

**THIS DOCUMENT AND THE ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 (the “FSMA”) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.**

This document comprises a prospectus relating to Kier Group plc (“**Kier**” or the “**Company**”) prepared in accordance with the Prospectus Rules. This document has been approved by the FCA in accordance with section 85 of the FSMA, will be made available to the public and has been filed with the FCA in accordance with the Prospectus Rules. This document together with the documents incorporated into it by reference (as set out in Part XII of this document) will be made available to the public in accordance with Prospectus Rule 3.2.1 by the same being made available, free of charge, at [www.kier.co.uk](http://www.kier.co.uk) and at the Company’s registered office at Tempsford Hall, Sandy, Bedfordshire SG19 2BD.

If you sell or have sold or have otherwise transferred all of your Shares (other than ex-rights) held in certificated form before 8.00 a.m. (London time) on 5 December 2018 (the “**Ex-Rights Date**”), please send this document, together with any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the United States or any of the Excluded Territories. If you sell or have sold or have otherwise transferred all or some of your Existing Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part III of this document and in the Provisional Allotment Letter.

**The distribution of this document, any other offering or publicity material relating to the Rights Issue and/or any Provisional Allotment Letter and/or the transfer of Nil Paid Rights, Fully Paid Rights and New Shares into jurisdictions other than the United Kingdom, may be restricted by law and therefore persons into whose possession this document and/or accompanying documents comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, subject to certain exceptions, this document, the enclosures and the Provisional Allotment Letter and any other such documents should not be distributed, forwarded to or transmitted in or into the United States or the Excluded Territories.**



## **Kier Group plc**

*(incorporated and registered in England and Wales with registered number 02708030)*

**Proposed 33 for 50 Rights Issue of 64,455,707 Shares at 409 pence each to raise approximately £264 million**

*Sponsor and Joint Bookrunner*  
**Numis Securities Limited**

*Financial Adviser*  
**Rothschild & Co**

*Joint Bookrunner*  
**Peel Hunt LLP**

*Joint Bookrunner*  
**Citigroup Global Markets Limited**

*Joint Bookrunner*  
**Banco Santander, S.A.**

*Joint Bookrunner*  
**HSBC Bank plc**

The Shares are listed on the premium listing segment of the Official List maintained by the FCA and traded on the London Stock Exchange's main market for listed securities. Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. (London time) on 5 December 2018.

**Your attention is drawn to the letter of recommendation from the Chairman which is set out in Part I of this document. Your attention is also drawn to the section headed "Risk Factors" at the beginning of this document, which sets out certain risks and other factors that should be considered by Shareholders when deciding on what action to take in relation to the Rights Issue, and by others when deciding whether or not to purchase Nil Paid Rights, Fully Paid Rights or New Shares.**

The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters will not be registered or qualified for distribution to the public under the securities laws of the United States or any Excluded Territory and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions. There will be no public offer in the United States or any of the Excluded Territories.

Numis Securities Limited ("**Numis**"), Peel Hunt LLP ("**Peel Hunt**") and Rothschild & Co are each authorised and regulated in the United Kingdom by the FCA. Citigroup Global Markets Limited ("**Citi**") and HSBC Bank plc ("**HSBC**") are each authorised in the United Kingdom by the PRA and regulated in the United Kingdom by the PRA and the FCA. Banco Santander, S.A. ("**Santander**" and together with Numis, Peel Hunt, Citi and HSBC, the "**Joint Bookrunners**") is authorised by Bank of Spain and subject to limited regulation in the United Kingdom by the PRA and FCA. Each of the Joint Bookrunners is acting exclusively for the Company and no one else in connection with the Rights Issue and Admission, will not regard any other person (whether or not a recipient of this document) as a client in relation to the Rights Issue or Admission and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, or for providing advice, in relation to the Rights Issue, Admission or any other transaction or arrangement referred to herein.

None of the Joint Bookrunners or Rothschild & Co accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Nil Paid Rights, the Fully Paid Rights, the New Shares, the Provisional Allotment Letter or the Rights Issue. Each of the Joint Bookrunners and Rothschild & Co accordingly disclaim, to the fullest extent permitted by applicable law, all and any liability, whether arising in tort, contract or otherwise, which they might otherwise have in respect of this document or any such statement. No representation or warranty, express or implied, is made by any of the Joint Bookrunners, Rothschild & Co or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this document, and nothing in this document will be relied upon as a promise or representation in this respect, whether or not to the past or future, provided that nothing in this paragraph shall seek to exclude or limit any responsibilities or liabilities which may arise under the FSMA or the regulatory regime established thereunder.

It is expected that Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, those with registered addresses in the United States or the Excluded Territories) will be sent a Provisional Allotment Letter on or about 4 December 2018, and that Qualifying CREST Shareholders (other than, subject to certain exceptions, those with registered addresses in the United States or the Excluded Territories) will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 5 December 2018. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear as soon as practicable after Admission.

The Joint Bookrunners may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Except as required by applicable law or regulation, the Joint Bookrunners do not propose to make any public disclosure in relation to such transactions.

**The latest time and date for acceptance and payment in full for the New Shares by holders of Nil Paid Rights is expected to be 11.00 a.m. on 19 December 2018. The procedures for delivery of the Nil Paid Rights, acceptance and payment are set out in Part III of this document and, for Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, those with registered addresses in the United States or the Excluded Territories) also in the Provisional Allotment Letter. Overseas**

**Shareholders with registered addresses in the United States or the Excluded Territories should refer to paragraph 2.5 of Part III of this document.**

#### **Notice to investors and Shareholders in the United States and Excluded Territories**

The Nil Paid Rights, Fully Paid Rights and the New Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) or under any securities laws of any state or other jurisdiction of the United States and may not be offered or sold directly or indirectly in or into the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States.

The Nil Paid Rights, Fully Paid Rights and the New Shares are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Rights Issue, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights and the New Shares within the United States by any dealer (whether or not participating in the capital raise) may violate the registration requirements of the Securities Act.

Subject to certain exceptions, this document does not constitute an offer of the Nil Paid Rights, the Fully Paid Rights or the New Shares to any person with a registered address, or who is resident or located in the United States or any of the Excluded Territories. The Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered under the relevant laws of any state, province or territory of the United States or any of the Excluded Territories and may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly within the United States or any Excluded Territory except pursuant to an applicable exemption from registration requirements.

#### **Notice to all Investors**

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Shares is prohibited. By accepting delivery of this document, each offeree of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares agrees to the foregoing.

The distribution of this document and/or the Provisional Allotment Letter and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, subject to certain exceptions, such documents should not be distributed, forwarded to or transmitted in or into the United States or the Excluded Territories. The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 2.5 of Part III of this document. No action has been taken by the Company or by the Joint Bookrunners that would permit an offer of the New Shares or rights thereto or possession or distribution of this document or any other offering or publicity material or the Provisional Allotment Letters, the Nil Paid Rights, or the Fully Paid Rights in any jurisdiction where action for that purpose is required, other than in the United Kingdom.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or by the Joint Bookrunners or by Rothschild & Co. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in this document is correct as at any time subsequent to its date.

Without limitation, the contents of the Group’s websites do not form part of this document.

Capitalised terms have the meanings ascribed to them in Part XIII of this document.

#### **Information to Distributors**

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance

Requirements) may otherwise have with respect thereto, the Nil Paid Rights, the Fully Paid Rights and the New Shares have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares may decline and investors could lose all or part of their investment; the Nil Paid Rights, the Fully Paid Rights and the New Shares offer no guaranteed income and no capital protection; and an investment in the Nil Paid Rights, the Fully Paid Rights and/or the New Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the offer of New Shares. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Nil Paid Rights, the Fully Paid Rights and/or the New Shares.

Each Distributor is responsible for undertaking its own Target Market Assessment in respect of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares and determining appropriate distribution channels.

#### **WHERE TO FIND HELP**

Part II of this document answers some of the questions most often asked by shareholders about rights issues. If you have further questions, please call Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m.–5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

This document is dated 30 November 2018.

## TABLE OF CONTENTS

	<u>Page</u>
SUMMARY .....	5
RISK FACTORS .....	21
IMPORTANT INFORMATION .....	36
RIGHTS ISSUE STATISTICS .....	40
EXPECTED TIMETABLE FOR THE RIGHTS ISSUE .....	41
DIRECTORS AND ADVISERS .....	42
PART I—LETTER FROM THE CHAIRMAN OF KIER GROUP PLC .....	44
PART II—QUESTIONS AND ANSWERS ABOUT THE RIGHTS ISSUE .....	50
PART III—TERMS AND CONDITIONS OF THE RIGHTS ISSUE .....	56
PART IV—BUSINESS OVERVIEW .....	79
PART V—OPERATING AND FINANCIAL REVIEW .....	86
PART VI—FINANCIAL STATEMENTS .....	87
PART VII—CAPITALISATION AND INDEBTEDNESS .....	88
PART VIII—UNAUDITED PRO FORMA FINANCIAL INFORMATION .....	90
PART IX—PROFIT FORECAST .....	94
PART X—TAXATION .....	99
PART XI—ADDITIONAL INFORMATION .....	103
PART XII—INFORMATION INCORPORATED BY REFERENCE .....	140
PART XIII—DEFINITIONS .....	142

## SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A–E (A.1–E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary, together with “not applicable”.

### Section A—Introduction and warnings

Annexes and Element		Disclosure requirement
A.1	<b>Introduction and warnings</b>	<p>This summary should be read as an introduction to this document.</p> <p>Any decision to invest in the securities should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Economic Area, have to bear the costs of translating this document before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in the securities.</p>
A.2	<b>Consent by the issuer to the use of the Prospectus for resale or final placement of securities by financial intermediaries</b>	Not applicable. No consent has been given by the Company or any person responsible for drawing up this document to use this document for subsequent sale or placement of securities by financial intermediaries.

### Section B—Issuer

Annex and Element		Disclosure requirement
B.1	<b>Legal and commercial name</b>	Kier Group plc (“ <b>Kier</b> ”, the “ <b>Company</b> ”, and including its subsidiaries and undertakings and, where the context requires, its associated undertakings, the “ <b>Group</b> ”).
B.2	<b>Domicile, legal form, applicable legislation and country of incorporation</b>	The Company is incorporated in England as a public limited company, limited by shares. Its registered office is situated in England and its registered number is 02708030. The principal legislation under which the Company operates is the Companies Act.
B.3	<b>Current operations, principal activities and markets</b>	Kier is a leading infrastructure services, buildings and developments & housing group, operating within a range of sectors, including health, education, defence, transport, energy, power, telecoms and water, and employing approximately 20,000 people. Kier is a member of the FTSE 250 index.

Annex and Element		Disclosure requirement
		<p>Prior to 1 July 2018, Kier reported through four divisions: Property, Residential, Construction and Services. From 1 July 2018, Kier aligned its reporting structure with its market positions, as follows:</p> <ul style="list-style-type: none"> <li>• <i>Infrastructure Services</i>—the Group delivers major UK infrastructure projects, such as Crossrail, the Smart Motorways programme and HS2, together with every-day services, such as those within the highways and utilities sectors. For the financial year ended 30 June 2018, Infrastructure Services’ revenue was approximately £1.7 billion;</li> <li>• <i>Buildings</i>—Kier is the UK’s largest regional builder, providing building, design and facilities management services across a number of sectors, including health and education. For the financial year ended 30 June 2018, Buildings’ revenue was approximately £1.8 billion; and</li> <li>• <i>Developments &amp; Housing</i>—Kier’s Developments business focuses principally on non-speculative schemes across a number of sectors, including the industrial, office and leisure sectors, and its Housing business builds houses for private sale, together with mixed tenure and affordable housing. Kier also provides housing maintenance services.</li> </ul>
B.4a	<b>Significant recent trends</b>	<p>The markets in which Kier operates, in particular in the United Kingdom, have been characterised by a number of structural growth trends. Although macroeconomic or political developments could have an adverse impact on conditions in the UK and other markets in which Kier operates, the Group anticipates these growth trends to continue in the coming years.</p> <p>Demographic changes and technological developments create opportunities for providers of infrastructure services, with long-term investment expected from the UK government so as to support the UK’s economic growth. A series of investment programmes provide good visibility of public expenditure levels across a variety of sectors. Examples include the Roads Investment Strategy (“RIS”), covering the UK’s strategic road network, the rail sector Control Periods (“CP”) and the water sector Asset Management Periods (“AMPs”). The Infrastructure &amp; Projects Authority has forecasted £600 billion in infrastructure spend in the ten years to 2027.</p> <p>Management also expects a variety of economic and other factors to generate growth in the UK market for the construction, maintenance and refurbishment of buildings—in particular, the growing and ageing population in the United Kingdom. These factors are, in turn, expected to create opportunities for the Group, as, for example, more public facilities, including hospitals and schools, are required. Government investment, including in the NHS, is also expected to increase the opportunities for the Group.</p> <p>A number of dynamics continue to influence the UK housing market. Demand currently significantly outweighs supply in many parts of the United Kingdom, with a projected need for approximately 300,000 new houses per annum in England.</p>
B.5	<b>Group structure</b>	<p>Kier was incorporated in 1992 and is the ultimate parent company of the Group, which comprises the Company and its subsidiary undertakings and, where the context requires, its associated undertakings.</p>
B.6	<b>Major Shareholders</b>	<p>Insofar as the Company had been notified under the Disclosure Guidance and Transparency Rules, the names of the persons who, directly or indirectly, have an interest in three per cent. or more of the Company’s issued share capital, and their respective interests, as at 29 November 2018</p>

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	<p>(being the latest practicable date prior to the date of this document) are as follows:</p> <table border="1" data-bbox="563 309 1390 568"> <thead> <tr> <th rowspan="2">Name</th> <th colspan="2">Shares</th> </tr> <tr> <th>No.</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Woodford Investment Management Ltd . . . . .</td> <td>13,797,000</td> <td>14.13</td> </tr> <tr> <td>Standard Life Aberdeen plc . . . . .</td> <td>12,877,834</td> <td>13.19</td> </tr> <tr> <td>BlackRock, Inc . . . . .</td> <td>5,708,753</td> <td>5.85</td> </tr> <tr> <td>Charles Stanley Group plc . . . . .</td> <td>4,889,406</td> <td>5.01</td> </tr> <tr> <td>Brewin Dolphin Limited . . . . .</td> <td>4,882,507</td> <td>5.00</td> </tr> <tr> <td>Rathbone Investment Management Ltd . . . . .</td> <td>4,806,430</td> <td>4.92</td> </tr> </tbody> </table> <p>So far as the Company is aware, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government or any other natural or legal person, severally or jointly.</p> <p>None of the major Shareholders referred to above has different voting rights from other Shareholders.</p> <p>So far as the Company is aware, immediately following the Rights Issue, the interests of those persons set out above with an interest in three per cent. or more of the Company's issued share capital (assuming: (i) full take-up by such persons of their entitlements under the Rights Issue; and (ii) that no options under the Sharesave Scheme are exercised between the date of this document and Admission becoming effective) will be as follows:</p> <table border="1" data-bbox="563 1039 1390 1294"> <thead> <tr> <th rowspan="2">Name</th> <th colspan="2">Shares</th> </tr> <tr> <th>No.</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Woodford Investment Management Ltd . . . . .</td> <td>22,903,020</td> <td>14.13</td> </tr> <tr> <td>Standard Life Aberdeen plc . . . . .</td> <td>21,377,204</td> <td>13.19</td> </tr> <tr> <td>BlackRock, Inc . . . . .</td> <td>9,476,529</td> <td>5.85</td> </tr> <tr> <td>Charles Stanley Group plc . . . . .</td> <td>8,116,413</td> <td>5.01</td> </tr> <tr> <td>Brewin Dolphin Limited . . . . .</td> <td>8,104,961</td> <td>5.00</td> </tr> <tr> <td>Rathbone Investment Management Ltd . . . . .</td> <td>7,978,673</td> <td>4.92</td> </tr> </tbody> </table>	Name	Shares		No.	%	Woodford Investment Management Ltd . . . . .	13,797,000	14.13	Standard Life Aberdeen plc . . . . .	12,877,834	13.19	BlackRock, Inc . . . . .	5,708,753	5.85	Charles Stanley Group plc . . . . .	4,889,406	5.01	Brewin Dolphin Limited . . . . .	4,882,507	5.00	Rathbone Investment Management Ltd . . . . .	4,806,430	4.92	Name	Shares		No.	%	Woodford Investment Management Ltd . . . . .	22,903,020	14.13	Standard Life Aberdeen plc . . . . .	21,377,204	13.19	BlackRock, Inc . . . . .	9,476,529	5.85	Charles Stanley Group plc . . . . .	8,116,413	5.01	Brewin Dolphin Limited . . . . .	8,104,961	5.00	Rathbone Investment Management Ltd . . . . .	7,978,673	4.92
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B.7	<p><b>Selected historical financial information</b></p> <p>The tables below set out the Group's summary financial information for the periods indicated, as reported in accordance with IFRS as adopted by the EU. The consolidated financial information for the Group for the three financial years ended 30 June 2018, 2017 and 2016 has been extracted without material adjustment from the consolidated financial statements included in the Group Annual Report and Accounts for 2018, 2017 and 2016 respectively, except as noted herein. These consolidated financial statements have been incorporated by reference into this document.</p>																																														



Annex and Element	Disclosure requirement				
	<b>Summary Consolidated Income Statement</b>				
	<b>Financial year ended 30 June</b>				
	<b>2018</b>	<b>2017</b>	<b>2017<sup>(1)</sup></b>	<b>2016</b>	<b>2016<sup>(2)</sup></b>
	( <b>£ millions</b> )				
	<b>Revenues</b>				
	Group and share of joint ventures . . . . .				
	4,512.8	4,282.3	4,282.3	4,210.6	4,082.3
	Less share of joint ventures . . . . .				
	(273.2)	(153.5)	(153.5)	(98.3)	(90.9)
	<b>4,239.6</b>	<b>4,128.8</b>	<b>4,128.8</b>	<b>4,112.3</b>	<b>3,991.4</b>
	Cost of sales . . . . .				
	(3,837.7)	(3,840.1)	(3,840.1)	(3,702.0)	(3,635.1)
	<b>401.9</b>	<b>288.7</b>	<b>288.7</b>	<b>410.3</b>	<b>356.3</b>
	Administrative expenses . . . . .				
	(313.7)	(301.9)	(301.9)	(415.4)	(380.5)
	Share of post-tax results of joint ventures . . . . .				
	42.7	25.0	25.0	14.2	14.2
	Profit/(loss) on disposal of joint ventures . . . . .				
	3.5	36.4	(3.6)	2.6	2.6
	<b>134.4</b>	<b>48.2</b>	<b>8.2</b>	<b>11.7</b>	<b>(7.4)</b>
	<b>Profit/(loss) from operations . . . . .</b>				
	0.9	1.8	1.8	0.8	0.8
	Finance income . . . . .				
	(29.1)	(24.2)	(24.2)	(27.9)	(28.3)
	Finance cost . . . . .				
	<b>106.2</b>	<b>25.8</b>	<b>(14.2)</b>	<b>(15.4)</b>	<b>(34.9)</b>
	<b>Profit before tax . . . . .</b>				
	(17.7)	(9.9)	(11.0)	3.6	11.2
	Taxation . . . . .				
	<b>88.5</b>	<b>15.9</b>	<b>(25.2)</b>	<b>(11.8)</b>	<b>(23.7)</b>
	<b>Profit/(loss) for the year from continuing operations . . . . .</b>				
	Notes:				
	(1) The Group's consolidated income statement for the financial year ended 30 June 2017 was presented on a restated basis in the 2018 Annual Report and Accounts, following the Financial Reporting Council's review of the 2017 Annual Report and Accounts, to reclassify within non-underlying operations certain profits and tax credits in relation to the sale of the Mouchel Consulting business and operating results of the Biogen business. The Group's restated consolidated income statement for the financial year ended 30 June 2017 has not been audited.				
	(2) The Group's consolidated income statement for the financial year ended 30 June 2016 was presented on a restated basis in the 2017 Annual Report and Accounts, to reclassify Kier's UK mining operations as continuing operations and the Mouchel Consulting and Biogen businesses as discontinued operations. The Group's restated consolidated income statement for the financial year ended 30 June 2016 has not been audited.				

Annex and Element	Disclosure requirement																																																																																													
	<p><b>Summary Consolidated Balance Sheet</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="4" style="text-align: center; border-bottom: 1px solid black;">As at 30 June</th> </tr> <tr> <th style="text-align: center; border-bottom: 1px solid black;">2018</th> <th style="text-align: center; border-bottom: 1px solid black;">2017</th> <th style="text-align: center; border-bottom: 1px solid black;">2017<sup>(1)</sup></th> <th style="text-align: center; border-bottom: 1px solid black;">2016</th> </tr> <tr> <th colspan="5" style="text-align: center;">(£ millions)</th> </tr> </thead> <tbody> <tr> <td colspan="5"><b>Balance Sheet</b></td> </tr> <tr> <td>Total assets excluding cash . . . . .</td> <td style="text-align: right;">2,477.2</td> <td style="text-align: right;">2,272.2</td> <td style="text-align: right;">2,276.8</td> <td style="text-align: right;">2,282.7</td> </tr> <tr> <td>Liabilities excluding borrowings . . . . .</td> <td style="text-align: right;">(1,688.3)</td> <td style="text-align: right;">(1,650.7)</td> <td style="text-align: right;">(1,655.3)</td> <td style="text-align: right;">(1,612.3)</td> </tr> <tr> <td><b>Net operating assets . . . . .</b></td> <td style="text-align: right;"><b>788.9</b></td> <td style="text-align: right;"><b>621.5</b></td> <td style="text-align: right;"><b>621.5</b></td> <td style="text-align: right;"><b>670.4</b></td> </tr> <tr> <td>Cash, net of borrowings, net of hedge effects . . . . .</td> <td style="text-align: right;">(185.7)</td> <td style="text-align: right;">(110.1)</td> <td style="text-align: right;">(110.1)</td> <td style="text-align: right;">(98.8)</td> </tr> <tr> <td><b>Net assets . . . . .</b></td> <td style="text-align: right;"><b><u>601.1</u></b></td> <td style="text-align: right;"><b><u>511.4</u></b></td> <td style="text-align: right;"><b><u>511.4</u></b></td> <td style="text-align: right;"><b><u>576.1</u></b><sup>(2)</sup></td> </tr> </tbody> </table> <p>Notes:</p> <p>(1) The Group's consolidated balance sheet as at 30 June 2017 was presented on a restated basis in the 2018 Annual Report and Accounts to show pension schemes in surplus and deficit positions separately and to move £17.1 million from current to non-current other receivables. The Group's restated consolidated balance sheet as at 30 June 2017 has not been audited.</p> <p>(2) Including assets held for sale of £4.5 million.</p> <p><b>Summary Consolidated Cash Flow Statement</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="4" style="text-align: center; border-bottom: 1px solid black;">Financial year ended 30 June</th> </tr> <tr> <th style="text-align: center; border-bottom: 1px solid black;">2018</th> <th style="text-align: center; border-bottom: 1px solid black;">2017</th> <th style="text-align: center; border-bottom: 1px solid black;">2017<sup>(1)</sup></th> <th style="text-align: center; border-bottom: 1px solid black;">2016</th> </tr> <tr> <th colspan="5" style="text-align: center;">(£ millions)</th> </tr> </thead> <tbody> <tr> <td colspan="5"><b>Cash flows</b></td> </tr> <tr> <td>Net cash inflow/(outflow) from operating activities . . . . .</td> <td style="text-align: right;">130.3</td> <td style="text-align: right;">149.9</td> <td style="text-align: right;">75.7</td> <td style="text-align: right;">166.4</td> </tr> <tr> <td>Net cash used in investing activities . . . . .</td> <td style="text-align: right;">(106.3)</td> <td style="text-align: right;">(82.1)</td> <td style="text-align: right;">(7.9)</td> <td style="text-align: right;">(53.3)</td> </tr> <tr> <td>Net cash (used in)/generated by financing activities . . . . .</td> <td style="text-align: right;">(191.4)</td> <td style="text-align: right;">246.2</td> <td style="text-align: right;">246.2</td> <td style="text-align: right;">(188.7)</td> </tr> <tr> <td><b>(Decrease)/increase in cash and cash equivalents . . . . .</b></td> <td style="text-align: right;"><b>(167.4)</b></td> <td style="text-align: right;"><b>314.0</b></td> <td style="text-align: right;"><b>314.0</b></td> <td style="text-align: right;"><b>(75.6)</b></td> </tr> <tr> <td>Opening cash and cash equivalents . . . . .</td> <td style="text-align: right;">499.8</td> <td style="text-align: right;">186.7</td> <td style="text-align: right;">186.7</td> <td style="text-align: right;">254.0</td> </tr> <tr> <td>Closing cash and cash equivalents . . . . .</td> <td style="text-align: right;"><b><u>330.9</u></b></td> <td style="text-align: right;"><b><u>499.8</u></b></td> <td style="text-align: right;"><b><u>499.8</u></b></td> <td style="text-align: right;"><b><u>186.7</u></b></td> </tr> </tbody> </table> <p>Note:</p> <p>(1) The Group's consolidated cash flow statement for the financial year ended 30 June 2017 was presented on a restated basis in the 2018 Annual Report and Accounts, to reclassify the proceeds from the sales of the Mouchel Consulting and Biogen businesses as investing activities and to separately classify the profit and return of equity components of dividends from joint ventures in operating and investing activities, respectively. In addition, the profit and return of equity components of dividends from joint ventures have been presented in operating and investing cash flows respectively, to enable the reader to understand the underlying transactions better. The Group's restated consolidated cash flow statement for the financial year ended 30 June 2017 has not been audited.</p> <p><b>Revenue</b></p> <p>Revenue, including from joint ventures, increased by 5.4 per cent. to £4,512.8 million for the financial year ended 30 June 2018, from £4,282.3 million for the financial year ended 30 June 2017. This increase reflected growth across all divisions, with the exception of the Residential division, which remained broadly flat. The increase was primarily due to significant growth in Services revenue, driven by the highways and utilities</p>		As at 30 June				2018	2017	2017 <sup>(1)</sup>	2016	(£ millions)					<b>Balance Sheet</b>					Total assets excluding cash . . . . .	2,477.2	2,272.2	2,276.8	2,282.7	Liabilities excluding borrowings . . . . .	(1,688.3)	(1,650.7)	(1,655.3)	(1,612.3)	<b>Net operating assets . . . . .</b>	<b>788.9</b>	<b>621.5</b>	<b>621.5</b>	<b>670.4</b>	Cash, net of borrowings, net of hedge effects . . . . .	(185.7)	(110.1)	(110.1)	(98.8)	<b>Net assets . . . . .</b>	<b><u>601.1</u></b>	<b><u>511.4</u></b>	<b><u>511.4</u></b>	<b><u>576.1</u></b> <sup>(2)</sup>		Financial year ended 30 June				2018	2017	2017 <sup>(1)</sup>	2016	(£ millions)					<b>Cash flows</b>					Net cash inflow/(outflow) from operating activities . . . . .	130.3	149.9	75.7	166.4	Net cash used in investing activities . . . . .	(106.3)	(82.1)	(7.9)	(53.3)	Net cash (used in)/generated by financing activities . . . . .	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Annex and Element	Disclosure requirement
	<p>businesses, underpinned by the acquisition of McNicholas. Kier also experienced growth in underlying Property and Construction revenue.</p> <p>Revenue, including from joint ventures, increased by 4.9 per cent. to £4,282.3 million for the financial year ended 30 June 2017, from £4,082.3 million for the financial year ended 30 June 2016. This growth was driven by an increase in underlying Construction revenue, in part due to building activities in the UK and a number of major public sector projects.</p> <p><b><i>Profit/(loss) from Operations</i></b></p> <p>Profit from operations, including the Group's share of joint venture profits, increased to £134.4 million for the financial year ended 30 June 2018, from £8.2 million for the financial year ended 30 June 2017. The increase in operating profit reflected a significant reduction in non-underlying items between the two years, following completion of the two-year portfolio simplification programme, as well as the underlying performance of the Group.</p> <p>Profit from operations, including the Group's share of joint ventures' profits, increased to £8.2 million for the financial year ended 30 June 2017, from a loss from operations of £7.4 million for the financial year ended 30 June 2016. The growth in profit from operations reflected a reduction in non-underlying losses between the two years, largely following the completion of the integration of the Mouchel acquisition, as well as the underlying performance of the Group.</p> <p><b><i>Net Assets</i></b></p> <p>Total net assets at 30 June 2018 increased by 17.5 per cent. to £601.1 million, compared to £511.4 million as at 30 June 2017, and included intangible assets of £862.2 million (compared to £802.8 million as at 30 June 2017). The increase in net assets was primarily due to growth in Kier's total assets excluding cash, as a result of the acquisition of McNicholas during the year ended 30 June 2018, and the net reduction in pension scheme liabilities. The increase in intangible assets was primarily due to an increase in goodwill and intangible contract rights following the McNicholas acquisition.</p> <p>Total net assets at 30 June 2017 decreased by 11.2 per cent. to £511.4 million, from £576.1 million as at 30 June 2016, and included intangible assets of £802.8 million (compared to £794.6 million as at 30 June 2016). The decrease in total net assets from 30 June 2016 to 30 June 2017 was primarily due to an increase in liabilities (excluding borrowings) and stability in total assets (excluding cash).</p> <p><b><i>No significant change</i></b></p> <p>Other than as described above, and save for the increase in net debt from £185.7 million as at 30 June 2018 to approximately £624 million as at 31 October 2018, there has been no significant change in the financial condition and operating results of the Group during the financial years ended 30 June 2018, 2017 and 2016 or since 30 June 2018.</p>
B.8	<p><b>Key pro forma financial information</b></p> <p>The unaudited pro forma financial information set out below (comprising an unaudited pro forma statement of net assets) has been prepared on a voluntary basis in accordance with Annex II to the PD Regulation to illustrate the effect of the Rights Issue on the Group's net assets at 30 June 2018 as if the foregoing had occurred on 30 June 2018.</p>

Annex and Element	Disclosure requirement																																																																																																																																																																				
	<p>The unaudited pro forma statement of net assets: (i) is based on the consolidated financial information as at 30 June 2018; (ii) is compiled on the basis set out in the notes below and in accordance with the accounting policies adopted by the Group for the year ended 30 June 2018; (iii) does not constitute financial statements within the meaning of section 434 of the Companies Act; (iv) has been produced for illustrative purposes only; and (v) because of its nature addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.</p> <p><b>Unaudited Pro Forma Net Assets Statement at 30 June 2018</b></p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">As at 30 June 2018<sup>(1)</sup></th> <th style="text-align: right;">Rights Issue<sup>(2)</sup></th> <th style="text-align: right;">Pro Forma<sup>(3)(4)</sup></th> </tr> <tr> <th></th> <th></th> <th style="text-align: right;">(unaudited) (£ millions)</th> 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style="text-align: right;"><b>249.6</b></td> <td style="text-align: right;"><b>850.7</b></td> </tr> </tbody> </table> <p>Notes:</p> <p>(1) The information in this column has been extracted without adjustment from the Group's audited consolidated financial statements for the year ended 30 June 2018, which have been incorporated by reference into this document.</p> <p>(2) Reflects the net proceeds of the Rights Issue of £249.6 million (being gross proceeds of £263.6 million less estimated fees, costs and expenses relating to the Rights Issue of £14.0 million, including VAT). The Group has a revolving credit facility of £670.0 million, due for renewal in July 2022, of which £255.8 million was drawn as at 30 June 2018. The Board intends to use the net proceeds of the Rights Issue to pay down part of the balance drawn under the revolving credit facility.</p>		As at 30 June 2018 <sup>(1)</sup>	Rights Issue <sup>(2)</sup>	Pro Forma <sup>(3)(4)</sup>			(unaudited) (£ millions)		<b>Assets</b>				<b>Non-current assets</b>				Intangible assets	862.2	—	862.2	Property, plant and equipment	91.6	—	91.6	Investments in joint ventures	226.1	—	226.1	Deferred tax assets	0.0	—	0.0	Trade and other receivables	49.2	—	49.2	Retirement benefit assets	39.5	—	39.5	<b>Non-current assets</b>	<b>1,268.6</b>	<b>—</b>	<b>1,268.6</b>	<b>Current assets</b>				Inventories	575.0	—	575.0	Trade and other receivables	603.0	—	603.0	Corporation tax receivable	15.4	—	15.4	Other financial assets	15.2	—	15.2	Cash and cash equivalents	330.9	—	330.9	<b>Current assets</b>	<b>1,539.5</b>	<b>—</b>	<b>1,539.5</b>	Assets held for sale as part of a disposal group	1.3	—	1.3	<b>Total assets</b>	<b>2,809.4</b>	<b>—</b>	<b>2,809.4</b>	<b>Liabilities</b>				<b>Current liabilities</b>				Borrowings	(12.0)	—	(12.0)	Finance lease obligations	(4.0)	—	(4.0)	Other financial liabilities	—	—	—	Trade and other payables	(1,526.8)	—	(1,526.8)	Corporation tax payable	—	—	—	Provisions	(15.4)	—	(15.4)	<b>Current liabilities</b>	<b>(1,558.2)</b>	<b>—</b>	<b>(1,558.2)</b>	Liabilities held for sale as part of a disposal group	(3.4)	—	(3.4)	<b>Non-current liabilities</b>				Borrowings	(524.9)	249.6	(275.3)	Finance lease obligations	(3.1)	—	(3.1)	Other financial liabilities	—	—	—	Trade and other payables	(24.2)	—	(24.2)	Retirement benefit obligations	(31.6)	—	(31.6)	Provisions	(52.1)	—	(52.1)	Deferred tax liability	(10.8)	—	(10.8)	<b>Non-current liabilities</b>	<b>(646.7)</b>	<b>249.6</b>	<b>(397.1)</b>	<b>Total liabilities</b>	<b>(2,208.3)</b>	<b>249.6</b>	<b>(1,958.7)</b>	<b>Net assets</b>	<b>601.1</b>	<b>249.6</b>	<b>850.7</b>
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Annex and Element	Disclosure requirement
	<p>(3) No adjustment has been made to reflect the trading results of the Group since 30 June 2018.</p> <p>(4) Had the Rights Issue taken place as at the last balance sheet date, being 30 June 2018, the Group's pro forma net debt would have been £63.9 million net cash. This represents £185.7 million of net debt as at 30 June 2018 plus the impact of the net proceeds of the Rights Issue detailed in note (2) above.</p>
B.9	<p><b>Profit forecast or estimate</b></p> <p><b>General</b></p> <p>On 10 October 2018, the Group published its 2018 Annual Report and Accounts. Page 17 of the 2018 Annual Report and Accounts included a table confirming that the Group was on target to deliver one of the key targets of Vision 2020, being average annual operating profit growth of in excess of 10 per cent. to the financial year ending 30 June 2020.</p> <p>In addition, on page 3 of the Company's preliminary results announcement of 20 September 2018, the Group stated the following in respect of the Future Proofing Kier ("FPK") programme: "Action taken during FY19 will deliver annual profit and cash flow improvements of at least £20m in FY20, representing at least 10 per cent. of profit from operations."</p> <p>Taken together, the table in the 2018 Annual Report and Accounts and the statement in the 2018 preliminary results announcement set a profit target or forecast for the financial year ending 30 June 2020, which the Directors would like to clarify, as follows:</p> <p>"The Directors believe that, taking into account expected benefits to be achieved from the FPK programme, and before any disposals, the underlying operating profit for the financial year ending 30 June 2020 (the "<b>Profit Forecast Period</b>") will be £200 million, with a potential positive or negative variance of £20 million" (the "<b>Profit Forecast</b>").</p> <p>The Profit Forecast does not reflect the disposal of the Group's interest in KHSA Limited to Downer Group, the terms of which were announced on 15 November 2018. As at the date of this document, completion of the disposal has not occurred.</p> <p>Underlying operating profit is defined as "statutory operating profit from continuing operations before exceptional items, including costs relating to restructuring, acquisitions and business closures, amortisation of intangible contract rights and the unwinding of the discount in respect of deferred consideration and fair value adjustments made on acquisition".</p> <p>The Company launched Vision 2020 in 2014. To date, the Company has delivered its objective of "double digit" growth in profitability. In July 2018, the Group announced the launch of the FPK programme to streamline the business, drive operational efficiencies to improve customer and client service, improve profitability and cash generation, accelerate the reduction in net debt and dispose of non-core operations. The targeted annual profit improvement from the FPK programme is a component of the Profit Forecast.</p> <p>In light of, amongst other factors, the current challenging trading conditions in the construction and related sectors and the current uncertain macroeconomic and political environment, as well as the Profit Forecast relating to a financial period that has not commenced, the Directors believe it to be prudent for the Profit Forecast to be presented as a range and for it to include a contingency with respect to the lower end of the range to cover a reasonable range of risks that may materialise and have an impact on the Profit Forecast.</p>

Annex and Element	Disclosure requirement
	<p><b><i>Basis of preparation</i></b></p> <p>The basis of accounting used for the Profit Forecast is consistent with the Group’s accounting policies, which are in accordance with IFRS as adopted by the EU, and are those which will be applied in preparing the Group’s financial statements for the year ending 30 June 2019. These policies differ from the accounting policies used by the Group for the purposes of its financial statements for the year ended 30 June 2018 with respect to the adoption of IFRS 9 (financial instruments) and IFRS 15 (revenue from contracts with customers), which the Group adopted with effect from 1 July 2018. For further information about the effect of IFRS 9 and IFRS 15 on the Group’s financial statements, please see “Adoption of new accounting standards could impact on Kier’s financial statements” on page 32.</p> <p>The Profit Forecast is based on the Group’s forecast for the financial period ending 30 June 2020.</p> <p>While the Profit Forecast assumes that no disposals take place during the Profit Forecast Period, the Group intends to seek to dispose of a number of businesses that are not core to its future strategy. If any of these proposed disposals were to complete during the Profit Forecast Period, there would be a reduction or an increase in the Group’s profits for the Profit Forecast Period (as compared with the Profit Forecast) and there can be no guarantee or assurance as to the level of any such reduction or increase, which may be material.</p> <p>The Directors have prepared the Profit Forecast on the basis referred to above and the assumptions set out below. The Profit Forecast is inherently uncertain in light of the Profit Forecast Period not being the Group’s current financial year and there can be no guarantee or assurance that any of the factors listed or referred to below under ‘Assumptions’ will not occur and/or, if they do, their effect on the Group’s results of operations, financial condition or financial performance, which may be material. The Profit Forecast should therefore be read in this context and construed accordingly.</p> <p><b><i>Assumptions</i></b></p> <p>In preparing the Profit Forecast, the Directors have assumed that there will be:</p> <p><b><i>Factors outside the influence or control of the Directors</i></b></p> <ul style="list-style-type: none"> <li>• No changes in market conditions (including, without limitation, in relation to client or customer demand or the competitive environment) which are material in the context of the Profit Forecast;</li> <li>• No changes in market conditions within the property and residential sectors (including, without limitation, in relation to customer demand, pricing, market values, rental yields or the competitive environment) which are material in the context of the Profit Forecast;</li> <li>• No changes in the political and/or economic environment (including following the United Kingdom’s exit from the European Union) which are material in the context of the Profit Forecast;</li> <li>• No changes in expenditure by local and central government (including, without limitation, in relation to the highways, rail and utilities services sectors) which are material in the context of the Profit Forecast;</li> <li>• No change in general sentiment towards the Group and/or its operations which has an impact on the Group which is material in the context of the Profit Forecast;</li> </ul>

Annex and Element	Disclosure requirement
	<ul style="list-style-type: none"> <li>• No changes with respect to the Group’s obligations to its clients, customers or supply-chain or the winning of new work, the resolution of contract claims or disputes or the retention of key management, which are material in the context of the Profit Forecast, as a result of the announcement of the Rights Issue;</li> <li>• No business disruptions affect the Group, its clients, customers, supply-chain or other stakeholders (including, without limitation, natural disasters, severe adverse weather, acts of terrorism, cyber-attacks, labour strikes or technological issues) which are material in the context of the Profit Forecast;</li> <li>• No changes in legislation or regulatory requirements relating to the Group or the legislative or regulatory environment within which the Group, or a material part of it, operates which are material in the context of the Profit Forecast;</li> <li>• No changes in the cost of the supply-chain to the Group (for example, as a result of changes in the cost of raw materials or the availability of labour) and/or the Group’s labour costs (including pension and other post-retirement benefits), which in either case are material in the context of the Profit Forecast;</li> <li>• No changes in the accounting standards or policies which were used for the Profit Forecast which are material in the context of the Profit Forecast;</li> <li>• No reduction in the Group’s bonding facilities or arrangements, or its access to external financing, which is material in the context of the Profit Forecast;</li> <li>• No change in exchange rates compared with those assumed in the Profit Forecast;</li> <li>• No change in inflation, interest or tax rates in the Group’s markets compared with those assumed in the Profit Forecast;</li> <li>• No event occurs that has a material adverse effect on the Group’s results of operations, financial condition or financial performance;</li> <li>• No issues arise in respect of the Group’s contracts which are material in the context of the Profit Forecast, beyond those reflected in the Profit Forecast;</li> <li>• No findings from the CRRT review of the Group’s 2017 Annual Report and Accounts which have an impact which is material in the context of the Profit Forecast; and</li> <li>• No change in control of the Company.</li> </ul> <p><i>Factors within the influence or control of the Directors</i></p> <p>In preparing the Profit Forecast, the Directors have also assumed that there will be:</p> <ul style="list-style-type: none"> <li>• The Group continues to win new work, including contract extensions, substantially as the Directors would reasonably expect based on the Group’s past performance in relation to winning new work;</li> <li>• No deterioration in the Group’s relationships with clients or customers which is material in the context of the Profit Forecast;</li> <li>• The Group does not experience any health and safety issues which are material in the context of the Profit Forecast;</li> </ul>

Annex and Element		Disclosure requirement
		<ul style="list-style-type: none"> <li>No delays in project programmes, contract losses or adverse performance on the Group's projects which are material in the context of the Profit Forecast;</li> <li>The Group does not make any acquisitions or disposals which are material in the context of the Profit Forecast;</li> <li>The benefits of the FPK programme which are forecast to be realised within the Profit Forecast Period are realised;</li> <li>No change in the management of the Group which is material in the context of the Profit Forecast;</li> <li>No change to Vision 2020 which is material in the context of the Profit Forecast; and</li> <li>The level of contract-related provisions and the assessment of recoveries on contracts which are reflected in the accounting records on which the Profit Forecast is based adequately cover the future losses and recoveries, respectively, under the relevant contracts.</li> </ul>
B.10	<b>Qualifications in the audit report on the historical financial information</b>	Not applicable. There are no qualifications to the accountants' reports on the historical financial information of the Company.
B.11	<b>Insufficient working capital</b>	Not applicable. The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Group, the Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this document.

### Section C—Shares

Annexes and Element		Disclosure requirement
C.1	<b>Type and class of securities</b>	<p>The Rights Issue is being made to all Shareholders on the register of members of the Company at close of business on 30 November 2018 (the "<b>Record Date</b>"). Pursuant to the Rights Issue, the Company is proposing to offer 64,455,707 New Shares to Qualifying Shareholders at 409 pence per New Share. Each New Share is expected to be issued at a premium of 408 pence to its nominal value of 1p. When admitted to trading, the New Shares will be registered with ISIN number GB0004915632 and SEDOL number 0491563.</p> <p>The ISIN for the Nil Paid Rights is GB00BYWQMX03 and the ISIN for the Fully Paid Rights is GB00BYWQMY10.</p>
C.2	<b>Currency</b>	Pounds sterling.
C.3	<b>Issued share capital</b>	On 29 November 2018 (being the latest practicable date prior to the publication of this document), the Company had 97,660,163 Shares of 1 pence each (fully paid) and the nominal share capital of the Company amounted to £976,602.
C.4	<b>Rights attaching to the New Shares</b>	The New Shares will, when issued and fully paid, rank equally in all respects with the Existing Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of issue of the New Shares.



