



Welcome to Kier Group's interim results



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Chief Executive

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Group Finance Director

Highlights

Resilient performance

- Underlying profit before tax increased to £34m
- Strong net cash position: £131m
- Dividend increased to 21.5p
- Order book maintained at more than £4bn

What sustained our results

- Stable Group revenue
- Continued focus on cash management
- Risk management and ongoing cost control
- Frameworks & negotiated work account for 60% of awards

Key achievements

Construction

Awards

- UK building £440m
- Crossrail (JV) £210m
- Hinkley (JV) £100m+
- Plymouth £50m
- Overseas £45m

£670m

Services

Awards

- New work £125m
- Renewals & extensions £35m

£160m

Property

- Pipeline GDV £700m
- Preferred bidder £200m

Disposals

- PFI assets £8m
- Savile Row £32m
- Housing land £18m

The next 12 months



Construction

- 100% of FY12 revenue and 68% of FY13 revenue secure and probable, similar to last year
- Work balance changing:
 - UK infra and overseas growing
 - Frameworks reducing
 - Open market more competitive
- Operating margin on target for FY12, tightening for FY13

Services

- Stable order book at £2bn and consistent margin
- Growth slower to come through – Maintenance spend declining
- We seek greater scale in FM and Environmental

Property

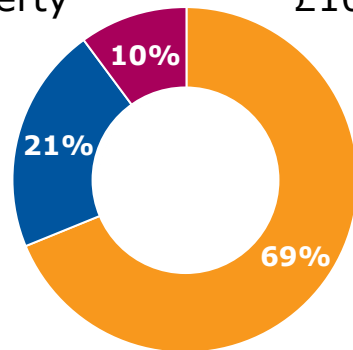
- Increased contribution to overall Group
- Continues to pursue largely non-speculative transactions
- Targeted return on capital of 15%

Overview: revenue & profit

Six months to 31 December 2011

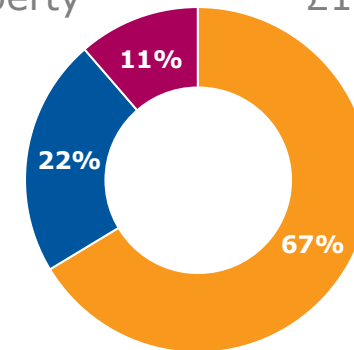
Revenue £1,046m -4%

● Construction	£720m
● Services	£218m
● Property	£108m



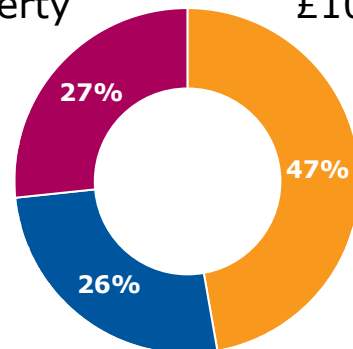
Revenue £1,097m

● Construction	£728m
● Services	£243m
● Property	£126m



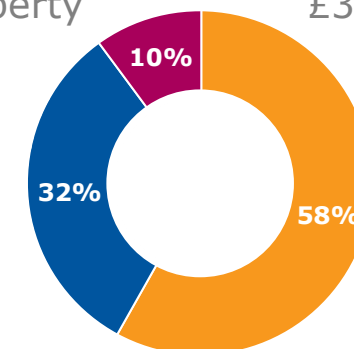
Operating profit* £37.6m +10%

● Construction	£17.8m
● Services	£9.8m
● Property	£10.0m



Operating profit* £34.1m

● Construction	£19.8m
● Services	£10.9m
● Property	£3.4m



Overview: revenue & profit - notes

* *Excludes Corporate*

- Robust Construction revenue of £720m
 - Frameworks and negotiated opportunities
 - Long-term client relationships
 - Intelligent, value-engineered solutions
- Reduced Services revenue of £218m
 - Subdued level of public sector activity, particularly in Maintenance, mitigated by improvement in FM and Environmental
 - Public sector contracts taking longer to come to market, and some going back in house
 - Continue to pursue FM opportunities for operational synergies that could be realised by increased scale
- Order books being refilled at broadly the same rate
 - Construction: 100% secured for FY12 and 68% for FY13
 - Services: 95% secured for FY12, with good forward workload visibility
- Property significantly improved due to:
 - Disposals of two PFI investments at 7% discount rate
 - Ongoing development of the c.£700m (GDV) pipeline
 - Good level of housing unit sales at 476

Income statement

		Six months to 31 December		Change
		2011 £m	2010 £m	%
Operating profit:	Group	28.4	30.8	-
	Joint ventures (JVs)	0.5	1.4	-
	Profit on disposal of PFI investments	6.7	-	-
Total operating profit		35.6	32.2	+11
Share of JVs:	Finance cost	(0.1)	(0.7)	-
	Tax	(0.1)	(0.1)	-
Profit from operations		35.4	31.4	+13
Net finance cost		(1.4)	(0.1)	-
Profit before tax, amortisation and exceptional items		34.0	31.3	+9
Amortisation of intangible assets		(1.7)	(1.7)	-
Profit before tax		32.3	29.6	+9
Taxation		(6.4)	(7.0)	-
Minority interest		(0.6)	(0.3)	-
Profit after tax attributable to equity holders		25.3	22.3	+13

Income statement - notes

- Net finance cost now includes the interest unwind on the deferred consideration following the Lloyds property portfolio acquisition in April 2011
- Effective tax rate of 20% compares favourably with December 2010 (24%)
- No exceptional items

