Carillion plc

MINUTES OF A MEETING OF
THE BOARD OF DIRECTORS

Held at 25 Maddox Street, London, W1S 2QN
on
Thursday 2 April 2015 at 8.00 am

Present: Mr. P.N. Green Chairman
         Mr. R.J. Adam
         Mr. A. Dougal
         Mr. R.J. Howson
         Mr. S. Mogford
         Dr. C. Powell
         Mrs. A. Horner

In attendance: Mr. R.F. Tapp Secretary
               Mr. A.R. Green
               Mr. P. Rees Part only

Minute No:

1746   Minutes

The minutes of the meetings of 3 March and 25 March and of
the Sub-Committee of 3 March were approved.

Matters arising – 3 March:

a. Acquisition Strategy. A competitor analysis had been
   prepared and would be presented by Mr Rees later in the
   meeting.

b. Top Ten Risks. The cyber security risk had been
   upgraded to a “medium” risk. The possibility of
   complacency in dealing with risks was noted and would be
   incorporated into the risk profile.

1747   Sustainability

Health and Safety

Mr Howson briefed the Board on the health and safety
performance in the month. He noted the successful launch of
Global Corporate Challenge groups, with some 250 teams
funded by the group.
Sustainability

Mr Adam Green spoke to the Sustainability Board Report, which had been circulated. The Sustainability Report had been signed off, and would be launched on 4 June at Kings Cross.

Mr Howson had hosted the BITC business connector showcase in London. The launch of the group's Volunteering App was on schedule and intended to be available ahead of Give and Gain day on 15 May.

Dr Powell noted that Mr Meehan had commented that some of the numbers in the Sustainability Report could not be verified. Mr Howson responded that that was a timing point around evidential arrangements.

1748 Presentations: Markets Review and Strategic Development Update; Competitor Analysis

Mr Rees joined the meeting. He spoke to the detailed reports on both presentations, which had been circulated.

He noted that the presentation led into the Board Strategy session in June and the Business Plan in July.

Markets had improved in the last year, and there were wider macroeconomic issues including the oil price and geo-political developments including elections in the UK and Canada.

The presentation covered the economic and political context in the group's core markets, the marketplace overview of the core markets, long-term global trends, business development and a review of existing markets in infrastructure, energy and support services, construction services and private finance.

It also identified in detail the growth opportunities in natural resource support, defence, UK support services, UK construction, international private finance and MENA infrastructure services.

In discussion, the following points were noted:

- UK economy. The UK had developed a long-term
service economy, which had created jobs in lower-paid service jobs.

- **Oil price.** The oil price crash had been a genuine "unknown unknown" which had not been predicted by industry observers or commentators.

- **Political instability.** There was political instability in territories adjacent to those in which the business operated in the Middle East. The political situation in Egypt appeared to be stabilising but the political risk remained. There remained the risk of youth unemployment in Saudi Arabia. It was important to understand the implications of instability – who the client was, whether we would be paid, and what other risks existed.

- **United States.** The Rokstad acquisition had brought with it limited entry into the United States. It was agreed that the US opportunity should be explored in more detail at the June strategy session. The session should cover the size of the opportunity, the resource implications, risks, and the means of addressing both the market and the risks. Mr Mogford noted the difficulty experienced by UK businesses in operating in the United States.

- **Network Rail.** Network Rail was experiencing difficulty in delivering the volume of work it wished to place, and discussions were in hand as to how the issue could be improved.

- **Private Finance.** There were opportunities in countries other than those currently targeted, but the group had a preference for availability-based schemes. The strategy day would cover other countries in which the UK model was used.

- **Defence spending.** UK defence spending continued to represent an opportunity, with tenders for Salisbury Plain, back office outsourcing and Brize Norton anticipated in the coming year. The group had won its first tender for the Canadian defence forces and was targeting the market.

After further and detailed discussion, the Chairman noted that the extent of movement in the markets was encouraging. It was necessary to prioritise and to allocate resources appropriately.

It was also surprising that given the market opportunities, the group did not anticipate greater growth in earnings per share. Mr Adam noted that downward pressure on margins in the markets in which we operated meant that greater revenues were required to maintain earnings. Mr Howson noted that work had started to look at different sectors with higher margins, and that prioritisation was the key.

