NOVEMBER BOARD MEETING
Board Strategy Session - Dubai
4th November 2009
Board Strategy Session
4th November 2009
# Introduction & Contents

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</table>
Change of Government and Capital Spending Reductions

Our working assumption is that an incoming Conservative Government in Quarter 2 of 2010 will attempt to cut spending markedly. However, it remains unclear whether they will be able to do as much as is probably necessary in order to restore the UK economy to good health in a reasonable time period, nor the extent to which they will need to rely on tax increases.

We believe that there will be an hiatus between the Conservatives coming into Government and the development of fully coherent spending cut strategies which will result in the softer target of Capital Expenditure being hit severely in the short term.

Board Strategy Session

The Board Strategy Session will focus on the implications of the UK recession in terms of:

- Strategic implications of the recession to our market and business.
- An overview of work undertaken on strategic options for the group.
- The consequent strategies for each of our business areas going forward.

It is particularly important to consider the likely implications of the recession on construction volume over the next three years, since there is a vital balance to be achieved between the positive cash flow benefits of maintaining volume in the short term, strongly offset by the imperative to manage risk through focussing on quality business opportunities.
Implications of Construction Recession
(Conclusions from 2007 Board Strategy Review)

2007 conclusions:-

• **Cash**
  - Short-term: c£120m reduction
  - Medium term: c£70m

• **Profit**
  - £15m lost on reduced turnover of £500m (NB: pre-McAlpine)
  - *plus* £15m for every 1% reduction in margin

• **Loss avoidance**
  - Robust risk management critical in avoiding build up of claims and losses.

• **Recession ‘proofing’ strategies**
  - Work-winning to match our people resources
  - Drive a ‘quality business’ culture
  - Established customer relationships in stable markets
  - Risk management process ‘ready for recession’
  - Cost reduction plans ‘at the ready’
2007 Board Strategy Review

During the 2007 Board Strategy Review we undertook an analysis of what happened to UK contractors in the last recession – 1989 to 1995. We drew the following conclusions at that time:

Cash. Average cash balances reduced by around 8% of the turnover at the start of the recession in the first two to three years. Our business at the time included Mowlem but not Alfred McAlpine, and we calculated that the impact of this cash erosion – based on a reduction in the construction business of £2bn (including Rail) by 25% - could be mitigated from £160m to £120m in the short term and £70m in the medium term through robust contract selectivity.

Profit. Profitability eroded by over 6% at the operating line between 1989 and 1992 – from 5%+ to less than (1%).

Loss avoidance. The importance of robust risk management and selectivity was reinforced as critical to the business to enable loss avoidance and the ongoing development of excess unresolved claims.

Recession ‘proofing’ strategies. The recession proofing measures outlined above were reinforced in 2007 and have been developed thereafter. We established the principle of managing the work we have in conjunction with the available people talent. People management has been driven so that we only do the work that we have the people available for.

We have succeeded in driving an open culture of transparency within the business and are reinforcing that quality (margin) business is more important than turnover.

We have focussed on Customers where we have established relationships and those markets which will keep going in a recession.

We have been proactive in development and implementation of cost reduction plans to enable us to down-size quickly rather than chase the wrong volume.
2. Review of Current Economic Prospects

UK Government Debt

- UK net debt = £815bn @ Sept 2009
- Forecast budget deficit 09/10: £175bn
- "Golden Rule" by 2015-16 requires tax rises or cuts of £50-120bn p.a.
- Government Capex plans could be unrealistically high
Government Debt

There has been much publicity regarding the size of the UK net debt which reached £815bn in Sept 2009 - 59% of GDP - already some £250bn in excess of the “Golden Rule” principles laid down at the beginning of Gordon Brown’s Chancellorship. In addition the debt is set to become much worse. The forecast UK Government budget deficit for 09/10 of £175bn (comprising £496bn income versus £671bn spending) is forecast by many commentators as being optimistic, with some analysts predicting a £225bn deficit for 09/10.

Forecasts predict that UK Government debt will rise to over 80% of GDP by 2011, some £600bn in excess of the “Golden Rule”, requiring tax rises or cuts of £50-120bn p.a. in order bring the debt down to a sensible level by 2015/16.

The implication is that forthcoming spending cuts and tax increases will be draconian.

The main proposals for spending cuts put forward at the latest Conservative party conference were considered to be severe by many, comprising:

- Cutting the cost of Whitehall by a third @ £3bn pa;
- Pay freeze for public sector in 2011 @ £3.2bn pa;
- Cut child trust funds @ £300m pa;
- Cut tax credits @ £400m pa.

However these savings amount to only £23bn over a period of 4 years to 2013/14. This is why we expect the real cuts to be more severe, and that the Government’s current plans for Capital Expenditure could be unrealistically high.
2. Review of Current Economic Prospects

Length/ Depth of the Recession

SECTOR RECESSION BEHAVIOUR

Amplitude (% Decline from Peak to Trough)

Duration (Quarters)

Motor Vehicles Spares (31%)
Newspapers & Books
Gardening / Pets / Hobbies
Big-Ticket Recreational (40%)
Hospital Services (Consumer)
Domestic Transport
Air Transport
Electricity & Fuels
Membership Organisations
Medical Products
Logistics & Storage
Entertainment
House & Garden Audiovisual
Tools for Food & Beverages
Telecoms
Personal Care
Government Services
Education
Construction
Business Services
Jewellery
Housing Maintenance
Alcohol
Sewage & Refuse
Hospital Services
Distribution & Catering
Residential Rents
Medical Products
Big-Ticket Recreational
Length and Depth of the Recession

The above assessment of the historical impact of recession on different sectors shows a wide variance by sector. For Business Services, recession has had an amplitude of c3-4% lasting 3-4 years. For Construction on the other hand, the typical amplitude (for the whole economy) has been c15%, but lasting for a decade or more.

There is a strong case for considering that the decline will be more severe in UK construction this time.

How much do we think output will fall?
GB Construction Output (2000 Prices) vs Tarmac

1) 1990s ‘Recession’ in Infrastructure Output & Tarmac Construction Sales (baselined at 100 in 1990)

![Graph 1](image1.png)

Analysis of our experience in the key areas of Infrastructure and Private commercial shows that we suffered disproportionately in our infrastructure business, even though the government was spending more, we did not benefit that strongly from the start of the decline – albeit we had seen quite a growth from the late eighties.

