Kier Group

Interim results for the six months to 31 December 2015

17 March 2016

Disclaimer

No representation or warranty, expressed or implied, is made or given by or on behalf of Kier Group plc (the “Company” and, together with its subsidiaries and subsidiary undertakings, the “Group”) or any of its directors or any other person as to the accuracy, completeness or fairness of the information contained in this presentation and no responsibility or liability is accepted for any such information. This presentation does not constitute an offer of securities by the Company and no investment decision or transaction in the securities of the Company should be made on the basis of the information contained in this presentation.

This presentation contains certain information which the Company’s management believes is required to understand the performance of the Group. However, not all of the information in this presentation has been audited. Further, this presentation includes or implies statements or information that are, or may deemed to be, "forward-looking statements". These forward-looking statements may use forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should". By their nature, forward-looking statements involve risks and uncertainties and recipients are cautioned that any such forward-looking statements are not guarantees of future performance. The Company's or the Group’s actual results and performance may differ materially from the impression created by the forward-looking statements or any other information in this presentation.

The Company undertakes no obligation to update or revise any information contained in this presentation, except as may be required by applicable law or regulation. Nothing in this presentation is intended to be, or intended to be construed as, a profit forecast or a guide as to the performance, financial or otherwise, of the Company or the Group whether in the current or any future financial year.

This presentation and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

Certain information in this presentation has been extracted from the announcement of interim results made by the Company on 17 March 2016 and this presentation is not a substitute for reading that announcement in full.

Haydn Mursell

Chief Executive

Agenda

- Our markets
- Six month highlights
- Financials
- Operational update
- Group outlook

Our Markets

- Leading market positions in growing sectors
  - £1.5bn revenue in infrastructure
  - £1.5bn revenue in regional building
  - £600m new build housing and maintenance presence
- Focus aligned to growth areas and the UK's spending priorities
- Fluctuating external influences
- Remain fit for growth
  - Operating efficiencies
  - Risk management

Highlights

- Good performance – profit in line with expectations, net debt better than expected
  - Property
    - Second-half weighted, on track for >15% ROCE
  - Residential
    - Strong forward sales position, unit completions up 35%
  - Construction
    - Revenue growth of 15%, 2.0% margin, fully secured for FY16
  - Services
    - Revenue growth of 48%, 4.7% margin, fully secured for FY16
- Order book of £9bn provides good revenue visibility
- Mouchel integration - aiming to exceed synergy target
- Improved financial position
  - High quality new work secured
- Interim dividend increased to 21.5p up 12%

