



A SOLID PERFORMANCE DEMONSTRATING RESILIENCE

Having completed my first year as Chairman of Kier, I am pleased to announce that we have delivered a good set of results which are in line with expectations.

Summary of results

We have delivered a good performance with both revenue and profit growth in line with our expectations. We remain focused on delivering for our clients, reducing our net debt position and ensuring tight control over the risk profile of our contracts and our balance sheet. All these areas remain key priorities for the Group.

More widely, our local authority clients continue to face their own challenges including spending constraints and demographic pressures which have led to changes in their business models and reviews of what services they require from their suppliers. These sector challenges have all taken place against the broader backdrop of ongoing Brexit concerns.

It is testimony to the Group's resilience that it has continued to deliver improved results and maintained a clear focus on delivering excellent services to its clients, whilst also keeping an eye on the future with the launch of the Future Proofing Kier programme.

This programme, which we launched in June, is focused on simplifying the Group, making it more efficient and streamlined.

The Board believes this programme will further strengthen the business, and enhance our resilience in both the short and long term.

During my first year with the Group, I have seen at first hand the specialist capabilities that the Group provides and its attention to client delivery, resulting in more than £3bn of repeat business flowing into the Group each year. Our business makes a very significant contribution to the local communities where we operate – through building and maintaining key assets, by providing employment and training, delivering community initiatives and utilising local skills and SMEs, where over 60% of Kier spend is invested. Our activities provide opportunity and prosperity to local communities and we are proud and committed to that contribution.

Results

Group revenue^{1,2} for the year ended 30 June 2018 increased by 5% to £4.5bn (2017: £4.3bn) and underlying operating profit¹ increased by 10% to £160m (2017: £146m), both solid performances.

The underlying basic earnings per share was 116.7 pence¹ (2017: 106.8 pence), up 9%.

The Group's net debt³ at 30 June 2018 was £186m (2017: £110m) following strong underlying operating cash conversion. This performance has maintained a year-end net debt to EBITDA ratio of 1x, in line with our Vision 2020 target.

Dividend

The Board is recommending a full-year dividend for the year of 69.0 pence per share (2017: 67.5 pence per share), up 2% as cover continues to be built to 2x by FY20. Subject to shareholder approval, the final dividend will be paid on 3 December 2018 to shareholders on the register at close of business on 28 September 2018. As an alternative to the cash dividend, shareholders will again be offered the option to participate in a Dividend Reinvestment Plan (DRIP).

Our people

The success of Kier is testimony to the skills and dedication of our people and the relationships that they have with our clients and supply chain, delivering day in, day out. The safety of our people remains a priority and we are focused on their good health and wellbeing. On behalf of the Board, I would like to thank our employees for their ongoing contribution and commitment.

¹ Continuing operations. Stated before non-underlying items. See note 4 to the consolidated financial statements.

² Continuing operations. Group and share of joint ventures.

³ Net debt is stated after the impact of hedging instruments.

Corporate governance and the Board

The Board spent a significant amount of time carefully reviewing the risk appetite and risk management of the Group. Given the market developments, there has been a particular focus on contract risk profile and key contract controls.

I am pleased to report that our strong record of repeat business, often within long-term framework agreements and two-stage bidding processes, and a growing order book helps to mitigate any material risk. With the launch of the Future Proofing Kier programme, it was identified that the appointment of a Chief Operating Officer was key to delivering the programme's objectives and, on 1 August 2018, Claudio Veritiero was appointed to the role of Chief Operating Officer. Claudio was previously the Strategy and Corporate Development Director, joining Kier in 2011 as the Managing Director of the Services division. Prior to joining Kier, he was the Chief Operating Officer of Speedy Hire plc, having spent his early career with the investment banking business of Rothschild. I would like to congratulate Claudio on his new role.

In light of this appointment, Nigel Brook (Executive Director – Construction and Infrastructure Services) and Nigel Turner (Executive Director – Developments and Property Services) stood down from the Board and left the business on 1 August 2018.

I would like to take this opportunity to thank Nigel and Nigel for their contribution over the years to the Group and on behalf of the Board, I wish them well for the future.

Having completed nine years on the Board, Nick Winsor has decided not to offer himself for re-election at the November AGM. Nick has played an important role on the Board, in particular as the Chair of the SHE Committee. I would like to express my thanks to Nick for his support following my appointment as Chairman and, on behalf of the Board, wish him well for the future. Kirsty Bashforth will take over the role of Chair of the SHE Committee with effect from the conclusion of the AGM. I look forward to working with Kirsty in her new role.

Outlook

We have launched the Future Proofing Kier programme which will streamline the business thereby enabling us to deliver a more efficient service to clients, respond to changes in our markets and capitalise on growth opportunities, whilst, importantly, also accelerating the reduction of the Group's net debt position.

Our strong market-leading positions, our record c.£10.2bn Construction and Services order books, and our £3.5bn property development and residential pipelines, will see the Group deliver on its Vision 2020 targets. In addition, the Future Proofing Kier programme positions the Group well for an improvement in operating margins and higher cash generation, culminating in a net cash position for FY21.



Philip Cox CBE
Chairman

19 September 2018

Governance highlights

Nomination Committee

- › Recommended the appointment of Claudio Veritiero as Chief Operating Officer;
- › Challenged management to increase diversity within the organisation and agree KPIs to monitor progress; and
- › Monitored progress of the Executive Director/senior management succession plan.

 Turn to the Nomination Committee report on pages 69 and 70.

Risk Management and Audit Committee

- › Oversaw the appointment of Grant Thornton as the co-sourced internal auditor, succeeding KPMG;
- › Oversaw the continued development of the Group's systems of risk management and internal control; and
- › Worked with PwC to continue to ensure a rigorous and robust approach to the annual audit.

 Turn to the Risk Management and Audit Committee report on pages 73 to 80 (inclusive).

Safety, Health and Environment Committee

- › Reviewed the Group's performance against safety, health and environmental KPIs;
- › Approved the launch of the Group's health and wellbeing strategy; and
- › Monitored progress against the Group's '30 by 30' environmental strategy.

 Turn to the Safety, Health and Environment Committee report on pages 81 and 82.

Remuneration Committee

- › Set the Executive Directors' 2018/19 base salaries;
- › Assessed performance against the 2018 bonus targets and set the 2019 bonus targets; and
- › Discussed the latest trends in executive remuneration.

 Turn to the Directors' Remuneration Report on pages 86 to 107 (inclusive).