

Kier Group PLC

24 April 2013



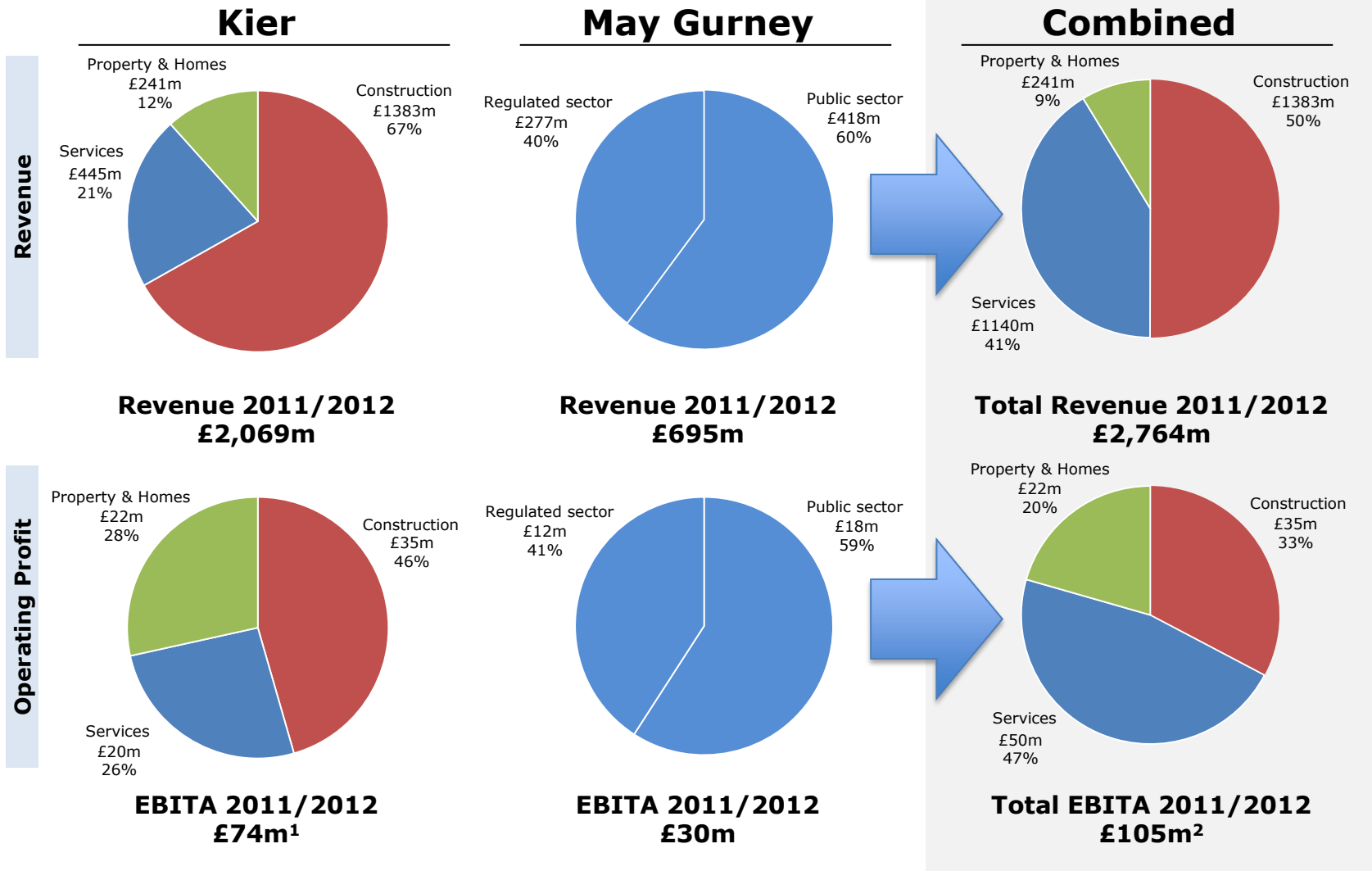
Recommended acquisition of May Gurney Integrated Services plc