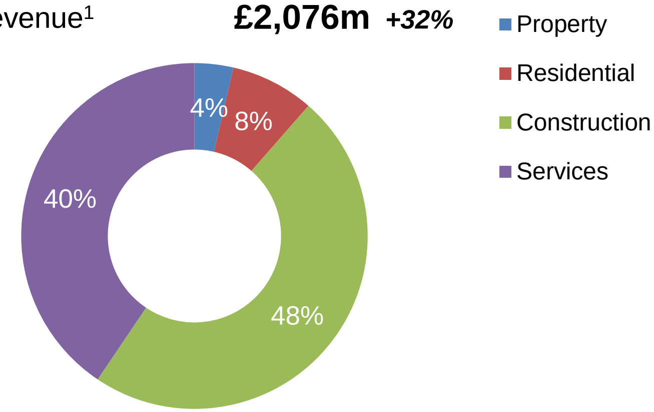
Financial update

Bev Dew, Finance Director

Revenue and Underlying Operating Profit

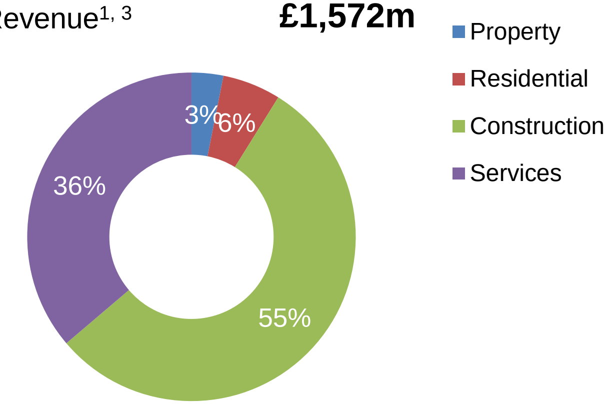
December 2015

Revenue[1] **£2,076m** ***+32%***



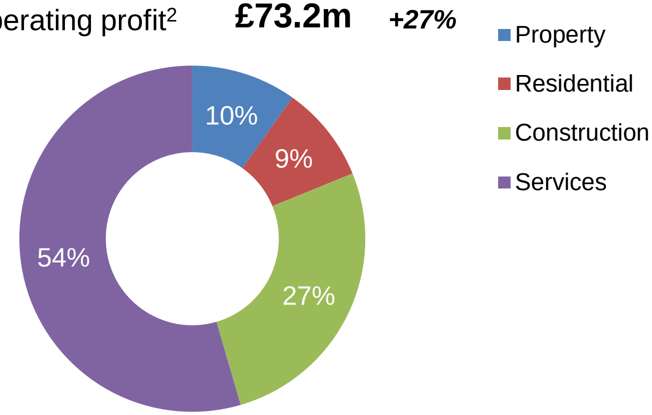
December 2014

Revenue[1, 3] **£1,572m**



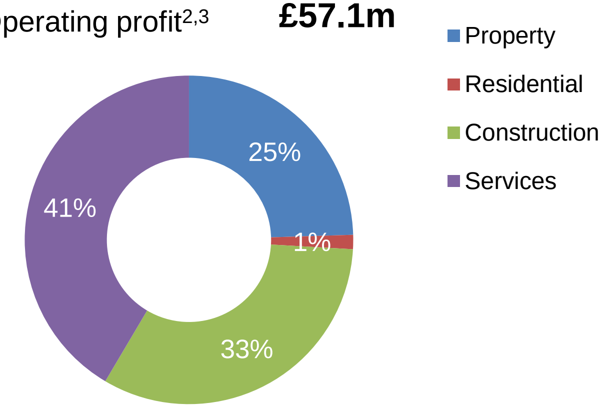
December 2015

Operating profit[2] **£73.2m** ***+27%***



December 2014

Operating profit[2,3] **£57.1m**



[1] Group and share of joint ventures from continuing operations.
[2] Arising on continuing operations, stated before non-underlying items, see slide 11, excluding corporate costs.
[3] Comparatives restated to reflect the reclassification of the UK mining activities to discontinued operations.

Income Statement

		Six months ended 31 December		Change %
		2015	2014[2]	
		£m	£m	
Operating profit[1]	Group	**51.9**	42.9	*+21*
	Joint ventures (JVs)	**2.6**	0.6	*+333*
	Profit on disposal of PFI investments	**2.6**	1.3	*+100*
Total underlying operating profit[1]		**57.1**	**44.8**	***+27***
Net finance costs		**(12.9)**	(7.8)	*+65*
Underlying profit before tax[1]		**44.2**	**37.0**	***+19***
Underlying earnings per share (pence)		**37.1**	42.4[3]	*-12*
Dividend per share (pence)		**21.5**	19.2[3]	*+12*

[1] Arising on continuing operations, stated before non-underlying items, see slide 11.
[2] Comparatives restated to reflect the reclassification of the UK mining activities to discontinued operations.
[3] As restated for the bonus element of the rights issue associated with the Mouchel transaction.

Underlying Operating Profit

Performance by division	Six months ended 31 December		Change %
	2015	2014[2]	
	£m	£m	
Property	**7.2**	14.0	*-49*
Residential	**6.6**	0.8	*+725*
Construction[3]	**19.5**	18.6	*+5*
Operating margin	***2.0%***	*2.2%*	
Services[3]	**39.9**	23.7	*+68*
Operating margin	***4.7%***	*4.2%*	
Corporate	**(16.1)**	(12.3)	*+31*
Total underlying operating profit[1]	**57.1**	**44.8**	***+27***
Net finance costs	**(12.9)**	(7.8)	*+65*
Underlying profit before tax[1]	**44.2**	**37.0**	***+19***

[1] Arising on continuing operations, stated before non-underlying items, see slide 11.
[2] Comparatives restated to reflect the reclassification of the UK mining activities to discontinued operations.
[3] Restated to reflect the reallocation of certain activities between divisions.

