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For immediate release

24 April 2013

Kier Group plc

Recommended Offer for

May Gurney Integrated Services PLC

(to be implemented by way of a scheme of arrangement under Part 26 of the Companies Act 2006)

Highlights

- The Boards of Kier Group plc (“Kier”) and May Gurney Integrated Services PLC (“May Gurney”) are pleased to announce that they have reached agreement on the terms of a recommended offer for May Gurney by Kier, which is to be implemented by way of a scheme of arrangement of May Gurney, pursuant to which Kier will acquire the entire issued and to be issued ordinary share capital of May Gurney (the “Acquisition”).
- Under the terms of the Acquisition, May Gurney Shareholders will receive:

For each May Gurney Share: 0.2095 New Kier Shares; and

50 pence in cash.

- Based on the Closing Price per Kier Share on 23 April 2013 (being the latest practicable date prior to this announcement), the consideration for the Acquisition represents a value of 315 pence per May Gurney Share, or £221 million in aggregate, representing:
 - a premium of approximately 71 per cent. to the Closing Price of 184 pence per May Gurney Share on 25 March 2013 (being the latest practicable date prior to the announcement by Costain Group plc (“Costain”) of its proposed merger with May Gurney (the “Costain Proposal”)); and
 - a premium of approximately 35 per cent. to the current value of the Costain Proposal of 234 pence per May Gurney Share (based on the Closing Price of 283 pence per Costain Share on 23 April 2013 (being the latest practicable date prior to this announcement)).
- May Gurney Shareholders will also be entitled to receive the May Gurney Second Interim Dividend of 5.6 pence per May Gurney Share in lieu of a final dividend for the year ended 31

March 2013. This dividend, which will be conditional upon completion of the Acquisition, will be paid after the Effective Date to May Gurney Shareholders on the register of members at the Scheme Record Time.

- The Acquisition will include the Mix and Match Facility, so that May Gurney Shareholders will be able to elect to vary the proportions of cash and New Kier Shares they receive, subject to equal and opposite elections made by other May Gurney Shareholders. The Mix and Match Facility will not change the total number of New Kier Shares to be issued by Kier pursuant to the Acquisition.
- Following completion of the Acquisition, May Gurney Shareholders will own approximately 27 per cent. of the Enlarged Group and will be able to participate in the future growth prospects of the Enlarged Group.
- Following completion of the Acquisition, Kier will continue to have a premium listing and to be traded on the London Stock Exchange's Main Market for listed securities and an application will be made for the admission to trading on AIM of the May Gurney Shares to be cancelled.
- The Kier Directors believe that the Acquisition will significantly enhance Kier's existing Services division, bringing together two businesses with highly complementary skill sets, service offerings, geographic exposure and customer bases. The Enlarged Services Division would be a leading provider of services to the Local Authority and regulated utility sectors, able to build on the existing businesses' individual strengths. Kier recognises the strength of the May Gurney brand and intends to retain it at an operating level.
- The Board of Kier believes that the Enlarged Group will:
 - have a well-balanced services offering, providing an extensive range of services to Local Authorities, as well as a comprehensive portfolio of services to the regulated sector;
 - be able to provide these services across the UK, leveraging the delivery teams of the Enlarged Group and its combined network of office locations;
 - have the ability to access opportunities which are otherwise not currently available to Kier or May Gurney;
 - create a broader group which would be well-placed to compete for large contracts, harnessing the significant skills and talent of its employees;
 - combine two businesses with a similar culture and approach to risk management, which will aid the integration process and enhance its underlying business performance; and
 - have significant earnings visibility, underpinned by long-term contracts and a combined order book of approximately £5.7 billion.
- The Kier Board believes that the Enlarged Group can be expected to achieve recurring annual pre-tax synergies of approximately £20 million as a result of the Acquisition, primarily through

savings arising from the consolidation of corporate and shared services functions and material procurement savings, with approximately £5 million expected to be realised in the financial year ending 30 June 2014, £15 million in the financial year ending 30 June 2015 and the full £20 million in the financial year ending 30 June 2016.¹

- In addition to these cost synergies, the Kier Board believes that significant opportunities to enhance revenues will arise.¹
- The Acquisition is expected to be significantly value enhancing² for the financial year ending 30 June 2014 and to deliver a 15 per cent. return on capital employed by December 2015.¹
- The Enlarged Group will have a proven management team led by the current Kier CEO, Paul Sheffield, as the Enlarged Group CEO and the current Kier Finance Director, Haydn Mursell, as the Enlarged Group Finance Director. Phil White will be the Chairman of the Enlarged Group.
- The Enlarged Group's headquarters and registered office will be located at Kier's office at Tempsford Hall, Bedfordshire. The Board of Kier also currently intends to retain May Gurney's office in Trowse, Norfolk as a shared services centre for the Enlarged Group.
- On 28 February 2013, the Board of Kier announced its intention to pay an interim dividend of 21.5 pence per Kier Share. The Kier Interim Dividend will be paid on 17 May 2013 to Kier Shareholders on the register of members as at the close of business on 8 March 2013. The New Kier Shares to be issued pursuant to the Acquisition will not carry any entitlement to the Kier Interim Dividend.
- The Acquisition is conditional on, amongst other things, the approval of Kier Shareholders and May Gurney Shareholders.
- Irrevocable undertakings:
 - Kier has been unable to obtain irrevocable undertakings from those May Gurney Shareholders who provided irrevocable undertakings to Costain (the "Costain Irrevocable Undertakings") because the terms of the Costain Irrevocable Undertakings prevent such May Gurney Shareholders from entering into irrevocable undertakings with Kier until after Kier (or any other third party) has made an announcement of a firm intention to make an offer in accordance with Rule 2.7 of the Code.

¹ These statements of estimated cost savings, synergies, expected value enhancement and return on capital employed ("ROCE") relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings, synergies, expected value enhancement and ROCE referred to may not be achieved, or those achieved could be materially different from those estimated. Neither these statements nor any other statement in this announcement should be construed as a profit forecast or interpreted to mean that the Enlarged Group's earnings in the first full year following the Acquisition, or in any subsequent period, would necessarily match or be greater than or be less than those of Kier and/or May Gurney for the relevant preceding financial period or any other period. For further details of the statements of estimated cost savings and synergies refer to Appendix 4 of the full announcement.

² Before amortisation of acquired intangibles, employment-related deferred consideration and integration costs.

- Kier has held discussions with those May Gurney Shareholders which gave Costain Irrevocable Undertakings. Kier will be seeking irrevocable undertakings or letters of intent as soon as possible from those shareholders.
 - Kier has also been unable to obtain irrevocable undertakings from the May Gurney Directors because the terms of the irrevocable undertakings which the May Gurney Directors entered into with Costain prevent them from entering into irrevocable undertakings with Kier (or any other third party) until such time as the Costain Proposal lapses or is withdrawn.
 - Kier has obtained an irrevocable undertaking from Aviva Investors Global Services Limited to vote in favour of the Acquisition at the Court Meeting and of the Special Resolution to be proposed at the May Gurney General Meeting. Aviva Investors Global Services Limited has 3,623,051 May Gurney Shares, representing approximately 5.16 per cent. of May Gurney's issued share capital.
 - Phil White, Paul Sheffield, Haydn Mursell, Steve Bowcott, Ian Lawson, Chris Geoghegan and Nick Winser, being the Kier Directors who hold interests in Kier Shares, have irrevocably undertaken to vote in favour of the resolutions to be proposed at the Kier General Meeting to approve the Acquisition and related matters in respect of a total of 140,383 Kier Shares, representing, in aggregate, approximately 0.35 per cent. of Kier's issued share capital.
 - Kier has obtained a letter of intent from Schroder Investment Management Limited in respect of 2,453,325 Kier Shares, representing approximately 6.16 per cent. of the issued share capital of Kier to vote in favour of the resolutions to be proposed at the Kier General Meeting.
 - Kier has therefore received irrevocable undertakings or a letter of intent in respect of a total of 2,593,708 Kier Shares, representing, in aggregate, approximately 6.52 per cent. of the issued share capital of Kier to vote in favour of the resolutions to be proposed at the Kier General Meeting.
- The Combined Circular/Prospectus, containing information about the New Kier Shares and the Enlarged Group, as well as details of the Acquisition and the notice of the Kier General Meeting at which, amongst other things, a resolution will be proposed for the approval of the Acquisition by Kier Shareholders, will be published as soon as possible after the date of this announcement and will be posted to Kier Shareholders. The Combined Circular/Prospectus will be made available by Kier on its website at **www.kier.co.uk** and by May Gurney on its website at **www.maygurney.co.uk**.
 - The Scheme Document, containing further information about the Acquisition and notices of the Court Meeting and the May Gurney General Meeting, will be posted to May Gurney Shareholders as soon as practicable and, in any event, within 28 days of this announcement. It is expected that the Scheme will become effective in July 2013, subject to the satisfaction or waiver of the Conditions and certain further terms set out in Appendix 1 to the full announcement.

Phil White, Chairman of Kier, commented:

“Scale, performance and reputation are three essential elements of a successful services business. The combination of Kier and May Gurney has all three and is a natural fit. The combined businesses will offer more services to more clients. The Acquisition accelerates Kier’s planned growth in the sector and is significantly value enhancing.”³

Baroness Margaret Ford, Chairman of May Gurney, commented:

“This is a compelling transaction for May Gurney Shareholders. It offers a highly attractive combination of a significant premium, a cash element and, through the scale and strategic fit of the Enlarged Group, allows May Gurney Shareholders to share in the growth of one of the UK’s leading integrated services and construction companies.”

The May Gurney Directors, who have been so advised by Canaccord Genuity, consider the terms of the Acquisition to be fair and reasonable. In providing advice to the May Gurney Directors, Canaccord Genuity has taken into account the commercial assessments of the May Gurney Directors. Accordingly, the May Gurney Directors intend to recommend unanimously that May Gurney Shareholders vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the May Gurney General Meeting. Accordingly, the May Gurney Directors intend to seek the adjournment of the Court Meeting and the May Gurney General Meeting relating to the approval of the Costain Proposal by May Gurney Shareholders convened for 10.00 a.m. and 10.15 a.m., respectively, on 7 May 2013 (subject to the permission of the Court, in respect of the former, and the passing of an ordinary resolution at such meeting, in respect of the latter).

The Kier Directors have received financial advice from J.P. Morgan Cazenove and Numis in relation to the Acquisition. In providing its advice, each of J.P. Morgan Cazenove and Numis has relied upon the commercial assessments of the Kier Directors. The Kier Board believes the Acquisition and the resolutions to be proposed at the Kier General Meeting to be in the best interests of Kier and Kier Shareholders as a whole. Accordingly, the Kier Directors intend to recommend unanimously that Kier Shareholders vote in favour of the resolutions to be proposed at the Kier General Meeting to approve the Acquisition and related matters, as they have irrevocably undertaken to do in respect of 140,383 Kier Shares representing, in aggregate, approximately 0.35 per cent. of the issued ordinary share capital of Kier on 23 April 2013 (being the latest practicable date prior to this announcement).

The Acquisition will be subject to the Conditions, the other terms set out in this announcement and to the terms and conditions which will be set out in the Scheme Document. The bases and sources of certain information contained in the full announcement are set out in full in Appendix 2 to the full announcement. Details of the irrevocable undertakings and the letter of intent received by Kier are set out in Appendix 3 to the full announcement. Details of and bases of calculation of

³ Neither this statement nor the statements in the preceding paragraph relating to cost synergies and earnings enhancement are intended as profit forecasts. They should not be interpreted to mean that earnings per Kier Share or May Gurney Share for the current or future financial years would necessarily match or exceed the historical published earnings per Kier Share or May Gurney Share

anticipated merger benefits are set out in Appendix 4 to the full announcement. Certain terms used in this announcement are defined in Appendix 5 to the full announcement.

This summary should be read in conjunction with the full announcement and the Appendices.

There will be an analysts' presentation which will start promptly at 9.30 a.m. (London time) on 24 April 2013. Please contact RLM Finsbury (kier@rlmfinsbury.com) for details.

Enquiries

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Further Information

This announcement is not intended to and does not constitute or form part of any offer to sell or subscribe for or any invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Acquisition or otherwise. The Acquisition will be effected solely by means of the Scheme Document which, together with the Forms of Proxy and Form of Election, will contain the full terms and conditions of the Acquisition, including details of how to vote in respect of the Acquisition.

The Combined Circular/Prospectus will be published as soon as possible after this announcement. The Combined Circular/Prospectus will be made available by Kier on its website at www.kier.co.uk and by May Gurney on its website at www.maygurney.co.uk. May Gurney will prepare the Scheme Document to be distributed to May Gurney Shareholders. May Gurney urges May Gurney Shareholders to read the Combined Circular/Prospectus and the Scheme Document because they will contain important information in relation to the Acquisition, the New Kier Shares and the Enlarged Group. Kier urges Kier Shareholders to read the Combined Circular/Prospectus because it will contain important information in relation to the Acquisition, the New Kier Shares and the Enlarged Group. Any vote in respect of the Scheme or other response in relation to the Acquisition should be made only on the basis of the information contained in the Scheme Document and/or the Combined Circular/Prospectus, as appropriate.

This announcement does not constitute a prospectus or prospectus equivalent document.

The release, publication or distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. In particular, the ability of persons who are not resident in the United Kingdom to vote their May Gurney Shares in respect of the Scheme at the Court Meeting, or to execute and deliver Forms of Proxy appointing another to vote at the Court Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located. This announcement has been prepared for the purpose of complying with English law and the City Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

Copies of this announcement and any formal documentation relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction. If the Acquisition is implemented by way of an Offer (unless otherwise permitted by applicable law and regulation), the Offer may not be made, directly or indirectly, in or into, or by the use of mails or any means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Offer may not be capable of acceptance by any such use, means, instrumentality or facilities.

