

Kier Group plc
Interim results presentation
24 February 2011



Paul Sheffield
Chief Executive

Highlights



- Strong first half performance supported by
 - Strong revenue in Construction of £728m
 - Robust operating margins maintained in Construction of 2.7% and Support Services of 4.5%
- Continuing strong underlying cash generation
- All of 2011's construction revenue and 65% of 2012's construction revenue secure and probable
- Order books in Construction and Support Services maintained at more than £4bn

Highlights



- Growth of 19% in underlying* Group operating profit to £30.8m (2009: £25.9m**)
- Growth of 33% in underlying* EPS to 63.5p (2009: 47.7p**)
- Interim dividend increased by 8% to 20.0p (2009: 18.5p)
- £144m of net cash at 31 December 2010 (June 2010: £175m)
 - After c£30m of investment spend during the six months

* Underlying operating profits and EPS are stated before the amortisation of intangible assets and exceptional items

** Excluding 2009 Partnership Homes land profit of £7.1m

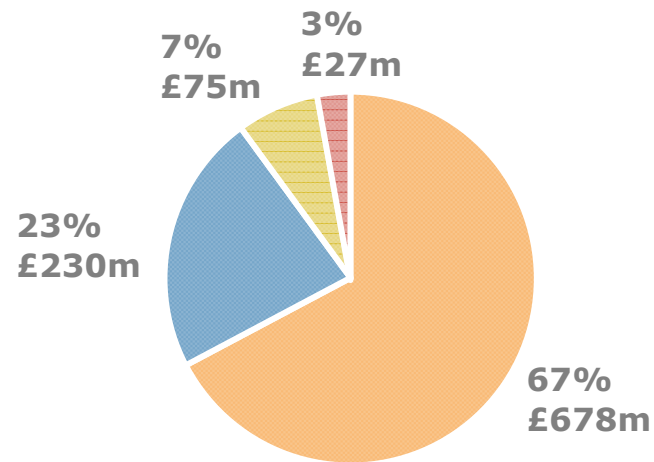
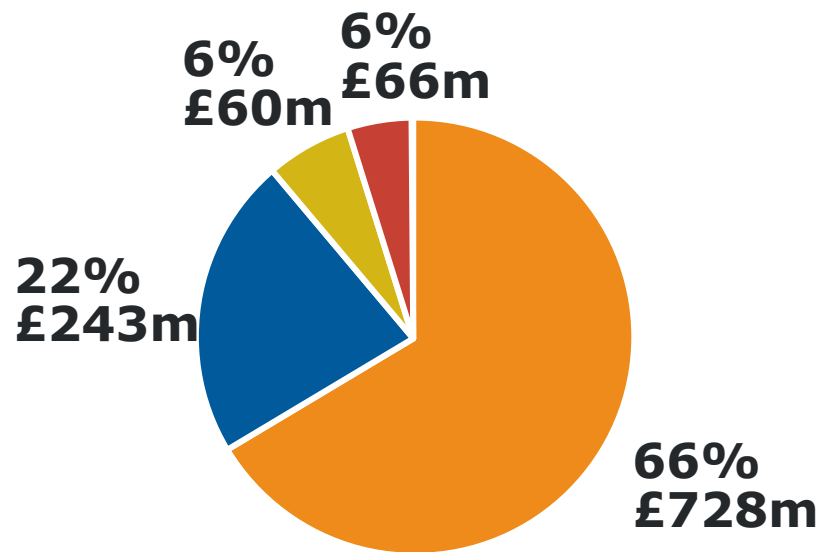


Haydn Mursell
Finance Director

Revenue H1 2010/11 £1,097m (+9%)

Revenue H1 2009/10 £1,010m

- Construction
- Support Services
- Partnership Homes
- Developments



Income statement



	SIX MONTHS TO 31 DECEMBER		CHANGE	YEAR TO 30 JUNE
	2010 £m	2009 £m	%	2010 £m
Operating profit: Group	30.8	25.9	+19%	53.6
Partnership Homes land transactions	-	7.1	-	7.1
Operating profit: joint ventures	1.4	-	-	(0.1)
Operating profit: Group and share of joint ventures	32.2	33.0	-2%	60.6
Share of joint ventures:				
Finance cost	(0.7)	(0.6)	-	(1.3)
Tax	(0.1)	-	-	0.1
Profit from operations	31.4	32.4	-3%	59.4
Net finance cost	(0.1)	(0.5)	-	(1.0)
Profit before tax, amortisation and exceptional items	31.3	31.9	-2%	58.4
Amortisation of intangible assets	(1.7)	(1.4)	-	(2.9)
Exceptional items	-	(13.8)	-	2.2
Profit before tax	29.6	16.7	+77%	57.7
Taxation (including JV tax on exceptional items)	(7.0)	(8.9)	-	(17.2)
Minority interest	(0.3)	(0.4)	-	(0.8)
Profit after tax attributable to equity holders	22.3	7.4	+201%	39.7

