



KIER GROUP PLC
PRELIMINARY RESULTS PRESENTATION
17 September 2009



PRELIMINARY HIGHLIGHTS

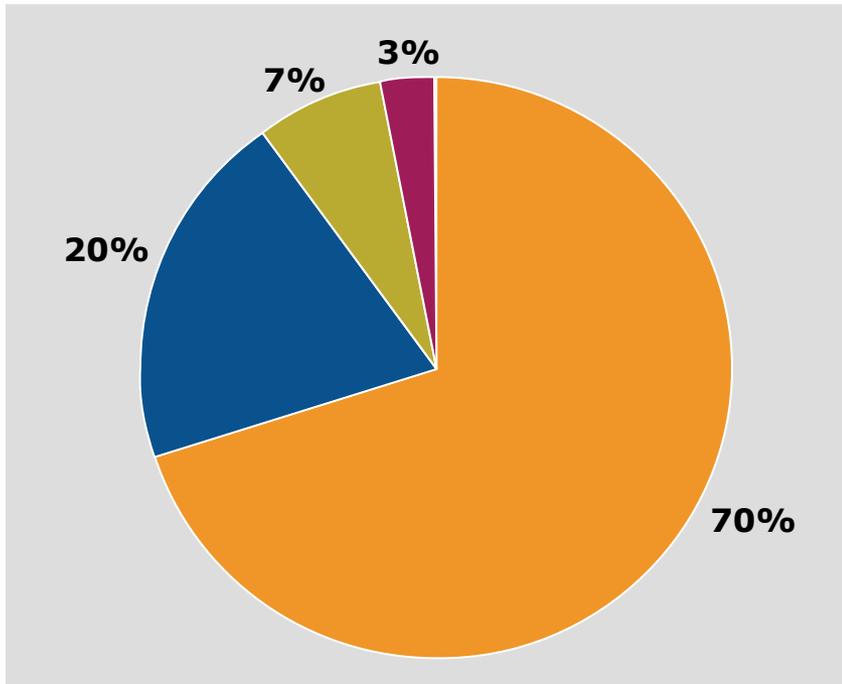
- Underlying pre-tax profits* at £52.8m (2008: £89.2m)
- Underlying EPS* at 102.5p (2008: 174.8p)
- Full year dividend maintained at 55.0p
- £92.5m of net cash at 30 June 2009 (2008: £143.9m)
- Secured and 'probable' order books for Construction at £2.2bn (2008: £2.1bn) represent 93% of 2010's revenue target and 50% of 2011's revenue targets
- Order books for Support Services at £2.3bn (2008: £2.0bn) including North Tyneside
- Investment in Kent BSF provides £300m of additional construction work, PFI investment opportunities and a facilities management contract
- Contracts exchanged for the sale of UK Supreme Court

REVENUE

YEAR TO 30 JUNE

2009 REVENUE £m

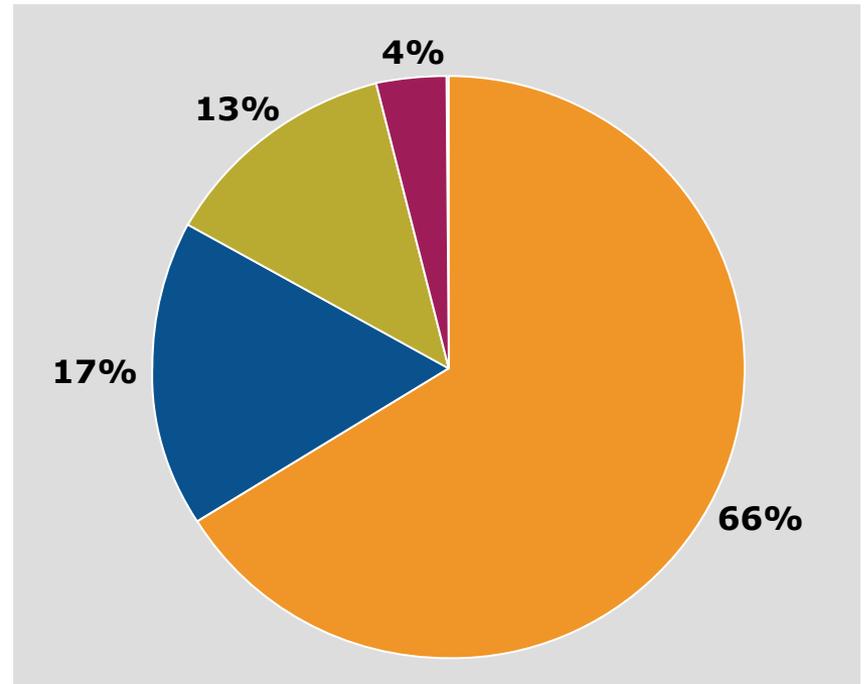
Construction	(£1,492m)
Support Services	(£438m)
Partnership Homes	(£151m)
Developments	(£65m)



REVENUE 2009
£2,146m (-9.6%)

2008 REVENUE £m

Construction	(£1,585m)
Support Services	(£394m)
Partnership Homes	(£311m)
Developments	(£84m)



REVENUE 2008
£2,374m

UNDERLYING PRE-TAX PROFIT

YEAR TO 30 JUNE 2009

	<i>Before exceptional items</i>	<i>Exceptional items</i>	<i>Including exceptional items</i>	<i>Before exceptional items</i>	<i>Change to pre- exceptional results</i>
	<i>2009 £m</i>	<i>2009 £m</i>	<i>2009 £m</i>	<i>2008 £m</i>	<i>%</i>
Operating profit: Group	50.1	(22.0)	28.1	82.9	-39.6
Operating profit: joint ventures	1.0	(5.3)	(4.3)	4.4	-77.3
Group and share of joint ventures	51.1	(27.3)	23.8	87.3	-41.5
Share of joint ventures:					
finance cost	(0.7)	-	(0.7)	(2.4)	-
tax	(0.3)	1.5	1.2	(1.1)	-
Profit from operations	50.1	(25.8)	24.3	83.8	-40.2
Net finance income	0.5	-	0.5	3.3	-84.8
Profit before tax	50.6	(25.8)	24.8	87.1	-41.9
Taxation	(14.0)	6.1	(7.9)	(24.5)	+42.9
Profit after tax	36.6	(19.7)	16.9	62.6	-41.5
Minority interest	(0.8)	-	(0.8)	(1.0)	-
Profit after tax attributable to equity holders	35.8	(19.7)	16.1	61.6	-41.9

