



Kier Group

Preliminary results for the year ended 30 June 2015

17th September 2015

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Haydn Mursell

Chief Executive

Agenda

- Highlights
- Financials
- Operational update
- Vision 2020 progress
- Group outlook

Highlights

- Strong performance
 - Good contribution from all divisions
 - Increased scale and quality of earnings
 - Mouchel acquisition completed 8 June
 - Vision 2020 goals on track
 - Simplification of the Group
- Macro environment positive
 - Funding available
 - Housing demand
 - Investment in infrastructure
 - Public sector outsourcing
- Improved trading environment
 - Increased pipeline of opportunities
 - Lower risk profile
 - Well secured for 2016



Financial update

Bev Dew, Finance Director

Financial Highlights

- Strong set of results
 - Revenue¹ £3.4bn up 14%
 - Operating profit² £104m up 19%
 - Resilient operating margins
 - Improved net debt £141m
 - After investment of £82m and working capital inflow of £58m
- Earnings per share 96p up 10%³
- Proposed final dividend of 36.0p
 - Full year cash dividend £47m, up 20%
- Integration of Mouchel and synergies on track

¹ Group and share of joint ventures from continuing operations

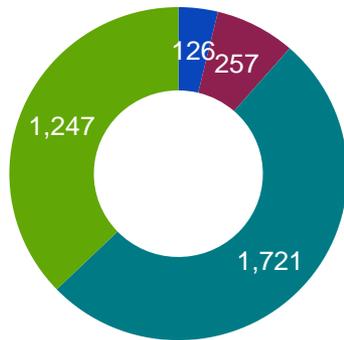
² Arising on continuing operations, stated before non-underlying items, see slide 11

³ Restated for bonus element in the rights issue associated with the Mouchel transaction.

Revenue and Underlying Operating Profit

June 2015

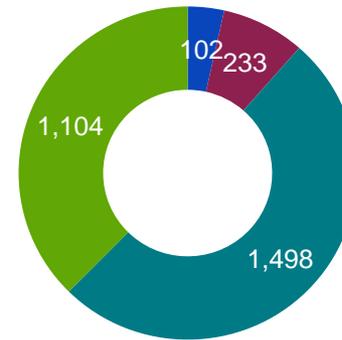
Revenue¹ **£3,351m** +14%



- Property – 4%
- Residential – 8%
- Construction – 51%
- Services – 37%

June 2014

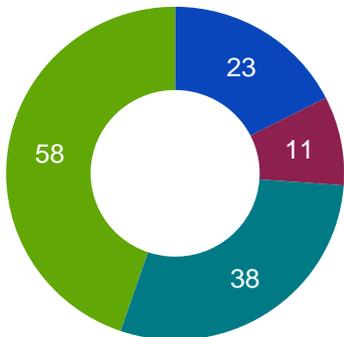
Revenue^{1,2} **£2,938m**



- Property – 3%
- Residential – 8%
- Construction – 51%
- Services – 38%

June 2015

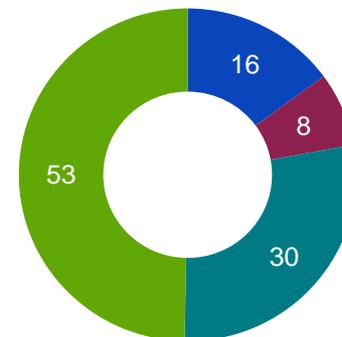
Underlying operating profit³ **£129.6m** +21%



- Property – 17%
- Residential – 9%
- Construction – 29%
- Services – 45%

June 2014

Underlying operating profit^{2,3} **£107.2m**



- Property – 15%
- Residential – 7%
- Construction – 28%
- Services – 50%

¹ Group and share of joint ventures from continuing operations

² Represented to reflect the creation of the Residential division, comprising elements previous included within the Property and Construction divisions.

³ Arising on continuing operations, stated before non-underlying items, see slide 11, excluding corporate costs.

Income Statement

	Year ended 30 June		Change
	2015 £m	2014 £m	%
Total underlying operating profit¹	103.7	87.3	+19
Net finance costs	(17.8)	(13.6)	+31
Underlying profit before tax¹	85.9	73.7	+17
Underlying earnings per share (pence)	96.0	87.5	+10
Interim dividend per share (pence)	19.2 ²	18.0 ²	+7
Final dividend per share (pence)	36.0	39.6 ²	-9
Total dividend (£m)	47.3	39.4	+20

¹ Arising on continuing operations, stated before non-underlying items, see slide 11.

² As restated for the bonus element of the rights issue associated with the Mouchel transaction.

Underlying Operating Profit

	Year ended 30 June		Change
	2015 £m	2014 ² £m	%
Performance by division			
Property	22.7	16.0	+42
Residential	11.2	7.7	+45
Construction	37.7	30.2	+25
Services ³	58.0	53.3	+9
Corporate	(25.9)	(19.9)	+30
Total underlying operating profit¹	103.7	87.3	+19
Net finance costs	(17.8)	(13.6)	+31
Underlying profit before tax¹	85.9	73.7	+17

¹ Arising on continuing operations, stated before non-underlying items, see slide 11.

² Represented to reflect the creation of the Residential division, comprising elements previous included within the Property and Construction divisions.