Operating profit

Performance by division	Six months to 31 December		Change
	2011 £m	2010 £m	%
Construction	17.8	19.8	-10
Services	9.8	10.9	-10
Property: Property & PFI (including profit on disposal of PFI investments)	8.4	1.7	} +194
Homes	1.6	1.7	
Corporate	(2.0)	(1.9)	+5
Operating profit*	35.6	32.2	+11
Net finance cost	(1.4)	(0.1)	-
JV finance cost	(0.1)	(0.7)	-
JV tax	(0.1)	(0.1)	-
Pre-tax profit*	34.0	31.3	+9
* Before amortisation of intangible assets			

Operating profit - notes

- Construction: robust operating margin of 2.5%
- Services: operating margin maintained at 4.5%
- Property:
 - Ongoing development at Uxbridge
 - Progressing and on track at Savile Row
 - PFI disposals at c.7% post-tax discount rate, following our strategy of regular disposal
 - Improved housing unit sales of 476
 - Completed £18m of land sales, on deferred cash terms

Earnings per share and dividend



	Six months to 31 December		Change
	2011	2010	%
Weighted average number of shares (m)	37.7	37.0	-
Underlying earnings per share*	70.3p	63.5p	+11
Basic earnings per share	67.1p	60.3p	+11
Dividend per share	21.5p	20.0p	+8

* Before amortisation of intangible assets

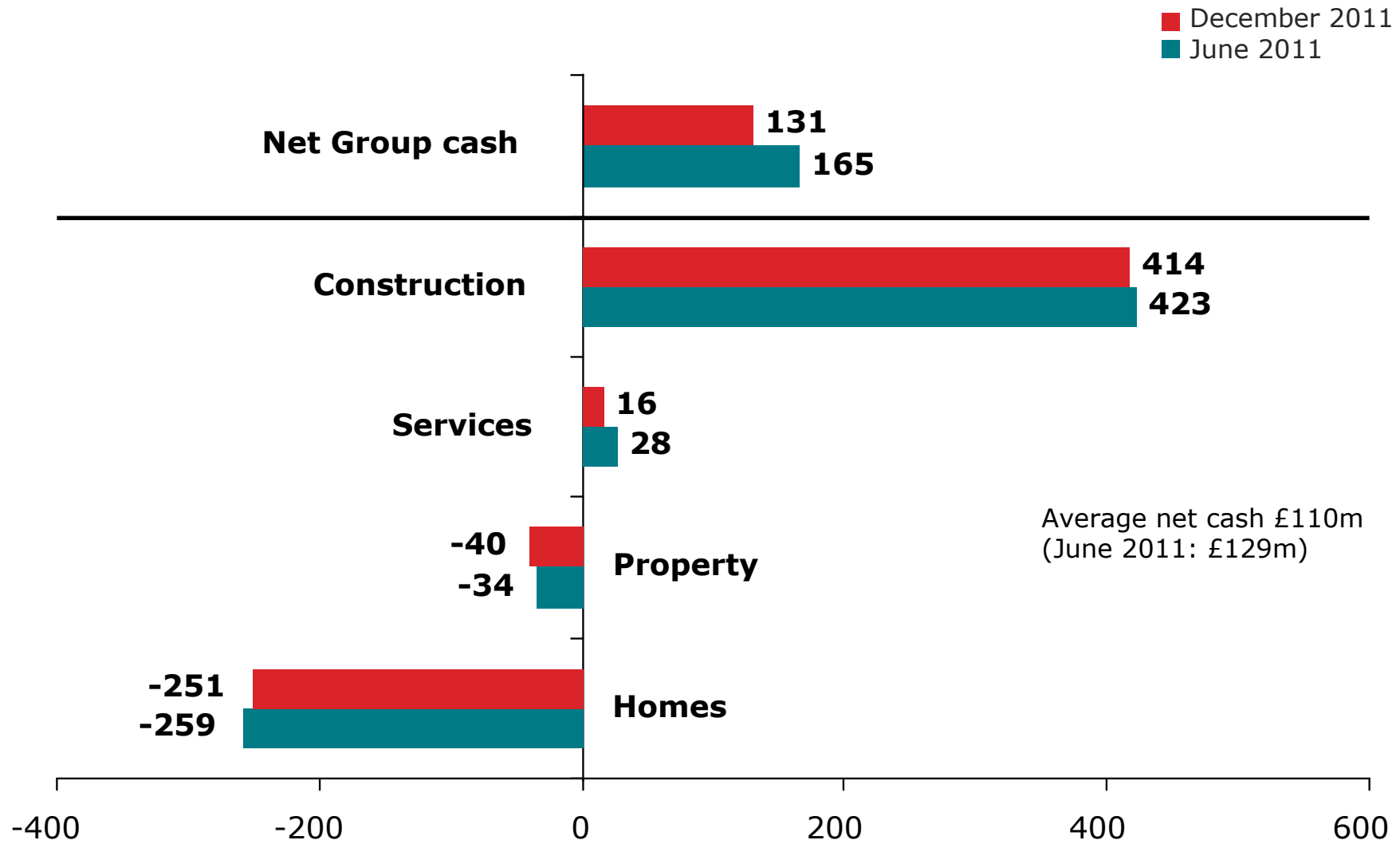
Earnings per share and dividend - notes

- Growth of 11% in underlying EPS to 70.4p (2010: 63.5p)
EPS benefitted from the effective tax rate of 20%
- Interim dividend increased by 8% to 21.5p (December 2010: 20.0p)
- Aiming to maintain 1/3 : 2/3 annualised split

