Chairman's statement

Our performance in 2015 reflects the benefits of our consistent and successful strategy, which enabled us to rescale and reposition our business during the economic downturn in order to take advantage of opportunities for growth as market conditions improve.

Philip Green
Chairman

The Board remains focused on strong corporate governance, including fostering a culture in which our people behave in accordance with our Values and the highest standards of ethics and integrity, which is fundamental to building a business that can deliver sustainable, profitable growth.

Although the trading environment in several of our markets continued to be challenging, I am delighted to report that the Group returned to top line growth for the first time in five years, with all four business segments reporting increased revenues in 2015. We also continued to extend our support services offering through a further bolt-on acquisition in Canada and finished the year with good revenue visibility for 2016.

Financial performance
Total revenue increased by 13 per cent to £4.6 billion (2014: £4.1 billion), largely driven by organic growth of 10 per cent, following a strong work-winning performance over the last 18 months, supplemented by contributions from two bolt-on support services acquisitions in Canada, namely the Rokstad Corporation and the Outland Group, in December 2014 and May 2015, respectively.

Underlying profit from operations[1] increased by eight per cent to £234.4 million (2014: £216.9 million), with increased contributions from support services and Public Private Partnership projects. In 2015, profit was less second-half weighted than in previous years, however in 2016 we expect to revert to a greater second-half weighting. The Group's underlying operating margin[1] reduced to 5.3 per cent (2014: 5.6 per cent). This was expected, because the margin in Construction services (excluding the Middle East) has now reduced to a more normal level, in line with our long-standing guidance, as the temporary benefits of rescaling our UK construction business have largely ended, and because the margin in Middle East construction services also reduced, as announced at the half year.

Underlying profit before taxation[1] increased by two per cent to £176.5 million (2014: £172.9 million), after an increase in the Group's underlying net financial expense[2] to £57.9 million (2014: £44.0 million). This increase was due primarily to the underlying interest charge[2] relating to £170 million of convertible bonds issued in December 2014, together with increases in the non-cash interest charges relating to defined benefit pension schemes and those arising from unwinding the discount on the deferred consideration payments in respect of the acquisitions of the Rokstad Corporation and the Outland Group.

After an underlying taxation charge[3] of £19.5 million (2014: £21.0 million), underlying earnings per share[1] increased by four per cent to 35.0 pence (2014: 33.7 pence). Reported profit before taxation increased by nine per cent to £155.1 million (2014: £142.6 million) and basic earnings per share also increased by 10 per cent to 30.9 pence (2014: 28.0 pence).

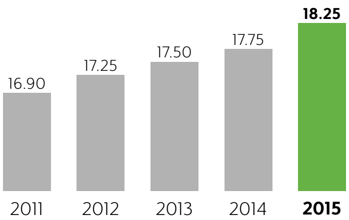
Underlying cash flow from operations[4] remained strong and represented 104 per cent of underlying profit from operations[1] (2014: 119 per cent). Net borrowing reduced to £169.8 million at the end of the year (2014: £177.3 million), despite increases in non-operating cash flow items, notably in respect of business acquisitions and investments in Public Private Partnership projects, to support growth. However, as expected the timing of these items, together with the cash impact of contract mobilisations in 2015, did affect average net borrowing, which increased to £538.9 million (2014: £450.7 million).

In 2015, we renewed and extended the maturity date of our main revolving credit facility of £790 million by nearly three years to November 2020, at reduced pricing, which reflects the strength of the Group's credit standing in the bank debt markets. This facility, together with private placement funding of over £300 million, £170 million of convertible bonds and other bank facilities means the Group has total available funding of £1.4 billion, almost all of which matures in 2020 or beyond. We therefore continue to have considerable financial strength to achieve our objectives and support our strategy for growth.

