

INTEGRATED EXCELLENCE
INDIVIDUAL FLAIR
KIER GROUP PLC

INTERIM
RESULTS
PRESENTATION
25 February
2009

Six months to
31 December
2008



INTERIM HIGHLIGHTS

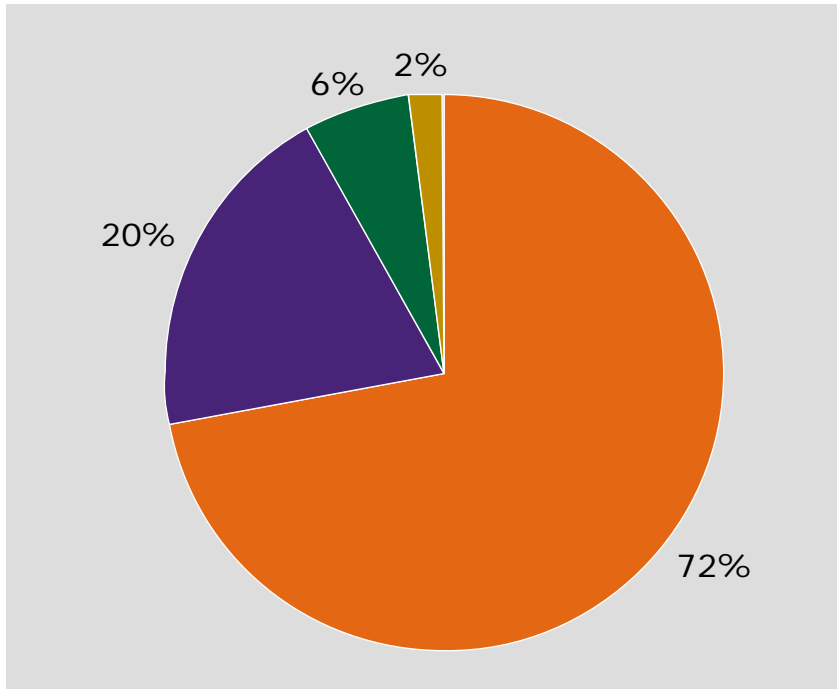
- Underlying pre-tax profits* at £26.4m (2007: £45.6m)
 - Underlying EPS* at 51.1p (2007: 90.3p)
 - Interim dividend maintained at 18.0p
 - £82.2m of net cash at 31 December 2008 (2007: £135.9m) – further investment in UK Supreme Court and land commitments
 - Order books for Construction and Support Services at £3.32bn (2007: £3.20bn)
 - Further restructuring of Partnership Homes division
 - Land write-downs offset by pension credit
- * Underlying pre-tax profits and EPS are stated before amortisation of intangible assets and exceptional items

REVENUE

SIX MONTHS TO 31 DECEMBER

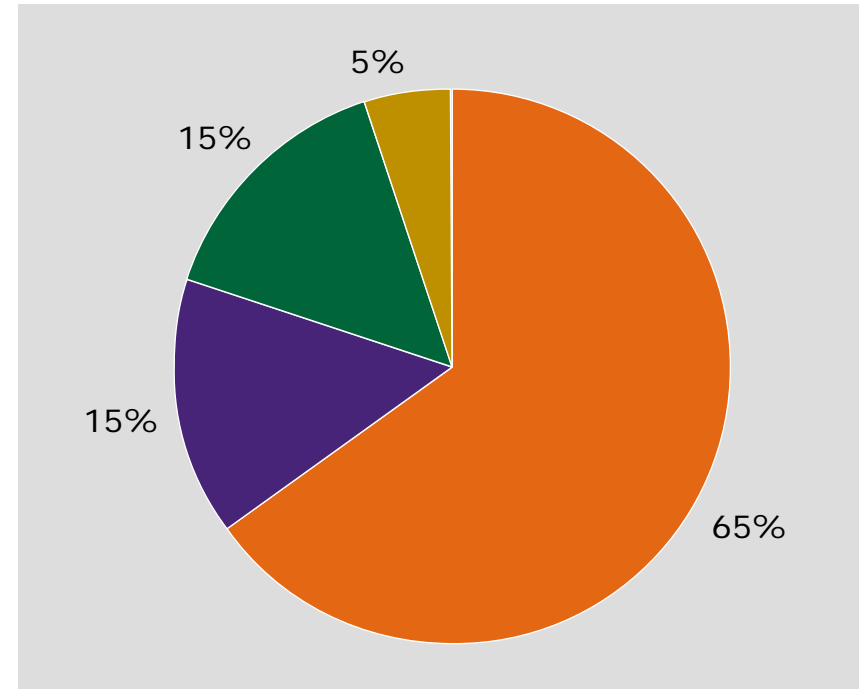
- Construction (£794.2m)
- Support Services (£224.4m)
- Partnership Homes (£67.5m)
- Developments (£22.6m)

2008 (£1,108.7m)



- Construction (£781.9m)
- Support Services (£179.3m)
- Partnership Homes (£177.4m)
- Developments (£66.9m)

2007 (£1,205.5m)