³ Services includes 3 weeks of Mouchel trading

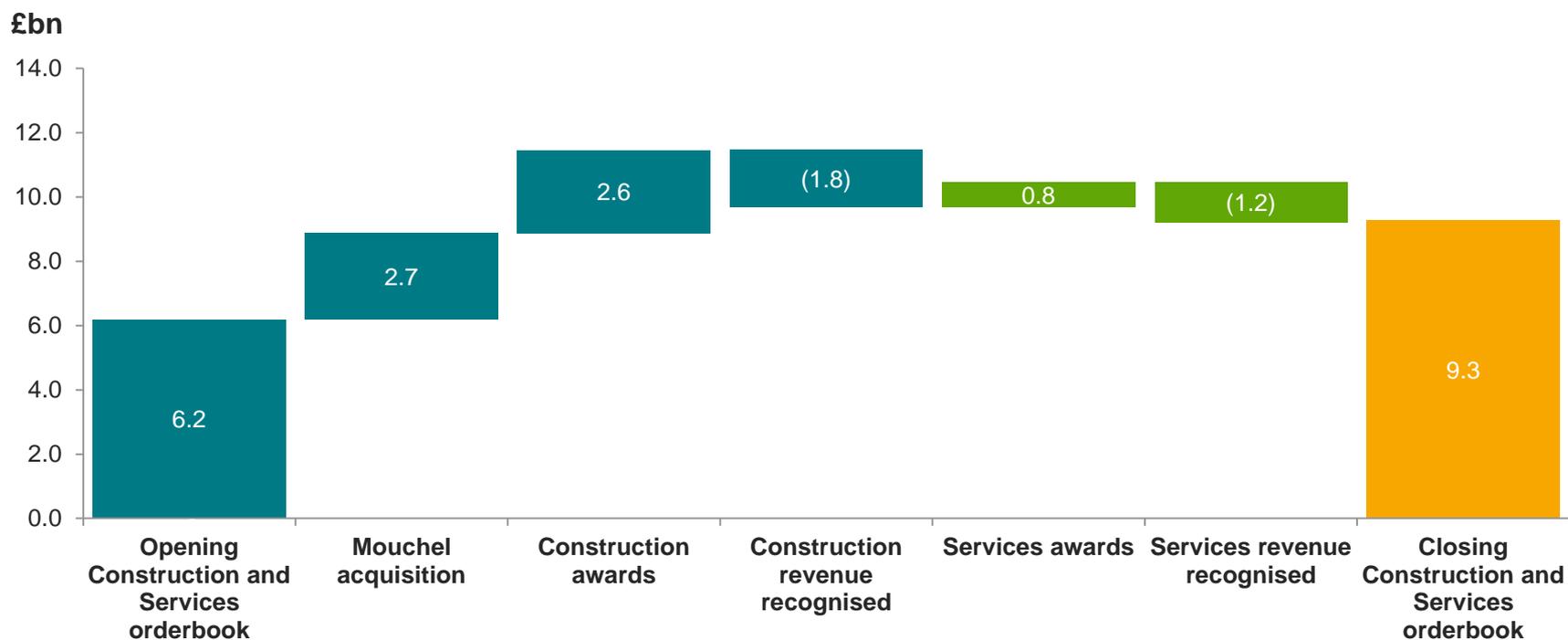
Non-underlying Items

	Year ended 30 June		
	2015		2014
	Profit impact £m	Cash impact £m	£m
Continuing operations			
Costs relating to acquisition of Mouchel Group	(13.5)	(8.4)	-
Costs relating to the preparation for & restructuring following the acquisition of the Mouchel Group	(8.4)	(6.0)	-
Costs associated with cessation of the Kier Group final salary pension scheme	(6.3)	(1.1)	-
Costs relating to the disposal of Fleet & Passenger Services	(3.4)	(3.3)	-
Costs relating to acquisition of May Gurney	-	-	(8.1)
Restructuring and transformation costs following the acquisition of May Gurney	-	-	(29.6)
Construction workers' compensation scheme costs	-	-	(4.5)
Total non-underlying items from continuing operations	(31.6)	(18.8)	(42.2)
Discontinued operations			
Impairment of the UK mining business to fair value less costs to sell	(22.9)	-	-
Total non-underlying items from discontinued operations	(22.9)	-	-
Total associated tax credit	5.0		6.4
Charged against profit for the year	(49.5)	(18.8)	(35.8)

(Excluding amortisation of intangible contract rights and acquisition discount unwind)

Order Book

	Year ended 30 June		Change
	2015	2014	
	£bn	£bn	%
Construction	3.3	2.5	+32
Services	6.0	3.7	+62
Total	9.3	6.2	+50

