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This document comprises a circular prepared in accordance with the Listing Rules made under section 73A of the FSMA for the purposes of the General Meeting of Kier Group plc (the "**Company**") convened pursuant to the Notice of General Meeting set out at the end of this document.

This circular has been approved by the FCA in accordance with section 87A of the FSMA and will be made available to the public. This document does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security.

This document together with the documents incorporated into it by reference (as set out in Part VII of this document) will be made available to the public in accordance with Prospectus Regulation Rule 3.2.1 by the same being made available, free of charge, at www.kier.co.uk and at the Company's registered office at 81 Fountain Street, Manchester, England M2 2EE.

If you sell or have sold or have otherwise transferred all of your Shares in Kier Group plc, please send this document, together with the accompanying Form of Proxy, 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. If you have sold or otherwise transferred only part of your holding, you should retain these documents and immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

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Kier Group plc

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

Proposed sale of Kier Living Limited

Notice of General Meeting

Your attention is drawn to the letter from the Chairman which is set out in Part I ("Letter from the Chairman of Kier Group plc**") of this document and which contains a recommendation from the Board that you vote in favour of the Resolution to be proposed at the General Meeting referred to below. You should read the whole of this document and in particular the risk factors set out in Part II ("**Risk factors**") of this document when considering what action you should take in connection with the General Meeting.**

Notice of a General Meeting of the Company, to be held at 6 Cavendish Place, London, W1G 0QA at 10 a.m. on 7 May 2021, is set out at the end of this document. The Form of Proxy for use at the meeting accompanies this document and, to be valid, should be completed and returned to the Company's Registrars, Link Group, at Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL as soon as possible and, in any event, so as to arrive by no later than 10 a.m. on 5 May 2021. Voting directions and proxy appointments may be completed electronically and details are given in the Notice of General Meeting set out at the end of this document.

N.M. Rothschild & Sons Limited ("**Rothschild & Co**") is authorised and regulated in the United Kingdom by the FCA and is acting exclusively for the Company and no one else in connection with the contents of this document and any other matters referred to in this document and will not regard any other person (whether or not a recipient of this document) as a client in relation to any other matters referred to in this document and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, or for providing advice, in relation to the contents of this document or any other matter or arrangement referred to in this document,

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This document is dated 20 April 2021.

PRESENTATION OF 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, including resulting from the impact of the COVID-19 pandemic and responses by governments to it, 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.

The statements above relating to forward-looking statements should not be construed as a qualification on the Company’s working capital statement in paragraph 11 of Part VI of this document.

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

Presentation of Financial Information

The audited consolidated financial statements of the Company included in: (i) the 2020 Company Annual Report and Accounts, as of and for the year ended 30 June 2020 (the “**2020 Financial Statements**”); (ii) the 2019 Company Annual Report and Accounts, as of and for the year ended 30 June 2019 (the “**2019 Financial Statements**”); and (iii) the 2018 Company Annual Report and Accounts, as of and for the year ended 30 June 2018 (the “**2018 Financial Statements**” and, together with the 2020 Financial Statements and the 2019 Financial Statements, the “**Historic Financial Information**”), together with the audit opinions thereon, are incorporated by reference into this document, as further detailed in Part VII of this document.

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.

Kier reports its results of operations in three segments: Infrastructure Services, Construction and Other. In June 2019, Kier announced that it would seek to sell Kier Living, its house-building business. Accordingly, the Kier Living business has been classified as being held for sale and its results for the financial year ended 30 June 2020 were classified as discontinued. Between 1 July 2018 and 1 July 2019, Kier reported its operations according to the segments: Infrastructure Services, Buildings and Developments & Housing. Prior to 1 July 2018, Kier operated through four segments: 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 2020 Financial Statements.

Certain historical financial information in respect of the financial year ended 30 June 2019 included in the 2020 Company Annual Report and Accounts for comparison purposes, and incorporated herein by reference, has been presented on a restated basis, reflecting the classification of the Living business as being held for sale. These restated amounts have not been audited by PwC.

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.

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;
- 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 30 June 2020 (as set in Part VII of this document), the Company includes cash in transit and the debt associated with assets held for re-sale, but excludes the debt associated with joint ventures.

Adjusted Financial Information

Kier analyses its results of operations on an adjusted basis. Adjusting 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 2020, 2019 and 2018 Company Annual Report and Accounts, which are incorporated by reference into this document.

The presentation of adjusted results is not in conformity with IFRS. The adjusted results of operations may also not be comparable to adjusted or 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 V of this document (comprising an unaudited pro forma statement of net assets), which have been prepared to illustrate the effect of the Transaction on the consolidated net assets of the Retained Group (being the Group excluding the Kier Living Group) at 30 June 2020 as if the foregoing had occurred on 30 June 2020. The unaudited pro forma financial information is based on the consolidated financial information as at 30 June 2020 and compiled on the basis set out in the notes thereto and in accordance with the accounting policies adopted by the Group for the period ended 30 June 2020.

The unaudited pro forma financial information: (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 (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 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.

Definitions

Certain terms used in this document, including capitalised terms and certain technical terms, are defined and explained in the Part VIII of this document headed “Definitions”. Reference to any statute or statutory provision includes a reference to that statute or statutory provision as from time to time amended, extended or re-enacted.

Website

The contents of the Company’s website or of any website accessible via hyperlinks from the Company’s website are not incorporated into, and do not form part of, this document and investors should not rely on them, without prejudice to the documents incorporated by reference into this document which will be made available on the Company’s website (<http://www.kier.co.uk>).

Rounding

Percentages in tables have been rounded and accordingly may not add up to 100 per cent. Certain financial data have also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

No offer or solicitation

This document is not a prospectus and it does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security.

TABLE OF CONTENTS

	<i>Page</i>
PART I – LETTER FROM THE CHAIRMAN OF KIER GROUP PLC	9
PART II – RISK FACTORS	17
PART III – SUMMARY OF THE PRINCIPAL TERMS OF THE TRANSACTION DOCUMENTS	21
PART IV – HISTORICAL FINANCIAL INFORMATION ON KIER LIVING	24
PART V – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RETAINED GROUP	27
PART VI – ADDITIONAL INFORMATION	32
PART VII – DOCUMENTATION INCORPORATED BY REFERENCE	51
PART VIII – DEFINITIONS	52
NOTICE OF GENERAL MEETING	56

EXPECTED TIMETABLE OF PRINCIPAL EVENTS⁽¹⁾⁽²⁾

Announcement of the Transaction	16 April 2021
Publication of this document, the Notice of General Meeting and the Form of Proxy	20 April 2021
Latest time and date for receipt of Forms of Proxy, CREST Proxy Instructions and electronic registration of a proxy appointment	10.00 a.m. on 5 May 2021
Record date for entitlement to vote at the General Meeting	6.00 p.m. on 5 May 2021
General Meeting	10.00 a.m. on 7 May 2021
Expected timing of Completion	Before mid-June 2021

Notes:

- (1) The times and dates set out in the timetable above and referred to throughout this document and any accompanying document 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.

DIRECTORS AND ADVISERS

Board of Directors

A list of Directors is set forth in the table as below:

<i>Name</i>	<i>Position</i>
Matthew Lester	Chairman
Andrew Davies	Chief Executive
Simon Kesterton	Chief Financial Officer
Justin Atkinson	Senior Independent Non-Executive Director
Alison Atkinson	Non-Executive Director
Dame Heather Rabbatts	Non-Executive Director
Clive Watson	Non-Executive Director

Each of the Director's business address is the Company's registered address at 81 Fountain Street, Manchester, England, M2 2EE, and each of the Director's business telephone number is 01933 376000 or, when dialling from outside the United Kingdom, +44 1933 376000.

Registered Office	81 Fountain Street Manchester, England M2 2EE
Company Secretary	Phil Higgins
Sponsor	N.M. Rothschild & Sons Limited New Court St Swithin's Lane London EC4N 8AL
Reporting Accountants	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Legal adviser to the Company as to English law	Linklaters LLP One Silk Street London EC2Y 8HQ
Registrar	Link Group 10th Floor Central Square 29 Wellington Street Leeds, LS1 4DL

PART I – LETTER FROM THE CHAIRMAN OF KIER GROUP PLC

Directors:

Matthew Lester, Chairman
Andrew Davies, Chief Executive
Simon Kesterton, Chief Financial Officer
Justin Atkinson, Senior Independent Non-Executive Director
Alison Atkinson, Non-Executive Director
Dame Heather Rabbatts, Non-Executive Director
Clive Watson, Non-Executive Director

Registered Office:

81 Fountain Street
Manchester
England
M2 2EE

20 April 2021

Dear Shareholder

PROPOSED SALE OF KIER LIVING

1. Introduction

On 17 June 2019, Kier Group plc (the “**Company**”) announced the conclusions of its strategic review and a new strategy that included, amongst other things, simplifying the Group’s portfolio by selling or substantially exiting non-core activities and reducing the Group’s net debt. On 16 April 2021, the Company announced that it had entered into an agreement to sell Kier Living Limited (“**Kier Living**”) to Foster BidCo Limited (the “**Buyer**”), a newly formed company, ultimately owned by Guy Hands, the Founder, Chairman and Chief Investment Officer of Terra Firma (the “**Transaction**”).

The consideration payable by the Buyer is £110 million, payable in cash on completion of the Transaction (the “**Completion**”), which is expected to be before mid-June. There will be additional payments made on Completion by the Buyer to cover, among other things, the Retained Group providing working capital funding to Kier Living in the period from 1 July 2020 until Completion. The Buyer has paid a non-refundable (other than in limited circumstances) deposit of £40 million to the Company, held in escrow and to be released on Completion.

The principal terms of the Sale and Purchase Agreement are set out in paragraph 5 of this letter and in Part III of this document.

I am writing to give you further details of the Transaction, including the background to and reasons for the Transaction, and to explain why the Board considers the Transaction to be in the best interests of Shareholders.

The Board believes the Transaction represents a fair price for Kier Living and is an important step in implementing the Group’s strategy as announced on 17 June 2019 particularly with regards to simplifying the Group and reducing the Group’s net debt.

After adjustment for estimated transaction costs and debt and debt-like items, the net cash proceeds from the Transaction are expected to be approximately £100.0 million (the “**Net Cash Proceeds**”). The Board intends to use the Net Cash Proceeds to reduce the Group’s net debt and to make a contribution to its Pension Schemes, both of which will help improve the financial position of the Group. Further details on the use of proceeds are set out in paragraph 6 of this letter.

The Transaction constitutes a Class 1 transaction for the Company under the Listing Rules and is, therefore, conditional upon the approval of Shareholders. Completion of the Transaction is expected to occur before mid-June 2021.

The purpose of this document is to provide you with information on the Transaction and to explain why the Directors believe the Transaction is in the best interests of Shareholders as a whole. The Directors unanimously recommend that Shareholders vote in favour of the Resolution at the General Meeting, as the Directors intend to do in respect of their aggregate shareholdings in the Company representing 0.11 per cent. of the Company’s current issued share capital as at 16 April 2021 (being the latest practicable date before publication of this document).

Shareholders should read the whole of this document and not only rely on the summarised information set out in this letter. Shareholders will find definitions for capitalised terms used in this letter and the rest of this document in Part VIII of this document.

2. Background to, and Reasons for, the Transaction

On 17 June 2019, the Company announced the conclusions of its strategic review. In that announcement, the Company set out a new strategy for the Group, which has been implemented by the refreshed senior executive management team led by Andrew Davies, Chief Executive Officer, and Simon Kesterton, Chief Financial Officer, incorporating the simplification of the Group's portfolio of businesses by selling or exiting non-core activities, including Kier Living, focusing on cash generation and reducing the Group's net debt. In addition, the Group is continuing to consider a potential equity raise.

Kier Living is a well-established business but has limited operational synergies with other parts of the Group and would require significant ongoing funding from the Group to deliver future growth. Accordingly, the Board initiated competitive process for the sale of Kier Living, which culminated in the signing of the Sale and Purchase Agreement with the Buyer. The Board unanimously believes that the Transaction recognises the strategic value of Kier Living and is in the best interests of Shareholders and other stakeholders as a whole because it will:

- (a) facilitate an immediate material reduction in the Group's net debt;
- (b) reduce the volatility of the Group's working capital;
- (c) remove the capital requirement to support land acquisition within Kier Living to maintain its current level of sales completions;
- (d) remove the off-balance sheet debt associated with certain of the Kier Living's joint ventures; and
- (e) simplify the Group and allow it to focus on its core, high-quality, market-leading businesses in Infrastructure Services, Construction and Property.

The sale of Kier Living reflects a key step in Kier's strategy to simplify the Group and to create a strong, resilient and flexible balance sheet, providing the Group's clients, customers, suppliers and other stakeholders with greater confidence in Kier as a counterparty.

3. Information on Kier Living

Kier Living is a housebuilding business with established operations across four of the most affordable regions in England. Kier Living's principal focus is providing well-priced, low-rise, mixed-tenure suburban family homes through open-market sales. In the financial year ended 30 June 2020, Kier Living completed 1,183 sales completions and, as at 30 June 2020, Kier Living had a land bank of 4,677 plots. The current owned and controlled landbank of 4,677 plots represent c.3 years of land supply based on Kier Living delivering c.1,600 sales completions per annum. To maintain this volume of sales completions on an ongoing basis, additional investment in Kier Living will be required to support its land acquisition strategy and increase its owned and controlled landbank, providing greater visibility over its future delivery of sales completions across each of its regions.

Kier Living's market position is supported by a structural undersupply of affordable housing across the UK, a well-priced product in affordable regions and strong relationships with housing-focused public-sector bodies. Kier Living uses joint ventures to provide alternative sources of capital to invest in land acquisitions and provide greater access to increased land opportunities that may not be possible without the joint venture partner. Kier Living has announced a number of joint ventures in recent years, including a joint venture partnership established in 2018 with Homes England and Cross Keys to develop 5,400 homes over the next 10 years; a joint venture with Cross Keys announced in 2017 in the east of England; and a joint venture with Together Housing announced in 2016. Set out below are details of the joint ventures in which Kier Living has an interest (as at 30 June 2020). The Kier Living Group's interest in these joint ventures (and the share of third-party debt) will indirectly transfer to the Buyer on Completion. Further details of the key terms of the Homes England and Cross Keys joint venture agreements are set out in Part VI of this document. The remaining joint ventures are not material to the business of the Kier Living Group.