Annexes and Element		Disclosure requirement
C.5	<b>Restrictions on transfer</b>	There are no restrictions on the free transferability of the Shares.
C.6	<b>Admission</b>	Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective on 5 December 2018 and that dealings on the London Stock Exchange in New Shares (nil paid) will commence as soon as practicable after 8.00 a.m. on that date.
C.7	<b>Dividends and dividend policy</b>	<p>On 20 September 2018, the board of directors of the Company (the "Board") announced its intention to recommend a final dividend of 46.0 pence per Share, which was approved by Shareholders at the Company's Annual General Meeting on 16 November 2018. The final dividend will be paid on 3 December 2018 to Shareholders on the register at close of business on 28 September 2018. Shareholders were offered the opportunity to reinvest the dividend payment to purchase additional Shares in the Company. An interim dividend of 23.0 pence per Share was paid to Shareholders on 18 May 2018. The total dividend for the year ended 30 June 2018 was therefore 69.0 pence per Share.</p> <p>The Company has been building its dividend cover towards a 2.0x cover target, in line with its Vision 2020 strategy. Following the Rights Issue, the Company will adopt a dividend policy which takes into account the Company's earnings, balance sheet and future investment plans and target dividend cover of approximately 5.0x underlying earnings per Share in the financial year ending 30 June 2019 and, thereafter, dividend cover of approximately 2.5x underlying earnings per Share.</p>

#### Section D—Risks

Annexes Element		Disclosure requirement
D.1	<b>Key information on the key risks that are specific to the Company</b>	<p><b><i>Risks relating to the business and industries in which the Group operates</i></b></p> <ul style="list-style-type: none"> <li>• The Group derives the significant majority of its revenue from the UK and this is expected to continue to be the case in the immediate future. The Group will, therefore, continue to be exposed to the impact of global and local economic conditions affecting the UK and may be adversely affected if the UK's economy deteriorates. The Group has operations in the Middle East, and these operations are subject to political and economic developments in the geographical region.</li> <li>• The Group operates in highly competitive markets in which contractors, service providers and suppliers typically compete for new work through a process of competitive tendering or bilateral negotiation. A failure by the Group to compete effectively could have a material adverse effect on its business, financial condition and results of operations.</li> <li>• The Group derives a substantial proportion of its revenues from contracts with the UK government, its agencies and other public sector bodies. The loss, expiration, suspension, cancellation or termination of any potential, current or future contracts, the failure to meet the necessary eligibility standards to contract with any such customer or the loss of reputation by the Group (including as a result of loss of reputation by other outsourcing service providers or service providers</li> </ul>

Annexes Element		Disclosure requirement
		<p>generally) could have a material adverse effect on the Group's business, financial condition and results of operations.</p> <ul style="list-style-type: none"> <li>• The Group may face risks arising from any deterioration in funding markets or access to liquidity or bonding arrangements. Political, market or lender sentiment may affect the Group's access to funding on terms it considers to be attractive or appropriate, or at all. Any failure to maintain, renew or refinance or otherwise retain access to these or similar facilities or arrangements could materially and adversely affect the Group's operations or its ability to make future acquisitions or investments for future growth.</li> <li>• The Group may not be successful in the implementation of its strategic objectives or the delivery of the FPK programme. If the Group does not successfully implement the FPK programme or the programme does not realise the forecast benefits or it takes longer than anticipated to do so or if the Group is required to spend more to realise the forecast benefits, this could have a material adverse effect on the Group's business, financial condition and results of operations.</li> <li>• The Group carries out a significant number of contracts annually and the work for which it tenders is often complex and long-term. If the Group does not adequately price risks, accurately forecast a project's programme or accurately assess or estimate the revenues or costs on a particular contract or obtain recoveries from third parties (whether in a timely manner or at all) or a project is or becomes subject to delay, then profits may be lower than anticipated or a loss may be incurred on the contract or project. If risks are over-priced, the Group may be unsuccessful in securing new contract awards, which may materially and adversely affect its future order books, revenue and profit and, therefore, its business and results of operations.</li> <li>• Failure to successfully defend claims made by customers, suppliers or sub contractors, or failure to recover adequately on claims made against customers, suppliers or sub contractors, could materially adversely affect the Group's business, financial condition and results of operations.</li> </ul>
D.3	<b>Key information on the key risks specific to the Shares</b>	<ul style="list-style-type: none"> <li>• The market price of the Nil Paid Rights, the Fully Paid Rights and the Shares could be subject to significant fluctuations.</li> <li>• A trading market for the New Shares, the Nil Paid Rights, or Fully Paid Rights may not develop.</li> <li>• Shareholders who do not (or are not permitted to) take up their Nil Paid Rights may not receive compensation for their Nil Paid Rights and may be subject to a dilution of ownership of their Shares upon the issue of the New Shares.</li> </ul>

## Section E—Offer

Annexes and Element		Disclosure requirement
E.1	<b>Net proceeds and costs</b>	The net proceeds of the Rights Issue will be approximately £250 million (net of fees, costs and expenses). The total fees, costs and expenses payable by the Company in connection with the Rights Issue will be approximately £14 million (including VAT). No fees, costs or expenses will be charged by the Company to subscribers of the New Shares.
E.2a	<b>Reasons for the Rights Issue and use of proceeds</b>	<p>The Board believes that the risks associated with the Group's net debt position have recently increased for the following reasons:</p> <ul style="list-style-type: none"> <li>• although the majority of the Group's banking facilities are committed until 2022, a number of lenders have indicated an intention to reduce their exposure to the construction and related sectors, which may affect the confidence of other credit providers and liquidity in the medium term and may also have an impact on access to uncommitted facilities and/or future financings;</li> <li>• potential clients and customers are increasingly focusing on service providers' balance sheets, resulting in procurement processes becoming increasingly rigorous and automated; and</li> <li>• the increasing pressure from stakeholders to shorten supply chain payment terms.</li> </ul> <p>The Rights Issue is expected to mitigate these risks, whilst also allowing the Company to accelerate its debt reduction programme and increase the strength of its balance sheet.</p> <p>The Company reported net debt as at 30 June 2018 of £185.7 million. The Group also reported average month-end net debt for the year ended 30 June 2018 of £375 million and calculated its average daily net debt for the year to be approximately £90 million higher. The average value of the assets in the Group's Property and Residential divisions during the year ended 30 June 2018 was approximately £460 million on a cost basis, although the Directors believe that the value of these assets is higher. The Group's net debt as at 31 October 2018 was approximately £624 million.</p> <p>The net proceeds of the Rights Issue of approximately £250 million will enable the Group to accelerate its net debt reduction programme announced on 20 September 2018, allowing it to forecast a net cash position as at 30 June 2019 and to target an annualised average net debt:EBITDA ratio of less than 1x.</p> <p>The net proceeds will be used to pay down part of the balance drawn under the Group's revolving credit facility. The Group may draw additional amounts from the revolving credit facility in the future for working capital purposes (including to make payments to the supply chain).</p>
E.3	<b>Terms and conditions of the Rights Issue</b>	<p>Pursuant to the Rights Issue, the Company is proposing to offer 64,455,707 New Shares to Qualifying Shareholders. The offer is to be made at 409 pence per New Share, payable in full on acceptance by no later than 11.00 a.m. on 19 December 2018. The Rights Issue is expected to raise approximately £250 million (net of fees, costs and expenses). The Issue Price represents a 34 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 752.5 pence per Share on 29 November 2018 (being the last Business Day before the announcement of the terms of the Rights Issue).</p> <p>The Rights Issue will be made on the basis of:</p>

Annexes and Element	Disclosure requirement
	<p><b>33 New Shares at 409 pence per New Share for every 50 Existing Shares</b></p> <p>held by Qualifying Shareholders at the Record Date.</p> <p>Entitlements to New Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and issued into the market for the benefit of the Company. Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.</p> <p>The Rights Issue is fully underwritten by the Joint Bookrunners on the terms and subject to the conditions of the Underwriting Agreement.</p> <p>The Rights Issue will result in 64,455,707 New Shares being issued (representing approximately 66 per cent. of the existing issued share capital and 40 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue, assuming that no options under the Sharesave Scheme are exercised between 29 November 2018 (being the latest practicable date prior to the date of this document) and Admission becoming effective).</p> <p>The Rights Issue is conditional, <i>inter alia</i>, upon:</p> <ul style="list-style-type: none"> <li>(i) the Underwriting Agreement having become unconditional in all respects, save for the condition relating to Admission, and not having been terminated in accordance with its terms before Admission occurs; and</li> <li>(ii) Admission having become effective by not later than 8.00 a.m. on 5 December 2018 (or such later time and/or date as the Joint Bookrunners and Kier may agree, not being later than 3.00 p.m. on 5 December 2018).</li> </ul> <p>The New Shares, when issued and fully paid, will rank <i>pari passu</i> in all respects with the Existing Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Shares. Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. on 5 December 2018.</p>
E.4	<p><b>Material interests</b></p> <p>Not applicable. There are no interests, including conflicting interests, which are material to the Rights Issue, other than those disclosed in B.6 above.</p>
E.5	<p><b>Name of offeror</b></p> <p>Kier Group plc.</p> <p><b>Details of lock-up arrangements</b></p> <p>Pursuant to the Underwriting Agreement, Kier has undertaken (subject to certain exceptions) not to offer, issue or grant any rights over any Shares or related securities for a period ending 180 days after the date on which dealings in the New Shares, fully paid, commence on the London Stock Exchange's main market for listed securities.</p>
E.6	<p><b>Dilution</b></p> <p>Qualifying Shareholders who do not take up their entitlements to New Shares will have their proportionate shareholding in the Company diluted by approximately 40 per cent. as a result of the Rights Issue.</p>

Annexes and Element		Disclosure requirement
E.7	<b>Estimated expenses charged to the investor</b>	No fees, costs or expenses of the Rights Issue will be directly charged to Shareholders, except in the following circumstance. Any Qualifying Non-CREST Shareholder who is an individual whose registered address is in the United Kingdom or in any other jurisdiction in the EEA may elect to sell all of their Nil Paid Rights, or effect a Cashless Take-up, using the Special Dealing Service. Link Asset Services will charge a commission of 0.5 per cent. of the gross proceeds of sale of the Nil Paid Rights which are the subject of the sale, subject to a minimum of £20 per holding.

## RISK FACTORS

*The Rights Issue and any investment in the New Shares are subject to a number of risks. Accordingly, prospective investors and Shareholders should carefully consider the factors and risks associated with any investment in the New Shares, Kier and the industry in which it operates, together with all other information contained or incorporated by reference into this document, including, in particular, the risk factors described below, and their personal circumstances prior to making any investment decision. Some of the following factors relate principally to the Group's business; other factors relate principally to the Rights Issue. The business, operating results, financial condition and prospects of Kier could be materially and adversely affected by any of the risks described below. In such case, the market price of the New Shares may decline and investors may lose all or part of their investment.*

*Prospective investors and Shareholders should note that the risks relating to Kier and the industry in which it operates and the risks relating to the New Shares summarised in the section of this document headed "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor or Shareholder of whether to invest in the New Shares. However, prospective investors and Shareholders should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.*

*The following is not an exhaustive list or explanation of all risks which investors and Shareholders may face when making an investment in the New Shares and should be used as guidance only. Additional risks and uncertainties relating to Kier that are not currently known to the Directors or the Company, or that they currently deem or it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, financial condition and results of operations and, if any such risk should occur, the price of the New Shares may decline and prospective investors and Shareholders could lose all or part of their investment. Prospective investors and Shareholders should consider carefully whether an investment in the New Shares is suitable for them in the light of the information in this document and their personal circumstances.*

*None of the statements made in the risk factors that follow in any way qualify the Company's working capital statement contained in paragraph 18 of Part XI of this document.*

### **Risks relating to the business and industries in which the Group operates**

#### ***Global economic conditions or other macroeconomic or political developments in the geographic regions and markets in which the Group operates may adversely affect its business, financial condition and results of operations.***

The Group derives the significant majority of its revenue from the UK and this is expected to continue to be the case in the immediate future. The Group will, therefore, continue to be exposed to the impact of global and local economic conditions affecting the UK and may be adversely affected if the UK's economy deteriorates.

A significant change in the UK political landscape may result in a less favourable climate for private sector companies providing services to the public sector. Such a change may see public sector bodies "in-source" or nationalise certain assets or contracts. The Group undertakes a significant volume of work for public sector bodies; it may therefore be materially and adversely affected by any significant movements in the UK political landscape.

In particular, the Group faces risks arising from the June 2016 UK referendum in which British citizens voted in favour of an exit from the European Union, commonly referred to as "Brexit". As a result of the referendum, the UK government is currently negotiating the terms of the UK's future relationship with the EU. The effects of Brexit will depend on the definitive agreement (if any) between the UK and the EU, whether transitional or permanent. Although the legal basis of Brexit is unknown, it is possible that it could lead to greater restrictions on the free movement of goods, services, people and capital, and increased regulatory complexities, between the UK and the remaining EU countries. For instance, EU nationals comprise an important part of the Group's employee and sub-contractor workforce, so if the free movement of EU nationals or their willingness to work in the UK were to be affected by Brexit, this could have a material adverse effect on the Group. The effects of Brexit could therefore materially and adversely affect the Group's operations and supply chain and increase the costs of imported construction materials, thereby adversely affecting the Group's financial performance and results of operations.

The Group has operations in the Middle East and is closing out its operations in, or exiting from, the Caribbean and Australia. These operations are subject to political and economic developments in these geographic regions, including factors such as mineral, commodity or energy prices, potential economic volatility and the availability

and cost of credit, and by political and economic issues in other regions that, in turn, affect those regions. For example, the Group's Middle Eastern operations may be sensitive to the price of oil and movements in oil prices may have a substantial impact on the budgets of its customers in this region. To the extent that economic conditions in the Middle East decline, this could have a material adverse effect on the Group's business, financial performance and results of operations.

A decline in global or regional economic growth rates may also have an impact on the level of demand for the Group's services. Adverse or volatile economic conditions may affect liquidity and the availability of credit which may, in turn, influence customer spending on capital investment and/or other projects. Customer demand could also be affected by additional macroeconomic factors, including central and local government budgetary constraints, unemployment rates and consumer confidence. These factors may, in turn, be influenced by the political environment in the countries in which the Group operates. These factors may affect customers' ability and confidence to award or renew contracts and may lead to an increase in the number of customers who delay or terminate projects or are not willing to pay for the services provided. If the Group is unable to anticipate successfully changing economic or political conditions affecting the markets in which it operates, it may be unable to plan effectively for or respond to those changes, which, in turn, could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group operates in highly competitive markets.***

The Group operates in highly competitive markets in which contractors, service providers and suppliers typically compete for new work through a process of competitive tendering or bilateral negotiation. An entity's reputation, financial performance, capital structure and prior experience with a customer, together with the pricing of work, amongst other factors, will all have a bearing on winning new work. A failure by the Group to compete effectively could have a material adverse effect on its business, financial condition and results of operations.

The Group competes with international, national and local construction, services, property and house-building groups. Some of these groups are larger than Kier and/or may have greater technical and operating resources or capabilities and/or a superior financial profile. The sectors in which the Group operates are highly competitive with respect to, for example, price and service. In order to tender successfully for contracts, the Group may need to agree to lower prices or less favourable contract terms than it would typically or ideally expect to. The Group may also need to invest further in innovative technology and working practices to remain competitive against its peers.

There can be no assurances as to the Group's competitiveness or that it will win any additional market share from any of its competitors or maintain its current market share (or as to the terms on which it is able to do so). As a result of this competition, the Group may fail to win new contracts or may be unable to renew current contracts or may fail to win contracts on appropriate terms which are sufficiently profitable, thereby materially adversely affecting its business, financial condition and results of operations.

***The Group depends on UK government customers and other UK public sector bodies and agencies for a substantial proportion of its revenues.***

The Group derives a substantial proportion of its revenues from contracts with the UK government, its agencies and other public sector bodies.

With respect to some of the Group's largest public sector clients, there may be limited opportunities for growth. For instance, a significant public sector client of the Group, Highways England, currently limits the number of highway area maintenance contracts that contractors may hold, which may limit the Group's opportunities for growth in its business with Highways England in respect of additional highways maintenance contracts.

The Group expects that the UK government, its agencies and other public sector bodies will continue to account for a significant proportion of the Group's revenue for the foreseeable future. In order to bid for, enter into and perform contracts with such customers, the Group will need to continue to meet their eligibility standards. Failure to remain eligible to bid for contracts, or to satisfy other performance and financial stability criteria used by UK government customers and other public sector bodies when evaluating bidders, or to compare favourably to other bidders from a financial profile perspective, may place Kier at a competitive disadvantage when bidding for tenders for new contracts. The loss, expiration, suspension, cancellation or termination of any potential, current or future contracts, the failure to meet the necessary eligibility standards to contract with any such customer or the loss of reputation by the Group (including as a result of loss of reputation by other outsourcing service providers or service providers generally) could have a material adverse effect on the Group's business, financial condition and results of operations.

The UK government, its agencies and other public sector bodies have significant purchasing and bargaining power with suppliers and may use that power to seek to amend or renegotiate existing contracts to include, or be willing only to enter into contracts on, terms less favourable to contractors, including Kier, than may previously have been the case. Any such amendment or renegotiation may have an adverse effect on the Group's business, financial condition and results of operations.

The UK government monitors suppliers of strategic significance to it and/or the UK. This includes formal and informal audits, discussions with and reviews by a variety of governmental bodies. The UK government may impose improvement plans and other rules or restrictions around the performance of suppliers, which could require Kier to alter its existing practices, policies and procedures in respect of current or future work, which could require additional expenditure or management time to implement.

If the UK government, any of its agencies or other public sector bodies were to decrease the amount of business they undertake with the Group for any reason, introduce improvement plans or other requirements on private sector companies undertaking public sector or similar work, or if the Group's reputation or relationship with any of them were to be impaired, the Group's business, financial condition and results of operations could be materially adversely affected.

***Changes in governments' budgets, policies and investment levels may adversely affect the Group's business, financial condition and results of operations.***

Certain of the Group's operations are dependent on national and local government policies relating to maintaining and improving public infrastructure and buildings and outsourcing services to the private sector. The order books for the Group's Infrastructure Services and Buildings businesses depend, to a certain extent, upon the level of expenditure in the public sector. In particular, the local government market has been challenging in recent years, as central government cuts in expenditure have significantly reduced local authority grants.

National and/or local government bodies may decide in the future to change their priorities and programmes, including by reducing, delaying or cancelling present or future investment in publicly funded infrastructure projects, reducing the level of services to be outsourced to private contractors or by decreasing or cancelling expenditure in other areas in which the Group would expect to operate. Additionally, a change in a national or local governing party could also result in changes in national and local government policies or priorities and/or a reduction, delay or cancellation of investment in the funding of public sector projects. Any such reduction, delay or cancellation could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group may face risks arising from any deterioration in funding markets or access to liquidity or bonding arrangements.***

Political, market or lender sentiment may affect the Group's access to funding on terms it considers to be attractive or appropriate, or at all, thereby reducing its liquidity and restricting its ability to invest and deliver plans for future growth. The Group has a number of committed and uncommitted facilities, and enters into surety and bonding arrangements in the ordinary course as part of ongoing operations, but there can be no assurance that, over the longer term (being more than 12 months from the date of this document), the Group will be able to maintain, renew or refinance these facilities when they mature on similar commercial terms or at all. Factors that could impact the Group's ability to maintain, renew or refinance these facilities over the longer term include sector specific issues, such as a decrease in lenders' or sureties' confidence about the Group or one or more of the sectors in which the Group operates or a change in what lenders or sureties generally consider to be an acceptable financial profile for companies operating with the contracting sector. Any failure to maintain, renew or refinance or otherwise retain access to these or similar facilities or arrangements could materially and adversely affect the Group's operations or its ability to make future acquisitions or investments for future growth, for example, in the Group's Developments & Housing businesses, and have a material adverse effect on the Group's business, financial condition and results of operations.

**Risks relating to the Group's strategy**

***The Group may not be successful in the implementation of its strategic objectives or the delivery of the FPK programme.***

The Group continues to target a number of strategic objectives to deliver its Vision 2020 strategy. There can be no assurance, however, that the Group will be successful in delivering these objectives or Vision 2020. Furthermore, the implementation of its strategy may cost more than the Group has currently budgeted. If the



Group does not successfully implement its strategy or if it is required to spend more to achieve its strategic objectives, this could have a material adverse effect on its business, financial condition and results of operations.

In July 2018, the Group announced the launch of the FPK programme, which aims to streamline the business, drive operational efficiencies to improve customer and client service, improve profitability and cash generation, accelerate the reduction in net debt and dispose of non-core operations. If the Group does not successfully implement the FPK programme or the programme does not realise the forecast benefits or it takes longer than anticipated to do so or if the Group is required to spend more to realise the forecast benefits, this could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Developments & Housing businesses face risks in relation to the cost, quality and location of land and the volatility of the UK housing market.***

The Developments & Housing businesses rely upon acquiring land at appropriate prices and in appropriate locations. There is a risk that the value of land purchased by the Group may decline in value and/or that the market's perception of the location of land may change. In addition, values are inherently subjective; factors such as: (i) changes in regulatory requirements and applicable laws (including in relation to building regulations, taxation and planning); (ii) political conditions; (iii) financial market conditions; (iv) economic conditions; (v) tax; (vi) interest and inflation rate fluctuations and (vii) the effects of Brexit each contribute to land valuation uncertainty.

The Housing business also faces risks arising from volatility in the UK housing market. Demand for houses can be driven by a variety of factors that are outside the Group's control, including national and regional economic conditions, as well as economic uncertainties such as mortgage availability, interest rates, inflation, employment levels, wage growth and governmental initiatives or interventions, all of which may affect the affordability of, and demand for, housing. Prolonged periods of volatility or low demand in the UK housing market could result in customer cancellations of pending house sale or fewer opportunities for the Housing business, which, in turn, could have a material adverse effect on the Housing business's and, therefore, the Group's financial condition and results of operations.

The Group will continue to seek to manage the risks associated with purchasing, owning and building on land. However, there can be no assurance that the valuations of land and housing stock will reflect actual sale prices. There is a risk that either unforeseen events will have an impact on the value of the Group's current landbank, leading to a decline in land values, or that there will be volatility in the UK housing market, each of which could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group may not successfully identify, complete or manage acquisitions or divestments.***

The Group from time to time acquires other companies in order to expand its own business. The risks associated with such acquisitions include the availability of suitable acquisition opportunities, obtaining regulatory approval for any acquisitions, the availability of financing (on appropriate terms) and integration issues, such as the success or failure to realise operating benefits or synergies. The process of integrating an acquired company or business is risky and may create unforeseen operating difficulties and expenditures, including: (i) difficulties in integrating the operations, technologies, services and personnel of acquired businesses; (ii) unexpected costs or liabilities of acquired businesses; (iii) ineffectiveness or incompatibility of acquired technologies or services; (iv) failure to realise operating benefits or synergies from completed transactions; (v) potential loss of key employees and cultural challenges associated with integrating employees; (vi) inability to maintain the key business relationships and the reputations of acquired businesses; and (vii) diversion of management's attention from other business concerns. In addition, liabilities associated with acquired businesses may be substantial and may exceed previously forecast liabilities. Furthermore, the Group may not be able to recover amounts in respect of any representations, warranties and indemnities given by the sellers in connection with such acquisitions.

The Group may also from time to time seek to divest certain businesses in order to streamline its operations or exit from underperforming businesses. The risks associated with such divestments include: (i) the failure to find a buyer at an acceptable price; (ii) the diversion of management's attention from other matters; and (iii) potential litigation and business claims in relation to divested businesses where warranties and/or indemnities have been provided to the purchaser and/or where continuing obligations are required in connection with such divestments.

If the Group is unsuccessful in effectively integrating an acquired company or divesting a business, its business, financial condition and results of operations may be materially adversely affected.

***The Group is exposed to the risks associated with operating in emerging markets.***

The Group has ongoing operations in the Middle East and is closing out its operations in, or exiting from, the Caribbean and Australia. Where the Group operates in an emerging market, it may be exposed to risks that may not be encountered in countries with more developed economic and political systems. Such risks include: (i) changes in international governmental regulations; (ii) trade restrictions and laws; (iii) tariffs and other barriers to trade; (iv) the potential for nationalisation of enterprises; (v) government policies favouring local production; (vi) renegotiation or termination of existing agreements; (vii) fluctuations in interest rates and currency exchange rates; (viii) the introduction of exchange controls and other restrictions by foreign governments; (ix) timeliness of client payments; and (x) the application of local law and regulations relating to SHE matters. These risks may impact Kier's ability to operate successfully in the relevant market which may, in turn, have a material adverse effect on its business, financial condition and results of operations.

**Risks relating to contract performance**

***Contracts are subject to the risks associated with pricing, cost overruns and delays, contract management, as well as risks associated with delays in payment by customers.***

The Group carries out a significant number of contracts annually and the work for which it tenders is often complex and long-term, with significant associated risks. If the Group does not adequately price risks, accurately forecast a project's programme or accurately assess or estimate the revenues or costs on a particular contract or obtain recoveries from third parties (whether in a timely manner or at all) or a project is or becomes subject to delay, then profits may be lower than anticipated or a loss may be incurred on the contract or project. Any such loss may be material in the context of the Group, its business and its results of operations. Alternatively, if risks are over-priced, the Group may be unsuccessful in securing new contract awards, which may materially and adversely affect its future order books, revenue and profit and, therefore, its business and results of operations. The Group's business, financial condition and results of operations depend on risks being accurately priced, contracts being managed appropriately, contract or project costs being controlled, changes to contracts or the scope of work of projects being agreed with clients and customers in a timely manner, projects being completed on time and claims for recoveries on projects being successfully pursued and in a timely manner.

***Failure to successfully defend claims made by customers, suppliers or sub-contractors, or failure to recover adequately on claims made against customers, suppliers or sub-contractors, could materially adversely affect the Group's business, financial condition and results of operations.***

As the Group undertakes increasingly large-scale and complex contracts in certain parts of its business, such as works at the Hinkley Point C nuclear power station, the HS2 rail project and the Highways England Smart Motorway programme, the potential level of risks assumed by the Group will also increase.

Claims or disputes involving customers, suppliers, sub-contractors and other counterparties (for example, joint venture partners) may be brought against or by the Group. In particular, the risk of significant claims arising between the Group and its clients and customers relating to breach of contract (or otherwise relating to or arising from the terms and conditions of a contract), programme delays or changes in scope of work is generally considered to be greater in the context of large, complex infrastructure projects as compared to lower-value building contracts. This is particularly the case when a project has been subject to significant delay or significant cost overrun.

Any such claims or disputes brought by the Group may take significant time and resource (whether internal or external to the Group) and incur significant cost (which may not be recoverable) and it is often difficult to predict or forecast accurately the value or outcome of any such claims or how long they will take to resolve. There can be no guarantee or assurance as to the number or value of any such claims that the Group may bring in the future.

Claims or disputes brought or raised by the Group against customers may include claims for additional costs incurred by the Group which arise out of project delays and changes to the previously agreed scope of work. For example, following significant delays on the project, the Group is currently in discussions with the customer on the Broadmoor Hospital redevelopment project with respect to the costs associated with significant changes to the original scope of work. If these discussions do not result in a payment which the Group considers to be appropriate, the Company may need to commence formal proceedings to recover any amounts to which it may be entitled. In light of the complexity of the project, amongst other factors, there can be no guarantee or assurance as to the outcome of any such proceedings, the costs associated with them or the time that they may take.

Claims or disputes brought or raised by the Group against suppliers, sub-contractors and other counterparties (for example, joint venture partners) may include claims for non-performance or delayed or sub-standard performance or negligence. Any of these claims or disputes, if not resolved through negotiation, may be subject to lengthy and expensive litigation or arbitration proceedings. For example, following the opening of the Mersey Gateway bridge in Autumn 2017, KI&OL (a subsidiary of the Group and a member of the construction joint venture formed to deliver the project) has itself, and as part of the construction joint venture, commenced formal proceedings to seek to recover costs or losses incurred in delivering the project. The construction joint venture and/or KI&OL may in the future instigate additional proceedings against other parties to seek to recover its costs or losses. In light of the complexity of these types of proceedings, amongst other factors, there can be no guarantee or assurance as to their outcome, the costs associated with them or the time that they may take.

Whilst the Company includes a forecast position with respect to the outcome of any claims, disputes or proceedings brought by the Group in its financial statements, it is often difficult accurately to predict how long the resolution of these claims, disputes or proceedings will take, their outcome and their cost. As such, there can be no assurance that these forecasts will be correct under all circumstances, and the outcome of any particular claim, dispute or proceedings may be less than the position forecast by the Company for the purposes of its financial statements.

Customer claims brought against the Group or members thereof may include amounts relating to allegedly defective or incomplete work, breaches of warranty and/or the delayed completion of the project. The claims may involve actual damages, as well as contractually agreed-upon liquidated sums. There can be no guarantee or assurance as to the number or value of any such claims that the Group may face in the future. Large-value claims brought against the Group may have a material adverse effect on the Group's business, financial condition and results of operations.

***Failure to meet customer expectations on project delivery could result in reputational damage and/or loss of repeat business and potentially lead to litigation.***

The Group's ability to tender for new business and its relationships with its customers depend in large part on the reputation it has established. A number of factors, whether within the Group's control or not, could mean that projects are not delivered in line with expectations as to time, cost, quality or SHE performance and therefore do not meet customer expectations. Any failure to deliver in accordance with contractual service levels or customer expectations could subject the Group to damages and/or reduce the margins on these contracts. Failure to meet contractual service levels or customer expectations may also result in disputes or litigation, cancelled or delayed contracts, additional costs or payments for alleged breaches of warranty or other contractual commitments. The occurrence of any of these risks could adversely affect the Group's reputation, expose the Group to financial liabilities and have a material adverse effect on its business, financial condition and results of operations.

***The Group could be adversely affected by the continued viability of sub-contractors, suppliers and other service providers.***

The Group relies on its supply chain to provide certain services to its clients and customers. In certain circumstances, Kier's choice of sub-contractors, suppliers or other service providers may be limited. If any of these sub-contractors, suppliers or other service providers fail to meet their obligations, the Group may not have readily available alternatives, which could result in a delay in a project, which, in turn, could lead to financial losses. Additionally, if a sub-contractor, supplier or other service provider is responsible for late or inadequate delivery or poor quality of work on a project, this could damage the Group's reputation and/or could have a material adverse effect on the Group's business, financial condition or results of operations.

Furthermore, the Group may appoint a sub-contractor, a supplier or other service provider that subsequently becomes insolvent, causing cost overruns or programme delays (which could lead to financial losses) and increasing the risk that the Group will be unable to recover costs in relation to any defective work performed by such sub-contractor, supplier or service provider, to the extent such costs are not covered by insurance. The insolvency or other financial distress of a sub-contractor or supplier could have a material adverse effect on the Group's business, financial condition and results of operations.

***The success of the Group's joint ventures depends on the satisfactory performance by its joint venture partners of their contractual and other obligations.***

The Group may bid for and undertake projects with joint venture partners and has entered into several joint venture arrangements with third parties, including project-specific joint ventures, such as the joint venture at Hinkley Point C nuclear power station, the joint venture working on HS2 lots C2 and C3 (the “**HS2 joint venture**”) and the joint venture formed to deliver the Mersey Gateway bridge project.

In joint ventures entered into by the Group, control of operations may be shared with unaffiliated third parties, some of which may be incorporated overseas or be subsidiaries of large groups of companies. Joint ventures are subject to inherent risks, such as the solvency of joint venture partners, joint venture partners adopting differing approaches to the conduct of business (including, without limitation, with respect to SHE matters, risk management, operational and commercial matters and financial performance), which may result in delayed decision-making, a failure to agree on material issues and the joint venture not performing in line with expectations. From time to time, the Group may instigate formal proceedings against joint venture partners to resolve disputes with joint venture partners; any such proceedings may, in turn, have a material adverse effect on the operation of the joint venture, its financial condition and results of operations and, ultimately, the Group's financial condition and results of operations.

The Group expects that it will continue to enter into joint ventures in the future. In addition, from time to time, in order to establish or preserve a joint venture relationship, the Group may be required to accept risks or responsibilities that exceed those which, typically, it would be prepared to accept. Although the Group may have decision-making and other rights in respect of its joint ventures, their operations, including in relation to internal controls and financial reporting, will not be exclusively within the Group's control.

The success of these joint ventures also depends, in large part, on the satisfactory performance by the Group's joint venture partners of their contractual, legal, regulatory and other obligations, including their obligation to commit working capital, equity or credit support, to support their indemnification and other contractual obligations and to comply with applicable law and regulation. If a joint venture partner fails satisfactorily to perform its obligations or the relationship between the joint venture partners deteriorates or, ultimately, breaks down, for whatever reason, the joint venture may be unable adequately to perform or deliver its contracted services. Under these circumstances, the Group may be required to make additional investment and provide additional resources to ensure the adequate performance and delivery of the contracted services and there can be no assurance that the Group will recover any such additional investment or additional resource in a timely manner or at all. This may, in turn, have a material adverse effect on the Group's financial condition or results of operations.

The Group may also be involved with a joint venture with a third party that becomes unwilling or unable to continue as a member of the joint venture, in which case the Group may need to replace the third party or assume, in part or full, the third party's rights and obligations in respect of the joint venture. In such circumstances, the Group could be required to contribute additional resources to, and assume greater liabilities in respect of, a project. For instance, when Carillion Plc went into liquidation, the Group assumed Carillion's 50 per cent. share of the Highways England Smart Motorways joint venture and, jointly with Eiffage, it assumed Carillion's 33.3 per cent. share of the HS2 joint venture. In each case, the Group was required to take on Carillion's workers and make additional working capital contributions to the projects.

These additional obligations could result in reduced profits or, in some cases, increased liabilities or significant losses with respect to the joint venture (and, therefore, the Group's financial condition and results of operations). In addition, a failure by a joint venture partner to comply with applicable laws, rules or regulations could negatively affect the Group's reputation and business, financial condition and results of operations.

#### **Risks relating to the Group's business operations**

***It may be difficult or expensive to obtain commercial insurance and there can be no assurance that sufficient cover will be secured or maintained.***

The Group maintains commercial insurance in amounts that it believes to be appropriate in relation to the risks commonly insured against by similar businesses and will seek to maintain such insurance. However, certain types of risks may be, or may become, either uninsurable or not economically viable to insure, as a result of a material change in the way that insurers view the risk profile of the Group or the sectors in which it operates. Accordingly, there can be no guarantee that the Group will be able to obtain appropriate or sufficient levels of cover on acceptable terms in the future.

In addition, even with such insurance in place, the risk remains that the Group may incur liabilities to clients or customers and other third parties which exceed the limits of such insurance cover or are not covered, in full or part, by it. If any of the Group's insurers becomes insolvent, refuses to renew or revoke coverage or otherwise cannot satisfy the insurance requirements of the Group, then its overall risk exposure and operational costs could materially increase and its business operations could be significantly disrupted. In such circumstances, there would be a material adverse effect on the Group's business, financial condition or results of operations.

***Failure or security breaches of information technology ("IT") systems and/or data security may result in losses for the Group.***

The efficient operation and management of the Group's business depends on the proper operation, performance and development of IT systems and processes. New IT systems and changes to management systems may not be successfully implemented and managed. These risks may lead to a loss of data, a failure of IT systems or an IT environment that is otherwise incapacitated or inadequate to support the Group's business and operations. Significant elements of the Group's IT infrastructure and enterprise systems, such as server hosting, are serviced or provided by third parties. Kier is therefore reliant on the performance of third parties to ensure the Group's IT environment is safe and reliable. A number of the contracts the Group has with third-party IT service providers, some of which are organisations significantly larger than the Group, provide that if the Group suffers a loss arising out of a supplier's default, the Group may not be able to recover the full amount of its loss. In the event of a serious IT-related incident (such as loss of personal data), an inability to recover the full loss to the Group caused by a third party may materially and adversely affect the Group, its business, financial condition and results of operations.

Furthermore, information and communication systems by their nature are susceptible to internal and external security breaches, including computer hacker and cyberterrorist attacks or wilful breaches by employees, and can fail or become unavailable for a period of time. A significant performance failure of the Group's IT systems could lead to loss of control over critical business information and/or systems (such as those relating to contract costs, invoicing, payroll management and/or internal reporting (whether financial, commercial or operational)), adversely affecting the business's ability to operate effectively or to fulfil its contractual obligations, which may in turn lead to a loss of customers, revenue and profitability and the incurrence of significant consequential and remedial costs.

The Group receives, and may be responsible for employee, customer and other sensitive data. The Group has incurred, and will continue to incur, expenses to comply with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations relating to the collection, use and security of personal information data. This includes compliance with the EU General Data Protection Regulation ("GDPR"), which came into full effect in May 2018. Failure to comply with GDPR and other data privacy laws and regulations may result in fines, penalties, claims and reputational damage. If data security controls fail while providing services to clients, there is a risk that the Group will unintentionally disclose protected, sensitive or personal data, which could lead to a breach of client confidentiality agreements, and, in turn, could lead to fines and/or claims. Under the new GDPR requirements, the Group is required to notify the UK Supervisory Authority and, in some cases, the individual concerned, of personal data breaches. There is no assurance that such policies and procedures in relation to GDPR prevent all breaches of data security, in particular if they were to occur as a result of employee error. If a personal data breach were to occur, the Group could suffer reputational damage, may be ordered to compensate the individual concerned and may be subject to two levels of fines, (i) the higher of 2 per cent. of the previous year's annual turnover and €10 million or (ii) the higher of 4 per cent. of the previous year's annual turnover and €20 million.

Any of the foregoing risks could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group may fail to attract, develop and retain appropriately skilled management and personnel.***

The success of the Group is dependent on recruiting, retaining, motivating and developing appropriately skilled and competent people at all levels of its organisation. The Group may face increased staff turnover and intense competition for personnel from other companies and organisations. As a result of this turnover and competition, there may at any time be shortages in the availability of appropriately skilled people to the Group, which could have a material adverse effect on its business, financial condition and results of operations.

The loss of senior management who have substantial knowledge of, and experience and expertise in, the industries in which the Group operates and long-standing client relationships, or the inability to replace them

adequately, could also have a material adverse effect on the Group's business, financial condition and results of operations.

***A number of the Group's employees are represented by trade unions.***

The Group employs a large number of employees across multiple geographic locations. Some of those employees are represented by trade unions. The presence of these trade unions may limit the Group's flexibility in dealing with its employees and may lead to increased operating costs. Additionally, from time to time, there may be disputes with employees, trade unions or other employee bodies to which such employees are affiliated. Such disputes may have a material adverse effect on the reputation and the business, financial condition or results of operations of the Group.

***An increase in labour costs may adversely affect the Group's business and results of operations.***

The Group's business is labour intensive and any increase in labour costs, whether direct or indirect, in particular in the United Kingdom, where the majority of the Group's operations are located, could adversely affect its business, financial condition and results of operations.

A significant number of the Group's employees have been transferred to the Group under transfer of undertakings ("TUPE") regulations. The terms and conditions of employment of these workers were, typically, agreed by third parties and may affect the Group's ability to control the costs associated with its employees. In addition, collective bargaining agreements and/or non-unionised workers becoming unionised may have a material adverse effect on the Group's costs, operations and business.

In addition, legislation and regulations relating to labour, employment (for example, TUPE), social security, health and safety of employees and immigration also affect the Group's ability to control staff costs. In the event that the Group experiences a significant increase in labour costs and is not able to pass those increased costs on to its customers, this could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group is exposed to certain risks in relation to its defined benefit pension schemes.***

The Group operates a number of defined benefit pension schemes, which require careful judgement in determining the assumptions for future salary and pension increases, discount rates, inflation, investment return and participants' life expectancy. These defined benefit pension schemes include legacy pension schemes for companies that the Group has acquired. The Group expects to continue to operate these schemes, although the most significant defined benefit schemes are now closed to new entrants and future accrual in all material respects.

As at 30 June 2018, the Group's defined benefit schemes, on the valuation basis specified in IAS 19 "Employee Benefits", were valued at a small surplus. However, there can be no assurance this will continue to be the case. In particular, a prolonged period of poor asset returns, imbalances between bond and interest rates and/or unexpected increases in participants' life expectancy may result in the Group increasing the level of cash contributions to the schemes, which may, over the longer term (being more than 12 months from the date of this document), constrain the Group's ability to make acquisitions or invest for future growth or adversely affect the Group's cash flows. In addition, in certain limited circumstances, actions by the Pensions Regulator in the United Kingdom to impose financial support directions or contribution notices, or the trustees of the Group's defined benefit schemes altering their approach to deficit recovery payments, could result in the Group being required to contribute significant additional amounts to its pension schemes, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The High Court recently ruled in the Lloyds Banking Group case that UK pension schemes will need to equalise benefits for unequal Guaranteed Minimum Pensions between men and women. The amount of any additional liability will depend on a number of scheme-specific factors, but may increase the Company's pension liabilities by 0–3 per cent., requiring an additional non-cash income statement provision of up to approximately £45 million (which the Company would expect to treat as a non-underlying item).

***The Group is required to comply with stringent SHE laws, regulations and policies.***

The Group is subject to a number of laws, regulations and policies concerning safety, health and environmental ("SHE") matters. The impact of such laws, regulations and policies may vary from site to site, depending on, among other things, the site's environmental condition, its present and former uses and the nature of the work

being undertaken at the site. Compliance with SHE laws, regulations and policies may result in the delay of projects or may give rise to substantial compliance, remediation and/or other costs.

The consequences of a breach of SHE laws, regulations or policies may be significant. The Group may be subject to regulatory investigations (for example by the Health and Safety Executive or the Environment Agency), for which the Group may face significant fines if convicted, may have its licences or permits to operate suspended, withdrawn or made subject to conditions or may be forced to undertake or pay for extensive remedial action, even in cases where such issues have been caused by third parties. Any such investigations, fines, suspensions, withdrawals, conditions or actions may have a material adverse effect on the reputation, business, financial condition and results of operations of the Group. Furthermore, even if the Group complies with SHE laws, it may experience reputational damage or adverse publicity arising from allegations of non-compliance which may have a material adverse effect on its business, financial condition and results of operations.

***A major SHE incident or disaster could lead to injury, loss of life or property damage and could result in reputational damage and potential liabilities.***

The Group's operations are inherently complex and potentially hazardous and have resulted and could result in injury or loss of life to employees, sub-contractors, clients' employees, members of the public or other third parties or damage to the environment. The Group is responsible for the health and safety of its employees and third-party personnel who are working at project sites under its supervision and, accordingly, must implement health and safety procedures. The failure to comply with such procedures may result in the Group being subject to liability and/or fines. Any convictions for SHE offences may need to be referred to when the Group tenders for work and may materially and adversely affect the Group's ability to secure further work. As a result, the Group's SHE performance is critical to its business, financial condition and results of operations.

If a material incident, disaster or disruption relating to SHE matters occurs and the Group's policies and procedures are found to be inadequate, this could result in liability or a fine being incurred by the Group, generate significant adverse publicity and have a negative impact on the Group's reputation or its ability to win new business, which, in turn, could materially and adversely affect its business, financial condition and results of operations.

***The Group is subject to procurement rules, regulations and models and procurement delays.***

When tendering for contracts with national and local governments and other public sector bodies, the Group must comply with specific procurement regulations and other requirements, as well as additional evaluation criteria, such as a bidder's historic performance and current or projected financial stability. These requirements and criteria increase the Group's bidding, performance and compliance costs. If procurement requirements or models change, the eligibility requirements for such contracts may also change and/or the costs of bidding for or complying with such contracts could increase. For instance, Highways England, which is a key customer for the Group, has announced that it may change the model in which it currently procures work, which could increase the cost and time involved with bidding and the risk profile attached to the relevant contracts and may materially and adversely affect future revenue and profit which the Group may obtain from Highways England work, any or all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

Failure or inability to comply with procurement rules or regulations (which may be subject to change), or to meet other criteria evaluated during the bidding process, could result in: (i) a reduction in the number or value of contracts to be awarded to the Group; (ii) the Group not being able or permitted to participate in future tenders; or (iii) contract delays, modifications or terminations, any or all of which could have a material adverse effect on the Group's business, financial condition and results of operations. Failure or inability to comply with these rules and regulations could lead to the Group being unable to contract with the public sector body concerned either at all or for a period of time and could materially and adversely affect the Group's reputation and ability to secure future public sector work which, in turn, could have a material adverse effect on the Group's business, financial condition and results of operations.

Certain of the Group's public sector projects require approvals from government ministers or senior civil servants or national or local government departments. There is a risk that, due to difficulties obtaining such approvals, projects may be delayed or conditions imposed, whether before procurement has started, during the tender stage or during the period between the appointment of a preferred bidder and the exchange of contracts. Delays in awarding public contracts or conditions to such contracts may also arise from challenges to the award of the contracts by competitors. These matters may be beyond the Group's control, but any such delays or

conditions could affect its future revenue and cash flows and, therefore, have a material adverse effect on its business, financial condition and results of operations.

***The Group is required to comply with a significant number of laws, regulations and administrative requirements and policies which may change, resulting in potential exposure to liability and increased compliance costs.***

The Group's operations require compliance with a significant number of laws, regulations and administrative requirements and policies which relate to, among other matters, planning, developments, building, land use, health and safety, environment, competition and employment matters. Some of these laws, regulations, requirements and policies provide broad discretion to the administering authorities. Furthermore, changes in relevant law, regulations or policies, or the interpretation thereof, or delays in making any such changes, may result in the cancellation, delay or increase in the cost of projects which may, in turn, have a material adverse effect on the Group's business, financial condition and results of operations.

Certain jurisdictions in which the Group operates or may in the future operate can have complex and, at times, less developed legal and regulatory frameworks than the United Kingdom. The Group endeavours to conduct its business within the framework set by applicable legal and regulatory requirements in the markets and geographic regions in which it operates. However, if the Group is unable to or does not comply with applicable legal and regulatory requirements, this may lead to the loss of licences, reputational damage and/or potential civil and criminal liability for the Group and its management.

The Group may, from time to time, become aware of allegations of non-compliance with laws, regulations and administrative requirements and policies by its agents, sub-contractors and joint venture partners or any of their respective employees. Even if it is determined that there has been no breach of such laws or regulations, the Group may suffer reputational damage as a result of these allegations, which may, in turn, materially and adversely affect the Group's business, financial condition and results of operations.

The Group expects that its operations will be subject to increasing legal and regulatory requirements in the future, in particular since the industries in which the Group operates are subject to increased public focus and scrutiny and oversight, which may increase the risk of non-compliance by the Group and, therefore, result in additional liability for the Group and/or have a material adverse effect on its reputation which may, in turn, have a material adverse effect on its ability to win new work. Compliance with such increased legal and regulatory requirements may result in the delay in projects (or, ultimately, their cancellation) or increase their costs or the Group's overall costs, or a change in the working capital requirements of its projects, which could have a material adverse effect on its business, financial condition and results of operations.

***Failure to comply with anti-corruption laws and regulations, economic sanction programmes or other laws and regulations may result in the Group becoming subject to fines or penalties and the disruption of its business activities.***

The Group is subject to anti-corruption laws and regulations that restrict the offer or payments to government officials or other persons with the intent of gaining business or favourable government action, including the Bribery Act 2010, and the Group will continue to be subject to these laws and regulations in the future. Additionally, economic sanctions programmes, including those administered by the United Nations, the European Union and the U.S. Office of Foreign Asset Control, restrict the Group's business dealings with certain sanctioned countries.

The Group will continue to be exposed to the risk of violating anti-corruption laws and sanctions regulations applicable in any countries and regions where it, its partners or its agents operate, such as the Middle East. A substantive ethical breach and/or non-compliance with applicable laws or regulations by the Group or its employees, consultants, sub-contractors, agents or joint venture partners could damage its reputation and/or result in, fines, litigation, increased tax exposure or claims for compensation. Violations of anti-corruption laws and sanctions regulations are punishable by civil penalties, including fines, injunctions, asset seizures, debarment from government contracts, termination of existing contracts and revocations of or restrictions on licences, as well as criminal fines and imprisonment. In addition, any major violations could have a significant impact on the Group's reputation and consequently on its ability to win future business.

The Group requires its employees and third parties with which it conducts business to comply with anti-corruption laws and regulations and has implemented procedures and controls designed to ensure compliance. The Group will continue to mandate compliance with such laws and regulations and will also implement procedures and controls designed to ensure compliance; however, there can be no assurance that its policies and procedures will be followed at all times or will effectively detect and/or prevent violations of applicable law, or



regulations by its employees, consultants, sub-contractors, agents or partners. As a result, the Group could be subject to criminal, civil and/or administrative fines or penalties. The Group may also, from time to time, become aware of allegations of non-compliance with anti-corruption laws and regulations or fraudulent activity, whether by its employees or associated parties (including, for example, its agents, sub-contractors and joint venture partners or any of their respective employees), in response to which it may conduct investigations. Even if the Group determines that there has been no breach of applicable law or regulation, it may suffer reputational damage as a result of these allegations. Any of the foregoing could have a material adverse effect on its business, financial condition and results of operations.