Operating profit

Performance by division



	SIX MONTHS TO 31 DECEMBER		CHANGE	YEAR TO 30 JUNE
	2010 £m	2009 £m	%	2010 £m
Construction	19.8	16.9	+17%	36.2
Support Services	10.9	10.1	+8%	21.4
Partnership Homes:				
Underlying	1.7	(0.3)	-	2.8
Land transactions	-	7.1	-	7.1
Developments	1.7	2.5	-	0.3
Corporate costs	(1.9)	(3.3)	+42%	(7.2)
Operating profit*	32.2	33.0	-2%	60.6
Net finance cost	(0.1)	(0.5)	-	(1.0)
Joint venture finance cost	(0.7)	(0.6)	-	(1.3)
Joint venture tax	(0.1)	-	-	0.1
Pre-tax profit*	31.3	31.9	-2%	58.4

* Before exceptional items and amortisation of intangible assets

Earnings per share and dividend



	SIX MONTHS TO 31 DECEMBER		CHANGE	YEAR TO 30 JUNE
	2010	2009	%	2010
Weighted average number of shares	37.0	36.7	-	36.7
Adjusted earnings per share*	63.5p	61.6p	+3%	121.3p
Excluding 2009 Partnership Homes land transactions*	63.5p	47.7p	+33%	107.4p
Basic earnings per share	60.3p	20.2p	+199%	108.2p
Dividend per share	20.0p	18.5p	+8%	58.0p

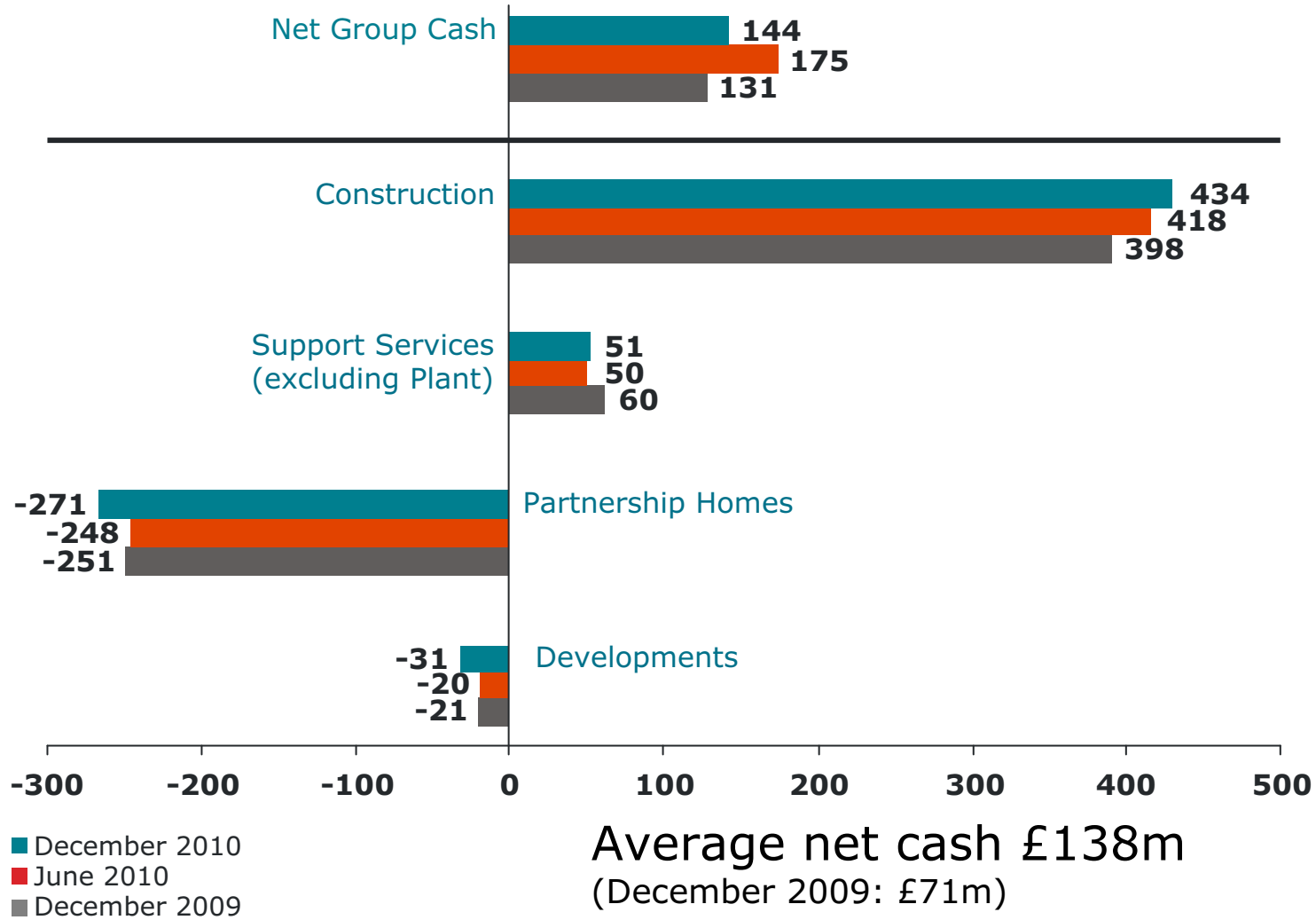
* Excludes exceptional items and the amortisation of intangible assets

