2019</b> (IAS 17 basis) <b>£m</b>	H1 2018 (IAS 17 basis) <b>£m</b>	Constant currency
Revenue	<b>611.0</b>	534.3	+7%
Underlying operating profit	<b>32.4</b>	31.7	-4%
Underlying operating margin	<b>5.3%</b>	5.9%	
Order book*	<b>607.1</b>	564.1	+8%

\* Comparative order book stated at constant currency

In North America, which accounts for around half the group's revenue, reported revenue increased by 7% on a constant currency basis, despite performance being negatively impacted by unfavourable weather, with the region experiencing its wettest twelve months in history, as well as record cold spells in the first quarter. Excluding the Moretrench acquisition, on a like-for-like basis, revenue was up 1.5%.

The US construction market remains stable with a continued confidence in the outlook. Residential construction is down year-on-year, however it is highly regional, with Texas and Florida remaining buoyant. Infrastructure is generally strong with a number of large road and rail projects and there are some good opportunities in the industrial sector. The Canadian market remains regionally mixed.

The overall margin declined year-on-year, driven by the adverse weather related inefficiencies in the period, non-recurring high margin emergency recovery and data centre projects, as well as a weak first half at Case. This was offset to some extent by margin improvement at Suncoast where customer pricing has recovered the adverse material cost inflation that was experienced in 2018.

Our North American foundation businesses had a disappointing first half. Case in particular had a challenging period with negative job mix and adverse weather affecting projects in the mid-west, driving a significant decline in revenue versus 2018. We expect an improved second half based on a stronger order book. Hayward Baker, our largest and most diverse business, had a disappointing first half, achieving revenue growth, but at reduced margins particularly in the first quarter. Margins have recovered in recent months. The Moretrench integration continues to perform well and is contributing positively to our overall business. Our other US foundation businesses, McKinney and HJ Foundation also declined, the Miami market where HJ Foundation primarily operates was subdued.

There is no material update to the position announced in November 2018, in respect of the scope adjustment to the Bencor long-term contract, which we continue to negotiate with the client and we remain confident in the position that has been taken.

Keller Canada delivered a marginal improvement in performance versus 2018, however the business is still not operating at its full potential. Market opportunities and the order book point to a stronger second half.

Suncoast had a good first half with revenue and margins up versus last year. We have recovered from the steel price induced margin compression of 2018. Moretrench Industrial also performed well. The outlook for both businesses for the full year is positive.

On 11 July we said that we will reorganise our North American business through the integration of all seven foundation businesses (Bencor, Case, Hayward Baker, HJ Foundation, Keller Canada, McKinney and Moretrench) into one company and rebranding to Keller. The new company will be managed as eight business units, seven will be geographically based, each with similar revenue and offering all relevant products. The eighth will offer specialty services that we currently only offer from a limited number of offices (including diaphragm-walls, instrumentation and monitoring, specialty grouting, ground freezing and dewatering). We expect this project to drive material revenue growth in the future by providing the opportunity to offer our full range of products and services into the whole of our North American geographic footprint. We anticipate the reorganisation to cost between £2.5m and £4.0m through 2019 and 2020. These costs will be absorbed over this year and next within the ordinary course of business. In the medium term, we expect £4.5m to £6.0m per annum cost and efficiency benefits, as well as strengthening market share gains supporting our growth in North America. The new structure will take effect in January 2020.

## Europe, Middle East and Africa (EMEA)

	<b>H1 2019</b> (IAS 17 basis) £m	H1 2018 (IAS 17 basis) £m	Constant currency
Revenue	<b>342.4</b>	324.7	+5%
Underlying operating profit	<b>10.6</b>	19.7	-50%
Underlying operating margin	<b>3.1%</b>	6.1%	
Order book*	<b>267.3</b>	258.3	+3%

\* Comparative order book stated at constant currency

In EMEA, revenue increased by 5% to £342.4m on a constant currency basis. The underlying operating margin decreased from 6.1% to 3.1%. The decline in profitability was largely driven by two highly profitable projects in the Caspian and Middle East in the first half of 2018 which were not repeated in 2019, driving a reduction in operating profit of £11.3m in the first half. Excluding these two projects, EMEA revenue was up 11% and profit was up 4%, on a constant currency basis.

In Europe, our South East Europe business unit performed strongly and is having an excellent year. Germany also performed well and will be busy through 2019. Elsewhere, Poland in our North East Europe business unit, was subdued. In the North West Europe business unit, the UK, which is facing a tough market backdrop, performed relatively well. Preliminary trial piling work has started on HS2, on which we remain well placed, although the overall HS2 project still requires parliamentary approval to proceed, currently timetabled for December 2019. Our French Speaking Countries continue to progress some good projects in North Africa and the business unit has won its first large Paris Metro work.

Middle East was quiet and had some mixed project performance, although we expect the second half to be busier. Franki Africa and Brazil continue to face tough market conditions despite 2018 restructuring actions to reduce capacity. Further cost reduction and efficiency measures may be needed in the second half of the year.

## Asia-Pacific (APAC)

	<b>H1 2019</b> (IAS 17 basis) £m	H1 2018 (IAS 17 basis) £m	Constant currency
Revenue	<b>138.3</b>	216.1	-35%
Underlying operating loss	<b>(2.6)</b>	(0.4)	n/a
Underlying operating margin	<b>(1.9%)</b>	(0.2%)	
Order book*	<b>156.4</b>	243.9	-36%

\* Comparative order book stated at constant currency

In APAC, constant currency revenue was down 35% driven partially by market conditions and partially by our actions to reduce capacity. Australia revenue declined 43% across our three business units. The division reported an operating loss of £2.6m despite a good performance by ASEAN which was more than offset by the weak first half in Australia.

In ASEAN, we took the decision in 2018 to exit heavy foundations activities (bored piling, driven piling and diaphragm-walls) in Singapore and Malaysia. This managed exit has been executed successfully and is nearing completion. Significantly, the business returned to profit in the first half and the cost to complete the restructure was lower than expected. The refocussing of the business on ground improvement has also been proven to be the right decision as evidenced by a number of significant high quality contract wins in recent months totalling more than £40.0m.

Keller India declined marginally in the first half of 2019 versus the first half last year. However, activity in our Indian business unit remains strong and we are well placed to benefit from robust market fundamentals.

In Australia, overall market conditions were soft, with two cyclones in the Pilbara causing delays to projects in the mining industry adversely impacting trading in the first quarter. The level of contract awards has also been unfavourably impacted by the Federal election but tendering activity is now stronger and the second half is expected to return to more normal levels. In response to no material improvement in the award of quality contracts, we have taken the decision to cease Waterway operations from 31 October 2019. The group reported a £4.0m operating loss for the first half in relation to Waterway. In addition an £11.0m exceptional charge has also been recorded, which will be largely non-cash impairments.

In Australia, we expect our business in the mining market to improve and the general infrastructure market to recover. ASEAN and India are expected to perform well and contribute meaningfully to the division for the full year 2019. We remain confident that APAC as a division will return to profitability in the second half.



