



Welcome to the Kier Group preliminary results

Paul Sheffield
Chief executive

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Group finance director

Highlights

Strong performance

- Operating profit up 23% to £71.1m
- Continued underlying strong cash generation: £129m average cash
- Dividend up 10% to 64p
- Order book up to £4.3bn

What drove our results

- Increased underlying revenue in all divisions
- Risk management and cost base reduction
- Frameworks and negotiated work account for c.70% of awards

How we see the next 12 months



Construction

- 95% of 2012 revenue and 46% of 2013 revenue secure and probable, which is ahead of last year
- Environment increasingly competitive; margin still firmly above 2%

Services

- Stable order book at £2bn and 4.5% sustainable margin
- Growth anticipated from 2013
- We seek greater scale in FM and Environmental

Property

- Increased contribution to overall Group
- Continues to pursue largely non-speculative transactions
- Targeted return on capital of 15%

Homes

- Maintains focus on cash generation



Financials

Revenue 2010/11

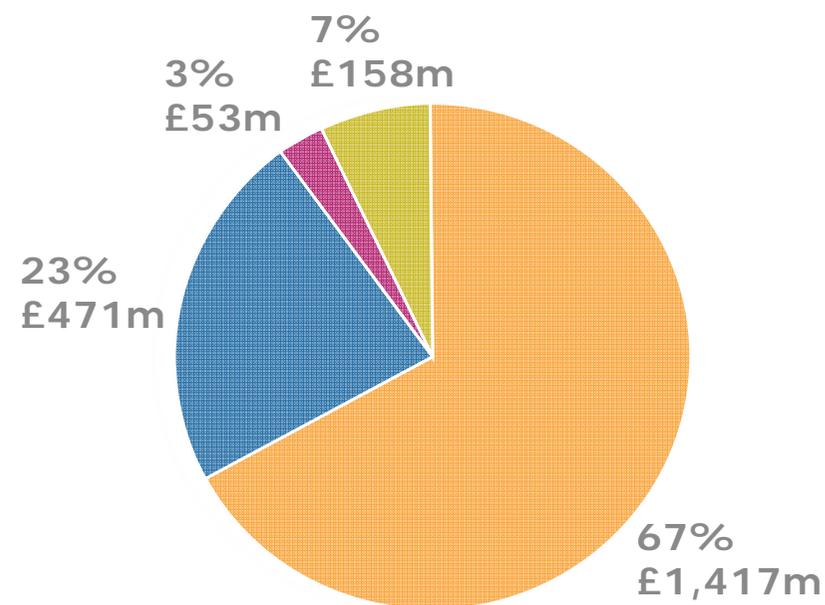
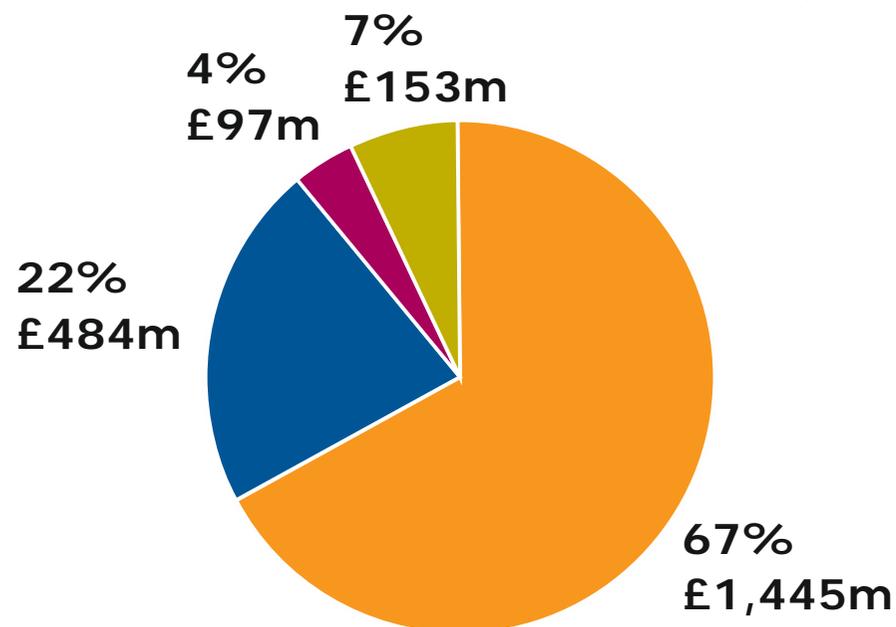
£2,179m