Key messages

Creates one of the UK's leading integrated services and construction groups

- The Acquisition will significantly enhance Kier's existing Services business
 - Substantial increase in scale, breadth of offering and geographic reach
 - Excellent access to Local Authorities for outsourcing and the ability to cross-sell a comprehensive set of capabilities
 - Improved and stronger offering to Regulated Services including water, rail and utilities
- Proposed recommended offer price of 315p per May Gurney share (265p in Kier shares, 50p in cash) and 5.6p dividend
 - Expected to be significantly value¹ enhancing for the y/e 30 June 2014
 - Substantial anticipated pre-tax cost synergies of £20m p.a. by Dec 2015
 - Targeted to deliver 15% ROCE by Dec 2015
- Creates a combined Group with:
 - Total revenues of £2.8bn²
 - Order book of £5.7bn³ with significant earnings visibility
 - Services revenues of over £1.0bn²

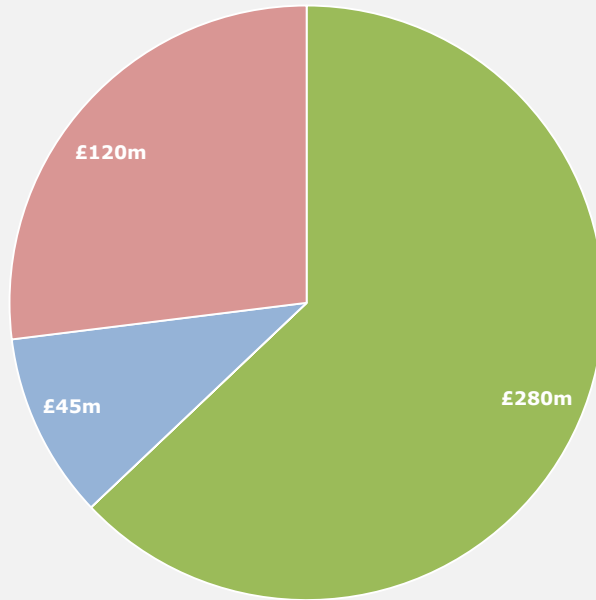
Broader, well balanced Group



Combined Group Services revenues

Kier Services revenues (2011/2012)¹

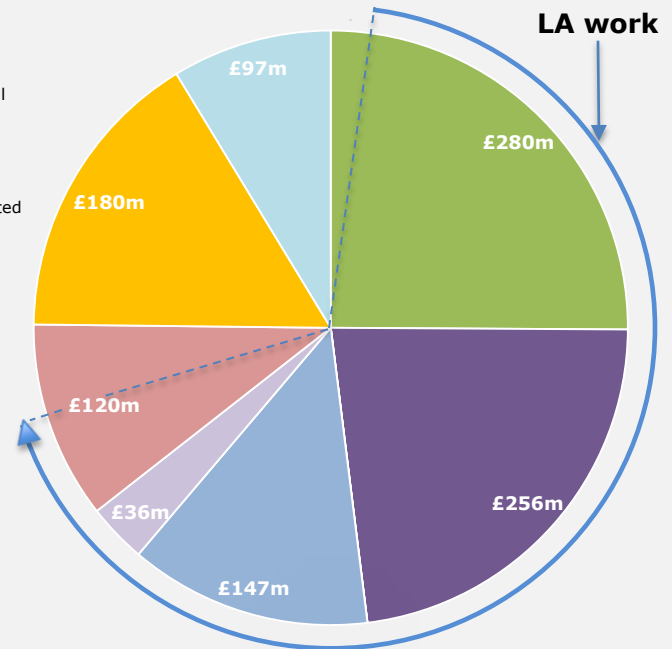
- Maintenance
- Environmental
- FM



Total revenue : £445m

Combined Services revenues (2011/2012)²

- Maintenance
- Highways
- Environmental
- Fleet
- FM
- Utilities
- Other Regulated



Total revenue : £1.1bn

Rationale

- Broad capabilities across all service segments
- Excellent access to Local Authorities
- Immediate access to new work streams
- Strengthened environmental division
- Improved scale and efficiency