***The Group could be adversely affected by material changes in rules and regulations around payment terms in respect of construction work.***

The terms applicable to payments made by the Group to its supply chain are or may be subject to various rules and regulations. For instance, the Group is subject to particular rules relating to the rights of suppliers to be paid in respect of construction activities as well as payment terms for suppliers working with Kier on certain public sector contracts. There is a risk over the longer term (being more than 12 months from the date of this document) that applicable supplier payment rules and regulations may change materially, such that Kier is required to pay its supply chain on significantly better terms than Kier can secure from its customers, in which case the Group could face tighter working capital and cash constraints which, in turn, could have a material adverse effect on the Group's business, financial condition or operations.

The Group is also subject to legislation which requires it to publish certain information about its payment practices and performance. If the Group's payment practices and/or performance are deemed to be unsatisfactory, whether for reasons within or outside its control, this could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

***Terrorist attacks could have an adverse effect on the Group's operations.***

The Group may be exposed to a variety of risks arising from potential terrorist acts in the ordinary course of its operations. The United Kingdom has been subject to a number of terrorist acts and attempted attacks in recent years and the UK government's current threat level of an international terror incident occurring in the United Kingdom is severe. Since the Group undertakes projects at a number of sites across the United Kingdom, the Group's employees, sites, offices and property may be adversely affected by actual or threatened acts of terrorism. Additionally, major terrorist attacks or sustained elevated threat levels may have a negative impact on demand for construction works in certain of the sectors in which the Group operates, including office, leisure and retail developments, and may have a negative impact on demand for housing in certain areas, which may lead to lower levels of demand in the Group's Housing business. If a terrorist attack occurred at one of the Group's sites or offices, or customer demand is negatively affected by an act of terrorism or sustained periods of elevated threat levels, it could have a material adverse effect on the Group's business, financial performance and results of operations.

**Other risks faced by the Group**

***Adoption of new accounting standards could have an impact on the Group's financial statements.***

The Group has adopted or expects to adopt certain accounting standards that may result in the Group's future financial statements being materially different on a like-for-like basis compared to the financial statements for the financial year ended 30 June 2018. Specifically:

- (i) The Group adopted IFRS 9 (financial instruments) on 1 July 2018. IFRS 9 relates to the impairment of financial assets and the classification and measurement of financial assets. The Group's work to assess the impact of IFRS 9 is ongoing and, although the net effect of IFRS 9 on the Group's future financial statements is not expected to be material, no assurance or guarantee is given in this respect. The Group's first set of financial statements which will be prepared under this standard will be those for the interim financial period ending 31 December 2018;
- (ii) The Group adopted IFRS 15 (revenue from contracts with customers) on 1 July 2018. Although IFRS 15 will not change the overall revenue, profit or cash generated by construction contracts, it may have an impact on the timing of revenue and profit recognition of a long-term contract within an accounting period. The Group has elected to adopt the cumulative catch-up method of transition, whereby the results of the prior year are not restated but the initial impact of adopting the standard is taken to opening reserves. The Group has previously provided guidance that the impact of the adoption of IFRS 15 may be approximately £20 million (principally in the Buildings business), but no assurance or guarantee is given

as to this figure. The Group's first set of financial statements which will be prepared under this standard will be those for the interim financial period ending 31 December 2018; and

- (iii) The Group expects to adopt IFRS 16 (leases) on 1 July 2019. The Group is currently assessing the impact of IFRS 16. The Group anticipates that the main effect of IFRS 16 will be: (a) to move the Group's larger, longer term operating leases, primarily in respect of property, onto the balance sheet, with a consequential increase in non-current assets and finance lease obligations; and (b) operating lease charges included in administrative expenses will be replaced by depreciation and interest costs. The Group's first set of financial statements which will be prepared under this standard will be those for the interim financial period ending 31 December 2019,

some or all of which may have a material adverse effect on the Group's financial statements and, therefore, the perception of the Group's financial condition and results of operations.

***The Group may be required to restate its financial statements for either or both of the financial years ended 30 June 2017 and 2018.***

On 30 July 2018, the Company received a letter from the CRRT raising a number of points on the Company's 2017 Annual Report and Accounts. The Company provided responses to, and continues to engage with, the CRRT on such points.

A material focus of the CRRT relates to the Company's accounting treatment of certain joint ventures in its Property and Residential businesses in which the Company holds a majority equity ownership but only 50 per cent. controlling rights. These interests have been accounted for under the equity method and not consolidated into the Company's or the Group's financial statements. As at 30 June 2017 and 2018, the Company had majority equity interests but 50 per cent. controlling rights in 10 and 13 operating joint ventures, respectively.

The Company considers the accounting treatment of these joint ventures to be appropriate and received an unqualified audit opinion on its financial statements for the years ended 30 June 2017 and 2018. However, there can be no guarantee or assurance that the FRC will not require the Company to restate its 2017 and/or 2018 financial statements in respect of either the accounting treatment of one or more of these joint ventures or any other points which the CRRT raises. No guarantee or assurance can be given as to the perception of or relating to any such restatement. However, in respect of joint ventures:

- (i) the Company does not believe that any such restatement would have a material adverse effect on its financial condition or would affect the underlying nature of any non-recourse debt of the relevant joint venture(s). However, it would result in the Group's financial statements showing an increase in the Group's net debt and an increase in its total assets;
- (ii) it is currently not certain which joint ventures would need to be consolidated. If each of the Group's 13 relevant joint ventures at 30 June 2018 were to be consolidated, based on unaudited management information, there would be an increase in the Group's net assets and non-controlling interests by £24 million, reflecting an increase of £253 million in total assets and £229 million in total liabilities, including an increase in net debt of £144 million as at that date; and
- (iii) the Company believes that it would be able to satisfy the financial covenants in the Group's committed finance facilities. However, no guarantee or assurance can be given as to the lenders' response to any such restatement or any steps that they may take and defending any such actions may be costly or require significant amounts of management's time.

Nothing in this risk factor qualifies in any way the working capital statement set out elsewhere in this document. Details about the Group's joint ventures are set out in Note 14 to the audited consolidated financial statements for the year ended 30 June 2018, which are included in the 2018 Annual Report and Accounts and are incorporated by reference into this document.

**Risks relating to the Rights Issue**

***Prospective investors and Shareholders should be aware that there may be possible volatility in the price of the Nil Paid Rights, the Fully Paid Rights and/or the Shares.***

The market price of the Nil Paid Rights, the Fully Paid Rights and/or the Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Nil Paid Rights, the Fully Paid Rights and/or the Shares (or securities similar to them), including, in particular, in response to various facts and events, including any regulatory changes affecting the Group's operations, variations in the Group's operating results and/or business developments of the Group and/or its competitors. Stock markets have from time to time

experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Company's operating performance or prospects. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Nil Paid Rights, the Fully Paid Rights and/or the Shares.

***A trading market for the New Shares, the Nil Paid Rights, or the Fully Paid Rights may not develop.***

Application has been made to admit the Nil Paid Rights, the Fully Paid Rights and the New Shares to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective at 8.00 a.m. on 5 December 2018. There can be no assurance, however, that Admission will become effective or that an active trading market in the Nil Paid Rights, the Fully Paid Rights or the New Shares will develop upon or following Admission. In addition, because the trading price of the Nil Paid Rights and the Fully Paid Rights depends on the trading price of the Shares, the Nil Paid Rights and the Fully Paid Rights prices may be volatile and subject to the same risks as noted above.

***Investors may be subject to exchange rate risk.***

The New Shares are priced in pounds sterling. Accordingly, any investor outside the United Kingdom is subject to adverse movements in its local currency against pounds sterling.

***Shareholders who do not (or are not permitted to) take up their Nil Paid Rights may not receive compensation for their Nil Paid Rights and may be subject to a dilution of ownership of their Shares upon the issue of the New Shares.***

If a Qualifying Shareholder does not (or is not permitted to) respond to the Rights Issue by 11.00 a.m. on 19 December 2018, being the latest time and date for acceptance and payment in full for that Shareholder's provisional allotment of New Shares, that Qualifying Shareholder's Nil Paid Rights will lapse and the Company has made arrangements under which the Joint Bookrunners, within two Business Days following the expiration of the latest time and date for acceptance and payment, will endeavour to find subscribers for New Shares not taken up by Qualifying Shareholders. There is no assurance that this procedure will be successful. Consequently, such Shareholders may not receive compensation for their Nil Paid Rights. Such Qualifying Shareholder's proportionate ownership and voting interests in the Company will, accordingly, be reduced upon the issue of the New Shares and the percentage that their Shares represent of the total share capital of the Company will be reduced accordingly.

Even if a Qualifying Shareholder elects to sell its unexercised Nil Paid Rights, or such Nil Paid Rights are sold on its behalf in accordance with the process described above, the consideration it receives may not be sufficient to compensate it fully for the dilution of its percentage ownership of Kier's share capital that will be caused as a result of the Rights Issue.

***Shareholders outside the United Kingdom may not be able to subscribe for New Shares in the Rights Issue.***

In the case of an allotment of Shares for cash, Shareholders have certain statutory pre-emption rights (unless those rights are disapplied by a special resolution of the Shareholders at a general meeting) and such a non-pre-emptive issue could dilute the interests of Shareholders. Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in the Rights Issue. In particular, holders of Shares who are located in the United States may not be able to take up their rights under the Rights Issue unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Rights Issue will not be registered under the Securities Act. Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company. Qualifying Shareholders who have a registered address in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Shares.

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date. If a Shareholder is not able to (or does not) take up its Nil Paid Rights under the Rights Issue, then it will suffer dilution, as described above, and it may not receive the economic benefit of such Nil Paid Rights because there is no assurance that the procedure in respect of Nil Paid Rights not taken up, will be successful either in selling the Nil Paid Rights or in respect of the prices obtained.

***Any future issue of Shares will further dilute the holdings of Shareholders and could adversely affect the market price of Shares.***

Other than pursuant to the Rights Issue, Kier has no current plans for an offering of Shares, apart from possible issues in relation to certain of the Share Schemes. However, it is possible that Kier may decide to offer additional Shares in the future either to raise capital or for other purposes. If Shareholders of Kier do not take up such offer of Shares or are not eligible to participate in such offering, their proportionate ownership and voting interests in Kier would be reduced and the percentage that their Shares would represent of the total share capital of Kier would be reduced accordingly. An additional offering, or significant sales of Shares by major Shareholders, could have a material adverse effect on the market price of Shares.

***It may not be possible to effect service of process upon the Company or the Directors or enforce court judgments against the Company or the Directors.***

The Company is incorporated in England and Wales. Most of the Company's assets are located in the United Kingdom. As a result, it may not be possible for investors outside of the United Kingdom to effect service of process against the Company or the Directors or to enforce the judgment of a court outside the United Kingdom against the Company or the Directors.

***The Company's ability to continue to pay dividends on the Shares will depend on the availability of distributable reserves.***

The Company's ability to pay dividends is limited under English company law, which limits a company to paying cash dividends only to the extent that it has distributable reserves and cash available for this purpose. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, dependent on their trading performance and subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries. The ability of these subsidiaries to pay dividends and the Company's ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws and covenants in some of the Company's debt facilities. These laws and restrictions could limit the payment of future dividends and distributions to the Company by its subsidiaries, which could restrict the Company's ability to fund other operations or to pay a dividend to holders of the Shares.

## IMPORTANT INFORMATION

### Market and Industry Information

Market data and certain industry forecasts used in this document were obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy or completeness of such information is not guaranteed. Similarly, internal surveys, reports and studies and market research, while believed by the Company to be reliable and accurately extracted by the Company for the purposes of this document, have not been independently verified and the Company makes no representation as to the accuracy of such information. The industry forecasts are forward-looking statements. See “Cautionary Note Regarding Forward-Looking Statements” below.

### Cautionary Note Regarding Forward-Looking Statements

This document and the information incorporated by reference into this document include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “goal”, “target”, “aim”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and the information incorporated by reference into this document and include statements regarding the intentions, beliefs or current expectations of the Directors, the Company or the Group concerning, amongst other things, the operating results, financial condition, prospects, growth, strategies and dividend policy of the Group and the sectors and markets in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Directors’ or the Company’s ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group’s actual operating results, financial condition, dividend policy and the development of the sectors and markets in which it operates may differ materially from the impression created by the forward-looking statements contained in this document and/or the information incorporated by reference into this document. In addition, even if the operating results, financial condition and dividend policy of the Group, and the development of the sectors and markets in which it operates, are consistent with the forward-looking statements contained in this document and/or the information incorporated by reference into this document, those results or developments may not be indicative of results or the development of such sectors and markets in subsequent periods. Important factors that could cause these differences include, but are not limited to, general political, economic and business conditions, sector and market trends, changes in government, changes in law or regulation, stakeholder perception of the Group and/or the sectors or markets in which it operates and those risks described in the section of this document headed “Risk Factors”.

You are advised to read this document and the information incorporated by reference into this document in their entirety, and, in particular, the section of this document headed “Risk Factors”, for a further discussion of the factors that could affect the Group’s future performance and the sectors and markets in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document and/or the information incorporated by reference into this document may not occur.

Other than in accordance with their legal or regulatory obligations (including under the Listing Rules, the Disclosure Guidance and Transparency Rules, the Prospectus Rules and MAR), neither the Company nor the Joint Bookrunners undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

The statements above relating to forward-looking statements should not be construed as a qualification on the Company’s working capital statement in paragraph 18 of Part XI of this document.

### Presentation of Financial Information

The audited consolidated financial statements of the Company included in: (i) the 2018 Annual Report and Accounts, as of and for the year ended 30 June 2018; (ii) the 2017 Annual Report and Accounts, as of and for the year ended 30 June 2017; and (iii) the 2016 Annual Report and Accounts, as of and for the year ended 30 June 2018 (together, the “**Historic Financial Information**”), together with the audit opinions thereon, are incorporated by reference into this document, as further detailed in Part V and Part XII of this document.

Capitalisation information relating to the Group in this document is sourced from the Company's audited financial statements for the year ended 30 June 2018. Indebtedness information relating to the Group in this document is derived from the Group's internal management records.

Where information has been extracted from the Group's audited consolidated financial statements, the information is audited unless otherwise stated. Unless otherwise indicated, financial information relating to the Group in this document or incorporated by reference into this document is presented in pounds sterling and has been prepared in accordance with IFRS.

Prior to 1 July 2018, Kier operated through four divisions, which are presented as segments within the Historic Financial Information: Property, Residential, Construction and Services. Segmental information is based on the information provided to the Chief Executive, who is the chief operating decision maker, together with the Directors. See Note 2 to the 2018 Annual Report and Accounts. From 1 July 2018, Kier operates through its three market positions: Infrastructure Services, Buildings and Developments & Housing. In the future, the Group's segmental information will be provided on this basis.

Certain historic financial information included in Kier's 2018 and 2017 Annual Report and Accounts for comparison purposes, and incorporated herein by reference, has been presented on a restated basis. In the 2018 Annual Report and Accounts, the Group's consolidated income statement and consolidated cash flow statement for the year ended 30 June 2017 were restated following the Financial Reporting Council's ("FRC") review of Kier's 2017 Annual Report and Accounts, as described in Note 1 to the audited consolidated financial statements for the year ended 30 June 2018, which are included in the 2018 Annual Report and Accounts. In the 2017 Annual Report and Accounts, the Group's consolidated income statement for the year ended 30 June 2016 was restated to reclassify Kier's UK mining operations as continuing operations and the Mouchel Consulting and Biogen businesses as discontinued operations, as described therein. These restated amounts have not been audited by PwC.

The financial information included in this document or incorporated by reference into this document was not prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") or audited in accordance with U.S. Generally Accepted Audited Standards ("U.S. GAAS") or the auditing standards of the Public Company Accounting Oversight Board ("PCAOB Standards"). No opinion or any other assurance with regard to any financial information was expressed under U.S. GAAP, U.S. GAAS or PCAOB Standards and the financial information is not intended to comply with SEC reporting requirements. Compliance with such requirements would require modification, reformulation or exclusion of certain financial measures. In addition, changes would be required in the presentation of certain other information. In particular, no reconciliation to U.S. GAAP is provided.

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

### **Engagement with the FRC**

The AQRT selected PwC's audit of the Company's 2017 financial statements for review, as part of its annual programme of promoting improvement in the overall quality of auditing in the UK. For further detail on this review, see "FRC Audit Quality Review" on page 78 of the 2018 Annual Report and Accounts, which is incorporated by reference into this document.

Separately, on 30 July 2018, the Company received a letter from the CRRT raising a number of points on the Company's 2017 Annual Report and Accounts. The Company provided responses to, and continues to engage with, the CRRT. For further details, please see the section of this document headed "Risk Factors—Other risks faced by the Group—The Group may be required to restate its financial statements for either or both of the financial years ended 30 June 2017 and 2018."

### **Calculation of Net Debt**

For the purposes of calculating the Group's

- (i) net debt as at 30 June or 31 December, (ii) its average month-end net debt in any financial year and (iii) its average daily net debt, the Company includes cash in transit, but excludes the debt associated with (a) joint ventures and (b) assets held for re-sale. "Cash" for these purposes includes non-treasury cash; and

- Average month-end net debt in any financial year, the Company use a “13-month, period-end basis”, beginning with June at the end of the immediately preceding financial year, with each quarter in the financial year being divided into three period ends of 4, 4 and 5 weeks. Accordingly, each period end may fall before or after the end of a calendar month; and
- Current and non-current debt, and financial indebtedness, as at 31 October 2018 (as set in Part VII—Capitalisation and Indebtedness), the Company includes cash in transit and the debt associated with assets held for re-sale, but excludes the debt associated with joint ventures.

### **Underlying Financial Information**

Kier analyses its results of operations on an underlying basis. Non-underlying items include one-off costs related to restructuring, acquisitions and business closures, amortisation of contract right costs held as intangibles on the balance sheet and the unwinding of the discount in respect of deferred consideration and fair value adjustments made on acquisition. For a reconciliation of these items, see Note 1 to the 2018, 2017 and 2016 Annual Report and Accounts, which are incorporated by reference into this document.

The presentation of underlying results is not in conformity with IFRS. The underlying results of operations may also not be comparable to underlying figures reported by other companies as those companies may compute their normalised figures differently from Kier.

### **Pro Forma Financial Information**

In this document, any reference to “pro forma” financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial statements contained in Part VIII of this document (comprising an unaudited pro forma statement of net assets), which has been prepared to illustrate the effect of the Rights Issue on the consolidated net assets of the Group at 30 June 2018 as if the foregoing had occurred on 30 June 2018. The unaudited pro forma statement of net assets is based on the consolidated financial information as at 30 June 2018 and compiled on the basis set out in the notes thereto and in accordance with the accounting policies adopted by the Group for the year ended 30 June 2018. This unaudited pro forma financial information has not been prepared, and shall not be construed as having been prepared, in accordance with Regulation S-X under the Securities Act.

The unaudited pro forma net assets statement: (i) has been prepared for illustrative purposes only; (ii) because of its nature, addresses a hypothetical situation and does not, therefore, represent either the Group’s actual financial position or results; (iii) has been prepared on the basis set out in the notes thereto and in accordance with Annex II to the PD Regulation; and (iv) is stated on the basis of the Group’s accounting policies.

### **Non-IFRS Financial Information**

Kier, like other companies in the industries in which it operates, uses net asset and net debt amounts, including adjusted net debt, to evaluate its operational performance and capacity. The Directors believe these measures provide an enhanced understanding of the Group’s results, related trends and capacity, therefore increasing transparency and clarity into its operations. Net assets and net debt may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of Kier’s operating results as reported under IFRS.

Kier defines these measures as follows:

- *Net assets*—the Group’s total assets less total liabilities.
- *Net debt*—the Group’s net borrowings, excluding finance leases, adjusted for the impact of cross currency hedging, where net borrowings comprise total borrowings less cash and cash equivalents.

### **Currencies**

In this document and the information incorporated by reference into this document, references to “£”, “sterling” or “pounds sterling” are to the lawful currency of the United Kingdom.

### **Profit Forecast**

Information in relation to the Profit Forecast is included in Part IX of this document. Other than the Profit Forecast, no statement in this document is intended as a profit forecast and no statement in this document should be interpreted to mean that earnings per Share for the current or future financial years would necessarily match or exceed the historical published earnings per Share.

## **Notice to Investors in the United States of America**

Neither this document nor the Provisional Allotment Letter constitutes, or will constitute, or forms part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for the Nil Paid Rights, the Fully Paid Rights and/or the New Shares to any Shareholder with a registered address in, or who is resident of, the United States. The Nil Paid Rights, the Fully Paid Rights and the New Shares are being offered outside the United States in reliance on Regulation S.

## **Available Information**

If, at any time, the Company is neither subject to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company will furnish, upon request, to any holder or beneficial holder of the Nil Paid Rights, the Fully Paid Rights or the New Shares, or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. In such cases, the Company will also furnish to each such owner all notices of general Shareholders’ meetings and other reports and communications that the Group generally makes available to Shareholders.

## **Enforcement of Civil Liabilities**

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of holders of Shares are governed by English law and by the Articles of Association. These rights differ from the rights of shareholders in typical U.S. corporations and some other non-UK corporations.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. The majority of the Directors and executive officers are residents of the United Kingdom. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder’s country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder’s country of residence based on civil liabilities under that country’s securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the United Kingdom against the Directors or executive officers who are residents of the United Kingdom or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.



## RIGHTS ISSUE STATISTICS

Price per New Share . . . . .	409 pence
Basis of Rights Issue . . . . .	33 New Shares for every 50 Existing Shares
Number of Shares in issue on 29 November 2018 <sup>(1)</sup> . . . . .	97,660,163
Number of New Shares to be issued by the Company . . . . .	up to 64,455,707
Enlarged Share Capital immediately following completion of the Rights Issue <sup>(2)</sup> . . . . .	up to 162,115,870
New Shares as a percentage of Enlarged Share Capital immediately following completion of the Rights Issue <sup>(2)</sup> . . . . .	approximately 40 per cent.
Estimated fees, costs and expenses in connection with the Rights Issue . . . . .	£14 million
Estimated net proceeds of the Rights Issue receivable by the Company . . . . .	£250 million

Notes:

- (1) Being the latest practicable date prior to the date of this document.
- (2) Assuming that no options under the Sharesave Scheme are exercised between the date of this document and Admission becoming effective.

## EXPECTED TIMETABLE FOR THE RIGHTS ISSUE<sup>(1)(2)</sup>

<b>Record Date for entitlements under the Rights Issue</b> . . . . .	<b>6.00 p.m. on 30 November 2018</b>
Announcement of the Rights Issue . . . . .	30 November 2018
<b>Publication of this document</b> . . . . .	<b>On or about 30 November 2018</b>
Despatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only) <sup>(3)</sup> . . . . .	On or about 4 December 2018
Special Dealing Service open for applications . . . . .	5 December 2018
<b>Admission and Dealings in New Shares, nil paid, commence on the London Stock Exchange</b> . . . . .	<b>8.00 a.m. on 5 December 2018</b>
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only) <sup>(3)</sup> . . . . .	As soon as practicable after 8.00 a.m. on 5 December 2018
Nil Paid Rights and Fully Paid Rights enabled in CREST . . . . .	As soon as practicable after 8.00 a.m. on 5 December 2018
Ex-Rights Date . . . . .	8.00 a.m. on 5 December 2018
Recommended latest time for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form) . . . . .	4.30 p.m. on 13 December 2018
Latest time and date for receipt of instructions under Special Dealing Service in respect of Cashless Take-up or disposal of Nil Paid Rights . . . . .	11.00 a.m. on 13 December 2018
Latest time for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights into a CREST stock account . . . . .	3.00 p.m. on 14 December 2018
Latest time and date for splitting Provisional Allotment Letters . . . . .	3.00 p.m. on 17 December 2018
Dealings carried out in relation to Cashless Take-up or disposal of Nil Paid Rights under Special Dealing Service . . . . .	17 December 2018
Settlement of dealings in relation to Cashless Take-up or disposal of Nil Paid Rights under Special Dealing Service . . . . .	18 December 2018
<b>Latest time and date for acceptance in CREST and payment in full and registration of renounced Provisional Allotment Letters</b> . . . . .	<b>11.00 a.m. on 19 December 2018</b>
Expected date of announcement of the results of the Rights Issue . . . . .	20 December 2018
Despatch of cheques in relation to proceeds of disposal of Nil Paid Rights under Special Dealing Service . . . . .	By no later than 20 December 2018
<b>Dealings in the New Shares, fully paid, to commence on the London Stock Exchange</b> . . . . .	<b>8.00 a.m. on 20 December 2018</b>
New Shares credited to CREST stock accounts (uncertificated holders only) <sup>(3)</sup> . . . . .	As soon as practicable after 8.00 a.m. on 20 December 2018
Despatch of definitive share certificates for the New Shares in certificated form (to Qualifying Non-CREST Shareholders only) and premium payments (if applicable) in respect of Nil Paid Rights not taken up <sup>(3)</sup> . . . . .	By no later than 3 January 2019

Notes:

- (1) The times and dates set out in the timetable above and referred to throughout this document and the Provisional Allotment Letter may be adjusted by the Company by announcement through a Regulatory Information Service, in which event details of the new dates will also be notified to the Financial Conduct Authority, the London Stock Exchange and, where appropriate, Shareholders.
- (2) References to times in this document are to London time, unless otherwise stated.
- (3) Subject to certain restrictions relating to Overseas Shareholders. See paragraph 2.5 of Part III of this document.

## DIRECTORS AND ADVISERS

### Board of Directors

A list of the Directors is set forth in the table below.

Name	Position
Philip Cox CBE	Chairman
Haydn Mursell	Chief Executive
Beverley Dew	Finance Director
Claudio Veritiero	Chief Operating Officer
Justin Atkinson	Senior Independent Non-Executive Director
Constance Baroudeh	Non-Executive Director
Kirsty Bashforth	Non-Executive Director
Adam Walker	Non-Executive Director

Each of the Director's business address is the Company's registered address at Tempsford Hall, Sandy, Bedfordshire SG19 2BD, and each of the Director's business telephone number is 01767 355000 or, when dialling from outside the United Kingdom, +44 1767 355000.

<b>Registered Office:</b>	Tempsford Hall Sandy Bedfordshire SG19 2BD
<b>Company Secretary:</b>	Hugh Raven
<b>Sponsor, Joint Bookrunner and Joint Broker:</b>	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
<b>Joint Bookrunner and Joint Broker</b>	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET
<b>Joint Bookrunner</b>	Citigroup Global Markets Limited Citigroup Centre 33 Canada Square Canary Wharf London E14 5LB
<b>Joint Bookrunner</b>	HSBC Bank plc 8 Canada Square London E14 5HQ
<b>Joint Bookrunner</b>	Banco Santander, S.A. Paseo de Pereda, 9-12 39004 Santander Spain
<b>Financial Adviser:</b>	N.M. Rothschild & Sons Limited New Court St Swithin's Lane London EC4N 8AL
<b>Reporting Accountants:</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
<b>Statutory Auditor to the Company:</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

**Legal advisers to the Company as to English and United**

**States law:** ..... Linklaters LLP  
One Silk Street  
London EC2Y 8HQ

**Legal advisers to the Joint Bookrunners as to English and United**

**States law:** ..... White & Case LLP  
5 Old Broad Street  
London EC2N 1DW

**Registrar:** ..... Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**Receiving Agent:** ..... Link Asset Services  
Corporate Actions  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## PART I—LETTER FROM THE CHAIRMAN OF KIER GROUP PLC

### Directors:

Philip Cox CBE, Chairman  
Haydn Mursell, Chief Executive  
Beverley Dew, Finance Director  
Claudio Veritiero, Chief Operating Officer  
Justin Atkinson, Non-Executive Director  
Constance Baroudel, Non-Executive Director  
Kirsty Bashforth, Non-Executive Director  
Adam Walker, Non-Executive Director

### Registered Office:

Tempsford Hall  
Sandy  
Bedfordshire  
SG19 2BD

30 November 2018

Dear Shareholder

### **33 FOR 50 RIGHTS ISSUE AT 409 PER NEW SHARE**

#### **1 Introduction**

Kier has today announced a proposed capital raise by way of Rights Issue to raise gross proceeds of approximately £264 million.

**I am writing to give you further details of the Rights Issue, including the background to and reasons for the capital raise and the use of proceeds, and to explain why the Board considers the Rights Issue to be in the best interests of Shareholders.**

#### **2 Background to and Reasons for the Rights Issue and Use of Proceeds**

##### **2.1 Background**

Kier is a leading infrastructure services, buildings and developments & housing group, which invests in, builds and maintains the UK's essential assets and infrastructure.

Kier has made good progress in relation to the financial and non-financial targets set out in its Vision 2020 strategy, which was launched in July 2014. The Group's revenue (including its share of joint venture revenue) and underlying profit for the financial year ended 30 June 2018 increased by 5 per cent. and 10 per cent., to £4.5 billion and £160 million, respectively.

With effect from 1 July 2018, the Group's reporting structure is aligned to its three market positions:

- **Infrastructure Services:** Kier delivers major UK infrastructure projects, such as Crossrail, the Smart Motorways programme and HS2, together with essential every-day services, such as those that it provides to the highways and utilities sectors. The Company expects there to be growth in a number of the sectors in which it operates, in light of the cross-party political support for investment in the UK's national and local infrastructure;
- **Buildings:** Kier is the UK's leading regional builder, with positions on a number of significant, national frameworks, providing long-term visibility of future work. The Group has a particularly strong presence in the education and health sectors and it expects that the changing UK demographic will continue to provide it with significant opportunities in those sectors, whilst it also continues to develop its presence in others, including aviation and bioscience; and
- **Developments & Housing:** The Group's property developments business focuses principally on non-speculative schemes across a number of core sectors, including industrial, office, leisure and student accommodation. The Group's housing business builds mixed tenure affordable housing, houses for private sale and provides maintenance services. Kier believes that the shortage of affordable housing in the UK, together with significant reductions in local authorities' new housing stocks and reductions in the rent that registered housing providers can charge, provide it with significant opportunities.

In July 2018, the Group announced the launch of the FPK programme, which aims to streamline the business, drive operational efficiencies to improve customer and client service, improve profitability and cash generation, accelerate the reduction in net debt and dispose of non-core operations.

In its preliminary announcement of its results for the financial year ended 30 June 2018, the Company announced a debt reduction programme, which targets average month-end net debt of approximately £250 million and a year-end net cash position for the financial year ending 30 June 2021.

## **2.2 Reasons for the Rights Issue**

As referred to in its pre-AGM trading statement of 16 November 2018, the Group's net debt is increasingly a key focus for stakeholders in the industry and the Board recognises the importance of a strong balance sheet to take advantage of opportunities to underpin the Group's future performance.

The Board believes that the risks associated with the Group's net debt position have recently increased for the following reasons:

- although the majority of the Group's banking facilities are committed until 2022, a number of lenders have indicated an intention to reduce their exposure to the construction and related sectors, which may affect the confidence of other credit providers and liquidity in the medium term and may also have an impact on access to uncommitted facilities and/or future financings;
- potential clients and customers are increasingly focusing on service providers' balance sheets, resulting in procurement processes becoming increasingly rigorous and automated; and
- the increasing pressure from stakeholders to shorten supply chain payment terms.

The Rights Issue is expected to mitigate these risks, whilst also allowing the Company to accelerate its debt reduction programme and increase the strength of its balance sheet. The Directors believe that it is important that the net proceeds of the Rights Issue are reported on the Group's balance sheet as at 31 December 2018, in order to enable the Group to be better positioned, in light of a tighter credit market and more stringent tender pre-qualification requirements, to win new business.

The Company reported net debt as at 30 June 2018 of £185.7 million. The Group also reported average month-end net debt for the financial year ended 30 June 2018 of £375 million and calculated its average daily net debt for the year to be approximately £90 million higher. The average value of the assets in the Group's Property and Residential divisions during the year ended 30 June 2018 was approximately £460 million on a cost basis, although the Directors believe that the value of these assets is higher. The Group's net debt as at 31 October 2018 was approximately £624 million.

## **2.3 Use of Proceeds**

The net proceeds of the Rights Issue of approximately £250 million will enable the Group to accelerate its net debt reduction programme announced on 20 September 2018, allowing it to forecast a net cash position as at 30 June 2019 and to target an annualised average net debt:EBITDA ratio of less than 1x.

The net proceeds will be used to pay down part of the balance drawn under the Group's revolving credit facility. The Group may draw additional amounts from the revolving credit facility in the future for working capital purposes (including to make payments to the supply chain).

## **3 Current Trading and Prospects**

The following has been extracted without material adjustment from the Company's pre-AGM trading statement of 16 November 2018:

“The Board is confident that the Group will meet its full financial year expectations, with the full-year results being weighted towards the second half of the financial year.

### ***FPK programme***

Since its launch, the FPK programme has made good progress with respect to streamlining the business and improving cash generation.

As anticipated, the costs of implementing the FPK programme in the first half of the financial year are forecast to exceed the realised savings by approximately £10 million. The full financial year position is still expected to be earnings and cashflow neutral.

## ***Disposal***

On 15 November 2018, Kier agreed the terms of the disposal of its interest in KHSA Limited to Downer Group, the joint venture partner, for a total cash consideration of up to AU\$43.7 million (approximately £24 million). The proceeds will service the reduction of the Group's net debt.

## ***Financial position***

The Group continues to focus on operational cash generation and net debt reduction, anticipating average monthly net debt of approximately £390 million for the first half of the financial year, compared with approximately £410 million for the second half of the year ended 30 June 2018. The level of net debt is increasingly a key focus for stakeholders in the industry and the Board recognises the importance of a strong balance sheet to take advantage of opportunities to underpin its future performance.

## ***Outlook***

The FPK programme positions the Group well for an improvement in profitability and cash generation, and its order books and development pipelines remain strong.”

## **4 The Rights Issue**

Pursuant to the Rights Issue, the Company is proposing to offer 64,455,707 New Shares to Qualifying Shareholders. The offer is to be made at 409 pence per New Share, payable in full on acceptance by no later than 11.00 a.m. on 19 December 2018. The Rights Issue is expected to raise approximately £250 million (net of fees, costs and expenses). The Issue Price represents a 34 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 752.5 pence per Share on 29 November 2018 (being the last Business Day before the announcement of the terms of the Rights Issue).

The Rights Issue will be made on the basis of:

### **33 New Shares at 409 pence per New Share for every 50 Existing Shares**

held by Qualifying Shareholders at the Record Date.

Entitlements to New Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and issued into the market for the benefit of the Company. Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is fully underwritten by the Joint Bookrunners on the terms and subject to the conditions of the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised in paragraph 14.1 of Part XI of this document.

The Rights Issue will result in 64,455,707 New Shares being issued (representing approximately 66 per cent. of the existing issued share capital and 40 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue, assuming that no options under the Sharesave Scheme are exercised between 29 November 2018 (being the latest practicable date prior to the date of this document) and Admission becoming effective).

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date. If a Shareholder is not able to (or does not) take up its Nil Paid Rights under the Rights Issue, then it will suffer dilution, and it may not receive the economic benefit of such Nil Paid Rights because there is no assurance that the procedure in respect of Nil Paid Rights not taken up, will be successful either in selling the Nil Paid Rights or in respect of the prices obtained.

The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Shares. Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. on 5 December 2018.

Further details of the terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Part III of this document and, where

relevant, the Provisional Allotment Letter. Overseas Shareholders should refer to paragraph 2.5 of Part III of this document for further information regarding their ability to participate in the Rights Issue.

#### **4.1 Price**

New Shares are being offered to Qualifying Shareholders in the Rights Issue at a discount to the Share price on the last dealing day before the details of the Rights Issue were announced on 30 November 2018. The Issue Price of 409 pence per New Share represents a 34 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 752.5 pence per Share on 29 November 2018 (being the last Business Day before the announcement of the terms of the Rights Issue). The Issue Price (and the discount) has been set by the Board following their assessment of the prevailing market conditions and anticipated demand for the New Shares. The Board believes that the Issue Price (including the discount) is appropriate in the circumstances.

#### **4.2 Dilution**

Qualifying Shareholders who do not take up their entitlements to New Shares will have their proportionate shareholding in the Company diluted by approximately 40 per cent. as a result of the Rights Issue.

#### **4.3 Conditionality**

The Rights Issue is conditional, *inter alia*, upon:

- (i) the Underwriting Agreement having become unconditional in all respects, save for the condition relating to Admission, and not having been terminated in accordance with its terms before Admission occurs; and
- (ii) Admission having become effective by not later than 8.00 a.m. on 5 December 2018 (or such later time and/or date as the Joint Bookrunners and Kier may agree, not being later than 3.00 p.m. on 5 December 2018).

If any of the conditions are not satisfied or, if applicable, waived, then the Rights Issue will not take place.

### **5 Dividends and Dividend Policy**

On 20 September 2018, the Board announced its intention to recommend a final dividend of 46.0 pence per Share, which was approved by Shareholders at the Company's Annual General Meeting on 16 November 2018. The final dividend will be paid on 3 December 2018 to Shareholders on the register at close of business on 28 September 2018. Shareholders were offered the opportunity to reinvest the dividend payment to purchase additional Shares in the Company. An interim dividend of 23.0 pence per Share was paid to Shareholders on 18 May 2018. The total dividend for the year ended 30 June 2018 was therefore 69.0 pence per Share.

The Company has been building its dividend cover towards a 2.0x cover target, in line with its Vision 2020 strategy. Following the Rights Issue, the Company will adopt a dividend policy which takes into account the Company's earnings, balance sheet and future investment plans and target dividend cover of approximately 5.0x underlying earnings per Share in the financial year ending 30 June 2019 and, thereafter, dividend cover of approximately 2.5x underlying earnings per Share.

### **6 Working Capital**

The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Group, the Group has sufficient working capital for its present requirements, that is, for at least 12 months following the date of this document.

### **7 Further Information**

Your attention is drawn to the further information set out in Parts II to XI (inclusive) of this document. Shareholders should read the whole of this document and not rely solely on the information set out in this letter. In addition, you should consider the risk factors set out on pages 21 to 35 (inclusive) of this document.

### **8 Overseas Shareholders**

The attention of Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of or located in countries other than the United Kingdom, is drawn to the information in paragraph 2.5 of Part III of this document.



## 9 Taxation

Certain information about taxation in relation to the Rights Issue is set out in Part X of this document. If you are in any doubt as to your tax position or are subject to tax in a jurisdiction other than described therein, you should consult your own independent tax adviser without delay.

## 10 Action to be Taken

### 10.1 Action to be Taken in Respect of the Rights Issue

If you are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Excluded Territories (subject to certain exceptions), you will be sent a Provisional Allotment Letter giving you details of your Nil Paid Rights by post on or about 4 December 2018. If you are a Qualifying CREST Shareholder, you will not be sent a Provisional Allotment Letter. Instead, provided that you have a registered address outside the United States and the Excluded Territories (subject to certain exceptions), you will receive a credit to your appropriate stock accounts in CREST in respect of Nil Paid Rights, which it is expected will take place as soon as practicable after 8.00 a.m. on 5 December 2018. Such crediting does not in itself constitute an offer of New Shares.

If you sell or have sold or otherwise transferred all of your Shares held (other than ex-rights) in certificated form before 5 December 2018, please forward this document and any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States and the Excluded Territories.

If you sell or have sold or otherwise transferred all or some of your Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part III of this document and in the Provisional Allotment Letter.

**The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 a.m. on 19 December 2018, unless otherwise announced by the Company. The procedure for acceptance and payment is set out in Part III of this document and, if applicable, in the Provisional Allotment Letter.**

For Qualifying Non-CREST Shareholders, the New Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched by no later than 3 January 2019 to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders who take up their rights, the Receiving Agent will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with their entitlements to New Shares. It is expected that this will take place by as soon as practicable after 8.00 a.m. on 20 December 2018.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Rights Issue.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA or, if you are outside the United Kingdom, by another appropriately authorised independent financial adviser.

### 10.2 Special Dealing Service

Kier has engaged Link Asset Services to make available the Special Dealing Service in order for Qualifying Non-CREST Shareholders (who are individuals and whose registered addresses are in the United Kingdom or any other jurisdiction in the EEA) to sell all of the Nil Paid Rights to which they are entitled or to effect a Cashless Take-up should they wish. Further information about the Special Dealing Service is set out in paragraph 2.1.5 of Part III of this document and the Special Dealing Service Terms and Conditions will be posted to Qualifying Non-CREST Shareholders together with the Provisional Allotment Letter.

## **11 Directors' Intentions and Shareholder Support**

The Board is fully supportive of the Rights Issue and believes that the Rights Issue is in the best interests of the Company and the Shareholders as a whole. Each of the Directors who is a Shareholder intends to take up in full or in part his or her rights in respect of his or her Shares to subscribe for New Shares under the Rights Issue.

In total, Shareholders who hold Shares representing approximately 32 per cent. of the Shares have informed the Joint Bookrunners and the Company that they are supportive of the Company's plans and the Rights Issue.

Yours faithfully

**Philip Cox CBE**

*Chairman*

Kier Group plc

## **PART II—QUESTIONS AND ANSWERS ABOUT THE RIGHTS ISSUE**

*The questions and answers set out in this Part II are intended to be in general terms only and, as such, you should read Part III of this document for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under the FSMA if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.*

*This Part II deals with general questions relating to the Rights Issue and more specific questions relating to Shares held by persons resident in the UK who hold their Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 2.5 of Part III of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your rights. If you hold your Shares in uncertificated form (that is, through CREST) you should read Part III of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Shares are in certificated or uncertificated form, please call Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m.–5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.*

*Times and dates referred to in this Part II have been included on the basis of the expected timetable for the Rights Issue set out on page 41 of this document.*

### **1 What is a rights issue?**

A rights issue is a way for companies to raise money. Companies do this by giving their existing shareholders a right to buy further shares in proportion to their existing shareholdings.

The offer under this Rights Issue is at a price of 409 pence per New Share. If you hold Shares on the Record Date and, subject to certain exceptions, do not have a registered address in the United States or the Excluded Territories, you will be entitled to buy New Shares pursuant to the Rights Issue unless you have sold or otherwise transferred those Shares (other than ex-rights) prior to 8.00 a.m. (London time) on the Ex-Rights Date. If you hold your Existing Shares in certificated form, your entitlement will be set out in your Provisional Allotment Letter.

New Shares are being offered to Qualifying Shareholders in the Rights Issue at a discount to the Share price on the last dealing day before the details of the Rights Issue were announced on 30 November 2018. The Issue Price of 409 pence per New Share represents a 34 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 752.5 pence per Share on 29 November 2018 (being the last Business Day before the announcement of the terms of the Rights Issue). As a result of this discount and while the market value of the Existing Shares exceeds the Issue Price, the right to buy the New Shares is potentially valuable.

The Rights Issue is on the basis of 33 New Shares at 409 pence per New Share for every 50 Existing Shares held by Qualifying Shareholders as at the close of business on the Record Date.

If you are a Qualifying Shareholder and you do not want to buy the New Shares to which you are entitled, you can instead sell or transfer your rights (called Nil Paid Rights) to those New Shares and receive the net proceeds, if any, of the sale or transfer in cash. This is referred to as “dealing nil paid”.

### **2 Can I sell some rights and use the proceeds to take up my remaining rights?**

This is known as a Cashless Take-up or “tail-swallowing”. You should contact your stockbroker or financial adviser who may be able to help if you wish to do this. Alternatively, if you are an individual certificated shareholder whose registered address is in the United Kingdom or any other EEA country, you can use the Special Dealing Service (see paragraph 5(e) below). Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 19 December 2018.

**3 I hold my Existing Shares in certificated form. How do I know if I am able to acquire New Shares under the Rights Issue?**

If you receive a Provisional Allotment Letter and are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Excluded Territories (subject to certain exceptions), then you should be eligible to acquire New Shares under the Rights Issue (as long as you have not sold or otherwise transferred all of your Existing Shares before 8.00 a.m. on the Ex-Rights Date, in which case you will need to follow the instructions on the front page of this document).

**4 I hold my Existing Shares in certificated form. How will I be informed of how many New Shares I am entitled to buy?**

If you hold your Existing Shares in certificated form and are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Excluded Territories (subject to certain exceptions), you will be sent a Provisional Allotment Letter that shows:

- how many Existing Shares you held at the close of business on 30 November 2018 (the Record Date for the Rights Issue);
- how many New Shares you are entitled to buy; and
- how much you need to pay if you want to take up your right to buy all the New Shares provisionally allotted to you in full.

Subject to certain exceptions, if you have a registered address in the United States or the Excluded Territories, you will not receive a Provisional Allotment Letter.

**5 I am a Qualifying Shareholder with a registered address in the United Kingdom and I hold my Existing Shares in certificated form. What are my choices and what should I do with the Provisional Allotment Letter?**

**(a) If you want to take up all of your rights**

If you want to take up all of your rights to acquire the New Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque or banker's draft for the full amount, payable to "Link Market Services Limited Re Kier Group plc Rights Issue A/C" and crossed "A/C Payee only", by post or by hand (during normal business hours only) to Link Asset Services, at Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, to arrive by no later than 11.00 a.m. on 19 December 2018. Within the United Kingdom only, you can use the reply-paid envelope which will be enclosed with the Provisional Allotment Letter. Full instructions are set out in Part III of this document and will be set out in the Provisional Allotment Letter.

**Please note third-party cheques may not be accepted other than building society cheques or banker's drafts.**

If payment is made by building society cheque (not being drawn on an account of the applicant) or a banker's draft, the building society or bank must endorse on the back of the cheque or draft the applicant's name and the number of an account held in the applicant's name at the building society or bank, such endorsement being validated by a stamp and an authorised signature. The account name should be the same as that shown on the application.

A definitive share certificate will then be sent to you for the New Shares that you take up. Your definitive share certificate for New Shares is expected to be despatched to you by no later than 3 January 2019. You will need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional Allotment Letter will not be returned to you unless you tick the appropriate box on the Provisional Allotment Letter.

**(b) If you do not want to take up your rights at all**

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter subscribing for the New Shares to which you are entitled by 11.00 a.m. on 19 December 2018, we have made arrangements under which the Joint Bookrunners will try to find investors to take up your rights and the rights of others who have not taken up their rights. If the Joint Bookrunners do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value

added tax), you will be sent a cheque for your share of the amount of that premium, provided that this is £5.00 or more. Cheques will be sent to your existing address appearing on the Company's register of members (or to the first-named holder if you hold your Existing Shares jointly). If the Joint Bookrunners cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment, and any amounts of less than £5.00 will be aggregated and donated to charity. Alternatively, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see paragraph (d) below).

**(c) If you want to take up some but not all of your rights**

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply to have your Provisional Allotment Letter split by completing Form X on the Provisional Allotment Letter (unless you wish to use the Special Dealing Service), and returning it by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, to be received by 3.00 p.m. on 17 December 2018, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter representing the New Shares that you wish to accept together with your cheque or banker's draft to Link Asset Services at Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to be received by 11.00 a.m. on 19 December 2018.

**Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate.** Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 19 December 2018.

Further details are set out in Part III of this document and will be set out in the Provisional Allotment Letter.

**(d) If you want to sell all of your rights**

If you want to sell all of your rights other than through the Special Dealing Service, you should complete and sign Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they are not in the United States or the Excluded Territories).

**Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate.** Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 19 December 2018.

**(e) If you want to use the Special Dealing Service**

If you are an individual certificated shareholder whose registered address is in the United Kingdom or any other EEA country, you can use the Special Dealing Service to either (i) sell all of your Nil Paid Rights or (ii) sell a sufficient number of Nil Paid Rights to raise money to take up the remainder (that is, effect a Cashless Take-up).

If you want to use the Special Dealing Service to sell all of your Nil Paid Rights, you should tick Box C on the front page of your Provisional Allotment Letter, sign and date it and return the Provisional Allotment Letter by 11.00 a.m. on 13 December 2018.

If you want to effect a Cashless Take-up, you should tick Box D on the front page of your Provisional Allotment Letter, sign and date it and return the Provisional Allotment Letter by 11.00 a.m. on 13 December 2018.

Link Asset Services will charge a commission of 0.5 per cent. of the gross proceeds of any sale of Nil Paid Rights effected using the Special Dealing Service, subject to a minimum of £20.00 per holding.

You should be aware that by returning your Provisional Allotment Letter and electing to use the Special Dealing Service, you will be deemed to be agreeing to the terms and conditions of the Special Dealing Service and make a legally binding agreement with Link Asset Services on those terms. The terms and conditions of the Special Dealing Service will be posted to you together with the Provisional Allotment Letter if you hold your Shares in certificated form.

If you have any questions relating to the Special Dealing Service, please telephone Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Further details about the Special Dealing Service are set out in paragraph 2.1.5 of Part III of this document.

#### **6 I acquired my Existing Shares prior to the Record Date and hold my Existing Shares in certificated form. What if I do not receive a Provisional Allotment Letter?**

If you do not receive a Provisional Allotment Letter but hold your Existing Shares in certificated form, this probably means that you are not able to acquire New Shares under the Rights Issue. Some Qualifying Non-CREST Shareholders, however, will not receive a Provisional Allotment Letter but may still be eligible to acquire New Shares under the Rights Issue, namely:

- Qualifying CREST Shareholders who held their Existing Shares in uncertificated form at close of business on 30 November 2018 and who have converted them to certificated form;
- Shareholders who bought Existing Shares before 5 December 2018 and who hold such Shares in certificated form but were not registered as the holders of those Shares at the close of business on 30 November 2018; and
- certain Overseas Shareholders.

If you do not receive a Provisional Allotment Letter but think that you should have received one, please call Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

#### **7 If I buy Shares after the Record Date, will I be eligible to participate in the Rights Issue?**

If you bought Shares after the Record Date but prior to 8.00 a.m. on the Ex-Rights Date, you may be eligible to participate in the Rights Issue.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Shares on or after 8.00 a.m. on 5 December 2018, you will not be eligible to participate in the Rights Issue in respect of those Shares.

#### **8 I hold my Existing Shares in certificated form. If I take up my rights, when will I receive the certificate representing my New Shares?**

If you take up your rights under the Rights Issue, share certificates for the New Shares are expected to be posted by no later than 3 January 2019.

#### **9 What if the number of New Shares to which I am entitled is not a whole number? Am I entitled to fractions of New Shares?**

Your entitlement to New Shares will be calculated at the Record Date (other than in the case of those who bought Shares after the Record Date but prior to 8.00 a.m. on the Ex-Rights Date who are eligible to participate in the Rights Issue). If the result is not a whole number, you will not be provisionally allotted a New Share in respect of the fraction of a New Share and your entitlement will be rounded down to the nearest whole number. The New Shares representing the aggregated fractions that would otherwise be allotted to Shareholders will be issued in the market nil paid for the benefit of the Company.

#### **10 Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?**

If you are resident in the United Kingdom for tax purposes, it is not currently expected that you will have to pay UK tax when you take up your rights, although the position is not entirely free from doubt, and the Rights Issue will affect the amount of UK tax you may pay when you subsequently sell your Shares.

However, assuming that you hold your Shares as an investment, rather than for the purposes of a trade, you may (subject to any available exemption or relief) be subject to tax on any proceeds that you receive from the sale of your rights as a chargeable gain. Similarly, assuming that you hold your Shares as an investment, if you allow, or are deemed to allow, your rights to lapse and receive a cash payment in respect of them, you may (subject to any available exemption or relief) be subject to tax on any proceeds as a chargeable gain.

However, if the proceeds are “small” as compared to the value of the Existing Shares in respect of which the rights arose (broadly, the proceeds do not exceed the greater of (a) £3,000 or (b) 5 per cent. of the value of the Existing Shares), a tax charge should not generally arise at that time. Rather, the proceeds will be deducted from the base cost of the holding of the Existing Shares for the purposes of computing a chargeable gain or allowable loss on a subsequent disposal. This treatment will not apply if the proceeds are greater than the base cost of the holding of Existing Shares.

Further information for Qualifying Shareholders who are resident in the United Kingdom for tax purposes is contained in Part X of this document. This information is intended as a general guide to the current tax position in the United Kingdom and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible. Please note that the Shareholder Helpline will not be able to assist you with taxation issues.

**11 I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?**

If you do not want to buy the New Shares being offered to you under the Rights Issue, you can instead sell or transfer your Nil Paid Rights and receive the net proceeds of the sale or transfer in cash. This is referred to as “dealing nil paid”. This means that during the Rights Issue (between 8.00 a.m. on 5 December 2018 and 11.00 a.m. on 19 December 2018) you can either purchase Shares (which will not carry any entitlement to participate in the Rights Issue) or you can trade in the Nil Paid Rights.

**12 I hold my Existing Shares in certificated form. What if I want to sell the New Shares for which I have paid?**

Provided that the New Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X (the form of renunciation) on the receipted Provisional Allotment Letter in accordance with the instructions set out in the Provisional Allotment Letter until 11.00 a.m. on 19 December 2018. After that time, you will be able to sell your New Shares in the normal way. The share certificate relating to your New Shares is expected to be despatched to you by no later than 3 January 2019. Pending despatch of the share certificate, instruments of transfer will be certified by the Registrar against the register.

Further details are set out in Part III of this document.

**13 What should I do if I live outside the United Kingdom?**

While you have an entitlement to participate in the Rights Issue, your ability to take up or sell rights to New Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights. Shareholders with registered addresses in the United States or the Excluded Territories are, subject to certain exceptions, not able to subscribe for New Shares under the Rights Issue. Your attention is drawn to the information in paragraph 2.5 of Part III of this document.

The Company has made arrangements under which the Joint Bookrunners will try to find investors to take up your rights and those of other Shareholders who have not taken up their rights. If the Joint Bookrunners do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium, provided that this is £5.00 or more. Cheques will be sent to your address appearing on the Company’s register of members (or to the first-named holder if you hold your Shares jointly). If the Joint Bookrunners cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment and any such amount of less than £5.00 will be donated to charity.

**14 Will the Rights Issue affect any future dividends the Company pays?**

Following completion of the Rights Issue, any future dividend payments will be adjusted for the Rights Issue, taking into account the issued share capital of the Company as enlarged by the New Shares.

**15 What if I hold awards and options under the Share Schemes?**

Participants in the Share Schemes will be contacted separately and in due course with further information on how their awards and options granted under such plans may be affected by the Rights Issue.

**16 How do I transfer my rights into the CREST system?**

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your New Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on the Provisional Allotment Letter) and ensure they are delivered to CCSS to be received by 3.00 p.m. on 14 December 2018 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to paragraph 2.2 of Part III of this document for details on how to pay for the New Shares.

**17 What should I do if I think my holding of Shares is incorrect?**

If you have recently bought or sold Shares, your transaction may not be entered on the register of members of the Company in time to appear on the register at the Record Date. If you are concerned about the figure in the Provisional Allotment Letter or otherwise concerned that your holding of Shares is incorrect, please call Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.



## PART III—TERMS AND CONDITIONS OF THE RIGHTS ISSUE

### 1 Introduction

The Company is proposing to raise proceeds of approximately £250 million (net of fees, costs and expenses) by way of a rights issue of 64,455,707 New Shares. The offer is to be made at 409 pence per New Share, payable in full on acceptance by no later than 11.00 a.m. on 19 December 2018. The Issue Price represents a 34 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 752.5 pence per Share on 29 November 2018 (being the last Business Day before the announcement of the terms of the Rights Issue).

The Rights Issue will be made on the basis of:

#### **33 New Shares at 409 pence per New Share for every 50 Existing Shares**

held by Qualifying Shareholders at the Record Date.

Times and dates referred to in this Part III have been included on the basis of the expected timetable for the Rights Issue set out on page 41 of this document.

**Qualifying Shareholders who do not or who are not permitted to take up their entitlements to New Shares will have their proportionate shareholdings in the Company diluted by approximately 40 per cent. Those Qualifying Shareholders who take up the New Shares provisionally allotted to them in full will, subject to the rounding down and sale of any fractions, retain the same proportionate voting and distribution rights as held by them at the Record Date. In each case, assuming that no options under the Sharesave Schemes are exercised between 29 November 2018 (being the latest practicable date prior to the date of this document) and Admission becoming effective.**

The Nil Paid Rights (also described as New Shares, nil paid) are entitlements to acquire the New Shares subject to payment of the Issue Price. The Fully Paid Rights are entitlements to receive the New Shares, for which a subscription and payment has already been made.

Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Entitlements to New Shares will be rounded down to the next lowest whole number (or to zero in the case of shareholders holding fewer than 50 Existing Shares at the close of business on the Record Date) and fractions of New Shares will not be allotted to Qualifying Shareholders. Such fractions will be aggregated and, if possible, placed as soon as practicable after the commencement of dealings in the New Shares, nil paid. The net proceeds of such placings (after deduction of expenses) will be aggregated and will ultimately accrue for the benefit of the Company.

**Shareholders or any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document into a jurisdiction other than the United Kingdom should consider paragraph 2.5 below. The offer of New Shares under the Rights Issue will not be made into certain territories. Subject to the provisions of paragraph 2.5 below, Shareholders with a registered address in the United States or the Excluded Territories are not being sent this document and will not be sent Provisional Allotment Letters.**

Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. on 5 December 2018.

The Existing Shares are already admitted to CREST. No further application for admission to CREST is required for the New Shares and all of the New Shares when issued and fully paid may be held and transferred by means of CREST.

Applications will be made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. Euroclear requires the Company to confirm to it that certain conditions (imposed by the CREST Manual) have been satisfied before Euroclear will admit any security to CREST. It is expected that these conditions will be satisfied, in respect of the Nil Paid Rights and the Fully Paid Rights, on Admission. As soon as practicable after satisfaction of the conditions, the Company will confirm this to Euroclear.

The ISIN for the New Shares will be the same as that of the Existing Shares, being GB0004915632. The ISIN for the Nil Paid Rights will be GB00BYWQMX03 and the ISIN for the Fully Paid Rights will be GB00BYWQMY10.

The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Shares.

The Rights Issue is fully underwritten by the Joint Bookrunners, pursuant to the terms of the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised in paragraph 14.1 of Part XI of this document.

The Rights Issue will result in 64,455,707 New Shares being issued (representing approximately 66 per cent. of the existing issued share capital and 40 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue, assuming that no options under the Sharesave Scheme are exercised between 29 November 2018 (being the latest practicable date prior to the date of this document) and Admission becoming effective).

The Rights Issue is conditional, *inter alia*, upon:

- (a) the Underwriting Agreement having become unconditional in all respects, save for the condition relating to Admission, and not having been terminated in accordance with its terms before Admission occurs; and
- (b) Admission becoming effective by not later than 8.00 a.m. on 5 December 2018 (or such later time and/or date as the Joint Bookrunners and the Company may agree, not being later than 3.00 p.m. on 5 December 2018).

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date, including Overseas Shareholders. If a Shareholder is not able to (or does not) take up his or her Nil Paid Rights under the Rights Issue, then his or her shareholding in the Company will be diluted as a result of the Rights Issue.

The Underwriting Agreement is conditional upon certain matters being satisfied or not breached prior to Admission and may be terminated by the Joint Bookrunners prior to Admission becoming effective upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. The Underwriting Agreement is not capable of termination following Admission. The Joint Bookrunners may arrange sub-underwriting for some, all or none of the New Shares. A summary of certain terms and conditions of the Underwriting Agreement is contained in paragraph 14.1 of Part XI of this document.

In connection with the Rights Issue, the Joint Bookrunners and any of their respective affiliates may take up a portion of the Nil Paid Rights, the Fully Paid Rights and the New Shares as a principal position and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Shares, Nil Paid Rights and Fully Paid Rights) and may offer or sell such security otherwise than in connection with the Rights Issue. Accordingly, references in this document to Nil Paid Rights, Fully Paid Rights or New Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Joint Bookrunners and any of their affiliates acting as investors for their own account. In addition, certain of the Joint Bookrunners or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of Shares. Except as required by applicable law or regulation, none of the Joint Bookrunners propose to make any public disclosure in relation to such transactions. The Company also intends to use the net proceeds of the Rights Issue to repay part of the balance drawn under the Group's revolving credit facility.

In addition, the Company reserves the right to decide not to proceed with the Rights Issue if the Underwriting Agreement is terminated at any time prior to Admission and commencement of dealings in the New Shares (nil paid).

Subject, *inter alia*, to the conditions referred to above being satisfied (other than the condition relating to Admission) and save as provided in paragraph 2.5 below, it is intended that:

- (a) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders with registered addresses outside the United States and the Excluded Territories (subject to certain exceptions) on or about 4 December 2018;
- (b) the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders with registered addresses outside the United States and the Excluded Territories (subject to certain exceptions) with such Shareholders' entitlements to Nil Paid Rights with effect from 8.00 a.m. on 5 December 2018;

- (c) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear as soon as practicable after the Company has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied, which is expected to be by 8.00 a.m. on 5 December 2018;
- (d) New Shares will be credited to the appropriate stock accounts of the relevant Qualifying CREST Shareholders and/or purchasers of Nil Paid Rights (or their renounees) who validly take up their rights, and the purchasers of Fully Paid Rights, as soon as practicable after 8.00 a.m. on 5 December 2018; and
- (e) share certificates for the New Shares will be despatched to relevant Qualifying Non-CREST Shareholders or their renounees by no later than 3 January 2019.

The offer will be made to Qualifying Non-CREST Shareholders by way of the Provisional Allotment Letter (as described in step (a) above) and to Qualifying CREST Shareholders by way of the enablement of the Nil Paid Rights and the Fully Paid Rights (as described in step (c) above) (such Shareholders' stock accounts having been credited as described in step (b) above).

The New Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of issue of the New Shares. There will be no restrictions on the free transferability of the New Shares save as provided in the Articles. The rights attaching to the New Shares are governed by the Articles, a summary of which is set out in paragraph 4 of Part XI of this document.

All documents, including Provisional Allotment Letters (which constitute temporary documents of title) and cheques and certificates posted to, by or from Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a Many-To-Many ("MTM") instruction to Euroclear will be deemed to have given the representations and warranties set out in paragraph 2.6 below, unless the requirement is waived by the Company.

## **2 Action to be taken**

**The action to be taken in respect of the New Shares depends on whether, at the relevant time, the Nil Paid Rights or the Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).**

If you are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Excluded Territories, please refer to paragraph 2.1 and paragraphs 2.3 to 2.9 below.

If you are a Qualifying CREST Shareholder with a registered address outside the United States and the Excluded Territories, please refer to paragraphs 2.2 to 2.9 below and to the CREST Manual for further information on the CREST procedures referred to below.

If you are a Qualifying Shareholder either: (i) subject to certain exceptions, with a registered address in the United States or the Excluded Territories; or (ii) holding Shares on behalf of or for the account or benefit of any person on a non-discretionary basis who, subject to certain exceptions, has a registered address in the United States or the Excluded Territories, please refer to paragraph 2.5 below.

**CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.**

**All enquiries in relation to the Provisional Allotment Letters should be addressed to Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.**

## **2.1 Action to be taken by Qualifying Non-CREST Shareholders in relation to the Nil Paid Rights represented by Provisional Allotment Letters**

### **2.1.1 General**

Provisional Allotment Letters are expected to be despatched to Qualifying Non-CREST Shareholders with registered addresses outside the United States and the Excluded Territories (subject to certain exceptions) on or about 4 December 2018. Each Provisional Allotment Letter will set out:

- (i) the holding at the close of business on the Record Date of Existing Shares in certificated form on which a Qualifying Non-CREST Shareholder's entitlement to New Shares has been based;
- (ii) the aggregate number of New Shares which have been provisionally allotted to that Qualifying Non-CREST Shareholder with respect to the Existing Shares referred to in paragraph (i) above;
- (iii) the amount payable by a Qualifying Non-CREST Shareholder at the Issue Price to take up his or her entitlement in full;
- (iv) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his or her entitlement or to convert all or part of his or her entitlement into uncertificated form;
- (v) the procedures to be followed if a Qualifying Non-CREST Shareholder who is eligible to use the Special Dealing Service wishes to sell all of his or her Nil Paid Rights or to effect a Cashless Take-up using the Special Dealing Service; and
- (vi) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation (where applicable).

On the basis that Provisional Allotment Letters are posted on or about 4 December 2018, and that dealings in Nil Paid Rights commence on 5 December 2018, the latest time and date for:

- (a) acceptance and payment in full will be 11.00 a.m. on 19 December 2018; and
- (b) receipt of instructions under the Special Dealing Service in respect of the sale of all Nil Paid Rights or a Cashless Take-up will be 11.00 a.m. on 13 December 2018.

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on or around 4 December 2018 or if the timetable for the Rights Issue is otherwise amended, the expected timetable, as set out at the front of this document, will be adjusted accordingly, and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service. All references to times and/or dates in this Part III should be read as being subject to such adjustment.

### **2.1.2 Procedure for acceptance and payment**

#### **(i) Qualifying Non-CREST Shareholders who wish to take up their entitlement in full**

**Holders of Provisional Allotment Letters who wish to take up all of their entitlement** must complete and return the Provisional Allotment Letter, together with a cheque or banker's draft in pounds sterling, made payable to "Link Market Services Limited Re Kier Group plc Rights Issue A/C" and crossed "A/C payee only" for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive as soon as possible and in any event so as to be received by not later than 11.00 a.m. on 19 December 2018. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose and for use in the United Kingdom only. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery.

#### **(ii) Qualifying Non-CREST Shareholders who wish to take up some (but not all) of their entitlement**

**Holders of Provisional Allotment Letters who wish to take up some but not all of their Nil Paid Rights and wish to sell some or all of those rights which they do not want to take up** (other than by effecting a Cashless Take-up using the Special Dealing Service described in paragraph 2.1.5 below) should first apply for split Provisional Allotment Letters by completing Form X on the Provisional Allotment Letter and returning it, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights or Fully Paid Rights (if appropriate) to be comprised in each split Provisional Allotment Letter, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 3.00 p.m. on 17 December 2018,

the last date and time for splitting Provisional Allotment Letters. The Provisional Allotment Letter will then be cancelled and exchanged for the split Provisional Allotment Letters required. Such holders of Provisional Allotment Letters should then deliver the split Provisional Allotment Letter representing the rights they wish to take up together with a cheque or banker's draft in pounds sterling for this number of rights, payable to "Link Market Services Limited Re Kier Group plc Rights Issue A/C" and crossed "A/C payee only" so as to be received by not later than 11.00 a.m. on 19 December 2018, the last date and time for acceptance. The further split Provisional Allotment Letters (representing the New Shares that the Shareholder does not wish to take up) will be required in order to sell those rights not being taken up.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without selling or transferring the remainder, should complete Form X on the original Provisional Allotment Letter and return it, confirming the number of rights to be taken up and a cheque or banker's draft in pounds sterling to pay for this number of Shares, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In this case, the Provisional Allotment Letter and payment must be received by 11.00 a.m. on 19 December 2018, the last date and time for acceptance.

### **(iii) Company's discretion as to validity of acceptances**

If the Provisional Allotment Letter, accompanied by payment in full, is not received by 11.00 a.m. on 19 December 2018, the provisional allotment will (unless the Company has exercised its right to treat as valid an acceptance, as set out below) be deemed to have been declined and will lapse. The Company may elect, acting in consultation with the Joint Bookrunners, but shall not be obliged, to treat as valid Provisional Allotment Letters and accompanying remittances for the full amount due which are received prior to 5.00 p.m. on 19 December 2018.

The Company may elect, but shall not be obliged, to treat as a valid acceptance the receipt of appropriate remittance by 5.00 p.m. on 19 December 2018 from an authorised person (as defined in the FSMA) specifying the number of New Shares to be acquired and containing an undertaking by that person to lodge the relevant Provisional Allotment Letters, duly completed, in due course.

The Company may also (in its sole discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat as invalid any acceptance or purported acceptance of the New Shares that appears to the Company to have been executed in, despatched from or that provides an address for delivery of definitive share certificates for New Shares in the United States or the Excluded Territories unless the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

The provisions of this paragraph (iii) and any other terms of the Rights Issue relating to Qualifying Non-CREST Shareholders may be waived, varied or modified as regards specific Qualifying Non-CREST Shareholder(s) or on a general basis by the Company, acting in consultation with the Joint Bookrunners.

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph 2.1.2 is deemed to request that the New Shares to which they will become entitled be issued to them on the terms and conditions set out in this document and subject to the Articles.

### **(iv) Payments**

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "Link Market Services Limited Re Kier Group plc Rights Issue A/C" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or the Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Cheques must be drawn on the personal account to which the Qualifying Non-CREST Shareholder (or their nominee) has sole or joint title to the funds. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-

dated cheques will not be accepted. Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments. It is a term of the Rights Issue that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. Return of a completed Provisional Allotment Letter will constitute a warranty that the cheque will be honoured on first presentation. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

If the New Shares have already been allotted to a Qualifying Non-CREST Shareholder prior to any payment not being so honoured upon first presentation or such acceptances being treated as invalid, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Shares on behalf of such Qualifying Non-CREST Shareholder and hold the proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such New Shares, and of all amounts payable by such Qualifying Non-CREST Shareholder pursuant to the terms of the Rights Issue in respect of the acquisition of such New Shares) on behalf of such Qualifying Non-CREST Shareholder. Neither the Company nor the Joint Bookrunners nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a result.

**(v) Holders of Provisional Allotment Letters who wish to take up any of their entitlements must make the representations and warranties set out in paragraph 2.6 below.**

### **2.1.3 Money Laundering Regulations**

It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations, the Registrar, Link Asset Services, may require verification of the identity of the person by whom or on whose behalf a Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If an application is made by a UK-regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements is the responsibility of such broker or intermediary and not of the Registrar. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter. The person(s) (the "**acceptor**") who, by lodging a Provisional Allotment Letter with payment, and in accordance with the other terms as described above, accept(s), directly or indirectly, the allotment of the New Shares (the "**relevant shares**") comprised in such Provisional Allotment Letter (being the provisional allottee or, in the case of renunciation, the person named in such Provisional Allotment Letter) shall thereby be deemed to agree to provide the Registrar and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements and agree for the Registrar to make a search using a credit reference agency for the purpose of confirming such identity where deemed necessary. A record of the search will be retained.

If the Registrar determines that the verification of identity requirements apply to an acceptance of an allotment and the verification of identity requirements have not been satisfied (which the Registrar shall in its absolute discretion determine) by 11.00 a.m. on 19 December 2018, the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the acceptance as invalid, in which event the application monies will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn, or may confirm the allotment of the relevant shares to the acceptor but (notwithstanding any other term of the Rights Issue) such shares will not be issued to him or her or registered in his or her name until the verification of identity requirements have been satisfied (which the Registrar shall in its absolute discretion determine). If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period as the Company may in its absolute discretion allow, being not less than seven days after a request for evidence of identity is despatched to the acceptor, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the acceptor). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the acceptor absolutely, subject to the requirements of the Money Laundering Regulations. The Registrar is entitled in its absolute discretion to determine whether the verification of identity requirements apply to any acceptor and whether such requirements have been satisfied. None of the Company, the Joint Bookrunners or the Registrar will be liable to

any person for any loss suffered or incurred as a result of the exercise of any such discretion or as a result of any sale of relevant shares.

Return of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty from the acceptor that the Money Laundering Regulations will not be breached by acceptance of such remittance and an undertaking to provide promptly to the Registrar such information as may be specified by the Registrar as being required for the purpose of the Money Laundering Regulations. If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in your acceptance being treated as invalid or in delays in the despatch of a receipted fully paid Provisional Allotment Letter, share certificate or other documents relating to the Rights Issue (as applicable).

The verification of identity requirements will not usually apply:

- (i) if the acceptor is an organisation required to comply with the Money Laundering Directive 2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing;
- (ii) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (iii) if the acceptor (not being an acceptor who delivers his or her acceptance in person) makes payment by way of a cheque drawn on an account in the name of such acceptor; or
- (iv) if the aggregate subscription price for the relevant shares is less than €15,000 (or its pounds sterling equivalent).

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- (a) if payment is made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society and bears a UK bank sort code number in the top right-hand corner, the following applies. Cheques or banker's drafts should be made payable to "Link Market Services Limited Re Kier Group plc Rights Issue A/C" and crossed "A/C payee only". Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the application;
- (b) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in paragraph (a) above or which is subject to anti-money-laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Hong Kong, Iceland, India, Japan, the Republic of Korea, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE), the agent should provide written confirmation with the Provisional Allotment Letter that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the Registrar or the relevant authority; or
- (c) if a Provisional Allotment Letter is lodged by hand by the acceptor in person, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and evidence of his or her address (for example, a recent bank statement).

In order to confirm the acceptability of any written assurance referred to in paragraph (b) above or any other case, the acceptor should contact the Receiving Agent, Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

#### **2.1.4 Dealings in Nil Paid Rights**

Assuming the Rights Issue becomes unconditional, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 5 December 2018. A transfer of Nil Paid Rights can be made

by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the letter to the transferee or to a stockbroker, bank or other appropriate financial adviser. The latest time and date for registration of renunciation of Provisional Allotment Letters, nil paid, is expected to be 11.00 a.m. on 19 December 2018.

In addition, Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA can elect to sell all of their Nil Paid Rights or to effect a Cashless Take-up, in each case using the Special Dealing Service, details of which are set out in paragraph 2.1.5 below.

### **2.1.5 Special Dealing Service**

#### **(i) Qualifying Non-CREST Shareholders who wish to sell all of their entitlement using the Special Dealing Service**

Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA and who wish to sell all of the Nil Paid Rights to which they are entitled may elect to do so using the Special Dealing Service. Such Qualifying Non-CREST Shareholders should complete and return the Provisional Allotment Letter in accordance with the instructions printed thereon, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 11.00 a.m. on 13 December 2018, the latest time and date for requesting the sale of Nil Paid Rights through the Special Dealing Service.

A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery. Please note that Link Asset Services will charge a commission of 0.5 per cent. of the gross proceeds of sale of all of the Nil Paid Rights to which the Qualifying Non-CREST Shareholder is entitled, subject to a minimum of £20.00, for effecting such sale through the Special Dealing Service.

Under the Special Dealing Service, Link Asset Services will collate all the instructions from Qualifying Non-CREST Shareholders wishing to use the service to sell all their Nil Paid Rights up to 11.00 a.m. on 13 December 2018 and instruct a broker to sell all such Nil Paid Rights by 17 December 2018.

Link Asset Services will aggregate instructions from all Qualifying Non-CREST Shareholders who have elected to sell all of their Nil Paid Rights under the Special Dealing Service that are received (or are treated as having been received). Such Nil Paid Rights in respect of which an instruction is received may be sold in several transactions and on separate days. Qualifying Non-CREST Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights aggregated for sale purposes in accordance with the above. This may result in Qualifying Non-CREST Shareholders who choose to sell all of their Nil Paid Rights through the Special Dealing Service receiving a higher or lower price than if their Nil Paid Rights were sold separately. This may also result in Qualifying Non-CREST Shareholders who choose to sell all of their Nil Paid Rights through the Special Dealing Service receiving a higher or lower price for their Nil Paid Rights than if all of their Nil Paid Rights had been sold in a single transaction or on a single day and such Qualifying Non-CREST Shareholders may receive the proceeds of sale later than if their Nil Paid Rights had been sold by another broker on an individual basis.

A Qualifying Non-CREST Shareholder who is considering giving an instruction to sell all of their Nil Paid Rights under the Special Dealing Service should note that there is no guarantee that the sale of Nil Paid Rights will be effected under the Special Dealing Service in relation to their Nil Paid Rights.

Whether such Qualifying Non-CREST Shareholder's Nil Paid Rights will be sold under the Special Dealing Service will depend on whether it is expected that the proceeds from the sale of the Nil Paid Rights of the majority of the Qualifying Non-CREST Shareholders who elect to sell all of their Nil Paid Rights and whose instructions are aggregated for sales purposes will exceed the commissions referred to above. If a Qualifying Non-CREST Shareholder's Nil Paid Rights are sold but the proceeds obtained for the sale of such Nil Paid Rights are less than the commissions referred to above, such Qualifying Non-CREST Shareholder will not receive any proceeds.

#### **(ii) Qualifying Non-CREST Shareholders who wish to effect a Cashless Take-up using the Special Dealing Service**

Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA and who wish to effect a Cashless Take-up may elect to do so using the Special Dealing Service. Such Qualifying Non-CREST Shareholders should complete and return the



Provisional Allotment Letter in accordance with the instructions printed thereon, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 11.00 a.m. on 13 December 2018, the latest time and date for requesting a Cashless Take-up through the Special Dealing Service.

A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery. Please note that Link Asset Services will charge a commission of 0.5 per cent. of the gross proceeds of sale of such number of Nil Paid Rights as is required to effect a Cashless Take-up for which a Qualifying Non-CREST Shareholder is entitled, subject to a minimum of £20.00.

Under the Special Dealing Service, Link Asset Services will collate all the instructions from Qualifying Shareholders wishing to use the service to effect a Cashless Take-up up to 11.00 a.m. on 13 December 2018 and instruct a broker to sell sufficient Nil Paid Rights for Qualifying Non-CREST Shareholders to take up the remainder of their Nil Paid Rights on 17 December 2018.

Link Asset Services will aggregate instructions from all Qualifying Non-CREST Shareholders who elect a Cashless Take-up under the Special Dealing Service that are received (or are treated as having been received). Such number of Nil Paid Rights which need to be sold to effect a Cashless Take-up for Qualifying Non-CREST Shareholders under the Special Dealing Service may be sold in several transactions and on separate days. Qualifying Non-CREST Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights aggregated for sale purposes in accordance with the above. This may result in Qualifying Non-CREST Shareholders who elect a Cashless Take-up under the Special Dealing Service receiving a higher or lower price than if their Nil Paid Rights were sold separately. This may also result in Qualifying Non-CREST Shareholders who choose to effect a Cashless Take-up under the Special Dealing Service receiving a higher or lower price for their Nil Paid Rights than if such Nil Paid Rights had been sold in a single transaction or on a single day.

A Qualifying Non-CREST Shareholder who is considering giving an instruction for Cashless Take-up under the Special Dealing Service should note that there is no guarantee that Cashless Take-up will be effected under the Special Dealing Service in relation to his or her Nil Paid Rights. Whether such Qualifying Non-CREST Shareholder's Nil Paid Rights will be sold under the Special Dealing Service will depend on whether it is expected that the proceeds from the sale of the Nil Paid Rights of the majority of the Qualifying Non-CREST Shareholders (the "Majority Shareholders") who elect for a Cashless Take-up under the Special Dealing Service and whose instructions are aggregated for sales purposes will be sufficient, after deducting the commissions referred to above, to take up one New Share for each of the Majority Shareholders. If a Qualifying Non-CREST Shareholder's Nil Paid Rights are sold, but the proceeds obtained for the sale of the Nil Paid Rights are not sufficient, after the deduction of the commissions referred to above, to acquire any New Shares at the Issue Price, such Qualifying Non-CREST Shareholder will not receive any New Shares.

### **(iii) General**

By giving an instruction under the Special Dealing Service, a Qualifying Non-CREST Shareholder will be deemed to have represented, warranted and undertaken that he or she will not thereafter seek to take any action in respect of his or her Provisional Allotment Letter. By giving instruction under the Special Dealing Service, he or she will be deemed to have renounced his or her Nil Paid Rights, as applicable to his or her instruction.

The Special Dealing Service Terms and Conditions will be posted to Qualifying Non-CREST Shareholders together with the Provisional Allotment Letter. A Qualifying Non-CREST Shareholder who is eligible for and elects to use the Special Dealing Service agrees to the terms and conditions of the Rights Issue set out in this document and the Special Dealing Service Terms and Conditions (including how the price for the sale of their Nil Paid Rights is calculated and the commissions that will be deducted from the proceeds of their sale of such Nil Paid Rights). Qualifying Non-CREST Shareholders using the Special Dealing Service should note that they will be clients of Link Asset Services and not of the Company when using such service. Link Asset Services' liability to such a Qualifying Non-CREST Shareholder and its responsibility for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided is as set out in the Special Dealing Service Terms and Conditions and neither Link Asset Services nor the Company shall have any liability or responsibility to a Qualifying Non-CREST Shareholder using the Special Dealing Service, except as set out in those Special Dealing Service Terms and Conditions. None of the Company, Link Asset Services or their agents shall be responsible for any loss or damage (whether actual or alleged) arising from the terms or timing of any sale, any settlement issues arising from any sale, any exercise of discretion in relation to any sale, or any failure to procure any sale, of Nil Paid Rights pursuant to the Special Dealing Service.

The Company, Link Asset Services and/or their agents shall each have sole discretion to determine the eligibility of Qualifying Non-CREST Shareholders and may each in their sole discretion interpret instructions (including handwritten markings) on the Provisional Allotment Letter, and none of the Company, Link Asset Services or their agents shall be responsible for any loss or damage (whether actual or alleged) arising from any such exercise of discretion. All remittances will be sent by post, at the risk of the Qualifying Non-CREST Shareholder entitled thereto, to the registered address of the relevant Qualifying Non-CREST Shareholder (or, in the case of joint holders, to the address of the joint holder whose name stands first in the register of Shareholders). No interest will be payable on any proceeds received from the sale of Nil Paid Rights under the Special Dealing Service.

The Company, Link Asset Services and/or their agents cannot offer financial, legal, tax or investment advice on the Special Dealing Service. The Special Dealing Service is an “execution only” service and not a recommendation to buy or sell the Nil Paid Rights. The Special Dealing Service Terms and Conditions apply to the Special Dealing Service. The value of Shares and any income from them can fluctuate and, when sold, investors may receive less than the original amount invested. Past performance is not a guide to future returns. The Special Dealing Service is provided by Link Asset Services, a trading name of Link Market Services Limited, which is authorised by the FCA.

### **2.1.6 Dealings in Fully Paid Rights**

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and delivering it, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by not later than 11.00 a.m. on 19 December 2018. To do this, Qualifying Non-CREST Shareholders will need to have their fully paid Provisional Allotment Letters returned to them after acceptance has been effected by the Registrar. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking the appropriate box on the Provisional Allotment Letter. After 8.00 a.m. on 20 December 2018, the New Shares will be in registered form and transferable in the usual way (see paragraph 2.1.11 below).

### **2.1.7 Renunciation and splitting of Provisional Allotment Letters**

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on the Provisional Allotment Letter (if it is not already marked “Original Duly Renounced”) and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, the letter will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in the Provisional Allotment Letter may be transferred by delivery of the Provisional Allotment Letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters, fully paid, is 11.00 a.m. on 19 December 2018.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Shares registered in his or her name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights or (if appropriate) Fully Paid Rights but to different persons, he or she may have the Provisional Allotment Letter split, for which purpose he or she, or his or her agent, must complete and sign Form X on the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by not later than 3.00 p.m. on 17 December 2018, to be cancelled and exchanged for the number of split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (if appropriate) Fully Paid Rights to be comprised in each split letter should be stated in an accompanying letter. Form X on split Provisional Allotment Letters will be marked “Original Duly Renounced” before issue. The aggregate number of Nil Paid Rights or (as appropriate) Fully Paid Rights comprised in the split Provisional Allotment Letters must equal the number of New Shares set out in the original Provisional Allotment Letter (less the number of New Shares representing rights that the holder wishes to take up if taking up his or her entitlement in part). The split Provisional Allotment Letter(s) (representing the New Shares the Shareholder does not wish to take up) will be required in order to sell those rights not being taken up.

The Company reserves the right to refuse to register any renunciation in favour of any person in respect of which the Company believes such renunciation may violate applicable legal or regulatory requirements, including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without transferring the remainder, should complete Form X on the original Provisional Allotment Letter and return it, together with a covering letter confirming the number of rights to be taken up and a cheque or banker's draft in pounds sterling to pay for this number of New Shares, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In this case, the Provisional Allotment Letter and payment must be received by the Receiving Agent by 11.00 a.m. on 19 December 2018.

### **2.1.8 Registration in names of Qualifying Shareholders**

A Qualifying Shareholder who wishes to have all the New Shares to which he or she is entitled registered in his or her name must accept and make payment for such allotment in accordance with the provisions set out in this document and the Provisional Allotment Letter, but need take no further action. A share certificate in respect of the New Shares subscribed for is expected to be sent to such Qualifying Shareholders by no later than 3 January 2019.

### **2.1.9 Registration in names of persons other than Qualifying Shareholders originally entitled**

In order to register Fully Paid Rights in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, the renounee or his or her agent(s) must complete Form Y on the Provisional Allotment Letter (unless the renounee is a CREST member who wishes to hold such New Shares in uncertificated form, in which case Form X and the CREST Deposit Form must be completed (see paragraph 2.2 below)) and deliver the entire Provisional Allotment Letter, when fully paid, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than the latest time for registration of renunciations, which is expected to be 11.00 a.m. on 19 December 2018. Registration cannot be effected unless and until the New Shares comprised in a Provisional Allotment Letter are fully paid.

The New Shares comprised in several renounced Provisional Allotment Letters may be registered in the name of one holder (or joint holders) if Form Y on the Provisional Allotment Letter is completed on one Provisional Allotment Letter (the "**Principal Letter**") and all the Provisional Allotment Letters are delivered in one batch. Details of each Provisional Allotment Letter (including the Principal Letter) should be listed in a separate letter.

### **2.1.10 Deposit of Nil Paid Rights or Fully Paid Rights into CREST**

The Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject as provided in the next paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights represented by the Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both on the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CCSS. In addition, the normal CREST Stock Deposit procedures will need to be carried out, except that: (i) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS; and (ii) only the whole of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit only some of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters by following the instructions in paragraph 2.1.2 above. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. The Consolidation Listing Form (as defined in the CREST Regulations) must not be used.

A holder of the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 19 December 2018. **In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on the Provisional Allotment Letter duly completed) with the CCSS (to enable the person acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 19 December 2018) is 3.00 p.m. on 14 December 2018.**

When Form X and the CREST Deposit Form (on the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letters will cease to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form Y will not subsequently be recognised or acted upon by the Receiving Agent. All renunciations or transfers of Nil Paid Rights or Fully Paid Rights must be effected through the CREST system once such Nil Paid Rights or Fully Paid Rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsor will be able to take the necessary action to take up the entitlement or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of the CREST sponsored member.

#### **2.1.11 Issue of New Shares in definitive form**

Definitive share certificates in respect of the New Shares to be held in certificated form are expected to be despatched by post by no later than 3 January 2019 at the risk of the persons entitled thereto to Qualifying Non-CREST Shareholders (or their transferees who hold Fully Paid Rights in certificated form), or, in the case of joint holdings, to the first-named Shareholders, at their registered address (unless lodging agent details have been completed on the Provisional Allotment Letter). After despatch of the definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Shares will be certified by the Receiving Agent against the register.

## **2.2 Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights and Fully Paid Rights in CREST**

### **2.2.1 General**

It is expected that each Qualifying CREST Shareholder will receive a credit to his or her stock account in CREST of his or her entitlement to Nil Paid Rights on 5 December 2018. It is expected that such rights will be enabled by 8.00 a.m. on 5 December 2018. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Shares in uncertificated form held at the close of business on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The maximum number of New Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he or she receives a credit of entitlement into his or her stock account in CREST. The minimum number of New Shares a Qualifying CREST Shareholder may take up is one.

The Nil Paid Rights will constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If, for any reason, it is impracticable to credit the stock accounts of Qualifying CREST Shareholders, or to enable the Nil Paid Rights by 8.00 a.m. on 5 December 2018, Provisional Allotment Letters shall, unless the Company determines otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document will be adjusted as appropriate.

**References to dates and times in this document should be read as subject to any such adjustment.** The Company will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates **but Qualifying CREST Shareholders may not receive any further written communication.**

**CREST members who wish to take up their entitlements in respect of or otherwise to transfer Nil Paid Rights or Fully Paid Rights held by them in CREST (including CREST members who wish to effect a Cashless Take-up of Nil Paid Rights) should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights (including effecting a Cashless Take-up of Nil Paid Rights).**

## **2.2.2 Procedure for acceptance and payment**

### **(i) MTM instructions**

CREST members who wish to take up all or some of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM instruction to Euroclear that, on its settlement, will have the following effect:

- (a) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (b) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank (as this term is defined in the CREST Manual) of the Receiving Agent in pounds sterling in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in paragraph (a) above; and
- (c) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his or her Nil Paid Rights referred to in paragraph (a) above.

### **(ii) Contents of MTM instructions**

The MTM instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of Nil Paid Rights to which the acceptance relates;
- (b) the participant ID of the accepting CREST member;
- (c) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- (d) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 9RAQ1;
- (e) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 29962KIE;
- (f) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (g) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights referred to in paragraph (a) above;
- (h) the intended settlement date. This must be on or before 11.00 a.m. on 19 December 2018;
- (i) the Nil Paid Rights ISIN number, which is GB00BYWQMX03;
- (j) the Fully Paid Rights ISIN number, which is GB00BYWQMY10;
- (k) the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST; and
- (l) a contact name and telephone number in the shared note field.

### **(iii) Valid acceptance**

An MTM instruction complying with each of the requirements as to authentication and contents set out in paragraph (ii) above will constitute a valid acceptance where either:

- (a) the MTM instruction settles by not later than 11.00 a.m. on 19 December 2018; or
- (b) at the discretion of the Company:
  - (1) the MTM instruction is received by Euroclear by not later than 11.00 a.m. on 19 December 2018;
  - (2) a number of Nil Paid Rights at least equal to the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 19 December 2018; and
  - (3) the relevant MTM instruction settles by 11.00 a.m. on 19 December 2018 (or such later time and/or date as the Company may determine).

An MTM instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Providers' Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM UK instruction by the Network Providers' Communications Host.

The provisions of this paragraph (iii) and any other terms of the Rights Issue relating to Qualifying CREST Shareholders may be waived, varied or modified as regards specific Qualifying CREST Shareholder(s) or on a general basis by the Company.

### **(iv) Representations, warranties and undertakings of CREST members**

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 2.2.2 represents, warrants and undertakes to the Company and the Joint Bookrunners that he or she has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or her, or by his or her CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 19 December 2018. In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that, at 11.00 a.m. on 19 December 2018 (or until such later time and date as the Company may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt. Such CREST member or CREST sponsored member taking up entitlements must make the representations and warranties set out in paragraph 2.6 below.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Shares have already been allotted to such CREST member or CREST sponsored member, the Company may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such New Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such New Shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the Rights Issue in respect of the acquisition of such New Shares) on behalf of such CREST member or CREST sponsored member. Neither the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such CREST member or CREST sponsored member as a result.

### **(v) CREST procedures and timings**

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his or her CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 19 December 2018. In

connection with this, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

**(vi) CREST member's undertaking to pay**

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 2.2.2 undertakes to pay to the Receiving Agent, or procure the payment to the Receiving Agent of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as the Receiving Agent may require, it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual), the creation of an RTGS payment obligation in pounds sterling in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual) in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created (a) discharge in full the obligation of the CREST member (or CREST sponsored member) to pay the amount payable on acceptance and (b) request that the Fully Paid Rights and/or New Shares to which he or she will become entitled be issued to him or her on the terms set out in this document and subject to the Articles of Association of the Company. Such payment will be held by the Receiving Agent on trust for the Joint Bookrunners, who are acting as principal on receipt of such monies.

If the payment obligations of the relevant CREST member or CREST sponsored member in relation to such New Shares are not discharged in full and such New Shares have already been allotted to the CREST member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such Shares on behalf of the CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such Shares, and of all amounts payable by such CREST member or CREST sponsored member pursuant to the terms of the Rights Issue in respect of the acquisition of such Shares) or an amount equal to the original payment of the CREST member or CREST sponsored member. Neither the Company nor the Joint Bookrunners nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by the CREST member or CREST sponsored member as a result.

**(vii) Company's discretion as to rejection and validity of acceptances**

Having consulted with the Joint Bookrunners, the Company may agree in its absolute sole discretion to:

- (a) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 2.2.2. Where an acceptance is made as described in this paragraph 2.2.2, which is otherwise valid, and the MTM instruction concerned fails to settle by 11.00 a.m. on 19 December 2018 (or by such later time and date as the Company has determined), the Company shall be entitled to assume, for the purposes of its right to reject an acceptance contained in this paragraph 2.2.2, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 2.2.2 unless the Company is aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) for the failure to settle;
- (b) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 2.2.2;
- (c) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and the Joint Bookrunners may determine;
- (d) treat a properly authenticated dematerialised instruction in this paragraph (d) (the "first instruction") as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (e) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM

instruction or any alternative instruction or notification, if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his or her Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

### **2.2.3 Money Laundering Regulations**

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is entitled to take reasonable measures to establish the identity of the person or persons (or the ultimate controller of such person or persons) on whose behalf you are making the application and any submission of an MTM instruction constitutes agreement for the Receiving Agent to make a search via a credit reference agency where deemed necessary. A record of search results will be retained. You must therefore contact the Receiving Agent before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the verification of the identity requirements in the Money Laundering Regulations or the FSMA. Pending the provision of such information and other evidence as the Registrar may require to satisfy the verification of identity requirements, the Receiving Agent, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If such information and other evidence of identity has not been provided within a reasonable time, then the Receiving Agent will not permit the MTM instruction concerned to proceed to settlement but without prejudice to the right of the Company and/or the Joint Bookrunners to take proceedings to recover any loss suffered by any of them as a result of failure by the applicant to provide such information and other evidence.

