



Creating Platforms for Growth

Kier Group

Capital Markets Day

3 July 2014

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Haydn Mursell

Chief Executive

Kier Group

Capital Markets Day

3 July 2014

Today's agenda

| | | |
|---------------|--|----------------------|
| 2pm | Welcome and Group Strategy Overview | Haydn Mursell |
| | Operational Updates | |
| | ▪ Property | Nigel Turner |
| | ▪ Kier Residential | John Anderson |
| | ▪ Construction | Steve Bowcott |
| | Q & A | |
| 4.00pm | BREAK | |
| 4.15pm | Kier's Integrated Offering | Steve Bowcott |
| | Kier Services | |
| | ▪ Our Markets | John Wilkinson |
| | ▪ Operational Updates | |
| | ▪ Utilities | Paul Fletcher |
| | ▪ Highways | Nigel Dyer |
| | Featuring guest speaker: Lucy Robinson, Deputy Chief Executive, Suffolk County Council | |
| 5.30pm | Q & A and close | Haydn Mursell |
| 5.45pm | Drinks | |

Trading update

Financials in line with expectations

■ **Construction**

- Margin c2% and cash closely managed
- Encouraging level of opportunities
- 90% secured for FY15 on increasing revenue

■ **Services**

- Margin in excess of 4.5%
- High level of bidding
- 85% secured for FY15

■ **Property**

- 15% ROCE on track
- Operating with £100m capital limit
- £1bn development pipeline

■ **Residential**

- Combination of existing activities – branded Kier Living
- Growth focused on affordable housing
- Sharing of best practice and resources

An experienced team



Steve Bowcott
CHIEF OPERATING OFFICER



Haydn Mursell
CHIEF EXECUTIVE



David Benson
ACTING FINANCE DIRECTOR



Nigel Turner
PROPERTY



John Anderson
RESIDENTIAL



John Wilkinson
SERVICES



Nigel Brook
BUILDING UK



Peter Young
BUILDING UK



Sean Jeffery
INFRASTRUCTURE



Paul Woodman
OVERSEAS



Nigel Dyer
HIGHWAYS



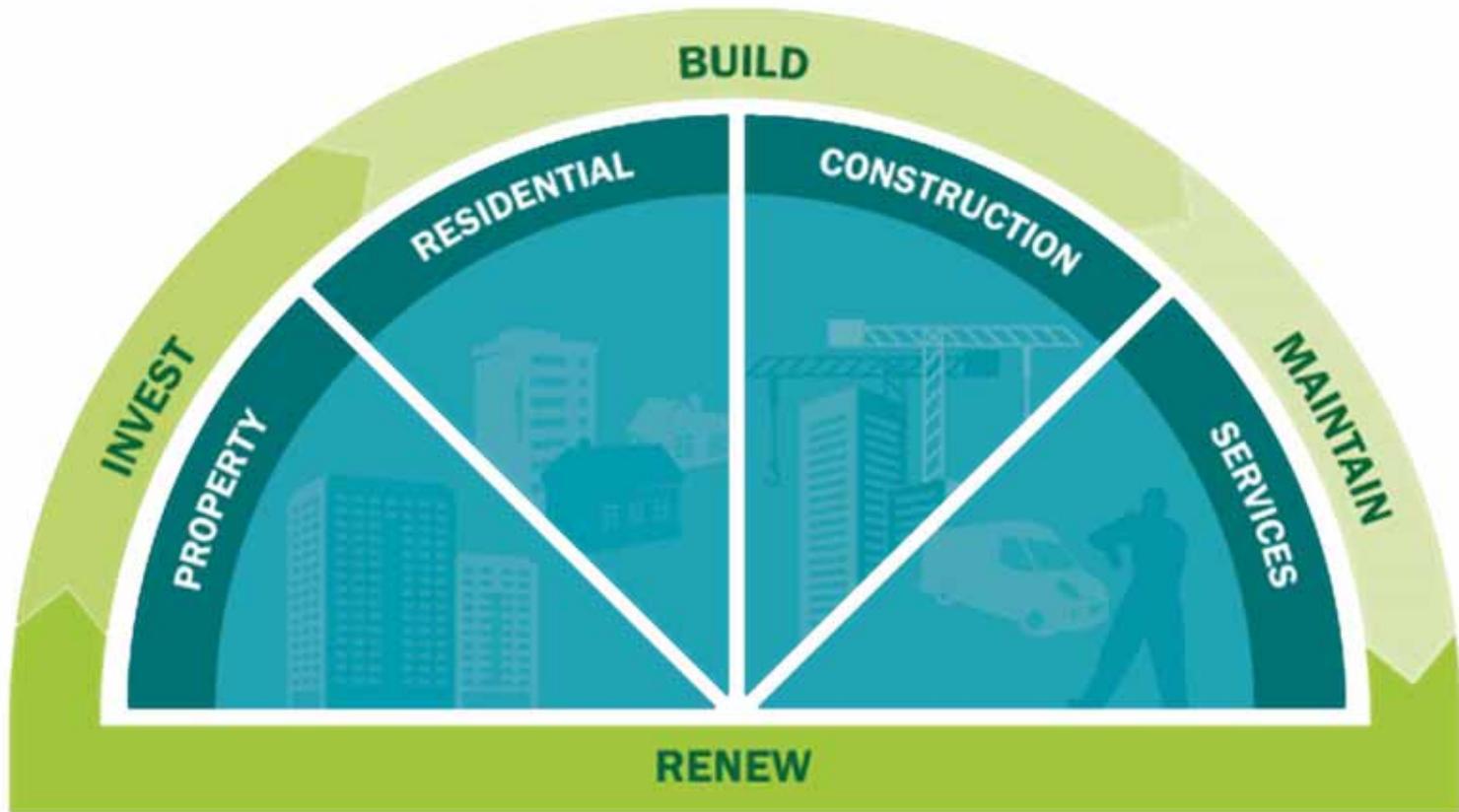
Paul Fletcher
UTILITIES &
WATERWAYS

Services speakers

Kier 2020



A strong portfolio of businesses



A strong portfolio of businesses

Property



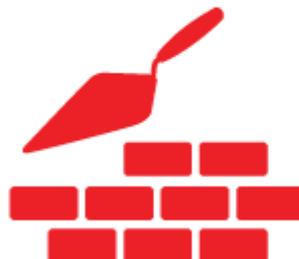
Revenue* £0.3bn

Residential



Revenue* £1.3bn

Construction



Services



Revenue* £1.1bn

Capability

- Developments
- JVs / LABVs
- PFI / Structured finance
- Integrated solutions
- Non-speculative
- RoC > 15%

- Contracting & affordable/ mixed tenure 900 units p.a.
- Private homes 700 units p.a.
- National coverage
- HCA / DPP funding

- Regional building
- Major Projects
- Infrastructure capital works
- National coverage
- Overseas

- Fence-to-fence capability for Local Authorities
- Utilities breadth
- TOTEX opportunities with Construction
- Nationwide reach
- Sector leading positions

Key markets

- Commercial
- Retail
- Industrial
- Regeneration
- Local authorities
- Transportation

- Local authorities
- Housing associations
- Private rented
- Private consumer

- Local authorities
- Education
- Health
- Energy generation
- Utilities
- Defence
- Commercial
- Transportation

- Local authorities
- Housing associations
- Utilities
- Energy transmission
- Transportation
- Education
- Health

*FY2013 pro forma incl. May Gurney and restated to reflect restructure of residential business

A strong portfolio of businesses

Property



Revenue* £0.3bn

Residential



Revenue* £1.3bn

Construction



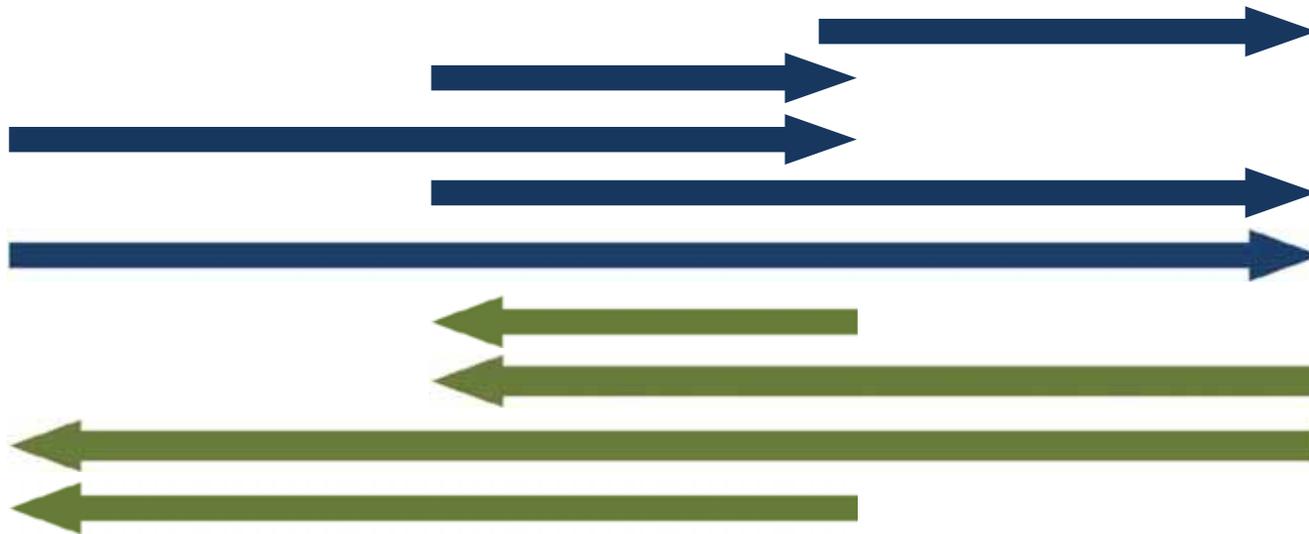
Services



Revenue* £1.1bn

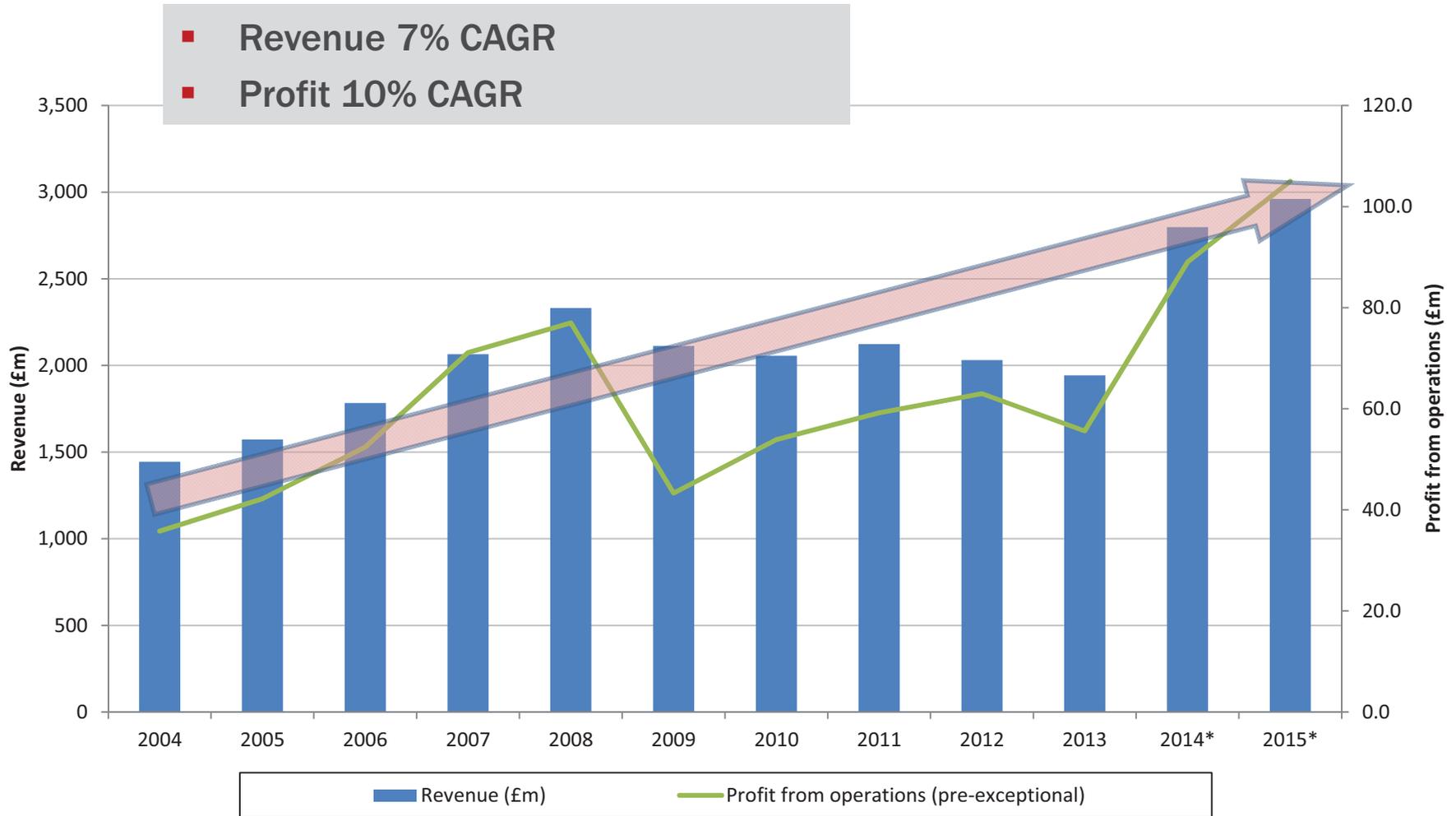
Opportunities

Capital



*FY2013 pro forma incl. May Gurney and restated to reflect restructure of residential business

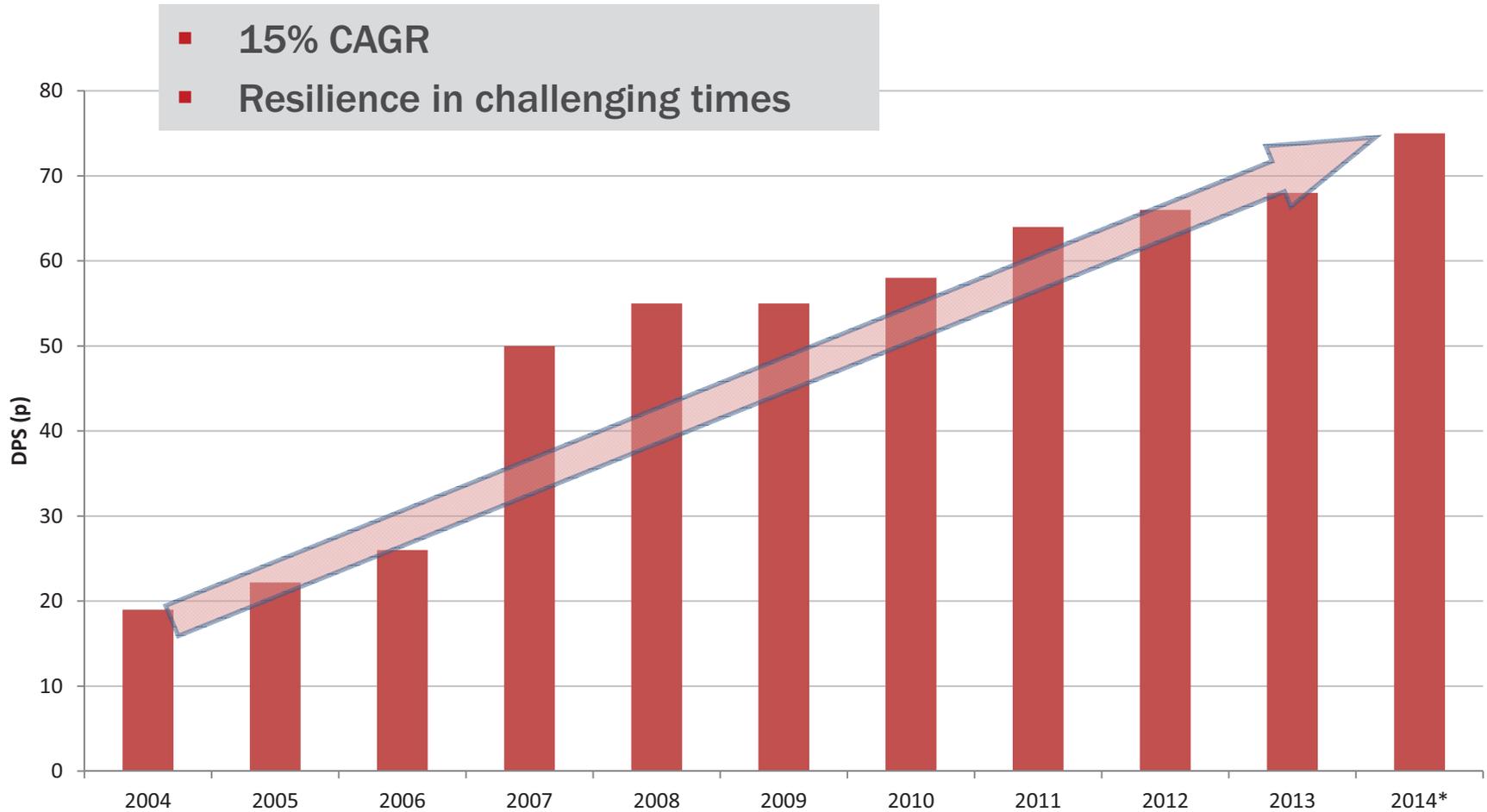
Track record of growth



Profit restated to reflect IAS19 adjustments

**2014 & 2015 based on market consensus*

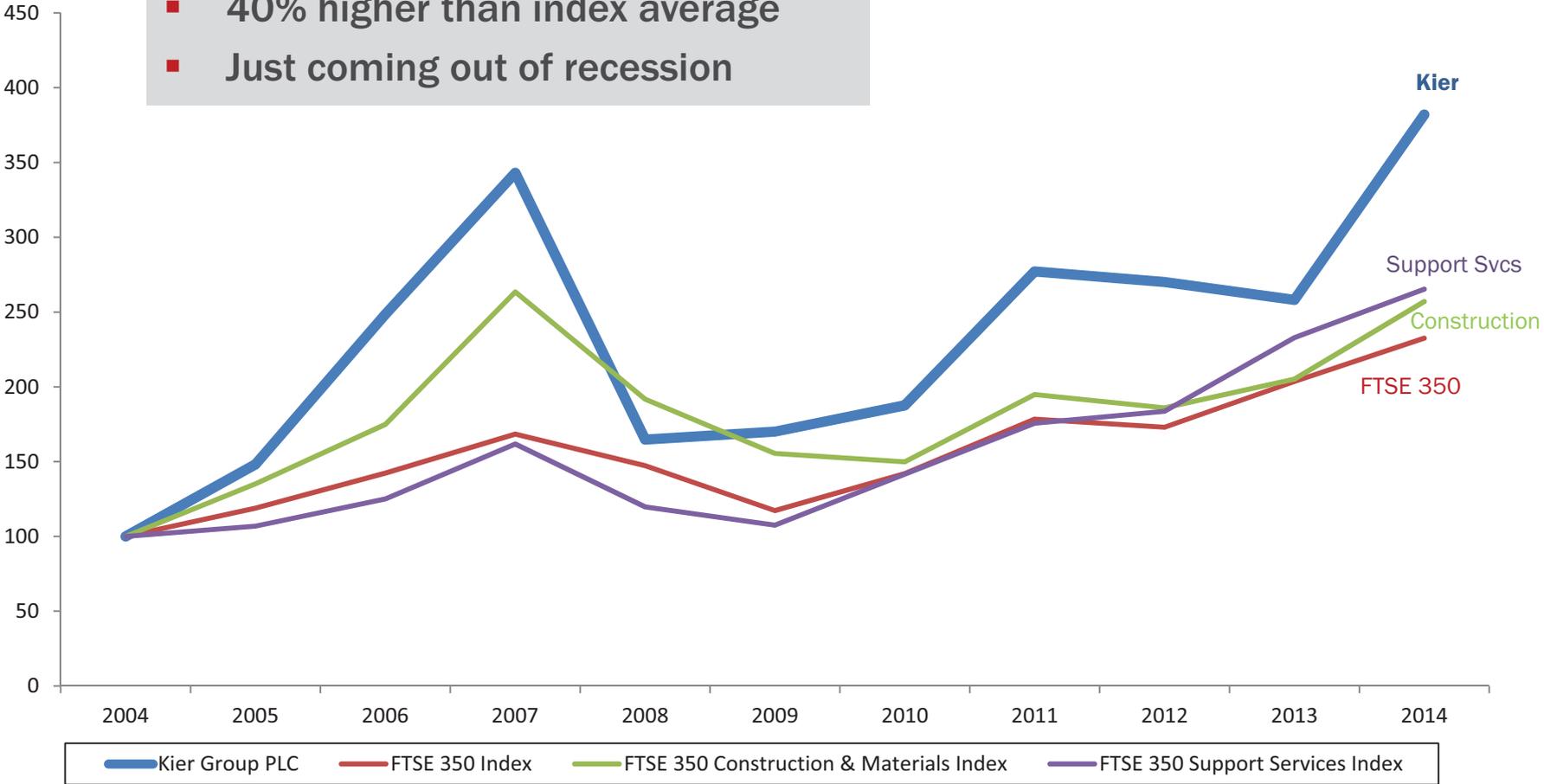
Progressive dividend



*2014 based on market consensus

Translating to shareholder return

- 14% CAGR
- 40% higher than index average
- Just coming out of recession

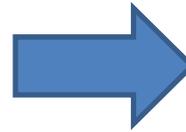


Positive market dynamics leading the way

UK economy returning to growth

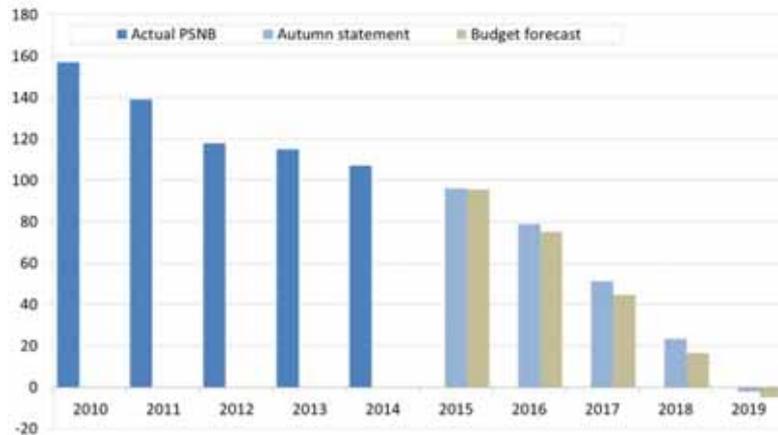


Source: ONS, OBR

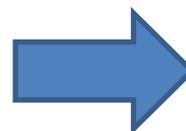


- European fragility still exists
 - Unsettled geographies
 - Bank stability
- UK general election in 2015
 - Uncertainty

