

Interim Results to 31 December 2012

Paul Sheffield

Chief Executive

Haydn Mursell

Group Finance Director



Paul Sheffield

Chief Executive

Overview

- Fourth year of industry recession
 - Construction - market down c25% from peak
 - Services – local authority budget cuts of c20%
- Kier still doing well
 - Profit before tax £27m *
 - Cash £105m
 - Order books maintained at £4.2bn
 - Interim dividend maintained at 21.5p

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

- Positive developments
 - Government commitment
 - Invest to grow over medium and long term
 - Overseas and Infrastructure markets opening up
 - Property & Affordable Homes markets encouraging

Key Achievements

Construction

- £650m awarded to end Jan
 - *Education* 29%
 - *Health* 16%
 - *Waste/Power* 14%
 - *Overseas* 14%
 - *Kier Living* 7%
- 66% secured and probable for 2014
- JV formed in Saudi Arabia (Feb 2013)
- Contractor of the Year 2012
- RIBA Stirling Prize – *Sainsbury Laboratory*

Services

- >£300m awarded to end of Jan
 - Environmental - *£120m East Sussex Waste Partnership*
 - FM - *£25m L&G*
- £40m+ Hampshire & Surrey
 - Maintenance - *£45m Circle and £40m Lincoln City Council*
- Bidding pipeline of c£2bn

Property

- Development pipeline - *£1bn+*
 - *Watford LABV - £240m*
- Affordable Homes pipeline - *£350m+*
- Kent Housing initiative - *£40m*
- PFI – *2 wins, 2 disposals*
- HCA – *Developer Partner London*

Haydn Mursell

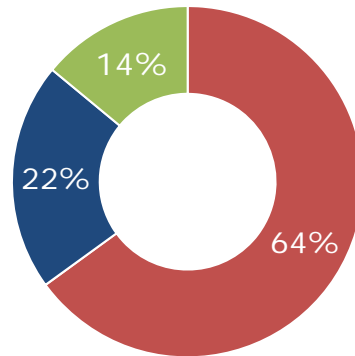
Group Finance Director

Overview: revenue & profit

December 2012

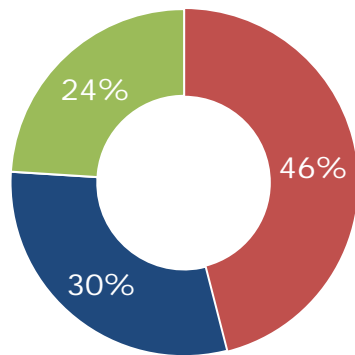
Revenue £976m -7%

● Construction	£627m
● Services	£211m
● Property	£138m



Operating profit* £29.6m -21%

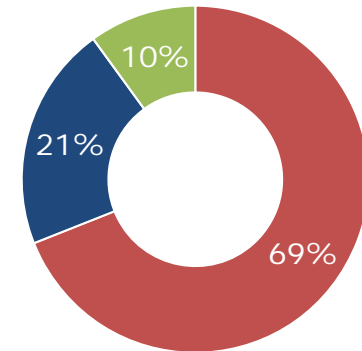
● Construction	£13.5m
● Services	£9.0m
● Property	£7.1m



December 2011

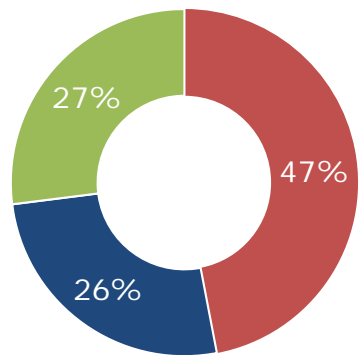
Revenue £1,046m

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



Operating profit* £37.6m

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



Income statement

		Six months to 31 December		Change
		2012 £m	2011 £m	%
Operating profit:	Group	23.5	28.4	
	Joint ventures (JVs)	0.7	0.5	
	Profit on disposal of PFI investments	5.3	6.7	
Total operating profit *		29.5	35.6	-17
Share of JVs	Finance income / (cost)	(0.4)	(0.1)	
	Tax	0.4	(0.1)	
Profit from operations		29.5	35.4	-17
Net finance cost		(2.5)	(1.4)	
Profit before tax, amortisation and exceptional items		27.0	34.0	-21
Amortisation of intangible assets relating to contract rights		(1.7)	(1.7)	
Exceptional items		(4.4)	-	
Profit before tax		20.9	32.3	-35
Taxation		(3.9)	(6.4)	
Minority interest		(0.8)	(0.6)	
Profit after tax attributable to equity holders		16.2	25.3	-36

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

Operating profit

Performance by division		Six months to 31 December		Change
		2012 £m	2011 £m	%
Construction		13.5	17.8	-24
Services		9.0	9.8	-8
Property	Property & PFI (including profit on disposal of PFI investments)	4.9	8.4	-42
	Homes	2.2	1.6	+38
Corporate		(0.1)	(2.0)	+95
Total operating profit *		29.5	35.6	-17
Net finance cost		(2.5)	(1.4)	
JV finance income / (cost)		(0.4)	(0.1)	
JV tax		0.4	(0.1)	
Pre-tax profit *		27.0	34.0	-21

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

Exceptional items

Six months to 31 December

2012
£m

Closure and discontinuation of Scaffolding business

(2.1)

Restructuring activities

(2.3)

Total exceptional items

(4.4)

Tax on exceptional items

1.0

Exceptional items after tax

(3.4)

