

CARILLION PLC
Annual Results for the year ended 31 December 2008

19% growth in underlying earnings per share

Underlying results

- **Total revenue up 32% to £5.2bn** (2007: £4.0bn)⁽¹⁾
- **Underlying profit before taxation up 55% to £157.5m** (2007: £101.8m)⁽²⁾
- **Underlying earnings per share up 19% to 34.3p** (2007: 28.9p)⁽³⁾

Reported results

- **Profit before taxation up 23% to £115.9m** (2007: £94.4m)⁽¹⁾
- **Basic earnings per share up 5% to 28.4p** (2007: 27.1p)⁽⁴⁾
- **Proposed dividend up 18% to 13.0p** (2007: 11.0p)
- **Net borrowing at 31 December 2008 of £226.7m** (2007: £44.9m)

Strategic highlights

- **Alfred McAlpine successfully integrated** - integration and re-organisation cost savings target increased by 67% with savings of £15m in 2008, £35m in 2009 and £50m in 2010.
- **Balance sheet remains robust** - strong cash flow with cash backed profit, net borrowing reduced well ahead of target and secured financing until 2012.
- **Strong revenue growth in support services** - operating margin improved to 4.6% (2007:4.1%).
- **Public Private Partnership projects creating significant value** - 23 investments sold over the last five years for £179m generating a pre-tax profit of £104m.
- **Strong revenue growth in Middle East business** - strong and rising contribution from Abu Dhabi keeps us on track to increase revenue to around £600m by the end of 2009 (2008: £464.2m)
- **Satisfactory performance in construction services (excluding the Middle East)** - operating margin increased to 1.4% (2007: 1.0%).
- **Underlying effective tax rate reduced to 20%** (2007: 25%).
- **£20.4bn order book** (2007: £16.0bn).
- **Expect to deliver materially enhanced earnings in 2009.**

⁽¹⁾ Continuing operations

⁽²⁾ Continuing operations after Joint Venture taxation of £10.7m (2007: £9.0m) and before intangible amortisation, impairment of other investments, curtailment gain, restructuring costs and non-operating items (see notes 3 and 4 to the financial information on page 29)

⁽³⁾ Continuing operations before intangible amortisation, impairment of other investments, curtailment gain, restructuring costs and non-operating items (see notes 3 and 4 to the financial information on page 29)

⁽⁴⁾ Continuing and discontinued operations

Philip Rogerson, Chairman, commented:

“2008 was another strong year for Carillion, notwithstanding the wider economic background. Alfred McAlpine has been successfully integrated into the Group further strengthening Carillion’s position as a leading support services company. Carillion is a well-balanced and resilient business with a strong balance sheet and the Board continues to expect the Group to deliver materially enhanced earnings in 2009.”

A telephone dial in facility (+44 (0) 208 515 2302) will be available from 09.00am for analysts and investors who are unable to attend the presentation. The presentation can be viewed on Carillion’s website at www.carillionplc.com/investors/investors_presentations.asp.

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4 March 2009

Notes to Editors

Carillion is the UK’s leading support services company with a substantial portfolio of Public Private Partnership projects and extensive construction capabilities. The Group has annual revenue of around £5 billion, employs over 50,000 people and operates across the UK, in the Middle East, Canada and the Caribbean.

In the UK, Carillion’s principal market sectors are Defence, Education, Health, Facilities Management & Services, Rail, Roads, Building, Civil Engineering and Utilities Services.

In the Middle East, Carillion’s principal market sectors are Construction and Facilities Management. In Canada and the Caribbean, the Group’s main sectors are Health, Roads Maintenance and Construction.

Carillion’s portfolio of equity investments in Public Private Partnership projects includes projects in the UK and Canada, particularly in the Defence, Education, Health and Transport sectors.

This and other Carillion news releases can be found at www.carillionplc.com

Photographs:

High resolution photographs are available free of charge to the media at www.newscast.co.uk telephone + 44 (0) 208 886 5895.

Cautionary statement

This announcement may contain indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and business segments in which the Group operates. These and other factors could adversely affect the Group’s results, strategy and prospects. Forward-looking statements involve risks, uncertainties and assumptions. They relate to events and/or depend on circumstances in the future which could cause actual results and outcomes to differ materially from those currently anticipated. No obligation is assumed to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Key financial figures

		2008	2007	Change
Income statement⁽¹⁾				
Total revenue	£m	5,205.8	3,951.7	+32%
Support services underlying operating margin ⁽²⁾	Percentage	4.6	4.1	n/a
Total construction services underlying operating margin ⁽²⁾	Percentage	2.5	2.1	n/a
Total Group underlying profit from operations margin ⁽³⁾	Percentage	3.2	2.6	n/a
Underlying profit from operations ⁽³⁾	£m	165.2	101.2	+63%
Underlying profit before taxation ⁽³⁾	£m	157.5	101.8	+55%
Profit before taxation	£m	115.9	94.4	+23%
Underlying earnings per share ⁽³⁾	Pence	34.3	28.9	+19%
Basic earnings per share – continuing and discontinued operations	Pence	28.4	27.1	+5%
Dividends				
Proposed full year dividend per share	Pence	13.0	11.0	+18%
Underlying proposed dividend cover ⁽²⁾	Times	2.6	2.6	n/a
Basic proposed dividend cover – continuing and discontinued operations	Times	2.2	2.5	n/a
Cash flow statement⁽¹⁾				
Cash generated from operations before pension deficit recovery payments and restructuring costs and after dividends received from Joint Ventures	£m	198.3	135.7	+46%
Underlying profit from operations cash conversion	Percentage	120.0	134.1	n/a
Deficit pension contributions	£m	50.5	46.3	+9%
Balance sheet				
Net borrowing	£m	226.7	44.9	+405%
Committed borrowing facility to 2012	£m	590.0	590.0	n/a
Net retirement benefit liability (net of taxation)	£m	61.8	13.8	+348%
Net assets	£m	872.6	502.9	+74%

⁽¹⁾ Continuing operations unless otherwise stated

⁽²⁾ Before intangible amortisation, impairment of other investments, curtailment gain, restructuring costs and non-operating items (see notes 3 and 4 to the financial information on page 29)

⁽³⁾ After Joint Ventures taxation of £10.7m (2007: £9.0m) and before intangible amortisation, impairment of other investments, curtailment gain, restructuring costs and non-operating items (see notes 3 and 4 to the financial information on page 29)

Results

Carillion continued to perform strongly in 2008 and has once again delivered substantial earnings growth. This has been achieved in an increasingly difficult economic environment and reflects the success of the Group's strategy in creating a strong and resilient business.

Revenue, including Joint Ventures⁽¹⁾ increased by 32 per cent to £5.2 billion (2007: £4.0 billion), primarily due to the acquisition of Alfred McAlpine in February 2008.

Underlying profit before tax⁽²⁾ increased by 55 per cent to £157.5 million (2007: £101.8 million) and underlying earnings per share⁽²⁾ grew by 19 per cent to 34.3 pence per share (2007: 28.9 pence), reflecting both revenue and margin growth.

The Group's balance sheet remains robust, with underlying cash flow from operations of £198.3 million (2007: £135.7 million) again well ahead of underlying profit from operations of £165.2 million (2007: £101.2 million). Net borrowing at 31 December 2008 was £226.7 million (2007: £44.9 million), considerably better than our year-end target of £300 million. The increase in net borrowing since December 2007 reflects a number of investments made during the year, the largest of which was the acquisition of Alfred McAlpine.

This acquisition represented a major step in Carillion's strategic development by creating the UK's largest support services business and significantly increasing the Group's overall strength and resilience. The benefits of the acquisition continue to exceed our expectations, with integration and re-organisation cost savings now expected to increase by 67 per cent from our original target of £30 million per annum to an annual run rate of £50 million by the end of 2009. Absolute savings were £15 million in 2008 and are expected to be £35 million in 2009 and £50 million in 2010.

At the year end, the Group had a forward order book of £20.4 billion (2007: £16.0 billion) with the increase due to the acquisition of Alfred McAlpine and to organic growth. In addition, the Group had a pipeline of probable new orders at the year end worth some £3.1 billion (2007: £3.6 billion).

In view of the Group's strong performance in 2008 and positive prospects for 2009, the Board is recommending a final ordinary dividend for 2008 of 8.9 pence per share, making the total dividend for 2008 13.0 pence, an increase of 18 per cent on the total paid in respect of 2007 (11.0 pence). The final dividend for 2008 will be paid on 19 June 2009 to shareholders on the register at close of business on 24 April 2009.

⁽¹⁾ Continuing operations

⁽²⁾ Continuing operations before intangible amortisation, impairment of other investments, curtailment gain, restructuring costs and non-operating items

Strategy

Carillion's strong progress continues to be driven by our consistent and successful strategy for sustainable, profitable growth. This strategy has delivered a sixth successive year of significant earnings and dividend growth, as well as creating a balanced and resilient business.

Our strategy is to

- grow support services and Public Private Partnership projects organically and by acquisition
- develop and market integrated solutions tailored to the needs of customers, including project finance, design and construction, maintenance and lifetime asset management
- maintain a strong and selective construction capability focused on higher added-value contracts for long-term customers.

The headline objectives for each of our reporting segments are as follows;

Support services

- To grow earnings at operating margins of between four and five per cent.