Public sector borrowing starting to decline



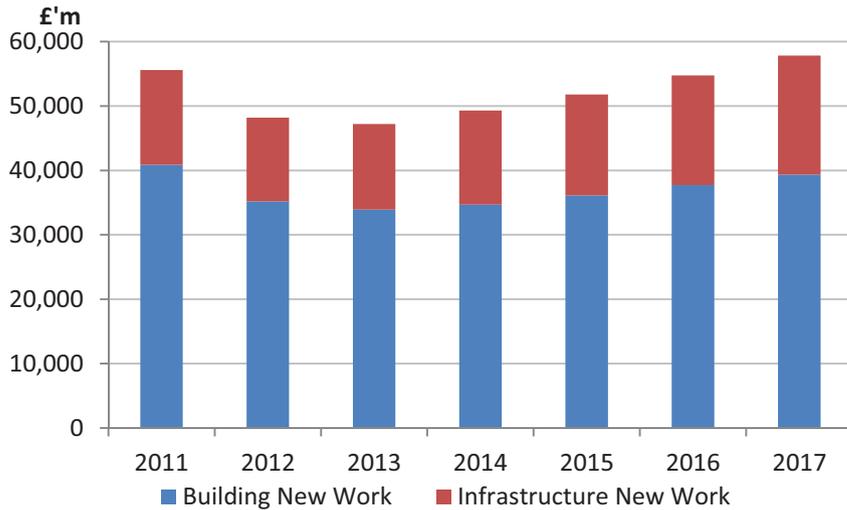
Source: ONS, OBR; Excludes Royal Mail pensions transfer and Asset Purchase Facility



- Public sector hiatus around election
- Fiscal pressures will drive outsourcing, albeit smaller value contracts
- Breadth of capabilities increasing in demand

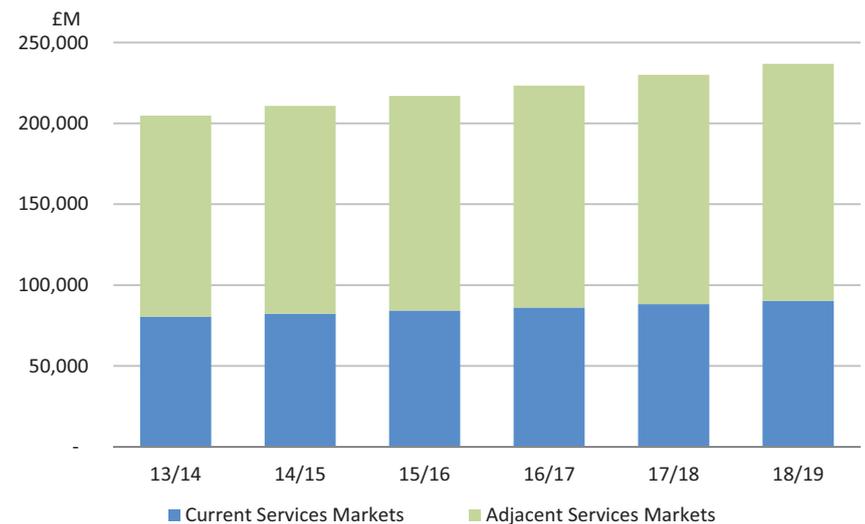
Opportunity for growth in core markets

UK Construction



Source: ONS, CPA

UK Services



Source: Various incl. BSA, ONS, Credo

UK Property Development & Housebuilding



Property

- Investment: £53bn p.a.
- Development: £11bn p.a.



Housebuilding

- 2013: c. 123,000 new homes
 - Private: c. 80,000 p.a.
 - Affordable: c. 40,000 p.a.
- 2016 forecast: 167,000 p.a.

Source: British Property Federation, DCLG, CPA

Overseas



Source: Aecom, Deloitte, Management estimates

Creating a focussed residential offer

Combined approach

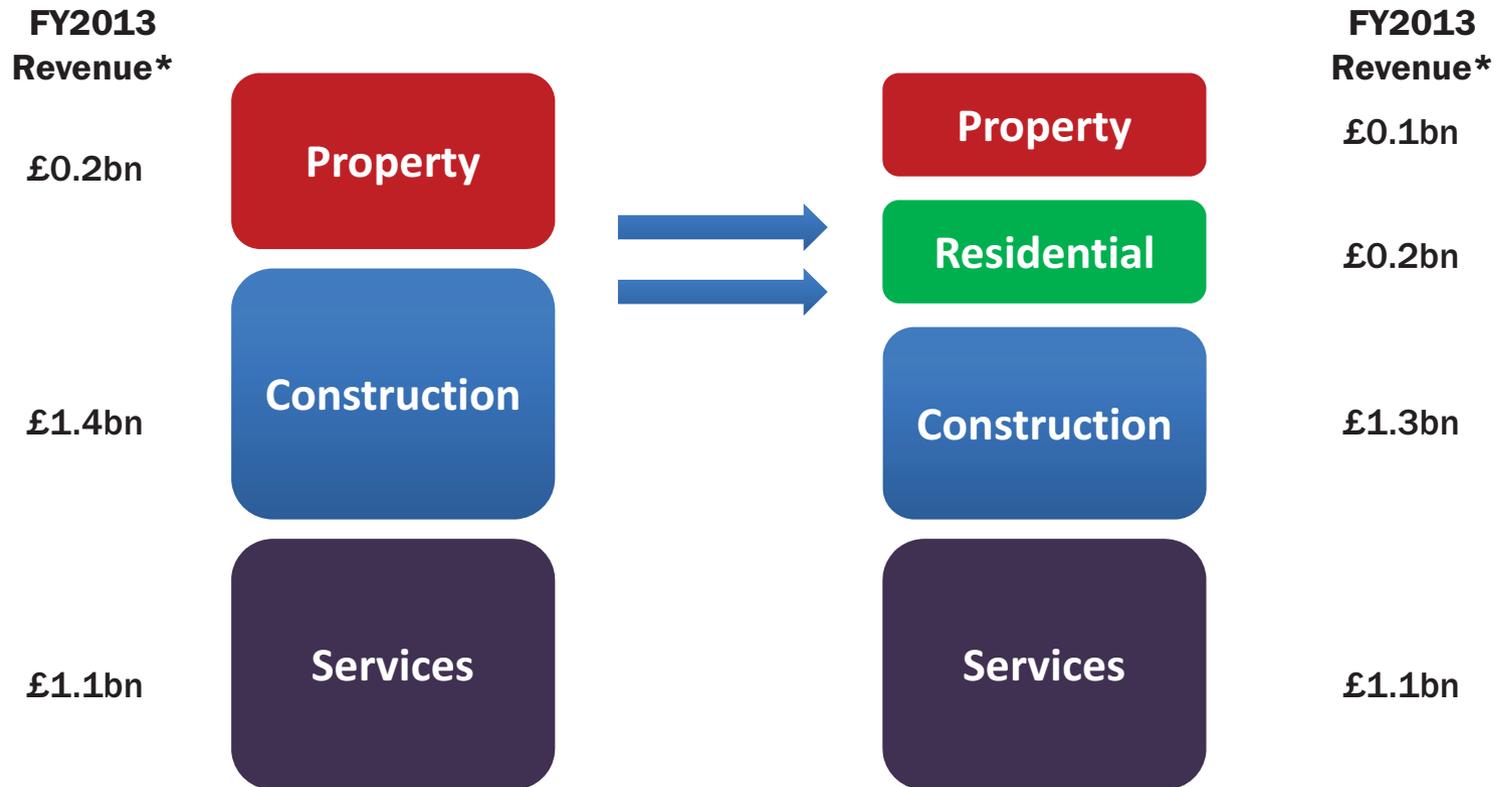
- Specialist contracting – low/mid rise
- Affordable mixed tenure
- Private housebuilding

Why?

- Accelerated growth
 - Government initiatives
 - Supply demand imbalance
- Share best practice & complementary skills
 - Risk management
 - Design, procurement, etc
- Clarity of residential offering
 - Customers
 - Investors
 - Branded “Kier Living”



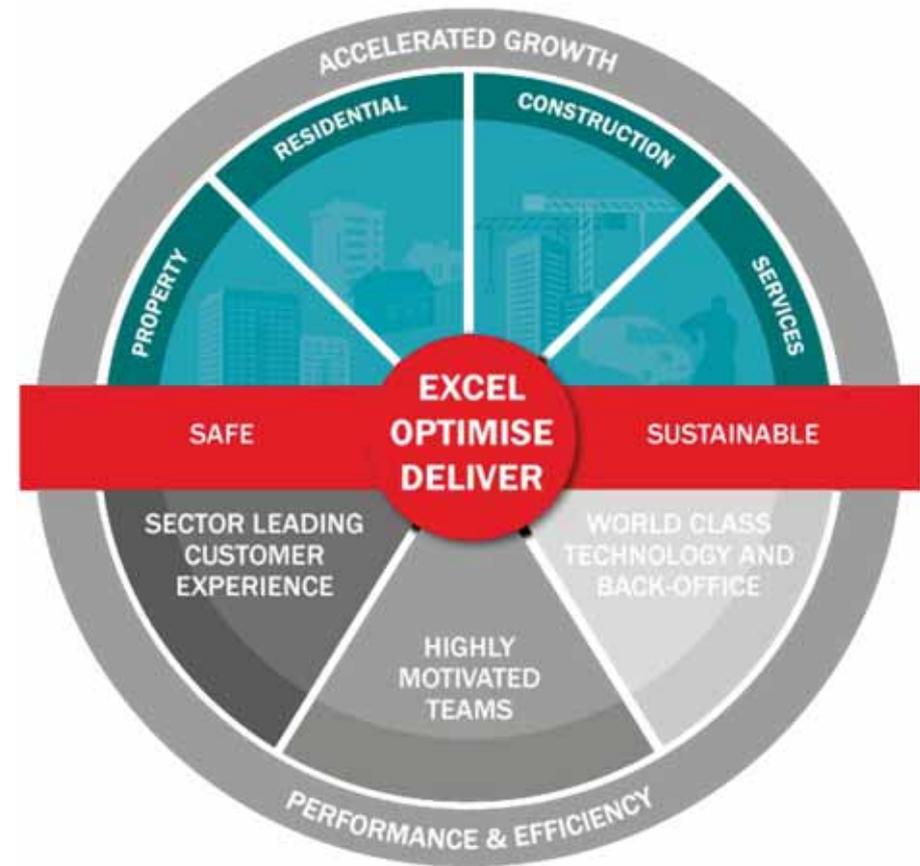
Our new reporting segments from 1 July 2014



- Recycle capital released from private land bank into mixed tenure WIP
- Construction margin: relatively unaffected by transfer of higher margin residential work
- Property: Property development and PFI only

Vision 2020: what we want to be known for

- Operate a **safe** business – always
- **Excel** at what we do and create an engaging and stimulating environment for our people
- Ensure robust, **sustainable** performance
 - Top 3 in our chosen markets
- **Optimise** performance across our business through technology investment and streamlined operations
- **Deliver** on our promises, by sharing the best of our learning with our customers to provide integrated solutions



Capital allocation & dividend

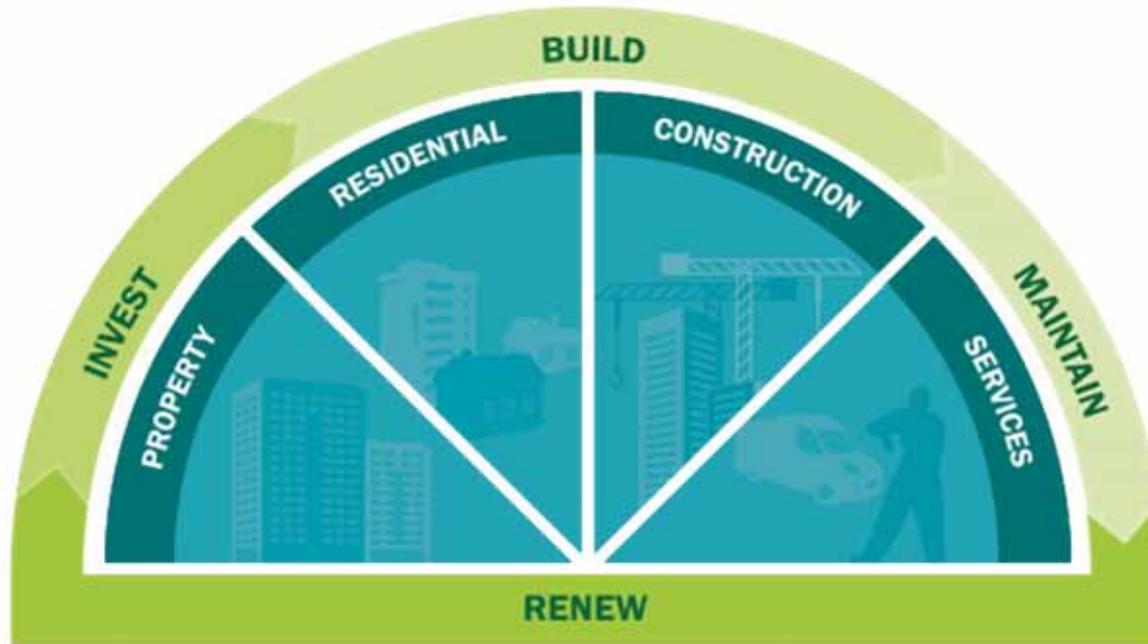
- **Capital discipline**
 - Net debt/EBITA <1 by 2017
 - Working capital management
 - Construction and Services
 - Recycle Residential capital to service affordable housing growth
 - Strict investment hurdles maintained
 - Property, Residential and IT systems
- **Progressive dividend maintained**
 - Broadly in line with earnings



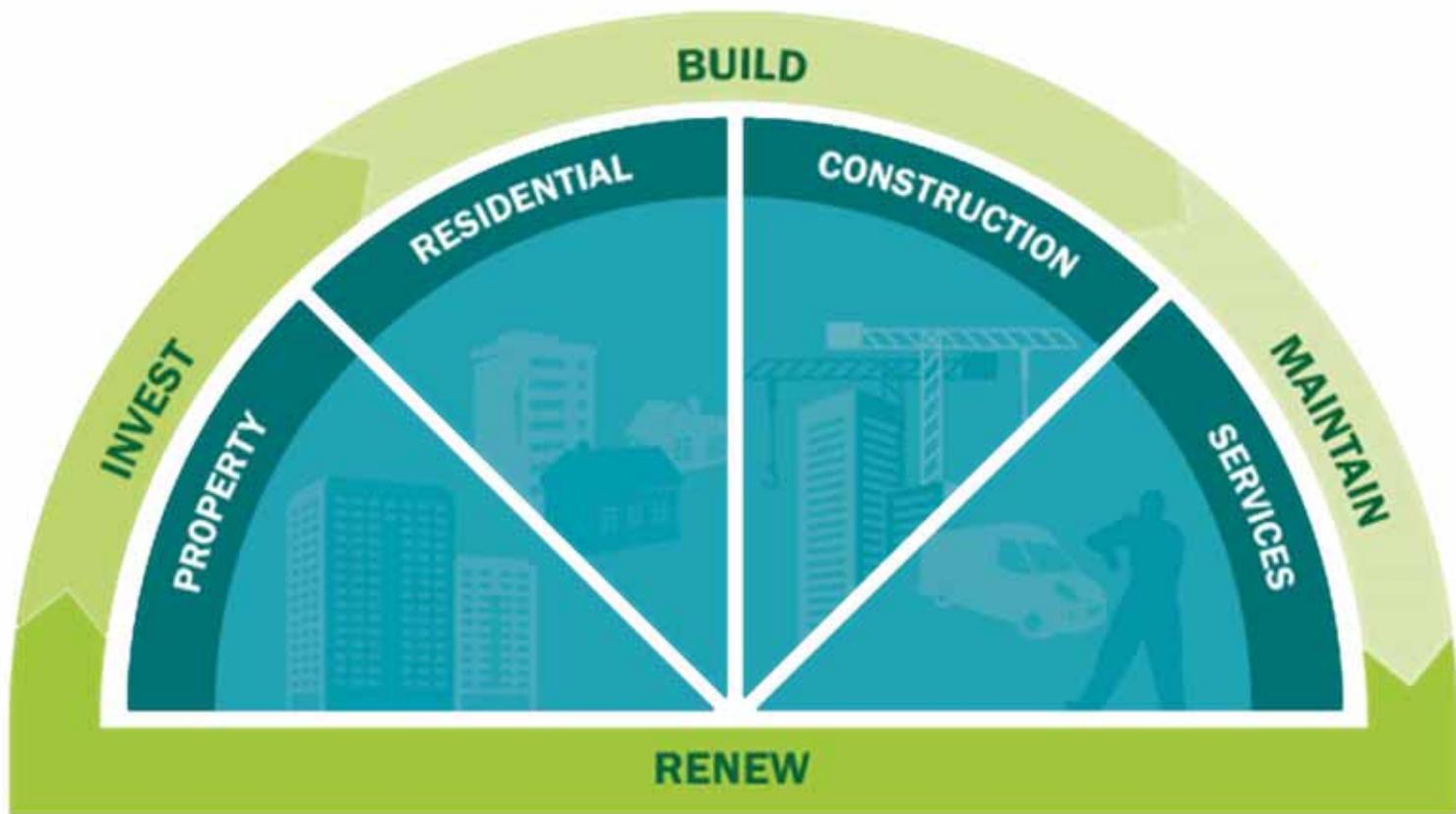
Medium term profitability

- **Profit growth**
 - Double digit CAGR to 2020
- **Construction**
 - Revenue growth, more particularly in Infrastructure and Overseas
 - > 2.5% operating margin
- **Services**
 - Revenue growth from combined Kier and MG, and selected acquisitions
 - > 5% operating margin
- **Residential**
 - Recycle capital; self sufficiency
 - c£250m capital, targeting >15% ROCE
 - Mixed tenure growth focus
- **Property**
 - Group's free cashflow invested
 - Increasing towards c£200m capital, targeting 20% ROCE

Creating platforms for growth



- Strong portfolio of businesses with integrated service offering
- Accelerated growth to be Top 3 in our chosen markets
- Profit: Double digit CAGR
- Experienced team with ambition for Kier





