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Presentation to analysts and investors 25 June 2008
Introduction and overview
Kier and Local Authority opportunities
Added value from outsourcing comes from the benefits of true partnerships which gives us opportunities to create strong, profitable, visible and sustainable growth.
Partnering contracts

- **Scope of OJEU’s:**
  - All encompassing/wide ranging
  - Exclusivity
  - Joint venture or LLP companies

- **Trust:**
  - Cost plus
  - Open book
  - Negotiated
  - Sharing in risk and reward
Local Authority Outsourcing Opportunities

- Building maintenance – housing and corporate estate
- Decent Homes
- Planned maintenance
- New housing (LHC’s)
- Capital works programmes
- Property management
- Street Services – waste collection, grounds maintenance, cleaning
- Asset management
Growth of the partnerships are encouraged

- Share in profits
- Improved service delivery
- Opportunity to gain additional government spend
- Savings in their own budgets
- Cost certainty
- Training/employment
- Third party work
- Utilising the skills and resources of the partnership and the Kier Group
Sheffield

- Repairs and maintenance (R&M) to council housing stock and corporate buildings
- Contract period 10 years
- Legal entity – LLP
- Commenced 30 March 2003
- TUPE 1,227 no.
- Initial values:
  - £45m pa R&M housing
  - £4m pa R&M corporate estate
  - £3m pa kitchen and window manufacture
  - £12m pa capital projects
  - Total £64m pa
Sheffield

- Turnover for year four of the contract was £107m including:
  - Decent Homes contracts for:
    - Sheffield Council, Lincoln, Wallbrook HA, Doncaster St Ledger Homes
  - Maintenance contracts for:
    - Manchester Methodists HA, Sanctuary HA and Yorkshire Homes HA
  - Increased capital works for Sheffield education department
  - FM for the fruit & veg markets in Sheffield
Other opportunities:

- Property management including FM for all corporate estate £12m pa
- Asset management offering property development skills
- Local Housing Companies – creating new homes
- Third party R&M and capital works
Harlow

- Maintenance of housing and municipal buildings, grounds maintenance and street cleaning
- Contract period 7 + 3 years
- Legal entity – JV company
- TUPE 376 no.
- Commenced 1 February 2007
- Initial value of contract £17.5m pa
- After year one value of contract was £21.4m pa – additional minor capital works for Harlow Council
Harlow

- Year two:
  - Third party opportunities with housing associations
  - Waste collection for Harlow Council
  - Asset management for Harlow Council
  - Local Housing Company – creating new homes for the Council
Stoke

- R&M, Decent Homes to Council housing stock and corporate buildings
- Contract period 10 + 5 years
- Legal entity-JV company
- TUPE 529 no.
- Commenced 1 February 2008
- Value:
  - £5.5m pa R&M to housing
  - £19.8m pa Decent Homes and planned works
  - £4.4m pa void refurbishments
  - £5.3m pa minor works to public buildings
  - £5.0m pa other construction works
Other opportunities:
- Third party Housing Associations
- Asset management of property portfolio
- Street cleaning and waste collection
- £40m backlog maintenance to public buildings
- Property development opportunities
Harrow

- Building R&M, Decent Homes, non-housing capital works and construction based projects
- Contract period 5 + 5 years
- Legal entity – partnering contract
- Commenced 1 July 2007
- TUPE 35 no.
- Initial values:
  - £6m pa R&M
  - £10m pa Decent Homes
  - £7m pa minor capital works
  - £65m over two years major capital works
Harrow

- Current opportunities being negotiated with Harrow Council include:
  - Formation of a Local Housing Company
  - Asset management including redevelopment of their civic centre site, running of their in-house FM and management of their property portfolios
  - Construction of new capital projects:
    - £59.3m secured and commenced
    - £39.1m awaiting letters of intent
  - Additional minor works to education properties
  - Street cleaning and domestic waste collection
North Tyneside – a future opportunity

- R&M to Council housing and public buildings
- Contract period 10 + 5 years
- Legal entity – JV company
- TUPE  500 no.
- Due to commence 1 April 2009
- Value:
  - £15m pa R&M
  - £10m pa Decent Homes
  - £10m pa minor capital works
  - £15m pa major capital works including BSF/LIFT/PFI
  - £4m property purchase with development opportunity
  - Total £50m pa
Conclusion

- Market leader
- Strong market that is maturing
- Government support
- Strong forward order book
- Visible earnings at consistent margins
- Opportunities for all of Kier to benefit
Kier and Network Rail opportunity
Kier and Network Rail opportunity

- First Network Rail regeneration framework
- New 50:50 business joint venture between Kier/Network Rail to develop adjacent station sites
- Primarily focused on south east. Seven schemes initially. More properties to follow
- Ten year joint venture. Equal share in risk and reward. Group benefits include pipeline of regeneration sites and Group working
Kier and Network Rail opportunity

- All schemes are town centre locations
- A variety of mixed use regeneration uses, including commercial and retail uses
- Initial sites include:
  - East Maidstone, Guildford, Epsom,
  - Twickenham, Walthamstow, Enfield & Wembley
- Pipeline further developments to follow with a strong commitment to grow the business
Kier and Network Rail opportunity

- Sites are adjacent to the operational railway, minimising interference on the network
- Success relates to identifying car parking strategy
- Group working can help manage the risk. Kier Rail, Kier Build, Kier Property
Kier and Network Rail opportunity

- Group have breadth expertise to create the right solution
- Engineering skills e.g. successful completion of the Ely Bridge structure on time and to budget (£9m in 6 months)
- Kier Rail expertise pre tender
- Construction opportunities across a range of business sectors
- Understanding the regulatory process
Kier and Network Rail opportunity

- Development will reflect market requirements
- Opportunities include food retailing, significant station retailing, offices, and leisure
- Potential for residential development but through controlled exposure
- JV only builds what the market is calling for
Kier and Network Rail opportunity

- Opportunities to work with adjacent land owners
- Kier will add value through planning and careful control of development costs
- Potential wider framework focused on new station works
Kier and Network Rail opportunity

- New commuter station and car parking
- 80,000sq ft food retailing
- Range of uses: retail, leisure and possibly hotel
- Ability to add value through carefully managed construction and development risk
Kier and Network Rail opportunity

- Dedicated team with Kier/Network Rail seconded personnel
- Fast track system to help coordinate station design and regulatory approvals based in Kier Property’s office
- Business based on joint venture achieving acceptable ‘developers return’ having regard to range of uses and risk
- Joint venture to undertake station works, with the flexibility to either trade or develop sites as market conditions dictate