2) 1990s Recession in Commercial Output & Tarmac Construction Sales (baselined at 100 in 1990)

![Graph 2](image2.png)

In our commercial business, we found that our sales also fell more deeply than the market, albeit that they were more closely aligned than for the public sector. It is worth noting that the level of commercial orders this year is the lowest that it has been since the early 1980’s and is some 15% below that of the lowest quarter in the recession in the 1990s.
2. Review of Current Economic Prospects

Risk and Opportunity

**UK Construction** - difficult – must retain a quality business and manage cash flows

**UK Services** - hurting core private sector FM business. Government and private sector outsourcing opportunities

**MENA** - continued growth potential, albeit at a slower pace

**Canada** - growth opportunity to capitalise on PPP and Vanbots

**Caribbean** - distraction?
Risk and Opportunity

With the bulk of our sales currently in the UK, the balance of risk and opportunity is clearly leaning to Risk, however it is worthwhile summarising here where the balance of risk and opportunity lies for Carillion:

UK Construction - Risk

Construction will clearly be very difficult going forward. The challenge will be for us to manage the business so that we retain a quality UK construction business – whatever the consequent size – whilst ensuring that the cash flow implications are properly managed.

UK Services - Opportunity and Risk

Recession is clearly hurting our core FM business as the requirement for our ‘value added’ offering is less critical in the eyes of our customers who are now seeking a low cost solution. The clear risk is that we will lose business to in-house and to cheaper competition. On the other hand the government must reduce costs drastically so we expect that this will create renewed outsourcing opportunities for us.

MENA – Opportunity

We expect that after next year, MENA will continue to grow, albeit at a slower pace than recently.

Canada - Opportunity

We remain well positioned in Canada, capitalising on the growth in PPP and on our acquisition of Vanbots in 2008.

Caribbean - Distraction?

The business may well be more of a distraction than an advantage at this time and we are considering our options for the future of the business.
### Profit

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<tr>
<td><strong>FULL YEAR</strong></td>
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<tr>
<td>£’million</td>
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<tr>
<td>Total revenue</td>
<td>5,205.8</td>
<td>5,330.3</td>
<td>5,500.3</td>
<td>5,867.2</td>
<td>6,161.5</td>
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<td>Less: share of revenue of Joint Ventures</td>
<td>(772.0)</td>
<td>(842.9)</td>
<td>(801.4)</td>
<td>(875.8)</td>
<td>(939.4)</td>
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<td>4,433.8</td>
<td>4,487.4</td>
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<td>4,991.4</td>
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<td>135.2</td>
<td>152.9</td>
<td>162.9</td>
<td>173.8</td>
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<td>Share of post-tax results of Joint Ventures</td>
<td>45.1</td>
<td>62.2</td>
<td>59.2</td>
<td>56.9</td>
<td>62.1</td>
</tr>
<tr>
<td>Underlying profit from operations</td>
<td>165.2</td>
<td>197.4</td>
<td>212.1</td>
<td>219.8</td>
<td>235.9</td>
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<tr>
<td>Group net interest</td>
<td>(7.7)</td>
<td>(15.5)</td>
<td>(14.5)</td>
<td>(7.7)</td>
<td>(3.9)</td>
</tr>
<tr>
<td>Underlying profit before taxation</td>
<td>157.5</td>
<td>181.9</td>
<td>197.6</td>
<td>212.1</td>
<td>232.0</td>
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<tr>
<td>Underlying earnings per share</td>
<td>34.3p</td>
<td>38.6p</td>
<td>40.4p</td>
<td>43.3p</td>
<td>47.3p</td>
</tr>
<tr>
<td><strong>Underlying earnings per share growth (%)</strong></td>
<td><strong>19%</strong></td>
<td><strong>13%</strong></td>
<td><strong>5%</strong></td>
<td><strong>7%</strong></td>
<td><strong>9%</strong></td>
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### Cash

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<tr>
<td>£’million</td>
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<tr>
<td>Net (borrowing)/cash at 31 December</td>
<td>(226.7)</td>
<td>(64.5)</td>
<td>(78.7)</td>
<td>(26.2)</td>
<td>34.9</td>
</tr>
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</table>
We set out above and below a ‘reminder’ of the business plan numbers presented in July (with 2009 updated for RF3). For details by Business Group see Appendix.

**Profit**

Total revenue growth of 2.3%, 6.7% and 5.0% in 2010, 2011 and 2012 respectively is driven by growth in Business Services (£0.1 billion in 2010 and £0.2 billion per annum in 2011 and 2012) and Canada and the Caribbean (£0.1 billion per annum).

Underlying group operating profit in 2010, 2011 and 2012 benefits from £55m of “fit for the future” savings and strong growth in Business Services and Canada and the Caribbean.

Share of Joint Ventures revenue and post-tax results during the Business Plan period remains broadly in line with RF3 with the expansion into new territories in the Middle East offsetting the completion of a number of Dubai contracts.

Group net interest benefits from PFI loan stock interest of £4.3m, £8.0m and £8.9m in 2010, 2011 and 2012 respectively together with lower interest charges as average net debt reduces from (£215.1m) in 2010 to (£45.6m) in 2012.

Underlying profit before tax remains static in 2010 and then increases by 7% and 9% in 2011 and 2012 respectively with underlying earnings per share growing by similar amounts in 2010, 2011 and 2012 respectively

**Cash**

Group net debt reduces by £99.4m over the Business Plan period from (£64.5m) at the end of 2009 to £34.9m net cash at the end of 2012.

Underlying Group operating profit is strongly cash backed with working capital cash flows expected to remain broadly neutral in 2010, 2011 and 2012.

Deficit pension contributions remain broadly in line with 2009 at (£27.5m).

Acquisitions and disposals in 2010, 2011 and 2012 comprise net investments in PPP Joint Ventures (primarily Aspire, Portsmouth Hospital, Canadian hospitals and Northwood) partly offset by Canadian land Joint Venture divestments.
### 2009 RF3 Update

#### Profit

**FULL YEAR**

<table>
<thead>
<tr>
<th>£'million</th>
<th>RF3 2009</th>
<th>Budget 2009</th>
<th>Actual 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>5,330.3</td>
<td>5,376.1</td>
<td>5,205.8</td>
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<tr>
<td>Less: share of revenue of Joint Ventures</td>
<td>(842.9)</td>
<td>(1,068.7)</td>
<td>(772.0)</td>
</tr>
<tr>
<td>Group revenue</td>
<td>4,487.4</td>
<td>4,307.4</td>
<td>4,433.8</td>
</tr>
<tr>
<td>Underlying Group operating profit</td>
<td>135.2</td>
<td>134.8</td>
<td>120.1</td>
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<tr>
<td>Share of post-tax results of Joint Ventures</td>
<td>62.2</td>
<td>70.4</td>
<td>45.1</td>
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<tr>
<td>Underlying profit from operations</td>
<td>197.4</td>
<td>205.2</td>
<td>165.2</td>
</tr>
<tr>
<td>Group net interest</td>
<td>(15.5)</td>
<td>(7.2)</td>
<td>(7.7)</td>
</tr>
<tr>
<td>Underlying profit before taxation</td>
<td>181.9</td>
<td>198.0</td>
<td>157.5</td>
</tr>
<tr>
<td>Underlying earnings per share</td>
<td>38.6p</td>
<td>41.2p</td>
<td>34.3p</td>
</tr>
<tr>
<td>Underlying earnings per share growth (%)</td>
<td>13%</td>
<td>20%</td>
<td>19%</td>
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</table>