Nigel Turner

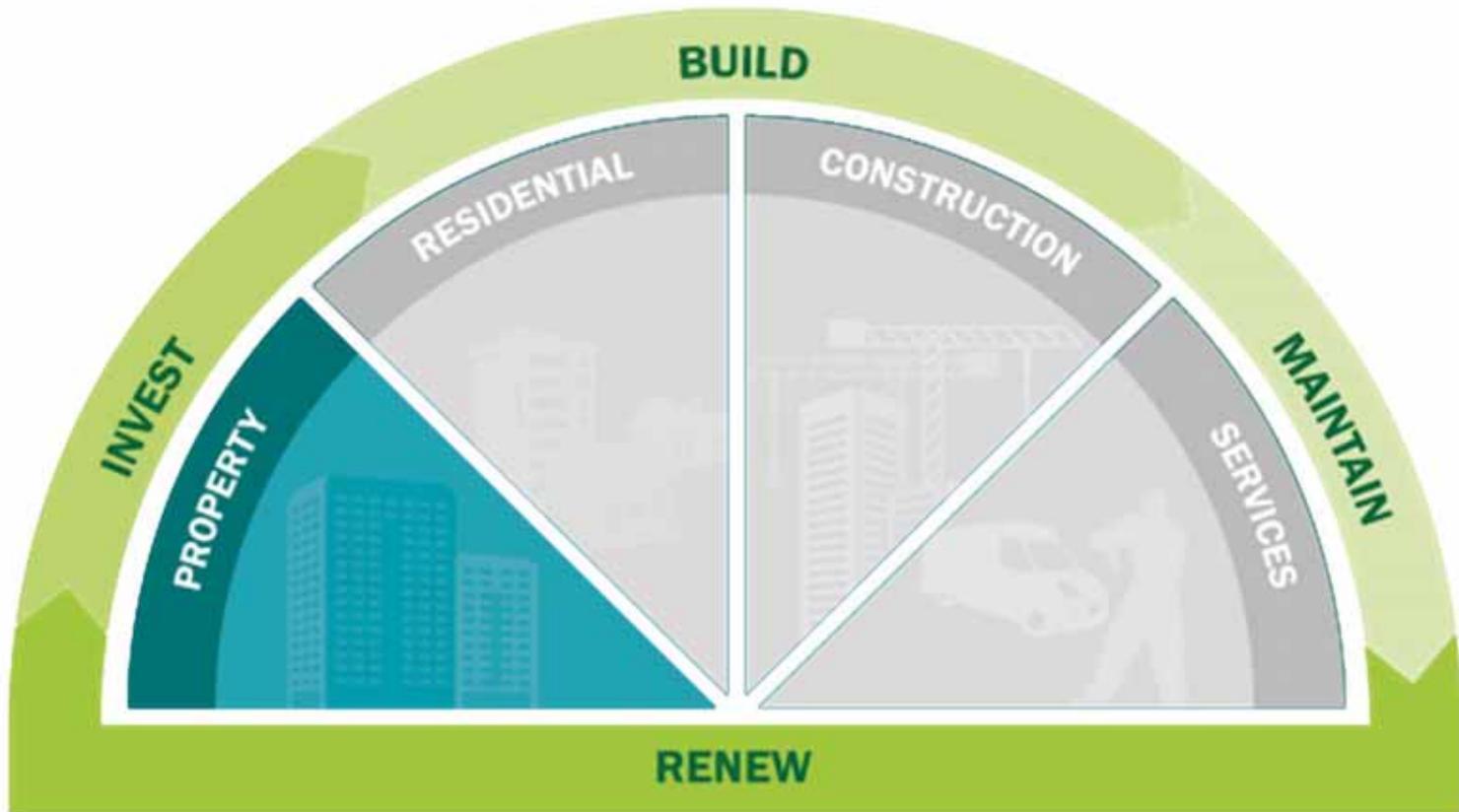
Executive Director, Property Division

Property Division

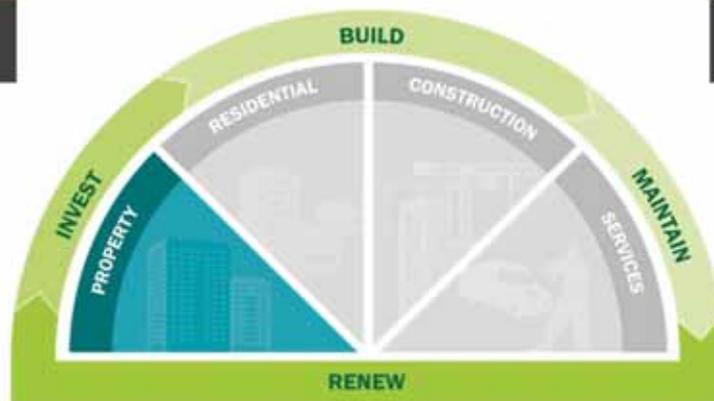
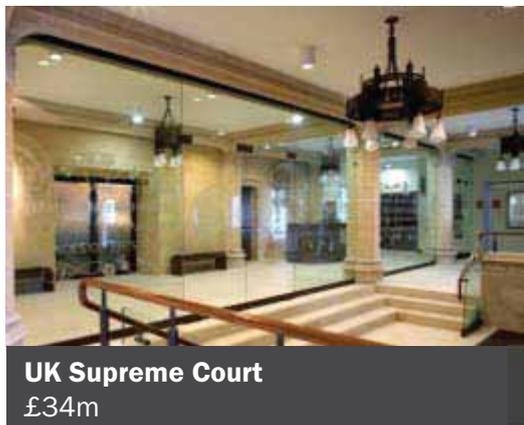
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The integrated offering



What we do



- Generate minimum of 15% ROCE on Group cash
- Predominantly non-speculative trader developers
- Urban regeneration specialists – we invest and renew

Our strategy

- Delivering a stable and predictable profit stream
- Increase our market share as a trusted development partner
- Maintaining a balanced, largely non-speculative portfolio
- Providing a stable 15% ROCE from Group investment
- Average investment to date £70m

Revenue (£m)*

£238m

| | |
|------|-----|
| 2013 | 238 |
| 2012 | 241 |
| 2011 | 250 |

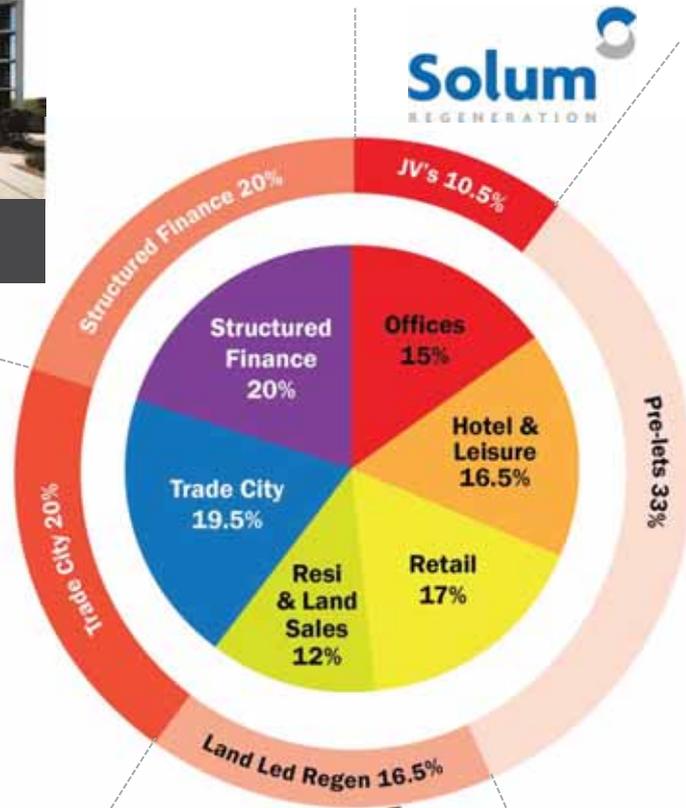
Operating profit (£m)*

£20.5m

| | |
|------|------|
| 2013 | 20.5 |
| 2012 | 22.0 |
| 2011 | 15.3 |

*including Residential

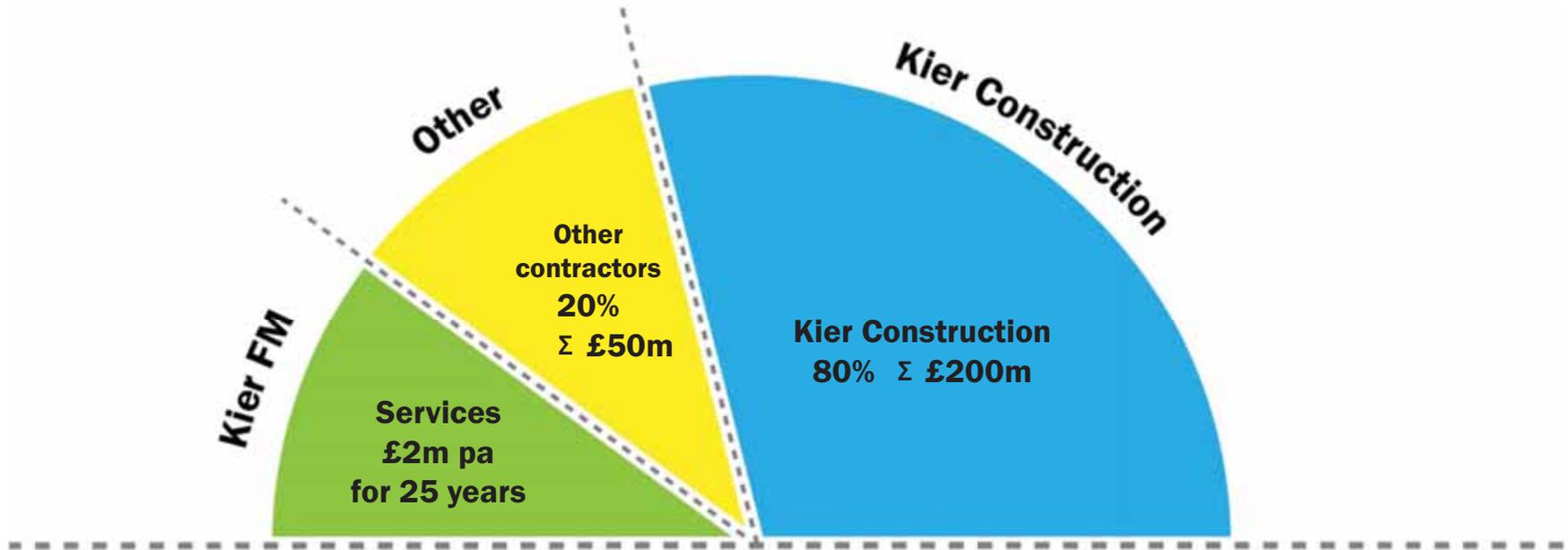
Our markets



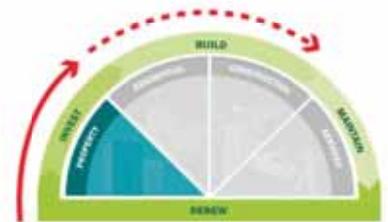
- Average 20 schemes annually
- Average lot size £10 – 30m
- 725,000 sq ft commercial space
- 420 residential units
- 264 student beds
- 220 hotel keys

Note: By percentage value

Integrated benefits



- Construction revenues to Group circa 80% volume
- 2013 service contracts £2m pa for 25 years
- Further opportunities for greater cross selling



Occupier pre-lets



Feltham - GeoPost



Hayes - Costco



Walsall - Leisure Destination

Land regeneration



Audit House – 58 VE

Catterick – leisure and retail

Joint ventures



- £90m revenue to date
- Strong pipeline
- 350 private/rented potential



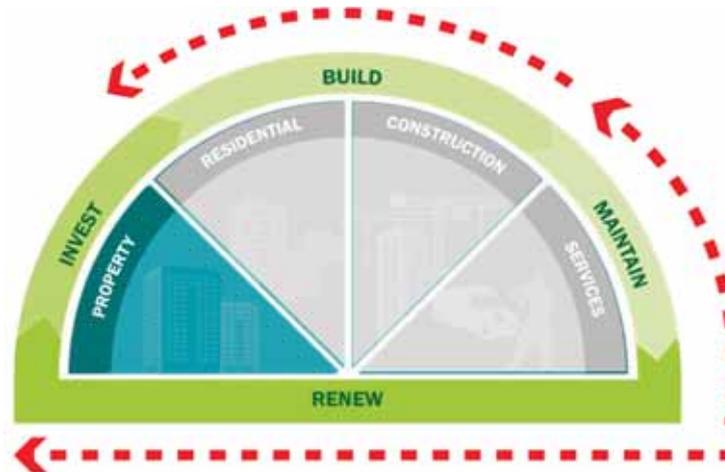
- Solum (Kier & Network Rail JV)
- Watford Health Campus
- Test Valley Walworth Regeneration Area
- Further opportunities exist

Joint ventures



Local authorities

- Further potential to cross sell from key clients
- Trusted partner – we deliver and solve problems



Trade City



Bracknell

Trade City

100% Kier
220k sq ft



Completed 2013-14



- 440,000 sq ft delivered in last 2 years across 7 locations
- 4 new schemes secured for 2015/16 pipeline
- £66m in JV's with DTZIM and Investec
- JV's and debt improve ROCE



Structure finance

- 22 schemes delivered
- 10 retained
- Currently bidding:
 - student accommodation
 - hospitals
 - estates partnerships



Gloucester Fire Station



North Kent Police



Competitive advantage

- We have a secure pipeline
- Clients like the security of a large Group
- The Kier balance sheet sets us apart
- We are often the front door of Kier
- Our ability to leverage our investment

Development sites secured (% against business plan)



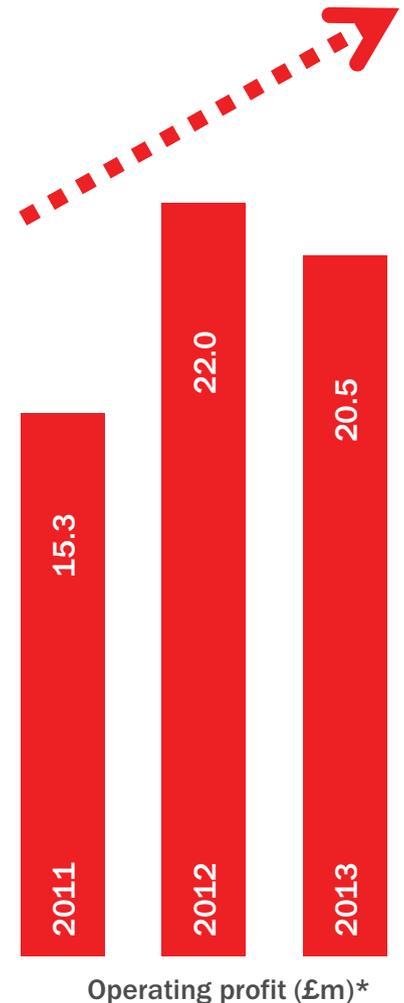
Future drivers

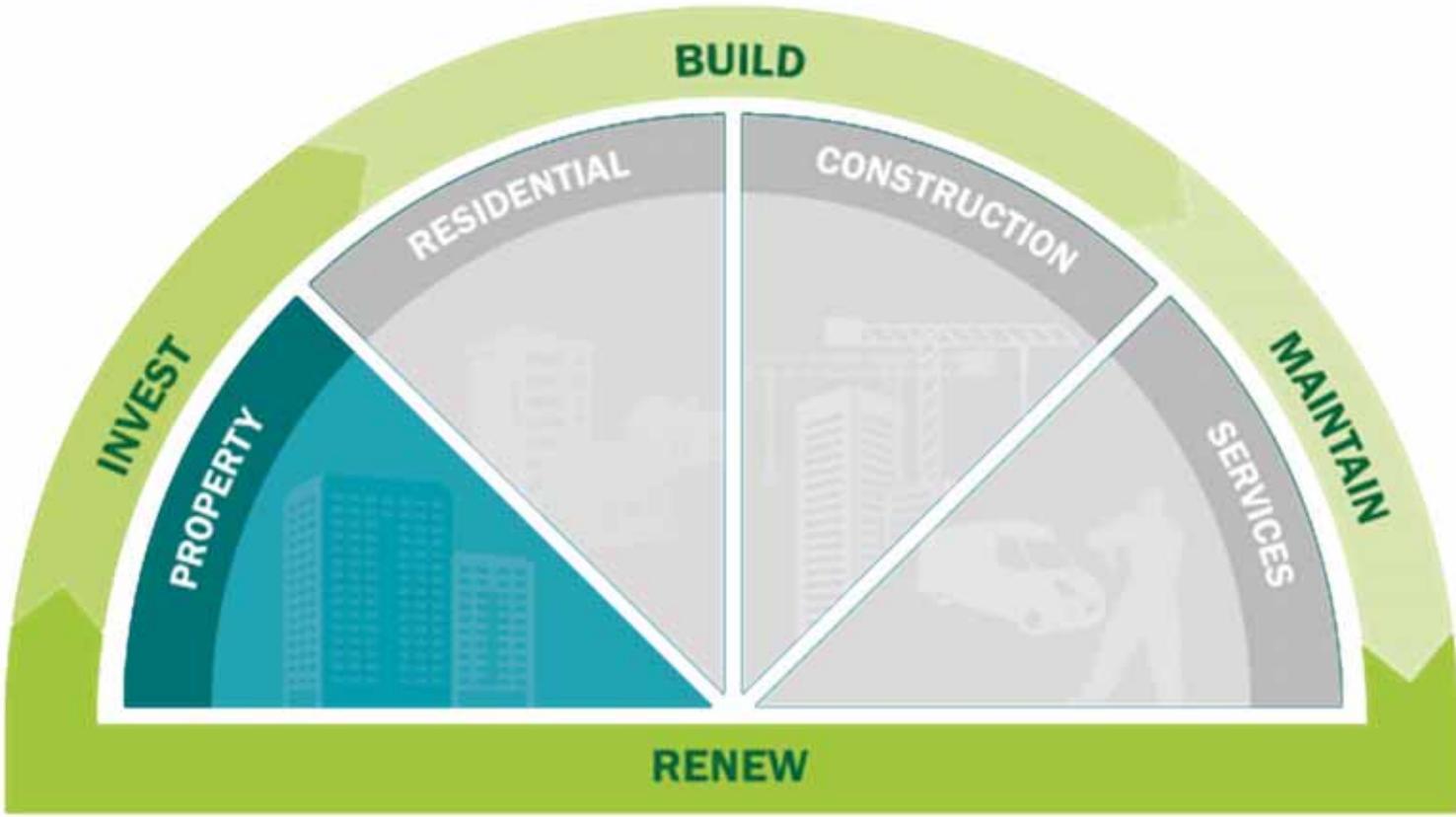
- Occupier demand is improving
- There is life outside the core south east
- Weight of money is driving valuations higher
- Prospects look stable with potential for selective growth
- Leverage cash potential to enhance returns

Summary

- Strong pipeline of short – medium term development stock
- Group cash available for investment in Property
- £100m rising towards £200m in the medium term
- ROCE approaching 20% due to JVs, etc
- Competing for cash against other investments as is naturally a good thing
- Room for growth

*including Residential







John Anderson

Executive Director, Kier Living

Residential Division

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The integrated offering



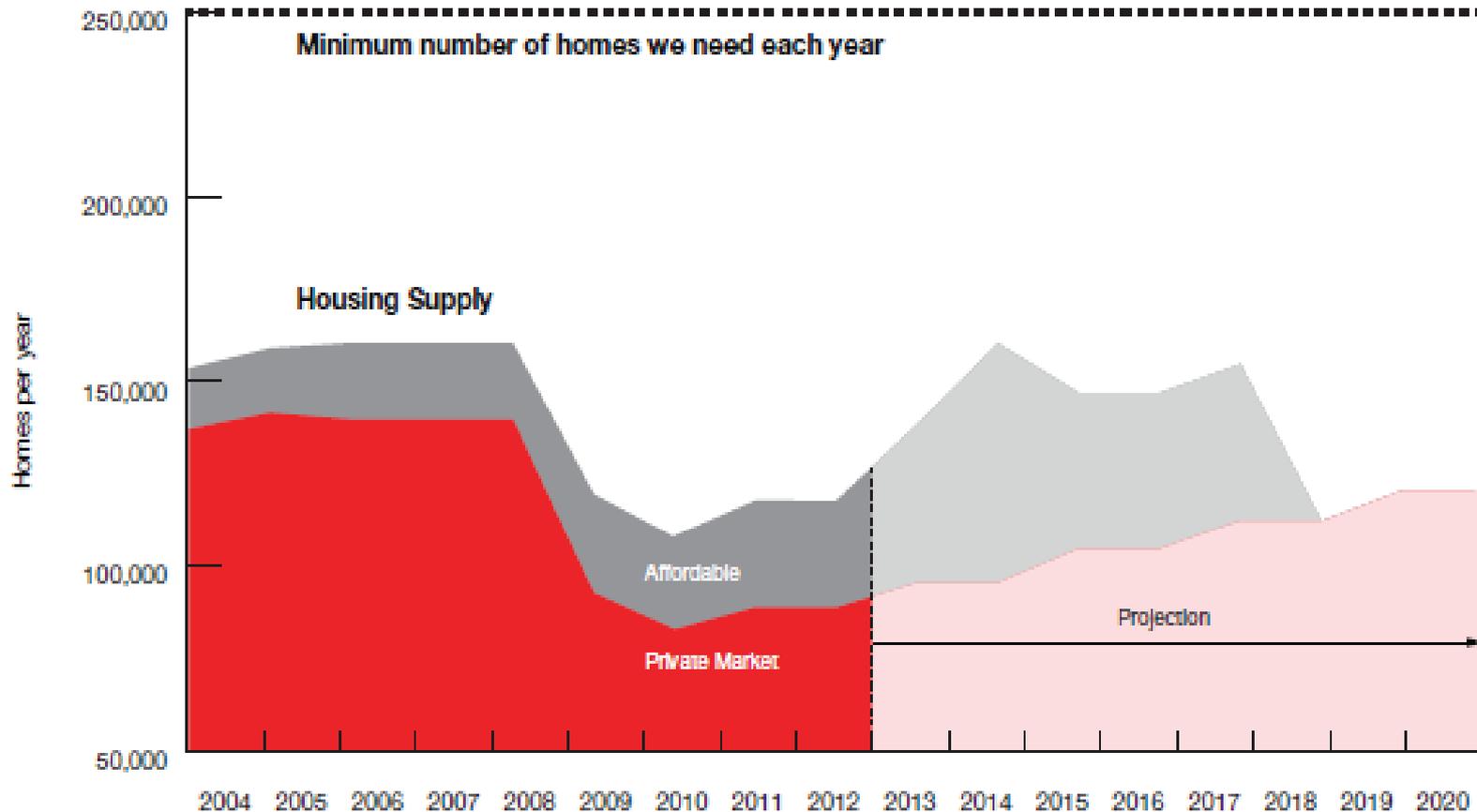
Residential market conditions

- Growing imbalance between supply & demand
- Improving economic conditions
- Increasing employment
- Fluid mortgage market
- Consumer confidence improving
- All political support for the need for more housing

Housing supply

- Current forecasts suggest 230,000 – 300,000 new homes required annually
- Over the past decade, 115,000 pa average built by the private sector
- Housing shortfall between 2004 and present: 1m
- Population since 2001 has risen by 5m

UK housing market - housing supply

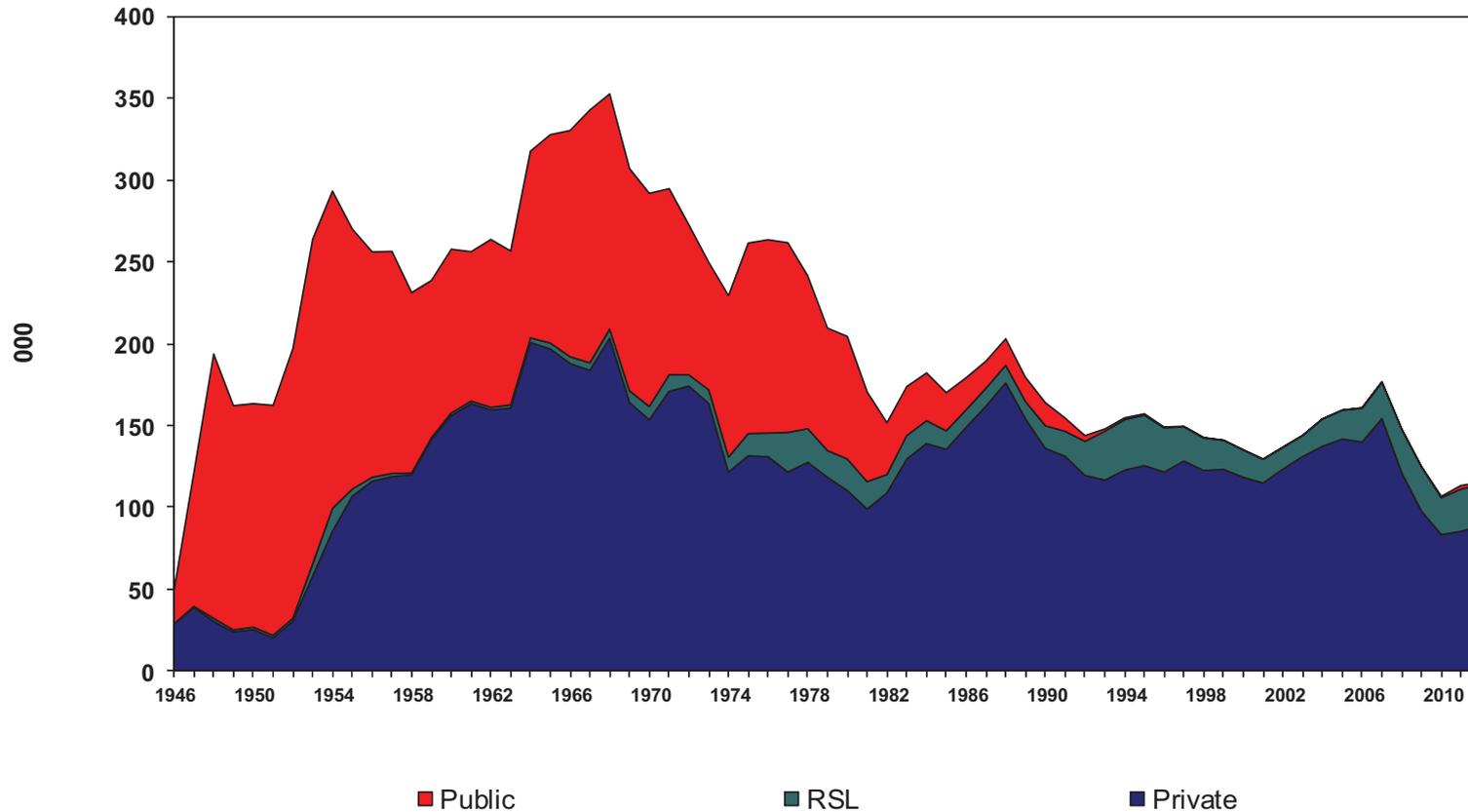


Even on optimistic scenario, current plans won't deliver enough homes

*Source: DCLG

UK housing market - housing completions

(England)



*Source: DCLG

Kier Living: Consolidating residential skills

Private homes

(c. 600 homes p.a.)

