ANNOUNCEMENT OF RIGHTS ISSUE

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30 November 2018

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FOR IMMEDIATE RELEASE

30 November 2018

KIER GROUP PLC
ANNOUNCEMENT OF RIGHTS ISSUE

33 for 50 fully underwritten approximately £264 million rights issue

Kier Group plc (the "**Company**" or "**Kier**" and together with its subsidiaries, the "**Group**"), a leading infrastructure services, buildings and developments & housing group, today announces that it proposes to raise gross proceeds of approximately £264 million by way of a rights issue (the "**Rights Issue**").

Highlights

- Current trading and outlook for FY19 remain in line with the Board's expectations;
- Rights Issue undertaken to reinforce Kier's strong positions in its growing markets over the long-term;
- Better positions Kier in light of tighter credit markets and more stringent tender pre-qualification requirements;
- Net proceeds will accelerate net debt reduction plans and strengthen the balance sheet;
- Forecasting year-end net cash position for FY19; targeting an annualised average net debt:EBITDA ratio of less than 1x; and
- Targeting dividend cover of 5x underlying earnings per Share in FY19 and, thereafter, dividend cover of approximately 2.5x.

Background to and reasons for the Rights Issue

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

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

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

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

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

- although the majority of the Group's banking facilities are committed until 2022, a number of lenders have indicated an intention to reduce their exposure to the construction and related sectors, which may affect the confidence of other credit providers and liquidity in the medium term and may also have an impact on access to uncommitted facilities and/or future financings;

- potential clients and customers are increasingly focusing on service providers' balance sheets, resulting in procurement processes becoming increasingly rigorous and automated; and

- the increasing pressure from stakeholders to shorten supply chain payment terms.

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

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

Use of proceeds

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

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

Dividends and dividend policy

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

The Company has been building its dividend cover towards a 2.0x cover target, in line with its Vision 2020 strategy. Following the Rights Issue, the Company will adopt a dividend policy which takes into account the Company's earnings, balance sheet and future investment plans and target dividend cover of approximately 5.0x underlying earnings per Share in FY19 and, thereafter, dividend cover of approximately 2.5x underlying earnings per Share.

Directors' Intentions

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

Shareholder Intentions

In total, Shareholders who hold Shares representing approximately 32 per cent. of the existing issued share capital of the Company have informed the Joint Bookrunners and the Company that they intend to take up their entitlement in respect of the Rights Issue.

Haydn Mursell, Chief Executive of Kier Group plc, commented:
"There has been a recent change in sentiment from the credit markets towards the UK construction sector, with various lenders indicating that they will be reducing their exposure to the sector. This has led to lower confidence among other stakeholders and an increased focus on balance sheet strength. The Rights Issue is intended to address these issues, better position Kier to continue to win new business and further strengthen our market leading positions."

Analyst conference call

Haydn Mursell, Chief Executive and Bev Dew, Finance Director, will host a conference call for analysts on the Rights Issue at 3.00 pm today. The telephone number for this conference call is:

UK Toll-free: 0800 3589473 / PIN - 73484171#
UK Toll: +44 3333000804 / PIN - 73484171#
There is no playback facility

Prospectus

A prospectus (the "**Prospectus**") setting out full details of the Rights Issue is expected to be published on the Company's website later today. The preceding summary should be read in conjunction with the full text of the following announcement and its appendices, together with the Prospectus.

The Group's reporting structure

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

- **Infrastructure Services:** Kier delivers major UK infrastructure projects, such as Crossrail, the Smart Motorways programme and HS2, together with essential every-day services, such as those that it provides to the highways and utilities sectors. The Company expects there to be growth in a number of the sectors in which it operates, in light of the cross-party political support for investment in the UK's national and local infrastructure;
- **Buildings:** Kier is the UK's leading regional builder, with positions on a number of significant, national frameworks, providing long-term visibility of future work. The Group has a particularly strong presence in the education and health sectors and it expects that the changing UK demographic will continue to provide it with significant opportunities in those sectors, whilst it also continues to develop its presence in others, including aviation and bioscience; and
- **Developments & Housing:** The Group's property developments business focuses principally on non-speculative

schemes across a number of core sectors, including industrial, office, leisure and student accommodation. The Group's housing business builds mixed tenure affordable housing, houses for private sale and provides maintenance services. Kier believes that the shortage of affordable housing in the UK, together with significant reductions in local authorities' new housing stocks and reductions in the rent that registered housing providers can charge, provide it with significant opportunities.