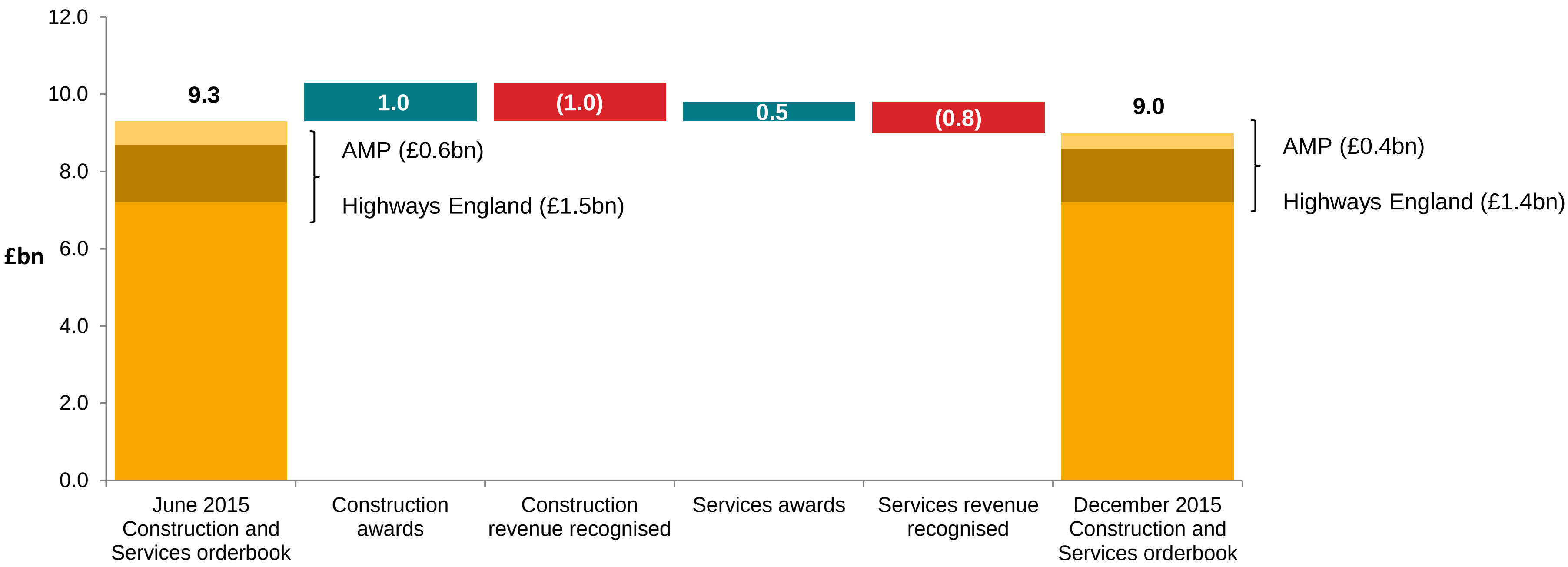
Non-Underlying Items

Continuing operations	Six months ended 31 December			Year ended 30 June
	2015		2014	2015
	Profit impact £m	Cash impact £m	£m	£m
Transaction and integration costs following the acquisition of the Mouchel Group	(15.5)	*(12.7)*	-	(21.9)
Costs associated with cessation of the Kier Group final salary pension scheme	-	*-*	(1.0)	(6.3)
Gains/(costs) relating to the disposal of Fleet & Passenger Services	1.7	*15.5*	(0.6)	(3.4)
Other restructuring and transformation costs	-	*-*	(0.5)	-
Total non-underlying items from continuing operations	**(13.8)**	***2.8***	**(2.1)**	**(31.6)**
Associated tax credit	2.9		0.4	5.0
Charged against profit for the period from continuing operations	**(10.9)**	***2.8***	**(1.7)**	**(26.6)**
Discontinued operations				
Impairment of mining operations	(5.0)	*(11.0)*	-	(21.8)
Total non-underlying items from discontinued operations	**(5.0)**	***(11.0)***	**-**	**(21.8)**
Total charged against profit for the year	**(15.9)**	***(8.2)***	**(1.7)**	**(48.4)**

Excluding amortisation of intangible contracts rights and acquisition discount unwind.

Order Book

	At 31 December 2015 £bn	At 30 June 2015[1] £bn	Change %	At 31 December 2014[1] £bn
Construction	3.5	3.5	*Nil*	2.6
Services	5.5	5.8	*-5*	3.9
Total	**9.0**	**9.3**	***-3***	**6.5**

