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Haydn Mursell
Chief Executive
<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
<th>Presenter</th>
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<tbody>
<tr>
<td>11:00</td>
<td>Presentation</td>
<td></td>
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<tr>
<td></td>
<td>Group update</td>
<td>Haydn Mursell, CEO</td>
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<tr>
<td></td>
<td>Assets and Investment</td>
<td>Nigel Turner, Executive Director, Development, Property, Business Services</td>
</tr>
<tr>
<td></td>
<td>Property</td>
<td>Leigh Thomas, Managing Director, Property</td>
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<tr>
<td></td>
<td>Guest speaker</td>
<td>Manny Lewis, Managing Director, Watford Borough Council</td>
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<tr>
<td></td>
<td>Property case studies</td>
<td>Pip Prongué, Managing Director, Property - South</td>
</tr>
<tr>
<td></td>
<td>Site visit housekeeping</td>
<td>Pip Prongué and site team</td>
</tr>
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<td>12:45</td>
<td>Lunch</td>
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<td>14:00</td>
<td>Site visit</td>
<td>Reading Gateway mixed-use development</td>
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<td>Kier Property and Construction teams</td>
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<td>15:30</td>
<td>Return to Reading train station / Madejski stadium</td>
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Kier presenters & guest speaker

Haydn Mursell
Chief Executive

Nigel Turner
Executive Director
Development, Property, Business Services

Leigh Thomas
Managing Director
Property

Manny Lewis
Managing Director
Watford Borough Council

Pip Prongué
Managing Director
Property, South
Trading update

Full-year underlying profit in line with expectations

- Core operations trading in line with expectations
  - Net debt anticipated to be c£150m, at the lower-end of market forecasts
  - Experiencing good organic growth and improved margins
- Portfolio simplification
  - Two-year simplification programme nearing conclusion
  - Funds generated for reinvestment
- Improving order books and pipelines
  - Order books approximately £9bn
  - 85% secured in Construction & Services for 2018
- Strong foundation to deliver growth in 2018
Market-leading positions

Strong long-term fundamentals

Property & Investment

Leading UK infrastructure player

£1.5bn+

Leading regional builder

£1.8bn+

Housing (new build and maintenance)

£600m+

Represents 90% of Group turnover

Invest, Build and Maintain all asset classes
The Property Division

- The integrated benefit
  - Strengthens relationships with local authorities
  - > £100m cross-divisional revenue p.a. generated for the group
- Recipient of free cash flow
  - Discretionary investment
- Value generation
  - In excess of 15%
- Risk managed
  - Predominantly non-speculative approach

<table>
<thead>
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<th></th>
<th>FY14</th>
<th>FY17</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average capital</td>
<td>£70m</td>
<td>c£120m</td>
<td>£200m</td>
</tr>
<tr>
<td>ROCE</td>
<td>&gt;15%</td>
<td>&gt;20%</td>
<td>&gt;15%</td>
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</table>

ON TRACK
Nigel Turner
Executive Director
Development, Property, Business Services
Property division overview

- Occupier-led UK developer
- Focused in areas of strong demand / low supply
- 10 year visibility on pipeline
- Over 50 live schemes
  - Development activity in all sectors: logistics, regional city offices, retail and leisure, mixed-use and student accommodation
- Target £200m capital employed by 2020
- Average scheme value c£50m
Capital recycling

Creating customer value

Capital invested → Capital created → Capital employed → Capital reinvested

Cash from Construction and Services invested into Property and Residential development

£20m - £40m capital increase each year on average
### The Kier offer

<table>
<thead>
<tr>
<th>Building</th>
<th>Infrastructure</th>
<th>Residential</th>
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<tbody>
<tr>
<td>Property and Investment</td>
<td>Property and Investment</td>
<td>Mixed Tenure and Kier Living</td>
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<tr>
<td>Regional Building</td>
<td>Infrastructure</td>
<td>Kier Living</td>
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<tr>
<td>Workplace Services</td>
<td>Highways, Utilities</td>
<td>Housing Maintenance</td>
</tr>
</tbody>
</table>

**Invest**

**Build**

**Maintain**

**£320m of cross-sell revenue over last 3 years**
Breadth of capability

- Balance sheet is a key differentiator
- An enabler to wider Group involvement
- Capability to invest, build and maintain is unique
- Logistics
  - Addleshaw Goddard
  - Saint-Gobain
- Offices
  - BAE Systems
  - Nesta
- Hotels
  - Motel One
  - Premier Inn
- Student Accommodation
  - University of Salford
  - Newcastle University
  - University of Glasgow
- Mixed-use
  - Watford Borough Council
  - Network Rail
- Retail & Leisure
  - The Light
  - Next
  - M&S
  - Toys"R"Us
Top 3 developer in UK commercial occupier market

- Regional capability
- National coverage
- 3 year average ROCE in excess of 20%
- £1.4bn net GDV pipeline