Balance sheet summary

	At 31 December	At 30 June	Change	At 31 December
	2011 £m	2011 £m	£m	2010 £m
Intangible assets	25	27	-2	29
Property, plant and equipment	103	96	+7	88
Investment in JVs	6	9	-3	28
Inventories	409	431	-22	420
Other working capital	(466)	(520)	+54	(470)
Cash	161	195	-34	174
Long-term borrowings	(30)	(30)	-	(30)
Provisions	(47)	(51)	+4	(63)
Pensions (net of deferred tax)	(29)	(22)	-7	(48)
Tax and deferred tax	26	29	-3	(4)
Net assets	158	164	-6	124

Net cash



Net cash - notes

- Capital and investment spend of £33m since June 2011 includes:
 - £3m Mining and other Construction
 - £10m Plant and vehicles, Environmental Services
 - £11m Net Property developments (incl. Solum) Property
 - £4m PFI sub-debt injection and other Property
 - £5m Private units on Affordable sites Homes
- Redundancy costs incurred in Construction and Services of c.£5m to appropriately size our operations to suit the current trading conditions
- Tighter payment environment in Construction and Services c.£15m

Inventories

	At 31 December	At 30 June	Change	At 31 December
	2011 £m	2011 £m	£m	2010 £m
Residential land	148	159	-11	208
Residential work in progress	127	133	-6	139
Commercial land and work in progress	91	87	+4	19
Other work in progress	43	52	-9	54
Inventories	409	431	-22	420

Inventories - notes

£22m reduction comprises:

- Housing unit sales
- Land & WIP sales
- WIP for private units on Affordable sites
- Movements on other WIP balances

Residential land comprises 4,412 plots, all with planning permission

Pensions

	At 31 December	At 30 June	Change	At 31 December
	2011 £m	2011 £m	£m	2010 £m
Kier Group Pension Scheme:				
Market value of assets	717	680	+37	667
Present value of liabilities	(750)	(711)	-39	(732)
Deficit in the scheme	(33)	(31)	-2	(65)
Deferred tax	8	8	-	17
Net pension liability	(25)	(23)	-2	(48)
Net effect of Sheffield Pension Scheme	(4)	1	-5	-
Total net pension liability	(29)	(22)	-7	(48)
Key assumptions:				
Discount rate	4.8%	5.5%	-0.7%	5.4%
Inflation rate – RPI	2.9%	3.6%	-0.7%	3.6%
Inflation rate – CPI	2.0%	2.7%	-0.7%	2.8%

Pensions - notes

- The decrease in the discount rate increased the liabilities, mitigated by a reduction in inflation and the greater than expected return on the assets
- From a sensitivity point of view, for every 0.1% movement in discount rates our liabilities move by about £11m.

Summary

- Resilient results
 - Operating profit* up 11% to £35.6m
 - Average month-end net cash of £110m
 - Dividend increased to 21.5p
 - Strong order books for Construction and Services at >£4bn
- Significant and sustainable increase in the Property division's profit contribution
- Prudent accounting practices underpin the financials
- A balanced and solid platform for the future

* Underlying operating profit and EPS are stated before the amortisation of intangible assets