## FINANCIAL REVIEW

A summary consolidated income statement with explanatory discussion of the key items is provided below:

	2019 H1 £m (IAS 17 basis) <sup>2</sup>	2019 H1 £m (IFRS 16 basis)	2018 H1 £m (IAS 17 basis)
Revenue	1,091.7	1,091.7	1,075.1
Underlying operating profit <sup>1</sup>	37.5	38.3	49.1
Underlying operating profit % <sup>1</sup>	3.4%	3.5%	4.6%
Non-underlying items	(5.8)	(5.8)	(6.3)
Operating profit	31.7	32.5	42.8

<sup>1</sup> Underlying operating profit is a non-statutory measure which provides readers of this interim announcement with a balanced and comparable view of the group's performance by excluding the impact of non-underlying items, as disclosed in note 7 of the interim condensed consolidated financial statements.

<sup>2</sup> The group adopted IFRS 16 on 1 January 2019 and comparative financial measures have not been restated. The 2019 H1 results prepared on the basis of IAS 17, the previous leasing standard, as well as under IFRS 16 have been presented and commented upon to allow meaningful comparison to prior periods.

### Revenue

Revenue at £1,091.7m was slightly ahead versus last year (£1,075.1m), driven by growth in North America and EMEA, offset by a decline in APAC. North America reported an increase of 14% with the tailwind of foreign exchange movements from weaker sterling adding to the 7% constant currency growth. On a like for like basis, excluding the Moretrench acquisition, revenue was up 1.5%. EMEA revenue increased by 5%, with no currency effect, driven by strong performance in the South East Europe business unit. APAC revenue decreased by 36%, on a constant currency basis 35%, impacted by the decision to exit ASEAN heavy foundations activities in the second half of 2018 and softness in the Australian market.

### Underlying operating profit

Underlying operating profit decreased to £37.5m (2018: £49.1m), a decrease of 24% with the tailwind of favourable foreign exchange rates from weaker sterling causing a 5% improvement to the constant currency reduction of 29%. On a reported basis North America was up 2% however 4% down on a constant currency basis, driven by a decreased margin on the back of adverse weather related inefficiencies, non-recurring data centre projects and low levels of emergency recovery work. EMEA operating profit was down 46% on a reported basis, as highly profitable projects in the first half of 2018 were not repeated in 2019. In APAC the operating loss increased by £2.2m driven by a weak first half across Australia.

### Geographic segmentation

	Revenue £m		Underlying operating profit £m			Underlying operating profit margin %		
	2019 H1	2018 H1	2019 H1 (IAS 17 basis)	2019 H1 (IFRS 16 basis)	2018 H1 (IAS 17 basis)	2019 H1 (IAS 17 basis)	2019 H1 (IFRS 16 basis)	2018 H1 (IAS 17 basis)
<b>Division</b>								
North America	611.0	534.3	32.4	33.1	31.7	5.3%	5.4%	5.9%
EMEA	342.4	324.7	10.6	10.6	19.7	3.1%	3.1%	6.1%
APAC	138.3	216.1	(2.6)	(2.5)	(0.4)	(1.9)%	(1.8)%	(0.2)%
Central	—	—	(2.9)	(2.9)	(1.9)			
<b>Group</b>	<b>1,091.7</b>	<b>1,075.1</b>	<b>37.5</b>	<b>38.3</b>	<b>49.1</b>	<b>3.4%</b>	<b>3.5%</b>	<b>4.6%</b>

## **Non-underlying operating costs**

Non-underlying operating costs totalled £7.4m in H1 2019 (2018 H1: £0.5m).

In the second half of 2018 the group announced a group-wide restructuring programme that affected the ASEAN and Waterway business units in APAC and the Brazil and Franki Africa business units in EMEA resulting in a full year restructuring charge of £30.1m of which £21.6m was non-cash, relating to asset write-downs, redundancy costs and other reorganisational charges. In addition, total restructuring costs included £30.1m impairment of goodwill and £1.2m impairment of other intangibles assets.

Restructuring costs in the period were £6.9m comprising a largely cash neutral charge of £11.0m in connection with the cessation of Waterway operations as announced in June 2019, offset by a reversal of provisions made during the prior year, following success in executing the plan to exit ASEAN Heavy Foundations activities during the first half of 2019.

Acquisition costs in the period relate to professional fees associated with the wind up of an employee share ownership plan at Moretrench.

## **Amortisation of acquired intangibles**

The £1.7m of amortisation of acquired intangible assets relates mainly to the Moretrench, Austral, and Sivenmark acquisitions. The prior period charge (2018 H1: £5.8m) also included amortisation in relation to Keller Canada, Bencor and Franki Africa acquired intangibles which were fully written-off at 31 December 2018.

## **Other operating income**

During the interim period £3.3m of proceeds were received on final settlement of a contributory claim relating to an exceptional contract dispute, first reported in 2014.

Further details of non-underlying items are set out in note 7 to the interim condensed consolidated financial statements.

## **Operating profit**

Operating profit of £32.5m (2018 H1: £42.8m) reflects an underlying operating profit (on an IAS 17 basis) of £37.5m (2018 H1: £49.1m), non-underlying items totalling a cost of £5.8m (2018 H1: £6.3m) and the impact of IFRS 16 in which was a £0.8m credit, representing the difference between the £12.7m operating lease expense and £11.9m depreciation charge on the right-of-use assets.

## **Finance costs**

Underlying net finance costs on an IAS 17 basis were £8.6m (2018 H1: £6.9m). Included in the statutory net finance costs of £10.8m was a £2.2m interest charge on the IFRS 16 lease liability. There were no non-underlying net finance costs in the current or prior period.

## **Taxation**

The group's underlying effective tax rate was 28.0%, the same as the rate in the prior period.

A non-underlying tax charge of £10.2m (2018 H1: £1.2m credit) has been recognised and includes the write-off of £10.5m deferred tax asset relating to the Australian tax group, the write-off being triggered by the closure of the Waterway business.

## **Earnings per share**

Underlying diluted earnings per share decreased by 30% to 28.5p on an IAS 17 basis (2018 H1: 40.7p), in line with the decrease in the group's underlying profit after tax. Statutory diluted earnings per share decreased to 4.8p (2018 H1: 33.7p).

## **Dividend**

The Board has declared an interim dividend of 12.6p per share (2018: 12.0p per share), an increase of 5% for the year.

The group's policy on dividends is to increase the dividend sustainably so that the group is able to grow, or at least maintain, the level of dividend through market cycle volatility. Keller Group plc is a non-trading investment company that derives its profits from dividends paid by subsidiary companies. The dividend policy is therefore impacted by the performance of the group which is subject to the group's principal risks and uncertainties as well as the level of headroom on the group's borrowing facilities and future cash commitments and investment plans.

## **Acquisitions**

There were no material acquisitions in the period.

## **Working capital**

Net working capital increased from £216.8m at year-end to £285.3m, a feature of the seasonality of our business and volume increases in North America.

## **Capital expenditure**

The group continues to manage its capital expenditure carefully whilst investing in upgrading and replacing equipment where appropriate. The Asset Replacement Ratio for the first half of the year (calculated by dividing gross capex spend by the depreciation charge, excluding assets capitalised as a result of adopting IFRS 16) decreased to 78%, from 122% at year-end, as the focus is efficient capex and asset management.