+4%

Revenue 2009/10

£2,099m

- Construction
- Services
- Property
- Homes



Income statement



	Year to 30 June		Change
	2011 £m	2010 £m	%
Operating Profit			
Group	63.1	53.6	
JVs	2.1	(0.1)	
Profit on disposal of PFI investments	5.9	4.2	
Underlying operating profit	71.1	57.7	+23%
Homes land transactions	-	7.1	
Total operating profit	71.1	64.8	+10%
Share of joint ventures			
Finance cost	(1.4)	(1.3)	
Tax	(0.3)	0.1	
Profit from operations	69.4	63.6	+9%
Net finance cost	(0.5)	(1.0)	
Profit before tax, amortisation and exceptional items	68.9	62.6	+10%
Amortisation of intangible assets	(3.4)	(2.9)	
Exceptional items	7.0	(2.0)	
Profit before tax	72.5	57.7	+26%
Taxation	(10.2)	(17.2)	
Minority interest	(0.5)	(0.8)	
Profit after tax attributable to equity holders	61.8	39.7	+56%

Operating profit



Performance by division	Year to 30 June		Change	
	2011 £m	2010 £m	%	
Construction	39.3	36.2	+9%	
Services	21.7	21.4	+1%	
Property				
	Underlying	5.2	0.3	
	Profit on disposal of PFI investments	5.9	4.2	
Homes				
	Underlying	4.2	2.8	+50%
	Land transaction	-	7.1	
Corporate	(5.2)	(7.2)	+28%	
Operating profit *	71.1	64.8	+10%	
Net finance cost	(0.5)	(1.0)		
Joint venture finance cost	(1.4)	(1.3)		
Joint venture tax	(0.3)	0.1		
Profit before tax *	68.9	62.6	+10%	

* Before exceptional items and amortisation of intangible assets

Exceptional items



	Year to 30 June	
	2011 £m	2010 £m
Reduction in the provisions following OFT appeal results	15.6	(18.0)
Credit arising from changes to		
Kier Group pension scheme	25.7	-
Local authority pension scheme	-	16.0
Homes land and work in progress write-down	(33.5)	-
Acquisition costs	(0.8)	-
Total exceptional items	7.0	(2.0)
Tax on exceptional items	2.1	(4.5)
Exceptional items after tax	9.1	(6.5)

Earnings per share and dividend



	Year to 30 June		Change
	2011	2010	%
Weighted average number of shares (m)	37.2	36.7	
Underlying earnings per share *	148.4p	131.6p	+13%
Excluding 2010 Homes land transaction *	148.4p	117.7p	+26%
Basic earnings per share	166.1p	108.2p	+53%
Dividend per share	64.0p	58.0p	+10%