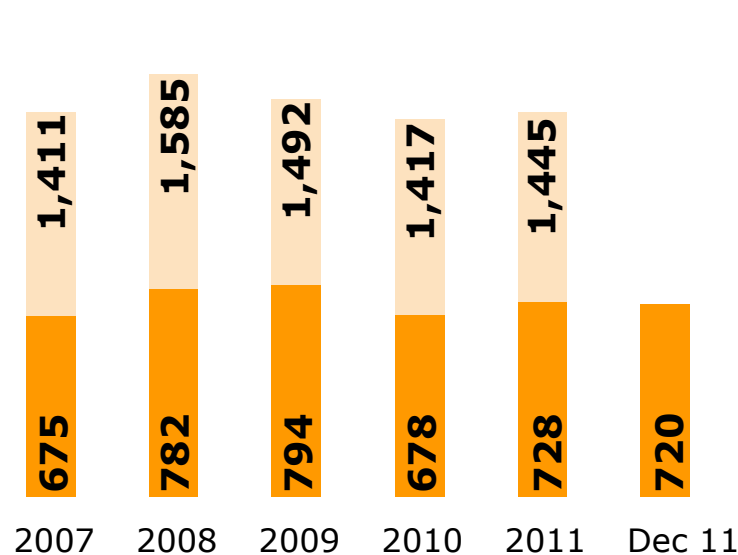
Construction

BIM model - Services distribution for a whole building

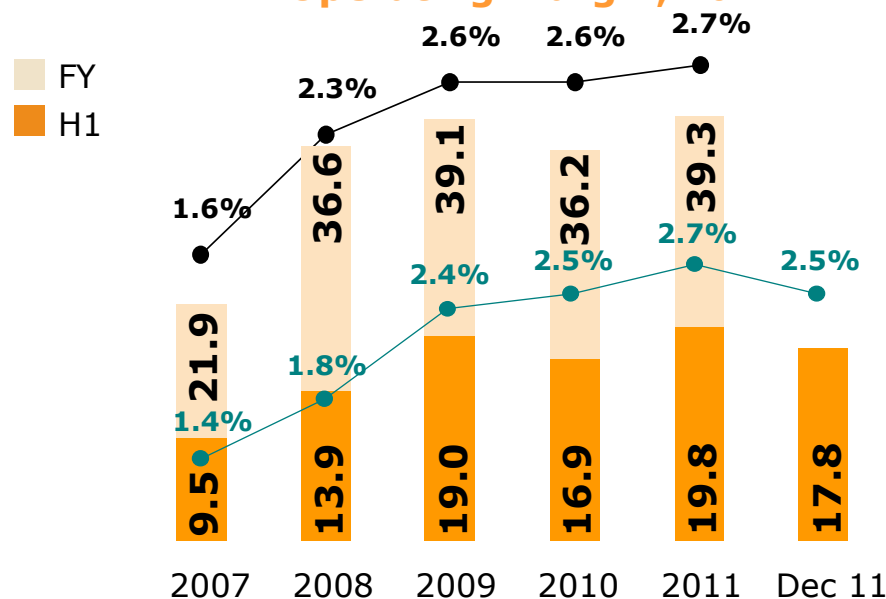
Construction

	6 months to December			Year to June 2011 £m
	2011 £m	2010 £m	Change %	
Revenue	720	728	-1	1,445
Operating profit	17.8	19.8	-10	39.3
Operating margin	2.5%	2.7%	-	2.7%
Order book (secure and probable)	2,192	2,096	+5	2,245
Cash	414	434	-5	423

Revenue - £m



Operating profit, £m
Operating margin, %



Construction - notes

- Performance as anticipated
- £670m new awards in H1, of which 60% via frameworks and similar arrangements
- Outlook
 - 68% of FY13 revenue secure and probable
 - UK building market declining and increasingly competitive
 - Infrastructure and overseas markets growing
- The autumn statement underpins Government support for infrastructure spending, largely post 2013
- Proportion of competitive work increasing as framework spend declines

Construction

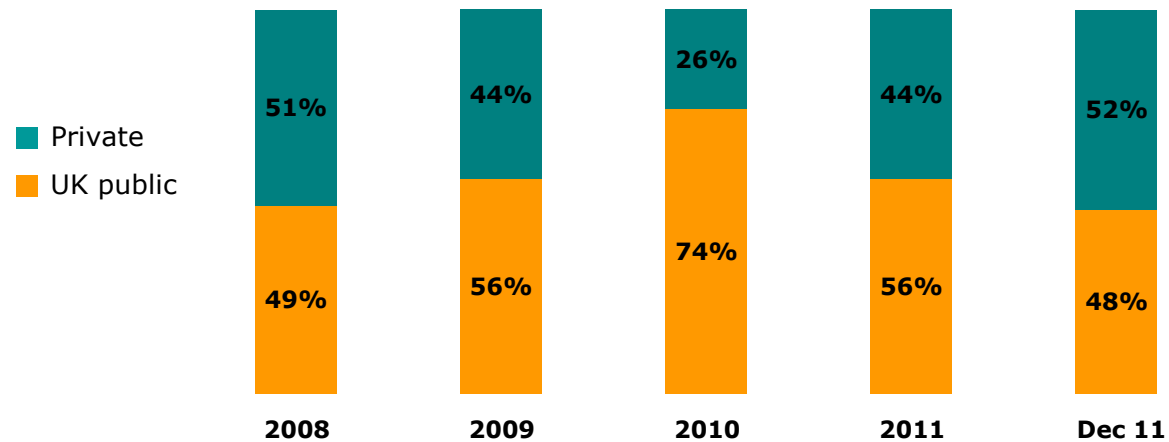
Sector	Year to June 2011		6 months to Dec 2011	
	% awards (£1.5bn)	Expectations 2012 & 2013	% awards (£0.7bn)	Current expectations
Education	33%	↘	32%	↘
Power & waste	0%	↗	18%	↔
Transportation	13%	↘	11%	↘
Commercial	10%	↗	10%	↔
Health	6%	↗	7%	↗
Care home, high-rise affordable housing, student accommodation	9%	↗	5%	↗
Hotel and leisure	3%	↔	5%	↔
Overseas	13%	↔	3%	↗

For full chart, see appendix

Construction - notes

- Scape framework (up to £1bn over 4 years), in partnership with the Services division: £100m of opportunities identified
- Kier one of only three contractors appointed to the Welsh Regional NHS frameworks (£65m p.a.)
- Power and waste awards in H1 12: £100m+ (Kier share)

Public and private awards as a % of total awards



Construction – UK infrastructure

- New nuclear - Hinkley, £100m+ in JV
- Energy from waste Plymouth, £50m
- Transport - Farringdon station, £210m in JV
- Preferred bidder on a further £110m power & waste projects



