GROUP BUSINESS PLAN
January 2018
Section 1
Contents
Contents

Section 1  Contents
Section 2  Executive Summary
Section 3  Strategy
Section 4  Group Structure & Management
Section 5  Transformation & Cost Reduction
Section 6  Group P&L forecasts
Section 7  Group cash flow
Section 8  Group balance sheet
Section 9  Disposals
Section 10 Business priorities
Section 11 Business unit summaries
Section 12 Sensitivities & Opportunities
Section 13 Summary

Appendices
Section 2
Executive summary
VISION:
To be the trusted partner for delivering and maintaining critical infrastructure and services that bring lasting benefits to our customers and communities whilst generating sustainable cash backed profits

OBJECTIVES:
• Top three player in our chosen segments in Infrastructure and Central Government and leading player in Corporate & Regions
• Focus on customers with medium term committed spending plans or pipeline of projects including public sector, regulated industries, public service franchises, development companies
• Sector-leading customer focus, delivering contracts to budget, safely, sustainably and to best in class standards
• Attract and develop excellent people and capabilities
• Transform our business to ensure sustainable, higher quality, cash backed growth in earnings

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crisis management</td>
<td>Restructure &amp; recapitalise</td>
<td>Back to growth</td>
</tr>
<tr>
<td></td>
<td>Stabilise</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rationalise the portfolio</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Margin &amp; cash improvement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transformation programme</td>
<td></td>
</tr>
</tbody>
</table>
Carillion has a great many strengths:

- **Strong brand with leading market positions** including in growth markets such as rail, roads and digital
- Deep, long term **customer relationships**, working as a trusted partner with high levels of repeat business
- **Broad customer base** with exposure to a mix of blue chip and government backed contracts
- Our greatest asset – **our people**: 45,000 people in the UK, Middle East and Canada
- **Visibility** with a £12.9bn order book and £28.8bn pipeline underpinning the outlook – 2018 revenue visibility 75% (2019 48%)

**BUT**

The Group had become too complex with an overly short term focus, weak operational risk management and too many distractions outside of our ‘core’

Our strategy is focused on simplification, removing distractions and clear actions to address our risk profile and rebuild Carillion into a strong and viable business. We believe that new leadership and a new structure will enable the Group to focus on its strengths in order to deliver higher quality, sustainable, cash backed earnings.
Our history

• Over 200 years history of creating award-winning cultural, residential, commercial, community and infrastructure developments worldwide
• Roots in companies that became part of Tarmac Group (Tarmac Construction, Wimpey Construction, Cubitts and Mitchell Construction)
• 1999 – Tarmac Group demerger into Tarmac (building materials) and Carillion (support services and construction services)
• Since then, acquisitions have included Mowlem (2006), Alfred McAlpine (2008), Vanbots (2008) and Eaga (2011)
• Revenues have grown from £1.9bn to £4.7bn – Infrastructure has grown from £300m to >£750m; Support Services from £300m to >£1.3bn
A recovery plan with strong growth in profit, margins and cash

<table>
<thead>
<tr>
<th>£m</th>
<th>RF4 2017</th>
<th>BP 2018*</th>
<th>Rebased 2018*</th>
<th>BP 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>4,739</td>
<td>3,958</td>
<td>3,537</td>
<td>3,951</td>
</tr>
<tr>
<td>Operating profit</td>
<td>155</td>
<td>131</td>
<td>92</td>
<td>185</td>
</tr>
<tr>
<td>Operating margin</td>
<td>3.3%</td>
<td>3.3%</td>
<td>2.6%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Cashflow from operations</td>
<td>(655)</td>
<td>(32)</td>
<td>(32)</td>
<td>186</td>
</tr>
</tbody>
</table>

2018 rebased:
Revenue £3,537m: excluding revenues of £217m for legacy contracts and £204m for disposals which do not recur
Operating profit £92m: excluding £39m profit relating to disposals (including profit on PFI and development disposals) which does not recur

Good underlying growth in the business

• >£400m underlying revenue growth 2018 (rebased)-2022
• Underlying operating profit doubles 2018 (rebased)-2022
• 2018-20 recovery: profitability rebounds; 2020+ profit growth slows to more sustainable levels
• Higher quality earnings stream as business mix changes
  - Building declining as a percentage of revenue
  - Strongest top line growth in Infrastructure
  - Middle East revenue switch – exiting Qatar & Saudi and grow our JV in Dubai
• Recovered cashflow from operations £150-200m pa:
  - Significant improvement through 2018-20: legacy contracts outflows fall away, Building advances unwind

Key drivers for delivering the plan

• Deliver the £100m cost cutting programme on time and to plan
• Develop and maintain a strong pipeline of opportunities
• Complete legacy contracts as quickly and cost effectively as possible
• Put in place a rigorous and robust risk management framework to protect future margins
• Cultural transformation, balancing the focus on delivery with a harder commercial edge

Note 2018 BP figures stated post disposals of Bouchier, Rokstad, Healthcare, Ireland FM, Utilities by 30 June 2018, revenue and operating profit for 2018 included 6 months results of these businesses
Executive summary – strategic priorities

Strategic review completed – clear roadmap to deliver on 2018 actions

<table>
<thead>
<tr>
<th>Market strategy &amp; positioning</th>
<th>Core business units and markets defined</th>
<th>Build focused pipeline; address ‘tail’/portfolio in Corporate &amp; Regions (‘18); deliver on disposals (see below)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group structure &amp; management</td>
<td>New structure in place, top layer removed, permanent CEO appointed</td>
<td>Onboard CEO, new Head of Risk, complete BU senior management changes</td>
</tr>
<tr>
<td>Operating model</td>
<td>Model established; Centres of Excellence set up and team heads in place</td>
<td>Establish processes, teams &amp; embed new approach (H1 ’18)</td>
</tr>
<tr>
<td>Transformation &amp; cost reduction</td>
<td>£100m 2018 target, Donald Muir appointed to lead transformation</td>
<td>Raise target to ‘stretch’ of £125m (delivery through ’18/’19)</td>
</tr>
<tr>
<td>Contract review</td>
<td>Review complete subject to profit versus cash considerations on settlements</td>
<td>Complete &amp; settle legacy contracts; collect cash; continued close monitoring of Building (18/early ’19)</td>
</tr>
<tr>
<td>Disposals assumed</td>
<td>Priority targets identified, Healthcare FM sales agreement signed</td>
<td>Bouchier and Rokstad in Canada and Northern Ireland FM disposals in process – target date by June 18</td>
</tr>
<tr>
<td>Disposals under review</td>
<td>Reviewed a number of additional options for disposals</td>
<td>Ongoing review of rest of Healthcare, Middle East Oman, Emrill, Canada Services</td>
</tr>
</tbody>
</table>
**Current financial position**

- The Group has written £1.1bn off its balance sheet and seen net debt increase by £850m in 2017 due to a significant number of material legacy contracts, delays in settlements and PFI transactions
- The Group is now materially over-leveraged and is unable to generate sufficient EBITDA going forward to fund the completion of legacy contracts and future financing, debt and pension obligations

As a result, the Group needs to financially restructure its balance sheet and raise new finance to create a stable platform for future growth

**Group’s cash generation capabilities**

<table>
<thead>
<tr>
<th>£m</th>
<th>RF4 2017</th>
<th>BUSINESS PLAN 2018-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>155</td>
<td>131</td>
</tr>
<tr>
<td>EBITDA total</td>
<td>187</td>
<td>158</td>
</tr>
<tr>
<td>EBITDA excluding joint ventures</td>
<td>154</td>
<td>119</td>
</tr>
<tr>
<td>Other non-cash items</td>
<td>4</td>
<td>(16)</td>
</tr>
<tr>
<td>Working capital (outflow)/inflow</td>
<td>(834)</td>
<td>(152)</td>
</tr>
<tr>
<td>of which underlying working capital</td>
<td>(178)</td>
<td>28</td>
</tr>
<tr>
<td>of which non-recurring</td>
<td>(656)</td>
<td>(180)</td>
</tr>
<tr>
<td>JV dividends</td>
<td>21</td>
<td>17</td>
</tr>
<tr>
<td>Cash flow from operations</td>
<td>(655)</td>
<td>(32)</td>
</tr>
</tbody>
</table>

**2017 & 2018: significant working capital outflows**

Heavily impacted by working capital outflows relating to legacy contracts. In 2017 outflows of £390m relate to top 20 provisioned contracts, £165m working capital unwind. Additional outflow from reduced volumes in Building and timing of claims in Canada.

**2019: transition year**

Profitability recovering, but outflows on legacy contracts remain albeit at a reduced level of £111m*

**2020 onwards: normalised cash generation**

Legacy items drop out, cash conversion now >90%

* Underlying working capital includes advance payment unwind in Building (inc. Aspire)
Section 3
Strategy
Strategic priorities

Market strategy & positioning
- Business activity refocused to be UK-centric, focusing on key market segments and exiting non-core businesses
- Business units operationally restructured to align to future strategic market focus

Group structure & management/operating model
- Board, group executive and senior management team have been strengthened
- New organisation structure and operating model now in place
- Much greater focus and visibility on contract performance and risk – operational and commercial capability to be improved

Transformation & cost reduction
- New skills and capabilities are required – too much variability in quality of people management
- Addressing functional capability is critical – Finance, IT and Supply Chain; Finance transformation is a priority
- New incentive schemes designed to motivate people in the right way and drive accountability
- Embedding cultural change will take time but changes are already being made

Contract and asset review
- Contract review complete, culminating in a £1.1bn write off – robust commercial and financial risk management processes now in place. Focus on exiting / completing legacy contracts as cost effectively as possible
- Contract risk remains as legacy contracts complete and claims are settled during 2018/19. Cash versus profit trade offs may result in provision increases
- Review of fixed assets and goodwill ongoing – impairment will not impact EBITDA or cash

Disposals
- Key short term disposals identified and plans in place to implement during H1 2018, other potential disposals under review and will be concluded through restructure
Focus on select growth markets, and sustaining share in those where we hold leading positions

<table>
<thead>
<tr>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growing infrastructure market, driven by National Infrastructure Plan</strong></td>
</tr>
<tr>
<td>Growth in Network Rail spend (CP6 - £48bn) and High Speed 2 (&gt;£5bn target pipeline)</td>
</tr>
<tr>
<td>Sustained investment in broadband and digital infrastructure</td>
</tr>
<tr>
<td>Road Investment Strategy 1 (RIS1) to 2020 (£15bn)</td>
</tr>
<tr>
<td>Growth in FM opportunities in transport sectors (£2.7bn pa)</td>
</tr>
<tr>
<td>Commercial construction sector is still contracting</td>
</tr>
<tr>
<td><strong>Diverse support services sector – long-term trend towards outsourcing</strong></td>
</tr>
<tr>
<td>Sustained opportunities in Defence (£13.7bn pa addressable market in FM)</td>
</tr>
<tr>
<td>Central Government pipeline stable (£4.5bn pa FM)</td>
</tr>
<tr>
<td>Growth in Local Government opportunities (£6bn pa FM)</td>
</tr>
<tr>
<td>Stable private sector pipeline, albeit increasingly competitive</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growing economy</strong></td>
</tr>
<tr>
<td>Oil sands growth in opex spend, limited capex spend (&gt;£30bn pa)</td>
</tr>
<tr>
<td>Sustained pipeline in wider natural resources in Far North (&gt;£40bn pa)</td>
</tr>
<tr>
<td>Delays to infrastructure investment</td>
</tr>
<tr>
<td>Construction sector remains intensely competitive</td>
</tr>
<tr>
<td><strong>Increasing propensity to outsource</strong></td>
</tr>
<tr>
<td>Major outsourcing and estate rationalisation programme in Defence (&gt;£4bn pa)</td>
</tr>
<tr>
<td>Increasing quantity and quality of outsourcing opportunity across all levels of government</td>
</tr>
<tr>
<td>Growth in airports pipeline</td>
</tr>
<tr>
<td>Corporate sectors stable</td>
</tr>
<tr>
<td>Impact of minimum wage increases in several provinces</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Middle East</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Improving outlook</strong></td>
</tr>
<tr>
<td>Prospects improving for oil-dependent economies</td>
</tr>
<tr>
<td>Continued investment in Expo, FIFA World Cup, etc, generating short-term construction pipeline</td>
</tr>
<tr>
<td>Construction sector remains intensely competitive</td>
</tr>
<tr>
<td><strong>Growing services sector</strong></td>
</tr>
<tr>
<td>Immature market, but increasing propensity to outsource</td>
</tr>
<tr>
<td>More strategic opportunities emerging with select customers</td>
</tr>
<tr>
<td>Long-term growth prospects in Oil and Gas, and airports</td>
</tr>
</tbody>
</table>
Playing to our strengths – market facing priorities refocused around customers, contracts and geographies

1. Right clients: focus on repeat business and synergies/cross selling opportunities between construction and services

2. Do fewer things better – reduce distractions, certainty of delivery

3. Focus on where we can positively differentiate on core capabilities – hard and integrated FM

4. Exit non-core businesses

5. Right terms – only low risk procurement routes in construction

6. Right people – address capability/skills gap; leverage strength of our capabilities; focus on geographies where these are available
Strategy – playing to our strengths

Strong brand with market leading positions
- Top 2 supplier to Network Rail
- Market leader in smart motorways
- 1 of 3 suppliers on all 3 lots of the Crown Commercial Service framework
- Market leading position in maintaining and extending the UK’s telephone and data networks

Customer relationships
- High levels of repeat business – 89% of new & probable orders in support services with existing customers, 70% in construction*

Visibility
- Order book, pipeline and frameworks underpin the outlook

Our people
- Driven to deliver, known for our work ethic and customer focus
- Experience and knowledge embedded in the business

Health & Safety – Target Zero
- Targeting sector leadership – 57% accident reduction 2011-16

Sustainability
- Queen’s Award (2017) for our contribution to sustainable development and sector leadership

