

INTEGRATED EXCELLENCE
INDIVIDUAL FLAIR
KIER GROUP PLC

PRELIMINARY
RESULTS
PRESENTATION
18 September

2008



CONTENTS

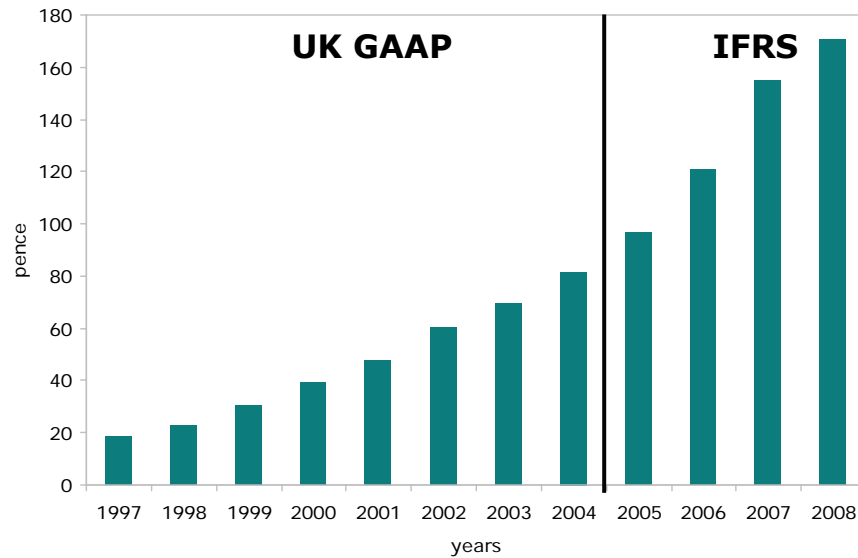
- Group overview and highlights
- Financial review
- Divisional review
- Restructuring
- Prospects

GROUP OVERVIEW AND HIGHLIGHTS

- Pre-tax profits before amortisation of intangibles and exceptional items up 12.1% to £89.2m (2007: £79.6m)
- EPS before amortisation of intangibles and exceptionals up 10.0% to 174.8p (2007: 158.9p)
- Full year dividend up 10.0% to 55p (2007: 50p)
- £56.6m of cash generated from operating activities
- Construction and Support Services combined order books at record levels
- Homes division restructured to focus on social housing and regeneration opportunities
- Sale of a PFI asset gives rise to an exceptional profit of £16.2m
- Exceptional restructuring costs of £9.5m for Homes division
- Residential and commercial property land write-downs of £31.3m

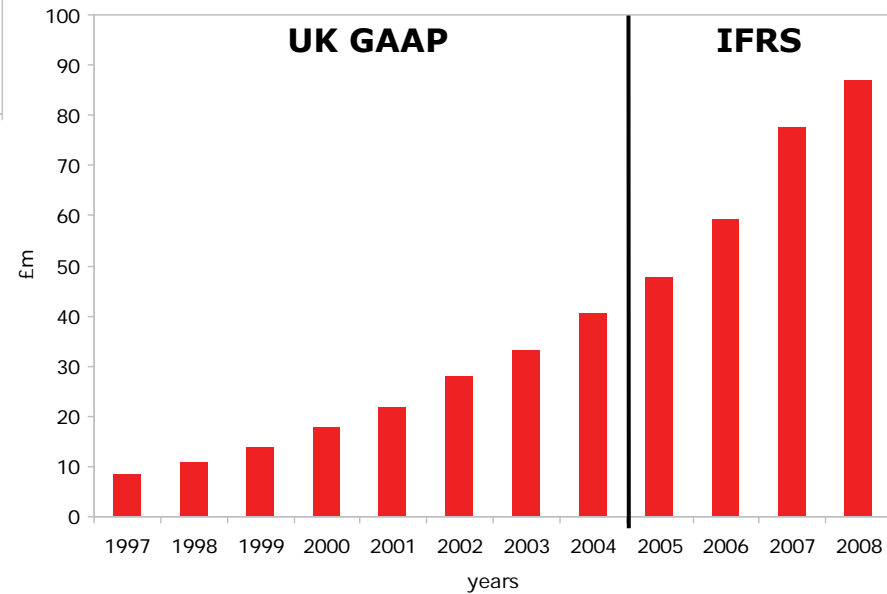
TWELVE-YEAR PERFORMANCE

EPS



Record shown after deducting amortisation of intangible assets and before exceptional items

PRE-TAX PROFIT



FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	<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>
Revenue	2,374.2	-	2,374.2	2,127.9	+11.6
Operating profit: Group	82.9	(37.6)	45.3	74.9	+10.7
Operating profit: joint ventures	4.4	(3.2)	1.2	7.3	-39.7
Profit on disposal of joint venture	-	16.2	16.2	-	-
Group and share of joint ventures	87.3	(24.6)	62.7	82.2	+6.2
Share of joint ventures: finance cost	(2.4)	-	(2.4)	(2.9)	+17.2
tax	(1.1)	0.9	(0.2)	(1.4)	+21.4
Profit from operations	83.8	(23.7)	60.1	77.9	+7.6
Net finance income/(cost)	3.3	-	3.3	(0.3)	-
Profit before tax	87.1	(23.7)	63.4	77.6	+12.2
Taxation	(24.5)	9.3	(15.2)	(21.3)	-
Profit after tax	62.6	(14.4)	48.2	56.3	+11.2
Minority interest	(1.0)	-	(1.0)	(0.8)	-
Profit attributable to equity holders of parent	61.6	(14.4)	47.2	55.5	+11.0

FINANCIAL SUMMARY

EXCEPTIONAL ITEMS

		<i>£m</i>
Profit from the sale of Hairmyres PFI asset		16.2
Homes reorganisation and restructuring costs		(9.5)
Homes write-downs		(26.6)
Property write-downs:	Group	(1.5)
	Joint ventures	(3.2)
		(24.6)
Tax on exceptional items:	Group	9.3
	Joint ventures	0.9
Exceptional items net of tax		(14.4)

FINANCIAL SUMMARY

CONTINUED

		2008	YEAR TO 30 JUNE 2007	Change %
Dividend per share		55.0p	50.0p	+10.0
Dividend cover (based on adjusted earnings per share)		3.2x	3.2x	-
Adjusted earnings per share excluding exceptional items and amortisation of intangibles:				
	undiluted	174.8p	158.9p	+10.0
	fully diluted	173.4p	156.7p	+10.7
Basic earnings per share:				
	undiluted	130.7p	155.0p	-15.7
	fully diluted	129.7p	152.9p	-15.2

SEGMENTAL ANALYSIS

OPERATING PROFIT

		YEAR TO 30 JUNE		
		2008	2007	Change
		£m	£m	%
Revenue:	Construction	1,653.2	1,411.2	+17.1
	Support Services	393.7	315.5	+24.8
	Homes	242.8	325.1	-25.3
	Property	69.6	61.3	+13.5
	Infrastructure Investment	14.9	14.8	+0.7
		2,374.2	2,127.9	+11.6
Operating profit: *	Construction	38.3	21.9	+74.9
	Support Services ¹	13.5	10.2	+32.4
	Homes	30.5	47.8	-36.2
	Property	12.0	12.1	-0.8
	Infrastructure Investment	0.3	0.6	-50.0
	Corporate overhead ²	(7.3)	(10.4)	+29.8
		87.3	82.2	+6.2