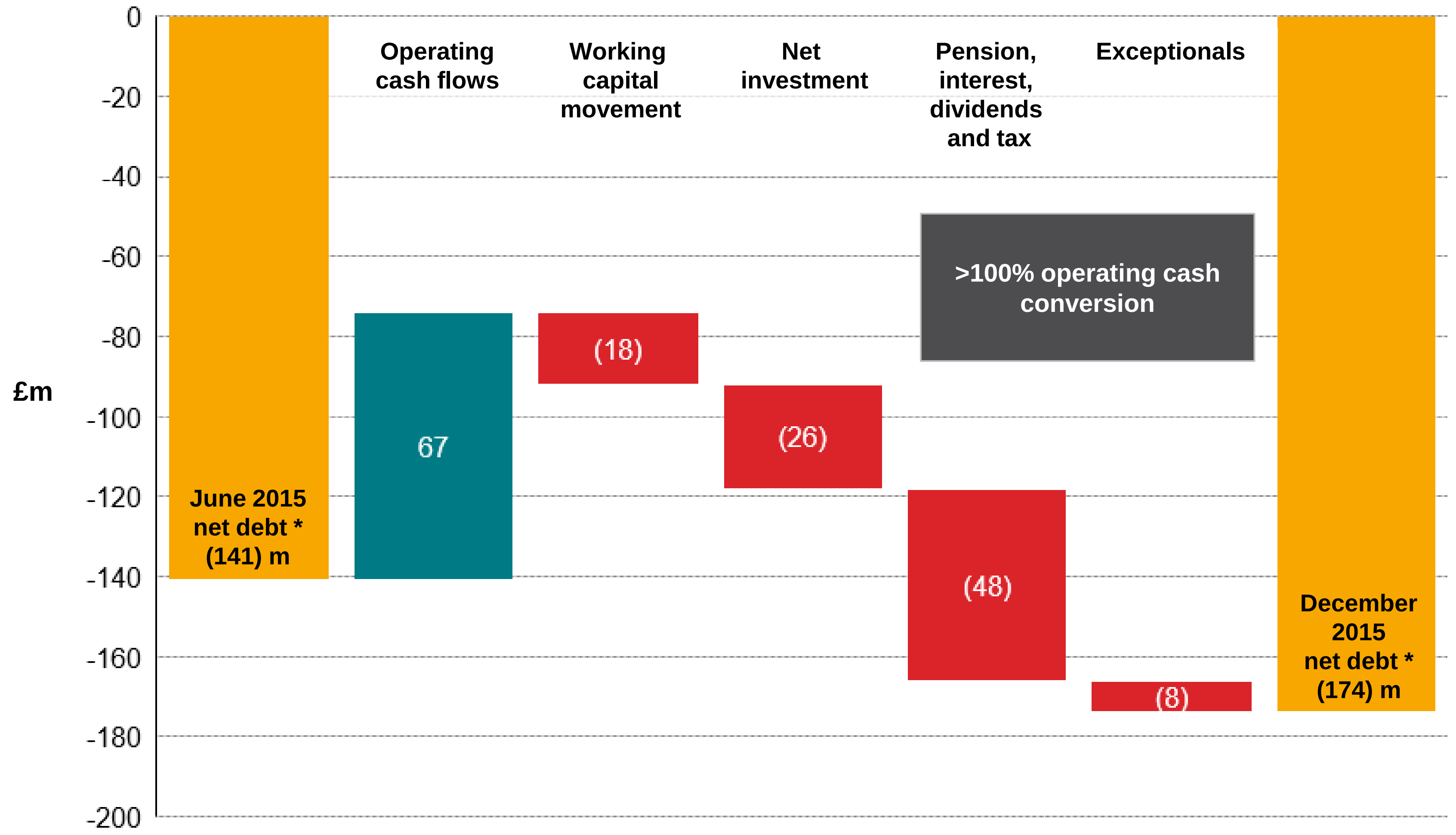


[1] Restated to reflect the reallocation of certain activities between divisions

Balance Sheet Summary

	At 31 December 2015 £m	At 30 June 2015 £m	*Change £m*	At 31 December 2014 £m
Intangible assets	782	784	*-2*	325
Property, plant and equipment	112	121	*-9*	184
Investment in JVs	107	79	*+28*	67
Residential land and work in progress	306	345	*-39*	260
Other working capital	(303)	(351)	*+48*	(157)
Net debt	(174)	(141)	*-33*	(156)
Provisions	(69)	(53)	*-16*	(90)
Pensions (net of deferred tax)	(111)	(123)	*+12*	(65)
Finance lease obligations	(33)	(41)	*+8*	(77)
Tax and deferred tax	(31)	(35)	*+4*	(6)
Net assets	**586**	**585**	***+1***	**285**

Group Net Debt



Excludes finance lease obligations.

Pensions

		At 30 December 2015 £m	At 30 June 2015 £m	*Change* *£m*	At 30 December 2014 £m
Kier Group Pension Scheme:					
	Market value of assets	894	919	*-25*	913
	Present value of liabilities	(964)	(994)	*+30*	(993)
Deficit in the scheme		(70)	(75)	*+5*	(80)
Deferred tax		14	15	*-1*	16
Net pension liability on Kier Group Pension Scheme		**(56)**	**(60)**	***+4***	**(64)**
Mouchel Pension Schemes:					
	Market value of assets	355	356	*-1*	-
	Present value of liabilities	(420)	(431)	*+11*	-
Deficit in the scheme		(65)	(75)	*+10*	-
Deferred tax		13	15	*-2*	-
Net pension liability on Mouchel Pension Schemes		**(52)**	**(60)**	***+8***	**-**
Net effect of May Gurney and Translinc Schemes		(3)	(3)	*-0*	**(1)**
Total net pension liability		**(111)**	**(123)**	***+12***	**(65)**
Key assumptions:	Discount rate	3.8%	3.9%		3.7%
	Inflation rate - RPI	3.1%	3.4%		3.1%

Mouchel Integration

- All actions now complete
  - £4m synergy benefit in H2 FY16
  - £10m synergy benefit in FY17
- Total exceptional spend of £37.4m vs £37m forecast
- Strength of management capability affords further synergy opportunity
- Fair value provision of £21m vs £15m forecast
- Operational and financial performance ahead of expectations
- Acquisition remains >15% ROCE

Financial Summary

- Group revenue of £2.1bn up 32%
- Operating profit of £57.1m up 27%
  - Strong operating cash conversion
- Net debt better than expected
- Robust order book of £9bn
  - Potential extensions of £3bn
- Underlying EPS of 37.1p
- Interim dividend of 21.5p up 12%

Operational update

Haydn Mursell, Chief Executive

Property

Property - Performance

	Six months ended 31 December			Year to 30 June 2015 £m
	2015 £m	2014 £m	*Change %*	
Revenue [1]				
Developments	**43**	44	***-2***	79
Structured finance and PFI	**32**	5	***+568***	47
Total	**75**	**49**	***+53***	**126**
Operating profit				
Developments	**5.1**	12.4	***-59***	23.0
Structured finance and PFI	**2.1**	1.6	***+33***	(0.3)
Total	**7.2**	**14.0**	***-49***	**22.7**
Average capital [2]				
Developments	**(111)**	(76)	***+46***	(84)
Structured finance and PFI	**10**	-	***+5098***	1
Total	**(101)**	**(76)**	***+33***	**(83)**

[1] Group and share of joint ventures.
[2] Equates to average net debt.