Public Private Partnership projects

- To use the strong positions we have established in our chosen sectors of the Private Finance market in the UK and Canada to win projects in which equity investments will create significant value for the Group.

Middle East construction services

- To increase Carillion's share of revenue from our joint venture businesses in the Middle East from £337 million in 2007 to around £600 million by the end of 2009, at an operating margin of some six per cent.

Construction services (excluding the Middle East)

- To increase the operating margins of our construction activities in the UK, Canada and the Caribbean in order to improve the combined margins for all our construction activities, including the Middle East, towards three per cent by 2010.

Outlook and prospects

An increasingly difficult economic environment will undoubtedly make the delivery of our business objectives more challenging.

However, the acquisition and successful integration of the Alfred McAlpine business has created a well-balanced and more resilient business, with a £20.4 billion order book, a pipeline of probable new orders of some £3.1 billion and strong positions in our chosen market sectors.

The outlook in support services remains positive as we continue to have our strongest ever pipeline of opportunities for new work, as public and private sector customers seek to reduce estate maintenance and facilities management costs through outsourcing these services. We therefore expect support services to remain a major driver of earnings growth in 2009.

In Public Private Partnership (PPP) projects, we expect the outlook in our chosen market sectors to remain positive, particularly the UK education sector and the health sector in Canada. We continue to expect opportunities to add new projects to our portfolio of PPP equity investments and to continue our policy of selling equity investments in mature projects, which generates significant value for the Group.

The outlook in our Middle East markets changed significantly in the second half of 2008. The huge level of investment we have seen over the past few years in Dubai is now slowing down and we expect to see a reduction in our activities there in 2009. However, overall we expect further growth in Middle East construction services, driven increasingly by the expansion of our activities in Abu Dhabi. Having broadened our geographical and customer base, we still expect to increase Carillion's share of revenue from our Middle East businesses from the 2007 level of £337 million to around £600 million by the end of 2009, at an operating margin of some six per cent.

In Construction services (excluding the Middle East), we will continue to focus on growing margins rather than revenue, a strategy we put in place well before the current economic downturn. This supports our objective of increasing the operating margin for all of our construction activities towards three per cent by 2010. In Canada and the Caribbean, we expect to make further progress in 2009, driven primarily by growth in PPP construction and highways maintenance in Canada.

Given the overall outlook across each of our reporting segments, the Board believes that Carillion is well placed to make good progress in 2009, despite increasingly challenging market conditions. The Board therefore continues to expect Carillion to deliver materially enhanced earnings in 2009, in line with the objective set when we acquired Alfred McAlpine in February 2008, and to continue to reduce year-end net borrowing.

Board of directors

Roger Robinson has decided to retire from the Board and as a Director of the company at the Annual General Meeting on 6 May 2009. Roger joined the Board in 1999 when Carillion was launched as an independent company, following its de-merger from Tarmac plc where he served in a number of senior positions. Roger has played a major part in Carillion's development and success and is widely respected throughout our industry, in which he intends to maintain an active interest. He leaves the Board with our grateful thanks and very best wishes for the future.

Group key performance indicators in 2009

In order to continue the Group's strong progress and deliver materially enhanced earnings in 2009, the Board has set six Group key performance indicators for 2009, namely

- to attract, develop and retain excellent people by being an employer of choice
- be the recognised leader in the delivery of safety and sustainability in the sectors in which we operate
- deliver integration and re-organisation cost savings arising from the acquisition of Alfred McAlpine of £35 million in 2009 and achieve cost savings at an annual run rate of £50 million per annum by the end of 2009
- deliver materially enhanced earnings
- generate cash-backed operating profit
- continue to reduce year-end net borrowing.

2008 Acquisitions

Alfred McAlpine

The acquisition of Alfred McAlpine in February 2008 was a further major step in Carillion's strategic development and it continues to deliver benefits ahead of our original expectations.

The Carillion and Alfred McAlpine businesses are an excellent strategic fit and combining them has created the UK's largest support services business, with enhanced positions in our chosen market sectors.

Carillion is now a well balanced, more resilient and soundly financed business, with 55 per cent of our operating profit coming from support services, 14 per cent from our equity investments in Public Private Partnership projects, 17 per cent from Middle East construction services and 14 per cent from construction services (excluding the Middle East).

Combining the two businesses also created the opportunity to generate cost savings, which are now expected to reach an annual run rate of £50 million a year by the end of 2009, £20 million a year more than we expected at the time of acquisition.

Vanbots Group

The acquisition of the Vanbots Group, a well established construction management services group in Canada, for £17 million in October 2008, was also an important strategic development for our business in Canada. The skills and strong market reputation, particularly in the health sector, of the Vanbots Group have significantly enhanced our ability to provide integrated solutions, especially for Public Private Partnership (PPP) projects, further reinforcing our leadership in the PPP market and the health sector in particular.

Operating profit by financial reporting segment

A summary of operating profit by financial reporting segment is set out in the table below.

	2008 £m	2007 £m	Change from 2007 %
Support services	113.5	73.9	54
Public Private Partnership projects	29.8	25.4	17
Middle East construction services	34.5	25.4	36
Construction services (excluding the Middle East)	28.7	16.0	79
	206.5	140.7	47
Group eliminations and unallocated items	(12.4)	(20.6)	40
Profit from operations before Joint Ventures net financial expense and taxation	194.1	120.1	62
Share of Joint Ventures net financial expense	(18.2)	(9.9)	(84)
Share of Joint Ventures taxation	(10.7)	(9.0)	(19)
Underlying profit from operations⁽¹⁾	165.2	101.2	63
Intangible amortisation and impairment of other investments	(54.5)	(21.5)	(153)
Curtailment gain	35.5	-	-
Restructuring costs	(58.2)	(14.2)	(310)
Reported profit from operations⁽²⁾	88.0	65.5	34

⁽¹⁾ Continuing operations before intangible amortisation, impairment of other investments, curtailment gain, restructuring costs and non-operating items

⁽²⁾ Continuing operations.

Support services

	2008 £m	2007 £m	Change from 2007 %
Revenue⁽¹⁾			
- Group	2,227.1	1,569.4	
- Share of Joint Ventures	236.4	224.2	
	2,463.5	1,793.6	37
Underlying operating profit⁽²⁾			
- Group	99.5	62.4	
- Share of Joint Ventures	14.0	11.5	
	113.5	73.9	54

⁽¹⁾ Continuing operations

⁽²⁾ Continuing operations before intangible amortisation, impairment of other investments, curtailment gain, restructuring costs and non-operating items

CARILLION PLC – ANNOUNCEMENT OF PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

Revenue in support services increased by 37 per cent to £2,463.5 million, primarily due to the acquisition of Alfred McAlpine.

Underlying operating profit increased by 54 per cent to £113.5 million, reflecting revenue growth and a significant improvement in the operating margin to 4.6 per cent (2007: 4.1 per cent). The value of our forward order book for support services at 31 December 2008 was £10.8 billion (2007: £8.4 billion), with the increase due to the acquisition of Alfred McAlpine and organic growth. In addition, we had a pipeline of probable new orders worth £0.6 billion (2007: £0.6 billion).

During the year we secured a number of significant new contracts in our key market sectors of integrated facilities management, especially for large complex property estates, and infrastructure services. Notable successes in integrated facilities management included renewing our existing contract with BT for a further five years, worth over £500 million, and new contracts for up to five years for Philips, AXA, Northamptonshire County Council and Nationwide, together worth over £450 million.

In infrastructure services, we secured an £85 million, five-year contract for the Highways Agency for the maintenance of motorways and trunk roads in Hertfordshire, Bedfordshire, Cambridgeshire and Northamptonshire, together with those in the Luton and Milton Keynes Unitary Authorities.

Our utility services business also made good progress in 2008, winning new contracts for infrastructure services in its key market sectors of electricity, water, gas and telecommunications. Notable successes included a £60 million contract for Scottish Power, electricity infrastructure contracts worth over £17 million, contracts for gas metering worth over £15 million and extensions to existing contracts worth in the region of £50 million.

We have made a good start to 2009, winning a five-year integrated facilities management contract for a multi-national blue-chip customer, worth some £75 million, a seven-year UK rail maintenance contract worth £80 million and a six-year highways maintenance contract in Canada, worth £170 million.

Our pipeline of contract opportunities also continues to be strong, as both public and private sector customers continue to seek outsourcing solutions for facilities management and infrastructure and utility services. Therefore, we expect to make further progress in support services in 2009.

Public Private Partnership projects

	2008 £m	2007 £m	Change from 2007 %
Revenue⁽¹⁾			
- Group	0.9	0.9	
- Share of Joint Ventures	177.5	153.2	
	178.4	154.1	16
Underlying operating profit⁽²⁾			
- Group	(0.2)	0.7	
- Share of Joint Ventures	30.0	24.7	
	29.8	25.4	17

⁽¹⁾ Continuing operations

⁽²⁾ Continuing operations before intangible amortisation, impairment of other investments, curtailment gain, restructuring costs and non-operating items

At 31 December 2008, we had a portfolio of 21 equity investments (2007: 23) in financially closed Public Private Partnership (PPP) projects in which we had already invested some £56.9 million of equity and had commitments to invest a further £88.4 million, which will bring our total equity investment in these projects to £145.3 million.

