

**Company:** Balfour Beatty plc  
**Conference Title:** Full Year Results 2011  
**Presenter:** Ian Tyler, Duncan Magrath  
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**Operator:** Good day and welcome to the Balfour Beatty Full Year 2011 Conference Call. Today's conference is being recorded. At this time I would like to turn the conference over to Ian Tyler, CEO; and Duncan Magrath, CFO. Please go ahead.

**Ian Tyler:** Thank you. Good afternoon ladies and gentlemen, welcome to the teleconference. I will first give you a brief overview of our 2011 results and then we will take questions. 2011 was a year of strong performance in its own right with a steady order book and a 9% growth in earnings but also a very good demonstration of the diversity, flexibility and resilience of our business in markets that were difficult, albeit predictably so. This reflects the successful creation of a business that's able to operate across the entire infrastructure life cycle generating half of its income outside its home market. We have seen growth in revenue and earnings in professional services, support services and infrastructure investments which has protected us from the cyclical downturn in construction activity particularly in the UK and the US. We maintained our order book at £15 billion throughout the year and increased revenue by 5%. Profit before tax and earnings per share was up by 9%. Based on this financial result and the healthy net cash position of £340 million our board is recommending a final dividend of 8.5p and that will raise the full year dividend by 9% from last year.

In order to underpin the profits of the business in the near term we are working on expanding the cost efficiency programme we launched in 2010 and to this end we are also planning to double our target of PPP asset disposal gains to £40 million in 2012. While we are cognisant of the near term challenges we see opportunities for our business in growth sectors such as power, rail, transportation and mining; particularly in growth markets like Australia, Canada and slightly further out in India and Brazil, all of which are at the heart of our strategy and our optimism for the future.

So our strategy remains to drive performance in key industrial verticals; to develop new geographies developing our collective capabilities across the group; and to operate ever more efficiently in our core capability based markets so that we gain maximum benefit from the cyclical recovery as it comes. The underlying theme behind the strategy and behind our optimism for the future is that we are in a global growth market. We are targeting the strongest growth sectors of that market and we are competitively advantaged in those sectors. The development of infrastructure is an increasingly central imperative for economic policy in both mature and emerging markets. We have unparalleled knowledge and capability across the infrastructure market and I don't think anybody is better placed to benefit from this long term global trend.

So now Duncan and I are very happy to take any of your questions.

Operator: Thank you. If you would like to ask a question please press \*1 on your telephone keypad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has already been answered you may remove yourself from the queue by pressing \*2. Again please press \*1 to ask a question. We will pause for just a moment to allow everyone to signal.

We have no questions. As a reminder, to ask a question please press \*1.

We have one question from Paul Hill from PMH Capital. Please go ahead.

Paul Hill: Hi guys, well done on the results. I can't believe I'm the only person on the call. I think everybody has obviously absorbed the results and have got big smiling faces from the numbers. I only really had one question. You talked about obviously the portfolio, the vertical markets and there just seems one area that I couldn't quite see there which is oil and gas. Is that somewhere in your power division or have you deliberately decided that's already a crowded trade?

Ian Tyler: It's a very good question. We have not historically been a player in the oil and gas sector so we don't have existing capability. Parsons Brinckerhoff themselves, we brought them

into the group are not a player in that market. We have looked at it a number of times before. The reality is that in order to really drive value in a sector, in fact in any of these sectors you have to be a market leader, not necessarily the market leader but certainly one of the major players in the market. The problem with the oil and gas space apart from a number of things like valuation cyclicality and all of that in terms of acquisition, the problem with it is the big players in the market are very big indeed and we would have to be in reality that and nothing else to be a serious player in that market. We have included that we have better use of our capital, our management retention and actually in the end our core skills in sectors other than oil and gas.

Paul Hill: Ok. Just in relation to the order book, obviously you had a fantastic delivery of new projects at the start of the year. Is the order book flat from the year end or is it slightly higher? The current order book as we sit today?

Duncan Magrath: It's probably worth saying, the 15.2 billion is signed orders, so we have been awarded a contract and it's signed and obviously by far and away the majority of it we have started work. There's then another category that we track in term that we don't necessarily particularly publish which is called awarded but not contracted so that's where we are a preferred bidder on a project, the client has basically said you've got the job but we've got to iron out the final details before we sign the contract. The awarded but not contracted position, I did talk this morning around the fact that in the construction sector the awarded but not contracted figure was 3.9 billion and that's up from 3.1 billion that we had this time last year. So actually there was...we always debate as to how many orders we should push through RNS because individually they're probably not terribly significant. I think there was a flurry of RNSs that we made in the last two or three months and that's largely sitting in that awarded but not contracted number. It is quite lumpy; it can go up and down. It's difficult to deduce any single trend from a point in time but the order book, the coverage we have at the moment is as good as it was 12 months ago.

Ian Tyler: It's interesting, we've not necessarily changed the managing significantly but you may have seen we announced a win in Hong Kong this morning which came through literally yesterday morning. That's an interesting one because of itself that's a very big...that's

somewhere between £200-300 million our share. That's a project which is neither at the beginning of the year and indeed at the current date is neither in our order book nor is in that category of awarded but not contracted and indeed we start work on that on Monday. There's also activity beyond that which essentially underpins the results in the year and there are a number of major projects around but actually more in Hong Kong than probably any other territory at the present time and that is actually a genuine incremental part of the order book.

Paul Hill: Just talking internationally, in the Middle East do you operate? Is there any opportunities there? Obviously with Qatar and the World Cup there's a lot of design consultancies out there who are doing quite well now ex-Dubai of course. Are you seeing anything there?

Ian Tyler: We are. The Middle East of course is a lot of different territories. The Middle East is potentially a very important market for us as we develop the strategy to drive the value in the core markets around things like rail power, transportation talked about just now. The Middle East is classically where we can operate particularly through the activities of Parsons Brinckerhoff as not just a designer as you described there but actually through into the delivery cycle essentially through – I will use the word very loosely – but I mean PC contractor. Traditionally we have operated in the Middle East in the Emirates as a construction M&E company. It's a good business, we've been there for 30 years but in reality that's a relatively small business and only has a limited application in the region. We have looked at things like Qatar, we've looked at things like Kuwait and you may have seen we are now the programme manager on the major roads and drainage work throughout Qatar which is a very, very large project. We are also the programme manager for Qatar Rail as well. Those are two very big projects and actually establish us very strongly from a standing start in Qatar and we also have some activity elsewhere in the region and certainly our intention is particularly through the professional services side to grow that part of the business and to develop through the region.

Paul Hill: Ok, thank you very much. I'll get back in the queue.

Ian Tyler: Don't hold your breath for that!

Operator: As a reminder to ask a question please press \*1. We have no more questions.

Ian Tyler: Ok. If there's no other questions we will call it a day there. Thank you for the several questions, a lot of interesting areas there so I appreciate that. Obviously for anybody who was on the phone that didn't have their question heard then obviously give us a call if you need to, we'll certainly follow up with you. Thanks a lot, bye bye now.

Duncan Magrath: Thanks very much.

Operator: That will conclude today's conference call. Thank you for your participation ladies and gentlemen you may now disconnect.