Construction – UK infrastructure - notes

Awards

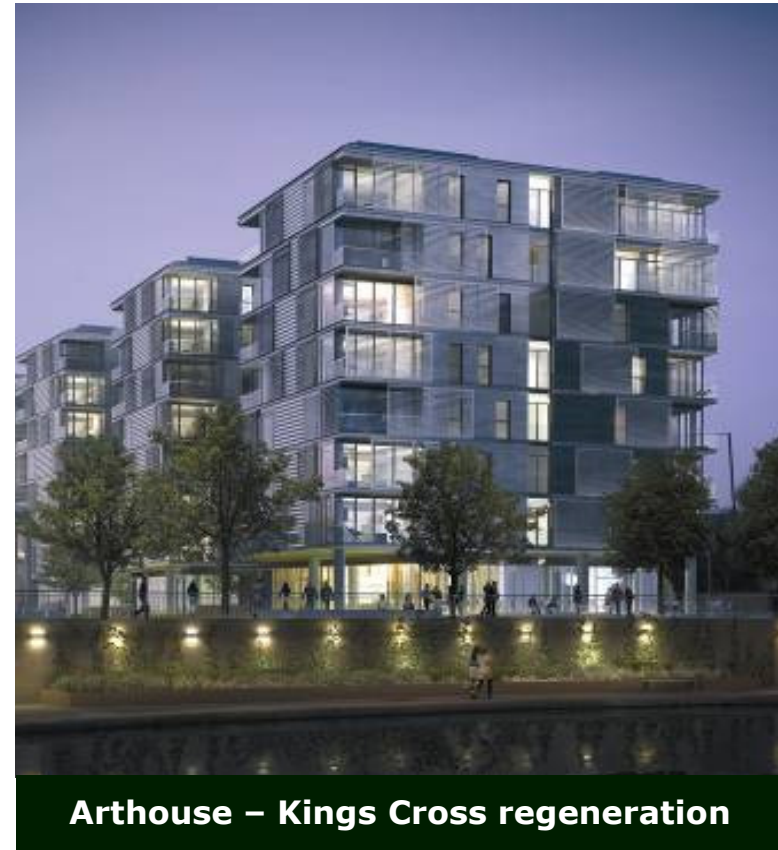
- Crossrail: c.£800m of work now secured in JV
- Water: £17m for Thames Water at Oxford secured

Bids

- Gas: Abernedd and Carrington bids during 2012 (£100m estimated work); national gas power station programme in appendix.
- Hinkley: marine works (£200m)
- SCR*: Aberthaw (1 of 2, c.£100m) and Eggborough (c.£100m)
- * SCR: selective catalytic reduction (coal power station clean-up)

Construction – UK building

- £440m awarded in H1
- Education: £150m of new academies awarded
- King's Cross regeneration: preferred bidder on £100m
- Health: preferred bidder on £100m of P21+
- Open market increasingly competitive



Construction – UK building - notes

- P21+: won £205m out of £935 awarded since inception
- Framework for Academies : 9 schemes entered into contract (£150m) in the 6 months to Dec 11 and 4 more to close (£50m)
- South Lanarkshire Schools framework awarded (1 of 3): £150m over 4 years for primary schools modernisation
- Government's £2bn Priority Schools Building Programme; procurement of the first schools start in Q2 12
- Kier Living, the focal point of Kier's activities in the care, student accommodation and high rise affordable housing sectors, is positioned on frameworks valued at c.£2.5bn.

Construction - Overseas

Hong Kong

- £330m on site
- 5 year pipeline of new activity

Caribbean

- Hydroelectric power station project, £20m
- Digicel HQs in Haiti and Jamaica, £24m
- New office in Trinidad to target oil and gas

ME

- Saudi economic and social infrastructure opportunities
- Researching adjacent countries for expansion

Prospects

Targeting £150/200m revenue by June 2014



Digicel HQ, Jamaica

Construction – Overseas - notes

Middle East

- £130bn National Investment Plan in Saudi
- Currently bidding for bauxite mining and rail work in Saudi

Hong Kong

- New MTR projects are currently targeted for 2012/13 start
- Infrastructure plan, £4bn p.a. for the next 5 years: MTR, airports and transport projects