EXCEPTIONAL ITEMS AND INTANGIBLE ASSET AMORTISATION

	YEAR TO 30 JUNE	
	2009 £m	2008 £m
Credit from change in salary related pension benefits	24.3	-
Partnership Homes reorganisation and restructuring costs	(1.8)	(9.5)
Partnership Homes land write-downs	(42.5)	(26.6)
Developments write-downs:		
Group	(2.0)	(1.5)
Joint ventures	(5.3)	(3.2)
Profit from the sale of Hairmyres PFI asset	-	16.2
Total exceptional items	(27.3)	(24.6)
Tax on exceptional items:		
Group	6.1	9.3
Joint Ventures	1.5	0.9
Exceptional items net of tax	(19.7)	(14.4)
Amortisation of intangible assets	2.2	2.1

OPERATING PROFIT

PERFORMANCE BY DIVISION

	YEAR TO 30 JUNE		
	2009 £m	2008 £m	%
Construction	39.1	36.6	+6.8
Support Services	15.7	14.1	+11.3
Partnership Homes	1.1	32.2	-96.6
Developments	(1.9)	11.7	-
Corporate costs	(2.9)	(7.3)	+60.3
Profit from operations*	51.1	87.3	-41.5
Finance income	5.3	9.8	-45.9
Finance cost	(4.8)	(6.5)	+26.2
Joint venture finance cost	(0.7)	(2.4)	-
Joint venture tax	(0.3)	(1.1)	-
Pre-tax profit	50.6	87.1	-41.9

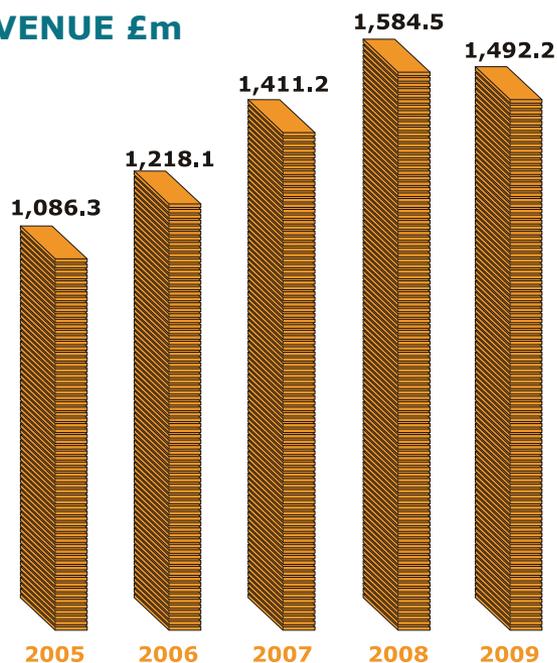
* Before exceptional items and after charging amortisation of intangible assets

CONSTRUCTION

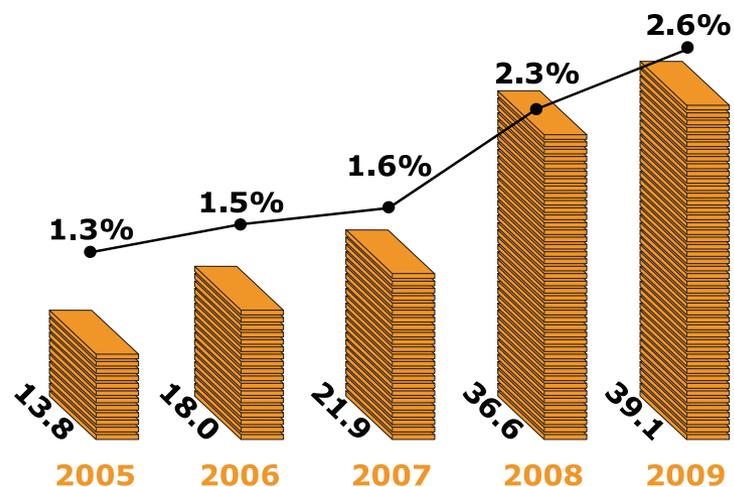
YEAR TO 30 JUNE

	2009 £m	2008 £m	%
Revenue	1,492.2	1,584.5	-5.8
Operating profit	39.1	36.6	+6.8
Operating margin	2.6%	2.3%	-
Order book (secure and probable)	2,245	2,114	+6.2
Cash	399.7	409.5	-2.4