#### Cash

<table>
<thead>
<tr>
<th>£'million</th>
<th>RF3 2009</th>
<th>Budget 2009</th>
<th>Actual 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net borrowing at 31 December</td>
<td>(64.5)</td>
<td>(230.8)</td>
<td>(226.7)</td>
</tr>
</tbody>
</table>
We set out above and below a précis of our RF3 forecast for 2009:

**Profit**

Total revenue in 2009 RF3 of £5.3bn is slightly behind Budget but ahead of 2008 due largely to a full year contribution from Vanbots £196m which was acquired in October 2008.

Underlying Group operating profit of £135.2m is broadly in line with Budget and 13% ahead of 2008 primarily reflecting cost savings under the ‘Fit for the Future’ campaign of £30.2m and Alfred McAlpine integration/supply chain savings of £35.2m. These are partly offset by shortfalls in Business Services (£35.4m) and the favourable 2008 settlement on Dublin Port Tunnel not repeated in 2009.

Share of post tax Joint Venture results of £62.2m is behind Budgeted expectations due to reductions in Dubai but is ahead of 2008 largely due to an increasing contribution in the Middle East from Abu Dhabi of £18.1m.

Group net interest charge of (£15.5m) is around (£8m) worse than both Budget and 2008 due largely to reduced pensions interest income of (£7.6m) and (£15.2m) and lower Private Finance loan stock interest of (£2.2m) and (£1.5m) respectively. In addition, the interest charge in 2009 benefits from lower average interest rates when compared to 2008 following the reduction in LIBOR during the 4th quarter of 2008.

**Cash**

Underlying cash flow from operations of £273.4m includes a significant working capital inflow of £68.8m reflecting improvements from Project Carol and the majority of Business Groups. Dividends received from Joint Ventures of £37.0m is £12.0m ahead of 2008 as 2009 benefits from increased dividends from Middle East Joint Ventures reflecting growth in profits.

Net capital expenditure of (£41.7m) is £22.0m better than Budget principally due to the planned funding of the Canadian Alberta roads maintenance contract via operating leases as opposed to finance leases £18.0m and reduced Project eXcel costs £6.1m. Capital expenditure in 2008 is net of proceeds received from the disposal of property and plant of £13.8m not repeated in 2009.

Acquisitions and disposals in 2009 of £36.5m comprises proceeds from the sales of the external IT Services business £36.0m and PFI equity £13.8m partly offset by other joint venture equity investments (£13.3m).
### 2010 ‘First Look’
#### Profit

<table>
<thead>
<tr>
<th>FULL YEAR</th>
<th>Draft Budget 2010</th>
<th>B.Plan 2010</th>
<th>Adjusted IFRIC 12 RF3 2009</th>
<th>RF3 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>£’million</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td>5,080.0</td>
<td>5,500.3</td>
<td>5,489.4</td>
<td>5,330.3</td>
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<tr>
<td>Less: share of revenue of Joint Ventures</td>
<td>(788.6)</td>
<td>(801.4)</td>
<td>(1,002.0)</td>
<td>(842.9)</td>
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<td>Group revenue</td>
<td>4,291.4</td>
<td>4,698.9</td>
<td>4,487.4</td>
<td>4,487.4</td>
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<tr>
<td>Underlying Group operating profit</td>
<td>149.1</td>
<td>152.9</td>
<td>135.4</td>
<td>135.2</td>
</tr>
<tr>
<td>Share of post-tax results of Joint Ventures</td>
<td>44.5</td>
<td>59.2</td>
<td>58.5</td>
<td>62.2</td>
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<tr>
<td>Underlying profit from operations</td>
<td>193.6</td>
<td>212.1</td>
<td>193.9</td>
<td>197.4</td>
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<tr>
<td>Group net interest</td>
<td>(4.8)</td>
<td>(14.5)</td>
<td>(15.5)</td>
<td>(15.5)</td>
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<tr>
<td>Underlying profit before taxation</td>
<td>188.8</td>
<td>197.6</td>
<td>178.4</td>
<td>181.9</td>
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<tr>
<td>Underlying earnings per share - continuing operations</td>
<td>39.4p</td>
<td>40.4p</td>
<td>37.6p</td>
<td>38.6p</td>
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<tr>
<td>Underlying earnings per share growth (%)</td>
<td>5%</td>
<td>5%</td>
<td>[O/S]</td>
<td>13%</td>
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</table>
We set out above a précis of our “First Look” forecast for 2010
Carillion Analyst Commentary – What is the Market Focused On?

**RISKS**

1. Middle East Downturn (6)
2. UK Construction Exposure – Private Sector (5)
3. Leverage (4)
4. Lumpy Construction Contracts (2)
5. Pension Deficit (2)
6. Market Understanding of Portfolio?

**OPPORTUNITIES**

1. Long Term, Strong Order Book (5)
2. Risk Management in Construction (3)
3. Major Player in PFI Market (3)
4. Defensive Public Sector Outsourcing Exposure (2)
5. Reduced Exposure to UK Regional Contracting (2)
6. Scale of Support Services (2)

While the market recognises Carillion’s strengths and capabilities in both Construction and Support Services, in the current environment concerns around leverage and UK construction risk remain a significant weight on the share price.

Note: Risks and Opportunities ordered based on the frequency of comment in recent analyst research (number of mentions in brackets).
Carillion’s Strategic Options - Understanding the key drivers for value

In light of the economic situation facing us, we have undertaken a review of our strategic options as a group assisted by Lazard. In order to understand the options better we have researched the factors which the investment community is focussed upon. This has led us to consider the following questions:

• What strengths and perceived weaknesses of Carillion's business are analysts most focused on?
• What are the key value drivers in the Construction, Integrated and Support Services sectors?
• What end markets do analysts consider most attractive?
• How do value drivers differ between Construction and Support Services?

In assessing the above we adopted the following methodology:

1. Detailed review of analyst commentary on Carillion and wider Construction and Support Services peer group.
2. Analysis of market perception and level of importance attached to range of identified value drivers
3. Review of analyst commentary on end markets and expected resilience / growth prospects, etc.
4. Review of key financial metrics relative to rating (both PE and EV/EBITDA)

Analysis of Analyst Commentary

Our review of analyst commentary (above) identified the issues raised as a concern around the first and second quarters of this year. It must be recognised that the commentary was made just after/during a very volatile time in financial markets perhaps overly focussing analyst attention onto the ‘bear’ factors on the left hand side of the page.