Indicative summary timetable of principal events

Record Date for entitlements under the Rights Issue	**6.00 p.m. on 30 November 2018**
Despatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only)	On or about 4 December 2018
Admission and Dealings in New Shares, nil paid, commence on the London Stock Exchange	**8.00 a.m. on 5 December 2018**
Ex-Rights Date	8.00 a.m. on 5 December 2018
Latest time and date for acceptance in CREST and payment in full and registration of renounced Provisional Allotment Letters	**11.00 a.m. on 19 December 2018**
Expected date of announcement of the results of the Rights Issue	20 December 2018
Dealings in the New Shares, fully paid, to commence on the London Stock Exchange	**8.00 a.m. on 20 December 2018**

Rothschild & Co is acting as the Financial Adviser to Kier.

The Rights Issue is fully underwritten by Numis Securities Limited, Peel Hunt LLP, Citigroup Global Markets Limited, HSBC Bank plc and Banco Santander, S.A., all of which are acting as Joint Bookrunners.

The person responsible for making this announcement on behalf of Kier is Hugh Raven, General Counsel and Company Secretary.

For further information, please contact:

Kier Group plc

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Banco Santander, S.A. (Joint Bookrunner) Simon Payne Javier Mata	+34 91 257 23 88
FTI Consulting (PR Adviser and for media enquiries in relation to Kier Group plc) Richard Mountain Nick Hasell	+44 (0) 203 727 1340

IMPORTANT NOTICES

Unless otherwise defined herein, the defined terms set out in Part XV of the Prospectus apply in this announcement.

This is not a prospectus but an advertisement. Investors should not subscribe for the securities referred to in this advertisement except on the basis of information in the Prospectus. The Prospectus is expected to be published today in connection with the proposed Rights Issue. Copies of the Prospectus will, following publication, be available through the website of the Company at www.kier.co.uk, provided that the Prospectus will not, subject to certain exceptions, be available (whether through the website or otherwise) to shareholders in the United States or any of the other Excluded Territories. The Prospectus will give further details of the securities being offered pursuant to the Rights Issue.

Neither the content of Kier's website (or any other website) nor any website accessible by hyperlinks on Kier's website (or any other website) is incorporated in, or forms part of, this announcement.

The information contained in this announcement is for background purposes only and does not purport to be full or complete. No reliance may be placed for any purpose on the information contained in this announcement or its accuracy or completeness. The information in this announcement is subject to change. Nothing in this announcement should be interpreted as a term or condition of the Rights Issue.

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The Nil Paid Rights, the Fully Paid Rights and the Shares may not be offered or sold in the United States absent registration or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of such jurisdiction.

In any member state of the European Economic Area outside of the United Kingdom (each, a "Relevant Member State"), this announcement and any offer if made subsequently is, and will be, directed only at persons who are "qualified investors" ("**Qualified Investors**") within the meaning of the Prospectus Directive (Directive 2003/71/EC and any amendments thereto, including Directive

2010/73/EU), and any implementing measures in each Relevant Member State. In the United Kingdom this announcement and any offer if made subsequently is, and will be directed exclusively at Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") or (ii) who fall within Article 49(2)(A) to (D) of the Order, and (iii) to whom it may otherwise lawfully be communicated, and any investment activity to which it relates will only be engaged in with such persons and it should not be relied on by anyone other than such persons.

The distribution of this announcement and/or the Prospectus and/or the Provisional Allotment Letter and/or the transfer of the New Shares into jurisdictions other than the United Kingdom may be restricted by law, and, therefore, persons into whose possession this announcement and/or the Prospectus and/or the Provisional Allotment Letter comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of such jurisdiction.

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

No action has been taken by the Company or the Joint Bookrunners that would permit an offering of the Nil Paid Rights, the Fully Paid Rights or the New Shares, or possession or distribution of this announcement, the Prospectus, Provisional Allotment Letter or any other offering or publicity material relating to the Nil Paid Rights, the Fully Paid Rights or the New Shares in any jurisdiction where action for that purpose is required. Persons into whose possession this announcement comes are required by the Company and the Joint Bookrunners to inform themselves about, and to observe, such restrictions.