Our ability to win and deliver PPP projects successfully into the operational phase continues to create significant value for the Group. PPP concession contracts are typically for 25 to 35 years. When bidding for these projects we target a 15 per cent internal rate of return on our equity investments over the concession period. The net present value of an equity investment is calculated by discounting the cash returns it generates over the concession period at a discount rate appropriate to the risk associated with achieving these returns. When the construction of a project is complete and it has moved successfully into the operational phase, this risk is significantly reduced, which attracts a lower discount rate and a higher net present value. At this point, the project is mature and we have the option of selling our equity investment and reinvesting the proceeds in new projects.

During 2008, we added three new projects to our portfolio – the Nottingham City Council Building Schools for the Future project, Cleadon Park Health Centre in South Tyneside and the Royal School of Military Engineering project for the UK Ministry of Defence – in which we expect to invest a total of £8.2 million of equity. In March 2009, the North Bristol NHS Trust announced that it is planning to appoint Carillion as the preferred bidder for the new £1.6 billion hospital at Southmead in Bristol, in which we expect to invest up to £40 million of equity.

We also sold equity investments in a further six mature projects, generating net cash proceeds of £59.9 million, which reflected a net present value for the cash flows from these investments based on an average underlying discount rate of under 5.5 per cent. These latest sales bring the total number of equity investments that we have sold over the last five years to 23, which has generated cash proceeds of £179 million and a pre-tax profit of £104 million.

The Directors' valuation of our portfolio at 31 December 2008 was £216 million (2007: £266 million), based on discounting the cash flows from our remaining portfolio of investments, at an average of nine per cent (2007: eight per cent), which reflects the fact that our current projects are at various stages of completion, with 10 fully operational and 11 still in construction.

Underlying operating profit in this segment increased by 17% to £29.8 million, as growing returns from our maturing portfolio of investments more than offset the cumulative effects of selling three equity investments in December 2007 and six investments during 2008.

In 2009, we expect to reach financial close on the three projects for which we are currently the preferred bidder and in which we plan to invest approximately £5.3 million of equity. In addition, we are shortlisted for a further eight projects with a potential equity requirement of up to £76 million. With this strong pipeline of new projects and both the UK and Canadian authorities committed to long-term PPP programmes, notably the Building Schools for the Future programme in the UK and the hospital programme in Ontario, we believe the outlook in this segment remains positive.

Middle East construction services

	2008 £m	2007 £m	Change from 2007 %
Revenue⁽¹⁾			
- Group	111.7	100.0	
- Share of Joint Ventures	352.5	237.0	
	464.2	337.0	38
Underlying operating profit⁽²⁾			
- Group	6.4	9.6	
- Share of Joint Ventures	28.1	15.8	
	34.5	25.4	36

⁽¹⁾ Continuing operations

⁽²⁾ Continuing operations before intangible amortisation, impairment of other investments, curtailment gain, restructuring costs and non-operating items

Our share of the revenues of our Middle East businesses increased by 38 per cent to £464.2 million as a result of organic growth in Dubai and Oman and first-time contributions, in particular from Abu Dhabi where we started work on two major new projects in 2008, and from Egypt.

Underlying operating profit rose by 36 per cent to £34.5 million, reflecting revenue growth at a stable operating margin of 7.4 per cent (2007: 7.5 per cent).

In 2008, our Middle East businesses continued to use their strong market positions and reputation for high quality services to negotiate new orders with selected customers in our chosen sectors of the building and infrastructure markets. At 31 December 2008, our Middle East construction services order book stood at £0.8 billion (2007: £0.7 billion) and we had a pipeline of probable new orders worth £0.9 billion (2007: £1.0 billion).

CARILLION PLC – ANNOUNCEMENT OF PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

During 2008, we were awarded a number of significant new projects in Abu Dhabi, Dubai and Oman. We have been particularly successful in extending our operations into Abu Dhabi, where Al Futtaim Carillion was awarded a £250 million contract by ALDAR to build the prestigious Marina Hotel that will sit astride the new Formula 1 race track on Yas Island, and contracts by EMAL (Emirates Aluminium) for infrastructure work, worth over £200 million. In addition, Al Futtaim Carillion signed a heads of terms agreement with ALDAR to build the £550 million Al Muneera development in Abu Dhabi, the contract for which was signed in February 2009. In Oman, Carillion Alawi was awarded a £20 million contract by the Oman Tourist Development Company to build the next phase of the infrastructure for the Asian Games.

The outlook in our Middle East markets changed significantly in the second half of 2008. The huge level of investment we have seen over the past few years in Dubai is now slowing down and we expect to see a reduction in our activities there in 2009. In anticipation of this we had already diversified our business in the region by extending operations to Abu Dhabi and Egypt early in 2008. As Dubai slows, we expect our growth in the region to be increasingly driven by Abu Dhabi, which continues to implement its 'Plan 2030', involving major investment in building and infrastructure, for which funding is expected to be secure.

Given the strength of our order book and pipeline of probable orders, and the opportunities we expect for further projects, especially in Abu Dhabi, we expect to remain on track to achieve our objective of increasing our share of revenue in the Middle East from the 2007 level of £337 million to around £600 million by the end of 2009, at an operating margin of some six per cent.

Construction services (excluding the Middle East)

	2008 £m	2007 £m	Change from 2007 %
Revenue ⁽¹⁾			
- Group	2,094.1	1,660.4	
- Share of Joint Ventures	5.6	6.6	
	2,099.7	1,667.0	26
Underlying operating profit ⁽²⁾			
- Group	26.8	12.3	
- Share of Joint Ventures	1.9	3.7	
	28.7	16.0	79

⁽¹⁾ Continuing operations

⁽²⁾ Continuing operations before intangible amortisation, impairment of other investments, curtailment gain, restructuring costs and non-operating items

Revenue in construction services increased by 26 per cent to £2,099.7 million, primarily due to the acquisition of Alfred McAlpine.

The 79 per cent increase in underlying operating profit to £28.7 million, reflected the increase in revenue and an improved operating margin of 1.4 per cent (2007: 1.0 per cent), in line with our strategy of focusing on growing margins rather than revenue in order to improve our operating margin for all construction activities, including the Middle East, towards three per cent by 2010.

CARILLION PLC – ANNOUNCEMENT OF PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

Focusing on long-term customers and projects that offer better margins and for which funding is expected to be more secure, has resulted in around 80 per cent of our work in this segment coming from the public and regulated sectors, with the remaining 20 per cent coming from the private sector. Overall, investment by the public and regulated sectors continues to hold up well, which is evidence of the Government's commitment to maintain, and in some areas accelerate, projects to mitigate the effects of the economic downturn. Consequently, the impact on Carillion of the slow down in private sector investment has been relatively minor and more than outweighed by the progress we have made with growing margins through project selectivity.

New order intake remained healthy in 2008 and our order book at 31 December 2008 stood at £3.5 billion (2007: £1.8 billion) and our pipeline of probable new orders was worth some £1.5 billion (2007: £0.9 billion).

Notable new contracts in the UK in 2008 included Building Schools for the Future projects worth over £400 million, the £300 million second satellite at Heathrow Terminal 5, the £330 million Royal School of Military Engineering project, the £250 million Media Centre for the 2012 Olympic Games, the £157 million Library of Birmingham project and a £57 million contract for student accommodation at the University of Aston. In Canada, significant new contracts included the Sault Area Hospital, a £200 million Public Private Partnership project, which will generate some £40 million of construction revenue, the £60 million Sunnybrook Hospital and a new £35 million campus development for Honda.

New order intake has also continued to be positive in the first two months of 2009. In the UK, we have been awarded a £120 million contract for the Bankside development in London and in Canada, we achieved financial close on our fourth major hospital to be built using private finance, the £144 million Royal Victoria Hospital, in Barrie, Ontario. In addition, the North Bristol NHS Trust announced that it is planning to appoint Carillion as the preferred bidder for the new hospital at Southmead in Bristol which is expected to generate approximately £450 million of construction revenue for the Group.

Going forward, we will continue to focus on increasing margins, even if this means that revenue reduces, in order to improve our combined operating margin for all of the Group's construction activities towards three per cent. This strategy is supported by our substantial, high quality order book and pipeline of probable orders, which provide sufficient visibility for us to be confident of achieving our expectations for construction services in 2009.

Intangible amortisation and impairment of other investments

Intangible amortisation and impairment of other investments of £54.5 million (2007: £21.5 million) comprises £42.8 million in respect of intangible assets arising primarily from the acquisition of Mowlem in 2006, Alfred McAlpine in 2008 and the Vanbots Group in 2008 and an impairment charge of £11.7 million, in respect of Carillion's investment in the Alice Springs to Darwin railway, a Public Private Partnership project acquired with Mowlem. The carrying value of our investment in this project has been reduced to zero, following the project being placed in administration.

Curtailement gain

As part of the Group's policy for managing the risks and liabilities associated with its defined benefit pension schemes, Carillion's main defined benefit schemes will close to future accrual on 5 April 2009. As a result of completing the consultation process relating to closing these schemes to future accrual, a curtailment gain of £35.5 million (net of expenses of £2.8 million) has been recognised in the income statement.

Restructuring costs

A summary of these costs is provided in the table below.