Please be aware that addresses, electronic addresses and certain other information provided by May Gurney Shareholders, persons with information rights and other relevant persons for the receipt of

communications from May Gurney may be provided to Kier during the Offer Period as required under Section 4 of Appendix 4 of the City Code.

Notice to US investors in May Gurney: The Acquisition relates to the shares of an English company that is not registered under the US Securities Exchange Act of 1934 (the "US Exchange Act") and is being made by means of a scheme of arrangement provided for under English company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Exchange Act. Accordingly, the Acquisition is subject to the disclosure requirements and practices applicable in the United Kingdom to schemes of arrangement which differ from the disclosure requirements in the United States tender offer and proxy solicitation rules under the Exchange Act. If, in the future, Kier exercises the right to implement the Acquisition by way of a takeover offer and decides to extend the offer into the United States, the Offer will be made in compliance with applicable US laws and regulations including the applicable provisions of the tender offer rules under the US Exchange Act, to the extent applicable. Financial information included (or incorporated by reference) in this announcement and the Scheme Document has been or will have been prepared in accordance with accounting standards applicable in the United Kingdom that may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

Any securities to be issued in connection with the Acquisition have not been and will not be registered under the US Securities Act of 1933 (the "US Securities Act"), or under the securities laws of any state, district or other jurisdiction of the United States. Accordingly, such securities may not be offered, sold or delivered, directly or indirectly, in or into such jurisdictions except pursuant to exemptions from, or transactions not subject to, the registration requirements of the United States. It is expected that the New Kier Shares will be issued in reliance upon the exemption from such registration provided by Section 3(a)(10) of the US Securities Act. Under applicable US securities laws, persons (whether or not US persons) who are or will be "affiliates" (within the meaning of the US Securities Act) of Kier or May Gurney prior to, or of the Enlarged Group after, the Effective Date will be subject to certain transfer restrictions relating to the Kier Shares received in connection with the Acquisition.

It may be difficult for US holders of May Gurney Shares to enforce their rights and any claim arising out of US federal laws, since Kier and May Gurney are located in a non-US jurisdiction and some or all of their officers and directors may be residents of a non-US jurisdiction. US holders of May Gurney Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

J.P. Morgan Limited, which conducts its UK investment banking businesses as J.P. Morgan Cazenove ("J.P. Morgan Cazenove"), is authorised and regulated in the United Kingdom by the FCA. J.P. Morgan Cazenove is acting as corporate broker and financial adviser to Kier and no one else in connection with the Acquisition and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Kier for providing the protections afforded to clients of J.P. Morgan Cazenove or for providing advice in relation to the Acquisition, or for providing advice in relation to any other matters referred to herein.

Numis Securities Limited, which is authorised and regulated by the FCA, is acting as corporate broker and financial adviser to Kier and for no one else in connection with the Acquisition and will not regard any

other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Kier for providing the protections afforded to clients of Numis Securities Limited, or for providing advice in relation to the Acquisition, or any other matters referred to herein.

Canaccord Genuity Limited, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for May Gurney and no one else in connection with the Acquisition and will not be responsible to anyone other than May Gurney for providing the protections afforded to clients of Canaccord Genuity or for providing advice in relation to the Acquisition, or any matter referred to in this announcement.

Peel Hunt LLP, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to May Gurney and for no one else in connection with the Acquisition and will not be responsible to anyone other than May Gurney for providing the protections afforded to clients of Peel Hunt LLP or for providing advice in relation to the Acquisition, or any matter referred to in this announcement.

Cautionary note regarding forward-looking statements

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of May Gurney and certain plans and objectives of Kier with respect thereto. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'hope', 'aims', 'continue', 'will', 'may', 'should', 'would', 'could' or other words of similar meaning. These statements are based on assumptions and assessments made by May Gurney and/or Kier in light of their experience and their perception of historical trends, current conditions, future developments and other factors they believe appropriate. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The factors described in the context of such forward-looking statements in this announcement could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. Although it is believed that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct and persons reading this announcement are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this announcement. Neither May Gurney nor Kier assumes any obligation to update or correct the information contained in this announcement (whether as a result of new information, future events or otherwise), except as required by applicable law.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among such factors are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals.

No profit forecasts or estimates

No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per ordinary

share for Kier or May Gurney, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per ordinary share for Kier or May Gurney, as appropriate.

Dealing and Opening Position Disclosure requirements

Under Rule 8.3(a) of the City Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any paper offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any paper offeror is first identified.

An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of: (i) the offeree company; and (ii) any paper offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure. Under Rule 8.3(b) of the City Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any paper offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a paper offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4). Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the Offer Period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0) 20 7638 0129.

Publication on website

*A copy of this announcement will be available free of charge, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Kier's website at **www.kier.co.uk** and on May Gurney's website at **www.maygurney.co.uk** by no later than noon (London time) on the day following this announcement. For the avoidance of doubt, the contents of those websites are not incorporated into and do not form part of this announcement.*

You may request a hard copy of this announcement (and any information incorporated by reference in this announcement) by contacting Sneha Sinha of J.P. Morgan Cazenove at sneha.sinha@jpmorgan.com or by submitting a request in writing to Sneha Sinha at J.P. Morgan Cazenove, 25 Bank Street, London, E14 5JP or Mike Bell of Peel Hunt LLP at mike.bell@peelhunt.com or by submitting a request in writing to Mike Bell at Peel Hunt LLP, Moor House, 120 London Wall, London EC2Y 5ET. It is important that you note that unless you make such a request, a hard copy of this announcement and any such information incorporated by reference in it will not be sent to you. You may also request that all future documents, announcements and information to be sent to you in relation to the Acquisition should be in hard copy form.

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For immediate release

24 April 2013

Kier Group plc

Recommended Offer for

May Gurney Integrated Services PLC

1. Introduction

The Boards of Kier and May Gurney are pleased to announce that they have reached agreement on the terms of a recommended offer for May Gurney by Kier, which is to be implemented by way of a scheme of arrangement of May Gurney under Part 26 of the Companies Act, pursuant to which Kier will acquire the entire issued and to be issued ordinary share capital of May Gurney.

2. The Acquisition

Under the terms of the Acquisition, which will be subject to the Conditions, the other terms set out in this announcement and to the terms and conditions which will be set out in the Scheme Document, May Gurney Shareholders will be entitled to receive:

For each May Gurney Share: 0.2095 New Kier Shares; and

50 pence in cash.

Based on the Closing Price per Kier Share on 23 April 2013 (being the latest practicable date prior to this announcement), the consideration under the terms of the Acquisition represents a value of 315 pence per May Gurney Share, or £221 million, in aggregate, representing:

- a premium of approximately 71 per cent. to the Closing Price of 184 pence per May Gurney Share on 25 March 2013 (being the latest practicable date prior to the announcement by Costain of its proposed merger with May Gurney); and
- a premium of approximately 35 per cent. to the current value of the Costain Proposal of 234 pence per May Gurney Share (based on the Closing Price of 283 pence per Costain Share on 23 April 2013 (being the latest practicable date prior to this announcement)).

May Gurney Shareholders will also be entitled to receive a second interim dividend of 5.6 pence per May Gurney Share. The May Gurney Second Interim Dividend, which will be conditional upon completion of the Acquisition, will be payable after the Effective Date to May Gurney Shareholders on the register of

members at the Scheme Record Time. In the event that the Acquisition completes, no final dividend will be paid in respect of May Gurney's financial year ended 31 March 2013.

The Acquisition will include the Mix and Match Facility, so that May Gurney Shareholders will be able to elect to vary the proportions of cash and New Kier Shares they receive, subject to equal and opposite elections made by other May Gurney Shareholders. The Mix and Match Facility will not change the total number of New Kier Shares to be issued by Kier pursuant to the Acquisition. Please refer to paragraph 12 for further detail.

If the Acquisition becomes effective, it will result in the allotment and issue of approximately 14.7 million New Kier Shares to May Gurney Shareholders, which would result in former May Gurney Shareholders holding approximately 27 per cent. of the Enlarged Group and Kier's issued share capital increasing by approximately 37 per cent. If the Acquisition becomes effective and New Kier Shares are issued to May Gurney Shareholders, the holdings of current Kier Shareholders will be diluted such that they will hold approximately 73 per cent. of the issued share capital of the Enlarged Group.

Following completion of the Acquisition, Kier will continue to have a premium listing and to be traded on the London Stock Exchange's Main Market for listed securities and will also remain a member of the FTSE 250 index.

3. Recommendation

The May Gurney Directors, who have been so advised by Canaccord Genuity, consider the terms of the Acquisition to be fair and reasonable. In providing its advice, Canaccord Genuity has taken into account the commercial assessments of the May Gurney Directors. Accordingly, the May Gurney Directors intend to recommend unanimously that May Gurney Shareholders vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the May Gurney General Meeting. As a consequence, the May Gurney Directors have concluded that it is in the best interests of May Gurney Shareholders to seek the permission of the Court to adjourn the Court meeting to consider and, if thought fit, approve the Costain Proposal convened for 10.00 a.m. on 7 May 2013 (the "Costain Proposal Court Meeting") and to adjourn the May Gurney general meeting to consider and, if thought fit, approve the Costain Proposal and associated matters convened for 10.15 a.m. on 7 May 2013 (the "Costain Proposal General Meeting"), subject to the passing at such meeting of an ordinary resolution to adjourn that meeting. The May Gurney Directors will make a further announcement in the event that the Court's permission to adjourn the Costain Proposal Court Meeting is obtained.

The Kier Directors have received financial advice from J.P. Morgan Cazenove and Numis in relation to the Acquisition. In providing its advice, each of J.P. Morgan Cazenove and Numis has relied upon the commercial assessments of the Kier Directors. The Kier Board believes the Acquisition and the resolutions to be proposed at the Kier General Meeting to be in the best interests of Kier and Kier Shareholders as a whole. Accordingly, the Kier Directors intend to recommend unanimously that Kier Shareholders vote in favour of the resolutions to be proposed at the Kier General Meeting to approve the Acquisition and related matters as the Directors have irrevocably undertaken to do in respect of 140,383 Kier Shares representing in aggregate approximately 0.35 per cent. of the issued ordinary share capital of Kier on 23 April 2013 (being the latest practicable date prior to this announcement).

4. Background to, and reasons for, the Acquisition

Kier has a publicly-stated strategic objective of increasing the scale of its Services division. Kier holds May Gurney in high regard and the Acquisition represents an excellent opportunity to accelerate Kier's strategy for its Services division. The Board of Kier believes the Acquisition is highly complementary and will provide an increased breadth of services, skills, geographic coverage and operating efficiencies, representing an attractive proposition for its clients (and those of the Enlarged Group) and enhanced value for the shareholder base of the Enlarged Group.

The Board of Kier believes that the Enlarged Group will:

- have a well-balanced services offering, providing an extensive range of services to Local Authorities, as well as a comprehensive portfolio of services to the regulated sector;
- be able to provide these services across the UK, leveraging the delivery teams of the Enlarged Group and its combined network of office locations;
- have the ability to access opportunities which are otherwise not currently available to Kier or May Gurney;
- create a broader group which would be well-placed to compete for large contracts, harnessing the significant skills and talent of its employees;
- combine two businesses with a similar culture and approach to risk management, which will aid the integration process and enhance its underlying business performance; and
- have significant earnings visibility, underpinned by long-term contracts and a combined order book of approximately £5.7 billion.

5. Synergies and integration⁴

The Board of Kier believes that the Acquisition presents opportunities for significant cost synergies. The Kier Directors believe that the Enlarged Group can be expected to achieve recurring annual pre-tax cost synergies of approximately £20 million.

The synergies identified below reflect both beneficial elements and relevant costs that arise as a result of the Acquisition and could not be achieved by the Kier and May Gurney businesses operating independently of each other. A central objective of the integration will, however, be the retention of the customer focus and capabilities of both Kier and May Gurney.

⁴ These statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, or those achieved could be materially different from those estimated. Neither this statement nor any other statement in this announcement should be construed as a profit forecast or interpreted to mean that the Enlarged Group's earnings in the first full year following the Acquisition, or in any subsequent period, would necessarily match or be greater than or be less than those of Kier and/or May Gurney for the relevant preceding financial period or any other period.

The Kier Board has identified the following potential recurring cost synergies:

- the highly complementary businesses and increased size of the Enlarged Group will drive material procurement savings estimated to be £4.1 million per year;
- the reduction of corporate overheads (including administrative and governance costs and professional and finance fees) is expected to save an estimated £2.5 million per year;
- combining corporate support functions and combining the management structure of the operating divisions of Kier and May Gurney is estimated to drive savings of £7.9 million per year; and
- the estimated savings from operational overlap are £5.5 million.

The Kier Board expects to realise the synergies on a phased basis as follows:

- approximately £5 million of pre-tax cost synergies will be realised in the financial year ending 30 June 2014;
- approximately £15 million of pre-tax cost synergies will be realised in the financial year ending 30 June 2015; and
- approximately £20 million of pre-tax cost synergies will be realised in the financial year ending 30 June 2016.

It is expected that there will be a net reduction in the number of Enlarged Group full-time equivalent employees of approximately 200. The number of employees, specific operating functions and locations affected by the integration will depend on the outcome of the integration planning and these changes are likely only to come into effect as synergies are realised.