REVENUE £m



OPERATING PROFIT £m OPERATING MARGIN %



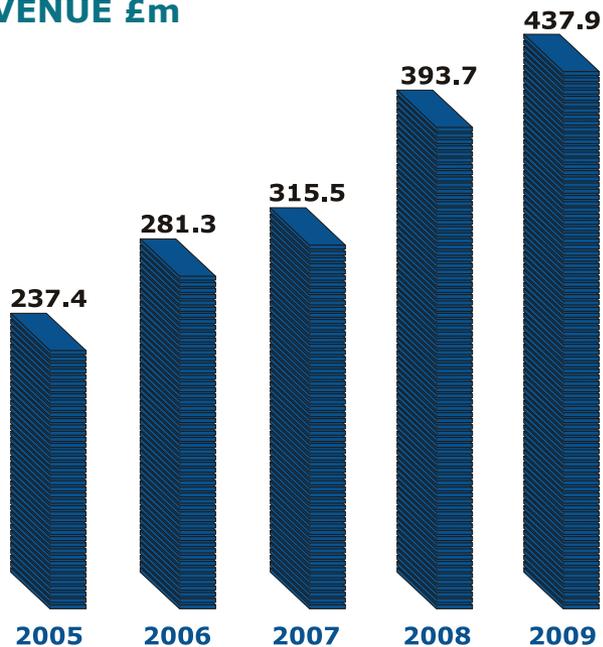
SUPPORT SERVICES

YEAR TO 30 JUNE

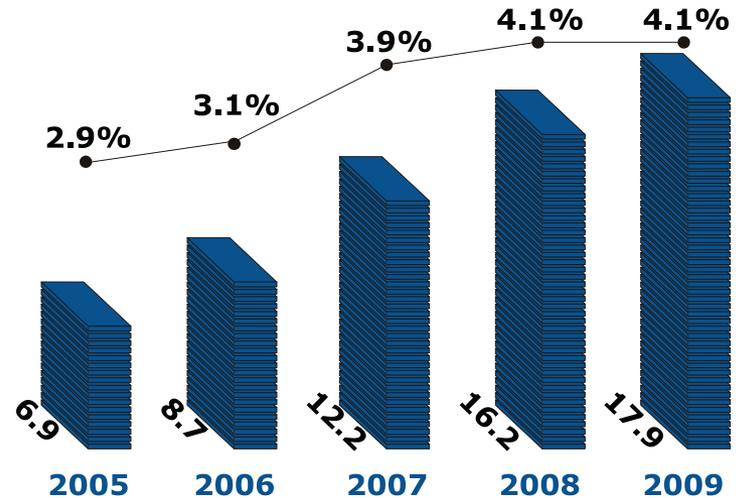
	2009 £m	2008 £m	%
Revenue	437.9	393.7	+11.2
Operating profit*	17.9	16.2	+10.5
Operating margin	4.1%	4.1%	-
Order book (secure)	2,292	2,023	+13.3
Cash	36.7	17.4	+110.9

* Before amortisation of intangible assets

REVENUE £m



OPERATING PROFIT £m
OPERATING MARGIN %



PARTNERSHIP HOMES

	YEAR TO 30 JUNE		
	2009	2008	%
Revenue	£150.8m	£311.5m	-51.6
Unit sales	1,141	2,090	-45.4
Average selling price	£132,200	£149,000	-11.3
Operating profit*	£1.1m	£32.2m	-96.6
Operating margin	0.7%	10.3%	-
Overdraft	£(264.9)m	£(242.6)m	-9.2
Net operating assets	£339.6m	£360.6m	-5.8

* Before exceptional charges of £44.3m (2008: £36.1m)

DEVELOPMENTS

	YEAR TO 30 JUNE		
	2009 £m	2008 £m	%
Revenue:			
Property	49.3	69.6	-29.2
PFI	15.4	14.9	+3.3
	64.7	84.5	-23.4
Operating profit:*			
Property	0.8	12.0	-
PFI	(1.2)	0.3	-
KAPS	(1.5)	(0.6)	-
	(1.9)	11.7	-
Overdraft	(70.6)	(24.9)	-
Net operating assets	85.2	58.6	+45.4
* Before exceptional charges of £7.3m (2008: £4.7m)			

GROUP BALANCE SHEET

AS AT 30 JUNE

	2009 £m	2008 £m	Movement £m
Intangible assets	11	13	(2)
Property, plant and equipment	87	92	(5)
Investment in joint ventures	34	40	(6)
Inventories	424	516	(92)
Other working capital	(438)	(548)	110
Cash	123	174	(51)
Long-term borrowings	(30)	(30)	-
Provisions	(38)	(34)	(4)
Pensions (net of deferred tax)	(83)	(33)	(50)
Tax and deferred tax	3	(7)	10
Net assets	93	183	(90)