Name of joint venture	Joint venture parties	Percentage owned by the Kier Living Group %	Percentage voting rights held by Kier Living Group %	Total value of third party debt in the joint venture (£ millions)	Kier Living Group's share of third party debt in the joint venture (£ millions)
Kier Cross Keys	Cross Keys	90%	50%	71.0	63.9
Kier Community Living	Homes England and Cross Keys	69%	50%	78.0	53.8
KCK Peterborough	Cross Keys	90%	50%	—	—
Kier Sovereign LLP	Sovereign Westhouse Development Limited	50%	50%	—	—
Notaro Kier LLP	S Notaro Limited	50%	50%	1.0	0.5
Easingwold	Harewood/Together	50%	50%	7.0	3.5
Stokesley	Harewood/Together	50%	50%	3.3	1.7
Driffield	Harewood/Together	50%	50%	3.2	1.6
Blackrock	Harewood/Together	50%	50%	—	—
Total				163.5	125.0

The trade, assets and liabilities of the Kier Group business are held by Kier Living, which is a wholly-owned subsidiary of the Company. The table below summarises the historical results of Kier Living for the three years ended 30 June 2020. As at 30 June 2020 Kier Living Group had total assets of £242.5 million (before the £51.6 million impairment fair value adjustment see details in Part IV: “*Historical Financial Information on Kier Living*” of this document), and as at that date Kier Living was classified as an asset held for sale with a fair value of £110.0 million.

	Kier Living Group for the year ended 30 June 2018 (unaudited) (£ millions)	Kier Living Group for the year ended 30 June 2019 (unaudited) (£ millions)	Kier Living Group for the year ended 30 June 2020 (unaudited) (£ millions)
Revenue			
Group and share of joint ventures	374.3	373.4	234.1
Less share of joint ventures	(131.4)	(202.8)	(154.2)
Group revenue	242.9	170.6	79.9
Cost of sales	(217.2)	(155.0)	(82.7)
Gross profit/(loss)	25.7	15.6	(2.8)
Administrative expenses	(17.4)	(9.3)	(47.4)
Share of post-tax results of joint ventures	17.6	20.6	7.8
Profit/(loss) from operations	25.9	26.9	(42.4)
Net finance costs	(8.3)	(9.9)	(7.3)
Profit/(loss) before tax	17.6	17.0	(49.7)
Adjusted operating profit/(loss)	25.9	28.5	(5.4)
Adjusted profit/(loss) before tax	17.6	18.6	(12.7)

Notes:

- (1) The income statement presented above includes £2.2 million, £9.9 million and £3.3 million of management charges from the Group for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, respectively.
- (2) The income statement presented above includes £6.8 million, £7.7 million and £5.6 million of interest charges on intercompany debt from the Group for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, respectively.

- (3) In the Kier Group Annual Report and Accounts for the year ended 30 June 2020, the fair value of the disposal group was written down to proceeds less cost to sale value of £110.0 million. This incurred a fair value impairment charge of £51.6 million, which is a consolidation adjustment and not presented in the above table.
- (4) The Kite Group uses group relief and utilises prior period tax losses for the purpose of corporation tax calculations. As a result, it is not possible to provide a meaningful allocation of the tax charges for these periods.
- (5) The Kier Group uses Adjusted Profit to inform users of various items which are deemed one-off, material or non-recurring in size or nature. Adjusted Profit is disclosed as supplementary information to statutory results. The Kier Living Group incurred total Adjusting items (net expense) of £nil, £1.6 million and £37.0 million for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, respectively.
- (6) In the financial year ended 30 June 2019, the Group incurred a £50.0 million impairment charge on certain mothballed land banks, triggered by the decision to dispose of Kier Living. The mothballed land banks are not included in the Kier Living Group and therefore the impairment charge is not included within the above financial information.

The financial information in this paragraph 3 has been extracted without material adjustment from the financial information contained in Part IV of this document. Shareholders should read the whole of this document and not just rely on the summarised financial information set out in this letter.

4. Information on the Buyer

The Buyer is a newly formed private limited company incorporated in Guernsey, ultimately owned by Guy Hands, the Chairman, Founder and Chief Investment Officer of Terra Firma.

Since 1994, Terra Firma has sought to create value for investors using a strategic, operationally focused and creative approach to building better businesses. Terra Firma has invested over €17 billion of equity in 35 businesses with an aggregate enterprise value of more than €48 billion. The investment strategy is sector agnostic. Terra Firma searches for asset-backed businesses with robust underlying demand which are open to transformation and these have been found in a wide range of industries.

5. Principal Terms of the Transaction

On 16 April 2021, the Company and the Buyer entered into the Sale and Purchase Agreement, pursuant to which the Company has agreed, on the terms and subject to the conditions of the Sale and Purchase Agreement, to sell all its shares in Kier Living to the Buyer. The enterprise value of the Transaction is £110 million (this excludes Kier Living's share of third-party debt in certain key joint ventures in the Kier Living Group). The consideration payable by the Buyer to the Company for Kier Living is £110 million, payable in cash on Completion. The Buyer will also make a payment to the Company on Completion to cover the Group providing working capital funding to Kier Living in the period from 1 July 2020 until Completion.

The Transaction is conditional upon the approval of the Resolution by Shareholders at the General Meeting.

Under the Sale and Purchase Agreement, the Company has given customary warranties, indemnities and covenants to the Buyer. Further detail on these matters is contained in Part III of this document.

As part of the Transaction, the Company has agreed to provide certain transitional services to the Kier Living Group for a limited time following Completion, including shared finance services, shared HR services, procurement services and IT services. Further detail on these matters is contained in Part III of this document.

The Buyer has paid a non-refundable (other than in limited circumstances) deposit of £40 million to the Company, held in escrow and to be released on Completion. The balance of the consideration and the working capital funding will also be paid at Completion.

The Board expects that, subject to the approval by Shareholders at the General Meeting, Completion will occur before mid-June 2021.

Further details of the Sale and Purchase Agreement and the Transitional Services Agreement are set out in Part III of this document.

6. Use of Proceeds and Financial Effects of the Transaction

Use of proceeds

The Net Cash Proceeds arising from the Transaction are expected to be approximately £100.0 million, after payment of transaction costs and expenses. The Board has agreed that the Net Cash Proceeds will be used as follows:

- £10.0 million will be used to reduce the Retained Group's current funding deficit under its Pension Schemes;
- £75.0 million will be used to reduce the Retained Group's current indebtedness; and
- £15.0 million will be retained within the Retained Group's cash reserves.

Financial effects of the Transaction on the Retained Group

In addition to the use of proceeds described above, the Transaction will also have the following beneficial financial effects on the Retained Group:

- simplify the Group's portfolio to enable Kier to focus on its core markets in Infrastructure and Construction;
- remove off-balance sheet debt associated with certain of the Group's joint ventures;
- it is expected to result in a reduction in the overall liability of the Group under its supply chain financing arrangements; and
- the Group will no longer need to provide working capital funding for Kier Living.

As at 30 June 2020, the net assets attributable to Kier Living were £110.0 million (after the £51.6 million impairment fair value adjustment). For the year ended 30 June 2020, operating loss attributable to Kier Living was £42.4 million.

On a pro forma basis, and assuming that the Transaction had occurred on 30 June 2020, the Retained Group would have had net assets of £230.8 million.

The financial information in this paragraph 6 has been extracted without material adjustment from the financial information contained in Part IV of this document. The effects of the Transaction upon the net assets of the Company are set out in Part V of this document.

7. Current Trading and Prospects

On 19 January 2021, the Company published a trading update for the six-month period ended 31 December 2020, with the Group performing well in the first half of the financial year ending 30 June 2021, and second half trading starting well with first half trends continuing. This trading update included the following summary of the significant trends in the financial performance of the Group for this period:

Trading

The Group performed well in the first half and expects to deliver half-year results slightly above the Board's expectations. There was an improvement in site productivity through the period despite COVID-19 restrictions.

The Group anticipates that a reduction in adjusting items in the period will generate a statutory result materially better than the corresponding period last year.

The Group continues to win new business in its markets on terms and at rates which reflect the bidding discipline and risk management introduced under the Group's Performance Excellence programme. As at 31 December 2020, the Group had been awarded places on long-term frameworks worth up to £11 billion, across a number of sectors including, health, education and justice. In addition, several existing frameworks were extended by 12 months.

In the first few weeks of 2021 the Group has also been awarded an 8-year maintenance contract worth c. £200 million with Transport for London.

Strategic actions

The Group continues to execute its strategy to simplify the Group and strengthen the balance sheet.

The Group remains focussed on driving an improvement in cash flows through a disciplined approach to appropriate capital allocation. In addition, the Group is continuing to consider a potential equity raise.

Net debt

The Group is expected to generate positive adjusted operating cash flow for the six-month period ended 31 December 2020.

The cash generation has allowed the Group to; reduce supplier payment days from 38 to 34 (six-month period ended 31 December 2019: 57 days); to ensure that all Kier companies have been reinstated to the Prompt Payment Code; to start repaying deferred PAYE and VAT commitments from the financial year ended 30 June 2020; and paying the adjusting items accrued for at 30 June 2020.

The Group's average month-end net debt for the six-month period to 31 December 2020 remained at a level similar to the average month-end net debt for the financial year ended 30 June 2020, with significant liquidity headroom.

Outlook

The health, safety and wellbeing of the Group's employees remains a key priority and the resilience demonstrated by its people in the first six months of the financial year has been exceptional. The Group's sites have operated under site operating procedures which reflect Public Health England's guidance, since March 2020. Accordingly, the Group was well prepared for the national lockdown introduced in early January 2021.

The Group continues to win high quality work in its chosen markets resulting in a strong order book which is slightly above financial year-end levels, despite the difficult trading environment due to the pandemic. The projects awarded consist of those which have been bid and delivered under the Group's increased transparency, governance and controls.

This order book, combined with the Group's project management expertise, longstanding customer relationships and recent government announcements of increased spending on national infrastructure, gives it confidence in the outlook for the Group.

There has been no significant change to the current trading of the Group since this statement was made on 19 January 2021, and Kier has continued to perform well and in line with the Board's expectations. The Group now expects to deliver at least £115 million of annualised cost savings by the end of the financial year ending 30 June 2021, through self-help measures. The Group continues to review its cost base to identify additional cost saving measures. A further update on current trading and prospects of the Group will be provided on 21 April 2021.

8. General Meeting

This document includes a Notice convening a General Meeting to be held at 10.00 a.m. on 7 May 2021 at 6 Cavendish Place, London, W1G 0QA. The purpose of the General Meeting is to consider and, if thought fit, to pass the Resolution. In light of the guidance related to physical meetings due to the COVID-19 pandemic (detailed in Note 1 of the Notice of General Meeting), only the Chairman and the Chief Executive will be in attendance at the General Meeting to ensure a quorum and to conduct the business of the meeting and social distancing measures will be in place in order to comply with current requirements. Please be aware that in accordance with current UK government advice, any Shareholder who attempts to attend the General Meeting in person will not be permitted entry. Accordingly, Shareholders are encouraged to vote as outlined below and to submit questions in advance of the meeting by emailing cosec@kier.co.uk. Questions will also be permitted during the General Meeting via the same email address cosec@kier.co.uk, given Shareholders will not be able to attend the General Meeting in person.

Shareholders are able to complete and return a form of proxy in accordance with the procedures set out below in order to vote in advance of the General Meeting. Arrangements have also been made to allow

Shareholders to submit questions to the Board during the General Meeting via email at cosec@kier.co.uk (see Note 1 of the Notice of General Meeting). Shareholders are strongly encouraged to appoint the Chairman of the General Meeting as their proxy, which will ensure their votes are cast in accordance with their wishes. If a Shareholder appoints a person other than the Chairman of the General Meeting as proxy, that person will not be permitted to attend and vote at the General Meeting under current UK government guidance and restrictions.

The Company will hold a live webcast of the General Meeting for shareholders at www.kier.co.uk/investors. To be able to attend the webcast, shareholders will need to have registered by no later than 5.00 p.m. on 6 May 2021. Details of how to do so are on the Company's website.

Alternatively, shareholders may dial in to, but not speak at, the General Meeting. If you are calling from within the UK, please dial 0203 936 2999; the call will be charged at your standard geographic rate. If you are calling from outside the UK, please dial +44 203 936 2999; you will be charged at the applicable international rate. The access code for the telephone call is 662688. There is no need to register if you wish to join the telephone call.

The methods available to appoint a proxy are set out below:

- (a) appointing a proxy electronically via the shareholder portal (www.signalshares.com). To vote via the shareholder portal enter "Kier Group plc" into the searchbox, click "Search" and click on the Company's name to be taken to the login page. From there, shareholders can log into their Link share portal account or register for the Link share portal by following the on-screen instructions. Shareholders will need their Investor Code (IVC) which can be found on their share certificate or recent dividend confirmation;
- (b) if you are an institutional investor, appointing a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Company's Registrar. Before appointing a proxy through Proxymity, a Shareholder will need to have agreed to Proxymity's associated terms and conditions. It is important that Shareholders read these carefully as they will be bound by them and they will govern the electronic appointment of their proxy. Further information in relation to Proxymity is available at www.proxymity.io;
- (c) returning the completed form of proxy to Link Group, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL; or
- (d) in the case of CREST members, using the CREST electronic proxy appointment service in accordance with the procedures set out in the Notice of General Meeting set out at the end of this document,

and in each case with instructions to be received by Link Group as soon as possible, but in any event by no later than 10.00 a.m. on 5 May 2021 (or, in the case of an adjournment, not later than two business days before the time fixed for the holding of the adjourned meeting).

Further details relating to voting by proxy are set out in the Notes to the Notice of General Meeting at the end of this document.

The Board will keep the situation under review and may need to make further changes to the arrangements relating to the General Meeting, including how it is conducted. Shareholders should continue to monitor the Company's website and announcements for any updates in relation to the General Meeting. Shareholders should also continue to monitor and act in accordance with any guidance and/or directions issued by the UK government and relevant health authorities and act accordingly.