Target minimum 15% ROCE

Development operating profit and ROCE only. Three year average.
Supply opportunities

- Supply remains below long term trend levels
- Local networks identify market opportunities

Source: RICS - Q1 2017: UK Commercial Property Market Survey
Attractive investment class

Property yields vs 10 year Gilt spread remains significant

Suggests property yields will remain attractive in the medium term

Source: Colliers International, IPD, Haver Analytics and Oxford Economics
Supply and demand drive investment returns

Total UK investment volume up 9% yoy to £13bn

Source: JLL 2017

Weight of money / value of Sterling driving average price yields

Source: Savills, Prequin Real Estate
Corporate Responsibility focus

<table>
<thead>
<tr>
<th>People and communities</th>
<th>Environment</th>
<th>Marketplace</th>
<th>Governance</th>
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<tbody>
<tr>
<td>AIR 141</td>
<td>30 by 30</td>
<td>Customer satisfaction 93%</td>
<td>BITC Index 91%</td>
</tr>
<tr>
<td>Employee engagement 60%</td>
<td>All Environment Incidence Rate</td>
<td>Group’s wider offer 30%</td>
<td>Code of Conduct</td>
</tr>
<tr>
<td>Retention at 87%</td>
<td>Innovation</td>
<td>Supply Chain Sustainability School</td>
<td>Leadership Group</td>
</tr>
</tbody>
</table>

We operate in accordance with Group governance principals

Source: Kier Group plc management information and Business in the Community – May 2017
An enabler for Kier Group offering

**Invest**
- Property

**Build**
- Construction

**Maintain**
- Services

- Strong market fundamentals
- Further capital investment
- Minimum 15% ROCE
- A visible pipeline
Leigh Thomas
Managing Director, Property
The Kier Property team

Leigh Thomas
Managing Director

Lee Howard
Finance Director

Kevin Dixon
Managing Director, Joint Ventures

Tom Gilman
Managing Director, North

Pip Prongué
Managing Director, South
Top 3 regional developer

### Market position
- Top 3 in our selected markets
- National coverage – local operator

### Consistent financial delivery
- Strong consistent returns – 3 year average ROCE in excess of 20%
- A predominantly non-speculative developer

### Group wide offer
- Key driver of Group wide offer
- £320m over 3 years cross sold revenue to Group

### Partnerships
- Client satisfaction score of 90%+
- Collaboration and partnership central to delivery - Private and Public sectors
National coverage, local operator

Property presence
Driving strong local knowledge

Current projects
54 current developments nationally
Repeat business

<table>
<thead>
<tr>
<th>Industrial / logistics</th>
<th>Retail / leisure</th>
<th>JVs</th>
<th>Office</th>
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<tr>
<td>TOOLSTATION</td>
<td>COSTA</td>
<td>PENDA Property Partnership</td>
<td>BAE SYSTEMS</td>
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<td>Test Valley Borough Council</td>
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<td>B&amp;Q</td>
<td>GREENE KING</td>
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<td>Wickes</td>
<td>Network Rail</td>
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<td>SCREWFIX</td>
<td>next</td>
<td>WATFORD BOROUGH COUNCIL</td>
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<td>Al-Murad Tiles</td>
<td>Pets at home</td>
<td>Premier Inn</td>
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<td>Priority Plumbing</td>
<td>Greene King</td>
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<td>Edmundson Electrical</td>
<td>KFC</td>
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<tr>
<td>Saint-Gobain</td>
<td>pets at home</td>
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<td>SAINT-GOBAIN</td>
<td>Iceland</td>
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<td>Builders Warehouse</td>
<td>ALDI</td>
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<td>selco</td>
<td>Toys R Us</td>
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<td>KIER</td>
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A flexible investment strategy

- Average capital employed - £120m in 2017
- Sector agnostic
- Occupier-led
- Regionally focused
Kier Property value creation model

- Stages can occur in any order
- Pre-let allows early sale
- Efficient use of Kier capital
- Purchaser funds construction
- £200m of Kier capital can deliver £1.4bn GDV pipeline
Predominantly non-speculative approach

- 58% of capital investment on land either under offer, pre-let or with income
- WAULT* on income is over 3 years with 10%+ income returns
- Land held as trading stock – no requirement to value on a mark to market basis
- Speculative development limited to under 20%

*Weighted average unexpired lease term
Secure ten year pipeline

**Net Pipeline £1.4bn GDV**

- 60+ sites / phases of development
- Over 20% benefits from short-term income – improved ROCE

- 25+ sites / phases of development
- £700m GDV on land with deferred cash terms - improved ROCE
- Insulated from market movement

---

Open market sites acquired – £710m GDV

Long-term public sector JVs

£700m GDV
Guaranteed minimum margin

Development Agreements ordinarily reflect priority distribution of receipts

- Development costs
- Agreed overhead and profit to Kier
- Land value
- Overage agreement / Profit share above base