No representation or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by the Joint Bookrunners or Rothschild & Co, or their respective affiliates or agents, as to, or in relation to, the accuracy or completeness of this announcement or any other information made available to or publicly available to any interested party or its advisers, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available, and any liability therefore is expressly disclaimed.

In connection with the proposed Rights Issue, the Joint Bookrunners, and any of their affiliates, may in accordance with applicable legal and regulatory provisions, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the New Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Accordingly, references in the Prospectus to the Nil Paid Rights, the Fully Paid Rights or the New Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by the Joint Bookrunners and any of their affiliates acting in such capacity. In addition the Joint Bookrunners and any of their affiliates, may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which the Joint Bookrunners and any of their affiliates, may from time to time acquire, hold or dispose of Shares. The Joint Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so. The Company also intends to use the net proceeds of the Rights Issue to repay part of the balance drawn under the Group's revolving credit facility.

In the event that the Joint Bookrunners decide to co-ordinate an approach to stick management, the Joint Bookrunners agree that such co-ordination will be undertaken with a view to maintaining an orderly market.

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INFORMATION TO DISTRIBUTORS

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

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

FORWARD-LOOKING STATEMENTS

This announcement contains unaudited information based on management accounts and may include forward-looking statements, which are based on current expectations and projections about future events. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target", "believe", "expect", "aim", "intend", "may", "anticipate", "estimate", "plan", "project", "will", "can have", "likely", "should", "would", "could" and any other words and terms of similar meaning or the negative thereof. These forward-looking statements are subject to risks, uncertainties and assumptions about the Company and its subsidiaries and its investments, including, among other things, the development of its business, strategy, trends in its operating environment, and future capital expenditures and acquisitions. In light of these risks, uncertainties and assumptions, the events in the forward-looking statements may not occur. No representation or warranty is made that any forward-looking statement will come to pass. No one undertakes to update, supplement, amend or revise any such forward-looking statement. Except where otherwise indicated, the information contained herein are provided as at the date of this announcement and are subject to change without notice. The price of the Nil Paid Rights, the Fully Paid Rights and/or the Shares and any income from them may go down as well as up and investors may not get back the full amount invested on disposal of the Nil Paid Rights, the Fully Paid Rights and/or the Shares. Past performance of the Company cannot be relied on as a guide to future performance.

KIER GROUP PLC

PROPOSED APPROXIMATELY £264 MILLION RIGHTS ISSUE

1. Introduction to the Rights Issue

Kier announces today that it proposes to raise gross proceeds of approximately £264 million through a Rights Issue.

Pursuant to the Rights Issue, the Company is proposing to offer 64,455,707 New Shares to Qualifying Shareholders.

The issue price of 409 pence per Rights Issue Share represents a 34 per cent. discount to the theoretical ex-rights price based on the closing middle-market price as derived from the Stock Exchange Daily Official List of 752.5 pence for an Ordinary Share on 29 November 2018 (being the last Business Day prior to the date of this announcement).

The Rights Issue is fully underwritten by Numis, Peel Hunt, Citi, HSBC, and Banco Santander. Paragraph 14.1 of Part XI of the Prospectus explains the underwriting in further detail.

2. Background to the Rights Issue

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

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

- **Infrastructure Services:** Kier delivers major UK infrastructure projects, such as Crossrail, the Smart Motorways programme and HS2, together with essential every-day services, such as those that it provides to the highways and utilities sectors. The Company expects there to be growth in a number of the sectors in which it operates, in light of the cross-party political support for investment in the UK's national and local infrastructure;

- **Buildings:** Kier is the UK's leading regional builder, with positions on a number of significant, national frameworks, providing long-term visibility of future work. The Group has a particularly strong presence in the education and health sectors and it expects that the changing UK demographic will continue to provide it with significant opportunities in those sectors, whilst it also continues to develop its presence in others, including aviation and bioscience; and

- **Developments & Housing:** The Group's property developments business focuses principally on non-speculative schemes across a number of core sectors, including industrial, office, leisure and student accommodation. The Group's housing business builds mixed tenure affordable housing, houses for private sale and provides maintenance services. Kier believes that the shortage of affordable housing in the UK, together with significant reductions in local authorities' new housing stocks and reductions in the rent that registered housing providers can charge, provide it with significant opportunities.