The Board of Kier also expects that the integration process and the realisation of these synergies will result in one-off exceptional costs of approximately £20 million, together with one-off capital expenditure costs of approximately £8 million, principally relating to investment in IT systems.

The Board of Kier is confident that the integration of the two businesses can be achieved without undue disruption to the underlying operations of each business. As at the date of this announcement, an outline integration plan has been developed. A more detailed plan will set out the scope of the integration process, quantified objectives and the proposed organisational structure of the Enlarged Services Division.

As soon as practicable following the Effective Date, the Enlarged Group will aim to have fully validated the initial synergy assumptions, agreed the target operating model of the Enlarged Services Division, produced a detailed integration plan across the Enlarged Services Division and completed the principal elements of the restructuring of the Enlarged Services Division, which will include senior management appointments, reporting structures and operational and executive authority limits.

There are several material assumptions underlying the calculation of the above-mentioned synergy statements which therefore might be materially greater or less than those estimated. Please refer to Appendix 4 for further details of the underlying calculations and the material assumptions. Appendix 4 includes letters from KPMG Audit Plc, as reporting accountants to Kier and J.P. Morgan Cazenove and Numis, as financial advisers to Kier, for the purposes of the City Code.

6. Management, employees and locations of business

Phil White will be the Chairman of the Enlarged Group.

The Enlarged Group will be led by Kier's experienced CEO, Paul Sheffield, and CFO, Haydn Mursell. The management team of the Enlarged Services Division will ensure that the Enlarged Group benefits from the best skills and experience of both Kier and May Gurney to deliver best practice and operational excellence across the Enlarged Services Division and the Enlarged Group more generally.

Kier attaches great importance to the skills and experience of the existing management and employees of Kier and May Gurney and believes that the Enlarged Group would offer greater opportunities to the employees within it.

The Enlarged Group's headquarters and registered office will be located at Kier's office at Tempsford Hall, Bedfordshire. The Board of Kier also currently intends to retain May Gurney's office in Trowse, Norfolk, as a shared services centre for the Enlarged Group.

Kier recognises the strength of the May Gurney brand and intends to retain it at an operating level.

Kier has given assurances to the May Gurney Directors that, following completion of the Acquisition, the existing employment rights of May Gurney's employees will be fully safeguarded.

7. Financial effects of the Acquisition

The Kier Directors have carefully reviewed the business and prospects of, and the consequent investment required in, the Enlarged Group following the Acquisition, as well as the expected synergy benefits and associated costs of achieving the same. The Acquisition meets Kier's internal acquisition criteria and, after taking into account the envisaged synergy benefits, the Acquisition is expected by the Kier Directors to be significantly value enhancing⁵ for Kier for the financial year ending 30 June 2014 and to deliver a 15 per cent. return on capital employed by December 2015.⁶

⁵ Before amortisation of acquired intangibles, employment-related deferred consideration and integration costs.

⁶ These statements of expected value enhancement and targeted ROCE relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the expected value enhancement and ROCE referred to may not be achieved, or those achieved could be materially different from those targeted. The statements in this announcement should not be construed as a profit forecast or interpreted to mean that the Enlarged Group's earnings in the period following the Acquisition up until 30 June 2014 or December 2015 (as appropriate), or in any subsequent period, would necessarily match or be greater than or be less than those of Kier and/or May Gurney for the relevant preceding financial period or any other period.

The terms of Kier's offer for May Gurney allow for the possibility that a significant provision may be required to be taken by the Enlarged Group and, if it is, recorded as a purchase price accounting adjustment in relation to the fair value of the net assets acquired.

8. Background to, and reasons for, the May Gurney Board recommendation

As announced in its interim results to 30 September 2012, made on 4 December 2012, May Gurney has made significant operational progress, including taking action to drive efficiencies and profitability on the underperforming MaGOS™ contracts. This progress has continued and, as a result, the May Gurney Board expects results for the year ended 31 March 2013 to be in line with its expectations.

However, notwithstanding the progress made, the May Gurney Board recognises the commercial attractions of the Acquisition and believes that it will provide May Gurney, as part of the Enlarged Group, with:

- a significant addressable market and enviable combined client base;
- the opportunity to create a broader group, better placed to compete for larger, more valuable contracts, harnessing the significant skills and talent available within the Enlarged Group; and
- greater earnings visibility, underpinned by long-term contracts and a combined order book of approximately £5.7 billion.

In addition, the May Gurney Board recognises the enhanced economic benefits to May Gurney Shareholders of the Acquisition when compared to the Costain Proposal. The consideration under the terms of the Acquisition represents a premium of approximately 35 per cent. to the Costain Proposal of 234 pence per May Gurney share (based on the Closing Price of 283 pence per Costain Share on 23 April 2013, being the latest practicable date prior to this announcement). The cash element of the consideration affords May Gurney Shareholders, in part, immediate certainty of value, while the share consideration, particularly when considered in the context of the cost synergies envisaged by the Kier Board, allows May Gurney Shareholders to share in the growth prospects of the Enlarged Group. The Acquisition will include the Mix and Match Facility, so that May Gurney Shareholders will be able to elect to vary the proportions of cash and New Kier Shares they receive, subject to equal and opposite elections made by other May Gurney Shareholders.

9. Information relating to Kier

Kier is a leading construction, services and property group specialising in building and civil engineering, support services, commercial property development and structured property financing and private and affordable housing and is a member of the FTSE 250 index. Kier's business is organised into three divisions:

- Kier Construction: the construction division encompasses UK regional contracting, civil engineering and overseas businesses, which are highly skilled in the construction of the full range of building projects, and power, waste, nuclear and infrastructure facilities and in rail and mining projects;

- Kier Services: the services division comprises three main businesses: Maintenance, which provides both reactive and planned maintenance principally to local authorities and housing associations; Facilities Management, which provides services to public and private sector clients; and Environmental, which offers domestic and commercial waste collection services, manages and operates a major recycling facility and provides street scene and grounds maintenance services; and
- Kier Property: the property division comprises three main businesses: commercial, industrial, retail and mixed-use property development; structured property financing; and house-building, including both private and affordable housing.

Current trading, trends and prospects

On 28 February 2013, Kier announced its interim results for the six months ended 31 December 2012, reporting revenue of £975.6 million (2011: £1,045.9 million), profit from operations of £23.4 million (2011: £33.7 million), profit before tax of £20.9 million (2011: £32.2 million) and adjusted basic earnings per share of 53.5 pence (2011: 70.3 pence).

On 24 April 2013, Kier released its interim management statement for the period ended 31 March 2013, the full text of which is included (without material adjustment) below:

“Construction

Kier’s Construction division continues to be resilient and has maintained operating margins around 2 per cent. In the period to the end of March, Kier has secured approximately £400 million of new contracts, and the order book of secured and probable work represents the entire forecast Construction revenue for the current financial year and 88 per cent. of the forecast Construction revenue for the 2014 financial year. Management of cash remains a core focus as the sector experiences ongoing challenging working capital conditions, particularly across public sector contracts.

Kier continues to secure contracts across both the private and public sectors, underpinned by its involvement on a significant number of frameworks. The Education sector continues to represent a large proportion of contract awards, and Kier has also secured more than £60 million in the health sector including three contracts for North Middlesex University Hospital NHS Trust. The residential market for Kier Living has also been strong with more than £30m of awards including a scheme for 122 homes in Cornwall.

In the Middle East, in March, Kier signed a joint venture agreement with the AA Turki Group of Companies (ATCO) of the Kingdom of Saudi Arabia, and is excited by the infrastructure and building opportunities in the country.

Across the division Kier’s focus remains on winning quality work that has high barriers to entry, such as power, waste and transport, where its technical skills provide the opportunity to create better value for its customers whilst allowing Kier to maintain its strict approach to risk management.

Services

The Services division is trading as expected and the order book of £2.1 billion continues to provide long-term visibility of revenues, with 97 per cent. of forecast Services revenue for the year to 30 June 2013 and 86 per cent. of forecast Services revenue for the year to 30 June 2014 secured or probable. In April, Kier signed the Circle Housing Group contracts to deliver its planned repairs and maintenance services across the Central and Eastern Regions worth in excess of £200 million over a period of five years, with the potential to be extended for a further five years. Also in the period Kier secured more than £100 million of new work, including hard and soft Facilities Management for Legal & General and a housing maintenance contract for Northampton Borough Council.

Bidding levels continue to remain high, and following Kier's success in securing new work, for example the Circle and East Sussex contracts, mobilisation costs for these new major schemes will, as expected, slightly decrease the operating margins that have been seen over recent years.

Property

The Property division is progressing well with its combined £1.4 billion housing and development pipeline and is trading in line with management's⁷ expectations, with transactions forecast to close in June as anticipated.

In the next few months, Solum Regeneration, the joint venture with Network Rail, will begin to regenerate the area around Haywards Heath station having received approval from Mid Sussex District Council. This £17 million scheme will include retail and residential apartments. Evolution, a consortium between Kier and Thames Valley Housing, has been named preferred bidder and has recently been granted planning consent to develop an £80m housing scheme by Woking Borough Council to create 371 new homes.

Across its housing activities, Kier has maintained its focus on the development of the mixed-tenure housing business which now has a pipeline of approximately £400 million, with more than £50 million of new awards, including a £27 million project to provide 197 new affordable dwellings in the Borough of Sandwell, West Bromwich. The private housing business remains on track to deliver in excess of 500 completions this year.

Outlook and current trading

Kier remains on course to meet management's⁷ expectations for the current financial year.

The Group's order books in Construction and Services remain robust, trading performance and cash position are in line with expectations and the Group is experiencing a good level of bidding activity across the Group.

Kier remains well placed to win new work, particularly in its chosen growth markets and the Group has a strong capital structure, augmented by securing the £30 million 4-year bilateral loan agreement with Lloyds in January 2013, provided under the Government's Funding for Lending Scheme.

⁷ This statement relating to management's expectations is not intended as a profit forecast.

The comprehensive review and restructuring of the business, which was highlighted in Kier's interim results in February, has made good progress to date. It promises to deliver significant reductions in costs, greater organisational efficiency and establish a strong platform for future growth."

10. Information relating to May Gurney

May Gurney is a support services company headquartered in Norwich, United Kingdom. May Gurney works with its clients in the public and regulated sectors to design and deliver a wide range of essential front-line services.

The principal activities of the May Gurney Group are:

Public Sector Services:

- Highways Services: May Gurney is a leading highways maintenance services provider for local authorities, maintaining, through long term contracts, almost 31,500 kilometres of roads and more than 330,000 street lights and illuminated road signs across the UK;
- Environmental Services: May Gurney is a top five provider of municipal waste collection services by population in England and Wales, covering more than 2 million households across more than 15 local authorities; and
- Fleet & Passenger Services: May Gurney is one of the UK's leading providers of end-to-end fleet management and passenger services to local authorities, managing over 5,000 specialist vehicles.

Regulated Sector Services:

- Utility Services: May Gurney delivers utility maintenance and asset enhancement services in water, gas, power and telecommunications across the UK;
- Rail Services: May Gurney works in a long-term partnership with its client, Network Rail, to deliver maintenance and refurbishment works on rail structures, rail property and in signalling, and it also works with Nexus, the Tyne and Wear Metro; and
- Waterways Services: May Gurney plays an important role in the regeneration, maintenance and renaissance of the UK's waterways network.

Current trading, trends and prospects

For the year ended 31 March 2012, May Gurney reported revenues of £695.3 million, operating profit of £21.0 million, profit before tax of £19.3 million and basic earnings per share of 20.52 pence. May Gurney's operating profit before amortisation and non-recurring items for the year ended 31 March 2012 was £30.1 million and underlying earnings per share was 29.47 pence. As at 30 September 2012, May Gurney had gross assets of £332.9 million.

On 4 December 2012, May Gurney announced its results for the half year ended 30 September 2012, which contained the following statement from the Chairman of May Gurney with regard to current trading, trends and prospects:

"May Gurney's first-half performance was in line with our revised expectations. We have taken steps to reinforce commercial disciplines and the plans we put in place to address the operational issues we announced in September are on track. As expected, the process to resolve the two MaGOS™ environmental services contracts is complex, and will continue well into next year.

We continue to target resilient, maintenance-focused revenue streams for essential services by developing long-term relationships with our clients and local communities. Our strong commercial market positions are reflected by the fact that we have secured more than £314 million of business in the first-half. Our forward order book has been maintained at £1.5 billion, with a further £1.7 billion in potential contract extensions, and our bidding pipeline stands at approximately £4 billion.

May Gurney is focused on delivering a solid future performance. Whilst mindful of the challenging market, we look forward to further progress in the second half and remain on course to meet our revised expectations for the full year".

In its interim results for the six months ended 30 September 2012 announced on 4 December 2012, May Gurney set out details regarding underperforming MaGOS™ contracts. Since the date of its interim results announcement, May Gurney has continued to take actions to drive operational efficiencies and profitability on those MaGOS™ contracts and has remained in close dialogue with the relevant contract counterparties with the aim of improving the financial performance of those contracts. Whilst progress has been made, the MaGOS™ contracts as a whole will incur, as expected, a significant loss for the year ended 31 March 2013 and much remains to be achieved in order to return the financial performance of the underperforming contracts to an acceptable level. The Board of May Gurney, in its assessment of the MaGOS™ contracts as part of the ongoing May Gurney business, does not consider that a provision for future losses on those contracts is required at this time. As previously stated by May Gurney, this is a matter that is reviewed regularly by the Board of May Gurney.

On 19 February 2013, May Gurney announced that MGWSP, a partnership between May Gurney and WSP, had been selected as preferred bidder for Suffolk County Council's Highway Services contract valued at up to £200 million over five years, with the possibility of extension to ten years.