### **2.2.4 Dealings in Nil Paid Rights in CREST**

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence as soon as practicable after 8.00 a.m. on 5 December 2018. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 19 December 2018.

### **2.2.5 Dealings in Fully Paid Rights in CREST**

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 19 December 2018. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 19 December 2018. From 20 December 2018, the New Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable in the usual way (see paragraph 2.2.7 below).

### **2.2.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST**

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights from CREST is 4.30 p.m. on 13 December 2018, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 19 December 2018. You are recommended to refer to the CREST Manual for details of such procedures.



### **2.2.7 Issue of New Shares in CREST**

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 19 December 2018 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST no later than the close of business on the Business Day after the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Shares with effect as soon as practicable after 8.00 a.m. on 20 December 2018.

### **2.2.8 Right to allot/issue in certificated form**

Despite any other provision of this document, the Company reserves the right to allot and/or issue any Nil Paid Rights, Fully Paid Rights or New Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

## **2.3 Procedure in respect of rights not taken up (whether certificated or in CREST) and withdrawal**

### **2.3.1 Procedure in respect of New Shares not taken up**

If an entitlement to New Shares is not validly taken up by 11.00 a.m. on 19 December 2018, in accordance with the procedure laid down for acceptance and payment, then that Provisional Allotment Letter will be deemed to have been declined and will lapse. The Joint Bookrunners will endeavour to procure, by not later than 5.00 p.m. on the second dealing day after the last date for acceptance under the Rights Issue, subscribers for all (or as many as possible) of those New Shares not taken up at a price per New Share which is at least equal to the aggregate of the Issue Price and the expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax).

Notwithstanding the above, the Joint Bookrunners may cease to endeavour to procure any such subscribers if, in their opinion, it is unlikely that any such subscribers can be procured at such a price and by such a time. If and to the extent that subscribers for New Shares cannot be procured on the basis outlined above, the relevant New Shares will be subscribed for by the Joint Bookrunners or sub-underwriters (if any) at the Issue Price pursuant to the terms of the Underwriting Agreement.

Any premium over the aggregate of the Issue Price and the expenses of procuring subscribers (including any applicable brokerage and commissions and amounts in respect of irrecoverable value added tax) shall be held in trust absolutely for and paid (subject as provided in this paragraph 2.3) to:

- (i) where the Nil Paid Rights were, at the time they were not taken up, represented by a Provisional Allotment Letter, the person whose name and address appeared on the Provisional Allotment Letter;
- (ii) where the Nil Paid Rights were, at the time they were not taken up, in uncertificated form, the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- (iii) where an entitlement to New Shares was not taken up by an Overseas Shareholder, that Overseas Shareholder.

New Shares for which subscribers are procured on this basis will be reallocated to the subscribers and the aggregate of any premiums (being the amount paid by the subscribers after deducting the Issue Price and the expenses of procuring the subscribers, including any applicable brokerage and commissions and amounts in respect of irrecoverable value added tax), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant provisional allotments not taken up, save that amounts of less than £5.00 per holding will not be so paid but will be aggregated and donated to charity. Cheques for the amounts due will be sent by post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first-named holder in the case of joint holders), provided that, where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) CREST settlement bank in respect of the cash amount concerned in accordance with the CREST payment mechanism.

Any transactions undertaken pursuant to this paragraph 2.3 or paragraph 2.5.1 below shall be deemed to have been undertaken at the request of the persons entitled to the rights not taken up or other entitlements and neither the Company nor the Joint Bookrunners nor any other person procuring subscribers shall be responsible

for any loss, expense or damage (whether actual or alleged) arising from the terms or timing of any such subscription, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis so described. The Joint Bookrunners will be entitled to retain any brokerage fees, commissions or other benefits received in connection with these arrangements.

It is a term of the Rights Issue that all New Shares validly taken up by subscribers under the Rights Issue may be allotted to such subscribers in the event that not all of the New Shares offered for subscription under the Rights Issue are taken up.

### **2.3.2 Withdrawal rights**

Persons who have the right to withdraw their acceptances under section 87Q(4) of the FSMA after a supplementary prospectus (if any) has been published and who wish to exercise such right of withdrawal must do so by lodging a written notice of withdrawal (which shall not include a notice sent by facsimile), which must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, with Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or email to [withdraw@linkgroup.co.uk](mailto:withdraw@linkgroup.co.uk), so as to be received no later than two Business Days after the date on which the supplementary prospectus was published, withdrawal becoming effective on receipt of the written notice of withdrawal. Notice of withdrawal given by any other means or which is deposited with or received by Link Asset Services, Corporate Actions after the expiry of such period will not constitute a valid withdrawal. Furthermore, based on advice received by the Company as to the effect of statutory withdrawal rights where the allotment contract is fully performed, the Company will not permit the exercise of withdrawal rights after payment by the relevant Shareholder of its subscription amount in full and the allotment of the New Shares to such Shareholder becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers, including their legal advisers, as this may be a matter of law.

Provisional allotments of entitlements to New Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Shares will be subject to the provisions of paragraph 2.3.1 above as if the entitlement had not been validly taken up.

## **2.4 Taxation**

The information contained in Part X of this document is intended only as a general guide to the current tax position in the United Kingdom, and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances.

## **2.5 Overseas Shareholders**

### **2.5.1 General**

**This document has been approved by the FCA, being the competent authority in the United Kingdom. The making or acceptance of the proposed offer of Nil Paid Rights, Fully Paid Rights and/or New Shares to persons who have registered addresses outside the United Kingdom, or who are resident in, or citizens of, countries other than the United Kingdom may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.**

It is also the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom wishing to take up rights under or otherwise participate in the Rights Issue to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories.

The comments set out in this paragraph 2.5 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his or her position should consult his or her professional adviser without delay.

Having considered the circumstances, the Board has formed the view that it is necessary or expedient to restrict the ability of persons in the Excluded Territories and the United States to take up rights to New Shares or otherwise participate in the Rights Issue due to the time and costs involved in the registration of this document and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

Receipt of this document and/or Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an

offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed.

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date, including Overseas Shareholders. However, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to CREST accounts of, Shareholders with registered addresses in the United States or the Excluded Territories or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

The crediting of Nil Paid Rights does not constitute an offer to Shareholders and, specifically, no offer is being made to Shareholders: (i) with a registered address in the United States or the Excluded Territories; or (ii) in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Shares. CREST Shareholders will be entitled to take up rights in the Rights Issue only if such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use the Provisional Allotment Letter or deal in Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her of the Nil Paid Rights and Fully Paid Rights. In such circumstances, this document and the Provisional Allotment Letter are to be treated as sent for information only and should not be copied or redistributed.

Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same or transfer Nil Paid Rights or Fully Paid Rights in or into any jurisdiction where to do so would or might contravene local security laws or regulations. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights is received by any person in any such territory, or by his or her agent or nominee, he or she must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this document or a Provisional Allotment Letter or transfers Nil Paid Rights or Fully Paid Rights into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 2.5.

The Company reserves the right to treat as invalid and will not be bound to allot or issue any New Shares in respect of any acceptance or purported acceptance of the offer of New Shares which:

- (i) appears to the Company or its agents to have been executed, effected or despatched from the United States or an Excluded Territory unless the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement;
- (ii) in the case of a Provisional Allotment Letter, provides an address for delivery of the share certificates or other statements of entitlement or advice in the United States or an Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates, statements or advice or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or
- (iii) in the case of a credit of New Shares in CREST, is to a CREST member or CREST sponsored member whose registered address would be in the United States or an Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to make such a credit or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements.

The attention of Overseas Shareholders with registered addresses in the United States and the Excluded Territories is drawn to paragraphs 2.3.1 above to 2.5.5 below.

The provisions of paragraph 2.3.1 above will apply to Overseas Shareholders who do not take up New Shares provisionally allotted to them or are unable to take up New Shares provisionally allotted to them because such action would result in a contravention of applicable law or regulatory requirements. Accordingly, such Shareholders will be treated as Shareholders that have not taken up their entitlement for the purposes of paragraph 2.3.1 above and the Joint Bookrunners will use reasonable endeavours to procure subscribers for the relevant New Shares. The net proceeds of such sales (after deduction of expenses) will be paid to the relevant Shareholders pro rata to their holdings of Existing Shares at the close of business on the Record Date as soon

as practicable after receipt, except that (i) individual amounts of less than £5.00 per holding will not be distributed but will be aggregated and paid to charity and (ii) amounts in respect of fractions will not be distributed but will be retained for the benefit of the Company. None of the Company, the Joint Bookrunners or any other person shall be responsible or have any liability whatsoever for any loss or damage (actual or alleged) arising from the terms or the timing of the acquisition or the procuring of it or any failure to procure subscribers.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Shareholder to participate in the Rights Issue on the terms and conditions set out in this document as if it were a Qualifying Shareholder if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If the Company is so satisfied, the Company will arrange for the relevant Shareholder to be sent a Provisional Allotment Letter if he or she is a Qualifying Non-CREST Shareholder or, if he or she is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 2.1.2 and 2.2.2 above.

Overseas Shareholders should note that all subscription monies must be paid in pounds sterling by cheque or banker's draft and should be drawn on a bank in the United Kingdom, made payable to "Link Market Services Limited Re Kier Group plc Rights Issue A/C" and crossed "A/C payee only".

### **2.5.2 United States of America**

The Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered under the Securities Act, and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, in or into the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights or the New Shares in the United States.

Accordingly, the Company is not extending the offer under the Rights Issue into the United States and, subject to certain exceptions, none of this document or the Provisional Allotment Letter constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Nil Paid Rights, Fully Paid Rights or New Shares in the United States. Subject to certain exceptions, neither this document nor a Provisional Allotment Letter will be sent to any Shareholder with a registered address in the United States.

Subject to certain exceptions, Provisional Allotment Letters or renunciations thereof sent from or post marked in the United States will be deemed to be invalid and all persons acquiring New Shares and wishing to hold such Shares in registered form must provide an address for registration of the New Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires New Shares, Nil Paid Rights or Fully Paid Rights will be required to declare, warrant and agree that they have received a copy of this document and that they are not, and that, at the time of acquiring the New Shares, the Nil Paid Rights or the Fully Paid Rights, they will not be, in the United States or acting on behalf of or for the account or benefit of a person on a non-discretionary basis in the United States or any state of the United States.

The Company reserves the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the acceptance or renunciation of the Rights Issue, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address and is not otherwise located in the United States and is not acquiring the Nil Paid Rights, the Fully Paid Rights or the New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares in the United States or where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements. The Company will not be bound to allot (on a non-provisional basis) or issue any New Shares, Nil Paid Rights or Fully Paid Rights to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or New Shares may be transferred or renounced. In addition, the Company and the Joint Bookrunners reserve the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Nil Paid Rights.

In addition, until 40 days after the commencement of the Rights Issue, an offer or sale of Nil Paid Rights, Fully Paid Rights or New Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act. The provisions of paragraph 2.3 above will apply to any rights not taken up. Accordingly, subject to certain exceptions, Shareholders with a registered address in the United States will be treated as unexercising holders and the Joint Bookrunners will endeavour to procure on behalf of such unexercising holders subscribers for the New Shares.

### **2.5.3 Australia, Canada, Japan and South Africa**

Due to restrictions under the securities laws of Australia, Canada, Japan and South Africa, no Provisional Allotment Letters in relation to the New Shares will be sent to Shareholders, and no Nil Paid Rights or Fully Paid Rights will be credited to a stock account in CREST of, persons with registered addresses in the Excluded Territories and the Nil Paid Rights to which they are entitled will be sold if possible in accordance with the provisions of paragraph 2.3.1 above. Qualifying CREST Shareholders with registered addresses outside the Excluded Territories will not be entitled to take up rights in the Rights Issue unless such action would not result in the contravention of any registration or other legal requirement in any jurisdiction. The Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Shares may not be transferred or sold to, or renounced or delivered in, the Excluded Territories. No offer of New Shares is being made by virtue of this document or the Provisional Allotment Letters into the Excluded Territories.

### **2.5.4 Excluded Territories and Other Overseas Territories**

Provisional Allotment Letters will be posted to Qualifying Non-CREST Shareholders with registered addresses outside the United States and the Excluded Territories (subject to certain exceptions) and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders with registered addresses outside the United States and the Excluded Territories (subject to certain exceptions). Such Qualifying Shareholders may, subject to the laws of the relevant jurisdictions, participate in the Rights Issue in accordance with the instructions set out in this document and, if relevant, the Provisional Allotment Letter. In cases where Overseas Shareholders do not take up Nil Paid Rights, their entitlements will be sold if possible in accordance with the provisions of paragraph 2.3.1 above.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, all countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

**If you are in any doubt as to your eligibility to accept the offer of New Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your appropriate professional adviser immediately.**

#### **(i) Member States of the EEA (other than the United Kingdom)**

In relation to each member state of the EEA (except the United Kingdom) (each a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, none of the New Shares, the Nil Paid Rights or the Fully Paid Rights may be offered or sold to the public in that Relevant Member State prior to the publication of this document in relation to the New Shares, the Nil Paid Rights and the Fully Paid Rights, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, other than the offers contemplated in this document in a Relevant Member State after the date of such publication or notification, and except that an offer of such Nil Paid Rights, Fully Paid Rights or New Shares may be made to the public in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Shares, the Nil Paid Rights or the Fully Paid Rights shall require the Company to publish a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any New Shares, Nil Paid Rights or Fully Paid Rights or to whom any offer is made under the Rights Issue will be

deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

In the case of the New Shares, the Nil Paid Rights or Fully Paid Rights being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Shares, the Nil Paid Rights or the Fully Paid Rights acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of New Shares, the Nil Paid Rights or the Fully Paid Rights to the public other than their offer or resale in a Relevant Member State to “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive. The Company, the Joint Bookrunners and their respective affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

For the purposes of this selling restriction, the expression “an offer of New Shares, the Nil Paid Rights or the Fully Paid Rights to the public” in relation to any New Shares, the Nil Paid Rights or the Fully Paid Rights in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Shares, the Nil Paid Rights or the Fully Paid Rights to be offered so as to enable an investor to decide to acquire the New Shares, the Nil Paid Rights or the Fully Paid Rights, as the same may be varied in that Relevant Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented by the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

## **(ii) Other Overseas Shareholders**

Qualifying Shareholders who are located in other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights.

### **2.5.5 Waiver**

The provisions of this paragraph 2.5 and of any other terms of the Rights Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 2.5 supersede any terms of the Rights Issue inconsistent herewith. References in this paragraph 2.5 to Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 2.5 shall apply to them jointly and to each of them.

## **2.6 Representations and warranties relating to Shareholders**

### **2.6.1 Qualifying Non-CREST Shareholders**

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Shares comprised therein represents and warrants to the Company and the Joint Bookrunners that, except where proof has been provided to the Company’s satisfaction that such person’s use of the Provisional Allotment Letter will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction: (a) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Shares, from within the United States or the Excluded Territories; (b) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (c) such person is not acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the United States or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept or renounce was given; and (d) such person is not acquiring Nil Paid Rights, Fully Paid Rights or New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares into the United States or any Excluded Territory or any territory referred to in (b) above. The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it: (a) appears to the Company to have been executed in or despatched from the United States or any Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement; (b) provides an address in the United States or any Excluded Territory (or any jurisdiction outside the United

Kingdom in which it would be unlawful to deliver share certificates or sales advice); or (c) purports to exclude the warranty required by this paragraph 2.6.

### **2.6.2 Qualifying CREST Shareholders**

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part III represents and warrants to the Company and the Joint Bookrunners that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction: (a) he or she is not within the United States or any of the Excluded Territories; (b) he or she is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Shares; (c) he or she is not accepting on a non-discretionary basis for, on behalf of, or for the account or benefit of, a person located within the United States or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept was given; and (d) he or she is not acquiring Nil Paid Rights, Fully Paid Rights or New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares into the United States or any Excluded Territory or any territory referred to in (b) above.

### **2.7 Times and dates**

The Company shall, in its discretion and after consultation with its financial and legal advisers, be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence or amend or extend the latest time and date for acceptance under the Rights Issue and all related times and dates set out in this document and in such circumstances shall notify the UK Listing Authority, and make an announcement via a Regulatory Information Service approved by the UK Listing Authority.

**In the event such an announcement is made, Qualifying Shareholders may not receive any further written communication in respect of such amendment or extension of the dates included in this document.**

If a supplementary prospectus is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Rights Issue specified in this document (or such later date as may be agreed between the Company and the Joint Bookrunners), the latest date for acceptance under the Rights Issue shall be extended to the date that is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

### **2.8 Governing law**

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter and any non-contractual obligations arising out of or in relation to the Rights Issue shall be governed by, and construed in accordance with, English law.

### **2.9 Jurisdiction**

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter and any non-contractual obligations arising out of or in connection with them. By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## PART IV—BUSINESS OVERVIEW

### 1 Group Overview

Kier is a leading infrastructure services, buildings and developments & housing group, operating within a range of sectors, including health, education, defence, transport, energy, power, telecoms and water, employing approximately 20,000 people. Kier is a member of the FTSE 250 index.

For the financial year ended 30 June 2018, Kier's revenue (including its share of joint venture revenue) was approximately £4,512 million and its underlying operating profit was £160.0 million, increasing by 5 per cent. and 10 per cent., respectively, from the financial year ended 30 June 2017.

Prior to 1 July 2018, Kier reported through four divisions: Property, Residential, Construction and Services. From 1 July 2018, Kier aligned its reporting structure with its market positions, as follows:

- *Infrastructure Services*—the Group delivers major UK infrastructure projects, such as Crossrail, the Smart Motorways programme and HS2, together with every-day services, such as those within the highways and utilities sectors. For the financial year ended 30 June 2018, Infrastructure Services' revenue was approximately £1.7 billion;
- *Buildings*—Kier is the UK's largest regional builder, providing building, design and facilities management services across a number of sectors, including health and education. For the financial year ended 30 June 2018, Buildings' revenue was approximately £1.8 billion; and
- *Developments & Housing*—Kier's Developments business focuses principally on non-speculative schemes across a number of sectors, including the industrial, office and leisure sectors, and its Housing business builds houses for private sale, together with mixed tenure and affordable housing. Kier also provides housing maintenance services.

### 2 Group History

Kier has its origins in the early 1920s, with the group of today being established following a management-led employee buyout from the Hanson Group in 1992. Following its flotation on the London Stock Exchange in 1996, Kier has grown organically and through acquisitions. In particular, in July 2013, Kier completed the acquisition of May Gurney, which significantly increased its range of services. In June 2015, Kier completed the acquisition of Mouchel, expanding its highways maintenance offering, and, in July 2017, Kier acquired McNicholas, supporting Kier's position as one of the largest providers of services in utilities, with specialisms in the energy, power, telecoms and water sectors.

### 3 Group Strategy

In July 2014, Kier launched its current corporate strategy, Vision 2020, which targets significant growth in operating profit through to 2020, with Kier aiming to be a top-three participant in its chosen markets. As part of this strategy, Kier also aims to operate a safe and sustainable business and achieve top quartile performance and efficiency, while attracting and retaining highly-motivated and high-performing employees and embracing innovation and technology across its business.

The Group currently targets margins in the range of 4.0–4.5 per cent. in Infrastructure Services and 2.5–3.0 per cent. in Buildings and a return on capital employed (“ROCE”) of in excess of 15 per cent. in Developments & Housing. Kier is on course to deliver its Vision 2020 targets, focusing on six strategic priorities:

- *Operate a safe and sustainable business*

Management believes that continuous improvement in safety and operating a sustainable business are important factors in the Group's continued growth and Kier works with employees, customers and the Group's supply chain to endeavour to achieve its aims in this respect. The Group's priorities for 2019 include reinforcing the focus on behavioural safety; using technological interventions to seek to reduce its accident incidence rate (AIR) and all accident incidence rate (AAIR); driving through the Group's “30 by 30” energy strategy to make more efficient use of resources; and embedding its health and wellbeing strategy in the businesses to reduce the cost of sickness absences and further support a safe and productive working environment.

- *Accelerate its growth to be a top-three participant in its chosen markets*

Management believes that, by establishing leading market positions, the Group will be able both to capitalise on opportunities and manage the risks associated with changes in the markets in which it operates. The Group's



priorities for 2019 include continuing to drive cross-sector working within the Group; continuing the focus on delivering an excellent service to customers; and seeking opportunities to expand into new markets.

- *Achieve top quartile performance and efficiency*

Strong profit performance and cash generation, together with efficient recycling of capital, provides the Group with stability and enables it to invest in the future. The Group's priorities for 2019 include realising benefits from the implementation of an Oracle ERP system; driving forward the FPK programme; and completing the implementation of actions from a review of the Group's commercial controls, which were evaluated in 2018.

- *Provide a sector-leading customer experience*

The Group's customer relationships enable it to provide a reliable service to its customers and to tailor its services as customers' needs evolve. The Group's priorities for 2019 include continuing to obtain detailed customer feedback; and continuing to engage with customers to develop a thorough understanding of their needs. A significant proportion of the Group's revenue during the financial year ended 30 June 2018 was derived from existing customers and/or those to which it provides multiple services, emphasising the importance of continued strong customer relationships.

- *Attract and retain highly-motivated, high-performing teams*

Attracting, developing and retaining the best people is an important factor in the Group's success. The Group's priorities for 2019 include maintaining the focus on its "Shaping Your World" campaign; expanding initiatives to build a balanced business and an inclusive workplace; continuing to develop and increase employee engagement; and continuing the focus on management training and succession planning.

- *Embrace innovation and technology across the Group's business*

Embracing innovation and technology enables the Group to improve customer service and increase its operational efficiency. The Group's priorities for 2019 include continuing to take steps to facilitate collaborative and innovative working practices across the Group; using innovation to improve the efficiency of operations within the Highways business; developing innovative ways of working in relation to safety, digital, manufacturing and asset lifecycle issues; and introducing digital strategies within the business.

## **4 Overview of Kier's Businesses**

A summary of the activities of the Group's three reporting segments—Infrastructure Services, Buildings and Developments & Housing—is as follows:

### **4.1 Infrastructure Services**

#### **4.1.1 Overview**

Infrastructure Services provides specialist services to the public and private sectors, including the delivery of civil engineering and infrastructure projects in the United Kingdom, targeting long-term contracts to provide good order book visibility. The principal activities of the Infrastructure Services business include:

- **Highways:** Kier provides highways maintenance and asset management services and maintains street lighting infrastructure for local authorities in the United Kingdom. Kier is the leading provider of strategic highways maintenance and management services, including to key clients such as Highways England and Transport for London, and to a number of local authorities across the country. Kier is one of the contractors delivering the Smart Motorways programme for Highways England;
- **Utilities and Rail:** Kier provides maintenance services in the power and energy, water, telecommunications and rail sectors in the United Kingdom, as well as regeneration and maintenance services to the United Kingdom's waterways network. Key power and energy clients include UK Power Networks and Western Power Distribution. Clients in the water sector include Anglian Water and Thames Water and, in the telecommunications sector, the Group is the largest provider of domestic fibre installation services for Virgin Media. In the rail sector, Kier provides electrical, mechanical and signalling services to Network Rail; and
- **Major Projects:** Kier undertakes a range of major infrastructure projects in a number of sectors in the United Kingdom, including the Hinkley Point C nuclear power station and sections of the Crossrail project, together with smaller, regional civils projects. In the transport sector, the Kier and Eiffage joint

venture has been awarded two sections of the HS2 project. In addition, the Group is currently winding down its coal mining operations at Greenburn in Scotland.

The Group significantly expanded its range of infrastructure and related services with the acquisition of May Gurney in July 2013, adding utilities and highways expertise to Kier's existing offering. Since that time, Kier has grown these capabilities through organic development and further acquisitions, including the acquisitions of Mouchel in June 2015, which further expanded its highway maintenance offering, and McNicholas in July 2017, making the Group one of the largest providers of services in utilities in the United Kingdom.

#### **4.1.2 Recent Projects and Activities**

In the financial year ended 30 June 2018, the highways and utilities businesses contributed over 80 per cent. of Infrastructure Services' revenue, with a significant portion of its revenue being derived from the provision of maintenance services. The following is a summary of the activities of the businesses within Infrastructure Services during the financial year ended 30 June 2018.

The Group's recent and current highways projects include its ongoing work as one of the lead suppliers to Highways England, including on the M6, the M20, and the M23. In addition, the extensions to existing contracts with Highways England for work in Areas 3, 6, 8 and 9 of its strategic network were agreed in the year. The Mersey Gateway bridge opened to traffic in October 2017.

In addition, the Group continued to build on its complementary strengths in the utilities sector. For example, during the year, Kier secured enabling works contracts as part of the London City Airport development programme, was appointed as one of the framework partners on the mechanical and electrical services programme for South West Water and, in the power sector, secured an initial three-year contract with Western Power Distribution, covering the West and East Midlands.

Telecommunications remains a focus area for the Group. During the year, the Group secured a three-year contract with Gigaclear to build high-speed fibre networks in Devon and Somerset and maintained its position as the single biggest supplier to Virgin Media for consumer and business connections, network build and maintenance activities.

In transportation, work commenced during the year on the Luton DART link project. Work continued on HS2, following the submission of pricing models to the UK government, with work scheduled to complete at Kier's site at Farringdon station on the Crossrail project during the current financial year.

#### **4.1.3 Current Environment**

Management believes that Kier is in a strong position to grow its Infrastructure Services operations. Demographic changes and technological developments create opportunities for providers of infrastructure services, with long-term investment expected from the UK government so as to support the UK's economic growth.

A series of investment programmes provide good visibility of public expenditure levels. Examples include the Roads Investment Strategy ("RIS"), covering the UK's strategic road network, the rail sector Control Periods ("CP") and the water sector Asset Management Periods ("AMPs"). Significant investment is also expected in other areas, including in broadband infrastructure across the United Kingdom.

In roads, the first investment period of RIS, known as "RIS1", involved £17 billion of investment between 2015 and 2020, which is forecast to increase to approximately £30 billion during the "RIS2" investment period from 2020 to 2025. In the water sector, management expects that expenditure during the 2020–2025 AMP7 water regulatory period will be at a similar level to the £44 billion during the current AMP6 period. In the rail sector, anticipated increases in the 2019–2024 CP6 round of investment, and significant new projects such as HS2, are expected to provide further opportunities for Kier.

The Infrastructure & Projects Authority has forecasted £600 billion in infrastructure spend in the ten years to 2027. As a result, the Group's long-term infrastructure contracts, whether for maintenance or capital services, are expected to provide a sustainable income, the opportunity to build long-term client and supply chain relationships and opportunities for growth.

## **4.2 Buildings**

### **4.2.1 Overview**

The Buildings business comprises a network of strategically-positioned and locally-established regional contracting businesses in the United Kingdom, together with the Group's Middle East operations.

In the United Kingdom, Kier's principal operations include, in particular, construction and construction management services. Kier is a leader in the education and health sectors, with a growing presence in the defence and retail sectors, amongst other sectors. Typical regional building projects include the construction or extension of schools, hospitals, commercial offices and retail stores. Kier works with a number of consultants, designers and sub-contractors to deliver construction projects for clients in the public and private sectors and also undertakes major building projects (for example, the redevelopment of Broadmoor Hospital).

In the Middle East, operations continue to focus on the United Arab Emirates market. A selective approach to bidding has been adopted, principally targeting UK Export Finance (UKEF) opportunities. The Group's ongoing projects include the Bluewaters residential and infrastructure work and the Dubai Arena and the Dubai Harbour infrastructure projects.

The Group will also report the results of its Facilities Management business activities within Buildings. This business provides hard and soft facilities management to clients in the private and public sectors.

### **4.2.2 Recent Projects and Activities**

A significant proportion of Kier's business comes from repeat business from existing clients. Over 70 per cent. of Buildings' new work in the financial year ended 30 June 2018 was procured through frameworks, with the Group receiving approximately £200 million of awards under the Procure22 framework and a number of other projects being secured through frameworks with the Education Skills Funding Agency, local authorities, universities and national framework providers, such as Scape.

In the financial year ended 30 June 2018, a number of new frameworks were secured, providing access to significant opportunities for the Group. These include the ten-year Defence Infrastructure Organisation's Clyde Commercial Framework, the four-year Designed for Life Wales Healthcare National & Regional Frameworks, the four-year Strathclyde University Framework and the Department for Work and Pensions Estates Contractor Framework.

### **4.2.3 Current Environment**

Management expects a variety of economic and other factors to generate growth in the UK market for the construction, maintenance and refurbishment of buildings—in particular, the growing and ageing population in the United Kingdom. These factors are, in turn, expected to create opportunities for the Group, as, for example, more public facilities, including hospitals and schools, are required.

Demand in the Group's core building markets is driven in large part by demographics and technology—for example, the forecast increase in the number of school children and university students.

In addition, the UK government has announced an increase in NHS funding in order to meet the increasing demand from changing demographics, including the UK's ageing population, and advances in medical services and technologies. This investment is expected to increase the opportunities for the Group.

Similarly, digital technology is already driving demand for the construction of logistics centres and long-term trends in travel and freight are supporting significant airport development, all of which create additional opportunities for the Group.

Across these sectors, support has grown in recent years for the use of modern methods of construction, which offer faster, more reliable production with increased efficiency. The Construction Sector Deal, which forms part of the UK government's Industrial Strategy, highlights the need for off-site manufacturing. Kier has delivered a number of projects that involve modern methods of construction and continues to invest in these capabilities.

## **4.3 Developments & Housing**

### **4.3.1 Overview**

Developments & Housing comprises Kier's property development and house-building business.

The Developments business was established in 2002 through the acquisition of Laing Property Developments and has grown organically, as well as through corporate transactions. It focuses principally on non-speculative development, primarily across the industrial, office, leisure and student accommodation sectors.

The Housing business builds mixed-tenure affordable houses, often in partnership with local authorities and registered providers of affordable homes, establishing joint ventures with Cross Keys Homes in 2017 and Homes England and Cross Keys Homes in 2018 to build mixed-tenure housing.

The Housing business also builds a range of new homes for private sale, from one bedroom apartments to five bedroom homes. A significant proportion of buyers of Kier's houses participate in the UK government's Help to Buy scheme. The average sales price of Kier's houses is approximately £240,000.

Kier also provides asset maintenance services to local authorities and private landlords with large housing portfolios. Kier provides both reactive and planned maintenance to houses owned and let by local authorities, housing associations and major operators in the private rented sector.

Kier also provides environmental services, including waste removal and street cleansing services, to local authorities.

#### **4.3.2 Projects and Activities**

During the financial year ended 30 June 2018, the Developments business secured lettings on a number of schemes in the industrial, office, leisure, retail and student accommodation sectors. Good progress was made during the year at the Watford Health Campus, in joint venture with Watford Borough Council, with construction beginning on the first residential phase of the scheme and planning being secured for the next residential phase. The business also secured additional mixed-use schemes for future development, for example in the office, leisure and retail sectors.

In the Housing business, the Group completed 749 private housing units and 1,293 mixed-tenure housing units during the financial year ended 30 June 2018.

During the financial year ended 30 June 2018, the Housing business continued its strategy of identifying opportunities to work in joint venture. For example, the March 2017 joint venture with Cross Keys Homes acquired a number of plots of land during the year, bringing the total number of plots in this joint venture to 1,270. In addition, the joint venture with Homes England and Cross Keys Homes, launched in May 2018, is expected to deliver over 5,000 new houses over the next ten years.

The housing maintenance business continued to undergo significant change during the year, following local authority budgetary challenges and the impact of the Grenfell Tower fire. Consequently, during the year, the business sought to extend its mix of clients, with an increased focus on housing associations and private sector clients.

#### **4.3.3 Current Environment**

Management believes that the sectors in which the Developments business operates and its regional diversity enable it to be responsive to market developments. The business has identified a strong pipeline of future work.

A number of dynamics continue to influence the UK housing market. Demand currently significantly outweighs supply in many parts of the United Kingdom, with a projected need for approximately 300,000 new houses per annum in England.

Rent restrictions which were put in place in 2015, amongst other factors, have resulted in housing associations and local authorities using alternative methods to provide new housing and have encouraged greater public and private collaboration and an increase in cross-subsidised, mixed-tenure housing across the United Kingdom.

The Group aims to continue to work with local authorities and housing providers to deliver the next generation of affordable housing in Britain, which is supported by the UK government's Help to Buy scheme.

## **5 Contracts and Contract Management**

### **5.1 Overview**

At any one time, the Group operates a significant number of live contracts, providing diversification by contract, customer and type of work. Contracts will range in duration; for example, the Group's construction contracts are typically up to approximately two years in length, but may run for up to five or six years, and the Group's services contracts are typically between three and five years in length, with some running for up to

20 years. In terms of size, contracts across the Group can range from approximately £250,000 in Building to significantly larger contracts in Infrastructure Services (for example, the Hinkley Point C, Farringdon station and HS2 contracts). This range of size of contracts assists to reduce the risk of contracts materially affecting the Group.

## 5.2 Contract Tendering Process

Tenders for contracts to be entered into by any of the Group’s businesses are subject to an extensive internal approval process. The level of management approval is dictated by a variety of factors, including the value of the project, the nature of the work to be undertaken, the complexity of the proposed work and/or the level of risk (whether commercial, financial, technical or contractual) to be assumed by the relevant business.

## 5.3 Contract Selection

The risks to which the Group is exposed depend upon the nature of the work, the duration of the contract and the legal form of the contract.

The Group believes that, in the current UK economic climate, competitively tendered contracts are less likely to be as profitable as opportunities which arise under frameworks. Tenders for contracts are subject to approval by management and, depending upon the value and/or type of the contract, a review by the Board. Contracts in progress are controlled and managed through the Group’s operating structure and procedures, including rigorous and regular review of the forecast revenue and costs to complete.

Wherever possible, the Group will seek selection on national and regional frameworks which, the Group believes, provides it with the best opportunities for securing future work. Examples of frameworks awarded to Kier during the financial year ended 30 June 2018 are set out in this Part IV.

In Developments & Housing, the cost and quality of property and land is fundamental to profitability. Site evaluation is a key process and detailed site appraisals are carried out, including using external advice where appropriate. Land and development acquisitions are subject to rigorous internal approval. Developments in progress are controlled and managed through a regular review of the forecast financial performance and sales activity. The Group allocates capital on a portfolio basis, ensuring diversification and the efficient use of resources within the Group. In Developments, risk is managed by ensuring construction generally commences once key elements of the development have either been pre-sold or pre-let.

## 6 Joint Arrangements and Joint Ventures

A “joint arrangement” is a contractual agreement to cooperate or collaborate with other entities with respect to a specific project. Typically, the parties to the joint arrangement will be jointly and severally liable to the client and will enter into an agreement as between themselves (to which the client is not a party) detailing, among other matters, the sharing of profits, the division of liabilities, the composition of any project board and the financing of the joint arrangement.

Before entering a joint arrangement, Kier will conduct due diligence on its potential partners. In addition, Kier looks to form joint arrangements with entities with which it has worked in the past and which can provide complementary skills and resources to those provided by Kier.

Kier uses joint ventures in Developments & Housing to make an efficient use of the Group’s capital. This is evidenced through the recently-established Cross Keys and Homes England joint ventures and the use of joint ventures on a number of the Group’s property development schemes, such as those with Network Rail and Watford Borough Council. Joint ventures entered into by the other parts of the Group include those between the housing maintenance business and certain of its local authority clients. These entities are incorporated and operate in the United Kingdom and the Group’s share of their results is included within its financial statements.

## 7 Employees

The total number of employees employed by the Group as at 30 June 2018, 30 June 2017 and 30 June 2016 was as follows:

<u>By geographical location</u>	<u>Financial year ended 30 June</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
UK .....	18,336	16,092	19,218
Other .....	1,794	2,011	2,129
<b>Total</b> .....	<b><u>20,130</u></b>	<b><u>18,103</u></b>	<b><u>21,347</u></b>

## 8 Property

Kier operates from a number of freehold and leasehold properties in the United Kingdom. Kier's principal properties are as follows:

<u>Property location</u>	<u>Approximate area (sq. ft)</u>	<u>Property use</u>	<u>Tenure and approximate unexpired term (if applicable)</u>	<u>Lease rate (£ per annum)</u>
Tempsford Hall, Sandy, Bedfordshire SG19 2BD . . . . .	62,032	Office	Freehold	—
33 Foley Street, London, W1W 7TL . . . . .	23,799	Office	Leasehold <sup>(1)</sup>	3,250,846
81 Fountain Street, Manchester M2 2EE . . . . .	38,652	Office	Leasehold <sup>(2)</sup>	1,014,261
Centenary House, 10 Winchester Road, Basingstoke, Hampshire RG21 8UQ . . . . .	36,092	Office	Leasehold <sup>(3)</sup>	676,725
Building 3000, Cambridge Research Park, Beach Dr, Waterbeach, Cambridge CB25 9PD . . . . .	30,366	Office	Leasehold <sup>(4)</sup>	657,266
1st Floor, Tungsten Building, Blythe Valley Park, Solihull B90 8AF . . . . .	23,325	Office	Leasehold <sup>(5)</sup>	461,182

Notes:

- (1) 24 years remaining.
- (2) 17 years remaining.
- (3) 19 years remaining.
- (4) 12 years remaining.
- (5) 9 years remaining.

## 9 Safety, Health and Environment

The health and safety of its employees is of fundamental importance to Kier.

Kier continues to seek to eliminate workplace injuries and to increase its employees' awareness of occupational health and well-being. Whilst it delivered a reduction in its AIR during the financial year ended 30 June 2018 to 96, which reflected a 26 per cent. improvement on the previous year, Kier continues to strive towards the goal of zero harm. A number of positive safety leadership programmes are in place across the Group, which are designed to continue to improve the Group's safety practices.

Kier has an environmental management system that has been certified to ISO 14001:2015 by The British Standards Institution. Kier aims to manage its projects (and their impact) so as to prevent pollution and protect the environment. Accordingly, Kier is committed to working with its customers and supply chain to, wherever possible, reduce the impact of its operations on climate change, effectively manage the waste produced by its business and source materials from sustainable sources. Under its "30 by 30" energy strategy, the Group aims to reduce energy usage by 30 per cent. by 2030. The strategy covers a broad range of activities, from the reduction of construction waste to water consumption and use of plastics.

## PART V—OPERATING AND FINANCIAL REVIEW

*Investors should read the discussion below in conjunction with the Group's audited consolidated financial statements for the financial years ended 30 June 2018, 2017 and 2016, the auditor's reports contained in the 2018, 2017 and 2016 Annual Report and Accounts, the detailed information included in Part VI of this document and the other information incorporated by reference into this document and should not rely solely on key and summarised information.*

*Some of the information referred to below or included elsewhere in this document or in the information incorporated by reference into this document includes forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements".*

### 1 Information Incorporated by Reference

The discussion of Kier's operating and financial performance, or operating and financial reviews, included in the sections of the 2018 Annual Report and Accounts and the 2017 Annual Report and Accounts referred to in paragraph 2 below are incorporated by reference into this document.

Prior to 1 July 2018, Kier operated through four divisions: Property, Residential, Construction and Services. The discussion of the Group's operating and financial performance during the financial years ended 30 June 2018, 2017 and 2016 is provided on the basis of the Group's divisions during these financial years. From 1 July 2018, Kier operates through its three market positions: Infrastructure Services, Buildings and Developments & Housing. This strategic transition in the Group's operating structure is further described in Part IV of this document.

### 2 Cross-Reference List

The following list is intended to enable Shareholders to identify easily the items of information which have been incorporated by reference into this document, for purposes of providing a review of the Group's operating and financial performance for the financial years ended 30 June 2018, 2017 and 2016.

#### (a) 2018 Annual Report and Accounts

The following pages of the 2018 Annual Report and Accounts have been incorporated by reference:

- Chief Executive's Strategic Review—pages 14 to 19 (inclusive);
- Key Performance Indicators—pages 30 and 31;
- Strategic Report, Divisional Overview—pages 44 to 49 (inclusive);
- Strategic Report, Financial Review—pages 50 to 56 (inclusive); and
- Notes to the Consolidated Financial Statements—pages 123 and 124.

#### (b) 2017 Annual Report and Accounts

The following pages of the 2017 Annual Report and Accounts have been incorporated by reference:

- Chief Executive's Strategic Review—pages 14 to 19 (inclusive);
- Key Performance Indicators—pages 28 and 29;
- Strategic Report, Divisional Overview—pages 42 to 51 (inclusive);
- Strategic Report, Financial Review—pages 52 to 57 (inclusive); and
- Notes to the Consolidated Financial Statements—page 117.

### 3 Financing Arrangements

For a summary of Kier's material financing arrangements, see paragraph 15 of Part XI of this document.

## **PART VI—FINANCIAL STATEMENTS**

The Group's financial statements as at and for the financial years ended 30 June 2018, 2017 and 2016 are incorporated into this document by reference to the 2018, 2017 and 2016 Annual Report and Accounts.



## PART VII—CAPITALISATION AND INDEBTEDNESS

### Capitalisation

The following table, which is extracted from the Company's audited financial statements for the year ended 30 June 2018, sets out the capitalisation of Kier as at 30 June 2018:

<u>Capitalisation</u>	<u>30 June 2018</u> <u>(audited)</u> <u>(£ millions)</u>
Shareholders' equity <sup>(1)</sup> . . . . .	1.0
Share capital . . . . .	435.0
Share premium . . . . .	135.8
Other reserves <sup>(2)</sup> . . . . .	571.8
<b>Total<sup>(3)</sup></b> . . . . .	<b><u>571.8</u></b>

Notes:

- (1) Shareholders' equity does not include the retained earnings reserve.
- (2) Other reserves comprise capital redemption reserve, cash flow hedge reserve, translation reserve and merger reserve.
- (3) There has been no material change to the capitalisation of Kier since 30 June 2018.

### Indebtedness

The Group's net debt position varies during any financial period, sometimes materially, and reflects the Group's working capital requirements which are, in turn, determined by a wide range of factors. Accordingly, the Group's net debt position at the end of a particular month, or at a particular date, may not necessarily be representative of the Group's average month-end net debt within a financial period and/or the average month-end net debt or period-end figures which are reported at 31 December or 30 June. The Company reported net debt as at 30 June 2018 of £185.7 million. The Group also reported average month-end net debt for the year ended 30 June 2018 of £375 million and calculated its average daily net debt for the year to be approximately £90 million higher. The average value of the assets in the Group's Property and Residential divisions during the year ended 30 June 2018 was approximately £460 million on a cost basis, although the Directors believe that the value of these assets is higher. The Group's net debt as at 31 October 2018 was approximately £624 million.

The following table, which is extracted from the Company's internal management records, sets out the Group's current and non-current debt as at 31 October 2018:

	<u>As at</u> <u>31 October 2018<sup>(1)</sup></u> <u>(unaudited)</u> <u>(£ millions)</u>
<b>Total current debt</b>	
Guaranteed . . . . .	(26)
Secured . . . . .	—
Unguaranteed/unsecured . . . . .	—
<b>Total current indebtedness</b> . . . . .	<b><u>(26)</u></b>
<b>Total non-current debt</b> . . . . .	
Guaranteed . . . . .	(787)
Secured . . . . .	—
Unguaranteed/unsecured . . . . .	—
<b>Total non-current indebtedness<sup>(1)</sup></b> . . . . .	<b><u>(787)</u></b>

Note:

- (1) Total gross indebtedness excludes finance leases and capitalised interest costs but includes capitalised borrowing fees.

The following table, which is extracted from the Company's internal management records, sets out the Group's net financial indebtedness as at 31 October 2018:

	<b>As at</b> <b>31 October 2018</b>
	<b>(unaudited)</b> <b>(£ millions)</b>
Cash . . . . .	159
Cash equivalent (cash in transit) . . . . .	30
Trading securities . . . . .	—
<b>Liquidity</b> . . . . .	<b>189</b>
<b>Current financial receivable</b> . . . . .	<b>—</b>
Current bank debt . . . . .	(14)
Current portion of non-current debt <sup>(1)</sup> . . . . .	(12)
Other current financial debt <sup>(2)</sup> . . . . .	—
<b>Current financial debt</b> . . . . .	<b>(26)</b>
Non-current bank loans . . . . .	(535)
Bonds issued <sup>(1)</sup> . . . . .	(252)
Other non-current loans <sup>(2)</sup> . . . . .	—
<b>Non-current financial indebtedness</b> . . . . .	<b>(787)</b>
<b>Net financial indebtedness<sup>(1)(2)(3)</sup></b> . . . . .	<b>(624)</b>

Notes:

- (1) Included in the table above are derivative financial instruments relating to cross currency swaps, which benefit from hedge accounting, resulting in the sterling value of the Group's liability remaining fixed until maturity.
- (2) Net financial indebtedness excludes finance leases and capitalised interest costs but includes capitalised borrowing fees.
- (3) The Group has no indirect or contingent indebtedness as at 31 October 2018, except guarantees relating to joint venture borrowing, which are excluded from the net financial indebtedness table above. The Group seeks to operate joint ventures with non-recourse debt secured on an asset-by-asset basis. Initially, prior to the joint venture financing model becoming proven with the asset finance market, the Group provided guarantees to debt providers. As at 31 October 2018, joint venture borrowing guaranteed by the Group amounted to £52.7 million.

## **PART VIII—UNAUDITED PRO FORMA FINANCIAL INFORMATION**

### **SECTION A—UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The unaudited pro forma financial information in this Part VIII (comprising an unaudited pro forma statement of net assets) has been prepared on a voluntary basis in accordance with Annex II to the PD Regulation to illustrate the effect of the Rights Issue on the Group's net assets at 30 June 2018 as if the foregoing had occurred on 30 June 2018.

The unaudited pro forma statement of net assets: (i) is based on the consolidated financial information as at 30 June 2018; (ii) is compiled on the basis set out in the notes below and in accordance with the accounting policies adopted by the Group for the year ended 30 June 2018; (iii) does not constitute financial statements within the meaning of section 434 of the Companies Act; (iv) has been produced for illustrative purposes only; and (v) because of its nature addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.

Investors should read the whole of this document and not rely solely on the unaudited financial information in this Part VIII.

PricewaterhouseCoopers LLP's report on the unaudited pro forma financial information is set out in this Part VIII.