	2008 £m	2007 £m
Alfred McAlpine integration and re-organisation costs	55.0	-
Vanbots Group integration and re-organisation costs	3.2	-
Mowlem integration and re-organisation costs	-	9.5
Operational structure review costs	-	4.5
Rail activities review costs	-	0.2
	58.2	14.2

The acquisition of Alfred McAlpine is delivering better than expected benefits, with integration and re-organisation cost savings expected to reach an annual run rate of £50 million by the end of 2009, £20 million more than expected at the time of acquisition. The one-off costs of delivering these savings have increased from £30 million to £55 million and have been recognised in full in 2008. Integration of the Vanbots Group is progressing well, with the costs and benefits in line with our expectations.

Non-operating items

Non-operating items in 2008 amounted to £35.6 million (2007: £28.3 million) and related to gains on the disposal of investments in mature Public Private Partnership projects.

Net financial expense

The Group had a net financial expense of £7.7 million (2007: £0.6 million income). This comprised a net expense of £25.1 million in respect of borrowings, interest received in respect of loans to Special Purpose Companies for Public Private Partnership projects of £4.8 million and a net interest credit from retirement benefit schemes of £12.6 million.

Taxation

The effective tax rate on the Group's and Joint Ventures' underlying profit was 20 per cent. This reflects the agreement of certain prior year tax issues with the tax authorities, together with a mechanism for the use in 2008 and beyond of certain tax losses. At 31 December 2008 the Group had £355 million of corporate tax losses in the UK that are available to reduce future tax payments. The Group's ability to maintain its effective tax rate at 20 per cent is further underpinned by the UK Government's proposal to exempt UK companies from taxation on foreign earnings from April 2009.

Earnings per share

Underlying earnings per share from continuing operations increased by 19 per cent to 34.3 pence (2007: 28.9 pence). This substantial increase reflected the Group's strong operating performance, notably by growing operating margins on increased revenue and by reducing central costs.

Dividend

Carillion has a progressive dividend policy of increasing the dividend paid to shareholders broadly in line with earnings growth, after taking account of the investment needs of the business. Consistent with this policy, the Board has recommended a final dividend in respect of 2008 of 8.9 pence, making the full-year dividend 13.0 pence, an increase of 18 per cent on the total paid in respect of 2007 (11.0 pence). Underlying dividend cover was 2.6 times and similar to that in 2007.

Cash flow

A summary of the Group's cash flows is shown below.

	2008 £m	2007 £m
Underlying Group operating profit	120.1	64.4
Depreciation and other non-cash items	19.2	15.9
Working capital	34.0	31.7
Dividends received from Joint Ventures	25.0	23.7
Total underlying cash inflow from operations	198.3	135.7
Deficit pension contributions	(50.5)	(46.3)
Restructuring and re-organisations costs	(32.4)	(6.5)
Interest, tax and dividends	(62.2)	(30.4)
Net (outflow)/inflow from capital expenditure/assets	(26.4)	4.4
Acquisitions and disposals	(227.0)	9.6
Other – including discontinued operations	18.4	(3.4)
Change in net borrowing	(181.8)	63.1
Net borrowing at 1 January	(44.9)	(108.0)
Net borrowing at 31 December	(226.7)	(44.9)
Average net borrowing⁽¹⁾	(329.8)	(130.3)

⁽¹⁾ Post the acquisition of Alfred McAlpine

CARILLION PLC – ANNOUNCEMENT OF PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

Carillion's rigorous focus on cash management and the delivery of cash-backed profit has resulted in underlying cash flow from operations of £198.3 million being significantly ahead of underlying profit from operations of £165.2 million. Net borrowing at 31 December 2008 has been reduced to £226.7 million, considerably better than our target of £300 million.

Additional cash payments to the Group's pension's schemes amounted to £50.5 million, in line with our pensions deficit recovery plan. The cash cost of restructuring and re-organisation of £32.4 million was less than the £58.2 million charged to profit, because the latter recognised in full the costs associated with the acquisitions of Alfred McAlpine and the Vanbots Group, including some whose cash impact will fall after 31 December 2008. Interest, tax and dividends on the Group's enlarged share capital base increased to £62.2 million. Net capital expenditure of £26.4 million, reflected the needs of the enlarged group: the net cash inflow in 2007 arose because capital expenditure of £25.1 million was more than offset by income from the sale of assets, notably rail plant and property. The cash outflow in respect of acquisitions and disposals in 2008 primarily reflected the costs of acquiring Alfred McAlpine and the Vanbots Group, including debt acquired, together with the cost of investments in Public Private Partnership (PPP) projects, net of proceeds from the sale of equity investments in PPP projects.

Balance sheet

Carillion's balance sheet remains strong and is supported by £590 million of committed bank facilities that mature on 30 September 2012.

	2008 £m	2007 £m
Property, plant and equipment	167.2	131.5
Intangible assets	1,267.5	555.8
Investments in Joint Ventures	238.6	185.9
	1,673.3	873.2
Inventories, receivables and payables	(490.4)	(286.5)
Net retirement benefits liability (net of tax)	(61.8)	(13.8)
Other	(21.8)	(25.1)
Net operating assets	1,099.3	547.8
Net borrowing	(226.7)	(44.9)
Net assets	872.6	502.9

The increases in property, plant and equipment and in intangible assets were predominantly due to the acquisition of Alfred McAlpine. The increase in investments in Joint Ventures reflected the Group's equity investments in Public Private Partnership projects, the acquisition of Alfred McAlpine and profit generated during the year. The movement in inventories, receivables and payables was also primarily due to the acquisition of Alfred McAlpine. The movement in the Group's net retirement benefits liability was due to a number of factors, with increases resulting from the acquisition of Alfred McAlpine and the deterioration in equity values during the year, being partially offset by the curtailment gain and additional cash payments made to our pensions schemes under our deficit recovery plan.

Retirement benefits

The Group's ongoing pensions charge against profit in 2008 was £35.8 million (2007: £29.3 million). After the additional cash payments to the Group's pensions schemes of £50.5 million (2007: £46.3 million), in line with our pension deficit recovery plan, and the acquisition of Alfred McAlpine, the Group's pension schemes had a total deficit net of tax at 31 December 2008 of £61.8 million (2007: £13.8 million).

Committed bank facilities

The Group's main committed facility comprises a £590 million syndicated five-year facility, repayable on 30 September 2012. The syndicate comprises 14 relationship banks, including four mandated lead arrangers; The Royal Bank of Scotland plc, Bank of Scotland plc, Bayerische Landesbank, London branch, and Lloyds TSB Bank plc. This syndicated facility was arranged in September 2007 on favourable terms, before the severe tightening of the credit markets. This facility has proved to be more than adequate to finance the £171.7 million cash element of the £554.5 million consideration for the acquisition of Alfred McAlpine, in February 2008, and to support the operations of the enlarged group.

Group key performance indicators in 2008 and progress

Attract, develop and retain excellent people by becoming an employer of choice

- We continued to implement successful leadership, personal development and employee engagement programmes.

Be a recognised leader in the delivery of safety and sustainability

- Our accident frequency rate in 2008 of 0.14 ranked with the best in our sector.
- Carillion received the 2008 Sunday Times “Best Green Companies Award” for large and medium-sized companies with a high environmental impact.
- Carillion achieved a “gold” performance ranking in Business in the Community’s 2008 Corporate Responsibility Index.

Successfully integrate Alfred McAlpine and deliver integration cost savings that put the Group on track to achieve savings at an annual run rate of £30 million by the end of 2009

- Savings of £15 million were delivered in 2008 and we are on track to deliver annual integration and re-organisation cost savings at a run rate of £50 million a year by the end of 2009.

Deliver revenue growth of at least five per cent

- Revenue⁽¹⁾ in 2008 increased by 32 per cent.

Achieve earnings per share growth that puts the Group on track to deliver materially enhanced earnings per share in 2009, following the acquisition of Alfred McAlpine

- Underlying earnings per share⁽²⁾ increased by 19 per cent in 2008 and we continue to expect to deliver materially enhanced earnings per share in 2009.

Generate cash-backed operating profit

- Underlying cash flow from operations in 2008 represented 120 per cent of underlying operating profit.

Achieve year-end net borrowing in the region of £300m

- Net borrowing at the year end was £226.7 million.