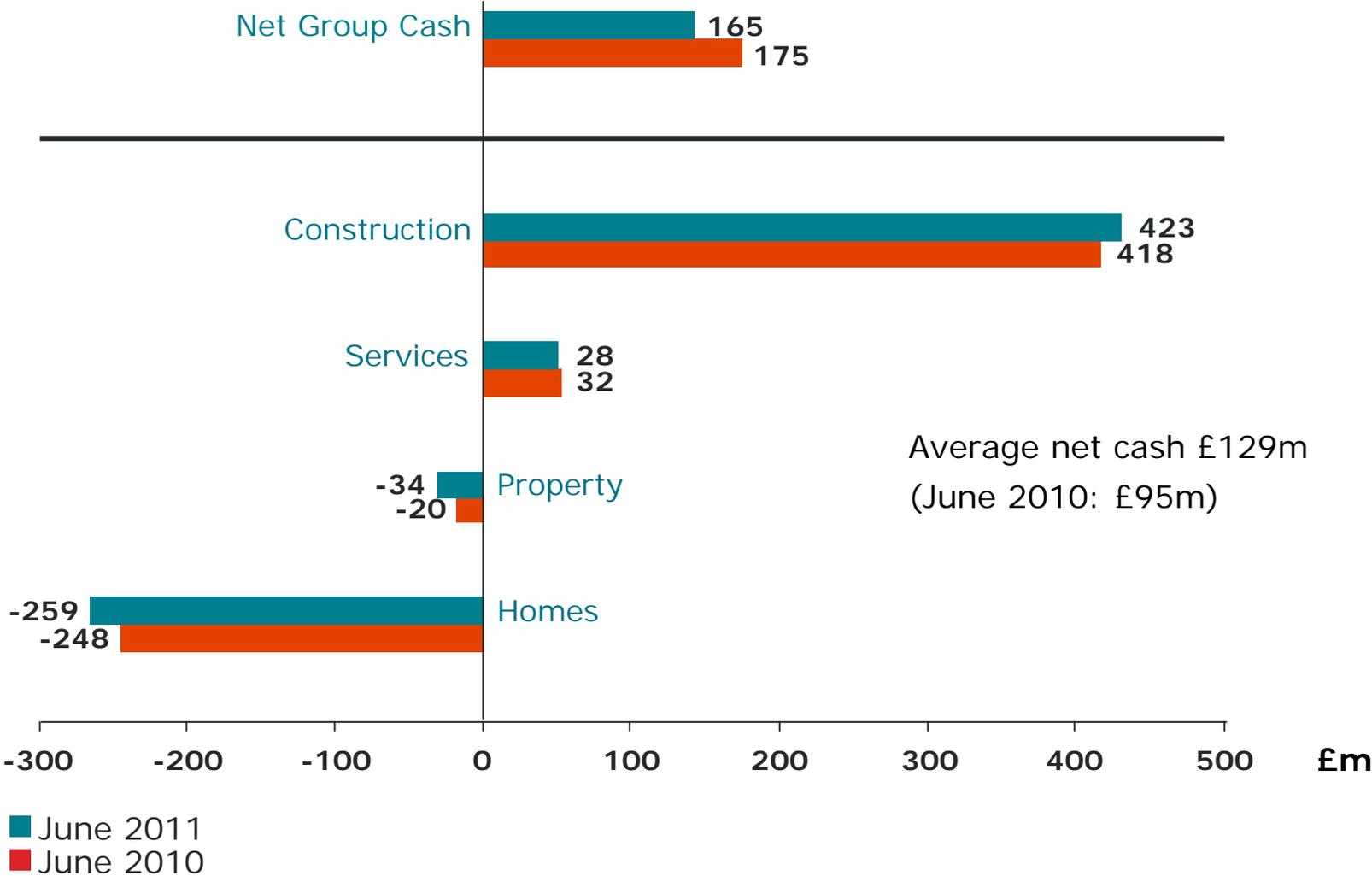
* Before exceptional items and amortisation of intangible assets

Balance sheet summary



	At 30 June		Change
	2011 £m	2010 £m	£m
Intangible assets	27	28	-1
Property, plant and equipment	96	85	+11
Investment in joint ventures	9	24	-15
Inventories	431	407	+24
Other working capital	(520)	(487)	-33
Cash	195	205	-10
Long-term borrowings	(30)	(30)	-
Provisions	(51)	(61)	+10
Pensions (net of deferred tax)	(22)	(63)	+41
Tax and deferred tax	29	(4)	+33
Net assets	164	104	+60

Net cash



Inventories



	At 30 June		Change
	2011 £m	2010 £m	£m
Residential land	159	214	-55
Residential work in progress	133	126	+7
Commercial land and work in progress	87	19	+68
Other work in progress	52	48	+4
Inventories	431	407	+24

Pensions



	At 30 June		Change
	2011 £m	2010 £m	£m
Kier Group Pension Scheme			
Market value of assets	680	611	+69
Present value of liabilities	(711)	(690)	-21
Deficit in the scheme	(31)	(79)	+48
Deferred tax	8	22	-14
Net pension liability	(23)	(57)	+34
Net effect of Sheffield Pension Scheme	1	(6)	+7
Net pension liability	(22)	(63)	+41
Key assumptions:			
Discount rate	5.5%	5.3%	
Inflation rate – RPI	3.6%	3.2%	
Inflation rate – CPI	2.7%	2.5%	

Summary

- Strong growth
 - Up 23% in underlying* operating profit to £71.1m (2010: £57.7m**)
 - Up 26% in underlying* EPS to 148.4p (2010: 117.7p**)
- Record average net cash of £129m (2010: £95m)
 - New committed facilities of £90m through to 2014
- Dividend increased by 10% to 64.0p
- Improved order books for Construction and Services at £4.3bn
 - Provides a solid platform for the future
- Prudent accounting practices underpin the financials