## Operating and free cash flow

£m	2019 H1 (IAS 17 basis)	2018 H1 (IAS 17 basis)
Underlying operating profit	37.5	49.1
Depreciation and amortisation	34.7	34.4
<b>Underlying EBITDA</b>	<b>72.2</b>	<b>83.5</b>
Non-cash items	0.6	1.3
Share of profit from joint ventures	(0.1)	–
Increase in working capital	(66.3)	(73.1)
Outflows from provisions and retirement benefit liabilities	(3.3)	(4.3)
Net capital expenditure	(25.3)	(38.9)
Sale of other non-current assets	1.5	3.3
<b>Operating cash outflow</b>	<b>(20.7)</b>	<b>(28.2)</b>
<b>Operating cash outflow to operating profit</b>	<b>(55)%</b>	<b>(57)%</b>
Net interest paid	(8.7)	(6.7)
Cash tax paid	(3.5)	(9.2)
<b>Free cash outflow</b>	<b>(32.9)</b>	<b>(44.1)</b>
Dividends paid to shareholders	(17.2)	(17.6)
Acquisitions	–	(62.3)
Non-underlying items	8.9	(0.5)
Foreign exchange movements	(6.1)	(13.0)
<b>Movement in net debt</b>	<b>(47.3)</b>	<b>(137.5)</b>
<b>Opening net debt</b>	<b>(286.2)</b>	<b>(229.5)</b>
<b>Closing net debt</b>	<b>(333.5)</b>	<b>(367.0)</b>
<b>Closing net debt on a statutory basis</b>	<b>(419.6)</b>	<b>(367.0)</b>

The 2019 closing net debt on a statutory basis includes £86.1m in relation to the IFRS 16 lease liability.

## Free cash flow

The group had a free cash outflow of £32.9m for the six months to 30 June 2019 (2018 H1 outflow: £44.1m).

## Financing facilities and net debt

The group's term debt and committed facilities principally comprise \$125m of US private placements which mature between 2021 and 2024 and a £375m multi-currency syndicated revolving credit facility expiring in November 2023. At 30 June 2019, the group had undrawn committed and uncommitted borrowing facilities totalling £175.5m.

The most significant covenants in respect of our main borrowing facilities relate to the ratio of net debt to underlying EBITDA, underlying EBITDA interest cover and the group's net worth. The group is operating well within all of its covenant limits. The most important is net debt to underlying EBITDA and at June 2019 the group's net debt to underlying EBITDA ratio, calculated on a covenant basis, which excludes the impact of any IFRS changes such as IFRS 16, was 2.1x, well within the limit of 3.0x. The group's debt leverage guidance remains at 1.0x to 1.5x, with the current year-end leverage expected to be in that range. Leverage calculated on a statutory basis, including IFRS 16, was 2.5x at 30 June 2019.

The average month end net debt during 2019 H1, excluding IFRS 16 lease liabilities, was £334.3m and the minimum headroom during the year on the group's main banking facility was £95.7m, in addition to a cash balance at that time of £64.0m. The group had no material discounting or factoring in place during the period and, given the small value and short term nature of the majority of the group's contracts, the incidence of prepayments is very low. The group had drawn upon uncommitted overdraft

facilities to the value of £4.3m and had drawn £249.6m of bank guarantee and bonding facilities at 30 June 2019.

### **Impact of Brexit**

The UK referendum vote to leave the European Union has led to a period of prolonged economic and political uncertainty in the country. Whilst this has impacted our operations in the UK, the group's UK business represents less than 3% of group revenue. Depending upon the nature and timing of the final Brexit agreement, there may be further adverse operational impacts in the form of cross border raw material and personnel movements and/or additional burdens to the dividend and treasury flows within the group. Any material additional movements in exchange rates may also impact the headroom of the group's debt facilities which are mainly denominated in sterling. The Board has taken the above effects into account in its financial scenario modelling and its going concern considerations. Overall, the Board does not envisage any sustained material threat to the group's business performance.

### **IFRS 16 'Leases'**

IFRS 16 'Leases' became effective from 1 January 2019. The profit after tax impact of IFRS 16 in H1 was a £1.0m cost; comprising of a £0.8m credit to operating profit, a £2.2m finance charge on the lease liability and a £0.4m tax credit. The balance sheet at 30 June 2019 includes a right-of-use asset of £84.4m and lease liabilities of £87.6m. The full impact of the new standard is detailed in note 2.

For the benefit of comparison with the prior period the interim consolidated income statement, and relevant notes, also include the results for the current half year period prepared on a 'pro forma' basis excluding the effect of IFRS 16. The adoption of IFRS 16 will not impact the banking covenants as the calculations are prepared based on the accounting treatment required under IAS 17, the previous lease accounting standard.

### **Principal risks**

The group operates globally across many geotechnical market sectors and in varied geographic markets. The group's performance and prospects may be affected by risks and uncertainties in relation to the industry and the environments in which it undertakes its operations around the world. Those risks include: financial risk, the inability to finance our business; market risk, a rapid downturn in our markets; strategic risk, the failure to procure new contracts, losing market share, non-compliance with our Code of Business Conduct; operational risk; product and/or solution failure, the 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.

The group is alert to the challenges of managing risk and has systems and procedures in place across the group to identify, assess and mitigate major business risks. As part of the long-term strategy the group continues to improve its detailed process of project risk identification and mitigation from contract tender through to project completion.

The Directors have reviewed the principal risks and uncertainties and are satisfied that they are relevant and appropriate. A full review of the group's principal risks and uncertainties is given in the Strategic Report within the group's 2018 Annual Report and Accounts.

### **Going concern**

After making the appropriate enquiries, the Directors have reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its interim condensed consolidated financial statements.

## **Statement of Directors' responsibilities**

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules ('DTR') of the United Kingdom's Financial Conduct Authority ('FCA').

The DTR require that the accounting policies and presentation applied to the half yearly figures must be consistent with those applied in the latest published annual accounts, except where the accounting policies and presentation are to be changed in the subsequent annual accounts, in which case the new accounting policies and presentation should be followed, and the changes and the reasons for the changes should be disclosed in the Interim report, unless the FCA agrees otherwise.

The Directors confirm that to the best of their knowledge the condensed set of financial statements, which have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and profit and loss of the group, as required by DTR 4.2 and in particular include a fair review of:

- the important events that have occurred during the first six months of the financial year and their impact on the interim condensed consolidated set of financial statements as required by DTR 4.2.7R;
- the principal risks and uncertainties for the remaining half of the year as required by DTR 4.2.7R; and
- related party transactions that have taken place in the first half of the current financial year and changes in the related party transactions described in the previous annual report that have materially affected the financial position or performance of the group during the first half of the current financial year as required by DTR 4.2.8R.

The Directors of Keller Group plc are listed in the 2018 Annual Report and Accounts.