TOTAL ORDER BOOK & PROBABLE ORDERS £12.9bn

<table>
<thead>
<tr>
<th>Sector</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Government</td>
<td>£4.4bn</td>
</tr>
<tr>
<td>Corporate &amp; Regions</td>
<td>£3.8bn</td>
</tr>
<tr>
<td>MENA</td>
<td>£0.4bn</td>
</tr>
<tr>
<td>Other/PRIVATE FINANCE</td>
<td>£0.1bn</td>
</tr>
<tr>
<td>Revenue Visibility</td>
<td></td>
</tr>
<tr>
<td>‘18</td>
<td>75%</td>
</tr>
<tr>
<td>‘19</td>
<td>48%</td>
</tr>
</tbody>
</table>

Pipeline £28.8bn

Pipeline remains strong despite removal of opportunities worth c£10bn that were not considered to align with our new selectivity criteria

ON FRAMEWORKS WORTH at least £21.5bn (conservative assumption)
- £2.6bn already delivered under these, £1.1bn in the order book
- Pipeline includes framework opportunities of only £4.5bn

* 2016 order intake
Our people are our greatest asset

Our people

• We employ 45,000 people worldwide, of which 19,500 are in the UK but they have not been consistently well led

• We create a welcoming and inclusive environment that allows us to attract, develop and retain excellent people to support the long term growth and success of our business. We continue to invest in talent:
  − Leadership development & graduate programme – 150 graduates in live two-year programmes
  − 33,500 individual learning interventions (including e-learning) in 2017 – e-learning 70% of learning using 5% of budget
  − Flexible and agile working to attract and retain talent

• Underpinned by consistently high standards of ethics and integrity and our Values, more empowerment and autonomy to do the right thing coupled with culture change and a ‘right first time approach’ will transform our ability to deliver

Impact of Group financial challenges

• Despite challenging circumstances, senior leaders are fully engaged – especially those with clarity around their roles

• Retention arrangements in place for ‘must not lose’ individuals and those with scarce/highly transferrable skills in technical areas

• Leaders keeping close to their teams, loyalty remains strong – but uncertainty is a distraction, especially in non-core businesses

• Incentivisation – two new simplified schemes for senior leaders for 2018 designed to support delivery of the business plan
  − Annual bonus – PBT, cash conversion, work winning and personal objectives (max 10% of individual opportunity)
  − LTIP – measured against EPS, relative TSR vs peers and ROCE (equally weighted)
Strategy – playing to our strengths

Strong customer feedback

"Carillion is a major supplier...delivery performance is strong and the relationship is open, honest and constructive...We see Carillion as a key part of our supply chain going forward."

Commercial Director Network Rail

"CEK have successfully passed gateway 1...HS2 recognise and commend the extent of engagement and activity at this early stage which bodes well for the relationship"

Commercial Director HS2

""The King's Cross Central Limited Partnership has had a long and successful working relationship with Carillion...we can confirm we have every intention of continuing this relationship and have several projects in the pipeline at King's Cross that we will actively engage Carillion on in the New Year"

ARGENT

"Carillion demonstrate time and again a willingness to review how they are doing things, their cost profile and their service quality. They've set a very high standard for other suppliers to follow."

Head of FM Arriva Northern

"...highly collaborative development of the FM model to support the new Northern rail franchise and its very successful mobilisation... In particular, their design and deployment of the integrated FM Helpdesk model, and their CAFM design ownership for the entire end to end service, was the foundation upon which Carillion's service was built, and we’re delighted with the success and performance of the service since launch."

Head of FM Arriva Northern

"Carillion is a major supplier to the government with a number of long term contracts... We remain supportive of their ongoing discussions with their stakeholders..."

HM Government
### New approach to managing contracts throughout the lifecycle

#### Key themes and issues
- Increasing size and complexity of services contracts, compounded by growth, not matched by our capability
- Success on construction contracts dependent on performance of others not under our control
- Insufficient understanding of, and adherence to, contract requirements
- No focus on contract demobilisations, leading to cost overruns
- Lack of effective handover from bid to mobilisation to delivery, leading to lack of knowledge transfer
- Contracts taken on with high degree of uncertainty around key assumptions
- Claims not managed or pursued in a timely and effective manner
- Ineffective change control – e.g. design changes on construction contracts agreed without agreeing incremental costs
- Poor planning and lack of effective contract controls and monitoring leading to inconsistent operational performance management
- Lack of ownership of issues
- Geographic risk

#### Actions

**New Head of Risk**
- External appointment to be made Q1 2018

**Increasingly stringent selectivity**
- Revised criteria, with >£10bn removed from pipeline

**Review quality of order book**

<table>
<thead>
<tr>
<th>Status</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amber</td>
<td>74%</td>
</tr>
<tr>
<td>Red</td>
<td>16%</td>
</tr>
<tr>
<td>Green</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Amber risks:**
- Over 80% relates to planned disposals
- 50% AFC & MENA construction
- c25% relates to planned exits/disposals
- Remainder is contracts provisioned against
- Almost 50% relates to 2017/18 revenues

**Red risks:**
- Almost 50% relates to 2017/18 revenues

**Centres of Excellence (appointed 4 new leaders)**
- Work Winning – more rigorous approvals process; enforcement of new criteria; consistent group-wide bid process.
- Mobilisation / Demobilisation – central team to adopt consistent approach, review at bid stage, drive early demobilisation planning
- Operational excellence – standard operating procedures, tools and training, consistent approach to work planning and monitoring
- Contract management – rigorous focus on adherence to contract terms; senior contract management team to oversee performance, with specific responsibility around claims and risk
## Group Business Plan Presentation

### Strategy – our selectivity criteria

**New approach means we are bidding for better work**

### ACTIONS

<table>
<thead>
<tr>
<th>July</th>
<th>Exit of PPP construction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exit construction in Egypt, Saudi Arabia &amp; Qatar</td>
</tr>
<tr>
<td></td>
<td>Construction – low risk procurement routes only</td>
</tr>
</tbody>
</table>

### REPORT

- c15% of construction revenue in 2017 and expected to fall to zero by mid-2019
- 2 ‘live’ projects, expected completion by mid-2018
- Pipeline cleansed - >£10bn removed, focus on low risk procurement routes:
  - Two Stage – Design & Build
  - Frameworks
- Cost reimbursable
- Early Contractor Involvement – Target Cost

### Bid/No bid – examples of bids we have accepted or rejected under new selectivity criteria

<table>
<thead>
<tr>
<th>Infrastructure</th>
<th>Central Government</th>
<th>Corporate &amp; Regions</th>
<th>Building</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ HS2</td>
<td>✓ FDIS* – MoD</td>
<td>✓ Abellio</td>
<td>✓ Broad St/Moda Living</td>
<td>✓ Oman hospitals</td>
</tr>
<tr>
<td></td>
<td>target growth market, key client</td>
<td>cross selling, target growth market</td>
<td>key customer /repeat business</td>
<td>two stage design &amp; build, UK Export Finance</td>
</tr>
<tr>
<td></td>
<td>risk, culture fit with client, resource priorities (Hestia)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>National Grid availability of delivery capability, not ‘core’</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lancashire CC cash profile, not ‘core’</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lancashire CC cash profile, not ‘core’</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* FDIS: Future Defence Infrastructure Services
** Department for Business, Energy & Industrial Strategy
Strategy – our new business segments

**INFRstructure**

**£976m**  
2022 REVENUE  
**4.0 – 5.0%**  
MID-TERM MARGIN TARGET

**WHAT WE DO**

- A leading UK ‘Transport and Infrastructure’ contractor for new build and maintenance  
- Top 2 supplier to Network Rail; top 3 supplier to Highways England for major projects; 1 of 4 JVs on HS2 Phase 1 construction

A business plan for growth, capitalising on leading market positions and the largest planned infrastructure investment in the UK across all transport areas since Victorian times

**CORPORATE & REGIONS**

**£655m**  
2022 REVENUE  
**6.5 – 7.5%**  
MID-TERM MARGIN TARGET

**WHAT WE DO**

- Support services for corporate customers and regional public authorities  
- CarillionTelent (JV) a market leader; niche positions in fragmented markets elsewhere

Growth at CarillionTelent to drive positive mix shift, and good opportunities in transport. Focus on addressing the ‘tail’, core cities and cost cutting to drive margin improvement

**BUILDING**

**£728m**  
2022 REVENUE  
**1.5 – 2.5%**  
MID-TERM MARGIN TARGET

**WHAT WE DO**

- Construction for public and private sector customers  
- Niche positions in fragmented markets

De-risked, more selective business pursuing projects under low risk procurement routes only. Focus on repeat business, sectors where we have proven track record and projects offering synergies with services

**CENTRAL GOVERNMENT**

**£756m**  
2022 REVENUE  
**4.5 – 5.5%**  
MID-TERM MARGIN TARGET

**WHAT WE DO**

- Support services for the MoD and other central government departments under the CCS framework  
- One of only 3 companies appointed to all 3 lots of the CCS framework

A strategy to maintain existing MoD contracts while also diversifying to improve profitability; and to grow facilities management provision to central government departments through the CCS framework, replacing older contracts with higher margin wins

**INTERNATIONAL**

**£962m**  
2022 REVENUE  
**CANADA: 4.5 – 5.5% AFG: 4.5 – 5.5% MENA: 2.0 – 3.0%**  
MID-TERM MARGIN TARGETS

**WHAT WE DO**

- Our construction and services businesses in Canada, the UAE (AFC) and MENA  
  
**Canada:** a growth market with significant opportunity given positive macro outlook and relative immaturity of outsourcing  
**AFC:** reducing reliance on Dubai/diversifying within the UAE  
**MENA:** rebalancing to JVs (Alawi and Emrill) while exiting legacy projects; growing services and ensuring selectivity underpins everything we do
Strategy – positive mix shift

Positive mix shift towards segments with lower risk profile and good visibility

2017 revenue

By 2022:
Infrastructure, Central Government and Corporate & Regions ex disposals will have increased their share of Group revenue from 44% to 56%

2017 operating profit

By 2022:
Infrastructure, Central Government and Corporate & Regions ex disposals will have increased their share of underlying Group operating profit from 56% to 69%

2022 revenue

2022 operating profit

* Corporate & Regions and Canada figures exclude 5 core disposals
Section 4
Group Structure & Management
Overview of changes

In response to the significant contract losses and provisions, the Group has implemented **structural change**, is taking action to improve the quality of **senior management** and in commercial Finance and is enhancing the risk management and assurance framework

- **Board** – bolstered through four new appointments including a new CEO. The current focus is on short-term business critical actions. The Board composition and Governance will be reviewed further in early 2018

- **Group Executive** – new interim appointments of Chief Transformation Officer and, more recently, Head of Business Improvement, both external. The latter has provided additional senior functional capability alongside a new CFO and COO appointed from within the Group

- **Senior BU management** – there have been a number of changes of MD/FD at the BU level to strengthen capability of the senior management team. Having removed the top management layer, BU MDs are all internal appointments to ensure continuity and retain deep customer knowledge. More changes are planned in particular to strengthen Finance, a number of which are likely to be external hires

- **Finance** – the function is being strengthened through the appointment of a new Head of Finance (ongoing), a new Head of Risk (ongoing) and a newly created role of Head of Finance Transformation (in situ – an external appointment) alongside the replacement of three out of five BU FDs. Transformation will focus on strengthening separate towers of control, reporting and performance monitoring

- **Other functions** – external hires to bring fresh talent and perspectives to the Group, including in Supply Chain and IT. A Head of Shared Services is also to be appointed

- **Centres of Excellence (’CoEs’)** – four CoEs have been established to improve operational and commercial controls across the key areas of work winning, mobilisation/demobilisation, operational excellence and contract management. These have been set up specifically to address leadership, process and deficiencies across the Group. The CoE heads will report to Andy Jones, the COO

- **Risk management and assurance framework** – EY is supporting the company in establishing a risk management and assurance framework that builds on lessons learnt from the contract reviews

- **Key theme** ... other external hires to be made whilst creating a balance between the need for wider experience but protecting business knowledge and client relationships
Board and management structure

Board refreshed – 4 new appointments including new CEO, Andrew Davies, from 22 January

- Chairman: Philip Green
- SID: Sally Morgan
- Interim CEO: Keith Cochrane*
- Audit Chair: Andrew Dougal*
- Audit Chair designate: Justin Read
- NED: Alan Lovell
- NED: Alison Horner

* Keith Cochrane and Andrew Dougal to step down during 2018

Key points to note
- Smaller, more effective Group Executive strengthened through new appointments
- MDs no longer sit on Group Executive but continue to report to CEO
- Centres of Excellence (‘CoEs’): critical part of new operating model; CoE heads report to COO and rank equally with MDs

Centres of Excellence:
- Work Winning
- Mobilisation/Demobilisation
- Operational Excellence
- Contract management

Centres of Excellence: MD, Infrastructure (Mark Davies), MD, Central Government (Richard Lumby), MD, Corporate & Regions (Daniel Easthope), MD, Building (Khalid Nawaz), MD, International (Simon Buttery)

Shared services and Group Functions
Finance, HR, ICT, IMS, Legal, Communications

GROUP EXECUTIVE
CEO
COO
CFO
CHRO
Legal & Co Sec
CTO**
Head of Bus. Improvement**

** CTO and Head of Business Improvement are temporary roles
Section 5
Transformation & Cost reduction
Transformation Programme Management Office to drive a lower cost, higher gross margin business

**Objective:**
- To optimise savings delivery by driving implementation, eliminating duplication and getting things right first time
- This will result in a more focused, cohesive organisation operating at a lower cost and optimal gross margins

**Approach:**
- Initial EY review in Q3 2017 highlighted cost reduction opportunities, which were actioned immediately
- Transformation Programme Management Office (‘TPMO’) formed late November 2017
- Now fully resourced except for Commercial support, which will be confirmed shortly
- In the process of operationalising EY’s outputs to produce project plans to deliver savings and gross margin improvement targets
- All individual projects will have dedicated project leads with finance support and will be fully owned by the business
- All existing change programmes will be rolled into the TPMO to create overall control
- TPMO formal kick-off session to discuss high level plans and targets on 23 January
Transformation programme structure

