

# Interim Management Statement

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## **KIER GROUP PLC INTERIM MANAGEMENT STATEMENT**

Kier Group plc, the integrated construction, services and property group, announces its Interim Management Statement covering the period from 31 December 2013 to the date of this announcement.

### **Current trading and outlook**

Kier's underlying trading performance remains on course. We maintain good visibility of earnings for 2015 and continue to invest for growth.

### **Construction**

With the UK construction market improving, the Construction division is experiencing an increase in opportunities and it retains a selective approach to bidding. During the period we secured more than £500m of new contracts. Operating margins remain at around 2% with cash continuing to be managed closely. The order book of secured or probable work, at approximately £2.6bn, represents all of the forecast revenue for the year to 30 June 2014 and more than 80% of the forecast revenue for the year to 30 June 2015, a stronger position than in the prior year.

Strategic framework awards included a place on the £176m four-year North Wales Schools and Public Buildings Framework, preferred bidder on over £100m of Procure21+ work over the last three months and £100m secured on the Scape minor works programmes over the last 12 months. Increased UK Government expenditure on infrastructure continues. The end of March saw financial close of the £450m Mersey Gateway construction joint venture. Other construction awards included the £45m redevelopment of the grandstand at Cheltenham Racecourse.

Overseas there is a strong pipeline of opportunities. More specifically in the Caribbean we have secured a major health project as well as several hotel projects in the tourism sector which is showing signs of recovery. In the Middle East three contracts have been awarded; two infrastructure projects totalling £48m and a £26m university building project. We have also been awarded the construction management role on a new £33m hotel in Doha, Qatar. It is anticipated that further significant opportunities, particularly in the run up to the Dubai EXPO 2020, will arise there in the coming months. In Hong Kong our JV infrastructure contracts have been affected by the delays in the Mass Transit Rail Corporation timetable.

### **Services**

The Services division performed well in the period with an order book of approximately £3.5bn continuing to provide long-term visibility of revenue with all of the forecast revenue for the year to 30 June 2014 and more than 80% of forecast Services revenue for the year to 30 June 2015 secured or probable. During the period we have secured approximately £400m of new contracts. Operating margins across the division will exceed 4.5%, in line with expectations.

A high level of bidding is taking place particularly in the utilities sector where the AMP6 bidding cycle is under way. We have been selected as preferred bidder on two new long-term contracts with Anglian Water under its AMP6 programme, with a combined total value of up to £130m, commencing July 2015. In the housing maintenance business we have been selected as preferred bidder for a £30m per annum four-year contract for one of the G15 housing associations.

### **Property**

The Property division has maintained its pipeline in excess of £1bn for property development and has delivered its targeted 15% return on development capital.

Since January the sale of the holding in the Kent Schools PFI has been completed and in early April our holding in the Justice Support Services PFI was increased to 100%. Other highlights of the period included the forward-funded sale of a 140,000 sq ft membership warehouse club for Costco at Western International Market (WIM) site in Hayes, Middlesex and Solum Regeneration's completion of the first 16 residential sales at Walthamstow.

We continue to invest working capital to grow the mixed tenure housing business, which has a pipeline at the end of March of approximately £450m. The private housing business performed well, supported by the Government's Help to Buy scheme, and remains on track to deliver approximately 600 completions this year.

**Financial position**

The Group's underlying cash performance remains in line with expectations.

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