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

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

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

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

- although the majority of the Group's banking facilities are committed until 2022, a number of lenders have indicated an intention to reduce their exposure to the construction and related sectors, which may affect the confidence of other credit providers and liquidity in the medium term and may also have an impact on access to uncommitted facilities and/or future financings;

- potential clients and customers are increasingly focusing on service providers' balance sheets, resulting in procurement processes becoming increasingly rigorous and automated; and
- the increasing pressure from stakeholders to shorten supply chain payment terms.

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

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

3. Use of Proceeds

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

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

4. Current Trading and Prospects

The following has been extracted from the Company's AGM trading statement:

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

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

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

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

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

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

5. Profit Forecast

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

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

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

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

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

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

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

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

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

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

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

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

6. Risk factors and further information

Shareholders should consider fully and carefully the risk factors associated with Kier, as set out in the Prospectus.

Shareholders should read the whole of the Prospectus and not rely solely on the information set out in this announcement.

7. Dividends and Dividend Policy

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

The Company has been building its dividend cover towards a 2.0x cover target, in line with its Vision 2020 strategy. Following the Rights Issue, the Company will adopt a dividend policy which takes into account the Company's earnings, balance sheet and future investment plans and target dividend cover of approximately 5.0x underlying earnings per Share in FY19 and, thereafter, dividend cover of approximately 2.5x underlying earnings per Share.

8. Summary of principal terms of the Rights Issue

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

The Rights Issue will be made on the basis of:

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

held by Qualifying Shareholders at the Record Date.

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

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

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

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

The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Shares. Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the

London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. on 20 December 2018.

Further details of the terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Part III of the Prospectus and, where relevant, the Provisional Allotment Letter. Overseas Shareholders should refer to paragraph 2.5 of Part III of the Prospectus for further information regarding their ability to participate in the Rights Issue.

1.1 Price

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

1.2 Dilution

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

1.3 Conditionality

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

(i) the Underwriting Agreement having become unconditional in all respects, save for the condition relating to Admission, and not having been terminated in accordance with its terms before Admission occurs; and

(ii) Admission having become effective by not later than 8.00 a.m. on 5 December 2018 (or such later time and/or date as the Joint Bookrunners and Kier may agree, not being later than 3.00 p.m. on 5 December 2018).

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

Expected Timetable of Principal Events

Record Date for entitlements under the Rights Issue	**6.00 p.m. on 30 November 2018**
Announcement of the Rights Issue	30 November 2018
Publication of the Prospectus	**On or about 30 November 2018**
Despatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only)(3)	On or about 4 December 2018
Special Dealing Service open for applications	5 December 2018
Admission and Dealings in New Shares, nil paid, commence on the London Stock Exchange	**8.00 a.m. on 5 December 2018**
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)(3)	As soon as practicable after 8.00 a.m. on 5 December 2018
Nil Paid Rights and Fully Paid Rights enabled in CREST	As soon as practicable after 8.00 a.m. on 5 December 2018
Ex-Rights Date	8.00 a.m. on 5 December 2018
Recommended latest time for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 p.m. on 13 December 2018
Latest time for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights into a CREST stock account	3.00 p.m. on 14 December 2018
Latest time and date for splitting Provisional Allotment Letters	3.00 p.m. on 17 December 2018
Latest time and date for acceptance in CREST and payment in full and registration of renounced Provisional Allotment Letters	**11.00 a.m. on 19 December 2018**
Expected date of announcement of the results of the Rights Issue	20 December 2018
Dealings in the New Shares, fully paid, to commence on the London	**8.00 a.m. on 20 December 2018**

Stock Exchange	
New Shares credited to CREST stock accounts (uncertificated holders only)[3]	As soon as practicable after 8.00 a.m. on 20 December 2018
Despatch of definitive share certificates for the New Shares in certificated form (to Qualifying Non-CREST Shareholders only) and premium payments (if applicable) in respect of Nil Paid Rights not taken up [3]	By no later than 3 January 2019

Notes:

(1) The times and dates set out in the timetable above and referred to throughout this document and the Provisional Allotment Letter may be adjusted by the Company by announcement through a Regulatory Information Service, in which event details of the new dates will also be notified to the Financial Conduct Authority, the London Stock Exchange and, where appropriate, Shareholders.

(2) References to times in this document are to London time, unless otherwise stated.

(3) Subject to certain restrictions relating to Overseas Shareholders. See paragraph 2.5 of Part III of the Prospectus.

