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KIER GROUP PLC

Registered in England under number 2708030
Registered office: Tempsford Hall, Sandy, Bedfordshire SG19 2BD



SCRIP DIVIDEND ALTERNATIVE

Dear Shareholder,

10 October 2014

Last time and date for receipt of Forms of Election by Registrars: 5.00 p.m. on 13 November 2014

The directors have again decided to offer holders of ordinary shares of 1p each in the capital of Kier Group plc (the 'Company') ('Shares') the opportunity to receive further Shares instead of cash in respect of the proposed final dividend of 49.5p (net) per Share for the year ended 30 June 2014. These new Shares (and, unless inconsistent with the context, any Shares issued pursuant to the Scrip Dividend Mandate Scheme described in Appendix III) will be referred to in this circular as the 'New Shares'.

The scrip dividend alternative enables holders of Shares ('Shareholders') to increase their holdings in the Company without incurring dealing costs or stamp duty. To the extent that Shareholders elect for the scrip dividend, there is also a benefit to the Company from the retention of cash that would otherwise be paid out as dividend.

Shareholders who elect to receive the scrip dividend alternative will receive **one New Share for every 33.53 Shares** registered in their name at the close of business on 26 September 2014. This entitlement has been determined on the basis of the proposed final dividend of **49.5p** (net) per Share and a price of **1659.8p for each New Share**, being the average of the closing middle market share price from the London Stock Exchange Daily Official List from 24 September to 30 September 2014 (inclusive), being the first five dealing days on which the Shares were quoted ex-dividend.

If no Shareholder elects for the scrip dividend alternative and the entire dividend is paid in cash, it would result in a total of £27,420,914 (net) being paid out by the Company. If the scrip dividend alternative were to be taken up in full, it would result in the allotment of a maximum of 1,652,126 New Shares (ignoring fractions), representing approximately 3 per cent. of the Company's issued share capital as at the date of this circular.

This offer of a scrip dividend alternative will not be withdrawn in response to share price fluctuations.

If you elect to receive New Shares in respect of your total holding of Shares, the cash dividend will be paid on any small number of Shares on which no election is possible. If you make an election on only part of your holding, you will receive the cash dividend in respect of any balance of Shares for which no election is made.

SCRIP DIVIDEND MANDATE SCHEME

Shareholders who wish to take Shares rather than the cash dividend on all occasions that a scrip dividend is offered may like to consider the Scrip Dividend Mandate Scheme, details of which are set out in Appendix III to this circular.

ACTION TO BE TAKEN

If you have given instructions under the Scrip Dividend Mandate Scheme and have not revoked them, an Entitlement Advice showing your entitlement is enclosed with this circular. The Entitlement Advice describes the action you should take if you do not wish to be issued with Shares instead of cash in respect of the proposed final dividend for the year ended 30 June 2014.

If you have not previously given instructions under the Scrip Dividend Mandate Scheme, a Form of Election showing your scrip dividend entitlement and enabling you to elect for the Scrip Dividend Mandate Scheme for any future dividends is enclosed with this circular.

The options available to you (all of which assume that you have not previously given instructions under the Scrip Dividend Mandate Scheme) are:

1. To receive this dividend entirely in cash:

- Take no action in respect of the Form of Election; and
- You will receive your dividend in cash in the normal way.

2. To receive your maximum entitlement to New Shares for this dividend only:

- Complete, sign and date the Form of Election and return it to the Registrars in the CAG1 envelope provided.

3. To receive your full entitlement to New Shares for this and any future scrip dividend offer:

- Read carefully Appendix III to this circular, which details the Scrip Dividend Mandate Scheme;
- Mark Box 6 on the Form of Election with an 'X'; and
- Complete, sign and date the Form of Election and return it to the Registrars in the CAG1 envelope provided.

4. To receive this dividend in a combination of New Shares and cash:

- Insert in Box 5 on the Form of Election the number of Shares in respect of which you wish to receive New Shares instead of the cash dividend. The number inserted must be a multiple of 33.53 rounded up to the next whole number; and
- Complete, sign and date the Form of Election and return it to the Registrars in the CAG1 envelope provided.