Balance sheet summary



	AT 31 DECEMBER		CHANGE	AT 30 JUNE
	2010 <i>£m</i>	2009 <i>£m</i>	<i>£m</i>	2010 <i>£m</i>
Intangible assets	29	22	+7	28
Property, plant and equipment	88	82	+6	85
Investment in joint ventures	28	29	-1	24
Inventories	420	422	-2	407
Other working capital	(470)	(462)	-8	(487)
Cash	174	161	+13	205
Long-term borrowings	(30)	(30)	-	(30)
Provisions	(63)	(62)	-1	(61)
Pensions (net of deferred tax)	(48)	(82)	+34	(63)
Tax and deferred tax	(4)	(4)	-	(4)
Net assets	124	76	+48	104

Net cash



Inventories



	AT 31 DECEMBER		CHANGE	AT 30 JUNE
	2010 <i>£m</i>	2009 <i>£m</i>	<i>£m</i>	2010 <i>£m</i>
Residential land	208	222	-14	214
Residential work in progress	139	128	+11	126
Commercial land and work in progress	19	20	-1	19
Other work in progress	54	52	+2	48
Inventories	420	422	-2	407

Pensions



	AT 31 DECEMBER		AT 30 JUNE	
	2010 £m	2010 £m	2010 £m	Change %
Kier Group Pension Scheme:				
Market value of assets	667	611		+9%
Present value of liabilities	(732)	(690)		-6%
Deficit in the scheme	(65)	(79)		+18%
Deferred tax asset	17	22		-
Net pension liability	(48)	(57)		+16%
Net effect of Sheffield scheme	-	(6)		-
Net pension liability	(48)	(63)		+24%
Key assumptions:				
Discount rate	5.4%	5.3%		+0.1%
Inflation rate – RPI	3.6%	3.2%		+0.4%
Inflation rate – CPI	2.8%	2.5%		+0.3%

Summary



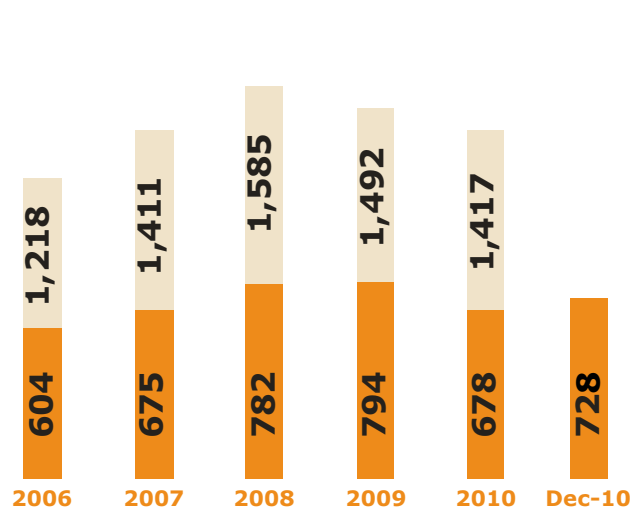
- Record average net cash of £138m
 - Renewed bank facilities to 2014
- Interim dividend increased by 8% to 20.0p
 - Maintain progressive policy
- Manageable pension position
 - Will be further improved by PFI asset transfers
- Strong order books for Construction and Support Services at > £4bn
 - Solid platform for the future
- Prudent accounting practices underpin the financials