UNDERLYING PRE-TAX PROFIT

SIX MONTHS TO 31 DECEMBER

		<i>Before exceptional items 2008 £m</i>	<i>Exceptional items 2008 £m</i>	<i>Including exceptional items 2008 £m</i>	<i>2007 £m</i>	<i>Change to pre- exceptional results %</i>
Operating profit:	Group	25.6	10.1	35.7	41.9	-38.9
Operating profit:	joint ventures	0.6	(5.3)	(4.7)	2.8	-78.6
Group and share of joint ventures		26.2	4.8	31.0	44.7	-41.4
Share of joint ventures:	finance cost	(1.1)	-	(1.1)	(1.5)	+26.7
	tax	(0.2)	1.5	1.3	(0.9)	+77.8
Profit from operations		24.9	6.3	31.2	42.3	-41.1
Net finance income		0.4	-	0.4	2.3	-82.6
Profit before tax		25.3	6.3	31.6	44.6	-43.3
Taxation		(7.0)	(2.8)	(9.8)	(12.3)	-
Profit after tax		18.3	3.5	21.8	32.3	-43.3
Minority interest		(0.5)	-	(0.5)	(0.5)	-
Profit after tax attributable to equity holders		17.8	3.5	21.3	31.8	-44.0

EXCEPTIONAL ITEMS

	SIX MONTHS TO 31 DECEMBER		YEAR TO 30 JUNE	
		2008 £m		2008 £m
Credit from change in salary related pension benefits		24.3		-
Partnership Homes reorganisation and restructuring costs		(0.8)		(9.5)
Partnership Homes land write-downs		(12.2)		(26.6)
Developments write-downs:	Group	(1.2)		(1.5)
	joint ventures	(5.3)		(3.2)
Profit from the sale of Hairmyres PFI asset		-		16.2
Total exceptional items		4.8		(24.6)
Tax on exceptional items:	Group	(2.8)		9.3
	joint ventures	1.5		0.9
Exceptional items net of tax		3.5		(14.4)

EARNINGS PER SHARE AND DIVIDEND

	SIX MONTHS TO 31 DECEMBER			YEAR TO 30 JUNE
	2008	2007	Change %	2008
Dividend per share	18.0p	18.0p	0.0	55.0p
Weighted average number of shares	36.4m	36.0m	+1.1	36.1m
Dividend cover (based on adjusted EPS)	2.8x	5.0x	-	3.2x
Adjusted profit before tax excluding exceptional items and amortisation of intangibles	£26.4m	£45.6m	-42.1	£89.2m
Adjusted earnings per share excluding exceptional items and amortisation of intangibles	51.1p	90.3p	-43.4	174.8p
Basic earnings per share	58.5p	88.3p	-33.7	130.7p

SEGMENTAL ANALYSIS

BEFORE EXCEPTIONAL ITEMS

		SIX MONTHS TO 31 DECEMBER			YEAR TO 30 JUNE
		2008	2007	Change	2008
		£m	£m	%	£m
Revenue:	Construction	794.2	781.9	+1.6	1,584.5
	Support Services	224.4	179.3	+25.2	393.7
	Partnership Homes	67.5	177.4	-62.0	311.5
	Developments	22.6	66.9	-66.2	84.5
		1,108.7	1,205.5	-8.0	2,374.2
Operating profit: *	Construction	19.0	13.9	+36.7	36.6
	Support Services ¹	7.8	6.4	+21.9	14.1
	Partnership Homes	0.4	20.5	-98.0	32.2
	Developments	0.6	7.5	-92.0	11.7
	Centre costs	(1.6)	(3.6)	+55.6	(7.3)
		26.2	44.7	-41.4	87.3
Profit before tax: *	Construction	28.9	23.9	+20.9	56.8
	Support Services ¹	7.9	6.5	+21.5	14.8
	Partnership Homes	(9.4)	12.9	-	14.9
	Developments	(0.8)	5.1	-	8.0
	Centre costs ²	(1.3)	(3.8)	+65.8	(7.4)
		25.3	44.6	-43.3	87.1

Comparative figures have been restated to take into account the restructuring set out in Appendix I

¹ After amortisation of intangible assets of £1.1m (2007: £1.0m, June 2008: £2.1m)

² Includes LTIP charge of £nil (2007: £2.7m, June 2008: £1.0m)

BALANCE SHEET

SUMMARY

		AT 31 DECEMBER		AT 30 JUNE
	2008	2007	Change	2008
	£m	£m	£m	£m
Intangible assets	12.3	12.6	-0.3	13.4
Property, plant and equipment	92.5	84.6	+7.9	92.2
Investments in joint ventures	28.6	32.2	-3.6	39.9
Inventories	515.6	482.9	+32.7	516.4
Other working capital	(509.0)	(499.7)	-9.3	(548.0)
Cash	112.4	166.1	-53.7	174.1
Long-term borrowings	(30.2)	(30.2)	-	(30.2)
Provisions	(32.6)	(25.5)	-7.1	(33.9)
Pensions (net of deferred tax)	4.1	(24.8)	+28.9	(33.6)
Tax and deferred tax	(4.4)	(18.3)	+13.9	(7.2)
Net assets	189.3	179.9	+9.4	183.1

BALANCE SHEET

ITEMS

	AT 31 DECEMBER 2008 £m	AT 30 JUNE 2008 £m	Change £m
Residential land	264.4	276.0	-11.6
Residential WIP	164.5	161.7	+2.8
Commercial land and WIP	35.5	24.8	+10.7
Other WIP	51.2	53.9	-2.7
Inventories	515.6	516.4	-0.8
Land commitments	51.0	56.4	-5.4