Mr Rees then covered his presentation on competitor development, covering developments in the year amongst the
group's main competitors.

Finally, Mr Howson spoke to a paper on the earnings per share growth amongst the competitor group, which had been circulated. He noted that the key to growth seemed to be acquisition and the exploitation of adjacencies to give higher margin and continual bolt-on additions. Very little growth appeared to be purely organic.

The papers were noted and the Board's thanks were recorded to Mr Rees.

1749 Chief Executive's Report

Mr Howson presented his report which had been circulated. He noted that investor meetings following the preliminary announcement had been positive, although some sentiment had been lost following a negative analyst report from UBS.

He covered the recent Leadership Conference, the climate survey and a number of people issues including the appointment of a new Managing Director for Al Futtaim Carillion.

Mr Howson described progress on the Al Jallilah, Hardrock, Msheireb, NGEC, Nottingham University Hospitals, Southmead, Union Station, TTC Vaughan, and Alberta roads projects.

1750 Construction Services Operational Report

Mr Adam Green spoke to the report which had been circulated. He reported in detail on the position on Army 2020, Midland Metropolitan Hospital and the A14 tender. Further opportunities had presented themselves on HS2, Brent Cross and the HAS. He discussed the position on the Battersea and Openreach contracts.

The report was noted and the Chairman thanked Mr Green for his update.
Finance Director’s Report

Mr Adam spoke to his report which had been circulated. He reported in detail on the position, noting that the group was on budget for the first two months and that March also appeared to be satisfactory.

Responding to Mr Mogford, he noted that headroom remained very satisfactory, with total facilities now amounting to some £1.3bn.

The US$ note had been disappointing and challenging, given their target price of 235p. The note had taken average debt, added the pension deficit and the reverse factoring position, but ignored the fact that those issues could apply to any organisation. The Times had enquired whether we were planning a rights issue as Serco, and had been rebutted.

Analyst feedback was positive, but some 9% of the stock remained on loan with some 6% shorted against the macro view that the group and the few competitors in the sector which had not yet had a profit warning would be likely to do so at some point in the future.

The budget remained at £185m with an eps of 34.7p, but the market was moving the sector down and consensus now stood at £178m and 34.2p.

A further tax restructure was planned in Canada and would be brought to the Board in May.

The work-winning report, MPC approvals and management accounts pack were noted.
Mr Adam spoke to his paper which had been circulated. Responding to the Chairman, he noted the Opportunities and Risks schedule, the position on contingencies and the tax rate and the market expectations of the MENA margin.

After further discussion, the forecast was approved.

The paper had been circulated and was noted. Mr Howson updated the Board on the progress of Project Cherry 10, Project Cedar and EISL.

The acquisition of 3,000 shares at £3.302 per share by Mrs Horner on 24 March was noted.

The coverage of issues was felt to be satisfactory.

The next meeting would take place at 8.30 am on Wednesday 6 May 2015 at Austin Court, Birmingham.

The executives left the meeting and the Chairman and non-executive directors held a short review meeting.
MINUTES OF A MEETING OF A COMMITTEE OF
THE BOARD OF DIRECTORS

Held at 20 Bourdon Street, London W1
on
Tuesday 3 March 2015 at 6 p.m.

Present:  Mr. P. N. Green    Chairman
          Mr. R. J. Adam
          Mr. R. J. Howson

          Mr. R. F. Tapp    Secretary

Minute
No:  1  2014 Report and Accounts

It was reported that the Annual Report and Accounts,
preliminary announcement, and the proposal for the payment
of a final dividend of 12.15p had been considered at the
meeting of the Board held earlier in the day, and referred for
consideration on behalf of the Board to the Committee.

After discussion, it was resolved that the report and
announcement be approved, and that the dividend of 12.15p
per ordinary share be paid to shareholders on the register at
the record date.

CHAIRMAN
CARILLION PLC
("the Company")

Minutes of a Meeting of the Board of Directors of Carillion plc (the "Company") duly convened and held on 25th March 2015 at Carillion House, 84 Salop Street, Wolverhampton WV3 0SR

Directors present: R.J. Howson in the chair
R.J. Adam by conference call

1. PRELIMINARY MATTERS

1.1 Formal Requirements

It was noted that reasonable notice of the meeting had been given to all Directors of the Company, that a quorum of the Board of Directors was present and that the meeting had been convened in accordance with the requirements of the Company's Articles of Association.