We applied these and other relevant factors to discerning the value drivers of groupings of UK based Construction, Support Services, and Integrated companies. We analysed the following companies:

Support Services: Amec, Atkins, Babcock, Capita, Connaught, Homeserve, May Gurney, Mears, Mouchel, Mitie, Serco, VT Group;

Integrators: Carillion, Balfour Beatty, Interserve, Rok;

Construction: Costain, Galliford Try, Kier, Morgan Sindall.
## 4. Strategic Options for Carillion

### Value Drivers

<table>
<thead>
<tr>
<th>QUESTION - WHAT MATTERS?</th>
<th>CONSTRUCTION</th>
<th>IMPACT ON RATING?</th>
<th>SUPPORT SERVICES</th>
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<tbody>
<tr>
<td>Leverage</td>
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<td>Construction Exposure</td>
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<td>Profit Margin</td>
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<td>Orderbook / Pipeline</td>
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<td>Earnings Growth</td>
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<td>Paying a Dividend</td>
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<td>End Market Exposure</td>
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<td>Pension Deficit</td>
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<td>Scale</td>
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<td>Public Sector Exposure</td>
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<td>Construction Risk Management</td>
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<tr>
<td>Capability</td>
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<tr>
<td>PFI Value Recognised</td>
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Note: Risks and Opportunities ordered based on the frequency of comment in recent analyst research.
Value Drivers

The page above confirms the conclusions that we drew as a result of the exercise:

- Leverage is a key adverse value driver for Construction and Integrated companies, but not for safer Support Service companies. The risk of high leverage is particularly relevant in the construction sector given the potential for working capital unwind during downturn. With thin margins it is a key cause for concern for investors.

- Similarly exposure to construction risk is a key adverse value driver with expectations of contract volume decline, margin pressure and increased risk of write downs, etc.

- The length of the order book did not appear to be a major consideration for Construction or Integrated firms, albeit it was for Support Service companies.

- Again, earnings visibility is not a particularly key value driver for Construction and Integrated companies, with analysts more focussed on shorter term concerns.

- No benefit appears to be given to track record of earnings growth for Construction and Integrated peers.

With the benefit of the above analysis, we felt able to assess the different strategic options available to the group, which were ‘brainstormed’ and assessed in detail, the results being shown on the next page.

What is the Strongest Strategy?

When considering the various strategic options for the group, we have taken into account the question of the strategic rationale for the Group. In essence the question is: “What is the strongest strategy” for the integrated or separated elements of the group?”

In our current strategy we seek to maximise the benefit of integrated solutions, delivering growth and synergy from all the current material parts of the Group.

In a number of alternative scenarios we may be better able to provide a more ‘ruthless’ focus on the business, if it were in a different shape, to enable us to deliver more growth and better management of the business.
### Relative Merits of Strategic Options

<table>
<thead>
<tr>
<th>Option</th>
<th>'10E EPS Impact</th>
<th>P/E Uplift</th>
<th>Opportunity</th>
<th>ACTION-ABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Strategy – (De-leveraging)</td>
<td>-</td>
<td>17%</td>
<td>![ verde ]</td>
<td>![ rojo ]</td>
</tr>
<tr>
<td>Sale of Infrastructure</td>
<td>(19%)</td>
<td>12%</td>
<td>![ verde ]</td>
<td>![ rojo ]</td>
</tr>
<tr>
<td>Sale of Construction</td>
<td>(47%)</td>
<td>37%</td>
<td>![ verde ]</td>
<td>![ verde ]</td>
</tr>
<tr>
<td>Sale of Support Services</td>
<td>(45%)</td>
<td>39%</td>
<td>![ verde ]</td>
<td>![ rojo ]</td>
</tr>
<tr>
<td>JV of UK Construction Operations</td>
<td>-</td>
<td>-</td>
<td>![ verde ]</td>
<td>![ rojo ]/![ verde ]</td>
</tr>
<tr>
<td>De-merger*</td>
<td>-</td>
<td>33%</td>
<td>![ verde ]</td>
<td>![ rojo ]/![ verde ]</td>
</tr>
<tr>
<td>Acquire an Integrator (Interserve)</td>
<td>25%</td>
<td>n/a</td>
<td>![ verde ]</td>
<td>![ rojo ]</td>
</tr>
<tr>
<td>Acquire a pure Support Services Players (Mitie)</td>
<td>1%</td>
<td>n/a</td>
<td>![ verde ]</td>
<td>![ rojo ]</td>
</tr>
</tbody>
</table>

Note: Analysis undertaken during Q2&3 2009

*Assumes all Rail is Support Services, and synergy erosion at £10m only.
**Current Strategy – (De-leveraging)** Carillion's current strategy - focused on de-leveraging initiatives - should over time deliver an improved PE re-rating as the perceived risk profile of the Group is improved. It does not reduce construction exposure.

**Sale of Infrastructure** A sale of Infrastructure would rely on an additional re-rating, based on the benefits of the reduced debt position, to deliver value to shareholders. Disposal value is destructive as it may not deliver full PE re-rating and more limited return of proceeds as a cash balance is required to address leverage concerns.

**Sale of Construction** A sale of Construction could theoretically deliver the greatest overall value creation to shareholders, repositioning Carillion as a pure Support Services business providing re-rating potential. Additional value has been assumed to be achieved through a return of proceeds to shareholders; in practice a more accretive support services acquisition may be a compelling alternative. Execution risk is high given the limited number of tier 1 potential buyers.

**Sale of Support Services** Sale of Support Services to reposition Carillion as a pure-play contractor would address leverage concerns in Construction and provide for a substantial return of proceeds to shareholders. The strength of the franchise would be expected to generate a stronger appetite from potential bidders.

**Potential JV with UK Construction Operations.** A potential construction joint venture may represent a more achievable strategy for deconsolidating Carillion's construction operations, with a 50/50 JV but brings concerns regarding clarity of management within a JV structure.

**De-merger.** A de-merger may be achievable and may deliver substantial value creation through re-rating potential. Debt would be transferred with re-rated support services, where leverage is perceived by the market to be less of a concern.

**Integrated Company Acquisition.** An acquisition of Interserve delivers the most attractive EPS enhancement, however, the rating burden from leverage and construction risk are not impacted positively.

**Support Services Company Acquisition.** Acquisition of Mitie would enhance Carillion's Support Services capability, however substantial current PE differential impacts EPS enhancement potential of the transaction
Broker Discussion and Conclusions

Broker Discussion

UK is expected to remain in recession with major growth in Middle East and some growth in Canada.

