Creating Platforms for Growth

Kier Group
Capital Markets Day
3 July 2014
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## Today’s agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Speaker</th>
</tr>
</thead>
<tbody>
<tr>
<td>2pm</td>
<td>Welcome and Group Strategy Overview</td>
<td>Haydn Mursell</td>
</tr>
<tr>
<td></td>
<td>Operational Updates</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Property</td>
<td>Nigel Turner</td>
</tr>
<tr>
<td></td>
<td>• Kier Residential</td>
<td>John Anderson</td>
</tr>
<tr>
<td></td>
<td>• Construction</td>
<td>Steve Bowcotte</td>
</tr>
<tr>
<td></td>
<td>Q &amp; A</td>
<td></td>
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<tr>
<td>4.00pm</td>
<td>BREAK</td>
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<tr>
<td>4.15pm</td>
<td>Kier’s Integrated Offering</td>
<td>Steve Bowcotte</td>
</tr>
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<td></td>
<td>Kier Services</td>
<td></td>
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<tr>
<td></td>
<td>• Our Markets</td>
<td>John Wilkinson</td>
</tr>
<tr>
<td></td>
<td>• Operational Updates</td>
<td></td>
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<tr>
<td></td>
<td>• Utilities</td>
<td>Paul Fletcher</td>
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<td></td>
<td>• Highways</td>
<td>Nigel Dyer</td>
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<td></td>
<td>Featuring guest speaker: Lucy Robinson</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Deputy Chief Executive, Suffolk County Council</td>
</tr>
<tr>
<td>5.30pm</td>
<td>Q &amp; A and close</td>
<td>Haydn Mursell</td>
</tr>
<tr>
<td>5.45pm</td>
<td>Drinks</td>
<td></td>
</tr>
</tbody>
</table>
Trading update

Financials in line with expectations

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

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

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

- **Residential**
  - Combination of existing activities – branded Kier Living
  - Growth focused on affordable housing
  - Sharing of best practice and resources
An experienced team

Steve Bowcott  
CHIEF OPERATING OFFICER

Haydn Mursell  
CHIEF EXECUTIVE

David Benson  
ACTING FINANCE DIRECTOR

Nigel Turner  
PROPERTY

John Anderson  
RESIDENTIAL

John Wilkinson  
SERVICES

Nigel Brook  
BUILDING UK

Peter Young  
BUILDING UK

Sean Jeffery  
INFRASTRUCTURE

Paul Woodman  
OVERSEAS

Nigel Dyer  
HIGHWAYS

Paul Fletcher  
UTILITIES & WATERWAYS

Services speakers
Kier 2020

Safety

Profit growth

Shareholder return

Customers

Property

Residential

Construction

Services

>15% ROCE

>15% ROCE

>10% CAGR

Progressive dividend

+90% satisfaction

>2.5% EBITA

>5% EBITA

TOP 3 IN OUR SECTORS

BEST PERFORMANCE

SECTOR LEADING CUSTOMER EXPERIENCE

BEST PEOPLE
A strong portfolio of businesses
A strong portfolio of businesses

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

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

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

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

**Key markets**
- Local authorities
- Housing associations
- Private rented
- Private consumer
-
- Local authorities
- Education
- Health
- Energy generation
- Utilities
- Defence
- Commercial
- Transportation

Revenue* £0.3bn
Revenue* £1.3bn
Revenue* £1.1bn

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

Property
Revenue* £0.3bn

Residential
Revenue* £1.3bn

Construction
Revenue* £1.1bn

Services

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

- Revenue 7% CAGR
- Profit 10% CAGR

Profit restated to reflect IAS19 adjustments
*2014 & 2015 based on market consensus
Progressive dividend

- 15% CAGR
- Resilience in challenging times

*2014 based on market consensus*
Translating to shareholder return

- 14% CAGR
- 40% higher than index average
- Just coming out of recession
Positive market dynamics leading the way

UK economy returning to growth

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

Public sector borrowing starting to decline

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

Source: ONS, OBR; Excludes Royal Mail pensions transfer and Asset Purchase Facility
Opportunity for growth in core markets

UK Property Development & Housebuilding

- **Property**
  - Development: £11bn p.a.