PENSIONS

IAS 19

	2008 £m	AT 31 DECEMBER 2007 £m	Change £m	AT 30 JUNE 2008 £m
Kier Group Pension Scheme:				
Market value of assets	551.4	535.3	+16.1	538.4
Present value of liabilities	(547.7)	(576.1)	+28.4	(584.1)
Surplus (deficit) in the scheme	3.7	(40.8)	+44.5	(45.7)
Deferred tax (liability) asset	(1.0)	11.5	-12.5	12.8
Net pension asset (liability)	2.7	(29.3)	+32.0	(32.9)
Net effect of Sheffield Scheme	1.4	4.5	-3.1	(0.7)
Net pension asset (liability)	4.1	(24.8)	+28.9	(33.6)

- Special contributions of £64.5m made since March 2005
- Agreement in principle for further special contributions of £8.0m per annum for the next ten years
- £24.3m credit from change in benefits for active members in the final salary section arising from restriction of future pensionable salary increases to the lower of the annual increase in RPI and salary increases
- Actuarial gain arising from using AA corporate bond yields for accounts purposes

CASH FLOW

SUMMARY FOR THE SIX MONTHS TO 31 DECEMBER 2008

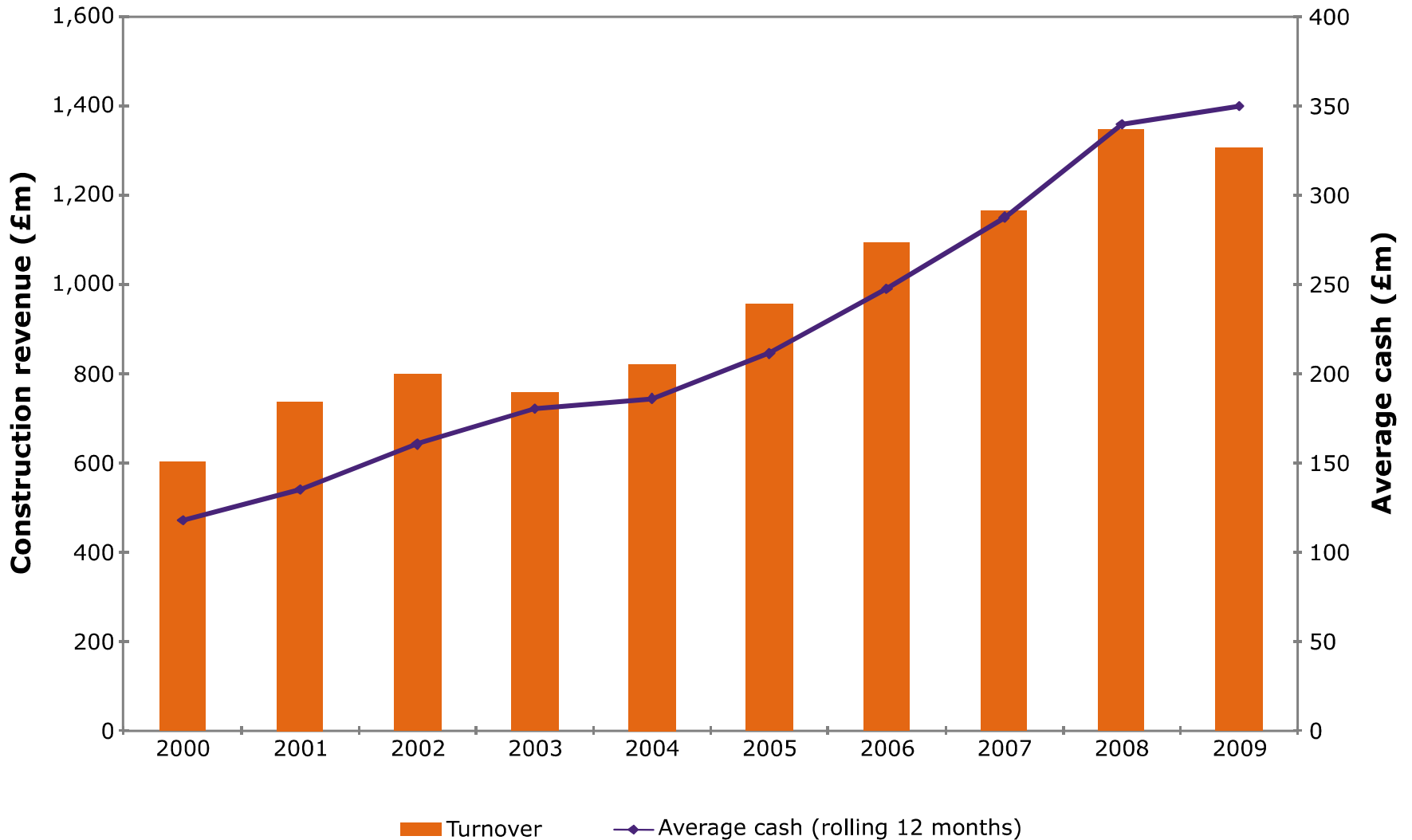
	AT 31 DECEMBER 2008 £m	AT 30 JUNE 2008 £m	Change £m
Construction	410.0	409.5	+0.5
Support Services	19.7	17.4	+2.3
Partnership Homes	(280.8)	(242.6)	-38.2
Developments	(49.8)	(24.9)	-24.9
Centre	(16.9)	(15.5)	-1.4
Net cash	82.2	143.9	-61.7

Partnership Homes: outflow of £38.2m arising from final settlement for Hugh Bourn Homes £12m, committed land purchases and options £15m, restructuring costs £7m, financing £10m and reduced income from unit sales

Developments: outflow of £24.9m arising from investment in UK Supreme Court development, equity contributions Network Rail JV and other KPI joint ventures