All Forms of Election must be received by the Registrars by no later than 5.00 p.m. on 13 November 2014.

No acknowledgement of receipt will be given. If your Form of Election is not received by the Registrars by this date and time, you will receive the final dividend in cash.

Further details of this scrip dividend alternative are set out in Appendix I to this circular. A general guide to the taxation effect of a scrip dividend election for United Kingdom residents is set out in Appendix II to this circular. Appendix III to this circular contains details of the Scrip Dividend Mandate Scheme.

Yours sincerely,

H E E Raven

Company Secretary

APPENDIX I GENERAL INFORMATION

SCRIP DIVIDEND TIMETABLE

Shares quoted ex-dividend (the 'Ex-dividend Date')	24 September 2014
Record date for the proposed final dividend (the 'Record Date')	26 September 2014
Posting of scrip dividend documentation	10 October 2014
Annual general meeting	12.00 noon on 13 November 2014
Last time and day for the Registrars to receive forms (the 'Election Date')	5.00 p.m. on 13 November 2014
Last time and day for CREST elections	5.00 p.m. on 13 November 2014
Posting of dividend cheques and share certificates (the 'Posting Date')	27 November 2014
Dividend payment date and dealings commence (the 'Payment Date')	28 November 2014
CREST accounts credited with New Shares	28 November 2014

1. TERMS OF ELECTION

Shareholders who were on the register of members at the close of business on the Record Date may elect to receive one New Share, credited as fully paid, for every 33.53 Shares registered in their names on that date in place of the proposed final dividend of 49.5p per Share. The right to elect is not transferable. An election is not required from Shareholders who have previously given instructions under the Scrip Dividend Mandate Scheme and have not revoked them. The election may be made by Shareholders in respect of all or part of their holding, but not in respect of fewer than 34 Shares. The election should be in respect of a multiple of 33.53 Shares rounded up to the next whole number. No fraction of a New Share will be allotted; therefore, the cash dividend will be paid on the amount by which a holding exceeds the multiple of 33.53 as well as on any holding of Shares for which an election is not made. Shareholders with a registered holding of fewer than 34 Shares at the close of business on the Record Date are not entitled to make an election unless they purchased Shares prior to the Ex-dividend Date which took their aggregate holding to 34 or more Shares but which are not included in the number of Shares shown in Box 1 on the Form of Election (see paragraph 5 below). The manner in which elections will be dealt with will be governed by the form in which Shareholdings are held at the Record Date (see paragraphs 7 and 8 below).

2. TAXATION

The tax consequences of an election to receive New Shares instead of the cash dividend depends on Shareholders' individual circumstances. A summary of the likely tax consequences for United Kingdom resident Shareholders is set out in Appendix II to this circular. This does not constitute advice (whether tax or otherwise). If you are in any doubt as to your tax position, you should consult your professional adviser before taking any action.

3. OVERSEAS SHAREHOLDERS

The opportunity to elect to receive New Shares instead of the cash dividend is not being offered to, or for the account of, any citizen, national or resident of the United States, Canada, Australia, Japan or the Republic of South Africa, any corporation, partnership or other entity created or organised in, or under the laws of, the United States, Canada, Australia, Japan or the Republic of South Africa, or any political sub-division of these countries, or with a registered address in any of these countries or any estate or trust, the income of which is subject to United States federal income tax, or income tax in Canada, Australia, Japan or the Republic of South Africa, regardless of its source. 'United States' means the United States of America (including the District of Columbia). References to the United States, Canada, Australia, Japan and the Republic of South Africa include their territories, possessions and all areas subject to their jurisdiction.

No person receiving a copy of this circular in any territory other than the United Kingdom may treat it as constituting an invitation or offer to it unless in such territory such an invitation or offer could lawfully be made to them without compliance with any registration or other legal requirements. It is the responsibility of any such person wishing to elect to receive New Shares, either in respect of this invitation or by way of mandate under the Scrip Dividend Mandate Scheme, to satisfy itself as to the full observance of the laws of such territory, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in such territory.

