

Kier Group plc
Preliminary results
presentation

14 September 2006

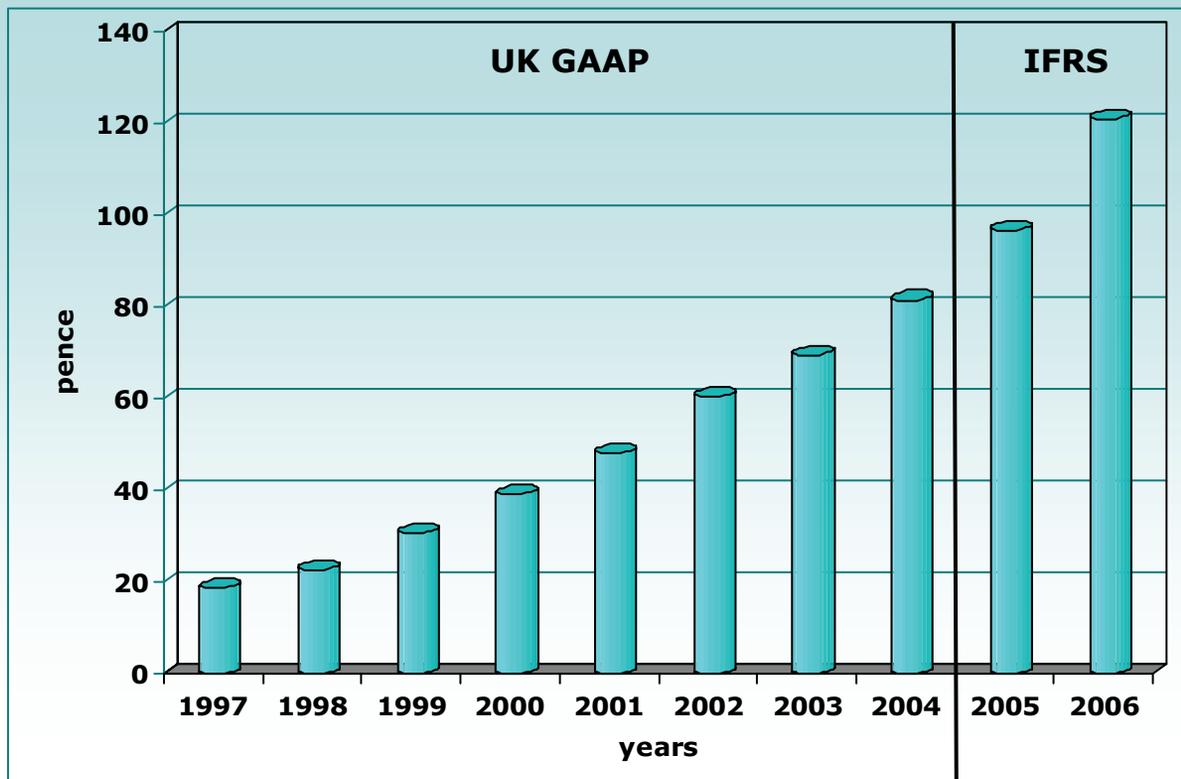
Highlights



- 14th year of continuous growth
- Pre-tax profits before exceptionals up 23.6% to £59.1m (2005: £47.8m)
- EPS before exceptionals up 25.1% to 120.8p (2005: 96.6p)
- Full year dividend increased by 17.1% to 26.0p (2005: 22.2p)
- £96.6m of cash generated from operating activities
- Construction and Support Services order books at record levels
- Homes order book at 31 August 45% ahead of last year with over 42% of projected unit sales secure

EPS record

since 1996 (after flotation)



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

- 14th year of continuous growth since buyout in 1992
- Compound growth in EPS of 23% per annum since flotation in 1996