SEGMENTS

- A Infra-structure
- B Building
- C Central Gov
- D Corp & Regions
- E Supply Chain, Finance, HR, Communications, ICT, Legal

CORPORATE FUNCTIONS

1. Management restructuring & office services
2. Centres of Excellence:
   - Work winning
   - Mobilisation & demobilisation
   - Operational excellence
   - Contract management
3. Procurement consolidation & control/category
4. Property
5. IT optimisation and efficiency, including Data
6. Financial planning, budgeting and reporting
7. Process
8. Governance
9. Organisation and workforce planning
10. Transactional shared services
11. Terms and conditions

Drive COEs and performance improvement

Cross organisational change

*Function plans must interface with segment plans

Investing in technology as a functional enabler
Cost savings – progress and cost benefit

**£54m spend to deliver £100m of cost savings**

<table>
<thead>
<tr>
<th>Year</th>
<th>Captured in Year</th>
<th>Exit Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>£10m</td>
<td>£27m</td>
</tr>
</tbody>
</table>

2018

- **£77m** Captured in Year
- **£100m** Target Exit Rate
- **£125m** 'Stretch' Target Exit Rate

**£54m restructuring cost**

- Cost to Achieve
  - £22m 2017
  - £32m 2018

**COST SAVINGS PLAN**

Cost savings breakdown

- **£100m** (derives from overhead & gross margin)
- **2018 Exit Rate**

Costs to achieve £54m

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost to Achieve</td>
<td>£22m</td>
</tr>
<tr>
<td>Cost Savings Plan</td>
<td>£54m</td>
</tr>
<tr>
<td>Total</td>
<td>£77m</td>
</tr>
</tbody>
</table>

**2018 TARGETS**

- **£77m** Captured in Year in 2018
  - Secured: £27m
  - WIP: £35m
  - TBO: £15m

- **£100m** 2018 Exit Rate
  - Secured: £27m
  - WIP: £35m
  - TBO: £38m
Section 6
Group P&L forecasts
**Summary financials**

<table>
<thead>
<tr>
<th>£m</th>
<th>RF4 2017</th>
<th>Rebased* 2018</th>
<th>BUSINESS PLAN 2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>4,739</td>
<td>3,537</td>
<td>3,958</td>
<td>3,808</td>
<td>3,842</td>
<td>3,990</td>
<td>3,951</td>
</tr>
<tr>
<td>Revenue growth</td>
<td>-9%</td>
<td>-25%</td>
<td>-16%</td>
<td>-4%</td>
<td>1%</td>
<td>4%</td>
<td>-1%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>155</td>
<td>92</td>
<td>131</td>
<td>150</td>
<td>174</td>
<td>179</td>
<td>185</td>
</tr>
<tr>
<td>Operating margin</td>
<td>3.3%</td>
<td>2.6%</td>
<td>3.3%</td>
<td>3.9%</td>
<td>4.5%</td>
<td>4.5%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Group EBITDA</td>
<td>187</td>
<td>139</td>
<td>158</td>
<td>178</td>
<td>202</td>
<td>207</td>
<td>213</td>
</tr>
<tr>
<td>EBITDA excluding joint ventures</td>
<td>154</td>
<td>100</td>
<td>119</td>
<td>137</td>
<td>168</td>
<td>172</td>
<td>176</td>
</tr>
<tr>
<td>Group EBITDA post-IFRS 15</td>
<td>187</td>
<td>152</td>
<td>169</td>
<td>201</td>
<td>223</td>
<td>213</td>
<td>219</td>
</tr>
</tbody>
</table>

*2018 rebased:
- **Revenue £3,537m**: excluding revenues of £217m for legacy contracts and £204m for disposals which do not recur
- **Operating profit £92m**: excluding £39m profit relating to disposals (including profit on PFI and development disposals) which does not recur

---

**Revenue**

Underlying growth masked by disposals and one-offs

- Underlying revenue growth >£400m 2018-22 adjusting for non-recurring items
- Driven by growth in Infrastructure, CarillionTalent, Canada services

---

**Operating profit**

Cost savings, mix shift and underlying growth drive recovery

- Adjusting 2018 for non-recurring items, operating profit doubles
- Key drivers: Infrastructure (growth); Central Government (higher margin wins); £100m cost savings by end 2018

---

**Margin expansion**

A higher margin, higher quality business

- Mix a driver – smaller Building business; Infrastructure and Canada services growth
- Margin benefits from smaller overhead

---

*Business plan prepared on a ‘business as usual’ basis regarding bank financing, bonding, EPF and leasing facilities; business plan also assumes that the disposals of UK Healthcare (ie activities subject to transaction with Serco already announced), Rokstad, Bouchier, Northern Ireland and Utilities complete by 30/6/18*
Key drivers for the business plan

**REVENUE BRIDGE 2017 TO 2022**

- **Disposals**
  - 2017 RF4: £4,739m
  - 2018 BP: £3,958m
  - 2022 BP: £3,951m

- **Major contracts completing include**:
  - RLUH, Aberdeen, Battersea, and MMH
  - Also includes services exits (RBS & Nottingham)

- **Disposals comprise**:
  - PFI and Developments
  - Rokstad
  - Bouchier
  - UK Healthcare
  - Ireland FM
  - Utilities

- **Underlying growth**
  - 2017 (net): £147m
  - 2018 (net): £534m
  - 2019 (net): £(120)m

- **Underlying growth in revenue**
  - £533m over the plan period

**Underlying growth 2017-18 derives from**:
- Hestia wins in Central Government
- CarillionTelent growth (Gigaclear win)
- Offset by net revenue reduction in the Middle East where AFC experiences growth, but volumes in rest of MENA fall

**2018-22 growth**:
- Infrastructure (over 40% of total growth delivered in the plan)
- Growth in Canada services
Key drivers for the business plan

OPERATING PROFIT BRIDGE 2017 TO 2022

2017 RF4: £155m
Gap to £97m: £32m non-recurring items, £20m contingency release, £6m exits and disposals

2017 rebased

- £97m Cost reduction
- 67 Group cost (1-off)
- (17) Contingency £(11)m Bonus £(14)m
- (25) New work
- (6) Other

2018

- £131m Disposals £(15)m & PFI Developments £(24)m
- (39) Cost reduction
- 23 Group cost reversal
- 17 Work winning & margin improvement

2022 BP

- £185m

- 72 Contingency £(9)m Bonus £(10)m

2017 rebased to strip out one-offs:
2017 benefits from one-offs which distort the comparative:
- Non-recurring items £32m (sales & leaseback, tax credit, one-off rebates, insurance claims)
- Contingency release £20m
- Exits and disposals £6m

2018-22 growth:
Work winning drives an additional £35m of margin with additional contribution driven by:
- Growth in margins in Central Government - efficiencies in Hestia, replacement of housing and winning £100m pa on CCS contracts
- Improvement in margins in MENA
Section 7

Group cash flow
## Operating cash flow 2017-2022

<table>
<thead>
<tr>
<th>£m</th>
<th>RF4 2017</th>
<th>BUSINESS PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Underlying group operating profit</td>
<td>122</td>
<td>92</td>
</tr>
<tr>
<td>Depreciation</td>
<td>32</td>
<td>27</td>
</tr>
<tr>
<td>Profit on sale of PPP equity investments</td>
<td>0</td>
<td>(21)</td>
</tr>
<tr>
<td>Pension service &amp; share option cost</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Working capital</td>
<td>(834)</td>
<td>(152)</td>
</tr>
<tr>
<td>Joint venture dividends</td>
<td>21</td>
<td>17</td>
</tr>
<tr>
<td>Underlying cash flow from operations</td>
<td>(655)</td>
<td>(32)</td>
</tr>
<tr>
<td>Cash conversion</td>
<td>(463%)</td>
<td>(26%)</td>
</tr>
</tbody>
</table>

**Normalised cashflow from operations £150-200m per annum – significant improvement through 2018/19 as legacy contracts fall away**

- 2017 year end spot net debt higher than expected (£1,100m); average net debt in line with expectations (£886m)
- Working capital outflow in 2018 and 2019 driven by large legacy contracts, in particular MMH and Royal Liverpool (see next slide for analysis)
- In 2020, working capital outflow relates to advance unwinds, principally on Aspire
- By 2021-22, cash conversion exceeds 100% as working capital outflows on legacy contracts and the negative working capital unwind completes
- Joint venture dividends are mainly received from our defence joint ventures at £15m pa (2018/19), £20m (2020) and £9m (2021). Smaller dividends are received from Emrill (£2m pa) and Developments (£1m pa)
There is some risk attached to the 9 major contracts

<table>
<thead>
<tr>
<th>Contract</th>
<th>Net Outflow</th>
<th>Claims</th>
<th>Completion Date</th>
<th>Key Risks</th>
<th>Additional Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMH: £119m net outflow; claims £33m (47% complete)</td>
<td>£119m</td>
<td>£33m</td>
<td>June '18</td>
<td>• Project completion date (June '19)</td>
<td>• Recovery of outstanding value for preliminaries</td>
</tr>
<tr>
<td>• Agreement to &amp; payment of extension of time claims (£97m)</td>
<td>• Recovery of outstanding value for preliminaries</td>
<td>• Client holds an on demand performance bond (£54m)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Msheireb: £67m net outflow; claims £97m (96% complete)</td>
<td>£67m</td>
<td>£97m</td>
<td>Q2 '18</td>
<td>• Project completion date (Q2 '18)</td>
<td>• Recovery of outstanding value for preliminaries</td>
</tr>
<tr>
<td>• Agreement to &amp; payment of extension of time claims (£97m)</td>
<td>• Recovery of outstanding value for preliminaries</td>
<td>• Client holds an on demand performance bond (£54m)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Royal Liverpool: £24m net outflow; claims £43m (87% complete)</td>
<td>£24m</td>
<td>£43m</td>
<td>June '18</td>
<td>• Project completion date including commissioning</td>
<td>• Recovery of claims from 3rd parties (£34m)</td>
</tr>
<tr>
<td>• Project completion date (June '18)</td>
<td>• Recovery of outstanding value for preliminaries</td>
<td>• Client holds an on demand performance bond (£54m)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aberdeens: £26m net outflow; claims £40m (79% complete)</td>
<td>£26m</td>
<td>£40m</td>
<td>May/June '18</td>
<td>• Project completion date (May/June)</td>
<td>• Liquidated damages &amp; lane occupation changes</td>
</tr>
<tr>
<td>• Recovery of outstanding value for preliminaries</td>
<td>• Recovery of outstanding value for preliminaries</td>
<td>• Client holds an on demand performance bond (£54m)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PF2 Schools: £23m net outflow; claims £5m (93% complete)</td>
<td>£23m</td>
<td>£5m</td>
<td>June '18</td>
<td>• Complete in most respects bar landscaping, some external works</td>
<td>• £5m claim for change and variations under negotiation with Education &amp; Skills Agency</td>
</tr>
<tr>
<td>• Loss is being minimised by hand back of contracts to government</td>
<td>• Demobilisation, cost reduction and timing of handover are risks &amp; opportunities</td>
<td>• Project completion date is on target</td>
<td>• Client holds an on demand performance bond</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Quality of work and subcontractor performance remains a risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ontario Roads: £22m net outflow</td>
<td>£22m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Athens Road: £22m net outflow (87% complete)</td>
<td>£22m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Project completion date is on target</td>
<td>• Client holds an on demand performance bond</td>
<td>• Quality of work and subcontractor performance remains a risk</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Battersea &amp; TTC: have been settled</td>
<td>£22m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• TTC settled at a lower amount but this is expected to be offset by lower supplier payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table: Net Cashflows

<table>
<thead>
<tr>
<th>Contract</th>
<th>Q4 2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Total Net Cashflow</th>
<th>Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMH</td>
<td>2</td>
<td>58</td>
<td>57</td>
<td>6</td>
<td>119</td>
<td>33</td>
</tr>
<tr>
<td>Msheireb</td>
<td>50</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>64</td>
<td>97</td>
</tr>
<tr>
<td>Royal Liverpool</td>
<td>67</td>
<td>8</td>
<td>36</td>
<td>20</td>
<td>-</td>
<td>43</td>
</tr>
<tr>
<td>Aberdeen</td>
<td>79</td>
<td>26</td>
<td>2</td>
<td>-</td>
<td>29</td>
<td>16</td>
</tr>
<tr>
<td>Battersea</td>
<td>125</td>
<td>9</td>
<td>11</td>
<td>-</td>
<td>29</td>
<td>16</td>
</tr>
<tr>
<td>PF2 Schools</td>
<td>43</td>
<td>12</td>
<td>11</td>
<td>-</td>
<td>23</td>
<td>5</td>
</tr>
<tr>
<td>Ontario Roads</td>
<td>3</td>
<td>5</td>
<td>12</td>
<td>5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Al Dara</td>
<td>13</td>
<td>4</td>
<td>15</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TTC</td>
<td>11</td>
<td>28</td>
<td>22</td>
<td>-</td>
<td>6</td>
<td>28</td>
</tr>
<tr>
<td>Top 9 contracts</td>
<td>371</td>
<td>34</td>
<td>169</td>
<td>116</td>
<td>325</td>
<td>262</td>
</tr>
<tr>
<td>Other top 20 contracts</td>
<td>6</td>
<td>11</td>
<td>5</td>
<td>16</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>TOTAL</td>
<td>377</td>
<td>34</td>
<td>180</td>
<td>111</td>
<td>315</td>
<td>282</td>
</tr>
</tbody>
</table>
Cash flow from operations and working capital

2018
Net working capital £152m outflow
- Top 20 legacy contracts (£180m)
- Rokstad claim and Services claims £27m
- Building advance unwind (Arundel) (£20m)
- Development disposals £9m

2019
Net working capital £82m outflow
- Top 20 legacy contracts (£111m)
- Rokstad collection in claims £13m

2020
Net working capital £44m outflow
- Top 20 legacy contracts inflow £10m
- Aspire advance unwind (£25m)
- Kings Cross unwind (£20m)