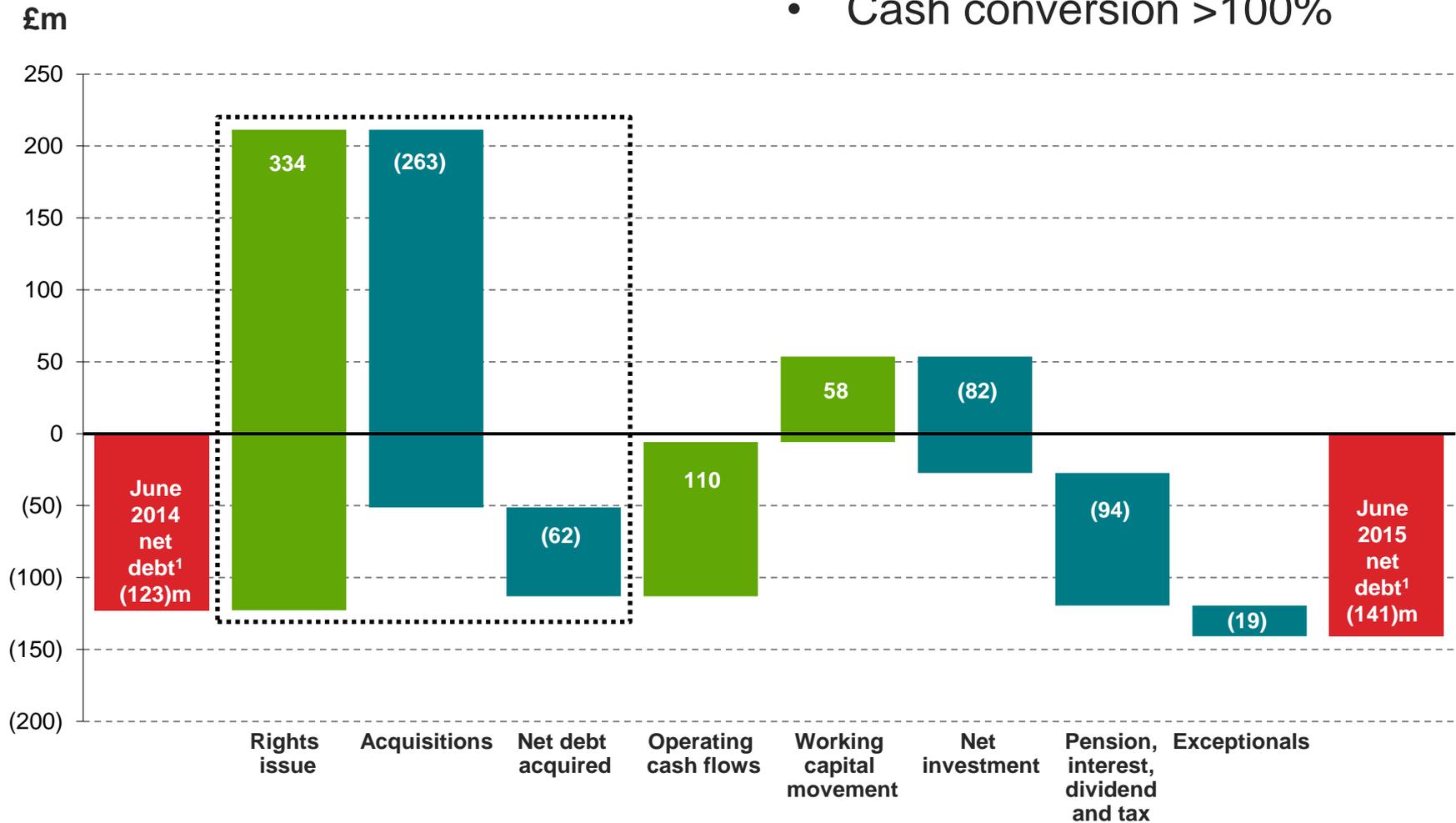


Balance Sheet Summary

	Year ended 30 June		Change
	2015	2014	
	£m	£m	£m
Intangible assets	777	324	+453
Property, plant and equipment	121	192	-71
Investment in JVs	79	41	+38
Residential land and work in progress	345	334	+11
Net assets held for resale	26	10	+16
Other working capital	(367)	(246)	-121
Cash	254	112	+142
Borrowings	(395)	(235)	-160
Provisions	(59)	(84)	+25
Pensions (net of deferred tax)	(123)	(48)	-75
Finance lease obligations	(41)	(87)	+46
Tax and deferred tax	(32)	(3)	-29
Net assets	585	310	+275

Group Net Debt

- Cash conversion >100%



¹ Excludes finance lease obligations

Pensions

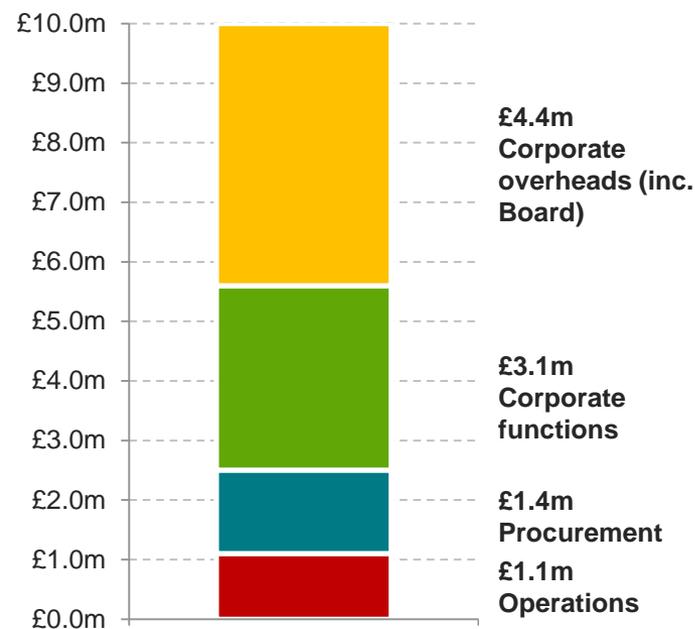
		At 30 June	At 30 June	Change
		2015	2014	
		£m	£m	£m
Kier Group Pension Scheme:				
	Market value of assets	919	837	+82
	Present value of liabilities	(994)	(900)	-95
	Deficit in the scheme	(75)	(63)	-12
	Deferred tax	15	13	+2
	Net pension liability on Kier Group Pension Scheme	(60)	(50)	-10
Mouchel Pension Schemes:				
	Market value of assets	356	-	+356
	Present value of liabilities	(431)	-	-431
	Deficit in the scheme	(75)	-	-75
	Deferred tax	15	-	+15
	Net pension liability on Mouchel Pension Schemes	(60)	-	-60
	Net effect of May Gurney and Translinc Schemes	(3)	2	-5
	Total net pension liability	(123)	(48)	-75
Key assumptions:				
	Discount rate	3.9%	4.4%	-0.5%
	Inflation rate - RPI	3.4%	3.4%	-
	Inflation rate - CPI	2.3%	2.4%	-0.1%

