

Kier Group plc
Interim results
for the six months to 31 December 2005

16 March 2006

Building confidence

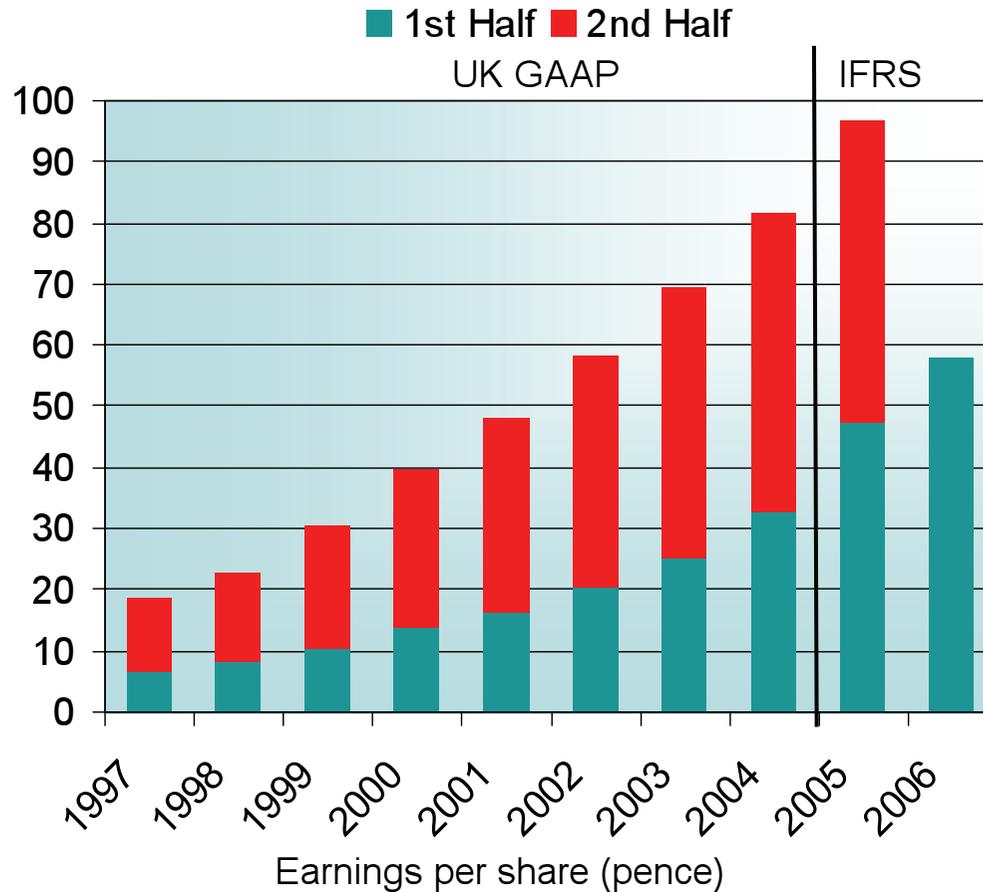


Interim highlights



- Pre-tax profits before exceptionals up 19.8% to £28.4m (2004: £23.7m)
- EPS before exceptionals up 22.6% to 58.0p (2004: 47.3p)
- Dividend increased by 17.1% to 8.2p (2004: 7.0p)
- £39.4m of cash generated from operating activities
- Construction and Support Services order books at strong levels
- Homes order book 50% ahead of last year with over 90% of projected unit sales secure
- Mixed-use and regeneration schemes continue to provide good opportunities for the Group

EPS record: since 1996 (after flotation)



- Into 14th year of continuous growth since buyout
- Compound growth in EPS of 23% per annum since flotation

Record is shown after deducting amortisation of intangible assets and before exceptional profits

Financial summary: consolidated income statement



	Six months to 31 December		Year to 30 June	
	2005 £m	2004 £m	Change %	2005 £m
Revenue	922.6	805.6	+14.5	1,623.2
Operating profit - Group	27.3	24.6	+11.0	48.1
Operating profit - joint ventures	3.4	1.9	+78.9	5.2
Group and share of joint ventures	30.7	26.5	+15.8	53.3
Share of joint ventures - finance cost	(1.3)	(1.6)	-	(3.1)
- tax	(0.8)	(0.3)	-	(1.2)
Profit from operations	28.6	24.6	+16.3	49.0
Net finance cost	(0.2)	(0.9)	-	(1.2)
Profit before tax and exceptional items	28.4	23.7	+19.8	47.8
Exceptional items	-	5.9	-	6.7
Profit before tax	28.4	29.6	-4.1	54.5
Taxation (including exceptional tax)	(7.8)	(11.3)	-	(17.9)
Profit after tax	20.6	18.3	+12.6	36.6