¹ Kier Full Year Results for the y/e 30 June 2012 and May Gurney Full Year Results for the y/e 31 March 2012
² Excludes May Gurney discontinued Facility Services revenues and includes pro-forma Fleet revenues (based on £18m from the Half Year Results as at 30 September 2012)

Stronger and broader LA capability

LA capability	Kier	May Gurney	Combined
Environmental	✓	✓✓	✓✓✓
Highways maintenance	-	✓✓	✓✓
Housing maintenance	✓✓	-	✓✓
FM services	✓	-	✓
Fleet	✓	✓✓	✓✓✓

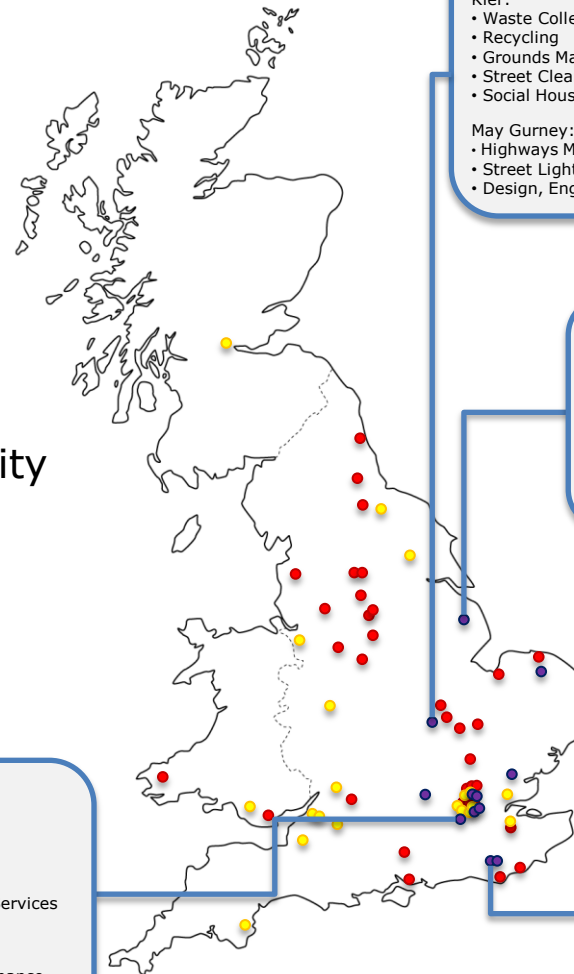


Majority of combined Services revenues and order book is with LAs

- Increased scale enhances ability to win and deliver major schemes

Significant additional geographic coverage

- Local Authority footprint
 - Kier: 43 LAs
 - May Gurney: 30 LAs
 - The Enlarged Group would provide a service to 65 LAs and multiple services to 33 of them
- Good cross selling opportunities
 - 8 LAs >£30m worth of revenue per year
- Market-leading urban street scene capability



Northamptonshire: £42m p.a.

Kier:

- Waste Collection
- Recycling
- Grounds Maintenance
- Street Cleansing
- Social Housing Planned Maintenance

May Gurney:

- Highways Maintenance
- Street Lighting
- Design, Engineering and Management Consultancy

Lincolnshire: £51m p.a.

Kier:

- Social Housing Planned Maintenance
- Affordable Housing – new build

May Gurney:

- Highways Maintenance
- Street Lighting
- Fleet Management

East Sussex: £36m p.a.

Kier:

- Waste Collection
- Street Cleansing
- Recycling

May Gurney:

- Highways Maintenance
- Highways Improvements

Surrey: £39m p.a.