Financial summary

consolidated income statement



	Year to 30 June		
	2006 £m	2005 £m	Change %
Revenue	1,838.3	1,623.2	+13.3
Operating profit - Group	56.0	48.1	+16.4
Operating profit - joint ventures	7.2	5.2	+38.5
Group and share of joint ventures	63.2	53.3	+18.6
Share of joint ventures			
- finance cost	(2.6)	(3.1)	-
- tax	(1.4)	(1.2)	-
Profit from operations	59.2	49.0	+20.8
Net finance cost	(0.1)	(1.2)	-
Profit before tax and exceptional items	59.1	47.8	+23.6
Exceptional items	-	6.7	-
Profit before tax	59.1	54.5	+8.4
Taxation (including exceptional tax)	(16.2)	(17.9)	-
Profit after tax	42.9	36.6	+17.2

Financial summary

(continued)



	2006	Year to 30 June	
		2005	Change %
Dividend per share	26.0p	22.2p	+17.1
Dividend cover (based on basic earnings per share)	4.6x	4.7x	-
Underlying earnings per share excluding exceptional items			
- undiluted	120.8p	96.6p	+25.1
- fully diluted	118.8p	95.8p	+24.0
Adjusted earnings per share excluding exceptional items & amortisation of intangibles			
- undiluted	124.8p	100.3p	+24.4
- fully diluted	122.7p	99.4p	+23.4
Basic earnings per share			
- undiluted	120.8p	103.4p	+16.8
- fully diluted	118.8p	102.5p	+15.9

Performance by segment



		Year to 30 June		
		2006 £m	2005 £m	Change %
Revenue:	Construction	1,218.1	1,086.3	+12.1
	Support Services	281.3	237.4	+18.5
	Homes	277.9	225.5	+23.2
	Property	47.5	62.2	-23.6
	Infrastructure Investment	13.5	11.8	+14.4
		1,838.3	1,623.2	+13.3
Operating profit: *	Construction	18.0	13.8	+30.4
	Support Services ¹	6.8	5.0	+36.0
	Homes	41.6	32.9	+26.4
	Property	9.2	10.4	-11.5
	Infrastructure Investment	(0.7)	(0.9)	+22.2
	Corporate overhead	(11.7)	(7.9)	-48.1
		63.2	53.3	+18.6

* Before joint venture finance costs and tax

¹ After amortisation of intangible assets of £1.9m (2005: £1.9m)

Segmental analysis

net operating assets



	2006 £m	2005 £m	At 30 June Change £m
Construction	(215.3)	(186.1)	-29.2
Support Services	(0.9)	11.1	-12.0
Homes	238.8	245.6	-6.8
Property	39.4	24.4	+15.0
Infrastructure Investment Centre	(61.4)	(98.6)	+37.2
	(2.7)	(5.3)	+2.6
Cash, net of debt	111.2	58.1	+53.1
Net assets	108.5	52.8	+55.7

Balance sheet

summary



		At 30 June	
	2006 £m	2005 £m	Change £m
Intangible assets	14.8	16.7	-1.9
Property, plant and equipment	78.5	75.8	+2.7
Investments in joint ventures	20.8	22.9	-2.1
Inventories	377.8	325.7	+52.1
Other working capital	(431.6)	(335.8)	-95.8
Cash (net)	141.3	88.2	+53.1
Long-term borrowings	(30.1)	(30.1)	-
Provisions	(19.0)	(17.5)	-1.5
Pensions (net of deferred tax)	(42.1)	(85.3)	+43.2
Tax and deferred tax	(1.9)	(7.8)	+5.9
Net assets	108.5	52.8	+55.7

Pensions

IAS 19



		At 30 June	
	2006 £m	2005 £m	Change £m
Kier Group Pension Scheme:			
Market value of assets	467.0	393.5	+73.5
Present value of liabilities	(534.0)	(517.2)	-16.8
Deficit in the scheme	(67.0)	(123.7)	+56.7
Deferred tax asset	20.1	37.1	-17.0
Net pension liability	(46.9)	(86.6)	+39.7
Net effect of Sheffield Scheme	4.8	1.3	+3.5
Net pension liability	(42.1)	(85.3)	+43.2

- Special contributions of £31.5m made during the year to 30 June 2006
- Further £5.0m contribution made July 2006
- Remaining deficit to be eliminated over 10 years