- Contain controlled radius
- Continue transition from old land to new land
- Recycle cash release into affordable offering

Specialist contracting

(c. 500 homes p.a.)

- Measured growth
- Targeted product complementing wider ambitions
- Targeted geography



Affordable mixed tenure

(c. 500 homes p.a.)

- Extend to national coverage
- HCA DPP funding for 1360 units
- Consolidate propositions

Key markets

- **Local authorities**
- **Housing Associations**
- **Private rented sector**
- **Funds & institutions**

***Source:** Savills / DCLG

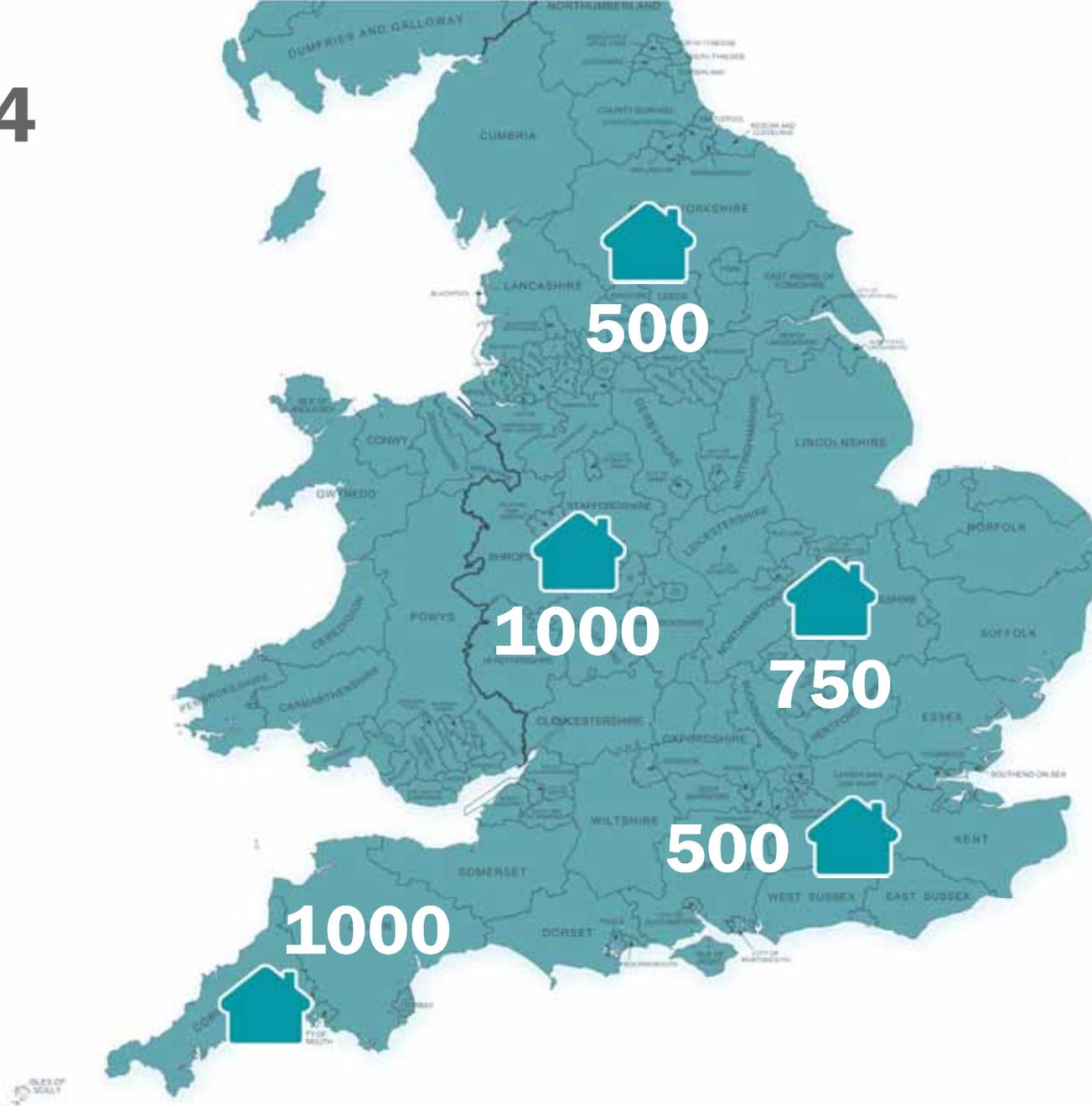
Financial performance: Today

| | Units | Capital £m | ROCE % |
|--|--------------|-----------------------|-------------------|
| Contracting | 500 | - | n/a |
| Mixed tenure | 500 | 20 | 15% |
| Private house building - new land | 40 | 45 | 2% |
| legacy land | 560 | 175 | 0% |
| Total | 1,600 | 240 | 3% |

Financial performance: 2020

| | Units | Capital £m | ROCE % |
|--|---------------|-----------------------|-------------------|
| Contracting | >600 | - | n/a |
| Mixed tenure | >2,500 | 90 | >25% |
| Private house building - new land | >600 | 100 | 18% |
| legacy land | | 65 | 0% |
| Total | c4,000 | 255 | >15% |

2014



Case study: Manor & Kingsway, Derby

Surplus NHS land procured through the HCA Developer Partner Panel Competition. Kier were selected January 2012 for a residential led mixed-use development comprising:

- 700 new homes
- 21,600m² of B1 employment space
- 500 m² retail
- 7.5 hectares of public open space with new recreational facilities
- All residential to be CfSH 4; non residential to be BREEAM Excellent



Case study: Woking

28 year PFI contract with Kier in 50;50 Partnership with Thames Valley HA to build & maintain 373 new homes including 224 social rented for Woking Borough Council

- Homes designed to Lifetime Homes standards and Code for Sustainable Homes Level 4.



Summary

- **Unprecedented housing supply/demand imbalance with an improving employment levels and a fluid mortgage market**
- **Kier uniquely placed & geographically well balanced**
- **Focussing on mixed tenure model building on third party land.**
- **No material increase in capital required over medium term**
- **Kier Living ... A market leading house building business with real brand value and clear commercial proposition**

Kier Living





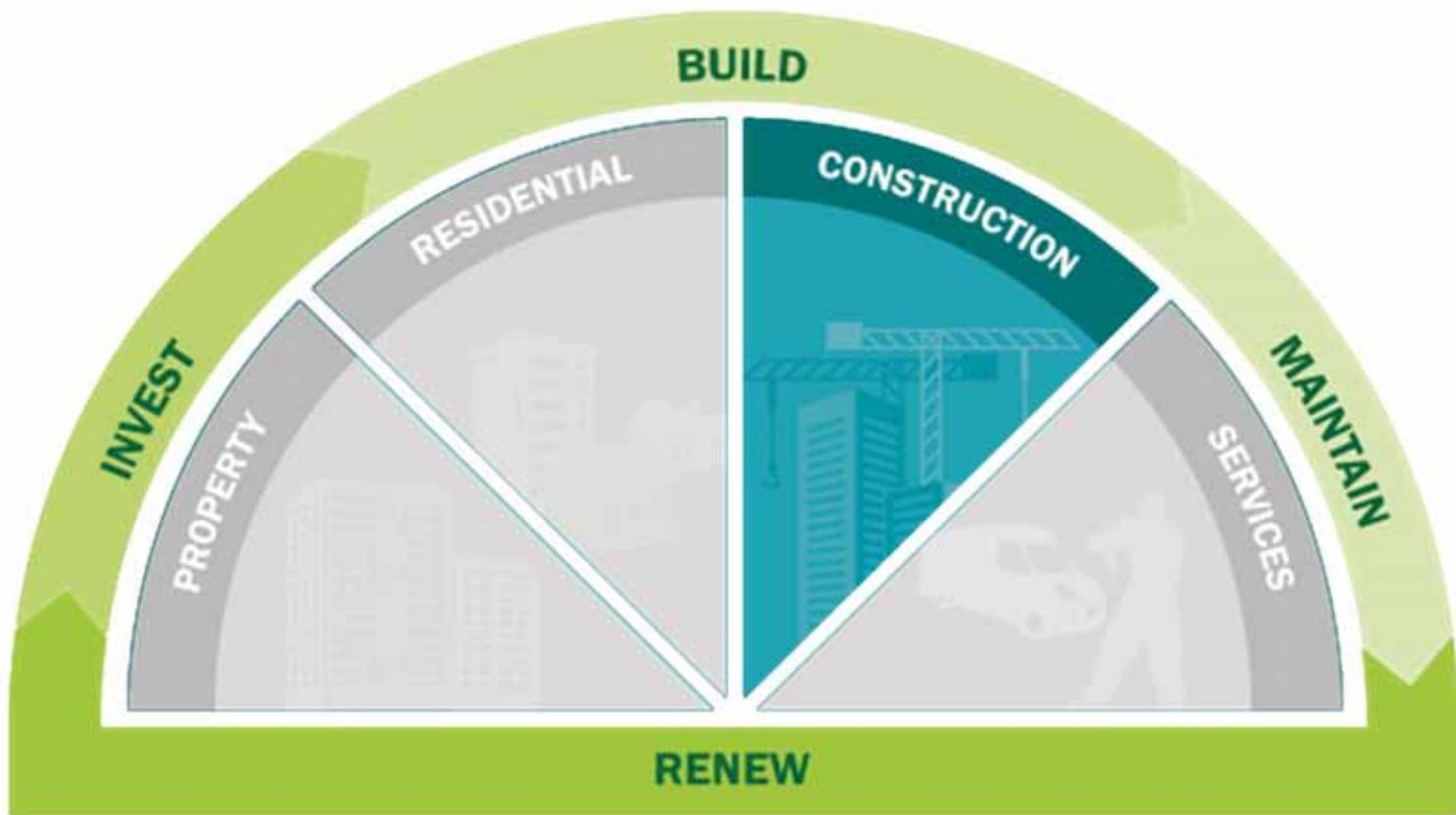
Steve Bowcott

Chief Operating Officer

Construction Division

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What we do



£19.5m Gateway Student Accommodation, Lincoln



£11.5m Walton Neuro Centre

BUILDING

- Revenue: £800m
- Health, education, defence, commercial, residential
- No. of frameworks: >40
- Regional coverage
- Market leader
- 53% private sector

What we do



RAF Lyneham



Camden Civic Offices

MAJOR PROJECTS

- Revenue: £250m
- Projects over £50m
- Self delivery of M&E
- Broadmoor Hospital £115m
- RAF Lyneham £121m
- MoD National Capital Works Framework
- Kings Cross >£100m

What we do



Chelsea River Bridge



Plymouth

INFRASTRUCTURE

- Revenue: £400m
- Highways and bridges, nuclear, rail, water, energy
- Crossrail: total £1.2bn, Kier share £420m
- Thames Water: total £174m, Kier share £58m
- Hinkley: £100m+ earthworks in JV
- Rail: new frameworks £35m pa

What we do



Dubai University

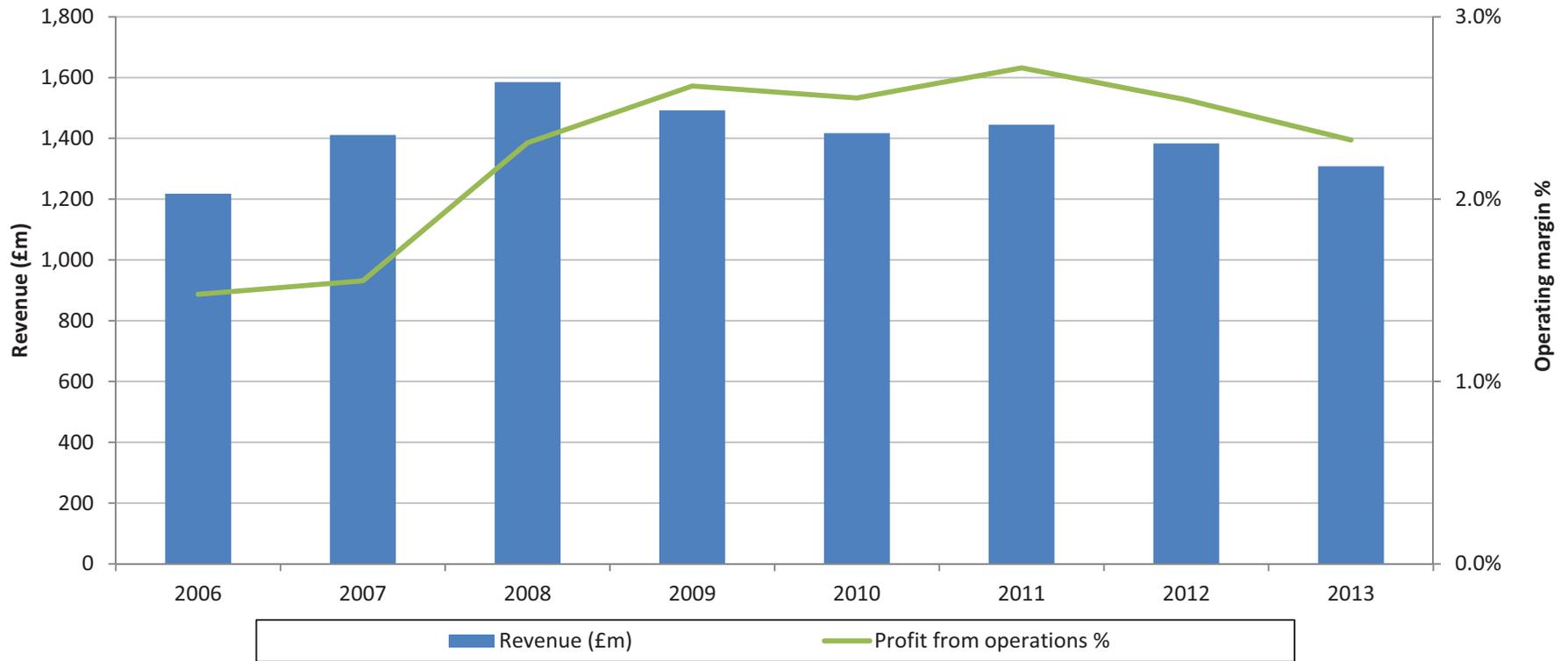


Marriott Hotel - Haiti

OVERSEAS

- Revenue: £150m
- Middle East: Abu Dhabi, Dubai, Saudi Arabia
- Far East: Hong Kong
- Caribbean: Trinidad, Jamaica, St Kitts, Haiti
- Infrastructure, Utilities, Major building, regional building

Resilient performance through down cycle



Our key differentiators position us for growth

- **Market leader**
- Geographical coverage
- Flexible project size
- Strength and flexibility in most sectors – good private/public split
- Stable frameworks
- Cost discipline programmes have delivered a substantially more efficient business – headcount reduced and structure de-layered
- Investment in new sectors
- Excellent training programme and new/young people intake

Contract Awards

(12 months to May 2014)

| | Contractor | Deals | Value £m |
|-----|----------------|-------|-------------|
| 1. | Kier | 273 | 1,875 |
| 2. | Balfour Beatty | 135 | 1,740 |
| 3. | Morgan Sindall | 192 | 1,276 |
| 4. | Royal BAM | 111 | 1,081 |
| 5. | Carillion | 33 | 1,042 |
| 6. | Costain | 39 | 987 |
| 7. | Skanska | 18 | 935 |
| 8. | Wates | 132 | 934 |
| 9. | Willmott Dixon | 179 | 874 |
| 10. | Galliford Try | 85 | 822 |

Source: Construction News

Our key differentiators position us for growth

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Strong pipeline

- **Forward workload**

| | % of FY15 revenue | Total |
|------------------|----------------------|--------|
| ▪ Construction | 84% | } 90 % |
| ▪ Infrastructure | 98% | |
| ▪ Overseas | 76% | |

- **Very selective bid approach**

- Only selected single stage processes
- Majority of bids 2-stage and negotiated tender

- **Balance between cash and margin**

Positive sentiment in our markets

Construction PMI continuing its upward trend

PMI, Seasonally Adjusted, 50.0 = no-change

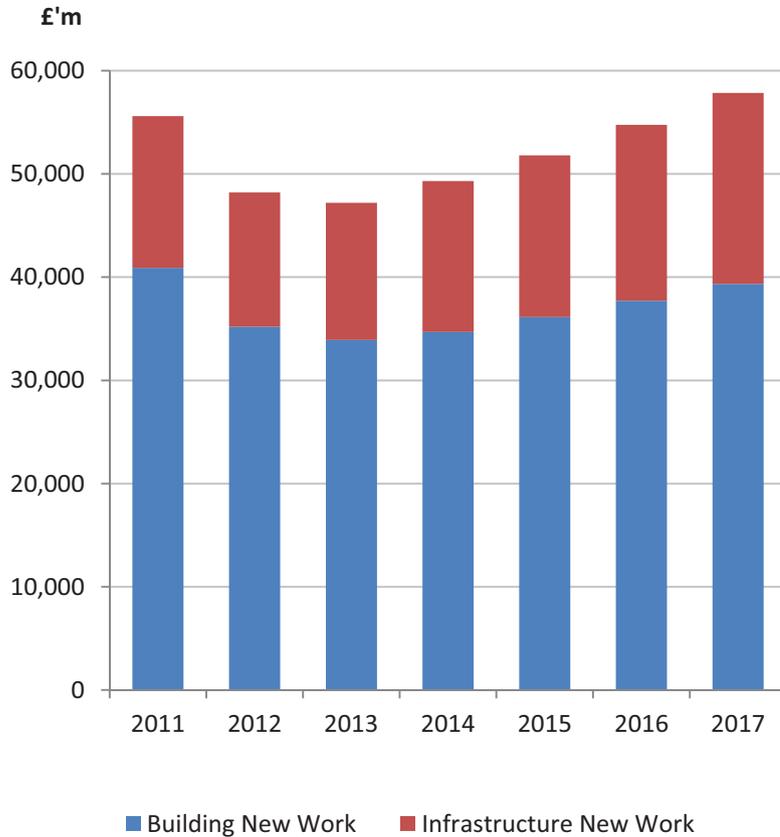


- Construction PMI continuing its upward trend
- Balanced growth across all sectors
- Rapid growth driving cost pressures
- Local authority spend remains under pressure

Source: Markit/CIPS

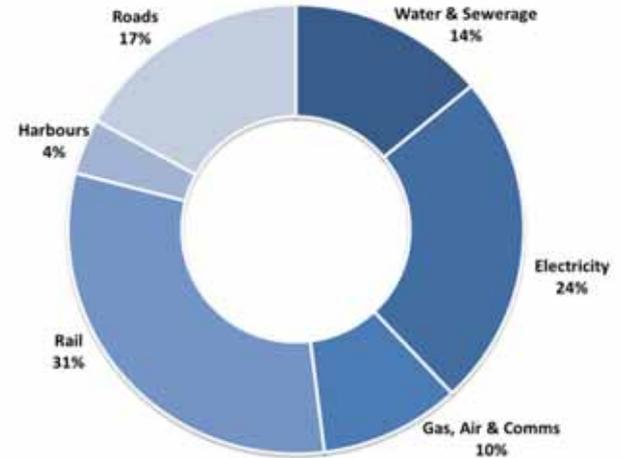
UK Construction: Growing our addressable market

Construction output excl. Residential (New Work, 2010 prices)

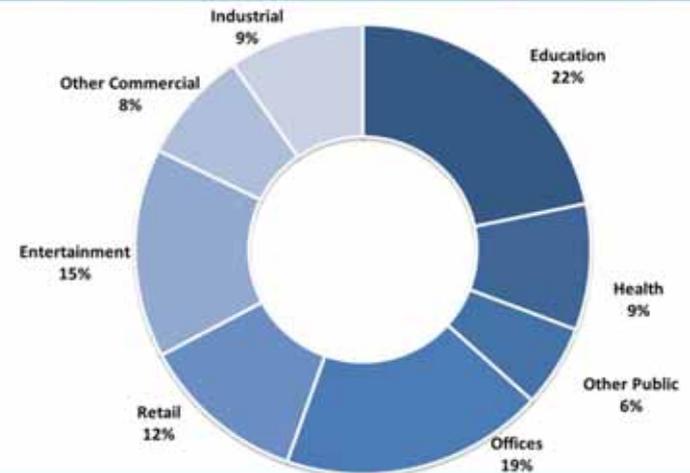


Source: ONS, CPA

New Infrastructure Output by sector 2013



Non-residential new Building output by sector 2013



Overseas: Substantial opportunity in our key territories



- Significant organic opportunity
- Middle East support via ECC funding
- Skillset: blend of ex-pat/local

Source: AECOM, Deloitte, Management estimates

Target sectors

Building (UK)



Offices



Education



Custodial



Warehouse
& Logistics



Health &
Blue light



Defence



Industrial



Shopping
centres



High Rise



Aviation

Infrastructure (UK)



Nuclear



Rail



Energy



Bridges
and Highways



Water



Ports
& Waterways



Aviation



Industrial



Oil & gas

Overseas



Offices



Education



Commercial



Infrastructure



Caribbean



Middle East



Far East



New territory?