Kier:

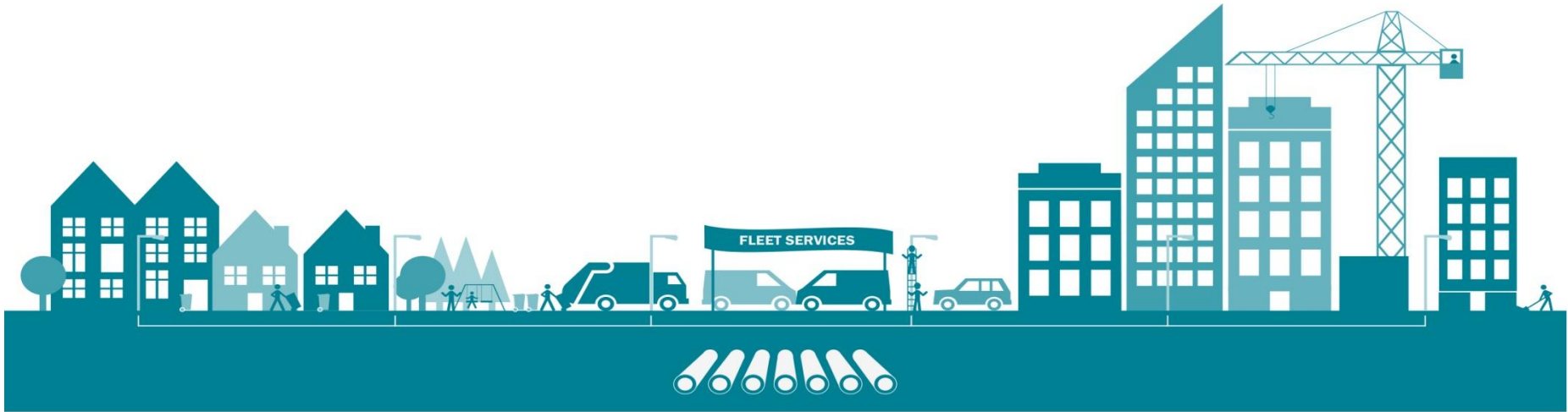
- Bundled FM Services
- Planned Property Repairs
- Responsive Property Repairs
- Planned and Responsive M&E Services

May Gurney:

- Highways Maintenance
- Footpath and Cycleway Maintenance
- Drainage Maintenance

Source: May Gurney

LA urban street scene capability



KIER

- Housing maintenance
- New build
- Planned upgrades
- Grounds maintenance

MAY GURNEY

- Lighting
- Road maintenance
- Underground services
- Fleet management
- Recycling / AD
- Refuse collection
- Street cleaning

KIER

- Energy management
- FM
- New build
- Property asset management
- Regeneration



Enhanced Regulated Services capability

Regulated Services capability	Kier	May Gurney	Combined
Utilities	✓	✓✓	✓✓✓
Power & Industrial	✓✓	-	✓✓
Rail	✓	✓	✓✓
Waterways	-	✓✓	✓✓



Rail
<ul style="list-style-type: none"> • New build • Signalling • Station refurbishment • Structures refurbishment

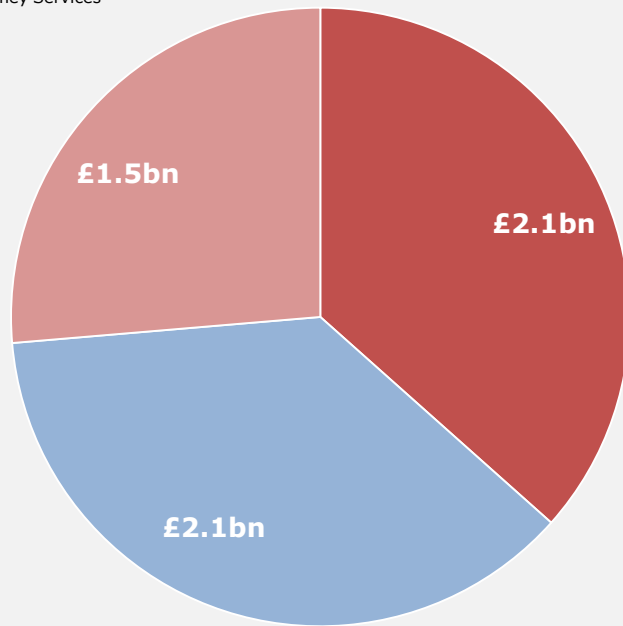
Utilities
<ul style="list-style-type: none"> • Power - capex • Gas • Power - opex • Telecoms • Water - opex • Water - capex