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

** Excluding 2010 Homes land transaction profit of £7.1m

Construction

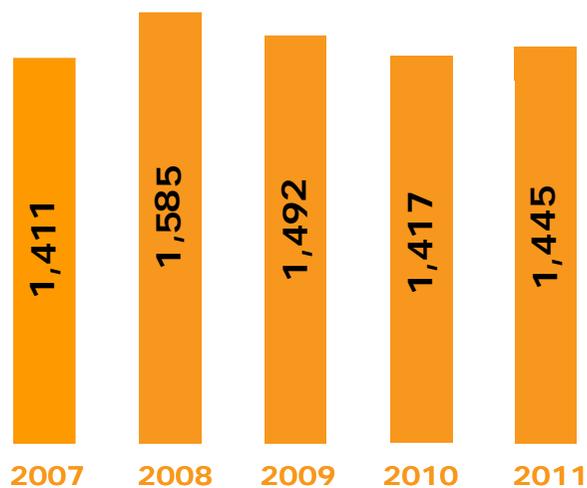


Construction

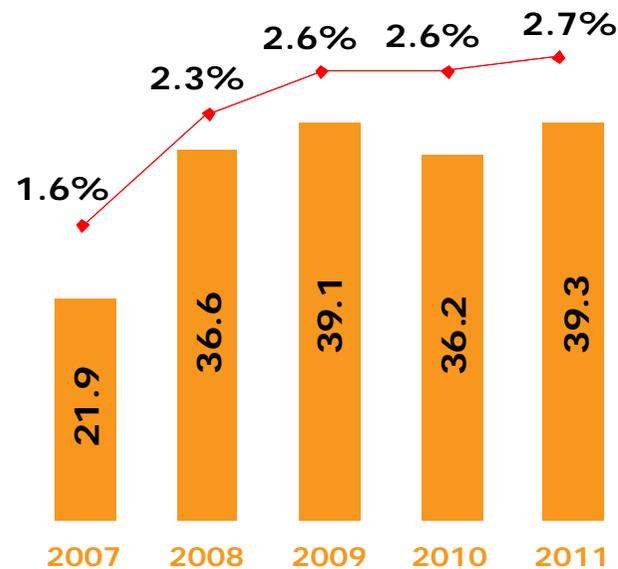


	Year to June		Change %
	2011 £m	2010 £m	
Revenue	1,445	1,417	+2
Operating profit	39.3	36.2	+9
Operating margin	2.7%	2.6%	-
Order book (secure and probable)	2,245	2,044	+10
Cash	423	418	+1