In summary, the Resolution seeks the approval of Shareholders to take all such steps, execute all such agreements and make all such arrangements as may seem to them necessary, expedient or desirable for the purpose of giving effect to, or otherwise in connection with, this resolution, the Transaction and the sale and purchase agreement; and to agree and make such modifications, variations, revisions, waivers and/or amendments in relation to any of the foregoing as they may in their absolute discretion think necessary, expedient or desirable.

Please note that this is not the full text of the Resolution and you should read this section in conjunction with the Notice of General Meeting set out at the end of this document.

9. Further Information

Your attention is drawn to the further information set out in Parts II to VIII (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 17 to 20 (inclusive) of this document.

10. Recommendation

The Board has received financial advice from Rothschild & Co in relation to the Transaction. In providing financial advice to the Board, Rothschild & Co has relied on the Board's commercial assessment of the Transaction.

The Board believes that the Transaction is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution to be put to the General Meeting.

Each of the Directors who is a Shareholder intends to vote in favour of the Resolution to be proposed at the General Meeting.

Yours faithfully

Matthew Lester

Chairman

Kier Group plc

PART II – RISK FACTORS

Prior to making any decision to vote in favour of the Resolution at the General Meeting, Shareholders should carefully consider, together with all other information included or incorporated by reference into this document, the specific factors and risks described below. The risk factors in this document set out the necessary disclosure in accordance with the Listing Rules, and do not seek to cover all the material risks which generally affect the Group. Further information on the material risks which generally affect the Group are set out in the 2020 Company Annual Report and Accounts.

The risks described below represent those known to the Directors as at the date of this document which the Directors consider to be material risks relating to the Transaction, as well as material risks to the Retained Group which result from or will be impacted by the Transaction. However, these risks and uncertainties are not the only ones facing the Group or which, following Completion, the Retained Group will face. Additional risks and uncertainties relating to the Company 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 Retained Group's business, financial condition and results of operations.

The risks are not intended to be presented in any assumed order of priority. Any forward-looking statements contained herein are made subject to the reservations specified under "Forward-Looking Statements" on page (ii) of this document.

1. Risks relating to the Transaction

The COVID-19 pandemic could continue to materially adversely affect the Group's business, financial condition and results of operations

The ongoing outbreak of a novel strain of coronavirus, COVID-19, has spread rapidly and globally across multiple countries around the world, including the United Kingdom. The pandemic and measures taken in response to it have caused significant social, economic and financial disruption, which have caused periods of severe disruption to the Group's trading conditions.

In particular, The COVID-19 pandemic has had a significant impact on the Group's recent performance, including materially affecting the Group's turnover, profit and working capital in the final quarter of the financial year ended 30 June 2020. During this period, the Group developed revised site operating procedures, which follow Government guidance, and has subsequently continued to operate its sites through the recent national lockdowns in late 2020 and the first quarter of calendar year 2021. Nonetheless, the economic and operating environment remains more uncertain as a result of COVID-19, and this uncertainty could result in delays in new work being tendered and new projects starting across all of its divisions, delays in the completion of existing secured and in-progress projects, and incremental costs and reduced margins on projects. The Group has taken these assumptions into account when developing the reasonable worst-case scenario as part of evaluating its present working capital requirements, that is, for at least 12 months from the date of this document, reflecting the following sensitivities:

- Reductions in revenues, attributable to delays in tendering and/or completion of projects, leading to a reduction in adjusted operating profit of 21 per cent. in the financial year ending 30 June 2021 and 34 per cent. in the financial year ending 30 June 2022, compared to the Group's internal adjusted operating profit projections; and
- Additional reductions in adjusted operating profits, as a result of incremental costs and reduced margins on projects, of 25 per cent. in the financial year ending 30 June 2021 and 9 per cent. in the financial year ending 30 June 2022, compared to the Group's internal projections, the impact of which is mitigated by the release of applicable contingencies and other actions within management's control, including non-payment of bonus and payroll savings, to reduce the Group's cost base by 31 per cent. in the financial year ending 30 June 2021 and 33 per cent. in the financial year ending 30 June 2022, compared to the Group's internal adjusted operating profit projections.

As a result of these factors, the COVID-19 pandemic could continue to materially adversely affect the Group's business, financial condition and results of operations.

The Transaction may not proceed to Completion

Completion is subject to the approval of the Resolution by Shareholders at the General Meeting. If Shareholders do not approve the Resolution at the General Meeting, Completion will not occur, and the Company will not receive the Net Cash Proceeds from the Transaction and will forego the other benefits of the Transaction of this document. The Company will also be required, in such circumstances, to meet its accrued costs in respect of the aborted Transaction. As a result, if Completion does not occur as proposed, it could have a material adverse effect on the Group's business, financial condition and results of operations.

Inability to realise Shareholder value for Kier Living

The Board believes that the Transaction is in the best interests of Shareholders taken as a whole. If the Transaction does not complete, the Company's ability to realise value for Shareholders in respect of the Kier Living business may be delayed or prejudiced. In particular, there can be no assurance that the Company would be able to dispose of all or part of Kier Living at a later date. There can be no guarantee that the enterprise valuation under the Transaction would be available in any future transaction. As a result, if Completion does not occur as proposed, it could have a material adverse effect on the Group's business, financial condition and results of operations.

Simplify the Group

The sale of Kier Living is an important part of the strategy to, among other things, simplify the Group. This is expected to have benefits for operational, financial and investment reasons. If the Transaction does not complete, these benefits will not be realised. As a result, if Completion does not occur as proposed, it could have a material adverse effect on the Group's business, financial condition and results of operations.

Impact on the Group's indebtedness

Kier Living has limited operational synergies with other parts of the Group and would require significant ongoing funding from the Group to deliver future growth. The Board believes that as well as providing a material reduction in overall net debt of the Group, the Transaction will reduce the volatility in the Group's working capital profile and remove certain off-balance sheet financing. If the Transaction does not proceed, the Company's ability to reduce its financial indebtedness and to receive these other benefits will be delayed or prejudiced. In addition, if the Group does not reduce its indebtedness, the Group's ability to refinance its debt facilities in the longer-term (that is, more than 12 months from the date of this document) may be adversely affected. As a result, if Completion does not occur as proposed, it could have a material adverse effect on the Group's business, financial condition and results of operations.

Potentially disruptive effect on the Group and Kier Living if the Transaction does not proceed

If the Transaction does not proceed, this may lead to management, employee, customer and supplier distraction and concern due to perceived uncertainty as regards the future ownership of Kier Living which may have an adverse effect on the performance of Kier Living and therefore its value to the Group. To maintain shareholder value, the Company's management may be required to allocate additional time and cost to the ongoing supervision and development of Kier Living. As a result, if Completion does not occur as proposed, it could have a material adverse effect on the Group's business, financial condition and results of operations.

There may be an adverse impact on the Company's reputation if the Transaction does not proceed

If the Transaction does not proceed, there may be an adverse impact on the reputation of the Company as a result of media scrutiny arising in connection with the Group's financial position and the failed attempt to sell Kier Living. Any such reputational risk could adversely affect the Group's business, financial condition and results of operations.

Exposure to liabilities under the Sale and Purchase Agreement

The Sale and Purchase Agreement contains customary warranties and indemnities from the Company in favour of the Buyer. Although the Company's liability under the warranties and indemnities in the Sale and Purchase Agreement is subject to financial caps and time limitations, if the Retained Group should incur

liabilities under any of these warranties and indemnities, in particular if such caps and time limitations should not apply, the costs of such liabilities could have an adverse effect on its business, financial condition and results of operations.

The Sale and Purchase Agreement also contains certain indemnities and obligations from the Buyer in favour of the Company (including in relation to the Buyer procuring the release of certain guarantees and bonds which the Retained Group have given in relation to the Kier Living Group). If the Buyer is in breach of these obligations, this could result in the Group continuing to be liable for certain elements of the Kier Living business and incurring ongoing liabilities in relation to the Kier Living Group, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Third party interference with the Transaction

As a listed company, the Company could be exposed to approaches from third parties seeking to instigate a public takeover of the Company and the Directors might consequently be required (in accordance with their fiduciary duties and subject to the terms of the Sale and Purchase Agreement) to withdraw their recommendation in favour of the Resolution and the Transaction. There cannot be any assurance, however, in the event that any such approach were to be made, that it would result in an alternative transaction under terms or on timing ultimately favourable to the Group, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Pre-completion changes in Kier Living

During the period from the signing of the Sale and Purchase Agreement to Completion, events or developments may occur, including changes in trading, operations or outlook of the Retained Group or Kier Living, or external market factors, which could make the terms of the Sale and Purchase Agreement less attractive for the Company. The Company would be obliged to complete the Transaction notwithstanding such events or developments. This may have an adverse effect on the Retained Group's business, financial condition and results of operations.

2. Risks relating to the Retained Group

Business separation

The process of separating Kier Living from the Retained Group will be complex and time-consuming. The Company has entered into the Transitional Services Agreement with the Buyer, pursuant to which the Company (and other subsidiaries) has agreed to provide certain services to the Buyer and the Kier Living Group following Completion. The Retained Group could incur unexpected further costs as a result of providing these services and completing the separation of Kier Living. In addition, providing these services may require the Company's management to spend time and resources to help ensure that the Company complies with its obligations under the Transitional Services Agreement. Crystallisation of these factors, individually or in the aggregate, could have a material adverse effect on the Retained Group's business, financial condition and results of operations.

Ongoing operations

The Retained Group will continue to face risks arising from a number of factors that could affect its operating activities and financial condition following Completion. In particular,

- the COVID-19 pandemic has materially and adversely affected the Retained Group's business, and there remains significant uncertainty regarding the pandemic and measures taken in response to it;
- macroeconomic conditions and political developments, in particular those affecting demand for the Group's services by UK government customers and in the United Kingdom more generally, may negatively impact the Retained Group's financial condition and results of operations;
- the Retained Group's targeted strategy may not be successful, including any difficulties it faces in implementing strategic initiatives and any limitations on meeting strategic targets if debt obligations and related covenants limit the Retained Group's operational flexibility in the longer term;

- the Retained Group's contractual arrangements create a variety of risks, including those associated with pricing, cost overruns and delays, contract management, delays in customer payment, and claims by customers, suppliers or sub-contractors, any of which could lead to reputational damage, financial loss or otherwise negatively impact the Retained Group's prospects; and
- the Retained Group will continue to face risks as described in the 2020 Company Annual Report and Accounts.

If the Retained Group is unsuccessful in managing these risks, including for reasons beyond its control, it may have an adverse effect on the Retained Group's business, financial condition and results of operations.

PART III – SUMMARY OF THE PRINCIPAL TERMS OF THE TRANSACTION DOCUMENTS

1. Sale and Purchase Agreement

1.1 *Parties and structure*

The Sale and Purchase Agreement was entered into on 16 April 2021 between the Company and the Buyer for the sale and purchase by the Buyer of the entire issued share capital of Kier Living.

1.2 *Consideration, deposit and guarantee*

The consideration for the purchase of the entire issued share capital of Kier Living is £110 million (the “**Consideration**”). The Buyer has also agreed to make a payment to the Company at Completion in relation to the Group providing working capital funding to Kier Living in the period from 1 July 2020 until Completion (the “**Working Capital Funding**”). The Sale and Purchase Agreement also contains customary locked-box provisions which apply from 1 July 2020 to Completion, including permitted payments from the Kier Living Group to the Retained Group.

The Buyer has agreed to pay a £40 million deposit on (or shortly after) signing, which is to be held by a third-party escrow agent and released to the Seller on the joint instructions of the Buyer and the Seller on Completion. This deposit is non-refundable save where Completion does not occur due to a breach by Kier of a fundamental warranty that has not been remedied at or prior to Completion, the Resolution not being approved by Shareholders at the General Meeting or the failure by Kier to comply with its Completion obligations.

Certain payment obligations of the Buyer at signing and completion under the Sale and Purchase Agreement have been guaranteed personally by Guy Hands, which is enforceable in certain agreed circumstances.

1.3 *Conditions to completion*

Completion is conditional upon Shareholders voting in favour of the Resolution at the General Meeting. The Company has entered into certain customary obligations relating to this condition, including agreeing to use all reasonable endeavours to procure the fulfilment of this condition as soon as reasonably practicable and to keep the Buyer informed of progress towards satisfying this condition. In addition, the Company has also agreed that the Board will not withdraw its recommendation to Shareholders to vote in favour of the Resolution (subject to the directors complying with their fiduciary, statutory and other duties from time to time). If the condition is not satisfied by 15 June 2021 (or such other date as the Company and the Buyer may agree), then the Sale and Purchase Agreement will terminate.

1.4 *Conduct of the Kier Living business prior to Completion*

The Company has agreed, subject to customary exceptions: (i) not to negotiate or agree with any person other than the Buyer to sell any shares in the Kier Living Group or the whole or any part of the Kier Living business; (ii) to exercise its rights to procure that the Kier Living Group either will, or will not without the prior written approval of the Buyer, undertake certain acts or matters; and (iii) to exercise its rights, to the extent it is lawfully able to do so exercising such rights, to procure that each joint venture in the Kier Living Group will, or will not without the prior written approval of the Buyer undertake certain acts or matters.

1.5 *Warranties, indemnities and limitations on liabilities*

The Company has given certain warranties to the Buyer which are customary for a transaction of this nature. These include certain fundamental warranties such as title to the shares in Kier Living and power and capacity to enter into the Sale and Purchase Agreement. These also include certain warranties relating to the Kier Living Group (excluding the joint ventures), including warranties relating to the accounts and financial matters, contracts, litigation, matters relating to employees, pensions, intellectual property, environment health and safety, real estate and other matters. The Company has also agreed to give certain warranties relating to the key joint ventures in the Kier Living Group, which, together with the warranties relating to the Kier Living Group referred to above, comprise the “**Business Warranties**”.

The Sale and Purchase Agreement contains a leakage covenant, customary indemnities in favour of the Buyer in relation to real estate, environmental, financing, pensions and share schemes matters, as well as reciprocal indemnities given by the Buyer and the Company respectively, in relation to certain bonds and guarantees that have been issued in respect of obligations of the Kier Living Group and the Retained Group (as applicable). In addition, the Seller and the Buyer shall also enter into a tax deed on Completion that will regulate certain tax matters in respect of the Transaction and the Kier Living Group.