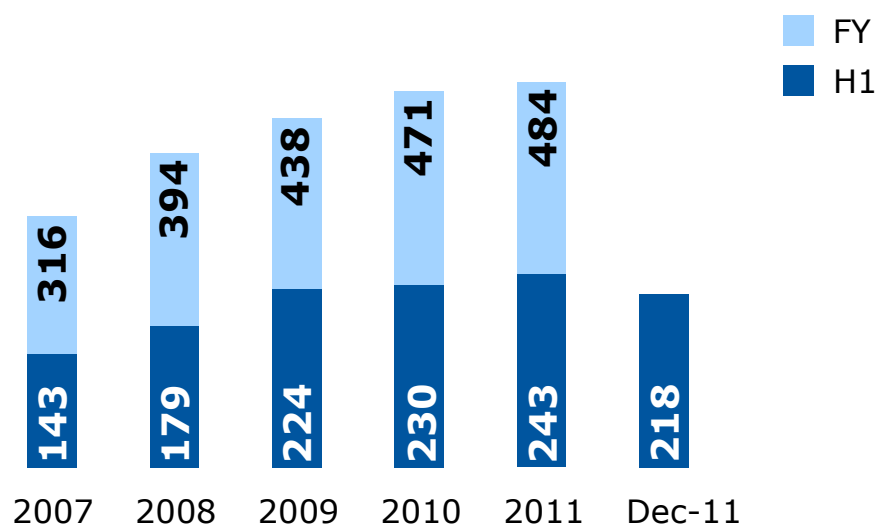


Services

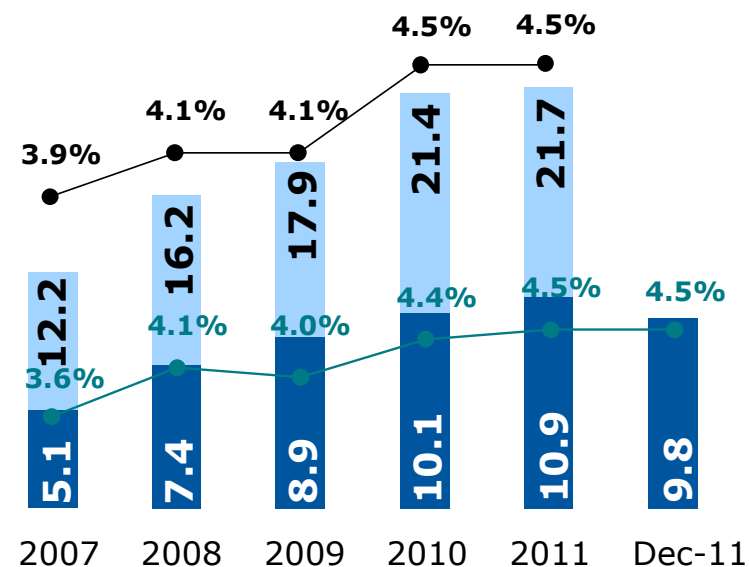
Services

	6 months to December			Year to June 2011 £m
	2011 £m	2010 £m	Change %	
Revenue	218	243	-10	484
Operating profit	9.8	10.9	-10	21.7
Operating margin	4.5%	4.5%	-	4.5%
Order book (secure and probable)	1,973	1,982	0	2,030
Cash	16	32	-50	28

Revenues, £m



Operating profit, £m
Operating margin, %

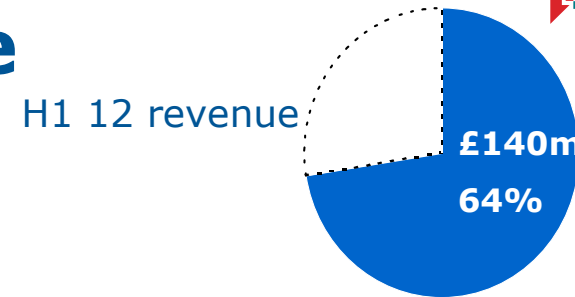


Services – Maintenance - notes

Operating profit and margin are before the amortisation of intangible assets

- Order book stable at £2bn
- 95% of FY12 revenue and good forward workload visibility
- £12m cash reduction since June 11 comprises:
 - £10m of capital and investment spend
 - Redundancy costs and tighter payment environment
- Competitive environment but 4.5% margins still achievable
- Local politics are impacting on outsourcing decisions
- Growth in outsourcing, particularly in the public sector, now expected in 2014

Services - Maintenance



- Revenue down 22%, reflecting public sector budget pressures
- No significant contracts to rebid before 2014
- £700m of potential contract extensions if all exercised
- Competitive environment promotes selective bidding

Services – Maintenance - notes

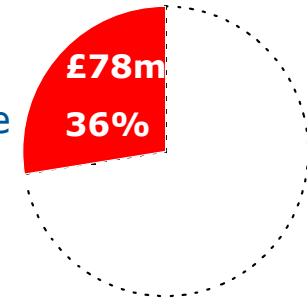
Maintenance: planned and reactive housing maintenance for local authorities and registered providers.

- Reduction in revenue largely driven by more than 40% cuts in local authorities' capital works
- Strong bid pipeline (see in appendix)
- Pressure on prices mitigated to some extent by cost base reduction in collaboration with our clients.

Services - FM and Environmental



H1 12 revenue



- Revenue up 22%
- More than £100m of awards
- Private sector growth targeted
- Organic and acquisition-based growth being pursued