Traditional model

- MARGIN
- MARGIN
- DEVELOPMENT COSTS
- LAND

Kier model

- LAND
- MARGIN
- DEVELOPMENT COSTS

Public sector JV model
Capital employed

- Net pipeline £1.4bn GDV
- 10 years controlled supply
- 95% secure against Vision 2020 investment
- £180m of additional GDV being in tender
Pipeline visibility

- £1.4bn GDV
- Over 85+ sites
- 40 locations UK wide
- 20-25 disposals per annum
- Limited London exposure
- Profit crystallised upon disposal
- Capital recycled for future investment

Locations may have multiple sites, £ is profit in year from scheme
Conclusion

Top 3 regional developer

- Well managed, risk controlled investment strategy
- Controlled, ten year diverse pipeline
- Robust operational profit & ROCE

Key contributor to Group profits
Local Government context

- Current political climate and impact on Watford
- Central Government – v – Local Government
- Attitude towards private sector partnerships
- Commercial councils encouraging growth
- Public & private sectors working together
What is Watford LABV?

1. Kier / Watford Borough Council
   - A 65 acre brownfield site in West Watford with a GDV of £450m

2. 12 phases of mixed-use development delivering
   - Key Infrastructure
   - Over 750 residential units
   - 300,000 sq ft of commercial development
   - 73,000 sq ft retail

3. Key Stakeholders
   - West Hertfordshire Health Trust / NHS
   - Watford Football Club
   - Network Rail, TfL and LUL
   - Hertfordshire County Council
   - Local Enterprise Partnership
Riverwell – the Vision

To deliver a flexible, sustainable and market facing masterplan providing;

- Transformation of a brownfield site
- High quality homes, creating a new integrated community
- Employment opportunities and regeneration within West Watford
- Enhanced hospital patient, staff and visitor experience through:
  - Improving accessibility to green open space and the river
  - Upgrading car parking facilities
  - Delivering new access roads and infrastructure
  - Providing expansion zones for a renewed hospital
Why a Public/Private Partnership?

Public Sector Drivers

- Brownfield redundant land
  - Land value & revenue generating developments
  - Commercial realism
- Inputs required:
  - Private sector cash
  - Private sector resources & expertise
- Private sector expertise and finance
- Realisation of land value, profit & revenue streams to enable reinvestment and support Council balance sheet
Why a Public/Private Partnership?

Private Sector Drivers

- Access to 20 years of projects/development opportunities
- Long term pipeline visibility – helping to develop a balanced portfolio
- Land as equity not paid for upfront preserve IRRs
- Further development and services opportunities beyond the core project
Watford Riverwell Vision
Added value

**Local Employment:**
16,335 person days of local employment utilised in the delivery of the highway infrastructure project alone

**£31k of support:**
- Princes Trust ‘Get into Construction’ programme - 8 young people (NEET*)
- Dragons Apprentice scheme (schools)
- YMCA support (staff volunteering hours)

**LEP & NHS Central Government Grant**
- Over £15m of interest free loans and government grants to deliver road

**Skills and Training:** 88 days of skills training provided

**Land Value:** Increased land value of zones served by infrastructure

**Hospital Journey Times:** Improved journey times for patients, staff, visitors

* Not in Education, Employment or Training
Inclusive Communities

- Homes that attract a wide range of ages and build diversity
- Sustainable transport and connectivity
- High quality open space attractive to all
- Creation of Community Trusts to maintain and develop communities
Health and Wellbeing

- Streets for people
- Open spaces within the community for all to enjoy
- Ecological benefits

[Images of people walking, cycling, exercising, and enjoying green spaces]
Public/Private Working Together

What are the basic ingredients?

- Communication and mutual trust
- Alignment of objectives
- Director/Executive/Mayoral buy-in to the partnership
- Decision making processes and timescales
- Realistic resource allocation
- Realistic programme expectations
- Joint Stakeholder Management
- Flexibility to manage scheme change
Public/Private Working Together

Unintended benefits

- Improved commercial nous
- Improved commercial confidence
  - Property investment board
  - JV Housing company established
  - Trading company established
- Improved programme management
WATFORD RIVERWELL
Pip Prongué
Managing Director
Property, South
Leeds, 3 Sovereign Square

Capital employed £4m ● Kier Construction value £18m ● >20% ROCE

Urban regeneration ● JV formed ● Pre-let office
Glasgow, Student Accommodation

264 beds ● 100% occupancy by 2nd year ● Capital employed £6m

Kier Construction value £10m ● Development JV
Thurrock, Logistics City & Trade City

Proprietary brand • Capital employed £8m • JV formed

250,000 ft² developed • 50% pre-let by sale • ROCE >20%
Reading Gateway

Land led ● JV formed ● Pre-lets secured

Capital employed £16m ● Kier Construction value £26m ● ROCE > 15%
Reading Gateway plans
Kier Property enhances Group value

Enabler of the Group wide offer

Low risk approach

Consistent returns > 20%

Kier Property on track to meet Vision 2020 targets