Cash flow

summary for the year to 30 June 2006



	£m	
Opening net funds at 30 June 2005	58.1	
Cash inflow before movements in working capital	71.2	
Special contributions to pension fund	(31.5)	
Other working capital movements	56.9	
Cash inflow from operating activities	96.6	
Acquisitions (Sheffield contract and Ashwood)	(10.1)	
Sale of joint venture	1.4	
Investment in joint ventures	(0.6)	
Net capital expenditure	(18.6)	
Financing, tax and dividends	(15.6)	
Closing net funds*	111.2	

- Excellent cash generation from Construction and Support Services
- Increase in land creditors

* Includes £37.6m (2005: £22.8m) in joint arrangements and captive insurance company

Group structure

(revenue figures for the year to 30 June 2006)



Construction



Regional Contracting

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

Building Major Projects

Affordable Housing Infrastructure & Overseas

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

Revenue

£1,218.1m

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

£281.3m

Homes



Kier Residential

High quality private housebuilding.

Revenue

£277.9m

Property



Kier Property

Commercial property development.

Revenue

£47.5m

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

£13.5m

Construction

key performance indicators



Construction



Regional Contracting

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

Building Major Projects

**Affordable Housing
Infrastructure &
Overseas**

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

Revenue

£1,218.1m

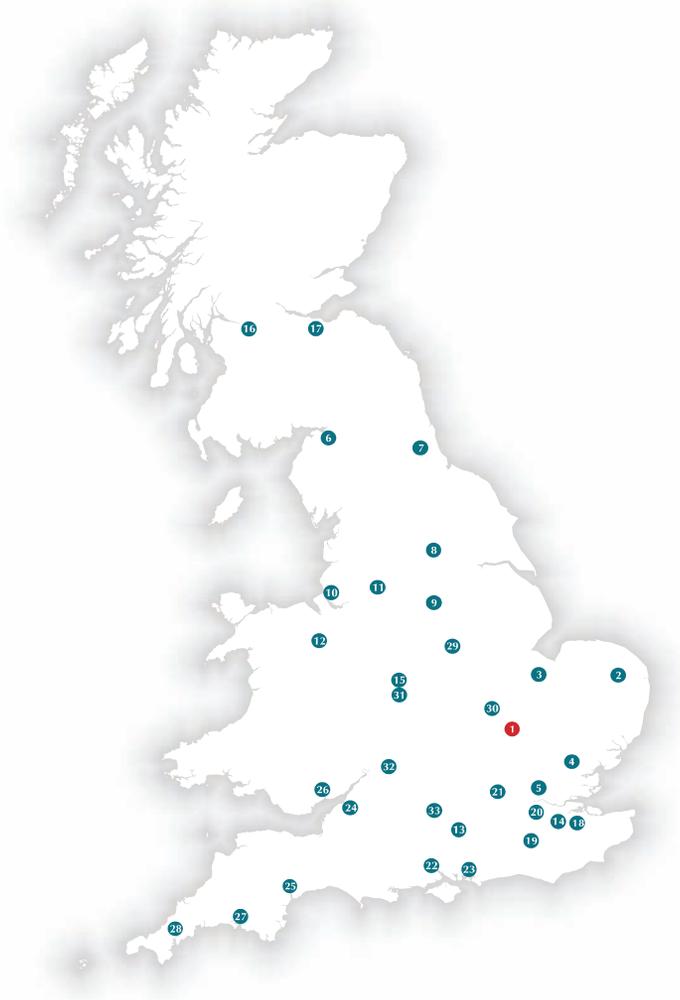
Year to 30 June

2006 2005

Operating margin	1.5%	1.3%
Cash at 30 June	£298.7m	£258.2m
Order book	£1,270m	£1,030m
Contract awards	£1,311m	£1,372m

Kier Regional

Regional contracting, building major projects, affordable housing



	Year to 30 June	
	2006	2005
Contract awards	£1,216m	£1,018m
Public sector awards	43%	41%
Private sector awards	57%	59%
	100%	100%
Negotiated and two-stage bids	65%	59%
Competitive tender	35%	41%
	100%	100%
Average contract size	£3.2m	£2.9m