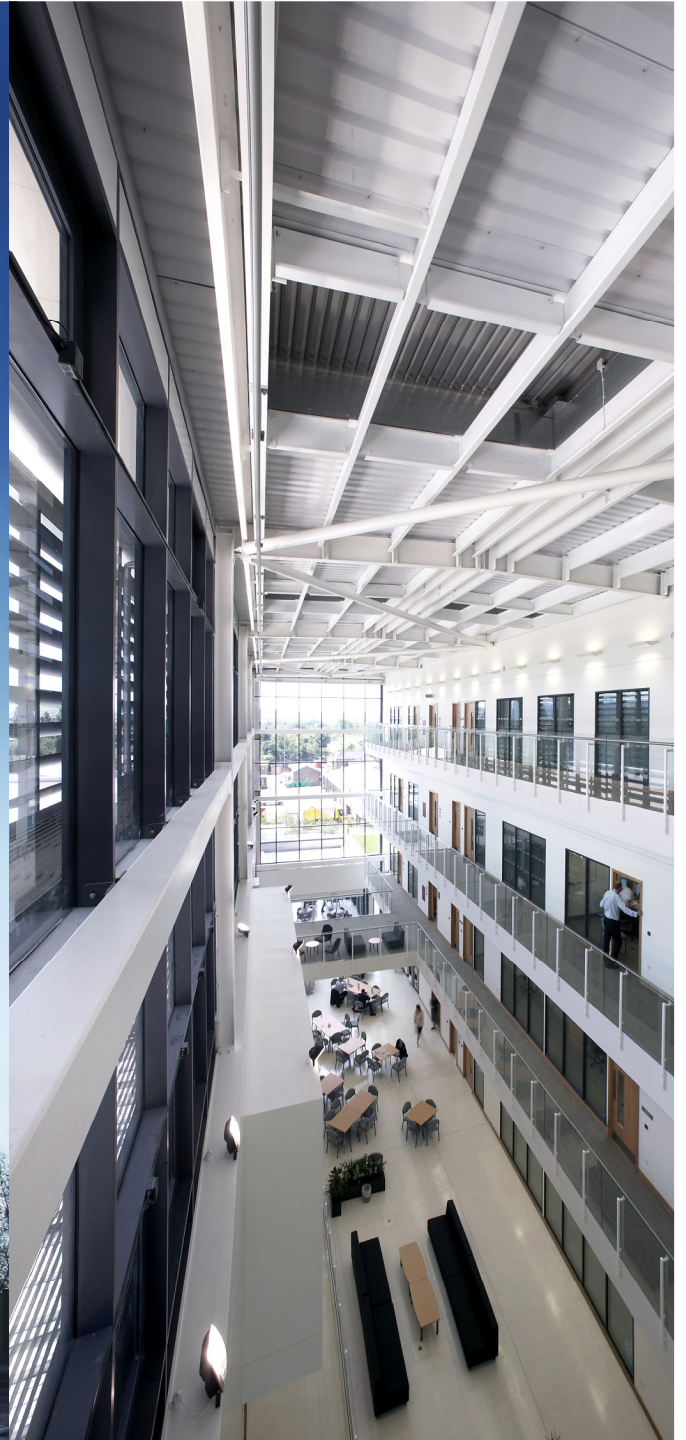
Services – FM and Environmental - notes

FM & Environmental: hard and soft FM, M&E, street cleaning, ground maintenance, waste collection and recycling.

- Strong bid pipeline (see in appendix).
- Environmental new contracts and extensions (value p.a.): East Northants and North Norfolk, £6m; Waltham Forest, £15m; Bromley, £4m.
- FM win: Legal & General, £7m



Property



Property

	6 months to December			Year to June 2011 £m
	2011 £m	2010 £m	Change %	
Revenue				
Property and PFI	31	66	-53	97
Homes	77	60	+28	153
Operating profit				
Property and PFI (incl. £6.7m disposal profit)	8.4	1.7	} +194	11.1
Homes	1.6	1.7		4.2
Net operating assets				
Property and PFI	60	43	+40	54
Homes (land bank: 4,412 units)	299	347	-14	311

- Strong performance in H1
- Cash recovery in H2 on property sales
- Continued investment in the development pipeline

Property - notes

Land bank reduced from 5,400 to 4,400 units over the last 12 months.

Property - Development

- £700m (GDV) development pipeline over 6 years
- 40 schemes in retail, hotels, residential and light industrial
- Non-speculative strategy
- Increase cash investment to c.£80m by June 13
- Targeted return on capital of 15%



Property – Development - notes

- Market still buoyant for good quality schemes in London area and key strategic locations further afield
- We continue to manage risk by securing an exit route before committing
- Solum
 - 2 schemes on site; completion in 2013, £55m
 - Planning achieved at Twickenham, £46m
- Sydenham: lease arrangements with key retailers
- Unique integrated development, construction and maintenance offering is a key differentiator

Property

Housing

- £18m land bank sales agreed in H1, £38m to date
- Stable private homes sales
- £200m of affordable contracts awarded in H1
- 3 major regeneration schemes, £190m



PFI

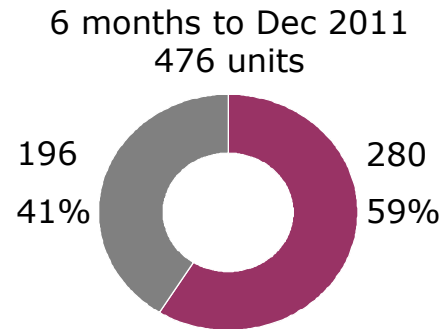
- 2 disposals at 7% post-tax discount rate
- Shortlisted for 4 projects valued at £200m
- Portfolio valuation: £30m at 7.5% discount rate

Property – Housing - notes

Housing - Regeneration schemes

- Tavy Bridge, London, £40m, start on site in March
- Awarded the Manor & Kingsway site in Derby, £100m; 700 new homes, residential-led mixed-use development
- Awarded the next development phase at Egg Hill in Birmingham, £50m

- Private sales
- Affordable and mixed



PFI

- Disposals: Hinchingsbrooke (to Pension Scheme) and West Berkshire hospitals
- Committed equity investment: £18.3m. See portfolio in appendix.

Conclusion

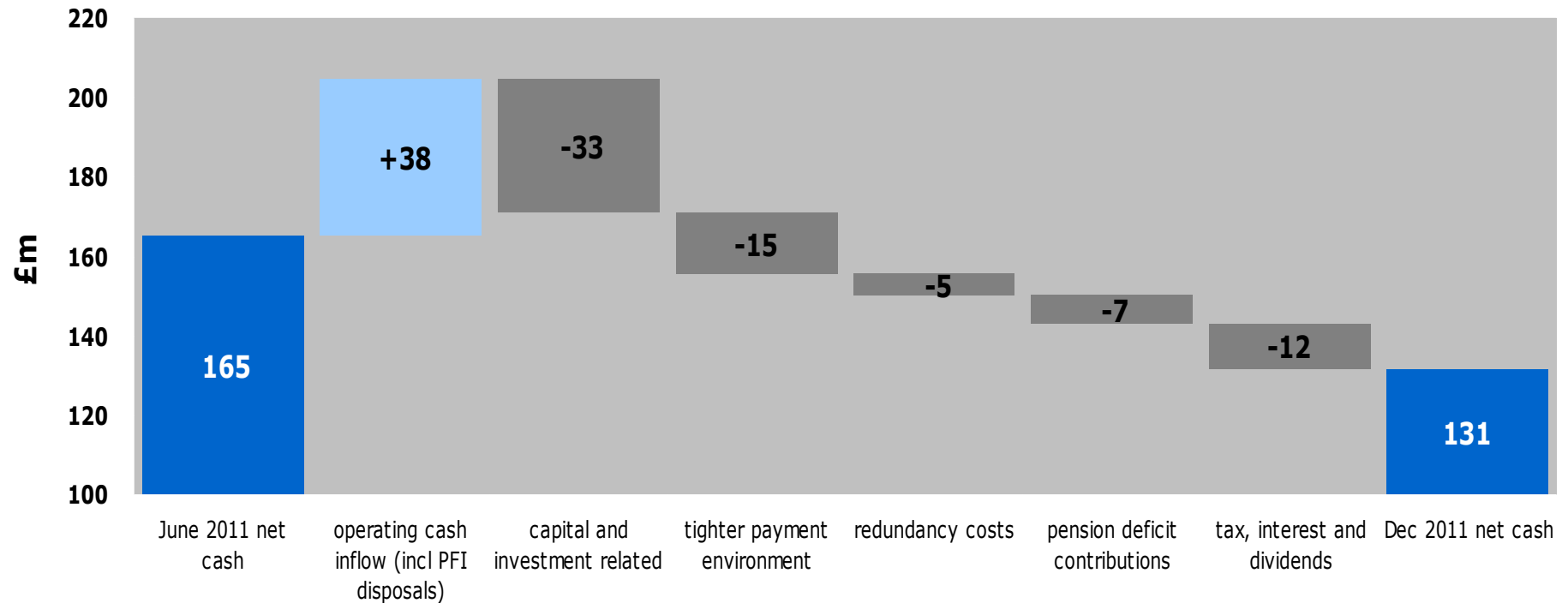
- Good first half performance
- Full year on track
- Macro environment remains challenging
- Growth in public sector outsourcing expected in 2014
- Maturing property business
- Strong cash and balance sheet, great people