Work winning and order book

The total value of new orders and probable orders won in 2015 of £3.7 billion (2014: £5.1 billion) represented a good performance, given the hiatus in major public sector contract awards caused by the UK General Election in May 2015. In the second half of the year, we returned to a more typical run rate of contract awards, with around £2.7 billion of new and probable orders. At 31 December 2015, the Group continued to have a strong, high-quality order book plus probable orders worth £17.4 billion (2014: £18.6 billion), after removing from the order book some £0.3 billion due to the sale of equity investments in Public Private Partnership projects. Revenue visibility[5] also remained strong at 84 per cent for 2016 (2014: 85 per cent for 2015) based on expected revenue from secured and probable orders, which excludes revenue we expect from variable work, contract re-bids and framework agreements as the revenue expected from these opportunities are not included within orders or probable orders. In 2015, we were awarded framework agreements with a potential revenue value of over £2.0 billion, from which we expect to generate substantial revenue in addition to that from orders and probable orders. Furthermore, we also have a growing pipeline of specific contract opportunities, worth £41.4 billion (2014: £39.2 billion), that we expect to bid over the next few years.

Dividend (pence)



3.3%
Five-year compound annual growth rate

Notes
(1) The underlying results are based on the definitions set out in the key financial highlights on page 1.
(2) Before fair value movements in derivative financial instruments (see note 5 on page 93).
(3) Excluding the tax impacts relating to intangible amortisation, non-recurring operating items, non-operating items and fair value movements in derivative financial instruments (see notes 4 and 5 to the financial information on page 93).
(4) Before pension deficit recovery payments and rationalisation costs and after proceeds on the disposal of Public Private Partnership equity investments and dividends received from Joint Ventures.
(5) Based on expected revenue and secure and probable orders, which exclude variable work, frameworks and re-bids.

Dividends

In line with the Group's progressive dividend policy, the Board is recommending a final dividend of 12.55 pence per share (2014: 12.15 pence), making the total dividend 18.25 pence for 2015 (2014: 17.75 pence), an increase of three per cent on the total dividend paid in respect of 2014. Full-year dividend cover remains unchanged at 1.9 times underlying earnings per share[1].

Board and Corporate Governance

Having served as a Non-Executive Director for nine years, Steve Mogford retired from the Board on 31 December 2015. On behalf of the Board, I should like to thank Steve for the outstanding contribution he has made to the work of the Board and to Carillion's success and wish him well for the future. In anticipation of Steve's retirement, we were delighted to welcome Keith Cochrane to the Board in July 2015. Keith, who is currently Chief Executive of Weir Group, the FTSE 250 engineering group, brings extensive experience as a senior business leader that will enable him to make a valuable contribution to the Board. Keith is a member of all five Board Committees and has succeeded Steve as our Senior Independent Non-Executive Director.

I continue to believe that our commitment to business integrity, safety, sustainability and strong governance is a key strength of our business. It is vital that our Board has the right blend of skills, experience and diversity to provide effective leadership and support the Executive Directors in the delivery of our strategy. Towards the end of 2014, we established a Sustainability Committee, which is chaired by Ceri Powell who joined the Board as a Non-Executive Director in April 2014. Establishing this committee reflects the importance we attach to building a sustainable business and in this regard I was delighted that in 2015 our external reporting of the Group's sustainability performance won the PwC Building Public Trust Award for the FTSE 250 Sustainability Reporting category for the third year in succession.

The annual evaluation of the Board and all its sub-committees continues to play an important role in ensuring its ongoing effectiveness and the identification of key priorities for the future. The results of this process, together with our governance policies and processes and reports from our five Board sub-committees are set out in the Corporate Governance section on pages 41 to 72.

Outlook

Although trading conditions remain challenging in several of our markets, we continue to see signs of some improvement, especially in the UK. The Group's order book and pipeline of contract opportunities both remain strong, as does operating cash flow, which continues to enable the Group to invest to support our strategy for growth. Therefore, we believe the overall outlook remains positive and that the Group continues to be well positioned to make further progress in 2016.

Philip Green
Chairman
3 March 2016