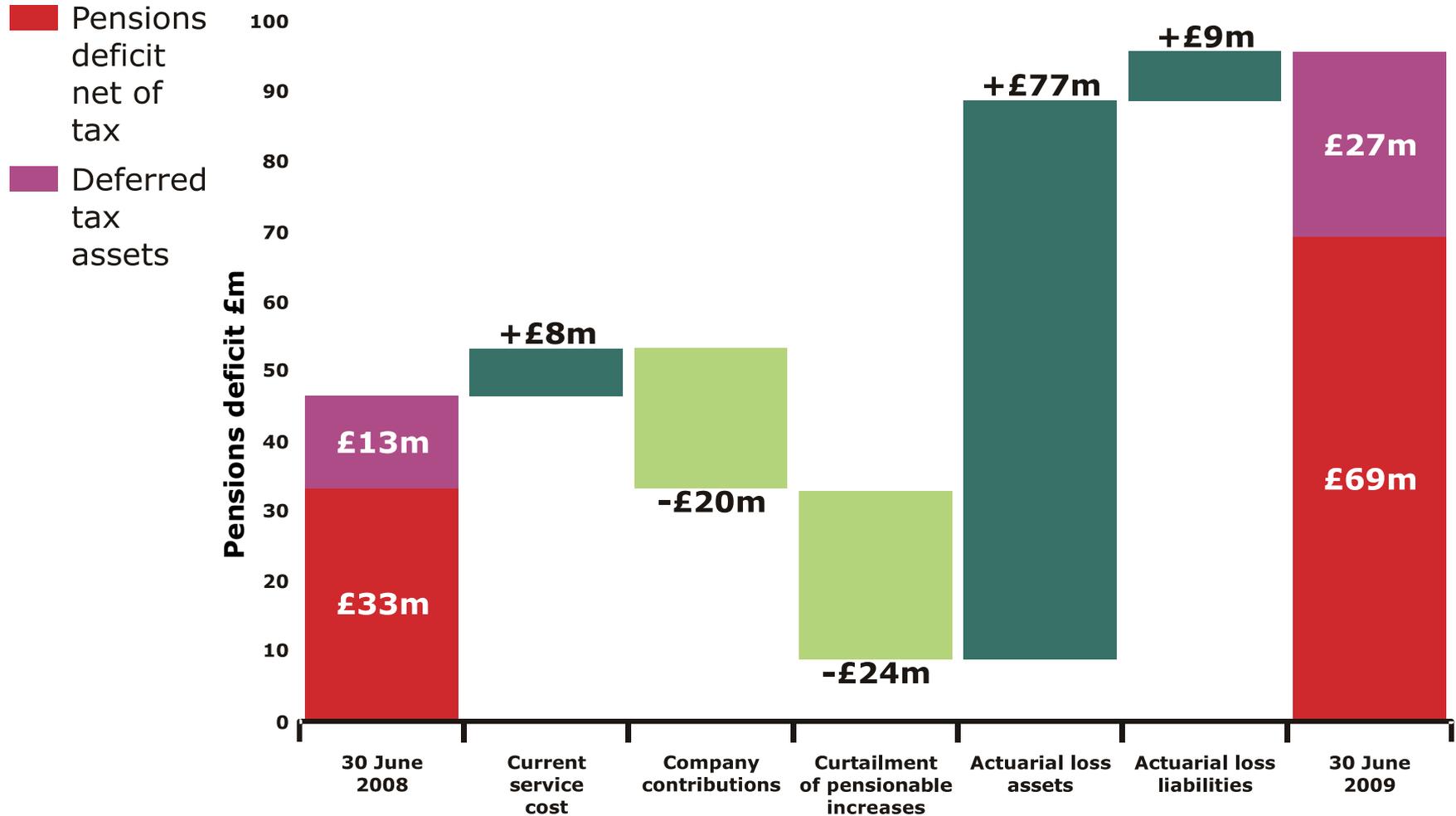
INVENTORIES

AS AT 30 JUNE

	2009 £m	2008 £m	Movement £m
Residential land	230	276	-46
Residential work in progress	135	161	-26
Commercial land and work in progress	21	25	-4
Other work in progress	38	54	-16
Inventories	424	516	-92
Land commitments	27	56	-29

PENSIONS: BALANCE SHEET MOVEMENT

KIER GROUP PENSION SCHEME - 30 JUNE 2009



CASH

	YEAR TO 30 JUNE		
	2009 £m	2008 £m	Movement £m
Construction	400	410	-10
Support Services	37	17	+20
Partnership Homes*	(265)	(243)	-22
Developments*	(71)	(25)	-46
Centre	(8)	(15)	+7
Net cash	93	144	-51

* Partnership Homes: outflow of £22m arising from final payment for Hugh Bourn Homes £13m, committed land purchases and options £38m, restructuring cost £8m, financing £17m

* Developments: outflow of £46m arising from investment in UK Supreme Court development and equity contributions for Network Rail JV and other PFI joint ventures

CONSTRUCTION

ACTIVITIES



BDP offices



Lexden Viaduct

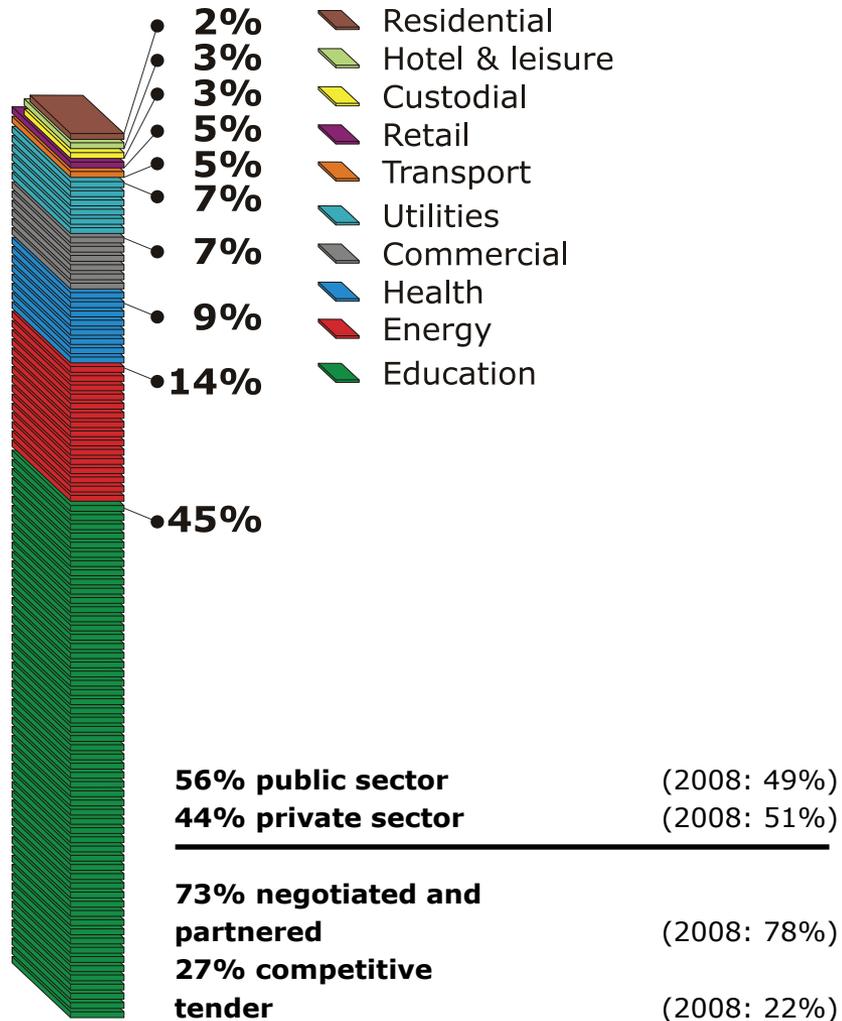


Manningtree

- Buildings and infrastructure projects in the UK, Middle East and Caribbean
- Focussed on regional opportunities through Kier Regional network
- Framework agreements underpin our order books in building and civil engineering
- Relationships and repeat business are fundamental to our success

CONSTRUCTION

AWARDS BY SECTOR



- Key frameworks:
 - Education:
 - Academies
 - BSF
 - Primary Capital Investment Programme
 - Healthcare: ProCure 21
 - Custodial: National Offender Management Service
 - Retail:
 - Waitrose
 - Tesco
 - Sainsbury
 - Morrisons
 - Airports: BAA
 - Water: United Utilities
 - Rail: Network Rail

