



Interim results presentation for the
six months to 31 December 2007
27 February 2008

Integrated excellence
Individual flair



Interim highlights



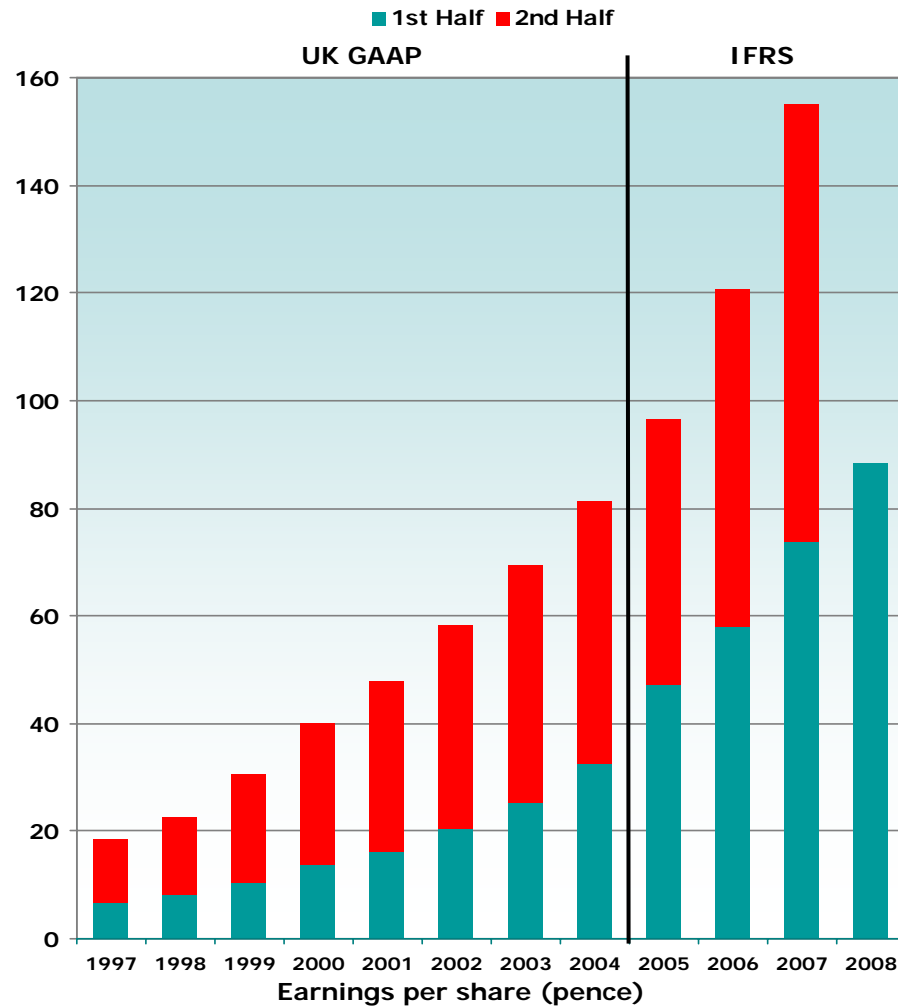
- Pre-tax profits up 23.2% to £44.6m (2006: £36.2m)
- EPS* up 19.1% to 90.3p (2006: 75.8p)
- Dividend increased by 87.5% to 18.0p (2006: 9.6p)
- Net cash of £135.9m (2006: £114.4m)
- Strong Construction and Support Services order books
- Homes order book plus completions to 1 February secure 75% of our full year targeted units
- Sale of PFI investment will contribute around £16m of profit for the full year

* Before amortisation of intangibles



EPS record

since 1996 (after flotation)



Compound growth in EPS of 23% per annum since flotation

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



Financial summary

consolidated income statement



		Six months to 31 December		Change %	Year to 30 June
		2007 £m	2006 £m		2007 £m
Revenue		1,205.5	1,020.5	+18.1	2,127.9
Operating profit:	Group	41.9	34.5	+21.4	74.9
Operating profit:	joint ventures	2.8	4.4	-36.4	7.3
Group and share of joint ventures		44.7	38.9	+14.9	82.2
Share of joint ventures:	finance cost	(1.5)	(1.7)	-	(2.9)
	tax	(0.9)	(0.9)	-	(1.4)
Profit from operations		42.3	36.3	+16.5	77.9
Net finance income/(cost)		2.3	(0.1)	-	(0.3)
Profit before tax		44.6	36.2	+23.2	77.6
Taxation		(12.3)	(9.9)	-	(21.3)
Profit after tax		32.3	26.3	+22.8	56.3
Minority interest		(0.5)	-	-	(0.8)
Profit after tax attributable to equity holders		31.8	26.3	+20.9	55.5



Financial summary

continued



		Six months to 31 December		Change %	Year to 30 June
		2007	2006		2007
Dividend per share		18.0p	9.6p	+87.5	50.0p
Dividend cover		4.9x	7.7x	-	3.1x
Adjusted earnings per share excluding amortisation of intangibles:					
	undiluted	90.3p	75.8p	+19.1	158.9p
	fully diluted	89.8p	74.8p	+20.1	156.7p
Basic earnings per share:					
	undiluted	88.3p	73.9p	+19.5	155.0p
	fully diluted	87.8p	72.9p	+20.4	152.9p



Performance by segment



		Six months to 31 December		Change %	Year to 30 June
		2007 £m	2006 £m		2007 £m
Revenue:	Construction	816.1	675.2	+20.9	1,411.2
	Support Services	179.3	142.7	+25.6	315.5
	Homes	143.2	151.8	-5.7	325.1
	Property	58.3	43.5	+34.0	61.3
	Infrastructure Investment	8.6	7.3	+17.8	14.8
		1,205.5	1,020.5	+18.1	2,127.9
Operating profit: *	Construction	14.3	9.5	+50.5	21.9
	Support Services ¹	6.2	4.1	+51.2	10.2
	Homes	20.1	20.4	-1.5	47.8
	Property	7.5	9.2	-18.5	12.1
	Infrastructure Investment	0.2	0.5	-	(0.6)
	Corporate overhead	(3.6)	(4.8)	-	(10.4)
		44.7	38.9	+14.9	82.2