On 12 April 2013, May Gurney confirmed that it had been notified by Norfolk County Council that its formal appeal against the decision not to select it for the short list in relation to the re-bid for Norfolk County Council's highway and related services procurement contract has been rejected. May Gurney remains fully committed to continuing to deliver a quality service under the terms of its current contract with Norfolk County Council.

11. Financing of the Acquisition

On 22 April 2013, Kier entered into a £50 million term loan facility and a £70 million revolving credit facility agreement with The Royal Bank of Scotland plc, HSBC Bank PLC, Lloyds TSB Bank plc and Santander UK PLC.

J.P. Morgan Cazenove and Numis, joint financial advisers to Kier, are satisfied that sufficient resources are available to Kier to satisfy in full the cash consideration payable to May Gurney Shareholders under the terms of the Acquisition.

12. Mix and Match Facility

Under the terms of the Acquisition, May Gurney Shareholders may elect to vary the proportions of New Kier Shares and cash consideration they receive in respect of their holdings of May Gurney Shares, via the Mix and Match Facility, subject to equal and opposite elections made by other May Gurney Shareholders. To the extent that elections cannot be satisfied in full, they will be scaled down on a pro rata basis. As a result, May Gurney Shareholders who make an election under the Mix and Match Facility will not know the exact number of New Kier Shares or amount of cash they will receive until settlement of the consideration under the Acquisition. Elections under the Mix and Match Facility will not affect the entitlements of those May Gurney Shareholders who do not make any such elections or result in Kier issuing, in aggregate, additional New Kier Shares over and above the 14.7 million New Kier Shares referred to in paragraph 2 of this announcement.

Further information on the Mix and Match Facility will be included in the Scheme Document.

13. Accounting considerations

The Enlarged Group will adopt Kier's accounting policies. Kier's financial year ends at 30 June and the May Gurney financial year ends at 31 March. It is currently intended that the Enlarged Group will have a 30 June financial year end. For accounting purposes it is expected that May Gurney will be consolidated into Kier's balance sheet. May Gurney's assets and liabilities will be fair valued following completion of the Acquisition resulting in the valuation of May Gurney's intangible assets being included on the Enlarged Group's balance sheet.

14. Dividends and dividend policy

Conditional upon the Acquisition becoming effective, May Gurney Shareholders will be entitled to receive the May Gurney Second Interim Dividend. The May Gurney Second Interim Dividend will be payable after the Effective Date to May Gurney Shareholders on the register of members at the Scheme Record Time. In the event that the Acquisition becomes effective, no final dividend will be paid in respect of the May Gurney financial year ended 31 March 2013.

On 28 February 2013, the Board of Kier announced its intention to pay an interim dividend of 21.5 pence per Kier Share (the "Kier Interim Dividend"). The Kier Interim Dividend will be paid on 17 May 2013 to Kier Shareholders on the register of members on 8 March 2013. The New Kier Shares to be issued pursuant to the Acquisition will not carry any entitlement to the Kier Interim Dividend.

It is expected that any final dividend of the Enlarged Group for the year ending 30 June 2013 will be declared at its annual general meeting in November and paid in November or December 2013 and that any interim dividend for the year ending 30 June 2014 will be declared in February and paid in May 2014. Assuming that the Acquisition will be completed in July, as currently anticipated, the first dividend in relation to the Enlarged Group is expected to be declared at the time of the full year results for the full year ending 30 June 2013.

The Board of the Enlarged Group will adopt Kier's current progressive dividend policy and will decide the absolute level of any future dividends taking into account the Enlarged Group's underlying earnings, cash flows, capital investment plans and the prevailing market outlook.

It is also intended that the Enlarged Group will offer a scrip dividend scheme for both annual and interim dividends, allowing for the allotment of ordinary shares in lieu of cash dividends to those shareholders who elect to participate.

15. Structure of the Acquisition

It is intended that the Acquisition will be effected by a Court-sanctioned scheme of arrangement between May Gurney and the Scheme Shareholders under Part 26 of the Companies Act. The Scheme will result in Kier becoming the owner of the whole of the issued and to be issued ordinary share capital of May Gurney.

Under the Scheme, the Acquisition is to be achieved by the cancellation of the Scheme Shares held by Scheme Shareholders and the application of the reserve arising from such cancellation in paying up in full a number of new May Gurney Shares (which is equal to the number of Scheme Shares cancelled) and issuing the same to Kier in consideration for which Scheme Shareholders will receive consideration on the basis set out in paragraph 2 of this announcement.

The implementation of the Scheme will be subject to the Conditions and the further terms referred to in Appendix 1 to this announcement and to be included in the Scheme Document. The Conditions set out in Appendix 1 to this announcement include:

- a resolution to approve the Scheme being passed by a majority in number of the Scheme Shareholders who are present and vote at the Court Meeting, either in person or by proxy, representing not less than 75 per cent. in value of the Scheme Shares voted by those Scheme Shareholders;
- the Special Resolution being passed by the requisite majority of May Gurney Shareholders at the May Gurney General Meeting;
- the Scheme being sanctioned (with or without modification, on terms agreed by Kier and May Gurney), and the related Capital Reduction being confirmed, by the Court;
- copies of each of the Court Orders (together with the Statement of Capital) being delivered to the Registrar of Companies and, if so ordered by the Court, the Reduction Court Order being registered by the Registrar of Companies together with the Statement of Capital;

- the OFT indicating, in terms reasonably satisfactory to Kier, that it does not intend to refer the Acquisition (or any part of it) to the Competition Commission;
- the resolutions to be proposed at the Kier General Meeting: (i) to approve the transaction as a 'class 1 transaction' under the Listing Rules; (ii) to grant authority to the Kier Directors to allot the New Kier Shares; and (iii) to allow Kier and its subsidiaries to incur borrowings in excess of the borrowing limit set out in Kier's articles of association, being passed, in each case, by the requisite majority of Kier Shareholders; and
- the UK Listing Authority acknowledging to Kier or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Kier Shares to the Official List with a premium listing has been approved and (subject to satisfaction of any conditions to which such approval is expressed) will become effective as soon as a dealing notice has been issued by the UK Listing Authority and the London Stock Exchange having acknowledged to Kier or its agent (and such acknowledgement not having been withdrawn) that the New Kier Shares will be admitted to trading on the London Stock Exchange's Main Market for listed securities.

Kier reserves the right to waive, in whole or in part, the Condition summarised above relating to the OFT having indicated, in terms reasonably satisfactory to Kier, that it does not intend to refer the Acquisition (or any part of it) to the Competition Commission.

To become effective, the Scheme requires (i) the approval at the Court Meeting by a majority in number of the Scheme Shareholders present and voting (and entitled to vote), either in person or by proxy, representing not less than 75 per cent. in value of the Scheme Shares held by such Scheme Shareholders; and (ii) the passing of the Special Resolution at the May Gurney General Meeting by May Gurney Shareholders representing at least 75 per cent. of the votes cast at the May Gurney General Meeting (either in person or by proxy). The May Gurney General Meeting will be held immediately after the Court Meeting. In respect of the Special Resolution at the May Gurney General Meeting, May Gurney Shareholders will be entitled to cast one vote for each May Gurney Share held.

The Offer will lapse if:

- the Court Meeting and the General Meeting are not held by the 22nd day after the expected date of such meetings to be set out in the Scheme Document (or such later date as may be agreed between Kier and May Gurney); or
- the Scheme does not become effective by 24 October 2013 (or such later date, if any, as Kier and May Gurney may agree and, if required, the Court and the Panel may allow), provided however, that the deadlines for the timing of the Court Meeting, the General Meeting, and the scheme to become effective as set out above may be waived by Kier.

Following the Court Meeting and the May Gurney General Meeting, the Scheme must be sanctioned by the Court at the Scheme Court Hearing and the associated Capital Reduction must be confirmed by the Court. The Scheme will only become effective once an office copy of the Scheme Court Order, an office

copy of the Reduction Court Order and the Statement of Capital are delivered to the Registrar of Companies.

Upon the Scheme becoming effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting and the May Gurney General Meeting

Upon the Scheme becoming effective:

- the CREST accounts of the May Gurney Shareholders who hold May Gurney Shares in uncertificated form will be credited with the New Kier Shares and cash in consideration for their May Gurney Shares (and dependent upon elections under the terms of the Mix and Match Facility); and
- May Gurney Shareholders who hold their May Gurney Shares in certificated form will receive share certificates in respect of New Kier Shares and cash in consideration for their May Gurney Shares (and dependent upon elections under the terms of the Mix and Match Facility),

in each case no later than 14 days after the Effective Date.

The Scheme Document will include full details of the Scheme, together with notices of the Court Meeting and the May Gurney General Meeting and the expected timetable, and will specify the actions to be taken by Scheme Shareholders. The Scheme Document will be sent to May Gurney Shareholders as soon as reasonably practicable.

The Scheme will be governed by English law. The Scheme will be subject to the applicable requirements of the City Code, the Panel, the London Stock Exchange, the AIM Rules and the FCA.

16. May Gurney Share Schemes

Appropriate proposals will be made to participants in the May Gurney Share Schemes and such persons will be sent separate letters in due course explaining the effect of the Acquisition on their options/awards and setting out the proposals being made in respect of their outstanding options/awards in connection with the Scheme. These proposals will include a 'rollover' offer to participants in the May Gurney Integrated Services plc Savings Related Share Option Scheme (2007) to have their outstanding options over May Gurney Shares exchanged for new equivalent options over new Kier Shares.

17. Kier Shareholder approval and Combined Circular/Prospectus

As a result of its size, the Acquisition constitutes a 'class 1 transaction' for Kier under the Listing Rules. Accordingly, Kier will be required to seek the approval of Kier Shareholders for the Acquisition at the Kier General Meeting.

The Combined Circular/Prospectus, containing information about the New Kier Shares and the Enlarged Group, as well as details of the Acquisition and notice of the Kier General Meeting at which, amongst other things, a resolution will be proposed for the approval of the Acquisition by Kier Shareholders will shortly be posted to Kier Shareholders.

18. Listing, dealings and settlement of the New Kier Shares

Applications will be made to the UK Listing Authority for the New Kier Shares to be admitted to the Official List with a premium listing and to the London Stock Exchange for the New Kier Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities ("Admission"). It is expected that Admission will become effective and that dealings for normal settlement in the New Kier Shares will commence on the London Stock Exchange at or shortly after 8.00 a.m. (London time) on the Effective Date.

19. Cancellation of admission to trading of May Gurney Shares on AIM and re-registration

On the Effective Date, May Gurney will become a wholly-owned subsidiary of Kier.

Prior to the Scheme becoming effective, a request will be made to the London Stock Exchange to cancel trading in May Gurney Shares on AIM on the first Business Day following the Effective Date.

Share certificates in respect of May Gurney Shares will cease to be valid and should be destroyed on the first Business Day following the Effective Date.

In addition, entitlements held within CREST to May Gurney Shares will be cancelled on the first Business Day following the Effective Date.

As soon as possible after the Effective Date, it is intended that May Gurney will be re-registered as a private limited company.

20. Offer-related arrangements

Kier and May Gurney have entered into a mutual confidentiality agreement dated 28 March 2013 pursuant to which each of Kier and May Gurney has undertaken to keep certain information relating (i) to the Acquisition; and (ii) to the other party, confidential and not to disclose such information to third parties, except (i) to certain permitted disclosees for the purposes of evaluating the Acquisition; or (ii) if required by applicable laws or regulations. These confidentiality obligations will remain in force until completion of the Acquisition, or if the Acquisition fails to complete, three years from the date of the mutual confidentiality agreement.

In addition, Kier and May Gurney have entered into a costs reimbursement agreement dated 10 April 2013, pursuant to which Kier has undertaken to May Gurney to reimburse it in respect of third party costs and expenses (up to a maximum aggregate amount of £150,000 (exclusive of any amounts in respect of VAT)) that May Gurney incurs in connection with investigating Kier and its business and operations in connection with the Acquisition during the period from (and including) the date of Kier's announcement in relation to the possible acquisition of May Gurney by Kier dated 27 March 2013 to (and including) the date on which: (i) the Acquisition is completed; or (ii) the Acquisition is withdrawn or lapses; or (iii) Kier announces pursuant to Rule 2.8 of the City Code that it does not intend to effect the Acquisition, whichever is the earlier.

21. Irrevocable undertakings

Irrevocable undertakings from May Gurney Shareholders

Kier has been unable to obtain irrevocable undertakings from those May Gurney Shareholders who provided the Costain Irrevocable Undertakings because the terms of the Costain Irrevocable Undertakings prevent such May Gurney Shareholders from entering into irrevocable undertakings with Kier (or any other third party) until after Kier has made an announcement of a firm intention to make an offer in accordance with Rule 2.7 of the Code.

Kier has held discussions with those May Gurney Shareholders which gave Costain Irrevocable Undertakings. Kier will be seeking irrevocable undertakings or letters of intent as soon as possible from those shareholders.

Kier has also been unable to obtain irrevocable undertakings from the May Gurney Directors because the terms of their irrevocable undertakings that the May Gurney Directors entered into with Costain prevent them from entering into irrevocable undertakings with Kier (or any other third party) until such time as the Costain Proposal lapses or is withdrawn.

However, Kier has received irrevocable undertakings to vote, or procure the vote, in favour of (or to return, or procure the return of, Forms of Proxy voting in favour of) the Acquisition at the Court Meeting and the Special Resolution to be proposed at the May Gurney General Meeting (or, in the event that the Acquisition is implemented by way of an Offer, to accept, or procure the acceptance of, the Offer) from Aviva Investors Global Services Limited in respect of a total of 3,623,051 May Gurney Shares, representing, in aggregate, approximately 5.16 per cent. of May Gurney's issued share capital.

