



**Welcome to Kier Group's  
preliminary 2012 results**

**Paul Sheffield  
Chief Executive**

**Haydn Mursell  
Group Finance Director**

# Focus on today

## Prepare for tomorrow

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- Improve operating efficiencies
- Invest in technology
- Invest in next generation frameworks
  
- Key target areas:
  - Mixed tenure housing
  - Complex mixed use regeneration schemes
  - Infrastructure and overseas activities

# Highlights

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## **Resilient performance**

- Underlying profit before tax increased to £70m
- Strong net cash position: £129m after significant investment
- Full year dividend increased to 66p
- Order book maintained at more than £4bn

## **What sustained our results**

- Selective bidding, focus on quality work
- Strict risk management and cost control
- Continued tight management of cash
- Pursuit of growth markets and frameworks

# Key achievements



| Construction   | Services  | Property  |
|--|---|---|
| <p><b>Awards</b></p> <ul style="list-style-type: none"><li>■ UK building £1bn+</li><li>• Education £400m</li><li>• P21+ &amp; Healthcare £150m</li><li>• Kier Living £150m</li></ul><br><ul style="list-style-type: none"><li>■ Crossrail (JV) £210m</li><li>■ Hinkley (JV) £100m+</li></ul> | <p><b>Awards</b></p> <ul style="list-style-type: none"><li>■ Circle £180m</li><li>■ FM £150m</li><li>■ Environmental £100m</li><li>■ Total other new work £215m</li></ul> | <ul style="list-style-type: none"><li>■ Development pipeline £750m+</li><li>■ Mixed tenure pipeline £250m+</li><li>■ Preferred bidder £100m+</li><li>■ Biogen investment</li></ul> <p><b>Disposals</b></p> <ul style="list-style-type: none"><li>■ PFI assets £8m</li><li>■ Savile Row £33m</li><li>■ Housing land £18m</li></ul> |
| <b>£1.4bn</b>  | <b>£645m</b>  |   |

# The next 12 months



## Construction

- 95% of FY13 revenue and 45% of FY14 revenue secure and probable, similar to last year
- Work balance changing:
  - UK infrastructure and overseas growing
  - Frameworks stable
  - Open market more competitive
- Operating margin on target for FY13

## Services

- Strong order book at £2bn and broadly consistent margin
- Mobilising for major Circle contract
- No significant rebids before 2014

## Property

- Increasing cash injection as planned
- Continue to pursue largely non-speculative transactions
- Combined pipeline of over £1bn
- Strategic growth of Biogen

**Haydn Mursell**  
**Group Finance Director**

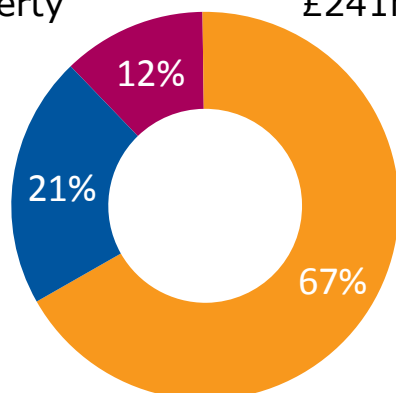
# Overview: revenue & profit



## 2012

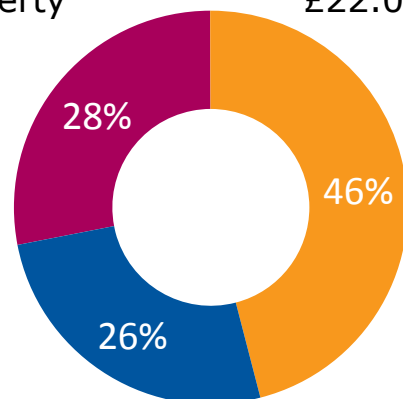
Revenue £2,069m -5%

|                |         |
|----------------|---------|
| ● Construction | £1,383m |
| ● Services     | £445m   |
| ● Property     | £241m   |



Operating profit\* £74.4m +5%

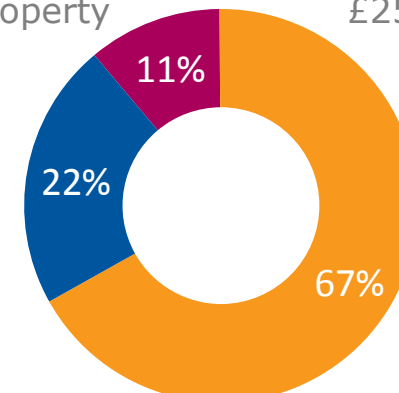
|                |        |
|----------------|--------|
| ● Construction | £35.2m |
| ● Services     | £20.1m |
| ● Property     | £22.0m |



## 2011

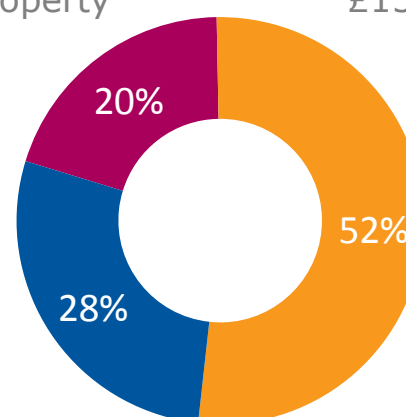
Revenue £2,179m

|                |         |
|----------------|---------|
| ● Construction | £1,445m |
| ● Services     | £484m   |
| ● Property     | £250m   |



Operating profit\* £71.1m

|                |        |
|----------------|--------|
| ● Construction | £39.3m |
| ● Services     | £21.7m |
| ● Property     | £15.3m |