- Review of structure and costs to drive out efficiencies – £10m annualised savings
- Margin growth and good cash performance
- New awards include:
 - Increase in number of frameworks to 52
 - £600m of education projects (including BSF)
 - £100m power station for EDF Energy
 - £75m for United Utilities
 - £180m Featherstone prison contract
 - £40m Portmore Hospital, Jamaica
- New frameworks (not yet in secure or probables) include:
 - East Midlands Property Alliance - £275m over 4 years
 - South West Construction Framework - £400m

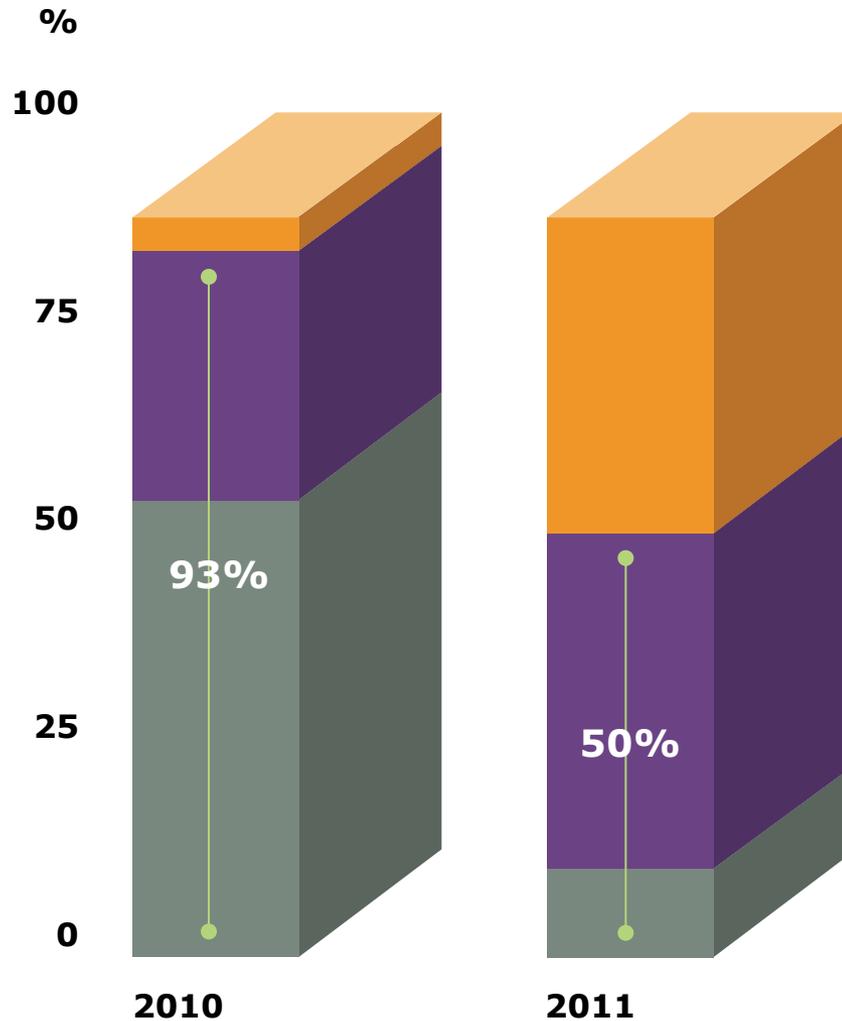
CONSTRUCTION

ORDER BOOKS – SECURE AND PROBABLE

■ Probable
■ Secure

Total
order
book
£2.2bn

(2008:
£2.1bn)



- Frameworks – 52 in total including public and private sector clients
- Order books are strong, good visibility to 2011
- Cash generation continues
- Energy and power sectors provide significant opportunity in power station investment
- Group purchase into Kent BSF secures £300m of education projects
- Overseas opportunities:
 - Hong Kong
 - Saudi Arabia
 - Iraq

- Wide geographic spread
- Integration into local communities, client base and supply chain
- Strong central co-ordination of national clients
- Track record of performance delivery
- Financial strength of Kier Group
- Ability to manage smaller contracts
- Strong safety record – higher on clients' agendas
- Kier culture creates repeat business:
 - Academies framework – 12 out of 17 projects won
 - P21 framework – 22 out of 34 projects won

SUPPORT SERVICES

ACTIVITIES



Decent Homes



Cobham Fire Station



Street cleaning

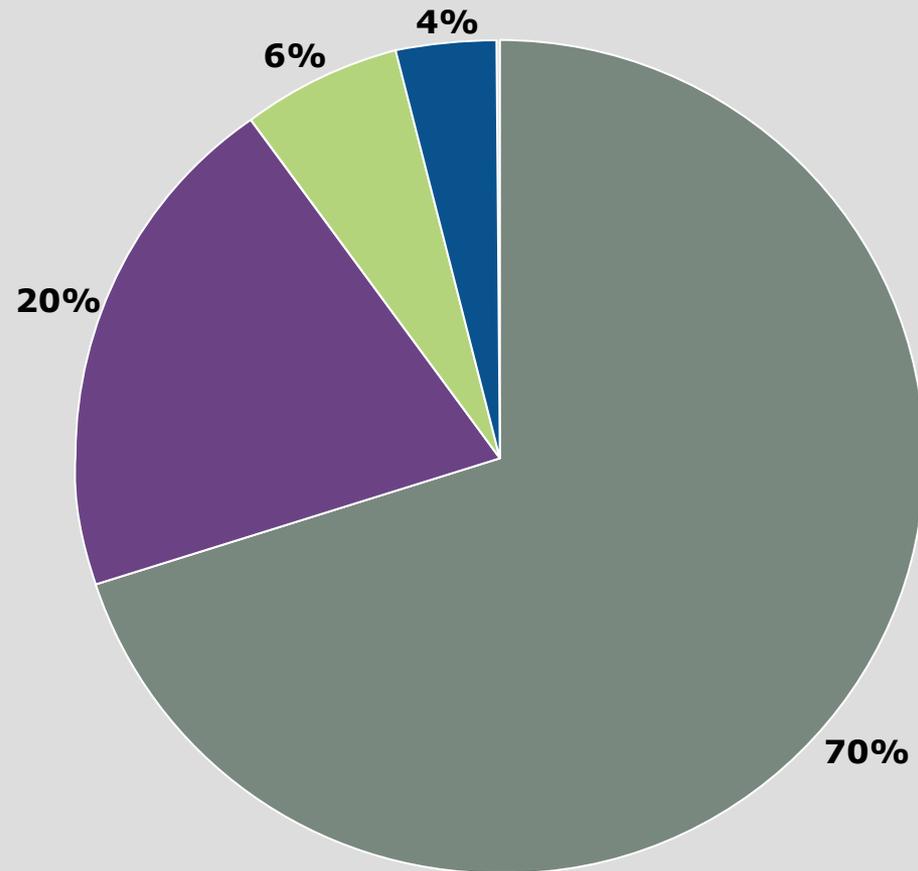
- **Building Maintenance:** local authority housing maintenance contracts, 'decent homes' and housing association repairs and maintenance
- **Facilities Services:** building management, maintenance and M&E design, installation and maintenance
- **Street Services:** waste collection and recycling, street scene and grounds maintenance
- **Plant:** plant hire to both internal and external clients