Construction

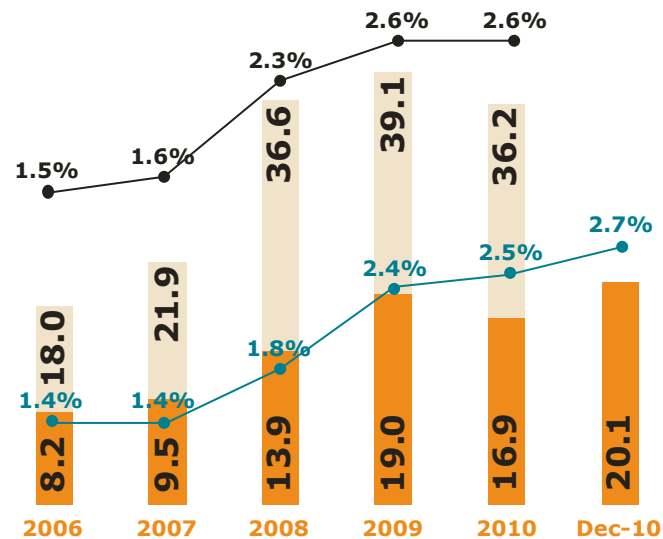


	SIX MONTHS TO 31 DECEMBER		CHANGE	YEAR TO 30 JUNE
	2010 £m	2009 £m	%	2010 £m
Revenue	728	678	+7%	1,417
Operating profit	19.8	16.9	+17%	36.2
Operating margin	2.7%	2.5%	-	2.6%
Order book (secure and probable)	2,096	2,232	-6%	2,044
Cash	434	398	+9%	418

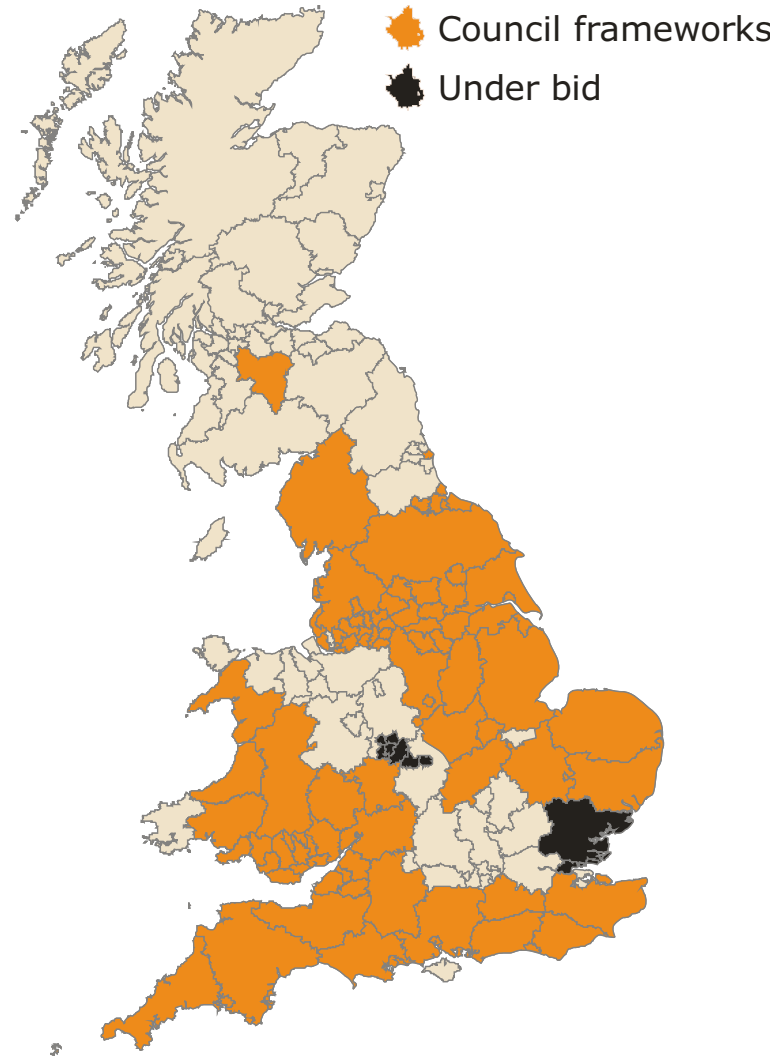
Revenue £m



Operating profit £m; operating margin %



Construction



- Over 60 frameworks nationally
- 80% of awards through frameworks and collaborative bidding
- 20% competitively tendered

Construction



Sector	% Awards Year to June 2010 (£1,369m)	Predictions (medium term)	% Awards 6 months to December 2010 (£779m)
Education	41%	↘	34%
Transport	3%	↗	22%
Commercial	4%	↗	12%
Overseas	1%	↑	11%
Residential	2%	↗	6%
Health	7%	↘	5%
Hotels & leisure	5%	↗	3%
Industrial	3%	↗	2%
Mixed-use	1%	↑	2%
Custodial	23%	↓	1%
Retail	4%	↗	1%
Utilities	2%	↑	1%
Power	0%	↑	0%
Defence	4%	↘	0%