* Before joint venture finance costs and tax

¹ After amortisation of intangible assets of £1.0m (December 2006: £1.0m, June 2007: £2.0m)



Segmental analysis

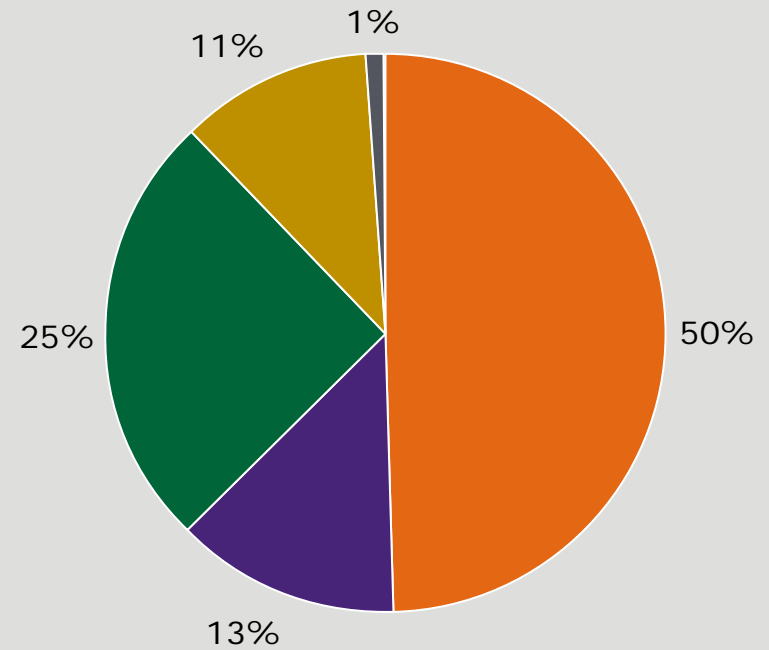
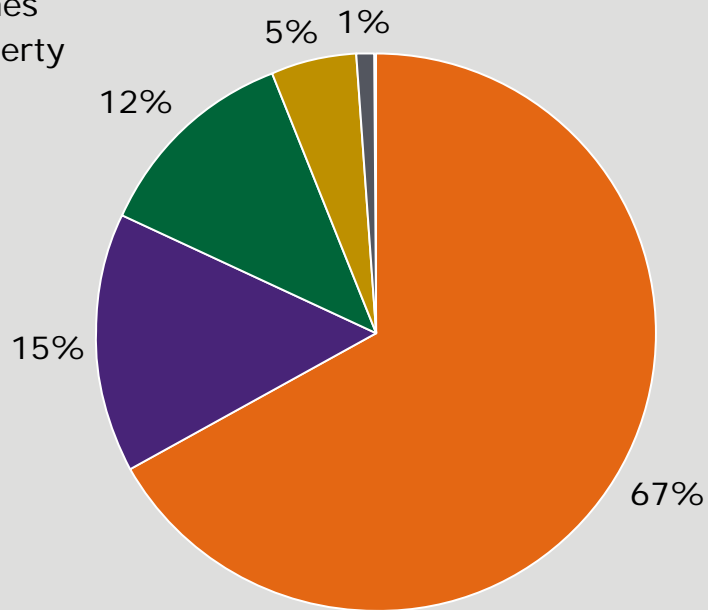
revenue and profit before tax by division (six months to 31 December 2007)



Revenue

Profit before tax

- Construction
- Support Services
- Homes
- Property
- PFI



Segmental analysis

net operating assets



	At 31 December		Change £m	At 30 June
	2007 £m	2006 £m		2007 £m
Construction	(291.5)	(241.0)	-50.5	(277.8)
Support Services	(2.9)	(6.1)	+3.2	(1.4)
Homes	353.4	286.7	+66.7	295.5
Property	47.7	42.7	+5.0	57.4
Infrastructure Investment Centre	2.0	(0.6)	+2.6	10.5
	(64.7)	(56.6)	-8.1	(49.6)
Net operating assets	44.0	25.1	+18.9	34.6
Cash, net of debt	135.9	114.4	+21.5	148.4
Net assets	179.9	139.5	+40.4	183.0



Balance sheet

summary



	At 31 December		Change £m	At 30 June
	2007 £m	2006 £m		2007 £m
Intangible assets	12.6	13.8	-1.2	13.6
Property, plant and equipment	84.6	80.3	+4.3	83.4
Investments in joint ventures	32.2	28.0	+4.2	40.7
Inventories	482.9	443.3	+39.6	460.1
Other working capital	(499.7)	(474.8)	-24.9	(511.6)
Cash	166.1	144.6	+21.5	178.6
Long-term borrowings	(30.2)	(30.2)	-	(30.2)
Provisions	(25.5)	(22.6)	-2.9	(22.6)
Pensions (net of tax)	(24.8)	(28.9)	+4.1	(17.0)
Tax and deferred tax	(18.3)	(14.0)	-4.3	(12.0)
Net assets	179.9	139.5	+40.4	183.0