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

Source: British Property Federation, DCLG, CPA

UK Construction

<table>
<thead>
<tr>
<th>Year</th>
<th>Building New Work (£m)</th>
<th>Infrastructure New Work (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>50,000</td>
<td>10,000</td>
</tr>
<tr>
<td>2012</td>
<td>50,000</td>
<td>10,000</td>
</tr>
<tr>
<td>2013</td>
<td>50,000</td>
<td>10,000</td>
</tr>
<tr>
<td>2014</td>
<td>50,000</td>
<td>10,000</td>
</tr>
<tr>
<td>2015</td>
<td>50,000</td>
<td>10,000</td>
</tr>
<tr>
<td>2016</td>
<td>50,000</td>
<td>10,000</td>
</tr>
<tr>
<td>2017</td>
<td>50,000</td>
<td>10,000</td>
</tr>
</tbody>
</table>

Source: ONS, CPA

UK Services

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Services Markets (£M)</th>
<th>Adjacent Services Markets (£M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>13/14</td>
<td>150,000</td>
<td>100,000</td>
</tr>
<tr>
<td>14/15</td>
<td>150,000</td>
<td>100,000</td>
</tr>
<tr>
<td>15/16</td>
<td>150,000</td>
<td>100,000</td>
</tr>
<tr>
<td>16/17</td>
<td>150,000</td>
<td>100,000</td>
</tr>
<tr>
<td>17/18</td>
<td>150,000</td>
<td>100,000</td>
</tr>
<tr>
<td>18/19</td>
<td>150,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

Source: Various incl. BSA, ONS, Credo

Overseas

Source: Aecom, Deloitte, Management estimates
Creating a focussed residential offer

Combined approach

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

Why?

- Accelerated growth
  - Government initiatives
  - Supply demand imbalance
- Share best practice & complementary skills
  - Risk management
  - Design, procurement, etc
- Clarity of residential offering
  - Customers
  - Investors
  - Branded “Kier Living”
Our new reporting segments from 1 July 2014

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

*FY2013 proforma incl. May Gurney and restated to reflect restructure of Residential businesses*
Vision 2020: what we want to be known for

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

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

- **Progressive dividend maintained**
  -Broadly in line with earnings
Medium term profitability

- **Profit growth**
  - Double digit CAGR to 2020

- **Construction**
  - Revenue growth, more particularly in Infrastructure and Overseas
  - > 2.5% operating margin

- **Services**
  - Revenue growth from combined Kier and MG, and selected acquisitions
  - > 5% operating margin

- **Residential**
  - Recycle capital; self sufficiency
  - c£250m capital, targeting >15% ROCE
  - Mixed tenure growth focus

- **Property**
  - Group’s free cashflow invested
  - Increasing towards c£200m capital, targeting 20% ROCE
Creating platforms for growth

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

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

UK Supreme Court
£34m

GeoPost
£9.6m

Gloucester Fire Station
£10m
Our strategy

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

Revenue (£m)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>238</td>
</tr>
<tr>
<td>2012</td>
<td>241</td>
</tr>
<tr>
<td>2011</td>
<td>250</td>
</tr>
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</table>

Operating profit (£m)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating profit (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>20.5</td>
</tr>
<tr>
<td>2012</td>
<td>22.0</td>
</tr>
<tr>
<td>2011</td>
<td>15.3</td>
</tr>
</tbody>
</table>

*including Residential
Our markets

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

Note: By percentage value
Integrated benefits

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

Feltham - GeoPost

Hayes - Costco

Walsall – Leisure Destination
Land regeneration

Audit House – 58 VE

Catterick – leisure and retail
Joint ventures

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

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

Walthamstow station - before

Walthamstow station - after
Joint ventures

Watford, Health Campus
Local authorities

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

100% Kier
220k sq ft

190k sq ft
let or sold
(85% sold)