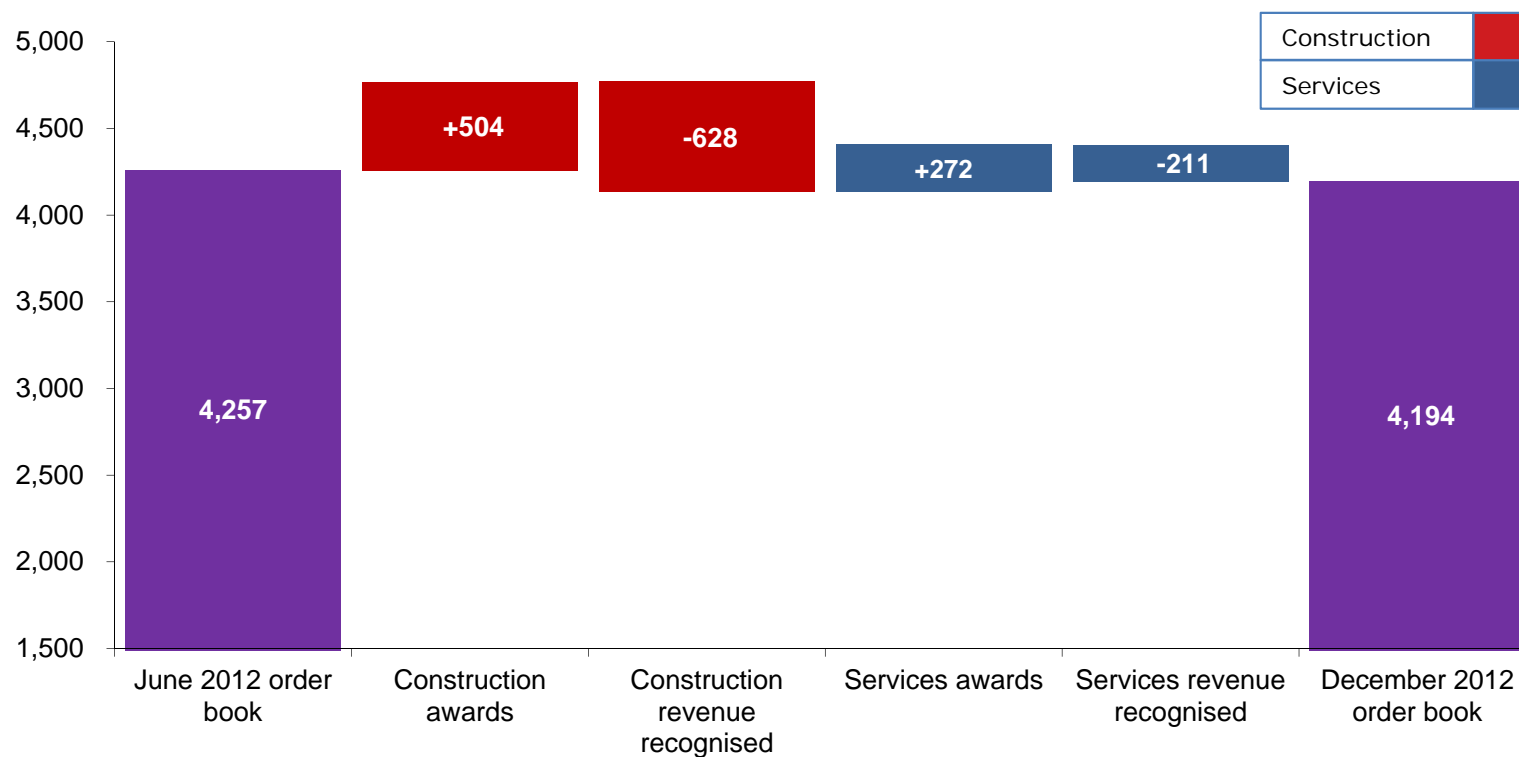
Earnings per share and dividend

	Six months to 31 December		Change
	2012	2011	%
Weighted average number of shares (m)	39.1	37.7	
Underlying earnings per share*	53.5p	70.3p	-24
Basic earnings per share	41.4p	67.1p	-38
Dividend per share	21.5p	21.5p	-