4. IF YOU HAVE RECEIVED MORE THAN ONE FORM

If your Shares are registered in more than one holding and, as a result, you have received more than one Form of Election/Entitlement Advice, they will be treated as separate holdings and you should complete each form accordingly, unless you can arrange for the Registrars to have holdings consolidated into one holding before the Election Date. If you have holdings of Shares in certificated and uncertificated form, they will be treated as separate holdings and cannot be consolidated

5. IF YOU HAVE RECENTLY BOUGHT SHARES

If you bought Shares before the Ex-dividend Date, but such Shares are not included in the number shown in Box 1 on the Form of Election and you wish to elect to receive New Shares in respect of such additional Shares instead of the cash dividend, you should consult your stockbroker or other adviser without delay. If no instruction is received for those Shares, you will receive the dividend in cash.

6. IF YOU HAVE RECENTLY SOLD SHARES

If you have sold all of your holding of Shares before the Ex-dividend Date, you should pass this circular and the enclosures to your stockbroker or other adviser without delay. If you have sold some of your holding, but those Shares are included in the number shown in Box 1 on the enclosed form, you should contact your stockbroker or other adviser without delay who will advise you how to proceed.

7. DELIVERY AND LISTING OF NEW SHARES

Applications will be made to the UK Listing Authority for admission to listing on the Official List and to London Stock Exchange plc (the 'London Stock Exchange') for admission to trading on the London Stock Exchange's main market for listed securities of the New Shares to be allotted pursuant to valid elections for the scrip dividend alternative (together, 'Admission'). The New Shares will, on issue, rank pari passu in all respects with the existing Shares and will qualify for all future dividends.

Subject to the satisfaction of the conditions set out in paragraph 9 below, definitive certificates for the New Shares are expected to be posted, at the risk of the persons entitled thereto, on the Posting Date to Shareholders who held their Shares in certificated form on the Record Date. Dividend cheques for any cash dividend due are expected to be posted on the same day. Shareholders who held their Shares in uncertificated form on the Record Date will, at their risk, have their CREST member accounts credited with the New Shares. The Company will request that its Registrars instruct Euroclear UK & Ireland Limited to credit CREST member accounts on the Payment Date. Dealings in the New Shares are expected to begin on the Payment Date.

8. CREST

If your holding is in uncertificated form in CREST, you can only elect to receive the scrip dividend via the CREST procedure. **No paper Form of Election will be accepted for the scrip dividend and, if received, will be rejected by the Registrars.** If you are a CREST personal member, or other CREST sponsored member, you should consult your CREST sponsor, who will be able to take appropriate action on your behalf.

All elections made via the CREST system should be submitted using the Dividend Election Input Message in accordance with the CREST manual. The Dividend Election Input Message must contain the number of Shares in respect of which the election is being made. If the relevant field is left blank, or completed with zero, the election will be rejected. If you enter a number of Shares greater than your holding, the election will apply to your total holding. Membership of the Scrip Dividend Mandate Scheme will not be permitted in CREST. If you wish to receive New Shares instead of cash in respect of future dividends for which a scrip dividend is offered, you must complete a Dividend Election Input Message on each such occasion, otherwise you will receive the dividend in cash. Elections to receive the scrip dividend via CREST should be received by CREST by no later than 5.00 p.m. on the Election Date.

9. CONDITIONS

The scrip dividend alternative is subject to:

- (i) The proposed final dividend being approved by Shareholders at the annual general meeting on 13 November 2014; and
- (ii) Admission becoming effective.

In the event that Admission is not effective on or before the payment date of any dividend, or any other condition is not satisfied, the election for the scrip dividend alternative will be void for that dividend and participants will receive the full dividend in cash as soon as practicable.

10. GENERAL

Further copies of this circular may be obtained from the Company's registered office from the date of this circular and prior to 5.00 p.m. on the Election Date.