Revenue £m



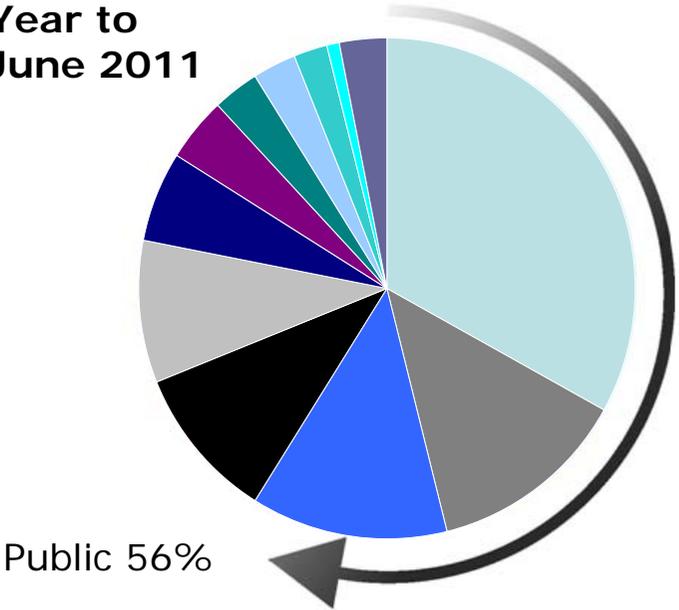
Operating profit £m
Operating margin %



Construction



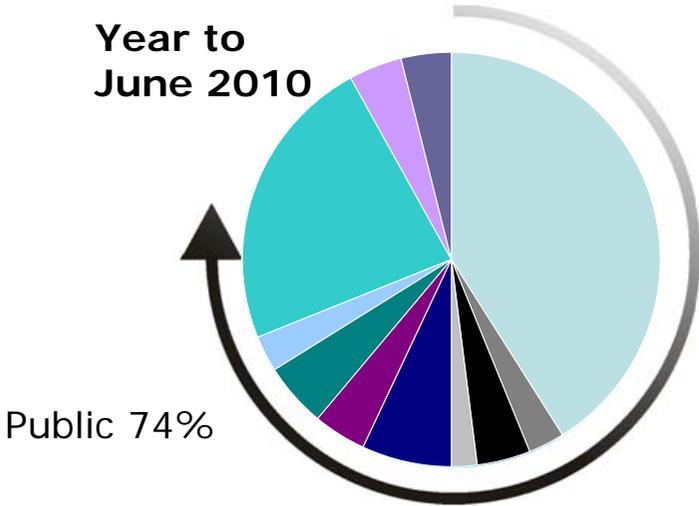
Year to June 2011



% Awards by sector
12 months to June 2011

- 33% Education
- 13% Transport
- 13% Overseas
- 10% Commercial
- 9% Residential
- 6% Health
- 4% Retail
- 3% Hotels & leisure
- 3% Industrial
- 2% Custodial
- 1% Mixed use
- 0% Defence
- 3% Other

Year to June 2010



Construction



Sector	2010 awards £1.4bn	Previous prediction	2011 awards £1.5bn	Likely impact 2012 & 2013
Education	41%	↘	33%	↘
Transportation (rail + airports)	3%	↗	13%	↘
Overseas	1%	↑	13%	↔
Commercial	4%	↗	10%	↗
Residential/accommodation	2%	↔	9%	↗
Health	7%	↘	6%	↗
Retail	4%	↗	4%	↘
Industrial	3%	↔	3%	↗
Hotels/leisure	5%	↔	3%	↔
Custodial	23%	↘	2%	↔
Mixed use	1%	↗	1%	↗
Defence	4%	↘	0%	↗
Power & waste *	0%	↗	0%	↗
Other (inc. utilities)	1%	N/A	3%	N/A

Construction



Power and waste

- £14bn civil works accessible to Kier over 5-10 years
- Kier market position
 - Leader in CCGT power stations: civil works on 14 major stations
 - 25 years nuclear experience
 - Skills in power transferable to waste
- Preferred bidder on £150m



Construction

Commercial

- London and South East growing
- Secured c.£150m
- Probable awards in excess of £100m
- Mix of new build, interiors and refurbishment



Construction

Overseas

- Hong Kong
 - £4bn pa infrastructure plan over the next 5 years
 - Several years pipeline
 - £320m in JV secured



- Caribbean
 - Jamaica: £50m secured and probable
 - Trinidad: oil and gas market
- Middle East
 - Saudi Arabia: best potential; extending operations into infrastructure and education
 - Continued presence in Abu Dhabi and Dubai

Construction

Other opportunities

- Scape framework: £750m preferred bidder
- P21+: £140m awarded; £3bn over the next 4 years
- Academies II: £700m
- Confident of good quality order book and margin maintained firmly above 2%