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

Order books

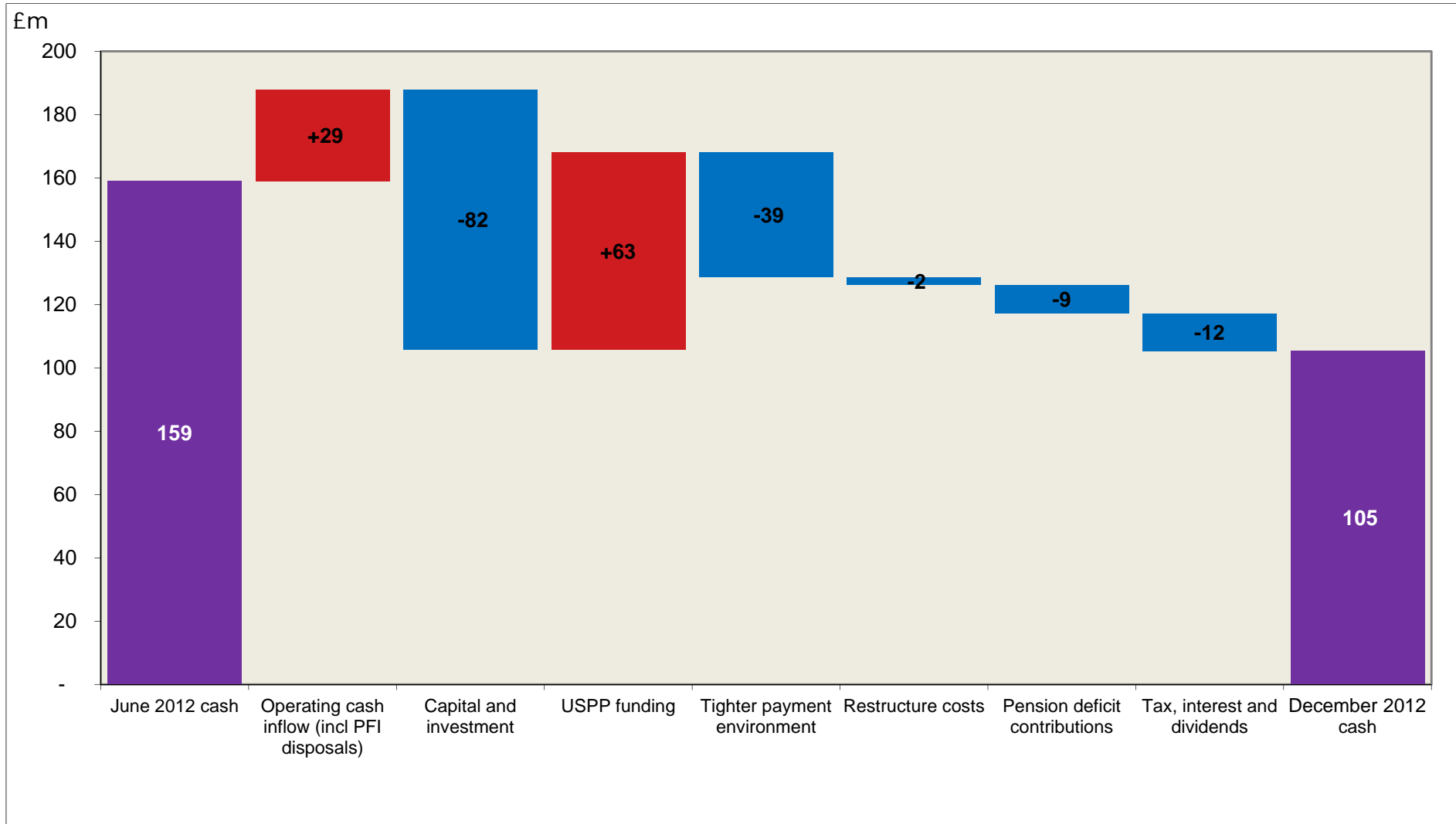
	At 31 December 2012 £m	At 30 June 2012 £m	Change %	At 31 December 2011 £m
Construction	2,083	2,207	-6	2,192
Services	2,111	2,050	+3	1,973
Total	4,194	4,257	-1	4,165



Balance sheet summary

	At 31 December	At 30 June	Change	At 31 December
	2012 £m	2012 £m	£m	2011 £m
Intangible assets	27	29	-2	25
Property, plant and equipment	104	103	+1	103
Investment in JVs	21	8	+13	6
Inventories	414	395	+19	409
Other working capital	(353)	(440)	+87	(466)
Cash	105	159	-54	161
Borrowings	(93)	(30)	-63	(30)
Provisions	(56)	(50)	-6	(47)
Pensions (net of deferred tax)	(49)	(44)	-5	(29)
Tax and deferred tax	22	24	-2	26
Net assets	142	154	-12	158

Group cash bridge



Inventories

	At 31 December	At 30 June	Change	At 31 December
	2012 £m	2012 £m	£m	2011 £m
Residential land	135	132	+3	148
Residential work in progress	120	124	-4	127
Commercial land and work in progress	98	86	+12	91
Other work in progress	61	53	+8	43
Inventories	414	395	+19	409

Pensions

	At 31 December	At 30 June	Change	At 31 December
	2012 £m	2012 £m	£m	2011 £m
Kier Group Pension Scheme:				
Market value of assets	752	722	+30	717
Present value of liabilities	(815)	(781)	-34	(750)
Deficit in the scheme	(63)	(59)	-4	(33)
Deferred tax	15	14	+1	8
Net pension liability	(48)	(45)	-3	(25)
Net effect of Sheffield Pension Scheme	(1)	1	-2	(4)
Total net pension liability	(49)	(44)	-5	(29)
Key assumptions: Discount rate	4.6%	4.7%		4.8%
Inflation rate – RPI	3.2%	3.0%		2.9%
Inflation rate – CPI	2.2%	2.0%		2.0%

IAS19 re-presentation

Interim update (June 2013 impact)

	2013 Current	2013 New	Change
	£m	£m	£m
Service cost	(13)	(13)	
Expected return on scheme assets (June 2012: 6.7%)	58		
Interest cost on scheme liabilities (June 2012: 4.7%)	(44)		
Interest on net deficit (June 2012: 4.7%)		(3)	
Total	1	(16)	-17

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

Summary

Solid performance

- Operating profit in line with expectations at £29.5m
- Average month-end cash of £68m
 - Robust capital structure with £93m of new funding at competitive pricing
 - Second half weighted as a result of the timing of property transactions
- Construction and Services order books >£4bn
- Prudent accounting practices