⁽¹⁾ Continuing operations

⁽²⁾ Continuing operations before intangible amortisation, impairment of other investments, curtailment gain, restructuring costs and non-operating items

Carillion plc
Consolidated income statement
for the year ended 31 December 2008

	Note	2008 £m	2007 £m
Continuing operations			
Total revenue	2	5,205.8	3,951.7
Less: Share of jointly controlled entities revenue	2	(772.0)	(621.0)
Group revenue	2	4,433.8	3,330.7
Cost of sales		(4,069.4)	(3,092.0)
Gross profit		364.4	238.7
Administrative expenses		(329.8)	(219.5)
Other operating income		8.3	9.5
Group operating profit		42.9	28.7
Analysed between:			
Group operating profit before intangible amortisation, impairment of other investments, curtailment gain and restructuring costs	2	120.1	64.4
Intangible amortisation and impairment of other investments	3	(54.5)	(21.5)
Curtailment gain	4	35.5	-
Restructuring costs	4	(58.2)	(14.2)
Share of results of jointly controlled entities	2	45.1	36.8
Analysed between:			
Operating profit		74.0	55.7
Net financial expense		(18.2)	(9.9)
Taxation		(10.7)	(9.0)
Profit from operations		88.0	65.5
Analysed between:			
Profit from operations before intangible amortisation, impairment of other investments, curtailment gain and restructuring costs		165.2	101.2
Intangible amortisation and impairment of other investments	3	(54.5)	(21.5)
Curtailment gain	4	35.5	-
Restructuring costs	4	(58.2)	(14.2)
Non-operating items	4	35.6	28.3
Net financial (expense)/income	5	(7.7)	0.6
Analysed between:			
Financial income		137.4	99.8
Financial expense		(145.1)	(99.2)
Profit before taxation		115.9	94.4
Analysed between:			
Profit before taxation, intangible amortisation, impairment of other investments, curtailment gain, restructuring costs and non-operating items		157.5	101.8
Intangible amortisation and impairment of other investments	3	(54.5)	(21.5)
Curtailment gain	4	35.5	-
Restructuring costs	4	(58.2)	(14.2)
Non-operating items	4	35.6	28.3
Taxation	6	(4.1)	(8.3)
Profit from continuing operations		111.8	86.1
Discontinued operations		-	(7.6)
Profit for the year		111.8	78.5
Profit attributable to:			
Equity holders of the parent		108.3	76.0
Minority interests		3.5	2.5
Profit for the year		111.8	78.5
Earnings per share			
7			
From continuing operations			
Basic		28.4p	29.8p
Diluted		28.2p	29.5p
From continuing and discontinued operations			
Basic		28.4p	27.1p
Diluted		28.2p	26.8p
Total dividend proposed for the year	8	13.0p	11.0p

Carillion plc
Consolidated balance sheet
as at 31 December 2008

	Note	2008 £m	2007 £m
Assets			
Non-current assets			
Property, plant and equipment		167.2	131.5
Intangible assets		1,267.5	555.8
Retirement benefit assets		38.6	17.3
Investments in jointly controlled entities		238.6	185.9
Other investments		-	14.5
Deferred tax assets		98.3	9.3
Total non-current assets		1,810.2	914.3
Current assets			
Inventories		44.6	30.5
Trade and other receivables		1,186.8	858.7
Cash and cash equivalents		257.3	327.5
Income tax receivable		0.6	2.2
Derivative financial instruments		1.1	-
Total current assets		1,490.4	1,218.9
Total assets		3,300.6	2,133.2
Liabilities			
Current liabilities			
Borrowing		(58.0)	(13.9)
Derivative financial instruments		-	(0.7)
Trade and other payables		(1,721.8)	(1,175.7)
Provisions		(23.4)	(6.9)
Income tax payable		(3.1)	(2.3)
Total current liabilities		(1,806.3)	(1,199.5)
Non-current liabilities			
Borrowing		(426.0)	(358.5)
Retirement benefit liabilities		(127.7)	(41.6)
Deferred tax liabilities		(60.0)	(24.0)
Provisions		(8.0)	(6.7)
Total non-current liabilities		(621.7)	(430.8)
Total liabilities		(2,428.0)	(1,630.3)
Net assets	2	872.6	502.9
Equity			
Issued share capital	11	197.8	140.6
Share premium	11	12.9	8.6
Other reserves	11	431.2	150.0
Retained earnings	11	227.3	202.4
Equity attributable to shareholders of the parent		869.2	501.6
Minority interests	11	3.4	1.3
Total equity		872.6	502.9

Carillion plc
Consolidated cash flow statement
for the year ended 31 December 2008

	Note	2008 £m	2007 £m
Continuing operations			
Cash flows from operating activities			
Group operating profit		42.9	28.7
Depreciation, amortisation and impairment		86.5	46.8
Profit on disposal of property, plant and equipment		(8.3)	(9.5)
Share-based payment expense		3.4	2.8
Curtailment gain		(35.5)	-
Other non-cash movements		(7.9)	(2.7)
Restructuring costs		58.2	14.2
Operating profit before changes in working capital		139.3	80.3
Decrease in inventories		4.1	7.2
Increase in trade and other receivables		(130.1)	(2.9)
Increase in trade and other payables		160.0	27.4
Cash generated from operations before pension deficit recovery payments and restructuring costs		173.3	112.0
Deficit recovery payments to pension schemes		(50.5)	(46.3)
Restructuring costs		(32.4)	(6.5)
Cash generated from operations		90.4	59.2
Financial income received		17.1	13.7
Financial expense paid		(36.6)	(19.9)
Taxation		4.7	4.4
Net cash flows from operating activities		75.6	57.4
Cash flows from investing activities			
Disposal of property, plant and equipment		20.5	29.5
Disposal of investments in jointly controlled entities		85.8	22.0
Dividends received from jointly controlled entities		25.0	23.7
Disposal of businesses, net of cash disposed of		-	8.2
Acquisition of subsidiaries, net of cash acquired	12	(138.2)	-
Acquisition of intangible assets		(2.7)	(1.6)
Acquisition of property, plant and equipment		(44.2)	(23.5)
Acquisition of equity in, and loan advances to, jointly controlled entities		(28.4)	(19.6)
Acquisition of other non-current asset investments		(1.7)	(1.0)
Net cash flows from investing activities		(83.9)	37.7
Cash flows from financing activities			
Proceeds from issue of share capital		0.3	-
(Repayment)/drawdown of bank and other loans		(7.8)	116.5
Payment of finance lease liabilities		(16.3)	(10.9)
Dividends paid to equity holders of the parent		(45.8)	(26.4)
Dividends paid to minority interests		(1.6)	(2.2)
Net cash flows from financing activities		(71.2)	77.0
Net (decrease)/increase in cash and cash equivalents from continuing operations		(79.5)	172.1
Discontinued operations			
Increase in cash and cash equivalents from discontinued operations		-	12.4
Net (decrease)/increase in cash and cash equivalents		(79.5)	184.5
Cash and cash equivalents at 1 January		323.8	141.4
Effect of exchange rate fluctuations on cash held		5.7	(2.1)
Cash and cash equivalents at 31 December	9	250.0	323.8

Carillion plc

**Reconciliation of net cash flow to movement in net borrowing
for the year ended 31 December 2008**

	Note	2008 £m	2007 £m
(Decrease)/increase in cash and cash equivalents		(79.5)	184.5
Repayment/(drawdown) of bank and other loans		7.8	(116.5)
Payment of finance lease liabilities		16.3	10.9
(Increase)/decrease in net borrowing resulting from cash flows		(55.4)	78.9
Net borrowing in subsidiaries acquired		(143.2)	-
Loan notes issued on acquisition of Alfred McAlpine		(1.3)	-
Finance lease additions		(2.1)	(5.5)
Finance lease disposals		7.3	-
Currency translation differences		12.9	(10.3)
Change in net borrowing during the year		(181.8)	63.1
Net borrowing at 1 January		(44.9)	(108.0)
Net borrowing at 31 December	9	(226.7)	(44.9)

**Consolidated statement of recognised income and expense
for the year ended 31 December 2008**

	Note	2008 £m	2007 £m
Net loss on hedge of net investment in foreign operations		(8.9)	(2.7)
Currency translation differences on foreign operations		8.9	2.6
Currency translation differences relating to minority interests		0.2	-
Actuarial (losses)/ gains on defined benefit pension schemes		(107.4)	30.2
		(107.2)	30.1
Taxation in respect of the above		31.9	(8.3)
Share of recycled cash flow hedges within jointly controlled entities (net of taxation)	11	10.4	-
Share of change in fair value of effective cash flow hedges within jointly controlled entities (net of taxation)	11	(13.1)	(5.3)
Income and expense recognised directly in equity		(78.0)	16.5
Profit for the year		111.8	78.5
Total recognised income and expense for the year		33.8	95.0
Attributable to:			
Equity holders of the parent		30.1	92.5
Minority interests		3.7	2.5
Total recognised income and expense for the year		33.8	95.0

Carillion plc

Notes to the preliminary announcement

1 Basis of preparation

Carillion plc (the “Company”) is a Company domiciled and incorporated in the United Kingdom (UK). The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group's interest in jointly controlled entities and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The financial information set out herein (which was approved by the Board on 4 March 2009) does not constitute the Company's statutory accounts for the years ended 31 December 2008 and 2007 but is derived from the 2008 statutory accounts. The statutory accounts for the year ended 31 December 2007 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The statutory accounts for the year ended 31 December 2008 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified, did not include references to any matter which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

2 Segmental reporting

Segment information is presented in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business segments

The Group is comprised of the following main business segments:

Support Services:

In this segment we report the results of our facilities management, facilities services, rail services, utility services, road maintenance and consultancy businesses.

Public Private Partnership projects:

In this segment we report the equity results on our investments in Public Private Partnership projects in our chosen sectors of Defence, Health, Education, Transport, Secure and other Government accommodation.

Construction Services:

In this segment we report the results of our building and civil engineering activities in the Middle East, UK building, civil engineering and developments businesses and our construction activities in Canada and the Caribbean.