Completed 2013-14

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

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

Gloucester Fire Station

North Kent Police
Competitive advantage

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

Development sites secured (% against business plan)

<table>
<thead>
<tr>
<th></th>
<th>Identified</th>
<th>Unidentified</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 15 &gt;</td>
<td>71%</td>
<td>15%</td>
</tr>
<tr>
<td>June 16 &gt;</td>
<td>76%</td>
<td>4%</td>
</tr>
<tr>
<td>June 17 &gt;</td>
<td>60%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Future drivers

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

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

*including Residential

Operating profit (£m)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>15.3</td>
</tr>
<tr>
<td>2012</td>
<td>22.0</td>
</tr>
<tr>
<td>2013</td>
<td>20.5</td>
</tr>
</tbody>
</table>
The integrated offering

- Invest
- Property
- Residential
- Construction
- Maintain
- Services
- Renew
Residential market conditions

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

- Current forecasts suggest 230,000 – 300,000 new homes required annually
- Over the past decade, 115,000 pa average built by the private sector
- Housing shortfall between 2004 and present: 1m
- Population since 2001 has risen by 5m
Even on optimistic scenario, current plans won’t deliver enough homes

*Source: DCLG*
UK housing market - housing completions

(England)

*Source: DCLG*
# Kier Living: Consolidating residential skills

<table>
<thead>
<tr>
<th>Private homes</th>
<th>Specialist contracting</th>
</tr>
</thead>
<tbody>
<tr>
<td>(c. 600 homes p.a.)</td>
<td>(c. 500 homes p.a.)</td>
</tr>
<tr>
<td>• Contain controlled radius</td>
<td>• Measured growth</td>
</tr>
<tr>
<td>• Continue transition from old land to new land</td>
<td>• Targeted product complementing wider ambitions</td>
</tr>
<tr>
<td>• Recycle cash release into affordable offering</td>
<td>• Targeted geography</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Affordable mixed tenure</th>
<th>Key markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>(c. 500 homes p.a.)</td>
<td>• Local authorities</td>
</tr>
<tr>
<td>• Extend to national coverage</td>
<td>• Housing Associations</td>
</tr>
<tr>
<td>• HCA DPP funding for 1360 units</td>
<td>• Private rented sector</td>
</tr>
<tr>
<td>• Consolidate propositions</td>
<td>• Funds &amp; institutions</td>
</tr>
</tbody>
</table>

*Source: Savills / DCLG*
## Financial performance: Today

<table>
<thead>
<tr>
<th></th>
<th>Units</th>
<th>Capital £m</th>
<th>ROCE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting</td>
<td>500</td>
<td>-</td>
<td>n/a</td>
</tr>
<tr>
<td>Mixed tenure</td>
<td>500</td>
<td>20</td>
<td>15%</td>
</tr>
<tr>
<td>Private house building - new land</td>
<td>40</td>
<td>45</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>560</td>
<td>175</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>1,600</td>
<td>240</td>
<td>3%</td>
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</tbody>
</table>
## Financial performance: 2020

<table>
<thead>
<tr>
<th></th>
<th>Units</th>
<th>Capital £m</th>
<th>ROCE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting</td>
<td>&gt;600</td>
<td>-</td>
<td>n/a</td>
</tr>
<tr>
<td>Mixed tenure</td>
<td>&gt;2,500</td>
<td>90</td>
<td>&gt;25%</td>
</tr>
<tr>
<td>Private house building - new land</td>
<td>&gt;600</td>
<td>100</td>
<td>18%</td>
</tr>
<tr>
<td>Private house building - legacy land</td>
<td>&gt;600</td>
<td>65</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>c4,000</strong></td>
<td><strong>255</strong></td>
<td><strong>&gt;15%</strong></td>
</tr>
</tbody>
</table>
Case study: Manor & Kingsway, Derby