* Before exceptional items, joint venture finance costs and tax

¹ After amortisation of intangible assets of £2.1m (2007: £2.0m)

² Includes LTIP charge of £1.0m (2007: £5.7m)

SEGMENTAL ANALYSIS

PROFIT BEFORE TAX

		YEAR TO 30 JUNE		
		2008	2007	Change
		£m	£m	%
Revenue:	Construction	1,653.2	1,411.2	+17.1
	Support Services	393.7	315.5	+24.8
	Homes	242.8	325.1	-25.3
	Property	69.6	61.3	+13.5
	Infrastructure Investment	14.9	14.8	+0.7
		2,374.2	2,127.9	+11.6
Profit before tax: *	Construction	59.0	38.1	+54.9
	Support Services ¹	14.2	10.5	+35.2
	Homes	12.7	32.8	-61.3
	Property	7.9	7.6	+3.9
	Infrastructure Investment	0.7	0.7	-
	Corporate overhead ²	(7.4)	(12.1)	+38.8
		87.1	77.6	+12.2

* Before exceptional items

¹ After amortisation of intangible assets of £2.1m (2007: £2.0m)

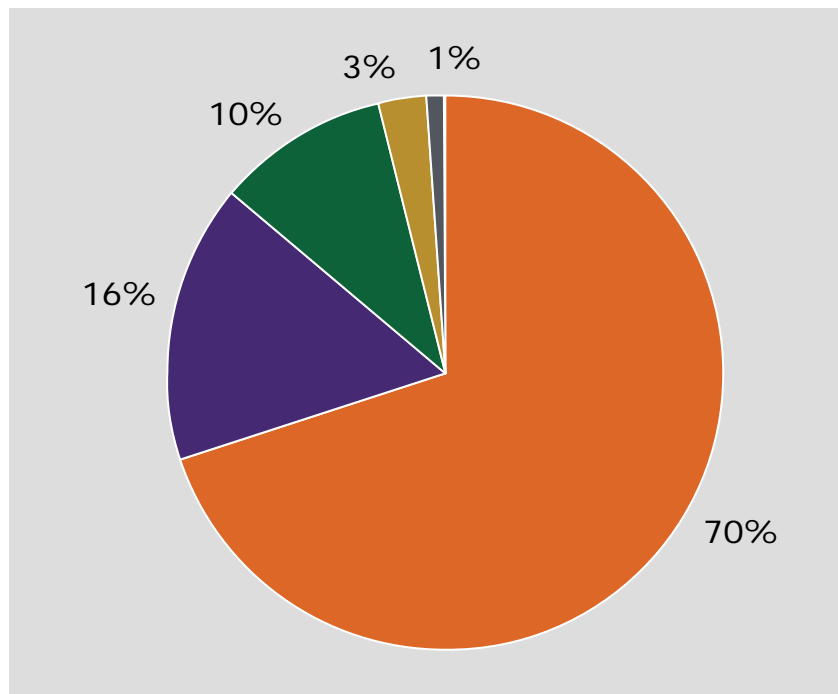
² Includes LTIP charge of £1.0m (2007: £5.7m)

SEGMENTAL ANALYSIS

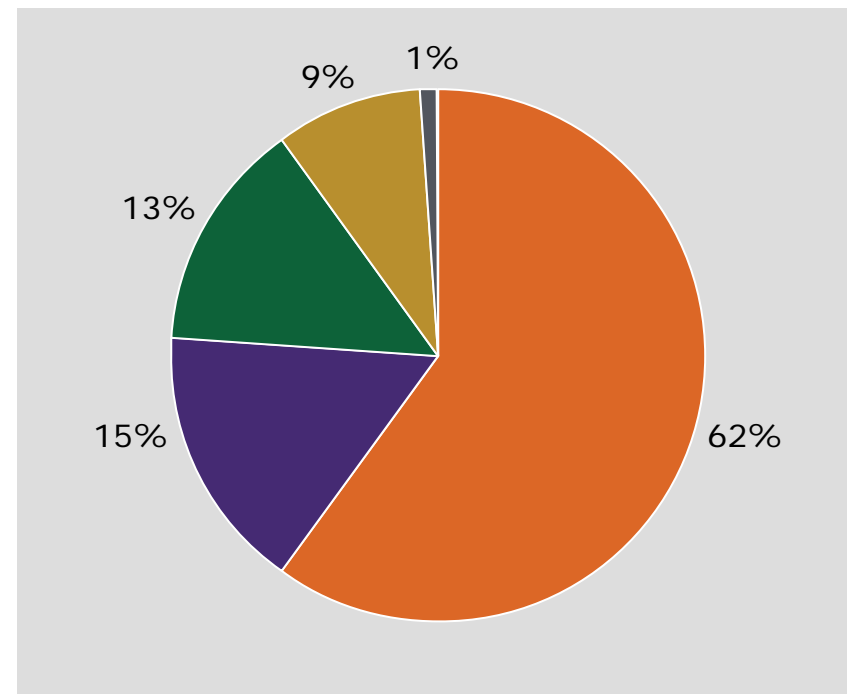
REVENUE AND PROFIT BEFORE TAX BY DIVISION (2008)

REVENUE

- Construction
- Support Services
- Homes
- Property
- PFI



PROFIT BEFORE TAX (before exceptional items)



SEGMENTAL ANALYSIS

NET OPERATING ASSETS

	2008 £m	2007 £m	AT 30 JUNE Change £m
Construction	(312.5)	(277.8)	-34.7
Support Services	1.7	(1.4)	+3.1
Homes	364.8	295.5	+69.3
Property	47.0	57.4	-10.4
Infrastructure Investment	11.6	10.5	+1.1
Centre	(73.4)	(49.6)	-23.8
	39.2	34.6	+4.6
Cash, net of debt	143.9	148.4	-4.5
Net assets	183.1	183.0	+0.1

BALANCE SHEET

SUMMARY

	2008 £m	2007 £m	AT 30 JUNE Change £m
Intangible assets	13.4	13.6	-0.2
Property, plant and equipment	92.2	83.4	+8.8
Investments in joint ventures	39.9	40.7	-0.8
Inventories	516.4	460.1	+56.3
Other working capital	(548.0)	(511.6)	-36.4
Cash	174.1	178.6	-4.5
Long-term borrowings	(30.2)	(30.2)	-
Provisions	(33.9)	(22.6)	-11.3
Pensions (net of deferred tax)	(33.6)	(17.0)	-16.6
Tax and deferred tax	(7.2)	(12.0)	+4.8
Net assets	183.1	183.0	+0.1