Broker strategy perspective:

• de-levering the business is working
• de-emphasize UK construction
• deliver organic growth in the Middle East
• grow Canada organically and by acquisition if possible

Preliminary Conclusion

1) De-merger is not an option in current economic conditions
2) Our low P/E rating may prevent inorganic support services growth
3) Manage UK construction down to support quality margins and Integrated Solutions
4) We must find the ‘catalyst’ to deliver fair value in Carillion’s rating
Simon Bragg (Oriel)

**The Big Picture.** The UK is expected to continue in a lengthy recession. There will be a major curtailment in infrastructure investment due to a shortage of government funds. The Middle East is expected to see continued investment, but at a slower pace of growth. The Canadian government is not as geared as the UK, so will also see continued growth.

**What to do?** In the light of the above it seems sensible to: de-emphasize UK construction; deliver organic growth in the Middle East; and to grow Canada organically and by acquisition if possible.

**Options.** 1) **De-leveraging** the business while it has construction makes sense, but the bigger question is whether we can separate the construction risk from the support services, effectively ‘putting construction in a box’ and unlocking ‘hidden’ value. 3) **Sale of Construction.** It seems unlikely that Construction can be sold at any reasonable value. 5) **De-merger.** Will you really get two gems of value in a de-merger? There is a possible premium here, but we must be aware that many investors will not appreciate receiving shares in a high risk UK construction business exposed to the UK recession.

Peter Moorhouse (Morgan Stanley)

**The Big Picture.** The big concern for Carillion is exposure to UK construction, and the forthcoming downturn in Government spending. However the seriousness of this does not yet seem to have registered with investors. It is unclear what the impact of the recession will be on UK support services and whether or how much it will stimulate growth through increased outsourcing. Too many of Carillion’s analysts are ex-construction, so we struggle to ‘break through’ into a support services rating. To what extent is construction required for growth of support services and PFI?

**Options.** 1) **De-lever.** The strategy to de-lever the business is clearly working. 2) **Sale of Infrastructure** does not help our construction footprint, so why do it? 3) **Sale of Construction** is unlikely to be viable through a shortage of buyers (Balfour Beatty? International buyer?). 4) **Sale of Support Services** is viable but would have to achieve an outrageous price to justify it. 5) **De-merger.** Shareholders would struggle to understand why and how our strategy of integration was unpicked. Moreover they would not want to see construction on it’s own, exposed without much defensiveness, and the value of the business would be discounted in the market as an untested company. 6) **JV of Construction** takes construction ‘off balance sheet’ but carries the risk of management indecision leading to value erosion.

The central question seems to be: How do you control risk in UK construction, to give more management focus to growth?

**Conclusion and Debate**

1) Advice is that de-merger is not an option in the near/ medium term whilst the UK Government remains in financial difficulty.

2) Our low P/E rating may prevent inorganic support services growth, driven by too much construction risk. To enable ‘step change’ support services acquisitions we must complete the de-levering and reduce UK construction risk exposure.

3) We need to manage UK construction so that it remains of high quality (even if smaller) and supports Integrated Solutions.

4) Our business remains under-rated. We must find the ‘catalyst’ to enable fair value to be seen.
Output could fall 30-40% over 2/3 years
Our business is 75-80% public. The government must cut back.
Maintaining quality means going lower than the market.
UK Construction Order Book

As at September 2009 work secured and probable for our UK construction work stands at £1.63bn for 2010 (86% of 2009 RF3 turnover) and £0.9bn for 2011 (48% of 2009 RF3).

Output could easily fall by 30-40% over two to three years, and we must be cognisant of this in order to make a judgement regarding the size of the business going forward.

Our business is over three quarters publicly funded. The government must cut back sharply soon after the election in order to maintain fiscal integrity. The question is how much will this affect Carillion?

In addition, we must recognise that maintaining a quality construction business means we must go lower than the market output as contract terms become more competitive, and carry more risk.
Downscaling Scenarios – Cash Effect

Cumulative Cash flow variance from Plan - Total

-200
-180
-160
-140
-120
-100
-80
-60
-40
-20
0
2009 2010 2011 2012

£million

30% Reduction (£560m)
40% Reduction (£750m)
**Downscaling Scenarios**

The diagram above shows the cumulative cash flow variance from Business Plan levels caused by two different scenarios showing UK construction reduced from the 2009 level of £1.9bn by 30% and 40% respectively by 2011. The variance includes: working capital, lost profit, and restructuring costs over the two year period.

This is based on a negative working capital level of (15%), including (5%) Cash-in-Advance (CIA). This analysis shows that the impact of the illustrated volume reduction would be in the order of £170m-£190m by 2011. In each case we have assumed that 2012 will have level sales with 2011, allowing CIA to recover from the impact of falling turnover. (In the case of (20%) working capital, the cash impact would be c£20m higher at £196m-£224m by 2011).

The CIA impact is particularly severe during falling turnover, since contracts making up the sales are on average later in their cycle thus early up-front payment opportunities are much reduced, depleting this 5% CIA element.

We have assumed an additional 1% reduction in profitability to allow for reductions in gross margins and overheads over-capacity arising from reduced turnover.

The maximum cash outflow occurs in 2011 before the increase in cash in advance provides a lift in 2012.
Downscaling Scenarios 
Work Winning

Build-up of 2011 Turnover - £1.14bn (40% scenario)
Down-scaling scenarios – work-winning

The above analysis demonstrates that the reduction in construction sales is unlikely to be more than 40%, and will probably be somewhat less. At the ‘40% down’ level, 79% of the work is currently secured and probable, with secured at 40% and probable at 39% leaving 21% to be obtained. Of the 21% to be obtained 16% is for Infrastructure and only 5% for Building.

The scenarios for turnover reduction are built up from assumed individual contract wins from the businesses targeted opportunities.

Education remains the main sector for Building with defence, health and law & order also contributing.

The private sector building work is all derived from the Customer Management Programme.

A major part of the Infrastructure scenario is the winning of the Managed Motorway project which is expected to provide £200m of work across 2010-12.
## Customer Cost Pressures & Market Trends

<table>
<thead>
<tr>
<th>Core service elements</th>
<th>Growth market emphasis</th>
<th>Recession emphasis</th>
<th>Market size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single &amp; bundled services</td>
<td>2 Medium: Much effort to manage multiple services</td>
<td>1 High: Cost reduction is critical</td>
<td>No growth – private sector reducing modest public sector growth</td>
</tr>
<tr>
<td>Integrated services &amp; TFM</td>
<td>1 High: enables focus on core activities</td>
<td>3 Low: Cost reduction is more critical than focus</td>
<td></td>
</tr>
<tr>
<td>Operations outsourcing (Transformation)</td>
<td>3 Low: implementation distraction &amp; risk</td>
<td>2 Medium: cost reduction is key, but o/s high risk</td>
<td>Growth – public &amp; regulated sectors</td>
</tr>
</tbody>
</table>

= ranking of customer buying factors
Customer Drivers & Market Trends

Over recent years outsourcing, particularly in the private sector, has been against a growth market backdrop with customers seeking to enhance value through focusing on their core business and outsourcing non-core services. Today customers are under much more pressure. Their tougher markets are causing them to look for efficiencies that reduce cost and are looking to us to deliver lower cost support services with increased risk transfer. This is resulting in renegotiation of new contracts and in cost focused competition for new contracts.