# Income statement



|   |                                       | Year to 30 June |             | Change    |
|---|---------------------------------------|-----------------|-------------|-----------|
|   |                                       | 2012<br>£m      | 2011<br>£m  | %         |
| Operating profit:   | Group                                 | 66.4            | 63.1        |           |
|   | Joint ventures (JVs)                  | 1.3             | 2.1         |           |
|   | Profit on disposal of PFI investments | 6.7             | 5.9         |           |
| <b>Total operating profit</b>                                 |                                       | <b>74.4</b>     | <b>71.1</b> | <b>+5</b> |
| Share of JVs:   | Finance income / (cost)               | 0.2             | (1.4)       |           |
|   | Tax                                   | (0.2)           | (0.3)       |           |
| Profit from operations  |                                       | 74.4            | 69.4        | +7        |
| Net finance cost  |                                       | (4.4)           | (0.5)       |           |
| <b>Profit before tax, amortisation and exceptional items</b>  |                                       | <b>70.0</b>     | <b>68.9</b> | <b>+2</b> |
| Amortisation of intangible assets relating to contract rights |                                       | (3.4)           | (3.4)       |           |
| Exceptional items   |                                       | (3.6)           | 7.0         |           |
| Profit before tax   |                                       | 63.0            | 72.5        | -13       |
| Taxation  |                                       | (7.7)           | (10.2)      |           |
| Minority interest   |                                       | (1.1)           | (0.5)       |           |
| Profit after tax attributable to equity holders               |                                       | 54.2            | 61.8        | -12       |



# Operating profit



| Performance by division  | Year to 30 June |             | Change    |
|--|-----------------|-------------|-----------|
|  | 2012<br>£m      | 2011<br>£m  | %         |
| Construction   | 35.2            | 39.3        | -10       |
| Services   | 20.1            | 21.7        | -7        |
| Property: Property & PFI (including profit on disposal of PFI investments)                   | 18.7            | 11.1        | } +44     |
| Homes  | 3.3             | 4.2         |           |
| Corporate  | (2.9)           | (5.2)       | +44       |
| <b>Operating profit *</b>  | <b>74.4</b>     | <b>71.1</b> | <b>+5</b> |
| Net finance cost   | (4.4)           | (0.5)       |           |
| JV finance income / (cost)   | 0.2             | (1.4)       |           |
| JV tax   | (0.2)           | (0.3)       |           |
| <b>Pre-tax profit*</b>   | <b>70.0</b>     | <b>68.9</b> | <b>+2</b> |
| * Before exceptional items and amortisation of intangible assets relating to contract rights |                 |             |           |

# Exceptional items



|  | Year to 30 June |            |
|--|-----------------|------------|
|  | 2012<br>£m      | 2011<br>£m |
| Reduction in the provisions following OFT appeal results               | -               | 15.6       |
| Credit arising from changes to<br>Kier Group pension scheme            | -               | 25.7       |
| Homes land and work in progress write-down                             | -               | (33.5)     |
| Loss on disposal of the majority of the plant business & related costs | (3.6)           | (0.8)      |
| <b>Total exceptional items</b>   | <b>(3.6)</b>    | <b>7.0</b> |
| Tax on exceptional items   | 0.8             | 2.1        |
| <b>Exceptional items after tax</b>                                     | <b>(2.8)</b>    | <b>9.1</b> |

# Earnings per share and dividend



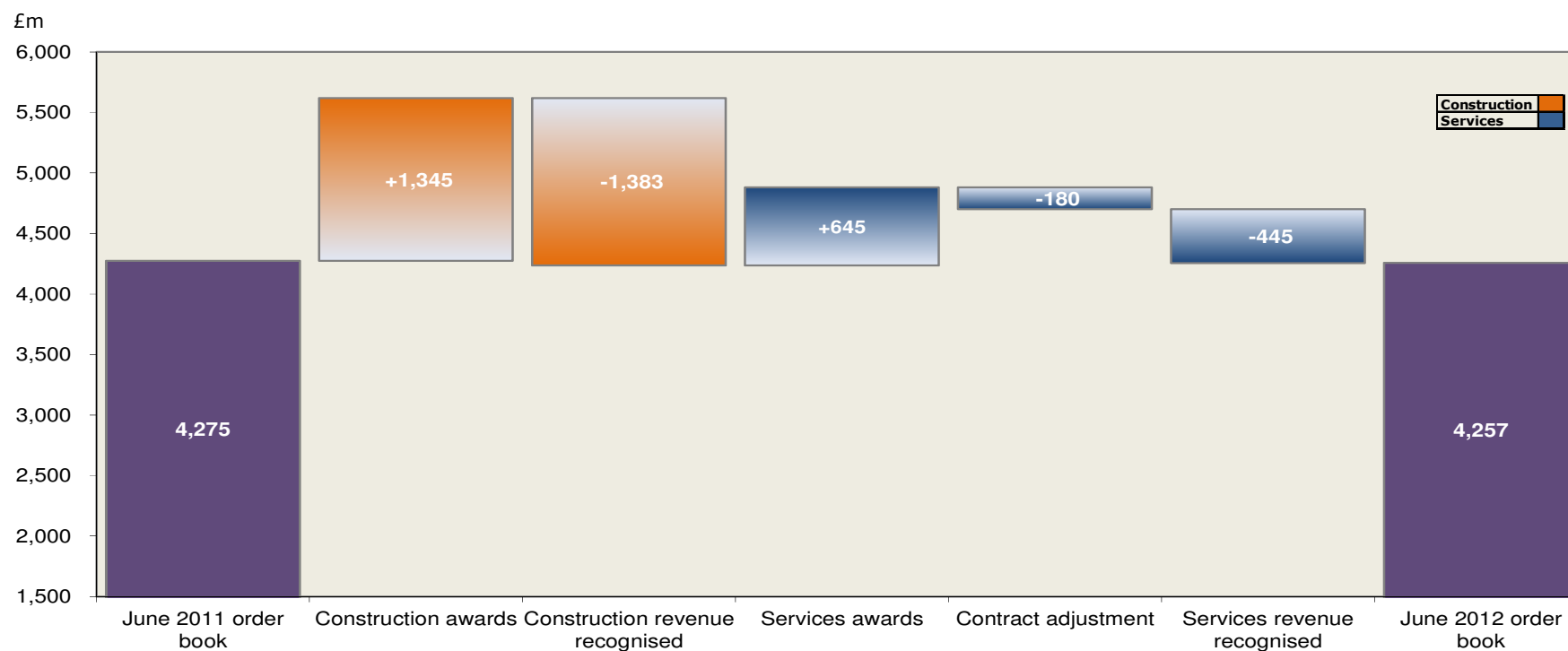
|                                       | Year to 30 June |               | Change    |
|---------------------------------------|-----------------|---------------|-----------|
|                                       | 2012            | 2011          | %         |
| Weighted average number of shares (m) | 38.0            | 37.2          | +2        |
| <b>Underlying earnings per share*</b> | <b>156.8p</b>   | <b>148.4p</b> | <b>+6</b> |
| Basic earnings per share              | 142.6p          | 166.1p        | -14       |
| <b>Dividend per share</b>             | <b>66.0p</b>    | <b>64.0p</b>  | <b>+3</b> |