BALANCE SHEET

ITEMS

	<i>2008</i>	<i>2007</i>	<i>AT 30 JUNE</i>
	<i>£m</i>	<i>£m</i>	<i>Change</i>
			<i>£m</i>
Residential land	276.0	273.5	+2.5
Residential WIP	161.7	112.3	+49.4
Commercial land and WIP	24.8	30.2	-5.4
Other WIP	53.9	44.1	+9.8
Inventories	516.4	460.1	+56.3
Land creditors*	56.4	73.5	-17.1

* Includes deferred payments for Hugh Bourn Homes

PENSIONS

IAS 19

	2008 £m	2007 £m	AT 30 JUNE Change £m
Kier Group Pension Scheme:			
Market value of assets	538.4	506.7	+31.7
Present value of liabilities	(584.1)	(537.3)	-46.8
Deficit in the scheme	(45.7)	(30.6)	-15.1
Deferred tax asset	12.8	8.7	4.1
Net pension liability	(32.9)	(21.9)	-11.0
Net effect of Sheffield Scheme	(0.7)	4.9	-5.6
Net pension liability	(33.6)	(17.0)	-16.6

- Special contributions of £60.5m made since March 2005
- Agreement in principle for further special contributions of £8.5m per annum for the next ten years

CASH FLOW

SUMMARY FOR THE YEAR TO 30 JUNE 2008

£m

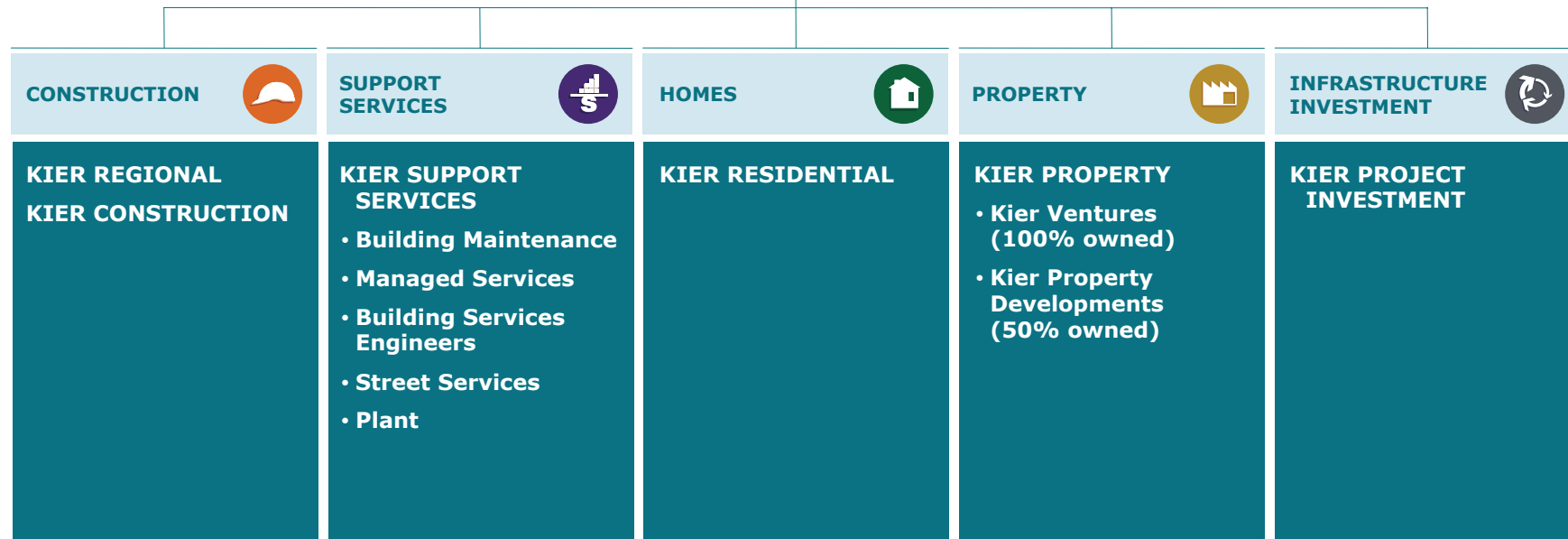
Opening net funds at 30 June 2007		148.4
Cash inflow before movements in working capital	95.4	
Special contributions to pension fund	(6.0)	
Other working capital movements	(32.8)	
Cash inflow from operating activities		56.6
Acquisitions ¹		(16.5)
Proceeds from the sale of a joint venture		13.6
Investment in joint ventures		(2.9)
Net capital expenditure		(25.0)
Financing, tax and dividends		(30.3)
Closing net funds*		143.9

¹ Includes Sheffield and Stoke building maintenance contracts and Hugh Bourn Homes

* Includes £44.9m (2007: £44.3m) in joint arrangements and other cash not readily available to the Group

GROUP STRUCTURE

FOR THE YEAR TO 30 JUNE 2008



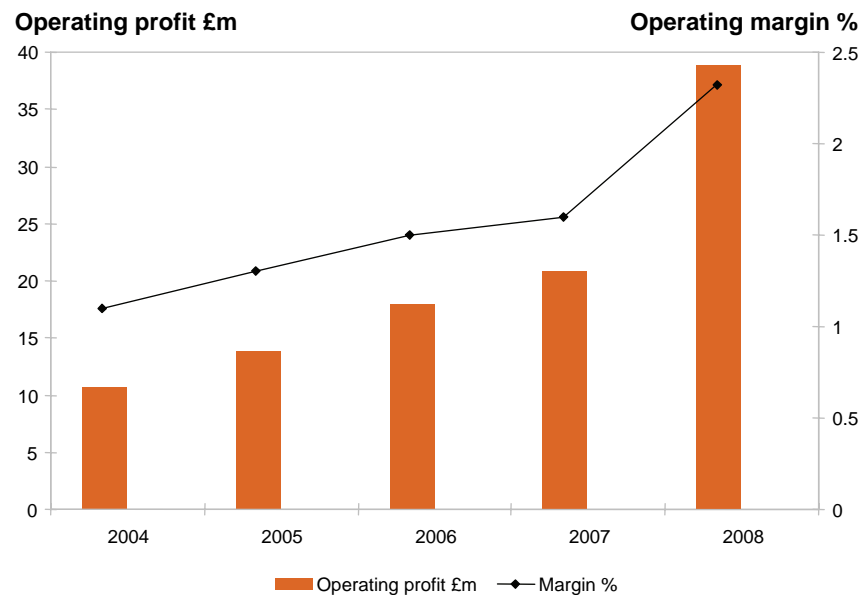
CONSTRUCTION

KEY PERFORMANCE INDICATORS



- Strong organic growth
- Unrivalled geographical spread
- Excellent cash generation
- Framework agreements