KIER REGIONAL

REVENUE VS AVERAGE CASH 2000 TO 2008



CONSTRUCTION

KEY PERFORMANCE INDICATORS

	2008 £m	SIX MONTHS TO 31 DECEMBER 2007 £m	Change %	YEAR TO 30 JUNE 2008 £m
Revenue	794.2	781.9	+1.6	1,584.5
Operating profit	19.0	13.9	+36.7	36.6
Operating margin	2.4%	1.8%	-	2.3%
Cash at period end	410.0	373.3	+9.8	409.5
Order book	1,490	1,530	-2.6	1,600

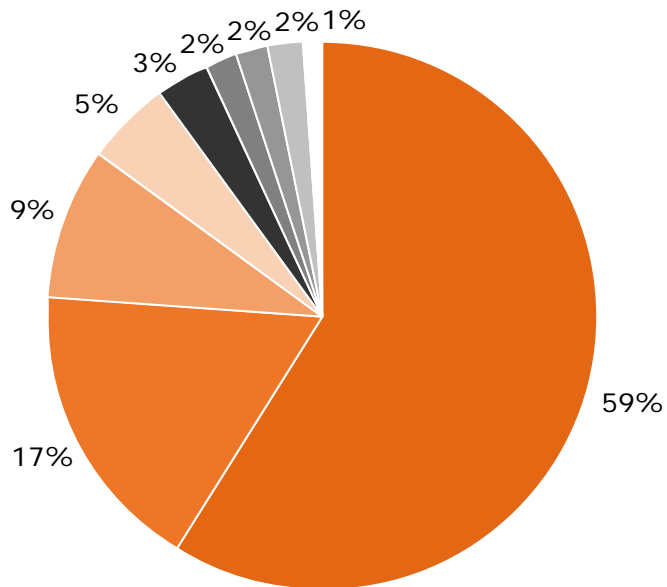


CONSTRUCTION

KEY MARKETS

% AWARDS BY SECTOR

- Education
- Energy
- Commercial
- Health
- Custodial
- Residential
- Transport
- Retail
- Other



SIX MONTHS TO 31 DECEMBER 2008 YEAR TO 30 JUNE 2008

Public sector awards	67%	50%	50%
Private sector awards	33%	50%	50%
	100%	100%	100%
Negotiated and two-stage bids	65%	80%	80%
Competitive tender	35%	20%	20%
	100%	100%	100%

Average regional contract size less than £6m

CONSTRUCTION

MARKETS AND OPPORTUNITIES

SECTOR	FRAMEWORKS	OPPORTUNITIES
EDUCATION <ul style="list-style-type: none"> £400m of awards 40% in frameworks 	<ul style="list-style-type: none"> Academies framework Primary Capital Investment Programme LHC framework 	<ul style="list-style-type: none"> £340m awarded/preferred bidder: <ul style="list-style-type: none"> Three projects on site at £70m Appointed preferred bidder on £270m of work including: Norfolk, Wirral, Sefton, Cumbria, Lincolnshire, Andover Another £1.0bn to market this year £60m awarded and substantial pipeline of further opportunities £70m pa, four UK regions, three contractors in each and Kier secured place in all
ENERGY <ul style="list-style-type: none"> £95m of awards West Burton CCGT 		<ul style="list-style-type: none"> Coal fired power stations Gas fired power stations Potential nuclear new build programme Energy from waste

CONSTRUCTION

MARKETS AND OPPORTUNITIES

SECTOR	FRAMEWORKS	OPPORTUNITIES
HEALTH <ul style="list-style-type: none"> • £34m of awards • 53% in frameworks 	<ul style="list-style-type: none"> • ProCure 21 	<ul style="list-style-type: none"> • Has provided Kier with £324m to date and we continue to bid for new projects typically in the £3m to £15m range
CUSTODIAL <ul style="list-style-type: none"> • £21m of awards • 100% in frameworks 	<ul style="list-style-type: none"> • Ministry of Justice 	<ul style="list-style-type: none"> • Several custodial projects including prisons, immigration centres, Youth Justice Board • Awards include Elmley, Everthorpe, Maidstone, Dover • Two further years to run • On site at nine prisons including Norwich, Frankland and Lewes