\* Before exceptional items and amortisation of intangible assets relating to contract rights

# Order books



|              | At 30 June   |              | Change   |
|--------------|--------------|--------------|----------|
|              | 2012<br>£m   | 2011<br>£m   | %        |
| Construction | 2,207        | 2,245        | -2       |
| Services     | 2,050        | 2,030        | +1       |
| <b>Total</b> | <b>4,257</b> | <b>4,275</b> | <b>-</b> |

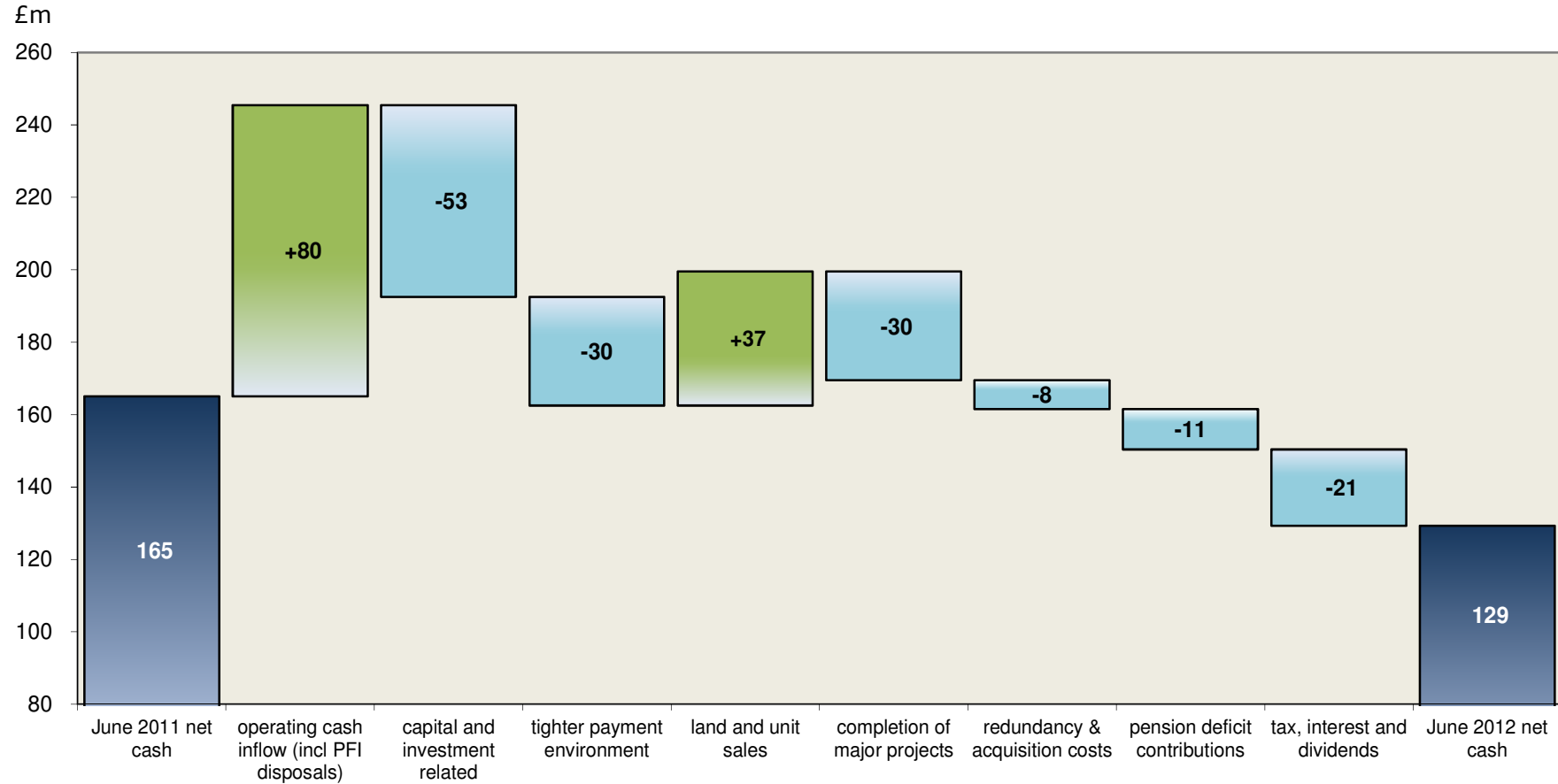


# Balance sheet summary



|                                | At 30 June |            | Change     |
|--------------------------------|------------|------------|------------|
|                                | 2012<br>£m | 2011<br>£m | £m         |
| Intangible assets              | 29         | 27         | +2         |
| Property, plant and equipment  | 103        | 96         | +7         |
| Investment in JVs              | 8          | 9          | -1         |
| Inventories                    | 395        | 431        | -36        |
| Other working capital          | (440)      | (520)      | +80        |
| Cash                           | 159        | 195        | -36        |
| Borrowings                     | (30)       | (30)       | -          |
| Provisions                     | (50)       | (51)       | +1         |
| Pensions (net of deferred tax) | (44)       | (22)       | -22        |
| Tax and deferred tax           | 24         | 29         | -5         |
| <b>Net assets</b>              | <b>154</b> | <b>164</b> | <b>-10</b> |