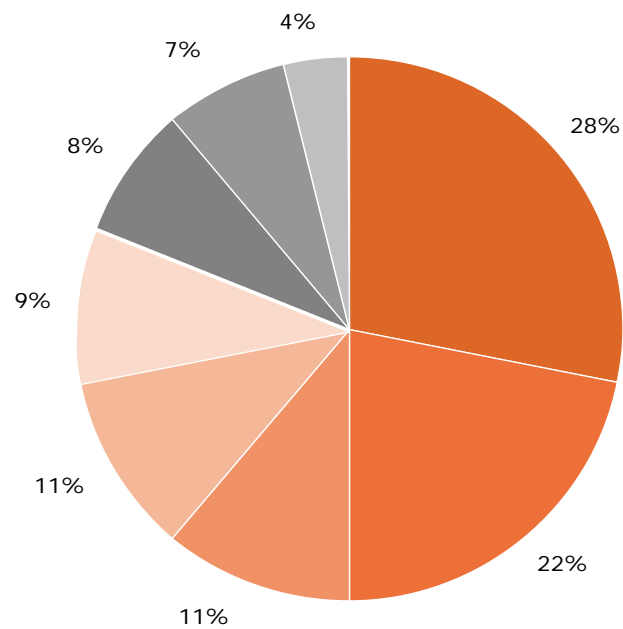
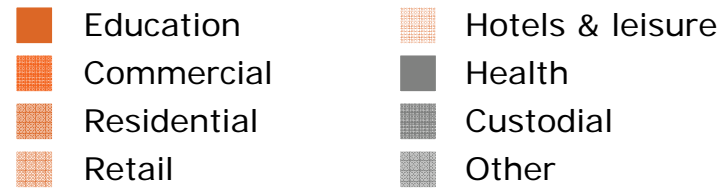
	YEAR TO 30 JUNE		
	2008	2007	Change %
Revenue	£1,653.2	£1,411.2m	+17.1
Operating margin	2.3%	1.6%	-
Cash at 30 June	£413.7m	£361.2m	+14.5
Order book	£1,700m	£1,710m	-



KIER REGIONAL

KEY MARKETS

% AWARDS BY SECTOR



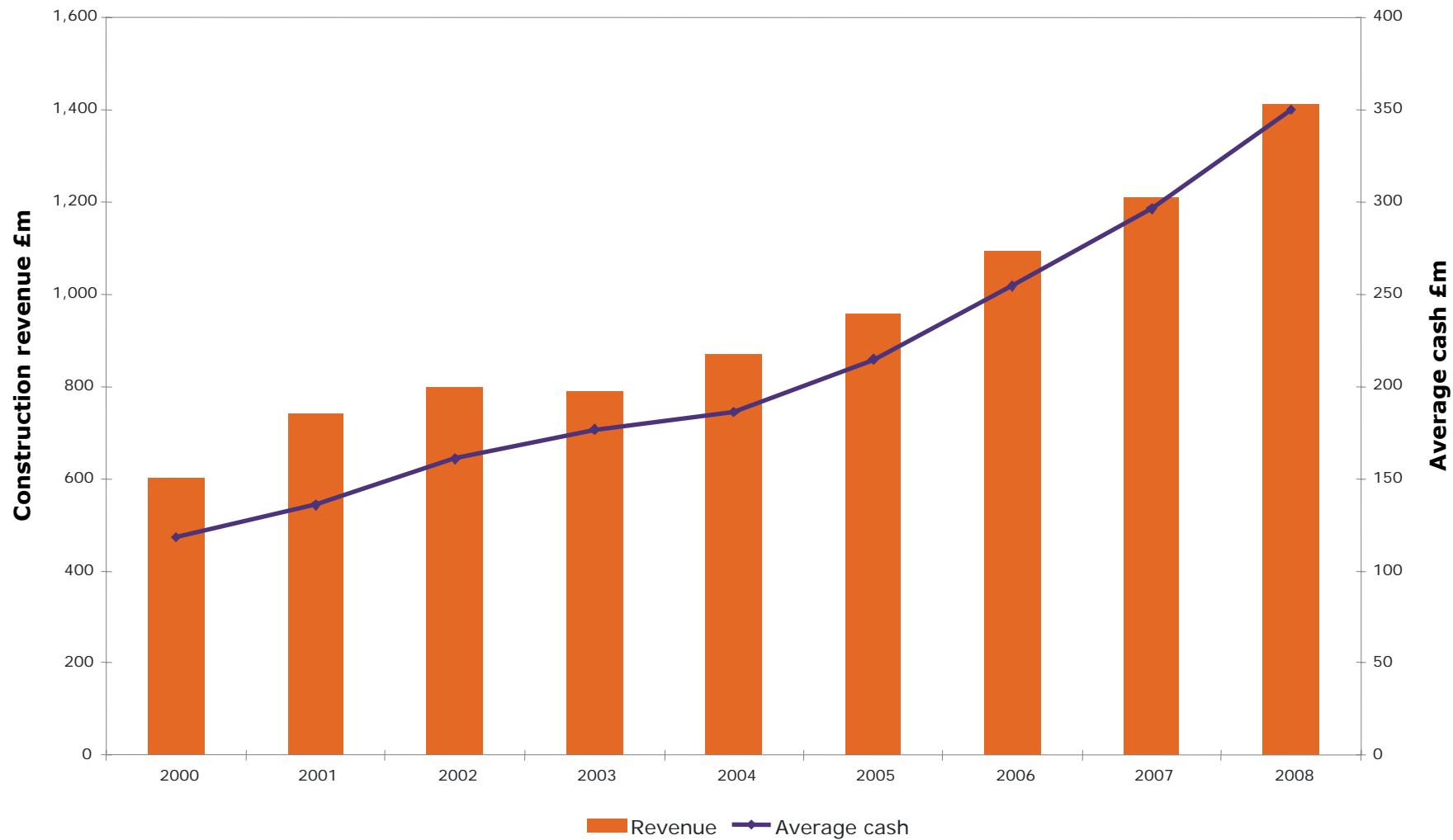
YEAR TO 30 JUNE

	2008	2007
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Public sector awards	51%	45%
Private sector awards	49%	55%
	100%	100%
Negotiated and two-stage bids	80%	64%
Competitive tender	20%	36%
	100%	100%
Average contract size	£4.7m	£4.7m

KIER REGIONAL

REVENUE VS AVERAGE CASH 2000 TO 2008



KIER REGIONAL

MARKETS AND OPPORTUNITIES

SECTOR	FRAMEWORKS	OPPORTUNITIES
EDUCATION <ul style="list-style-type: none"> • £482m of awards • 51% in frameworks 	<ul style="list-style-type: none"> • Academies framework • Primary Capital Investment Programme • Local authority frameworks 	<ul style="list-style-type: none"> • Preferred bidder on: <ul style="list-style-type: none"> • Samwall Academy (£18m) • Shropshire One School Pathfinder (£25m) • Wirral One School Pathfinder (£21m) • Sefton One School Pathfinder (£24m) • Plus bidding a further £200m of opportunities • BSF: preferred bidder at Kent: <ul style="list-style-type: none"> • £100m in the first wave • £150m in the second wave
RETAIL <ul style="list-style-type: none"> • £184m of awards • 78% in frameworks 	<ul style="list-style-type: none"> • Tesco • Sainsbury • Morrisons • British Land • Hermes • John Lewis • Marks & Spencer 	<ul style="list-style-type: none"> • Long term strategic alliances with food retailers continues to provide work in a buoyant sector • Strategic improvements to retail parks continue