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

Alain Michaelis  
Chief Executive Officer

Michael Speakman  
Chief Financial Officer

29 July 2019

## **Independent Audit Report to Keller Group plc**

### **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the interim financial report for the six months ended 30 June 2019 which comprises the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, and the related notes to the financial statements 1 to 16. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

### **Directors' Responsibilities**

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

### **Our Responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority

Kevin Harkin  
for and on behalf of Ernst & Young LLP Chartered Accountants  
Apex Plaza, Forbury Road, Reading RG1 1YE

29 July 2019

## Interim condensed consolidated income statement

For the six months ended 30 June

	2019					2018			
	Note	Underlying (IAS 17 basis) £m	IFRS 16 impact (note 2) £m	Underlying (IFRS 16 basis) £m	Non- underlying items (note 7) £m	Statutory (IFRS 16 basis) £m	Underlying (IAS 17 basis) £m	Non-underlying items (note 7) £m	Statutory (IAS 17 basis) £m
<b>Revenue</b>	5	1,091.7	–	<b>1,091.7</b>	–	<b>1,091.7</b>	1,075.1	–	1,075.1
Operating costs		(1,054.3)	0.8	<b>(1,053.5)</b>	<b>(7.4)</b>	<b>(1,060.9)</b>	(1,026.0)	(0.5)	(1,026.5)
Amortisation of acquired intangible assets		–	–	–	<b>(1.7)</b>	<b>(1.7)</b>	–	(5.8)	(5.8)
Other operating income		–	–	–	<b>3.3</b>	<b>3.3</b>	–	–	–
Share of post-tax results of joint ventures		0.1	–	<b>0.1</b>	–	<b>0.1</b>	–	–	–
<b>Operating profit/(loss)</b>	4	37.5	0.8	<b>38.3</b>	<b>(5.8)</b>	<b>32.5</b>	49.1	(6.3)	42.8
Finance income		0.6	–	<b>0.6</b>	–	<b>0.6</b>	0.7	–	0.7
Finance costs		(9.2)	(2.2)	<b>(11.4)</b>	–	<b>(11.4)</b>	(7.6)	–	(7.6)
<b>Profit/(loss) before taxation</b>		28.9	(1.4)	<b>27.5</b>	<b>(5.8)</b>	<b>21.7</b>	42.2	(6.3)	35.9
Taxation	8	(8.1)	0.4	<b>(7.7)</b>	<b>(10.2)</b>	<b>(17.9)</b>	(11.8)	1.2	(10.6)
<b>Profit/(loss) for the period</b>		20.8	(1.0)	<b>19.8</b>	<b>(16.0)</b>	<b>3.8</b>	30.4	(5.1)	25.3
Attributable to:									
Equity holders of the parent		20.5	(1.0)	<b>19.5</b>	<b>(16.0)</b>	<b>3.5</b>	29.5	(5.1)	24.4
Non-controlling interests		0.3	–	<b>0.3</b>	–	<b>0.3</b>	0.9	–	0.9
		20.8	(1.0)	<b>19.8</b>	<b>(16.0)</b>	<b>3.8</b>	30.4	(5.1)	25.3
<b>Earnings per share</b>									
Basic	10	28.5p		<b>27.1p</b>		<b>4.8p</b>	41.0p		33.9p
Diluted	10	28.5p		<b>27.1p</b>		<b>4.8p</b>	40.7p		33.7p



## Interim condensed consolidated statement of comprehensive income

For the six months ended 30 June

	2019	2018
	£m	£m
<b>Profit for the period</b>	<b>3.8</b>	<b>25.3</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	1.8	(3.4)
Net investment hedge gains	–	0.2
Cash flow hedge gains taken to equity	–	1.3
Cash flow hedge transfers to income statement	–	(1.0)
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Remeasurements of defined benefit pension schemes	0.5	3.9
Tax on remeasurements of defined benefit pension schemes	(0.1)	(0.5)
<b>Other comprehensive income for the period, net of tax</b>	<b>2.2</b>	<b>0.5</b>
<b>Total comprehensive income for the period</b>	<b>6.0</b>	<b>25.8</b>
Attributable to:		
Equity holders of the parent	5.7	25.0
Non-controlling interests	0.3	0.8
	<b>6.0</b>	<b>25.8</b>

## Interim condensed consolidated balance sheet

As at 30 June 2019

	Note	As at 30 June 2019 £m	As at 30 June 2018 <sup>1</sup> £m	As at 31 December 2018 <sup>1</sup> £m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		153.3	187.6	153.4
Property, plant and equipment	11	488.0	429.4	422.0
Investments in joint ventures		4.6	4.7	4.6
Deferred tax assets		14.1	36.4	26.9
Other assets		25.6	19.2	21.5
		<b>685.6</b>	<b>677.3</b>	<b>628.4</b>
<b>Current assets</b>				
Inventories		84.5	76.9	80.3
Trade and other receivables		675.1	694.9	610.9
Current tax assets		13.8	15.8	14.7
Cash and cash equivalents	12	68.0	49.3	110.5
		<b>841.4</b>	<b>836.9</b>	<b>816.4</b>
<b>Total assets</b>		<b>1,527.0</b>	<b>1,514.2</b>	<b>1,444.8</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Loans and borrowings		(37.5)	(51.4)	(42.8)
Current tax liabilities		(18.8)	(15.5)	(18.6)
Trade and other payables		(474.3)	(485.1)	(474.4)
Provisions		(12.6)	(9.5)	(10.8)
		<b>(543.2)</b>	<b>(561.5)</b>	<b>(546.6)</b>
<b>Non-current liabilities</b>				
Loans and borrowings		(450.1)	(364.9)	(353.9)
Retirement benefit liabilities		(26.2)	(24.7)	(27.9)
Deferred tax liabilities		(38.1)	(46.3)	(37.9)
Provisions		(16.2)	(13.6)	(14.6)
Other liabilities		(19.3)	(19.8)	(18.6)
		<b>(549.9)</b>	<b>(469.3)</b>	<b>(452.9)</b>
<b>Total liabilities</b>		<b>(1,093.1)</b>	<b>(1,030.8)</b>	<b>(999.5)</b>
<b>Net assets</b>		<b>433.9</b>	<b>483.4</b>	<b>445.3</b>
<b>EQUITY</b>				
Share capital	14	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		43.0	29.4	41.2
Other reserve		56.9	56.9	56.9
Hedging reserve		–	0.3	–
Retained earnings		275.8	339.2	289.3
<b>Equity attributable to equity holders of the parent</b>		<b>428.7</b>	<b>478.8</b>	<b>440.4</b>
Non-controlling interests		5.2	4.6	4.9
<b>Total equity</b>		<b>433.9</b>	<b>483.4</b>	<b>445.3</b>

<sup>1</sup> Non-current assets shown here does not correspond to the published 2018 interim condensed consolidated financial statements as a result of re-presenting the comparative balance to show investments in joint ventures separate from other non-current assets. There is no impact on the value of 2018 total non-current assets or total equity.

## Interim condensed consolidated statement of changes in equity

For the six months ended 30 June

	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 31 December 2018	<b>7.3</b>	<b>38.1</b>	<b>7.6</b>	<b>41.2</b>	<b>56.9</b>	–	<b>289.3</b>	<b>4.9</b>	<b>445.3</b>
Total comprehensive income for the period	–	–	–	<b>1.8</b>	–	–	<b>3.9</b>	<b>0.3</b>	<b>6.0</b>
Dividends	–	–	–	–	–	–	<b>(17.2)</b>	–	<b>(17.2)</b>
Share-based payments	–	–	–	–	–	–	<b>(0.2)</b>	–	<b>(0.2)</b>
At 30 June 2019	<b>7.3</b>	<b>38.1</b>	<b>7.6</b>	<b>43.0</b>	<b>56.9</b>	–	<b>275.8</b>	<b>5.2</b>	<b>433.9</b>

	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 31 December 2017	7.3	38.1	7.6	32.5	56.9	–	326.0	3.8	472.2
Adjustment on initial application of IFRS 15	–	–	–	–	–	–	2.3	–	2.3
Total comprehensive (loss)/income for the period	–	–	–	(3.1)	–	0.3	27.8	0.8	25.8
Dividends	–	–	–	–	–	–	(17.6)	–	(17.6)
Share-based payments	–	–	–	–	–	–	0.7	–	0.7
At 30 June 2018	7.3	38.1	7.6	29.4	56.9	0.3	339.2	4.6	483.4