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

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

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

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

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

Construction Division
Capital Markets Day
3 July 2014
What we do

£9m Data Centre, Slough
£19.5m Gateway Student Accommodation, Lincoln
£11.5m Walton Neuro Centre
£25m Chester Cultural Centre
£11.5m Walton Neuro Centre

BUILDING

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

MAJOR PROJECTS

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

Infrastructures

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

OVERSEAS

- Revenue: £150m
- Middle East: Abu Dhabi, Dubai, Saudi Arabia
- Far East: Hong Kong
- Caribbean: Trinidad, Jamaica, St Kitts, Haiti
- Infrastructure, Utilities, Major building, regional building
Resilient performance through down cycle
Our key differentiators position us for growth

- Market leader
- Geographical coverage
- Flexible project size
- Strength and flexibility in most sectors – good private/public split
- Stable frameworks
- Cost discipline programmes have delivered a substantially more efficient business – headcount reduced and structure de-layered
- Investment in new sectors
- Excellent training programme and new/young people intake
## Contract Awards
(12 months to May 2014)

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Deals</th>
<th>Value £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kier</td>
<td>273</td>
<td>1,875</td>
</tr>
<tr>
<td>Balfour Beatty</td>
<td>135</td>
<td>1,740</td>
</tr>
<tr>
<td>Morgan Sindall</td>
<td>192</td>
<td>1,276</td>
</tr>
<tr>
<td>Royal Bam</td>
<td>111</td>
<td>1,081</td>
</tr>
<tr>
<td>Carillion</td>
<td>33</td>
<td>1,042</td>
</tr>
<tr>
<td>Costain</td>
<td>39</td>
<td>987</td>
</tr>
<tr>
<td>Skanska</td>
<td>18</td>
<td>935</td>
</tr>
<tr>
<td>Wates</td>
<td>132</td>
<td>934</td>
</tr>
<tr>
<td>Willmott Dixon</td>
<td>179</td>
<td>874</td>
</tr>
<tr>
<td>Galliford Try</td>
<td>85</td>
<td>822</td>
</tr>
</tbody>
</table>

*Source: Construction News*
Our key differentiators position us for growth

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

#### Forward workload

<table>
<thead>
<tr>
<th>% of FY15 revenue</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>84%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>98%</td>
</tr>
<tr>
<td>Overseas</td>
<td>76%</td>
</tr>
</tbody>
</table>

#### Very selective bid approach

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

#### Balance between cash and margin
Positive sentiment in our markets

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

Source: Markit/CIPS
UK Construction: Growing our addressable market

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

£m


Source: ONS, CPA

New Infrastructure Output by sector 2013

Non-residential new Building output by sector 2013
Overseas: Substantial opportunity in our key territories

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

Source: AECOM, Deloitte, Management estimates
Target sectors

**Building (UK)**
- Offices
- Education
- Custodial
- Warehouse & Logistics
- Health & Blue light
- Defence
- Industrial
- Shopping centres
- High Rise
- Aviation

**Infrastructure (UK)**
- Nuclear
- Rail
- Energy
- Bridges and Highways
- Water
- Ports & Waterways
- Aviation
- Industrial
- Oil & gas

**Overseas**
- Offices
- Education
- Commercial
- Infrastructure
- Caribbean
- Middle East
- Far East
- New territory?
- Defence
- Oil & gas
Summary

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

Kier’s Integrated Offering
Capital Markets Day
3 July 2014
Our integrated approach to sector leadership

- **Defence**
  - MoD
  - BAe Systems etc
  - Target: £500m

- **Health**
  - NHS Executive
  - Primary (LIFT)
  - Private
  - Adult Care
  - Target: £400m

- **Education**
  - Higher Education
  - Further Education
  - Private Education
  - EFA
  - Target: £500m