Irrevocable undertakings from Kier Directors

Phil White, Paul Sheffield, Haydn Mursell, Steve Bowcott, Ian Lawson, Chris Geoghegan and Nick Winser, being the Kier Directors who hold interests in Kier Shares, have irrevocably undertaken to vote in favour of the resolutions to be proposed at the Kier General Meeting to approve the Acquisition and related matters in respect of a total of 140,383 Kier Shares, representing, in aggregate, approximately 0.35 per cent. of Kier's issued share capital.

In addition, Kier has received a letter from Schroder Investment Management Limited confirming its intention to vote, or to procure the vote, in favour of the Scheme or to accept, or procure the acceptance of, the Acquisition, as the case may be, in respect of a total of 2,453,325 Kier Shares, representing, in aggregate, approximately 6.16 per cent. of Kier's issued share capital.

Kier has therefore received irrevocable undertakings or a letter of intent in respect of a total of 2,593,708 Kier Shares, representing, in aggregate, approximately 6.52 per cent. of Kier's issued share capital.

Further details of the irrevocable undertakings and the letter of intent given by May Gurney Shareholders and Kier Shareholders (including further details of the circumstances in which they will lapse) are set out in Appendix 3.

22. Opening Position Disclosure and Interests

Kier confirms that it has made an Opening Position Disclosure, setting out the details required to be disclosed by it under Rule 8.1(a) of the Code.

23. Overseas shareholders

The availability of New Kier Shares under the Acquisition to persons who are not resident in, and the distribution of this announcement to persons who are not resident in, the United Kingdom may be affected by the laws of the relevant jurisdiction in which they are located. Such persons should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction. May Gurney Shareholders who are in any doubt regarding such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

This announcement does not constitute an offer for sale of any securities or an offer or an invitation to purchase any securities. May Gurney Shareholders are advised to read carefully the Combined Circular/Prospectus as well as the Scheme Document, the Forms of Proxy and the Form of Election once these have been dispatched

24. Documents on website

Copies of the following documents will by no later than 12 noon on 24 April 2013 be published on Kier's website (www.kier.co.uk) and May Gurney's website (www.maygurney.co.uk):

- (a) a copy of this announcement;
- (b) the mutual confidentiality agreement dated 28 March 2013 between Kier and May Gurney;
- (c) the costs reimbursement letter dated 10 April 2013 between Kier and May Gurney;
- (d) the irrevocable undertakings and the letter of intent listed in Appendix 3; and
- (e) documents relating to financing of the Acquisition referred to in paragraph 11 above.

25. Reserving the right to proceed by way of an offer

Kier reserves the right to elect to implement the Acquisition by way of an offer for the entire issued and to be issued ordinary share capital of May Gurney not already held by Kier as an alternative to the Scheme. In such an event, an Offer will be implemented on the same terms (subject to appropriate amendments), so far as applicable, as those which would apply to the Scheme and subject to the amendment referred to in Appendix 1 to this announcement.

If the Acquisition is effected by way of an Offer and such Offer becomes or is declared unconditional in all respects and sufficient acceptances are received, Kier intends to: (i) request the London Stock Exchange cancel trading in May Gurney Shares on AIM; and (ii) exercise its rights to apply the provisions of Chapter

3 of Part 28 of the Companies Act to acquire compulsorily the remaining May Gurney Shares in respect of which the Offer has not been accepted.

Enquiries

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Further Information

This announcement is not intended to and does not constitute or form part of any offer to sell or subscribe for or any invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Acquisition or otherwise. The Acquisition will be effected solely by means of the Scheme Document which, together with the Forms of Proxy and Form of Election, will contain the full terms and conditions of the Acquisition, including details of how to vote in respect of the Acquisition.

The Combined Circular/Prospectus will be published as soon as practicable. The Combined Circular/Prospectus will be made available by Kier on its website at www.kier.co.uk and by May Gurney on its website at www.maygurney.co.uk. May Gurney will prepare the Scheme Document to be

distributed to May Gurney Shareholders. May Gurney urges May Gurney Shareholders to read the Combined Circular/Prospectus and the Scheme Document because they will contain important information in relation to the Acquisition, the New Kier Shares and the Enlarged Group. Kier urges Kier Shareholders to read the Combined Circular/Prospectus because it will contain important information in relation to the Acquisition, the New Kier Shares and the Enlarged Group. Any vote in respect of the Scheme or other response in relation to the Acquisition should be made only on the basis of the information contained in the Scheme Document and/or the Combined Circular/Prospectus, as appropriate.

This announcement does not constitute a prospectus or prospectus equivalent document.

The release, publication or distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. In particular, the ability of persons who are not resident in the United Kingdom to vote their May Gurney Shares in respect of the Scheme at the Court Meeting, or to execute and deliver Forms of Proxy appointing another to vote at the Court Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located. This announcement has been prepared for the purpose of complying with English law and the City Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

Copies of this announcement and any formal documentation relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction. If the Acquisition is implemented by way of an Offer (unless otherwise permitted by applicable law and regulation), the Offer may not be made, directly or indirectly, in or into, or by the use of mails or any means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Offer may not be capable of acceptance by any such use, means, instrumentality or facilities.

*Notice to US investors in May Gurney: The Acquisition relates to the shares of an English company that is not registered under the US Securities Exchange Act of 1934 (the “**US Exchange Act**”) and is being made by means of a scheme of arrangement provided for under English company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Exchange Act. Accordingly, the Acquisition is subject to the disclosure requirements and practices applicable in the United Kingdom to schemes of arrangement which differ from the disclosure requirements in the United States tender offer and proxy solicitation rules under the Exchange Act. If, in the future, Kier exercises the right to implement the Acquisition by way of a takeover offer and decides to extend the offer into the United States, the Offer will be made in compliance with applicable US laws and regulations including the applicable provisions of the tender offer rules under the US Exchange Act, to the extent applicable. Financial information included (or incorporated by reference) in this announcement and the Scheme Document has been or will have been prepared in accordance with accounting standards applicable in the United Kingdom that may not be comparable to financial*

information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

It may be difficult for US holders of May Gurney Shares to enforce their rights and any claim arising out of US federal laws, since Kier and May Gurney are located in a non-US jurisdiction and some or all of their officers and directors may be residents of a non-US jurisdiction. US holders of May Gurney Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

J.P. Morgan Limited, which conducts its UK investment banking businesses as J.P. Morgan Cazenove ("J.P. Morgan Cazenove"), is authorised and regulated in the United Kingdom by the FCA. J.P. Morgan Cazenove is acting as corporate broker and financial adviser to Kier and no one else in connection with the Acquisition and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Kier for providing the protections afforded to clients of J.P. Morgan Cazenove or for providing advice in relation to the Acquisition, or for providing advice in relation to any other matters referred to herein.

Numis Securities Limited, which is authorised and regulated by the FCA, is acting as corporate broker and financial adviser to Kier and for no one else in connection with the Acquisition and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Kier for providing the protections afforded to clients of Numis Securities Limited, or for providing advice in relation to the Acquisition, or any other matter referred to herein.

Canaccord Genuity Limited, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for May Gurney and no one else in connection with the Acquisition and will not be responsible to anyone other than May Gurney for providing the protections afforded to clients of Canaccord Genuity or for providing advice in relation to the Acquisition, or any matter referred to in this announcement.

Peel Hunt LLP, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to May Gurney and for no one else in connection with the Acquisition and will not be responsible to anyone other than May Gurney for providing the protections afforded to clients of Peel Hunt LLP or for providing advice in relation to the Acquisition, or any matter referred to in this announcement.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of May Gurney and certain plans and objectives of Kier with respect thereto. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'hope', 'aims', 'continue', 'will', 'may', 'should', 'would', 'could' or other words of similar meaning. These statements are based on assumptions and assessments made by May Gurney and/or Kier in light of their experience and their perception of historical trends, current conditions, future developments and other factors they believe appropriate. By their nature,

forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The factors described in the context of such forward-looking statements in this announcement could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. Although it is believed that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct and persons reading this announcement are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this announcement. Neither May Gurney nor Kier assumes any obligation to update or correct the information contained in this announcement (whether as a result of new information, future events or otherwise), except as required by applicable law.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among such factors are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

No profit forecasts or estimates

No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per ordinary share for Kier or May Gurney, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per ordinary share for Kier or May Gurney, as appropriate.

Dealing and Opening Position Disclosure requirements

Under Rule 8.3(a) of the City Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any paper offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any paper offeror is first identified.

An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of: (i) the offeree company; and (ii) any paper offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure. Under Rule 8.3(b) of the City Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any paper offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a

person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a paper offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4). Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the Offer Period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0) 20 7638 0129.

Publication on website

A copy of this announcement will be available free of charge, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Kier's website at www.kier.co.uk and on May Gurney's website at www.maygurney.co.uk by no later than noon (London time) on the day following this announcement. For the avoidance of doubt, the contents of those websites are not incorporated into and do not form part of this announcement.

You may request a hard copy of this announcement (and any information incorporated by reference in this announcement) by contacting Sneha Sinha of J.P. Morgan Cazenove at sneha.sinha@jpmorgan.com or by submitting a request in writing to Sneha Sinha at J.P. Morgan Cazenove, 25 Bank Street, London, E14 5JP or Mike Bell of Peel Hunt LLP at mike.bell@peelhunt.com or by submitting a request in writing to Mike Bell at Peel Hunt LLP, Moor House, 120 London Wall, London EC2Y 5ET. It is important that you note that unless you make such a request, a hard copy of this announcement and any such information incorporated by reference in it will not be sent to you. You may also request that all future documents, announcements and information to be sent to you in relation to the Acquisition should be in hard copy form.

APPENDIX 1

CONDITIONS TO AND CERTAIN FURTHER TERMS OF THE SCHEME AND THE ACQUISITION

Part A: Conditions to the Scheme and the Acquisition

The Acquisition will be conditional upon the Scheme becoming unconditional and becoming effective by no later than 24 October 2013, or such later date (if any) as Kier and May Gurney may agree and (if required) the Court and the Panel may allow.

- (A) The Scheme will be conditional upon:
- (1) its approval by a majority in number representing not less than 75 per cent. in value of the Scheme Shareholders present and voting, either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court or at any adjournment of any such meeting on or before the 22nd day after the expected date of the Court Meeting to be set out in the Scheme Document in due course (or such later date, if any, as Kier and May Gurney may agree and the Court may allow);
 - (2) all resolutions necessary to approve and implement the Scheme being duly passed by the requisite majority or majorities at the May Gurney General Meeting or at any adjournment of that meeting on or before the 22nd day after the expected date of the May Gurney General Meeting to be set out in the Scheme Document in due course (or such later date, if any, as Kier and May Gurney may agree and the Court may allow); and
 - (3) the sanction of the Scheme with or without modification (but subject to any such modification being acceptable to Kier and May Gurney) and the confirmation of the Capital Reduction by the Court and:
 - (i) the delivery of office copies of each of the Court Orders and of the Statement of Capital to the Registrar of Companies; and
 - (ii) if the Court so orders for it to become effective, the registration of the Reduction Court Order and the Statement of Capital by the Registrar of Companies.

In addition, the Acquisition will be conditional upon the following Conditions and, accordingly, the necessary actions to make the Scheme effective will not be taken unless the following Conditions (as amended if appropriate) have been satisfied or, where relevant, waived:

- (B) the OFT indicating, in terms reasonably satisfactory to Kier, that it does not intend to refer the Acquisition or any part of it to the Competition Commission;
- (C) the passing at the Kier General Meeting of such resolution or resolutions as are necessary to approve, implement and effect the Acquisition including a resolution or resolutions to approve the Acquisition; to authorise the creation and allotment of New Kier Shares; and to allow Kier and its subsidiaries to incur borrowings in excess of the borrowing limit set out in Kier's articles of association;
- (D) (i) the UK Listing Authority having acknowledged to Kier or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Kier Shares to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject ("listing conditions")) will become effective as

soon as a dealing notice has been issued by the UK Listing Authority and any listing conditions having been satisfied and (ii) the London Stock Exchange having acknowledged to Kier or its agent (and such acknowledgement not having been withdrawn) that the New Kier Shares will be admitted to trading on the London Stock Exchange's Main Market for listed securities;

(E) except as Fairly Disclosed, there being no provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider May Gurney Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or subject, which in consequence of the Acquisition or because of a change in the control or management of May Gurney or any other member of the Wider May Gurney Group or otherwise, would or might reasonably be expected to result in (to an extent which is material in the context of the Wider May Gurney Group taken as a whole):

- (i) any moneys borrowed by or any other indebtedness (actual or contingent) of, or grant available to any such member, being or becoming repayable or capable of being declared repayable immediately or earlier than their or its stated maturity date or repayment date or the ability of any such member to borrow moneys or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
- (ii) any such agreement, arrangement, licence, permit or instrument or the rights, liabilities, obligations or interests of any such member thereunder being terminated or modified or affected or any obligation or liability arising or any action being taken or arising thereunder;
- (iii) any assets or interests of any such member being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged;
- (iv) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member or any such mortgage, charge or security interest (whenever created, arising or having arisen) becoming enforceable;
- (v) the rights, liabilities, obligations or interests of any such member in, or the business of any such member with, any person, firm or body (or any arrangement or arrangements relating to any such interest or business) being terminated, adversely modified or affected;
- (vi) the value of any such member or its financial or trading position or prospects being prejudiced or adversely affected;
- (vii) any such member ceasing to be able to carry on business under any name under which it presently does so; or
- (viii) the creation or acceleration of any liability, actual or contingent, by any such member,

and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider May Gurney Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, would or might result in any of the events or circumstances as are referred to in sub-paragraphs (i) to (viii) of this Condition;