2021
Net working capital £6m inflow
- Aspire advance (£35m)
- Building working capital £28m
- NGEC receipts £6m

2022
Net working capital £16m outflow
- Aspire advance (£10m)
- Building working capital (£15m)
## Non-operating cash flow 2017-2022

<table>
<thead>
<tr>
<th>£m</th>
<th>RF4 2017</th>
<th>BUSINESS PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(40)</td>
<td>(84)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(1)</td>
<td>(8)</td>
</tr>
<tr>
<td>Net capex</td>
<td>(33)</td>
<td>(27)</td>
</tr>
<tr>
<td>Other including FX</td>
<td>(5)</td>
<td>2</td>
</tr>
<tr>
<td>Acquisitions &amp; disposals</td>
<td>4</td>
<td>107</td>
</tr>
<tr>
<td>Dividends to shareholders &amp; non-controlling interests</td>
<td>(61)</td>
<td>(1)</td>
</tr>
<tr>
<td>Total non-operating cash flow</td>
<td>(136)</td>
<td>(11)</td>
</tr>
<tr>
<td>Underlying cash flow from operations</td>
<td>(655)</td>
<td>(32)</td>
</tr>
<tr>
<td>Total cash flow</td>
<td>(791)</td>
<td>(43)</td>
</tr>
</tbody>
</table>

### Commentary

- Tax payments reflect increasing profits in the UK and a reduction in the amount of UK tax losses to offset against these.
- Net capex spend mainly comprises ICT, Wipro spend and a significant capex project in services ('Project Rio') is under review but has been included at approx. £10m in 2019, 2020 and £7m in 2021. This is for integrated operating and CAFM system.
- Acquisitions and disposals in 2017, 2018 and 2019 comprise:
  - PPP equity disposals of £84m in 2018 and £18m in 2019 partly offset by PPE investments of £42m in 2017.
  - Payments in relation to the Canadian services acquisitions - £10m in 2018 and £11m in 2019.
  - Strategic disposals with £76m proceeds in 2018.
- Closing net debt (spot) at December 2017 is estimated at £1,101m.
- Cash flow excludes all debt service costs, debt repayment and pension contributions over the course of the plan.
The funding requirement peaks in September 2018 at £360m, and in September 2019 at £350m.

Assumptions for funding requirement:
- Intra month peaking of £100m
- Headroom of £75m
- Sensitivities
- Disposal proceeds of £76m excluded from funding requirement

Other assumptions:
- EPF remains in place at a utilisation of £320m during 2018
- Leasing facilities of £2m per month available, including facility for 2017 assets
- Bonding facilities available in line with plan
- Dividend policy has not yet been determined
Section 8
Group balance sheet
## Balance sheet

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock</td>
<td>44</td>
<td>42</td>
<td>41</td>
<td>42</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td>Receivables</td>
<td>1,279</td>
<td>986</td>
<td>914</td>
<td>960</td>
<td>968</td>
<td>988</td>
</tr>
<tr>
<td>Payables</td>
<td>1,795</td>
<td>1,349</td>
<td>1,195</td>
<td>1,198</td>
<td>1,212</td>
<td>1,216</td>
</tr>
<tr>
<td>Net working capital</td>
<td>(472)</td>
<td>(321)</td>
<td>(240)</td>
<td>(196)</td>
<td>(201)</td>
<td>(185)</td>
</tr>
<tr>
<td>EPF UK included in payables</td>
<td>334</td>
<td>314</td>
<td>311</td>
<td>324</td>
<td>342</td>
<td>356</td>
</tr>
<tr>
<td>Normalised EPF creditors (45 days)</td>
<td>(119)</td>
<td>(112)</td>
<td>(111)</td>
<td>(116)</td>
<td>(122)</td>
<td>(127)</td>
</tr>
<tr>
<td>Advances (Aspire/Arundel)</td>
<td>90</td>
<td>70</td>
<td>70</td>
<td>45</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Underlying working capital</td>
<td>(167)</td>
<td>(49)</td>
<td>30</td>
<td>57</td>
<td>29</td>
<td>43</td>
</tr>
<tr>
<td>% of revenue</td>
<td>-3.5%</td>
<td>-1.4%</td>
<td>0.8%</td>
<td>1.5%</td>
<td>0.7%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

### Normalised working capital as legacy contract balances reduce:

- EPF remains in place at a utilisation of £320-350m
- Contract review completed, pressure on cash versus profit settlements
- Other asset review ongoing including review of fixed assets and goodwill – any impact will not affect EBITDA or cash
- Underlying working capital normalised from 2019 onwards, at c1% of revenue, following completion of legacy contracts.

### Net liabilities at 31 December 2017 and 2018 of £500-600m will improve through the restructuring:

- A full balance sheet has not been presented as the restructuring proposal is still being analysed. Therefore, cashflows are presented as unlevered, with no pension contributions
- Restructuring will improve the net liabilities position, either through additional equity, debt for equity and any impact from reduced pensions liability
Total contract provision increased in RF4 2017 from £1,045m to £1,105m

**AS 30 SEPTEMBER 2017**

- **£1,045m**
  - Future costs: £316m
  - Trade receivables: £729m
  - TOTAL: £1,045m

**NEW**

- **£1,105m**
  - Future costs: £393m
  - Trade receivables: £712m
  - TOTAL: £1,105m

**INCREASE IN PROVISION**

- **£60m**
  - More aggressive cash settlements (profit vs cash) (TTC, Battersea): £10m
  - Further deteriorations on live projects and contingency for future risks including:
    - Royal Liverpool £15m – delayed from December ’17 to April ’18
    - Aberdeen £15m – delayed from March to May ’18
    - Canada contracts (Union, Bremner) £6m – additional legal costs
  - Further re-evaluation of NOMS (National Offender Management Service – prisons services contract with MoJ) £11m
  - Further scope for increase from cash versus profit settlements
Section 9
Disposals
## Disposals in progress and assumed by 30 June 2018

<table>
<thead>
<tr>
<th>£m</th>
<th>Assumed proceeds</th>
<th>Timing</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rokstad</td>
<td>18</td>
<td>Q2 18</td>
<td>10</td>
<td>21</td>
<td>27</td>
<td>36</td>
<td>37</td>
</tr>
<tr>
<td>Bouchier</td>
<td>8</td>
<td>Q1 18</td>
<td>9</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salus</td>
<td>46</td>
<td>Q2 18</td>
<td>6</td>
<td>11</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>N. Ireland</td>
<td>13</td>
<td>Q1 18</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Utilities</td>
<td>1</td>
<td>Q1 18</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total disposals</strong></td>
<td><strong>86</strong></td>
<td></td>
<td><strong>26</strong></td>
<td><strong>45</strong></td>
<td><strong>52</strong></td>
<td><strong>62</strong></td>
<td><strong>65</strong></td>
</tr>
</tbody>
</table>

## Disposals under review

- **Remainder of UK Healthcare**
  - Review of remaining contract portfolio
- **Canada Services**
  - Ongoing review of offers
- **MENA - Oman and Emrill**
  - Continued review of options for sale
- **Canada Roads**
  - Sale process underway
- **Non Core area in Corporate & Regions**
  - Review of small contracts

## Group EBITDA impact (including minority interest)

<table>
<thead>
<tr>
<th>£m</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group EBITDA – pre disposal</td>
<td>183</td>
<td>221</td>
<td>251</td>
<td>266</td>
<td>275</td>
</tr>
<tr>
<td>Adjust for disposal</td>
<td>(26)</td>
<td>(45)</td>
<td>(52)</td>
<td>(62)</td>
<td>(65)</td>
</tr>
<tr>
<td>Contingency release</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Group EBITDA – post disposal</strong></td>
<td><strong>158</strong></td>
<td><strong>178</strong></td>
<td><strong>202</strong></td>
<td><strong>207</strong></td>
<td><strong>213</strong></td>
</tr>
</tbody>
</table>
Section 10
Business priorities
Top 10 priorities...

...for 2018

- Successfully **restructure the debt** of the Group
- **Complete** on the assumed **disposals** Rokstad, Bouchier, Healthcare, Ireland FM and Utilities
- Successfully adopt a **more robust risk and governance framework** ensure the **centres of excellence support the business** to achieve better outcomes in work winning, mobilisations, operational excellence and contract management
- Deliver **successful mobilisations on Hestia** (Central Government) and **Gigaclear** (Corporate and Regions), which drive significant revenue and growth in 2018
- Deliver **cost savings of £100m** by the end of 2018, targeting overhead reduction and contract margin improvement
- Achieve **robust and sustainable profits** which are built on underlying performance rather than one-offs
- **Cash** – collect on legacy claims and ensure underlying cash conversion of c100% within the BUs
- Implement an **improved management incentive scheme** which drives accountability and performance

...beyond 2018

- Deliver **revenue growth** in:
  - **Infrastructure of over £200m** by 2022 from Rail, Roads and HS2 at gross margins of circa 8%
  - **Canada Services of over £110m** by 2022 from defence, aviation, natural resources and healthcare at gross margins of circa 11%
- Revenue - key contract replacements and **renewals** in:
  - **Building - replacing Aspire Defence** with a similar size (c.£100m per annum) project at a reduced margin of 5%
  - **Central Government - replacing NGEC** with a similar size (c.£350m per annum) project at improved margins of 6%
Section 11
Business unit summaries
Highways England’s largest project on the ground (A14 Cambridge)

Rail electrification
National Rail Electrification Programme & Midlands Mainline Electrification

Major supplier to Network Rail

A market leader in Smart Motorways
Currently working on M6 J16 19

One of the UK’s most difficult nuclear decommissioning programmes
FGMSP Retrievals, Sellafield

Maintaining and upgrading the UK’s defence capability
RAF Waddington runway refurbishment

12,000 safe work shifts over Christmas Blockade Edinburgh to Manchester to London to Cardiff
What we do and business plan headlines

A business plan for growth, capitalising on market leading positions. The opportunity is significant – the UK is delivering the largest infrastructure investment since Victorian times across all transport areas backed by the National Infrastructure Plan.

Financial highlights:

- TOTAL REVENUE
  - 2018: £770m
  - 2022: £976m
  - CAGR 5%

- OPERATING PROFIT
  - 2018: £29m
  - 2022: £46m
  - CAGR 10%

- OPERATING MARGIN
  - 2018: 3.7%
  - 2022: 4.7%
  - +100BPS
## Infrastructure – strategy

### Government committed to invest within Infrastructure to grow GDP

<table>
<thead>
<tr>
<th>Rail</th>
<th>Strategic Roads</th>
<th>HS2 (CEK JV)</th>
<th>Civils</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outlook:</strong></td>
<td><strong>Outlook:</strong></td>
<td><strong>Outlook:</strong></td>
<td><strong>Outlook:</strong></td>
</tr>
<tr>
<td>• Underpinned by Network Rail spend – CP6 £48bn vs £38bn for CP5</td>
<td>• RIS 1 (2015-20): £15bn investment</td>
<td>• C2/C3 contracts (c£1.4bn)</td>
<td>• Targeting Local Authority and Welsh Government projects/regional frameworks</td>
</tr>
<tr>
<td>• Diversification – rail franchise market (c£9.4bn pa); we have key relationships with ToCs and fully integrated solutions</td>
<td>• CDF 2 position secured, targeting top 3 on start assessment</td>
<td>• Opportunities – JV to bid for Phase 1 rail systems (c£1.8bn) – only 3 credible bidders: Phase 2 Birmingham to Crewe (c£2bn)</td>
<td>• Strong presence at Sellafield but reducing in 2018</td>
</tr>
<tr>
<td><strong>Market position:</strong> top 2 supplier to Network Rail by volume and leading by competence</td>
<td><strong>Market position:</strong> smart motorways market leader, A14 JV (HE’s largest project in delivery)</td>
<td><strong>Market position:</strong> 1 of 4 on Phase 1 construction</td>
<td><strong>Market position:</strong> growth in airfield/airport work</td>
</tr>
<tr>
<td><strong>Competitors:</strong> Costain, BAM, Amey</td>
<td><strong>Competitors:</strong> Balfour Beatty, Costain, Skanska</td>
<td><strong>Competitors:</strong> BBV JV, SCS JV, Align JV, Alstom</td>
<td><strong>Competitors:</strong> Balfour Beatty, Costain, regional players</td>
</tr>
</tbody>
</table>

### Strategic priorities

- Deliver HS2 – and win new work through CEK JV (Carillion, Eiffage, Kier)
- Balanced portfolio across core sectors of rail, roads, civil engineering
- Capitalise on strong market position in Rail and maintain share to ensure we capture growth under CP6
- Achieve top 3 position on Highways England start assessment to take advantage of RIS 1/RIS 2 forecast spend
- Targeting to be a ‘Framework Supplier’ to local authorities, delivering OJEU procured projects within England and Wales
- New build – focus on target cost, collaborative procurement
- Maintain JV partnerships to deliver more complex projects
**REVENUE BRIDGE 2017 TO 2022**

**2018:** Revenues reduce slightly but stable in challenging times
- Visibility 90% (secured and probable)
- Lower Rail volumes (due to reduced Network Rail spend), AWPR ending
- Offset by HS2 (modest contribution – still in design phase) and Strategic Roads

**2019 onwards:** Identified growth in addressable markets
- Visibility 51% for 2019 (secured and probable)
- Rail growth as Network Rail spend picks up, especially once CP6 kicks in (Assume 1 in 3 win rate and no growth in secured forecast). Plus new franchise opportunities
- HS2 delivering significant revenues
- Strong growth in Strategic Roads – significant spend profile issued by Highways England, which will impact 2020 onwards. Modest view taken in business plan with upside opportunity (Assume 1 in 5 win rate)
- Civils – growth in airport / airfield work alongside new Sellafield decommissioning programme where we have competence and delivery capability alongside core LA frameworks

### Revenue visibility*

<table>
<thead>
<tr>
<th>Year</th>
<th>Visibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>'18</td>
<td>55%</td>
</tr>
<tr>
<td>'19</td>
<td>18%</td>
</tr>
</tbody>
</table>