Interim dividend maintained at 21.5p

A stable platform to underpin future performance

Paul Sheffield

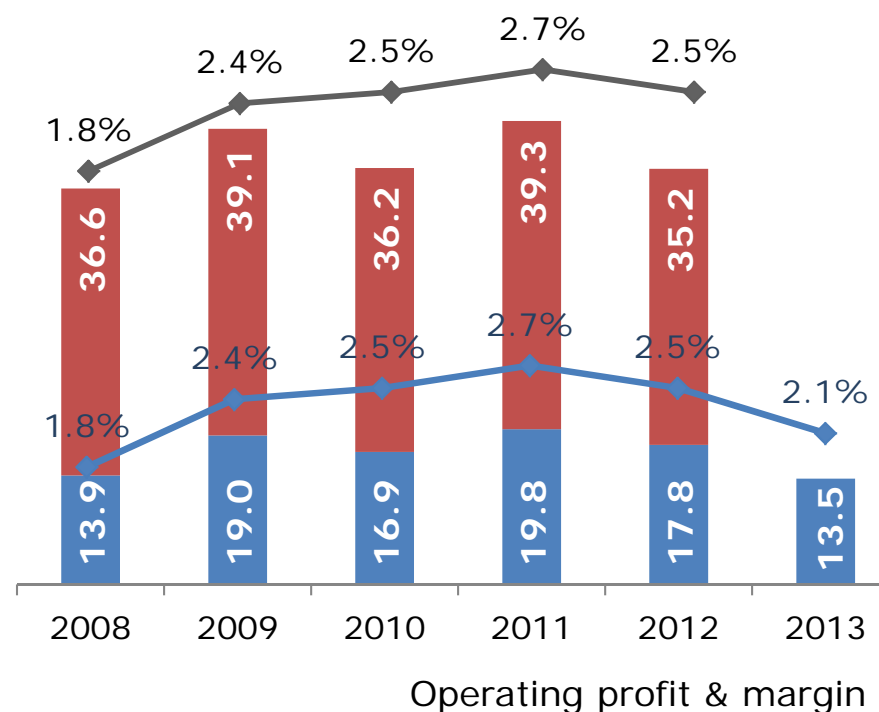
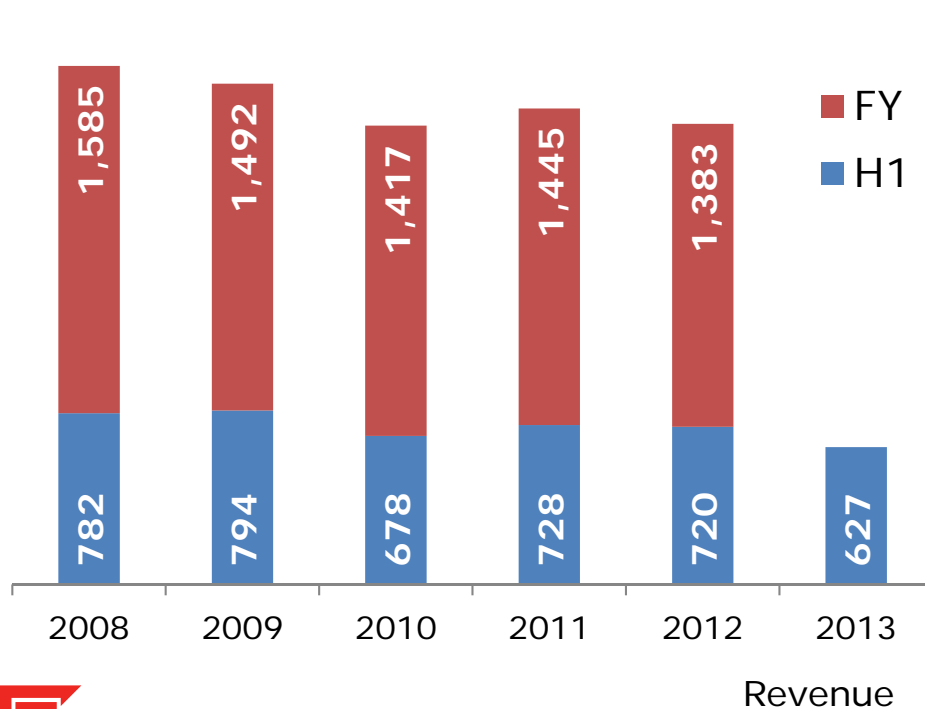
Chief Executive