## Interim condensed consolidated cash flow statement

For the six months ended 30 June

	Note	2019 £m	2018 £m
<b>Cash flows from operating activities</b>			
Underlying operating profit (as per consolidated income statement)		38.3	49.1
Depreciation of property, plant and equipment		46.3	33.8
Amortisation of intangible assets		0.3	0.6
Share of post-tax results of joint ventures		(0.1)	–
Profit on sale of property, plant and equipment		(0.6)	(0.5)
Other non-cash movements		1.5	2.1
Foreign exchange gains		(0.3)	(0.3)
<b>Operating cash flows before movements in working capital</b>		<b>85.4</b>	<b>84.8</b>
Increase in inventories		(4.0)	(6.6)
Increase in trade and other receivables		(60.9)	(61.7)
Decrease in trade and other payables		(1.1)	(4.8)
Change in provisions, retirement benefit and other non-current liabilities		(3.3)	(4.3)
<b>Cash generated from operations before non-underlying items</b>		<b>16.1</b>	<b>7.4</b>
Cash inflows from non-underlying items: contract dispute		3.3	–
Cash inflows from non-underlying items: assets held for sale		8.1	–
Cash outflows from non-underlying items: restructuring costs		(2.1)	–
Cash outflows from non-underlying items: acquisition costs		(0.4)	(0.5)
<b>Cash generated from operations</b>		<b>25.0</b>	<b>6.9</b>
Interest paid		(9.0)	(7.0)
Income tax paid		(3.5)	(9.2)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>12.5</b>	<b>(9.3)</b>
<b>Cash flows from investing activities</b>			
Interest received		0.3	0.3
Proceeds from sale of property, plant and equipment		1.6	3.1
Proceeds from sale of other non-current assets		1.5	3.3
Acquisition of subsidiaries, net of cash acquired		–	(62.3)
Acquisition of property, plant and equipment		(36.7)	(41.6)
Acquisition of intangible assets		(0.1)	(0.4)
<b>Net cash outflow from investing activities</b>		<b>(33.4)</b>	<b>(97.6)</b>
<b>Cash flows from financing activities</b>			
New borrowings		45.6	129.9
Repayment of borrowings		(35.2)	(22.6)
Cash flows from derivative instruments		(0.1)	(1.4)
Payment of lease liabilities (2018: Payment of finance lease liabilities)		(13.5)	(0.5)
Dividends paid		(17.2)	(17.6)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(20.4)</b>	<b>87.8</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(41.3)</b>	<b>(19.1)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>103.7</b>	<b>51.3</b>
Effect of exchange rate fluctuations		(0.7)	(1.1)
<b>Cash and cash equivalents at end of period</b>	12	<b>61.7</b>	<b>31.1</b>

## 1. Corporate information

The interim condensed consolidated financial statements of Keller Group plc and its subsidiaries (collectively, 'the group') for the six months ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 29 July 2019.

Keller Group plc ('the company') is a limited company, incorporated and domiciled in the United Kingdom, whose shares are publicly traded on the London Stock Exchange. The registered office is located at 1 Sheldon Square, London W2 6TT. The group is principally engaged in the provision of specialist geotechnical services.

## 2. 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 2018, which were unqualified. The interim report does not constitute statutory accounts.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The group applies, for the first time, IFRS 16 'Leases'. As required by IAS 34, the nature and effect of these changes are detailed below.

### **IFRS 16 'Leases'**

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The group has adopted IFRS 16 using the modified retrospective approach method of adoption with the initial date of application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, the comparative information presented for 2018 has not been restated.

The group elected to use the recognition exemptions for lease contracts that have a lease term of 12 months or less and do not contain a purchase option ('short-term leases') and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption of IFRS 16 as at 1 January 2019 is as follows:

	£m
<b>Assets</b>	
Property, plant and equipment	86.3
Other assets	(0.1)
<b>Total assets</b>	<b>86.2</b>
<b>Liabilities</b>	
Loans and borrowings	87.1
Trade and other payables	(0.7)
Provisions	(0.2)
<b>Total liabilities</b>	<b>86.2</b>

Reconciliation of the impact of IFRS 16 on the income statement for the six months to 30 June 2019 is calculated as follows:

	Underlying (IAS 17 basis) £m	Non- Underlying Items (note 7) £m	IFRS 16 impact £m	Statutory (IFRS 16 basis) £m
<b>Revenue</b>	1,091.7	–	–	1,091.7
Operating costs	(1,054.3)	(7.4)	0.8	(1,060.9)
Amortisation of acquired intangibles	–	(1.7)	–	(1.7)
Other operating income	–	3.3	–	3.3
Share of post-tax results of joint ventures	0.1	–	–	0.1
<b>Operating profit/(loss)</b>	<b>37.5</b>	<b>(5.8)</b>	<b>0.8</b>	<b>32.5</b>
Finance income	0.6	–	–	0.6
Finance costs	(9.2)	–	(2.2)	(11.4)
<b>Profit/(loss) before taxation</b>	<b>28.9</b>	<b>(5.8)</b>	<b>(1.4)</b>	<b>21.7</b>
Taxation	(8.1)	(10.2)	0.4	(17.9)
<b>Profit/(loss) for the period</b>	<b>20.8</b>	<b>(16.0)</b>	<b>(1.0)</b>	<b>3.8</b>

During the period, the net reduction of operating costs of £0.8m under IFRS 16 represents the difference between the £12.7m operating lease expense and £11.9m depreciation charge on the right-of-use assets.

#### ***Nature of the effect of adoption of IFRS 16***

The group has lease contracts for land and buildings, plant, machinery and vehicles. Before the adoption of IFRS 16, the group classified each of its leases at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risk and rewards of ownership of the lease asset to the group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease. In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Other assets and Trade and other payables, respectively.

Upon adoption of IFRS 16, the group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the group.

#### ***Leases previously classified as finance leases***

The group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right of use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

#### ***Leases previously accounted for as operating leases***

The group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use asset was recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised, discounted using the incremental borrowing rate at the date of initial application.

The group also applied the available practical expedients as follows:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months of the date of initial application

## Summary of new accounting policies

Set out below are the new accounting policies of the group upon adoption of IFRS 16, which have been applied from the date of initial application:

### *Right-of-use asset*

The group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

### *Lease liabilities*

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating a lease, if the lease term reflects the group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the group uses the incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### *Short-term leases and leases of low-value assets*

The group applies the short-term lease recognition exemption to its short-term leases of plant, machinery and vehicles (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (below £3,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### *Significant judgements in determining the lease term of contracts with renewal options*

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The group has the option, under some of its leases, to lease the assets for additional terms of up to ten years. The group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

The group includes the renewal period as part of the lease term for some of its leased land and buildings and plant, machinery and equipment, due to the significance of these assets to its operations.

## Amounts recognised in the consolidated balance sheet and consolidated statement of comprehensive income

Set out below, are the carrying amounts of the group's right-of-use assets and lease liabilities and the movements during the period:

	Land and buildings £m	Plant, machinery and vehicles £m	Property, plant and equipment Total £m	Lease liabilities £m
As at 1 January 2019	62.0	24.3	86.3	87.1
Additions	2.6	7.3	9.9	9.8
Depreciation expense	(6.5)	(5.4)	(11.9)	–
Impairment expense	(1.3)	–	(1.3)	–
Interest expense	–	–	–	2.2
Payments	–	–	–	(12.9)
Foreign exchange movements	(0.1)	–	(0.1)	(0.1)
As at 30 June 2019	56.7	26.2	82.9	86.1

The group presents right-of-use assets in 'Property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. Lease liabilities are presented in 'Loans and borrowings' and are allocated into current and non-current components. At the date of transition to IFRS 16, the group held £2.1m of assets and liabilities previously classified as finance leases. The balance of these assets and liabilities at 30 June 2019 is £1.5m. This brings the total right-of-use asset balance to £84.4m and lease liabilities to £87.6m as at 30 June 2019.