## Unaudited Pro Forma Net Assets Statement at 30 June 2018

	As at 30 June 2018 <sup>(1)</sup>	Rights Issue <sup>(2)</sup>  (unaudited) (£ millions)	Pro Forma <sup>(3)(4)</sup>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets . . . . .	862.2	—	862.2
Property, plant and equipment . . . . .	91.6	—	91.6
Investments in joint ventures . . . . .	226.1	—	226.1
Deferred tax assets . . . . .	0.0	—	0.0
Trade and other receivables . . . . .	49.2	—	49.2
Retirement benefit assets . . . . .	39.5	—	39.5
<b>Non-current assets</b> . . . . .	<b>1,268.6</b>	<b>—</b>	<b>1,268.6</b>
<b>Current assets</b>			
Inventories . . . . .	575.0	—	575.0
Trade and other receivables . . . . .	603.0	—	603.0
Corporation tax receivable . . . . .	15.4	—	15.4
Other financial assets . . . . .	15.2	—	15.2
Cash and cash equivalents . . . . .	330.9	—	330.9
<b>Current assets</b> . . . . .	<b>1,539.5</b>	<b>—</b>	<b>1,539.5</b>
Assets held for sale as part of a disposal group . . . . .	1.3	—	1.3
<b>Total assets</b> . . . . .	<b>2,809.4</b>	<b>—</b>	<b>2,809.4</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings . . . . .	(12.0)	—	(12.0)
Finance lease obligations . . . . .	(4.0)	—	(4.0)
Other financial liabilities . . . . .	—	—	—
Trade and other payables . . . . .	(1,526.8)	—	(1,526.8)
Corporation tax payable . . . . .	—	—	—
Provisions . . . . .	(15.4)	—	(15.4)
<b>Current liabilities</b> . . . . .	<b>(1,558.2)</b>	<b>—</b>	<b>(1,558.2)</b>
Liabilities held for sale as part of a disposal group . . . . .	(3.4)	—	(3.4)
<b>Non-current liabilities</b>			
Borrowings . . . . .	(524.9)	249.6	(275.3)
Finance lease obligations . . . . .	(3.1)	—	(3.1)
Other financial liabilities . . . . .	—	—	—
Trade and other payables . . . . .	(24.2)	—	(24.2)
Retirement benefit obligations . . . . .	(31.6)	—	(31.6)
Provisions . . . . .	(52.1)	—	(52.1)
Deferred tax liability . . . . .	(10.8)	—	(10.8)
<b>Non-current liabilities</b> . . . . .	<b>(646.7)</b>	<b>249.6</b>	<b>(397.1)</b>
<b>Total liabilities</b> . . . . .	<b>(2,208.3)</b>	<b>249.6</b>	<b>(1,958.7)</b>
<b>Net assets</b> . . . . .	<b>601.1</b>	<b>249.6</b>	<b>850.7</b>

Notes:

- (1) The information in this column has been extracted without adjustment from the Group's audited consolidated financial statements for the year ended 30 June 2018, which have been incorporated by reference into this document.
- (2) Reflects the net proceeds of the Rights Issue of £249.6 million (being gross proceeds of £263.6 million less estimated fees, costs and expenses relating to the Rights Issue of £14.0 million, including VAT). The Group has a 2017 RCF Facility of £670.0 million, due for renewal in July 2022, of which £255.8 million was drawn as at 30 June 2018. The Board intends to use the net proceeds of the Rights Issue to pay down part of the balance drawn under the 2017 RCF Facility.
- (3) No adjustment has been made to reflect the trading results of the Group since 30 June 2018.
- (4) Had the Rights Issue taken place as at the last balance sheet date, being 30 June 2018, the Group's pro forma net debt would have been £63.9 million net cash. This represents £185.7 million of net debt as at 30 June 2018 plus the impact of the net proceeds of the Rights Issue detailed in note (2) above.

## **SECTION B—ACCOUNTANTS’ REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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

Numis Securities Limited  
10 Paternoster Square  
London  
EC4M 7LT

30 November 2018

Dear Sirs

### **Kier Group plc (the “Company”)**

We report on the unaudited pro forma financial information (the “**Pro Forma Financial Information**”) set out in section A of Part VIII to the Company’s prospectus dated 30 November 2018 (the “**Prospectus**”) which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the proposed rights issue and the proposed admission of new ordinary shares of the Company to the premium segment of the Official List maintained by the Financial Conduct Authority (the “**FCA**”) and the proposed admission of those shares to trading on the London Stock Exchange’s main market for listed securities (the “**Transaction**”) might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 30 June 2018. This report is required by item 7 of Annex II to the PD Regulation and is given for the purpose of complying with that PD Regulation and for no other purpose.

### **Responsibilities**

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Annex II to the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation, as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, 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 or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation consenting to its inclusion in the Prospectus.

### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

**Declaration**

For the purposes of Prospectus Rule 5.5.3 R(2)(f), we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP  
*Chartered Accountants*

## PART IX—PROFIT FORECAST

### SECTION A—PROFIT FORECAST

#### 1 General

On 10 October 2018, the Group published its 2018 Annual Report and Accounts. Page 17 of the 2018 Annual Report and Accounts included a table confirming that the Group was on target to deliver one of the key targets of Vision 2020, being average annual operating profit growth of in excess of 10 per cent. to the financial year ending 30 June 2020.

In addition, on page 3 of the Company's preliminary results announcement of 20 September 2018, the Group stated the following in respect of the FPK programme: "Action taken during FY19 will deliver annual profit and cash flow improvements of at least £20m in FY20, representing at least 10 per cent. of profit from operations."

Taken together, the table in the 2018 Annual Report and Accounts and the statement in the 2018 preliminary results announcement set a profit target or forecast for the financial year ending 30 June 2020, which the Directors would like to clarify, as follows:

"The Directors believe that, taking into account expected benefits to be achieved from the FPK programme, and before any disposals, the underlying operating profit for the financial year ending 30 June 2020 (the "**Profit Forecast Period**") will be £200 million, with a potential positive or negative variance of £20 million" (the "**Profit Forecast**").

The Profit Forecast does not reflect the disposal of the Group's interest in KHS Limited to Downer Group, the terms of which were announced on 15 November 2018. As at the date of this document, completion of the disposal has not occurred.

Underlying operating profit is defined as "statutory operating profit from continuing operations before exceptional items, including costs relating to restructuring, acquisitions and business closures, amortisation of intangible contract rights and the unwinding of the discount in respect of deferred consideration and fair value adjustments made on acquisition".

The Company launched Vision 2020 in 2014. To date, the Company has delivered its objective of "double digit" growth in profitability. In July 2018, the Group announced the launch of the FPK programme to streamline the business, drive operational efficiencies to improve customer and client service, improve profitability and cash generation, accelerate the reduction in net debt and dispose of non-core operations. The targeted annual profit improvement from the FPK programme is a component of the Profit Forecast.

In light of, amongst other factors, the current challenging trading conditions in the construction and related sectors and the current uncertain macroeconomic and political environment, as well as the Profit Forecast relating to a financial period that has not commenced, the Directors believe it to be prudent for the Profit Forecast to be presented as a range and for it to include a contingency with respect to the lower end of the range to cover a reasonable range of risks that may materialise and have an impact on the Profit Forecast.

#### 2 Basis of Preparation

The basis of accounting used for the Profit Forecast is consistent with the Group's accounting policies, which are in accordance with IFRS as adopted by the EU, and are those which will be applied in preparing the Group's financial statements for the year ending 30 June 2019. These policies differ from the accounting policies used by the Group for the purposes of its financial statements for the year ended 30 June 2018 with respect to the adoption of IFRS 9 (financial instruments) and IFRS 15 (revenue from contracts with customers), which the Group adopted with effect from 1 July 2018. For further information about the effect of IFRS 9 and IFRS 15 on the Group's financial statements, please see "Adoption of new accounting standards could impact on Kier's financial statements" on page 32.

The Profit Forecast is based on the Group's forecast for the financial period ending 30 June 2020.

While the Profit Forecast assumes that no disposals take place during the Profit Forecast Period, the Group intends to seek to dispose of a number of businesses that are not core to its future strategy. If any of these proposed disposals were to complete during the Profit Forecast Period, there would be a reduction or an increase in the Group's profits for the Profit Forecast Period (as compared with the Profit Forecast) and there can be no guarantee or assurance as to the level of any such reduction or increase, which may be material.

The Directors have prepared the Profit Forecast on the basis referred to above and the assumptions set out below. The Profit Forecast is inherently uncertain in light of the Profit Forecast Period not being the Group's current financial year and there can be no guarantee or assurance that any of the factors listed or referred to below under 'Assumptions' will not occur and/or, if they do, their effect on the Group's results of operations, financial condition or financial performance, which may be material. The Profit Forecast should therefore be read in this context and construed accordingly.

### **3 Assumptions**

In preparing the Profit Forecast, the Directors have assumed that there will be:

#### ***Factors outside the influence or control of the Directors***

- No changes in market conditions (including, without limitation, in relation to client or customer demand or the competitive environment) which are material in the context of the Profit Forecast;
- No changes in market conditions within the property and residential sectors (including, without limitation, in relation to customer demand, pricing, market values, rental yields or the competitive environment) which are material in the context of the Profit Forecast;
- No changes in the political and/or economic environment (including following the United Kingdom's exit from the European Union) which are material in the context of the Profit Forecast;
- No changes in expenditure by local and central government (including, without limitation, in relation to the highways, rail and utilities services sectors) which are material in the context of the Profit Forecast;
- No change in general sentiment towards the Group and/or its operations which has an impact on the Group which is material in the context of the Profit Forecast;
- No changes with respect to the Group's obligations to its clients, customers or supply-chain or the winning of new work, the resolution of contract claims or disputes or the retention of key management, which are material in the context of the Profit Forecast, as a result of the announcement of the Rights Issue;
- No business disruptions affect the Group, its clients, customers, supply-chain or other stakeholders (including, without limitation, natural disasters, severe adverse weather, acts of terrorism, cyber-attacks, labour strikes or technological issues) which are material in the context of the Profit Forecast;
- No changes in legislation or regulatory requirements relating to the Group or the legislative or regulatory environment within which the Group, or a material part of it, operates which are material in the context of the Profit Forecast;
- No changes in the cost of the supply-chain to the Group (for example, as a result of changes in the cost of raw materials or the availability of labour) and/or Group's labour costs (including pension and other post-retirement benefits), which in either case are material in the context of the Profit Forecast;
- No changes in the accounting standards or policies which were used for the Profit Forecast which are material in the context of the Profit Forecast;
- No reduction in the Group's bonding facilities or arrangements, or its access to external financing, which is material in the context of the Profit Forecast;
- No change in exchange rates compared with those assumed in the Profit Forecast;
- No change in inflation, interest or tax rates in the Group's markets compared with those assumed in the Profit Forecast;
- No event occurs that has a material adverse effect on the Group's results of operations, financial condition or financial performance;
- No issues arise in respect of the Group's contracts which are material in the context of the Profit Forecast, beyond those reflected in the Profit Forecast;
- No findings from the CRRT review of the Group's 2017 Annual Report and Accounts which have an impact which is material in the context of the Profit Forecast; and
- No change in control of the Company.



***Factors within the influence or control of the Directors***

In preparing the Profit Forecast, the Directors have also assumed that there will be:

- The Group continues to win new work, including contract extensions, substantially as the Directors would reasonably expect based on the Group's past performance in relation to winning new work;
- No deterioration in the Group's relationships with clients or customers which is material in the context of the Profit Forecast;
- The Group does not experience any health and safety issues which are material in the context of the Profit Forecast;
- No delays in project programmes, contract losses or adverse performance on the Group's projects which are material in the context of the Profit Forecast;
- The Group does not make any acquisitions or disposals which are material in the context of the Profit Forecast;
- The benefits of the FPK programme which are forecast to be realised within the Profit Forecast Period are realised;
- No change in the management of the Group which is material in the context of the Profit Forecast;
- No change to Vision 2020 which is material in the context of the Profit Forecast; and
- The level of contract-related provisions and the assessment of recoveries on contracts which are reflected in the accounting records on which the Profit Forecast is based adequately cover the future losses and recoveries, respectively, under the relevant contracts.

## SECTION B—ACCOUNTANT’S REPORT ON THE PROFIT FORECAST

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

Numis Securities Limited  
 (“Numis” or the “Sponsor”)  
10 Paternoster Square  
London  
EC4M 7LT

30 November 2018

Dear Sirs

### **Kier Group plc**

We report on the profit forecast comprising the statement by Kier Group plc (the “**Company**”) and its subsidiaries (together the “**Group**”) for the year ending 30 June 2020 (the “**Profit Forecast**”). The Profit Forecast and the material assumptions upon which it is based, are set out on pages 94-96 of the prospectus issued by the Company dated 30 November (the “**Prospectus**”).

This report is required by item 13.2 of Annex I to the PD Regulation and is given for the purpose of complying with that Regulation and for no other purpose.

### **Responsibilities**

It is the responsibility of the directors of the Company (the “**Directors**”) to prepare the Profit Forecast in accordance with the requirements of items 13.1 and 13.3 of Annex I to the PD Regulation.

It is our responsibility to form an opinion as required by item 13.2 of Annex I to the PD Regulation as to the proper compilation of the Profit Forecast and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, 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 or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

### **Basis of Preparation of the Profit Forecast**

The Profit Forecast has been prepared on the basis stated on pages 94 and 95 of the Prospectus and is based on the Group’s forecast for the financial period ending 30 June 2020. The Profit Forecast is required to be presented on a basis consistent with the accounting policies of the Group.

### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information included in the Profit Forecast has been prepared and considering whether the Profit Forecast has been accurately computed based upon the disclosed assumptions and the accounting policies of the Group. Whilst the assumptions upon which the Profit Forecast are based are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the Profit Forecast have not been disclosed or if any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Forecast has been properly compiled on the basis stated.

Since the Profit Forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Profit Forecast and differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion, the Profit Forecast has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Group.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP  
*Chartered Accountants*

## PART X—TAXATION

### 1 UK Taxation

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of New Shares, Nil Paid Rights or Fully Paid Rights. Prospective acquirers of New Shares, Nil Paid Rights or Fully Paid Rights are advised to consult their own professional advisers concerning the tax consequences of the acquisition, ownership and disposition of such shares or rights. The following statements are based on current UK tax legislation as applied in England and Wales and the current published practice of HMRC (which may not be binding on HMRC) as at the date of this document, both of which are subject to change at any time, possibly with retroactive effect. Save in respect of paragraph 1.3 below, they apply only to Shareholders who are resident, and in the case of individuals domiciled or deemed domiciled, for tax purposes in (and only in) the United Kingdom and to whom “split year” treatment does not apply (except insofar as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than in an individual savings account or a self-invested personal pension), and who are the absolute beneficial owners of both their Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring or deemed to acquire their New Shares, Nil Paid Rights or Fully Paid Rights in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

**Prospective acquirers of New Shares, Nil Paid Rights or Fully Paid Rights who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly recommended to consult their own professional advisers.**

#### 1.1 Taxation of Chargeable Gains

##### 1.1.1 UK tax resident Shareholders

###### (a) New Shares acquired pursuant to the Rights Issue

Shareholders resident in certain territories may not, for regulatory reasons, receive an allocation under the Rights Issue. Therefore, for the purposes of UK taxation of chargeable gains, the treatment of the Rights Issue for UK resident Shareholders is not beyond doubt.

UK tax law requires that all Shareholders are allocated rights in respect of, and in proportion to, their existing shareholding in the company, in order to meet the definition of a reorganisation of a company’s share capital. In circumstances where some Shareholders do not receive an allocation, there is therefore an argument that the Rights Issue may not strictly constitute, as a matter of UK tax law, a reorganisation of the Company’s share capital for the purposes of UK taxation of chargeable gains. **The published practice of HMRC to date has been to treat any subscription of shares by an existing shareholder which is equal to or less than the shareholder’s minimum entitlement pursuant to the terms of a rights issue as a reorganisation, and HMRC’s historic practice has been to treat a rights issue in which all shareholders are provisionally allotted shares as a reorganisation. However, it cannot be guaranteed that HMRC will continue to apply this practice in circumstances where a rights issue is not made to all shareholders. HMRC’s treatment of the Rights Issue cannot therefore be guaranteed and specific confirmation has not been requested in relation to the Rights Issue.**

If the reorganisation treatment applies for UK chargeable gains purposes, a UK resident Shareholder that takes up their entitlement to new Shares under the Rights Issue, should not be treated as making a disposal of their Existing Shares. The new Shares issued to a Shareholder should be treated as the same asset acquired at the same time as their existing Shareholding, and the amount paid for the new Shares acquired under the Rights Issue should be added to the base cost of that Shareholder’s existing Shares.

In the event that reorganisation treatment does not apply for UK chargeable gains purposes, when a UK resident Shareholder takes up their rights, they will be treated as acquiring new Shares in the Company. If the Shares under the rights issue are offered at a discount to their market value, such Shareholders might be regarded as having a part-disposal of their existing Shareholding when they take up shares under the Rights Issue. **However, to date, we are not aware that HMRC have sought to tax a part disposal under such circumstances.**

## **(b) Disposals**

If a Shareholder sells or otherwise disposes or is deemed to dispose of all or some of the New Shares allotted to him or her, or of his or her rights to subscribe for New Shares, or if he or she allows or is deemed to have allowed his or her rights to lapse and receives a cash payment in respect of them, he or she may, depending on his or her circumstances and subject to any available exemption or relief, incur a liability to CGT.

If a Shareholder disposes of all or part of his or her rights to subscribe for New Shares, or allows or is deemed to allow them to lapse and receives a cash payment, then, if the proceeds are “small” as compared to the value of the Existing Shares in respect of which the rights arose, the Shareholder should not generally be treated as making a disposal for CGT purposes. Instead, the proceeds will be deducted from the base cost of his or her holding of Existing Shares for the purpose of computing any chargeable gain or allowable loss on a subsequent disposal. HMRC currently regards a receipt as “small” if its amount or value does not exceed the greater of (a) 5 per cent. of the value of the Existing Shares or (b) £3,000. This treatment will not apply if such proceeds are greater than the base cost of the holding of Existing Shares for CGT purposes.

### **1.1.2 Non-UK tax resident Shareholders**

A Shareholder who is not resident for tax purposes in the United Kingdom will not generally be subject to CGT on the disposal or deemed disposal of New Shares unless the Shareholder is carrying on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the New Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Shareholder who has ceased to be resident for tax purposes in the United Kingdom or is treated as resident outside the United Kingdom for the purposes of a double tax treaty for a period of five years or less and who disposes of all or part of his or her New Shares during that period may be liable to CGT, subject to any available exemptions or reliefs.

## **1.2 Taxation of Dividends**

The Company is not required to withhold tax at source when paying a dividend in respect of New Shares or Existing Shares. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

### **1.2.1 UK resident individual Shareholders**

With effect from the tax year beginning 6 April 2018, a UK resident individual shareholder will not be subject to income tax on a dividend such individual shareholder receives from the Company if the total amount of dividend income received by the individual in the tax year (including the dividend from the Company) does not exceed a dividend allowance of £2,000, which will be taxed at a nil rate (the “**Dividend Allowance**”).

In determining the income tax rate or rates applicable to a UK resident individual shareholder’s taxable income, dividend income is treated as the highest part of such individual shareholder’s income. Dividend income that falls within the Dividend Allowance will count towards the basic or higher rate limits (as applicable) which may affect the rate of tax due on any dividend income in excess of the Dividend Allowance.

To the extent that a UK resident individual shareholder’s dividend income for the tax year exceeds the Dividend Allowance and, when treated as the top slice of such individual shareholder’s income, falls above such individual shareholder’s personal allowance but below the basic rate limit, such an individual shareholder will be subject to tax on that dividend income at the dividend basic rate of 7.5 per cent. To the extent that such dividend income falls above the basic rate limit but below the higher rate limit, such an individual shareholder will be subject to tax on that dividend income at the dividend upper rate of 32.5 per cent. To the extent that such dividend income falls above the higher rate limit, such an individual shareholder will be subject to tax on that dividend income at the dividend additional rate of 38.1 per cent.

### **1.2.2 UK resident corporate Shareholders**

A Shareholder within the charge to UK corporation tax which is a “small company” for the purposes of the UK taxation of dividends legislation will not generally be subject to UK corporation tax on dividends from the Company, provided certain conditions are met, including consideration of anti-avoidance legislation. In general, where the following conditions are met, receipts of dividends by a “small” company should not be subject to corporation tax: (a) at the time of the receipt the payer is resident in (and only in) the UK or a qualifying territory; (b) no deduction for the payment of the dividend is allowed to a resident of a territory outside the UK under the law of that territory; (c) the dividend is not in respect of any non-commercial or special securities;

and (d) the dividend is not made as part of a tax advantage scheme (such terms, in each case, having the meaning given to them for the purposes of the UK taxation on dividends legislation).

A Shareholder who is within the charge to UK corporation tax and who is not a “small company” for the purposes of the UK taxation of dividends legislation will be subject to corporation tax on dividends paid by the Company, unless the dividends fall within an exempt class and certain other conditions are met. In general, where the following other conditions are met (and the dividends fall within an exempt class), receipts of dividends by a company which is not a “small company” should not be subject to corporation tax: (a) no deduction for the payment of the dividend is allowed to a resident of a territory outside the UK under the law of that territory; and (b) the dividend is not in respect of any non-commercial or special securities (such terms, in each case, having the meaning given to them for the purposes of the UK taxation on dividends legislation). As an example, (i) dividends paid on shares that are not redeemable and do not carry any present or future preferential rights to dividends or to the Company’s assets on its winding up, and (ii) dividends paid to a person holding less than a 10 per cent. interest in the Company, should, in each case, generally fall within an exempt class. However, it should be noted that the exemptions are not comprehensive, their applicability will depend on a Shareholder’s own circumstances and they are also subject to anti-avoidance rules. Shareholders within the charge to corporation tax should consult their own professional advisers.

### **1.2.3 Non-UK resident Shareholders**

A shareholder resident or otherwise subject to tax outside the United Kingdom (whether an individual or a body corporate) may be subject to foreign taxation on dividend income under local law. Shareholders to whom this may apply should obtain their own tax advice concerning tax liabilities on dividends received from the Company.

## **1.3 UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)**

### **1.3.1 The Rights Issue**

No stamp duty or SDRT will arise on the issue of New Shares pursuant to the Rights Issue, other than as explained in the paragraphs below.

No stamp duty or SDRT will generally arise on the issue of Provisional Allotment Letters or the crediting of Nil Paid Rights to accounts in CREST. Where New Shares represented by such documents or rights are registered in the name of the Shareholder entitled to such shares, or New Shares are credited in uncertificated form to CREST accounts, no liability to stamp duty or SDRT will generally arise.

A purchaser of rights to New Shares represented by Provisional Allotment Letters (whether nil or fully paid) or of Nil Paid Rights or Fully Paid Rights held in CREST on or before the latest time for registration or renunciation will not generally be liable to pay stamp duty, but the purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent. of the value or amount of the consideration given.

Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the purchaser of the rights to the New Shares represented by the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights held in CREST is liable to pay the SDRT and must account for it to HMRC. In the case of transfers within CREST, any SDRT due should be collected through CREST in accordance with the CREST rules.

No stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters or Nil Paid Rights or Fully Paid Rights, whether by the original holders or their renounees.

### **1.3.2 Subsequent transfers**

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Shares. A charge to SDRT will also normally arise on an unconditional agreement to transfer Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if, within six years of the date of the agreement becoming unconditional, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest), provided that a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger

transaction or series of transactions for which the aggregate consideration exceeds £1,000. Transfers to connected parties may be subject to SDRT based on the market value of the shares if this is higher than the amount of value of consideration payable.

**(a) Shares held through CREST**

Paperless transfers of Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise.

**(b) Shares held through Clearance Systems or Depositary Receipt Arrangements**

Special rules apply where Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within section 67 or section 93 of the Finance Act 1986 or a person providing a clearance service within section 70 or section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at a rate of 1.5 per cent. Following the ECJ decision in *C-569/07 HSBC Holdings Plc, Vidacos Nominees Limited v The Commissioners of Her Majesty's Revenue & Customs* and the First-tier Tax Tribunal decision in *HSBC Holdings Plc and The Bank of New York Mellon Corporation v The Commissioners of Her Majesty's Revenue & Customs*, HMRC has confirmed that it will no longer seek to apply 1.5 per cent. SDRT on an issue of shares into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with EU law. However, the charging legislation is still in force, and it is not clear whether HMRC will continue to apply this treatment once the UK leaves the European Union. Specific professional advice should therefore be sought in relation to a transaction to which a 1.5 per cent. stamp duty or stamp duty reserve tax charge may apply.

**The statements in this paragraph 1.3 apply to any holders of Shares irrespective of their residence, summarise the current position according to HMRC's published practice (which may not be binding on HMRC) and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries, and such rules are not covered by this summary.**

## PART XI—ADDITIONAL INFORMATION

### 1 Responsibility

The Company and the Directors, whose names appear in paragraph 5 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

### 2 Incorporation and Registered Office

The Company was incorporated and registered in England and Wales on 21 April 1992, with registered number 02708030, as a company limited by shares under the Companies Act 1948 to 1986, with the name De facto 265 Limited, which was subsequently changed to Kier Group Limited on 10 June 1992. The Company was re-registered as Kier Group plc on 6 July 1992.

The Company is domiciled in the United Kingdom and its registered and head office is at Tempsford Hall, Sandy, Bedfordshire SG19 2BD. The Company's main telephone number is +44 (0) 1767 355 000.

The principal legislation under which the Company operates is the Companies Act.

### 3 Share Capital

3.1 As at 29 November 2018 (being the latest practicable date prior to the date of this document), the issued share capital of the Company was £976,602, comprising 97,660,163 Shares, all of which were fully paid or credited as fully paid. The Shares have a nominal value of 1p each and are admitted to the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities, respectively.

3.2 As at 1 July 2015 (being the first day covered by the historical financial statements incorporated by reference into this document), 95,159,247 Shares were in issue fully paid or credited as fully paid. There have been the following changes in the share capital of the Company between 1 July 2015 and 29 November 2018 (being the latest practicable date prior to the date of this document):

	Financial year ended 30 June			1 July 2018 to 29 November 2018
	2016	2017	2018	
Shares issued as a result of the exercise of options				
granted under the Sharesave Scheme . . . . .	535,609	367,563	17,128	—
Shares issued pursuant to the scrip dividend . . . . .	372,607	1,008,009	—	—
Shares issued pursuant to the LTIP . . . . .	—	—	—	200,000

3.3 The table set out below shows the issued share capital of the Company as at 29 November 2018 (being the latest practicable date prior to the date of this document) and as it is expected to be immediately following the Rights Issue:

	Shares in issue as at 29 November 2018		Shares in issue immediately following the Rights Issue <sup>(1)</sup>	
	Number	£	Number	£
	Issued . . . . .	97,660,163	976,602	162,115,870

Note:

(1) Assuming that no options under the Sharesave Scheme are exercised between the date of this document and Admission becoming effective.

3.4 The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of section 561 of the Companies Act (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the issued share capital of the Company which is not the subject of the disapplication approved by the Shareholders in a general meeting of the Company.

3.5 Save as disclosed above, since 1 July 2015 (being the first day covered by the historical financial statements incorporated by reference into this document), there has been no issue of share capital of the Company, fully or partly paid, either in cash or for other consideration, and (other than in connection with the Rights Issue, and the exercise of options under the Sharesave Scheme) no such issues are proposed.



As at 29 November 2018 (being the latest practicable date prior to the date of this document) the Company did not hold any Shares in treasury.

- 3.6 Subject to Admission, pursuant to the Rights Issue, 64,455,707 New Shares will be issued at a price of 409 pence per New Share. This will result in the issued ordinary share capital of the Company increasing by approximately 66 per cent. Qualifying Shareholders who take up their pro rata entitlement in full will suffer no dilution to their interests in the Company. Qualifying Shareholders who do not take up any of their rights to subscribe for the New Shares will be diluted by approximately 40 per cent. following the Rights Issue (assuming that no options under the Sharesave Scheme are exercised between 29 November 2018 (being the latest practicable date prior to the date of this document) and Admission becoming effective).
- 3.7 The New Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders by a resolution of a committee of the Board and created in accordance with the laws of England.
- 3.8 The New Shares will have the same rights in all respects as the Existing Shares (including the right to receive all dividends or other distributions declared by the Company after the date of issue of the New Shares).
- 3.9 The ISIN for the New Shares will be the same as that of the Existing Shares, being GB0004915632. The ISIN for the Nil Paid Rights is GB00BYWQMX03. The ISIN for the Fully Paid Rights is GB00BYWQMY10.

#### **4 Articles of Association, Mandatory Takeover Bids, Squeeze-Out and Sell-Out Rules**

The Articles of Association are available for inspection at the registered office of the Company and include, *inter alia*, provisions to the following effect:

##### **4.1 Share Rights**

Subject to any rights attached to existing shares, Kier may issue shares by ordinary resolution with such rights and restrictions as Kier may determine or, if Kier has not so determined, as the Directors determine. Kier may also issue shares that are redeemable at the option of Kier or a member on such terms and in such manner as may be provided by the Directors.

##### **4.2 Voting Rights**

Subject to any (i) terms attached to any shares issued or (ii) terms in the Articles:

###### **4.2.1 On a show of hands:**

- (i) every member present will have one vote;
- (ii) every duly authorised representative of a member present will have one vote. In the case of a member who is present by more than one duly authorised representative, each representative will have one vote; and
- (iii) a duly appointed proxy will have one vote unless the proxy has been appointed by more than one member entitled to vote and:
  - (a) the proxy has been instructed to vote for the resolution by one or more members and wishes to vote against the resolution pursuant to an instruction or discretionary authority given by another member; or
  - (b) the proxy has been instructed to vote against the resolution by one or more members and wishes to vote for the resolution pursuant to an instruction or discretionary authority given by another member,

in which case the proxy will have one vote for and one vote against the resolution.

###### **4.2.2 On a poll:**

- (i) every member present will have one vote for each share held by him;
- (ii) every member present by a duly authorised representative, not being himself a member entitled to vote, will have one vote for each share of which the member is the holder. In the case of a member who is

represented by more than one duly authorised representative, if more than one representative purports to vote in respect of the same shares, then:

- (a) if the purported votes are cast in the same way, the member will be treated as voting in that way; or
  - (b) if the purported votes are not cast in the same way, the votes will be treated as abstained;
- (iii) a member entitled to more than one vote need not, if he votes, use all votes or cast all votes in the same way; and
- (iv) all or any of the voting rights of a member may be exercised by one or more duly appointed proxies.

In the case of joint holders, only the senior who tenders a vote will be accepted, where seniority is determined by the order in which the names stand on the register in respect of the holding.

#### **4.3 Restrictions**

No member will be entitled to vote, unless the Board determines otherwise, at any general meeting in respect of any share held by him if: (i) any call or other sum then payable by him in respect of that share remains unpaid; or (ii) a member has been served with a restriction notice after that member failed to provide Kier with information concerning interests in those shares required to be provided under applicable law.

#### **4.4 Dividends and Other Distributions**

Subject to applicable law, Kier may by ordinary resolution declare dividends not exceeding the amount recommended by the Board.

All dividends will be declared and paid according to the amounts paid on the shares and paid proportionately to the amounts paid over the period in respect of which the dividend is paid.

Any general meeting declaring a dividend may, upon recommendation of the Board, direct payment or satisfaction of such dividend by the distribution of specific assets.

Subject to applicable law, the Board may pay an interim dividend or fixed dividend whenever the profits and position of Kier, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it is not liable for any losses Shareholders may suffer because of the lawful payment of an interim dividend on any shares having deferred or non-preferential rights.

The Board may deduct from any dividend all sums of money (if any) payable to Kier on account of calls or otherwise in respect of that share.

Unless otherwise expressly provided by the rights attached to the share, no dividend or other monies payable on or in respect of a share will bear interest against Kier. Any dividend unclaimed from the date when it was declared may be invested or otherwise made use of by the Board for the benefit of the Company until it is claimed. All dividends unclaimed after a period of 12 years from the date when it was declared will be forfeited and revert to Kier.

The Directors may, if authorised by ordinary resolution, offer the holders of ordinary shares the right to elect to receive additional ordinary shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

#### **4.5 Variation of Rights**

Subject to applicable law, Kier can vary or abrogate the rights attached to any class of shares with either the written consent of the holders of at least three quarters of the issued shares of that class (excluding any shares of that class held as treasury shares) or by a special resolution passed at a separate meeting of the holders of that class. This applies whether or not Kier is being wound up.

Subject to the terms on which any shares may be issued, the rights and privileges attached to any class of shares will be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* with those already issued.

#### **4.6 General Meetings**

No business other than appointment of a chairman will be transacted at any general meeting unless a quorum is present.

At any general meeting, a resolution put to the vote of the meeting will be decided on a show of hands unless a poll is duly demanded.

#### **4.7 Transfer of shares**

The Board may, in its absolute discretion, and without assigning any reason therefor, refuse to register any transfer of shares all or any of which are not fully paid provided that, where any such shares are admitted to the Official List, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The Board may also decline to register any transfer of a share (not being a fully paid share) on which the Company has a lien.

The Board may also refuse to register any transfer of shares, unless:

- (i) the instrument of transfer is lodged (duly stamped if applicable law so requires) at the office or at such other place as the Board may appoint, accompanied by the certificate for the shares to which it relates and such other evidence (if any) as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so), and
- (ii) the instrument of transfer is in respect of only one class of share,
- (iii) in the case of a transfer to joint holders, they do not exceed four in number, and
- (iv) in the case of a CREST share, the uncertificated securities rules prohibit it.

#### **4.8 Directors**

##### **4.8.1 Number of Directors**

Unless and until otherwise determined by ordinary resolution, the Directors will be not less than three and not more than 12 in number.

##### **4.8.2 Directors' Shareholding Qualification**

A Director is not required to hold any shares in Kier.

##### **4.8.3 Appointment of Directors**

Directors may be appointed by ordinary resolution or by the Board if the total number of Directors will not exceed the maximum number. A Director appointed by the Board may only hold office until the next annual general meeting of Kier and is then eligible for re-election by Shareholders.

##### **4.8.4 Retirement and Rotation of Directors**

At each annual general meeting, one-third of the Directors who are subject to retirement by rotation will retire from office. The Directors subject to retirement by rotation will be those who have been longest in office since their last election.

A retiring Director will be eligible for re-election.

##### **4.8.5 Resignation and Removal of Directors**

A Director may resign his office by written notice.

Kier may remove any Director before the expiration of his period of office by ordinary resolution where special notice is given in accordance with section 312 of the Companies Act.

##### **4.8.6 Disqualification of Directors**

The office of a Director will be vacated if:

- (i) the Director becomes bankrupt or the subject of an interim receiving order or makes any arrangement or composition with his creditors or applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement;
- (ii) a registered medical practitioner gives a written opinion stating that the Director has become physically or mentally incapable of acting as a Director and may remain so for more than three months;

- (iii) the Director ceases to be a director by virtue of any applicable law or becomes prohibited by law from being a director;
- (iv) the Director receives written notice signed by not less than three quarters of the other Directors removing him from office;
- (v) in the case of a Director who holds any executive office, the Director ceases to hold such office and the majority of the other Directors resolve that his office be vacated; and
- (vi) a resolution of the Board declaring a Director to have vacated office under the terms of the Articles will be conclusive as to the fact and grounds of vacation stated in the resolution.

#### **4.8.7 Proceedings of the Board**

The Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. The Board may fix the quorum necessary for the transaction of the business of the Board which, unless so fixed at any other number, will be two. Any Director can call a meeting of the Board.

The Board may appoint any Director as chairman or as deputy chairman and determine the period for which they hold office. If no chairman or deputy chairman has been appointed, or is present within five minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to act as chairman of the meeting.

A majority of votes will determine questions arising at any meeting of the Board. In the case of an equality of votes, the chairman of the meeting will have a second or casting vote.

Any Director may validly participate in a meeting of the Board or committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear and speak to each other. A person so participating will be deemed present at the meeting and will be entitled to vote and to be counted in the quorum.

A resolution in writing signed by all Directors entitled to receive notice of a meeting of the Board will be valid and effectual as a resolution passed at a meeting.

#### **4.8.8 Delegation of the Powers of the Board**

The Board may make arrangements for the management and transaction of Kier's affairs and may for that purpose appoint local boards, managers, inspectors and agents and delegate to them any of the powers, authorities and discretions vested in the Board (other than the power to borrow and make calls) with power to sub-delegate. Any such appointment or delegation may be made on such terms and conditions as the Board thinks fit.

The Board may appoint a power of attorney.

The Board may delegate any of its powers to any committee consisting of one or more Directors. The Articles regulating the proceedings of the Board shall govern the proceedings of a committee with two or more members. If the Board determines to co-opt persons other than Directors on to a committee, the number of such persons shall be less than one half of the total number of members and no resolution of the committee shall be effective unless a majority of the members of the committee present at the meeting concerned are Directors.

#### **4.8.9 Remuneration of Directors**

The aggregate amount of fees payable by Kier to the Directors in any financial year will not exceed £550,000, unless determined otherwise by ordinary resolution.

The Directors will be entitled to be repaid all expenses travelling to and from Board meetings, committee meetings, general meetings or otherwise incurred while engaged in the business of the Company. Any Director, who by request of the Board performs special services, may be paid extra remuneration as the Board may decide.

#### **4.8.10 Interests of Directors**

The Board may authorise any matter which would involve a Director breaching his duty under the Companies Act to avoid conflicts of interests. The Director seeking authorisation will declare the nature and extent of his interest as soon as is reasonably practicable, and provide details of the relevant matter.

Any Director (including the relevant Director) may propose the relevant Director be authorised, but the relevant Director's vote will not count on any resolution giving authority and they will be excluded from any Board meeting while the conflict is under consideration. Where the Board gives authority:

- (i) the Board may impose terms on the authority;
- (ii) the relevant Director will be obliged to conduct himself in accordance with any terms imposed by the Board in relation to the conflict;
- (iii) the Board may provide that where the relevant Director obtains (otherwise than through his position) information that is confidential to a third party, the relevant Director will not be obliged to disclose that information to Kier, or to use or apply the information to Kier's affairs, where to do so would amount to a breach of confidence;
- (iv) the terms of the authority will be recorded in writing; and
- (v) the Board may revoke or vary such authority, but this will not affect anything done by the relevant Director prior to such revocation.

Provided the Director has disclosed the nature and extent of any interest, the Director:

- (i) may be a party to or otherwise directly or indirectly interested in any transaction or arrangement with Kier or in which Kier is interested;
- (ii) may be or become a member or director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by Kier or in which Kier is otherwise interested;
- (iii) may hold any other office or place of profit with Kier (except that of auditor) in conjunction with his office of Director;
- (iv) may be or become a director of any other company in which Kier does not have an interest which cannot be reasonably regarded as giving rise to a conflict of interest at the time of this appointment as director of that other company;
- (v) will not be accountable to Kier for any benefit which he derives from any such office or employment or from any such transaction or arrangement authorised or permitted, and no such transaction or arrangement authorised or permitted will be liable to be avoided on the ground of any such interest or benefit; and
- (vi) may act by himself or his firm in a professional capacity for Kier and, if acting for Kier, the Director will be entitled to remuneration for professional services as if he were not a Director.

#### **4.8.11 Restrictions on Voting**

A Director will not vote on or be counted in the quorum in relation to any Board resolution concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment as the holder of any office or place of profit with Kier.

A Director will not vote on or be counted in the quorum in relation to any Board resolution concerning any contract in which the Director has an interest. This prohibition will not apply to any resolution where that interest is not likely to give rise to a conflict or where that interest arises only from one or more of the following matters:

- (i) the giving to him of a guarantee, security or indemnity in respect of money lent to, or an obligation incurred by, the Director at the request of, or for the benefit of, Kier or its subsidiaries;
- (ii) the giving to a third party of a guarantee, security or indemnity in respect of an obligation of Kier or any of its subsidiaries for which the Director has assumed responsibility under a guarantee or indemnity or by the giving of security;
- (iii) the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;
- (iv) the interest arises by virtue of being, or intending to become, a participant in the underwriting or sub-underwriting of any offer of any shares, debentures or any other securities by Kier or any of its subsidiaries;

- (v) any contract concerning any other company in which the Director is interested, provided that he does not hold or is not beneficially interested in 1 per cent. or more of any class of the equity share capital of that company or the voting rights available to members of that company;
- (vi) any contract for the benefit of the employees of Kier which does not award him any privilege or benefit not generally awarded to the employees to whom such contract relates;
- (vii) any contract concerning insurance which Kier is empowered to purchase for the benefit of any Directors;
- (viii) the funding by Kier of the expenditure of any Director defending proceedings where all Directors are being offered substantially the same arrangements;
- (ix) any contract in which the Director is interested by virtue of his interest in shares, debentures or other securities of Kier; and
- (x) any contract concerning a pension fund, superannuation or similar scheme, or retirement, death or disability benefits scheme, or employees' share scheme which relates to both the Directors and Kier employees and does not provide any extra advantage to the Directors.

#### **4.9 Borrowing Powers**

The Board may exercise all the powers of Kier to borrow money and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital. The Board may issue debentures and other securities, whether outright or as collateral security of any debt, liability or obligation of Kier or any other third party. The aggregate amount of the net borrowings of Kier or its subsidiaries will not, without the previous sanction of an ordinary resolution, exceed an amount being the greater of (i) three times adjusted capital and reserves and (ii) £1 billion.

#### **4.10 Untraced Shareholders**

Kier can sell any certificated shares at the best price reasonably obtainable at the time of the sale if:

- (i) three dividends have been payable and are unclaimed during the 12 years before the notice mentioned in paragraph (ii) below;
- (ii) on or after the 12-year period, Kier has published a notice stating that it intends to sell the shares, and it is published both in a national newspaper and in a newspaper circulating in the area of the last known address of the member;
- (iii) the notices, if not published on the same day, are published within 30 days of each other;
- (iv) the Company has not received any indication of the whereabouts or existence of such member; and
- (v) if the shares are listed on the London Stock Exchange, Kier has given notice to the London Stock Exchange of its intention to make such sale.

The net proceeds of the sale will belong to Kier which will be obliged to account to the former member for an amount equal to such proceeds. In respect of the debt, no trust is created, no interest is payable and there is no duty to account for any money earned on it.

#### **4.11 Mandatory Takeover Bids**

The UK Takeover Code applies to the Company. Under the UK Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it would be required (except with the consent of the UK Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares at a price not less than the highest price paid for any interest in shares by the acquirer or his or her concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of an interest in shares by a person holding (together with any persons acting in concert) an interest in shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

#### **4.12 Squeeze-Out Rules**

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for the Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in

value of the shares to which the offer relates (the “**Offer Shares**”) and not less than 90 per cent. of the voting rights attached to the Offer Shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

#### **4.13 Sell-Out Rules**

The Companies Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Shares, and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Shares to which the offer relates, any holder of Shares to which the offer related who had not accepted the offer could, by a written communication to the offeror, require it to acquire those Shares. The offeror is required to give any shareholder notice of his or her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those Shares on the terms of the offer or on such other terms as may be agreed.

#### **4.14 Takeover Bids**

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

### **5 Directors and Senior Managers**

#### **5.1 Directors**

The Directors are listed below:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Philip Cox . . . . .	67	Chairman
Haydn Mursell . . . . .	47	Chief Executive
Beverley Dew . . . . .	47	Finance Director
Claudio Veritiero . . . . .	45	Chief Operating Officer
Justin Atkinson . . . . .	57	Senior Independent Non-Executive Director
Constance Baroudel . . . . .	44	Non-Executive Director
Kirsty Bashforth . . . . .	48	Non-Executive Director
Adam Walker . . . . .	51	Non-Executive Director

The business address of each of the Directors is Tempsford Hall, Sandy, Bedfordshire SG19 2BD.

Summary biographical details of each of the Directors are set out below. There is no family relationship between any of the Directors.

#### ***Philip Cox***

Appointed to the Board as Chairman Designate with effect from 1 July 2017 and as Chairman on 1 September 2017. Mr. Cox is the Chairman of Drax Group plc and was previously the Senior Independent Director and Chair of the Audit Committee of Wm Morrison Supermarkets PLC, Chairman of Global Power Generation and a member of the boards of Talen Energy Corporation, Meggitt plc and Wincanton plc.

During his executive career, Mr. Cox was the Chief Executive Officer of International Power plc (from 2003 to 2013), where he was previously the Chief Financial Officer. Prior to this, he held a senior operational position at Invensys plc and a number of senior finance positions at Siebe plc, including Chief Financial Officer, having qualified as a chartered accountant with a predecessor firm of PwC.

Mr. Cox is the Chair of the Nomination Committee and a member of the Remuneration Committee.

### ***Haydn Mursell***

Appointed as Chief Executive in July 2014. Mr. Mursell joined Kier in August 2010 as Finance Director designate and took over the role of group Finance Director in November 2010. He also assumed operational responsibility for the Property division in June 2013. He was previously deputy group Finance Director at Balfour Beatty plc and, prior to that, UK Finance Director at Bovis Lend Lease. Mr. Mursell is a member of the Institute of Chartered Accountants, having trained and qualified at KPMG.

### ***Beverley Dew***

Appointed as Finance Director in January 2015. Mr. Dew joined Kier from Balfour Beatty which he joined in June 2013. Prior to this, he was the Chief Financial Officer of the UK and CEMEA Engineering and Construction businesses at Lend Lease between September 2008 and December 2012. Mr. Dew has also held senior roles at Redrow Group Plc and Invensys Rail. Mr Dew qualified as an accountant with Coopers & Lybrand.

### ***Claudio Veritiero***

Appointed as Chief Operating Officer on 1 August 2018. Mr. Veritiero joined Kier in 2011 and was responsible for Kier Services before his appointment to the Board in March 2015 as Group Strategy & Corporate Development Director. Between November 2007 and October 2010, he was an Executive Director of Speedy Hire plc, having joined the business in 2004. Prior to joining Speedy Hire, Mr. Veritiero spent eight years with the investment banking arm of Rothschild & Co.

### ***Justin Atkinson***

Appointed to the Board as a Non-Executive Director in October 2015 and as Senior Independent Non-Executive Director in March 2016. Mr. Atkinson was the Chief Executive of Keller from April 2004 to May 2015. Previously, he had been Keller's Group Finance Director and its Chief Operating Officer. He trained and qualified as an accountant with Deloitte Haskins & Sells, now part of PwC, and spent the early part of his career with Thomson Reuters, before joining Keller in 1990. Mr. Atkinson is the Senior Independent Director and Chair of the Audit Committee of Forterra plc, a non-executive director and Chair of the Audit Committee of James Fisher & Sons plc, a non-executive director and Chair of the Audit Committee of Sirius Real Estate Limited and a member of the audit committee of The National Trust.

Mr. Atkinson is a member of all four Board committees.