Financial summary:

(continued)



	Six months to 31 December		Year to 30 June	
	2005	2004	Change %	2005
Dividend per share	8.2p	7.0p	+17.1	22.2p
Dividend cover	7.1x	7.4x	-	4.5x
Underlying earnings per share excluding exceptional items				
- undiluted	58.0p	47.3p	+22.6	96.6p
- fully diluted	57.5p	47.0p	+22.3	95.8p
Adjusted earnings per share excluding exceptional items & amortisation of intangibles				
- undiluted	60.0p	49.3p	+21.7	100.3p
- fully diluted	59.5p	49.0p	+21.4	99.4p
Basic earnings per share				
- undiluted	58.0p	51.8p	+12.0	103.4p
- fully diluted	57.5p	51.5p	+11.7	102.5p

Performance by segment



		Six months to 31 December		Year to 30 June	
		2005 £m	2004 £m	Change %	2005 £m
Revenue:	Construction	603.7	524.5	+15.1	1,086.3
	Support Services	139.1	113.9	+22.1	237.4
	Homes	134.8	134.5	+0.2	225.5
	Property	38.3	27.2	+40.8	62.2
	Infrastructure Investment	6.7	5.5	+21.8	11.8
		922.6	805.6	+14.5	1,623.2
Operating profit: *	Construction	8.2	5.8	+41.4	13.8
	Support Services ¹	2.9	2.2	+31.8	5.0
	Homes	19.8	19.6	+1.0	32.9
	Property	5.4	3.7	+45.9	10.4
	Infrastructure Investment	(0.2)	(0.4)	-	(0.9)
	Corporate overhead/finance	(5.4)	(4.4)	-	(7.9)
		30.7	26.5	+15.8	53.3

* Before joint venture finance costs and tax

¹ After amortisation of intangible assets of £1.0m (December 2004: £1.0m, June 2005: £1.9m)

Segmental analysis: net operating assets



	At 31 December			At 30 June
	2005 £m	2004 £m	Change £m	2005 £m
Construction	(200.4)	(170.3)	-30.1	(186.1)
Support Services	1.2	19.6	-18.4	11.1
Homes	253.8	220.1	+33.7	245.6
Property	33.7	13.2	+20.5	24.4
Infrastructure Investment Centre	(5.7)	(6.4)	+0.7	(1.7)
Net operating liabilities	(32.2)	(20.2)	-12.0	(5.3)
Cash, net of debt	87.6	70.2	+17.4	58.1
Net assets	55.4	50.0	5.4	52.8

Balance sheet: summary



	At 31 December		Change £m	At 30 June
	2005 £m	2004 £m		2005 £m
Intangible assets	15.7	17.6	-1.9	16.7
Property, plant and equipment	71.8	69.8	+2.0	75.8
Investment in joint ventures	17.4	20.8	-3.4	22.9
Inventories	369.1	296.8	+72.3	325.7
Other working capital	(383.3)	(314.6)	-68.7	(335.8)
Cash (net)	117.7	100.3	+17.4	88.2
Long-term borrowings	(30.1)	(30.1)	-	(30.1)
Provisions	(20.1)	(18.4)	-1.7	(17.5)
Pensions	(132.9)	(114.0)	-18.9	(121.9)
Tax and deferred tax	30.1	21.8	+8.3	28.8
Net assets	55.4	50.0	+5.4	52.8

Pensions:

IAS 19



	At 31 December	At 30 June	Change
	2005 £m	2005 £m	£m
Kier Group Pension Scheme:			
Market value of assets	440.8	393.5	+47.3
Present value of liabilities	(578.3)	(517.2)	-61.1
Deficit in the scheme	(137.5)	(123.7)	-13.8
Deferred tax asset	41.3	37.1	+4.2
Net pension liability	(96.2)	(86.6)	-9.6
Net effect of Sheffield Scheme	3.2	1.3	+1.9
Net pension liability	(93.0)	(85.3)	-7.7