# Group net cash bridge



# Inventories



|                                      | At 30 June |            | Change     |
|--------------------------------------|------------|------------|------------|
|                                      | 2012<br>£m | 2011<br>£m | £m         |
| Residential land                     | 132        | 159        | -27        |
| Residential work in progress         | 124        | 133        | -9         |
| Commercial land and work in progress | 86         | 87         | -1         |
| Other work in progress               | 53         | 52         | +1         |
| <b>Inventories</b>                   | <b>395</b> | <b>431</b> | <b>-36</b> |

# Pensions



|                            |   | At 30 June  |             | Change     |
|----------------------------|---|-------------|-------------|------------|
|                            |   | 2012<br>£m  | 2011<br>£m  | £m         |
| Kier Group Pension Scheme: |   |             |             |            |
|                            | Market value of assets                      | 722         | 680         | +42        |
|                            | Present value of liabilities                | (781)       | (711)       | -70        |
|                            | Deficit in the scheme                       | (59)        | (31)        | -28        |
|                            | Deferred tax                                | 14          | 8           | +6         |
|                            | <b>Net pension liability</b>                | <b>(45)</b> | <b>(23)</b> | <b>-22</b> |
|                            | Net effect of Kier Sheffield Pension Scheme | 1           | 1           | -          |
|                            | <b>Total net pension liability</b>          | <b>(44)</b> | <b>(22)</b> | <b>-22</b> |
| Key assumptions:           |   |             |             |            |
|                            | Discount rate                               | 4.7%        | 5.5%        |            |
|                            | Inflation rate – RPI                        | 3.0%        | 3.6%        |            |
|                            | Inflation rate – CPI                        | 2.0%        | 2.7%        |            |



# IAS19 re-presentation



| <b>Indicative only</b>                                | <b>2012</b>    | <b>2012</b>   |  |
|---|----------------|---------------|--|
| Using June 2012 pre-tax figures                       | <b>Current</b> | <b>New</b>    | <b>Change</b>  |
|   | <b>£m</b>      | <b>£m</b>     | <b>£m</b>  |
| Service cost  | (12.7)         | (12.7)        | -  |
| Expected return on scheme assets (June 2011: 7.0%)    | 57.7           | -             | <i>£10.4m net credit is re-presented as £1.6m charge</i> |
| Interest cost on scheme liabilities (June 2011: 5.5%) | (47.3)         | -             |  |
| Interest on net deficit (June 2011: 5.5%)             | -              | (1.6)         |  |
| <b>Total</b>  | <b>(2.3)</b>   | <b>(14.3)</b> | <b>-12.0</b>   |

- Effective for year ending June 2014 (and 2013 comparative)
- No cash effect
- No deficit effect
- Simply re-presentation

# Summary

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- Solid performance
  - Operating profit\* up 5% to £74.4m
  - Average month-end net cash of £95m
  - Construction and Services order books maintained at >£4bn
  - Significant increase in Property's contribution
  - Prudent accounting practices underpin the financials
  
- Full year dividend increased to 66p
  
- A well-balanced and robust platform for the future

\* Operating profit is stated before exceptional items and the amortisation of intangible assets relating to contract rights

# Construction

King's Cross

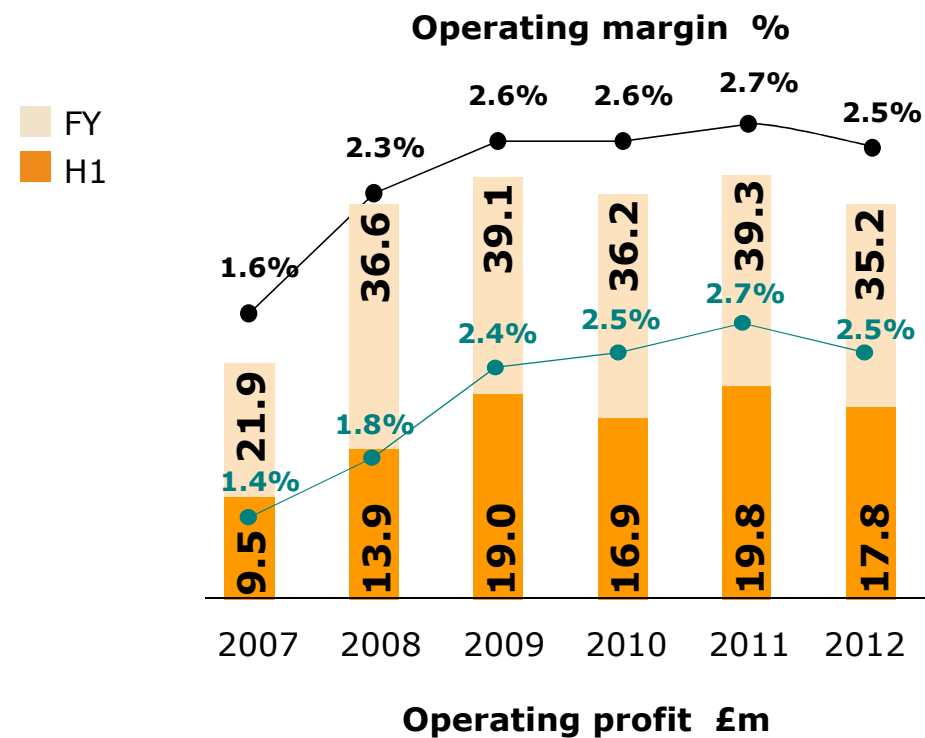
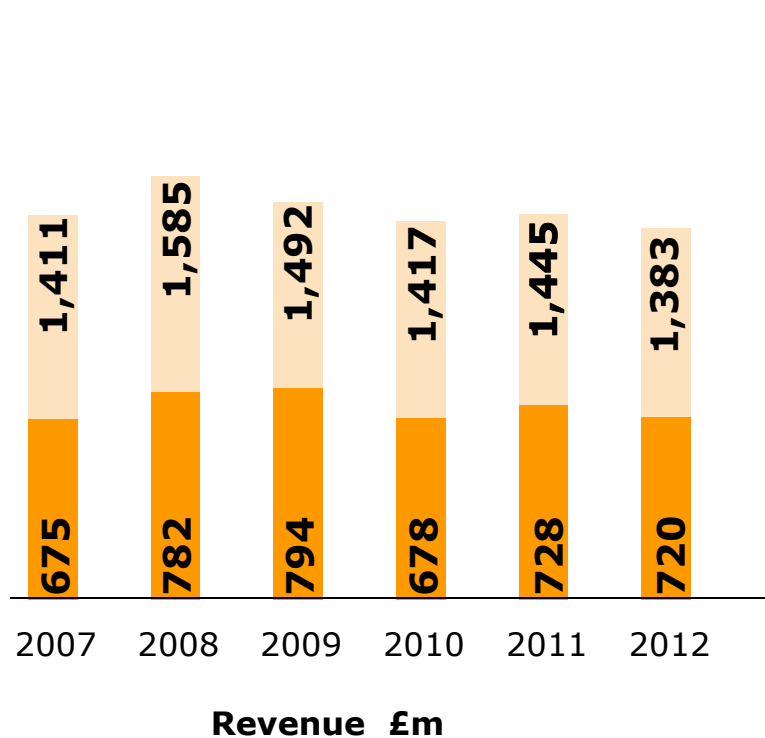