Kier Regional

cash and interest bearing funds



Kier Regional

key markets and opportunities



- **Education:**
 - PFI schools
 - Academies national framework
 - Building schools for the future
 - Universities and colleges
- **Commercial property:**
 - DVLA Swansea
 - Kier Property projects
 - Arlington business parks
- **Residential:**
 - Newlon Housing Association
 - Dominion Housing Group
 - RSL frameworks
- **Retail:**
 - Waitrose
 - Tesco
 - Morrisons
 - Sainsbury



Kier Construction

UK civil engineering, mining and overseas



Rail framework



South Hook



Fengate remediation

- UK:
 - Working with Kier Property and Allison Homes on remediation works
 - Coal production at Greenburn has now exceeded 1.3m tonnes; 66% of remaining coal forward sold
 - Extensions being explored which could take coal production to 2011
 - Activity gathering pace at LNG terminal in Milford Haven for South Hook LNG
 - Commencement of five-year frameworks with Network Rail and United Utilities

Kier Construction

UK civil engineering, mining and overseas



- Overseas:
 - New contract awards in Dubai and Romania
 - Alcoa opportunities in the Caribbean
 - Good progress in Jamaica on:
 - Norman Manley Airport
 - Half-Way-Tree Transport Centre



Kier Support Services

key performance indicators



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

£281.3m

Year to 30 June
2006 **2005**

	2006	2005
Operating margin*	3.1%	2.9%
Order book	£1,396m	£1,204m
Cash/(debt)	£12.5m	(£2.1m)

* Before amortisation of intangible asset

Kier Support Services

four business streams



- **Building Maintenance:**
 - Local authority and housing association maintenance contracts, Decent Homes and street services
 - Excellent opportunities for growth
- **Managed Services:**
 - PFI opportunities mostly in-house
 - Public sector opportunities
 - Selective on size of contracts
- **Building Services:**
 - M&E services capability
- **Plant:**
 - Plant hire both external and internal



Kier Support Services

Building Maintenance



- Operations:
 - Core works:
 - Reactive and planned maintenance
 - Decent Homes:
 - Upgrade of kitchens and bathrooms
 - Manufacturing:
 - uPVC windows and kitchen units
 - Street Services:
 - Cleaning and domestic waste collection
 - Grounds maintenance:
 - Parks/cemetries/public buildings



Kier Support Services

Building Maintenance



Forward workload – principal contracts	Local Authority	Revenue	End date
Repairs and maintenance	Sheffield City Council	£56m pa	2013
	Leeds City Council	£12m pa	2010
	Islington Borough Council	£30m pa	2010
	Greenwich Borough Council	£5m pa	2010
Decent Homes	Sheffield City Council	£146m over 6 years	2012
	Islington Borough Council	£40m over 6 years	2012
	Lincoln City Council	£35m over 5 years	2012
	Hackney Borough Council	£8m over 5 years	2011
Preferred bidder	Harlow District Council	£17m pa	Est 2017
	Southwark Borough Council	£6.5m pa	Est 2014
Shortlisted	Stoke-on-Trent City Council	£35m pa	Est 2017
	Kingston upon Hull City Council	£30m pa	Est 2012

Kier Residential

performance



Homes



Kier Residential
High quality private
housebuilding.

Revenue

£277.9m

	Year to 30 June		
	2006	2005	Change %
Unit sales (units)	1,522	1,215	+25.3
Average selling price (£)	180,100	181,700	-0.1
Revenue from housing (£m)	274.2	220.8	+24.2
Land sale (£m)	3.7	4.7	-21.3
Total revenue (£m)	277.9	225.5	+23.2
Housing operating profit (£m)	41.5	32.9	+26.1
Operating margin %	15.1	14.9	-

Kier Residential

completions, average sales price and plot cost



	Year to 30 June			
	2006 Units	2006 ASP (£)	2005 Units	2005 ASP (£)
Allison Homes	539	154,200	394	165,000
Bellwinch Homes	265	189,000	259	204,500
Kier Homes	201	206,800	185	178,300
Twigden Homes	517	192,200	377	185,200
	1,522	180,100	1,215	181,700
Average plot cost	-	40,100	-	41,700
Plot cost as a % of SP	-	22.3%	-	22.9%
Land bank with planning consent (units)	-	5,863	-	5,178
Strategic land bank (units)	-	12,000	-	12,000



- Acquisition of Hugh Bourn in July 2006:
 - 1,197 residential plots
 - Forms fifth operating area for Kier Residential
- Reservations to end of August 68% ahead of last year
- Order book at 31 August 45% ahead of last year
- 42% unit sales secured for full year – sales biased towards second half
- Further land expenditure to maintain land bank at four years



Property



Kier Property
Commercial
property
development.