Property - Update

- Funding readily available
  - JV structures optimise ROC
- Targeting >15% ROCE
- Maintained £1bn+ development pipeline
- Expertise critical to integrated opportunities
- Maintained PFI portfolio
  - Eight schemes, £36m value
- Continue to recycle mature assets
- Limited structured finance pipeline
  - Student accommodation, education and infrastructure

Trade City, Uxbridge

Logistics City, Thurrock

Waterfront, Walsall

Property - Outlook

- Good support by co-investors
- National coverage
  - South East pricing pressure
  - Regions attractive
- Broad sector profile
  - Resilience
- Integrated opportunities to drive value creation
  - Services division clients
- Focused on ROCE
  - Capital investment increasing to £130m
  - 15% minimum return

Residential

Residential - Performance

	Six months ended 31 December			Year to 30 June 2015 £m
	2015 £m	2014 [1] £m	*Change %*	
Revenue				
Private (Kier owned land)	**83**	52	***+60***	142
Mixed tenure	**79**	38	***+108***	115
Total	**162**	**90**	***+80***	**257**
Operating profit				
Private (Kier owned land)	**5.7**	1.4	***+307***	6.4
Mixed tenure	**0.9**	(0.6)	***+250***	4.8
Total	**6.6**	**0.8**	***+725***	**11.2**
Average capital [2]				
Private (Kier owned land)	**(194)**	(218)	***-11***	(220)
Mixed tenure	**(52)**	(36)	***+44***	(43)
Total	**(246)**	**(254)**	***-3***	**(263)**
Land bank units	**3,302**	**3,643**	***-9***	**3,485**

[1] Restated to reflect the reallocation of certain activities from the Construction division to the Residential division.
[2] Equates to average net debt.

Residential - Update

- Resilient platform
  - National coverage
  - Broad capabilities
  - Budget changes manageable
- Mixed Tenure
  - 582 completions
  - Targeting c1,350 completions
  - £600m forward pipeline
  - >90% secured for 2016
- Private
  - 377 completions
  - 60% on old land, minimal ROCE
  - Selling at 0.7 units per trading site pw
  - Targeting c850 completions
  - >90% secured for 2016

Crispin Gardens, Rushden

Queen's Court, Oundle

Westhill, Kettering

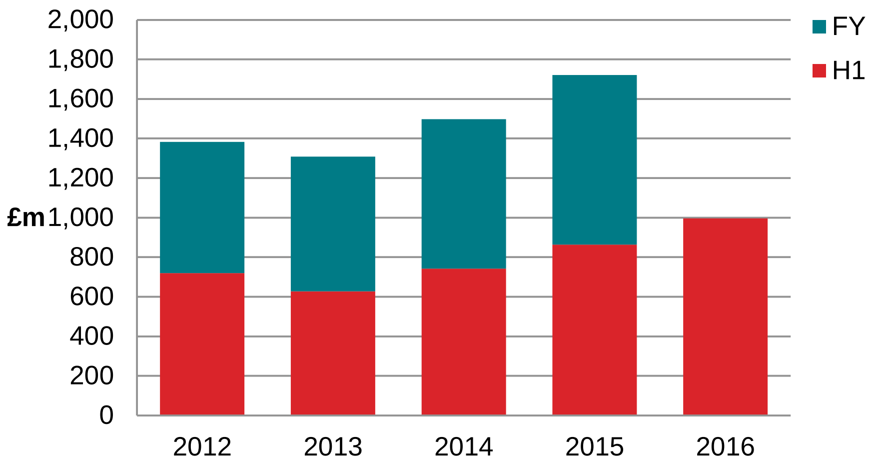
Residential - Outlook

- UK supply/demand imbalance
  - Continue to recycle land bank capital
  - Grow the Mixed Tenure business
  - Remain flexible to market conditions
- Budget changes manageable
  - Registered providers consolidation
  - Provision of new-build and maintenance
- Integrated opportunities
  - Derivation of value from under-utilised land/assets
- Capital invested remains at c.£250m
  - Self sufficient, strong forward sales for 2016
  - Focus on 15% return on capital over the medium-term

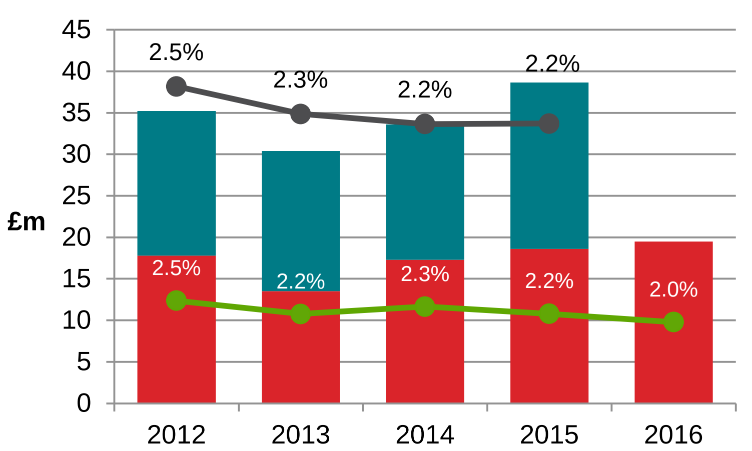
Construction

Construction - Performance

Continuing operations	Six months ended 31 December		
	2015 £m	2014[3,4] £m	*Change %*
Revenue[1]	**997**	**863**	***+15***
Underlying operating profit[2]	**19.5**	**18.6**	***+5***
Underlying operating margin[2]	**2.0%**	**2.2%**	
	31 December 2015	**30 June 2015[4]**	
Order book (secure and probable)	**3.5bn**	**3.5bn**	-



Revenue[1]



Underlying operating profits and margins[2]

[1]Group and share of joint ventures.
[2]Stated before non-underlying items, see slide 11.
[3]Prior year restated to reflect the reclassification of the UK mining activities to discontinued operations and other classifications.
[4]Restated to reflect the reallocation of certain activities between divisions.