Carillion plc
Notes to the preliminary announcement (continued)

2 Segmental reporting (continued)

Segmental revenue and profit

							Year ended 31 December 2008
						Operating profit before intangible amortisation, impairment, curtailment gain and restructuring costs	
		Revenue					
Continuing Operations	UK, Canada and the Caribbean ⁽¹⁾ £m	Middle East £m	Total £m	UK, Canada and the Caribbean ⁽¹⁾ £m	Middle East £m	Total £m	
Support services							
Group	2,227.1	-	2,227.1	99.5	-	99.5	
Share of jointly controlled entities	227.0	9.4	236.4	13.4	0.6	14.0	
	2,454.1	9.4	2,463.5	112.9	0.6	113.5	
Inter-segment	124.3	-	124.3	-	-	-	
Total	2,578.4	9.4	2,587.8	112.9	0.6	113.5	
Public Private Partnership projects							
Group	0.9	-	0.9	(0.2)	-	(0.2)	
Share of jointly controlled entities	177.5	-	177.5	30.0	-	30.0	
	178.4	-	178.4	29.8	-	29.8	
Inter-segment	-	-	-	-	-	-	
Total	178.4	-	178.4	29.8	-	29.8	
Construction services							
Group	2,094.1	111.7	2,205.8	26.8	6.4	33.2	
Share of jointly controlled entities	5.6	352.5	358.1	1.9	28.1	30.0	
	2,099.7	464.2	2,563.9	28.7	34.5	63.2	
Inter-segment	39.5	-	39.5	-	-	-	
Total	2,139.2	464.2	2,603.4	28.7	34.5	63.2	
Group eliminations and unallocated items	(163.8)	-	(163.8)	(12.4)	-	(12.4)	
Consolidated							
Group	4,322.1	111.7	4,433.8	113.7	6.4	120.1	
Share of jointly controlled entities	410.1	361.9	772.0	45.3	28.7	74.0	
Total	4,732.2	473.6	5,205.8	159.0	35.1	194.1	

⁽¹⁾ Includes Rest of the World

Carillion plc
Notes to the preliminary announcement (continued)

2 Segmental reporting (continued)

Segmental revenue and profit

							Year ended 31 December 2007
							Operating profit before intangible amortisation, impairment, curtailment gain and restructuring costs
							Revenue
Continuing Operations	UK, Canada and the Caribbean ⁽¹⁾ £m	Middle East £m	Total £m	UK, Canada and the Caribbean ⁽¹⁾ £m	Middle East £m	Total £m	
Support services							
Group	1,569.4	-	1,569.4	62.4	-	62.4	
Share of jointly controlled entities	218.8	5.4	224.2	11.0	0.5	11.5	
	1,788.2	5.4	1,793.6	73.4	0.5	73.9	
Inter-segment	64.7	-	64.7	-	-	-	
Total	1,852.9	5.4	1,858.3	73.4	0.5	73.9	
Public Private Partnership projects							
Group	0.9	-	0.9	0.7	-	0.7	
Share of jointly controlled entities	153.2	-	153.2	24.7	-	24.7	
	154.1	-	154.1	25.4	-	25.4	
Inter-segment	-	-	-	-	-	-	
Total	154.1	-	154.1	25.4	-	25.4	
Construction services							
Group	1,660.4	100.0	1,760.4	12.3	9.6	21.9	
Share of jointly controlled entities	6.6	237.0	243.6	3.7	15.8	19.5	
	1,667.0	337.0	2,004.0	16.0	25.4	41.4	
Inter-segment	32.0	-	32.0	-	-	-	
Total	1,699.0	337.0	2,036.0	16.0	25.4	41.4	
Group eliminations and unallocated items	(96.7)	-	(96.7)	(20.6)	-	(20.6)	
Consolidated							
Group	3,230.7	100.0	3,330.7	54.8	9.6	64.4	
Share of jointly controlled entities	378.6	242.4	621.0	39.4	16.3	55.7	
Total	3,609.3	342.4	3,951.7	94.2	25.9	120.1	

⁽¹⁾ Includes Rest of the World

Carillion plc

Notes to the preliminary announcement (continued)

2 Segmental reporting (continued)

Segmental revenue and profit (continued)

	2008 £m	2007 £m
Group and share of jointly controlled entities' operating profit before intangible amortisation, impairment of other investments, curtailment gain and restructuring costs	194.1	120.1
Net financial (expense)/income		
- Group	(7.7)	0.6
- Share of jointly controlled entities	(18.2)	(9.9)
Share of jointly controlled entities' taxation	(10.7)	(9.0)
Underlying profit before taxation from continuing operations	157.5	101.8
Intangible amortisation and impairment of other investments ⁽¹⁾	(54.5)	(21.5)
Curtailment gain ⁽¹⁾	35.5	-
Restructuring costs ⁽¹⁾	(58.2)	(14.2)
Non-operating items ⁽¹⁾	35.6	28.3
Profit before taxation from continuing operations	115.9	94.4
Taxation	(4.1)	(8.3)
Profit from continuing operations	111.8	86.1
Discontinued operations	-	(7.6)
Analysed between:		
Trading loss from discontinued operations	-	(1.4)
Loss on disposal of discontinued operations	-	(6.2)
Profit for the year	111.8	78.5

⁽¹⁾ Intangible amortisation and impairment, curtailment gain, restructuring costs and non-operating items arise in the following segments:

	2008				2007		
	Intangible amortisation and impairment £m	Curtailment gain £m	Restructuring costs £m	Non- operating items £m	Intangible amortisation and impairment £m	Restructuring costs £m	Non- operating items £m
Support services	(31.5)	-	(17.5)	-	(13.9)	(0.5)	-
Public Private Partnership projects	(11.7)	-	(0.4)	35.6	(1.9)	-	24.1
Construction services	(11.3)	-	(21.1)	-	(4.2)	-	4.2
Unallocated Group items	-	35.5	(19.2)	-	(1.5)	(13.7)	-
Total	(54.5)	35.5	(58.2)	35.6	(21.5)	(14.2)	28.3

Depreciation, amortisation and impairment and capital expenditure arise in the following segments:

	2008		2007	
	Depreciation, amortisation and impairment £m	Capital expenditure £m	Depreciation, amortisation and impairment £m	Capital expenditure £m
Support services	50.2	17.1	28.3	15.0
Public Private Partnership projects	11.7	-	1.9	-
Construction services	15.0	8.8	7.5	4.2
Unallocated Group items	9.6	23.1	9.1	11.2
Total	86.5	49.0	46.8	30.4

Carillion plc
Notes to the preliminary announcement (continued)

2 Segmental reporting (continued)

The share of results of jointly controlled entities arises in the following segments:

	2008	2007
	£m	£m
Support services	10.3	8.5
Public Private Partnership projects	8.2	9.4
Construction services	26.6	18.9
	45.1	36.8

Segmental net assets

	2008			2007		
	Operating assets £m	Operating liabilities £m	Net operating assets/ (liabilities) £m	Operating assets £m	Operating liabilities £m	Net operating assets/ (liabilities) £m
Support services						
Intangible assets	977.3	-	977.3	286.6	-	286.6
Operating assets	541.2	-	541.2	429.7	-	429.7
Investments in jointly controlled entities	9.8	-	9.8	4.4	-	4.4
Total operating assets	1,528.3	-	1,528.3	720.7	-	720.7
Total operating liabilities	-	(651.9)	(651.9)	-	(392.4)	(392.4)
Net operating assets/(liabilities)	1,528.3	(651.9)	876.4	720.7	(392.4)	328.3

Public Private Partnership projects

Intangible assets	-	-	-	-	-	-
Operating assets	2.5	-	2.5	7.8	-	7.8
Investments in jointly controlled entities	136.8	-	136.8	134.9	-	134.9
Total operating assets	139.3	-	139.3	142.7	-	142.7
Total operating liabilities	-	(9.2)	(9.2)	-	(10.0)	(10.0)
Net operating assets/(liabilities)	139.3	(9.2)	130.1	142.7	(10.0)	132.7

Construction services

Intangible assets	283.9	-	283.9	264.4	-	264.4
Operating assets	700.9	-	700.9	486.0	-	486.0
Investments in jointly controlled entities	92.0	-	92.0	46.6	-	46.6
Total operating assets	1,076.8	-	1,076.8	797.0	-	797.0
Total operating liabilities	-	(987.2)	(987.2)	-	(678.2)	(678.2)
Net operating assets/(liabilities)	1,076.8	(987.2)	89.6	797.0	(678.2)	118.8

Consolidated before Group Items

Intangible assets	1,261.2	-	1,261.2	551.0	-	551.0
Operating assets	1,244.6	-	1,244.6	923.5	-	923.5
Investments in jointly controlled entities	238.6	-	238.6	185.9	-	185.9
Total operating assets	2,744.4	-	2,744.4	1,660.4	-	1,660.4
Total operating liabilities	-	(1,648.3)	(1,648.3)	-	(1,080.6)	(1,080.6)

Net operating assets/(liabilities) before Group items

	2,744.4	(1,648.3)	1,096.1	1,660.4	(1,080.6)	579.8
Group items						
Deferred tax	98.3	(60.0)	38.3	9.3	(24.0)	(14.7)
Net borrowing	257.3	(484.0)	(226.7)	327.5	(372.4)	(44.9)
Retirement benefits (gross of taxation)	38.6	(127.7)	(89.1)	17.3	(41.6)	(24.3)
Income tax	0.6	(3.1)	(2.5)	2.2	(2.3)	(0.1)
Other	161.4	(104.9)	56.5	116.5	(109.4)	7.1
Net assets/(liabilities)	3,300.6	(2,428.0)	872.6	2,133.2	(1,630.3)	502.9