Synergies Update

- May Gurney synergies on track
- Mouchel
 - All actions completed to deliver £4m of synergies in 2016
 - On track to deliver £10m of synergies in 2017
 - One-off exceptional integration costs of £8m incurred in 2015
 - Majority will be incurred during 2016

Pre-tax run rate cost synergies by category

£10m in FY 2017



Financial Summary

- Operating profit to £104m up 19%
- Borrowings below consensus
 - Enhanced ROCE in Property
 - Strong working capital performance across all divisions
- Banking facilities renegotiated and extended
- Increased shareholder investment, dividend of £47m up 20%
- Simplifying the Group
 - Disposal of F&PS
 - Closure of final salary pension scheme
 - Proposed sale of UK mining
- Mouchel integration ahead of schedule
- Strong order book of £9.3bn



Operational update

Haydn Mursell, Chief Executive

Property

Property - Performance



	Year ended 30 June		
	2015 £m	2014 £m ³	Change %
Revenue¹			
Development	79	86	-8
Structured finance	47	16	+194
Total	126	102	+24
Underlying operating profit²			
Developments	23.0	11.2	+105
Structured finance	(0.3)	4.8	-106
Total	22.7	16.0	+42
Average capital⁴			
Developments	(84)	(70)	+20
Structured finance	1	9	-89
Total	(83)	(61)	+36

¹ Group and share of joint ventures.

² Stated before non-underlying items, see slide 11.

³ Restated to reflect the creation of the Residential division, comprising elements previous included within the Property and Construction divisions.

⁴ Equates to average net debt.

Property - Developments



- 27% return on capital in 2015
- Maintained £1bn+ pipeline
- Funding readily available
 - JV structures optimise ROC
- Logistics City launch
- >£100m revenue to rest of the Group
- Expertise critical to integrated opportunities
 - Staffordshire Property Partnership



Foley Street, London



Logistics City, Thurrock



Catterick Retail Park

Property - Structured Finance



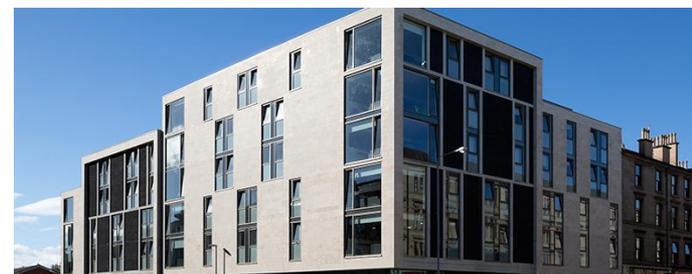
- Maintained portfolio
 - Eight schemes, £36m value
- Continue to recycle mature assets
 - Sale of Oldham library
- Student accommodation
 - Glasgow
 - Newcastle
- Infrastructure
 - Silvertown tunnel



Oldham Library



Student accommodation, Glasgow



Ayr Academy

Property - Outlook



- Strong UK market
 - Regions attractive
- National coverage
- Broad sector profile
 - Resilience
- Good support by co-investors
- Focused on ROC
 - Capital investment increasing
 - 15% minimum return
- Integrated opportunities to drive value creation

Residential

Residential - Performance



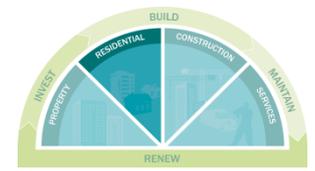
	2015 £m	2014 ² £m	Change %
Revenue			
Private (Kier land)	142	128	+11
Mixed tenure	115	105	+10
Total	257	233	+10
Underlying operating profit¹			
Private (Kier land)	6.4	3.9	+64
Mixed tenure	4.8	3.8	+26
Total	11.2	7.7	+45
Average capital³			
Private (Kier land)	(220)	(213)	+3
Mixed tenure	(43)	(20)	+115
Total	(263)	(233)	+13
Homes – land bank units	3,485	3,953	-12

¹ Stated before non-underlying items, see slide 11.

² Restated to reflect the creation of the Residential division, comprising elements previously included within the Property and Construction divisions.

³ Equates to average net debt.

Residential - Mixed Tenure



- Significant increase in activity
 - 1,424 completions
 - Housing market strong
- National coverage
 - Southdale acquisition
- Improving financials
 - Return on capital now >10%
 - Capital increased to >£40m
 - >70% secured for 2016
- Budget changes manageable
 - Longer term potential



Manor Kingsway, Derby



Balaam Wood, Birmingham



Oxcroft, Chesterfield

Residential - Private (on Kier land)



- Completions in line with strategy
 - 17% increase
 - c.60% on old land, minimal ROCE
- Land bank mix improving
 - 75% old land: 25% new land
 - 20% ROC on new land, once fully trading
- Land bank units 3,485
 - Reducing as cash is recycled to Mixed Tenure
- Selling at >0.7 units per trading site per week
- >40% secured for 2016