APPENDIX II TAXATION OF SCRIP DIVIDENDS

Set out below is a summary of the likely tax consequences for UK resident Shareholders of making an election to receive New Shares instead of cash in respect of the dividend under current UK tax legislation. This summary only relates to the position of Shareholders who are resident in the United Kingdom for tax purposes who hold their Shares as an investment and who are the absolute beneficial owners of the Shares to which any relevant election relates. The precise tax consequences for a Shareholder of electing to receive New Shares instead of a cash dividend will depend upon the Shareholder's own individual circumstances. **If you are in any doubt as to your position, you are strongly advised to consult your professional adviser before taking any action.**

This summary is based on current UK tax legislation and HM Revenue & Customs published practice, both of which are subject to change, possibly with retrospective effect. This summary is not exhaustive and in particular does not deal with the position of any Shareholder not resident in the United Kingdom for tax purposes.

INDIVIDUALS

Income Tax

The tax consequences of electing to receive New Shares instead of a cash dividend are similar to those of receiving cash dividends. Where an individual elects to take New Shares, the individual will be treated as having received gross income of an amount which, when reduced by tax at the dividend ordinary rate (currently 10 per cent.), is equal to the cash dividend. For example, if an individual receives New Shares worth £90 (instead of a cash dividend of £90 forgone) then, applying current tax rates, the individual will be treated as receiving gross income of £100 and as having paid income tax of £10 on that grossed up amount. The market value of the New Shares on the first day of dealing on the London Stock Exchange following the date of issue of the Shares will be substituted for the cash dividend forgone if the difference between that market value and the cash dividend forgone is 15 per cent. or more of that market value.

An individual who (after having taken into account their receipt of New Shares) pays income tax at the basic rate of 20 per cent. only will have no further tax to pay. An individual who is subject to income tax at the higher rate of 40 per cent., or who becomes liable to income tax at the higher rate as a result of receiving New Shares, will have an additional tax liability if the individual elects to take New Shares. This will be similar to the liability arising if a cash dividend is received and will equal the difference between the tax at the dividend ordinary rate (currently 10 per cent.) on the gross income treated as received and the tax at the dividend upper rate (currently 32.5 per cent.) on that sum. In the above example, an individual will be liable to pay an additional tax liability of £22.50 (which equates to 25 per cent. of the cash dividend forgone). An individual who is subject to income tax at the additional rate of 45 per cent. will also have an additional tax liability if the individual elects to take New Shares. Again, this will be similar to the liability arising if a cash dividend is received and will equal the difference between the tax at the dividend ordinary rate (currently 10 per cent.) on the gross income treated as received and the tax at the dividend additional rate (currently 37.5 per cent.) on that sum. In the above example, an individual will be liable to pay an additional tax liability of £27.50 (which equates to approximately 30.5 per cent. of the cash dividend forgone). Any additional tax liability is payable by way of self-assessment.

An individual whose income tax liability is less than the tax credit to which the individual would be entitled on receiving a cash dividend is not entitled to make a repayment claim in respect of the amount by which the tax credit exceeds his or her tax liability. This is also the case where New Shares are taken instead of a cash dividend.

Capital Gains Tax

The receipt of New Shares will not give rise to an immediate charge to capital gains tax. For the purpose of computing an individual's capital gains tax liability upon a future sale of the New Shares, the amount of the cash dividend forgone (or the market value of the New Shares, if the difference between the market value of the New Shares and the cash dividend forgone is 15 per cent. or more of the market value) will be treated by HM Revenue & Customs as the acquisition cost for the New Shares.

TRUSTEES

Where an election to receive New Shares instead of the cash dividend is made by trustees of a trust which is liable to income tax at the dividend trust rate (37.5 per cent.) in respect of dividends and income tax at the rate of tax applicable to trusts (45 per cent.) in respect of other income:

Income Tax

The same grossing up procedure as outlined above for an individual will apply. Therefore, for the purpose of charging the additional rate of tax, the trustees will be treated as having received gross income of an amount which, when reduced by income tax at the dividend ordinary rate, is equal to the cash dividend forgone or, if the difference between the market value of the New Shares and the cash dividend forgone is 15 per cent. or more of the market value, the market value of the New Shares. The trustees may, therefore, under current rates of tax and subject to the standard rate band for the first £1,000 of trust income, have a further liability of up to 27.5 per cent. of the gross income (a 30.5% effective rate).