SUPPORT SERVICES

REVENUE ANALYSIS – YEAR TO 30 JUNE 2009

- Building Maintenance (£329m)
- Facilities Services (£92m)
- Plant (£30m)
- Street Services (£20m)

Note: revenue analysis includes intra-group revenue of £33m



SUPPORT SERVICES

ACHIEVEMENTS THIS YEAR

- Award of North Tyneside building maintenance contract – 16,000 units at £60m per annum for 10 years – extendable to 15 years
- Award of Southwark building maintenance contract - £3m per annum for 7 years
- Award of Sheffield outsourcing contract for non-residential properties, £6m per annum for 7 years
- Award of £3m pa facilities maintenance contract for Kent BSF for 25 years

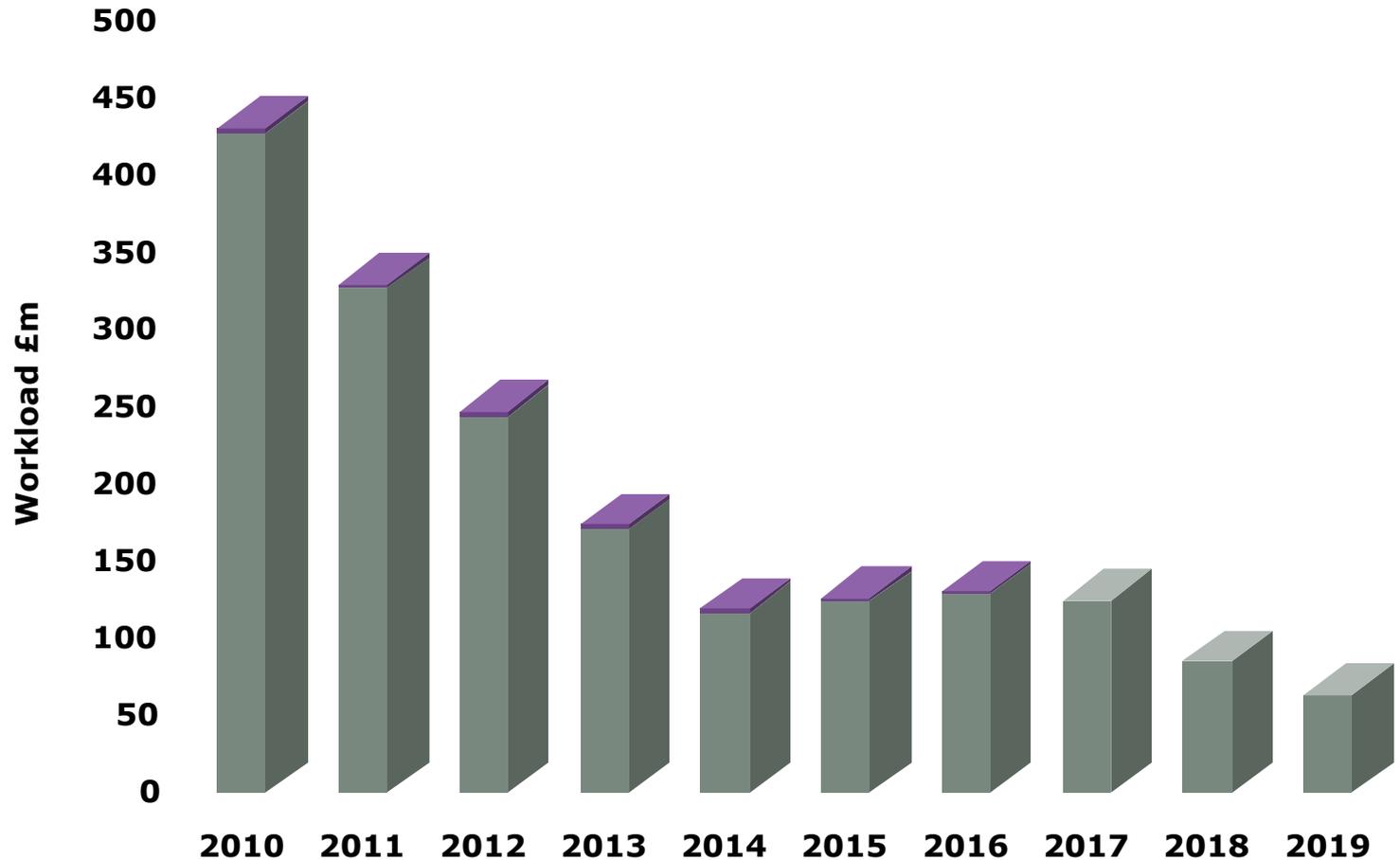
SUPPORT SERVICES

SECURED FORWARD REVENUE – AS AT 30 JUNE 2009

■ Order book
■ Preferred bidder/
Short-listed

Total order book
£2.3bn

(2008:
£2.0bn)