Westhill, Kettering



Laburnum Lodge, Sandy



The Waterfront, Worthing

Residential - Outlook



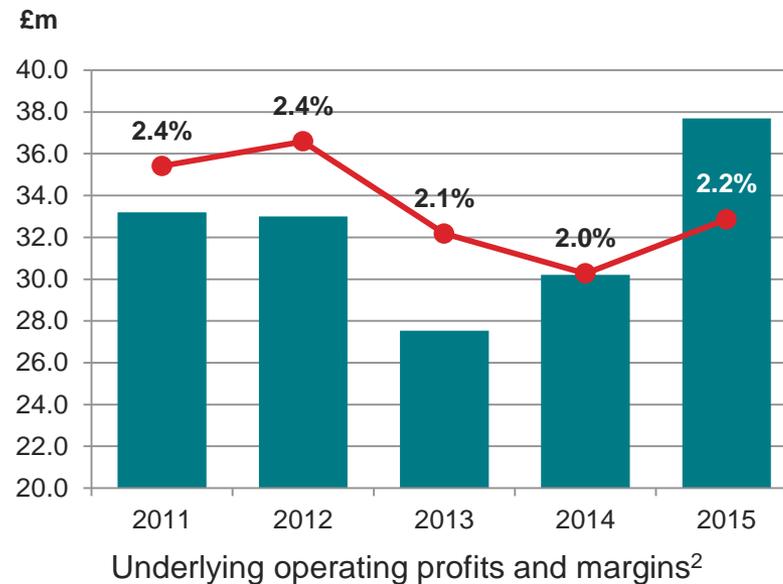
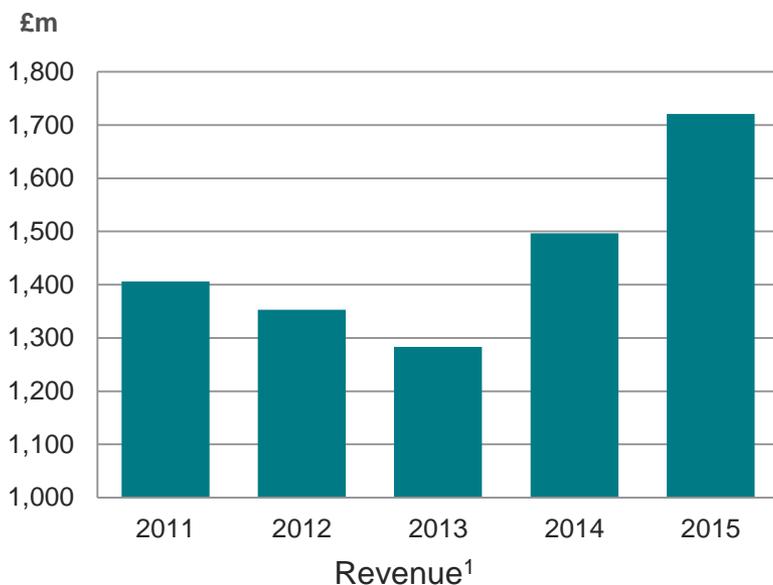
- UK supply/demand imbalance
 - Continue to recycle land bank capital
 - Grow the Mixed Tenure business
- Budget changes manageable
 - Potential housing provider consolidation
- Integrated opportunities
 - Derivation of value from underutilised land/assets
 - Provision of new build and maintenance
- Capital invested remains at c.£250m
 - Self sufficient division
 - Focus on 15% return over the medium term

Construction

Construction - Performance



	Year ended 30 June		Change %
	2015 £m	2014 ³ £m	
Revenue ¹	1,721	1,498	+15
Underlying operating profit ²	37.7	30.2	+25
Underlying operating margin ²	2.2%	2.0%	
Order book (secure and probable)	3.3bn	2.5bn	+32



¹ Group and share of joint ventures, arising on continuing operations.

² Arising on continuing operations, stated before non-underlying items, see slide 11.

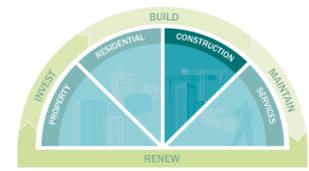
³ Restated to reflect the creation of the Residential division, comprising elements previously included within the Property and Construction divisions.

Construction - Sectors



Sector	Revenue		
	June 2014	June 2015	Future trend
Education	24%	27%	↔
Commercial, residential and mixed use	22%	21%	↗
International	14%	12%	↗
Power, industrial, utilities and waste	12%	11%	↗
Health	8%	10%	↗
Transportation	10%	8%	↗
Defence	1%	4%	↗
Other (inc blue light/leisure/retail)	9%	7%	

Construction - UK Building



- Strong organic growth
 - National coverage
- Framework focus maintained
 - SCAPE £1.5bn
 - Southern Construction £4bn
 - P21+
 - Hampshire hospital
- Biotech presence
 - University of Cambridge
 - Wellcome Trust Sanger Institute
- Lower risk profile
 - Two stage bidding
 - Longer to financial close



The Ram Quarter, Wandsworth



Scape



Wellcome Trust Sanger Institute

Construction - UK Infrastructure



- Increased capability
- Significant pipeline over medium term
 - Good revenue visibility
- Transport
 - Crossrail
 - HS2
 - Mersey Gateway
 - Smart Motorways
- Power
 - New Nuclear – Hinkley
 - Gas and other
- Utilities
 - Thames Water - Deephams



Crossrail



Mersey Gateway



Deephams

Construction - International



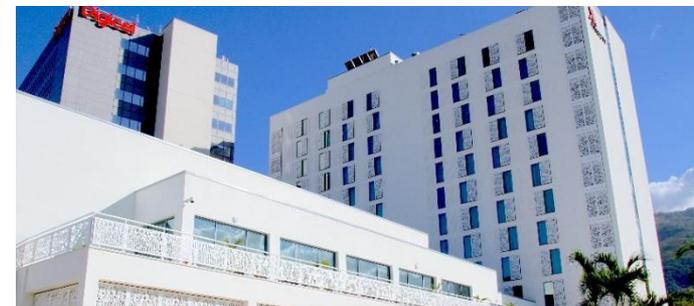
- Order book strength
 - New work secured >£375m
 - Prestigious residential development, Dubai £100m+
- Middle East focus
 - Dubai
 - Saudi Arabia
 - UK Export Finance
- Hong Kong
 - MTR rail programme delays
- Strong market growth expected