In the TFM market there is de-layering of margins and for second and third generation contracts de-scoping of services including in some cases in-sourcing of elements of the management function. There are examples of customers deconstructing TFM solutions into component bundles that can be procured as commoditised bundles of services.

Cost and compliance continue to be the main buying factors in both the public and private sector M&E maintenance markets. The impact of recession is manifesting itself in reduced volumes of discretionary spend, which is now including reactive maintenance.

The impact of recession in the public sector is lagging and the full impact is anticipated after the 2010 General Election. The level of national debt is expected to create the impetus for more radical outsourcing to achieve a step change in the cost base, while maintaining quality and service levels.

Overall the Facilities Management market is not expected to grow over next 2 -3 years, with a decline in the private sector TFM and bundled services market off-set to some degree by modest growth in the public sector.

Carillion core facilities management offerings are under pressure from a customer requirement to reduce cost, which is resulting in reduced revenues and reduced margins. There is also increased competition as a declining private sector market results in a squeeze on market shares. The overall result is facilities management offerings are becoming increasingly commoditised with lower margins. The expectation is that historic margins of 8% are moving towards 5% which is emerging as the market norm.

For our current core business protection of margins and maintenance of a competitive position is dependent upon re-engineering our cost base to provide a quality service at a competitive price.

It is expected that Local Authorities and Health will significantly increase outsourcing of DLOs and out-of-hospital services respectively. The objective will be to reduce the cost of service delivery while maintaining service standards. This provides us with an opportunity for growth.
Step Change vs. Incremental Change

6. Strategy for UK Services

Traditional Process Improvement
5 – 10% improvement

1. New Technology / Cost Management programmes
2. Seek process improvement to make business case
3. Training on new system? Performance improvement

High Performance Re-engineering
15 – 30% improvement

1. Start with the end in mind
2. Benchmark current against ambition
3. Clean sheet process design
4. Highly efficient and responsive
5. Modern underpinning platform
6. Performance driven organisation (Change leadership, Performance management, metrics, behaviours)

Cost base / Efficiency

Time

Repeat Process
Incremental improvement vs Re-engineering

Application of traditional process improvement has a track record of delivering year on year efficiencies in the range of 5 – 10%. The approach is based on incremental “bolt ons” of best practice including new technologies, which are then used to drive improved efficiency.

More fundamental re-engineering of end-to-end processes has the potential to realise step-change reductions in the cost base, with savings in the range of 15 – 30%. Re-engineering of our operating models will contribute to margin protection and maintaining competitiveness in the market place by being able to compete on price.

The core capabilities required for both re-engineering and transformation are:

- **Organisational restructuring** – design and implementation of organisational structures that minimise overhead. Our experience includes restructuring following acquisitions.

- **Resource management** – end to end scheduling of planned and reactive events (including customer interface), allocation to delivery teams, subsequent job close out and generation of billing financial and management information. Implementation of the National Operations Centre for mobile engineers has significantly increased our capability in this area.

- **Workforce optimisation** – management and supervision of people to maximise attendance and productivity. Implementation of time and attendance technologies and systems on health contracts has commenced strengthening in this area.

- **Supply chain management** – managing a partnership between customers and suppliers to deliver customer service levels with optimal use of the supply chain and operational resources to achieve the lowest total cost of ownership. This area is the focus of a separate CET sponsored strategy.

- **Asset management** – whole life management of the assets required by an organisation. We have a number of elements required for asset management but it is currently not a core capability and we do not have the necessary technology platforms.

Asset management = the whole life management and whole life cost optimisation of non-people resources required by an organisation, including: property, IT, equipment, vehicle fleets, plant and machinery, distribution networks for utility companies.
# 6. Strategy for UK Services

## Cost Reduction / Re-engineering Strands

<table>
<thead>
<tr>
<th>Capabilities</th>
<th>Organisational Restructuring</th>
<th>Resource Management</th>
<th>Workforce Optimisation</th>
<th>Supply Chain Management</th>
<th>Asset Management</th>
<th>Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change Leadership</td>
<td>🟦</td>
<td>🟦</td>
<td>🟦</td>
<td>🟦</td>
<td>🟦</td>
<td>🟦</td>
</tr>
<tr>
<td>People Engagement</td>
<td>🟦</td>
<td>🟦</td>
<td>🟦</td>
<td>🟦</td>
<td>🟦</td>
<td>🟦</td>
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<tr>
<td>Standard Operating Model</td>
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<td>🟦</td>
<td>🟦</td>
<td>🟦</td>
<td>🟦</td>
<td>🟦</td>
</tr>
<tr>
<td>Customer Engagement</td>
<td>🟦</td>
<td>🟦</td>
<td>🟦</td>
<td>🟦</td>
<td>🟦</td>
<td>🟦</td>
</tr>
</tbody>
</table>

**Key**

- 🟦 = the degree to which an enabler impacts on a competency.
- 🟦 = an assessment of our current strength for each of the enablers.
What it Means for Us

The capabilities required for re-engineering require strength in all of the key enablers:

- **Change leadership** – organisational design and driving through change with strong project management and monitoring is a strength.
- **People engagement** – good people management (Power of Engagement) and doing the people basics well.
- **Standard operating model** – best practice (Centres of Excellence / Operational Excellence) and our management system need to be consistently applied at contract level.
- **Technology** – is the underpinning platform and key enabler for re-engineering. Current investment in Project Baseline provides a platform for business as usual. Further investment is essential to realise the potential of re-engineering.
- **Customer engagement** – customer touch points exist at each stage of re-engineering. Engagement with customers at each touch point will be critical to successful implementation.

The immediate priority is to enhance the technology platform to enable further development of our capabilities in Resource Management and Workforce Optimisation. In parallel the supply chain strategy will continue to be implemented.

The opportunity exists to capitalise on existing programmes and to focus the outputs into the capabilities to re-engineer our cost base. This is essential in an increasingly commoditised and competitive market. Successful re-engineering will be a reduced cost base that enables maintenance of margins and market share.