*Work secured & probable

### Key contracts

- HS2 – NTP Phase 2 Nov 18
- A14 (H2 ‘20)
- NWEP (Phase 4/5 complete H2 ‘18)
- M6 SMP (M3, M20, M6)
- CPL (Continues into 2019)
- AWPR (ends June ‘18)
**2018: Profits stable in line with revenues**
- Reduced Rail volumes impact profit, only partially offset by HS2 and higher roads volumes and the impact of schemes with zero margin (AWPR) ending
- Civils & highways – up in line with volumes
- Overheads reduce in 2018 due to cost cutting in Finance and Work Winning (£2.6m)

**2019 onwards: Infrastructure investment drives profit growth**
- Volume growth within Rail / Highways / Civils and HS2 contribute to increased returns
- Improvement in gross margin: change in business mix, improvements in productivity and change management using technology (0.75%)
- Positive gross margin impact from low/zero margin non-recurring items such as AWPR and CNS
- Business plan assumes modest overhead growth of 3% pa compared with 25% growth in revenue
2018: Cash high due to claims collection
- Cash conversion in 2018 is high due to the claims settlement on Aberdeen Western Peripheral route of £25m in June and £15m in December offsets the funding of the project of £22m

2019 onwards:
- General cash throughout business plan is based on 100% cash conversion model. This is in line with historic cash flows
Central Government in pictures

Carillion Amey

Aspire

GCHQ

Hestia Carillion Aramark

Aspire

Northwood
Central Government – overview

What we do and business plan headlines

**CENTRAL GOVERNMENT**

2018 KEY FINANCIALS

<table>
<thead>
<tr>
<th>Revenue</th>
<th>£745m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Profit</td>
<td>£19m</td>
</tr>
</tbody>
</table>

4.5%-5.5% MID-TERM MARGIN TARGET

REVENUE SPLIT (2018)

- 82% Defence
- 18% Other Central Gov

WHAT WE DO

Support services for the MoD and other central government departments

Key customers:

- MoD & DIO
- MoJ
- Home Office

KEY STATISTICS

- >4,000 employees
- <15 contracts (small, stable number of larger contracts)
- Frameworks: CCS
- Key JVs: Aspire (KBR), NGEC (Amey), Hestia (Aramark)

A strategy to maintain existing MoD contracts while also diversifying services to improve profitability; and to grow facilities management provision to central government departments through the CCS framework, replacing older contracts with higher margin wins

Financial highlights

<table>
<thead>
<tr>
<th>TOTAL REVENUE</th>
<th>CAGR -%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2022</td>
</tr>
<tr>
<td>£745m</td>
<td>£756m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING PROFIT</th>
<th>CAGR 17%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2022</td>
</tr>
<tr>
<td>£26m</td>
<td>£41m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING MARGIN</th>
<th>+290bps</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2022</td>
</tr>
<tr>
<td>2.5%</td>
<td>5.4%</td>
</tr>
</tbody>
</table>
Central Government – strategy

Diversification strategy, exploiting position on Crown Commercial Service framework

Central Government

Outlook:
- Opportunity to target wider secure and resilience opportunities in the Home Office, MoJ and FCO
- Addressable market worth c£4.5bn pa
- First generation contracts tend to be at tighter margins/more commercially difficult – lessons learned by Central Govt departments suggests a more progressive and collaborative second gestation CCS framework

Market position: currently 1 of only 3 companies appointed to all three lots of the Crown Commercial Services (‘CCS’) framework

Competitors: Engie, G4S, Interserve, ISS, Serco, Sodexo

Defence

Outlook:
- Targeting market segments that are developing or where competition is limited
- Capability integrator – moving up the value chain and achieving further market penetration
- Addressable market worth c£13.7bn pa

Market position: c4% - scope for market share gains

Competitors: Babcock, Interserve, KBR, Serco, Thales

Strategic priorities

- Appointment to Next Gen CCS Framework – lots 1 (large contracts) and 2 (MoD) – awards due in April 2018 and September 2018
- Successful delivery of Hestia ramp up
- NGEC contracts due to complete at end of 2019 and likely to be extended (although not assumed in the plan) which would materially reduce the need to secure replacement contracts
- Develop capability integrator concept as a key differentiator
Central Government – top line outlook

**REVENUE BRIDGE 2017 TO 2022**

- **£647m** 2017 RF4
- **£745m** 2018 BP
- **(23)** Ongoing contracts
- **(356)** NGEC
- **£756m** To gain 2022 BP

- **£647m** Hestia & other
- **£745m**
- **(23)**
- **(356)**
- **£756m**

**2018:** Strong visibility on 15% top line growth
- Visibility 77%, rising to >95% factoring in variable work and retail sales (using current track record to project)
- Growth almost entirely driven by 2017 Hestia wins

**2019 onwards:** Significant work winning required
- Visibility 71% but drops sharply thereafter – business plan assumes NGEC volumes decline from mid-2019 onwards. This is a conservative assumption – it is likely NGEC will be extended
- Other ongoing contracts – declines largely driven by NOMS, partially offset by incremental revenues on Hestia, Aspire
- Securing place on CCS critical
- Strong pipeline (£7bn) – assume 25% win rate, down from 50% historically:
  - Diversification into more competitive markets
  - Expansion of CCS framework (ie creating more competition)

**Revenue visibility**

<table>
<thead>
<tr>
<th>Year</th>
<th>Visibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>'18</td>
<td>77%</td>
</tr>
<tr>
<td>'19</td>
<td>71%</td>
</tr>
</tbody>
</table>

Visibility reflects only secured and probable work – ie they exclude retail sales (Hestia) and variable works. Based on track record, including these would increase 2018 visibility to >95% (c2% to gain, c20% NGEC projects on which there is visibility). For 2019, projects are expected to be c17% of revenue, leaving only 12% of revenue to gain)

**Key contracts**

- Aspire (’41)
- NGEC (’19)
- Northwood (’31)
- NOMS Prisons (’22)
- Hestia (’23)
Group Business Plan Presentation

Central Government – profit & cash

**OPERATING PROFIT BRIDGE 2017 TO 2022**

- **2017 RF4**
  - Non-recurring 2017 provisions & claims: £26m
  - Hestia: (13)
  - Group provision for NOMS: 4
  - Cost reduction: (8)

- **2018 BP**
  - Ongoing contracts – volumes & performance improvement: £19m
  - NGEC: 8
  - To gain: (12)

- **2022 BP**
  - Profit: £41m

**2018: Sharp drop in profitability**
- 2017 one-off items drop out including £3m tax credit, £5m release of provisions for carbon trading scheme (all cases now settled) and £5m of claims relating to NGEC
- Hestia contributes an additional £4m
- 2017 benefits from a Group provision against a loss-making contract, NOMS (prisons)
- Cost reduction includes targeted improvement in NOMS contribution to a break even position

**2019 onwards: Profit and margin recovery**
- Strong margin gains post-2019 – higher quality pipeline
- Ongoing contracts – incremental volumes on Hestia, Aspire plus benefit of improved performance on NOMS
- Assume NGEC (contract c3% margin) drops out from mid-19 - conservative assumption. If extended, will be at higher margins due to extension terms and reduced depreciation charges. Could be £150m pa at 7% (£11m)
- New contracts in 2019 to 2022 assumed at higher margins (6-7%). These include £100m pa from CCS and £170m pa from alternate housing contract if NGEC is not extended

**OPERATING PROFIT & MARGIN**

- **2017**
  - Operating profit: £19m
  - Operating margin: 4.0%
- **2018**
  - Operating profit: £26m
  - Operating margin: 8%
- **2019**
  - Operating profit: £30m
  - Operating margin: 10%
- **2020**
  - Operating profit: £35m
  - Operating margin: 14%
- **2021**
  - Operating profit: £35m
  - Operating margin: 15%
- **2022**
  - Operating profit: £40m
  - Operating margin: 17%

**CASH CONVERSION**

- **2017**
  - Underlying cash from operations: £15m
  - Cash conversion: 88%
- **2018**
  - Underlying cash from operations: £15m
  - Cash conversion: 143%
- **2019**
  - Underlying cash from operations: £30m
  - Cash conversion: 151%
- **2020**
  - Underlying cash from operations: £35m
  - Cash conversion: 132%
- **2021**
  - Underlying cash from operations: £35m
  - Cash conversion: 98%
- **2022**
  - Underlying cash from operations: £45m
  - Cash conversion: 132%
2018-2022:

- Cash conversion over 100% in most years, mainly due to amortisation of mobilisation costs on NGEC and NOMS and the improvement of WIP conversion in 2018
- Cash conversion in 2019 is lower than 100% due to the mobilisation of new work for H2 2019 and H1 2020
- All new work has a mobilisation period of 6 months and a mobilisation costs outflow of £1m has been included for each new contract win
- All current contracts (excl JVs) paid core fee in month of service (30 days ahead of terms)
- On JVs
  - Dividends for Aspire JV are paid monthly based on profit less tax
  - NGEC Housing – dividends paid half yearly
  - NGEC Primes – management fees £1.8m pa; dividends paid half yearly; SW Soft Services paid in month
Corporate & regions – overview

What we do and business plan headlines

**CORPORATE & REGIONS**

### 2018 KEY FINANCIALS

- **£688m** REVENUE
- **£42m** OPERATING PROFIT

### MID-TERM MARGIN TARGET

6.5-7.5%

### REVENUE SPLIT (2018)

- 55% CARILLIONTELENT
- 27% LOCAL GOVT & OTHER
- 18% CORPORATE

**WHAT WE DO**

Support services for corporate customers and regional public authorities

**Key customers:**
- BT Openreach, Gigaclear
- Tameside
- Nationwide, Centrica, Heathrow

**KEY STATISTICS**

- c9,000 employees
- 80+ contracts (reducing due to selectivity)
- Frameworks: CCS (future opportunity 2018+)
- Key JVs: Carilliontelet

Diverging dynamics – growth at Carilliontelet to drive positive mix shift; opportunities for growth in transport; focus on addressing the ‘tail’, core cities and cost cutting to support margin elsewhere

### Financial highlights

**TOTAL REVENUE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>CAGR (1)%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>£688m*</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>£655m</td>
<td></td>
</tr>
</tbody>
</table>

**OPERATING PROFIT**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>CAGR 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>£42m</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>£45m</td>
<td></td>
</tr>
</tbody>
</table>

**OPERATING MARGIN**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>+70BPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>6.1%</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>6.8%</td>
<td></td>
</tr>
</tbody>
</table>

*2018: those contracts part of the announced healthcare disposal drop out from 30.6.18
## Growth at Carillion telent and transport; focus on key retentions, the ‘tail’ and core cities

### Local Government

**Outlook:**
- Targeting broadly stable volumes with a focus on core cities

**Market:** highly fragmented, estimated at £6.0bn pa and growing at mid to high single digits

**Competitors:** Interserve, Serco, Engie

### Transport

**Outlook:**
- Opportunities in partnership with Infrastructure (Abellio Wales & West)

**Market:** highly fragmented, estimated at c£2.7bn pa and growing at high single digits

**Competitors:** Mitie, Interserve, ISS, OCS

### Carillion telent (JV)

**Outlook:**
- Volumes with BT to remain at current levels until 2021
- Growth to be driven by new customers – eg Gigaclear, Virgin Media

**Market position:** market leading position

**Competitors:** Morrison Utility Services, Kelly, regional players

### Strategic priorities

- Right size the business – disposals (Health, Ireland), closure of SAM and address the ‘tail’
- CCS framework also critical – new work post-2020 expected to be delivered via the CCS
- Key retentions – Centrica, Tameside and Heathrow
- Focus on core cities – Birmingham, Manchester
- Mobilise Gigaclear successfully
- Develop Virgin Media contract
- Develop to be support services, not just straight FM
- Deliver on cost savings
- Review of corporate model to improve efficiency and returns
Corporate & Regions – top line outlook

**Revenue Bridge 2017 to 2022**

- **2017 RF4**: £748m
  - Ctelen JV 64
  - Other & contracts not retained, exits (60)

- **2018* BP**: £688m
  - Ctelen JV 16
  - Other & contracts not retained, exits (40)
  - To gain 51
  - Disposals (60)

- **2022 BP**: £655m

---

**Revenue visibility***

<table>
<thead>
<tr>
<th>Year</th>
<th>Visibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>'18</td>
<td>84%</td>
</tr>
<tr>
<td>'19</td>
<td>76%</td>
</tr>
</tbody>
</table>

Visibility reflects only secured and probable work – i.e., they exclude variable and project works. Factoring in current track record on these items takes 2018 visibility to >90% and 2019 to >85%.