Dubai residential development



Saadiyat Rotana Resort



Marriott Caribbean

Construction - Outlook



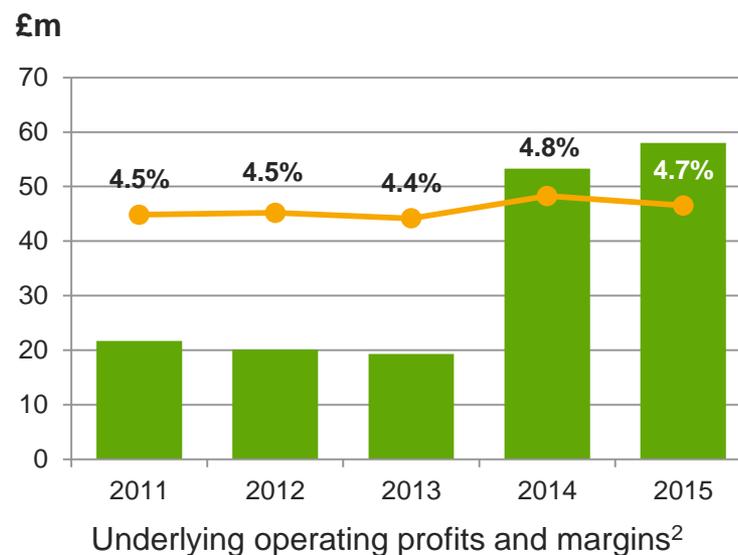
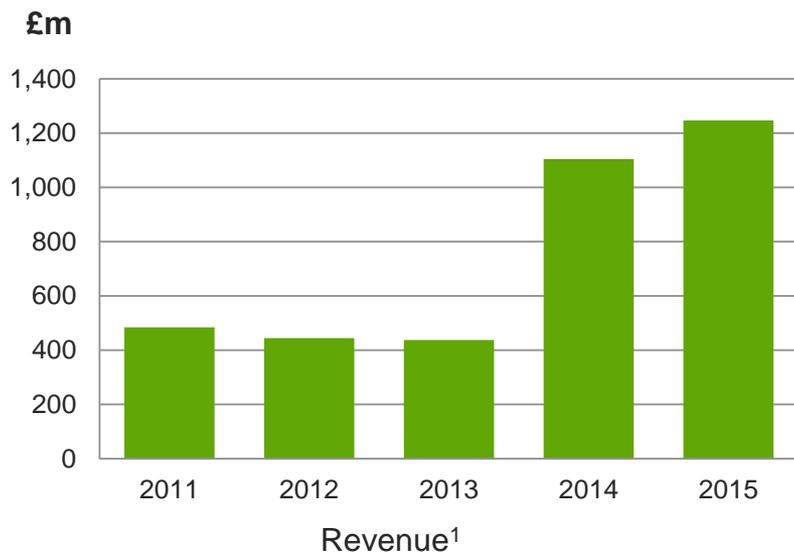
- Strong position
 - Order book £3.3bn
 - 95% secured for 2016
- Recovering market
 - Higher quality new work
 - Lower risk profile
- UK Infrastructure horizon
 - Government focus and investment
 - Significant potential over the medium term
- Middle East activity
 - UKEF differentiator
- Improving margins and cash generation
 - In-line with 5 year strategy

Services

Services - Performance



	Year ended 30 June		<i>Change</i> %
	2015 £m	2014 £m	
Revenue ¹	1,247	1,104	+13
Underlying operating profit ²	58.0	53.3	+9
Underlying operating margin ²	4.7%	4.8%	
Order book (secure and probable)	6.0bn	3.7bn	+62



¹ Group and share of joint ventures, including three weeks of Mouchel trading in 2015.

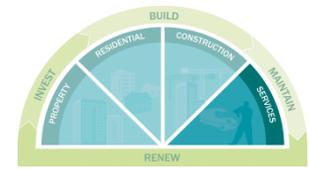
² Includes three weeks of Mouchel trading in 2015, stated before non-underlying items, see slide 11.

Services - Sectors



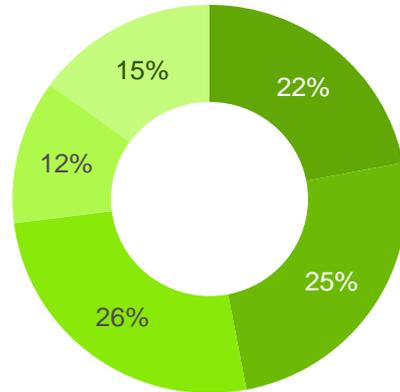
Sector	Revenue		
	June 2014	June 2015	Future trend
Highways	25%	27%	
Utilities and other regulated	22%	22%	
Housing maintenance - public	21%	17%	
Housing maintenance - private	5%	10%	
Facilities Management (FM)	12%	10%	
Other (includes KBS, Mouchel Consulting and Environmental)	12%	11%	
Fleet & Passenger Services (F&PS)	3%	3%	Sold