Strategic growth will require us to look at adjacent markets and new offerings. Application of re-engineering capabilities to customers operations in the form of a Transformation offering creates a growth opportunity since it extends our market beyond the commoditised facilities management market segment. This will build on our existing activities in this segment which include Asprea, Clinicenta and elements of the BT Openreach contract.

A transformation offering would provide customers with a step change in their cost base while maintaining service quality. This outsourcing, which may include asset and strategic resource management, is anticipated to provide growth in the support services market over the next 3 to 5 years, particularly in the public sector.
Core support services markets:

**Highway Maintenance** - work winning critical.

**Rail** – will Conservatives cut spending?

**Utilities** – opportunity in Power afforded by Nuclear programme. BT Openreach contract extension opportunities.

**Sky Blue** - prospects heavily influenced by wider construction market.
Highway Maintenance

We have been through a challenging time in our Highways Maintenance business, including the expected loss of Area 5 to the M25 PFI contractor. The critical issues in work winning are in successfully negotiating the HA’s somewhat cryptic scoring mechanism which will be key in our approach to Area 1 and Area 13. Going forward we will focus on opportunities afforded by PPP (including maintenance and Managed Motorways) and selective Local Authority contracts.

Rail

The critical question for Rail is whether this mature market (which ought to be non-deferrable), will be reduced by an incoming Conservative Government cutting CP4 (the current spending plan endorsed by Act of Parliament). Network Rail’s annual expenditure on “Renewals” and “Enhancements” will be £2.7bn in 2009 and approximately £2.1bn p.a. over the next 4 years (regulated expenditure over the period 2009 to 2014)

Transport for London’s annual expenditure will be £2.8bn in 2009 and approximately £2.5bn p.a. over the next 3 years as a net result of a reduction in expenditure due to the completion of the East London Line and the main focus of future spending switching to LUL and CrossRail. Again, there is real risk that these projects will be delayed by an incoming Government.

Utilities

The key for Utilities’ core market in Electricity is the Nuclear programme, which will require corresponding investment in the power network.

The recent award of the £1.0bn BT Openreach contract gives us a greatly enhanced position in Telecoms and demonstrates potential for outsourcing of non-core services by major private and public sector organisations. There is significant opportunity for contract extensions with Openreach (e.g. UK fibre roll-out) so it is imperative that we perform well in the roll out and transition stage which is imminent.

Sky Blue

The prospects for this business will be heavily influenced by the wider construction market including our own business, which accounts for 75% of revenues. The current Project Steven process may lead to a near term disposal of this business.
8. Strategy for MENA

Work Winning: Market Outlook

- With Carillion Qatar set to commence operations in Q4 2009, we will use the remainder of this year to explore potential new markets with a view to spreading our geographic risk and providing added resilience to Carillion’s MENA business.

- Saudi Arabia and Libya are currently demonstrating the most potential due to their huge infrastructure and building requirements, economic strength and significant political and financial support from the UK Government.

**Country**

- **Egypt**
  - GDP Forecast to increase by 8% p.a.
  - Cairo Festival City underway gearing up
  - Potential: 5/10

- **Libya**
  - GDP growth forecasted at 5.8% in 2009
  - Huge infrastructure needs & have money
  - Potential: 4/10

- **Qatar**
  - GDP growth forecasted at 8.5% in 2009
  - Shareholder’s Agreement signed in Qatar
  - Potential: 6/10

- **Abu Dhabi**
  - GDP growth forecasted at 5% in 2009
  - Government focussed on Vision 2030
  - Potential: 7/10

- **Dubai**
  - 2009 Growth forecast reduced to 2%
  - Real estate crash & indebtedness
  - Potential: 3/10

- **Oman**
  - GDP growth forecast is 4% in 2009
  - Key focus area for 2010-2012
  - Potential: 7/10

- **Saudi Arabia**
  - GDP Forecast to increase by 7% p.a.
  - Biggest construction market in Gulf
  - Potential: 5/10

- **Egypt**
  - GDP growth forecasted at 8.5% in 2009
  - Shareholder’s Agreement signed in Qatar
  - Potential: 6/10
Significant slowdown in construction throughout the Gulf

Construction activity in the Gulf has been severely impacted by the global recession, particularly in the beleaguered real estate sector which previously accounted for 80% of construction output in the UAE. Project delays and cancellations and widespread as customers ‘re-prioritise’ their development plans and seek liquidity to move projects forward. As a result of the dramatic slowdown, the market has become fiercely competitive with contractors expected to accept more risk at less margin. Contract terms are being renegotiated and payments unreasonably withheld.

Abu Dhabi has investment plans totalling around US$1 trillion through to 2030, with the focus on industrial, commercial, culture and tourism, and Qatar has planned projects totalling US$130 billion. Saudi Arabia and Libya both have significant infrastructure requirements and are economically strong.

The use of ECGD funding for projects in the UAE and Egypt is expected to become a key differentiator for Carillion in this more competitive, low-liquidity market and support our high margin expectations.

Development of our existing customer base

We will get closer to our customers through a more consistent and focussed engagement including implementation of Customer Satisfaction Surveys to engender excellent relationships at all levels; aiming to be the partner of choice as a result of our operational excellence – safety, quality, timeliness and value.

Controlled expansion

The primary focus for 2009-10 is securing new work in Abu Dhabi and Oman, building on the success of The Yas Hotel in Abu Dhabi and the strong pipeline with Government customers in Oman.

We aim to increase our resilience by securing our first contract in Qatar and investigating opportunities outside of the Al Futtaim relationship. Saudi Arabia and Libya remain key targets for 2010 and 2011 respectively and the aim is to enter these markets on the back of customers we know. We are also re-aligning our sector focus to include the growth areas of Oil and Gas (civil engineering only), healthcare, education and defence.

Emrill

We need to resolve ownership and Carillion shareholding given Emaar and Al Futtaim’s wish to divest of their interests. Potential FM partners in Abu Dhabi are being investigated, as is the establishment of a MENA-wide FM business.
Carillion Canada

- Significant growth opportunity driven off infrastructure development
- £1bn in revenues achievable by end 2012
- £10bn PFI programme
- 2 wins in 5 delivers the plan

- Carillion competitive in development, construction and operations
- Unique in Canada in providing all three
Growth

Canada continues to offer a significant growth opportunity for the Group, with turnover expected to treble to more than £1bn by 2012. Operating profit is planned to grow from £16m in 2009 to £40m in 2012. Growth is driven by the strong market for new PFI projects, predominantly in Ontario, but also elsewhere in Canada. The goal of becoming the number 1 or 2 player in Canada in each of our core business is a challenging but realistic objective.