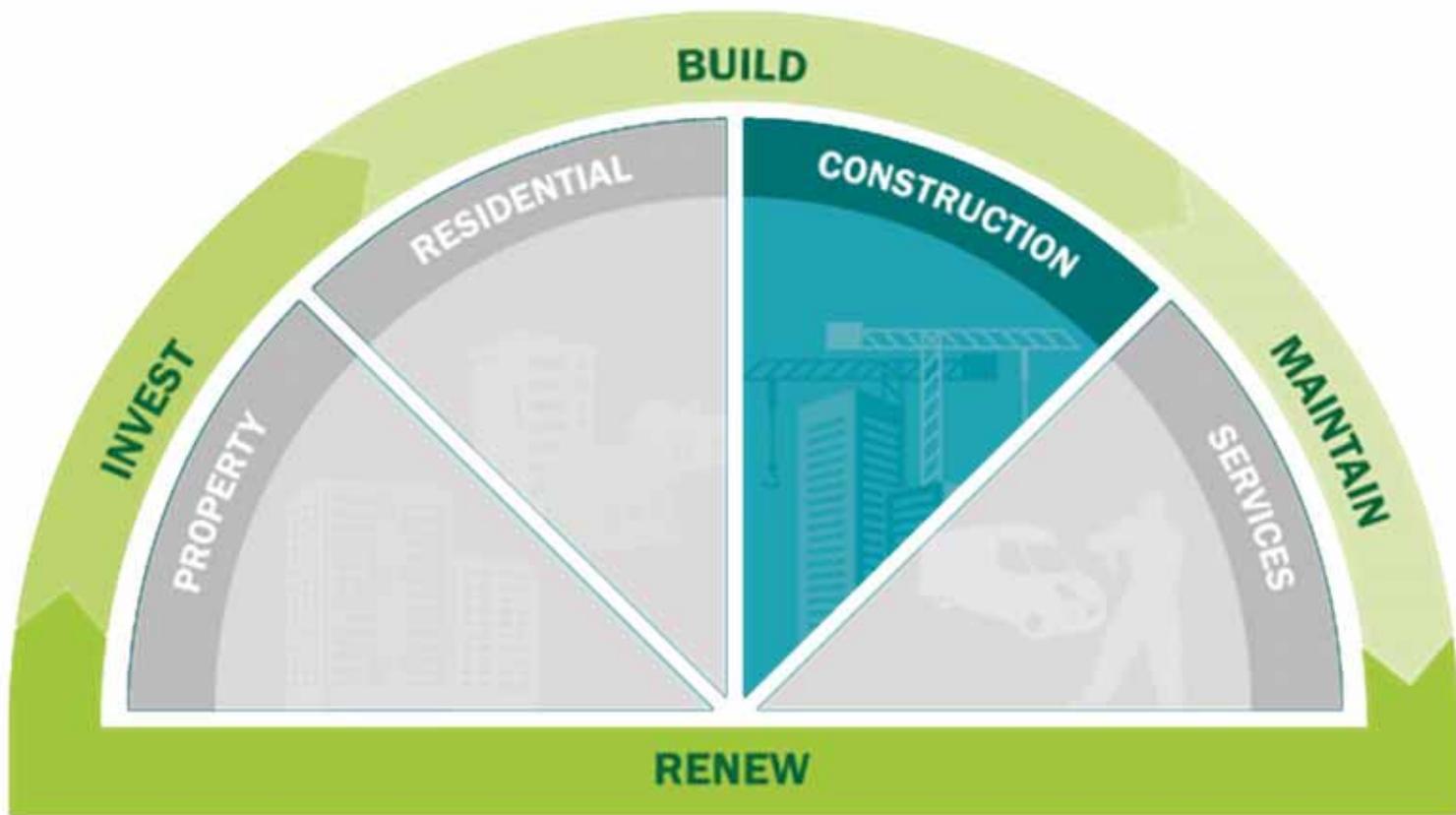
Defence



Oil & gas

Summary

- **Broad capability – strong regional presence**
- **Resilient performance**
- **Strong pipeline**
- **Exciting opportunities in Infrastructure and Overseas**
- **Well positioned for growth in fast improving markets**





Steve Bowcott

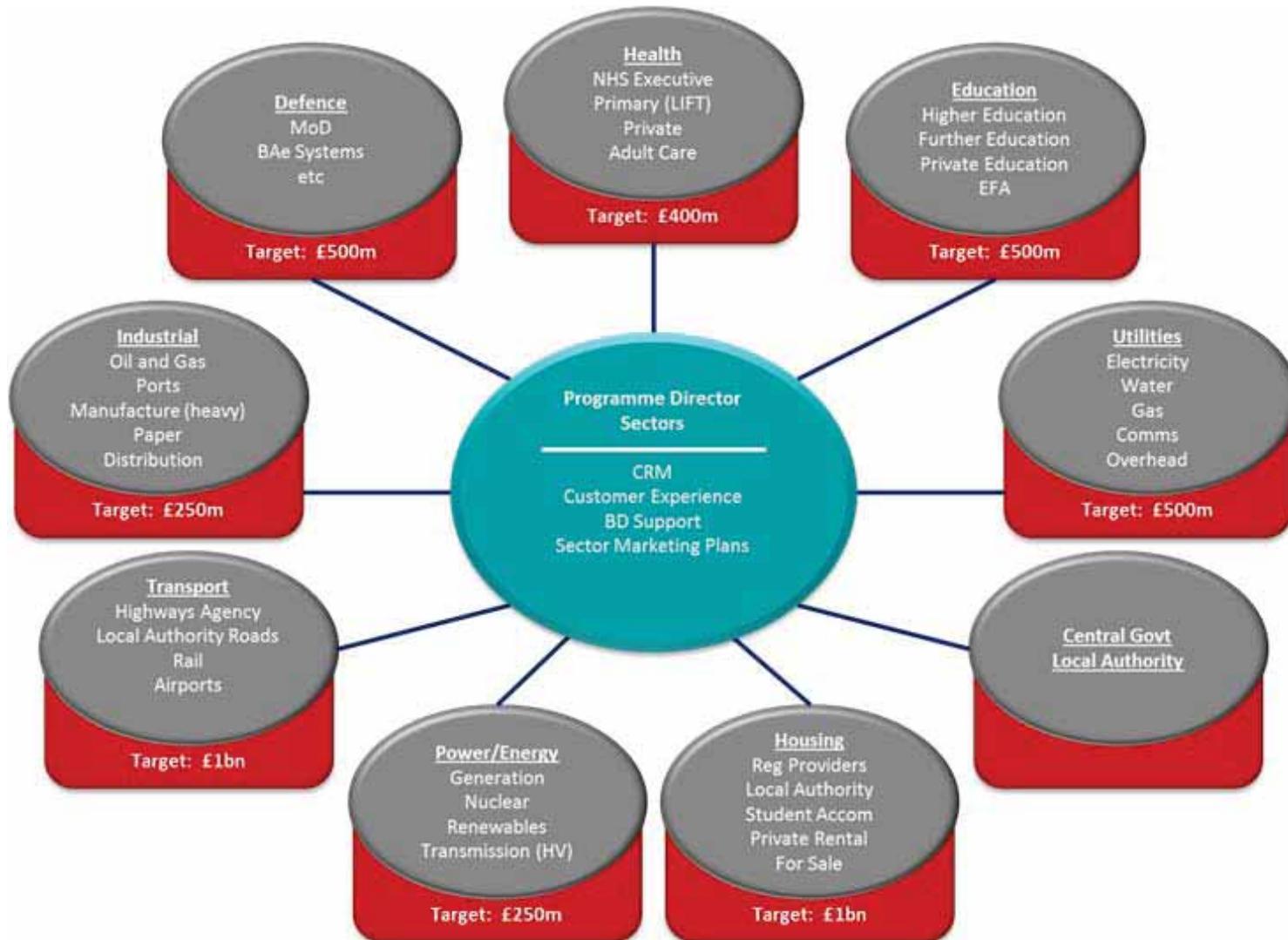
Chief Operating Officer

Kier's Integrated Offering

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3 July 2014

Our integrated approach to sector leadership

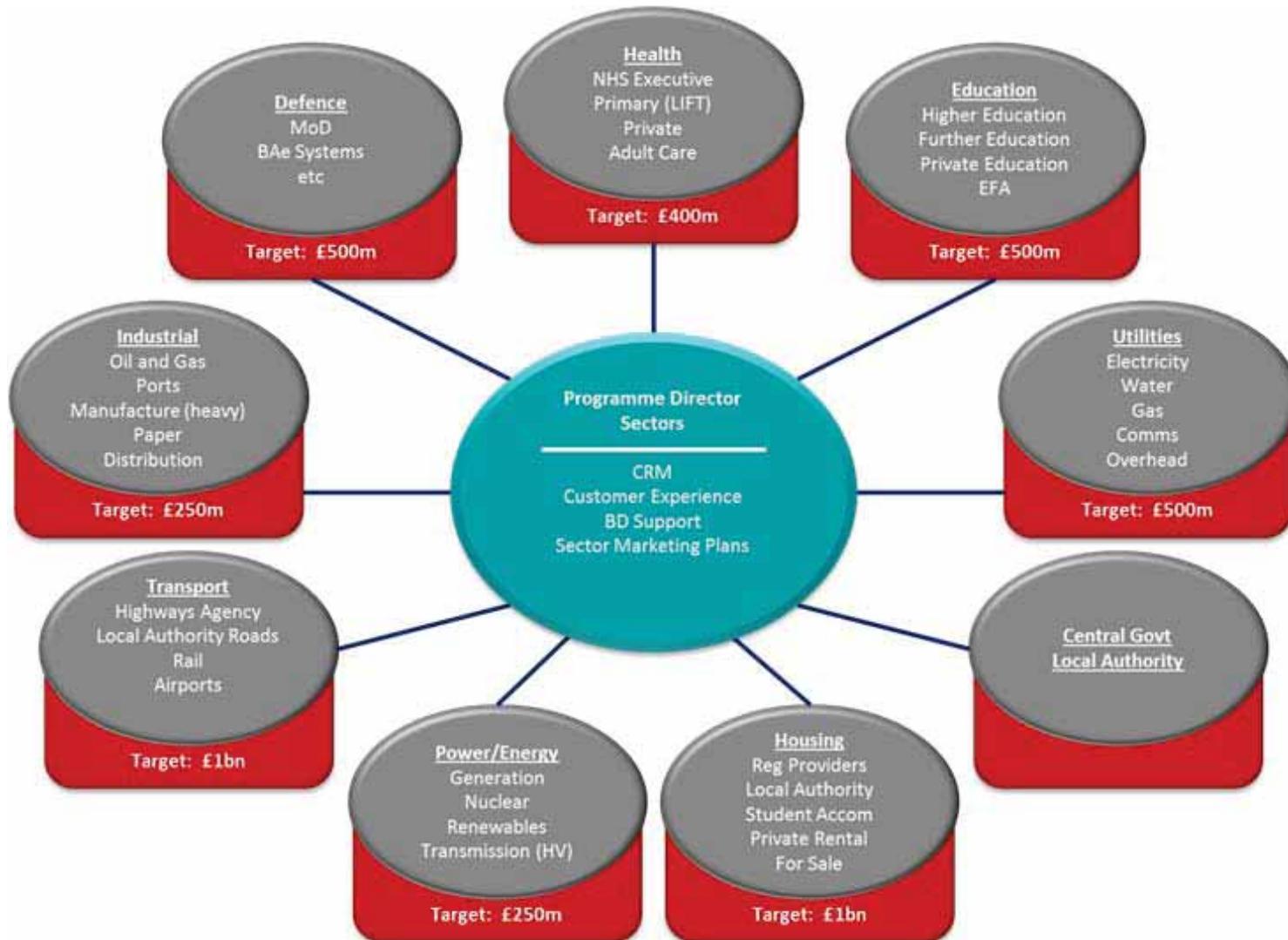


Government spending with contractors

| Contractor | 2012 £m | 2013 £m | Total £m |
|-------------------|--------------------|--------------------|---------------------|
| Kier | 788 | 603 | 1.39bn |
| Balfour Beatty | 576 | 371 | 948 |
| Carillion | 400 | 397 | 797 |
| Willmott Dixon | 385 | 302 | 686 |
| Amey | 340 | 314 | 654 |
| Interserve | 289 | 341 | 630 |
| BAM | 242 | 196 | 438 |
| TOTAL | £3.02bn | £2.52bn | £5.54bn |

Source: Institute for Government

Our integrated approach to sector leadership



Why an integrated approach?

| Market sector | Property | Residential | Construction | Services |
|---|----------|-------------|--------------|----------|
| Transportation | ✓ | | ✓ | ✓ |
| Residential (incl. housing maintenance) | ✓ | ✓ | ✓ | ✓ |
| Utilities | | | ✓ | ✓ |
| Overseas | | | ✓ | ✓ |
| Commercial & Mixed use | ✓ | | ✓ | ✓ |
| Education | ✓ | | ✓ | ✓ |
| Energy | ✓ | | ✓ | ✓ |
| Health & Blue light | ✓ | | ✓ | ✓ |
| Defence | ✓ | ✓ | ✓ | ✓ |
| Retail & Leisure | ✓ | | ✓ | ✓ |
| Industrial | ✓ | | ✓ | ✓ |
| Environmental | | | ✓ | ✓ |
| Local Government | ✓ | ✓ | ✓ | ✓ |
| Central Government | ✓ | ✓ | ✓ | ✓ |

The integrated offering: North Tyneside

2013: Kier builds first LA-owned housing for 25 years

2014: Discussions re building 300 homes



2013: Kier awarded £100m Swan Hunter regeneration



2010 – 14: Kier:

- Completes library refurbishment
- Builds Wallsend Park
- Builds primary school



2009: Kier awarded 10 + 5 year contract to manage housing & public building maintenance



North Tyneside Council

The integrated offering: Northamptonshire CC

2012: Local transport interchange

Construction of the new £7m bus interchange in Northampton located on the site of the old fish market



2014: St Johns Hall Student Residence

458 bedroom development which was completed in January 2014



2008: MGWSP JV awarded 8 year contract to manage and maintain county highways



2014: Development pre-let for Northampton BC with other opportunities in the pipeline including retail scheme on remediated land



2013: Project Saint

Outsourced fleet and passenger services

2014: Strategic Alliance discussions ongoing



Northamptonshire
County Council

The benefits of a Strategic Alliance

The County Council, through the Highway Service Contract, represents a valued key client for Kier and WSP and a strong relationship has been built on trust and understanding of each others key aims and aspirations. With the current level of financial uncertainty and increasing demands and pressures there would be mutual benefit in developing a Strategic Alliance arrangement with trusted partners to explore and exploit new ideas and external funding opportunities of mutual benefit. This would provide the ability to further enhance the Northamptonshire economy through increased opportunities and developments in turn delivering job creation, apprenticeships, up skilling and retraining the local workforce as outcomes. Any investment from a Strategic Alliance will have a keen eye towards ensuring the County Council supports the local economy in Northamptonshire through use of local businesses and employees.

Additionally, the strength Kier brings after their acquisition of May Gurney is important and their Property and Construction arms bring a new potential to use their expertise and advice to improve the Services delivered and also assist the Council on its wider agenda.

The integrated offering: Rail

2008: Solum Joint Venture – Tendered mixed use J/V with Network Rail to optimise regeneration of rail land



Kings Cross/Argent development:

Generating further £100m new opportunities for 2015



Crossrail:
BAM Ferrovial Kier JV delivering £1.2bn works



2014: Increasing market presence culminating in recent award on Western & Wales framework



Network Rail – Bridges



May Gurney: Integration Update

- Integration on track
 - People integration: similar cultures
 - IT challenging but progressing
 - Organisation aligned to sector focus
- Integration costs forecast at c. £28m as planned
- Cost synergies on track
 - £5m in FY14
 - £15m in FY15
 - £20m in FY16
- Operational update: Environmental

May Gurney: Revenue Synergies

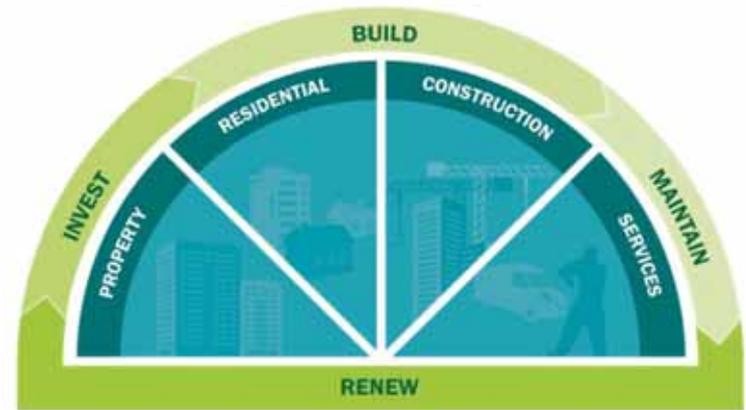
- 100% contract retention
- Key wins: Anglian Water, WPD, Network Rail, NCC
- Revenue synergies

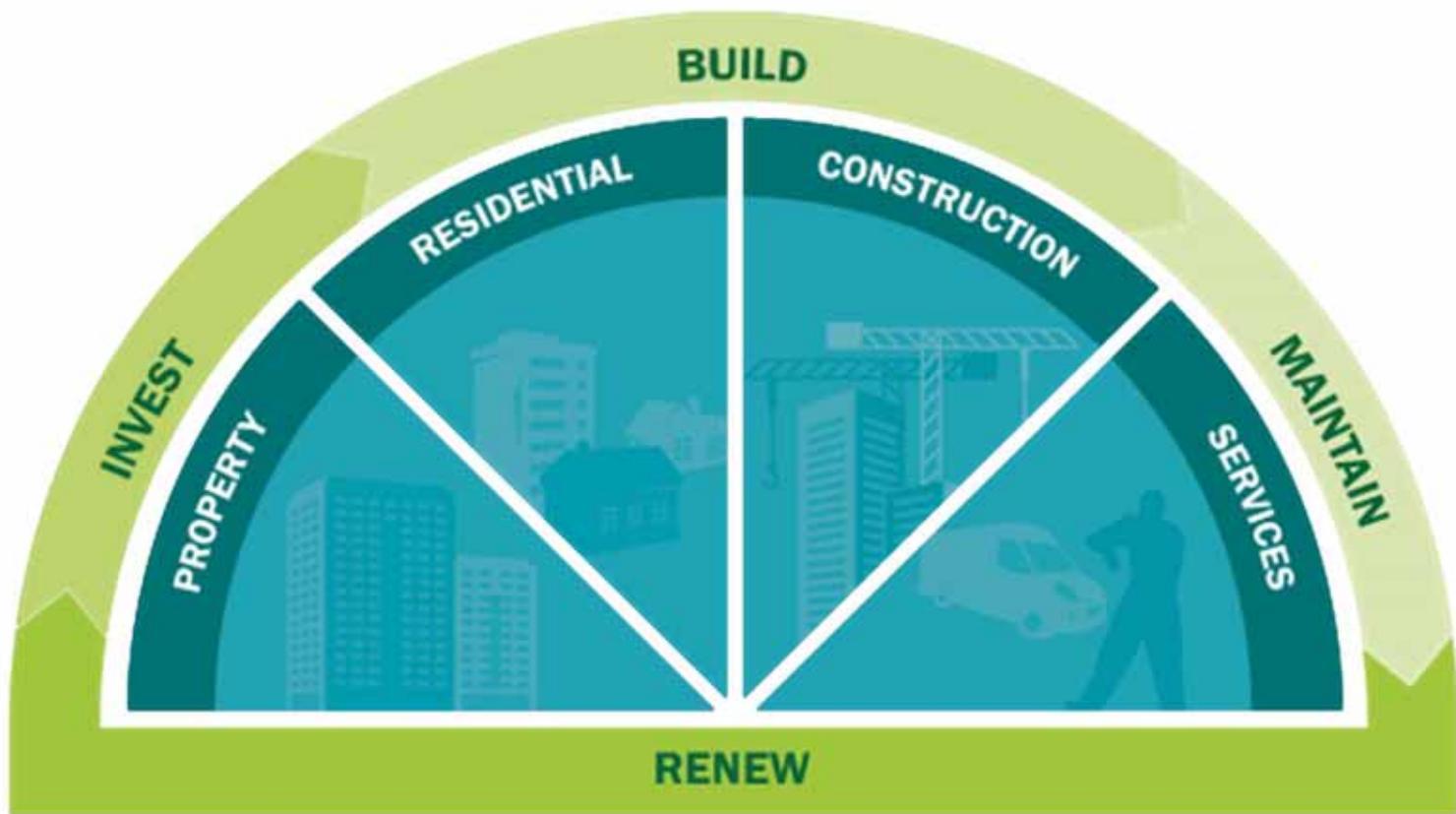
| | MG (pa) | Future (pa) |
|---------------------------------|---------|-------------|
| Network Rail Western & Wales | £10m | £35m |
| Anglian Water | £18m | £48m |
| Northamptonshire County Council | £22m | £25m+ |
| Highways Agency | 0 | ? |