- **Industrial**
  - Oil and Gas
  - Ports
  - Manufacture (heavy)
  - Paper
  - Distribution
  - Target: £250m

- **Utilities**
  - Electricity
  - Water
  - Gas
  - Comms
  - Overhead
  - Target: £500m

- **Transport**
  - Highways Agency
  - Local Authority Roads
  - Rail
  - Airports
  - Target: £1bn

- **Power/Energy**
  - Generation
  - Nuclear
  - Renewables
  - Transmission (HV)
  - Target: £250m

- **Housing**
  - Reg Providers
  - Local Authority
  - Student Accom
  - Private Rental
  - For Sale
  - Target: £1bn

- **Central Govt**
  - Local Authority

- **CRM**
  - Customer Experience
  - BD Support
  - Sector Marketing Plans
## Government spending with contractors

<table>
<thead>
<tr>
<th>Contractor</th>
<th>2012 £m</th>
<th>2013 £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kier</td>
<td>788</td>
<td>603</td>
<td>1.39bn</td>
</tr>
<tr>
<td>Balfour Beatty</td>
<td>576</td>
<td>371</td>
<td>948</td>
</tr>
<tr>
<td>Carillion</td>
<td>400</td>
<td>397</td>
<td>797</td>
</tr>
<tr>
<td>Willmott Dixon</td>
<td>385</td>
<td>302</td>
<td>686</td>
</tr>
<tr>
<td>Amey</td>
<td>340</td>
<td>314</td>
<td>654</td>
</tr>
<tr>
<td>Interserve</td>
<td>289</td>
<td>341</td>
<td>630</td>
</tr>
<tr>
<td>BAM</td>
<td>242</td>
<td>196</td>
<td>438</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>£3.02bn</strong></td>
<td><strong>£2.52bn</strong></td>
<td><strong>£5.54bn</strong></td>
</tr>
</tbody>
</table>

*Source: Institute for Government*
Our integrated approach to sector leadership

Programme Director
Sectors

- Defense
  - MoD
  - BAe Systems etc
  - Target: £500m

- Health
  - NHS Executive
  - Primary (LIFT)
  - Private
  - Adult Care
  - Target: £400m

- Education
  - Higher Education
  - Further Education
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  - Reg Providers
  - Local Authority
  - Student Accommodation
  - Private Rental
  - For Sale
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- Utilities
  - Electricity
  - Water
  - Gas
  - Comms
  - Overhead
  - Target: £500m

- Central Govt
  - Local Authority

- CRM
  - Customer Experience
  - BD Support
  - Sector Marketing Plans
## Why an integrated approach?

<table>
<thead>
<tr>
<th>Market sector</th>
<th>Property</th>
<th>Residential</th>
<th>Construction</th>
<th>Services</th>
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<tbody>
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<td>Transportation</td>
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<td></td>
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</tr>
<tr>
<td>Residential (incl. housing maintenance)</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Utilities</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Overseas</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Commercial &amp; Mixed use</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Education</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Energy</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Health &amp; Blue light</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Defence</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Retail &amp; Leisure</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Industrial</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Environmental</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Local Government</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Central Government</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
The integrated offering: North Tyneside

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

2014: Discussions re building 300 homes

2013: Kier awarded £100m Swan Hunter regeneration

2010 – 14: Kier:
• Completes library refurbishment
• Builds Wallsend Park
• Builds primary school

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

North Tyneside Council
The integrated offering: Northamptonshire CC

2012: Local transport interchange
Construction of the new £7m bus interchange in Northampton located on the site of the old fish market

2014: St Johns Hall Student Residence
458 bedroom development which was completed in January 2014

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

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

2013: Project Saint
Outsourced fleet and passenger services

2014: Strategic Alliance discussions ongoing
The benefits of a Strategic Alliance