SUPPORT SERVICES

BUILDING MAINTENANCE – MAJOR CONTRACTS

CONTRACT	DESCRIPTION	ANNUAL REVENUE	DURATION	EXPIRY
Sheffield City Council	Repairs & maintenance and decent homes	£100m	10 years	April 2013
Islington City Council	Repairs & maintenance and decent homes	£45m	10 years	October 2010
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
Leeds	Repairs & maintenance	£17m	5 years + 5 years	October 2009
LB Harlow	Housing, grounds & street services	£20m	7 years + 3 years	January 2014
LB Harrow	Repairs & maintenance and decent homes	£22m	5 years + 5 years	June 2012

- Long list of contracts to bid including:
 - Birmingham - £25m pa, +5 years – repairs & maintenance
 - Nottingham - £25m pa to £62m pa, 4 years – planned maintenance and decent homes
 - LB Southwark - £25m pa, 5 years – planned maintenance
- Good visibility of revenue and earnings
- Opportunities for further outsourcing contracts – private and public sector

PARTNERSHIP HOMES

ACTIVITIES



Roke Lane



Midsummer, Cambourne



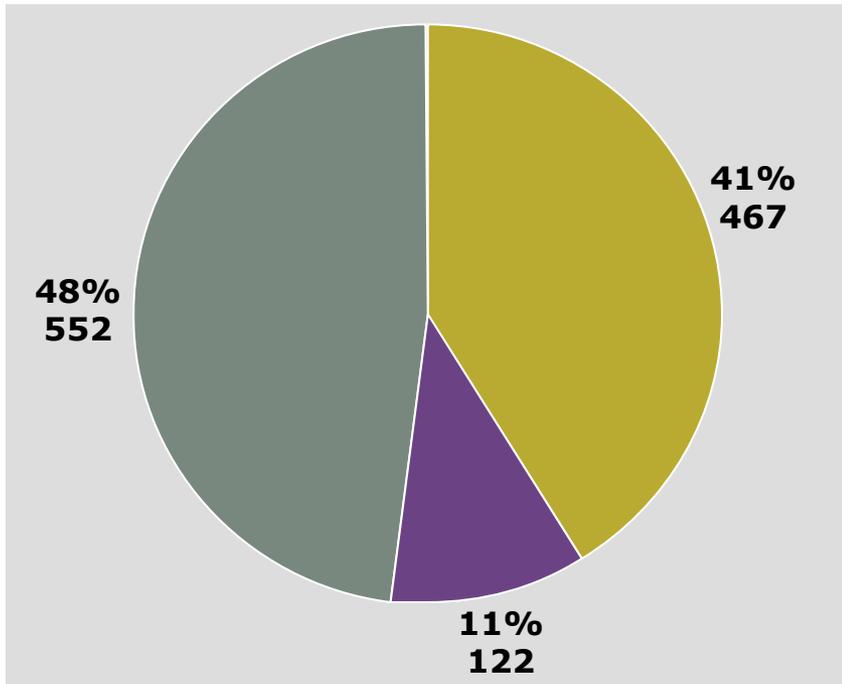
The Mews

- Social housing, private development and mixed tenure development with the capability to:
 - Deliver large scale regeneration projects
 - Respond to the challenges of local housing companies
 - Participate in housing PFI schemes, and
 - Respond to the HCA's affordable housing strategy

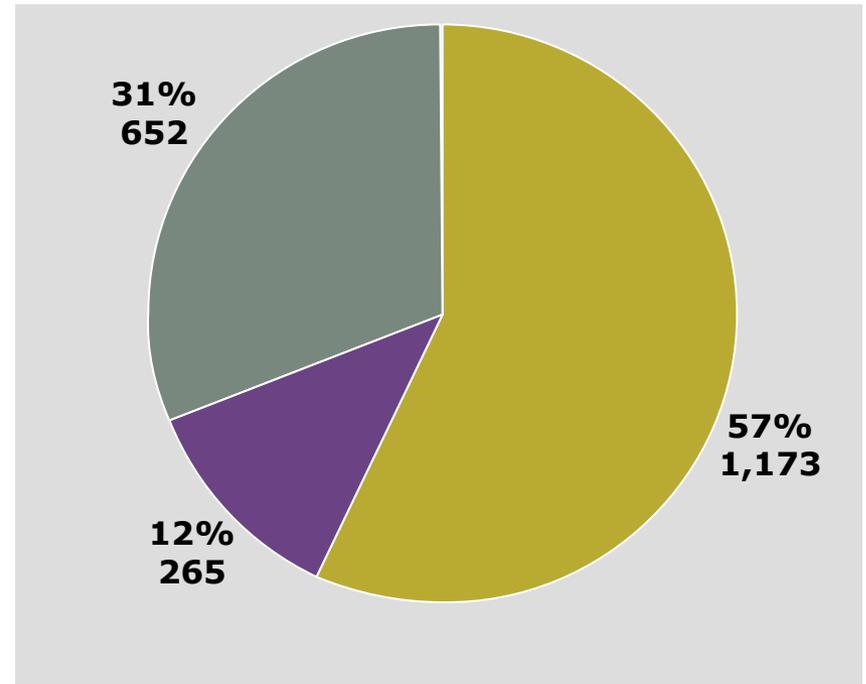
PARTNERSHIP HOMES

UNIT SALES – YEAR TO 30 JUNE 2009

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



2009 (1,141)



2008 (2,090)