- (F) no anti-trust regulator or Third Party having decided to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference, or enacted, made or proposed any statute, regulation, decision or order, or having taken any other steps which would or might reasonably be expected to (to an extent which is material in the context of the Wider May Gurney Group or the Wider Kier Group, as the case may be, in either case, taken as a whole):
- (i) require, prevent or delay the divestiture, or materially alter the terms envisaged for any proposed divestiture by any member of the Wider Kier Group or any member of the Wider May Gurney Group of all or any portion of their respective businesses, assets or property or impose any limitation on the ability of all or any of them to conduct their respective businesses (or any part thereof) or to own, control or manage any of their respective assets or properties (or any part thereof);
 - (ii) require, prevent or delay the divestiture by any member of the Wider Kier Group of any shares or other securities in any member of the Wider May Gurney Group or the Wider Kier Group;
 - (iii) impose any limitation on, or result in a delay in, the ability of any member of the Wider Kier Group directly or indirectly to acquire or to hold or to exercise effectively any rights of ownership in respect of shares or loans or securities convertible into shares or any other securities (or the equivalent) in any member of the Wider May Gurney Group or the Wider Kier Group or to exercise management control over any such member;
 - (iv) otherwise adversely affect all or any of the business, assets, profits or prospects of any member of the Wider Kier Group or of any member of the Wider May Gurney Group;
 - (v) make the Acquisition or its implementation or the acquisition or proposed acquisition by Kier or any member of the Wider Kier Group of any shares or other securities in, or control of, May Gurney void, illegal, and/or unenforceable under the laws of any jurisdiction, or otherwise, directly or indirectly, restrain, restrict, prohibit, delay or otherwise interfere with the same, or impose additional conditions or obligations with respect thereto, or otherwise challenge or interfere therewith;
 - (vi) require any member of the Wider Kier Group or the Wider May Gurney Group to offer to acquire any shares or other securities (or the equivalent) or interest in any member of the Wider May Gurney Group or the Wider Kier Group owned by any Third Party;
 - (vii) impose any limitation on the ability of any member of the Wider Kier Group or any member of the Wider May Gurney Group to co-ordinate or integrate its business, or any part of it, with the businesses of any other member of the Wider Kier Group or the Wider May Gurney Group; or
 - (viii) result in any member of the Wider Kier Group or any member of the Wider May Gurney Group ceasing to be able to carry on business under any name under which it presently does so,

and all applicable waiting and other time periods (including any extensions thereof) during which any such anti-trust regulator or Third Party could institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or any other step under the laws of any jurisdiction in respect of the Acquisition having expired, lapsed or been terminated;

- (G) all material notifications, filings or applications which are necessary or reasonably considered appropriate in connection with the Acquisition having been made and all statutory or regulatory obligations in any jurisdiction having been complied with in connection with the Acquisition or the acquisition by any member of the Wider Kier Group of any shares or other securities in, or control of, May Gurney and all material authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals reasonably deemed necessary or appropriate by Kier or any member of the Wider Kier Group for or in respect of the Acquisition or the proposed acquisition of any shares or other securities in, or control of, May Gurney by any member of the Wider Kier Group having been obtained in terms and in a form reasonably satisfactory to Kier from all appropriate Third Parties or persons with whom any member of the Wider May Gurney Group has entered into contractual arrangements and all such authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals together with all authorisations, orders, recognitions, grants, licences, confirmations, clearances, permissions and approvals necessary or appropriate to carry on the business of any member of the Wider May Gurney Group remaining in full force and effect and all filings necessary for such purpose have been made and there being no notice or intimation of any intention to revoke or not to renew any of the same at the time at which the Acquisition becomes otherwise unconditional and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;
- (H) except as Fairly Disclosed, no member of the Wider May Gurney Group having, since 31 March 2012:
- (i) save as between May Gurney and wholly-owned subsidiaries of May Gurney or for May Gurney Shares issued pursuant to the exercise of options granted under the May Gurney Share Schemes, issued or agreed to issue, authorised or proposed the issue of additional shares (or other securities) of any class;
 - (ii) save as between May Gurney and wholly-owned subsidiaries of May Gurney or for the grant of options under the May Gurney Share Schemes, issued or agreed to issue, authorised or proposed the issue of securities convertible into shares of any class or rights, warrants or options to subscribe for, or acquire, any such shares or convertible securities;
 - (iii) other than to another member of the May Gurney Group, recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution whether payable in cash or otherwise, save for the May Gurney Second Interim Dividend;
 - (iv) save for intra-May Gurney Group transactions or pursuant to the Acquisition, merged or demerged with any body corporate or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any asset (including shares and trade investments) or authorised or proposed or announced any intention to propose any merger, demerger, acquisition or disposal, transfer, mortgage, charge or security interest, in each case, other than in the ordinary course of business;
 - (v) save for intra-May Gurney Group transactions, made or authorised or proposed or announced an intention to propose any change in its loan capital;

- (vi) issued or agreed to issue, authorised or proposed the issue of any debentures or, save in the ordinary course of business, incurred or increased, or agreed to incur or increase, any indebtedness or become, or agreed to become, subject to any contingent liability;
- (vii) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, save in respect to the matters mentioned in sub-paragraph (i) above, made any other change to any part of its share capital;
- (viii) implemented, or authorised, proposed or announced its intention to implement, any reconstruction, amalgamation, scheme, commitment or other transaction or arrangement otherwise than in the ordinary course of business or entered into or changed the terms of any contract with any director or senior executive;
- (ix) entered into or varied or authorised, proposed or announced its intention to enter into or vary any contract, transaction or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, onerous or unusual nature or magnitude or which is or could be materially restrictive on the businesses of any member of the Wider May Gurney Group or the Wider Kier Group or which involves or could involve an obligation of such a nature or magnitude or which is other than in the ordinary course of business;
- (x) (other than in respect of a member which is dormant and was solvent at the relevant time) taken any corporate action or had any legal proceedings started or threatened against it for its winding-up, dissolution or reorganisation or for the appointment of a receiver, administrative receiver, administrator, trustee or similar officer of all or any of its assets or revenues or any analogous proceedings in any jurisdiction or had any such person appointed;
- (xi) entered into any contract, transaction or arrangement which would be restrictive on the business of any member of the Wider May Gurney Group or the Wider Kier Group other than to a nature and extent which is normal in the context of the business concerned;
- (xii) waived or compromised any claim otherwise than in the ordinary course of business;
- (xiii) entered into any contract, commitment, arrangement or agreement otherwise than in the ordinary course of business or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced any intention to, or to propose to, effect any of the transactions, matters or events referred to in this Condition;
- (xiv) having made or agreed or consented to any change in any material respect to:
 - (1) the terms of the trust deeds constituting the pension scheme(s) established by any member of the Wider May Gurney Group for its directors, employees or their dependents;
 - (2) the contributions payable to any such scheme(s) or to the benefits which accrue or to the pensions which are payable thereunder;
 - (3) the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined; or
 - (4) the basis upon which the liabilities (including pensions) of such pension schemes are funded, valued or made;

- (xv) save as agreed in writing by Kier, proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by the Wider May Gurney Group; or
- (xvi) having taken (or agreed or proposed to take) any action which requires, or would require, the consent of the Panel or the approval of May Gurney Shareholders in general meeting in accordance with, or as contemplated by, Rule 21.1 of the City Code,

and, for the purposes of paragraphs (iii), (iv), (v) and (vi) of this Condition, the term 'May Gurney Group' shall mean May Gurney and its wholly-owned subsidiaries;

(I) except as Fairly Disclosed, since 31 March 2012:

- (i) no adverse change or deterioration having occurred in the business, assets, financial or trading position or profits or prospects of any member of the Wider May Gurney Group which, in any such case, is material in the context of the Wider May Gurney Group taken as a whole and no circumstance having arisen which would or might reasonably be expected to result in any such adverse change or deterioration;
- (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider May Gurney Group is or may become a party (whether as a plaintiff, defendant or otherwise) and no investigation by any Third Party against or in respect of any member of the Wider May Gurney Group having been instituted, announced or threatened by or against or remaining outstanding in respect of any member of the Wider May Gurney Group which, in any such case, has had, or might reasonably be expected to have, a material adverse effect on the Wider May Gurney Group taken as a whole;
- (iii) no contingent or other liability having arisen or become apparent to Kier which has had, or might reasonably be expected to have, a material adverse effect on the Wider May Gurney Group taken as a whole; and
- (iv) no steps having been taken and no omissions having been made which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider May Gurney Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which has had, or might reasonably be expected to have, a material adverse effect on the Wider May Gurney Group taken as a whole; and

(J) Kier not having discovered:

- (i) that any financial, business or other information concerning the Wider May Gurney Group as contained in the information publicly disclosed at any time by or on behalf of any member of the Wider May Gurney Group or disclosed at any time to any member of the Wider Kier Group or to any of their advisers by or on behalf of any member of the Wider May Gurney Group is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make that information not misleading, in each case to an extent which is material in the context of the Wider May Gurney Group taken as a whole;
- (ii) that, except as Fairly Disclosed, any member of the Wider May Gurney Group or any partnership, company or other entity in which any member of the Wider May Gurney Group has a significant economic interest and which is not a subsidiary undertaking of

May Gurney is subject to any liability (contingent or otherwise) which, in any such case, is material in the context of the Wider May Gurney Group taken as a whole;

- (iii) any information which affects the import of any information disclosed to Kier at any time by or on behalf of any member of the Wider May Gurney Group and which is material in the context of the Wider May Gurney Group taken as a whole;
- (iv) that, except as Fairly Disclosed, any past or present member of the Wider May Gurney Group has failed to comply with any and/or all applicable legislation, regulation or other requirement, of any jurisdiction with regard to the use, treatment, carriage, disposal, spillage, release, discharge, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health or animal health or otherwise relating to environmental matters, or that there has otherwise been any such use, treatment, carriage, disposal, spillage, release, discharge, leak or emission (whether or not the same. constituted a non-compliance by any person with any such legislation, regulation or requirement, and wherever the same may have taken place) any of which use, treatment, carriage, disposal, spillage, release, discharge, leak or emission would be likely to give rise to any liability (actual or contingent) on the part of any member of the Wider May Gurney Group, which, in any case, is, or which might reasonably be expected to be, material in the context of the Wider May Gurney Group taken as a whole; or
- (v) that, except as Fairly Disclosed, there is, or is likely to be, for any reason whatsoever, any liability (actual or contingent) of any past or present member of the Wider May Gurney Group to make good, repair, reinstate or clean up any property or any controlled waters now or previously owned, occupied, operated or made use of or controlled by any such past or present member of the Wider May Gurney Group, under any environmental legislation, regulation, notice, circular or order of any government, governmental, quasi-governmental, state or local government, supranational, statutory or other regulatory body, agency, court, association or any other person or body in any jurisdiction, which, in any such case, is or might reasonably be expected to be material in the context of the Wider May Gurney Group taken as a whole.

Kier reserves the right to waive, in whole or in part, all or any of Conditions above, except for Conditions (A), (C) and (D), which cannot be waived.

Conditions (C) and (D) must be fulfilled by, and Conditions (B) and (E) to (J) (inclusive) fulfilled or waived by, no later than 11.59pm on the date immediately preceding the date of the Scheme Court Hearing, failing which the Scheme will lapse. Kier shall be under no obligation to waive or treat as satisfied any of Conditions (B) and (E) to (J) (inclusive) by a date earlier than the latest date specified above for the fulfilment or waiver thereof, notwithstanding that the other Conditions of the Scheme and the Acquisition may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.

If Kier is required by the Panel to make an offer for May Gurney Shares under the provisions of Rule 9 of the City Code, Kier may make such alterations to any of the above Conditions as are necessary to comply with the provisions of that Rule.

The Acquisition will lapse if it (or any part of it) is referred to the Competition Commission before the Court Meeting and the May Gurney General Meeting. In such event, none of Kier, May Gurney or May Gurney Shareholders will be bound by any term of the Scheme.

Kier reserves the right to elect (with the consent of the Panel) to implement the Acquisition by way of a takeover offer (as defined in Part 28 of the Companies Act). In such event, the Acquisition will be implemented on the same terms, so far as applicable, as those which would apply to the Scheme, subject to appropriate amendments, including (without limitation and subject to the consent of the Panel) an acceptance condition that is set at 90 per cent. (or such lesser percentage, as Kier may decide) (i) in nominal value of the shares to which such offer relates; and (ii) of the voting rights attached to those shares, and that is subject to Kier and/or (with the consent of the Panel) any members of the Kier Group having acquired or agreed to acquire, whether pursuant to the offer or otherwise, shares carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of May Gurney, including, for this purpose, any such voting rights attaching to May Gurney Shares that are unconditionally allotted or issued before the takeover offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise.

The availability of the Acquisition to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.

Under Rule 13.5 of the Code, Kier may not invoke a condition to the Acquisition so as to cause the Acquisition not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the condition are of material significance to Kier in the context of the Acquisition. The conditions contained in paragraph (A) and (B) of Part A are not subject to this provision of the Code.

This Acquisition will be governed by English law and be subject to the jurisdiction of the English courts and to the conditions and further terms set out in this Appendix 1 and to be set out in the formal Scheme Document. The Acquisition will comply with, and be subject to, the applicable rules and regulations of the FCA, the London Stock Exchange, the AIM Rules and the City Code.

Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.