Construction

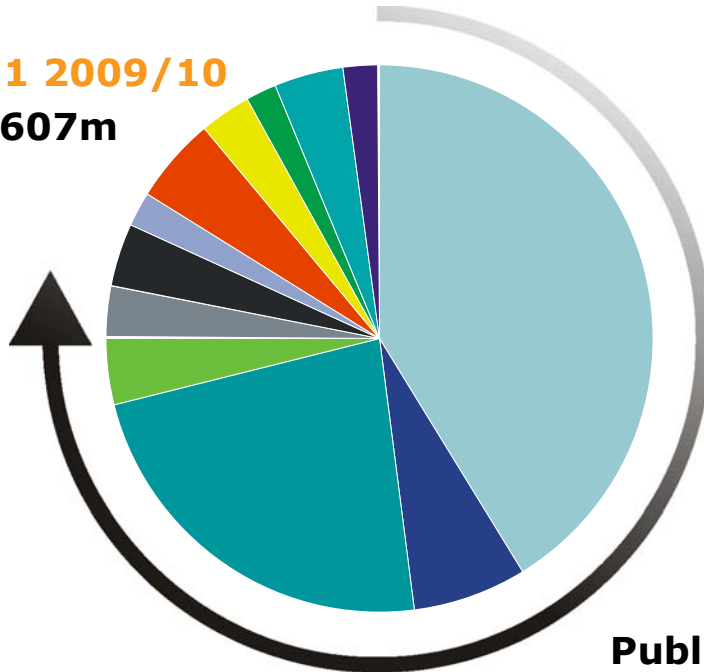


- Diverse and responsive workforce allows access to a wide range of opportunities

% Awards by sector H1 2010/11

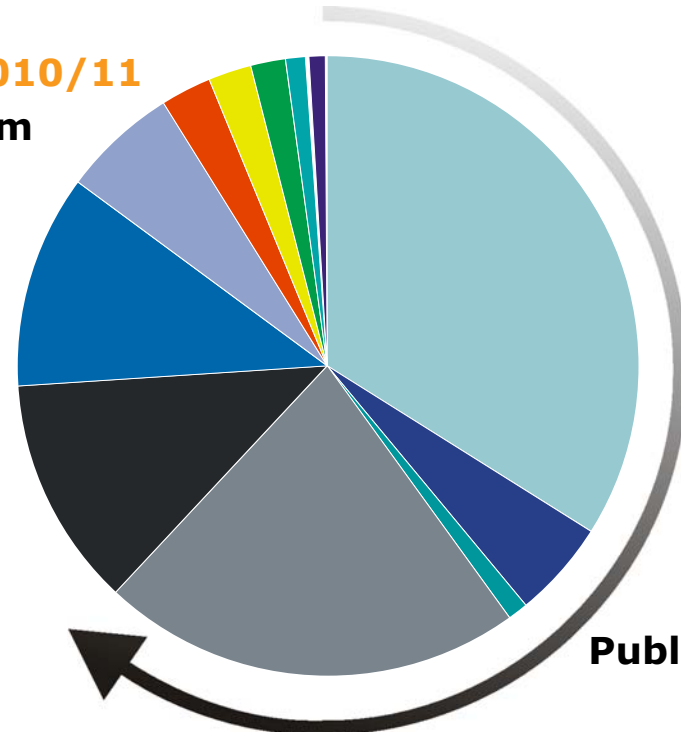
- 34% Education
- 5% Health
- 1% Custodial
- 0% Defence
- 22% Transport
- 12% Commercial
- 11% Overseas
- 6% Residential
- 3% Hotels & leisure
- 2% Industrial
- 2% Mixed use
- 1% Retail
- 1% Utilities
- 0% Power

H1 2009/10
£607m



Public 75%

H1 2010/11
£779m



Public 63%

Construction



West Burton CCGT Power Station

Infrastructure

- Major area of spend
 - National Infrastructure Plan £200bn
- Well positioned

Power

- Market leader with retained skills
- c£10bn power infrastructure potential for Kier over 5-10 years
- Variety of opportunities

Construction



Education

- Academies framework
 - £800m over 2 years
 - Secured 2 projects since October 2010