- Construction into Hard Services into Soft Services

Summary

- New and further investment in sector leadership
- Integrated offering extended to additional clients
- May Gurney integration on track
- Further revenue synergies expected







John Wilkinson

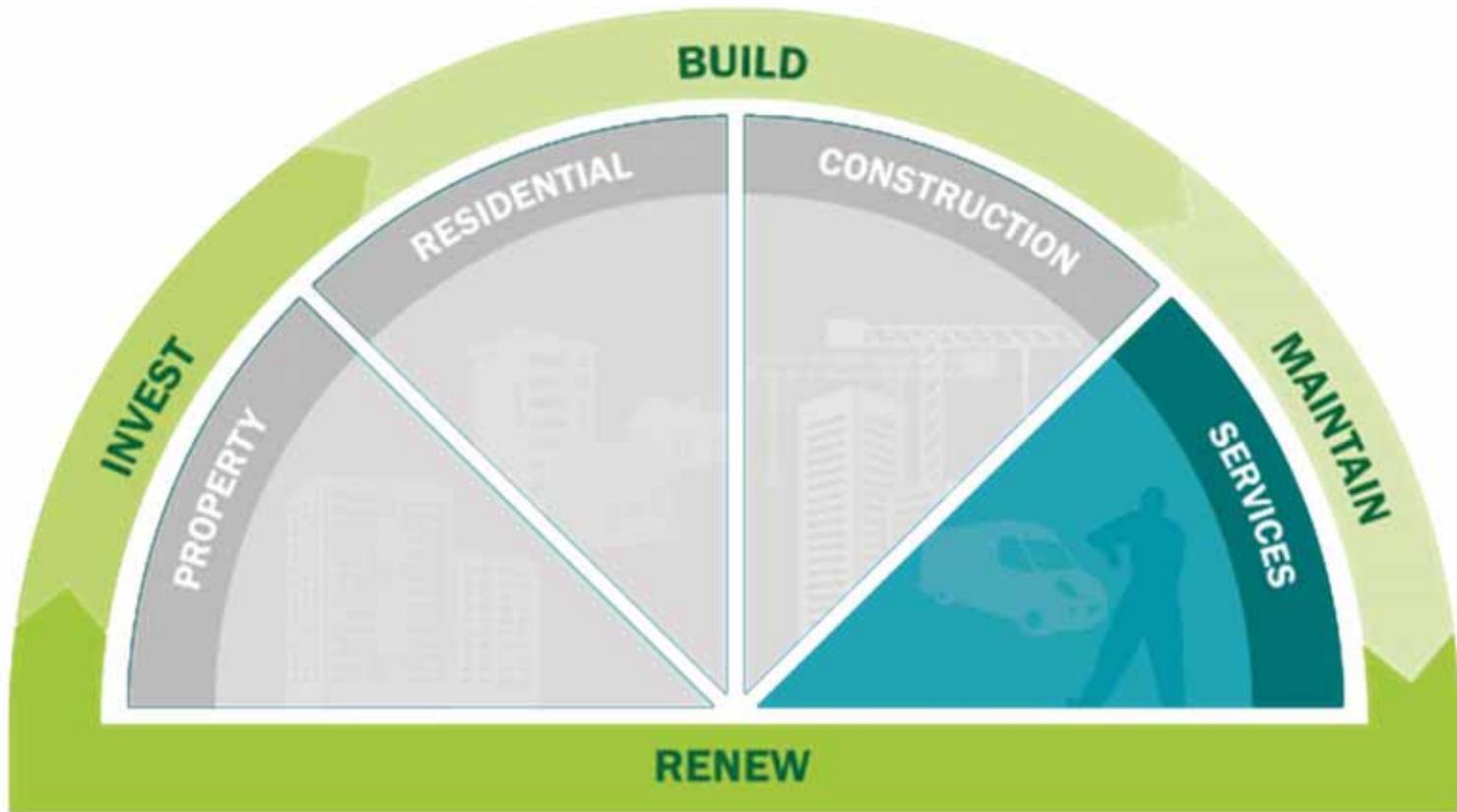
Executive Director, Kier Services

Kier Services

Capital Markets Day

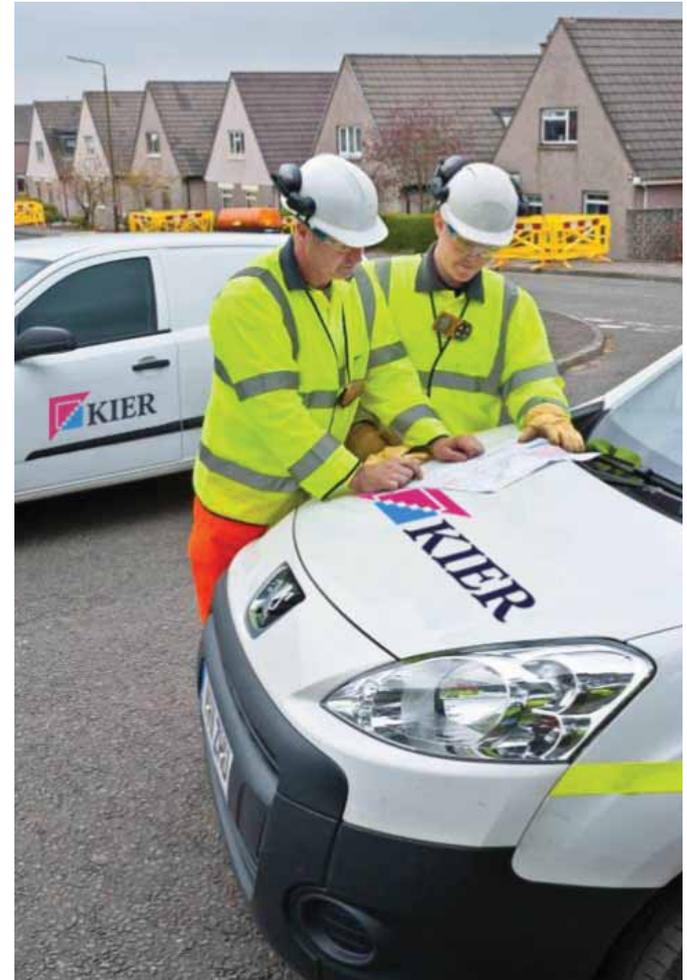
3 July 2014

The integrated offering

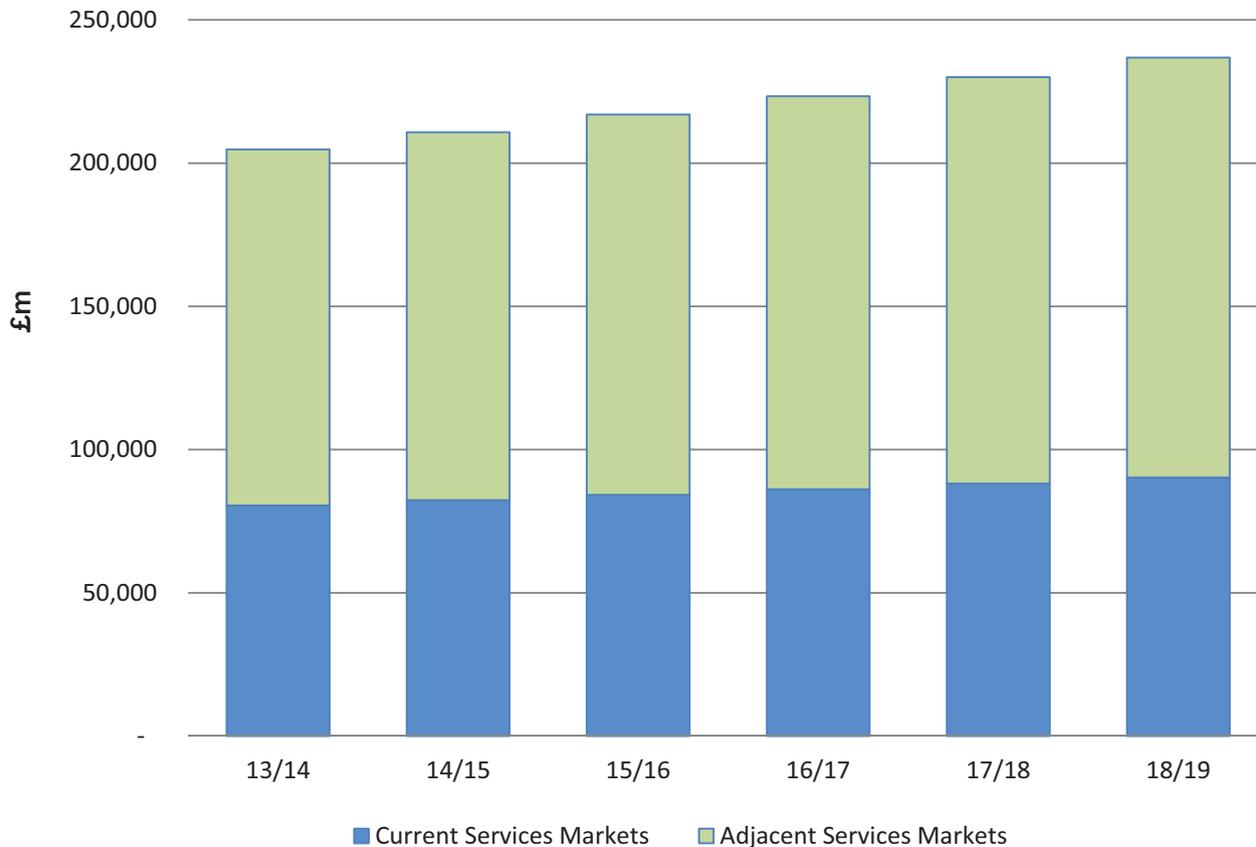


Kier Services ...

- Combines the legacy Kier and May Gurney Services lines, creating a business with broad capability in core markets
- Has significant growth potential – currently we have <2% share of current addressable markets
- Is in sustainable markets with a £7bn qualified pipeline
- Is using the strength of the enlarged Kier Group to win new work and increase client penetration



Over £200bn of UK services market opportunity

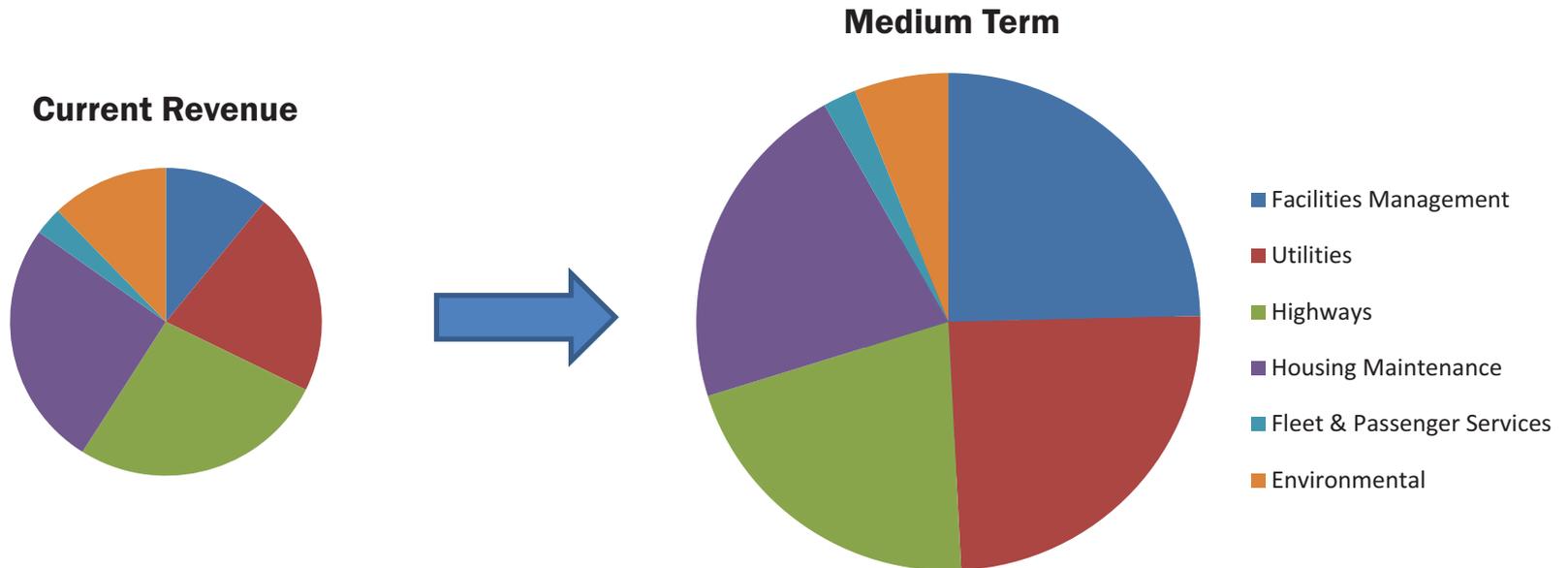


Significant growth potential through:

- Increasing share of current markets from **1.4%** today
- Assessing and entering adjacent Services markets

Source: Various inc BSA, ONS, Credo

Sources of growth



- Significant organic growth in Utilities and Highways
- Acquisitive growth in Utilities and FM
- Entering adjacent markets in all businesses

Strong competitive advantage

- Strong client relationships
- Trusted by clients to deliver
- A breadth of service capabilities, enabling us to tailor solutions
- A record of partnering with clients in strategic decision-making
- Investment in the customer (end user) experience of our services
- Financial robustness of the Kier Group

A breadth of services



Highways Services



Utilities and Waterways



Facilities Management
and Asset Management



Housing Maintenance



Environmental



Fleet and
Passenger Services

1. We have strong client relationships
 - the public sector, especially local authorities
 - housing associations
 - regulated utilities
 - corporates
2. A combined service portfolio that is enabling greater client penetration (eg. Northamptonshire)

Housing maintenance

What we do

- Leading provider, maintaining > 300,000 homes for local authorities, housing associations and private landlords
- Moving from repair and maintenance to maintain and renew through asset management

Differentiation

- Scale advantage
- Self-delivery providing control over cost, quality and customer (tenant) experience
- Increasing focus on lifecycle costing, asset quality and minimising vacancies

Target growth areas

- Growth in the private rental sector, via G15
- Housing management

Pipeline

- Over £2.3bn of qualified opportunities

Facilities Management

What we do

- Asset management, building services, soft FM and energy services for public sector and corporate clients

Differentiation

- Ability to tailor services using the breadth of Kier capabilities

Target growth areas

- Achieving critical mass
- Adjacent FM markets, including industrial FM
- Market penetration in energy services

Pipeline

- Over £600m of qualified opportunities



Growth strategy

To achieve margins of 5%+ over the medium term, we will:

1. Retain existing profitable business, through a focus on delivery and customer service
2. Leverage the enlarged portfolio to cross-sell services to meet changing client needs
3. Achieve year on year operational improvements, supported by investment in IT and logistics
4. Identify and enter new markets where they are margin enhancing and build on core Kier strengths
5. Exit existing markets if they cease to fit strategically

Summary

- A new breadth of service capabilities, with strong and growing positions in core markets
- Over £200bn of Services market opportunity
- New market entry in all Services businesses
- Sustainable revenue streams with margin growth



Paul Fletcher

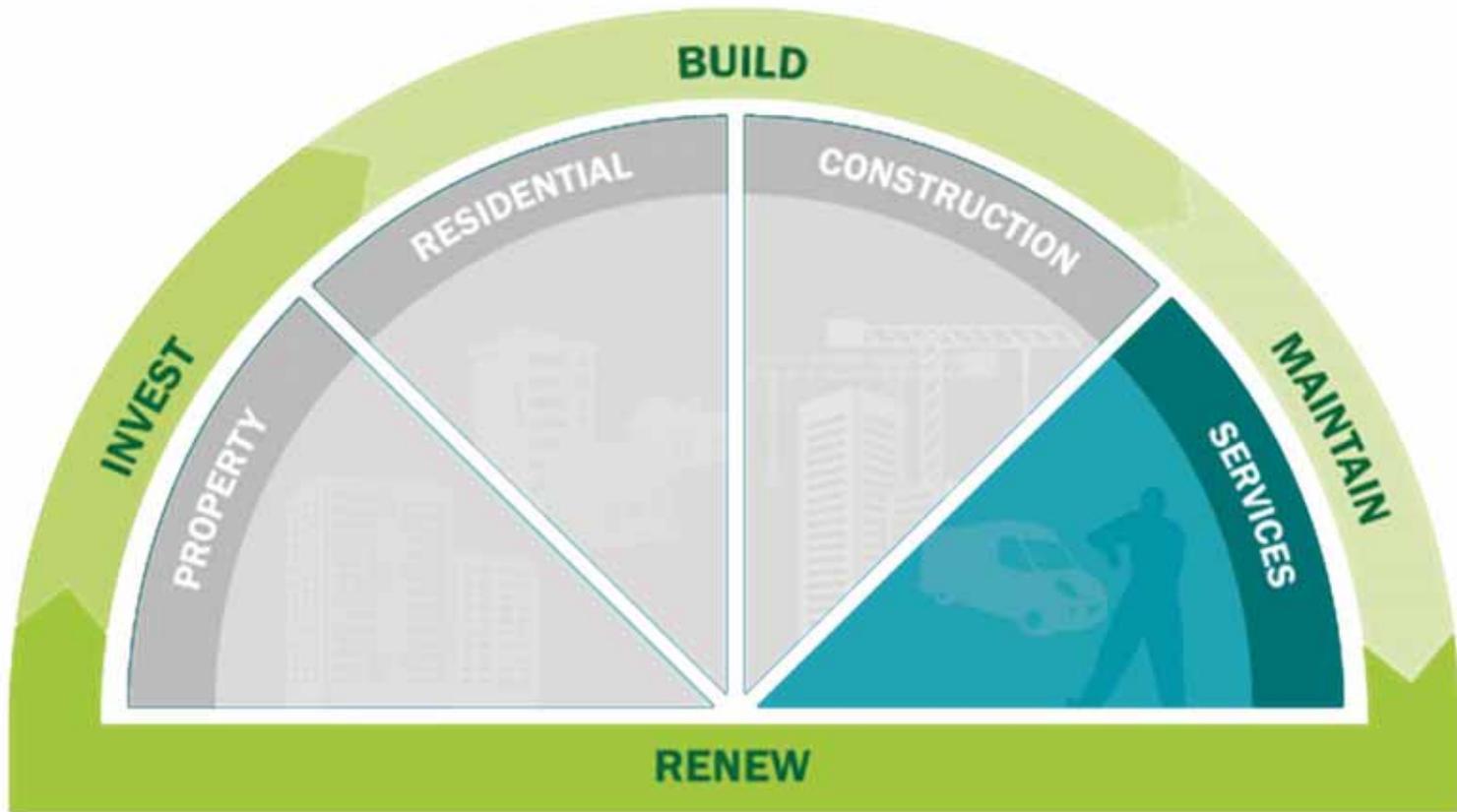
Managing Director, Utilities & Waterways