The Sale and Purchase Agreement contains certain customary financial limitations, time limitations, and other limitations and exclusions on the ability of the Buyer to claim against the Company for breach of warranty or breach of the Sale and Purchase Agreement. The aggregate maximum liability of the Company for all claims under the Sale and Purchase Agreement (save in respect of any claim for leakage, under certain indemnities and for a breach of the non-compete or non-solicit, which are uncapped) shall not exceed the Consideration plus the Working Capital Funding. The aggregate maximum liability of the Company in respect of all claims under the Business Warranties (and the tax deed) shall not exceed £15,000,000.

1.6 *Non-compete and non-solicit*

The Company has given certain undertakings to the Buyer that, subject to certain exceptions, it will not for a period of two years from Completion, build in aggregate per annum in excess of 100 private houses for sale within England or Wales. The Company has also agreed, subject to certain exceptions, during the period of 12 months from Completion not to solicit the services of certain key employees in the Kier Living Group.

1.7 *Other matters*

The Buyer and the Seller have also agreed reciprocal obligations to procure the release on or promptly following Completion of the Retained Group and the Kier Living Group (as applicable) from all obligations and liabilities under certain bonds and guarantees that have been issued by members of the Retained Group in respect of the obligations of the Kier Living Group and the Retained Group (as applicable) in the ordinary course.

In addition, certain members of the Kier Living Group and the Retained Group will on Completion enter into arrangements to regulate the separation of the Kier Living Group from the Retained Group and to manage certain legacy and other matters that relate to the Kier Living Group, which include the provision of customary indemnities by the Kier Living Group and the Retained Group in respect of specified real estate and construction-related matters.

2. Transitional Services Agreement

The Transitional Services Agreement will be entered into on Completion, pursuant to which the Company will provide or procure the provision of a range of transitional services to the Kier Living Group following Completion.

2.1 *Transitional services*

The Company will provide the following categories of transitional services to the Kier Living Group:

- (a) IT services (for example, HR and CRM services, data hosting and support services for core infrastructure and business applications);
- (b) shared financial services (for example, invoice processing, employee expenses payments, financial accounting and bank account management services);
- (c) shared HR services (for example, payroll, on-boarding and benefit services);
- (d) tax services (for example, VAT registrations and returns, corporate tax returns and PAYE matters); and
- (e) warehousing services for the storage of sanitary ware;
- (f) fleet services including the ordering and off hiring of vehicles;
- (g) property services in relation to properties at Cambridge, Solihull and Leeds; and
- (h) subject access request services.

2.2 Term, termination and migration

Each transitional service will be provided by the Company from Completion for the service period specified for that transitional service. The term for each transitional service will expire 12 months from Completion (except for land tax services which will terminate 6 months from Completion, and general tax services which will terminate on submission by the Company of the relevant corporation tax returns). This 12 month period can be extended by Kier Living subject to Kier Living providing a minimum of 3 months written prior to expiry of the last service term. Kier Living has customary termination rights, including the right to terminate a transitional service early for convenience. By no later than two months after Completion, Kier Living must provide a draft migration plan setting out the steps to be taken (and corresponding timings) for the effective migration of all of the transitional services.

2.3 Service standard

The standards to which the transitional services are to be provided are to be equivalent to the standard of service provided by the Company in the normal course of its business to the Kier Living Group during the 12 month period immediately before Completion (subject to certain exclusions of liability, including where a service failure is caused by any third party supplier).

2.4 Service charges

The service charges are fixed charges subject to certain volume adjustments (with the exception of the service charges for fleet services which are invoice to Kier Living on a cost plus administration charge basis). These service charges have been calculated on the basis of the estimated aggregate annual costs which will be incurred by the Retained Group in the ordinary course of its business in providing the transitional services to the Kier Living Group.

2.5 Liability

The Company's aggregate liability in connection with the Transitional Services Agreement is limited to the charges paid by Kier Living to the Company in respect of the services provided. A customary exclusion for any indirect or consequential loss or damage is also included. Kier Living's liability to the Company is capped at the same level.

PART IV – HISTORICAL FINANCIAL INFORMATION ON KIER LIVING

In June 2019, Kier announced that it would seek to sell Kier Living. Accordingly, the Kier Living business was classified as being held for sale and its results were classified as discontinued operations for the financial year ended 30 June 2020. The following unaudited historical financial information relating to Kier Living has been extracted without material adjustment from the underlying consolidation schedules used in preparing the Group's audited consolidated financial statements for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020.

The financial information in this Part IV has been prepared in accordance with IFRS accounting policies adopted in the Group's audited consolidated financial statements for each of the financial years presented. The financial information reflects, therefore, Kier Living Group's contribution to the Group during the periods presented, applying the relevant Group's accounting policies. The income statements and the net asset statement set out below are unaudited.

The financial information contained in this Part IV does not constitute statutory accounts within the meaning of section 434 of the Companies Act.

Shareholders should read the whole document and not rely solely on the summarised financial information contained in this Part IV.

1. Historical income statement information for the Kier Living Group for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020

	Kier Living Group for the year ended 30 June 2018	Kier Living Group for the year ended 30 June 2019	Kier Living Group for the year ended 30 June 2020
	<i>(unaudited) (£ millions)</i>	<i>(unaudited) (£ millions)</i>	<i>(unaudited) (£ millions)</i>
Revenue			
Group and share of joint ventures	374.3	373.4	234.1
Less share of joint ventures	(131.4)	(202.8)	(154.2)
Group revenue	242.9	170.6	79.9
Cost of sales	(217.2)	(155.0)	(82.7)
Gross profit/(loss)	25.7	15.6	(2.8)
Administrative expenses	(17.4)	(9.3)	(47.4)
Share of post-tax results of joint ventures	17.6	20.6	7.8
Profit/(loss) from operations	25.9	26.9	(42.4)
Net finance costs	(8.3)	(9.9)	(7.3)
Profit/(loss) before tax	17.6	17.0	(49.7)
Adjusted operating profit/(loss)	25.9	28.5	(5.4)
Adjusted profit/(loss) before tax	17.6	18.6	(12.7)

Notes:

- (1) The income statement presented above includes £2.2 million, £9.9 million and £3.3 million of management charges from the Group for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, respectively.
- (2) The income statement presented above includes £6.8 million, £7.7 million and £5.6 million of interest charges on intercompany debt from the Group for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, respectively.
- (3) In the Kier Group Annual Report and Accounts for the year ended 30 June 2020, the fair value of the disposal group was written down to proceeds less cost to sale value of £110.0 million. This incurred a fair value impairment charge of £51.6 million, which is a consolidation adjustment and not presented in the above table.
- (4) The Kier Group uses group relief and utilises prior period tax losses for the purpose of corporation tax calculations. As a result, it is not possible to provide a meaningful allocation of the tax charges for these periods.
- (5) The Kier Group uses Adjusted Profit to inform users of various items which are deemed one-off, material or non-recurring in size or nature. Adjusted Profit is disclosed as supplementary information to statutory results. The Kier Living Group incurred total Adjusting items (net expense) of £nil, £1.6 million and £37.0 million for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, respectively.
- (6) In the financial year ended 30 June 2019, the Group incurred a £50.0 million impairment charge on certain mothballed land banks, triggered by the decision to dispose of Kier Living. The mothballed land banks are not included in the Kier Living Group and therefore the impairment charge is not included within the above financial information.

2. Historical net asset statement for Kier Living Group as at 30 June 2020

	Kier Living Group as at 30 June 2020
	<i>(unaudited)</i> <i>(£ millions)</i>
Assets	
Non-current assets	
Intangible assets	1.3
Investments in and loans to joint ventures	103.8
Deferred tax assets	—
Total non-current assets	105.0
Current Assets	
Inventories	114.7
Trade and other receivables (under 1 year)	22.2
Current contract asset balances	0.5
Total current assets	137.4
Total Assets	242.5
Current liabilities	
Bank overdrafts	—
Trade and other payables (under 1 year)	(54.5)
Current contract liabilities	(4.8)
Total current liabilities	(59.3)
Non-current liabilities	
Trade and other payables (over 1 year)	(10.4)
Provisions (over 1 year)	(11.1)
Non-current liabilities	(21.5)
Total liabilities	(80.8)
Net assets⁽³⁾	161.6

Notes:

- (1) The above balance sheet does not include intercompany receivables, payables or any intercompany loan borrowings.
- (2) The net assets as at 30 June 2020 do not include the mothballed land banks, which were transferred to the Retained Group in August 2019. The majority of the land was subsequently disposed by the Retained Group.
- (3) In the Kier Group Annual Report and Accounts for the year ended 30 June 2020, the fair value of the above net assets was written down to proceeds less cost to sale value of £110.0 million. This incurred a fair value impairment charge of £51.6 million, which was attributed to Investments in and loans to joint ventures and which is not reflected in the table above as it was recorded by the Group as a central consolidation adjustment.

PART V – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RETAINED GROUP

Section A: Unaudited pro forma financial information of the Retained Group

The Retained Group unaudited pro forma statement of net assets as at 30 June 2020 set out below has been prepared to illustrate the effect of the proposed sale of Kier Living on the net assets of the Group as at 30 June 2020 as if the proposed Transaction had taken place on that date.

The Retained Group unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addressed a hypothetical situation. It does not, therefore, represent the Retained Group's actual financial position or results.

The unaudited pro forma financial information is based on the audited consolidated financial statements of the Group as at 30 June 2020 and the financial information of the Kier Group as at 30 June 2020 contained in Part IV and presented in accordance with the Group's accounting policies. The pro forma financial information has been prepared on the basis of, and should be read in conjunction with, the notes set out below.

The unaudited pro forma financial information does not constitute financial statements within the meaning of section 434 of the Companies Act. Shareholders should read the whole of this document and not rely solely on the unaudited financial information in this Part V.

The Reporting Accountants' report on the unaudited pro forma financial information is set out in Section B of this Part V.

Retained Group unaudited pro forma statement of net assets as at 30 June 2020

	Adjustments			
	Group at 30 June 2020⁽¹⁾	Kier Living Group net assets adjustment at 30 June 2020⁽²⁾	Net proceeds of the Transaction⁽³⁾	Unaudited Retained Group pro forma at 30 June 2020
	(£ millions)	(£ millions)	(£ millions)	(£ millions)
Assets				
Non-current assets				
Intangible assets	720.6	—	—	720.6
Property, plant and equipment	42.3	—	—	42.3
Right-of-use assets	100.9	—	—	100.9
Investment properties	49.8	—	—	49.8
Investments in and loans to joint ventures	105.6	—	—	105.6
Capitalised mobilisation costs	1.9	—	—	1.9
Deferred tax assets	111.0	—	—	111.0
Contract assets	28.8	—	—	28.8
Trade and other receivables	32.9	—	—	32.9
Retirement benefit assets	99.5	—	—	99.5
Other financial assets	30.0	—	—	30.0
Total non-current assets	1,323.3	—	—	1,323.3
Current Assets				
Inventories	60.0	—	—	60.0
Contract assets	249.7	—	—	249.7
Trade and other receivables	236.4	—	—	236.4
Corporation tax receivable	12.5	—	—	12.5
Cash and cash equivalents	413.9	—	15.0	428.9
Total current assets	972.5	—	15.0	987.5
Assets held for sale as part of a disposal group	196.7	(190.9)	—	5.8
Total Assets	2,492.5	(190.9)	15.0	2,316.6
Current liabilities				
Borrowings	(61.6)	—	4.4	(57.2)
Lease liabilities	(33.1)	—	—	(33.1)
Trade and other payables	(957.5)	—	—	(957.5)
Current contract liabilities	(108.7)	—	—	(108.7)
Provisions	(20.8)	—	—	(20.8)
Total current liabilities	(1,181.7)	—	4.4	(1,177.3)
Liabilities held for sale as part of a disposal group	(81.7)	80.8	—	(0.9)
Non-current liabilities				
Borrowings	(689.8)	—	70.6	(619.2)
Finance lease obligations	(139.8)	—	—	(139.8)
Trade and other payables	(46.5)	—	—	(46.5)
Retirement benefit obligations	(60.7)	—	10.0	(50.7)
Provisions	(51.5)	—	—	(51.5)
Non-current liabilities	(988.3)	—	80.6	(907.7)
Total liabilities	(2,251.7)	80.8	85.0	(2,085.9)
Net assets	240.8	(110.0)	100.0	230.8

Notes:

- (1) The consolidated Kier Group financial information as at 30 June 2020 has been extracted, without material adjustment, from the 2020 Financial Statements incorporated by reference in this document.
- (2) As at 30 June 2020, the Kier Group held the Kier Living Group classified as an asset available for sale. The net assets were impaired as at 30 June 2020 to the fair value less costs to sale of £110.0 million, which included a fair value impairment of £51.6 million. These adjustments remove the fair value of assets and liabilities relating to the Kier Living Group reflecting the fact that, following the Transaction, the Retained Group will no longer consolidate the results of these businesses. The financial information has been extracted, without material adjustment, from the financial information presented in the 2020 Financial Statements and consistent with the historical financial information on Kier Living included in Part IV of this document.
- (3) These adjustments reflect the cash consideration of £110.0 million less costs relating to the transaction of £10.0 million. Of the net proceeds, £10.0 million will be used to reduce the Retained Group's funding deficit under its Pension Schemes, £15.0 million will be retained within the Retained Group's cash reserves, and the residual amount, being £75.0 million, will be used to repay external borrowings (split between current and non-current borrowings as £4.4 million and £70.6 million, respectively) as described in paragraph 6 of Part I: "*Letter from the Chairman of Kier Group plc—Use of Proceeds and Financial Effects of the Transaction*". These pro forma adjustments do not take into account any future working capital adjustments which may need to be made to the cash consideration on completion of the Transaction according to the terms of the Share Purchase Agreement.
- (4) In preparing the unaudited pro forma statement of net assets, no account has been taken of the trading or transactions of the Retained Group or the Kier Living Group since 30 June 2020.