Construction - Sectors

	Revenue		Future trend	
Sector	December 2015	June 2015	Short term	Medium term
Education	28%	27%	↔	↔
Commercial, residential and mixed-use	21%	21%	↗	↔
Health	12%	10%	↔	↗
Transportation	13%	8%	↔	↗
Power, industrial, utilities and waste	9%	11%	↔	↗
International	13%	12%	↔	↗
Other (inc blue light/custodial/defence)	4%	11%	↗	↗

Construction - Update

- UK Building
  - Strong organic growth and market share
  - Market leader with national coverage
  - Framework focus maintained
  - Lower risk new work
- UK Infrastructure
  - Broad range of sectors
  - Good medium term revenue visibility
  - Underpins UK economic growth
  - Significant pipeline
- International
  - Middle East focus
    - Low oil price challenging
      - UKEF differentiates
    - Dubai, Abu Dhabi, Saudi

Scape – Ivel Medical Centre

Mersey Gateway

International - Bluewaters

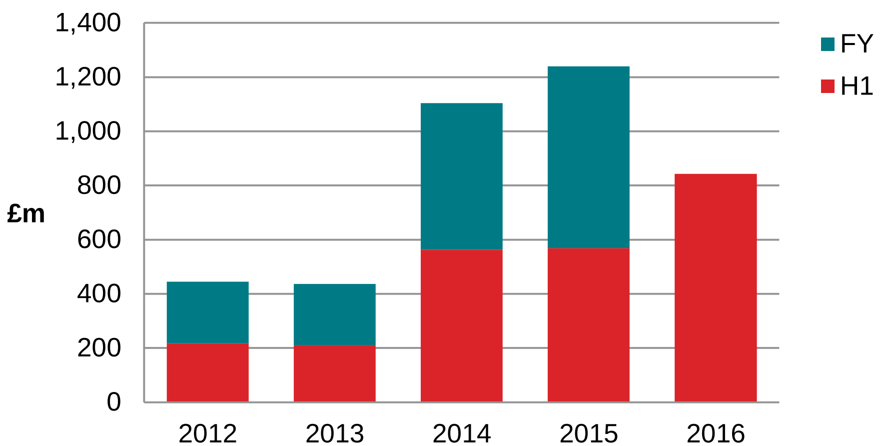
Construction - Outlook

- Strong position
  - Secured £1bn of work
  - Order book £3.5bn
  - 100% secured for 2016 on increasing revenues
- Recovering UK market
  - Less competitive building environment
  - Higher quality new work
  - Lower risk profile
- International
  - Middle East focus
  - Dubai Expo 2020
- Improving margins and cash generation
  - In-line with five-year strategy

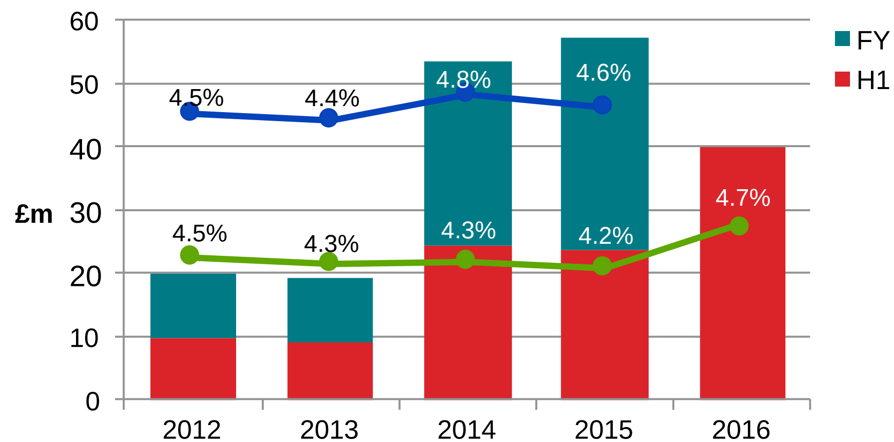
Services

Services - Performance

	Six months ended 31 December		
	2015 £m	2014 £m	*Change %*
Revenue[1]	**842**	**569**	***+48*[3]**
Underlying operating profit[2]	**39.9**	**23.7**	***+68*[3]**
Underlying operating margin[2]	**4.7%**	**4.2%**	
	31 December 2015	30 June 2015[4]	
Order book (secure and probable)	**5.5bn**	**5.8bn**	***-5***



Revenue[1]