Construction

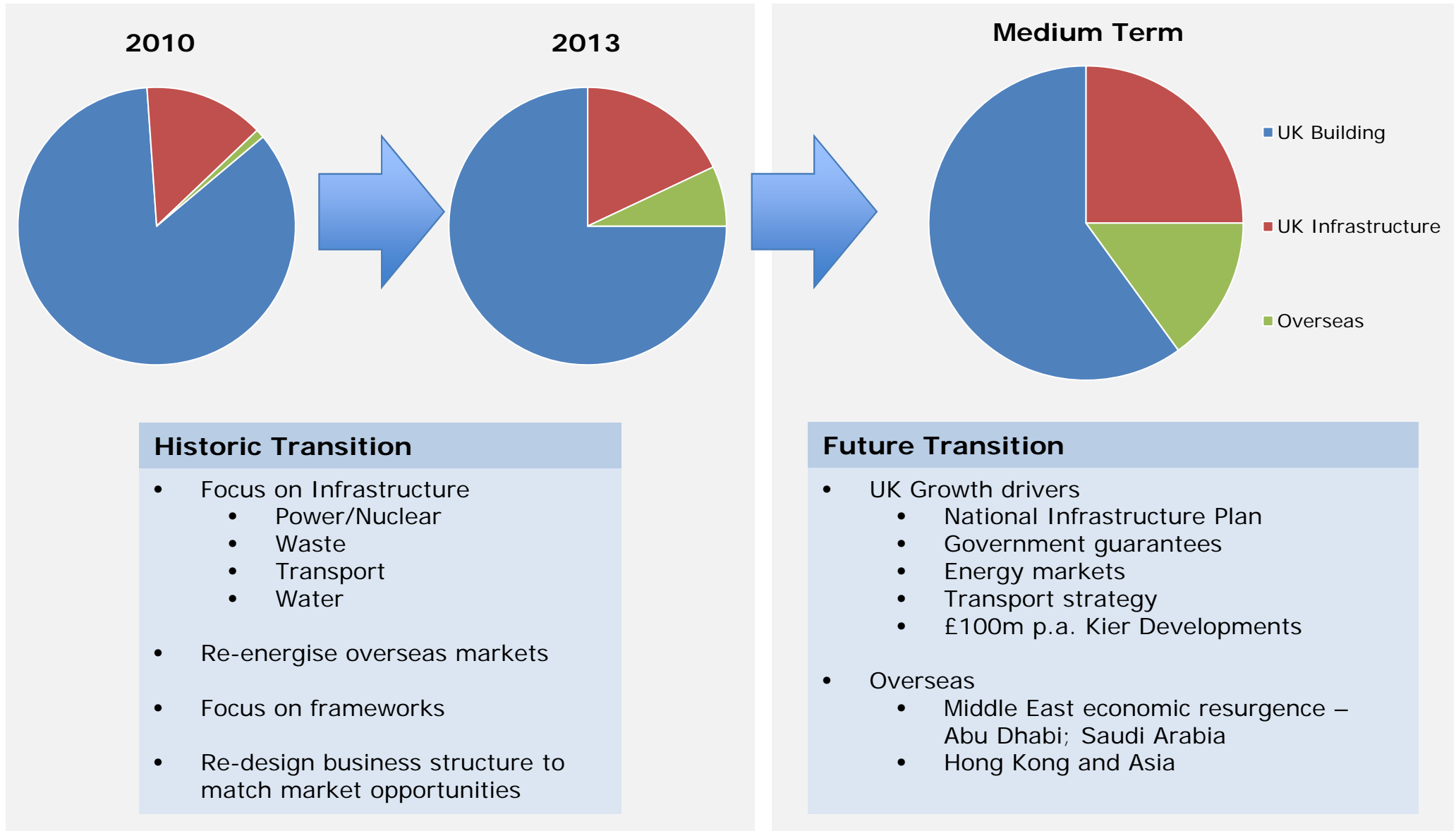


Construction

	Six months to 31 December			Year to June 2012
	2012 £m	2011 £m	Change %	£m
Revenue	627	720	-13	1,383
Operating profit	13.5	17.8	-24	35.2
Operating margin	2.1%	2.5%		2.5%
Order book (secure and probable)	2,083	2,192	-5	2,207
Cash	313	414	-24	361



Construction strategy (by revenue)



Restructuring

- UK building markets still in decline
- Approximately £12m of one-off costs in FY2013
- Cost base reduction of 8%
 - Staff and office reduction
 - Closure of non-core activities
 - <18 months payback on staff reduction
- Maintain regional focus and local business feel

Services



Maintenance, energy efficiency measures,
Stoke



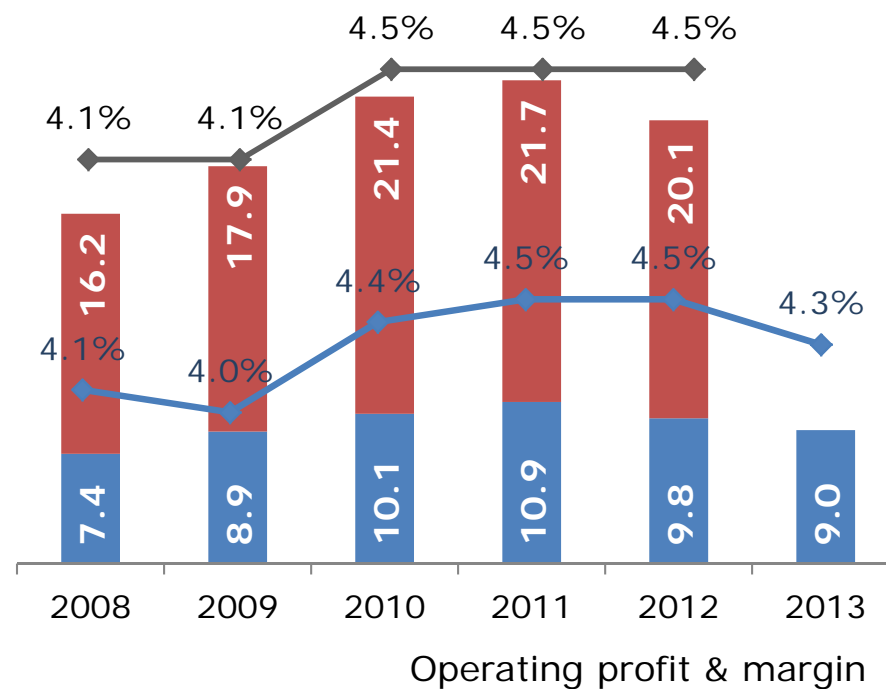
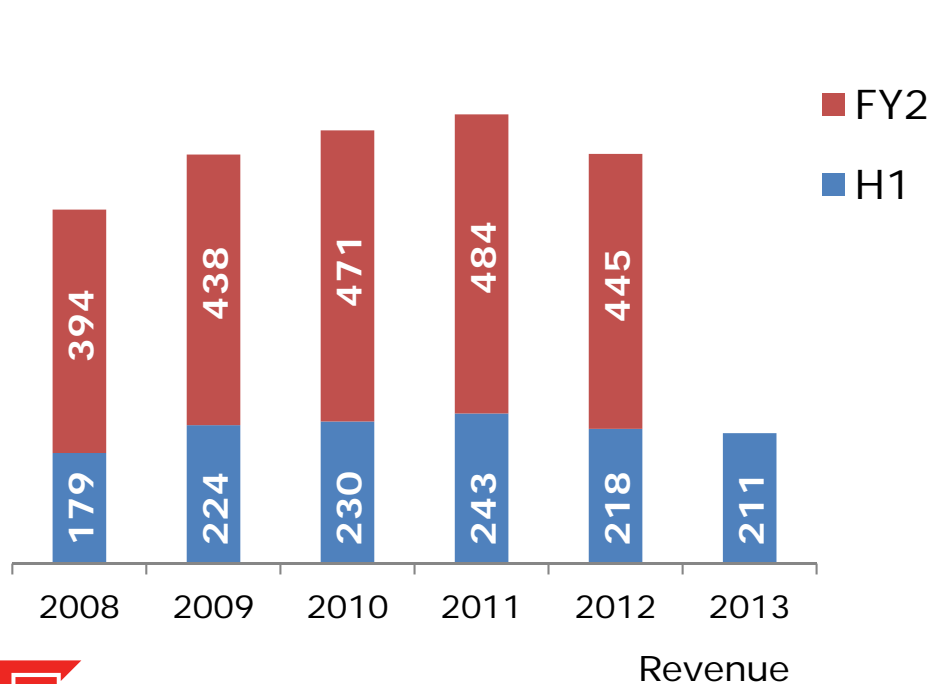
Facilities Management at Legal & General,
Cardiff