- Special contribution of £35m to be made by end July 2006
- Remaining deficit to be eliminated over 10 years

Reconciliation of IFRS to UK GAAP



	For the six months to 31 December 2005	At 31 December 2005
	Profit before tax £m	Net assets £m
IFRS	28.4	55.4
Retirement benefits	0.1	101.4
Sales and marketing costs	(0.1)	3.8
Deferred land payments	0.8	1.6
Goodwill	(0.3)	(0.9)
Deferred taxation	-	1.9
Share-based payments	(0.2)	-
Joint venture tax	0.8	-
Financial instruments	-	5.6
UK GAAP	29.5	168.8

Group structure:

(revenue figures for the six months to 31 December 2005)



Construction



Regional Contracting

Mid-range construction projects delivered by locally managed business units across the UK.

Major Building Projects Affordable Housing Infrastructure & Overseas

Civil engineering & mining, projects in the UK and overseas.

Revenue

£603.7m

Support Services



Kier Support Services

Comprehensive facilities management, reactive and planned building maintenance, M&E design and installation, plant hire and other outsourced services for both private and public sectors.

Revenue

£139.1m

Homes



Kier Residential

High quality private housebuilding.

Revenue

£134.8m

Property



Kier Property

Commercial property development.

Revenue

£38.3m

Infrastructure Investment



Kier Project Investment

Promotes and manages the Group's interests in the Private Finance Initiative bringing together Kier's expertise and resources in worldwide construction, property development, housing and facilities management.

Revenue

£6.7m

Construction: performance



Construction



Regional Contracting

Mid-range construction projects delivered by locally managed business units across the UK.

Major Building Projects

Affordable Housing Infrastructure & Overseas

Civil engineering & mining, projects in the UK and overseas.

Revenue

£603.7m

Six months to 31 December

2005

2004

Revenue	£603.7m	£524.5m
Operating margin	1.4%	1.1%
Cash at 31 December	£278.3m	£237.0m
Order book at 31 December	£1,030m	£600m

Kier Regional:

Regional Contracting, Building Major Projects, Affordable Housing



- Head Office & Kier Build
London 1
- Kier Eastern
Norwich 2
Wisbech 3
Witham 4
- Kier London
Loughton 5
- Kier Northern
Carlisle 6
Durham 7
Leeds 8
Sheffield 9
- Kier North West
Liverpool 10
Manchester 11
- Kier Partnership Homes
Basingstoke 12
West Malling 13
Walsall 14
- Kier Scotland
Glasgow 15
Edinburgh 16
- Kier Southern
Maple Cross 17
- Brazier Construction
Southampton 18
- Henry Jones
Lizant 19
- Kier Western
Bristol 20
Exeter 21
Newport 22
Plymouth 23
Truro 24
- Marriott Construction
Nottingham 25
Rushden 26
- Moss Construction
Birmingham 27
Cheltenham 28
Newbury 29
- Wallis
Maidstone 30
Bromley 31
Longley
Crawley 32

Six months to 31 December

	2005	2004
Contract awards for six months	£493m	£391m
Public sector awards	50%	37%
Private sector awards	50%	63%
	100%	100%
Negotiated and two-stage bids	59%	57%
Competitive tender	41%	43%
	100%	100%