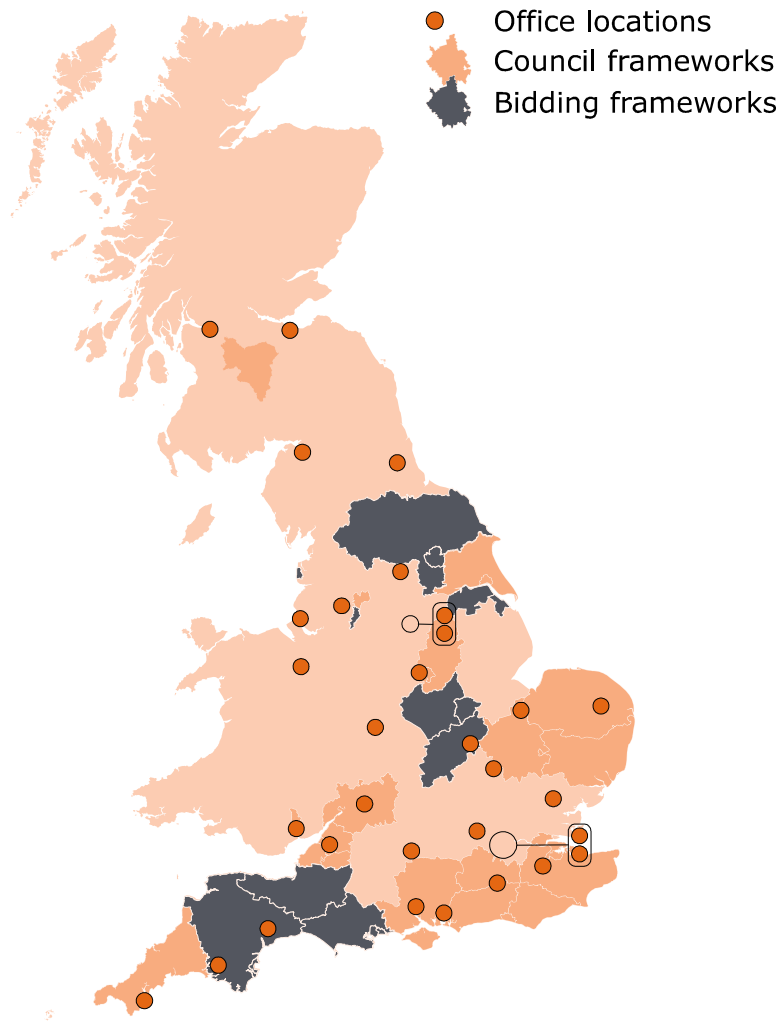
CONSTRUCTION

MARKETS AND OPPORTUNITIES

SECTOR	FRAMEWORKS	OPPORTUNITIES
REGULATED EXPENDITURE	<ul style="list-style-type: none"> • Network Rail East Anglian Structures framework • United Utilities AMP4 framework agreement North West • BAA plc: commodity build frameworks 	<ul style="list-style-type: none"> • Kings Cross roof refurbishment bid • Crossrail opportunities • AMP5 water framework in North West (KMI+) • Total framework delivery £650m over five years between five contractors
MINING		<ul style="list-style-type: none"> • Mined 3m tonnes to date • Still 1.8m tonnes to sell in proven mine of which 76% forward sold • Extensions to Greenburn (subject to planning) to take us beyond 2014
OVERSEAS		<ul style="list-style-type: none"> • Retail, commercial and residential buildings in Romania • Opportunities in Saudi Arabia: established an eight-year phosphate mine • Dubai slowing

CONSTRUCTION

CONSTRUCTION PROSPECTS



- Order books are good: 95% secure for 2009
- Around 80% secure and probable for 2010