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

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

Source: NCC Cabinet Report
The integrated offering: Rail

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

**Crossrail:**
BAM Ferrovial Kier JV delivering £1.2bn works

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

**Kings Cross/Argent development:**
Generating further £100m new opportunities for 2015

**Network Rail – Bridges**
May Gurney: Integration Update

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

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

<table>
<thead>
<tr>
<th></th>
<th>MG (pa)</th>
<th>Future (pa)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network Rail Western &amp; Wales</td>
<td>£10m</td>
<td>£35m</td>
</tr>
<tr>
<td>Anglian Water</td>
<td>£18m</td>
<td>£48m</td>
</tr>
<tr>
<td>Northamptonshire County Council</td>
<td>£22m</td>
<td>£25m+</td>
</tr>
<tr>
<td>Highways Agency</td>
<td>0</td>
<td>?</td>
</tr>
</tbody>
</table>

- Construction into Hard Services into Soft Services
Summary

- New and further investment in sector leadership
- Integrated offering extended to additional clients
- May Gurney integration on track
- Further revenue synergies expected
John Wilkinson
Executive Director, Kier Services

Kier Services
Capital Markets Day
3 July 2014
The integrated offering
Kier Services ...

- Combines the legacy Kier and May Gurney Services lines, creating a business with broad capability in core markets
- Has significant growth potential – currently we have <2% share of current addressable markets
- Is in sustainable markets with a £7bn qualified pipeline
- Is using the strength of the enlarged Kier Group to win new work and increase client penetration
Over £200bn of UK services market opportunity

Significant growth potential through:

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

**Source:** Various inc BSA, ONS, Credo
Sources of growth

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

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

1. We have strong client relationships
   - the public sector, especially local authorities
   - housing associations
   - regulated utilities
   - corporates

2. A combined service portfolio that is enabling greater client penetration (eg. Northamptonshire)
Housing maintenance

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

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

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

Pipeline
- Over £2.3bn of qualified opportunities
Facilities Management

What we do

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

Differentiation

- Ability to tailor services using the breadth of Kier capabilities

Target growth areas

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

Pipeline

- Over £600m of qualified opportunities
Growth strategy

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

1. Retain existing profitable business, through a focus on delivery and customer service

2. Leverage the enlarged portfolio to cross-sell services to meet changing client needs

3. Achieve year on year operational improvements, supported by investment in IT and logistics

4. Identify and enter new markets where they are margin enhancing and build on core Kier strengths

5. Exit existing markets if they cease to fit strategically
Summary

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

Services Division
Capital Markets Day
3 July 2014
The integrated offering
Water capability

- Meter installation
- Design & build M&E projects
- Design & build civils projects
- Burst repairs
- Mains replacement
- Repair and maintenance
We repair and replace overhead pole for WPD in the south west.

Power and gas capability

Mains installation

LV cable lay

Governor installation

Connections and terminations

Pole renewal and replacement
Telecoms capability

- Instrument testing
- Fabric repairs
- Electrical testing
- Structural inspection
- High mast access
Waterways capability

- Flood prevention projects
- Weir maintenance
- Heritage maintenance services
- Lock maintenance
- Bridge replacement
- Reservoir works
Specialist and supporting services

Under-pressure branch drilling

M&E installation

D&B MEICA

Directional drilling

Suction excavation

MCC manufacturing
Geographical spread and key clients
The integrated offering

Service Provision
Linking with Property, Construction and Residential

Design & Build
Linking with Infrastructure

Dynamic Scheduling & Call Centres
Linking with Highways, FM and Housing Maintenance

Customer Services
Linking with all areas of business

Repair & Maintain
Linking with FM & Housing Maintenance
Market analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Expenditure (£bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/11</td>
<td>£13.8bn</td>
</tr>
<tr>
<td>2013/14</td>
<td>£17.5bn</td>
</tr>
<tr>
<td>2018/19</td>
<td>£19.7bn</td>
</tr>
</tbody>
</table>