Appendices



Featherstone Prison

Group net cash bridge



Construction - Awards



Sector	Year to June 2011		6 months to Dec 2011	
	% awards (£1.5bn)	Expectations 2012 & 2013	% awards (£0.7bn)	Current expectations
Education	33%	↘	32%	↘
Power & waste	0%	↗	18%	↔
Transportation	13%	↘	11%	↘
Commercial	10%	↗	10%	↔
Health	6%	↗	7%	↗
Care home, high-rise affordable housing, student accommodation	9%	↗	5%	↗
Hotels and leisure	3%	↔	5%	↔
Overseas	13%	↔	3%	↗
Retail	4%	↘	3%	↔
Industrial	3%	↗	2%	↔
Custodial	2%	↔	2%	↔
Mixed-use	1%	↗	0%	↗
Other	3%		2%	

Construction - CCGT programme



Station	Power MW	Owner	Anticipated start on site
Abernedd	450	S&SE	2012
Carrington	860	ESBI	2013
Damhead '2'	800	Iberdrola/Scottish Power	2013
Kings Lynn	800	Centrica	2013
Willington	2400	RWE	2013
Corringham	900	Intergen	2013
Don Valley (was Hatfield)	900	2Co Power	2014
Thorpe Marsh	900	Acorn Power	2014
Drakelow	1200	EON	TBA
Spalding 'B'	900	Intergen	TBA
Salt Marshes	1000	Iberdrola/Scottish Power	TBA

Services - Maintenance current contracts

Contract	Description	Annual revenue	Duration (years)	Expiry excl. extensions
Wakefield MBC	Housing improvements works	£11m	1 year	March 13
Harlow DC	Housing, grounds & street services	£20m	7 + 3*	January 14
Sheffield City Council	Repairs & maintenance and Decent Homes	£60m	11	April 14
Homes for Islington	Repairs & maintenance and gas servicing	£20m	4 + 6	October 14
Barnsley	Repairs & maintenance and Decent Homes	£8m	5 + 5	April 16
Stoke-on-Trent	Repairs & maintenance and Decent Homes	£35m	10 + 5	February 18
Gosport BC	Integrated Service Contracts – responsive, planned and cyclical maintenance, voids, electricity and gas	£10m	10 + 5	April 21
North Tyneside	Repairs & maintenance, Decent Homes and construction	£60m	10 + 5	Sep 19

* 7 year contract + 3 year potential extension

Services - Division's current bid pipeline (extract)

Council	Annual value £m	Duration (years)	Potential Gross £m	Start Date
Oxfordshire County Council	52	10 + 10*	1,000	April 12
Accord Housing Association	5	10	50	April 12
East Sussex County Council	5	9	45	April 12
Golding Homes	5	10 + 5	75	April 12
Surrey County Council	1-2	5 + 2	6-12	May 12
Circle Anglia	Up to 58	5 + 5	Up to 580	July 12
Calico Housing Limited	3	10	30	July 12
High Wycombe	10	5	50	Nov 12
MoD National Housing Prime	65-120	10	Up to 1,200	April 13
Harlow DC (extension)	20	3	60	January 14
Housing 21	25	5+5	250	TBC

* 10 year contract + 10 year potential extension

Property - PFI portfolio

Sector	Project	Status	Capital value £m	Kier equity/loan stock £m	Equity %
Health	Ipswich Hospital	Operational	27	1.3	50.0
Local authority	Bournemouth Library	Operational	14	0.7	50.0
	Oldham Library	Operational	14	1.0	50.0
Education	Kent BSF PFI 1	Operational	69	7.8	78.4
Blue light	Greenwich Care Homes	Operational	18	0.7	50.0
	North Kent Police HQ	Operational	25	1.7	42.5
	Police Investigation Centres	Construction	60	3.4	42.5
	Gloucester Fire Stations	Construction	22	1.7	70.0
Investment				£18.3m	

Green: Kier Construction and Services Red: Kier Construction contractor

Directors' valuation at 7.5% - £30.3m