Revenue
£47.5m

Year to 30 June

	2006 £m	2005 £m
Operating profit:		
Kier	4.2	5.6
Joint venture	5.0	4.8
	9.2	10.4

31 schemes	Gross development value	Floor space
8 office schemes	£345m	1.9m sq ft
19 industrial schemes	£291m	2.9m sq ft
4 retail schemes	£98m	0.3m sq ft
Including over 1,300 residential units		

Kier Property

industrial



- Crown Road, Enfield: first phase sold at strong industrial yield
- Planning consent achieved at Western International Market; 500,000sq ft rejuvenation of Heathrow fruit market
- Ashtenne: nine-site development portfolio acquired
- Debden, Loughton: completed and pre-sold – BMW car showroom; new Kier London office



Kier Property

offices and retail



- Ordnance Survey: preferred developer for new headquarters and redevelopment of existing site in Southampton including 400 homes
- Selected preferred developer by Lord Chancellor's department to deliver new UK Supreme Court; Kier Regional contractor
- Chichester: 45,000sq ft retail and 165 flats; Kier contractor



Kier Regeneration



- Fengate: redevelopment of former Anglian Water site in Peterborough; 550 residential units (flats and houses)
- Ashford: redevelopment of former rail land; application submitted for 800 flats and commercial
- Uxbridge: currently remediating 11-acre gasworks site for major mixed-use development; Kier as contractor



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

£13.5m

- Financial close:
 - Garrett Anderson Centre, Ipswich Hospital
 - Norwich Schools
 - Oldham Schools
 - North Kent Police HQ (July 2006)
- Shortlisted:
 - Leicester Hospitals
 - Three Counties Police Investigation Centres

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	Construction	27	1.5	50
Local authority	Bournemouth Library	Operational	14	0.7	50
	Oldham Library	Operational	14	1.0	50
Education	Tendring Schools	Operational	18	0.5	50
	Waltham Schools	Operational	51	2.9	50
	Sheffield Schools	Construction	50	2.6	50
	Norwich Schools	Construction	39	1.6	50
	Oldham Schools	Construction	54	2.9	50
Others	Greenwich Care Homes	Operational	18	0.8	50
	North Kent Police HQ	Construction	25	1.3	42.5
Committed investment			-	22.8	-

Green: Kier construction and support services contractor Red: Kier construction contractor

Shortlisted: Leicester Hospitals Scheme; Three Counties Police Investigation Centres

Prospects



- Order books for Construction and Support Services at record levels
- Homes order book at 31 August 45% ahead of last year, 42% of projected units for full year are secure
- Property Development: strong pipeline of developments
- PFI: new projects are available
- Value from mixed-use developments combining skills from all areas of the Group including growing remediation capability
- Prospects are good for further profitable growth

Five-year record

year ended 30 June



	IFRS		UK GAAP		
	2006 £m	2005 £m	2004 £m	2003 £m	2002 £m
Turnover	1,838.3	1,623.2	1,476.5	1,445.6	1,382.7
Operating profit (Group + JVs)	63.2	53.3	42.6	36.2	26.2
Total finance (cost)/income net	(2.7)	(4.3)	(2.0)	(0.6)	1.1
Joint venture tax	(1.4)	(1.2)	-	-	-
Other - exceptionals	-	6.7	-	(2.3)	0.7
Profit before tax	59.1	54.5	40.6	33.3	28.0
EPS - basic including exceptionals	120.8p	103.4p	81.5p	69.5p	60.4p
Dividend per share	26.0p	22.2p	19.0p	16.4p	14.2p
Shareholders' funds	£108.5m	£52.8m	£116.4m	£92.7m	£73.8m

Residential map

Appendix I



Key

- Allison Homes
- Twigden Homes
- Bellwinch Homes
- Kier Homes
- Hugh Bourn

