<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Speaker</th>
</tr>
</thead>
<tbody>
<tr>
<td>10:30</td>
<td>Corporate update: Trading update and residential overview</td>
<td>Haydn Mursell</td>
</tr>
<tr>
<td></td>
<td>Operations: Mixed tenure market</td>
<td>John Anderson</td>
</tr>
<tr>
<td></td>
<td>Client: Thames Valley Housing Association</td>
<td>Geeta Nanda</td>
</tr>
<tr>
<td></td>
<td>Operations: Kier mixed tenure case studies</td>
<td>Chris King</td>
</tr>
<tr>
<td>12:00</td>
<td>Q&amp;A</td>
<td></td>
</tr>
<tr>
<td>1:00</td>
<td>Lunch</td>
<td></td>
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</tbody>
</table>

Today’s schedule
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Speakers

Haydn Mursell
Chief Executive

John Anderson
Executive Director
Kier Living

Geeta Nanda
Chief Executive
Thames Valley Housing

Chris King
Managing Director
Kier Living Central
Strong group outlook

Trading in line with expectations

- Solid order books
  - 100% visibility for Construction and Services for 2017
- Portfolio simplification progressing
  - Disposal of Mouchel Consulting to WSP Global Inc completed
  - Caribbean closure to conclude by March 2017
- Average net debt expected to be in line with the prior year at £300m (2016: £280m)
  - Reflects proceeds from the sale of Mouchel Consulting
  - Invested £100m since 1 July 2016 in Property and Residential
- On track with Vision 2020 goals
Market-leading positions

With strong long-term fundamentals

- Strategic focus aligned to the UK’s spending priorities
- Relatively unaffected to date by Brexit
- Ready for Government stimulus
  - ‘Shovel ready’ activity
  - Longer-term capital projects
- Autumn statement

<table>
<thead>
<tr>
<th>Leading UK infrastructure player (Kier + MG + Mouchel)</th>
<th>Leading regional builder</th>
<th>Top 3 housing maintenance provider with new build capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>£1.5bn</td>
<td>&gt;£1.5bn</td>
<td>&gt;£600m</td>
</tr>
</tbody>
</table>

Represents >90% of Group turnover
Top three market position

- Leading UK infrastructure player: £1.5bn
- Leading regional builder: >£1.5bn
- Top 3 housing maintenance provider with new build capabilities: £600m

- Residential
  - Mixed Tenure
  - Private Housebuilding
- Services
  - Housing Maintenance
Residential – ahead of target

**Mixed tenure**
- Returns improving as business expands nationally
- Capital available from ‘recycled’ land bank
- Financing structures key - New Communities Partnership

**Private (Kier land)**
- Sales rates and prices in line with prior year

<table>
<thead>
<tr>
<th>V2020 progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY 14</strong></td>
</tr>
<tr>
<td>£240m average capital</td>
</tr>
<tr>
<td>2% ROCE</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY 16 guide</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY 16 actual</strong></td>
</tr>
<tr>
<td>£240m average capital</td>
</tr>
<tr>
<td>7% ROCE</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AHEAD OF V2020 TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>£231m average capital</td>
</tr>
<tr>
<td>9% ROCE</td>
</tr>
</tbody>
</table>
Residential – improving returns

**Mixed tenure**

- **Underlying operating profit (£m)**

- **Return on average capital (ROCE)**

**Private**

- **Underlying operating profit (£m)**

- **Return on average capital (ROCE)**

 FY14 | FY15 | FY16
---|---|---
Underlying operating profit (£m) | 4 | 5 | 6
Return on average capital (ROCE) | 10% | 15% | 20%

 FY14 | FY15 | FY16
---|---|---
Underlying operating profit (£m) | 1 | 2 | 15
Return on average capital (ROCE) | 2% | 5% | 10%
## Residential – positive outlook