- Cash at £410.0m continues to be healthy
- Public sector frameworks
- Private sector expenditure needed on:
 - Energy
 - Airports
 - Transport
 - Water

KIER SUPPORT SERVICES

KEY PERFORMANCE INDICATORS

	2008 £m	SIX MONTHS TO 31 DECEMBER 2007 £m	Change %	YEAR TO 30 JUNE 2008 £m
Revenue	224.4	179.3	+25.2	393.7
Operating margin*	4.0%	4.0%	-	4.0%
Cash at period end	19.7	18.9	+4.2	17.4
Order book:				
Building Maintenance	1,199	1,044	+14.8	1,379
Facilities Services	578	586	-1.4	579
Street Services	53	44	+20.5	65
Total		1,830	1,674	+9.3
	2,023			

* Before amortisation of intangible assets



KIER SUPPORT SERVICES

FOUR BUSINESS STREAMS

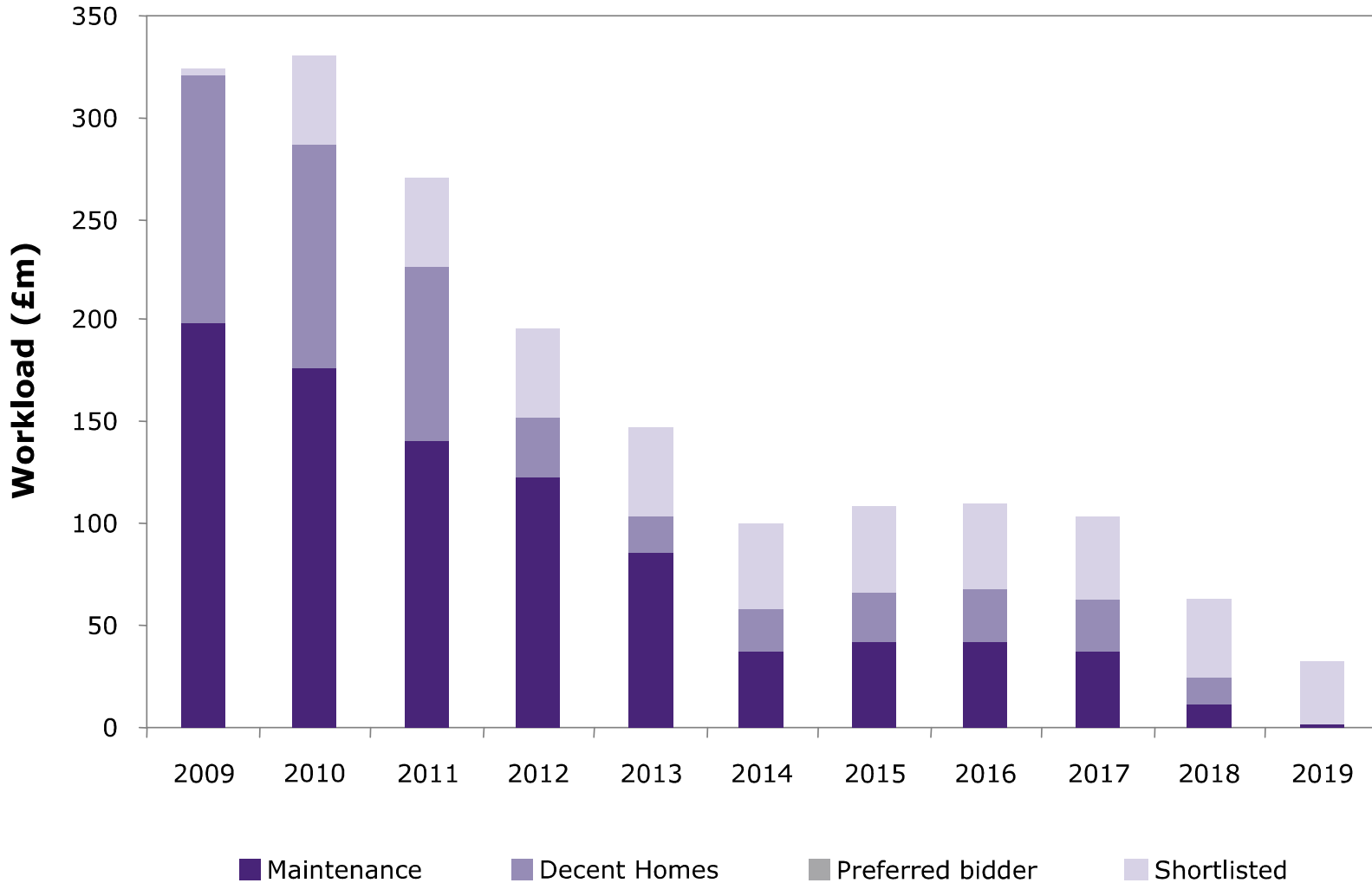
- **Building Maintenance:**
 - Local authority and Housing Association maintenance contracts and Decent Homes
- **Facilities Services:**
 - PFI hard and soft services
 - Public and private sector opportunities
 - M&E services
 - Maintenance and design & construct capability
- **Street Services:** Waste and recycling, street scene and grounds maintenance
- **Plant:** Plant hire both external and internal