Services



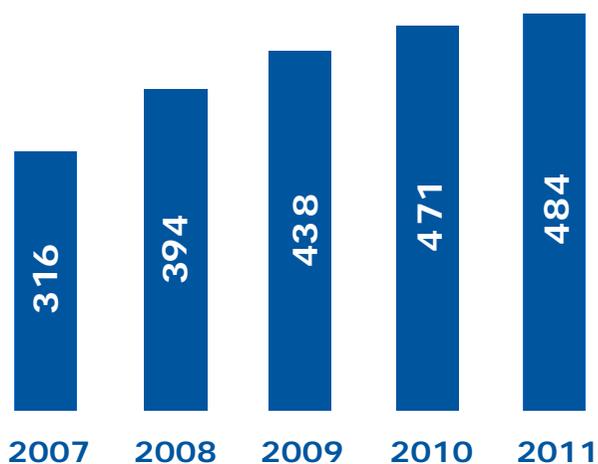
Services



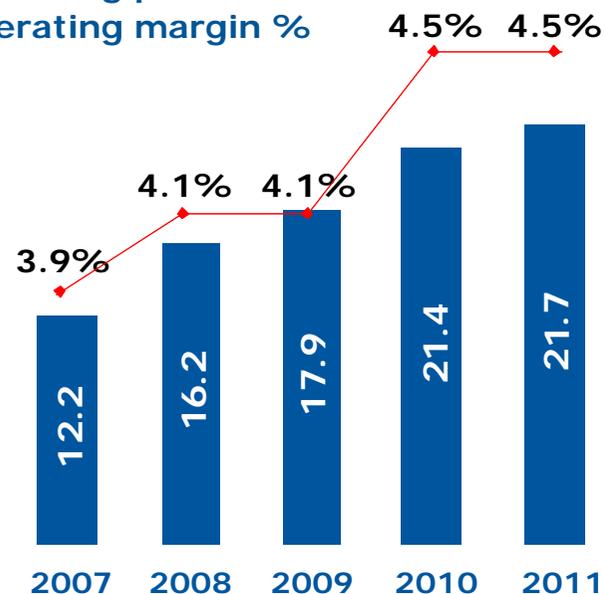
	Year to June		Change %
	2011 £m	2010 £m	
Revenue	484	471	+3
Operating profit *	21.7	21.4	+1
Operating margin *	4.5%	4.5%	-
Order book	2,030	2,128	-5
Cash	28	32	-13

* Before amortisation of intangible assets

Revenues £m



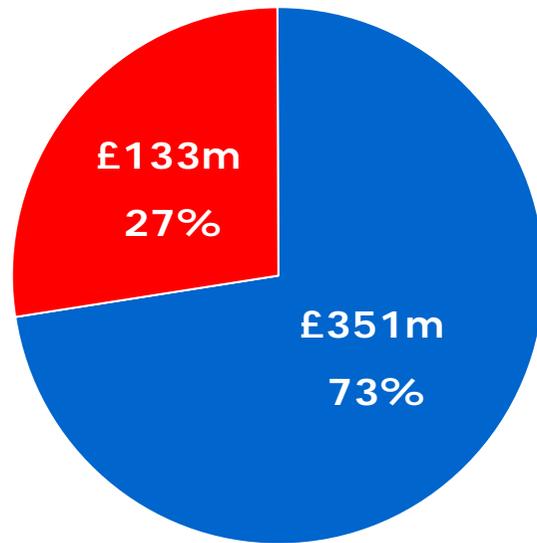
Operating profit £m
Operating margin %



Services



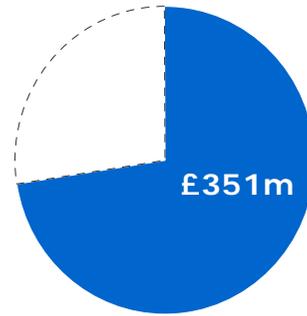
Revenue £484m



- Maintenance
- FM and Environmental

	Year to June		<i>Change</i> %
	2011 £m	2010 £m	
Maintenance	351	343	+2
FM and Environmental	133	128	+4

Services

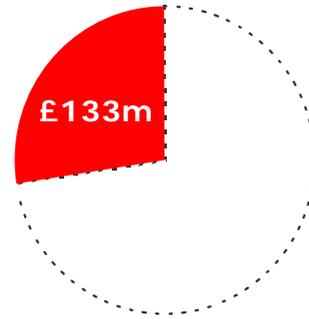


Maintenance

- Public sector social housing market size: c£3bn
- 12% (265,000 homes) of Local Authorities' homes
- Tendering or in competitive dialogue for 19 contracts valued at £1.3bn
- PV capability (Beco), 10,000 homes under contract valued at £30m