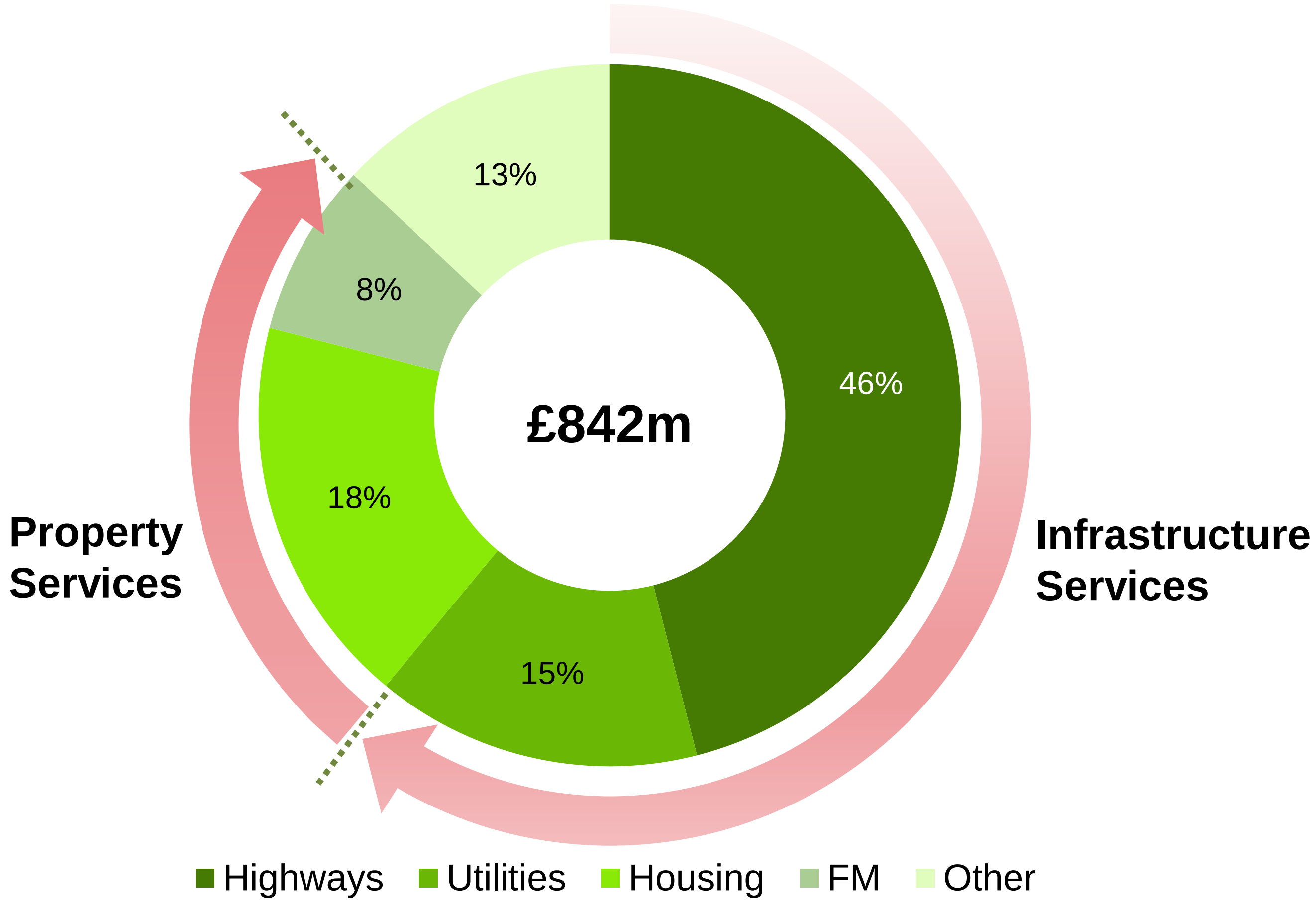


Underlying operating profits and margins[2]

[1]Group and share of joint ventures.
[2]Stated before non-underlying items, slide 11.
[3]2014 figures do not include the trade of the Mouchel group which was acquired on 8 June 2015.
[4]Restated to reflect the reallocation of certain activities between divisions.

Services - Overview

- Revenue analysis – Six month period to December 2015



Services

	Revenue		Future trend	
Sector	**December 2015**	**June 2015**	**Short term**	**Medium term**
Highways	46%	27%	↔	↗
Utilities and other regulated	15%	22%	↔	↔
Housing maintenance - public	12%	17%	↔	↗
Housing maintenance - private	6%	10%	↔	↗
Facilities Management (FM)	8%	10%	↗	↗
Other	13%	14%		

Services - Mouchel integration

- Substantially progressed
  - To be completed by June 2016
- Progress on combining the Highways business
  - Strategic and local authority activities
  - England's leading highways management and maintenance provider
  - Customers and key management retained
- Consistent and best practice bidding disciplines established
- Cost savings will be achieved
  - Aim to exceed £10m in 2017
- Cross-selling opportunities being pursued

Services - Infrastructure

Highways

- Trading environment changing
- Highways England
  - RIS funding of £17bn confirmed in spending review
  - Short-term focus on capital projects
- Local authorities
  - Significant pipeline
  - Four opportunities value >£500m
- Australia
  - DownerMouchel joint venture performing well

Utilities

- Aligned to infrastructure business
- AMP6 mobilisation on course
- Incremental flood protection measures for CRT

Northampton Council

Strategic highways

Thames Water

Services - Property

Housing

- Top three UK service provider
- Government budget changes
  - Delay in new opportunities
- Medium term outlook
  - Larger, integrated outsourced schemes
  - New-build and maintenance offering