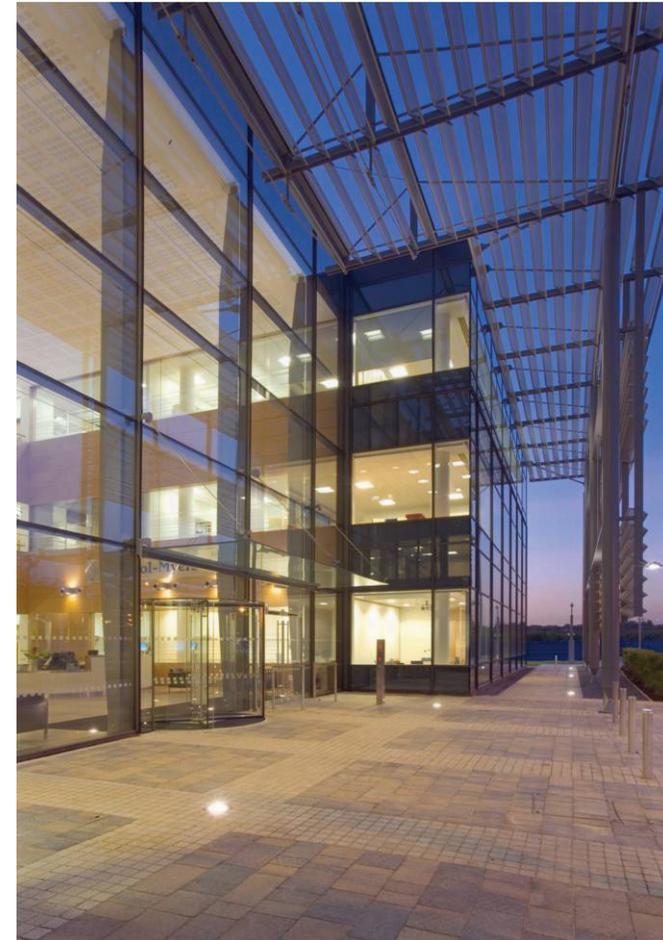
Market leader in Regional Contracting

Kier Regional:

local builder with national coverage



- Average contract size £2.7m
- National frameworks and alliances:
 - Kier Health: ProCure 21 projects
 - Kier Retail: Tesco, Pillar, Waitrose, Morrison
 - Kier Custodial: HM Prisons framework
 - Kier Education: Building Schools for the Future
 - Local authority and housing association frameworks for affordable housing
 - Key account clients: DeVere, Arlington, Land Securities, Crest Nicholson, Slough Estates, Vodafone



IEI/Kier Southern/Moss Construction JV: Uxbridge

Kier Construction:

UK civil engineering, mining & overseas



UK civil engineering



Overseas

- Framework agreements with United Utilities and Network Rail are progressing well
- Developing relationship with Shanks Waste Service - second waste management facility successfully completed
- In Jamaica early works programme for Alcoa refinery expansion has begun
- Contract awarded for expansion of Norman Manley Airport in Kingston

Kier Construction



Mining

- Greenburn performing well
- nearly one million tonnes mined
- 58% of remaining coal forward sold at favourable fixed prices
- Further opportunities are being explored to extend the mine
- 'Opencaster of the Year Award'



Kier Support Services: performance



Support Services



Kier Support Services

Comprehensive facilities management, reactive and planned building maintenance, M&E design and installation, plant hire and other outsourced services for both private and public sectors.

Revenue

£139.1m

Six months to 31 December

	2005	2004
Revenue	£139.1m	£113.9m
Operating margin*	2.8%	2.8%
Order book	£1,309m	£1,137m
Cash/(debt)	£8.6m	(£11.7m)

* Before amortisation of intangible asset

Kier Support Services: four business streams



- Building Maintenance:
 - Local authority maintenance contracts and decent homes
 - Excellent opportunities for growth
- Managed Services:
 - Good opportunities in PFI, £128m secured in the six months to 31 December 2005
 - Opportunities to work with other Group companies
- Building Services:
 - M&E services capability
- Plant:
 - Plant hire both external and internal



Kier Support Services: Building Maintenance



Local authority	Total value of revenue (£m)	Length of contract	Number of properties
Repairs & Maintenance			
Sheffield City Council	640	10 years	54,000
Leeds	51	5 years	23,600
Islington Borough Council	260	10 years	28,000
Ealing Borough Council	23	5 years	9,250
Greenwich Borough Council	20	5 years	6,400
Brighton & Hove Borough Council	16	4 years	13,000
Other councils/housing associations	Various	Various	21,000
Total	-	-	155,250
Decent Homes			
Sheffield City Council	160	6 years	7,500
Islington Borough Council	40	6 years	4,000
Lincoln City Council	35	5 years	5,000
Total	-	-	16,500

Kier Residential: performance



Homes



Kier Residential
High quality private
housebuilding.