<table>
<thead>
<tr>
<th>UK market environment</th>
<th>Mixed tenure</th>
<th>Private (Kier land)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>▪ Shortage of affordable housing</td>
<td>▪ Demand for housing exceeds supply</td>
</tr>
<tr>
<td></td>
<td>▪ Financing structures are key</td>
<td>▪ Good mortgage availability</td>
</tr>
<tr>
<td>Market position</td>
<td>▪ National coverage</td>
<td>▪ Regional focus, not London &amp; SE</td>
</tr>
<tr>
<td></td>
<td>▪ Broad capabilities</td>
<td>▪ Modest sales price range</td>
</tr>
<tr>
<td></td>
<td>▪ New build &amp; maintenance</td>
<td></td>
</tr>
<tr>
<td>Improving margins and capital efficiency</td>
<td>▪ &gt;70% secured for FY17</td>
<td>▪ &gt;50% forward sold for FY17</td>
</tr>
<tr>
<td></td>
<td>▪ &gt;£600m pipeline</td>
<td>▪ Renewal of land bank to service profit growth</td>
</tr>
<tr>
<td></td>
<td>▪ Self sufficient from cash perspective</td>
<td></td>
</tr>
</tbody>
</table>

**Well positioned across all tenures of new build housing**
### Confident in Vision 2020 targets

<table>
<thead>
<tr>
<th>Units</th>
<th>2014</th>
<th>2016</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mixed tenure</td>
<td>450</td>
<td>1,400</td>
<td>2,500-3,000</td>
</tr>
<tr>
<td>Private</td>
<td>600</td>
<td>750</td>
<td>700-800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,050</strong></td>
<td><strong>2,150</strong></td>
<td><strong>c3,500</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average capital employed £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mixed tenure</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>Private</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Return on average capital employed (ROCE) %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mixed tenure</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>Private</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>
## Kier’s mixed tenure model

<table>
<thead>
<tr>
<th>Blended business</th>
<th>Financial targets</th>
<th>Market position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open market sales</td>
<td>Operating margin 10%</td>
<td>Significant HCA, Local authority and Housing Association relationships</td>
</tr>
<tr>
<td>Affordable housing</td>
<td>ROCE &gt;20%</td>
<td>4% market share</td>
</tr>
<tr>
<td>Contracting</td>
<td>Double current volumes by 2020</td>
<td></td>
</tr>
</tbody>
</table>

**Mixed tenure**

**Significant scope for growth**
Unique position

Kier is able to meet the growing national need

- The UK housing market is structurally undersupplied
- Government stimulus is influencing the market
- Kier is well positioned:
  - End-to-end capability
  - Overcome barriers to entry
  - Strong relationships
  - Innovative funding solutions
Housing shortage needs addressing urgently

UK housing completions. Source: DCLG/Knight Frank/Savills
Shift in mixed tenure

- Affordable housing providers disrupted by policy changes
- Cross-subsidise affordable provision with private sales
- Public sector bodies partnering with private sector providers
- Greater capital efficiency
- Supplement traditional income
- Kier completed 4% of the mixed tenure market FY16
  - Scope for growth

Tenure of completed homes 2015/16

- Social rent, 17%
- Affordable rent, 39%
- Market sale, 16%
- Low cost homeownership, 22%
- Intermediate rent, 2%
- Private rent, 5%

DCLG: Housing Association completions 34,820 2015/16
Source: Inside Housing - Tenure of completed homes 2015/16 by top 50 Housing Associations
Government stimulus

Supply & demand stimulus

• **Government target:** 1 million new homes by 2020
  • National Planning Policy Framework. Simplified planning
  • Help to Buy equity loan scheme. 100k homes sold

• **Autumn Statement:**
  • £4.7bn already committed to shared ownership and affordable housing program 2016 - 2021
  • Additional £1.4bn to fund 40,000 new affordable homes of mixed tenure
  • Infrastructure Fund. £2.3bn
  • £2bn ‘accelerated construction’ scheme
  • £1.8bn Local Enterprise Partnerships

• **Housing White Paper** – By year end

Integrated breadth of services

Structured Finance
House building for private sale
House building for shared ownership
House building for affordable rent
Housing maintenance

Private House Builders
Housing Associations (HAs)
Partnership House Builders
Local Authorities (LAs)

INVEST
BUILD
MAINTAIN

KIER
Revenue FY16
£165m
£185m
£250m
# Returns across all tenures

<table>
<thead>
<tr>
<th></th>
<th>Open Market Sale</th>
<th>Mixed Tenure</th>
<th>Contracting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Margins</td>
<td>15-20%</td>
<td>8-10%</td>
<td>2-4%</td>
</tr>
<tr>
<td>Capital</td>
<td>Intensive</td>
<td>Modest</td>
<td>Minimal</td>
</tr>
<tr>
<td>ROCE</td>
<td>15%</td>
<td>&gt;20%</td>
<td>&gt;50%</td>
</tr>
</tbody>
</table>
Fragmented mixed tenure market