Building

Despite a pause earlier in the year, the market for PFI, lump sum and construction management building has returned to its previously high level of activity as government pump-priming cash flows through. Maintaining the legacy Vanbots construction management business at inherited levels whilst growing the lump sum and PFI building businesses will yield strong growth.

Roads Management

Carillion is now the largest management contractor in the Canadian market. Growth will be slower for a while as we consolidate recent wins, but prospects in the medium term, both in our existing territories and in BC, remain good.

FM Services

Our healthcare FM service team is viewed as the best in the sector. Growth opportunities are good both as part of PFI bidding and as hospital outsource this work. Long lead times associated with PFI wins means growth in this sector does not contribute significantly to the bottom line in the business plan period.

PPP

We are the only player in Canada to offer a fully integrated design, construction, services and financing capability. The current focus is on Health, Justice and Education in Ontario and Alberta with future opportunities in British Columbia and for Federal Government works.

Other Businesses

The Civil Infrastructure and Land Development businesses whilst helping to leverage overheads are not expected to be major contributors to future growth.
Caribbean

- Trinidad economy dependent on oil / gas price
- Focused in 3 markets:
  - Trinidad Building
  - Energy
  - Resorts
- Samsung dispute.
- Distraction for our growing Canadian business
- Considering disposal options
Our Market Position
The Trinidadian economy is dependent on the price of oil and gas, and the business is focused in three markets: Trinidad Building, Energy, and Resorts. Carillion has a significant share (c 9%) of the Trinidad Building and Construction market, and the Energy Sector is the key to growth.

There is a significant ongoing contractual dispute with Samsung.

Future of the Business
We believe that the business is an unhelpful management distraction to the recently enlarged Canadian operation, and have been considering our options including:

• possible disposal options (Project Orange)
• market withdrawal
• retention

The Business Plan process identified this business as potentially non-core and hence a disposal candidate. A conventional auction process is likely to expose the business to significant process failure risk with rumours getting out and hurting the business.

We have been approached by Kier regarding a potential disposal of the business (Kier have a local/adjacent presence in the region) and have begun to engage further with them to explore whether a disposal of the business is practical proposition.
# Full Year Summary of Group Trading Results (Business Plan)

<table>
<thead>
<tr>
<th>£m</th>
<th>FULL YEAR</th>
<th>FY TURNOVER</th>
<th></th>
<th></th>
<th></th>
<th>FY OPERATING PROFIT</th>
<th></th>
<th></th>
<th>FY OPERATING MARGIN %</th>
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</thead>
<tbody>
<tr>
<td>BUILDING</td>
<td>1,320.7</td>
<td>1,303.2</td>
<td>1,302.6</td>
<td>1,302.4</td>
<td>33.8</td>
<td>38.2</td>
<td>39.9</td>
<td>34.4</td>
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<tr>
<td>BUSINESS SERVICES</td>
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<td>1,732.8</td>
<td>1,934.5</td>
<td>2,164.8</td>
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<tr>
<td>INFRASTRUCTURE</td>
<td>1,340.0</td>
<td>1,227.4</td>
<td>1,291.2</td>
<td>1,391.8</td>
<td>52.3</td>
<td>45.2</td>
<td>50.1</td>
<td>57.0</td>
<td>3.9%</td>
</tr>
<tr>
<td>MIDDLE EAST</td>
<td>580.7</td>
<td>599.8</td>
<td>678.3</td>
<td>734.8</td>
<td>49.3</td>
<td>47.1</td>
<td>47.1</td>
<td>50.7</td>
<td>8.5%</td>
</tr>
<tr>
<td>CANADA AND THE CARIBBEAN</td>
<td>536.1</td>
<td>736.2</td>
<td>877.3</td>
<td>1,007.7</td>
<td>14.9</td>
<td>21.8</td>
<td>30.4</td>
<td>39.8</td>
<td>2.8%</td>
</tr>
<tr>
<td>OTHER INTERNATIONAL</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5.0)</td>
<td>(3.4)</td>
<td>(3.4)</td>
<td>(3.4)</td>
</tr>
<tr>
<td>PRIVATE FINANCE</td>
<td>159.5</td>
<td>105.3</td>
<td>125.6</td>
<td>124.0</td>
<td>29.4</td>
<td>16.5</td>
<td>14.2</td>
<td>13.4</td>
<td>18.4%</td>
</tr>
<tr>
<td>DEVELOPMENTS</td>
<td>23.1</td>
<td>28.7</td>
<td>27.5</td>
<td>40.2</td>
<td>4.9</td>
<td>4.7</td>
<td>0.2</td>
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<td>21.2%</td>
</tr>
<tr>
<td>DIRECT SOURCING</td>
<td>14.0</td>
<td>47.9</td>
<td>56.8</td>
<td>67.1</td>
<td>0.2</td>
<td>5.3</td>
<td>6.4</td>
<td>8.0</td>
<td>1.4%</td>
</tr>
<tr>
<td>GROUP SERVICES</td>
<td>10.9</td>
<td>10.6</td>
<td>10.6</td>
<td>10.6</td>
<td>9.2</td>
<td>1.7</td>
<td>3.3</td>
<td>5.4</td>
<td>-</td>
</tr>
<tr>
<td>GROUP ADJUSTMENTS</td>
<td>(225.5)</td>
<td>(291.6)</td>
<td>(437.2)</td>
<td>(681.9)</td>
<td>(32.3)</td>
<td>(32.4)</td>
<td>(47.1)</td>
<td>(72.2)</td>
<td>14.3%</td>
</tr>
<tr>
<td>TOTAL GROUP - CONTINUING OPERATIONS</td>
<td>5,330.3</td>
<td>5,500.3</td>
<td>5,867.2</td>
<td>6,161.5</td>
<td>219.2</td>
<td>229.9</td>
<td>239.1</td>
<td>254.5</td>
<td>4.1%</td>
</tr>
<tr>
<td>2008 MCALPINE PRE-ACQUISITION</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL GROUP - CONTINUING OPERATIONS</td>
<td>5,330.3</td>
<td>5,500.3</td>
<td>5,867.2</td>
<td>6,161.5</td>
<td>219.2</td>
<td>229.9</td>
<td>239.1</td>
<td>254.5</td>
<td>4.1%</td>
</tr>
<tr>
<td>TOTAL INTEREST</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(30.8)</td>
<td>(24.5)</td>
<td>(19.5)</td>
<td>(14.4)</td>
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</tr>
<tr>
<td>JOINT VENTURE TAXATION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(6.5)</td>
<td>(7.8)</td>
<td>(7.5)</td>
<td>(8.1)</td>
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<tr>
<td>UNDERLYING PROFIT BEFORE TAXATION</td>
<td></td>
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<td></td>
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<td>181.9</td>
<td>197.6</td>
<td>212.1</td>
<td>232.0</td>
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