Pensions

IAS 19



	At 31 December 2007 £m	2006 £m	At 30 June 2007 £m	Dec 2007-June 2007 Change £m
Kier Group Pension Scheme:				
Market value of assets	535.3	514.6	506.7	+28.6
Present value of liabilities	(576.1)	(562.7)	(537.3)	-38.8
Deficit in the scheme	(40.8)	(48.1)	(30.6)	-10.2
Deferred tax asset	11.5	14.4	8.7	+2.8
Net pension liability	(29.3)	(33.7)	(21.9)	-7.4
Net effect of Sheffield Scheme	4.5	4.8	4.9	-0.4
Net pension liability	(24.8)	(28.9)	(17.0)	-7.8

- Special contributions of £57.5m made since March 2005
- Commitment for further special contributions of £6.0m per annum for the next eight years



Movement in cash balances

summary for the six months to 31 December 2007

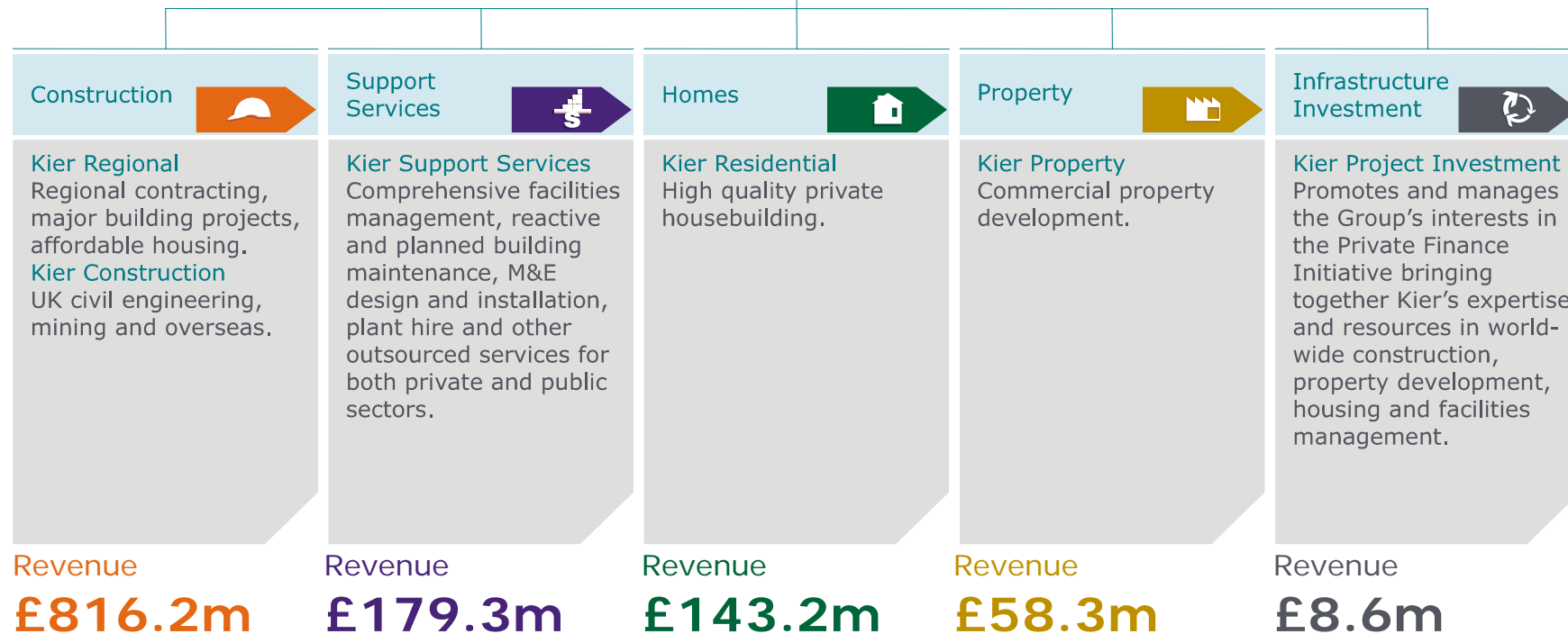


	£m
Opening net funds at 30 June 2007	148.4
Cash inflow from operating activities	26.7
Deferred payment for Hugh Bourn Homes	(12.9)
Investment in joint ventures	(1.2)
Net capital expenditure	(9.9)
Financing, tax and dividends	(15.2)
<hr/>	
Closing net funds*	135.9
<hr/>	
<ul style="list-style-type: none"> ▪ Excellent cash generation from Construction and Support Services ▪ Decrease in land creditors ▪ £3.0m special contributions to pensions 	
<p>* Includes £55.3m (December 2006: £42.3m, June 2007: £44.3m) in joint arrangements and other cash not readily available to the Group</p>	



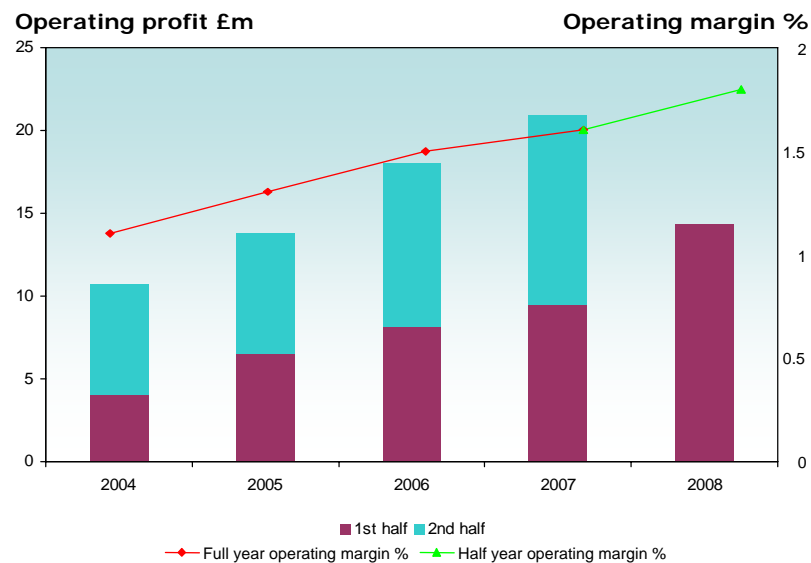
Group structure

(revenue figures for the six months to 31 December 2007)