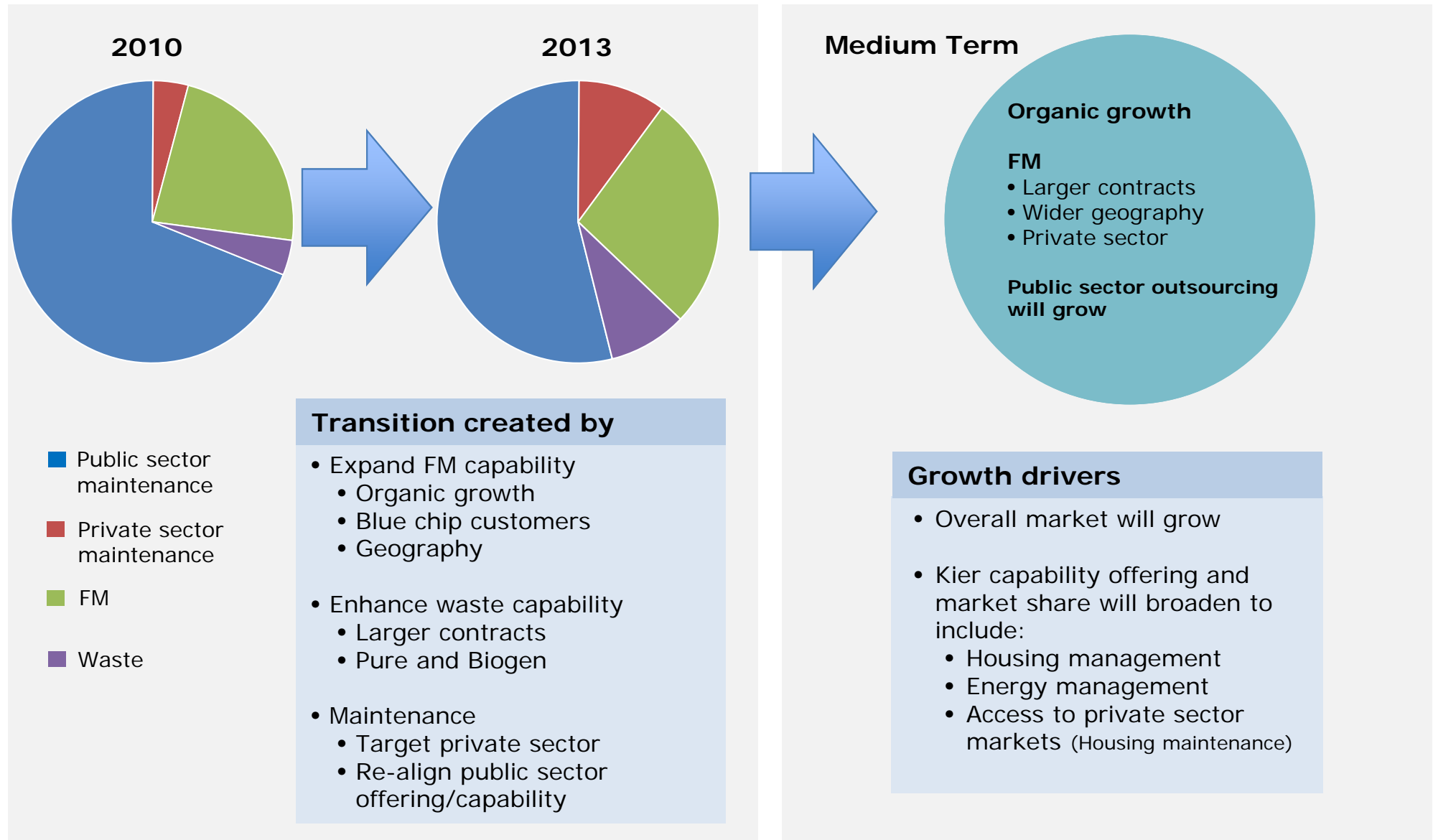
Environmental, Corby

Services

	Six months to 31 December			Year to June 2012
	2012 £m	2011 £m	Change %	£m
Revenue	211	218	-3	445
Operating profit	9.0	9.8	-8	20.1
Operating margin	4.3%	4.5%		4.5%
Order book (secure and probable)	2,111	1,973	+7	2,050
Cash	24	16	+50	19