	SIX MONTHS TO 31 DECEMBER			YEAR TO 30 JUNE
	2008 £m	2007 £m	Change %	2008 £m
Revenue:				
Building Maintenance	169.3	127.8	+32.5*	288.7
Facilities Services	47.1	52.1	-9.6	102.0
Street Services	10.2	6.5	+56.9	13.9
Plant	15.9	17.2	-7.6	35.2
Intragroup	(18.1)	(24.3)	-	(46.1)
	224.4	179.3	+25.2	393.7

* Growth driven by Stoke contract awarded in February 2008

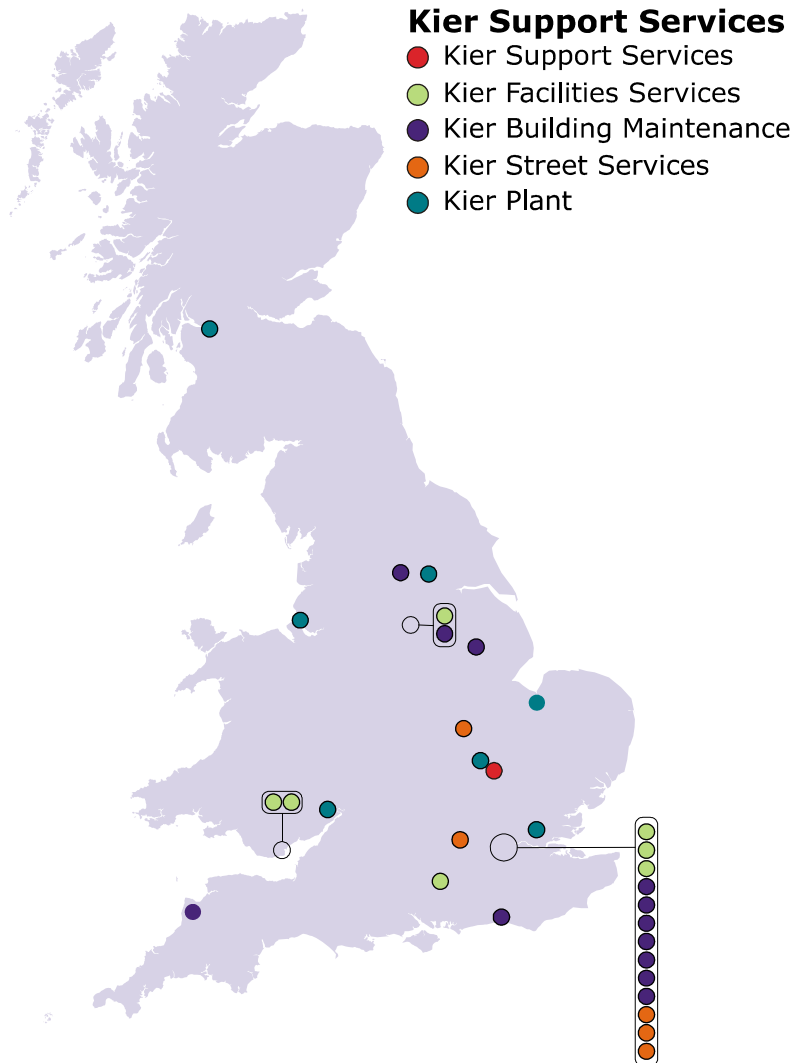
KIER SUPPORT SERVICES

BUILDING MAINTENANCE: SECURED FORWARD REVENUE AS AT 31 DECEMBER 2008



KIER SUPPORT SERVICES

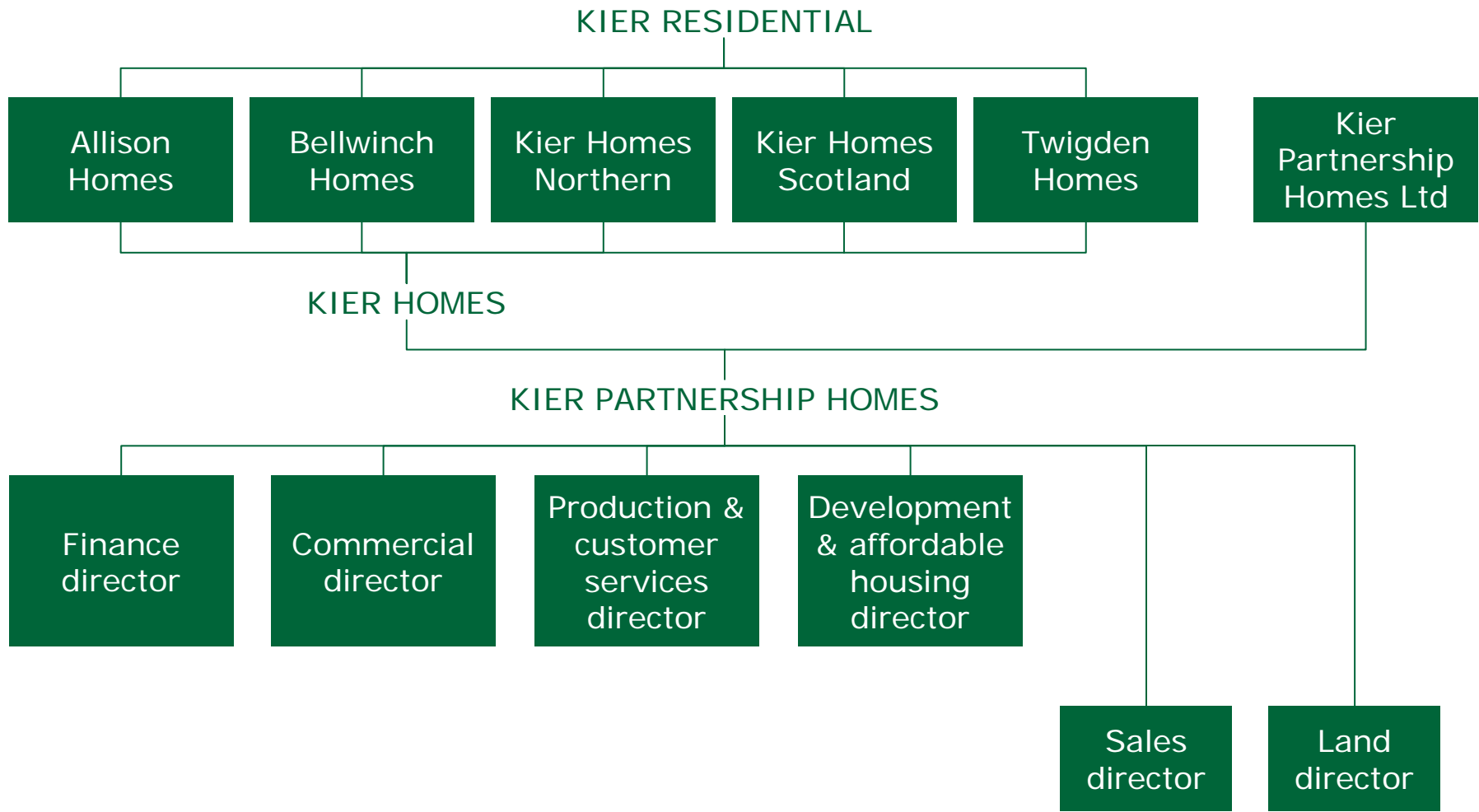
PROSPECTS



- Shortlisted on North Tyneside at £40m pa for 10 years – 16,000 social homes
- Good visibility in revenue on long-term contracts
- Requirement for social housing maintenance continues
- Opportunities for further outsourcing
- Shortlisted on Sheffield City Council facilities management contract – £6m pa for 7 years