Revenue

£134.8m

	Six months to 31 December		Year to 30 June	
	2005	2004	Change %	2005
Unit sales (units)	709	721	-1.6	1,215
Average selling price (£)	185,900	180,500	+3.0	181,700
Revenue from housing (£m)	131.8	130.1	+1.3	220.8
Land sale (£m)	3.0	4.4	-31.8	4.7
Total revenue (£m)	134.8	134.5	+0.2	225.5
Housing operating profit (£m)	19.5	19.6	-0.5	32.9
Operating margin %	14.8	15.1	-	14.9

- Exceptionally strong performance in first half of 2004/5
- Expect a shift in sales towards second half of 2005/6

Kier Residential:

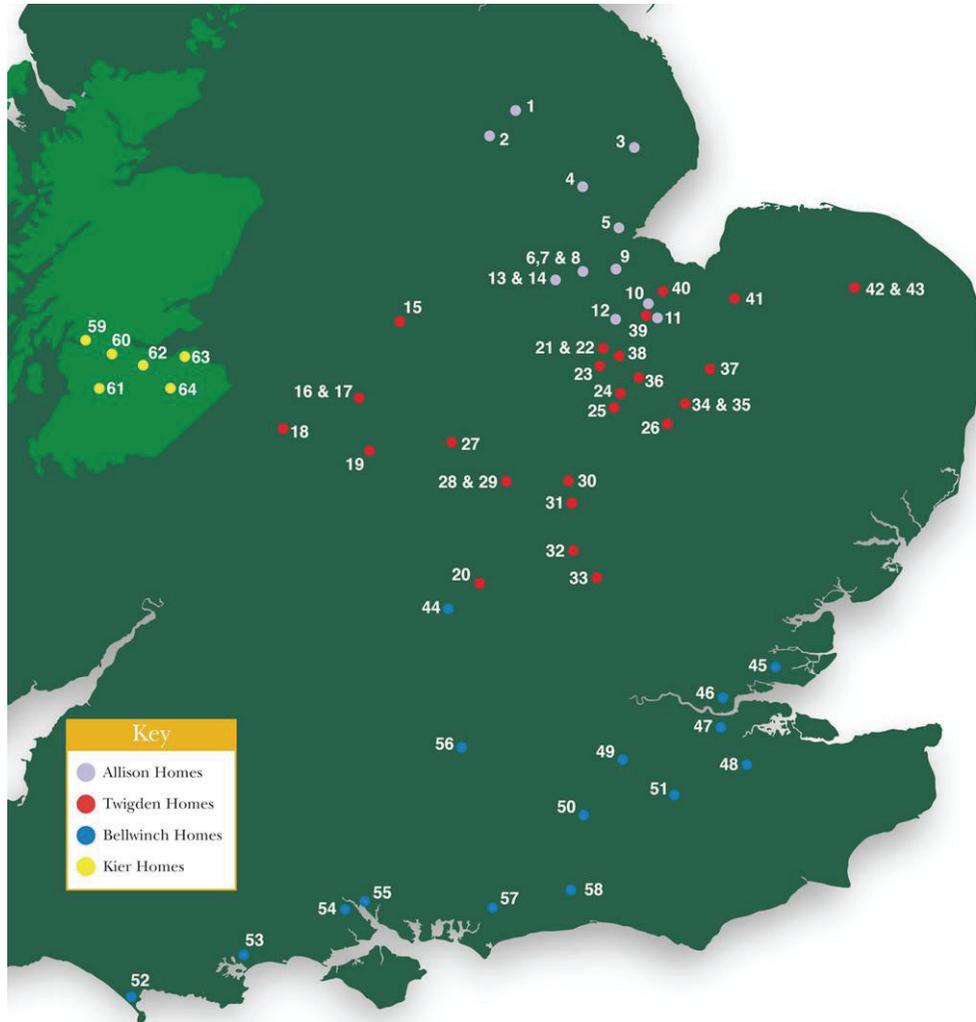
completions, average sales price & plot cost



Six months to 31 December

	Units	2005 ASP (£)	Units	2004 ASP (£)
Allison Homes	262	156,200	251	163,500
Bellwinch Homes	132	196,500	162	200,900
Kier Homes	104	209,900	115	162,700
Twigden Homes	211	204,500	193	196,200
	709	185,900	721	180,500
Average plot cost	-	45,100	-	37,000
Plot cost as a % of SP	-	24.3%	-	20.5%
Land bank with planning	-	5,600	-	5,260
Strategic land bank	-	11,000	-	14,400

Kier Residential: map



Key

- Allison Homes
- Twigden Homes
- Bellwinch Homes
- Kier Homes

Allison

1. Market Rasen
2. Lincoln
3. Spilsby
4. Billinghay
5. Kirton
6. Spalding
7. Spalding
8. Spalding
9. Holbeach
10. Wisbech
11. Elm
12. Parson Drove
13. Bourne
14. Bourne