KIER REGIONAL

MARKETS AND OPPORTUNITIES

SECTOR	FRAMEWORKS	OPPORTUNITIES
HEALTH <ul style="list-style-type: none"> • £112m of awards • 86% in frameworks 	<ul style="list-style-type: none"> • ProCure 21 	<ul style="list-style-type: none"> • Has provided Kier with £326m to date and we continue to bid for new projects typically in the £3m to £15m range
CUSTODIAL <ul style="list-style-type: none"> • £126m 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 • Three further years to run • On site on Norwich Prison (£25m)
AIRPORTS <ul style="list-style-type: none"> • £12m of awards • 100% in frameworks 	<ul style="list-style-type: none"> • BAA plc: commodity build frameworks 	<ul style="list-style-type: none"> • The total framework delivers £650m over five years between five contractors
VARIOUS	<ul style="list-style-type: none"> • Local and Central Government frameworks • Argent • Goodman • SEGRO 	<ul style="list-style-type: none"> • Education, libraries and other local authority work • £2bn of work at Kings Cross (between three contractors over five years)

KIER CONSTRUCTION

UK CIVIL ENGINEERING, MINING AND OVERSEAS

- UK revenue £133m:
 - Energy:
 - South Hook LNG Terminal completed
 - Langage and Immingham CCGT power stations
 - West Burton CCGT power station awarded at £95m
 - Waste plant at Wakefield: preferred bidder with VT
 - Rail:
 - Network Rail framework: two more years
 - Water:
 - United Utilities framework: two more years



KIER CONSTRUCTION

UK CIVIL ENGINEERING, MINING AND OVERSEAS



- Greenburn opencast mine: revenue £25m:
 - Cumulative production approximately 2.6m tonnes
 - 2.0m tonnes of deposit left of which 70% forward sold at favourable prices
 - Life expectancy of mine to 2013
 - A further 1.5m tonnes is being prepared for planning to take the mine beyond 2013

KIER CONSTRUCTION

UK CIVIL ENGINEERING, MINING AND OVERSEAS

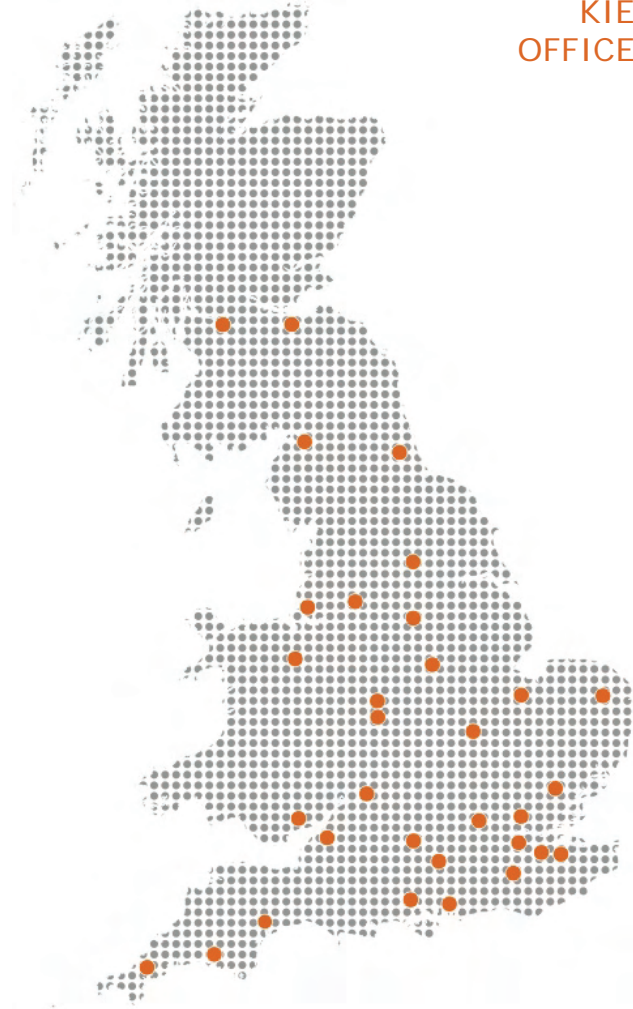
- Overseas: revenue £82m:
 - Caribbean:
 - Norman Manley Airport, Jamaica
 - Transportation Centre, Jamaica
 - Romania:
 - Housing and retail projects
 - Middle East:
 - £150m of new infrastructure and drainage projects in Dubai
 - Looking at new areas including Abu Dhabi and Bahrain
 - Phosphate contract mining, Saudi Arabia



CONSTRUCTION

CONSTRUCTION PROSPECTS

KIER REGIONAL OFFICE LOCATIONS



- Unrivalled spread of Regional offices
- Low average contract size
- Healthy order books for 2009
- Framework agreements and long-term partnerships help to insulate from uncertainty
- Good prospects for energy and civils work
- Overseas growth planned

KIER SUPPORT SERVICES

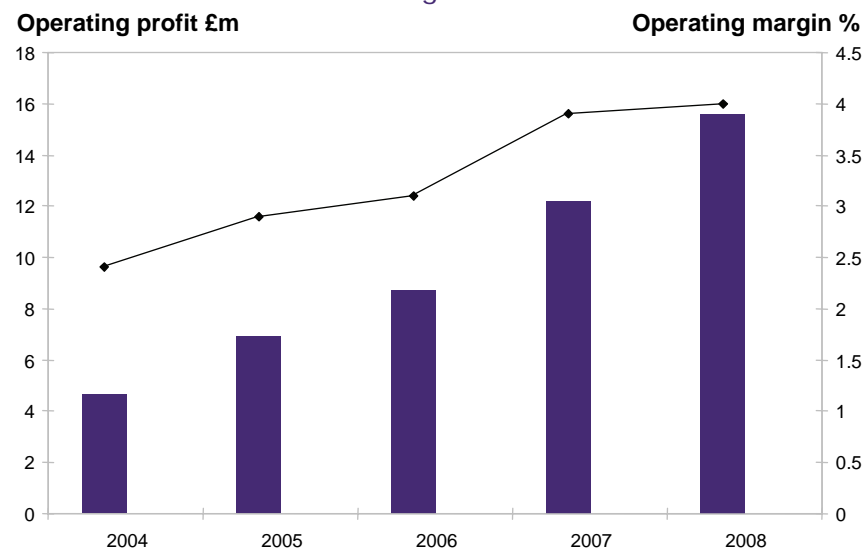
KEY PERFORMANCE INDICATORS



- New contracts awarded in Building Maintenance
- Good visibility of revenue
- Excellent opportunities for new contracts