KIER PARTNERSHIP HOMES

RESTRUCTURED



KIER PARTNERSHIP HOMES

KEY PERFORMANCE INDICATORS

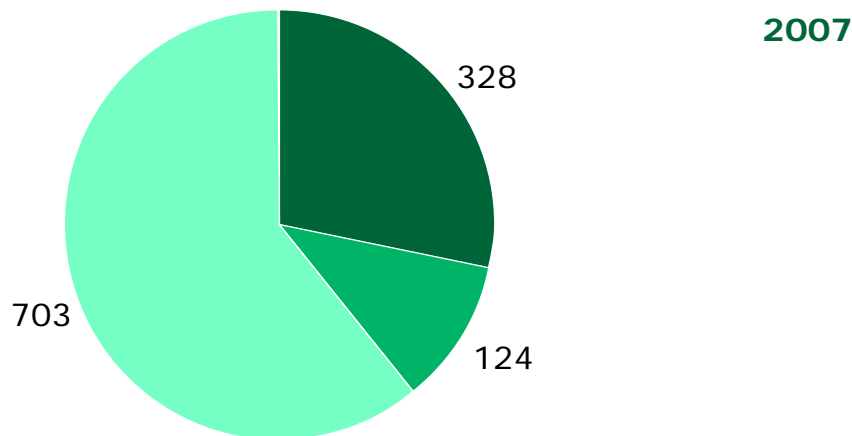
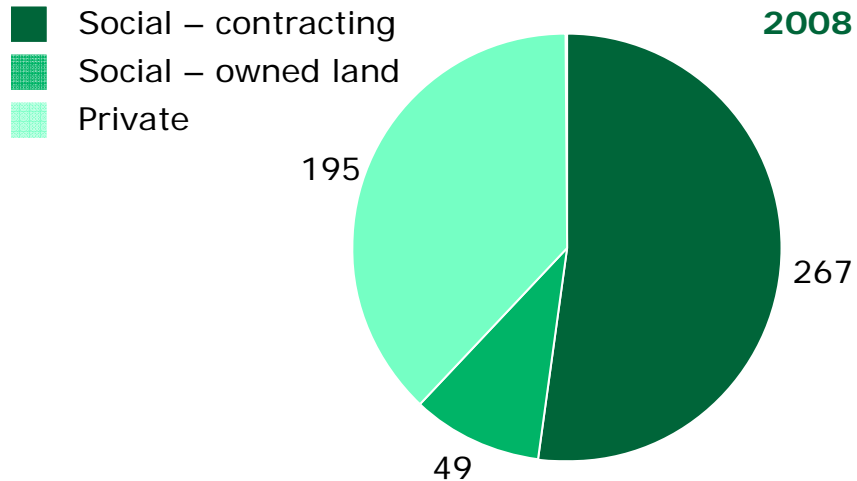


	SIX MONTHS TO 31 DECEMBER			YEAR TO 30 JUNE
	2008 £m	2007 £m	Change %	2008 £m
Revenue:				
Social	36.5	48.0	-24.0	95.7
Private	31.0	129.4	-76.0	215.8
	67.5	177.4	-62.0	311.5
Operating profit	0.4	20.5	-98.0	32.1
Unit sales	511	1,155	-55.8	2,090
Land bank (indicative plots)	6,500	6,300	+3.2	6,200

Five homes businesses plus social housing contracting business now fully merged into one division

KIER PARTNERSHIP HOMES

UNIT SALES: SIX MONTHS TO 31 DECEMBER



- Adding value:
 - Conversion of private housing sites to social housing
 - Conversion of private housing sites to mixed use and commercial if appropriate
 - HomeBuy Direct Equity Scheme – government support for purchasers
 - Transfer of strategic portfolio to Kier Property for change in use opportunities
 - Large wholly owned strategic site already achieved planning for considerable future value
 - Restructuring saves costs of c£20m per annum from the level a year ago

KIER DEVELOPMENTS

KEY PERFORMANCE INDICATORS



- Consolidation of:
 - Kier Property
 - Kier Project Investment (PFI)
 - Kier Asset Partnership Services (KAPS)

into one division

- KAPS shortlisted on contract for Sheffield City Council – 7 years

	SIX MONTHS TO 31 DECEMBER			YEAR TO 30 JUNE
	2008 £m	2007 £m	Change %	2008 £m
Revenue:				
Property	14.7	58.3	-75.0	69.6
PFI	7.9	8.6	-8.1	14.9
	22.6	66.9	-67.1	84.5
Operating profit:				
Property	0.6	7.5	-92.1	12.0
PFI	0.8	0.2	+300.0	0.3
KAPS	(0.8)	(0.2)	-300.0	(0.6)
	0.6	7.5	-92.1	11.7

KIER PROPERTY

HIGHLIGHTS

- Good construction progress at Supreme Court – completion March 2009
- Completion of fruit and vegetable market at Hounslow releases site for re-development
- Good construction progress at Reading on 216,000sq ft development – pre-let to Yell
- Joint venture with Network Rail is making good progress on development opportunities – Epsom the first to come forward
- Ordnance Survey headquarters to start on site Spring 2009 – releases land for mixed-use development in 2011



KIER PROJECT INVESTMENT

KEY PERFORMANCE INDICATORS

- Appointed preferred bidder on Police Investigation Centres: six facilities across Norfolk and Suffolk for £60m
- Shortlisted on:
 - Woking Social Housing
 - Liverpool Library
 - Sussex Care Homes
 - Gloucester and North West fire stations



KIER PROJECT INVESTMENT

CURRENT PROJECTS

SECTOR	PROJECT	STATUS	CAPITAL VALUE £M	KIER EQUITY/ LOAN STOCK £M	EQUITY %
Health	West Berkshire Hospital	Operational	25	1.8	50
	Hinchingsbrooke	Operational	19	1.1	50
	Ipswich Hospital	Operational	27	1.3	50
Local authority	Bournemouth Library	Operational	14	0.7	50
	Oldham Library	Operational	14	1.0	50
Education	Tendring Schools	Operational	18	0.6	50
	Waltham Schools	Operational	51	2.9	50
	Sheffield Schools	Operational	50	2.3	50
	Norwich Schools	Operational	39	1.7	50
	Oldham Schools	Operational	54	2.6	50
Others	Greenwich Care Homes	Operational	18	0.8	50
	North Kent Police HQ	Operational	25	1.7	42.5
Committed investment			-	18.5	-

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

Directors valuation at 7% - £41.5m

PROSPECTS

- Excellent public sector awards and opportunities coming through for Support Services and Construction
- Power station opportunities for Kier Construction based on excellent track-record
- Partnership Homes generating sales and revenue in line with targets
- Property markets slow but prospects through Network Rail joint venture and UK Supreme Court
- Cash positive, healthy order books, profitable businesses, no net debt