Services Division

Capital Markets Day

3 July 2014

The integrated offering



Water capability



Meter installation



Design & build M&E projects



Design & build civils projects



Burst repairs



Mains replacement



Repair and maintenance

Power and gas capability



Mains installation



LV cable lay



Governor installation



Connections and terminations



Pole renewal and replacement

Telecoms capability



Waterways capability



Flood prevention projects



Weir maintenance



Heritage maintenance services



Lock maintenance



Bridge replacement



Reservoir works

Specialist and supporting services



Under-pressure branch drilling



M&E installation



D&B MEICA



Directional drilling



Suction excavation



MCC manufacturing

Geographical spread and key clients



England & South Wales



England & Wales



National Coverage
inc. N.Ireland

The integrated offering

Service Provision

Linking with Property, Construction and Residential



Design & Build

Linking with Infrastructure



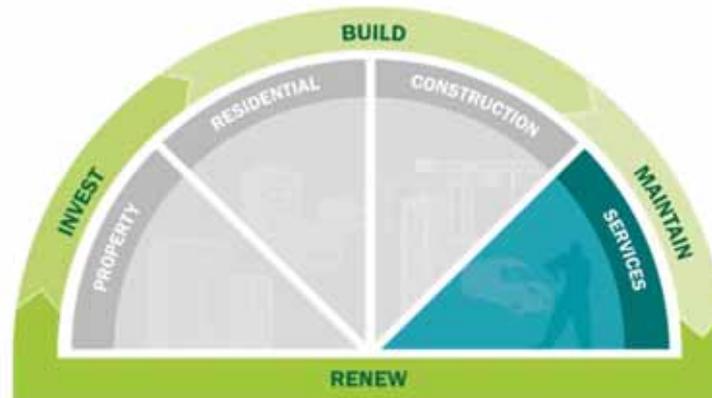
Dynamic Scheduling & Call Centres

Linking with Highways, FM and Housing Maintenance



Customer Services

Linking with all areas of business

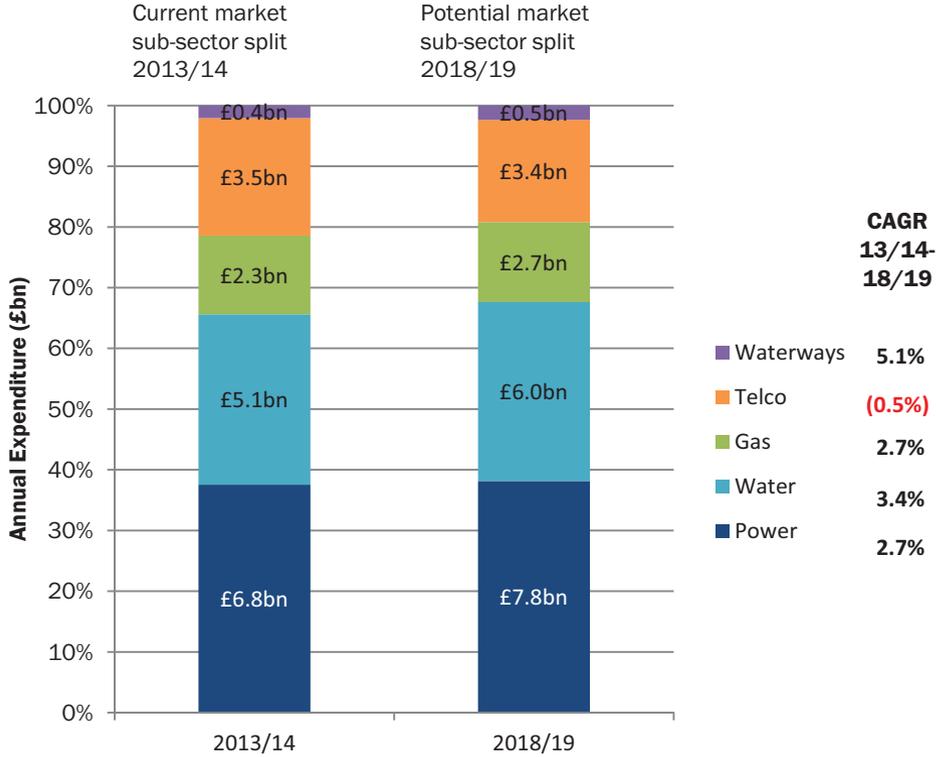
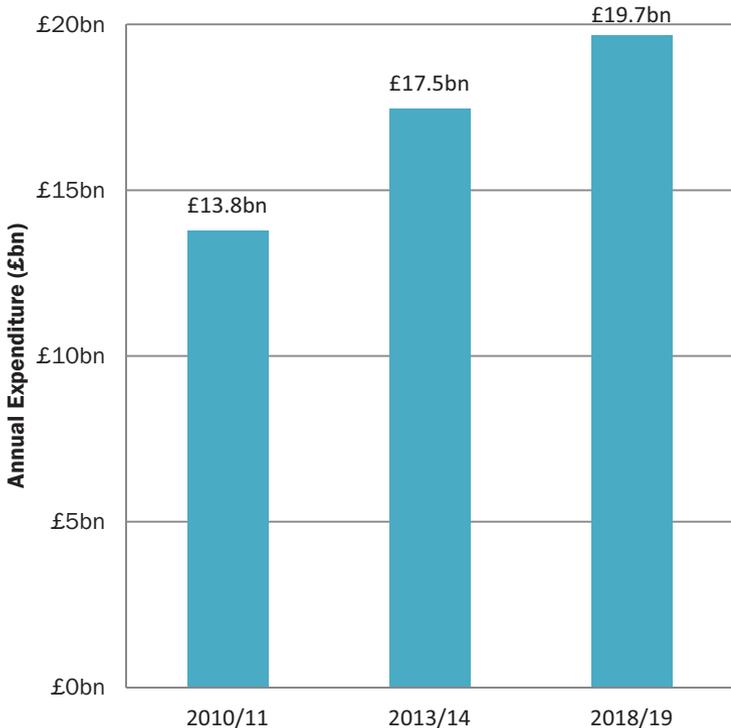


Repair & Maintain

Linking with FM & Housing Maintenance



Market analysis

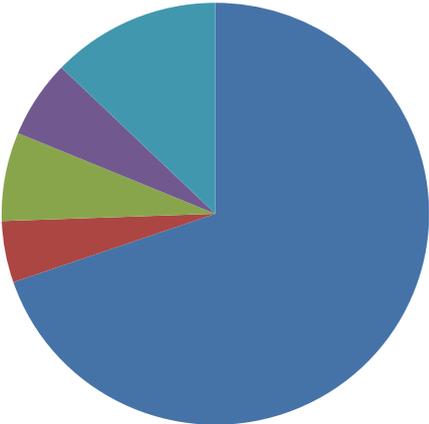


| Annual Growth Rate | 2010/11 – 2013/14 | 2013/14 – 2018/19 |
|--------------------|-------------------|-------------------|
| | 8.2% | 2.4% |

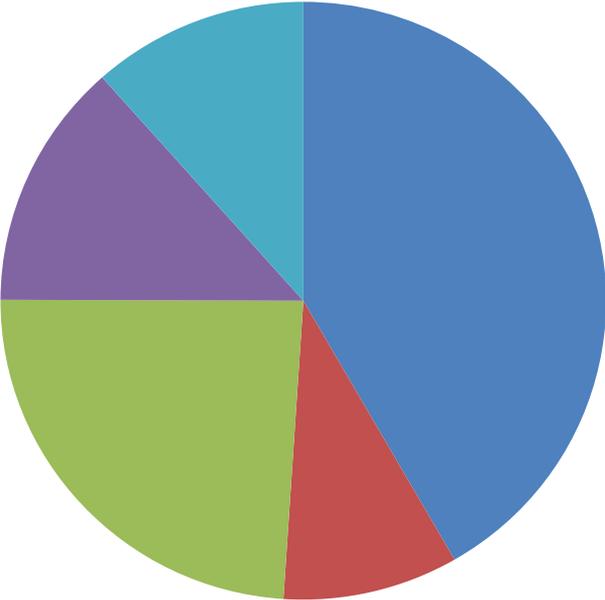
Source: Credo

Growth – Turnover by sector

**Current Revenue
(2013/14)**



Medium Term



- Water
- Gas
- Power
- Telecoms
- Waterways

Our competitive advantage

Current

- Less than 10% competitively tendered
- Range of value adding services
- Exceptional client relationships – never lost an extension potential
- The Kier balance sheet

Future

- Organic growth supported by bolt-on acquisition
- World class customer service, supported by;
- Integrated logistics, enabled by;
- Multi platform, cross sector agile IT solutions, driving;
- Industry leading innovators, resulting in;
- Market leaders in our chosen sectors

The last 12 months bidding

| Sector | Frameworks Secured/ Preferred Bidder | Estimated Value |
|--------|--|-----------------|
| Water | <ul style="list-style-type: none"> • Anglian Water – IOS, IMDS • Bournemouth Water – R&M | £30m/pa |
| Energy | <ul style="list-style-type: none"> • Western Power Distribution – Devon & Cornwall • Western Power Distribution – Avon & Somerset • Scotia Gas Networks – Dundee and Aberdeen | £47m/pa |

| Sector | Frameworks In Bid | Estimated Value |
|-----------|--|-----------------|
| Water | <ul style="list-style-type: none"> • Anglian Water – IMR (Clean) • Anglian Water – IMR (Recycled) • Severn Trent Water – Asset Maintenance • Bristol Water – R&M | £55m/pa |
| Energy | <ul style="list-style-type: none"> • Western Power Distribution – Midlands | £35m-£45m/pa |
| Waterways | <ul style="list-style-type: none"> • National Engineering and Construction Contract | £30m/pa |

| Sector | Prospects | Estimated Value |
|--------|--|-----------------|
| Water | <ul style="list-style-type: none"> • Thames Water R&M | £50m/pa |

The future

Secure extensions



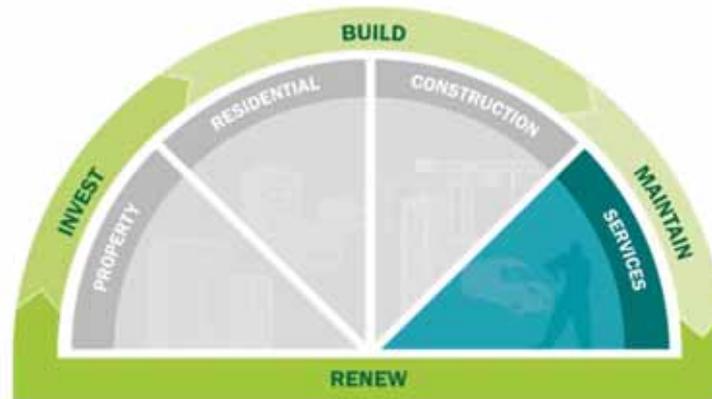
Increase our service offering to existing clients



Expansion into power transmission market



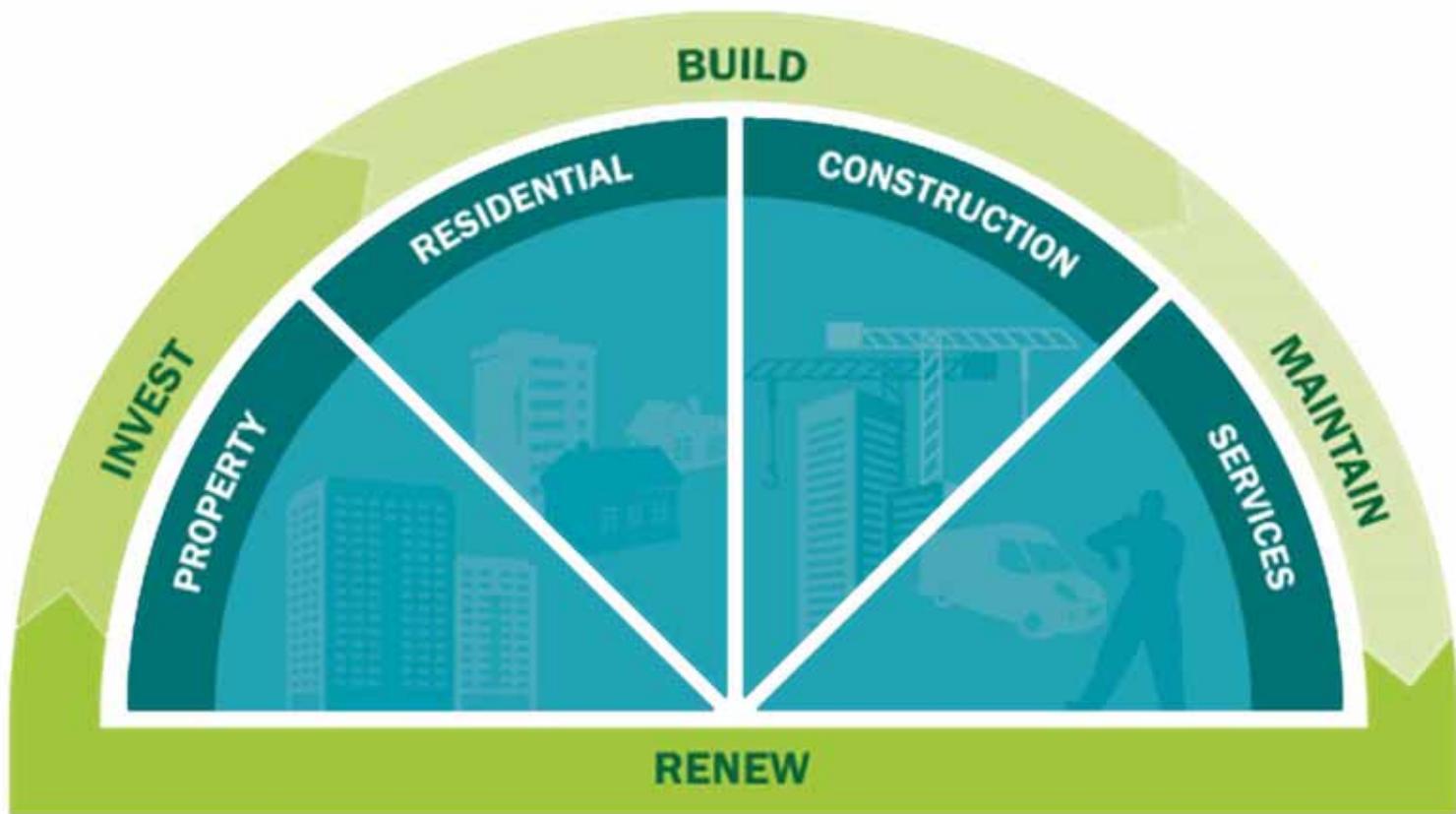
Broaden flood protection capability into local authority sector



Greater Integration and move into adjacent markets

Entry into fixed telecom market







Nigel Dyer

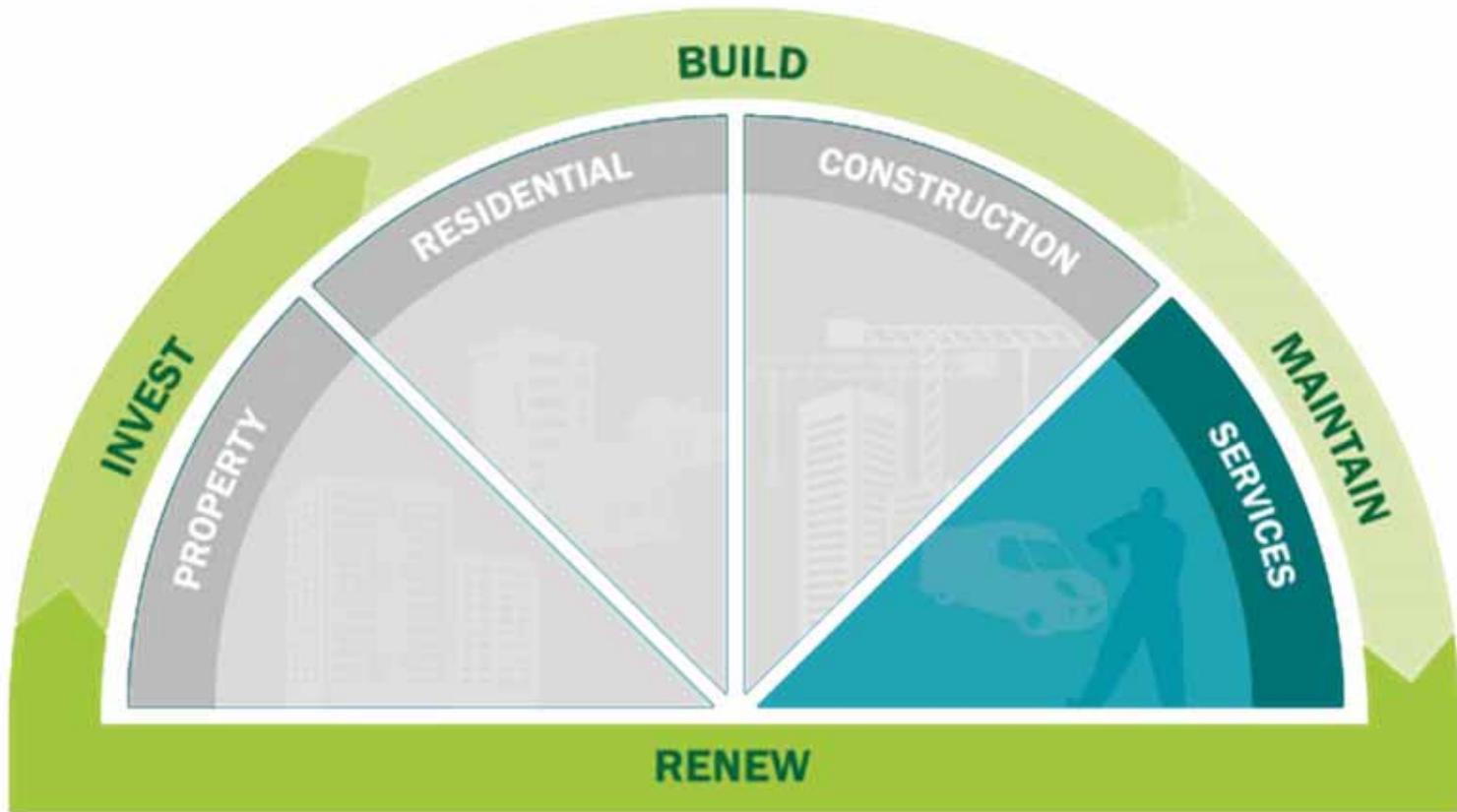
Managing Director, Highways

Services Division

Capital Markets Day

3 July 2014

The integrated offering



Highways - a £12bn problem



£976m

£168m

£121bn

What we do



25,000 miles of highway maintained
Over 8517 sq m



150,000 jobs 16% in 24hrs



What we do



150,000 jobs 16% in 24hrs



Keeping 5m people moving everyday



How we do it



9,000,000 m²



20,000 tonnes



500,000 m²



22,000 signs made and installed



500,000 street lights

Operating footprint

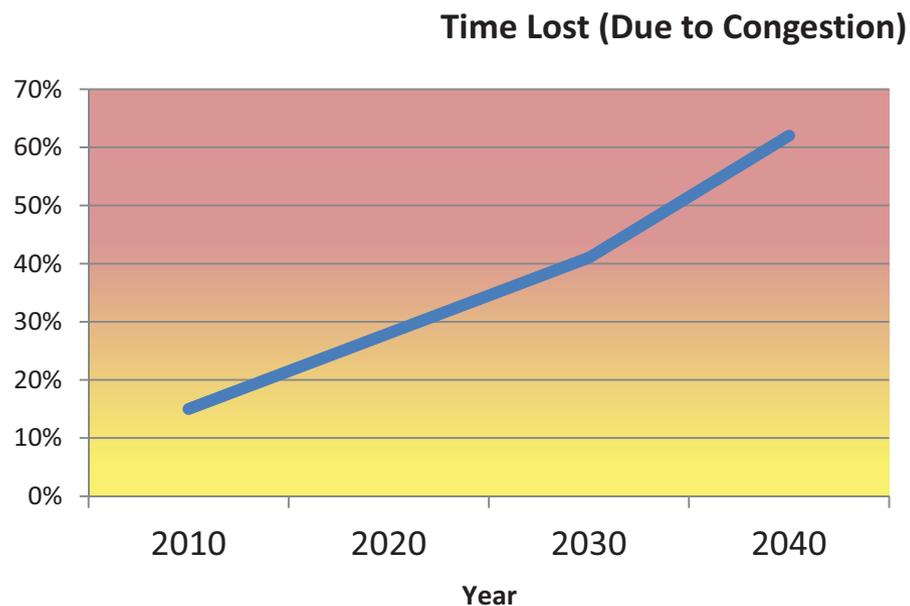


The Future



Market drivers

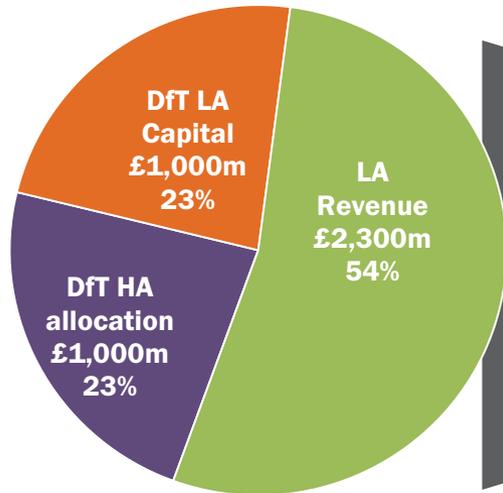
- The **2013 Autumn Statement** announced additional spend on highways maintenance of £976m pa from 2015/16 to 2020/21
- **National Infrastructure Plan (2013) highlights:**
 - Objective is to equip the UK with world class infrastructure which rivals all OECD counterparts
- If the UK infrastructure is not brought to the standard of other developed economies by 2026, the result could be an annual £90bn loss to the economy
- **13% of the network is currently in a dangerous condition**



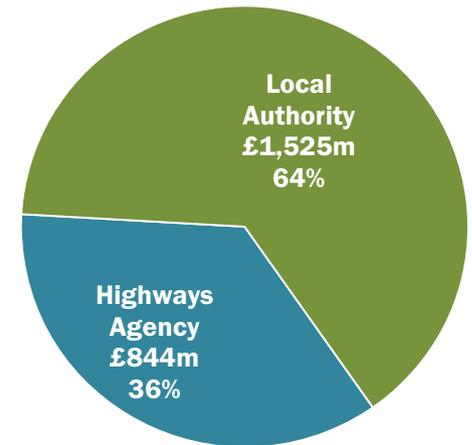
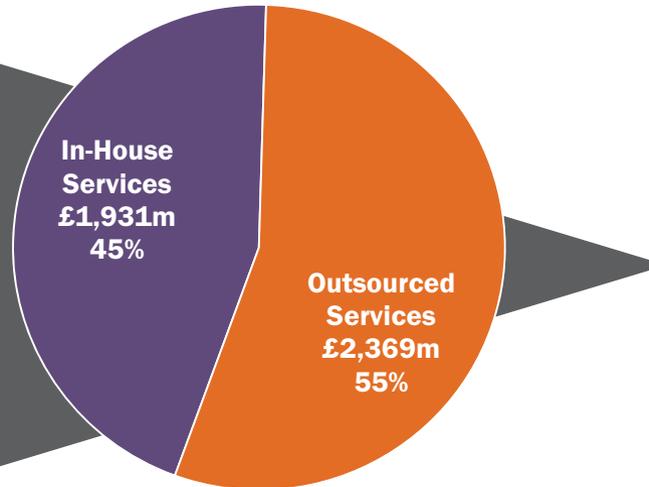
Source: DFT