Section B: Reporting Accountants report on the unaudited pro forma financial information of the Retained Group



The directors (the “Directors”)
Kier Group plc
81 Fountain Street
Manchester
M2 2EE

N.M. Rothschild & Sons Limited
New Court
St Swithin’s Lane
London
EC4N 8AL

20 April 2021

Dear Ladies and Gentlemen

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 V of the Company’s circular dated 20 April 2021 (the “Circular”).

This report is required by item 13.3.3R of the Listing Rules of the Financial Conduct Authority (the “Listing Rules”) and is given for the purpose of complying with that Listing Rule and for no other purpose.

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.

Responsibilities

It is the responsibility of the Directors to prepare the Pro Forma Financial Information in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules, 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.

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
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PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, 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 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 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of preparation

The Pro Forma Financial Information 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 sale of Kier Living Limited and its subsidiaries might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the audited consolidated financial statements for the year ended 30 June 2020.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council ("FRC") in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART VI – ADDITIONAL INFORMATION

1. Responsibility

The Company and its Directors, whose names appear in paragraph 3 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 does not omit anything likely to affect the import of such information.

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 office is at 81 Fountain Street, Manchester, England, M2 2EE. The Company's main telephone number is +44 (0) 1933 376 000 and its LEI is 2138002RKCUC2OM4Y7O48. The Company's website is at www.kier.co.uk. The information on the Company's website does not form part of this document unless that information is specifically incorporated by reference into this document.

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

3. Directors

3.1 Directors

The Directors are listed below:

<i>Name</i>	<i>Age</i>	<i>Position</i>
Matthew Lester	57	Chairman
Andrew Davies	57	Chief Executive
Simon Kesterton	47	Chief Financial Officer
Justin Atkinson	60	Senior Independent Non-Executive Director
Alison Atkinson	51	Non-Executive Director
Dame Heather Rabbatts	65	Non-Executive Director
Clive Watson	63	Non-Executive Director

The business address of each of the Directors is 81 Fountain Street, Manchester, England, M2 2EE.

Summary biographical details of each of the Directors are set out below. There is no family relationship between any of the Directors.

Matthew Lester

Appointed to the Board as Non-executive Chairman with effect from 1 January 2020. Mr. Lester is a non-executive director of Capita plc and, from 1 April 2021 of Intermediate Capital Group plc. He was previously a non-executive director of Man Group Limited and Barclays plc. During his executive career, Mr. Lester held senior finance roles at Diageo, including Group Financial Controller and Group Treasurer, and was Group Finance Director of ICAP and Chief Financial Officer of Royal Mail Group. He is a chartered accountant, having trained and qualified at Arthur Andersen before spending the early part of his career with Kleinwort Benson.

Mr. Lester is the Chair of the Nomination Committee and a member of the Remuneration Committee.

Andrew Davies

Appointed as Chief Executive in April 2019. Mr. Davies was Chief Executive Officer of Wates Group and previously held senior roles with BAE Systems, undertaking a range of senior operational and corporate roles, including Group Strategy Director and Managing Director of the Maritime Division.

Mr. Davies is a non-executive director and Senior Independent Director of Chemring Group PLC, and he previously served as chairman of the remuneration committee.

Simon Kesterton

Appointed to the Board as Chief Financial Officer Designate in August 2019 and as Chief Financial Officer in September 2019. Mr. Kesterton was previously Group Finance Director of RPC Group and Chief Financial Officer, Europe and Chief Strategic Officer of IAC Group. During the early part of his career, Mr. Kesterton undertook a number of finance roles at Collins & Aikman and British Federal.

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 having previously been Group Finance Director and 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. Mr. Atkinson is the Chairman of Forterra plc, a non-executive director of James Fisher & Sons plc and a member of the audit committee of The National Trust.

Mr. Atkinson is a member of all four Board committees.

Alison Atkinson

Appointed to the Board as a Non-Executive Director on 15 December 2020. Ms. Atkinson is the chief executive officer of AWE, which she joined in 2005 having previously worked for Halcrow Group as an engineer and a project manager. She has held a number of senior operational roles at AWE, including executive director, infrastructure projects delivery.

Ms. Atkinson is the Chair of the Safety, Health and Environment Committee and a member of the other three Board Committees.

Dame Heather Rabbatts

Appointed to the Board as a Non-Executive Director on 30 March 2020. Dame Heather has held a number of executive and non-executive positions in local government, entertainment and sports sectors, in particular.

Dame Heather is the chair of Soho Theatre Company and a non-executive director of Associated British Foods plc. Her recent non-executive directorships include Crossrail and the Football Association, where she was a member of the remuneration committee, and Grosvenor Britain & Ireland, where she was chair of the audit committee.

Dame Heather is the Chair of the Remuneration Committee and a member of the other three Board committees.

Clive Watson

Appointed to the Board as a Non-Executive Director on 30 March 2020. Mr. Watson is the senior independent director and chairman of the audit committee of Breedon Group plc, chair of the audit and risk committee of discoverIE Group plc and Senior Independent Director, chair of the audit committee and a member of the remuneration and nominations committees of Trifast plc.

During his executive career, Mr Watson was the Group Finance Director of Spectris and held a number of senior finance positions at Borealis, Thorn Lighting Group and The Black & Decker Corporation.

Mr Watson is the Chair of the Risk Management and Audit Committee and a member of the other three Board committees.

4. Directors' and Senior Managers' Interests

- 4.1 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 16 April 2021 (being the latest practicable date prior to the date of this document) are as follows:

<i>Name</i>	<i>Interests in Shares at 16 April 2021⁽¹⁾</i>	
	<i>No.</i>	<i>%⁽²⁾</i>
Directors		
Matthew Lester	29,296	0.02
Andrew Davies	29,294	0.02
Simon Kesterton	29,195	0.02
Justin Atkinson	4,920	0.00
Alison Atkinson	–	–
Dame Heather Rabbatts	–	–
Clive Watson	–	–
Senior Managers		
Liam Cummins	–	–
Joe Incutti	3,409	0.00
Barry McNicholas	56,567	0.03
Mark Pengelly	18,243	0.01
Helen Redfern	853	0.00
Leigh Thomas	12,392	0.01
Stuart Togwell	–	–

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.

- 4.2 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 16 April 2021 (being the latest practicable date prior to the date of this document) are:

<i>Name</i>	<i>Number of Shares over which awards granted⁽¹⁾</i>	<i>Vesting date</i>
Directors		
Andrew Davies	1,027,633	28 October 2022
	987,867	18 December 2023
Simon Kesterton	717,832	28 October 2022
	804,406	18 December 2023
Senior Managers		
Liam Cummins	368,526	16 March 2023
	553,639	18 December 2023
Joe Incutti	99,516	28 October 2022
	244,252	18 December 2023
Barry McNicholas	171,632	28 October 2022
	258,908	18 December 2023
Mark Pengelly	194,300	28 October 2022
	293,103	18 December 2023
Helen Redfern	139,896	28 October 2022
	234,482	18 December 2023
Leigh Thomas	173,445	28 October 2022
	261,647	18 December 2023
Stuart Togwell	204,015	28 October 2022
	307,758	18 December 2023

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.

- 4.3 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 16 April 2021 (being the latest practicable date prior to the date of this document) are:

<i>Name</i>	<i>Number of Shares over which awards granted⁽¹⁾</i>	<i>Vesting date</i>
Joe Incutti	6,550	22 October 2021
Barry McNicholas	11,298	22 October 2021
Mark Pengelly	12,790	22 October 2021
Helen Redfern	1,786	22 October 2021
Leigh Thomas	11,417	22 October 2021

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.

- 4.4 Certain of the Senior Managers also have interests in options over Shares under the Sharesave Scheme. Details of these awards as at 16 April 2021 (being the latest practicable date prior to the date of this document) are:

<i>Name</i>	<i>Number of Shares over which options granted⁽¹⁾</i>	<i>Exercise price (£)</i>	<i>Exercise period</i>
Leigh Thomas	2,673	1.01	December 2022 – May 2023

Note:

- (1) Assumes that each participant continues to save at the current rate for the full savings period.

- 4.5 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.
- 4.6 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.

5. Directors' Service Agreements and Letters of Appointment

Executive Directors

A summary of the service agreements entered into with the Executive Directors is as follows:

5.1 Andrew Davies

Mr Davies entered into a service agreement with the Company under which Mr Davies's appointment took effect from 15 April 2019. The service agreement may be terminated by Mr Davies 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 as an alternative provide 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. The base salary of Mr Davies is £595,000.

5.2 **Simon Kesterton**

Mr Kesterton entered into a service contract with the Company under which Mr Kesterton's appointment took effect from 26 August 2019. The service agreement may be terminated by Mr Kesterton 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 as an alternative provide 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. The base salary of Mr Kesterton is £484,500.

Non-Executive Directors

A summary of the letters of appointment entered into with the Non-Executive Directors is as follows:

5.3 **Matthew Lester**

Mr. Lester has a letter of appointment with the Company under which Mr. Lester's appointment took effect from 1 January 2020. The appointment is terminable by either party on six months' notice. Mr. Lester receives an annual fee of £235,000 for his role as Chairman.

5.4 **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.

5.5 **Alison Atkinson**

Ms. Atkinson has a letter of appointment with the Company under which Ms. Atkinson's appointment took effect from 15 December 2020. The appointment is terminable by either party on one month's notice. Ms. Atkinson 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.

5.6 **Dame Heather Rabbatts**

Ms. Rabbatts has a letter of appointment with the Company under which Ms. Rabbatts's appointment took effect from 30 March 2020. The appointment is terminable by either party on one month's notice. Ms. Rabbatts 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.

5.7 **Clive Watson**

Mr. Watson has a letter of appointment with the Company under which Mr. Watson's appointment took effect from 30 March 2020. The appointment is terminable by either party on one month's notice. Mr. Watson 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.

6. Key individuals to Kier Living

The following individuals are deemed to be key individuals to Kier Living:

<i>Name</i>	<i>Position</i>
David Bridges	Managing Director
Mike Coker	Operations Director
Gary Phillips	Finance Director

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 16 April 2021 (being the latest practicable date

prior to the publication of this document) (based solely on the latest notifications that have been made to the Company by the relevant shareholder) are as follows:

Name ¹	Shares	
	(No.)	(%)
M&G Plc	16,104,591	9.93
Standard Life Aberdeen plc	14,542,322	8.97
BlackRock, Inc.	5,708,753	5.85
Aviva plc	8,576,839	5.29
Brewin Dolphin Limited	4,882,507	5.01
Charles Stanley Group plc	4,889,406	5.00
Rathbone Investment Management Limited	4,806,430	4.93
Schroders plc.	2,635,610	4.75
Norges Bank	2,947,767	3.03

8. Material contracts

8.1 The Retained Group

(a) Sale and Purchase Agreement

A summary of the principal terms and conditions of the Sale and Purchase Agreement is set out in Part III of this document.

(b) Transitional Services Agreement

A summary of the principal terms and conditions of the Transitional Services Agreement is set out in Part III of this document.

(c) 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, as amended by a consent letter dated 30 June 2020 (the “**RCF Stage 1 Waiver Letter**”) as amended and restated pursuant to an amendment and restatement agreement dated 17 September 2020 (the “**RCF Stage 2 Amendment**”) and as further amended by an amendment agreement dated 16 October 2020. The 2017 RCF Facility Agreement was further amended and restated pursuant to an amendment and restatement agreement dated 13 April 2021 (the “**RCF Stage 3 Amendment**”) to include and/or permit certain amendments, permissions and waivers in connection with the Transaction, including a pre-determined regime for the application of proceeds from the Transaction (which is expected to be £57.5 million). In addition, upon a prepayment of the 2017 RCF Facility, the *Schuldschein* Lenders shall be entitled to a pro rata share of the amounts so prepaid to the extent such instruments have not been repaid prior to such date (which is expected to be £4.4 million).

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 accordion option may be provided by one or more of the original lenders willing to provide such increase and/or other banks, financial institutions, trusts, funds or other entities selected by the Company, which shall become a lender.

¹ The most recent notification received by the Company from Woodford Investment Management Limited in July 2019 indicated a shareholding of 22,901,145 Shares, which would represent 14.12 per cent. of the Company's issued share capital as at 16 April 2021 (being the latest practicable date prior to the publication of this document). Although the Company believes that the number of Shares held by Woodford Investment Management Limited (or its successors) has decreased significantly since that time, it has not received an updated notification of change in shareholding pursuant to the Disclosure Guidance and Transparency Rules.

The 2017 RCF Facility was made available 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. All amounts outstanding under the 2017 RCF Facility Agreement are required to be repaid in full on the termination date as defined in the 2017 RCF Facility Agreement (the “**RCF Facility Termination Date**”). The RCF Facility Termination Date has been extended to 30 September 2022, pursuant to the RCF Stage 3 Amendment.

No sums can be drawn under the 2017 RCF Facility on or after one month prior to the RCF Facility Termination Date. All amounts outstanding under the 2017 RCF Facility Agreement are required to be repaid in full on the 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 any euro-denominated loans made under the 2017 RCF Facility at a floating rate of EURIBOR. The RCF Stage 3 Amendment will replace any references to LIBOR with SONIA, in line with the Loan Market Association-recommended drafting approach as a result of the transition away from LIBOR-linked sterling loans. In each case, the loans are 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, as amended by the RCF Stage 2 Amendment and the RCF Stage 3 Amendment (as relevant), 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 other restrictive covenants and financial covenants which the Company must observe. The financial covenants in the 2017 RCF Facility Agreement, as amended by the RCF Stage 2 Amendment and the RCF Stage 3 Amendment (as relevant), require the Company to ensure that:

- (i) the Group's interest coverage ratio is not less than the ratio for each relevant quarterly period expiring on or before 30 June 2022, such ratios as set out in the 2017 RCF Facility Agreement being between 2.00:1 and 3.50:1;
- (ii) the Group's leverage ratio does not exceed the ratio for each relevant quarterly period expiring on or before 30 June 2022, such ratios as set out in the 2017 RCF Facility Agreement being between 9.50:1 and 4.50:1; and
- (iii) the Group's consolidated net worth for each relevant quarterly period expiring on or before 30 June 2022, is above the minimum amount for that relevant quarterly period as set out in the 2017 RCF Facility Agreement, such minimum amounts being between £85 million and £152 million.