Part B: Certain further terms of the Scheme and the Acquisition

Fractions of New Kier Shares will not be allotted or issued pursuant to the Scheme. Fractional entitlements to New Kier Shares will be aggregated and sold in the market and the net proceeds of sale distributed pro rata to persons entitled thereto. However, individual entitlements to amounts of less than £5 will not be paid to May Gurney Shareholders but will be retained for the benefit of Kier.

The Acquisition will not be made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, internet or e-mail) of interstate or foreign commerce of, or of any facility of a national securities exchange of, any Restricted Jurisdiction and the Acquisition will not be capable of acceptance by any such use, means, instrumentality or facility or from within the any Restricted Jurisdiction.

The New Kier Shares to be issued pursuant to the Acquisition have not been and will not be registered under the United States Securities Act of 1933 (as amended) nor under any of the relevant securities laws of Canada, Japan or Australia. Accordingly, the New Kier Shares may not be offered, sold or delivered, directly or indirectly, in the United States, Canada, Japan or Australia nor to any United States person, except pursuant to exemptions from applicable requirements of any such jurisdiction.

The New Kier Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the existing Kier Shares, save that they will not carry the right to receive any dividend declared in respect of

the financial year ended 30 June 2012. Applications will be made to the UK Listing Authority for the New Kier Shares to be admitted to the Official List with a premium listing and to the London Stock Exchange for the New Kier Shares to be admitted to trading.

May Gurney Shares which will be acquired under the Acquisition will be acquired fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now or hereafter attaching or accruing to them, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid on or after the date of this announcement other than the May Gurney Second Interim Dividend.

APPENDIX 2

SOURCES OF INFORMATION AND BASES OF CALCULATION

In this announcement:

1. Unless otherwise stated:
 - financial information relating to the Kier Group has been extracted or derived (without any adjustment) from the audited annual report and accounts for Kier for the year ended 30 June 2012 or Kier's announcement dated 28 February 2013 of its results for the half-year ended 31 December 2012 (which are unaudited); and
 - financial information relating to the May Gurney Group has been extracted or derived (without any adjustment) from the audited annual report and accounts for May Gurney for the year ended 31 March 2012 or May Gurney's announcement dated 4 December 2012 of its results for the half-year ended 30 September 2012 (which are unaudited).
2. The value of the Acquisition is calculated:
 - by reference to the price of 1,265 pence per Kier Share, being the Closing Price on 23 April 2013, being the latest practicable date prior to this announcement; and
 - on the basis of the fully-diluted number of May Gurney Shares in issue referred to in paragraph 4 below.
3. As at the close of business on 23 April 2013, being the latest practicable date prior to this announcement, May Gurney had in issue 70,236,016 May Gurney Shares and Kier had in issue 39,810,675 Kier Shares. The International Securities Identification Number for May Gurney Shares is GB00B1528L44 and for Kier Shares is GB0004915632.
4. The fully-diluted share capital of May Gurney (being 70,236,016 May Gurney Shares) is calculated on the basis of the number of issued May Gurney Shares referred to in paragraph 3 above.
5. Unless otherwise stated, all prices and closing prices for May Gurney Shares and Kier Shares are closing middle market quotations derived from the London Stock Exchange Daily Official List (SEDOL).
6. Synergy numbers are unaudited and are based on analysis by Kier's management and on Kier's and May Gurney's internal records.
7. The combined order book of approximately £5.7 billion is calculated using Kier's order book of approximately £4.2 billion as at 31 December 2012 and May Gurney's order book of approximately £1.5 billion as at 30 September 2012.

APPENDIX 3

DETAILS OF IRREVOCABLE UNDERTAKINGS AND LETTERS OF INTENT

1. May Gurney Shareholders

Irrevocable undertakings

Kier has received irrevocable undertakings in relation to the Acquisition as follows:

| Name of May Gurney Shareholder giving undertaking | Number of May Gurney Shares in respect of which undertaking is given | Percentage of May Gurney existing issued share capital (%) |
|---|---|---|
| Aviva Investors Global Services Limited (in its capacity as investment manager for certain clients) | 3,623,051 | 5.16 |
| TOTAL | 3,623,051 | 5.16 |

This irrevocable undertaking includes undertakings:

- (i) to vote, or procure the vote, in favour (or to submit, or procure the submission of, Forms of Proxy voting in favour) of the Scheme at the Court Meeting and the Special Resolution at the May Gurney General Meeting; and
- (ii) if Kier exercises its right to structure the Acquisition as an Offer, to accept, or procure the acceptance of, such Offer.

The irrevocable undertaking given by Aviva Investors Global Services Limited stipulates that it will cease to be binding if:

- (i) this announcement is not released by 12.00 noon on 31 May 2013; or
- (ii) the Scheme Document is not posted within 28 days of the date of this announcement; or
- (iii) the Scheme or Offer lapses or is withdrawn without becoming unconditional in all respects; or
- (iv) on the expiry of 14 days from the date on which the Scheme or Offer becomes unconditional or such longer period, up to a maximum of 2 months, specified in the Scheme Document, over which the Scheme or Offer remains open for acceptance or approval; or
- (v) Aviva Investors Global Services Limited is required to withdraw the undertaking by any court or competent regulator; or

- (vi) there is a material change in the information relating to the Scheme or Offer upon which the decision to provide the undertaking is based and Aviva Investors Global Services Limited deem it so necessary to revoke the undertaking as a result thereof; or
- (vii) an announcement is made in accordance with Rule 2.7 of the City Code of a competing offer (whether made by way of an offer or a scheme or arrangement) in respect of May Gurney Shares under which the amount or value of the consideration offered for each May Gurney Share is in the reasonable opinion of Aviva Investors Global Services Limited not less than 10 per cent. greater than the value per May Gurney Share offered pursuant to the Scheme or Offer (as the case may be) and Kier has not, within 7 days of such announcement, revised the terms of the Scheme or Offer (as the case may be) to exceed the amount or value of the consideration represented by such competing offer.

2. Kier Directors

The Kier Directors have given irrevocable undertakings in relation to the Acquisition as follows:

| Name of Kier Director giving undertaking | Number of Kier Shares in respect of which undertaking is given | Percentage of Kier existing issued share capital (%) |
|---|---|---|
| Phil White | 2,540 | 0.01 |
| Paul Sheffield | 63,542 | 0.16 |
| Haydn Mursell | 10,656 | 0.03 |
| Steve Bowcott | 12,102 | 0.03 |
| Ian Lawson | 43,043 | 0.11 |
| Chris Geoghegan | 5,000 | 0.01 |
| Nick Winser | 3,500 | 0.01 |
| TOTAL | 140,383 | 0.35 |

These irrevocable undertakings include undertakings to vote in favour of the resolutions to be proposed at the Kier General Meeting to approve the Acquisition and related matters.

These irrevocable undertakings stipulate that they will cease to be binding if this announcement is not released by 31 May 2013 (or such later date as Kier may determine) or Kier announces that it has withdrawn its recommendation to Kier Shareholders to vote in favour of the resolutions to be proposed at the Kier General Meeting to approve the Acquisition and related matters.

3. Kier Shareholders

Schroder Investment Management Limited has given a letter of intent in relation to the Acquisition confirming its intention to vote in favour of the resolutions to be proposed at the Kier General Meeting in respect of 2,453,325 Kier Shares representing approximately 6.16 per cent. of the issued share capital of Kier on 23 April 2013 (being the latest practicable date prior to this announcement).

APPENDIX 4

STATEMENT ON MERGER BENEFITS

Kier has made the following merger benefit statement in paragraph 5 of the announcement (the “**Merger Benefit Statement**”):

The Board of Kier believes that the Acquisition presents opportunities for significant cost synergies. The Kier Directors believe that the Enlarged Group can be expected to achieve recurring annual pre-tax cost synergies of approximately £20 million.

The synergies identified below reflect both beneficial elements and relevant costs that arise as a result of the Acquisition and could not be achieved by the Kier and May Gurney businesses operating independently of each other. A central objective of the integration will, however, be the retention of the customer focus and capabilities of both Kier and May Gurney.

The Kier Board has identified the following potential cost synergies:

- the highly complementary businesses and increased size of the Enlarged Group will drive material procurement savings;*
- cost savings are expected to arise from the reduction of corporate overheads (including administrative and governance costs and professional and finance fees), combining corporate support functions and combining the management structure of the operating divisions of Kier and May Gurney; and*
- a net reduction in the number of Enlarged Group full-time equivalent employees of approximately 200. The number of employees, specific operating functions and locations affected by the integration will depend on the outcome of the integration planning and these changes are likely only to come into effect as synergies are realised.*

The Board of Kier expects that:

- approximately £5 million of pre-tax cost synergies will be realised in the financial year ending 30 June 2014;*
- approximately £15 million of pre-tax cost synergies will be realised in the financial year ending 30 June 2015; and*
- approximately £20 million of pre-tax cost synergies will be realised in the financial year ending 30 June 2016.*

The Board of Kier also expects that the integration process and the realisation of these synergies will result in one-off exceptional costs of approximately £20 million, together with one-off capital expenditure costs of approximately £8 million, principally relating to investment in IT systems.

As a consequence of the announcement of the Acquisition by Kier and the Acquisition being a competing securities exchange offer against the merger offer announced for May Gurney by Costain Group plc on 26 March 2013, Kier is required by Note 9 on Rule 19.1 of the City Code to publish:

- (i) the bases of the belief (including sources of information) supporting the Merger Benefit Statement; and
- (ii) an analysis and explanation of the constituent elements sufficient to enable the relative importance of these elements to be understood.

Reports

The Kier Board believes that the Enlarged Group should be able to achieve the synergies set out in the Merger Benefit Statement. As required by Note 9(b) on Rule 19.1 of the City Code, KPMG Audit Plc and J.P. Morgan Cazenove and Numis, as financial advisers to Kier, have provided letters for the purposes of the City Code. These letters are appended to this Appendix.

Bases of calculation of the Merger Benefit Statement

Baseline cost numbers were agreed based on the underlying business plans of both Kier and May Gurney and, for the synergies arising from the combination of group functions, organisation information was reviewed.

Cost saving assumptions were based on a detailed, bottom-up evaluation of the benefits available from elimination of duplicate activities, the leverage of combined scale economies and operational efficiencies arising from consolidation of procurement and activities within operational facilities. In determining the estimate of cost savings achievable through the combination of Kier and May Gurney, no savings relating to operations have been included where no overlap exists.

Where appropriate, assumptions were used to estimate the costs of implementing the new structures, systems and processes required to realise the synergies.

Important Notes

1. The statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, or those achieved could be materially different from those estimated. No statement in the Merger Benefit Statement, or this announcement generally, should be construed as a profit forecast or interpreted to mean that Kier's earnings in the first full year following the Acquisition, or in any subsequent period, would necessarily match or be greater than or be less than those of Kier and/or May Gurney for the relevant preceding financial period or any other period.
2. Due to the scale of the Enlarged Group, there may be additional changes to the Enlarged Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost savings may be materially greater or less than those estimated.
3. In arriving at the estimate of synergies set out in this announcement, the Directors of Kier have assumed that there will be no significant impact on the business of the Enlarged Group.

(a) from KPMG Audit Plc

Private & confidential

The Directors
Kier Group plc
Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

J. P. Morgan Limited
25 Bank Street
London
E14 5JP

Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

24 April 2013

Dear Sirs

Proposed acquisition of May Gurney Integrated Services PLC by Kier Group plc

We refer to the statement made by the directors of Kier Group plc ('the Directors') in section 5 of the press announcement dated 24 April 2013 ('the Statement') to the effect that:

"The Board of Kier expects to realise the synergies on a phased basis:

- approximately £5 million of pre-tax cost synergies will be realised in the financial year ending 30 June 2014; and*
- approximately £15 million of pre-tax cost synergies will be realised in the financial year ending 30 June 2015; and*
- approximately £20 million of pre-tax cost synergies will be realised in the financial year ending 30 June 2016."*

The Statement has been made in the context of the disclosures in this announcement and in Appendix 4 of this announcement setting out, inter alia, the basis of the Directors' belief (including sources of information) supporting the Statement and their analysis and explanation of the underlying constituent elements.

This report is required by Note 9(b) to Rule 19.1 of the City Code on Takeovers and Mergers ('the City Code') and is given for the purpose of complying with that requirement and for no other purpose.

Responsibility

The Statement is the responsibility solely of the Directors. It is our responsibility and that of J. P. Morgan Limited and Numis Securities Limited to form respective opinions, as required by Note 9(b) to Rule 19.1 of the City Code as to whether the Statement has been made by the Directors with due care and consideration.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

Basis of opinion

We have discussed the Statement, together with the underlying plans, with the Directors and with J. P. Morgan Limited and Numis Securities Limited. We have also considered the letter dated 24 April 2013 from J. P. Morgan Limited and Numis Securities Limited to the Directors on the same matter. Our work did not involve any independent examination of any of the financial or other information underlying the Statement. We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board of the United Kingdom.

We do not express any opinion as to the achievability of the benefits identified by the Directors in the Statement. The Statement is subject to uncertainty as described in Appendix 4 to the announcement. Because of the significant changes in the enlarged group's operations expected to flow from the merger and because the Statement relates to the future, the actual merger benefits achieved are likely to be different from those anticipated in the Statement and the differences may be material.

Opinion

On the basis of the foregoing, we report that in our opinion the Directors have made the Statement, in the form and context in which it is made, with due care and consideration.