Services - Overview



2014 Revenue Breakdown

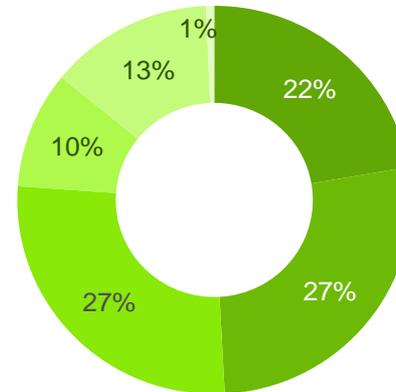
Revenue £1,104m



- Utilities
- Highways
- Housing
- FM
- Other

2015 Revenue Breakdown (3 weeks Mouchel)

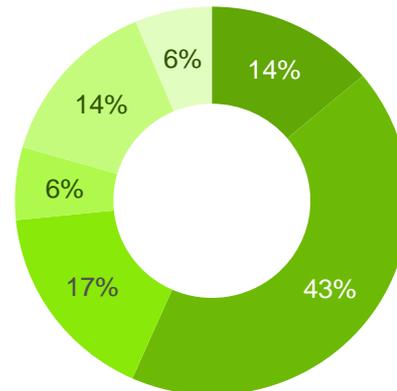
Revenue £1,247m



- Utilities
- Highways
- Housing
- FM
- Other
- Consulting

2015 Revenue Breakdown (Mouchel annual proforma basis)

Revenue £1,877m



- Utilities
- Highways
- Housing
- FM
- Other
- Consulting

Services – Utilities and Highways Maintenance



- >£700m AMP6 wins
 - May Gurney relationships
 - Thames Water
 - Anglian Water
- Contract mobilisations completed
- £200m 4-year Northamptonshire County Council contract
- Surrey, Lincolnshire and East Sussex extensions >£100m
- More promising pipeline over next two years
 - Mouchel bidding expertise



Thames Water

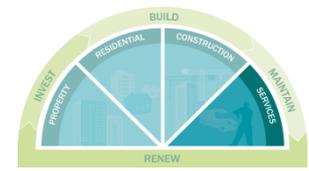


Anglian Water



Northamptonshire Highways

Services - Housing Maintenance and FM



- Increased HA & RP coverage
 - £140m Genesis contract mobilised
- Sheffield and Richmondshire awards >£50m
- Potential consolidation
 - Likely larger, more complex outsourcing contracts
- Broad FM offering
 - Royal Opera House £22m award
- Extend UK geographical reach



Genesis

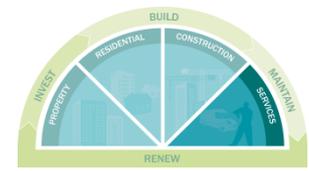


Royal Opera House



Housing Maintenance

Services - Mouchel



- Integration progressing well
 - Customers and senior management retained
 - Combined Highways business
- Early sight of revenue synergies
- UK sector leader in Highways Maintenance and Management
- Accelerated infrastructure growth
- Breadth of Kier for Business Services clients
- DownerMouchel opportunities



Strategic Highways (formerly EM Highways)



KBS (formerly Mouchel Business Services)

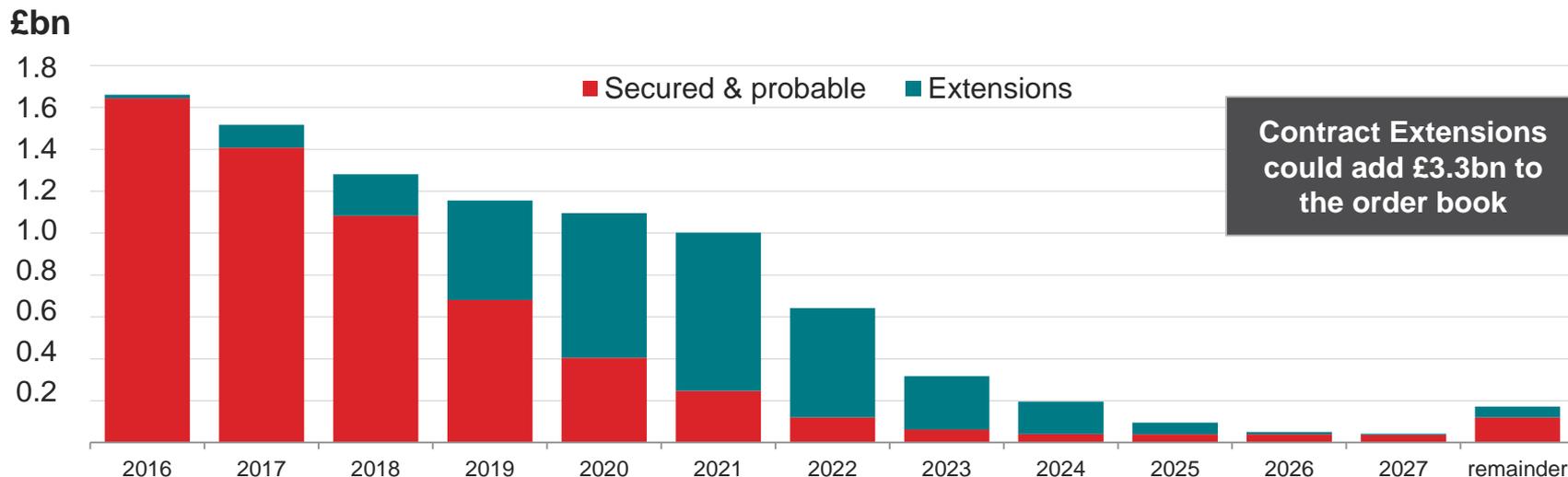


Mouchel Consulting
(formerly Mouchel Infrastructure Services)

Services - Outlook



- Strong position
 - Long term order book of £6.0bn
 - Potential extensions of £3.3bn
 - 90% secured for 2016
- Expanded Infrastructure capabilities
 - Transport and Utilities
- Continued public sector fiscal pressure
 - More complex outsourcing contracts