	YEAR TO 30 JUNE		
	2008 £m	2007 £m	Change %
Revenue	393.7	315.5	+24.8
Operating margin*	4.0%	3.9%	-
Cash at 30 June	17.4	15.8	+10.1
Order book:			
Building Maintenance	1,379	1,161	+18.7
Managed Services	543	528	+2.8
Street Services	65	50	+30.0
Building Services	36	49	-26.5
Total	2,023	1,788	+13.1

* Before amortisation of intangible assets



KIER SUPPORT SERVICES

FIVE BUSINESS STREAMS

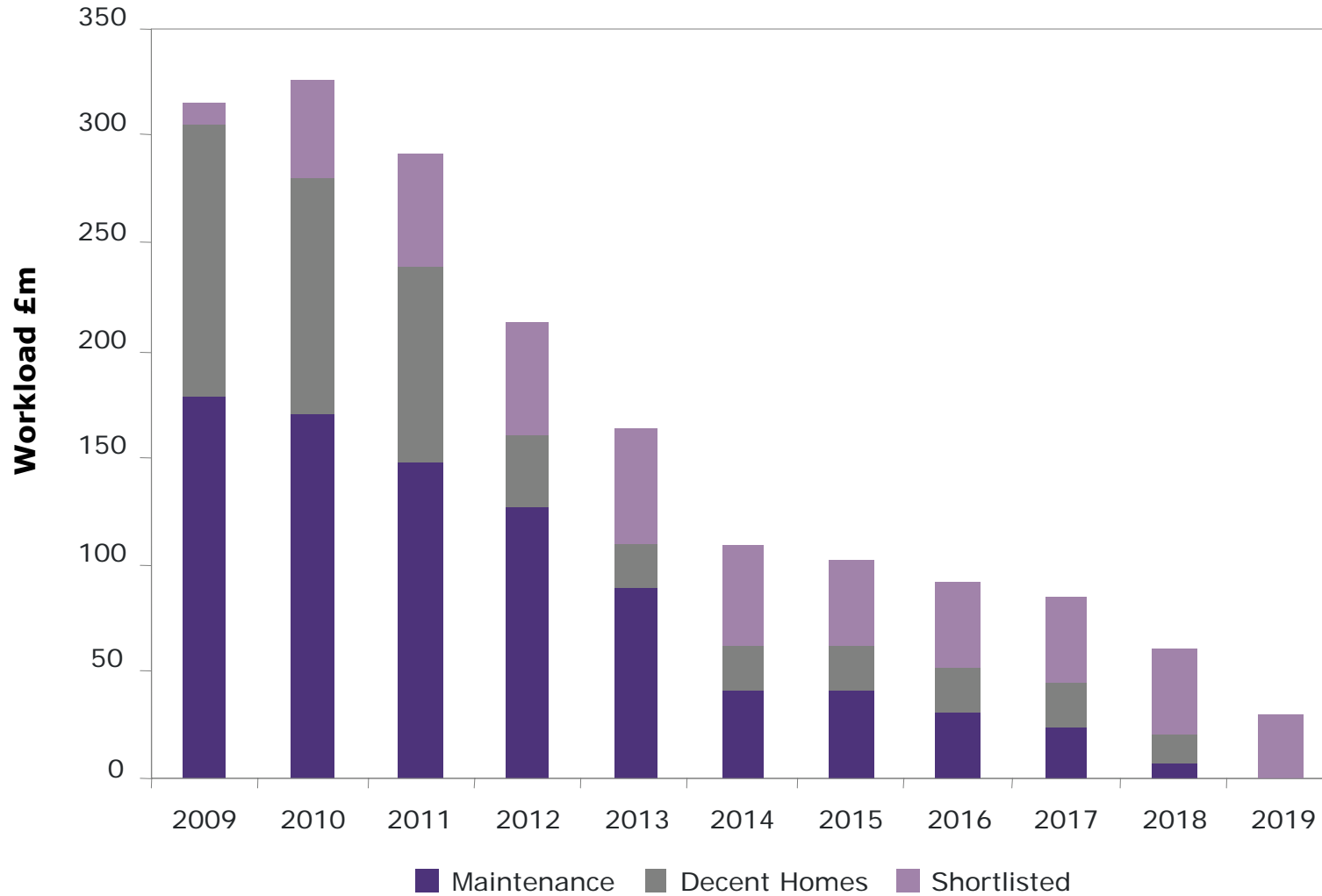
- Building Maintenance:
 - Local authority and Housing Association maintenance contracts and Decent Homes.
- Managed Services:
 - PFI hard and soft services
 - Public and private sector opportunities
 - Selective on size of contracts
- Building Services: M&E services, maintenance and design capability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

Revenue	YEAR TO 30 JUNE		
	2008 £m	2007 £m	Change %
Building Maintenance	288.7	216.4	+33.4
Managed Services	51.6	52.1	-1.0
Building Services	50.4	32.4	+55.6
Street Services	13.9	11.9	+16.8
Plant	35.2	30.3	+16.2
Intragroup	(46.1)	(27.6)	-
	393.7	315.5	+24.8



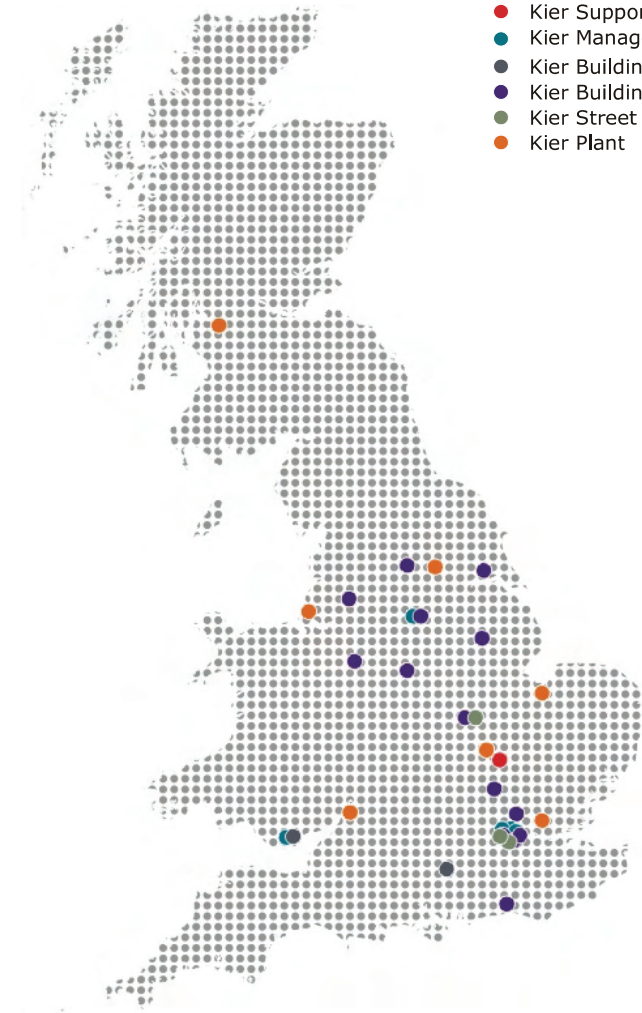
KIER SUPPORT SERVICES

BUILDING MAINTENANCE: SECURED FORWARD REVENUE AS AT JUNE 2008



KIER SUPPORT SERVICES

PROSPECTS



- Kier Support Services
- Kier Managed Services
- Kier Building Services Engineers
- Kier Building Maintenance
- Kier Street Services
- Kier Plant