Health

- ProCure 21+
 - £4bn for 6 contractors over 6 years
 - Secured 4 projects £20m



Dane Court Grammar School, Kent

Construction



Snow Hill, Birmingham

Commercial

- Early signs of recovery
- London and south-east focus

Overseas

- Secured £85m in 6 months
 - Hong Kong £125m contract in JV

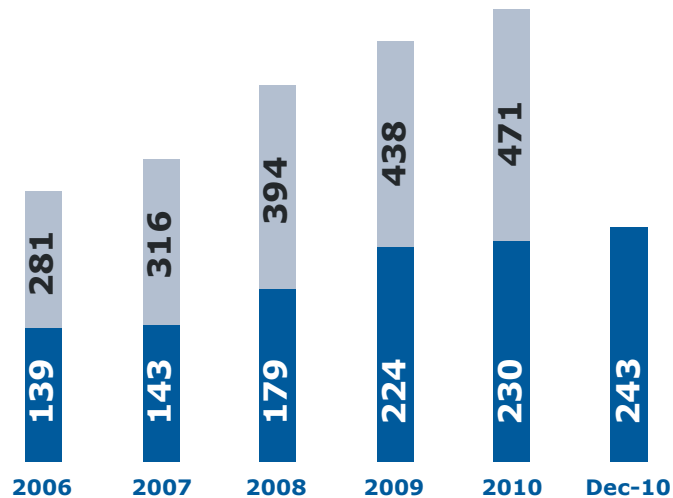
Support Services



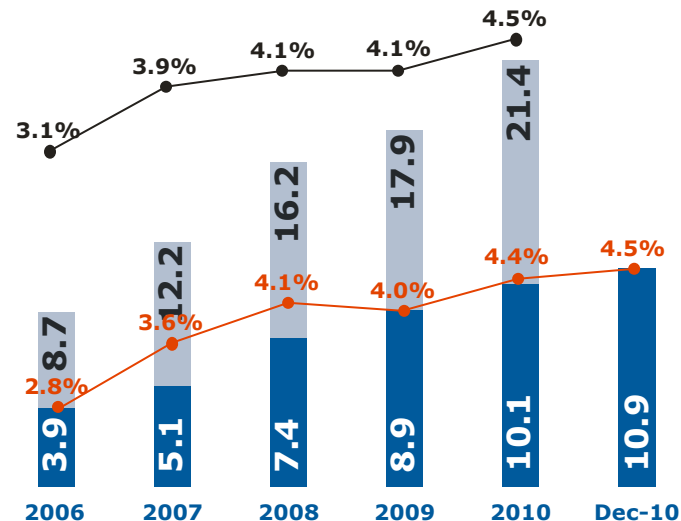
	SIX MONTHS TO 31 DECEMBER		CHANGE	YEAR TO 30 JUNE
	2010 £m	2009 £m	%	2010 £m
Revenue	243	230	+6%	471
Operating profit*	10.9	10.1	+8%	21.4
Operating margin*	4.5%	4.4%	-	4.5%
Order book (secure)	1,982	2,312	-14%	2,128
Cash (excluding plant investment)	51	60	-15%	50