### 3. Foreign currencies

The exchange rates used in respect of principal currencies are:

	Average for period			Period end		
	Six months to 30 June 2019	Six months to 30 June 2018	Year to 31 December 2018	As at 30 June 2019	As at 30 June 2018	As at 31 December 2018
US dollar	<b>1.29</b>	1.38	1.33	<b>1.27</b>	1.32	1.27
Canadian dollar	<b>1.72</b>	1.76	1.73	<b>1.66</b>	1.73	1.74
Euro	<b>1.14</b>	1.14	1.13	<b>1.12</b>	1.13	1.11
Singapore dollar	<b>1.76</b>	1.82	1.80	<b>1.72</b>	1.80	1.74
Australian dollar	<b>1.83</b>	1.78	1.79	<b>1.81</b>	1.78	1.80



#### 4. 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 comprises of three geographical divisions which have only one major product or service: specialist geotechnical services. North America, EMEA and APAC 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.

#### Income statement

	Revenue		Operating profit		
	Six months to 30 June 2019 £m	Six months to 30 June 2018 £m	Six months to 30 June 2019 (IAS 17 basis) £m	Six months to 30 June 2019 (IFRS 16 basis) £m	Six months to 30 June 2018 (IAS 17 basis) £m
North America	611.0	534.3	32.4	33.1	31.7
EMEA <sup>1</sup>	342.4	324.7	10.6	10.6	19.7
APAC <sup>2</sup>	138.3	216.1	(2.6)	(2.5)	(0.4)
	<b>1,091.7</b>	<b>1,075.1</b>	<b>40.4</b>	<b>41.2</b>	<b>51.0</b>
Central items and eliminations	–	–	(2.9)	(2.9)	(1.9)
Before non-underlying items	<b>1,091.7</b>	<b>1,075.1</b>	<b>37.5</b>	<b>38.3</b>	<b>49.1</b>
Non-underlying items (note 7)	–	–	(5.8)	(5.8)	(6.3)
	<b>1,091.7</b>	<b>1,075.1</b>	<b>31.7</b>	<b>32.5</b>	<b>42.8</b>

#### Balance sheet

As at 30 June 2019*						
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation <sup>4</sup> and amortisation £m	Tangible and intangible assets £m
North America	812.2	(292.5)	519.7	16.6	22.6	366.6
EMEA <sup>1</sup>	430.1	(244.6)	185.5	16.1	15.8	195.5
APAC <sup>2</sup>	181.4	(84.7)	96.7	4.1	8.0	77.4
	<b>1,423.7</b>	<b>(621.8)</b>	<b>801.9</b>	<b>36.8</b>	<b>46.4</b>	<b>639.5</b>
Central items and eliminations <sup>3</sup>	103.3	(471.3)	(368.0)	–	0.2	1.3
	<b>1,527.0</b>	<b>(1,093.1)</b>	<b>433.9</b>	<b>36.8</b>	<b>46.6</b>	<b>640.8</b>

As at 30 June 2018						
	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation <sup>4</sup> and amortisation £m	Tangible and intangible assets £m
North America	699.9	(214.9)	485.0	7.2	13.7	303.5
EMEA <sup>1</sup>	419.6	(216.3)	203.3	19.0	12.3	188.6
APAC <sup>2</sup>	285.3	(107.9)	177.4	15.8	8.4	124.5
	<b>1,404.8</b>	<b>(539.1)</b>	<b>865.7</b>	<b>42.0</b>	<b>34.4</b>	<b>616.6</b>
Central items and eliminations <sup>3</sup>	109.4	(491.7)	(382.3)	–	–	0.4
	<b>1,514.2</b>	<b>(1,030.8)</b>	<b>483.4</b>	<b>42.0</b>	<b>34.4</b>	<b>617.0</b>

As at 31 December 2018

	Segment assets £m	Segment liabilities £m	Capital employed £m	Capital additions £m	Depreciation <sup>4</sup> and amortisation £m	Tangible and intangible assets £m
North America	692.8	(215.4)	477.4	25.8	29.1	312.6
EMEA <sup>1</sup>	388.0	(229.6)	158.4	37.6	25.3	176.7
APAC <sup>2</sup>	211.2	(88.6)	122.6	22.2	16.5	85.7
	1,292.0	(533.6)	758.4	85.6	70.9	575.0
Central items and eliminations <sup>3</sup>	152.8	(465.9)	(313.1)	–	–	0.4
	1,444.8	(999.5)	445.3	85.6	70.9	575.4

<sup>1</sup> Europe, Middle East and Africa

<sup>2</sup> Asia-Pacific

<sup>3</sup> Central items include net debt and tax balances

<sup>4</sup> Depreciation and amortisation excludes amortisation of acquired intangible assets

\*The group has initially applied IFRS 16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (see note 2). As a result, the group recognised £86.3m of right-of-use assets and £87.1m of lease liabilities from those contracts as at 1 January 2019. Capital additions to the right-of-use asset in the 6 months to 30 June 2019 were £9.9m, and depreciation in respect of the right-of-use asset in the period was £11.9m. These balances are included in the North America, EMEA and APAC segments as at 30 June 2019.

## 5. Revenue

The group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by primary geographical market, being the group's operating segments (see note 4) and timing of revenue recognition:

	Six months to 30 June 2019			Six months to 30 June 2018		
	Revenue recognised on performance obligations satisfied over time £m	Revenue recognised on performance obligations satisfied at a point in time £m	Total Revenue £m	Revenue recognised on performance obligations satisfied over time £m	Revenue recognised on performance obligations satisfied at a point in time £m	Total Revenue £m
North America	546.6	64.4	611.0	474.6	59.7	534.3
EMEA	342.4	–	342.4	324.7	–	324.7
APAC	138.3	–	138.3	216.1	–	216.1
	<b>1,027.3</b>	<b>64.4</b>	<b>1,091.7</b>	1,015.4	59.7	1,075.1

## 6. Acquisitions

On 29 March 2018, the group acquired 100% of the issued share capital of Moretrench America Corporation, a geotechnical contracting company operating predominantly along the east coast of the US, for cash consideration of £64.7m (\$86m). On 13 June 2018, the group acquired 100% of the issued share capital of Sivenmark Maskintjanst AB, a sheet piling specialist based in Sweden for cash consideration of £2.1m (SEK 24.6m).

## 7. 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:

	Six months to 30 June 2019 £m	Six months to 30 June 2018 £m
Amortisation of acquired intangible assets	(1.7)	(5.8)
Exceptional restructuring costs	(6.9)	–
Acquisition costs	(0.5)	(0.5)
Non-underlying items in operating costs	(7.4)	(0.5)
Exceptional contract dispute	3.3	–
Non-underlying items in other operating income	3.3	–
<b>Total non-underlying items in operating profit and before taxation</b>	<b>(5.8)</b>	<b>(6.3)</b>
Taxation	(10.2)	1.2
<b>Total non-underlying items after taxation</b>	<b>(16.0)</b>	<b>(5.1)</b>

Amortisation of acquired intangible assets primarily relate to Moretrench, Austral and Sivenmark acquisitions. The prior period charge also included amortisation in relation to Keller Canada, Bencor and Franki Africa acquired intangibles which were fully written-off at 31 December 2018.