Carillion plc
Notes to the preliminary announcement *(continued)*

2 Segmental reporting *(continued)*

Geographic segments

	2008	2007
	£m	£m
United Kingdom		
Total revenue from external customers	4,377.1	3,385.4
Less: share of jointly controlled entities revenue	(359.8)	(334.7)
Group Revenue from external customers	4,017.3	3,050.7
Total operating assets	2,398.7	1,361.9
Capital expenditure	37.1	22.1
Middle East		
Total revenue from external customers	473.6	342.4
Less: share of jointly controlled entities revenue	(361.9)	(242.4)
Group revenue from external customers	111.7	100.0
Total operating assets	71.6	75.6
Capital expenditure	4.1	2.2
Canada and the Caribbean		
Total revenue from external customers	301.8	186.0
Less: share of jointly controlled entities revenue	(7.5)	(7.5)
Group revenue from external customers	294.3	178.5
Total operating assets	216.0	146.9
Capital expenditure	7.7	5.9
Rest of the World		
Total revenue from external customers	53.3	37.9
Less: share of jointly controlled entities revenue	(42.8)	(36.4)
Group revenue from external customers	10.5	1.5
Total operating assets	58.1	76.0
Capital expenditure	0.1	0.2
Consolidated		
Total revenue from external customers	5,205.8	3,951.7
Less: share of jointly controlled entities revenue	(772.0)	(621.0)
Group revenue from external customers	4,433.8	3,330.7
Total operating assets	2,744.4	1,660.4
Capital expenditure	49.0	30.4

Carillion plc
Notes to the preliminary announcement *(continued)*

3 Intangible amortisation and impairment of other investments

Amortisation and impairment costs

	2008	2007
	£m	£m
Amortisation of intangible assets arising from business combinations	42.8	19.6
Impairment of other investments	11.7	1.9
	54.5	21.5

Amortisation for 2008 includes £24.7m relating to the acquisition of Alfred McAlpine.

Following the project being placed in administration, an impairment charge of £11.7m (2007: £1.9m) has been recognised in relation to the Alice Springs to Darwin railway investment which is classified as part of other investments in the balance sheet.

4 Curtailment gain, restructuring costs and non-operating items

Curtailment gain

As part of the Group's strategy for managing defined benefit pension scheme risk, a number of defined benefit pension schemes will close to future accrual on 5 April 2009 following the completion of the consultation process in December 2008 resulting in a curtailment gain of £35.5m (net of expenses of £2.8m). A deferred tax charge relating to the curtailment gain of £9.9m has been included within taxation in the income statement.

Restructuring costs

	2008	2007
	£m	£m
Alfred McAlpine integration and re-organisation costs	55.0	-
Vanbots Group integration and re-organisation costs	3.2	-
Mowlem integration and re-organisation costs	-	9.5
Operational structure review costs	-	4.5
Rail activities review costs	-	0.2
	58.2	14.2

Alfred McAlpine and the Vanbots Group integration and re-organisation costs in 2008 primarily relate to redundancy and property exit costs arising from a review of the Group's requirements following the acquisition of these businesses during the year.

An income tax credit of £16.5m (2007: £2.7m) relating to the above restructuring costs has been included within taxation in the income statement.

Non-operating items

	2008	2007
	£m	£m
Profit on disposal of investments in jointly controlled entities	35.6	24.5
Profit on disposal of businesses	-	3.7
Other	-	0.1
	35.6	28.3

There is no income tax associated with any of the non-operating items in either 2008 or 2007.

Carillion plc
Notes to the preliminary announcement *(continued)*

5 Financial income and expense

	2008	2007
	£m	£m
Financial income		
Bank interest receivable	7.3	5.1
Other interest receivable	9.8	8.6
Expected return on retirement plan assets	120.3	86.1
	137.4	99.8
Financial expense		
Interest payable on bank loans and overdrafts	(25.9)	(15.4)
Other interest payable and similar charges	(11.5)	(4.5)
Interest cost on retirement plan obligations	(107.7)	(79.3)
	(145.1)	(99.2)
Net financial (expense)/income	(7.7)	0.6

6 Income tax

The Group's underlying income tax rate (including the Group's share of jointly controlled entities income tax) for the year ended 31 December 2008 is 20% (2007: 25%). This underlying rate differs to the UK standard corporation tax rate of 28.5% (2007: 30%) due to items such as the effect of lower tax rates in foreign jurisdictions, the recognition of additional losses to be utilised and over provisions in previous years.

Carillion plc
Notes to the preliminary announcement *(continued)*

7 Earnings per share

(a) Basic earnings per share

The calculation of earnings per share for the year ended 31 December 2008 is based on the profit attributable to equity holders of the parent of £108.3m (2007: £76.0m) and a weighted average number of ordinary shares in issue of 381.7 million (2007: 280.6 million), calculated as follows:

In millions of shares	2008	2007
Issued ordinary shares at 1 January	281.2	281.2
Effect of shares issued in the year	101.0	-
Effect of own shares held by Employee Share Ownership Plan and Qualifying Employee Share Ownership Trust	(0.5)	(0.6)
Weighted average number of ordinary shares at 31 December	381.7	280.6

(b) Underlying performance

A reconciliation of profit before taxation and basic earnings per share, as reported in the income statement, to underlying profit before taxation and earnings per share is set out below. The adjustments made in arriving at the underlying performance measures are made to illustrate the impact of non-trading and non-recurring items.

	2008		2007	
	Profit before tax £m	Tax £m	Profit before tax £m	Tax £m
Profit before taxation – continuing operations				
Profit before taxation as reported in the income statement	115.9	4.1	94.4	8.3
Amortisation of intangible assets arising from business combinations	42.8	12.2	19.6	7.3
Impairment of other investments	11.7	-	1.9	-
Curtailed gain	(35.5)	(9.9)	-	-
Restructuring costs	58.2	16.5	14.2	2.7
Profit on disposal of investments and businesses	(35.6)	-	(28.3)	-
Underlying profit before taxation - continuing operations	157.5	22.9	101.8	18.3
Underlying taxation	(22.9)		(18.3)	
Minority interests	(3.5)		(2.5)	
Underlying profit attributable to shareholders – continuing operations	131.1		81.0	
Underlying loss attributable to shareholders – discontinued operations	-		(7.6)	
Underlying profit attributable to shareholders – continuing and discontinued operations	131.1		73.4	

	2008	2007
	Pence per share	Pence per share
Earnings per share		
Basic earnings per share – continuing and discontinued operations	28.4	27.1
Amortisation of intangible assets arising from business combinations	8.0	4.4
Impairment of other investments	3.1	0.7
Curtailed gain	(6.7)	-
Restructuring costs	10.9	4.1
Profit on disposal of investments and businesses	(9.4)	(10.1)
Underlying basic earnings per share – continuing and discontinued operations	34.3	26.2
Discontinued operations	-	2.7
Underlying basic earnings per share – continuing operations	34.3	28.9
Diluted earnings per share – discontinued operations	-	(2.7)

Carillion plc

Notes to the preliminary announcement *(continued)*

Earnings per share (continued)

(c) Diluted earnings per share

The calculation of diluted earnings per share is based on profit as shown in note 7(a) and (b) and a weighted average number of ordinary shares outstanding calculated as follows:

In millions of shares	2008	2007
Weighted average number of ordinary shares	381.7	280.6
Effect of share options in issue	2.8	3.0
Weighted average number of ordinary shares (diluted) at 31 December	384.5	283.6

8 Dividends

The following dividends were paid by the Company:

	2008		2007	
	£m	Pence per share	£m	Pence per share
Previous year final dividend	29.6	7.5	16.6	5.9
Current year interim dividend	16.2	4.1	9.8	3.5
Total	45.8	11.6	26.4	9.4

The following dividends were proposed by the Company:

	2008		2007	
	£m	Pence per share	£m	Pence per share
Interim	16.2	4.1	9.8	3.5
Final	35.2	8.9	29.6	7.5
Total	51.4	13.0	39.4	11.0

The final dividend for 2008 of 8.9 pence per share was approved by the Board on 4 March 2009 and will be paid on 19 June 2009 to shareholders on the register on 24 April 2009.

Carillion plc
Notes to the preliminary announcement *(continued)*

9 Cash and cash equivalents and net borrowing

Cash and cash equivalents and net borrowing comprise:

	2008 £m	2007 £m
Cash and cash equivalents	257.3	327.5
Bank overdrafts	(7.3)	(3.7)
Net cash and cash equivalents	250.0	323.8
Bank loans	(365.9)	(306.6)
Finance lease obligations	(79.1)	(48.1)
Other loans	(31.7)	(14.0)
Net borrowing	(226.7)	(44.9)

10 Pension commitments

The following expense was recognised in the income statement in respect of pension commitments:

	2008 £m	2007 £m
(Charge)/credit to operating profit		
Current service cost relating to defined benefit schemes	(24.1)	(27.2)
Past service cost relating to defined benefit schemes	-	(0.4)
Settlements	(1.2)	0.7
Curtailments	38.3	3.0
Defined contribution schemes	(10.5)	(5.4)
Total	2.5	(29.3)
Credit/(charge) to net financial income/(expense)		
Expected return on pension scheme assets	120.3	86.1
Interest cost on pension scheme liabilities	(107.7)	(79.3)
Net finance return	12.6	6.8

The actuarial valuation of the Group's main defined benefit pension schemes at 31 December 2008 on an International Accounting Standard 19 basis produced a net deficit (gross of taxation) for the schemes of £89.1m, representing a £64.8m increase since 31 December 2007. Of the increase in the year, £61.9m relates to pension schemes acquired with Alfred McAlpine.