Vision 2020 update

Vision 2020 - organic growth

Business	Strategy	Progress to date
Property	<ul style="list-style-type: none"> Organic growth - cash flow from Group and external finance options 	<ul style="list-style-type: none"> Excellent ROCE with external co-investors Capital invested increasing to £130m during 2016
Residential Private (on owned land)	<ul style="list-style-type: none"> Stability (c700 units pa) Right size and improve land bank mix 	<ul style="list-style-type: none"> YoY unit sales growth 17% New land 25% of 3,500 unit land bank
Construction UK Building International	<ul style="list-style-type: none"> UK geographic coverage Focused, adjacent geographies 	<ul style="list-style-type: none"> YoY revenue growth of >20% Order book more than doubled
Services Utilities FM	<ul style="list-style-type: none"> Key sectors/clients Water, power, telco Organic growth Geographical coverage 	<ul style="list-style-type: none"> >£700m of new work in JV in H1 May Gurney relationship YoY double digit revenue growth

Vision 2020 - accelerated growth

Business	Strategy	Progress to date
Residential Mixed Tenure Housing Maintenance	<ul style="list-style-type: none"> • Geographical coverage • Move beyond LA focus to RPs • Integrated opportunities 	<ul style="list-style-type: none"> • Significant YoY units sales growth • Double digit ROCE • Southdale acquisition (Northern capability)
Construction UK Infrastructure	<ul style="list-style-type: none"> • Focus on key sectors • Integrated opportunities with Services (whole life cost) 	<ul style="list-style-type: none"> • Crossrail • Mersey Gateway • Hinkley • Highways England CDF • HS2 joint venture established
Services Highways Maintenance	<ul style="list-style-type: none"> • Move beyond Local Authority (LA) focus to Strategic Roads 	<ul style="list-style-type: none"> • >£200m of new LA work in H1 • LA opportunities in FY16+ • Mouchel acquisition in H2 has created UK sector leader • Combined Highways business

Vision 2020 - divestments

- **Disciplined approach to strategic and financial criteria**
 - Aligns with our five year strategy for growth
 - Top 3 player in a sector/market
 - 15% return on capital
 - Quality of margin and cash generation
 - Resolution of loss-making contracts

Business	Strategy	Progress to date
F&PS	<ul style="list-style-type: none">• Non-core• Financial hurdle criteria not met	<ul style="list-style-type: none">• Sale completed in July• Enterprise value £50m
Mining	<ul style="list-style-type: none">• Coal price deterioration• Financial hurdle criteria not met	<ul style="list-style-type: none">• Sale process on going• Expected completion H1 FY16

Strategic Progress - financial targets

- Key metrics

2014 to 2015	Target	2015
Annual average operating profit growth (%)	>10	19 – Ahead of target
Property – ROCE (%)	>15	27 – Ahead of target
Residential – ROCE (%)	>15	Improving
Construction – EBITA (%)	>2.5	2.2 – Increasing
Services – EBITA (%)	>5	4.7 – Stable
Net debt: EBITDA	1:1 by 2017	Ahead of target

Group Outlook



- Good results
 - Order book of £9.3bn
 - Well secured for 2016
 - Strong balance sheet
- Mouchel acquisition
 - Infrastructure revenues >£1.5bn
 - Combined Highways business
- Improving trading environment
 - Breadth of capabilities
 - Competitive market position
- On track with our Vision 2020 goals



Q&A



Appendices

Dividend analysis

- Rights issue increased shares in issue by c.40m shares to 95.2m shares in issue at the year end. Only 3 week's earnings from Mouchel (completed 8 June) were included in the Group's earnings in the period
- Rights issue bonus factor assumes 12 months revised capital structure rather than reflecting the short period of ownership.
- In cash terms the 2015 proposed dividend is up 20.1% to £47.3m. In dividend per share terms, this is a fall of 4.2% to 55.2p after adjusting for the rights issue bonus factor of 0.8.
- Time based share capital increased to 57.6m shares in issue reflecting 3 weeks of 95.2m shares and 49 weeks of 55.3m shares. On a time weighted basis the DPS is an increase of 14.5% year on year.

	FY 2015		Movement %	FY 2014	
	DPS (p) pence	Total Div £ m		DPS (p) pence	Total Div £ m
Interim declared	24.0	13.2		22.5	12.3
Final declared	36.0	34.1		49.5	27.1
		47.3	20.1		39.4
Opening shares in issue (m)	55.3			54.6	
Closing shares in issue (m)	95.2			55.3	
Time weighted shares in issue (m)	57.6			55.0	
£ Dividend/time weighted shares (pps)	82.1		14.5	71.7	
Underlying earnings post tax		69.0	14.6		60.2
Dividend cover*		1.44	(4.6)		1.51
Post right issue bonus factor	0.8				
Dividend adjusted for bonus factor	55.2		(4.2)	57.6	

* Adjusted for minority interests

Financing Facilities

	2015	2014	Maturity
Facility type	£m	£m	
US Private Placement	183	63	2019,2021, 2022,2024
Syndicated term loans	-	50	2016
Revolving credit facility	380	190	2020
Funding for lending scheme loan	30	30	2017
Overdraft	45	45	
Asset finance	103	121	
Total	741	499	

Property: PFI / PPP and Investments portfolio

	Project	Status	Capital value £m	Kier equity/loan stock £m	Equity %
Local authority	Woking housing	In construction	31	2.0	50
Student accommodation	Salford University	In construction	64	2.1	25
	Glasgow (direct let)	In construction	16	3.0	50
Education	East Ayrshire Schools	Preferred Bidder	34	1.0	24
	South Ayrshire Schools	Preferred Bidder	25	0.6	24
Blue light	Police Investigation Centres	Operational	60	8.0	100
	London fire stations	In construction	44	2.1	50
	Stoke and Staffordshire Fire Stations	In construction	29	2.3	80
Committed Investment				£21.1m	

Jade: Kier Construction and Services Red: Kier Construction Black: Investment only
 Of the £22.1m committed, £13.1m has been invested to date
 Directors' valuation at 7.5% for PFIs and 10% for direct let student schemes - £36m