-  KIER
-  MAY GURNEY
-  KIER MAY GURNEY

Combined Group order book

Combined order book¹

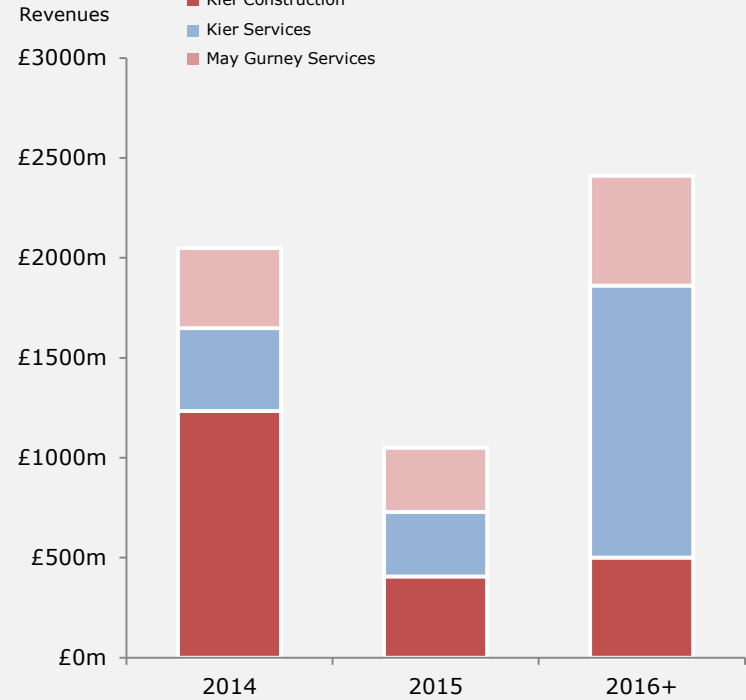
- Kier Construction
- Kier Services
- May Gurney Services