Annual Growth Rate

- 2010/11 – 2013/14: 8.2%
- 2013/14 – 2018/19: 2.4%

Current market sub-sector split 2013/14

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Annual Expenditure (£bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waterways</td>
<td>£0.4bn</td>
</tr>
<tr>
<td>Telco</td>
<td>£3.5bn</td>
</tr>
<tr>
<td>Gas</td>
<td>£2.3bn</td>
</tr>
<tr>
<td>Water</td>
<td>£5.1bn</td>
</tr>
<tr>
<td>Power</td>
<td>£6.8bn</td>
</tr>
</tbody>
</table>

Potential market sub-sector split 2018/19

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Annual Expenditure (£bn)</th>
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</thead>
<tbody>
<tr>
<td>Waterways</td>
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<tr>
<td>Water</td>
<td>£6.0bn</td>
</tr>
<tr>
<td>Power</td>
<td>£7.8bn</td>
</tr>
</tbody>
</table>

CAGR 13/14-18/19

- Waterways: 5.1%
- Telco: (0.5%)
- Gas: 2.7%
- Water: 3.4%
- Power: 2.7%

Source: Credo
Growth – Turnover by sector

Current Revenue (2013/14)

Medium Term

- Water
- Gas
- Power
- Telecoms
- Waterways
Our competitive advantage

Current

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

Future

- Organic growth supported by bolt-on acquisition
- World class customer service, supported by;
- Integrated logistics, enabled by;
- Multi platform, cross sector agile IT solutions, driving;
- Industry leading innovators, resulting in;
- Market leaders in our chosen sectors
# The last 12 months bidding

<table>
<thead>
<tr>
<th>Sector</th>
<th>Frameworks Secured/ Preferred Bidder</th>
<th>Estimated Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>• Anglian Water – IOS, IMDS&lt;br&gt;• Bournemouth Water – R&amp;M</td>
<td>£30m/pa</td>
</tr>
<tr>
<td></td>
<td><strong>£30m/pa</strong></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>• Western Power Distribution – Devon &amp; Cornwall&lt;br&gt;• Western Power Distribution – Avon &amp; Somerset&lt;br&gt;• Scotia Gas Networks – Dundee and Aberdeen</td>
<td>£47m/pa</td>
</tr>
<tr>
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<td><strong>£47m/pa</strong></td>
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<tr>
<td>Water</td>
<td>• Anglian Water – IMR (Clean)&lt;br&gt;• Anglian Water – IMR (Recycled)&lt;br&gt;• Severn Trent Water – Asset Maintenance&lt;br&gt;• Bristol Water – R&amp;M</td>
<td>£55m/pa</td>
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<td><strong>£55m/pa</strong></td>
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<tr>
<td>Energy</td>
<td>• Western Power Distribution – Midlands</td>
<td>£35m-£45m/pa</td>
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<tr>
<td>Waterways</td>
<td>• National Engineering and Construction Contract</td>
<td>£30m/pa</td>
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<table>
<thead>
<tr>
<th>Sector</th>
<th>Frameworks In Bid</th>
<th>Estimated Value</th>
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<td>Energy</td>
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<td>Waterways</td>
<td>• National Engineering and Construction Contract</td>
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</table>

<table>
<thead>
<tr>
<th>Sector</th>
<th>Prospects</th>
<th>Estimated Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>• Thames Water R&amp;M</td>
<td>£50m/pa</td>
</tr>
</tbody>
</table>
The future

Secure extensions

Increase our service offering to existing clients

Expansion into power transmission market

Broaden flood protection capability into local authority sector

Entry into fixed telecom market

Greater Integration and move into adjacent markets
Nigel Dyer
Managing Director, Highways

Services Division
Capital Markets Day
3 July 2014
The integrated offering
Highways - a £12bn problem