Capital Gains Tax

Receipt of New Shares will not give rise to an immediate charge to capital gains tax. Where New Shares are received instead of the cash dividend, the amount of the cash dividend forgone (or the market value of the New Shares, if the difference between the market value of the New Shares and the cash dividend forgone is 15 per cent. or more of the market value) will be treated by HM Revenue & Customs as the acquisition cost for the New Shares for capital gains tax purposes.

COMPANIES

For a UK resident corporate Shareholder, corporation tax will not be chargeable on New Shares received instead of the cash dividend. For the purposes of corporation tax on chargeable gains, no consideration will be treated as having been given for the New Shares.

PENSION AND OTHER GROSS FUNDS

As the receipt of New Shares will not be treated as a qualifying distribution, no tax credit will attach to the New Shares. Therefore, gross funds will be unable to make any tax repayment claim. Such funds are not entitled to reclaim the tax credit on dividends paid by the Company in any event.

STAMP DUTY AND STAMP DUTY RESERVE TAX

No stamp duty or stamp duty reserve tax is payable in respect of the allotment and issue of the New Shares.

APPENDIX III SCRIP DIVIDEND MANDATE SCHEME

The Scrip Dividend Mandate Scheme (the 'Scheme') was introduced for the convenience of those Shareholders who, in relation to a dividend, would like to take Shares instead of cash as a matter of course and enables them to elect to receive New Shares automatically for all future dividends for which a scrip dividend alternative is offered.

The Scheme is entirely optional. Any scrip dividend mandate given will remain valid for all dividends for which a scrip dividend alternative is offered until revoked in writing. The Scheme is not available to CREST participants.

If you have not previously given instructions under the Scheme and you wish to enter into a scrip dividend mandate to authorise the Company to allot New Shares for all relevant dividends, you should complete the Form of Election by placing an 'X' in Box 6 and return the form, signed and dated, to the Company's Registrars. To be valid for this dividend, the Form of Election must be received by the date stipulated on the form. The Scheme is subject to the rules set out below.

RULES OF THE SCHEME

1. TERMS OF THE SCHEME

Shareholders on the register of members at the close of business on the record date for each dividend for which a scrip dividend alternative is offered, may, subject to the rules set out below, receive New Shares, credited as fully paid, instead of receiving dividends in cash. A Shareholder who completes and returns a valid scrip dividend mandate is referred to as a 'Participant'. No acknowledgement of receipt of a scrip dividend mandate will be given.

A Participant may only elect for the Scheme in respect of the whole of a holding of Shares. An election will apply to all Shares in a Participant's name at the record date for each qualifying dividend. Accordingly, an election will also apply to any additional Shares acquired by a Participant, less any Shares disposed of, since the last date on which the right of election was exercised.

Separate registered holdings of a Participant will be regarded as separate holdings for the purposes of the Scheme. Participants can arrange for such holdings to be consolidated by contacting the Company's Registrars, except that where Participants' Shares are registered partly in certificated and partly in uncertificated form, the Company will treat such holdings as separate holdings which cannot be consolidated.

2. FRACTIONS

No Participant will receive a fraction of a New Share and fractional entitlements to New Shares will be rounded down. The cash dividend will be paid on the small, whole number of Shares on which no election is possible.

3. EXERCISE AND CANCELLATION OF AN ELECTION

Shareholders may elect to participate in the Scheme by returning a Form of Election to the Company's Registrars with the election for the Scheme duly completed prior to the date stated on the Form of Election. Sufficient time should be allowed for postal delivery. If the Form of Election is not received by the date stipulated in connection with a particular dividend, the election will be effective for any future dividends for which a scrip dividend alternative is offered.

A Participant may at any time cancel the scrip dividend mandate by writing to the Company's Registrars. If received by the Registrars after the latest time for receipt of forms for a particular dividend, the cancellation will take effect for all following dividends.

Receipt of notice of the death of a Participant will cancel a scrip dividend mandate unless the deceased was one of joint Participants, in which case the scrip dividend mandate will remain valid. The scrip dividend mandate relating to a holding of Shares which is disposed of in its entirety will be cancelled.