* Before amortisation of intangible assets

Revenue £m



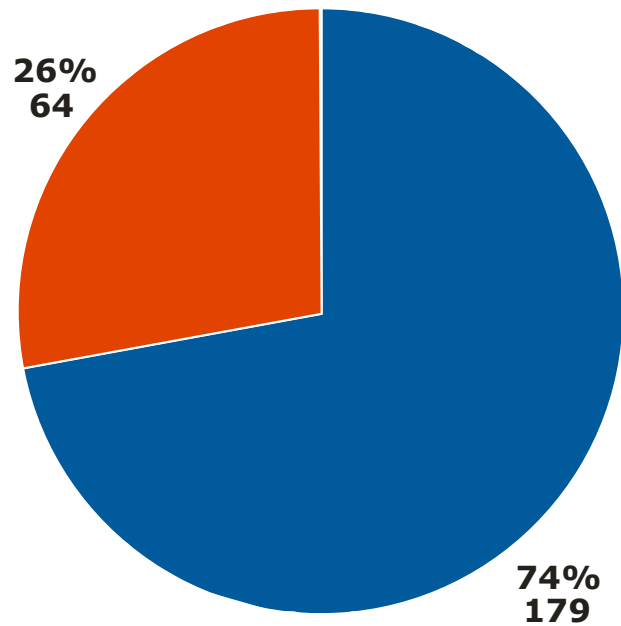
Operating profit £m; operating margin %



Support Services



- Building Maintenance £179m
- FM and Environmental £64m



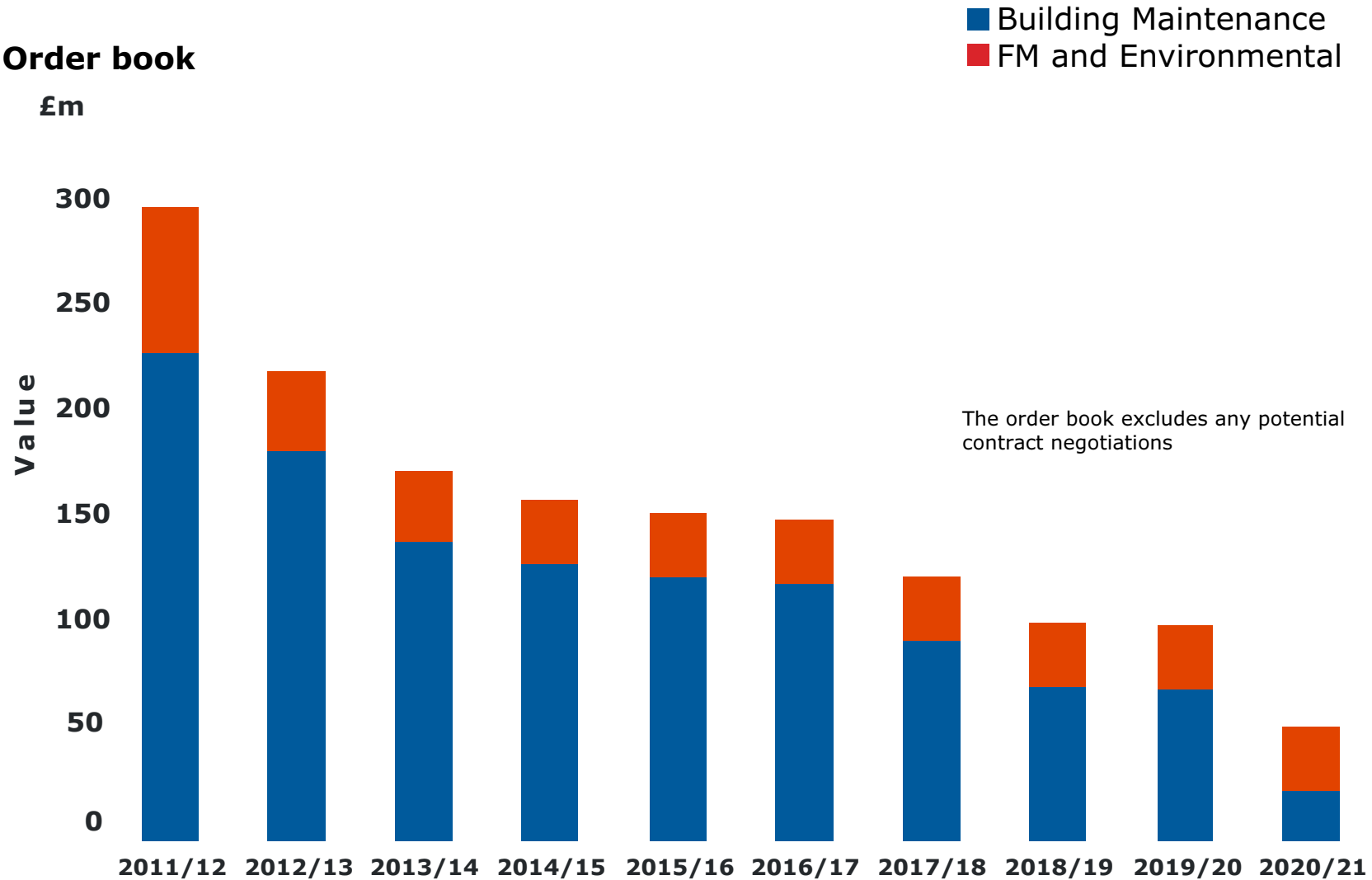
SIX MONTHS TO 31 DECEMBER	REVENUE		
	2010 £m	2009 £m	Change %
Building Maintenance			
Planned and reactive housing maintenance	179	167	+7%
FM and Environmental			
Building management, maintenance and environmental services	64	63	+2%

Support Services



Order book

£m



Support Services

Sector	% Revenue June 2010	Predictions (medium term)	% Revenue December 2010
Building Maintenance			
Public:			
R&M	55%	↗	40%
Capital	26%	↘	29%
Private:			
R&M	2%	↗	2%
Capital	2%	↗	3%
FM and Environmental			
Public	11%	↗	19%
Private	4%	↗	7%

- Bundled services being favoured
- Outsourcing trend will drive growth over medium term
- Growth sought to improve efficiency and increase scale in key areas



Support Services



Solar power measures, Stoke-on-Trent

New contracts

- East Midlands – SCAPE framework over 4 years

Contract renewals

- London Borough of Islington (Building Maintenance)
 - £20m pa for 4 years (+6 years)