34. Burwell
35. Burwell
36. St Ives
37. Ely
38. Farset
39. Gorefield
40. Tydd St Mary
41. Wereham
42. Norwich
43. Norwich

Bellwinch

44. Aylesbury
45. Rayleigh
46. Chafford Hundred
47. Northfleet
48. Maidstone
49. Netherne on the Hill
50. Crawley
51. Royal Tunbridge Wells
52. Weymouth
53. Poole
54. Marchwood
55. Southampton
56. Farnborough
57. Chichester
58. Storrington

Twigden

15. Bushby
16. Rugby
17. Rugby
18. Warwick
19. Daventry
20. Leighton Buzzard
21. Peterborough
22. Peterborough
23. Oundle
24. Huntingdon
25. Godmanchester
26. Cambridge
27. Northampton
28. Bedford
29. Bedford
30. Biggleswade
31. Arlesey
32. Hitchin
33. Stevenage

Kier

59. Helensburgh
60. Cambusnash
61. Blantyre
62. Bathgate
63. Tranent
64. Rosewell

Kier Property



Property



Kier Property
Commercial
property
development.

Revenue

£38.3m

Six months to 31 December

	2005 £m	2004 £m
Operating profit:		
Kier	2.9	2.3
Joint venture	2.5	1.4
	5.4	3.7

31 Schemes	Gross development value	Floor space
8 office schemes	£328m	1.4m sq ft
19 industrial schemes	£322m	2.4m sq ft
4 retail schemes	£93m	0.3m sq ft
Including over 1,300 residential units		

Kier Property: recent developments



- Acquisition of nine properties from Warner Estates - one transferred to Kier Residential for housing development
- Purchase of site in Milton Keynes for UK headquarters of EDS - Kier Regional undertaking construction
- Planning consent achieved at Western International Markets
- Planning submitted for 700 flats and 100,000sq ft commercial space in Ashford



Western International Markets



AMS House, Frimley

Examples of Kier 'Total Solution'



- Preferred bidder on Ordnance Survey site Southampton:
 - Kier Property: development of offices
 - Kier Residential: potential development of residential sites
 - Kier Regional: construction of offices
 - Kier Support Services: facilities management and M&E installation
- Acquisition of British Gas site in Uxbridge:
 - Kier Property: development of industrial units
 - Kier Residential: residential opportunities
 - Kier Construction: site remediation
 - Kier Regional: construction of industrial units



Ordnance Survey



National Trust

Kier Project Investment



Infrastructure Investment



Kier Project Investment

Promotes and manages the Group's interests in the Private Finance Initiative bringing together Kier's expertise and resources in worldwide construction, property development, housing and facilities management.

Revenue

£6.7m

- Creates value for the Group:
 - Negotiated construction and FM contracts
- Creates an equity portfolio:
 - Generates a stream of predictable earnings
 - Future disposal of value enhanced investments

Kier Project Investment: current projects



Sector	Project	Status	Capital value £m	Kier equity/ loan stock £m	Equity %
Health	Hairmyres Hospital	Operational	68	4.3	50
	West Berkshire Hospital	Operational	25	1.6	50
	Hinchingbrooke	Operational	19	1.1	50
	Ipswich Hospital	Preferred bidder	27	1.5	50
Local authority	Bournemouth Library	Operational	14	0.7	50
	Oldham Library	Construction	14	1.0	50
Education	Tendring Schools	Operational	18	0.5	50
	Waltham Schools	Construction	51	2.9	50
	Sheffield Schools	Construction	50	2.6	50
	Norfolk Schools	Preferred bidder	39	1.6	50
	Oldham Schools	Preferred bidder	54	2.9	50
Others	Greenwich Care Homes	Operational	18	0.8	50
	North Kent Police HQ	Preferred bidder	25	1.3	40
Committed investment			-	22.8	-
<p>Green: Kier construction and support services contractor Red: Kier construction contractor</p> <p>Shortlisted: Sheffield BSF; Waltham Forest BSF; Newcastle Libraries; Newton Abbot Hospital</p>					

Prospects



- Order books for Construction and Support Services at strong levels
- Homes order book 50% ahead of last year, 90% of projected units for full year are secure
- Property Development - strong pipeline of developments
- PFI - success continues
- Value from mixed-use developments combining skills from all areas of the Group

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