Construction

key performance indicators



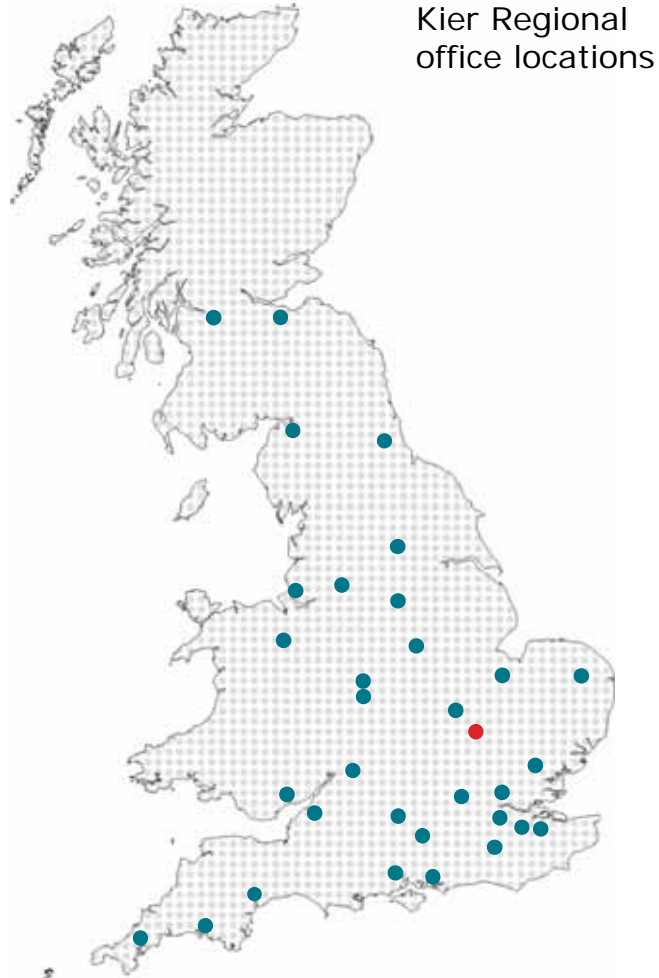
- Strong market for education, prisons and affordable housing
- Good geographical spread
- Excellent cash generation
- Good opportunities overseas
- Full order books

	Six months to 31 December 2007 £m	2006 £m	Year to 30 June 2007 £m
Revenue	816.1	675.2	1,411.2
Operating margin (%)	1.8%	1.4%	1.6%
Cash at period end	378.9	322.4	361.2
Order book	1,616	1,470	1,710