Services strategy (by revenue)



Property



Gloucestershire fire station PFI projects



Solum, Walthamstow



Siemens Headquarters, Manchester



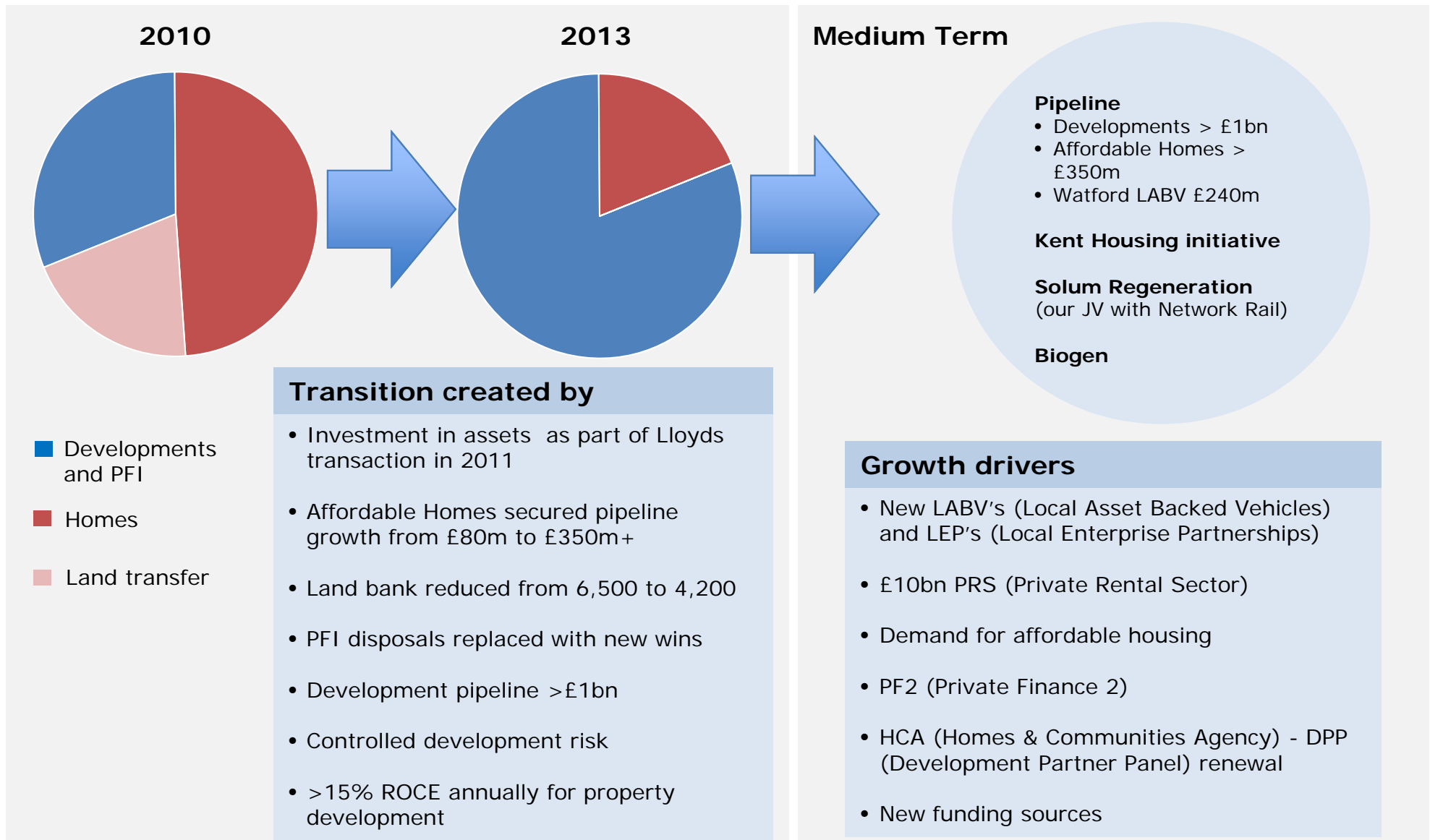
Savile Row, London

Property

	Six months to 31 December			Year to June 2012
	2012 £m	2011 £m	Change %	£m
Revenue				
Property and PFI	68	31	+119	92
Homes	70	77	-10	149
Operating profit				
Property and PFI (incl. £5.3m disposal profit)	4.9	8.4	-42	18.7
Homes	2.2	1.6	+38	3.3
Net operating assets				
Property and PFI	113	60	+88	42
Homes (land bank: 4,189 units)	276	299	-8	288

- Continued investment in the development pipeline
- £1.3bn+ combined pipeline
 - Property development >£1bn
 - Mixed tenure housing >£350m

Property strategy (by profit)



Outlook

Short term (12-18 months)

- On-going tough trading conditions across our core sectors
- Group revenues will broadly hold
- Restructure will mitigate construction margin pressure
- Opportunities flowing through overseas

Medium term (18-48 months)

- Encouraging prospects
- Unprecedented Government support
- Kier is well positioned for growth
 - Cash
 - People
 - Structure
 - Internal investment