Services

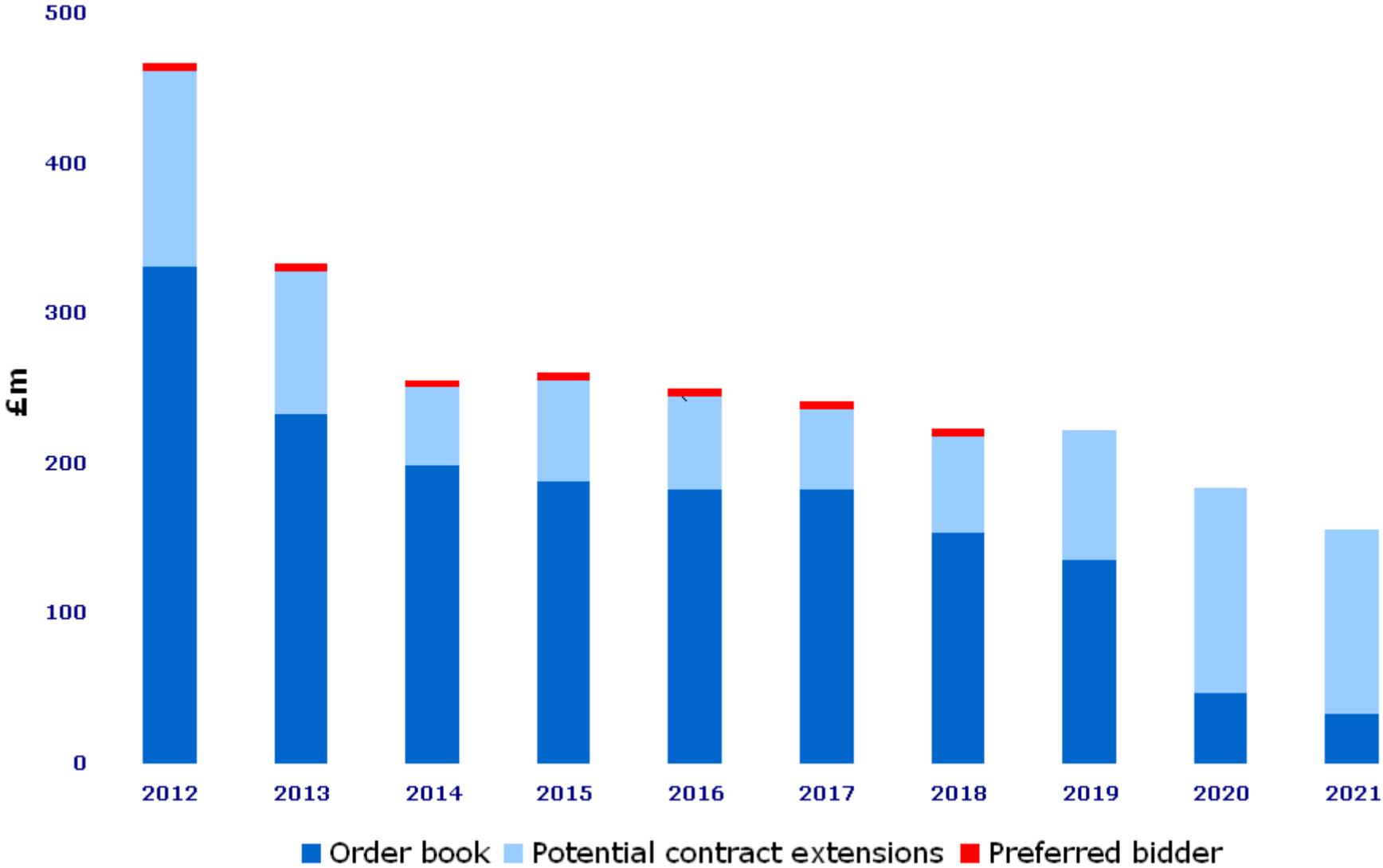


Facilities Management and Environmental

- Market size: £35bn
- Underweight position
- Organic and acquisition-based growth will improve margin and increase market share
- More than 10,000 buildings maintained/managed



Services



Property and Homes



Homes



	Year to June		Change %
	2011 £m	2010 £m	
Revenue	153	158	-3
Operating profit			
underlying	4.2	2.8	+50
land transaction	-	7.1	
Net operating assets	311	329	-5
Land bank (units)	4,800	5,700	-16