Kier Regional

Regional contracting, major building projects, affordable housing

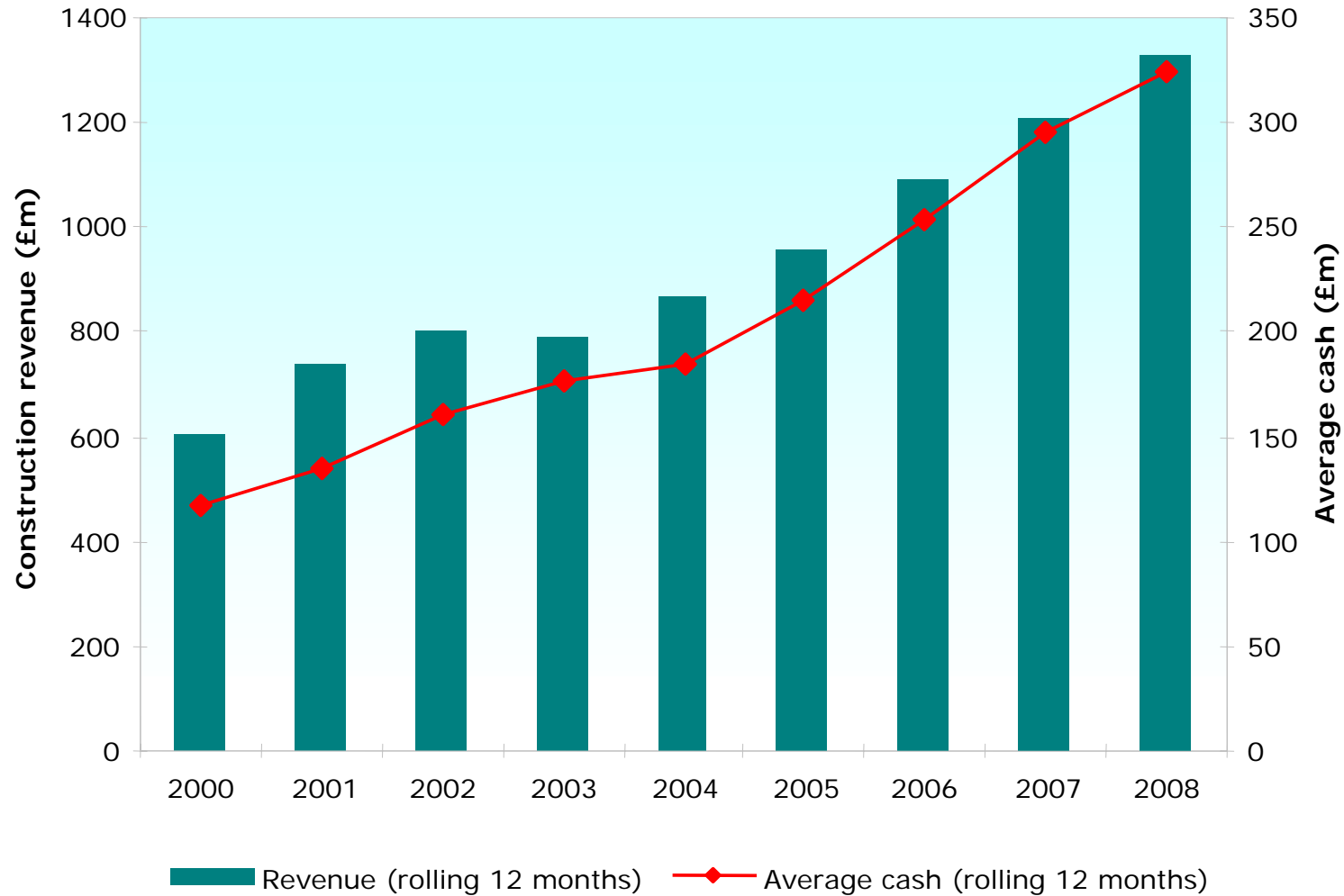


	Six months to 31 December		Year to 30 June
	2007	2006	2007
Public sector awards	50%	49%	45%
Private sector awards	50%	51%	55%
	100%	100%	100%
Negotiated and two-stage bids	80%	65%	64%
Competitive tender	20%	35%	36%
	100%	100%	100%
Average contract size	£4.3m	£3.7m	£4.7m



Kier Regional

revenue vs average cash 2000 to 2008



Kier Regional

key markets and opportunities



- Commercial property:
 - Kier Property projects
 - SEGRO projects
 - Ballymore Properties
- Education:
 - Academies national framework
 - Kent BSF
- Affordable housing contracts:
 - Bedfordshire Pilgrims Housing Association
 - RSL frameworks
 - Qualified to apply direct for Housing Corporation grant
 - Government commitment to 70,000 new social houses by 2010

% awards in six months by sector



Kier Construction

UK civil engineering, mining and overseas



- UK:
 - South Hook LNG offshore works nearly complete
 - CCGT power stations progress well – more energy projects under negotiation
- Greenburn opencast mine:
 - Cumulative production 2.3m tonnes
 - 2.1m tonnes of deposit left, 47% forward sold
 - Life expectancy of mine to 2013
- Overseas:
 - Romania:
 - Housing and retail construction projects
 - Middle East:
 - Infrastructure and drainage, Dubai
 - Phosphate contract mining in Saudi Arabia

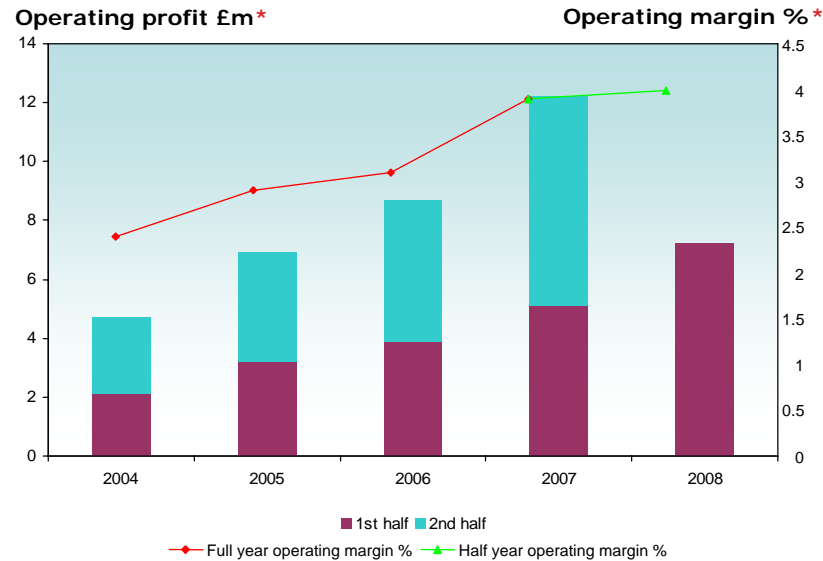


Kier-Besix
South Hook LNG terminal



Kier Support Services

key performance indicators



- Strong growth in revenue and order books
- New contracts awarded in Building Maintenance including Stoke
- Growth prospects in current contracts including third party work
- Excellent opportunities for new contracts

	Six months to 31 December 2007 £m	2006 £m	Year to 30 June 2007 £m
Operating margin (%)*	4.0%	3.5%	3.9%
Cash	18.9	17.8	15.8
Order book:			
Building Maintenance	1,088	988	1,211
Managed Services	546	537	528
Building Services	40	17	49
Total ~	1,674	1,542	1,788

* Before amortisation of intangible asset

~ Excluding a further £400m relating to Stoke-on-Trent



Kier Support Services

four business streams



- **Building Maintenance:**
 - Local authority and housing association maintenance contracts, Decent Homes and Street Services
- **Managed Services:**
 - PFI hard and soft services
 - Public and private sector opportunities
- **Building Services: M&E services, maintenance and design capability**
- **Plant: Plant hire both external and internal**

Revenue	Six months to 31 December 2007 £m	2006 £m	Year to 30 June 2007 £m
Building Maintenance	134.3	99.0	228.3
Managed Services	25.0	24.8	52.1
Building Services	27.1	16.4	32.4
Plant	17.2	14.8	30.3
Intragroup	(24.3)	(12.3)	(27.6)
	179.3	142.7	315.5