Private

Mixed tenure

Housing maintenance
Kier has overcome the barriers to entry

- Regulatory constraints
  - Public land procured through limited frameworks
  - Regulatory demands of public sector land development
- Continuous HCA engagement
- HCA performance monitoring
- Planning process challenging
- Strong relationships from Kier services
- Risk averse debt market
- ....Limiting competition
Joint Ventures unlocking the market

**Funding led model**

**New Communities Partnership**
- £1bn housing fund targeting asset rich but cash poor Local Authorities
- Mixed tenure focus
- 5,000 plots under review since launch

**Land led model**

**Joint Ventures**
- Targeting cash rich but land poor Housing Associations
- Mixed tenure focus
- Three year pipeline of 1,500 units
Extensive reach and relationships

- Three year pipeline >£600m
- In excess of three years supply
- Visibility beyond 2020
- Relationship with 140 of 400 Local Authorities
Industry acknowledgement
Kier is well positioned

UK has a long-standing housing crisis – Government is committed to increase housebuilding

Industry has delivered growth but housing remains structurally undersupplied

Brexit has had minimal impact on demand – monitoring closely

Strong fundamentals;
- banks are lending
- interest rates low
- demand strong

High barriers to entry;
- HCA engagement
- frameworks
- planning

Kier is well positioned to provide the public sector housing requirement

Kier is well placed to become the partner of choice
Thames Valley Housing Association
Geeta Nanda – Chief Executive
TVHA tenure

- General Rented & Other Housing
- Shared Ownership
- Key Worker Loans
- Key Worker NHS
- Leaseholder
- Student Accommodation
- Market & Intermediate Rent
- Fizzy
Where TVHA operate
How housing tenure has changed

Source: CLG & Savills Research
Affordable housing supply profile

Source: Savills
Housing need is huge

- 3.3m 20-34 year olds living at home with parents.
- In 10 years, owner occupation amongst 25-35 year olds has fallen from 59% to 36%.
- 1.4m on social housing waiting list.
- We need homes of all tenures.
What’s happening out there?

The Strugglers
Government landscape

- Rent cuts – 1% a year for 4 years
- Regulatory changes:
  - Freedom to dispose of assets
  - Merger without consent
- Regulatory standards focus on:
  - Governance
  - Viability
- Autumn Statement has given us more money for affordable housing
- Want more homes and cost efficiency
Housing Association response – more market sales

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Tranche Shared Ownership</th>
<th>Properties Developed for Sale</th>
<th>Fixed Asset Sales</th>
<th>Total Revenue as % of Total Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>620</td>
<td>734</td>
<td>940</td>
<td>3.6%</td>
</tr>
<tr>
<td>2015</td>
<td>971</td>
<td>1,405</td>
<td>606</td>
<td>3.9%</td>
</tr>
<tr>
<td>2016</td>
<td>898</td>
<td>1,736</td>
<td>583</td>
<td>4.1%</td>
</tr>
<tr>
<td>2017</td>
<td>638</td>
<td>1,536</td>
<td>538</td>
<td>3.9%</td>
</tr>
<tr>
<td>2018</td>
<td>516</td>
<td>1,470</td>
<td>508</td>
<td>3.8%</td>
</tr>
</tbody>
</table>
TVHA delivery & partnerships – 1,500 per annum
Kier joint venture

**IN**

<table>
<thead>
<tr>
<th>TVHA</th>
<th>Kier Group Plc</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management capability</td>
<td>Construction capability</td>
</tr>
<tr>
<td>PPP track record</td>
<td>PFI track record</td>
</tr>
<tr>
<td>Local landlord presence</td>
<td>Established supply chain</td>
</tr>
<tr>
<td>Financial capacity</td>
<td>Financial capacity</td>
</tr>
<tr>
<td>Long-term appetite</td>
<td>Development appetite</td>
</tr>
<tr>
<td>Patience!</td>
<td></td>
</tr>
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</table>