In addition, a minimum liquidity covenant has been included in the 2017 RCF that requires the Group's stated or projected liquidity not to fall below £50 million on the last day of any financial month. The minimum liquidity covenant does not apply from the date the financial statements of the Group for the financial year ending 30 June 2022 and corresponding compliance certificate have been delivered to the agent of the 2017 RCF Facility Agreement.

The 2017 RCF Facility Agreement contains a most favoured nation clause that provides the lenders with the benefit of more restrictive financial covenants representations, information undertakings, restrictive covenants, undertakings or event of default provided by the Company in certain other debt documents (including financial covenants not otherwise included in the

2017 RCF Facility Agreement). As at 31 December 2020, being the most recent covenant test date under the 2017 RCF Facility Agreement, the Company was in compliance with its financial covenants and other terms of the 2017 RCF Facility Agreement.

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.

The 2017 RCF Facility Agreement contains cross default events of default: (i) in relation to financial indebtedness of any member of the Group of at least £10 million; and (ii) where the Trustee becomes entitled to take action under certain provisions of the PCA.

As at 31 December 2020, £461.7¹ million was drawn under the 2017 RCF Facility.

(d) *Schuldschein Facilities*

£10 million, 5-year, floating-rate coupon *Schuldschein* loan agreement originally dated 1 July 2016

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 as further amended by a consent letter dated 6 August 2020 (the "**SSD1 Stage 1 Waiver Letter**") and a consent letter dated 17 September 2020 (the "**SSD1 Stage 2 Letter**") 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 £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 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 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.

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.

In respect of the most recent covenant test dates under the First *Schuldschein* Loan Agreement, being 30 June 2020 and 31 December 2020, the lenders provided their consent to waive the testing of the financial covenants for the periods ending 30 June 2020 and 31 December 2020 and potential other related defaults, under the terms of the SSD1 Stage 1 Waiver Letter and the SSD1 Stage 2 Waiver letter, respectively.

¹ Includes capitalised costs of £1.4 million.

The First *Schuldschein* Loan Agreement contains cross default events of default in relation to financial indebtedness of any member of the Group of at least £10 million.

As at 31 December 2020, the outstanding balance under the First *Schuldschein* Loan Agreement was £10.0 million.

€10 million, 5-year, fixed-rate coupon *Schuldschein* loan agreement originally dated 11 May 2016

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 as further amended by a consent letter dated 30 June 2020 (the “**SSD2 Stage 1 Waiver Letter**”) and a consent letter dated 17 September 2020 (the “**SSD2 Stage 2 Letter**”) and is referred to as the “**Second *Schuldschein* Loan Agreement**”. The Second *Schuldschein* Loan Agreement was further amended on 13 April 2021 to provide that the maturity would be extended to the earlier of (i) the date falling three business days after the date of receipt of proceeds from both the Transaction and any equity raise and (ii) 31 October 2021 (the “**SSD Extended Maturity Date**”).

Under the terms of the Second *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 Second *Schuldschein* Loan Agreement was released to the Company on 13 May 2016.

Interest on the loan under the Second *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 above); provided that, if the SSD Extended Maturity Date has not occurred, the interest cover covenant and leverage covenant shall be tested for the relevant period ended 30 June 2021 with the same covenanted levels as required by the 2017 RCF. As at 30 June 2020 and 31 December 2020, being the most recent covenant test dates under the Second *Schuldschein* Loan Agreement, the lenders provided their consent to waive the testing of the financial covenants for the periods ending 30 June 2020 and 31 December 2020 and potential other related defaults, under the terms of the SSD2 Stage 1 Waiver Letter and the SSD2 Stage 2 Waiver Letter, respectively.

The Second *Schuldschein* Loan Agreement contains cross default events of default in relation to financial indebtedness of any member of the Group of at least £10 million.

As at 31 December 2020, the outstanding balance under the Second *Schuldschein* Loan Agreement was €10.0 million.

€10 million, 7-year, fixed-rate coupon *Schuldschein* loan agreement originally dated 11 May 2016

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 as further amended by a consent letter dated 30 June 2020 (the “**SSD3 Stage 1 Waiver Letter**”) as amended and restated pursuant to an amendment and restatement agreement dated 17 September 2020 (the “**SSD3 Stage 2 Amendment**”) and as further amended by an amendment agreement dated 16 October 2020 and is referred to as the “**Third *Schuldschein* Loan Agreement**”. The Third *Schuldschein* Loan Agreement was further amended and restated pursuant to an amendment and restatement agreement dated 13 April 2021 (the “**SSD3 Stage 3 Amendment**”) to include and/or permit certain amendments, permissions and waivers in connection with the Transaction, similar to the amendments under the 2017 RCF Facility.

Under the terms of the Third *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 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 2023.

Interest on the loan under the Third *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, guarantee and security position are substantially the same as the 2017 RCF, as amended by the RCF Stage 3 Amendment (see above).

The financial covenants in the Third *Schuldschein* Loan Agreement, as last amended, are substantially the same as the 2017 RCF (see above), with certain differences reflecting the longer remaining term in respect of the Third *Schuldschein* Loan Agreement

As at 31 December 2020, being the most recent covenant test date under the Third *Schuldschein* Loan Agreement, the Company was in compliance with the financial covenants and other terms of the Third *Schuldschein* Loan Agreement.

The Third *Schuldschein* Loan Agreement contains cross default events of default (i) in relation to financial indebtedness of any member of the Group of at least £10 million and (ii) where the Trustee becomes entitled to take action under certain provisions of the PCA.

As at 31 December 2020, the outstanding balance under the Third *Schuldschein* Loan Agreement was €10.0 million.

£43.5 million, 5-year, floating-rate coupon Schuldschein loan agreement originally dated 11 May 2016

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 4 July 2016, as further amended on 30 June 2017, and as further amended by consent letters from each of the lenders, dated 30 June 2020, 24 July 2020 and 31 July 2020 (the “**SSD4 Stage 1 Waiver Letters**”) and consent letters from the lenders dated 17 September 2020 and 25 November 2020 (the “**SSD4 Stage 2 Letters**”) and is referred to as the “**Fourth Schuldschein Loan Agreement**”. In respect of £35.0 million of the outstanding balance of the Fourth *Schuldschein* Loan Agreement, the Fourth *Schuldschein* Loan Agreement was further amended on 13 April 2021 to provide that the maturity would be extended to the SSD Extended Maturity Date.

Under the terms of the Fourth *Schuldschein* Loan Agreement, HSBC Trinkaus & Burkhardt AG agreed to provide the Company with a £58.5 million, 5-year, floating-coupon loan (£43.5 million, following partial redemption pursuant to the 4 July 2016 amendment) (due in instalments in 2021) 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.

Interest on the loan under the Fourth *Schuldschein* Loan Agreement is payable quarterly in arrears 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 Fourth *Schuldschein* Loan Agreement (unless extended pursuant to the amendments to the Fourth *Schuldschein* Loan Agreement dated 13 April 2021) are required to be repaid on the interest payment date falling in May 2021. Interest accrues on the Fourth *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 above); provided that, if the SSD Extended Maturity Date has not occurred, in respect of the extended

portion of the Fourth *Schuldschein* Loan Agreement the interest cover covenant and leverage covenant shall be tested for the relevant period ended 30 June 2021 with the same covenanted levels as required by the 2017 RCF. In respect of the most recent covenant test dates under the Fourth *Schuldschein* Loan Agreement, being 30 September 2020 and 31 December 2020, the lenders provided their consent to waive the testing of the financial covenants for the periods ending 30 September 2020 and 31 December 2020 and potential other related defaults, under the terms of the SSD4 Stage 1 Waiver Letters and the SSD4 Stage 2 Waiver Letters, respectively.

The Fourth *Schuldschein* Loan Agreement contains cross default events of default in relation to financial indebtedness of any member of the Group of at least £10 million.

As at 31 December 2020, the outstanding balance under the Fourth *Schuldschein* Loan Agreement was £43.5 million.

(e) *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, an amendment letter dated 30 June 2016, a waiver and amendment letter dated 30 June 2020 (the “**2012 Stage 1 NPA Waiver Letter**”) and a waiver and amendment letter dated 17 September 2020 (the “**2012 Stage 2 NPA Letter**”) (the “**2012 Note Purchase Agreement**”), pursuant to which the Company issued: (i) £20 million of 4.84 per cent. senior notes maturing on 20 December 2022; and (ii) 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 was further amended and restated pursuant to an amendment and restatement agreement dated 13 April 2021 (the “**2012 Stage 3 Amendment**”) to include and/or permit certain amendments, permissions and waivers in connection with the Transaction, including a pre-determined regime for the application of proceeds from the Transaction (which is expected to be £2.8 million, and to comprise a prepayment requiring an additional make-whole payment corresponding to the present value of interest foregone, which, together with the make-whole payment on the 2014 Notes, is expected to be approximately £1 million). References in this paragraph 8.1(e) and paragraph 8.1(f) to the “2012 Note Purchase Agreement” mean the 2012 Note Purchase Agreement as amended by the 2012 Stage 3 Amendment.

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, as amended by the RCF Stage 3 Amendment.

The negative covenants imposed on the Group by the 2012 Note Purchase Agreement are substantially similar to those contained in the 2017 RCF Facility Agreement and 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.

The financial covenants in the 2012 Note Purchase Agreement, as amended by the 2012 Stage 1 NPA Waiver Letter, 2012 Stage 2 NPA Letter and/or the 2012 Stage 3 Amendment (as relevant), require the Company to ensure that:

- (i) the interest coverage ratio for each relevant period must not be less than the ratio for such relevant period as set out in the 2012 Note Purchase Agreement, being (i) between 2.00:1 and 3.50:1 for the periods expiring on or before 31 December 2021 and (ii) 3.50:1 for the periods expiring 31 March 2022 and 30 June 2022;
- (ii) the leverage ratio for each relevant period must not exceed the ratio for such period as set out in the 2012 Note Purchase Agreement being (i) between 9.50:1 and 5.50:1 for the periods expiring on or before 31 March 2022 and (ii) 4.50:1 for the period expiring 30 June 2022;

- (iii) the Group's consolidated net worth for each relevant period is not less than the minimum amount for that relevant period as set out in the 2012 Note Purchase Agreement, such minimum amounts being (i) between £85 million and £140 million for the periods expiring on or before 31 March 2022 and (ii) £152 million for the period ended 30 June 2022.

In addition, a minimum liquidity covenant has been included in the 2012 Note Purchase Agreement requiring the Group's stated or projected liquidity not to fall below £50 million on the last day of any financial month. The minimum liquidity covenant does not apply from the date that the financial statements of the Group for the financial year ending 30 June 2022 and corresponding compliance certificate have been delivered in accordance with the terms of the 2012 Note Purchase Agreement (or, if later, 30 September 2022).

The 2012 Note Purchase Agreement contains a most favoured nation clause that provides the noteholders with the benefit of more restrictive financial covenants and certain additional restrictions were included provided by the Company in certain other debt documents (including financial covenants not otherwise included in the 2012 Note Purchase Agreement).

The 2012 Note Purchase Agreement also provides for an increase to the amount of interest payable on the 2012 Notes by between 0.50 per cent. and 1.25 per cent., upon the occurrence of certain events as set out in 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.

Under the terms of the 2012 Note Purchase Agreement, the occurrence and continuation of certain conditions will trigger a cross default event of default, including (i) a default or another specified event in respect of financial indebtedness of any member of the Group in an amount of at least £10 million and (ii) the Trustee becoming entitled to take action under certain provisions of the PCA.

As at 31 December 2020, being the most recent covenant test date under the 2012 Note Purchase Agreement, the Company was in compliance with its financial covenants and the other terms of the 2012 Note Purchase Agreement.

As at 31 December 2020, £32.6 million of the 2012 Notes were outstanding (including the impact of cross-currency hedges).

(f) *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, a waiver and amendment letter dated 30 June 2020 (the "**2014 NPA Waiver Letter**") and a waiver and amendment letter dated 17 September 2020 (the "**2014 Stage 2 NPA Letter**") (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 was further amended and restated pursuant to an amendment and restatement agreement dated 13 April 2021 (the "**2014 Stage 3 Amendment**") to include and/or permit certain amendments, permissions and waivers in connection with the Transaction, including a pre-determined regime for the application of proceeds from the Transaction (which is expected to be £10.3 million, and to comprise a prepayment requiring an additional make-whole payment corresponding to the present value of interest foregone, which, together with the make-whole payment on the 2012 Notes, is expected to be approximately £1 million). References in paragraph 8.1(e) and this paragraph 8.1(f) to the "2014 Note Purchase Agreement" mean the 2014 Note Purchase Agreement as amended by the 2014 Stage 3 Amendment.

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 are substantially similar to those contained in the 2017 RCF Facility Agreement and 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.

The 2014 Note Purchase Agreement includes interest coverage, leverage and consolidated net worth financial covenants on substantially the same basis as the 2012 Note Purchase Agreement (with certain differences reflecting the longer remaining term in respect of the 2014 Notes). In addition, a minimum liquidity covenant, a most favoured nation clause and certain additional restrictions are included in the 2014 Note Purchase Agreement on substantially the same terms as the 2012 Note Purchase Agreement.

The 2014 Note Purchase Agreement also provides for an increase to the amount of interest payable on the 2014 Notes by between 0.50 per cent. and 1.25 per cent., upon the occurrence of certain events as set out in 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.

Under the terms of the 2014 Note Purchase Agreement, the occurrence and continuation of certain conditions will trigger a cross default event of default, including (i) a default or another specified event in respect of financial indebtedness of any member of the Group in an amount of at least £10 million and (ii) the Trustee becoming entitled to take action under certain provisions of the PCA.

As at 31 December 2020, being the most recent covenant test date under the 2014 Note Purchase Agreement, the Company was in compliance with its financial covenants and the other terms of the 2014 Note Purchase Agreement.

As at 31 December 2020, £120.0 million of the 2014 Notes were outstanding (including the impact of cross-currency hedges).

(g) *Supplier Finance Agreements*

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.

The Lloyds SFP does not contain cross default termination events.