---

**Key contracts**

- BT Openreach (runs to March ‘20, extendable to March ‘22)
- Gigaclear
- Nationwide (Sept ‘23)
- Centrica (Nov ‘21)
- Tameside
- Heathrow

---

**2018: Growth at Carilliontelent**

- 2018 visibility 84% excluding variable and project works; rises to over 90% including these (and based on historic data)
- Healthcare disposal (to Serco) from mid-year
- Work ‘to gain’ is fully covered by rebids, extensions or live bids
- Carilliontelent – significant growth driven by recently announced Gigaclear contract win
- Largely offset by declines relating to exits – Nottingham (’17), RBS (’17), OCC (’18), Direct Line Group (’18)

**2019 onwards: Modest growth**

- Visibility remains strong – 76% for 2019 and would rise by another c10% factoring in variable and project works. 2019 work ‘to gain’ fully covered by rebids, extensions or live bids
- Healthcare disposal from H1 2018
- Growth in transport – cross selling opportunity
- Strike rate of 1 in 3 – new work post-2020 expected to be delivered via the CCS
- Excludes impact of addressing the ‘tail’; assume retentions for Centrica, Tameside and Heathrow

* Work secured & probable
**2018: Significant step up in profitability**
- Healthcare disposal a drag in H2 2018
- Underlying profit development reflects revenue with good growth at Carilliontelent
- Cost reduction a major contributor – both headcount and third party savings. Half relates to measures taken in 2017 making a full year contribution, the remainder to 2018 initiatives

**2019 onwards: Continued steady progress**
- Healthcare disposal drops out from H2 2018
- Margins to improve over the period as low margin contracts exited in 2017 and 2018 are replaced by higher margin Carilliontelent volumes and cost savings
- 2022 operating margin 6.8% vs mid-term target range 6.5-7.5%

---

**OPERATING PROFIT BRIDGE 2017 TO 2022**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cte lent JV</th>
<th>Cost reduction</th>
<th>One-offs</th>
<th>Disposals &amp; contract exits</th>
<th>2017 RF4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>£35m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Cte lent JV</th>
<th>Cost reduction</th>
<th>To gain</th>
<th>Disposals</th>
<th>2018* BP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>£42m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Cte lent JV</th>
<th>Cost reduction</th>
<th>2022 BP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>£45m</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*2018: those contracts part of the announced healthcare disposal drop out from 30.6.18

---

**OPERATING PROFIT & MARGIN**

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Profit</th>
<th>Operating Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>£35m</td>
<td>4.7%</td>
</tr>
<tr>
<td>2018</td>
<td>£42m</td>
<td>6.4%</td>
</tr>
<tr>
<td>2019</td>
<td>£46m</td>
<td>7.7%</td>
</tr>
<tr>
<td>2020</td>
<td>£40m</td>
<td>7.6%</td>
</tr>
<tr>
<td>2021</td>
<td>£30m</td>
<td>7.7%</td>
</tr>
<tr>
<td>2022</td>
<td>£20m</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

---

**CASH CONVERSION**

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Profit</th>
<th>Underlying Cash From Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>£70</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>£60</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>£50</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>£40</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>£30</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>£20</td>
<td></td>
</tr>
</tbody>
</table>
2018:
• 2018 Telent EPF benefit partly offset by working capital increase for Gigaclear
• Working capital outflows on RBS of £7m and Portsmouth of £9m

2019 onwards:
• All contracts targeted to deliver cash-backed profits from 2018
What we do and business plan headlines

### BUILDING

<table>
<thead>
<tr>
<th>2018 KEY FINANCIALS</th>
<th>WHAT WE DO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>£764m</strong> REVENUE</td>
<td>Construction for public and private sector customers</td>
</tr>
<tr>
<td><strong>£11m</strong> OPERATING PROFIT</td>
<td></td>
</tr>
<tr>
<td>1.5-2.5% MID-TERM MARGIN TARGET</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REVENUE SPLIT (2018)</th>
<th>KEY STATISTICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>14% HEALTH</td>
<td>• c2,500 employees</td>
</tr>
<tr>
<td>9% OTHER</td>
<td>• 40+ contracts (reducing due to selectivity)</td>
</tr>
<tr>
<td>32% RESIDENTIAL</td>
<td>• Frameworks: ESFA, NGEC</td>
</tr>
<tr>
<td>26% DEFENCE</td>
<td>• Key JVs: Aspire (KBR)</td>
</tr>
<tr>
<td>19% COMMERCIAL</td>
<td></td>
</tr>
</tbody>
</table>

Revenues reduce as legacy major projects fall away. A de-risked, more selective business – low risk procurement routes only with a focus on repeat business and sectors in which we have proven track record.

### Financial highlights

<table>
<thead>
<tr>
<th>TOTAL REVENUE</th>
<th>CAGR (1)%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td><strong>£764m</strong></td>
</tr>
<tr>
<td>2022</td>
<td><strong>£728m</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING PROFIT</th>
<th>FLAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td><strong>£11m</strong></td>
</tr>
<tr>
<td>2022</td>
<td><strong>£11m</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING MARGIN</th>
<th>FLAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1.5%</td>
</tr>
<tr>
<td>2022</td>
<td>1.5%</td>
</tr>
</tbody>
</table>
Revenues reduce as major projects complete; focus on core geographies

UK construction
Buoyant infrastructure (served by our Infrastructure BU) and residential, but UK construction has been in technical recession – other sectors, eg Commercial are declining as Brexit approaches and confidence reduces. Residential particularly PRS remains strong and a counterbalance to other sectors. Outlook for the sector is tough – Brexit, subdued economic growth, material cost inflation (double the rate of inflation) etc. to act as headwinds in the short term.

Residential
Outlook:
• Substantial exposure to this sector, mainly due to PRS propping up the market – we have considerable track record here

Competitors: Wates, Ardmore, Mace, R McAlpine, growing 2nd tier contractors (Ardmore, McAleer & Rushe)

Defence
Outlook:
• Market going sideways, but our volumes to grow – assuming work winning success on NGEC. Aspire JV remains a major contributor over the plan period (completes in 2021)

Competitors: Skanska, Lend Lease, Balfour Beatty, Kier, Bowmer & Kirkland

Education
Outlook:
• Continued investment. New ESFA provides an opportunity to drive higher revenues under a more suitable procurement approach

Competitors: BAM, Interserve, Kier, Bowmer & Kirkland

Commercial
Outlook:
• Market to decline, approach to be customer driven

Competitors: R McAlpine, Mace, Laing O’Rourke, Skanska

Strategic priorities
• Selectivity/low risk procurement routes
• Develop partnerships – focus on repeat business
• Sectors where we have track record
• 4 core geographies and streamlining
• Not engaging in projects with gross margin <5%
• No strategic growth areas – aim to maintain position in Residential while rebalancing portfolio by winning contracts in Defence and Education
Group Business Plan Presentation

Building – top line outlook

REVENUE BRIDGE 2017 TO 2022

<table>
<thead>
<tr>
<th>Year</th>
<th>2017 RF4 (£937m)</th>
<th>2018 BP (£764m)</th>
<th>2022 BP (£728m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legacy major projects</td>
<td>(187)</td>
<td>(122)</td>
<td>100</td>
</tr>
<tr>
<td>Uptick in Aspire volumes</td>
<td>46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracts ending partially offset by growth</td>
<td>(32)</td>
<td>(119)</td>
<td></td>
</tr>
<tr>
<td>Net to gain</td>
<td></td>
<td>105</td>
<td></td>
</tr>
</tbody>
</table>

2018: Legacy major projects reduce
- Visibility – 81% secured & probable
- Legacy major projects reduce
- A number of others with lower volumes (eg Triplets) also more than offset growth (Fallowfield, RAF Akrotiri) in the business

2019 onwards: Stabilising at a lower level
- As expected, visibility reduces significantly – 24% of 2019 revenue secured & probable. Will address through 2018 pipeline development
- Residential to support the BU, underpinned by position in PRS (forecast to be buoyant) – residential to rise from c30% of revenue to >half by 2022
- Commercial – steadily shrinks from >20% of revenue to <10% by 2020, resuming growth thereafter
- Assume strike rates decrease – less negotiated and more competitive opportunities
- Investing in Defence (NGEC runs to 2021) and Education (ESFA framework) as Aspire unwinds

Revenue visibility

<table>
<thead>
<tr>
<th>Year</th>
<th>Visibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘18</td>
<td>81%</td>
</tr>
<tr>
<td>‘19</td>
<td>24%</td>
</tr>
</tbody>
</table>

Key contracts

- MMH (June ’19)
- Aspire Army (H1 ’21)
- Angel Gardens
- Trinity Riverside
- RAF Croughton
- Recurring Customers include Moda, Select and Argent

* Work secured & probable
OPERATING PROFIT BRIDGE 2017 TO 2022

- **Aspire**: £15m
- **Non-recurring items**: (£5m)
- **Volume reduction**: 4
- **Cost reduction**: (5)
- **New projects**: 2
- **Aspire completing 2021**: £11m
- **New major defence project (to gain)**: 10
- **2022 BP**: £11m

**2018: Stabilising to core portfolio. Unwinding legacy projects and cash**

- Focus on maintaining and building core building portfolio and serving core clients at 5% gross margin
- 2017 non-recurring items include £5m of rebates
- Uptick in Aspire volumes a positive
- Unwind of cash in advance on legacy contracts
- Rightsizing overhead base to re-sized business

**2019 onwards: 5% gross margin, cash backed profits**

- Targeting gross margins of 5%, with a focus on core capability projects secured via lower risk procurement – this is a lower gross margin than previously targeted, albeit new target should be more deliverable
- Focus on a core portfolio to ensure that we do not over extend business
- Aspire ends 2021 – working capital unwind; targeting one new major defence project to offset (eg Catterick, Salisbury Plain)
- Net margin at c. 1.5%, and mid term to grow to industry levels of 1.5-2.5% through focus on cost and managing out legacy issues
2018:
• Legacy contract cash unwind of c£125m including Midland Met Hospital £58m, Royal Liverpool £36m, PF2 schools £11m, Battersea £17m
• Cash generation on new work assumed at 30% negative working capital due to use of EPF facility or advances, which is a further outflow of £16m (net of old jobs completing and new jobs)

2019 onwards:
• Legacy contract cash unwind of c£60m mainly Midland Met Hospital. Legacy claim collection on Royal Liverpool Hospital of £15m on M&E claim
• JV - Aspire advance unwind across the business plan period with outflows of c£25m in 2020, c£35m in 2021 and c£10m in 2022 – dividends receivable from JV based on profits
• Cash generation on new work assumed at 30% negative working capital of £39m offset by unwind on completed jobs of £20m
• EPF assumed to cover c81% of supplier payments and assumed continuing benefit from 126 day payment terms
International in pictures

Theme Districts at Expo 2020 Dubai

Toronto Pearson International Airport

Petawawa Defence Base

Royal Opera House

Petroleum Development Oman IFM

Forensic Services & Coroner’s Complex
**INTERNATIONAL**

### CANADA

#### 2018 KEY FINANCIALS
- **£447m** Revenue
- **£15m** Operating Profit

#### REVENUE SPLIT (2018)
- 13% LEGACY (Const PPP)
- 58% SERVICES
- 29% ROADS

**INTERNATIONAL – overview**

### AFC

#### 2018 KEY FINANCIALS
- **£374m** Revenue
- **£21m** Operating Profit

#### REVENUE SPLIT (2018)
- 25% OTHER
- 75% TOP 5 CONTRACTS

### MENA

#### 2018 KEY FINANCIALS
- **£131m** Revenue
- **£(2)m** Operating Profit

#### REVENUE SPLIT (2018)
- 27% EMRIL
- 16% QATAR
- 11% SAUDI
- 46% ALAWI

---

**Canada** remains a resilient economy with sustained and growing investment in our chosen sectors of defence, aviation, natural resources and healthcare. Pressure on government revenue plus the relative immaturity of the outsourced services sector represents a significant opportunity in a growth market.

**AFC** developing its strategy ahead of the expected post-Expo reduction in construction opportunity.

**MENA** rebalancing to Alawi and Emrill. Growth in the developing outsourced services sector. Revisit strategic options in 2018.
## Growth in Services

### TOTAL REVENUE

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>447</td>
</tr>
<tr>
<td>2022</td>
<td>446</td>
</tr>
</tbody>
</table>

### CAGR of TOTAL REVENUE

- **CAGR -**
  - **2018** to **2022**: 8%

### OPERATING PROFIT

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>15</td>
</tr>
<tr>
<td>2022</td>
<td>23</td>
</tr>
</tbody>
</table>

### CAGR of OPERATING PROFIT

- **CAGR 8%**
  - **2018** to **2022**: 8%

### OPERATING MARGIN

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>3.3%</td>
</tr>
<tr>
<td>2022</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

### CAGR of OPERATING MARGIN

- **CAGR + 180bps**
  - **2018** to **2022**: 180bps

### Services

**Outlook:**
- Immature outsourcing market growing at c16% pa
- Good opportunities with sustainable margins in aviation, defense & healthcare
- Oil sands remains competitive but starting to see growth
- Wider natural resources sector more robust

**Competitors:** GDI, Compass, Aramark, Sodexo, ATCO, ESS

### Roads

**Outlook:**
- Stable market after several generations of outsourcing
- Challenging contracts with limited growth opportunities; changes in contracting models

**Competitors:** Miller, IMOS, Volker

### Construction

**Outlook:**
- Legacy contracts – exit from construction largely complete

### Strategic Priorities

**Services:**
- Immature market with growth opportunity
- Targeting a large number of small to medium wins
- Cross sell different services to existing clients (hard / soft FM)
- Key wins targeted in defence – robust pipeline
- Renewals (Business & Industry)

**Roads:**
- Deliver margin improvements, exit loss-making contracts

**Construction**
- Close out remaining legacy projects
Canada – top line outlook

**Revenue Bridge 2017 to 2022**

<table>
<thead>
<tr>
<th>Year</th>
<th>£710m</th>
<th>(203)</th>
<th>£447m</th>
<th>(105)</th>
<th>£446m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 RF4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018* BP</td>
<td></td>
<td>8</td>
<td>(68)</td>
<td>115</td>
<td></td>
</tr>
<tr>
<td>2022 BP</td>
<td></td>
<td></td>
<td></td>
<td>(11)</td>
<td></td>
</tr>
</tbody>
</table>

*2018: Rokstad and Bouchier drop out from 30.6.18

**Revenue Visibility**

<table>
<thead>
<tr>
<th>Year</th>
<th>Visibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>'18</td>
<td>73%</td>
</tr>
<tr>
<td>'19</td>
<td>57%</td>
</tr>
</tbody>
</table>

**Key Contracts**

- Outsourced services for Canada’s Department of National Defence
- Repeat business and growth with key customers in natural resources and healthcare
- Renewals and growth with key airports (including Toronto and Vancouver)

**2018: Revenue decline driven by disposals**
- Visibility 73%
- Rokstad and Bouchier drop out from mid-year
- Underlying growth in retained Services business

**2019 onwards: Strong underlying growth in Services**
- Visibility drops to 57% for 2019
- Services growth the key growth drivers – both well positioned in growth end markets
- Targeting 8 mid-sized defence wins to 2020 in addition to large contracts – additional major opportunities expected at back end of period
- Key renewals in Business & Industry
- Continue to reduce exposure to challenging roads business – to exit Peel/Halton in 2019, Thunder Bay in 2019 and Simcoe (2020 – not yet agreed)
- Roads under review – zero margin