### ***Constance Baroudel***

Appointed to the Board as a Non-Executive Director with effect from 1 July 2016. Ms. Baroudel is currently the Divisional Chief Executive, Medical & Environmental Sector of Halma. From March 2015 until September 2018, she was the Group Director of Strategy and Operational Performance at First Group plc and, until November 2015, was a non-executive director and Chair of the Remuneration Committee at Synergy Health PLC. Prior to this, Ms. Baroudel was the Managing Director of the Solution Business at De La Rue plc, having been Group Director of Strategy and Business Development and a member of the executive committee.

Ms. Baroudel is the Chair of the Remuneration Committee and a member of the other three Board committees.

### ***Kirsty Bashforth***

Appointed to the Board as a Non-Executive Director in September 2014. Ms. Bashforth is the founder and CEO of Quayfive which advises on organisational culture and has had over 24 years of experience in a variety of senior commercial roles with BP plc ("BP"). During her role as Group Head of Organisational Effectiveness for BP, Ms. Bashforth led the global agenda on culture, diversity and change management. In prior BP roles she managed the process and capability improvement programme across its global "b2b" marketing businesses, ran its European petrochemicals marketing, supply and logistics business and undertook risk management and commodity trading roles. Ms. Bashforth is a non-executive director of Serco Group plc and a non-executive director and chair of the remuneration and people committee of GEMS MENASA Holdings Limited.

Ms. Bashforth is the Chair of the Safety, Health and Environment Committee and a member of the other three Board committees.



***Adam Walker***

Appointed to the Board as a Non-Executive Director with effect from 1 January 2016. Mr. Walker is the Executive Vice President and Chief Financial Officer of IHS Holding Limited. From February 2014 until November 2017, Mr. Walker was the Group Finance Director of GKN plc and held the additional role of Chief Executive GKN Land Systems from September 2015 to December 2016. Mr. Walker was previously Group Finance Director of Informa plc from 2008 to 2013 and, prior to this, he was Group Finance Director at National Express Group plc from 2003 to 2008. His early career was spent at Touche Ross, NatWest Markets and, latterly Arthur Andersen where he held a number of senior finance positions.

Mr. Walker is the Chair of the Risk Management and Audit Committee and a member of the Nomination and Remuneration Committees.

Set out below are the directorships and partnerships held by the Directors (other than, where applicable, directorships held in subsidiaries of the Company) in the five years prior to the date of this document:

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
Philip Cox . . . . .	Drax Group plc	WM Morrison Supermarkets PLC Meggitt PLC Global Power Generation
Haydn Mursell . . . . .	—	—
Beverley Dew . . . . .	Mansell Maintenance Limited (in liquidation)  Bovis Engineering Limited (in liquidation)	Aberdeen Construction Group Limited (in liquidation)  Balfour Beatty Build Limited Balfour Beatty Building Limited Balfour Beatty Civil Engineering (SW) Limited (formerly Dean & Dyball Civil Engineering Limited) Balfour Beatty Civil Engineering Limited Balfour Beatty Civils Limited Balfour Beatty Construction (SW) Limited (formerly Cowlin Construction Limited) Balfour Beatty Construction Limited Balfour Beatty Construction Northern Limited Balfour Beatty Construction Scottish & Southern Limited Balfour Beatty Engineering Solutions Limited (dissolved) Balfour Beatty Refurbishment Limited Balfour Beatty Regional Civil Engineering Limited Balfour Beatty Regional Construction Limited Balvac Limited Birse Construction Limited (in liquidation) Birse Group Limited Birse Group Services Limited (dissolved) Birse Integrated Solutions Limited (dissolved) Birse Properties Limited (dissolved) Birse Stadia Limited (dissolved) BPH Equipment Limited Burnbank House Limited Cowlin Group Limited Cowlin Management Limited (dissolved) Dean & Dyball Investments Limited (dissolved) Dean & Dyball Limited (dissolved)

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
		Footprint Furniture Limited (in liquidation) Hall & Tawse Group Limited (dissolved) Hall & Tawse Limited Hall & Tawse Western Limited Kirby Maclean Limited (dissolved) Mansell Energy Limited (dissolved) Mansell North East Limited (dissolved) Mansell Plc (in liquidation) Mansell Property Investments Limited (dissolved) Multibuild (Construction & Interiors) Limited Multibuild Hotels and Leisure Ltd (in liquidation) Multibuild Interiors Ltd. (in liquidation) Office Projects (Interiors) Limited Office Projects Group Limited (in liquidation) Office Projects Limited (in liquidation) R Mansell (Developments) Limited (dissolved)
Claudio Veritiero . . . .	—	Biogen Holdings Limited Biogen (UK) Limited
Justin Atkinson . . . . .	James Fisher and Sons plc Forterra plc  Sirius Real Estate Limited	Keller Finance Australia Limited Keller Angola Properties Limited (dissolved) Keller Angola Limited (dissolved) Keller Financing Keller Limited Accrete Limited Accrete Industrial Flooring Limited Makers Management Services Limited Keller Resources Limited Keller EMEA Limited Makers Services Limited Makers U K Limited Makers Holdings Limited Keller Holdings Limited Keller Group plc Craig Olden Inc (merged with Hayward Baker Inc.) Cyntech U.S. Inc. Franki Pacific Holdings Pty Ltd Geochemical Corporation Geo-Foundations Contractors Inc. Hayward Baker Inc. Hayward Baker Canada Ltd. HJ Foundation Company HJ Keller Holding Company Keller Asia Holdings Ltd. Keller Australia Pty Limited Keller Canada Holdings Ltd. Keller Canada Services Ltd Keller Cimentaciones, S.L.U. Keller Environmental Inc. Keller Finance Limited Keller Foundations Ltd

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
		Keller Foundations, LLC Keller Holdings, Inc. Keller New Zealand Limited Keller One Inc. McKinney Drilling Company, LLC McKinney Woodstock LLC North American Foundation Engineering Inc. Resource Piling PTE Ltd Seaboard Foundations Inc. Suncoast Post-Tension Ltd The Concrete Doctor, Inc
Constance Baroude . . .	—	Synergy Health Limited
Kirsty Bashforth . . . .	Serco Group Plc GEMS MENASA Holdings Limited Quayfive Limited Valuyoo Limited	Ashville College Trustee Limited Leeds Beckett University
Adam Walker . . . . .	—	Agra CEAS Consulting Limited Agra Informa Limited Amis Global Limited (dissolved) Barham Reorganisations Limited (dissolved) Butler Direct Limited (dissolved) Butler Research Group Limited (dissolved) Chorleywood Consulting Limited (dissolved) Comsys Events Limited (dissolved) Corporate Communications International Limited CPDcast.com Limited (dissolved) Datamonitor Limited Earthscan Limited (dissolved) Ebenchmarkers Limited Energyfiles Ltd (dissolved) Expert Reviews Limited (dissolved) Fertecon Limited (dissolved) G.K.N. Group Services Limited G.K.N. Industries Limited GKN Enterprise Limited GKN Holdings Limited GKN Limited Greengage Press Limited (dissolved) Hamsard 2966 Limited (dissolved) I.I.R. Limited IBC (Conferences & Publishing) Limited (dissolved) IBC (Overseas Investments) Limited (dissolved) IBC (Ten) Limited IBC (Twelve) Limited IBC Asia Limited (dissolved) IBC Fourteen Limited IBC Informa Limited (dissolved) IBC International (Holdings) Limited (dissolved) IBC Publishing Limited (dissolved) IIR (U.K. Holdings) Limited

**Name****Current directorships/partnerships****Past directorships/partnerships**

IIR Exhibitions Limited  
IIR Management Limited  
Informa Acquisitions (Holdings) Limited (dissolved)  
Informa Acquisitions Finance Limited (dissolved)  
Informa Acquisitions Limited (dissolved)  
Informa Eight Limited (dissolved)  
Informa Exhibitions Limited  
Informa Five Limited (dissolved)  
Informa Global Markets (Europe) Limited  
Informa Group Holdings Limited  
Informa Group PLC  
Informa Holdings Limited  
Informa Investment Plan Trustees Limited  
Informa Nine Limited (dissolved)  
Informa Overseas Investments Limited  
Informa Quest Limited  
Informa Seven Limited (dissolved)  
Informa Six Limited  
Informa Telecoms & Media Limited  
Informa Three Limited  
Informa UK Limited  
Keynote World Media Limited (dissolved)  
LLP Limited  
Manson Publishing Limited (dissolved)  
Martin Dunitz Limited (dissolved)  
Military Press Limited(The) (dissolved)  
MMS Group Holdings Limited (dissolved)  
MMS Group Limited (dissolved)  
Monarch Coaches Limited (dissolved)  
MRC Business Information Group Limited (dissolved)  
MRC Consultancy Services Limited (dissolved)  
Orbys Consulting Limited (dissolved)  
Ovum Limited (dissolved)  
P.J.B. Publications Limited (dissolved)  
Pack-Track Limited (dissolved)  
Phillips McDougall Limited (dissolved)  
Podlab Limited (dissolved)  
Point Zero Media Limited (dissolved)  
Primal Pictures Limited (dissolved)  
Progressive Digital Media Limited  
Psychology Press Limited (dissolved)  
Routledge Books Limited  
Routledge Publishing Limited (dissolved)  
South Wales & West Railway Limited (dissolved)  
T & F Informa One Limited (dissolved)  
T & F Informa Two Limited (dissolved)  
T&F Informa Group Limited (dissolved)  
T&F Informa UK Limited (dissolved)  
Taylor & Francis Arts and Humanities Limited (dissolved)  
Taylor & Francis Books Limited  
Taylor & Francis Education Limited (dissolved)

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
		Taylor & Francis Group Limited Taylor & Francis Limited Taylor & Francis Social Sciences Limited (dissolved)

## 5.2 Senior Managers

The Senior Managers, and their respective positions within the Company, are listed below.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Marcus Jones . . . . .	48	Finance Director Operations
Simon Martle . . . . .	48	Group Financial Controller
Phillippa Prongué . . . . .	42	Group Strategy & Corporate Development Director
Hugh Raven . . . . .	47	General Counsel and Company Secretary

The business address of each of the Senior Managers is Tempsford Hall, Sandy, Bedfordshire SG19 2BD.

Summary biographical details of each of the Senior Managers are set out below.

### *Marcus Jones*

Mr. Jones joined Kier in 2015. Mr. Jones is a member of the Chartered Institute of Management Accountants, having qualified whilst working in the manufacturing sector, and has held senior Finance Director roles across the construction, services and residential sectors. Mr. Jones is responsible for the financial affairs of the Group's operating businesses.

### *Simon Martle*

Mr. Martle joined Kier in June 2017 as Group Financial Controller, having previously held a number of senior finance positions at Rolls-Royce and, before that, the role of Group Financial Controller at London Stock Exchange Group. He is a Fellow of the Institute of Chartered Accountants, having qualified with Coopers & Lybrand. Mr. Martle is responsible for the Group Finance function.

### *Phillippa Prongué*

Ms. Prongué joined Kier in 2005. She is Group Strategy & Corporate Development Director and Chief Transformation Officer. A qualified chartered surveyor, Ms. Prongué has nearly two decades of experience in the commercial property sector.

### *Hugh Raven*

Mr. Raven joined Kier in 2010 as General Counsel and Company Secretary. Mr. Raven was previously a partner of Eversheds LLP, having trained and qualified at Linklaters LLP. He has significant experience of a wide variety of legal and regulatory issues, having advised a number of clients in the construction sector.

Set out below are the directorships and partnerships held by the Senior Managers (other than, where applicable, directorships held in subsidiaries of the Company), in the five years prior to the date of this document:

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
Marcus Jones . . . . .	—	Mar City PLC
Simon Martle . . . . .	—	Cwmwdig Management Company Limited Industrial Turbine Company (UK) Limited Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited RWG (Repair & Overhauls) Limited
Phillippa Prongué . . . . .	16 Auckland Road Residents Limited Watford Health Campus Limited Woodlands Watford Management Company Limited	Evolution (Woking) Holdings Limited Evolution (Woking) Limited Blue3 (Staffs) Limited Blue3 (Staffs) (Holdings) Limited Blue3 (London) Limited Blue3 (London) (Holdings) Limited

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
		Salford Village Limited Justice Support Services (Norfolk and Suffolk) Limited Justice Support Services (Norfolk and Suffolk) Holdings Limited Justice Support Services (North Kent) Limited Justice Support Services (North Kent) Holdings Limited Alliance Community Partnership Limited Hub South West Scotland Limited Information Resources (Oldham) Investment Limited Information Resources (Oldham) Holdings Limited Information Resources (Oldham) Limited Kent PFI Holdings Company1 Limited Kent PFI Company 1 Limited
Hugh Raven . . . . .	—	—

There is no family relationship between any of the Senior Managers.

5.3 Save as disclosed herein, as at the date of this document, none of the Directors or the Senior Managers has at any time within the past five years:

- (i) save as disclosed in paragraphs 5.1 and 5.2 above, been a director or partner of any companies or partnerships;
- (ii) had any convictions in relation to fraudulent offences (whether spent or unspent);
- (iii) been adjudged bankrupt or entered into any individual voluntary arrangements;
- (iv) been a director of any company at the time of or within a 12-month period preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with such company's creditors generally or with any class of creditors of such company;
- (v) been partner of any partnership at the time of or within a 12-month period preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (vi) had his assets the subject of any receivership;
- (vii) been partner of any partnership at the time of or within a 12-month period preceding any assets thereof being the subject of a receivership;
- (viii) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
- (ix) ever been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company.

5.4 Save for their capacities as persons legally and beneficially interested in Shares, there are:

- (i) no potential conflicts of interest between any duties to the Company of the Directors or the Senior Managers and their private interests and/or other duties; and
- (ii) no arrangements or understandings with major Shareholders, members, suppliers or others, pursuant to which any Director or the Senior Managers was selected.

## 5.5 The Corporate Governance Code

The Company recognises the importance of, and is committed to, high standards of corporate governance. The following paragraphs explain how the Company has applied the main and supporting principles set out in the Corporate Governance Code.

Kier's compliance with the Corporate Governance Code is described on pages 60 and 61 of the 2018 Annual Report and Accounts. The July 2018 edition of the Corporate Governance Code applies to financial years beginning on or after 1 January 2019 and, therefore, will first apply to Kier in relation to its financial year commencing on 1 July 2019 and ending on 30 June 2020.

Since the date of the 2018 Annual Report and Accounts, the Company has continued to comply with the Corporate Governance Code to the extent described in the 2018 Annual Report and Accounts.

## **5.6 Board Structure**

The Company is led by the Board, comprising the Chairman, four other Non-Executive Directors, all of whom are determined by the Board to be independent, and three Executive Directors.

The offices of Chairman and Chief Executive are held separately, and both officers have clearly defined roles and responsibilities. A summary of the key responsibilities of the Chairman and Chief Executive is contained on page 61 of the 2018 Annual Report and Accounts. The Senior Independent Non-Executive Director is Justin Atkinson.

The Board is responsible to the Shareholders for the overall management of the Group. The Chairman and Senior Independent Director are available to meet major Shareholders, as required.

All Directors have access to the advice and services of the General Counsel and Company Secretary. Any Director wishing to do so in furtherance of his or her duties may take independent advice at the Company's expense.

The Company maintains directors' and officers' insurance in respect of legal actions against the Directors.

The interests of certain of the Directors in Shares are shown on page 97 of the 2018 Annual Report and Accounts. Details of such interests are also set out in paragraph 6 below.

The Group's governance structure is designed to ensure that all decisions are made by the most appropriate people in a timely manner. The Board has delegated specific responsibilities to the Nomination, Remuneration, Risk Management and Audit and Safety, Health and Environment Committees, as described below. Each committee has terms of reference which have been approved by the Board. Board and committee papers are circulated in advance of each meeting so that Directors are fully briefed. On occasion, members of senior management are invited to attend Board meetings to ensure that the Board is provided with the information it needs.

## **5.7 Nomination Committee**

The Nomination Committee leads the process for Board appointments by making recommendations to the Board about the appointment of directors of the Company.

The Nomination Committee's members are Philip Cox (Chair), Justin Atkinson, Constance Baroudel, Kirsty Bashforth and Adam Walker. Further details of the Nomination Committee's activities are contained in the committee report on pages 69 and 70 of the 2018 Annual Report and Accounts.

## **5.8 Remuneration Committee**

The Remuneration Committee is responsible for reviewing the Company's remuneration policy, recommending any changes to it and approving individual remuneration packages for the executive directors of the Company.

The Remuneration Committee's members are Constance Baroudel (Chair), Philip Cox, Justin Atkinson, Kirsty Bashforth and Adam Walker. Further details of the Remuneration Committee's activities are contained in the committee report on pages 86 to 107 (inclusive) of the 2018 Annual Report and Accounts.

## **5.9 Risk Management and Audit Committee**

The Risk Management and Audit Committee reviews the Company's accounting and financial reporting practices, the work of the internal and external auditors and compliance with the Group's risk management policies and procedures. The Risk Management and Audit Committee also reviews the half-year and annual financial statements before their submission to the Board and periodically reviews the effectiveness of the Group's internal control systems.

The Risk Management and Audit Committee's members are Adam Walker (Chair), Justin Atkinson, Constance Baroudel and Kirsty Bashforth. Further details of the Risk Management and Audit Committee's activities are contained in the committee report on pages 73 to 80 (inclusive) of the 2018 Annual Report and Accounts.

### 5.10 Safety, Health and Environment Committee

The Safety, Health and Environment Committee monitors the implementation of the Group's strategy in relation to SHE matters, reviews material Group-wide initiatives, policies and procedures relating to SHE matters and reviews the Group's exposure to SHE risks.

The Safety, Health and Environment Committee's members are Kirsty Bashforth (Chair), Justin Atkinson and Constance Baroudel. Further details of the Safety, Health and Environment Committee's activities are contained in the committee report on page 81 and 82 of the 2018 Annual Report and Accounts.

## 6 Directors' and Senior Managers' Interests

6.1 The interests of the Directors and Senior Managers, and their respective closely associated persons (within the meaning of MAR), in the share capital of the Company on 29 November 2018 (being the latest practicable date prior to the date of this document) and as they are expected to be immediately following the Rights Issue (assuming: (i) full take-up by the Directors and the Senior Managers of their entitlements under the Rights Issue (but no further subscription of Shares by them under the Rights Issue); and (ii) that no options under the Sharesave Scheme are exercised between the date of this document and Admission becoming effective), are as follows:

Name	Interests in Shares at 29 November 2018 <sup>(1)</sup>		Interests in Shares immediately following the Rights Issue <sup>(1)</sup>	
	No.	% <sup>(2)</sup>	No.	% <sup>(2)</sup>
<b>Directors</b>				
Philip Cox . . . . .	5,000	0.01	8,300	0.01
Haydn Mursell . . . . .	106,031	0.11	176,011	0.11
Beverley Dew . . . . .	29,583	0.03	49,107	0.03
Claudio Veritiero . . . . .	40,679	0.04	67,527	0.04
Justin Atkinson . . . . .	2,964	—	4,920	—
Constance Baroudel . . . . .	2,000	—	3,320	—
Kirsty Bashforth . . . . .	2,019	—	3,351	—
Adam Walker . . . . .	4,559	—	7,567	—
<b>Senior Managers</b>				
Marcus Jones . . . . .	3,321	—	5,512	—
Simon Martle . . . . .	2,332	—	3,871	—
Phillippa Prongué . . . . .	4,611	—	7,654	—
Hugh Raven . . . . .	24,736	0.03	41,061	0.03

Notes:

(1) Comprising Shares held legally or beneficially by the relevant Director or Senior Manager or their closely associated persons (within the meaning of MAR).

(2) Rounded to the nearest 0.01 per cent.

The Directors and the Senior Managers have the same voting rights as all other Shareholders.



6.2 Certain of the Directors and Senior Managers also have interests in Shares as a result of having been granted awards under the LTIP. No exercise price is applicable to these awards. Details of these awards as at 29 November 2018 (being the latest practicable date prior to the date of this document) are:

<u>Name</u>	<u>Number of Shares over which awards granted<sup>(1)</sup></u>	<u>Vesting date</u>
<b>Directors</b>		
Haydn Mursell . . . . .	64,692	21 October 2019
	86,190	23 October 2020
	103,910	22 October 2021
Beverley Dew . . . . .	42,763	21 October 2019
	55,843	23 October 2020
	67,324	22 October 2021
Claudio Veritiero . . . . .	39,912	21 October 2019
	52,131	23 October 2020
	67,324	22 October 2021
<b>Senior Managers</b>		
Marcus Jones . . . . .	11,576	21 October 2019
Phillippa Prongué . . . . .	7,982	21 October 2019
Hugh Raven . . . . .	16,255	21 October 2019

Note:

(1) Comprising the maximum number of Shares to which, subject to the satisfaction of performance conditions, the relevant individual would be entitled on vesting.

6.3 Certain of the Senior Managers also have interests in Shares as a result of having been granted awards under the CSAP. No exercise price is applicable to these awards. Details of these awards as at 29 November 2018 (being the latest practicable date prior to the date of this document) are:

<u>Name</u>	<u>Number of Shares over which awards granted</u>	<u>Vesting date</u>
<b>Senior Managers</b>		
Marcus Jones . . . . .	7,875	23 October 2020
	10,474	22 October 2021
Simon Martle . . . . .	8,341	23 October 2020
	10,357	22 October 2021
Phillippa Prongué . . . . .	5,206	23 October 2020
	10,893	22 October 2021
Hugh Raven . . . . .	10,634	23 October 2020
	13,208	22 October 2021

6.4 Certain of the Directors and Senior Managers also have interests in options over Shares under the Sharesave Scheme. Details of these options as at 29 November 2018 (being the latest practicable date prior to the date of this document) are:

<u>Name</u>	<u>Number of Shares over which options granted<sup>(1)</sup></u>	<u>Exercise price (£)</u>	<u>Exercise period</u>
Beverley Dew . . . . .	1,569	11.47	1 December 2018–31 May 2019
Claudio Veritiero . . . . .	1,831	9.83	1 December 2020–31 May 2021
Marcus Jones . . . . .	627	11.47	1 December 2018–31 May 2019
	915	9.83	1 December 2020–31 May 2021
Simon Martle . . . . .	915	9.83	1 December 2020–31 May 2021
Phillippa Prongué . . . . .	464	11.47	1 December 2018–31 May 2019
	317	11.55	1 December 2019–31 May 2020
	915	9.83	1 December 2020–31 May 2021
	691	7.70	1 December 2021–31 May 2022

Note:

(1) Assumes that each participant continues to save at the current rate for the full savings period.

6.5 In accordance with the rules of the LTIP, the CSAP and the Sharesave Scheme, the Directors propose to make adjustments to the terms of outstanding awards and options to take account of the Rights Issue.

6.6 Other than as disclosed in this paragraph 6 or paragraph 10 below, there are no other persons to whom any capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option.

6.7 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

6.8 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

6.9 Save as set out in this Part XI, it is not expected that any Director will have any interest in the share or loan capital of the Company following the Rights Issue and there is no person to whom any capital of any member of the Group is under option or agreed unconditionally to be put under option.

## 7 Interests of Major Shareholders

Insofar as the Company had been notified under the Disclosure Guidance and Transparency Rules, the names of the persons who, directly or indirectly, have an interest in three per cent. or more of the Company's issued share capital, and their respective interests, as at 29 November 2018 (being the latest practicable date prior to the publication of this document) are as follows:

<u>Name</u>	<u>Shares</u>	
	<u>(No.)</u>	<u>(%)</u>
Woodford Investment Management Ltd . . . . .	13,797,000	14.13
Standard Life Aberdeen plc . . . . .	12,877,834	13.19
BlackRock, Inc . . . . .	5,708,753	5.85
Charles Stanley Group plc . . . . .	4,889,406	5.01
Brewin Dolphin Limited . . . . .	4,882,507	5.00
Rathbone Investment Management Ltd . . . . .	4,806,430	4.92

So far as the Company is aware, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government or any other natural or legal person, severally or jointly.

None of the major Shareholders referred to above has different voting rights from other Shareholders.

So far as the Company is aware, immediately following the Rights Issue, the interests of those persons set out above with an interest in three per cent. or more of the Company's issued share capital (assuming: (i) full take-up by such persons of their entitlements under the Rights Issue; and (ii) that no options under the

Sharesave Scheme are exercised between the date of this document and Admission becoming effective) will be as follows:

<u>Name</u>	<u>Shares</u>	
	<u>(No.)</u>	<u>(%)</u>
Woodford Investment Management Ltd . . . . .	22,903,020	14.13
Standard Life Aberdeen plc . . . . .	21,377,204	13.19
BlackRock, Inc . . . . .	9,476,529	5.85
Charles Stanley Group plc . . . . .	8,116,413	5.01
Brewin Dolphin Limited . . . . .	8,104,961	5.00
Rathbone Investment Management Ltd . . . . .	7,978,673	4.92

## **8 Directors' Service Agreements and Letters of Appointment**

### **Executive Directors**

A summary of the service agreements entered into with the Executive Directors is as follows:

#### **8.1 Haydn Mursell**

Mr. Mursell entered into a service agreement with the Company under which Mr. Mursell's appointment took effect from 12 November 2010. The service agreement may be terminated by Mr. Mursell or the Company on not less than 12 months' notice. Alternatively, the Company may terminate the contract by making payment in lieu of salary for any required period of notice, or unexpired part thereof, together with any accrued holiday entitlement and other related benefits.

#### **8.2 Beverley Dew**

Mr. Dew entered into a service agreement with the Company under which Mr. Dew's appointment took effect from 1 January 2015. The service agreement may be terminated by Mr. Dew or the Company on not less than 12 months' written notice. Alternatively, the Company may terminate the contract by making a payment in lieu of notice of a sum equal to 12 months' salary and pension contributions (or allowance) and car allowance and the costs of private medical insurance (or continued medical cover during the notice period). The Company may pay such payment in lieu of notice in 12 monthly instalments, in which case any outstanding payment(s) would be reduced or stopped if alternative employment is obtained.

#### **8.3 Claudio Veritiero**

Mr. Veritiero entered into a service contract with the Company under which Mr. Veritiero's appointment took effect from 6 March 2015. The service agreement may be terminated by Mr. Veritiero or the Company on not less than 12 months' written notice. Alternatively, the Company may terminate the contract by making a payment in lieu of notice of a sum equal to 12 months' salary and pension contributions (or allowance) and car allowance and the cost of private medical insurance (or continued medical cover during the notice period). The Company may pay such payment in lieu of notice in 12 monthly instalments, in which case any outstanding payment(s) would be reduced or stopped if alternative employment is obtained.

### **Non-Executive Directors**

A summary of the letters of appointment entered into with the Non-Executive Directors is as follows:

#### **8.4 Philip Cox**

Mr. Cox has a letter of appointment with the Company under which Mr. Cox's appointment took effect from 1 July 2017. The appointment is terminable by either party on one month's notice. Mr. Cox receives an annual fee of £235,000 for his role as Chairman.

#### **8.5 Justin Atkinson**

Mr. Atkinson has a letter of appointment with the Company under which Mr. Atkinson's appointment took effect from 1 October 2015. The appointment is terminable by either party on one month's notice. Mr. Atkinson receives an annual fee of £51,500 for his role as a Non-Executive Director and £10,000 for his role as the Senior Independent Director.

## 8.6 Constance Baroudel

Ms. Baroudel has a letter of appointment with the Company under which Ms. Baroudel's appointment took effect from 1 July 2016. The appointment is terminable by either party on one month's notice. Ms. Baroudel receives an annual fee of £51,500 for her role as a Non-Executive Director and £10,000 for her role as Chair of the Remuneration Committee.

## 8.7 Kirsty Bashforth

Ms. Bashforth has a letter of appointment with the Company under which Ms. Bashforth's appointment took effect from 1 September 2014. The appointment is terminable by either party on one month's notice. Ms. Bashforth receives an annual fee of £51,500 for her role as a Non-Executive Director and £10,000 for her role as Chair of the Safety, Health and Environment Committee.

## 8.8 Adam Walker

Mr. Walker has a letter of appointment with the Company under which Mr. Walker's appointment took effect from 1 January 2016. The appointment is terminable by either party on one month's notice. Mr. Walker receives an annual fee of £51,500 for his role as a Non-Executive Director and £10,000 for his role as Chair of the Risk Management and Audit Committee.

## 9 Directors' Remuneration

9.1 The amount of remuneration paid (including any contingent or deferred remuneration) and benefits in kind granted to those individuals who, during the financial year ended 30 June 2018, were directors of the Company for services in all capacities relating to the Group is as follows:

	Salaries/ fees	Bonus	Taxable benefits <sup>(1)</sup>	LTIP vesting in year <sup>(2)</sup> (£ '000)	All- employee schemes <sup>(3)</sup>	Pensions <sup>(4)</sup>	Total
<b>Executive Directors</b>							
Nigel Brook	375	323	13	80	1	75	867
Beverley Dew	402	350	11	86	1	80	930
Haydn Mursell	620	580	13	121	1	124	1,459
Nigel Turner	375	323	13	80	1	74	866
Claudio Veritiero	375	327	13	80	1	75	871
<b>Non-Executive Directors</b>							
Justin Atkinson	62	—	—	—	—	—	62
Constance Baroudel	62	—	—	—	—	—	62
Kirsty Bashforth	52	—	—	—	—	—	52
Philip Cox	204	—	—	—	—	—	204
Adam Walker	62	—	—	—	—	—	62
Phil White <sup>(5)</sup>	31	—	—	—	—	—	31
Nick Winser	62	—	—	—	—	—	62
<b>Total<sup>(6)</sup></b>	<b>2,682</b>	<b>1,903</b>	<b>63</b>	<b>447</b>	<b>5</b>	<b>428</b>	<b>5,528</b>

Notes:

- (1) Comprises private health insurance and a company car or a car allowance. In addition to these amounts, the Directors and members of senior management have access to a driver, whose total annual cost to the Group is approximately £50,000, of which the Chief Executive's home-to-work usage in 2017 and 2018 was approximately 22 per cent. and 25 per cent., respectively.
- (2) The award granted in October 2015, which vested on 22 October 2018. Calculated by multiplying the number of shares received by the relevant Director (before deduction for income tax and national insurance contributions) by the share price of the Company on the vesting date of £8.86.
- (3) The value of the matching shares purchased during the 2018 financial year under the SIP, using an average share price for matching shares purchased during the 2018 financial year of £10.91.
- (4) Comprises the payment of employer pension contributions and/or a cash allowance.
- (5) Phil White retired from the Board with effect from 31 August 2017.
- (6) All figures in the above table have been rounded to the nearest £1,000.

- 9.2 The aggregate remuneration (including any contingent or deferred remuneration) and benefits in kind paid or granted to members of the senior management of the Company for the financial year ended 30 June 2018 for services in all capacities relating to the Group was £2,496,104.87. This figure has been calculated on the same basis as, and using the same share prices referred to in, the notes to the table in paragraph 9.1 above. The Company is not required to, and does not otherwise, disclose publicly remuneration for the Senior Managers on an individual basis.
- 9.3 Save as disclosed in this Part XI, none of the members of the administrative, management or supervisory bodies' service contracts with the Company or any of its subsidiaries provide for benefits upon termination of employment.

## **10 Share Schemes**

The Group currently operates the employee share schemes or plans described below which provide for the allocation of Shares or the grant of awards or options over, or relating to, Shares to employees of the Group.

### **10.1 Kier Group plc 2010 Long-Term Incentive Plan (the "LTIP")**

#### **10.1.1 Overview**

The LTIP was approved by Shareholders at the annual general meeting on 12 November 2010 and amendments were approved by Shareholders at the annual general meeting on 17 November 2017. The LTIP allows for the grant of conditional share awards and other share rights (for example, options) with a maximum total market value of up to 200 per cent. of annual base salary. The LTIP also allows for cash-settled share awards. All awards under the LTIP are subject to performance conditions as set out below.

#### **10.1.2 Eligibility**

Any employee of Kier (including an executive director of the Company) and its subsidiaries will be eligible to participate in the LTIP at the discretion of the Remuneration Committee.

#### **10.1.3 Grant of Awards**

The Remuneration Committee may grant awards under the LTIP within 42 days following: (a) Kier's announcement of its results for any period; (b) any amendments to the LTIP having been adopted; (c) any date following the commencement of an eligible employee's commencement of employment; or (d) at any other time when the Remuneration Committee considers there are exceptional circumstances which justify the granting of awards. No awards may be granted after the 10th anniversary of the LTIP's adoption (12 November 2020).

The Remuneration Committee may grant awards as conditional awards or as options (either at nil cost or with an exercise price). The Remuneration Committee may also decide to grant cash-based conditional awards of an equivalent value to share-based conditional awards or to satisfy share-based options/awards in cash.

Awards granted since October 2017 include the right to receive additional Shares (or a cash amount) equal to the value of any dividends which would have been paid in respect of any vested Shares over the vesting period.

#### **10.1.4 Individual and Plan Limits**

An employee may not receive awards in any financial year over Shares having a total market value in excess of 200 per cent. of his annual base salary.

In any 10-year period, Kier may not issue new Shares or transfer treasury shares (or grant rights to issue new or to transfer treasury shares) in respect of more than:

- (i) 10 per cent. of the issued ordinary share capital of Kier under the LTIP and/or any other share plan operated by Kier; and
- (ii) 5 per cent. of the issued ordinary share capital of Kier under the LTIP and/or any other Kier executive share plan.

Treasury shares shall not count towards these limits if institutional investor guidelines cease to require them to be so counted.

### **10.1.5 Vesting of Awards**

The vesting of awards will be subject to performance conditions set by the Remuneration Committee.

The Remuneration Committee may, in exceptional circumstances, vary the performance conditions applying to existing awards if the Remuneration Committee considers it appropriate to do so and provided the Remuneration Committee acts fairly and reasonably in making the alteration and provided that the amended condition is no more difficult to satisfy than the original condition.

Awards will usually vest at the later of the end of any applicable performance period (i.e. once the achievement of the condition has been determined) and the third anniversary of the date of grant (or such later date as the Remuneration Committee may decide).

Following vesting, Shares received by participants may be subject to a two-year holding period during which they are prevented from disposing of the Shares.

Awards may be satisfied using new issue Shares, treasury shares or Shares purchased in the market.

### **10.1.6 Malus and clawback**

Prior to vesting, awards will generally be subject to any applicable malus provisions which are set out in the award documents. In addition, any Shares received in respect of the vesting of an award will be subject to clawback for a period of two years from vesting in the event that circumstances set out in the award documents occur during the clawback period.

### **10.1.7 Cessation of Employment**

An award will normally lapse where a participant ceases employment with the Group before he becomes entitled to receive the shares subject to his award, unless the employment ceases due to death, ill-health, injury, disability, retirement, a sale of the employing business or company or for other reasons specifically allowed by the Remuneration Committee.

If a participant ceases employment in such circumstances, an award which is subject to a performance condition will normally continue until the original vesting date. The performance conditions will then be applied and the number of shares acquired may, at the Remuneration Committee's discretion, be reduced on a pro rata basis to take account of the proportion of the performance period when the participant was not in employment.

Alternatively, the Remuneration Committee may use its discretion to determine that awards will vest immediately on cessation but only to the extent that the performance condition has been or is likely to be, in the opinion of the Remuneration Committee, satisfied up to the date of cessation of employment. Awards may then be pro rated for time as described above.

### **10.1.8 Change of Control**

In the event of a change of control of Kier or similar corporate event (not being an internal corporate reorganisation), all awards will vest early to such extent determined and subject to the Remuneration Committee's assessment of: (i) the extent that any performance condition has been satisfied at that time and is expected to be satisfied at the end of the performance period; (ii) the period of time which has elapsed between grant and normal vesting; and (iii) any other factors which the Remuneration Committee considers relevant.

### **10.1.9 Alteration of the Capital**

In the event of any variation of Kier's share capital (for example, capitalisation issue, rights issue, open offer, sub-division or consolidation), or in the event of a demerger or other transaction which may affect the value of an award, the grantor (following consultation with the Remuneration Committee) may make such adjustment to awards (including to any exercise price) as it considers to be fair and reasonable.

### **10.1.10 Amendment of the LTIP**

The Remuneration Committee may, at any time, amend the LTIP in any respect, provided that the prior approval of Shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury shares, the provisions relating to cessation of employment, change of control and alteration of the capital.

The requirement to obtain the prior approval of Shareholders will not, however, apply to any minor amendment made to benefit the administration of the LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

Amendments in respect of existing awards which are to the disadvantage of participants may only be made with the participants' consent.

#### **10.1.11 General**

No payment is required for the grant of award under the LTIP. Awards are not pensionable or transferable except on death.

Awards will not confer any shareholder rights until awards have vested or options have been exercised and the participants have received the underlying Shares.

The Remuneration Committee may from time to time amend the LTIP to comply with or take account of overseas legal rules, taxation or securities laws.

### **10.2 Kier Group plc Conditional Share Award Plan 2017 (the "CSAP")**

#### **10.2.1 Overview**

The CSAP was adopted by Kier on 19 October 2017. The CSAP allows for the grant of conditional share awards to employees of Kier and its subsidiaries except executive directors of the Company. The CSAP also allows for cash-settled share awards.

#### **10.2.2 Eligibility**

Any employee of Kier (excluding an executive director of the Company) and its subsidiaries will be eligible to participate in the CSAP at the discretion of the Remuneration Committee or any other committee appointed to govern awards (the "Committee").

#### **10.2.3 Grant of Awards**

The Committee may grant awards within 42 days following: (a) Kier's announcement of its results for any period; (b) the date of any general meeting of Kier; (c) any date following changes to legislation affecting share plans; or (d) at any other time when the Committee considers there are exceptional circumstances which justify the granting of awards. No awards may be granted after the 10th anniversary of the CSAP's adoption (19 October 2027).

Awards are granted as conditional awards over Shares. The Committee may also decide to grant cash-based conditional awards of an equivalent value to Share-based conditional awards or to satisfy Share-based awards in cash.

Awards include the right to receive additional Shares (or a cash amount) equal to the value of any dividends which would have been paid in respect of any vested Shares over the vesting period.

#### **10.2.4 Vesting of Awards**

The vesting of awards may be subject to conditions set by the Committee at the time of grant.

Awards will usually vest on the third anniversary of the date of grant or such other date set by the Committee at the time of grant.

Awards will be satisfied using Shares purchased in the market.

#### **10.2.5 Malus and clawback**

Prior to vesting, awards will generally be subject to any applicable malus provisions which are set out in the award documents. In addition, any Shares received in respect of the vesting of an award will be subject to clawback for a period of two years from vesting in the event that circumstances set out in the award documents occur during the clawback period.

### **10.2.6 Cessation of Employment**

An award will normally continue to its normal vesting date where a participant leaves employment, except where the participant leaves by reason of resignation, gross misconduct or circumstances entitling his employer to summarily terminate his employment. In these circumstances awards will usually lapse.

If the award continues on leaving employment, the number of shares which vest will, unless the Committee decides otherwise, be reduced on a pro rata basis to take account of the period when the participant was not in employment.

### **10.2.7 Change of Control**

In the event of a change of control of Kier or similar corporate event (not being an internal corporate reorganisation), all awards will normally vest early subject to the satisfaction of any condition imposed on the vesting of the awards. The Committee may reduce an award to take into account the acceleration of vesting. The Committee may decide that awards will be exchanged for awards over the acquiring company's shares rather than vest.

### **10.2.8 Alteration of the Capital**

In the event of any variation of Kier's share capital (for example, capitalisation issue, rights issue, open offer, sub-division or consolidation), or in the event of a demerger or other transaction which may affect the value of an award, the Committee may make such adjustment to awards as it considers appropriate.

### **10.2.9 Amendment of the CSAP**

The Committee may, at any time, amend the CSAP in any respect, provided that no amendment may be made to the extent that it would cause the CSAP to cease to be an "employees' share scheme" under the Companies Act.

### **10.2.10 General**

No payment is required for the grant of award under the CSAP. Awards are not pensionable or transferable except on death.

Awards will not confer any shareholder rights until awards have vested and the participants have received the underlying Shares.

## **10.3 Kier Group plc 2006 Sharesave Scheme and the Kier Group plc Sharesave Scheme 2016 (together, the "Sharesave Scheme")**

### **10.3.1 Overview**

The Kier Group plc 2006 Sharesave Scheme and the Kier Group plc Sharesave Scheme 2016 were approved by Shareholders at the Company's annual general meetings on 25 November 2006 and 12 November 2015, respectively, and are HMRC tax-qualified schemes which provide UK tax-favoured options to UK employees.

The Kier Group plc Sharesave Scheme 2016 replaced the Kier Group plc 2006 Sharesave Scheme, which expired for the purposes of granting options in 2016.

The Sharesave Scheme allows for the grant of options to all employees of Kier and its subsidiaries (although only UK employees can receive UK tax-favoured options) within certain limits, with all UK resident tax-paying employees and full-time directors invited to participate on the same terms.

### **10.3.2 Eligibility**

Employees and full-time directors of Kier and any designated participating subsidiary who are UK resident taxpayers are eligible to participate. The directors of the Company may require employees to have completed a qualifying period of employment before they are eligible to enrol in the plan.

### **10.3.3 Grant of Options**

Invitations to participate may be issued at any time but must take account of when the option price may be determined (see below). Options can only be granted to employees who enter into HMRC-approved savings contracts, under which monthly savings are normally made over a period of three years. Options must be granted within 30 days (or 42 days if applications are scaled back) of the first day by reference to which the



exercise price is set. The number of Shares over which an option is granted will be such that the total exercise price payable for those Shares will correspond to the savings contributions on maturity of the related savings contract.

#### **10.3.4 Plan Limit**

In any 10-year period, Kier may not issue or transfer treasury shares (or grant rights to issue or to transfer treasury Shares) in respect of more than 10 per cent. of the issued ordinary share capital of Kier under the Sharesave Scheme and any other share option plan adopted by Kier or any other employee share plan operated by Kier.

Shares held in treasury will not count towards these limits if institutional investor guidelines cease to require them to be so counted.

#### **10.3.5 Savings Limits**

Monthly savings by an employee under all savings contracts linked to options granted under the Sharesave Scheme and any other sharesave plan may not exceed the statutory maximum (currently £500). The directors of the Company may set a lower limit in relation to any particular grant. The minimum monthly savings must not be less than the statutory minimum (currently £5).

#### **10.3.6 Exercise Price**

The exercise price per Share payable upon the exercise of an option must be not manifestly less than 80 per cent. of the market value (defined in the plan rules) of a Share on the day before invitations were sent to participants or on such later date set out in the invitation (which must be no later than the date of grant) and, if the option relates only to new issue Shares, must also not be less than the nominal value of a Share.

#### **10.3.7 Exercise of Options**

Options will normally be exercisable for a period of six months from the third anniversary of the commencement of the related savings contracts. After this period, the option lapses. Early exercise of options is permitted for six months if a participant leaves for a specific reason (see below).

Options may be satisfied using new issue Shares, treasury shares or Shares purchased in the market.

#### **10.3.8 Cessation of Employment**

Unless the participant ceases employment for one of the circumstances set out below, his option will normally lapse on cessation. The circumstances are:

- (i) death;
- (ii) cessation by reason of injury, disability or redundancy;
- (iii) retirement; and
- (iv) the business or company in which the participant works ceasing to be part of the Group.

Where an option becomes exercisable by reason of cessation of employment, it must be exercised within six months (or 12 months in the case of death) after which it will lapse.

#### **10.3.9 Change of Control**

In the event of a change of control of Kier, or voluntary winding-up of Kier, options may be exercised early to the extent of the participants' savings as at the time of the event. Alternatively, a participant may agree to exchange his options for an equivalent new option over shares in the new acquiring company.

#### **10.3.10 Variation of Capital**

If there is a variation in Kier's share capital, the directors of the Company may make such adjustments as it considers appropriate to the number of Shares under option and the exercise price.

#### **10.3.11 Amendment of the Sharesave Scheme**

The directors of the Company may, at any time, amend the provisions of the Sharesave Scheme, provided that the prior approval of Shareholders is obtained for any amendments that are to the advantage of participants in

respect of the rules governing eligibility, individual limits on participation, the overall limits on the issue of Shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, the Shares to be provided, the adjustment of options in the event of a rights issue, open offer or other variation of capital, or the amendment provisions.

The requirement to obtain the prior approval of Shareholders will not, however, apply to any minor alteration made to benefit the administration of the Sharesave Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

No amendment which would materially prejudice the interests of participants in respect of outstanding options may be made unless the consent of such participants has been obtained.

#### **10.3.12 General**

No payment is required for the grant of an option under the Sharesave Scheme. Options under the Sharesave Scheme are not pensionable or transferable except on death.

Options will not confer any shareholder rights until options have been exercised and the participants have received the underlying Shares.

### **10.4 Kier Group All Employee Share Ownership Plan (the "SIP")**

#### **10.4.1 Overview**

Under the SIP, three types of shares can be offered to employees based in the United Kingdom—free, partnership and matching shares. The SIP rules contain all three elements, and the directors of the Company have power to decide which, if any, of them should be implemented. At present, participants are offered partnership and matching shares.

The SIP operates in conjunction with a trust, which holds shares on behalf of employees. The SIP is an HMRC tax-qualified plan.

#### **10.4.2 Eligibility**

Employees and full-time directors of the Company and any designated participating subsidiary who are UK resident taxpayers are eligible to participate. The directors of the Company may require employees to have completed a qualifying period of employment before they are eligible to enrol in the plan.

#### **10.4.3 Free Shares**

The SIP provides for the award of free shares worth up to a maximum set by the legislation (currently £3,600) to each eligible employee each year. The shares must generally be offered on similar terms, but the award may be subject to performance targets. "Similar terms" means the terms may only be varied by reference to remuneration, length of service or hours worked.

Free shares must be held in trust for a period of between three and five years at the discretion of the Company and will be free of income tax and national insurance if held in trust for five years. If a participant ceases employment with the Group, his shares cease to be subject to the SIP. The shares may be forfeited if the participant leaves employment within three years of the award other than by reason of death, retirement, redundancy, injury or disability, or his employing company or business being sold out of the Group.

#### **10.4.4 Partnership Shares**

The SIP provides for employees to be offered the opportunity to purchase shares out of monthly contributions from pre-tax salary of up to the maximum set by the legislation (currently £1,800 in each tax year, or 10 per cent. of salary if less). Employees can stop contributing at any stage. The employees' contributions may be used to buy partnership shares immediately or accumulated for up to 12 months before they are used to buy shares. Where they are accumulated, the price at which they are acquired is the lower of the price at the beginning of the accumulation period and the end of the accumulation period or at such other price permitted by the legislation. Currently there is no accumulation period.

Partnership shares can be withdrawn from the SIP by the participant at any time, but there will be an income tax and national insurance liability if the shares are withdrawn before five years.