In the second half of 2018 the group announced a group-wide restructuring programme that affected the ASEAN and Waterway business units in APAC and the Brazil and Franki Africa business units in EMEA resulting in a full year restructuring charge of £30.1m, relating to asset write-downs, redundancy costs and other reorganisational charges as

well as £30.1m impairment of goodwill and £1.2m impairment of other intangibles assets. In June 2019 the group announced further restructuring activity that will result in the cessation of Waterway operations from October 2019 giving rise to a restructuring charge of £11.0m. This was offset by a restructuring provision release in ASEAN in the period, resulting in a net restructuring charge in the APAC division of £6.9m for the six months ended 30 June 2019.

Acquisition costs in the period relate to professional fees associated with the wind up of an employee share ownership plan at Moretrench, following acquisition in March 2018.

During the interim period £3.3m of proceeds were received on final settlement of a contributory claim relating to an exceptional contract dispute, first reported in 2014.

As a consequence of the restructuring of the Australian business, the group has reviewed the recoverability of the deferred tax assets previously recognised for Australian tax losses and other temporary deductible differences. On account of the additional risk of non-recovery, the tax charge on non-underlying items includes a valuation allowance of £10.5m made against the full value of the assets previously recognised.

## 8. Taxation

The group's effective tax rate on underlying profit of 28.0% (2018: 28.0%) is calculated using management's best estimate of the average annual effective income tax rate expected for the full year.

The financing of group companies includes some activities which are subject to exemptions under the UK's Controlled Foreign Company regime. On 2 April 2019 the European Commission announced that the UK's exemption rules are only partially justified and the UK tax authorities are required to recover tax which may constitute State Aid. The group is currently reviewing the detailed decision published on 25 April 2019 and no provision has been made for any additional tax that might become payable due to the significant uncertainty involved in quantifying any amounts that might eventually be payable. At 30 June 2019 the benefits recognised from the Controlled Foreign Company financing exemption are approximately £4m.

## 9. Dividends payable to equity holders of the parent

Ordinary dividends on equity shares:

	<b>Six months to 30 June 2019 £m</b>	Six months to 30 June 2018 £m	Year to 31 December 2018 £m
Amounts recognised as distributions to equity holders in the period:			
Interim dividend for the year ended 31 December 2018 of 12.0p (2017: 9.7p) per share	–	–	8.7
Final dividend for the year ended 31 December 2018 of 23.9p (2017: 24.5p) per share	<b>17.2</b>	17.6	17.6
	<b>17.2</b>	17.6	26.3

In addition to the above, an interim ordinary dividend of 12.6p per share (2018: 12.0p) will be paid on 16 September 2019 to shareholders on the register at 23 August 2019. 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.

## 10. Earnings per share

	Earnings attributable to equity holders of the parent before non-underlying items			Earnings attributable to equity holders of the parent	
	Six months to 30 June 2019 (IAS 17 basis)	Six months to 30 June 2019 (IFRS 16 basis)	Six months to 30 June 2018 (IAS 17 basis)	Six months to 30 June 2019 (IFRS 16 basis)	Six months to 30 June 2018 (IAS 17 basis)
<b>Basic and diluted earnings (£m)</b>	20.5	<b>19.5</b>	29.5	<b>3.5</b>	24.4
<b>Weighted average number of shares (million)</b>					
<b>Basic number of ordinary shares outstanding</b>	72.1	<b>72.1</b>	72.0	<b>72.1</b>	72.0
Effect of dilutive potential ordinary shares:					
Share options and awards	–	–	0.4	–	0.4
<b>Diluted number of ordinary shares</b>	72.1	<b>72.1</b>	72.4	<b>72.1</b>	72.4
<b>Earnings per share</b>					
Basic earnings per share (pence)	28.5	<b>27.1</b>	41.0	<b>4.8</b>	33.9
Diluted earnings per share (pence)	28.5	<b>27.1</b>	40.7	<b>4.8</b>	33.7

## 11. Property, plant and equipment

During the six months to 30 June 2019 the group acquired Property, plant and equipment with a cost of £36.7m, including £9.9m in relation to the right-of-use assets (30 June 2018: £41.6m). Assets (other than those classified as held for sale) with a net book value of £1.0m were disposed of during the six months to 30 June 2019 (30 June 2018: £2.6m), resulting in a net gain on disposal of £0.6m (30 June 2018: £0.5m). Property, plant and equipment at 30 June 2019 includes right-of-use assets of £84.4m.

## 12. Analysis of closing net debt

	As at 30 June 2019 (IAS 17 basis) £m	As at 30 June 2019 (IFRS 16 basis) £m	As at 30 June 2018 (IAS 17 basis) £m	As at 31 December 2018 (IAS 17 basis) £m
Bank balances	64.3	<b>64.3</b>	46.9	106.4
Short-term deposits	3.7	<b>3.7</b>	2.4	4.1
<b>Cash and cash equivalents in the balance sheet</b>	68.0	<b>68.0</b>	49.3	110.5
Bank overdrafts	(6.3)	<b>(6.3)</b>	(18.2)	(6.8)
<b>Cash and cash equivalents in the cash flow statement</b>	61.7	<b>61.7</b>	31.1	103.7
Bank and other loans	(393.7)	<b>(393.7)</b>	(395.6)	(387.8)
Finance leases	(1.5)	–	(2.5)	(2.1)
Lease liability	–	<b>(87.6)</b>	–	–
<b>Closing net debt</b>	<b>(333.5)</b>	<b>(419.6)</b>	<b>(367.0)</b>	<b>(286.2)</b>

### 13. Financial assets and financial liabilities

Set out below is an overview of financial assets and liabilities, other than cash and short-term deposits, held by the group:

	As at 30 June 2019 £m	As at 30 June 2018 £m	As at 31 December 2018 £m
<b>Financial assets measured at fair value through profit or loss</b>			
- Non-qualifying deferred compensation plan	20.1	18.6	17.6
- Interest rate swaps	3.5	–	0.4
- Cross currency swaps	–	4.8	–
<b>Financial assets measured at amortised cost</b>			
- Trade receivables	494.5	497.7	451.7
- Contract assets	127.2	14.5	106.3
- Cash and cash equivalents	68.0	49.3	110.5
<b>Financial liabilities at fair value through profit or loss</b>			
- Interest rate swaps	–	(1.1)	(0.3)
- Forward exchange contracts	–	–	(0.1)
- Cross currency swaps	–	(3.0)	–
- Loans and borrowings	(189.3)	(95.8)	(100.3)
- Contingent consideration	(2.8)	(6.0)	(2.8)
<b>Financial liabilities measured at amortised cost</b>			
- Trade payables	(271.8)	(274.7)	(262.8)
- Contract liabilities	(44.9)	(37.4)	(41.4)
- Loans and borrowings	(298.3)	(320.5)	(296.4)

#### Fair values

The fair values of the group's financial assets and liabilities are not materially different from their carrying values. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

##### Derivatives

The fair value of interest rate and cross-currency swaps is calculated based on expected future principal and interest cash flows discounted using market rates prevailing at the balance sheet date. The valuation methods of all of the group's derivative financial instruments carried at fair value are categorised as Level 2. Level 2 is defined as inputs, other than quoted prices (unadjusted) in active markets for identical assets or liabilities, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

##### Interest-bearing loans and borrowings

Fair value is calculated based on expected future principal and interest cash flows discounted using market rates prevailing at the balance sheet date.