As part of the Group's strategy for managing defined benefit pension scheme risk, a number of defined benefit pension schemes will close to future accrual on 5 April 2009 resulting in a curtailment gain of £35.5m (net of expenses of £2.8m).

Carillion plc
Notes to the preliminary announcement *(continued)*

11 Reserves and statement of changes in total equity

Reconciliation of movement in reserves

	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Merger reserve	Retained earnings	Equity shareholders funds	Minority interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2008	140.6	8.6	(2.8)	(14.3)	0.9	166.2	202.4	501.6	1.3	502.9
Total recognised income and expense	-	-	1.9	(2.7)	-	-	30.9	30.1	3.7	33.8
New share capital issued	57.2	4.3	-	-	-	325.0	-	386.5	-	386.5
Acquisition of own shares	-	-	-	-	-	-	(4.7)	(4.7)	-	(4.7)
Equity settled transactions (net of deferred tax)	-	-	-	-	-	-	2.4	2.4	-	2.4
Transfer to income statement	-	-	-	-	(0.9)	-	-	(0.9)	-	(0.9)
Transfer between reserves	-	-	-	-	-	(42.1)	42.1	-	-	-
Dividends paid	-	-	-	-	-	-	(45.8)	(45.8)	(1.6)	(47.4)
At 31 December 2008	197.8	12.9	(0.9)	(17.0)	-	449.1	227.3	869.2	3.4	872.6
At 1 January 2007	140.6	8.6	(3.4)	(9.6)	0.9	184.8	110.8	432.7	1.0	433.7
Total recognised income and expense	-	-	0.7	(5.3)	-	-	97.1	92.5	2.5	95.0
Share options exercised by employees	-	-	-	-	-	-	0.9	0.9	-	0.9
Equity settled transactions (net of deferred tax)	-	-	-	-	-	-	2.0	2.0	-	2.0
Transfer to income statement	-	-	(0.1)	-	-	-	-	(0.1)	-	(0.1)
Transfer between reserves	-	-	-	0.6	-	(18.6)	18.0	-	-	-
Dividends paid	-	-	-	-	-	-	(26.4)	(26.4)	(2.2)	(28.6)
At 31 December 2007	140.6	8.6	(2.8)	(14.3)	0.9	166.2	202.4	501.6	1.3	502.9

Carillion plc
Notes to the preliminary announcement (continued)

12 Acquisitions and disposals

Acquisitions

On 12 February 2008, the Group acquired the entire issued share capital of Alfred McAlpine for a total consideration of £554.5m. The total consideration was satisfied by the issue of 112.9 million Carillion plc shares valued at the quoted mid-market price at the close of business on the day preceding the effective date of acquisition of 337.75p and £171.7m in cash and £1.3m of loan notes.

Alfred McAlpine, its subsidiaries and jointly controlled entities operate in a number of sectors and industries, particularly facilities management, infrastructure services, civil engineering and construction.

The acquisition had the following effect on the Group's assets and liabilities:

Acquiree's net assets at the acquisition date

	Carrying amounts £m	Fair value adjustments £m	Accounting policy adjustments £m	Acquired intangible assets £m	Recognised values £m
Property, plant and equipment	26.4	(0.7)	-	-	25.7
Intangible assets	184.5	(184.5)	-	125.4	125.4
Investments in jointly controlled entities	13.4	0.9	-	-	14.3
Deferred tax assets	57.3	0.9	-	-	58.2
Inventories	11.2	-	-	-	11.2
Trade and other receivables	202.8	-	(15.5)	-	187.3
Assets held for sale	16.7	2.3	-	-	19.0
Cash and cash equivalents	46.8	-	-	-	46.8
Borrowing	(143.2)	-	-	-	(143.2)
Trade and other payables	(292.2)	0.3	-	-	(291.9)
Income tax	(1.4)	-	-	-	(1.4)
Retirement benefit liabilities	(58.7)	(3.2)	-	-	(61.9)
Deferred tax liabilities	(2.9)	2.9	-	(35.1)	(35.1)
Provisions	(4.5)	-	-	-	(4.5)
Net identifiable assets and liabilities	56.2	(181.1)	(15.5)	90.3	(50.1)
Goodwill recognised on acquisition					615.0
Total consideration (including attributable costs)					564.9

The principal fair value adjustment relates to £184.5m of goodwill on the Alfred McAlpine balance sheet at the date of acquisition which is reclassified at the same value as goodwill on Carillion's balance sheet under the requirements of International Financial Reporting Standards.

The £15.5m accounting policy adjustment results from applying Carillion's policy in respect of expensing rather than capitalising certain mobilisation costs associated with the commencement of new contracts.

The £90.3m of acquired intangibles relates to the value ascribed to acquired customer lists and contracts.

Goodwill arising on the acquisition of £615.0m represents the present value of future income streams expected to be generated from margin growth in Alfred McAlpine businesses together with identifiable cost savings within the enlarged Group.

Total consideration for the acquisition comprises the following:

	£m
Equity shares issued	381.5
Cash	171.7
Loan notes issued	1.3
	554.5
Attributable costs	10.4
Total consideration	564.9

Attributable costs include direct advisor costs incurred in relation to the acquisition contracts and due diligence procedures.

Carillion plc
Notes to the preliminary announcement *(continued)*

Acquisitions (continued)

On 8 October 2008, the Group acquired the entire issued share capital of the Vanbots Group for a total consideration of £17.0m. The Vanbots Group operates primarily as a construction management services group in Canada.

The acquisition had the following effect on the Group's assets and liabilities:

Acquiree's net assets at the acquisition date

	Carrying amounts £m	Fair value adjustments £m	Accounting policy adjustments £m	Acquired Intangible assets £m	Recognised values £m
Property, plant and equipment	0.2	(0.1)	-	-	0.1
Intangible assets	-	-	-	2.4	2.4
Investments in jointly controlled entities	0.5	(0.3)	-	-	0.2
Deferred tax assets	0.9	0.3	-	-	1.2
Trade and other receivables	34.2	(1.8)	(1.3)	-	31.1
Assets held for sale	0.8	1.8	-	-	2.6
Cash and cash equivalents	11.7	-	-	-	11.7
Trade and other payables	(40.3)	-	-	-	(40.3)
Income tax	1.1	-	-	-	1.1
Deferred tax liabilities	-	-	-	(0.8)	(0.8)
Net identifiable assets and liabilities	9.1	(0.1)	(1.3)	1.6	9.3
Goodwill recognised on acquisition					9.1
Total consideration (including attributable costs)					18.4

The principal fair value adjustments made at acquisition relate to a £1.8m market value adjustment to the carrying value of an investment that was sold post acquisition and a £1.5m provision against contract balances.

The accounting policy adjustment of £1.3m relates to the alignment of profit recognition policies on construction contracts.

The £1.6m of acquired intangibles relates to the value ascribed to acquired customer lists and contracts.

Total consideration for the acquisition comprises the following:

	£m
Cash paid	13.2
Promissory note issues	2.6
Deferred consideration	1.2
	17.0
Attributable costs	1.4
Total consideration	18.4

Attributable costs include direct advisor costs incurred in relation to the acquisition contracts and due diligence procedures.

Cash flows associated with acquisitions are included in the cash flow statement as follows:

	Alfred McAlpine £m	Vanbots £m	Total £m
Cash paid	171.7	13.2	184.9
Attributable costs paid	10.4	1.4	11.8
	182.1	14.6	196.7
Cash and cash equivalents acquired	(46.8)	(11.7)	(58.5)
Net cash outflow on acquisition	135.3	2.9	138.2

Carillion plc
Notes to the preliminary announcement (*continued*)

Acquisitions (*continued*)

In the period from acquisition to 31 December 2008, Alfred McAlpine and the Vanbots Group contributed a loss before tax of £34.1m (after £83.2m of restructuring costs and intangible amortisation) to consolidated profit for the year. If both acquisitions had occurred on 1 January 2008, Group revenue would have been £4,681.4m and profit before tax would have been £113.2m for the year ended 31 December 2008.

Disposals

During 2008, the Group disposed of equity investments in six Public Private Partnership jointly controlled entities. The disposals generated a cash consideration of £59.9m (after deducting disposal costs of £0.1m) and a non-operating profit of £35.6m.

In February and March 2008, the Group received £25.9m of cash consideration relating to the disposal of three Public Private Partnership jointly controlled entities announced by Alfred McAlpine prior to acquisition. These disposals do not generate any profit in the post acquisition period as the investments were included at fair value in the acquired balance sheet of Alfred McAlpine.

13 Company Information

This preliminary announcement was approved by the Board of directors on 4 March 2009. The 2008 Annual Report will be posted to shareholders on 30 March 2009 and both this statement and the 2008 Annual Report will be available via the Internet at www.carillionplc.com or on request from the Company Secretary, Carillion plc, Birch Street, Wolverhampton, WV1 4HY.