Our markets

Highways Maintenance Market



Outsourced Market



Key Market Drivers

Investing In & Supporting Local Economies

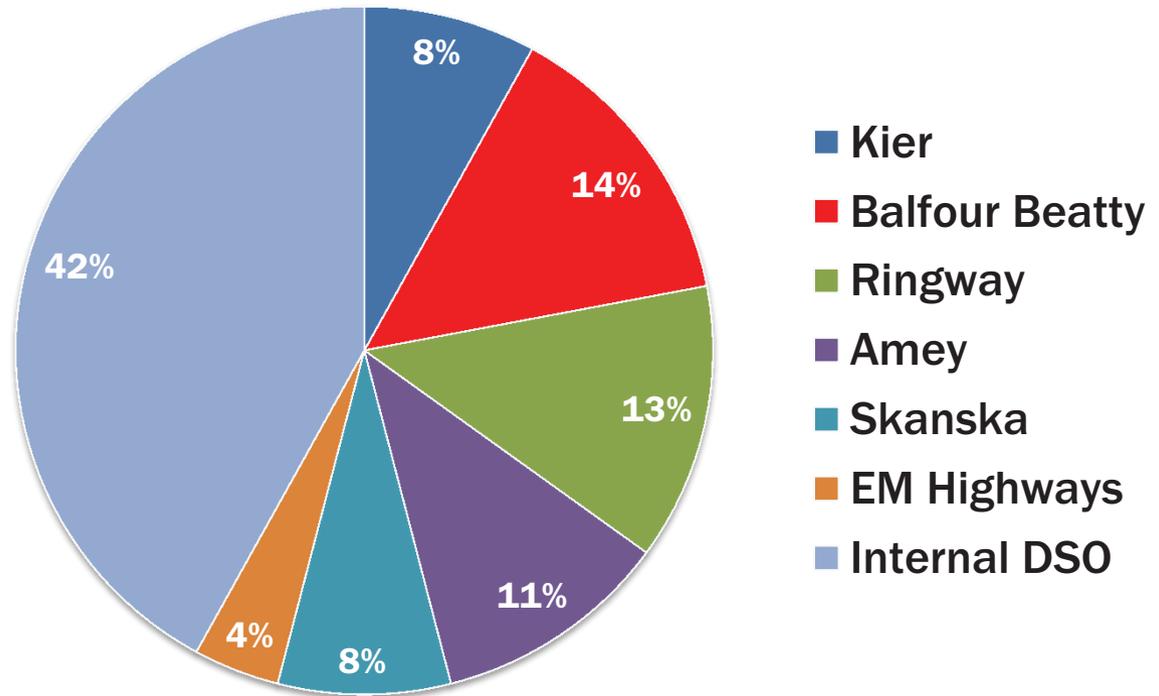
Stretching Restricted Budgets to Meet Asset Demands

Awareness & Responsiveness to the Needs of Local Communities

Source: National Audit Office, Management estimates

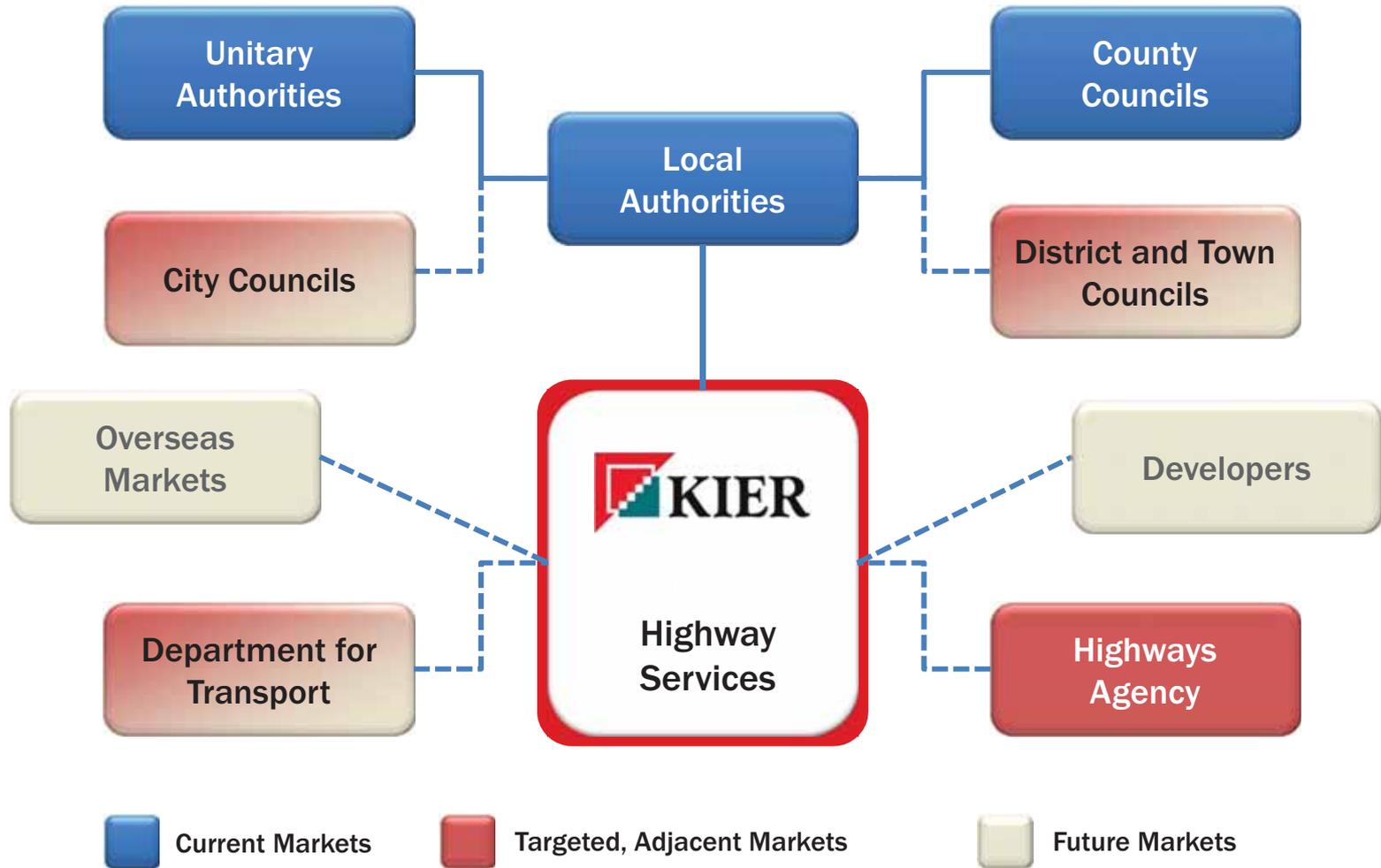
Market share growth potential

- Proven vertically integrated proposition and an established market position
- Strong customer references
- Breadth and scale of our integrated offer



Source: Company accounts

Future opportunities



Case study: customer partnership

Regional growth



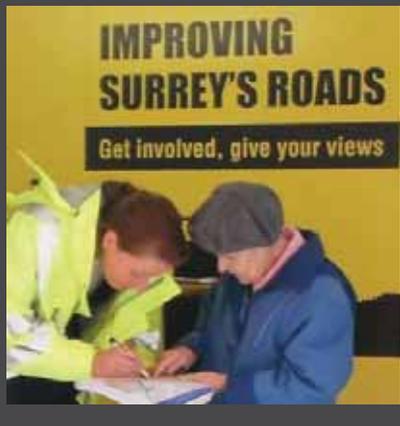
Asset exploitation



Highways maintenance

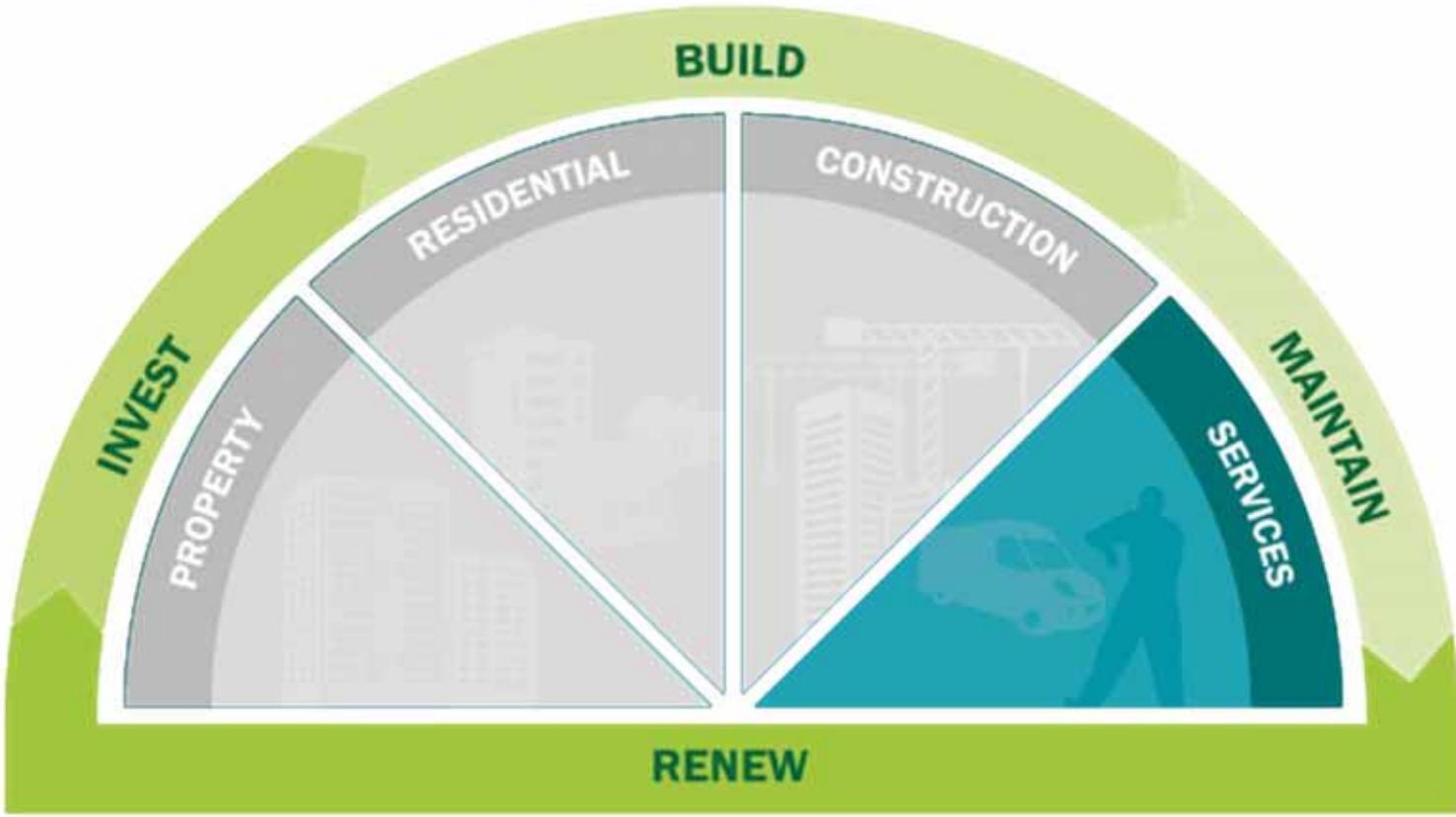


Long term investments



Project Horizon







Lucy Robinson

Deputy Chief Executive, Suffolk County Council

Kier Group

Capital Markets Day

3 July 2014



NORFOLK

CAMBRIDGE-
SHIRE

SUFFOLK

BEDFORD-
SHIRE

BUCKINGHAM
SHIRE

ESSEX

OXFORDSHIRE

HERTFORD-
SHIRE

LONDON

BERKSHIRE

KENT

HAMPSHIRE

SURREY

WEST SUSSEX

E. SUSSEX

ISLE OF WIGHT



Suffolk's Competitive Advantages



Invest in Suffolk

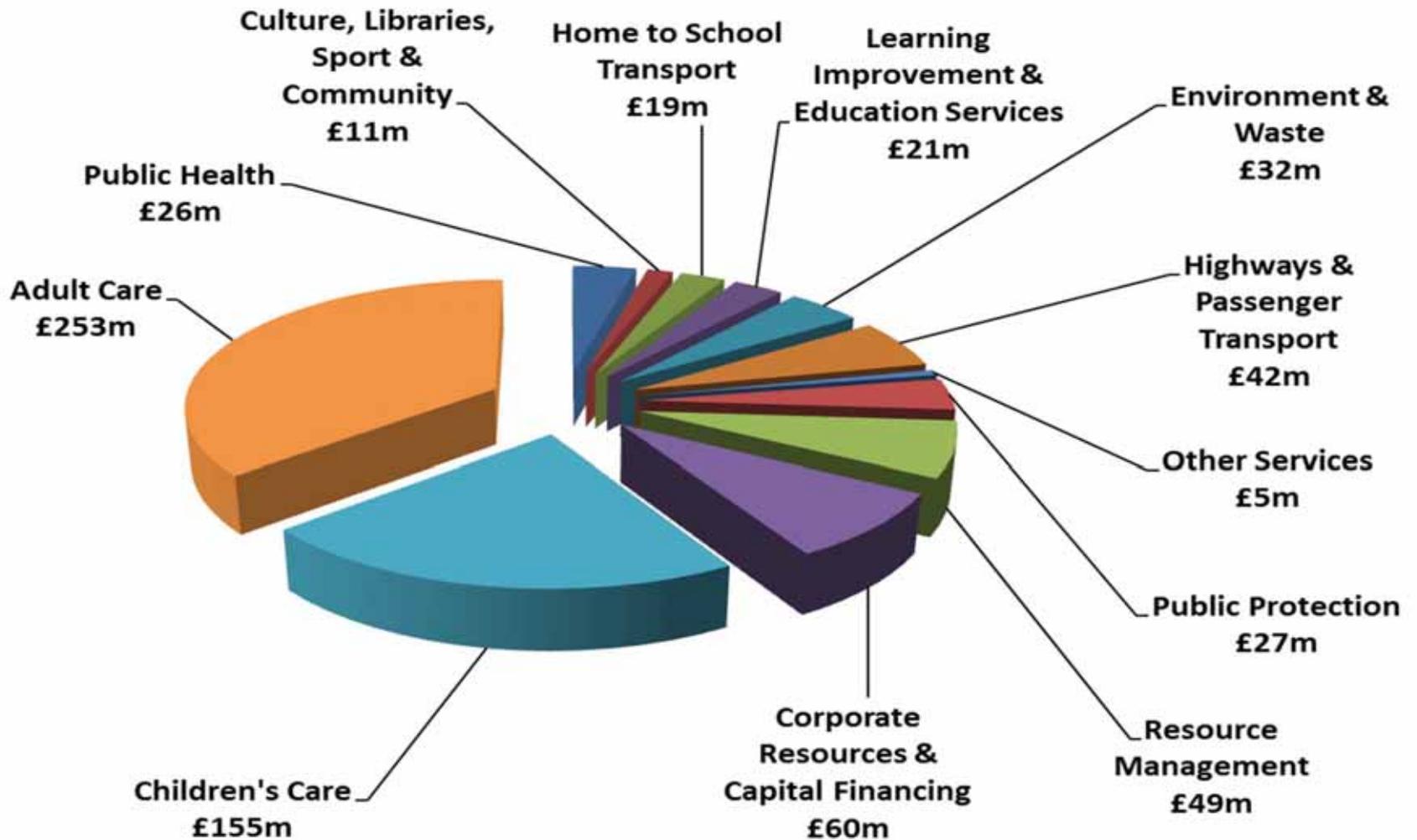


SUFFOLK

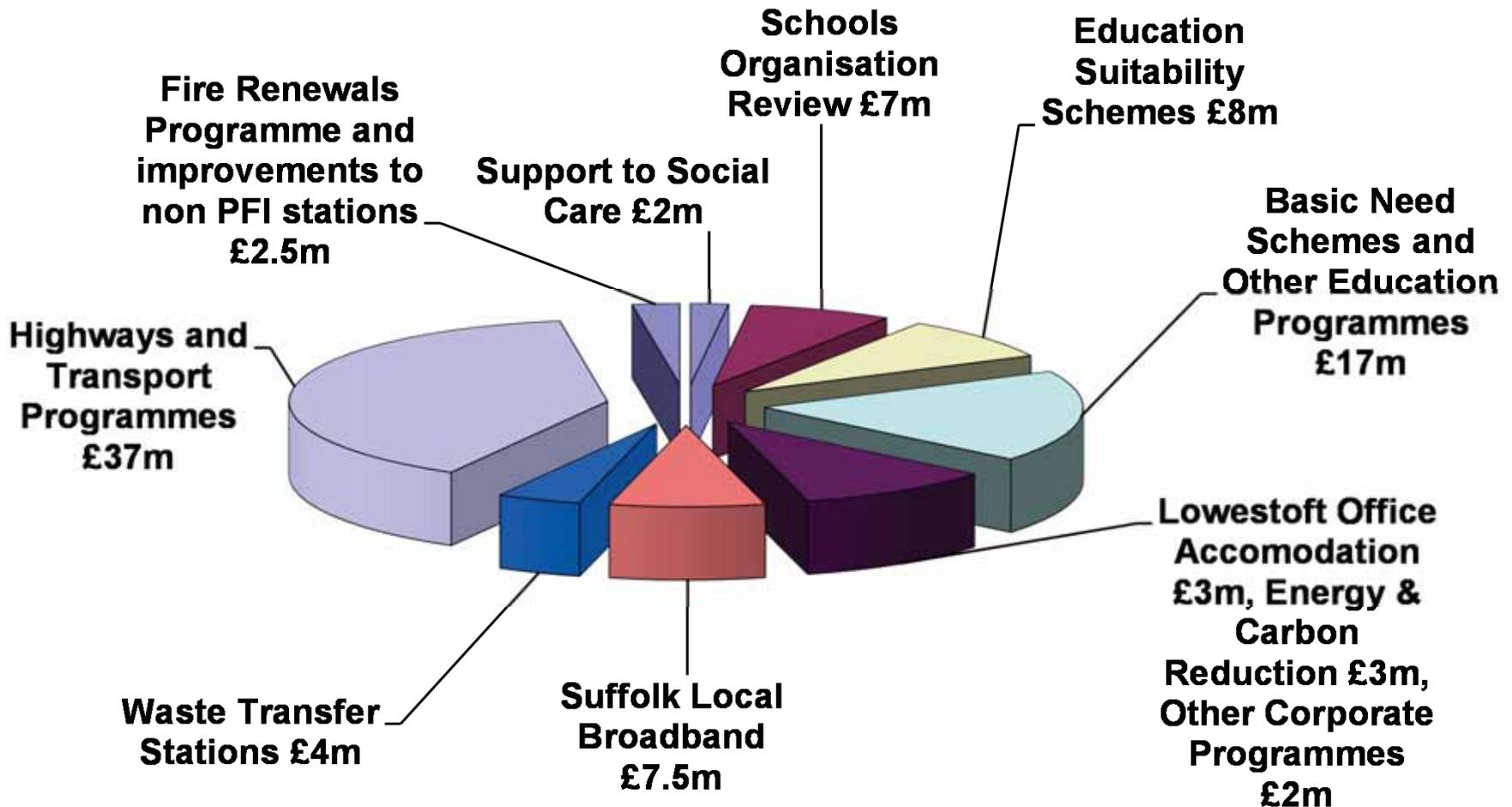
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your business

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Revenue Expenditure 2014-15 (£700m) (excluding schools)



Capital Expenditure 2014-15 (£93m)





Together we create opportunities for people
with sight and hearing loss



Suffolk Highways



Endeavour House

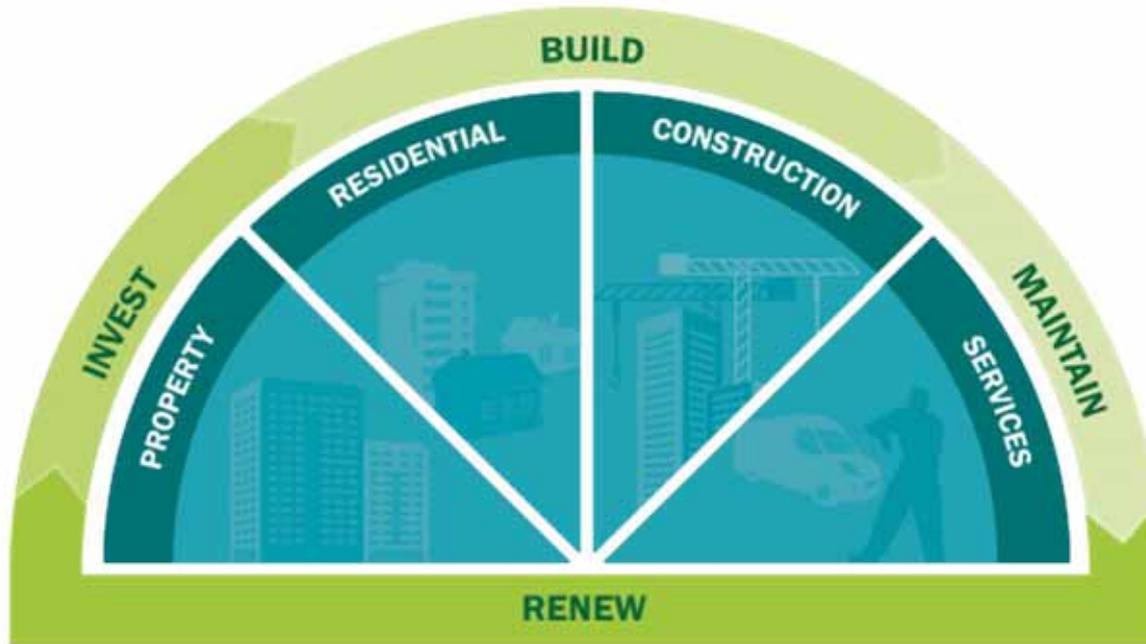




Haydn Mursell

Chief Executive

Creating platforms for growth



- Strong portfolio of businesses with integrated service offering
- Accelerated growth to be Top 3 in our chosen markets
- Profit: Double digit CAGR
- Experienced team with ambition for Kier

Kier 2020





Q&A