Yours faithfully

KPMG Audit Plc

(b) from J.P. Morgan Limited and Numis Securities Limited

The Directors
Kier Group Plc
Tempsford Hall,
Sandy,
Bedfordshire,
SG19 2BD

24 April 2013

Dear Sirs,

Proposed acquisition of May Gurney Integrated Services PLC (“May Gurney”) by Kier Group plc (“Kier”)

We refer to the statement of estimated merger benefits, the bases of preparation thereof and the notes thereto (together the "Statement") made by Kier set out in this document, for which the Directors of Kier are solely responsible.

We have discussed the Statement (including the assumptions and sources of information referred to therein), with the Directors of Kier and those officers and employees of Kier who developed the underlying plans. The Statement is subject to uncertainty as described in this document and our work did not involve an independent examination of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information reviewed by us and have assumed such accuracy and completeness for the purposes of rendering this letter. We have also reviewed the work carried out by KPMG Audit Plc and have discussed with them the conclusions stated in their letter of 24 April 2013 addressed to yourselves and ourselves on this matter.

We do not express any opinion as to the achievability of the merger benefits identified by the Directors of Kier.

This letter is provided pursuant to our engagement letter with Kier solely to the Directors of Kier in connection with Note 9 (b) on Rule 19.1 of the City Code on Takeovers and Mergers and for no other purpose. We accept no responsibility to May Gurney or its shareholders or any other person other than the Directors of Kier in respect of the contents of, or any matter arising out of or in connection with, this letter.

On the basis of the foregoing, we consider that the Statement by Kier, for which the Directors of Kier are solely responsible, has been made with due care and consideration in the context in which it was made.

Yours faithfully,

Andrew Truscott
Managing Director
For and on behalf of J.P. Morgan Limited

Heraclis Economides
Managing Director
For and on behalf of Numis Securities limited

APPENDIX 5

DEFINITIONS

The following definitions apply throughout this announcement unless the context requires otherwise.

| | |
|---|--|
| 'Acquisition' | the proposed acquisition of the entire issued and to be issued share capital of May Gurney by Kier, to be effected by the Scheme as described in this announcement (or by the Offer under certain circumstances described in this announcement) |
| 'Admission' | the New Kier Shares being admitted to the Official List with a premium listing and to trading on the London Stock Exchange's Main Market for listed securities |
| 'AIM' | the market of that name operated by the London Stock Exchange |
| 'AIM Rules' | Rules and Guidance notes for AIM Companies and their nominated advisers issued by the London Stock Exchange from time to time relating to AIM traded securities and the operation of AIM |
| 'Board' | the board of directors of Kier, May Gurney, or the Enlarged Group as applicable |
| 'Business Day' | a day, (other than a Saturday, Sunday, public or bank holiday) on which banks are generally open for business in London other than solely for trading and settlement in Euro |
| 'Canaccord Genuity' | Canaccord Genuity Limited |
| 'Capital Reduction' | the proposed reduction of the current issued and to be issued ordinary share capital of May Gurney pursuant to the Scheme |
| 'City Code' | the City Code on Takeovers and Mergers |
| 'Closing Price' | means the closing middle market price of a Kier Share, May Gurney Share or a Costain share, as applicable, on a particular trading day as derived from the London Stock Exchange Daily Official List for Kier and Costain and the AIM appendix to the London Stock Exchange Daily Official List for May Gurney |
| 'Combined Circular/Prospectus' | the combined circular and prospectus relating to the approval of the Acquisition and the issue of the New Kier Shares to be published and sent to Kier Shareholders |
| 'Companies Act' | the Companies Act 2006, as amended from time to time |
| 'Competition Commission' | the independent public body which conducts second phase in-depth inquiries into mergers, markets and the regulation of the major regulated industries in the United Kingdom (or any successor body or bodies carrying out the same functions in the United Kingdom from time to time) |
| 'Conditions' | the conditions and certain further terms of the Acquisition set out in Appendix 1 to this announcement |
| 'Costain' | Costain Group plc, incorporated in England with registered number 1393773 |
| 'Costain Proposal' | the proposed merger of Costain and May Gurney |
| 'Costain Shares' | the ordinary shares of 50 pence each in the capital of Costain |
| 'Costain Irrevocable Undertakings' | the irrevocable undertakings given by May Gurney Shareholders to Costain in respect of the Costain Proposal |

| | |
|-------------------------------------|--|
| 'Court' | the High Court of Justice in England and Wales |
| 'Court Meeting' | the meeting of holders of Scheme Shares convened by order of the Court pursuant to section 899 of the Companies Act for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment), including any adjournment thereof |
| 'Court Orders' | the Scheme Court Order and the Reduction Court Order |
| 'CREST' | the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755)) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the Regulations) |
| 'Daily Official List' | the daily official list of the London Stock Exchange |
| 'Dealing Disclosure' | an announcement pursuant to Rule 8 of the City Code containing details of dealings in interests in relevant securities of a party to an offer |
| 'Effective Date' | the date on which the Scheme becomes effective in accordance with its terms |
| 'Enlarged Group' | the enlarged group following the Acquisition, comprising the Kier Group and the May Gurney Group |
| 'Enlarged Services Division' | the Services division of Kier Group following the Acquisition |
| 'Fairly Disclosed' | the information which has been fairly disclosed: (i) in writing prior to the date of this announcement by or on behalf of May Gurney to Kier or Kier's financial, accounting, tax or legal advisers (specifically as Kier's advisers in relation to the Acquisition); (ii) in May Gurney's published annual and/or half year report and accounts for the relevant financial period or periods referred to in the relevant Condition; (iii) in a public announcement made in accordance with the AIM Rules or the DTRs by May Gurney prior to the date of this announcement; or (iv) in this announcement |
| 'FCA' | the United Kingdom's Financial Conduct Authority |
| 'FM' | Facilities Management |
| 'Financial Advisors' | J.P. Morgan Cazenove and Numis together |
| 'Forms of Proxy' | the form of proxy in connection with each of the Court Meeting and the May Gurney General Meeting, which shall accompany the Scheme Document |
| 'Form of Election' | the form of election in relation to the Mix and Match Facility which will accompany the Scheme Document |
| 'J.P. Morgan Cazenove' | J.P. Morgan Limited |
| 'Kier' | Kier Group plc, incorporated in England with registered number 02708030 |
| 'Kier Directors' | the directors of Kier and 'Kier Director' means any one of them |
| 'Kier General Meeting' | the general meeting of Kier to be convened in connection with the Acquisition, notice of which will be set out in the Combined Circular/Prospectus, including any adjournment thereof |
| 'Kier Group' | Kier and its subsidiary undertakings and associated undertakings |
| 'Kier Interim Dividend' | the interim dividend of 21.5 pence per Kier Share payable by Kier to Kier Shareholders on 17 May 2013 to Kier Shareholders on the register of members as at close of business on 8 March 2013 |
| 'Kier Shareholders' | holders of Kier Shares |
| 'Kier Shares' | the ordinary shares of 1 pence each in the capital of Kier |

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| 'Listing Rules' | the rules and regulations made by the UK Listing Authority under Part VI of the Financial Services and Markets Act 2000 (as amended), and contained in the UK Listing Authority's publication of the same name (as amended from time to time) |
| 'London Stock Exchange' | London Stock Exchange plc |
| 'May Gurney' | May Gurney Integrated Services plc, incorporated in England with registered number 04321657 |
| 'May Gurney Directors' | the directors of May Gurney and 'May Gurney Director' means any one of them |
| 'May Gurney General Meeting' | the general meeting of May Gurney Shareholders to be convened to consider and if thought fit pass, <i>inter alia</i> , the Special Resolution |
| 'May Gurney Group' | May Gurney and its subsidiary undertakings and associated undertakings |
| 'May Gurney Second Interim Dividend' | the second interim dividend of 5.6 pence per May Gurney Share payable by May Gurney to May Gurney Shareholders who are on May Gurney's register of members at the Scheme Record Time, conditional upon the Acquisition becoming effective |
| 'May Gurney Share Schemes' | the May Gurney Integrated Services Unapproved Share Option Scheme, May Gurney Integrated Services plc Long-Term Incentive Plan, the May Gurney Integrated Services plc Company Share Option Plan (2007), the May Gurney Integrated Services plc Savings Related Share Option Scheme (2007), the May Gurney Integrated Services plc Deferred Share Bonus Plan, the May Gurney Integrated Services plc Share Incentive Plan, the standalone share option to acquire 151,515 May Gurney Shares granted to Nicholas Chesters on 12 March 2007 and the standalone share option to acquire 5,961 May Gurney Shares granted to Matthew Hall on 25 July 2007 |
| 'May Gurney Shareholders' | holders of May Gurney Shares |
| 'May Gurney Shares' | the ordinary shares of 5 pence each in the capital of May Gurney |
| 'Mix and Match Facility' | the mix and match facility under which May Gurney Shareholders (other than certain overseas shareholders) may elect, subject to equal and opposite elections made by other May Gurney Shareholders, to vary the proportions in which they receive New Kier Shares and cash under the Acquisition |
| 'New Kier Shares' | the new Kier Shares to be issued pursuant to the Scheme |
| 'Numis' | means Numis Securities Limited |
| 'Offer' | should the Acquisition be implemented by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act, the recommended offer to be made by or on behalf of Kier to acquire the entire issued and to be issued share capital of May Gurney and, where the context admits, any subsequent revision, variation, extension or renewal of such offer |
| 'Offer Period' | the period commencing on 26 March 2013 and ending on the earlier of the date on which the Scheme becomes effective and/or the date on which the Scheme lapses or is withdrawn (or such other date as the Panel may decide) |
| 'Official List' | the official list of the UK Listing Authority |
| 'OFT' | the Office of Fair Trading of the United Kingdom (or any successor authority or authorities carrying out consumer credit regulatory and/or competition law |

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| | and merger control enforcement functions in the United Kingdom from time to time) |
| 'Opening Position Disclosure' | an announcement containing details of interests or short positions in, or rights to subscribe for, any relevant securities of a party to the offer if the person concerned has such a position |
| 'Panel' | the Panel on Takeovers and Mergers |
| 'Reduction Court Order' | the order of the Court under section 648 of the Companies Act confirming the Capital Reduction |
| 'Registrar of Companies' | the Registrar of Companies in England and Wales |
| 'Restricted Jurisdiction' | any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Merger is sent or made available in that jurisdiction (in accordance with Rule 30.3 of the City Code) |
| 'ROCE' | return on capital employed |
| 'Scheme' | the proposed scheme of arrangement under Part 26 of the Companies Act between May Gurney and Scheme Shareholders to implement the Acquisition |
| 'Scheme Court Hearing' | the hearing of the Court to sanction the Scheme under section 899 of the Companies Act |
| 'Scheme Court Order' | the order of the Court sanctioning the Scheme under section 899 of the Companies Act |
| 'Scheme Document' | the document to be dispatched to May Gurney Shareholders including the particulars required by section 897 of the Companies Act |
| 'Scheme Record Time' | the time and date specified in the Scheme Document, expected to be 6.00 p.m. (London time) on the Business Day immediately prior to the date of the Reduction Court Hearing |
| 'Scheme Shareholders' | holders of Scheme Shares |
| 'Scheme Shares' | <ol style="list-style-type: none"> 1. the May Gurney Shares in issue at the date of the Scheme Document; 2. any May Gurney Shares issued after the date of the Scheme Document and prior to the Voting Record Time; and 3. any May Gurney Shares issued at or after the Voting Record Time and prior to 6.00 p.m. (London time) on the day before the date on which the Reduction Court Order is made in respect of which the original or any subsequent holder thereof is bound by the Scheme, or shall by such time have agreed in writing to be bound by the Scheme, <p>in each case, save for any May Gurney Shares legally or beneficially held by any member of the Kier Group</p> |
| 'Services' | refers to Kier's services division |
| 'Special Resolution' | the special resolution to be proposed by May Gurney at the May Gurney General Meeting in connection with, amongst other things, the approval of the Scheme and confirmation of the Capital Reduction, the amendment of May Gurney's articles of association and such other matters as may be necessary to implement the Scheme and the delisting of the May Gurney shares |
| 'Statement of Capital' | the statement of capital (approved by the Court) showing, with respect to |

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| | May Gurney's share capital as altered by the Reduction Court Order, the information required by section 649 of the Companies Act |
| 'Third Party' | means a central bank, government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body or authority, court, trade agency, professional association, institution, employee representative body or any other body or person whatsoever in any jurisdiction |
| 'UK' or 'United Kingdom' | the United Kingdom of Great Britain and Northern Ireland |
| 'UK Listing Authority' | the FCA as the competent authority for listing in the United Kingdom |
| 'US' or 'United States' | the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia |
| 'US Exchange Act' | the US Securities Exchange Act of 1934 (as amended from time to time) |
| 'Voting Record Time' | 6.00 p.m. (London time) on the day prior to the day immediately before the Court Meeting or any adjournment thereof (as the case may be) |
| 'Wider Kier Group' | means Kier and its subsidiary undertakings, associated undertakings and any other undertaking in which Kier and/or such undertakings (aggregating their interests) have a direct or indirect interest in 10 per cent. or more of the equity share capital (as defined in the Companies Act) |
| 'Wider May Gurney Group' | means May Gurney and its subsidiary undertakings, associated undertakings and any other undertaking in which May Gurney and/or such undertakings (aggregating their interests) have a direct or indirect interest in 10 per cent. or more of the equity share capital (as defined in the Companies Act) |

For the purposes of this announcement, 'subsidiary', 'subsidiary undertaking' and 'undertaking' have the meanings given by the Companies Act and 'associated undertaking' has the meaning given by paragraph 19 of Schedule 6 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 other than paragraph 19(1)(b) of Schedule 6 to those Regulations which shall be excluded for this purpose.