Unit sales



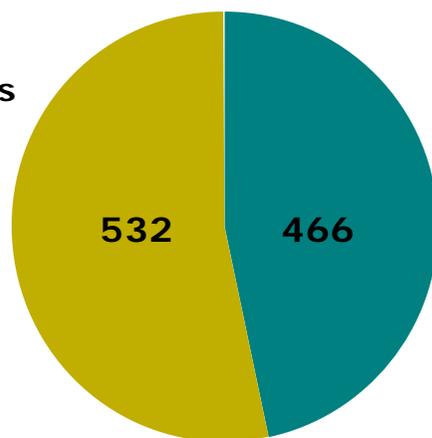
Affordable homes and mixed tenure



Private homes on Kier-owned land

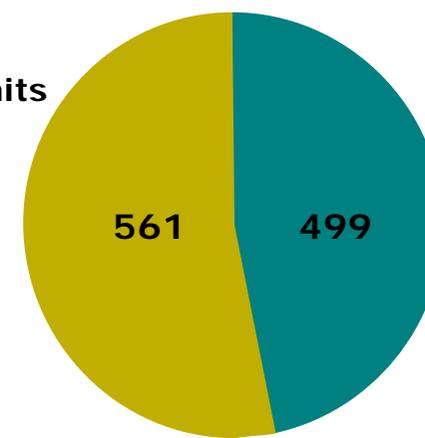
2011

998 units



2010

1,060 units



Homes

■ Mixed tenure

- Key area of focus
- £12.5m Affordable Homes Programme's grant
- Secure and probable pipeline c.1,700 affordable homes

■ Regeneration

- Focus remains primarily on London and the South East

■ Private

- £20m (350 plots) land sales completed on deferred cash terms
- Progressing sales of the land bank
- Maintain a 500/600-unit business within manageable distance

Property



	Year to June		Change %
	2011 £m	2010 £m	
Revenue	97	53	+83
Operating profit			
underlying	5.2	0.3	-
profit on disposal of PFI	5.9	4.2	-
Net operating assets (incl. c.£10m PFI)	54	33	+64



Cavendish Place

- £75m average capital base excl. PFI
- Seeking 15% return on our capital
- Largely pre-let with strong partners
- Creates annualised £100m construction/FM opportunities

Property

Development pipeline of £700m over 5 years

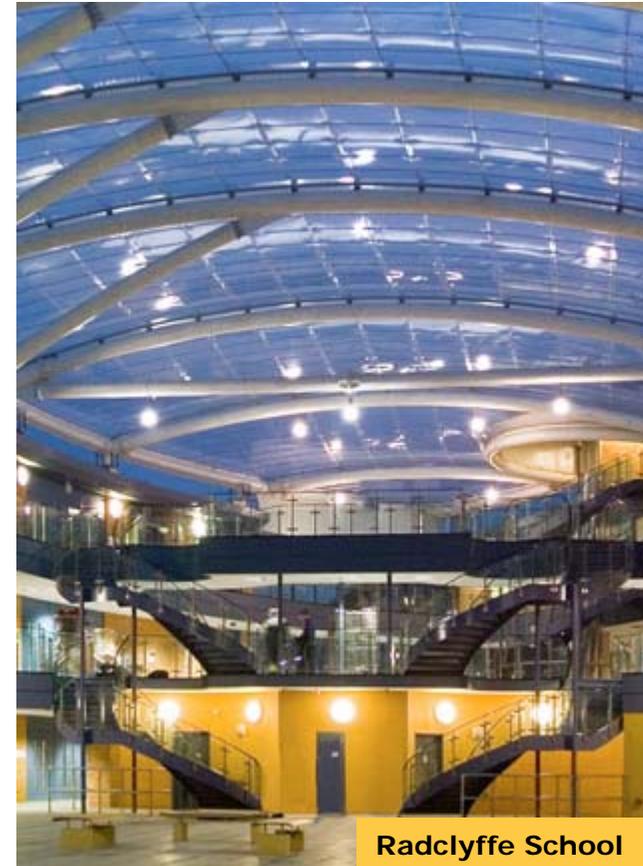
- Property portfolio (ex LBG), 10 schemes
- Solum Regeneration, 14 schemes
- Sydenham redevelopment
- 17 other schemes at an advanced stage



Solum Regeneration, Epsom

Property

- 10 PFI projects
- 3 projects sold in 2010/11 for £14m; discount rate of c.7%
- Directors' portfolio valuation at 7.5%: £38m
- Committed equity investment: £21m
- Shortlisted for 5 projects: value £250m



Outlook



- Diverse capability has enabled rapid adaptation to market changes
- 95% Construction order book for 2012
- Poised to benefit from growth in outsourced opportunities
- Resources available to pursue growth in Services with potential margin enhancement
- Capital available to deliver our property development pipeline
- Strong balance sheet attractive to customers