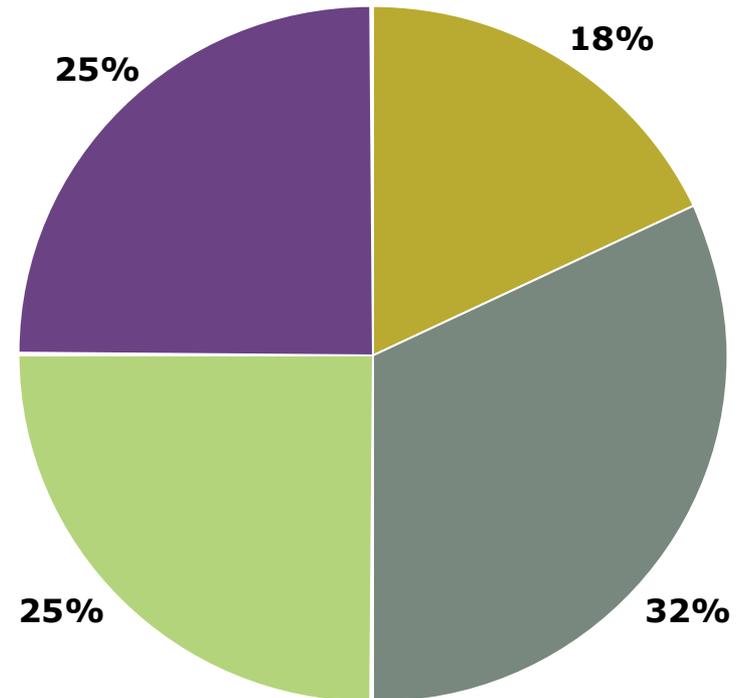
PARTNERSHIP HOMES

LAND BANK – AS AT 30 JUNE 2009

- +60 sites spread across the UK
- 6,150 units in the land bank with planning consent
- Approximately half acquired over 2 years ago
- Book value of land bank £230m
- Average plot cost: £37,000

PLOTS BY REGION

- Scotland
- Lincolnshire
- Anglia
- South



- Market beginning to stabilise, visitor levels and reservations are more consistent, lending increasing
- Loan-to-salary ratios moving towards more sustainable levels
- Lower stock availability is underpinning pricing levels and driving up the market selectively
- Government build targets:
 - 70,000 new affordable homes per year for the next 10 years
 - 3m new homes by 2020 (300,000pa)
 - Strong government commitment to fund the affordable housing programme
- 65% of targeted unit sales for 2010 are secured

- Focus on the delivery of affordable housing and regeneration
- Skills to integrate mixed tenure regeneration and private development to maximise value of the land bank
- Further reduction in land bank and work in progress
- Future model:
 - Lower risk profile (less speculative development)
 - Lower capital employed (smaller land bank)
 - Blended housebuilding/contracting margin
 - Higher return on capital than pure development

- Housing PFI's:
 - Working one of two bidders (324 new homes)
 - Other opportunities:
 - Birmingham
 - Hull
 - Portsmouth
 - Northampton City
 - Southwark
 - Stoke-on-Trent
- Local housing companies:
 - Sheffield provision of 2,500 mixed tenure homes
 - Nottingham
 - Bolton
- 6,150 plots of land available for development

DEVELOPMENTS

ACTIVITIES



Ordnance Survey



Reading Central



Supreme Court

- **Property:** pre-let or pre-sold developments to keep risks at a low level. Joint ventures with corporates, such as Network Rail
- **PFI:** investment in the private finance initiative
- **KAPS:** local authority outsourced property management

DEVELOPMENTS

ACHIEVEMENTS THIS YEAR

- Completion of UK Supreme Court, on time and within budget – now being sold for over £30m
- Established Network Rail joint venture to develop station sites in the South East of England
- Selection of preferred bidder on PFI Police Investigation Centres - £60m of construction and £3m of equity (our share)
- Secured outsourcing contract for Sheffield City Council to manage the Council's non-residential property portfolio

DEVELOPMENTS

ACHIEVEMENTS THIS YEAR

- Kent BSF acquisition (34 schools in total):
 - PFI – investment of £6.7m now plus a further £9.0m in future phases
 - Construction - £300m of additional schools work including £80m of PFI projects
 - FM contract - £80m over 25 years
- Total PFI portfolio - £28m:
 - 12 projects – invested to date £18.4m
 - Police Investigation Centres (preferred bidder) £2.8m
 - Kent BSF £6.7m
- Directors valuation at a discount rate of 8% gives £50.7m

CURRENT TRADING AND PROSPECTS

- 93% of targeted construction revenue for 2010 and 50% of targeted construction revenue for 2011 secure and probable
- Frameworks and repeat business underpin our awards
- Good revenue visibility for Support Services together with further outsourcing opportunities
- Partnership Homes market beginning to improve – restructured division better able to respond
- Good long-term opportunities for Developments
- Cash positive, healthy order books, profitable business, no net debt

HEADLINE NUMBERS

APPENDIX I

YEAR TO 30 JUNE

	2009	2008	%
Revenue	£2,146m	£2,374m	-9.6
Pre-tax profit*	£53m	£89m	-40.4
Adjusted EPS*	102.5p	174.8p	-41.4
Full year dividend	55.0p	55.0p	-
Net cash	£93m	£144m	-35.4
Construction and Support Services			
order books (secure and probable)	£4.5bn	£4.1bn	-

* Before exceptional items of £27.3m (2008: £24.6m) and amortisation of intangible assets £2.2m (2008: £2.1m)

KIER PROJECT INVESTMENT

CURRENT PROJECTS

APPENDIX II

SECTOR	PROJECT	STATUS	CAPTIAL VALUE £M	KIER EQUITY/ LOAN STOCK £M	EQUITY %
Health	West Berkshire Hospital	Operational	25	1.8	50
	Hinchingsbrooke	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	Tendring Schools	Operational	18	0.6	50
	Waltham Schools	Operational	51	2.9	50
	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	Construction	69	6.7	72
Others	Greenwich Care Homes	Operational	18	0.8	50
	North Kent Police HQ	Operational	25	1.7	42.5
	Police Investigation Centres	Preferred bidder	60	2.8	42.5
Investment				28.0	
Green: Kier Construction and Support Services Red: Kier Construction contractor					
Directors valuation at 8% - £50.7m					



 KIER

 KIER