# Construction



Year to June

|                                  | 2012<br>£m | 2011<br>£m | Change<br>% |
|----------------------------------|------------|------------|-------------|
| Revenue                          | 1,383      | 1,445      | -4          |
| Operating profit                 | 35.2       | 39.3       | -10         |
| Operating margin                 | 2.5%       | 2.7%       |             |
| Order book (secure and probable) | 2,207      | 2,245      | -2          |
| Cash                             | 361        | 423        | -15         |



# Construction



| Sector   | Revenue              |                      | Expectation<br>June 2013 | Future<br>trend |
|--|----------------------|----------------------|--------------------------|-----------------|
|  | Year to<br>June 2011 | Year to<br>June 2012 |                          |                 |
| Education  | 43%                  | 37%                  | 28%                      | ↘               |
| Health   | 6%                   | 6%                   | 11%                      | ↗               |
| Commercial and mixed use                                       | 5%                   | 11%                  | 11%                      | ↔               |
| Care home, high-rise affordable housing, student accommodation | 4%                   | 7%                   | 9%                       | ↗               |
| Transportation   | 2%                   | 6%                   | 8%                       | ↔               |
| Power, industrial and waste (incl. nuclear)                    | 8%                   | 7%                   | 7%                       | ↗               |
| Overseas   | 3%                   | 5%                   | 6%                       | ↗               |
| Retail   | 4%                   | 6%                   | 5%                       | ↘               |
| Hotel and leisure  | 5%                   | 5%                   | 2%                       | ↔               |
| Blue light / Emergency services                                | -                    | 6%                   | 2%                       | ↔               |
| Other  | 20%                  | 4%                   | 11%                      |                 |

# Construction: UK Infrastructure



Energy from waste (EfW), Plymouth

- Secured and probable awards c£300m
- Crossrail: £800m of work underway
  - Farringdon station £210m in JV
- Strong pipeline: £1.8bn of tender opportunities being bid
  - Power
  - Water and wastewater
  - Transport
  - Waste-to-energy

# Construction: UK Building



Havelock Academy

- £1bn+ awarded in year
- Education: £400m through academies framework
- P21+ and Healthcare: £150m
- Living: £150m+ secured
- c£200m of commercial developments, mainly in London
- Open market increasingly competitive