Total order book : £5.7bn

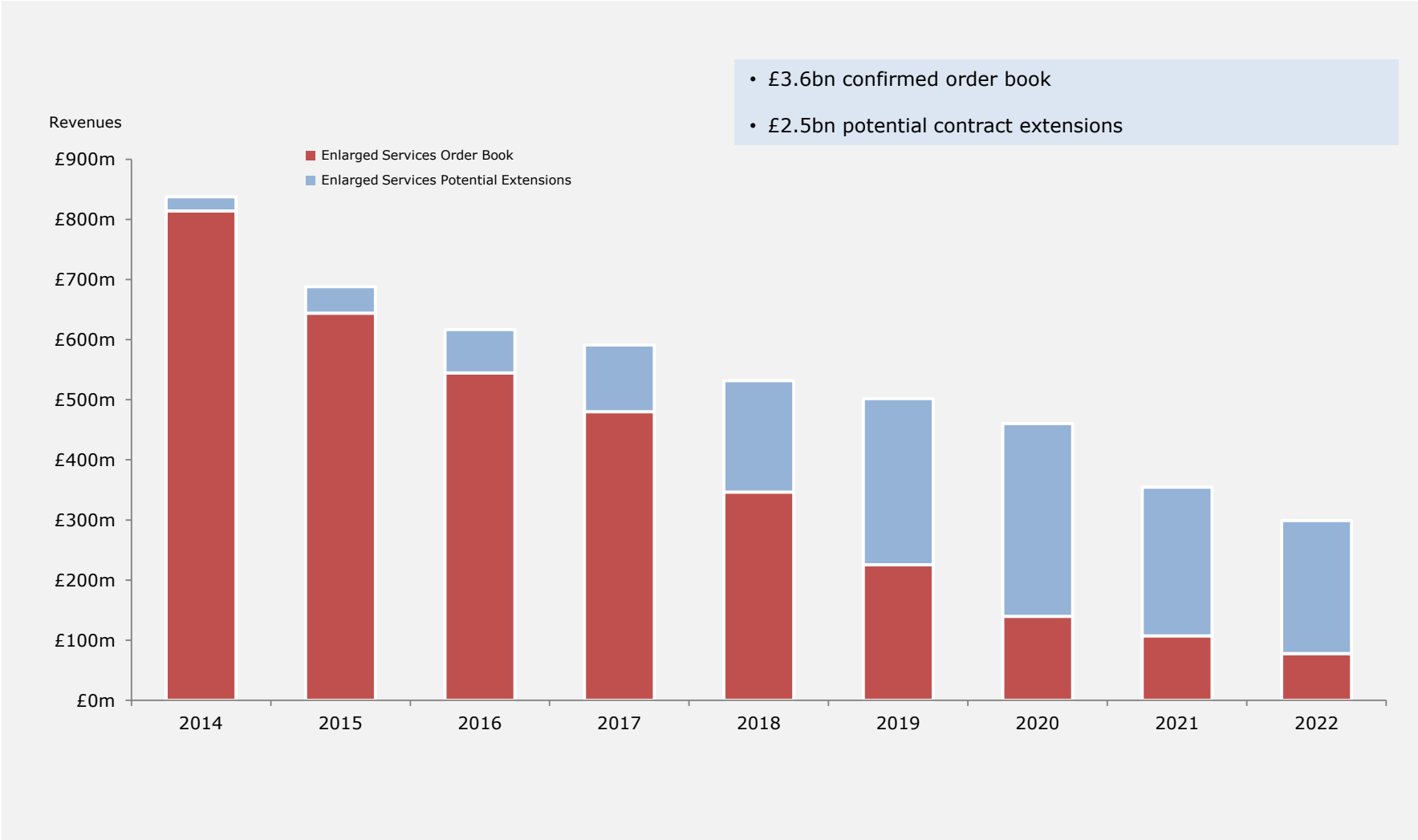
Combined order book¹

- Kier Construction
- Kier Services
- May Gurney Services



¹ Based on Kier's order book of £4.2bn as at 31 December 2012 and May Gurney's order book of £1.5bn as at 30 September 2012, includes both secured and probable awards