*Work secured & probable*
2018: Profit down due to disposals
- Disposals reduce profit, although impact in 2018 dampened/smaller than revenue reduction due to timing of disposal – higher volume/lower margin business drops out
- Services growth, including high margins in natural resources driving better services profits
- Improving position on challenging roads projects

2019 onwards: Strong Services profit growth
- Full-year disposal impact
- Impact of Services growth helped by tight overhead management – revenue growing ahead of overhead spend, creating good operational leverage
- Modestly positive impact from continued roads exits
2018:
• Union Station and Bremner hold back and settlement in 2018 therefore no net impact
• Ontario Roads, Corporate Overhead and Legacy costs are reflected as outflows in line with the costs included in the model
• Arbitration for MLP assumed at end of 2018

2019 onwards:
• Ontario Roads, Corporate Overhead and Legacy costs are reflected as outflows in line with the costs included in the model
• Overarching assumption for Services – 100% cash backed profits through management of mobilization costs and contract negotiations
• 2019: cash conversion boosted by delayed recovery of Rokstad major project receipts
• Assume ability to continue to source operating leases for capital requirements
Reducing reliance on Dubai construction; focus on selectivity

<table>
<thead>
<tr>
<th>AFC</th>
<th>TOTAL REVENUE</th>
<th>OPERATING PROFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2022</td>
</tr>
<tr>
<td></td>
<td>£374m</td>
<td>£346m</td>
</tr>
</tbody>
</table>

Dubai
- Buoyant near term but outlook post-Expo/2020 less certain
- Focus on UK Export Finance opportunities

Abu Dhabi
- Challenging – intense competition, tight margins
- Aim to maintain presence, focus on select clients

Sharjah/Northern Emirates
- Strong position in Sharjah; market entry into rest of Northern Emirates - investing in tourism and infrastructure

MENA

<table>
<thead>
<tr>
<th>MENA</th>
<th>TOTAL REVENUE</th>
<th>OPERATING PROFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2022</td>
</tr>
<tr>
<td></td>
<td>£131m</td>
<td>£170m</td>
</tr>
</tbody>
</table>

Alawi (Oman)
- Outlook underpinned by PDO extension, hospitals wins, services opportunity
- Rigorous selectivity in construction

Emrill (UAE)
- Established services business with strong brand
- Multi-sector FM clients with opportunities to grow share across sectors – oil & gas, aviation and healthcare

Qatar/Saudi/Egypt
- Construction exits to complete by early 2019

Strategic priorities
- Reduce reliance on Dubai
- Maturing customer focus around a small group of key clients
- Continued drive for larger contracts to maximise efficiency

Strategic priorities
- Revisit strategic options for the division during 2018
- Close out legacy projects; rebalance to Alawi and Emrill
- Grow services capability
- Secure and deliver Oman hospitals
**AFC & MENA – top line outlook**

### REVENUE BRIDGE 2017 TO 2022

<table>
<thead>
<tr>
<th>Year</th>
<th>AFC Revenue</th>
<th>MENA Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 RF4</td>
<td>£550m</td>
<td>£135m</td>
</tr>
<tr>
<td>2018 BP</td>
<td>£505m</td>
<td>(180)m</td>
</tr>
<tr>
<td>2022 BP</td>
<td>£515m</td>
<td>(29)m</td>
</tr>
</tbody>
</table>

**Key contracts**

- **AFC revenue visibility**
  - ’18: 79%
  - ’19: 30%

- **MENA revenue visibility**
  - ’18: 94%
  - ’19: 91%

---

**2018:** Strong growth at AFC offset by MENA rebalance

- AFC – significant growth (+57%) due to secured order book (Expo, Hard Rock, Dubai Creek, Dubai World Trade Centre) despite contracts completing
- MENA – largest factor is Alawi deconsolidation (>£100m) as well as construction exits (Qatar/Msheireb, Saudi/Al Dara)

**2019 onwards:** Expo fades, MENA outlook underpinned by recent wins

- AFC – anticipating a post-Expo lull, with 2022 revenues of £346m flat on 2020; significant contracts rolling off from 2019 onwards
- MENA – growth to pick up off the back of recent hospital wins in Oman (Salalah and Khasab) and services growth; legacy contracts continue to reduce to zero

---

**Key contracts**

- **AFC**
  - Expo 2020 (mid-’19)
  - Dubai World Trade Centre (late ’18)
  - Creek Horizon (Jan-’20)
  - Hard Rock (Sept-’19)

- **MENA**
  - Msheireb (mid-’18)
  - Al Dara (June-’18)
  - PDO (Dec-’21)
  - Salalah Hospital (Nov-’17 to Oct-’21)
  - Khasab Hospital (Nov-’17 to July-’21)

---

* ie as a result of the deconsolidation of Carillion Alawi
** Work secured & probable
**GROUP BUSINESS PLAN PRESENTATION**

**AFC & MENA**

**OPERATING PROFIT BRIDGE 2017 TO 2022**

<table>
<thead>
<tr>
<th>Year</th>
<th>AFC</th>
<th>MENA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>£10m</td>
<td>-</td>
</tr>
<tr>
<td>2018</td>
<td>£19m</td>
<td>£14m</td>
</tr>
<tr>
<td>2019</td>
<td>£24m</td>
<td>-5m</td>
</tr>
</tbody>
</table>

**2018: Strong rebound at AFC drives profit**
- AFC – operating profit rises to £21m (from £8m in 2017) off the back of significant revenue growth
- MENA – modest loss (£2m) for the year, driven by zero margin on large contracts completing (Msheireb, Al Dara, Kempinski)

**2019 onwards: AFC stabilises, MENA picks up**
- AFC – profits stabilise in line with volumes at c£19m
- MENA – steadily improves as new services contracts feed through to the bottom line and legacy contracts are closed out
2018:
- Assumed final settlement on Msheireb in August 2018 with a receipt of £39m and a 40% retention release of £11m offset by payments to the supply chain
- Outflow on Al Dara included of £14.9m in 2018
- Qatar assumes repayment of Alawi loan of £8m
- Emrill dividend to Group Services included at £1.6m in 2018

2019 onwards:
- Remaining 60% of Msheireb retention released in August 2019 and that this is paid out the subcontractor/supplier in 2019 with a total outflow of £67m
- Remaining £8m repayment of Alawi loan in Qatar included in 2019
- Emrill dividend assumed throughout plan period in line with profit generation at c£1.6m - £1.8m
- AFC dividend of £11.5m included in 2022
Section 12
Sensitivities and opportunities
Sensitivities

Basis of analysis

• The Group has reviewed in detail the risks and opportunities in the Business Plan assumptions and carried out sensitivity analysis on the impact on EBITDA and underlying operating cash flow

• In performing this work, the Group has reviewed sales volumes, gross margin, pipeline, major contracts, large claim settlements and cost savings – a summary of the output is below

• It is considered highly unlikely that all of these risks and opportunities would materialise at the same time. Also, after the business is recapitalised, trading conditions should improve as confidence levels increase. For EBITDA and cashflow, we have therefore:
  - Aggregated the downside sensitivities at 80% in FY18, reducing to 40% by December 2022
  - Assumed upside sensitivities at 50% in FY18, increasing to 90% by 2022

• This tapering reflects more risk in the earlier years, reducing over time
## Risks

<table>
<thead>
<tr>
<th>£m</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk sensitivities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group EBITDA</td>
<td>158</td>
<td>178</td>
<td>202</td>
<td>207</td>
<td>213</td>
</tr>
<tr>
<td><strong>Gross risk sensitivities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Margin reduction</td>
<td>12</td>
<td>16</td>
<td>18</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Major projects</td>
<td>12</td>
<td>8</td>
<td>7</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Pipeline</td>
<td>3</td>
<td>12</td>
<td>16</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Claim settlements</td>
<td>15</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost savings</td>
<td>8</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Buildings</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Kings Cross</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PFI &amp; Developments</td>
<td>(1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tapering % applied</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted risk sensitivity</td>
<td>80</td>
<td>70</td>
<td>60</td>
<td>50</td>
<td>40</td>
</tr>
<tr>
<td>Less: available contingency</td>
<td>13</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Less: additional provision</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net risk sensitivity</td>
<td>29</td>
<td>16</td>
<td>9</td>
<td>3</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Risk sensitivities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group underlying operating cashflow</td>
<td>(32)</td>
<td>83</td>
<td>153</td>
<td>195</td>
<td>186</td>
</tr>
<tr>
<td><strong>Gross risk sensitivities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Margin reduction</td>
<td>12</td>
<td>16</td>
<td>18</td>
<td>19</td>
<td>20</td>
</tr>
<tr>
<td>Major projects</td>
<td>15</td>
<td>10</td>
<td>5</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Pipeline</td>
<td>5</td>
<td>21</td>
<td>29</td>
<td>34</td>
<td>28</td>
</tr>
<tr>
<td>Claim settlements</td>
<td>21</td>
<td>(3)</td>
<td>(38)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost savings</td>
<td>8</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Buildings</td>
<td>19</td>
<td>14</td>
<td>(12)</td>
<td>(9)</td>
<td>-</td>
</tr>
<tr>
<td>Kings Cross</td>
<td>6</td>
<td>17</td>
<td>(19)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>MENA</td>
<td>20</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>PFI &amp; Developments</td>
<td>(6)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Tapering % applied</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted risk sensitivity</td>
<td>80</td>
<td>70</td>
<td>60</td>
<td>50</td>
<td>40</td>
</tr>
<tr>
<td>Less: available contingency</td>
<td>13</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Less: additional provision</td>
<td>50</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Net risk sensitivity</td>
<td>17</td>
<td>39</td>
<td>(32)</td>
<td>3</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Group cashflow post risk sensitivity</strong></td>
<td>(49)</td>
<td>44</td>
<td>185</td>
<td>193</td>
<td>188</td>
</tr>
</tbody>
</table>

### Assumptions

- **Margin reduction** – various margin %s applied to each BU to reflect the inherent risk profile and forecast level of operating margin growth
- **Major projects** – risk of increased costs. Specific risks considered on legacy contracts with ongoing risk of increased costs and large new contracts
- **Pipeline** – assumed reduction in pipeline (TBO), revenue, operating profit and cash generation; higher % sensitivity used in 2019, reducing over time to reflect more stable trading environment
- **Claim settlements** – forecasts already includes expected delays; this sensitivity assumes further slippage and value reduction (notably RLUH and MMH)
- **PFI and Developments** – largest two disposals (c53% of the disposal value in the forecast) delayed by three months
- **Cost savings** – assume reduced by 30%
- **Kings Cross** – tender has been lost – this is a hard adjustment rather than a sensitivity but is included within and offset by a central contingency
- **Building** – no new work between now and June 2018 and new contracts due to start before June 2019 are assumed to be permanently lost
- **JV funding** – risk of additional funding required for AFC and Alawi
## Opportunities

<table>
<thead>
<tr>
<th>£m</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunities sensitivities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group EBITDA</td>
<td>158</td>
<td>178</td>
<td>202</td>
<td>207</td>
<td>213</td>
</tr>
<tr>
<td>Gross opportunities sensitivities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings TBO pipeline</td>
<td>-</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Infrastructure Aberdeen (AWPR)</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Infrastructure rail volumes increased</td>
<td>-</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Telent margin improvement</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Central Government TBO pipeline</td>
<td>-</td>
<td>3</td>
<td>12</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Cost savings exceeded</td>
<td>15</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Mshereib</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Buildings ERF facility utilisation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other items</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>26</td>
<td>47</td>
<td>45</td>
<td>48</td>
<td>51</td>
</tr>
<tr>
<td>Tapering % applied</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>80</td>
<td>90</td>
</tr>
<tr>
<td>Adjusted opportunities sensitivity</td>
<td>13</td>
<td>28</td>
<td>32</td>
<td>38</td>
<td>46</td>
</tr>
<tr>
<td>Group EBITDA post risk sensitivity</td>
<td>171</td>
<td>206</td>
<td>234</td>
<td>245</td>
<td>259</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>£m</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunities sensitivities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group underlying operating cashflow</td>
<td>(32)</td>
<td>83</td>
<td>153</td>
<td>195</td>
<td>186</td>
</tr>
<tr>
<td>Gross opportunities sensitivities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings TBO pipeline</td>
<td>-</td>
<td>14</td>
<td>9</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Infrastructure Aberdeen (AWPR)</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Infrastructure rail volumes increased</td>
<td>-</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Telent margin improvement</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Central Government TBO pipeline</td>
<td>-</td>
<td>3</td>
<td>12</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Cost savings exceeded</td>
<td>15</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Mshereib</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Buildings ERF facility utilisation</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Other items</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>29</td>
<td>60</td>
<td>54</td>
<td>50</td>
<td>54</td>
</tr>
<tr>
<td>Tapering % applied</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>80</td>
<td>90</td>
</tr>
<tr>
<td>Adjusted opportunities sensitivity</td>
<td>15</td>
<td>36</td>
<td>38</td>
<td>40</td>
<td>49</td>
</tr>
<tr>
<td>Group cashflow post risk sensitivity</td>
<td>(17)</td>
<td>119</td>
<td>191</td>
<td>235</td>
<td>235</td>
</tr>
</tbody>
</table>

### Assumptions

- Building TBO pipeline – revenues increase by 10% from 2019
- Infrastructure/AWPR – increased lane occupation and claim recovery (£2m recovery for lane occupation charges; £5m from claim against Transport Scotland)
- Infrastructure/Rail – increased rail volumes, leveraging strong relationship with Network Rail to bid and win an additional £100m revenue at 7% margin from 2019 onwards
- Carillion/Telelent margin improvement – Gigaclear margin improves through contract efficiencies
- Central Government TBO pipeline – win rate increases to closer to historic rate (37.5% versus business plan of 25% and historic rate of 50%)
- Mshereib – 25-40% saving from sub contractor base as a result of final settlement in 2019
- Cost savings – target achieved, resulting in profit/cash upside of £15m in 2018, increasing to £25m thereafter
- Building – ERF utilisation – assume BU able to increase utilisation resulting in £2m benefit from 2018 onwards
Section 13