# Construction: Overseas

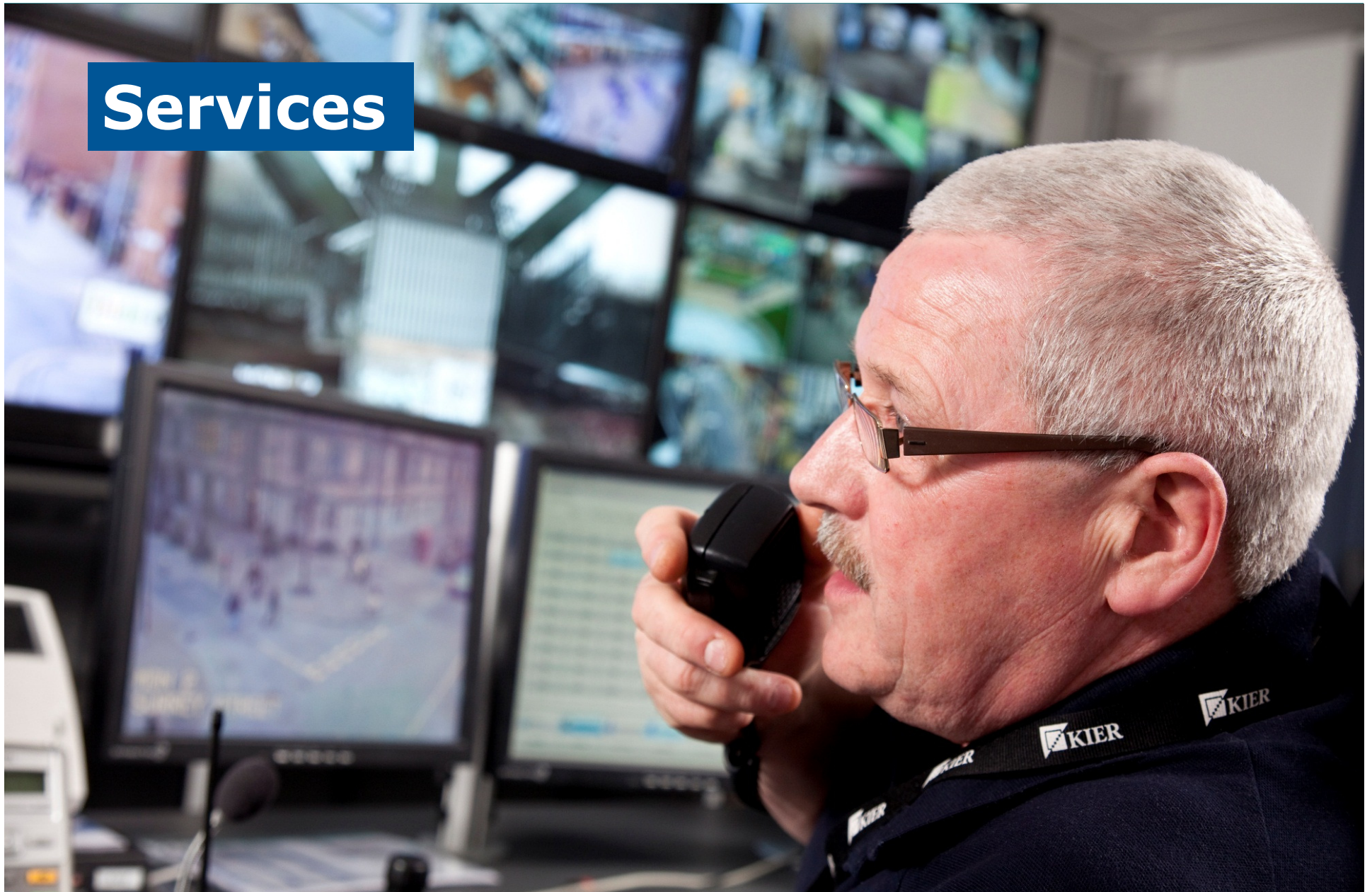


Ngau Tam Mei to Tai Kong Po tunnels,  
Hong Kong

- c£400m on site:  
Hong Kong, Caribbean and  
the Middle East
- New offices in Trinidad and  
Iraq
- Seeking opportunities for  
expansion in adjacent  
countries in the Middle East
- Targeting in excess of £150m  
revenue by June 2014



# Services

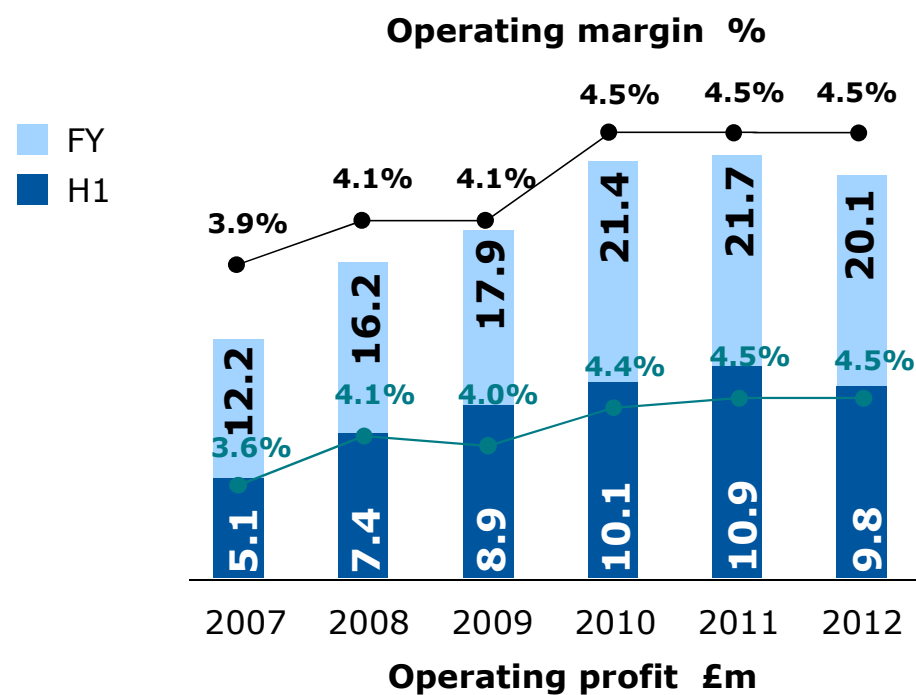
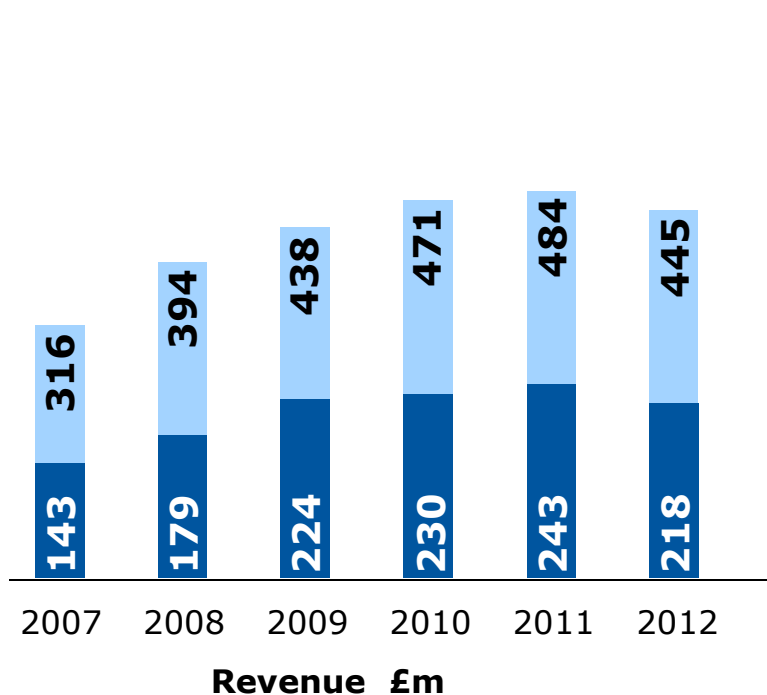