£976m

£168m

£121bn
What we do

25,000 miles of highway maintained
Over 8517 sq m

150,000 jobs 16% in 24hrs
What we do

150,000 jobs 16% in 24hrs

Keeping 5m people moving everyday
How we do it

9,000,000 m²
20,000 tonnes
500,000 street lights
22,000 signs made and installed
500,000 m²
22,000 signs made and installed
500,000 street lights
Operating footprint

- Suffolk County Council
- Lincolnshire County Council
- Northamptonshire County Council
- Surrey County Council
- Hull City Council
- Cumbria County Council
- Blackburn with Darwen Borough Council
- East Sussex County Council
- Torbay Council

(Images of council logos)
The Future

Outstanding Performance (Products & Services)

- Innovation & Services Leadership
- Proven Capabilities & Sufficient Capacity
- Services Portfolio Utilisation (Kier Group)

Best Value for Money

- Committed To Client Benefits Realisation
- Continuous Improvement
- Price / Performance Leadership

Trusted Strategic Partner

- Customer Aware & Responsive
- Proven Change Facilitator
- Effective Relationship Management

Market drivers

- The **2013 Autumn Statement** announced additional spend on highways maintenance of £976m pa from 2015/16 to 2020/21

- **National Infrastructure Plan (2013)** highlights:
  - Objective is to equip the UK with world class infrastructure which rivals all OECD counterparts

- If the UK infrastructure is not brought to the standard of other developed economies by 2026, the result could be an annual £90bn loss to the economy

- **13% of the network is currently in a dangerous condition**

![Graph showing time lost due to congestion](image)

*Source: DFT*
Our markets

Highways Maintenance Market

Key Market Drivers

Investing In & Supporting Local Economies

Stretching Restricted Budgets to Meet Asset Demands

Awareness & Responsiveness to the Needs of Local Communities

Source: National Audit Office, Management estimates
Market share growth potential

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

Source: Company accounts
Future opportunities

- Unitary Authorities
- City Councils
- Overseas Markets
- Department for Transport
- County Councils
- District and Town Councils
- Developers
- The Highway Services

Current Markets
Targeted, Adjacent Markets
Future Markets
Case study: customer partnership

Regional growth

Asset exploitation

Highways maintenance

Long term investments

Project Horizon
Suffolk’s Competitive Advantages

Greenest County

Birmingham 112 miles
Cambridge 17 miles

Newmarket

Haverhill Biotech/Pharma

Suffolk Countryside

SnOasis

Ipswich

Felixstowe

London 75 miles

Felixstowe to Hook of Holland 130 miles

Europe

North Sea
Invest in Suffolk

SUFFOLK
The bright choice for your business
www.investinsuffolk.com
Revenue Expenditure 2014-15 (£700m) (excluding schools)
Capital Expenditure 2014-15 (£93m)

- Highways and Transport Programmes £37m
- Support to Social Care £2m
- Suffolk Local Broadband £7.5m
- Schools Organisation Review £7m
- Education Suitability Schemes £8m
- Basic Need Schemes and Other Education Programmes £17m
- Lowestoft Office Accommodation £3m, Energy & Carbon Reduction £3m, Other Corporate Programmes £2m
- Waste Transfer Stations £4m
- Fire Renewals Programme and improvements to non PFI stations £2.5m
Endeavour House
Haydn Mursell
Chief Executive
Creating platforms for growth

- Strong portfolio of businesses with integrated service offering
- Accelerated growth to be Top 3 in our chosen markets
- Profit: Double digit CAGR
- Experienced team with ambition for Kier
Kier 2020

Safety

Profit growth

Shareholder return

Customers

Property

Residential

Construction

Services

TOP 3 IN OUR SECTORS
BEST PERFORMANCE
SECTOR LEADING CUSTOMER EXPERIENCE
BEST PEOPLE

Safety

Profit growth

Shareholder return

Customers

Property

Residential

Construction

Services

TOP 3 IN OUR SECTORS
BEST PERFORMANCE
SECTOR LEADING CUSTOMER EXPERIENCE
BEST PEOPLE
Q&A