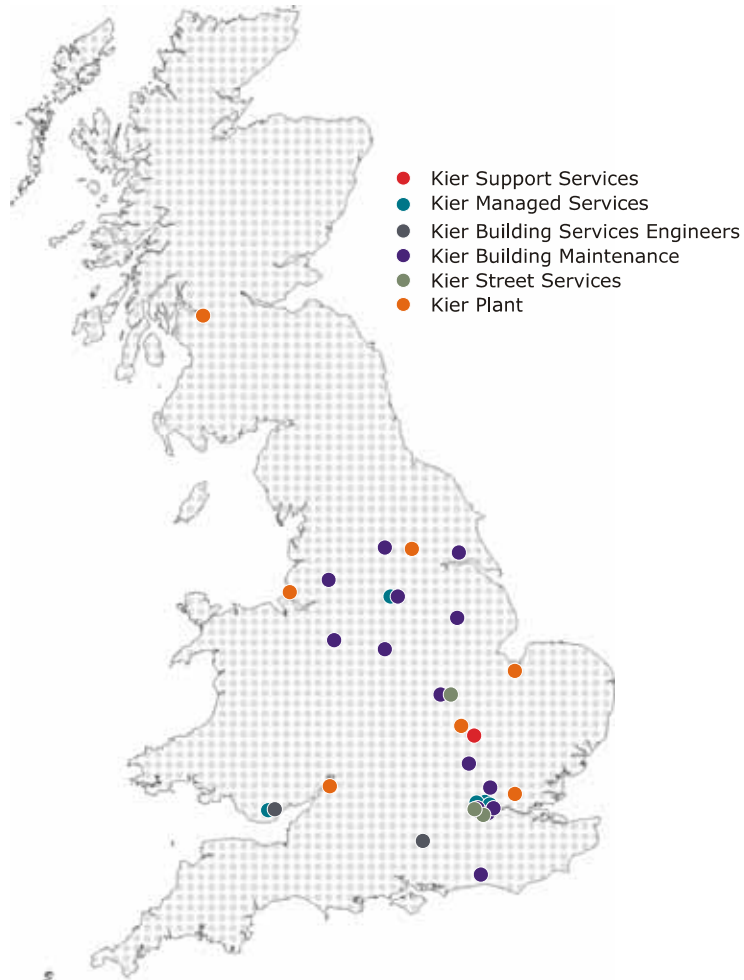


Kier Building Services Engineers Operative



Kier Support Services

office locations



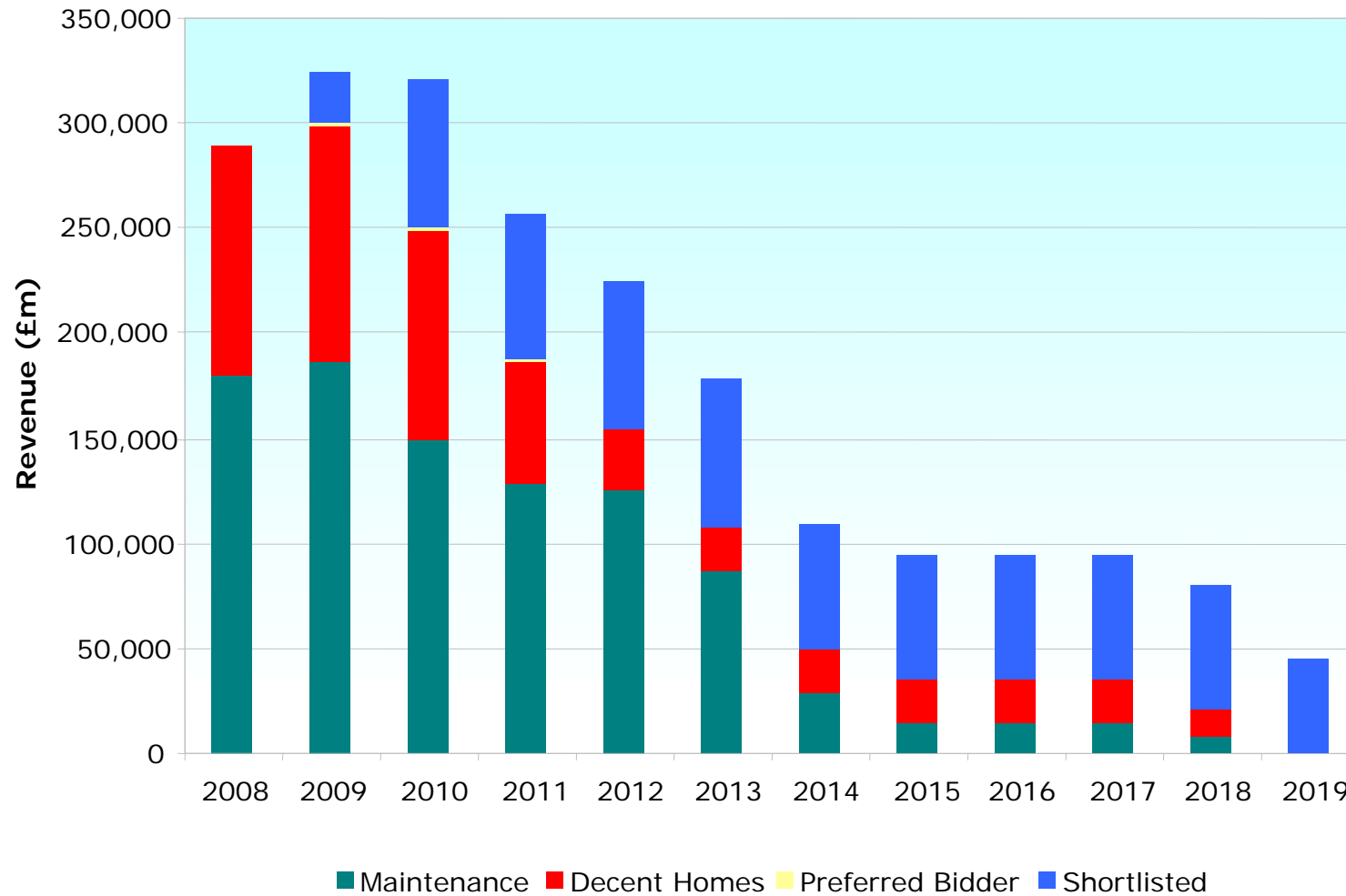
Building Maintenance

- **Stoke awarded February 2008:**
 - 20,000 homes
 - 500 workers transferred
 - £40m p.a. for 10 years (plus 5)
 - Repairs, maintenance and Decent Homes
- **Shortlisted:**
 - North Tyneside: £60m p.a. for 10 years
 - Camden: £10m p.a. for 5 years
- Growth opportunities within the contracts for additional local authority and third party work
- Asset management opportunities