- Stoke awarded February 2008:
 - 20,000 homes
 - 500 workers transferred
 - £40m p.a. for 10 years (plus five)
 - Repairs, maintenance and Decent Homes
- Shortlisted on North Tyneside: £40m p.a. for 10 years
- Growth opportunities within the building maintenance contracts for additional local authority and third party work

KIER RESIDENTIAL

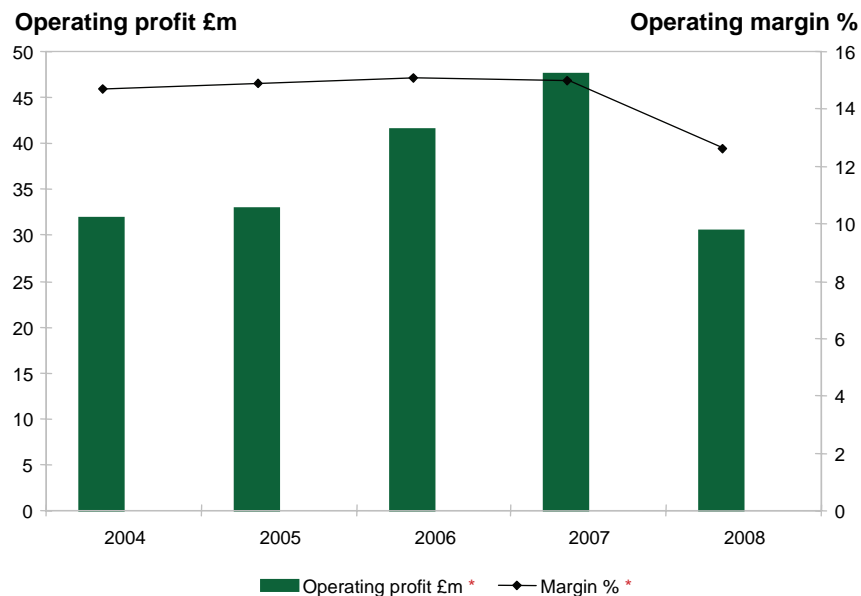
KEY PERFORMANCE INDICATORS



- Difficult market conditions
- Order book at 31 August 49% less than last year
- Increased focus on cash and cost management
- Consolidation of division from five businesses to one – restructuring cost £9.5m
- £26.6m of land write-downs

	YEAR TO 30 JUNE		
	2008	2007	Change %
Revenue	£242.8m	£325.1m	-25.3
Unit sales	1,438	1,767	-18.6
Operating margin*	12.6%	15.0%	-
Land bank (plots)	6,233	6,465	-3.6

* Before exceptional items



KIER RESIDENTIAL

STATISTICS

		2008	YEAR TO 30 JUNE 2007	Change %
Revenue:	housing	£242.8m	£316.8m	-23.4
	land sales	-	£8.3m	-
Total revenue		£242.8m	£325.1m	-25.3
Unit sales		1,438	1,767	-18.6
Average selling price		£168,800	£179,300	-5.9
% of social units		18%	16%	-
Land bank with planning consent		6,233	6,465	-3.6
Average plot cost (in land bank)		£44,200	£42,500	+4.0
Strategic land bank (plots)		12,000	11,500	+4.3
Land write-downs		£25.6m	-	-
Provisions against aborted land purchases		£1.0m	-	-

KIER HOMES

PROSPECTS

CURRENT SITES



- Order book 49% fewer units than last year
- Significantly fewer sales expected in 2009
- Tight controls over work in progress
- Opportunities with affordable housing business
- Total Group housing unit sales of 2,161 units of which 46% are social
- Long-term market fundamentals are good

KIER PROPERTY

KEY PERFORMANCE INDICATORS



Kier Property
EDS, Milton Keynes

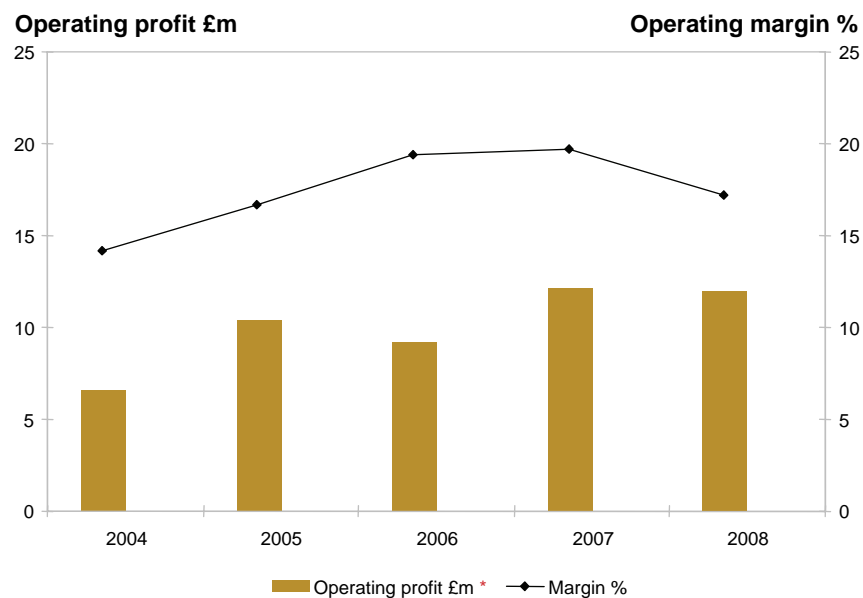
	<i>Gross development value £m¹</i>	<i>Floor space m sq ft</i>
Offices	325	0.9
Industrial	113	0.9
Retail	51	0.1
Mixed-use	430	2.6
Network Rail JV	569	1.5
	1,488	6.0

¹ Includes 100% of all joint ventures

YEAR TO 30 JUNE

	<i>2008 £m</i>	<i>2007 £m</i>	<i>Change %</i>
Operating profit: *			
Kier	9.3	6.9	+34.8
Joint venture	2.7	5.2	-48.1
	12.0	12.1	-0.8
Operating margin	17.2%	19.7%	-

* Before exceptional items



KIER PROPERTY

HIGHLIGHTS

- Good progress on Supreme Court with Wallis as contractor
- Sale of Milton Keynes development pre-let to Electronic Data Systems: Kier Regional as contractor
- Development agreement signed with Invista Real Estate Management to develop 600,000sq ft Reading Central office scheme: part pre-let to Yell, Kier Build as contractor
- Property write-downs of £4.7m to net realisable value



KIER PROPERTY

PROSPECTS

Kier Property
Western International Market



Kier Property
Travelodge, Sunbury



- Western International Market rejuvenation underway with 175,000sq ft replacement market completed: marketing on adjacent site has commenced
- Joint venture formed with Network Rail for seven station-related sites: good regeneration opportunities
- Completion of Supreme Court provides a strong marketable asset