Beco acquisition

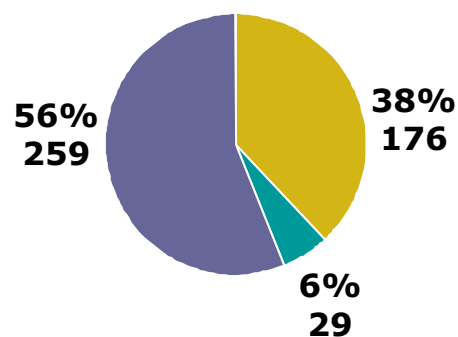
- Head start in the PV market

Partnership Homes

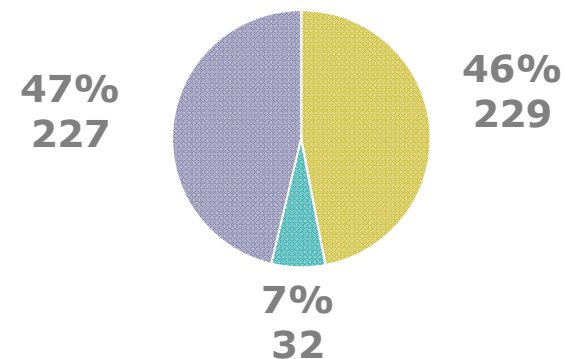


	SIX MONTHS TO 31 DECEMBER		CHANGE	YEAR TO 30 JUNE
	2010	2009		2010
Revenue	£60m	£75m	-20%	£158m
Unit sales	464	488	-5%	1,060
Underlying operating profit	£1.7m	£(0.3)m	-	£2.8m
Land transactions	-	£7.1m	-	£7.1m
Underlying operating margin	2.8%	-	-	1.8%
Net operating assets	£347m	£326m	+\$21m	£329m
Land bank	5,403	5,880	-8%	5,700

December 2010 (464)



December 2009 (488)



- Private sales
- Social sales (from owned land)
- Social sales (contracted)

Partnership Homes



- Private
 - Land bank decreasing
 - Cash will be generated over time from development and disposal of the land bank
 - Maintain a sustainable, private development business (c500 units per annum)



Jewry Street, Winchester

Partnership Homes



Roke Lane, Witley

- Affordable
 - Focus on mixed tenure
 - £74m of awards
 - c50% are land led deals
- Regeneration capability
 - Predominant focus is London and south-east

Developments



	SIX MONTHS TO 31 DECEMBER		CHANGE	YEAR TO 30 JUNE
	2010 £m	2009 £m		2010 £m
Revenue	66	27	+144%	53
Operating profit	1.7	2.5	-32%	0.3
Net operating assets	43	42	+£1m	33

Includes: Kier Property, Kier Project Investment, Kier Asset Partnership Services



Solum Regeneration, Epsom

Property

- On site on first Solum project at Epsom
- Additional schemes to come on stream in 2011/2012
 - Twickenham
 - Walthamstow
- Similar businesses targeted

Developments



PFI

- Commitment to PFI and regular recycling
- Short-listed on 5 further schemes

KAPS

- Provides property development opportunities
- Integral to the LA service offering
- £7bn of cost savings targeted by Whitehall



Ordnance Survey, Southampton

Conclusion



- Strong and stable Construction division
 - Dealing well with transitioning markets
 - Quality revenues holding firm
- Continuing strong cash generation, provides resources to invest in the business
- Support Services well positioned alongside other Kier operations to focus on bundled services for local authorities
- Further investment opportunities within our Developments portfolio creating cross-divisional workload

Outlook



- Well positioned to capitalise on growth markets
 - Infrastructure
 - Bundled outsourcing
 - Urban regeneration
 - Greening agenda
- Strong balance sheet enables us to actively explore organic and acquisition growth opportunities



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Appendices

Sector	Project	Status	Capital value £m	Kier equity/ loan stock £m	Equity %
Health	West Berkshire Hospital	Operational	25	1.8	50
	Hinchingbrooke	Operational	19	1.1	50
	Ipswich Hospital	Operational	27	1.3	50
Local authority	Bournemouth Library	Operational	14	0.7	50
	Oldham Library	Operational	14	1.0	50
Education	Sheffield Schools	Operational	50	2.3	50
	Norwich Schools	Operational	39	1.7	50
	Oldham Schools	Operational	54	2.6	50
	Kent BSF PFI 1	Operational	69	7.8	72
Others	Greenwich Care Homes	Operational	18	0.7	50
	North Kent Police HQ	Operational	25	1.7	42.5
	Police Investigation Centres	Construction	60	3.4	42.5
	Gloucester Fire Stations	Preferred bidder	22	1.7	70
Investment				27.8	
Green: Kier Construction and Support Services Red: Kier Construction contractor					
Directors valuation at 7.5% - £50.6m					

Support Services



Contract	Description	Annual revenue	Duration	Expiry excluding extensions
Sheffield City Council	Repairs & maintenance and decent homes	£60m	10 years	April 2013
Homes for Islington	Repairs & maintenance and gas servicing	£20m	4 years + 6 years	October 2014
Stoke-on-Trent	Repairs & maintenance and decent homes	£35m	10 years + 5 years	February 2018
Hull City Council	Repairs & maintenance and decent homes	£17m	5 years + 10 years	March 2012
Harlow DC	Housing, grounds & street services	£20m	7 years + 3 years	January 2014
LB Harrow	Repairs & maintenance and decent homes	£12m	5 years + 5 years	June 2012
North Tyneside	Repairs & maintenance, decent homes and construction	£60m	10 years + 5 years	September 2019
Barnsley	Repairs & maintenance and decent homes	£8m	5 years + 5 years	April 2016



 KIER

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