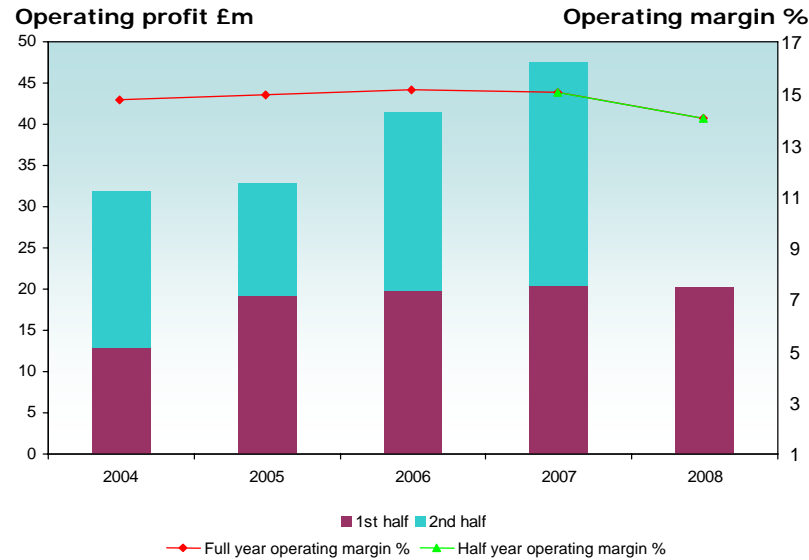
Kier Support Services

Building Maintenance: forward revenue



Kier Residential

key performance indicators



- Good Scottish market balancing weaker Lincolnshire market
- Higher proportion of open market sales in the period
- Operating margin held at around 14%
- Carrying values of land and work in progress are robust
- Part-exchange exposure reduced

	Six months to 31 December		Year to 30 June
	2007	2006	2007
Unit sales (units)	827	819	1,767
Av. selling price £	173,200	175,200	179,300
Revenue:			
Housing £m	143.2	143.5	316.8
Land sale £m	-	8.3	8.3
Total revenue £m	143.2	151.8	325.1
Housing operating profit £m	20.1	20.2	47.6
Operating margin (%)	14.0	14.1	15.0
<ul style="list-style-type: none"> ▪ 15.2% of total sales are affordable housing units (2006: 20.6%) 			



Kier Residential

completions, average sales price and plot cost

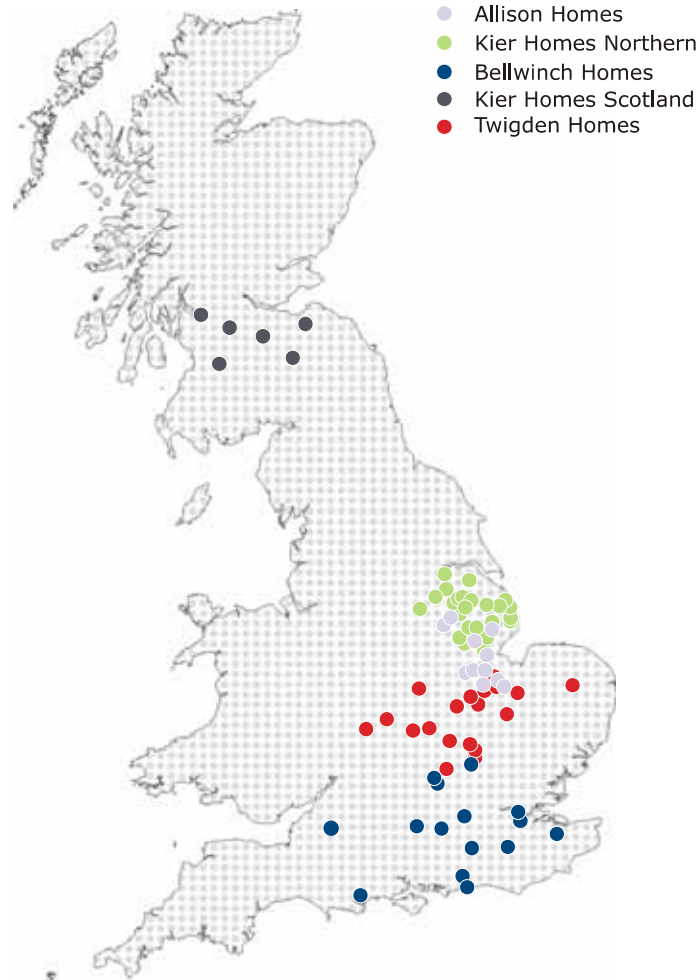


	Six months to 31 December			
	2007 Units	2007 ASP (£)	2006 Units	2006 ASP (£)
Allison Homes	138	175,900	244	145,300
Bellwinch Homes	195	174,400	160	173,400
Kier Homes Scotland	159	190,800	133	205,600
Kier Homes Northern	114	144,200	54	150,000
Twigden Homes	221	175,600	228	196,800
	827	173,200	819	175,200
Average plot cost	-	46,400	-	40,000
Plot cost as a % of sales price	-	26.8%	-	22.8%
Land bank with planning consent (units)	-	6,294	-	7,004
Strategic land bank (units)	-	12,400	-	11,800