KIER PROJECT INVESTMENT

KEY PERFORMANCE INDICATORS

**Kier Project Investment
Garrett Anderson Centre, Ipswich**



- Sale of Hairmyres for £13.8m cash and £16.2m profit: implies a discount rate of less than 5%
- Directors' valuation of committed investment is £40m based on a discount rate of 7%

	30 JUNE	
	2008 £m	2007 £m
Revenue	14.9	14.8
Committed investment	18.4	22.8
Actual investment	14.1	15.5

**Kier Project Investment
North Kent Police HQ**



KIER PROJECT INVESTMENT

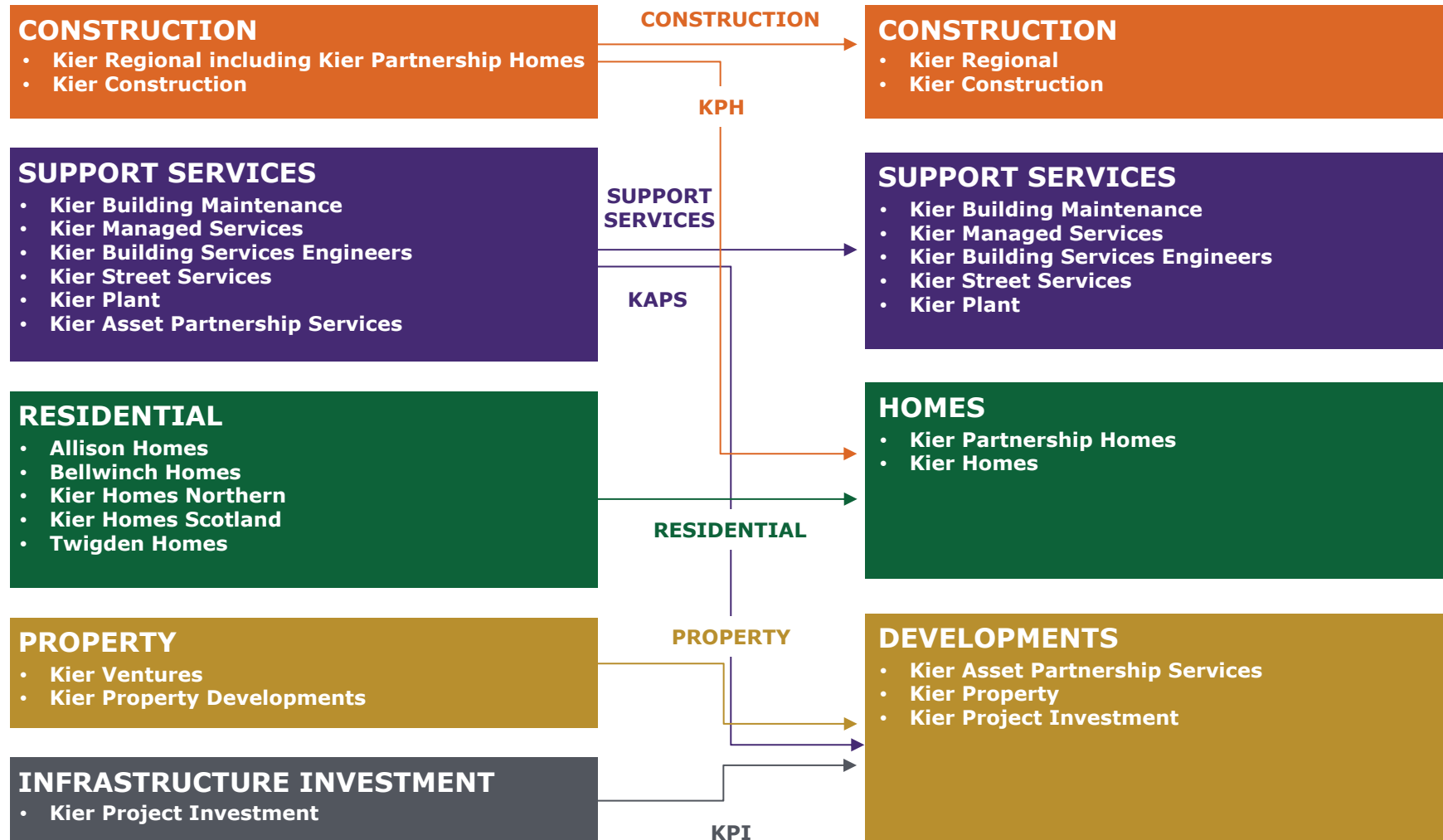
CURRENT PROJECTS

SECTOR	PROJECT	STATUS	CAPITAL VALUE £M	KIER EQUITY/ LOAN STOCK £M	EQUITY %
Health	West Berkshire Hospital	Operational	25	1.8	50
	Hinchingbrooke	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	Construction	39	1.7	50
	Oldham Schools	Operational	54	2.6	50
Others	Greenwich Care Homes	Operational	18	0.7	50
	North Kent Police HQ	Operational	25	1.7	42.5
Committed investment			-	18.4	-

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

Shortlisted: Worcester Library, Police Investigation Centres, Exeter Student Accommodation

RESTRUCTURING FROM 1 JULY 2008



RESTRUCTURING

- Brings relevant businesses closer together to respond to clients and share efficiencies
- 46% of total Group unit housing sales (2,161 units) for 2008 are social
- Allows increased focus on regeneration and affordable housing
- Opportunity to optimise existing residential land bank through change of use
- Simplifies the structure and gives clear lines of communication
- Provides focus for new business stream 'Kier Asset Partnership Services' to service local authorities and examine ways of utilising council assets more efficiently

PROSPECTS

- Homes order book at 31 August 49% less than last year – tough market continues
- Affordable housing-led regeneration sector will provide good opportunities for the Group
- Property deals planned for 2008/2009
- Combined order books for Construction and Support Services at record levels
- Construction framework agreements for both public and private sector clients provide good, solid basis for awards
- Support Services contracts continue to provide excellent visibility of earnings

FIVE-YEAR RECORD

YEAR ENDED 30 JUNE

	2008 £m	2007 £m	2006 £m	IFRS 2005 £m	UK GAAP 2004 £m
Turnover	2,374.2	2,127.9	1,838.3	1,623.2	1,476.5
Operating profit (Group + JVs)	87.3	82.2	63.2	53.3	42.6
Total finance income/(cost) net	0.9	(3.2)	(2.7)	(4.3)	(2.0)
Joint venture tax	(1.1)	(1.4)	(1.4)	(1.2)	-
Other: exceptionals	(23.7)	-	-	6.7	-
Profit before tax	63.4	77.6	59.1	54.5	40.6
EPS: basic including exceptionals	130.7p	155.0p	120.8p	103.4p	81.5p
Dividend per share	55.0p	50.0p	26.0p	22.2p	19.0p
Shareholders' funds	£183.1m	£183.0m	£108.5m	£52.8m	£116.4m