Facilities management and related services

- FM and Business Services combined
  - Focus and efficiency
- New management team established
- Year-on-year revenue growth of 20%
  - Strong pipeline identified

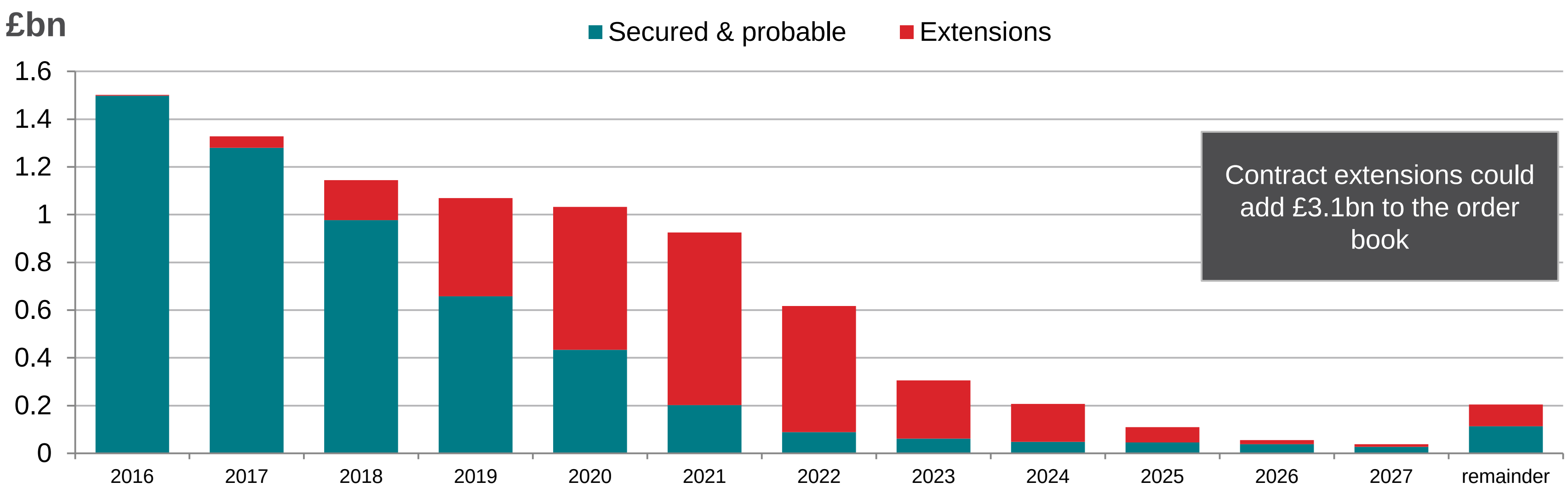
Stoke City Council


Royal Opera House


North Yorkshire County Council

Services - Outlook

- Strong position
  - Long term order book of £5.5bn
  - Potential extensions of £3.1bn
  - 100% secured for 2016
- Expanded Infrastructure capabilities
  - Highways and Utilities
- Property Services
  - Housing rent changes manageable
  - Enlarged FM business
- Integration proposition



Group Outlook

- Good results
  - Profit in line; net debt ahead
  - Order book of £9bn; well secured for 2016
- Platform for growth
  - Operating efficiency and strong risk management
- Mouchel integration substantially progressed
- Leading market positions in growing sectors
  - >75% of Group revenue
- Portfolio of businesses provides resilience
- Continued progress with Vision 2020 goals

KIER

Appendices

Vision 2020 - Update

Key metrics	2020 target	December 2015
Annual average operating profit growth (%)	>10	27 – ahead of target
Property – ROCE (%)	>15	>15 – on target
Residential – ROCE (%)	to 15	Improving
Construction – EBITA (%)	to 2.5	2.0
Services – EBITA (%)	to 5	4.7 – stable
Net debt: EBITDA	1:1 by 2017	On target

Financing Facilities

	December 2015	June 2015	Maturity
Facility type	**£m**	**£m**	
US Private Placement	183	183	2019,2021, 2022,2024
Revolving credit facility	380	380	2020
Funding for lending scheme loan	30	30	2017
Overdraft	45	45	
Asset finance	59	103	
Total	**697**	**741**	

Property: PFI / PPP and Investments Portfolio

(as at 31 Dec 2015)

	Project	Status	Capital value £m	Kier equity / loan stock £m	Equity %
Local authority	Woking housing	In construction	31	2.0	50.0
Student accommodation	Glasgow (direct let)	In operation	16	3.3	50.0
	Newcastle (direct let)	In negotiation	29	5.9	50.0
	Southampton (direct let)	Preferred bidder	29	7.9	75.0
Education	East Ayrshire Schools	Preferred bidder	43	1.0	24.0
	South Ayrshire Schools	Preferred bidder	24	0.6	24.0
Blue light	London fire stations	In construction	44	2.1	50.0
	Stoke and Staffordshire Fire Stations	In construction	29	2.3	80.0
Committed Investment				£25.0m	

Jade: Kier Construction and Services **Blue:** Kier Construction **Black:** Investment only
Of the £25.0m committed, £3.7m has been invested to date
Directors' valuation at 7.5% for PFIs and 10% for direct let student schemes - £36m