Kier Residential map

location of land bank



- Selective land purchases largely in Scotland in the period
- Order book at 1 February 20% less than last year but new sites opening in the second half
- Completions to date plus order book secure 75% of full year target
- Long-term market fundamentals are sound

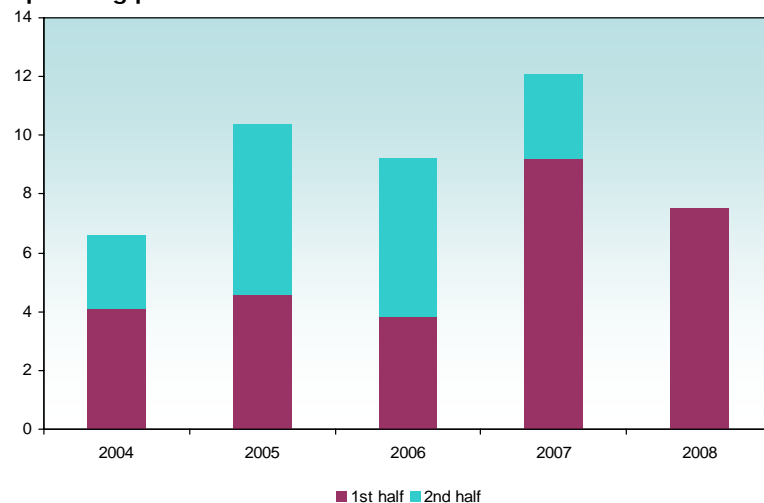


Kier Property

key performance indicators



Operating profit £m



- Key development sales in the first half
- Good opportunities in the pipeline
- Carrying values are substantiated
- Market should provide acquisition opportunities

	Six months to 31 December 2007 £m	2006 £m	Year to 30 June 2007 £m
Operating profit:			
Kier	6.5	5.6	6.9
Joint venture	1.0	3.6	5.2
	7.5	9.2	12.1
27 schemes			
	Gross development Value £m¹	Floor space m sq ft	
6 office schemes	320	1.0	
14 industrial schemes	256	2.1	
2 retail schemes	54	0.1	
5 mixed-use schemes*	430	1.9	
	1,060	5.1	
* Includes 2,500 residential units			
¹ Includes 100% of all joint ventures			



Kier Property

recent developments



- Good progress on Supreme Court with Wallis as contractor
- Sale of Milton Keynes development pre-let to Electronic Data Systems – Kier Regional as contractor
- Sale of 22-unit Trade City industrial site at Hemel Hempstead
- 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



Kier Regeneration



- GQ2 Gateshead: mixed development of 4.5 acre riverside site – retail, offices, hotel, leisure and residential
- Ashford: redevelopment of former rail land including residential, retail and affordable housing
- Poole: redevelopment of station, hotel, leisure, office and residential



Kier Property
GQ2, Gateshead



Kier Rail/Kier Regional/
Kier Property/Kier Residential/
Support Services
Poole Harbour development



Kier Project Investment



Kier Project Investment
Hinchbrook Hospital treatment centre



Kier Project Investment
Tendring Schools

- **Hairmyres:**
 - Sale of Hairmyres in February 2008 for £13.8m cash
 - Profit of £16.2m to be recognised in the second half of the year
 - Implies a discount rate of less than 5%
- **New markets:**
 - Including fire stations, prisons and waste
- **Directors' valuation:**
 - Remaining committed investment of £18.5m is valued at £39m based on a discount rate of 7%



Kier Project Investment

current projects



Sector	Project	Status	Capital value £m	Kier equity/ Loan stock £m	Equity %
Health	Hairmyres Hospital	Sold February 2008	68	4.3	50
	West Berkshire Hospital	Operational	25	1.6	50
	Hinchingbrooke	Operational	19	1.1	50
	Ipswich Hospital	Construction	27	1.5	50
Local authority	Bournemouth Library	Operational	14	0.7	50
	Oldham Library	Operational	14	1.0	50
Education	Tendring Schools	Operational	18	0.5	50
	Waltham Schools	Operational	51	2.9	50
	Sheffield Schools	Operational	50	2.6	50
	Norwich Schools	Construction	39	1.6	50
	Oldham Schools	Construction	54	2.9	50
Others	Greenwich Care Homes	Operational	18	0.8	50
	North Kent Police HQ	Construction	25	1.3	42.5
Committed investment			-	22.8	-

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

Shortlisted: Worcester Library, Police Investigation Centres



Markets and prospects



- Little sign of credit crunch affecting Construction and Support Services
- Continued Government spending on education, prisons and health
- Regeneration and affordable housing opportunities in response to Government commitments
- Strong order books and high levels of enquiry in Construction and Support Services
- Homes order book and completions to 1 February secure around 75% of projected unit sales
- Business model provides insulation against downturn in markets



Five-year record

year ended 30 June



	2007 £m	2006 £m	IFRS 2005 £m	2004 £m	UK GAAP 2003 £m
Turnover	2,127.9	1,838.3	1,623.2	1,476.5	1,445.6
Operating profit (Group + JVs)	82.2	63.2	53.3	42.6	36.2
Total finance cost net	(3.2)	(2.7)	(4.3)	(2.0)	(0.6)
Joint venture tax	(1.4)	(1.4)	(1.2)	-	-
Other: exceptionals	-	-	6.7	-	(2.3)
Profit before tax	77.6	59.1	54.5	40.6	33.3
EPS: basic including exceptionals	155.0p	120.8p	103.4p	81.5p	69.5p
Dividend per share	50.0p	26.0p	22.2p	19.0p	16.4p
Shareholders' funds	£183.0m	£108.5m	£52.8m	£116.4m	£92.7m