The aggregate amount of outstanding invoices under the Lloyds SFP may not exceed £55.4 at any time (or such other amount as agreed), and the Lloyds SFP does not limit the maximum amount of an individual invoice.

The balance of invoices under the Lloyds SFP as at 31 December 2020 was £51.9 million.

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.

The HSBC SCS—MBA does not contain cross default termination events.

The aggregate amount of outstanding invoices under the HSBC SCS—MBA may not exceed £41.9 million at any time (or such other amount as agreed) invoice, and the HSBC SCS—MBA does not limit the maximum amount of an individual invoice.

The balance of invoices under the HSBC SCS—MBA as at 31 December 2020 was £30.2 million.

Supply chain programme agreement between, among others, Banco Santander S.A., London Branch (“SLB”), Kier Construction Limited and Kier Group plc dated 11 December 2020 (the “Santander SCPA”)

Under the terms of the Santander SCPA, SLB agrees to Kier Construction Limited and any additional client that accedes to the Santander SCPA from time to time (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. SLB 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 SLB. SLB 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 SLB in full (less any credit notes) on the due date (or may offer to pay SLB early in respect of a receivable received by SLB and SLB may propose a price for the receivables). Default interest accrues at five per cent. per annum.

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 SLB.

The Santander SCPA contains cross default termination events in relation to financial indebtedness of the Company and Kier Construction Limited (or other member of the Group that becomes a client under the SCPA).

The aggregate amount of outstanding invoices under the Santander SCPA may not exceed £27,700,000 at any time (or such other amount as agreed), and the Santander SCPA does not limit the maximum amount of an individual invoice.

The balance of invoices under the Santander SCPA as at 31 December 2020 was £27.3 million.

(h) *Pensions Covenant Agreement*

The Company and Kier Group Pension Trustees Limited (the "**Trustee**") are party to a pensions covenant agreement dated 17 September 2020, as amended by an amendment agreement to the pensions covenant agreement dated 16 November 2020 (the "**PCA**"). Under the terms of the PCA, the Company and Trustee have put in place a revised contribution schedule and recovery plan, and the Company has agreed (subject to disapplication by the Trustee) to certain restrictions, including in respect of payments of dividends, investments and acquisitions, disposals and further borrowings; and certain obligations, including maintenance of certain surety bond arrangements, ensuring Trustee parity with respect to finance arrangements and *pari passu* ranking with unsecured and unsubordinated creditors, aligning Scheme guarantor scope with certain borrowings, and Trustee consultation and information rights. The PCA contains cross default events of default in relation to financial indebtedness of any member of the Group of at least £10 million. On 13 April 2021, the Company and the Trustee entered into an agreement to include and/or permit certain amendments, permissions and waivers to the PCA in connection with the Transaction, including to agree to a special contribution to the Kier Group Schemes of £10 million.

8.2 **Kier Living**

(a) *Kier Cross Keys Joint Venture Agreement*

On 22 March 2017, Kier Living entered into a joint venture agreement with Cross Keys, which was subsequently amended on 30 July 2018 and 28 June 2019 (the "**Cross Keys JVA**"). The joint venture is called Kier Cross Keys and is focused on opportunities in the eastern part of southern England. The purpose of the joint venture, which has no fixed duration, is to develop and sell open market and affordable residential housing schemes, including the schemes already identified in the agreement. Kier Living holds 90 per cent. of the economic interests in the joint venture, with the remaining interest held by Cross Keys. No one party can exercise control of

the joint venture independently and customary unanimous consent rights are required for certain decisions.

The joint venture vehicle consists of a group of three limited liability partnerships through which funding is provided. The parties contributed nominal amounts of capital contributions upon completion of the joint venture and each party has provided further loans to the joint venture by way of loan note instruments. The joint venture also has access to a facility of up to £80,000,000 under a senior facility agreement with HSBC Bank plc dated 22 March 2017 (as amended on 25 September 2020).

Each party can propose additional target schemes from time to time and are free to dispose of its interest in the joint venture, provided that it follows a right of first refusal procedure under the Cross Keys JVA to offer its interest to the other party in priority on the same terms as offered by a third party. The Cross Keys JVA also includes customary emergency funding provisions to provide for an accelerated funding mechanism in certain emergency events.

(b) *Cross Keys Development Agreements*

Kier Living has entered into a number of development agreements with Kier Cross Keys Dev LLP ("**KCK**") between March and May 2017 for the residential development of sites. The agreements are on substantially similar terms. Under each development agreement, Kier Living has agreed to procure the design, construction and completion of the development and is required to obtain planning permission where applicable. In addition, Kier Living has agreed to procure the sales and marketing services of the units in the development in accordance with KCK's business plan. Kier Living is required to remedy any defects which manifest within the 24 months of the sale of each unit in the development. In consideration, KCK has agreed to pay for the costs incurred by Kier Living for the development. There is no fixed term under each development agreement, however KCK may terminate the agreement in certain circumstances, including if any units have not been certified by the Council of Mortgage Lenders in accordance with the timetable set out in the business plan, if there is an insolvency event or if a material breach has been committed by Kier Living which has not been remedied, if capable of remedy.

(c) *Kier Community Living Joint Venture Agreement*

On 6 June 2018, Kier Living entered into a joint venture agreement with Cross Keys and Homes England, which was subsequently amended on 28 June 2019 (the "**Homes England JVA**"). The joint venture is called Kier Community Living. The purpose of the joint venture, which has no fixed duration, is to target the acquisition, development and delivery of residential homes in areas in England with the greatest housing need, such homes intended to include an element of affordable housing. Certain sites have already been identified in the Homes England JVA, although each party has the right to propose additional target sites from time to time. Kier Living holds 69 per cent. of the economic interests in the joint venture, with 26 per cent. of the interests held by Homes England and 5 per cent. held by Cross Keys. No one party can exercise control of the joint venture independently and customary unanimous consent rights are required for certain decisions.

The joint venture vehicle consists of a group of five limited liability partnerships through which funding is provided. The parties contributed nominal amounts of capital contributions upon completion of the joint venture and each party has provided further loans to the joint venture by way of loan note instruments. The joint venture also has access to a number of facilities, including a secured mezzanine loan facility of up to £37,500,000 and a facility with the Governor and Company of the Bank of Ireland in its capacity as arranger, agent and security trustee for an amount up to £60,000,000.

The Homes England JVA contains certain mutual restrictive covenants, provisions in relation to rights of pre-emption and customary event of default provisions.

(d) *Homes England Development Agreement*

Kier Living has entered into a number of development agreements with Kier Community Living LLP ("**KCL**") between June 2018 and October 2019 for design, construction and completion of the residential development of sites. The agreements are on substantially similar terms. Under

each development agreement, Kier Living has agreed to procure the design, construction and completion of the development and is required to obtain planning permission where applicable. In addition, Kier Living has agreed to procure the sales and marketing services of the units in the development in accordance with KCL's business plan. Kier Living is required to remedy any defects which manifest within the 24 months of the sale of each unit in the development. In consideration, KCL has agreed to pay for the costs incurred by Kier Living for the development. There is no fixed term in each development agreement, however KCL may terminate the agreement in certain circumstances, including if any units have not been certified by the Council of Mortgage Lenders in accordance with the timetable set out in the business plan, if there is an insolvency event or if a material breach has been committed by Kier Living which has not been remedied, if capable of remedy.

9. Related Party Transactions

Details of the related party transactions between Kier and joint ventures, key management personnel and pension schemes in which its employees participate that were entered into during the financial years ended 30 June 2018, 2019 and 2020 are incorporated into this document by reference to the 2018, 2019 and 2020 Company Annual Report and Accounts, as described in Part VII of this document. During the period from 30 June 2020 to 16 April 2021 (being the latest practicable date prior to the date of this document), there were no changes in the nature of Kier's related party transactions.

10. Litigation and Arbitration Proceedings

10.1 *The Retained Group*

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 Retained Group's financial position or profitability.

10.2 *Kier Living*

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 Kier Living or the Kier Living Group's financial position or profitability.

11. Working Capital

11.1 *Working capital statement*

The Company is of the opinion that, taking into account its existing available facilities and the net proceeds of the Transaction, the Retained Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this document.

11.2 *Basis of working capital statement*

The working capital statement in this document has been prepared in accordance with the ESMA Recommendations relating to working capital statements, and the technical supplement to the FCA Statement of Policy published 8 April 2020 relating to the COVID-19 crisis.

11.3 *Impact of COVID-19*

In preparing the working capital statements above, the Company is required to identify, define and consider a reasonable worst-case scenario, which has involved making certain assumptions regarding the evolution of the COVID-19 pandemic and its potential impact on the Group.

The COVID-19 pandemic has had a significant impact on the Group's recent performance, including materially affecting the Group's turnover, profit and working capital in the final quarter of the financial year ended 30 June 2020. During this period, the Group developed revised site operating procedures, which follow Government guidance, and has subsequently continued to operate its sites through the recent national lockdowns in late 2020 and the first quarter of calendar year 2021. Nonetheless, the economic and operating environment remains more uncertain as a result of COVID-19.

Given the considerable uncertainties as to the ongoing and potential future impact of the COVID-19 pandemic on the Group and its business, the Company believes that it is appropriate to provide additional disclosure of the key COVID-19 assumptions underpinning the Group's reasonable worst-case scenario, whilst also noting that changes in these assumptions could have a material impact on the financial performance and financial position of the Group.

11.4 **COVID-19 reasonable worst-case assumptions**

In preparing its reasonable worst-case scenario, the Group has assumed that there are no national or regional closures of the Group's sites, but its operating environment will be characterised by significant challenges related to the pandemic, for the duration of the working capital forecast period. These challenges are assumed to result in delays in new work being tendered and new projects starting across all of its divisions, delays in the completion of existing secured and in-progress projects, and incremental costs and reduced margins on projects. In light of these assumptions, the Group has reflected the following sensitivities in preparing the reasonable worst-case scenario:

- Reductions in revenues, attributable to delays in tendering and/or completion of projects, leading to a reduction in adjusted operating profit of 21 per cent. in the financial year ending 30 June 2021 and 34 per cent. in the financial year ending 30 June 2022, compared to the Group's internal adjusted operating profit projections, attributable delays in tendering and/or completion of projects; and
- Additional reductions in adjusted operating profits, as a result of incremental costs and reduced margins on projects, of 25 per cent. in the financial year ending 30 June 2021 and 9 per cent. in the financial year ending 30 June 2022, compared to the Group's internal projections, the impact of which is mitigated by the release of applicable contingencies and other actions within management's control, including non-payment of bonus and payroll savings, to reduce the Group's cost base by 31 per cent. in the financial year ending 30 June 2021 and 33 per cent. in the financial year ending 30 June 2022, compared to the Group's internal adjusted operating profit projections.

12. **No Significant Change**

12.1 **The Retained Group**

There has been no significant change in either the financial performance or the financial position of the Retained Group since 30 June 2020, being the date to which the Group's latest audited consolidated financial statements were prepared.

12.2 **Kier Living**

There has been no significant change in either the financial performance or the financial position of the Kier Living Group since 30 June 2020, the date to which the historical financial information relating to the Kier Living Group in Part IV of this document was prepared.

13. **Consents**

- 13.1 Rothschild & Co has given and not withdrawn its written consent to the inclusion herein of the references to its name in the form and context in which they appear.
- 13.2 PricewaterhouseCoopers LLP has given and not withdrawn its written consent to the inclusion in Section B of Part V of this document of its report on the unaudited pro forma financial information of the Retained Group in the form and context in which it is included.

14. **Documents Available for Inspection**

Copies of the following documents are available for inspection on the Company's website (www.kier.co.uk) up to and including the date of the General Meeting:

- (a) the up-to-date Articles of Association;
- (b) the consent letters referred to in paragraph 13 above;

- (c) the unaudited pro forma financial information of the Retained Group and the report from PricewaterhouseCoopers LLP thereon contained in Part V of this document;
- (d) the information incorporated by reference into this document, as described in Part VII of this document; and
- (e) this document.

These documents and the Sale and Purchase Agreement are also available for inspection at the Company's registered office at 81 Fountain Street, Manchester, England, M2 2EE.

15. Publication on website and availability of hard copies

- 15.1 A copy of this document, together with all information incorporated into this document by reference to another source, is and will be available on the Company's website at www.kier.co.uk/investors from the time this document is published. For the avoidance of doubt, the contents of the websites referred to in this document are not incorporated into and do not form part of this document.
- 15.2 If and to the extent that any document or information incorporated by reference or attached to this document, itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information.
- 15.3 If you have received this document in electronic form, you may request a hard copy of this document and/or any information incorporated into this document by reference to another source by contacting the Company's registrars, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL, or between 9.00 a.m. and 5.00 p.m., Monday to Friday (excluding English and Welsh public holidays), on 0371 664 0300 from within the UK or on +44 (0) 371 664 0391 if calling from outside the UK (calls from outside the UK will be charged at the applicable international rate)³, with your full name and the full address to which the hard copy may be sent.

Date: 20 April 2021

³ 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 Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

PART VII – DOCUMENTATION INCORPORATED BY REFERENCE

The table below sets out the documentation incorporated by reference into this document. For the avoidance of any doubt, no information incorporated by reference in such documentation shall be incorporated by reference into this document.

This document should be read and construed in conjunction with these documents, each of which has been previously published and is available for viewing on the Company's website at www.kier.co.uk and has been filed with the National Storage Mechanism.