1.2 Chairman

The Chair was taken by Mr. Howson.

1.3 Declaration of Interests

The Chairman reported that pursuant to section 177 of the Companies Act 2006 and the Articles of Association of the Company, each Director present who has an interest (directly or indirectly) in the proposed arrangements referred to below duly declared the nature of their interest.

2. PURPOSE OF THE MEETING

2.1 It was noted that the Company had previously approved by way of Written Resolution in its capacity as sole member of Carillion Construction Limited the granting of a guarantee in favour of the Trustees of the Carillion Group of the Electricity Supply Pension Scheme (the "Scheme") of the obligations of the employer companies under the scheme, a guarantee which Carillion Construction Limited had then entered into by a deed dated 23 February 2012 (the "Original Guarantee").

2.2 It was noted that the estimated reduction in the PPF levy for the year 2013/2014 as a result of Carillion Construction Limited entering into the Original Guarantee was £400,000. It was noted that achieving this saving would mean that this other claim on the Carillion group's funds would be reduced and thus it would increase the availability of group funds to the Company for investment in the business of the Company and its subsidiaries.

2.3 It was noted that for commercial reasons it had been agreed with the Trustees of the Scheme that Carillion Services Limited should become the new principal employer of the Scheme and other participating employees should cease to be participating
employers in the Scheme. Accordingly it was proposed that a new deed of guarantee (the "Deed of Guarantee") should be entered into by way of replacement of the Original Guarantee to cover the updated list of participating employers.

2.4 The Directors confirmed their approval of the Deed of Guarantee and their approval of Carillion Construction Limited entering into the Deed of Guarantee.

2.5 Accordingly after careful consideration of the Deed of Guarantee and full discussion it was resolved that the entering into of the Deed of Guarantee and the performance by Carillion Construction Limited of its obligations under the Deed of Guarantee under which it guarantees obligations of the companies listed in Schedule 1 to the Deed of Guarantee to make payments to the Scheme was and hereby is approved since it was being entered into on bona fide commercial terms and would promote the most efficient carrying on of the business of the Carillion Group of Companies in which the Company has a direct and material interest and promotes the success of Carillion Construction Limited for the benefit of its members as a whole and is therefore for the commercial benefit of Carillion Construction Limited.

2.6 It was also resolved that this decision should be formally recorded in accordance with section 357 of the Companies Act 2006 and that Mr. Howson be hereby authorised to provide Carillion Construction Limited with written details of that decision.

3. FINAL MATTERS

3.1 Close of meeting

There being no further business, the Chairman declared the Meeting closed.

Chairman
Company number: 594581

COMPANIES ACT 2006

A PRIVATE COMPANY LIMITED BY SHARES

RECORD OF THE DECISIONS OF THE SOLE MEMBER OF

CARILLION CONSTRUCTION LIMITED

(the "Company")

PROVIDED PURSUANT TO SECTION 357(2) OF THE COMPANIES ACT 2006

(DECISIONS TAKEN ON 25TH MARCH 2015)

Pursuant to section 357(2) of the Companies Act 2006, this is a record of details of the following
decision taken by the sole member of the Company on 25th March 2015, being decisions which
may be taken by the Company in general meeting and which have effect as if agreed by the
Company in general meeting as an ordinary resolution of the Company.

Ordinary resolutions

1. That the entry into by the Company of the guarantee (the Guarantee) in favour of the
   trustees of the Carillion Group of the Electricity Supply Pension Scheme (the Scheme)
   and the performance by the Company of its obligations under the Guarantee under
   which the Company guarantees obligations of the companies listed in Schedule 1 to the
   Guarantee to make payments to the Scheme, is hereby approved.

2. That the Company’s entry into and performance of the Guarantee promotes its success
   for the benefit of its members as a whole and is therefore for the commercial benefit of
   the Company.

Signed: [Signature]

Date: 25th March 2015

R.J. Howson
For and on behalf of
Carillion plc