# Services



## Year to June

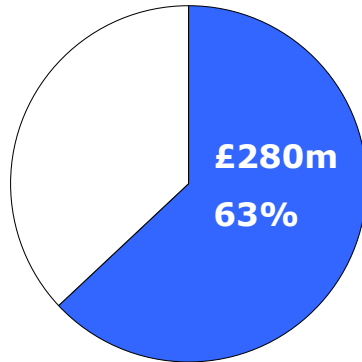
|                                  | 2012<br>£m | 2011<br>£m | Change<br>% |
|----------------------------------|------------|------------|-------------|
| Revenue                          | 445        | 484        | -8          |
| Operating profit                 | 20.1       | 21.7       | -7          |
| Operating margin                 | 4.5%       | 4.5%       |             |
| Order book (secure and probable) | 2,050      | 2,030      | +1          |
| Cash                             | 19         | 28         | -32         |



# Services: Maintenance



2012 revenue

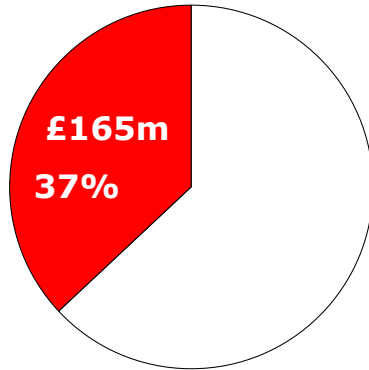


- Revenue down 20%, reflecting public sector budget pressures as expected
- Secured largest HA contract, Circle, worth up to £350m
- Continued focus on costs and efficiencies
  - £5m of redundancy costs incurred
- No significant contracts to rebid before 2014

# Services: FM & Environmental



2012 revenue



- Revenue up 23%
- Approximately £250m of new work
  - L&G, RAC, London Fire, Stoke and Staffs Fire
  - Kings Lynn, Bromley, Corby
- Private sector growth targeted
- Strong bid pipeline

# Property

## Watford Health Campus



|  | Year to June |            |             |
|--|--------------|------------|-------------|
|  | 2012<br>£m   | 2011<br>£m | Change<br>% |
| <b>Revenue</b>                                 |              |            |             |
| Property and PFI                               | 92           | 97         | -5          |
| Homes  | 149          | 153        | -3          |
| <b>Operating profit</b>                        |              |            |             |
| Property and PFI (incl. £6.7m disposal profit) | 18.7         | 11.1       | +68         |
| Homes (underlying)                             | 3.3          | 4.2        | -21         |
| <b>Net operating assets</b>                    |              |            |             |
| Property and PFI (inc. c.£5m PFI)              | 42           | 54         | -22         |
| Homes (land bank: 4,180 units)                 | 288          | 311        | -7          |

- Strong performance
- Continued investment in the development pipeline
- £1bn+ combined pipeline
  - Property development >£750m
  - Mixed tenure housing >£250m





## Mixed tenure

- Delivered 300 homes, 80% affordable
- Strong forward order book >£250m, equating to 1,900 homes

## Private

- Reducing land bank, down 35% from the peak
  - £18m land sales
- Stable private home sales, >35% of FY13 sales secured

## PFI

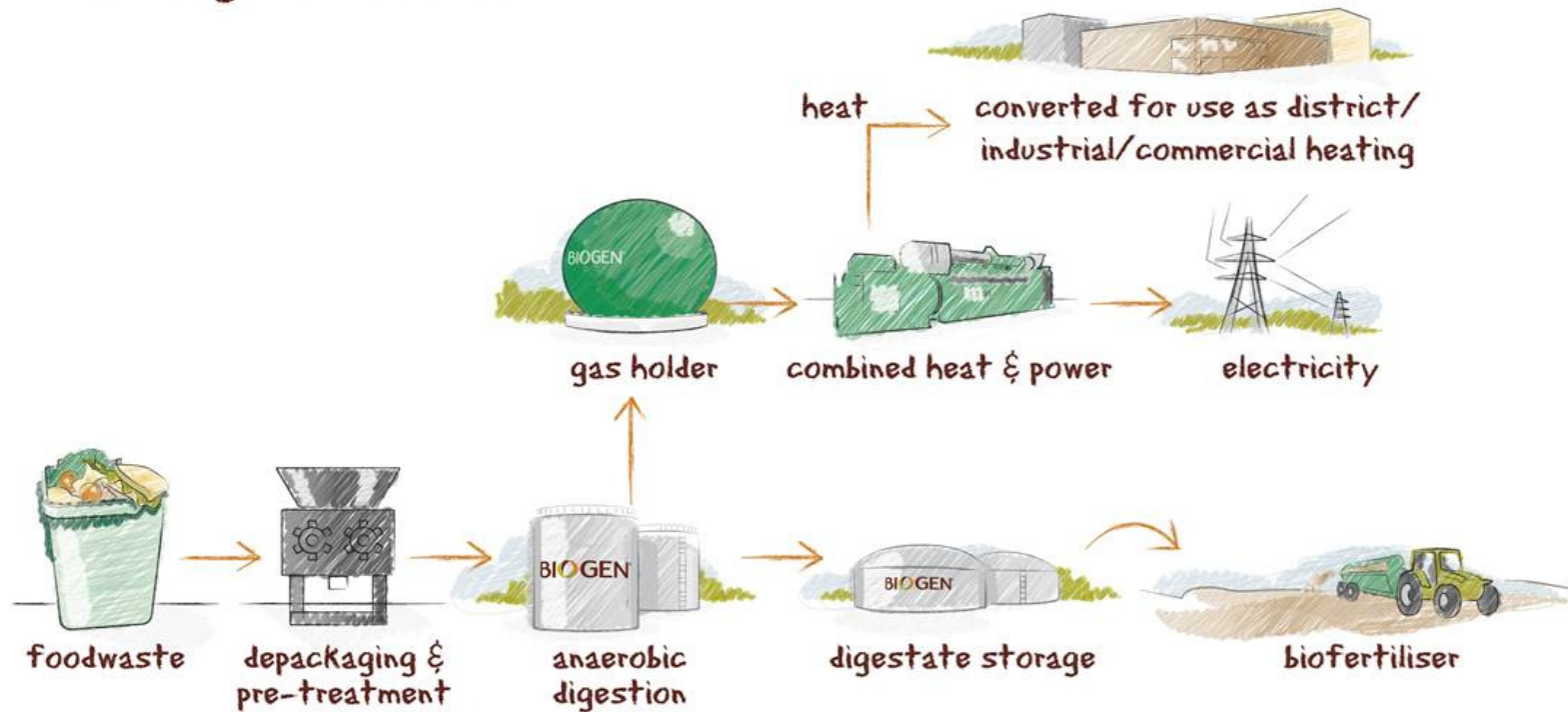
- 2 disposals at 7% post-tax discount rate
- Portfolio of 10 projects, 2 at preferred bidder stage
  - Valuation: £34m at 7.5% discount rate