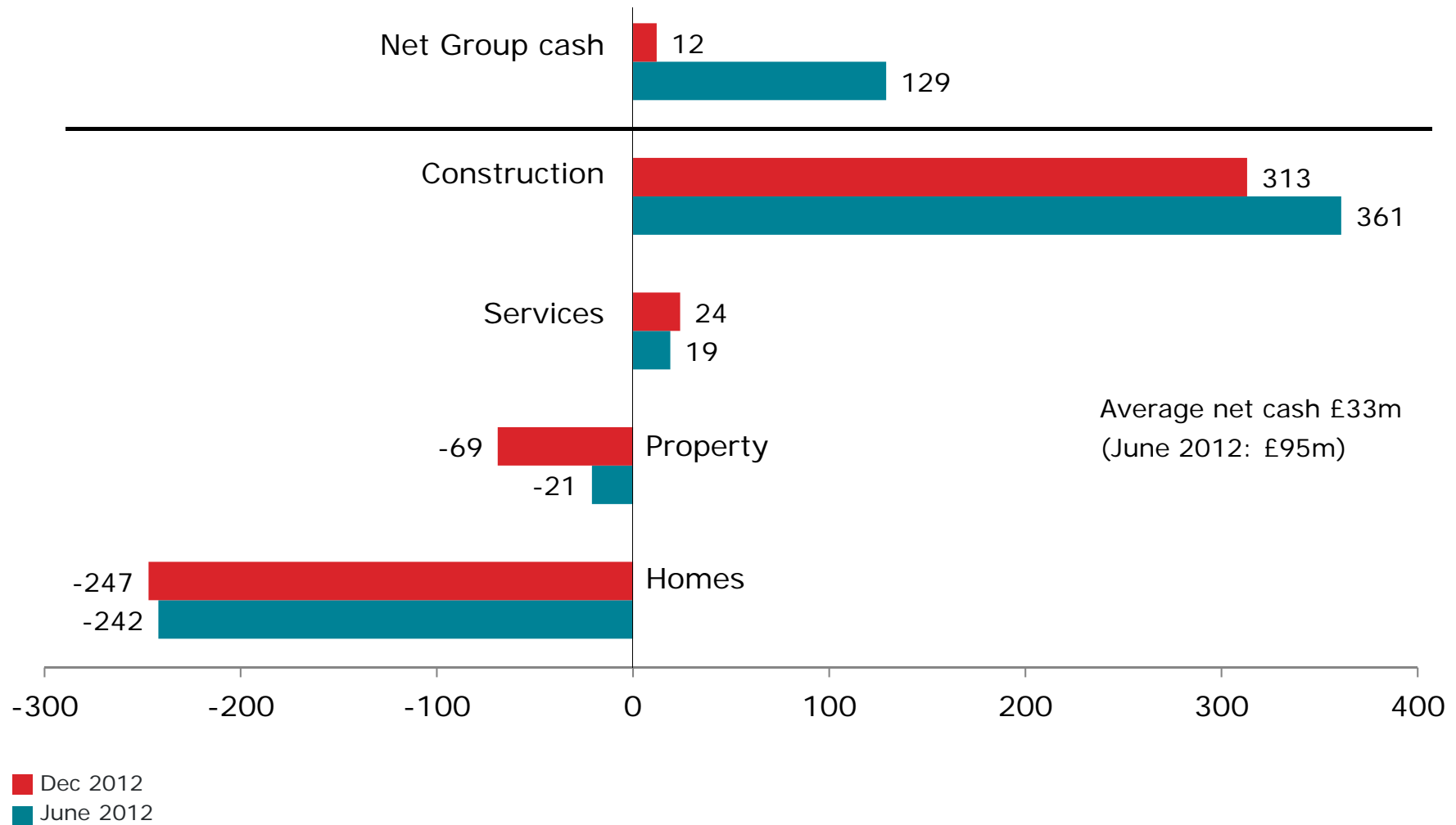
Questions



Appendices



Net cash by division



Construction

Sector	Revenue			
	Year to June 2011	Year to June 2012	6 months to Dec 2012	Future trend
Education	43%	37%	32%	↘
Health	6%	6%	10%	↗
Living	4%	7%	10%	↔
Transportation	2%	6%	9%	↔
Power, industrial and waste (incl. nuclear)	8%	7%	9%	↗
Overseas	3%	5%	8%	↗
Other	34%	32%	22%	

Services: bid pipeline (extract)

Council		Annual value £m	Duration (years)	Potential Gross £m	Start Date
MoD Prime	Housing Maint	100	5 + 5	1,000	2014
Housing 21	Facilities Mgmt	25	10	250	2013
Dacorum	Housing Maint	25	10	250	2014
Hammersmith & Fulham	Housing Maint	15	10	150	2013
Brent	Environmental	14	10	140	2014
Lincoln	Housing Maint	7	10	70	2013
Hyde Housing	Housing Maint	10	5	50	2013
Red Kite	Housing Maint	8	3 + 2	40	2014
L & Q	Housing Maint	8	4	32	2014
Wakefield	Asset Mgmt	3	10	30	2015
Crawley	Environmental	3	7	21	2014
Stockport	Asset Mgmt	2	10	20	2014

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	Oldham Library	Operational	14	1.0	50.0
	Woking Housing	Preferred Bidder	31	2.0	50.0
Student Accommodation	Salford University	Preferred Bidder	64	2.0	25.0
Education	Kent BSF PFI 1	Operational	69	7.8	80.0
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	2.2	50.0
	Stoke and Staffordshire Fire Stations	Preferred bidder	29	2.3	80.0
Investment				£25.4m	

(Green: Kier Construction and Services Red: Kier Construction contractor)

Of the £25m committed, £17m has been invested to date

Directors' valuation of investment to date, at 7.5% - £27m (including preferred bidder projects)