##### Contingent consideration

Fair value is calculated based on the amounts expected to be paid, determined by reference to forecasts of future performance of the acquired businesses discounted using market rates prevailing at the balance sheet date and the probability of contingent events and targets being achieved.

The valuation methods of all of the group's contingent consideration carried at fair value are categorised as Level 3. Level 3 inputs are unobservable inputs for the asset or liability. There are no individually significant unobservable inputs used in the fair value measurement of the group's contingent consideration. There has been no movement in the contingent consideration balance during 2019.

The fair value measurement of the contingent consideration could be affected if the forecast financial performance is different to that estimated. A better than estimated performance may increase the value of the contingent consideration payable.

#### *Payables, receivables and construction assets*

For payables and receivables with a remaining life of one year or less, the carrying amount is deemed to reflect the fair value. All other payables and receivables are discounted using market rates prevailing at the balance sheet date.

#### **14. Share capital and reserves**

	<b>As at 30 June 2019 £m</b>	As at 30 June 2018 £m	As at 31 December 2018 £m
<b>Allotted, called up and fully paid</b>			
Equity share capital:			
73,099,735 ordinary shares of 10p each (30 June 2018 and 31 December 2018: 73,099,735)	<b>7.3</b>	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 1,039,855 (30 June 2018 and 31 December 2018: 1,039,855).

#### **15. Related party transactions**

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

#### **16. Post balance sheet events**

On 11 July 2019 the group announced that it will commence a plan to integrate its seven North American foundations businesses into a single operation managed on a geographical basis under the 'Keller' name. The costs associated with this organisational change, which are estimated at between £2.5m and £4.0m, will be recognised in the second half of 2019 and through 2020.

## 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. Additionally, the group adopted IFRS 16 'Leases' from 1 January 2019, which replaced the previous leasing standard IAS 17 and has had an impact on the costs, profits, assets and liabilities included within the statutory results of the group.

Adjusted performance measures have been used throughout this report to describe the group's underlying performance, including presenting separate analysis of the 2019 results to show them prepared under IAS 17, the previous lease accounting standard. 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 items which are exceptional by their size or are non-trading in nature, including 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.

## 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 2018 results of overseas operations into sterling at the 2019 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 7. A reconciliation between the 2018 underlying result to the 2018 constant currency result is shown below and compared to the underlying 2019 performance:

## Revenue by segment

	Statutory 2019 £m	Statutory 2018 £m	Impact of exchange movements 2018 £m	Constant currency 2018 £m	Statutory change %	Constant currency change %
North America	611.0	534.3	35.2	569.5	+14%	+7%
EMEA	342.4	324.7	0.7	325.4	+5%	+5%
APAC	138.3	216.1	(2.6)	213.5	-36%	-35%
<b>Group</b>	<b>1,091.7</b>	<b>1,075.1</b>	<b>33.3</b>	<b>1,108.4</b>	<b>+2%</b>	<b>-2%</b>

## Underlying operating profit by segment

	Underlying 2019 (IAS 17 basis) £m	Underlying 2018 (IAS 17 basis) £m	Impact of exchange movements 2018 £m	Constant currency 2018 £m	Underlying change %	Constant currency change %
North America	32.4	31.7	2.2	33.9	+2%	-4%
EMEA	10.6	19.7	1.3	21.0	-46%	-50%
APAC	(2.6)	(0.4)	–	(0.4)	n/a	n/a
Central items and eliminations	(2.9)	(1.9)	–	(1.9)	n/a	n/a
<b>Group</b>	<b>37.5</b>	<b>49.1</b>	<b>3.5</b>	<b>52.6</b>	<b>-24%</b>	<b>-29%</b>



	Underlying 2019 (IFRS 16 basis) £m	Underlying 2018 (IAS 17 basis) £m	Impact of exchange movements 2018 £m	Constant currency 2018 £m	Underlying change %	Constant currency change %
North America	33.1	31.7	2.2	33.9	+4%	-2%
EMEA	10.6	19.7	1.3	21.0	-46%	-50%
APAC	(2.5)	(0.4)	–	(0.4)	n/a	n/a
Central items and eliminations	(2.9)	(1.9)	–	(1.9)	n/a	n/a
<b>Group</b>	<b>38.3</b>	<b>49.1</b>	<b>3.5</b>	<b>52.6</b>	<b>-22%</b>	<b>-27%</b>

### 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 2019 (IAS 17 basis) £m	30 June 2019 (IFRS 16 basis) £m	30 June 2018 (IAS 17 basis) £m
Operating profit before non-underlying items	37.5	38.3	49.1
Depreciation of owned property plant and equipment	34.4	34.4	33.8
Depreciation of right-of-use assets	–	11.9	–
Amortisation of intangible assets	0.3	0.3	0.6
<b>Underlying EBITDA</b>	<b>72.2</b>	<b>84.9</b>	<b>83.5</b>
Non-underlying items in operating costs	(7.4)	(7.4)	(0.5)
Non-underlying items in other operating income	3.3	3.3	–
<b>EBITDA</b>	<b>68.1</b>	<b>80.8</b>	<b>83.0</b>

#### Net finance costs

	30 June 2019 (IAS 17 basis) £m	30 June 2019 (IFRS 16 basis) £m	30 June 2018 (IAS 17 basis) £m
Finance income	(0.6)	(0.6)	(0.7)
Finance costs before non-underlying items	9.2	11.4	7.6
<b>Net finance costs</b>	<b>8.6</b>	<b>10.8</b>	<b>6.9</b>

#### Net capital expenditure

	30 June 2019 (IAS 17 basis) £m	30 June 2019 (IFRS 16 basis) £m	30 June 2018 (IAS17 basis) £m	31 December 2018 (IAS 17 basis) £m
Acquisition of property, plant and equipment	26.8	36.7	41.6	85.1
Acquisition of intangible assets	0.1	0.1	0.4	0.5
Proceeds from sale of property, plant and equipment	(1.6)	(1.6)	(3.1)	(8.5)
<b>Net capital expenditure</b>	<b>25.3</b>	<b>35.2</b>	<b>38.9</b>	<b>77.1</b>

**Net debt**

	30 June 2019 (IAS 17 basis) £m	30 June 2019 (IFRS 16 basis) £m	30 June 2018 (IAS 17 basis) £m	31 December 2018 (IAS 17 basis) £m
Current loans and borrowings	11.1	<b>37.5</b>	51.4	42.8
Non-current loans and borrowings	390.4	<b>450.1</b>	364.9	353.9
Cash and cash equivalents	(68.0)	<b>(68.0)</b>	(49.3)	(110.5)
<b>Net debt</b>	<b>333.5</b>	<b>419.6</b>	<b>367.0</b>	<b>286.2</b>

**Order book**

The group's disclosure of its order book is aimed to provide insight into its backlog of work and future performance. The group's order book is not a measure of past performance and therefore cannot be derived from its financial statements. The group's order book comprises the unexecuted elements of orders on contracts that have been awarded. Where a contract is subject to variations, only secured variations are included in the reported order book.