# Biogen

- Significant demand
- 9 operating plants targeted by 2017
- £24m investment, over 5 years
- >15% return on capital

## The Biogen Process



**Construction** markets challenging, but opportunities in:

- Infrastructure – Government stimulus
- Health – for those on P21+ framework
- High rise residential and Care schemes
- Overseas markets

## Services

- Public sector likely to grow in 2014
- Private sector more buoyant today and winning work

## Property

- Complex mixed-use schemes
- Public sector – asset rich, cash poor
- Mixed tenure housing
- Biogen

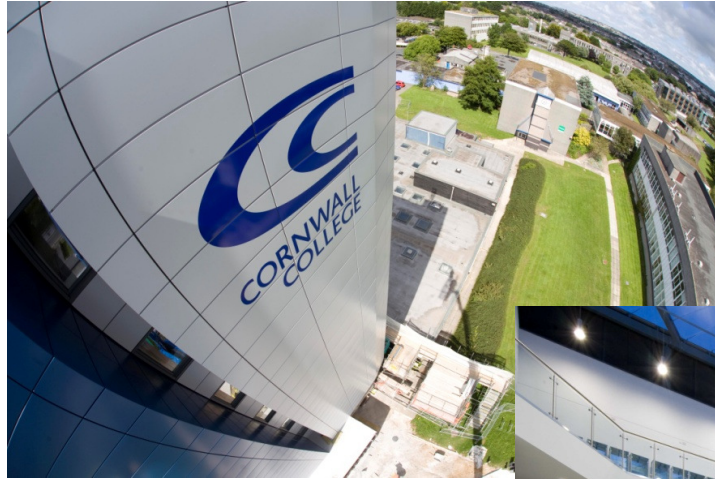
# Conclusion

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- Construction and Services order books maintained
- Significant contribution from Property with £1bn+ pipeline
- FY2013 on track and in line with our expectations
- Strong cash and balance sheet to pursue our chosen growth markets
- We have positioned ourselves to benefit from the changing markets we face

# Appendices



# Services: current bid pipeline (extract)



| Council              |               | Annual value<br>£m | Duration<br>(years) | Potential<br>Gross £m | Start<br>Date |
|----------------------|---------------|--------------------|---------------------|-----------------------|---------------|
| MoD Prime            | Housing Maint | 100                | 5 + 5               | 1,000                 | 2014          |
| Housing 21           | FM and Maint  | 25                 | 10                  | 250                   | 2013          |
| Hammersmith & Fulham | Housing Maint | 15                 | 10                  | 150                   | 2013          |
| East Sussex          | Environmental | 12                 | 10                  | 120                   | 2013          |
| East Thames          | Housing Maint | 15                 | 7                   | 105                   | 2013          |
| Cornwall             | Asset Mgmt    | 10                 | 10                  | 100                   | 2015          |
| Wolverhampton        | Housing Maint | 6                  | 15                  | 90                    | 2013          |
| Camden               | Housing Maint | 8                  | 5 + 5               | 80                    | 2013          |
| Lincoln              | Housing Maint | 7                  | 10                  | 70                    | 2013          |
| Northumberland       | Asset Mgmt    | 10                 | 5                   | 50                    | 2014          |
| Watford              | Environmental | 5                  | 7                   | 35                    | 2013          |

# Property: PFI portfolio



| Sector            | Project                               | Status           | Capital value<br>£m | Kier equity/loan<br>stock £m | Equity<br>% |
|-------------------|---------------------------------------|------------------|---------------------|------------------------------|-------------|
| 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        |
|                   | Greenwich Care Homes                  | Operational      | 18                  | 0.7                          | 50.0        |
| Education         | Kent BSF PFI 1                        | Operational      | 69                  | 7.8                          | 78.4        |
| Blue light        | North Kent Police HQ                  | Operational      | 25                  | 1.7                          | 42.5        |
|                   | Police Investigation Centres          | Operational      | 60                  | 3.4                          | 42.5        |
|                   | Gloucester Fire Stations              | Operational      | 22                  | 1.7                          | 70.0        |
|                   | London Fire stations                  | Preferred bidder | 44                  | 2.4                          | 50.0        |
|                   | Stoke and Staffordshire Fire Stations | Preferred bidder | 29                  | 2.6                          | 80.0        |
| <b>Investment</b> |                                       |                  |                     | <b>£23.3m</b>                |             |

**Green:** Kier Construction and Services **Red:** Kier Construction contractor

Directors' valuation at 7.5% - £34.3m (including preferred bidder projects)