Appendix 2

Definitions

In this announcement, the following expressions have the following meanings unless the context otherwise requires:

2018 Annual Report and Accounts	the annual report and accounts prepared by the Company for the financial year ended 30 June 2018
Admission	admission of the New Shares (nil paid) to (a) the Official List and (b) trading on the London Stock Exchange's main market for listed securities
AGM	Annual General Meeting held on 16 November 2018
Articles	the articles of association of the Company
Business Day	a day (other than a Saturday or Sunday) on which banks are open for general business in London
Cashless Take-up	the sale of such number of Nil Paid

	Rights as will generate sufficient sale proceeds to enable the direct or indirect holder thereof to take up all of their remaining Nil Paid Rights (or entitlements thereto) without being required to provide any further capital
certificated or **in certificated form**	a share or other security which is not in uncertificated form (that is, not in CREST)
Companies Act	Companies Act 2006
Company or **Kier**	Kier Group plc, a public limited company incorporated under the laws of England and Wales
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 Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
Directors or **Board**	the Executive Directors and Non-Executive Directors as at the date of the Prospectus
Distributor	a distributor for the purposes of MiFID II (EU Directive 2014/65/EU) and any subsequent technical advice or guidance issued by ESMA
EBITDA	earnings before interest, tax, depreciation and amortisation
Enlarged Share Capital	the expected issued ordinary share capital of Kier immediately following the issue of the New Shares
Euroclear	Euroclear UK & Ireland Limited
Executive Directors	the executive directors of the Company as at the date of this announcement
Existing Shares	the Shares in issue immediately preceding the issue of the New Shares
Ex-Rights Date	5 December 2018
Financial Conduct Authority or **FCA**	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA

FPK programme	the Future Proofing Kier programme described in paragraph 2.1 of Part I of the Prospectus
FSMA	the Financial Services and Markets Act 2000, as amended
Fully Paid Rights	Rights to acquire New Shares, fully paid
FY19	The financial year ending 30 June 2019
Group	the Company and its subsidiary undertakings and, where the context requires, its associated undertakings
Issue Price	409 pence
Joint Bookrunners	Numis Securities Limited, Peel Hunt LLP, Citigroup Global Markets Limited, HSBC Bank plc and Banco Santander, S.A.
London Stock Exchange	London Stock Exchange plc
New Shares	the 64,455,707 new Shares which the Company will allot and issue pursuant to the Rights Issue
Nil Paid Rights	rights to acquire New Shares, nil paid
Non-CREST Shareholders	Shareholders holding Shares in certificated form
Non-Executive Directors	the non-executive directors of the Company as at the date of this announcement
Official List	the Official List of the FCA
Overseas Shareholders	Qualifying Shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions outside of the United Kingdom
Profit Forecast	the profit forecast as set out in Part IX of the Prospectus
Profit Forecast Period	the financial year ending 30 June 2020
Prospectus	this prospectus and circular issued by the Company in respect of the Rights Issue, together with any supplements or amendments thereto
Provisional Allotment Letter	the provisional allotment letter to be issued to Qualifying Non-CREST

	Shareholders (other than certain Overseas Shareholders)
Qualifying CREST Shareholders	Qualifying Shareholders holding Shares in uncertificated form
Qualifying Non-CREST Shareholders	Qualifying Shareholders holding Shares in certificated form
Qualifying Shareholders	Shareholders (other than in respect of treasury shares) on the register of members of the Company at the Record Date
Record Date	close of business on 30 November 2018
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
Rights Issue	the offer by way of rights to Qualifying Shareholders to subscribe for New Shares on the terms and conditions set out in the Prospectus and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter
Rothschild & Co	N.M. Rothschild & Sons Limited
Securities Act	the U.S. Securities Act of 1933, as amended
Share	an ordinary share of 1p each in the capital of the Company having the rights set out in the Articles
Shareholders	holders of Shares
Special Dealing Service	the dealing service being made available by Link Asset Services to Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or any other jurisdiction within the EEA who wish to sell all of their Nil Paid Rights or to effect a Cashless Take-up
Special Dealing Service Terms and Conditions	the terms and conditions of the Special Dealing Service
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
uncertificated or **in**	recorded on the register of

uncertificated form	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
Underwriting Agreement	the Underwriting Agreement described in the Prospectus
United States	the United States of America, its territories and possessions, any state of the United States and the District of Columbia

END

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