4. BASIS OF ALLOTMENT

The entitlement of a Participant to New Shares in respect of a particular dividend will be calculated on the basis of the amount of the dividend per Share and a price per Share. This price, called the 'Strike Price', will be the average of the closing middle market share price, derived from the London Stock Exchange Daily Official List, for the five consecutive dealing days commencing on the Ex-dividend Date for that dividend.

5. OVERSEAS SHAREHOLDERS

The opportunity to elect to receive New Shares instead of the cash dividend is not being offered to, or for the account of, any citizen, national or resident of the United States, Canada, Australia, Japan or the Republic of South Africa, any corporation, partnership or other entity created or organised in, or under the laws of, the United States, Canada, Australia, Japan or the Republic of South Africa, or any political sub-division of these countries, or with a registered address in any of these countries or any estate or trust, the income of which is subject to United States federal income tax, or income tax in Canada, Australia, Japan or the Republic of South Africa, regardless of its source. 'United States' means the United States of America (including the District of Columbia). References to the United States, Canada, Australia, Japan and the Republic of South Africa include their territories, possessions and all areas subject to their jurisdiction.

Shareholders who are residents, citizens or nationals of any other country outside the United Kingdom or a nominee for such persons may only elect to receive New Shares if the scrip dividend alternative can lawfully be offered to them or accepted by them under the laws of the relevant jurisdiction and in both cases without the Company being required to comply with any governmental or regulatory procedures or any similar formalities. Such Shareholders should inform themselves about and observe any applicable legal requirements, including the obtaining of any governmental or other consents which may be required, and comply with any other necessary formalities.

Participation in the Scheme is subject to a Participant continuing to meet the above conditions. Participants who no longer meet such conditions are responsible for cancelling their participation in accordance with paragraph 3 above immediately their eligibility to participate in the Scheme ceases.

The Company reserves the right to suspend or terminate the operation of the Scheme in respect of a Participant if it considers that the above conditions have not been satisfied in connection with the relevant Participant's election for or continuing participation in the Scheme.

Receipt of a Form of Election/Entitlement Advice will not constitute an invitation or offer to make such an election in those jurisdictions in which it would be illegal to extend such an invitation and, in such circumstances, a Form of Election/Entitlement Advice is sent for information only.

6. ISSUING AND LISTING OF NEW SHARES

The Company will apply to the UK Listing Authority for all New Shares to be admitted to listing on the Official List and to London Stock Exchange plc ('London Stock Exchange') for all New Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (together, 'Admission').

Subject to Admission becoming effective and the satisfaction of any other conditions, certificates for the New Shares will be issued and posted to Participants who at the record date held their Shares in certificated form, at their own risk, at or about the same time as the cheques in respect of cash dividends. Similarly, Participants who held their Shares in uncertificated form on the relevant record date will, at their risk, have their CREST member accounts credited with the New Shares at that time. Dealings in the New Shares will normally begin on the dividend payment date.

The New Shares will, on issue, rank *pari passu* in all respects with the then existing issued Shares and will qualify for all future dividends.

In the event that Admission is not effective on or before the due date for payment of any dividend or any other condition is not satisfied, the election for the scrip dividend alternative will be void for that dividend and Participants will receive the full dividend in cash as soon as practicable.

7. ENTITLEMENT STATEMENTS

All Shareholders who participate in the Scheme will receive a statement setting out their entitlement to New Shares approximately five weeks before the relevant dividend payment date. This statement is called an 'Entitlement Advice'. Unless a mandate is revoked by the date specified in that Entitlement Advice, New Shares will automatically be allotted in lieu of cash for that dividend.

8. AMENDMENT, SUSPENSION OR TERMINATION

The Scheme described in these rules may be amended, suspended or terminated by the directors of the Company at any time without notice to Participants although advice of any such action will normally be sent to all Shareholders. In the case of amendment, a Participant will be deemed to have elected to continue under the amended Scheme unless the Company's Registrars receive written notice of cancellation pursuant to paragraph 3 above. The operation of the Scheme is subject to the directors' decision to make an offer of New Shares instead of cash for any particular dividend and to the terms and conditions of such an offer.

If the directors decide not to offer New Shares instead of cash for any particular dividend or the terms and conditions of such an offer are not satisfied, the cash dividend will be paid in the usual way.