<i>Reference Document</i>	<i>Information incorporated by reference</i>	<i>Page number(s) in reference document</i>
2018 Company Annual Report and Accounts	Information on related party transactions	171-172 (inclusive)
2019 Company Annual Report and Accounts	Information on related party transactions	175–177 (inclusive)
2020 Company Annual Report and Accounts	Information on related party transactions	202–204 (inclusive)

PART VIII – DEFINITIONS

2018 Company Annual Report and Accounts	the annual report and accounts prepared by the Company for the financial year ended 30 June 2018
2018 Financial Statements	audited consolidated financial statements of the Company included in the 2018 Company Annual Report and Accounts
2019 Company Annual Report and Accounts	the annual report and accounts prepared by the Company for the financial year ended 30 June 2019
2019 Financial Statements	audited consolidated financial statements of the Company included in the 2019 Company Annual Report and Accounts
2020 Company Annual Report and Accounts	the annual report and accounts prepared by the Company for the financial year ended 30 June 2020
2020 Financial Statements	audited consolidated financial statements of the Company included in the 2020 Company Annual Report and Accounts
Articles or Articles of Association	the articles of association of the Company
Buyer	Foster BidCo Limited
Chairman	the chairman of the Company, Matthew Lester
Cross Keys	CKH Developments Limited
Companies Act	Companies Act 2006
Company	Kier Group plc, a public limited company incorporated under the laws of England and Wales
Completion	the completion of the Transaction pursuant to the Sale and Purchase Agreement
CREST	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)
CREST Manual	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 Condition (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 as amended since)
CREST member	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
CREST Proxy Instructions	a proxy appointment or instruction made via CREST, authenticated in accordance with Euroclear's specifications and containing the information set out in the CREST Manual
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
CREST sponsor	a CREST participant admitted to CREST as a CREST sponsor

CREST sponsored member	a CREST member admitted to CREST as a CREST sponsored member
CSAP	the Kier Group plc 2010 Conditional Share Award Plan 2017
Directors or Board	the Executive Directors and Non-Executive Directors as at the date of this document
Disclosure Guidance and Transparency Rules	the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority
EBITDA	adjusted earnings before interest, tax, depreciation and amortisation, excluding income from joint ventures and associates
Euroclear	Euroclear UK & Ireland Limited
Executive Directors	the executive directors of the Company as at the date of this document
Financial Conduct Authority or FCA	the Financial Conduct Authority
Form of Proxy	the form of proxy enclosed with this document, for use by Shareholders in connection with the General Meeting
FSMA	the Financial Services and Markets Act 2000, as amended
General Meeting	the general meeting of the Company to be held at 10.00 a.m. on 7 May 2021, as described in the Notice of General Meeting
Group	the Company and its subsidiary undertakings and, where the context requires, its associated undertakings
Harewood/Together	Harewood Housing Society Limited
Homes England	Homes and Communities Agency (trading as Homes England)
Kier Living	Kier Living Limited, a private limited company incorporated in England and Wales
Kier Living Group	Kier Living and its subsidiary undertakings
Listing Rules	the Listing Rules of the Financial Conduct Authority
London Stock Exchange	London Stock Exchange plc
LTIP	the Kier Group plc 2010 Long-Term Incentive Plan or Kier Group plc 2020 Long-Term Incentive Plan
MAR	the Market Abuse Regulation (EU) No 596/2014
Net Cash Proceeds	has the meaning given to it in paragraph 1 of Part I of this document
Non-Executive Directors	the non-executive directors of the Company as at the date of this document
Notice of General Meeting	the notice of General Meeting which is set out at the end of this document
Official List	the Official List of the FCA

Pension Schemes	the defined benefit pension schemes operated by the Group, details of which are set out in pages 165 to 171 (inclusive) of the 2020 Company Annual Report and Accounts
Prospectus Regulation Rules	the Prospectus Regulation Rules of the Financial Conduct Authority
RCF Facility	has the meaning given to it in paragraph 8.1(c) of Part VI of this document
RCF Facility Agreement	has the meaning given to it in paragraph 8.1(c) of Part VI of this document
RCF Lenders	the lenders under the RCF Facility Agreement
Registrar	Link Group
Regulatory Information Service	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
Reporting Accountants	PricewaterhouseCoopers LLP
Resolution	the ordinary resolution of the Company seeking approval at the General Meeting for the Transaction, as set out in the Notice of General Meeting
Retained Group	the Group (excluding the Kier Living Group)
Rothschild & Co	N.M. Rothschild & sons Limited
Sale and Purchase Agreement	the sale and purchase agreement as described in Part III of this document
Schuldschein Lenders	the lenders of the First <i>Schuldschein</i> Loan Agreement, Second <i>Schuldschein</i> Loan Agreement, Third <i>Schuldschein</i> Loan Agreement and Fourth <i>Schuldschein</i> Loan Agreement
Share	an ordinary share of 1p each in the capital of the Company
Shareholders	holders of the Shares
Sharesave Scheme	the Kier Group plc 2006 Sharesave Scheme and the Kier Group plc Sharesave Scheme 2016
Sponsor	Rothschild & Co
SSD1 Stage 2 Letter	the letter described in paragraph 8.1(d)0 of Part VI of this document
SSD2 Stage 1 Waiver Letter	the letter described in paragraph 8.1(d)0 of Part VI of this document
SSD2 Stage 2 Letter	the letter described in paragraph 8.1(d)0 of Part VI of this document
SSD3 Stage 1 Waiver Letter	the letter described in paragraph 8.1(d)0 of Part VI of this document
SSD3 Stage 2 Letter	the letter described in paragraph 8.1(d)0 of Part VI of this document
SSD4 Stage 1 Waiver Letters	the letter described in paragraph 8.1(d)0 of Part VI of this document
SSD4 Stage 2 Letters	the letter described in paragraph 8.1(d)0 of Part VI of this document

SSD Extended Maturity Date	extended maturity date of the Second <i>Schuldschein</i> Loan Agreement and the Fourth <i>Schuldschein</i> Loan Agreement to the earlier of (i) the date falling three business days after the date of receipt of proceeds from the Transaction and any equity raise and (ii) 31 October 2021
Terra FirmaSSD1 Stage 1 Waiver Letter	Terra Firma Holdings Limited and its affiliates, funds managed or advised by it or its affiliates and shareholders (including Guy Hands) from time to time the letter described in paragraph 8.1(d)0 of Part VI of this document
Transaction	the sale of the entire issued share capital of Kier Living to the Buyer pursuant to the Sale and Purchase Agreement
Transitional Services Agreement	the transitional services agreement as described in Part III of this document
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
USPP Noteholders	the 2012 Noteholders and the 2014 Noteholders
uncertificated or in uncertificated form	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
Working Capital Funding	payment from the Buyer to the Company pursuant to the Sale and Purchase Agreement in relation to the Group providing working capital funding to Kier Living in the period from 1 July 2020 until Completion

NOTICE OF GENERAL MEETING

KIER GROUP PLC

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

NOTICE is hereby given that a General Meeting of Kier Group plc (the “**Company**”) will be held at 10.00 a.m. on 7 May 2021 at 6 Cavendish Place, London, W1G 0QA (the “**General Meeting**”) for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution.

ORDINARY RESOLUTION

THAT the proposed sale by the Company of Kier Living Limited on the terms and subject to the conditions contained in the sale and purchase agreement dated 16 April 2021 and set out in the circular sent to shareholders dated 20 April 2021 (the “**Transaction**”) be and is hereby approved, and that the directors of the Company (or a duly authorised committee thereof) be and are hereby authorised to:

- (a) take all such steps, execute all such agreements and make all such arrangements as may seem to them necessary, expedient or desirable for the purpose of giving effect to, or otherwise in connection with, this resolution, the Transaction and the sale and purchase agreement; and
- (b) agree and make such modifications, variations, revisions, waivers and/or amendments in relation to any of the foregoing (provided that such modifications, variations, revisions, waivers or amendments are not material for the purposes of Listing Rule 10.5.2) as they may in their absolute discretion think necessary, expedient or desirable.

By order of the board of directors of the Company:

Phil Higgins

Company Secretary

Kier Group plc

20 April 2021

Registered office:

81 Fountain Street

Manchester

England

M2 2EE

Registered Number: 2708030

www.kier.co.uk

Notes:

COVID-19

1. The Board is monitoring closely the evolving COVID-19 situation and public health concerns in the United Kingdom and elsewhere and will continue to have regard to developments ahead of the General Meeting. In light of the guidance related to physical meetings due to the COVID-19 pandemic, in order to comply with government advice to contain the spread of the virus and bearing in mind the importance of the safety of our Shareholders and colleagues, it will not be possible for Shareholders to attend the General Meeting in person. Further details relating to the format of and current restrictions on attendance at the General Meeting are set out in paragraph 8 of Part I of the document, of which this notice of General Meeting forms part. The Board will keep the situation under review and may need to make further changes to the arrangements relating to the General Meeting, including how it is conducted. Shareholders should continue to monitor the Company's website and announcements for any updates in relation to the General Meeting.

Webcast, Telephone and Questions

2. The Company will hold a live webcast of the General Meeting for shareholders at www.kier.co.uk/investors. To be able to attend the webcast, shareholders should register by no later than 5.00pm on Thursday 6 May 2021. Details of how to do so are on the Company's website.
3. Alternatively, shareholders may dial in to, but not speak at, the General Meeting. If you are calling from within the UK, please dial 0203 936 2999; you will be charged at your standard geographic rate. If you are calling from outside the UK, please dial +44 203 936 2999; you will be charged at the applicable international rate. The access code for the telephone call is 662688. There is no need to register to join the telephone call.
4. Shareholders may submit questions which the Chairman or another Director of the Company will endeavour to answer during the meeting and we may group questions together to do so. If you have any questions, please send them before the meeting to cosec@kier.co.uk, together with your investor code (IVC) which can be found on your share certificate. Questions can also be asked during the meeting via email to cosec@kier.co.uk.
5. Shareholders are advised to check the Company's website for any changes to these arrangements.

Proxy appointment

6. Shareholders are strongly encouraged to vote on the resolution to be proposed at the General Meeting. However, in light of the guidance regarding precautions to be taken in light of the COVID-19 outbreak (see Note 1 above), Shareholders are encouraged to vote by proxy and raise questions by email in advance of, and during, the General Meeting, given they will not be able to physically attend the General Meeting.
7. A Shareholder is entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. We strongly encourage all Shareholders to appoint the Chairman of the General Meeting as their proxy to vote on their behalf at the meeting. Please do not appoint any other person as your proxy, as that person will not be able to attend the General Meeting or vote on your behalf.
8. A form of proxy is enclosed. To appoint a proxy, either (i) you must return the completed and signed form of proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), to Link Group at Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL (using the enclosed prepaid envelope), or (ii) the proxy appointment must be registered electronically on the website at www.signalshares.com (enter 'Kier Group plc' into the searchbox, click 'Search' and click on the Company's name to be taken to the login page. From there, shareholders can log into their Link share portal account or register for the Link share portal by following the on-screen instructions. Shareholders will need their Investor Code (IVC) which can be found on their share certificate or recent dividend confirmation), in each case so as to be received no later than 10.00 a.m. on 5 May 2021. CREST members who wish to appoint a proxy through the CREST electronic proxy appointment services may do so. See Notes 16 to 19 (inclusive) to below.

Nominated persons

9. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("**Nominated Persons**"). Nominated Persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

Information about shares and voting

10. At the meeting, votes will be taken by poll rather than on a show of hands. All votes cast at the meeting will be added to those that were validly lodged with the registrars prior to the meeting.
11. Shareholders are entitled to attend and vote at general meetings of the Company. The total number of issued ordinary shares in the Company on 16 April 2021 (being the latest practicable date prior to the date of this document) is 162,115,870, carrying one vote each on a poll. Therefore, the total number of votes exercisable as at 16 April 2021 is 162,115,870. There are no shares held in treasury.

Right to attend and vote and proxies

12. Entitlement to attend and vote at the meeting, and the number of votes which may be cast at the meeting, will be determined by reference to the Company's register of members at the close of business on 5 May 2021 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting (as the case may be). In each case, changes to the register of members after such time will be disregarded.
13. In the case of joint shareholders, where more than one of the joint shareholders purports to appoint a proxy, only the appointment submitted by the most senior shareholder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members, the first-named being the most senior.
14. Shareholders may change their proxy instructions by submitting a new proxy appointment using the methods set out or referred to in these Notes. The cut-off times for receipt of proxy appointments set out in these Notes also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where a shareholder has appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, it should contact Link Group on 0371 664 0300. 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 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Link Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. If more than one valid proxy appointment is submitted, the appointment received last before the latest time for the receipt of proxies will take precedence.

15. In order to revoke a proxy instruction, a shareholder will need to inform the Company by sending a signed hard copy notice clearly stating its intention to revoke its proxy appointment to Link Group at Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by no later than 10.00 a.m. on 5 May 2021. If a shareholder attempts to revoke its proxy appointment but the revocation is received after the time specified then the original proxy appointment will remain valid.

Termination of proxy appointments made through CREST must be made in accordance with the procedures described in the CREST manual.

CREST members

16. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by following the procedures described in the CREST manual. The CREST manual can be found at www.euroclear.com. CREST personal members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
17. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST manual (available via www.euroclear.com/CREST). The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by Link Group (ID RA10) by no later than 10.00 a.m. on 5 May 2021. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to a proxy appointed through CREST should be communicated to him by other means.
18. CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his/her CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
19. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate representatives

20. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that they do not do so in relation to the same shares.

Questions

21. Shareholders and their proxies will have the opportunity to ask questions prior to and during the General Meeting via email to cosec@Kier.co.uk. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (i) to do so would interfere unduly with the preparation for the meeting or involve the

disclosure of confidential information, (ii) the answer has already been given on a website in the form of an answer to a question, or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Website information

22. Pursuant to Chapter 5 of Part 16 of the 2006 Act, where requested by either a member or members meeting the threshold requirements set out in section 527 of that Chapter 5, the Company must publish on its website a statement setting out any matter that such member or members propose(s) to raise at the Meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting.

Where the Company is required to publish such a statement on its website, it may not require the members making the request to pay any expenses incurred by the Company in complying with the request. It must forward the statement to the Company's auditor no later than the time the statement is made available on the Company's website and the statement may be dealt with as part of the business of the Meeting.

23. A copy of this notice and other information required by section 311A of the Companies Act 2006 can be found at www.kier.co.uk and can be accessed via the Investor Relations section of such website. This includes:

- (a) the matters set out in this notice;
- (b) the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the Meeting; and
- (c) the total of the voting rights that members are entitled to exercise at the Meeting.

Any members' statements, members' resolutions and members' matters of business received by the Company after the date of this notice will be added to the information already available on the website as soon as reasonably practicable and will also be made available for the following two years.

Use of electronic address

24. Members may not use any electronic address provided in either this notice of meeting or any related documents (including the enclosed form of proxy) to communicate with the Company for any purposes other than those expressly stated.