**OUT**

<table>
<thead>
<tr>
<th>Investment</th>
<th>Learning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social returns</td>
<td>Setting up and operating a JV</td>
</tr>
<tr>
<td>224 social rent</td>
<td>Project finance – Leveraging long-term value</td>
</tr>
<tr>
<td>&gt;75% family homes</td>
<td>Risk management</td>
</tr>
<tr>
<td>Financial returns</td>
<td></td>
</tr>
<tr>
<td>147 market sale</td>
<td></td>
</tr>
<tr>
<td>SPV equity and sub-debt</td>
<td></td>
</tr>
</tbody>
</table>
Case Studies

Chris King – Managing Director, Kier Living Central
Case studies: Silver Court, Brownhills, West Midlands

- Strong long-term relationships with Walsall MBD and Walsall Housing Group
- The 6th in a programme of schemes
- 3.5 ha site, brief to build 101 apartments in 2 blocks and 6 elderly care bungalows
- Masterplan to maximise private sales to deliver best value cross subsidy solution
- Land owned entirely by WHG, no value required for the land receipt
Case studies: Silver Court, Brownhills, West Midlands

- Kier produced a masterplan for 157 new homes
  - 107 for Walsall Housing Group
  - 50 for open market sale
- Surplus market sale proceeds cross subsidise the affordable housing
- Monthly valuations for the balance of affordable housing cost
- Blended operating margin of 10%
- ROCE in excess of 20%
- Significant local employment program
  - Apprentices
  - Local supply chain targets
Case studies: Balaam Wood, Birmingham

- Partnership with Birmingham City Council
- Cleared sink estate in a socially-challenged environment
- Birmingham City Council required a masterplan to maximise affordable housing delivery with no capital outlay
- Utilised our core skills
  - Finding imaginative funding solutions
  - Regeneration and remediation
  - Selling homes in a socially-challenged environment
  - Understanding and working with the local community
Case studies: Balaam Wood, Birmingham

- Kier master-planned 400 new homes
  - 128 affordable homes to Birmingham City Council
  - 272 for open market sale by Kier
  - Affordable housing completely cross subsidised by private sale
- Scheme delivery over 6 years, 2 years early
- ROCE in excess of 20%
- Blended operating margin 9%
- Significant local employment programme
  - 50 new apprentices
  - Local supply chain targets
- Blueprint for further schemes
Kier is uniquely well placed…

…to provide an unrivalled breadth of service

- The UK residential estate is in chronic under-supply
  - Mixed tenure housing development has not kept pace with demand
  - Housing waiting lists will take more than 40 years to clear at current build rates
- Kier can provide an end-to-end solution for our clients
  - Funding, development, building and maintenance
  - Targeting 10% operating margin
Appendix
## Residential performance

<table>
<thead>
<tr>
<th></th>
<th>2016 (£m)</th>
<th>2015 (£m)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mixed tenure</td>
<td>187</td>
<td>115</td>
<td>+63</td>
</tr>
<tr>
<td>Private (Kier owned land)</td>
<td>166</td>
<td>142</td>
<td>+17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>353</td>
<td>257</td>
<td>+37</td>
</tr>
<tr>
<td><strong>Underlying operating profit</strong>¹</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mixed tenure</td>
<td>6.0</td>
<td>4.8</td>
<td>+25</td>
</tr>
<tr>
<td>Private (Kier owned land)</td>
<td>14.3</td>
<td>6.4</td>
<td>+123</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20.3</td>
<td>11.2</td>
<td>+81</td>
</tr>
<tr>
<td><strong>Average capital</strong>²</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mixed tenure</td>
<td>(39)</td>
<td>(43)</td>
<td>-9</td>
</tr>
<tr>
<td>Private (Kier owned land)</td>
<td>(192)</td>
<td>(220)</td>
<td>-13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(231)</td>
<td>(263)</td>
<td>-12</td>
</tr>
<tr>
<td><strong>Return on Average Capital (ROCE)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mixed tenure</td>
<td>15%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Private (Kier owned land)</td>
<td>7%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9%</td>
<td>4%</td>
<td>+5</td>
</tr>
<tr>
<td>Speculative land bank - units</td>
<td>3,279</td>
<td>3,413</td>
<td>-4</td>
</tr>
</tbody>
</table>
Mixed tenure performance

Mixed tenure Completions mix

Profitability

- Affordable
- Open market sales

- Capital Employed £m
- Return on average capital (ROCE) %
Private residential performance

**Completions Kier landbank**

- **Completions legacy land**
- **Completions new land**

**Profitability**

- **Gross margin %**
- **Overhead %**