#### **10.4.5 Matching Shares**

The SIP provides that, where employees buy partnership shares, they may be awarded additional shares by the Company on a matching basis, up to a current maximum of two matching shares for each partnership share (currently one matching share is awarded for each two partnership shares bought). Matching shares must be held in trust for a minimum of three years and will be free of income tax and national insurance liability if held in trust for five years.

If a participant withdraws his corresponding partnership shares before the trustees have held them for three years, he will forfeit the linked matching shares. If the participant ceases to be employed within the minimum three-year period (or within such shorter period as the directors may decide) other than for a specified reason such as death, retirement, redundancy, injury or disability, or his employing company or business being sold out of the Group, his matching shares may be forfeited.

#### **10.4.6 Dividends**

The SIP provides that the directors of the Company may permit any dividends paid on the free, partnership or matching shares to be reinvested in the purchase of additional shares, which must be held in the SIP for a period of three years.

#### **10.4.7 Voting Rights**

Participants may be offered the opportunity to direct the trustees how to exercise the voting rights attributable to the SIP shares held on their behalf. The trustees will not exercise the voting rights unless they receive the participants' instructions.

#### **10.4.8 Plan Limits**

Commitments to issue new Shares or transfer treasury shares may not, on any day, exceed 10 per cent. of the issued ordinary share capital of the Company in issue immediately before that day when added to the total number of ordinary shares which have been allocated in the previous 10 years under the SIP and any other employee share plan operated by the Company.

Treasury shares shall not count towards these limits if institutional investor guidelines cease to require them to be so counted.

#### **10.4.9 Amendment of the SIP**

The directors of the Company may, at any time, amend the provisions of the SIP, provided that the prior approval of Shareholders is obtained for any amendments that are to the advantage of participants in respect of the limits on the number of Shares which may be issued or transferred from treasury under the SIP, individual limits on participation, the basis for determining a participant's entitlement to shares or cash under the SIP or the adjustments of awards in the event of a variation of capital and the amendment rule.

The requirement to obtain the prior approval of Shareholders will not, however, apply to any minor alteration made to benefit the administration of the SIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

No amendment which would materially prejudice the interests of participants in respect of existing Shares held under the SIP may be made.

#### **10.4.10 General**

Awards and Shares under the SIP are not pensionable or transferable except on death.

### **10.5 Deferred Bonus Arrangements (the "DBA")**

#### **10.5.1 Overview**

In connection with Kier's discretionary annual bonus plan, Kier operates the DBA in respect of selected senior employees, including the executive directors of the Company.

Under the DBA, up to one-third of the participant's after-tax annual cash bonus is satisfied by way of an allocation of Shares ("**Deferred Bonus Shares**") which are held on behalf of the participant by a trustee for a three-year deferral period. To the extent that a participant elects to take up the dividend reinvestment plan relating to the Deferred Bonus Shares, such Shares are allotted to the participant directly.

### **10.5.2 Eligibility**

The directors of the Company may select any employee, who is due to receive an annual cash bonus, for participation in the DBA. To date, the DBA has been operated in respect of members of senior management only.

### **10.5.3 Acquisition of Deferred Bonus Shares**

On or shortly after the bonus date, Kier will procure that an amount equal to one-third or one-quarter of the after-tax bonus, as determined, is applied in the allocation of Deferred Bonus Shares. The number of Deferred Bonus Shares allocated will be determined by dividing the amount of the after-tax bonus deferred by the market value of a share on the award date.

### **10.5.4 Rights**

During the deferral period, the participant remains the beneficial owner of the Deferred Bonus Shares and will be entitled to dividends. However, the participant will not be able to dispose of the Deferred Bonus Shares until their release to the participant.

### **10.5.5 Cessation of Employment and Forfeiture**

If the participant ceases employment, the Remuneration Committee will determine, in its absolute discretion, whether the participant is considered to be a “good leaver” in which case the Deferred Bonus Shares will be released. If the Remuneration Committee does not so determine, the Deferred Bonus Shares will be forfeited.

The rules also provide that if the Company becomes aware during the three-year deferred period that: (i) there was a material misstatement of the Group’s financial statements; (ii) there was a material error in determining the performance giving rise to the annual bonus deferred; (iii) the participant deliberately misled the Company, the market and/or the Shareholders in relation to the financial performance of the Company; (iv) the participant caused reputational damage to the Company; (v) the participant’s employment ceases due to gross misconduct; or (vi) any other similar circumstances, then the Company may reduce or forfeit the allocation of Deferred Bonus Shares (including to nil).

### **10.5.6 Change of Control**

In the event of the change of control of Kier, a sale of the participant’s employing company or business, or if Kier is voluntarily wound up, the Deferred Bonus Shares will be released immediately before the relevant event (or otherwise as the Remuneration Committee determines).

## **10.6 May Gurney Integrated Services PLC Share Incentive Plan (the “May Gurney SIP”)**

The May Gurney SIP is a legacy HMRC tax-qualified share incentive plan which provides for a tax-favoured share purchase arrangement for UK employees of May Gurney.

The May Gurney SIP was operated in respect of partnership shares only and, since the acquisition of May Gurney, no further partnership shares have been allocated under the plan.

Existing partnership shares under the May Gurney SIP were exchanged for Shares at the time of the Company’s acquisition of May Gurney (to the extent so elected by the participants at the time). The resulting partnership shares continue to be held by the trustee under the May Gurney SIP, which is in all material respects similar to the SIP. The partnership shares have been held by the trustee for a period of over five years, they can be withdrawn by the participant free of income tax and national insurance contributions.

## **11 Subsidiaries and Corporate Structure**

### **11.1 Corporate Structure**

Kier was incorporated in 1992 and is the ultimate parent company of the Group.

## 11.2 Significant Subsidiary and Associated Undertakings

The subsidiary, associated undertakings and joint arrangements of Kier are described on pages 176 to 182 (inclusive) of the 2018 Annual Report and Accounts. During the period from 30 June 2018 to 29 November 2018 (being the latest practicable date prior to the date of this document), the following subsidiary or subsidiary undertakings were incorporated or acquired:

	<u>Registered Office</u>	<u>Share class(es) held</u>	<u>Per cent. held by the Group</u>
Kier Environmental Services Limited . . . . .	Tempsford Hall, Sandy, Bedfordshire SG19 2BD	Ordinary	100
Kier Holdco 2 Limited . . . . .	Tempsford Hall, Sandy, Bedfordshire SG19 2BD	Ordinary	100
Watford Waterside 1 LLP . . . . .	Tempsford Hall, Sandy, Bedfordshire SG19 2BD	—	50

## 12 Pension Schemes

In relation to the last full financial year, save as described in paragraph 9 above, there are no amounts set aside or accrued by the Group to provide pension, retirement or similar benefits to the Directors and Senior Managers.

Details of the Group's pension schemes are included on pages 136 to 141 (inclusive) of the 2018 Annual Report and Accounts.

Contributions are also made in respect of employees who are members of a local government pension scheme.

## 13 Auditor

The auditor of Kier from 23 February 2015 is PricewaterhouseCoopers LLP, chartered accountants, whose address is at 1 Embankment Place, London WC2N 6RH.

## 14 Underwriting Arrangements

### 14.1 Underwriting Agreement

The Company and the Joint Bookrunners have entered into the Underwriting Agreement on or around the date of this document, pursuant to which, on the terms and subject to certain conditions contained in the Underwriting Agreement which are customary in agreements of this nature, each of the Joint Bookrunners has severally (and not jointly or jointly and severally) agreed to use reasonable endeavours to procure subscribers for New Shares not taken up under the Rights Issue at the Issue Price.

If the Joint Bookrunners are unable to procure subscribers for any New Shares that are not taken up by Qualifying Shareholders pursuant to the Rights Issue, then each of the Joint Bookrunners has agreed, on the terms and subject to the conditions set out in the Underwriting Agreement, severally (and not jointly or jointly and severally) to subscribe for such New Shares at the Issue Price in its agreed proportion.

Pursuant to the terms of the Underwriting Agreement, the Company has also appointed Numis as its sole sponsor and its London Stock Exchange representative in connection with its applications for Admission. In consideration of their services under the Underwriting Agreement, and subject to their obligations under the Underwriting Agreement not having been terminated, the Company has agreed to pay to the Joint Bookrunners: (i) a commission of 2.2 per cent. of the aggregate value of the New Shares at the Issue Price (in accordance with their agreed proportions); and (ii) at the sole discretion of the Company a commission of up to 0.3 per cent. of the aggregate value of the New Shares at the Issue Price (such commission (if any) and the allocations between the Joint Bookrunners to be determined by the Company in its sole discretion). The Company will also pay (irrespective of whether Admission occurs) the fees, costs and expenses of, or in connection with, the Rights Issue.

The Company has given certain customary representations and warranties to the Joint Bookrunners as to the accuracy of the information contained in this document and other relevant documents, and in relation to other

matters relating to the Group and its business. In addition, the Company has given customary indemnities to the Joint Bookrunners and certain persons connected with each of them. The Company has also provided certain customary undertakings to the Joint Bookrunners for the period following Admission, including an undertaking (subject to certain exemptions) not to offer, issue or grant any rights over any Shares or related securities for a period ending 180 days after the date on which dealings in the New Shares, fully paid, commence on the London Stock Exchange's main market for listed securities.

The obligations of the Joint Bookrunners under the Underwriting Agreement are subject to certain conditions, including Admission occurring at or before 8.00 a.m. on 5 December 2018 (or such later time and/or date as Kier and the Joint Bookrunners may agree, being not later than 3.00 p.m. on 5 December 2018).

If any of the conditions are not satisfied (or waived by the Joint Bookrunners) or shall have become incapable of being satisfied by the required time and date, the Underwriting Agreement will be capable of termination. The Joint Bookrunners may terminate the Underwriting Agreement in its entirety in certain circumstances prior to Admission, including where there has been a breach of warranty or where a force majeure event has occurred. Following Admission, the Underwriting Agreement will not be subject to any condition or right of termination (including in respect of statutory withdrawal rights).

## **15 Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group within the two years immediately preceding the date of this document and are, or may be, material or have been entered into at any time by the Company or any member of the Group and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this document:

### **15.1 Underwriting Agreement**

For a description of the principal terms of the Underwriting Agreement, see paragraph 14.1 above.

### **15.2 2017 RCF Facility Agreement**

On 6 July 2017, the Company entered into a revolving credit facility agreement (the "**2017 RCF Facility Agreement**") with, among others, HSBC Bank plc as agent, Lloyds Bank plc, Barclays Bank PLC, National Westminster Bank Plc, HSBC Bank plc, Santander UK plc as bookrunners and mandated lead arrangers and Lloyds Bank plc, Barclays Bank PLC, National Westminster Bank Plc, HSBC Bank plc, Santander UK plc, The Governor and Company of the Bank of Ireland, BNP Paribas London Branch, Commerzbank Aktiengesellschaft, London Branch, National Bank of Kuwait (International) PLC, Banco de Sabadell, S.A. London Branch, ING Bank N.V., London Branch, Landesbank Hessen-Thüringen Girozentrale as original lenders.

Under the terms of the 2017 RCF Facility Agreement, the original lenders have provided the Company with a £670 million revolving credit facility (the "**2017 RCF Facility**"). The 2017 RCF Facility has an accordion option whereby the Company may request an increase in the 2017 RCF Facility, up to a maximum of £30 million. The 2017 RCF Facility is available to be used to fund: (i) the refinancing of the Group's existing indebtedness (being the prepayment of the facilities provided under (A) a £380 million revolving facility agreement originally dated 22 April 2015 (as amended from time to time) between, among others, the Company and HSBC Bank plc (as Agent) and (B) a £50 million term facility agreement originally dated 22 March 2017 between, among others, the Company and ING Bank N.V., London Branch (as Original Lender)) and (ii) general corporate purposes.

Each advance under the 2017 RCF Facility is required to be repaid on the last day of the interest period relating to the relevant advance but, subject to certain conditions, can be immediately re-drawn. No sums can be drawn under the 2017 RCF Facility on or after one month prior to the date falling five years after the date of the 2017 RCF Facility Agreement (the "**2017 RCF Facility Termination Date**"). All amounts outstanding under the 2017 RCF Facility Agreement are required to be repaid in full on the 2017 RCF Facility Termination Date.

The 2017 RCF Facility Agreement permits, subject to the payment of any applicable break costs and certain other conditions, voluntary prepayments and voluntary cancellation of undrawn amounts under the 2017 RCF Facility.

Interest accrues on loans made under the 2017 RCF Facility at a floating rate of LIBOR or EURIBOR (as applicable and, in each case, subject to a zero-floor) for the applicable interest period plus a margin of between

1.20 per cent. per annum and 2.50 per cent. per annum. Within the ranges stated, the prevailing margin on the 2017 RCF Facility loans is determined from time to time in accordance with a leverage “ratchet”.

The 2017 RCF Facility Agreement contains representations, undertakings and events of default based on the then current recommended form of the Loan Market Association investment grade multicurrency syndicated facility agreement, as well as certain financial covenants which the Company must observe. The financial covenants in the 2017 RCF Facility Agreement require the Company to ensure that: (i) the Group’s interest coverage ratio is not less than 4.00:1; and (ii) the Group’s leverage ratio does not exceed 3.00:1.

The 2017 RCF Facility Agreement is unsecured and is guaranteed by certain subsidiaries of the Company. The 2017 RCF Facility Agreement includes provisions requiring certain of the Company’s material subsidiaries (defined as a subsidiary of the Company which has gross assets or turnover (excluding certain intra-Group items) that equal or exceed 5 per cent. of the gross assets or turnover of the Group) to accede to the 2017 RCF Facility Agreement as additional guarantors subject to certain conditions contained therein.

### **15.3 *Schuldschein* Facilities**

#### **15.3.1 £12 million, 3-year, floating-rate coupon *Schuldschein* loan agreement originally dated 1 July 2016 (as amended on 30 June 2017)**

On 1 July 2016, the Company entered into a *Schuldscheindarlehen* loan agreement as borrower, with certain of its subsidiaries as guarantors, HSBC Trinkaus & Burkhardt AG as lender and paying agent, and each of HSBC Trinkaus & Burkhardt AG and Commerzbank Aktiengesellschaft as arranger. This loan agreement was amended on 30 June 2017 and is referred to as the “**First *Schuldschein* Loan Agreement**”.

Under the terms of the First *Schuldschein* Loan Agreement, HSBC Trinkaus & Burkhardt AG agreed to provide the Company with a £12 million, 3-year, floating-coupon loan (due May 2019) to be used for general corporate purposes of the Group, including any refinancing. The loan under the First *Schuldschein* Loan Agreement was released to the Company on 7 July 2016.

Interest on the loan under the First *Schuldschein* Loan Agreement is payable quarterly in arrear on 13 February, 13 May, 13 August and 13 November of each year, subject to certain conditions contained therein. Any aggregate loans outstanding under the First *Schuldschein* Loan Agreement are required to be repaid on the interest payment date falling in May 2019. Interest accrues at a floating rate of LIBOR (subject to a zero-floor) for the applicable interest period plus a margin of 1.65 per cent. per annum.

The First *Schuldschein* Loan Agreement contains certain repeating representations customary for a *Schuldschein* loan agreement, a negative pledge and events of default. The financial covenants in the First *Schuldschein* Loan Agreement require the Company to ensure that: (i) the Group’s interest cover ratio is not less than 4.00:1, and (ii) the Group’s leverage ratio does not exceed 3.00:1.

The First *Schuldschein* Loan Agreement is unsecured and is guaranteed by certain subsidiaries of the Company. The First *Schuldschein* Loan Agreement includes provisions requiring certain of the Company’s material subsidiaries (defined as a subsidiary of the Company which has gross assets or turnover (excluding certain intra-Group items) that equal or exceed 10 per cent. of the gross assets or turnover of the Group) to accede to the First *Schuldschein* Loan Agreement as an additional guarantor subject to certain conditions contained therein.

#### **15.3.2 £10 million, 5-year, floating-rate coupon *Schuldschein* loan agreement originally dated 1 July 2016 (as amended on 30 June 2017)**

On 1 July 2016, the Company entered into a *Schuldscheindarlehen* loan agreement as borrower, with certain of its subsidiaries as guarantors, HSBC Trinkaus & Burkhardt AG as lender and paying agent, and each of HSBC Trinkaus & Burkhardt AG and Commerzbank Aktiengesellschaft as arranger. This loan agreement was amended on 30 June 2017 and is referred to as the “**Second *Schuldschein* Loan Agreement**”.

Under the terms of the Second *Schuldschein* Loan Agreement, HSBC Trinkaus & Burkhardt AG agreed to provide the Company with a £10 million, 5-year, floating-coupon loan (due May 2021) to be used for general corporate purposes of the Group, including any refinancing. The loan under the Second *Schuldschein* Loan Agreement was released to the Company on 7 July 2016.

Interest on the loan under the Second *Schuldschein* Loan Agreement is payable quarterly in arrear on 13 February, 13 May, 13 August and 13 November of each year, subject to certain conditions contained therein. Any aggregate loans outstanding under the Second *Schuldschein* Loan Agreement are required to be repaid on

the interest payment date falling in May 2021. Interest accrues at a floating rate of LIBOR (subject to a zero-floor) for the applicable interest period plus a margin of 1.95 per cent. per annum.

Provisions relating to representations, undertakings, events of default, financial covenants, guarantee and security position are as per the First *Schuldschein* Loan Agreement (see paragraph 15.3.1 above).

#### **15.3.3 €10 million, 5-year, fixed-rate coupon *Schuldschein* loan agreement originally dated 11 May 2016 (as amended on 30 June 2017)**

On 11 May 2016, the Company entered into a *Schuldscheindarlehen* loan agreement as borrower, with certain of its subsidiaries as guarantors, HSBC Trinkaus & Burkhardt AG as lender and paying agent, and each of HSBC Trinkaus & Burkhardt AG and Commerzbank Aktiengesellschaft as arranger. This loan agreement was amended on 30 June 2017 and is referred to as the “**Third *Schuldschein* Loan Agreement**”.

Under the terms of the Third *Schuldschein* Loan Agreement, HSBC Trinkaus & Burkhardt AG agreed to provide the Company with a €10 million, 5-year, fixed-coupon loan (due May 2021) to be used for general corporate purposes of the Group, including any refinancing. The loan under the Third *Schuldschein* Loan Agreement was released to the Company on 13 May 2016 and any aggregate loans outstanding under the Third *Schuldschein* Loan Agreement are required to be repaid in May 2021.

Interest on the loan under the Third *Schuldschein* Loan Agreement accrues at a rate of 1.550 per cent. per annum, and interest is payable annually in arrear on 13 May of each year.

Provisions relating to representations, undertakings, events of default, financial covenants, guarantee and security position are as per the First *Schuldschein* Loan Agreement (see paragraph 15.3.1 above).

#### **15.3.4 €10 million, 7-year, fixed-rate coupon *Schuldschein* loan agreement originally dated 11 May 2016 (as amended on 30 June 2017)**

On 11 May 2016, the Company entered into a *Schuldscheindarlehen* loan agreement as borrower, with certain of its subsidiaries as guarantors, HSBC Trinkaus & Burkhardt AG as lender and paying agent, and each of HSBC Trinkaus & Burkhardt AG and Commerzbank Aktiengesellschaft as arranger. This loan agreement was amended on 30 June 2017 and is referred to as the “**Fourth *Schuldschein* Loan Agreement**”.

Under the terms of the Fourth *Schuldschein* Loan Agreement, HSBC Trinkaus & Burkhardt AG agreed to provide the Company with a €10 million, 7-year, fixed-coupon loan (due May 2023) to be used for general corporate purposes of the Group, including any refinancing. The loan under the Fourth *Schuldschein* Loan Agreement was released to the Company on 13 May 2016 and any aggregate loans outstanding under the Fourth *Schuldschein* Loan Agreement are required to be repaid in May 2023.

Interest on the loan under the Fourth *Schuldschein* Loan Agreement accrues at a rate of 2.056 per cent. per annum, and interest is payable annually in arrear on 13 May of each year.

Provisions relating to representations, undertakings, events of default, financial covenants, guarantee and security position are as per the First *Schuldschein* Loan Agreement (see paragraph 15.3.1 above).

#### **15.3.5 £58.5 million, 5-year, floating-rate coupon *Schuldschein* loan agreement originally dated 11 May 2016 (as amended on 30 June 2017)**

On 11 May 2016, the Company entered into a *Schuldscheindarlehen* loan agreement as borrower, with certain of its subsidiaries as guarantors, HSBC Trinkaus & Burkhardt AG as lender and paying agent, and each of HSBC Trinkaus & Burkhardt AG and Commerzbank Aktiengesellschaft as arranger. This loan agreement was amended on 30 June 2017 and is referred to as the “**Fifth *Schuldschein* Loan Agreement**”.

Under the terms of the Fifth *Schuldschein* Loan Agreement, HSBC Trinkaus & Burkhardt AG agreed to provide the Company with a £58.5 million, 5-year, floating-coupon loan (due in instalments in May 2019, May 2021 and May 2023) to be used for general corporate purposes of the Group, including any refinancing. The loan under the Fifth *Schuldschein* Loan Agreement was released to the Company on 13 May 2016.

Interest on the loan under the Fifth *Schuldschein* Loan Agreement is payable quarterly in arrear on 13 February, 13 May, 13 August and 13 November of each year, subject to certain conditions contained therein. Any aggregate loans outstanding under the Fifth *Schuldschein* Loan Agreement are required to be repaid on the interest payment date falling in May 2021. Interest accrues on the Fifth *Schuldschein* Loan at a floating rate of LIBOR (subject to a zero-floor) for the applicable interest period plus a margin of 1.95 per cent. per annum.



Provisions relating to representations, undertakings, events of default, financial covenants, guarantee and security position are as per the First *Schuldschein* Loan Agreement (see paragraph 15.3.1 above).

#### **15.4 2012 Note Purchase Agreement**

The Company is party to a note purchase agreement with certain noteholders (the “**2012 Noteholders**”) dated 20 December 2012, as amended by an amendment letter dated 22 April 2013, an amendment letter dated 26 February 2014 and an amendment letter dated 30 June 2016 (the “**2012 Note Purchase Agreement**”), pursuant to which the Company issued: (i) £25 million of 4.24 per cent. senior notes maturing on 20 December 2019; (ii) £20 million of 4.84 per cent. senior notes maturing on 20 December 2022; (iii) U.S.\$8 million of 4.26 per cent. senior notes maturing on 20 December 2019; and (iv) U.S.\$20 million of 4.83 per cent. senior notes maturing on 20 December 2022 (collectively, the “**2012 Notes**”).

The 2012 Note Purchase Agreement includes a requirement for the Company to comply with certain financial covenants and includes customary affirmative and negative covenants for U.S. private placement instruments. The financial covenants in the 2012 Note Purchase Agreement include a consolidated net worth test and others that are substantially similar to those contained in the 2017 RCF Facility Agreement.

The negative covenants imposed on the Group by the 2012 Note Purchase Agreement include, subject to certain exceptions, a restriction on granting security, a restriction on incurring financial indebtedness by members of the Group which do not also guarantee the 2012 Notes and a restriction on the disposal of assets.

As at 30 June 2018, being the most recent covenant test date under the 2012 Note Purchase Agreement, the Company was in compliance with the above covenants and the other terms of the 2012 Note Purchase Agreement.

The obligations under the 2012 Notes are unsecured and certain of the Company’s subsidiaries have also guaranteed the Company’s obligations under the 2012 Notes by separate guarantee agreements.

#### **15.5 2014 Note Purchase Agreement**

The Company is party to a note purchase agreement with certain noteholders (the “**2014 Noteholders**”) dated 20 November 2014, as amended by an amendment letter dated 30 June 2016 (the “**2014 Note Purchase Agreement**”), pursuant to which the Company issued: (i) U.S.\$21 million of 4.22 per cent. senior notes maturing on 22 November 2021; (ii) £25 million of 4.14 per cent. senior notes maturing on 22 November 2021; (iii) U.S.\$95 million of 4.61 per cent. senior notes maturing on 20 November 2024; and (iv) £22 million of 4.43 per cent. senior notes maturing on 20 November 2024 (collectively, the “**2014 Notes**”).

The 2014 Note Purchase Agreement includes a requirement for the Company to comply with certain financial covenants and includes customary affirmative and negative covenants for U.S. private placement instruments. The financial covenants in the 2014 Note Purchase Agreement include a consolidated net worth test and others that are substantially similar to those contained in the 2017 RCF Facility Agreement.

The negative covenants imposed on the Group by the 2014 Note Purchase Agreement include, subject to certain exceptions, a restriction on granting security, a restriction on incurring financial indebtedness by members of the Group which do not also guarantee the 2014 Notes and a restriction on the disposal of assets.

As at 30 June 2018, being the most recent covenant test date under the 2014 Note Purchase Agreement, the Company was in compliance with the above covenants and the other terms of the 2014 Note Purchase Agreement.

The obligations under the 2014 Notes are unsecured and certain of the Company’s subsidiaries have also guaranteed the Company’s obligations under the 2014 Notes by separate guarantee agreements.

#### **15.6 Supplier Finance Agreements**

##### **15.6.1 Supplier finance programme agreement between Lloyds TSB Bank PLC (“Lloyds”) and Kier Group plc originally dated 14 March 2013 (as amended on 26 September 2013) (the “Lloyds SFP”)**

Under the terms of the Lloyds SFP, Lloyds has agreed to provide the Company and certain of its wholly owned subsidiaries with a supplier finance programme.

The programme is comprised of an agreement between Kier and Lloyds (being the Lloyds SFP) and an agreement between Lloyds and certain of the Group’s suppliers which Lloyds has approved. A supplier may request that Lloyds makes a payment (an “**Early Payment**”) prior to the due date of the payment (the

“**Maturity Date**”) in respect of receivables. Lloyds is not obliged to agree to make an Early Payment but if it wishes to make an Early Payment, then, Lloyds will offer to pay to the supplier a discounted amount in relation to the receivables. If the supplier accepts the offer, then Lloyds will make an Early Payment. If Lloyds make a payment to the supplier on or after the Maturity Date, the amount payable shall be the amount received from the Group less any applicable transaction charges. In each case, the Group is required to make a payment in respect of the full amount of the receivables to Lloyds on the Maturity Date. Default interest for non-payment by the Group shall accrue at four per cent. per annum above LIBOR.

The Lloyds SFP contains an indemnity from Kier, certain repeating representations customary for a financing arrangement, some information undertakings, some general undertakings (including an undertaking on the Group to ensure that contracts with the suppliers include a prohibition on the suppliers securing the receivables in favour of third parties, an undertaking to provide certain supplier data and undertaking to introduce new suppliers to Lloyds) and certain termination events (including non-payment, material breach, the insolvency of Kier or if Kier’s rating ceases to be BBB- (or equivalent or replacement as reasonably determined by Lloyds including Lloyds Banking Group’s own internal risk rating)). The agreement may be terminated in whole on not less than 90 days’ written notice from either Kier or Lloyds. There are also termination events under the agreement between Lloyds and the supplier, including breach of agreement, non-payment, insolvency and the insolvency of Kier.

#### **15.6.2 Supply chain solutions, approved invoice—master buyer agreement between HSBC Bank PLC (“HSBC”) and Kier Group plc dated 1 December 2015 (the “HSBC SCS—MBA”)**

Under the terms of the HSBC SCS—MBA, HSBC agrees to provide the Company and some of its approved subsidiaries with a supply chain solutions approved invoice programme.

Under the HSBC SCS—MBA, HSBC may, in its absolute discretion, agree to pay a supplier for certain goods and/or services acquired by Kier as its paying agent. If it does so agree, HSBC may either: (i) pay the supplier on the payment date agreed between the supplier; or (ii) purchase the receivable or acquire cashflow rights in respect of the invoice. HSBC’s obligation to pay the relevant amount will only arise once Kier has paid HSBC the relevant amount. Kier shall pay HSBC the relevant amount for the receivables on the due date of the payment (less any qualifying credit notes issued by the supplier to Kier). Default interest for non-payment by Kier accrues at 2 per cent. per annum above the local interbank rate.

The HSBC SCS—MBA contains an indemnity from Kier, certain representations, information undertakings, general undertakings (including sanctions, money-laundering etc. and an obligation on Kier to use reasonable due diligence to confirm a supplier to which the HSBC SCS—MBA applies is in full compliance with all laws and regulations applicable to it) and certain termination events (including non-payment, material breach, the insolvency of Kier). The agreement may be terminated in whole on not less than 30 days’ written notice from either Kier or HSBC.

#### **15.6.3 Supply chain programme agreement between, among others, Santander UK PLC (“Santander UK”) and Kier Group plc originally dated 11 November 2015, as amended and restated from time to time and most recently on 19 June 2018 (the “Santander SCPA”)**

Under the terms of the Santander SCPA, Santander UK agrees to provide Kier Facilities Services Limited, Kier Services Limited and Kier Construction Limited (the “**Kier Subsidiaries**”) with a supply chain programme. The Company guarantees the obligations of each Kier Subsidiary under the Santander SCPA.

The Kier Subsidiaries may propose any of its suppliers of goods and/or services which satisfy certain criteria (including, to the best of the Kier Subsidiaries’ knowledge and belief, that such supplier is a reputable person in good standing) to participate in the supply chain programme. Santander UK may approach that supplier and agree a separate supplier agreement with them, in its absolute discretion. If the Kier Subsidiaries want to purchase a receivable from a supplier, it may notify Santander UK. Santander UK may either purchase the receivables from the supplier in accordance with the relevant supplier agreement it has with the supplier or make a payment to the supplier on the due date on the invoice, provided it has received the relevant amount from the Kier Subsidiaries or the Company. The Kier Subsidiaries must pay Santander UK in full (less any credit notes) on the due date (or may offer to pay Santander UK early in respect of a receivable received by Santander UK and Santander UK may propose a price for the receivables). Default interest accrues at three per cent. per annum.

The aggregate amount of outstanding invoices under the Santander SCPA may not exceed £40,000,000 at any time (or such other amount as agreed).

The Santander SCPA contains an indemnity from the Kier Subsidiaries, certain repeating representations (including that there has been no material adverse change in the Kier Subsidiaries' business, financial condition or prospects since the date of the Santander SCPA), some information undertakings, some general undertakings and certain termination events (including (i) the insolvency of the Kier Subsidiaries; (ii) the occurrence of a change of control event in respect of the Kier Subsidiaries or the Company; (iii) the occurrence of a substantial change to the general nature of the business of the Kier Subsidiaries or the Company, (iv) material adverse change; or (v) if any financial indebtedness of the Kier Subsidiaries or the Company is not paid when due, is declared to be or otherwise becomes due as a result of an event of default or is cancelled). The agreement may be terminated in whole on not less than 30 days' written notice from either the Kier Subsidiaries or Santander UK.

## **16 Related Party Transactions**

Details of the related party transactions between Kier and its subsidiaries that were entered into during the financial years ended 30 June 2016, 2017 and 2018 are incorporated into this document by reference to the 2016, 2017 and 2018 Annual Report and Accounts, as described in Part XII of this document. During the period from 30 June 2018 to 29 November 2018 (being the latest practicable date prior to the date of this document), there were no new related party transactions.

## **17 Litigation and Arbitration Proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on the Company or the Group's financial position or profitability.

## **18 Working Capital**

The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Group, the Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this document.

## **19 No Significant Change**

Save for the increase in net debt from £185.7 million as at 30 June 2018 to approximately £624 million as at 31 October 2018, there has been no significant change in the financial or trading position of the Group since 30 June 2018, the date to which the Group's latest audited consolidated financial statements were prepared.

## **20 Consents**

- 20.1 Numis, which is authorised and regulated in the United Kingdom by the FCA, has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.
- 20.2 Peel Hunt, which is authorised and regulated in the United Kingdom by the FCA, has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.
- 20.3 Citi, which is authorised in the United Kingdom by the FCA and regulated in the United Kingdom by the PRA and the FCA, has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.
- 20.4 HSBC, which is authorised in the United Kingdom by the FCA and regulated in the United Kingdom by the PRA and the FCA, has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.
- 20.5 Santander, which is authorised by Bank of Spain and subject to limited regulation in the United Kingdom by the PRA and FCA, has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.
- 20.6 Rothschild & Co, which is authorised and regulated by the FCA, has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

20.7 PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of its accountant's reports on the unaudited pro forma financial information in Part VIII of this document and on the Profit Forecast in Part IX of this document and has authorised the contents of the part of this document which comprise its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

## **21 Miscellaneous**

21.1 The total fees, costs and expenses payable by the Company in connection with the Rights Issue are estimated to amount to approximately £14.0 million (including VAT).

21.2 Each New Share is expected to be issued at a premium of 408 pence to its nominal value of 1p.

21.3 Where information included in this document has been sourced from a third party, Kier confirms that the information has been accurately reproduced and, as far as Kier is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this document, the source of such information has been identified wherever it appears.

## **22 Documents Available for Inspection**

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to completion of the Rights Issue at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ:

- (a) the Articles of Association;
- (b) the consent letters referred to in paragraph 20 above;
- (c) the unaudited pro forma financial information of the Group and the report from PricewaterhouseCoopers LLP thereon contained in Part VIII of this document;
- (d) the report from PricewaterhouseCoopers LLP on the Profit Forecast contained in Part IX of this document;
- (e) the information incorporated by reference into this document, as described in Part XII of this document; and
- (f) this document.

Dated: 30 November 2018

## PART XII—INFORMATION INCORPORATED BY REFERENCE

The following documentation, which was sent to Shareholders at the relevant time and/or is available as described below, contains information that is relevant to the Rights Issue:

### 1 The 2018, 2017 and 2016 Annual Report and Accounts

These contain the audited consolidated financial statements of Kier for the financial years ended 30 June 2018, 2017 and 2016, prepared in accordance with IFRS, together with audit reports in respect of each such year.

### 2 Other

The table below sets out the various sections of the documents referred to above which are incorporated by reference into this document, so as to provide the information required pursuant to Annex I and Annex III to the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of the Company and of the New Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and of the Group and of the rights attaching to the New Shares:

<u>Reference document</u>	<u>Information incorporated by reference</u>	<u>Page number(s) in reference document</u>
2018 Annual Report and Accounts	Independent auditors' report . . . . .	111-117 (inclusive)
	Consolidated income statement . . . . .	118
	Consolidated statement of comprehensive income . . . . .	119
	Consolidated statement of changes in equity . . . . .	120
	Consolidated balance sheet . . . . .	121
	Consolidated cash flow statements . . . . .	122
	Notes to the consolidated financial statements . . . . .	123-175 (inclusive)
	Principal operating subsidiaries and business units . . . . .	176-182 (inclusive)
2017 Annual Report and Accounts	Independent auditors' report . . . . .	105
	Consolidated income statement . . . . .	112
	Consolidated statement of comprehensive income . . . . .	113
	Consolidated statement of changes in equity . . . . .	114
	Consolidated balance sheet . . . . .	115
	Consolidated cash flow statements . . . . .	116
	Notes to consolidated financial statements . . . . .	117-151 (inclusive)
2016 Annual Report and Accounts	Independent auditors' report . . . . .	89
	Consolidated income statement . . . . .	96
	Consolidated statement of comprehensive income . . . . .	97
	Consolidated statement of changes in equity . . . . .	98
	Consolidated balance sheet . . . . .	99
	Consolidated cash flow statements . . . . .	100
	Notes to the consolidated financial statements . . . . .	101-138 (inclusive)

Parts of the documents from which the information incorporated by reference have been incorporated are not set out above because they are either not relevant or are covered elsewhere in this document.

Where the information incorporated by reference makes reference to other documents, such other documents are not incorporated into, and do not form part of, this document.

## PART XIII—DEFINITIONS

<b>2016 Annual Report and Accounts</b> . . . . .	the annual report and accounts prepared by the Company for the financial year ended 30 June 2016
<b>2017 Annual Report and Accounts</b> . . . . .	the annual report and accounts prepared by the Company for the financial year ended 30 June 2017
<b>2017 RCF Facility Agreement</b> . . . . .	the revolving credit facility agreement described in paragraph 15.2 of Part XI of this document
<b>2017 RCF Facility</b> . . . . .	the revolving credit facility described in paragraph 15.2 of Part XI of this document
<b>2018 Annual Report and Accounts</b> . . . . .	the annual report and accounts prepared by the Company for the financial year ended 30 June 2018
<b>Admission</b> . . . . .	admission of the New Shares (nil paid) to (a) the Official List and (b) trading on the London Stock Exchange's main market for listed securities
<b>AQRT</b> . . . . .	the FRC's Audit Quality Review team
<b>Articles or Articles of Association</b> . . . . .	the articles of association of the Company, which are described in paragraph 4 of Part XI of this document
<b>Business Day</b> . . . . .	a day (other than a Saturday or Sunday) on which banks are open for general business in London
<b>Cashless Take-up</b> . . . . .	the sale of such number of Nil Paid Rights as will generate sufficient sale proceeds to enable the direct or indirect holder thereof to take up all of their remaining Nil Paid Rights (or entitlements thereto) without being required to provide any further capital
<b>CCSS</b> . . . . .	the CREST Courier and Sorting Service established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of securities
<b>certificated or in certificated form</b> . . . . .	a share or other security which is not in uncertificated form (that is, not in CREST)
<b>Chairman</b> . . . . .	the chairman of the Company, Philip Cox CBE
<b>Citi</b> . . . . .	Citigroup Global Markets Limited
<b>Companies Act</b> . . . . .	Companies Act 2006
<b>Company or Kier</b> . . . . .	Kier Group plc, a public limited company incorporated under the laws of England and Wales
<b>Corporate Governance Code</b> . . . . .	the UK Corporate Governance Code (April 2016 edition) produced by the Financial Reporting Council
<b>CREST</b> . . . . .	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades in listed securities in the United Kingdom, of which Euroclear is the operator (as defined in the CREST Regulations)
<b>CREST Manual</b> . . . . .	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure, CREST Glossary of Terms and CREST Terms and Conditions (all as defined in the CREST

	Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
<b>CREST member</b> . . . . .	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
<b>CREST Regulations</b> . . . . .	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
<b>CREST sponsor</b> . . . . .	a CREST participant admitted to CREST as a CREST sponsor
<b>CREST sponsored member</b> . . . . .	a CREST member admitted to CREST as a sponsored member
<b>CRRT</b> . . . . .	the FRC's Corporate Reporting Review team
<b>CSAP</b> . . . . .	the Kier Group plc Conditional Share Award Plan 2017
<b>DBA</b> . . . . .	the deferred bonus arrangements summarised in paragraph 10.5 of Part XI of this document
<b>Directors or Board</b> . . . . .	the Executive Directors and Non-Executive Directors as at the date of this document
<b>Disclosure Guidance and Transparency Rules</b> . . . . .	the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority
<b>Distributor</b> . . . . .	a distributor for the purposes of MiFID II (EU Directive 2014/65/EU) and any subsequent technical advice or guidance issued by ESMA
<b>EBITDA</b> . . . . .	earnings before interest, tax, depreciation and amortisation
<b>EEA</b> . . . . .	the European Economic Area
<b>Enlarged Share Capital</b> . . . . .	the expected issued ordinary share capital of Kier immediately following the issue of the New Shares
<b>EU</b> . . . . .	European Union
<b>Euroclear</b> . . . . .	Euroclear UK & Ireland Limited
<b>Exchange Act</b> . . . . .	United States Exchange Act (1934), as amended
<b>Excluded Territories</b> . . . . .	the Commonwealth of Australia, its territories and possessions, each province and territory of Canada, Japan and the Republic of South Africa and any other jurisdiction where the extension into or availability of the Rights Issue would breach any applicable law
<b>Executive Directors</b> . . . . .	the executive directors of the Company as at the date of this document
<b>Existing Shares</b> . . . . .	the Shares in issue immediately preceding the issue of the New Shares
<b>Ex-Rights Date</b> . . . . .	5 December 2018
<b>Financial Adviser</b> . . . . .	Rothschild & Co
<b>Financial Conduct Authority</b> or <b>FCA</b> . . . . .	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
<b>FRC</b> . . . . .	the Financial Reporting Council
<b>FPK programme</b> . . . . .	the Future Proofing Kier programme described in paragraph 2.1 of Part I of this document
<b>FSMA</b> . . . . .	the Financial Services and Markets Act 2000, as amended
<b>Fully Paid Rights</b> . . . . .	rights to acquire New Shares, fully paid
<b>Group</b> . . . . .	the Company and its subsidiary undertakings and, where the context requires, its associated undertakings



<b>Historic Financial Information</b>	the audited consolidated financial statements of the Company included in the 2018, 2017 and 2016 Annual Report and Accounts, together with the audit opinions thereon, as set out in Part V and Part XII of this document
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>HSBC</b>	HSBC Bank plc
<b>HSBC SCS—MBA</b>	the supply solutions, approved invoice—master buyer agreement described in paragraph 15.6.2 of Part XI of this document
<b>IFRS</b>	International Financial Reporting Standards as adopted by the European Union
<b>ISIN</b>	International Securities Identification Number
<b>Issue Price</b>	409 pence
<b>Joint Bookrunners</b>	Numis, Peel Hunt, Citi, HSBC and Santander
<b>KI&amp;OL</b>	Kier Infrastructure and Overseas Limited
<b>LIBOR</b>	the London interbank offered rate
<b>Listing Rules</b>	the listing rules of the Financial Conduct Authority
<b>Lloyds SFP</b>	the supplier finance programme agreement described in paragraph 15.6.1 of Part XI of this document
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>LTIP</b>	the Kier Group plc 2010 Long-Term Incentive Plan
<b>MAR</b>	the Market Abuse Regulation (EU) No 596/2014
<b>May Gurney</b>	May Gurney Integrated Services PLC
<b>May Gurney SIP</b>	the May Gurney Integrated Services PLC Share Incentive Plan
<b>Money Laundering Regulations</b>	Money Laundering Regulations 2007 (SI 2007/2157)
<b>New Shares</b>	the 64,455,707 new Shares which the Company will allot and issue pursuant to the Rights Issue
<b>Nil Paid Rights</b>	rights to acquire New Shares, nil paid
<b>Non-CREST Shareholders</b>	Shareholders holding Shares in certificated form
<b>Non-Executive Directors</b>	the non-executive directors of the Company as at the date of this document
<b>Numis</b>	Numis Securities Limited
<b>Official List</b>	the Official List of the FCA
<b>Overseas Shareholders</b>	Qualifying Shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions outside of the United Kingdom
<b>PD Regulation</b>	Prospectus Directive Regulation (No. 2004/809/EC)
<b>Peel Hunt</b>	Peel Hunt LLP
<b>PRA</b>	the Prudential Regulation Authority
<b>Profit Forecast</b>	the profit forecast as set out in Part IX of this document
<b>Prospectus Rules</b>	the Prospectus Rules of the Financial Conduct Authority
<b>Provisional Allotment Letter</b>	the provisional allotment letter to be issued to Qualifying Non-CREST Shareholders (other than certain Overseas Shareholders)
<b>PwC</b>	PricewaterhouseCoopers LLP
<b>Qualifying CREST Shareholders</b>	Qualifying Shareholders holding Shares in uncertificated form

<b>Qualifying Non-CREST Shareholders</b> . . . . .	Qualifying Shareholders holding Shares in certificated form
<b>Qualifying Shareholders</b> . . . . .	Shareholders (other than in respect of treasury shares) on the register of members of the Company at the Record Date
<b>Receiving Agent</b> . . . . .	Link Asset Services, a trading name of Link Market Services Limited
<b>Record Date</b> . . . . .	close of business on 30 November 2018
<b>Registrar</b> . . . . .	Link Asset Services
<b>Regulation S</b> . . . . .	Regulation S under the Securities Act
<b>Regulatory Information Service</b>	a regulatory information service that is approved by the FCA and that is on the list of regulatory information service providers maintained by the FCA
<b>Reporting Accountants</b> . . . . .	PricewaterhouseCoopers LLP
<b>Rights Issue</b> . . . . .	the offer by way of rights to Qualifying Shareholders to subscribe for New Shares on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter
<b>RIS</b> . . . . .	the UK government's Road Investment Strategy
<b>RIS1</b> . . . . .	RIS period set to run through 2020
<b>RIS2</b> . . . . .	RIS period set to run through 2025
<b>Rothschild &amp; Co</b> . . . . .	N.M. Rothschild & Sons Limited, a company incorporated in England with registered number 00925279, whose registered office is at New Court, St Swithin's Lane, London EC4N 8AL
<b>Santander</b> . . . . .	Banco Santander, S.A.
<b>Santander SCPA</b> . . . . .	the supply chain programme agreement described in paragraph 15.6.3 of Part XI of this document
<b>SDRT</b> . . . . .	Stamp Duty Reserve Tax
<b>SEC</b> . . . . .	the United States Securities and Exchange Commission
<b>Securities Act</b> . . . . .	the U.S. Securities Act of 1933, as amended
<b>SEDOL</b> . . . . .	Stock Exchange Daily Official List
<b>Senior Managers</b> . . . . .	Marcus Jones, Simon Martle, Phillippa Prongué and Hugh Raven
<b>Share</b> . . . . .	an ordinary share of 1p each in the capital of the Company having the rights set out in the Articles, as described in paragraph 3 of Part XI of this document
<b>Shareholders</b> . . . . .	holders of Shares
<b>Sharesave Scheme</b> . . . . .	the schemes or plans described in paragraph 10.3 of Part XI of this document
<b>Share Schemes</b> . . . . .	the schemes or plans described in paragraph 10 of Part XI of this document
<b>SHE</b> . . . . .	safety, health and environment
<b>SIP</b> . . . . .	the Kier Group All Employee Share Ownership Plan
<b>Special Dealing Service</b> . . . . .	the dealing service being made available by Link Asset Services to Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or any other jurisdiction within the EEA who wish to sell all of their Nil Paid Rights or to effect a Cashless Take-up

<b>Special Dealing Service Terms and Conditions</b> . . . . .	the terms and conditions of the Special Dealing Service
<b>Sponsor</b> . . . . .	Numis
<b>this document</b> . . . . .	this prospectus issued by the Company in respect of the Rights Issue, together with any supplements or amendments thereto
<b>UK or United Kingdom</b> . . . . .	the United Kingdom of Great Britain and Northern Ireland
<b>UK Takeover Code</b> . . . . .	UK City Code on Takeovers and Mergers
<b>uncertificated or in uncertificated form</b> . . . . .	recorded on the register of members as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>Underwriting Agreement</b> . . . . .	the Underwriting Agreement described in paragraph 14.1 of Part XI of this document
<b>United States or U.S.</b> . . . . .	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
<b>VAT</b> . . . . .	value added tax