Combined Services order book longevity

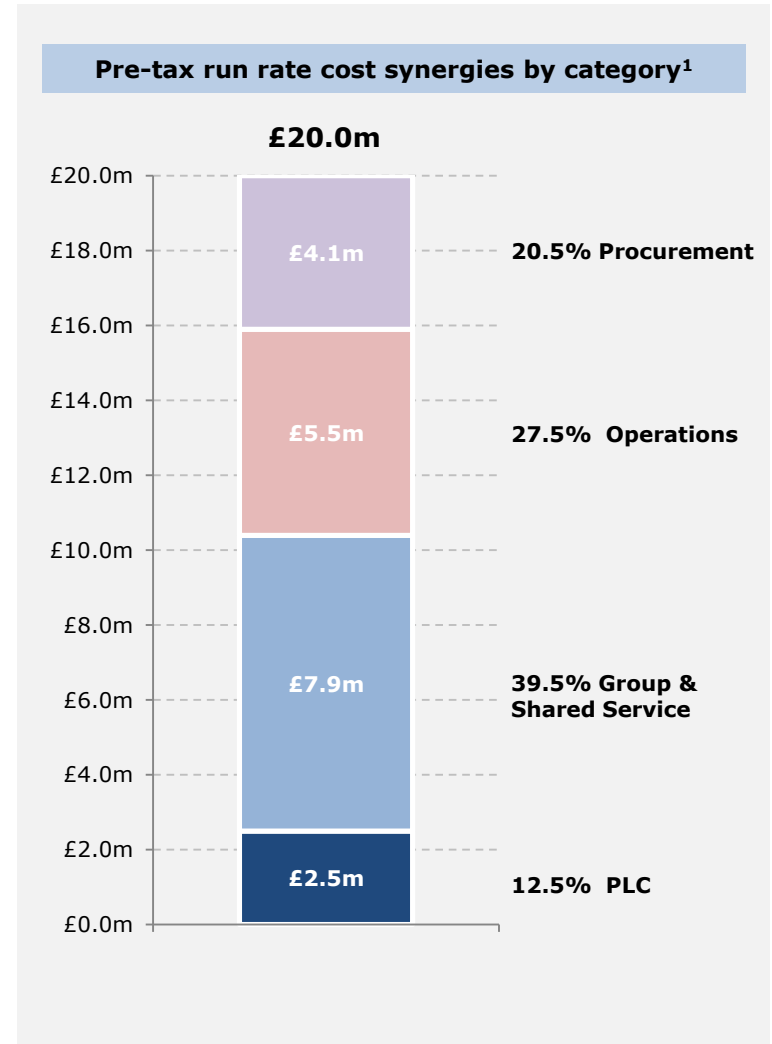


Transaction terms

- Each May Gurney shareholder to receive:
 - For each May Gurney share: 265p in new Kier shares; and
50p in cash
 - May Gurney shareholders will also receive a 5.6p dividend
- The consideration under the terms of the Proposal (excluding the 5.6p dividend) represents a value of:
 - 315p per May Gurney share
 - premium of approximately 35%, to the current value of the Costain Proposal of 234p per May Gurney share (based on the Closing Price of 283p per Costain Share on 23 April 2013)
- Acquisition will include a mix and match facility
- Kier maintains a progressive dividend policy - shares will rank for any final dividend payable for the y/e 30 June 2013
- Aviva have provided an irrevocable undertaking to Kier in respect of 5.16% of May Gurney's ISC
 - Other shareholder undertakings being sought
- Acquisition conditional on approval of both sets of shareholders

Cost Synergies

- Expect recurring pre-tax cost synergies of £20m p.a.
- Targeted synergy phasing:
 - £5m to be realised for the y/e June 2014
 - £15m to be realised for the y/e June 2015
 - £20m to be realised annually thereafter
- Total forecast synergy realisation and integration costs of £28m:
 - One-off exceptional costs of £20m
 - Capex costs of £8m relating to IT investment



Integration plan

- Comprehensive integration plan
 - Clarity of acquisition structure and leadership
 - Key areas identified
 - Integration schedule designed to realise majority of synergies by June 2015
 - Anticipate net reduction of approx. 200 employees across the Enlarged Group
- The acquisition of May Gurney meets Kier's internal acquisition criteria
 - Expected to be significantly value enhancing for the y/e 30 June 2014
 - Targeted to deliver 15% ROCE by Dec 2015
- Confident that the integration of the two businesses can be achieved without any significant underlying disruption of operations
 - Kier and May Gurney are a natural fit

Combined Group capital structure

- Banking facilities of £480m
 - Terms consistent with existing Kier facilities
- Kier net cash of £4m (incl. £8m finance leases) as at December 2012; May Gurney net debt of £77m (incl. £74m finance leases) as at September 2012
- Comfortable net debt position
- Integration and transaction costs of c.£42m
- Kier's current bonding facilities sufficient for the enlarged Group at c.£400m
- Offer allows for the possibility of a significant purchase price accounting adjustment in relation to the fair value of the net assets acquired
- A robust capital structure underpinning future performance

Lending Facilities

Facility type	Kier (£m)	May Gurney (£m)	Status re May Gurney arrangements	Combined Group (£m)
Existing:				
RCF	120	23	replace	120
Overdraft	20	25	broadly retain	40
FLS loan	30			30
USPP	63			63
Leasing	15	92	retain	107
New:				
RCF				70 ¹
Term loan				50 ¹
Total	248	140		480

Expected timetable

- Rule 2.7 announcement 24 April 2013
- Publication of Prospectus / Class 1 Circular (Kier) Early - Mid May 2013
- Publication of Scheme Document (May Gurney) Mid May 2013
- May Gurney Court and shareholder meetings Mid June 2013
- Kier shareholder meeting Mid June 2013
- Completion July 2013

Summary

- Creates one of the UK's leading integrated services and construction Groups
- Significant increase in the scale of Kier's Services business
- Excellent access to Local Authorities
- Substantial cost synergies anticipated to benefit both sets of shareholders
- Strong cultural alignment between the Groups

This new, broad, integrated business will enable us to define tomorrow's environments for our customers

Q&A



Recommended acquisition of May Gurney Integrated Services plc

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