Summary
Group Business Plan Presentation

Summary

Our vision is to be the trusted partner for delivering and maintaining critical infrastructure and services that bring lasting benefits to our customers and communities whilst generating sustainable cash backed profits

Our strengths

<table>
<thead>
<tr>
<th>Strength</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong brand with leading market positions</td>
<td>Including in growth markets such as rail, roads and digital</td>
</tr>
<tr>
<td>Deep, long term customer relationships</td>
<td>Working as a trusted partner with high levels of repeat business</td>
</tr>
<tr>
<td>Broad customer base</td>
<td>With exposure to a mix of blue chip and government backed contracts</td>
</tr>
<tr>
<td>Our greatest asset – our people: 45,000 people in the UK, Middle East and Canada</td>
<td></td>
</tr>
<tr>
<td>Revenue visibility</td>
<td>With a £12.9bn order book and 2018 revenue visibility of 75% (2019 48%)</td>
</tr>
<tr>
<td>Industry leadership in Health and Safety</td>
<td></td>
</tr>
</tbody>
</table>

Our priorities

<table>
<thead>
<tr>
<th>Priority</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Successfully restructure the debt of the Group, and complete disposals</td>
<td></td>
</tr>
<tr>
<td>More robust risk and governance framework</td>
<td>Ensure the centres of excellence support the business to achieve better outcomes</td>
</tr>
<tr>
<td>Deliver successful mobilisations on Hestia and Gigaclear</td>
<td></td>
</tr>
<tr>
<td>Deliver cost savings of £100m by the end of 2018</td>
<td></td>
</tr>
<tr>
<td>Robust and sustainable profits built on underlying performance</td>
<td></td>
</tr>
<tr>
<td>Cash – collect on legacy claims and underlying cash conversion of c100%</td>
<td></td>
</tr>
<tr>
<td>Improved management incentive scheme</td>
<td>Which drives accountability</td>
</tr>
<tr>
<td>Revenue growth, particularly in Infrastructure and Canada Services</td>
<td></td>
</tr>
<tr>
<td>Key contract replacements and renewals, particularly in Building and Central Government</td>
<td></td>
</tr>
</tbody>
</table>

We will deliver a recovery plan with strong growth in profit, margins and cash
Appendix 1
Additional financial information
<table>
<thead>
<tr>
<th></th>
<th>FY REVENUE 2017</th>
<th>BUSINESS PLAN 2017</th>
<th>FY OPERATING PROFIT 2017</th>
<th>BUSINESS PLAN 2017</th>
<th>FY OPERATING MARGIN % 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>%</td>
</tr>
<tr>
<td>Central Government</td>
<td>646.7</td>
<td>744.9</td>
<td>797.7</td>
<td>760.3</td>
<td>788.0</td>
</tr>
<tr>
<td>Corporate and Regions</td>
<td>748.1</td>
<td>688.4</td>
<td>613.4</td>
<td>607.7</td>
<td>614.8</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>831.3</td>
<td>770.4</td>
<td>833.5</td>
<td>919.2</td>
<td>950.0</td>
</tr>
<tr>
<td>Building (inc CTS and TPS)</td>
<td>937.0</td>
<td>764.3</td>
<td>673.5</td>
<td>687.3</td>
<td>737.9</td>
</tr>
<tr>
<td>MENA</td>
<td>310.8</td>
<td>130.7</td>
<td>141.6</td>
<td>153.5</td>
<td>170.8</td>
</tr>
<tr>
<td>Al Futtaim JV</td>
<td>238.7</td>
<td>373.9</td>
<td>366.9</td>
<td>345.7</td>
<td>345.7</td>
</tr>
<tr>
<td>Canada</td>
<td>709.8</td>
<td>446.7</td>
<td>394.8</td>
<td>423.7</td>
<td>431.9</td>
</tr>
<tr>
<td>Developments</td>
<td>53.8</td>
<td>11.4</td>
<td>28.0</td>
<td>19.2</td>
<td>35.7</td>
</tr>
<tr>
<td>Private Finance</td>
<td>220.3</td>
<td>74.6</td>
<td>6.2</td>
<td>6.2</td>
<td>17.2</td>
</tr>
<tr>
<td>Group Services</td>
<td>121.8</td>
<td>140.5</td>
<td>141.4</td>
<td>143.3</td>
<td>144.5</td>
</tr>
<tr>
<td>Group Adjustments</td>
<td>(79.0)</td>
<td>(188.0)</td>
<td>(189.1)</td>
<td>(223.8)</td>
<td>(246.3)</td>
</tr>
<tr>
<td>TOTAL GROUP</td>
<td>4,739.3</td>
<td>3,957.9</td>
<td>3,808.0</td>
<td>3,842.2</td>
<td>3,990.2</td>
</tr>
</tbody>
</table>
Effective from 1 January 2018

- With effect from 1 January 2018, the Group is required to adopt IFRS 15 ‘Revenue from contracts with customers’
- There are 3 options available – the Group has chosen retrospective adoption with the cumulative effect recognised in equity on 1 January 2018, which does not require prior year comparatives to be restated
- Balance sheet item only - £118m reduction in reserves
- Positive impact on future years’ profit
- No cash impact

P&L impact of IFRS 15 (not included in business plan)

Summary of impact on operating profit by business unit

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate &amp; Regions</td>
<td>4.5</td>
<td>3.8</td>
<td>3.9</td>
<td>4.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Government</td>
<td>11.0</td>
<td>20.6</td>
<td>13.8</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Buildings/Infrastructure</td>
<td>4.6</td>
<td>4.7</td>
<td>4.6</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Canada</td>
<td>(8.7)</td>
<td>(5.5)</td>
<td>(1.6)</td>
<td>(0.2)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11.4</td>
<td>23.5</td>
<td>20.7</td>
<td>6.6</td>
<td>6.6</td>
</tr>
</tbody>
</table>
Early Payment Facility

EPF UTILISATION AS PER BUSINESS PLAN

- EPF to drop off in Building as volumes decline (and unwind of Battersea, Liverpool, Irish Schools) through end of 2017/early 2018
- To be broadly compensated by onboarding of additional suppliers in services, particularly Corporate & Regions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>252</td>
<td>214</td>
<td>180</td>
<td>176</td>
<td>172</td>
<td>157</td>
<td>162</td>
<td>175</td>
<td>186</td>
</tr>
<tr>
<td>Rest of Group</td>
<td>119</td>
<td>120</td>
<td>127</td>
<td>140</td>
<td>142</td>
<td>153</td>
<td>162</td>
<td>165</td>
<td>170</td>
</tr>
</tbody>
</table>
Appendix 2
Board and management
Board refreshed – 4 appointments since July, Andrew Davies to join 22 January

New appointments

**Andrew Davies - CEO**
- Chief Executive of Wates Group and NED of Chemring plc
- Wates – hired for turnaround and growth; took revenues from £1bn to £1.5bn (over 3 years). Extensive earlier career at BAE Systems
- Brings executive, strategic and turnaround skills as well as experience of complex contracting in projects, support services and construction

**Sally Morgan**
- Currently NED of Countryside Properties plc
- Former NED at Dixons Carphone plc
- From 2001-05, director of government relations at 10 Downing Street

**Alan Lovell**
- Currently Chairman of the Consumer Council for Water and Flowgroup plc
- Formerly CEO at Infinis, Costain Group, Jarvis plc
- Extensive restructuring experience working with companies at times of financial stress and in turnaround

**Justin Read**
- Currently NED of Ibstock plc and Grainger plc; Chairman of Segro Pension Scheme Trustees Limited
- Formerly Group FD at Segro (2011-16), Group FD at Speedy Hire (2008-11)

• Further executive appointments from the Group Executive to the Board to be considered in due course
• Keith Cochrane and Andrew Dougal will step down during 2018
Smaller, more effective Group Executive strengthened through new appointments

A simpler delayered organisation with greater line of sight accountability
# Our Business Leaders

## New Managing Directors – in role from October 2017

<table>
<thead>
<tr>
<th>Infrastructure</th>
<th>Central Government</th>
<th>Corporate &amp; Regions</th>
<th>Building</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark Davies</td>
<td>Richard Lumby</td>
<td>Daniel Easthope</td>
<td>Khalid Nawaz</td>
<td>Simon Buttery</td>
</tr>
</tbody>
</table>

**Infrastructure**
- Previously MD, Carillion Infrastructure
- Earlier career in the construction sector – joined McAlpine in 2004 (acquired by Carillion in 2008)
- Fellow of the Institute of Civil Engineers, Royal Institute of Chartered Surveyors and Chartered Management Institute

**Central Government**
- Has led Carillion’s defence and security portfolio since 2002, extended to MoJ, Home Office and the Cabinet Office with appointment to current role
- Chartered Civil Engineer

**Corporate & Regions**
- Previously MD (from 2013) for CarillionAmey, our JV responsible for maintaining the vast majority of the UK’s defence estate
- Over 20 years experience in the facilities management and construction sectors
- Joined Tarmac in 1996
- BSc (Hons) Quantity Surveying

**Building**
- Previously FD for the Middle East and Carilliontelent.
- Joined Carillion in 2009, almost 10 years of construction experience
- Has worked across the Carillion business in the UK and Middle East.
- Chartered Accountant who spent his earlier career at Deloitte where he was a Director

**International**
- Latterly MD for Carillion’s Middle East & North Africa business and prior to this, President & Chief Executive of Carillion Canada
- Extensive experience in both the construction and support services sectors
- Chartered Construction Engineer
### New Centres of Excellence heads

<table>
<thead>
<tr>
<th>Work winning</th>
<th>Mobilisation/Demobilisation</th>
<th>Operational Excellence</th>
<th>Contract Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Forsyth</td>
<td>Helen Jones</td>
<td>Sam Barnes</td>
<td>Matthew Ashwell</td>
</tr>
<tr>
<td>• In role since October 2017</td>
<td>• In role since October 2017</td>
<td>• In role since December 2017</td>
<td>• In role since October 2017</td>
</tr>
<tr>
<td>• Over 30 years in construction with 20 plus years in a work winning capacity covering UK and International bidding in construction and services environments</td>
<td>• Chartered Engineer who has worked across every Carillion UK business unit over the last 15 years a number of Group services functions</td>
<td>• New recruit following successful role leading transformation at Barratt Developments, Morgan Sindall and Travis Perkins</td>
<td>• 15 year qualified Construction and Engineering disputes lawyer with a background in private practice and in house for Carillion and Balfour Beatty</td>
</tr>
<tr>
<td>• Joined Wimpey in 1984 (which became part of Tarmac in 1996), and spent his earlier career in project management and technical services</td>
<td>• Proven track record in operational delivery, mobilisations, programme management and stakeholder engagement</td>
<td>• Lean Six Sigma Master Black Belt, Certified Programme Manager and Change Practitioner</td>
<td>• Has also held senior Commercial Director and Operational roles most recently as Chief Operating Officer for the Middle East</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 20 plus years experience in change and improvement.</td>
<td>• Brings a range of experience across our operating sectors and territories</td>
</tr>
</tbody>
</table>
Appendix 3
Centres of Excellence
## Centres of Excellence

### Key themes/issues that needed to be addressed

<table>
<thead>
<tr>
<th>Work winning</th>
<th>Mobilisation / Demobilisation</th>
<th>Operational excellence</th>
<th>Contract management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lack of standardised approach/robust process</strong></td>
<td>Lack of common bid process and unrealistic timescales around procurement and mobilisation; not prepared to say no or step in on failing contracts</td>
<td>Poor planning around contracts leading to remobilisations Lessons learnt not fed back into updating processes</td>
<td>Lack of robust supplier management or standard operating procedures</td>
</tr>
<tr>
<td><strong>Inconsistent approach to contract management</strong></td>
<td>Insufficient rigour in approach to qualifying major bids leading to subsequent issues in quality and delivery; bids not interrogated with sufficient rigour</td>
<td>Lack of systematic approach – mobilisation budgets too low at bid stage, no focus on demobilisation resulting in cost overruns</td>
<td>Poor planning and a lack of consistency around operational performance management</td>
</tr>
<tr>
<td><strong>Lack of robust leadership at key levels in the organisation</strong></td>
<td>Senior leadership at both Group and BUs did not consistently operate in an effective joined up way regarding key bidding decisions</td>
<td>Constantly reinventing the wheel – lack of availability of delivery teams to complete work Lack of continuity from bid to mobilisation and operations</td>
<td>Group and divisional senior leadership did not always operate effectively around key decisions; lack of ownership of issues</td>
</tr>
</tbody>
</table>
**Group Business Plan Presentation**

**Centres of Excellence**

<table>
<thead>
<tr>
<th>Actions being taken to adopt lessons learnt</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Work winning</strong></td>
</tr>
<tr>
<td>Lack of standardised approach/robust process</td>
</tr>
<tr>
<td>Inconsistent approach to contract management</td>
</tr>
<tr>
<td>Lack of robust leadership at key levels in the organisation</td>
</tr>
<tr>
<td>New leaders in place</td>
</tr>
</tbody>
</table>
Appendix 4
Business Plan – approach & methodology
Prepared on a ‘business as usual’ basis

- Sensitivities
- Disposals

Group consolidated 2018 2022
‘Adjusted case’

Group consolidated 2018 2022
‘Management case’

Group overlays
- Management overlays

Business Units

124 individual integrated contract templates

- Detailed assumptions for each large/material contract
- BU sign off/review; senior management review

100 integrated contract bundles completed*

- Similar contracts bundled

30 September balance sheet opening position

- Similar contracts bundled

Key assumptions:
- Working capital
- Legacy/problem contracts-cash unwind
- Pipeline/growth
- Margin improvement
- Cost reduction

Integrated P&L, cash flow, balance sheet
- Monthly 2018/19
- 6 monthly thereafter

*inclusive of BU level adjustment templates