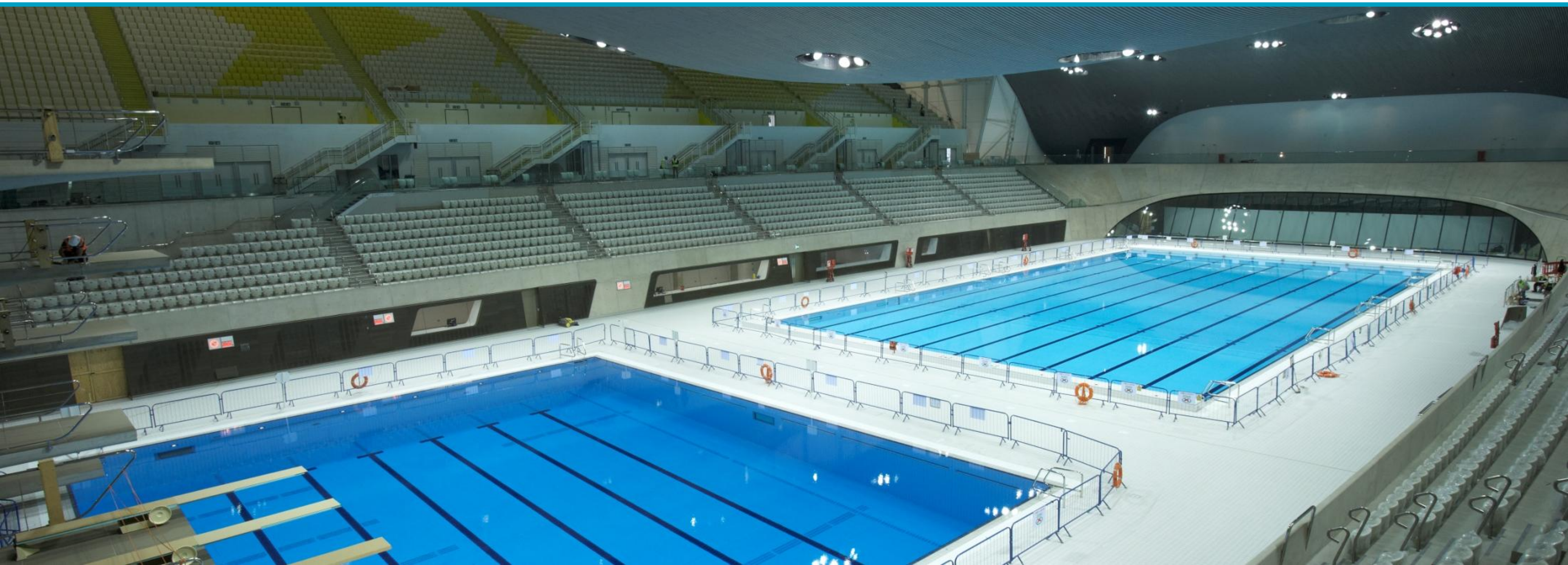
Balfour Beatty
THE INFRASTRUCTURE BUSINESS

2011 Half-year results presentation

17 August 2011



Balfour Beatty

Ian Tyler

Chief Executive

Opening remarks

- Results reflect the onset of tougher conditions which we had anticipated
- Strategic ambitions
  - Build capabilities across the infrastructure lifecycle
  - Access broader range of markets and customers
- Capabilities enhanced in the period
- Well-positioned for the growing demand for infrastructure in the long term

Duncan Magrath

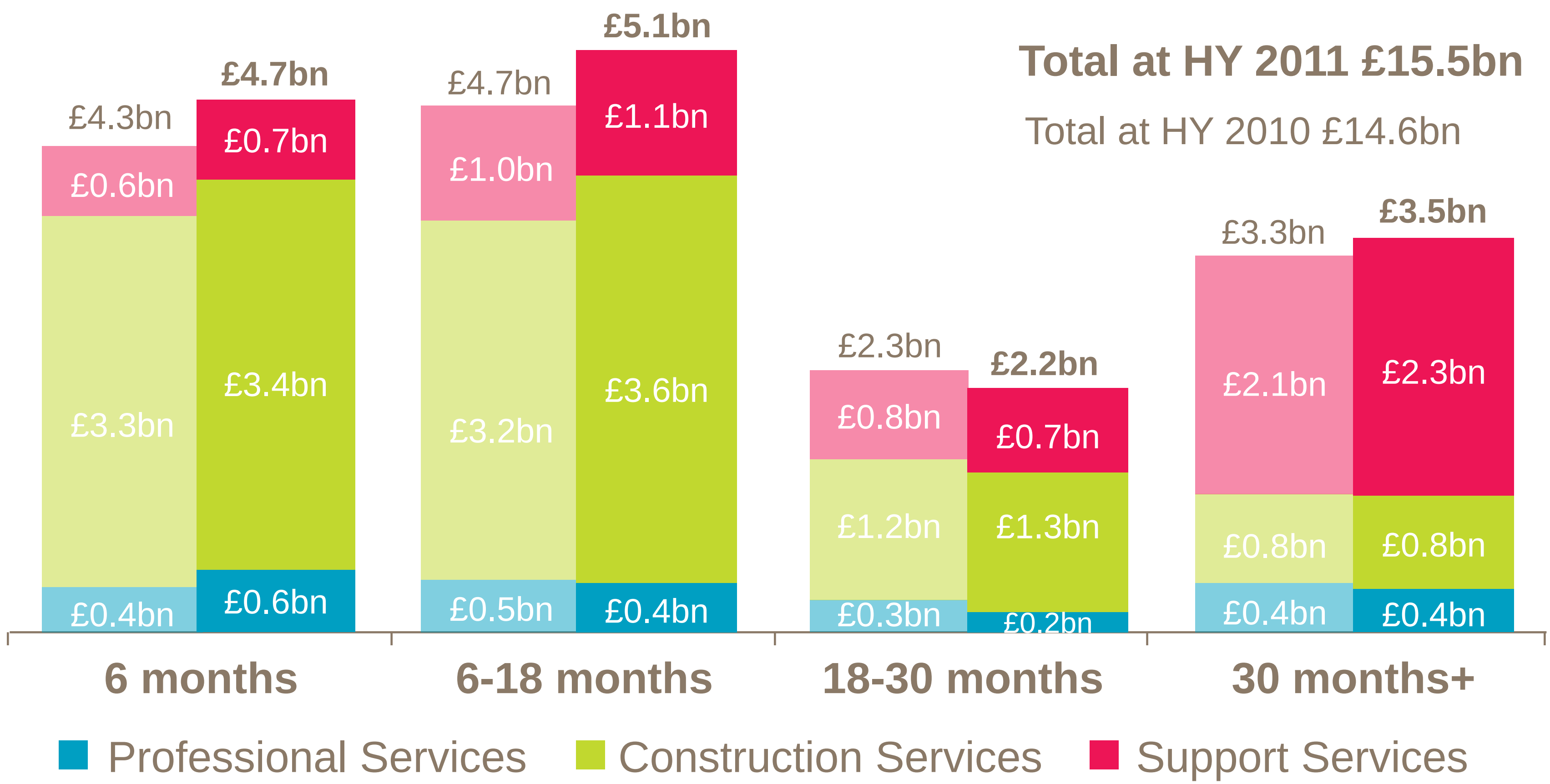
Chief Financial Officer

Headline underlying numbers

	HY 2011	HY 2010	Actual growth	Constant currency
Revenue	£5,222m	£5,160m#	+1%	+3%
Profit from operations*	£136m	£143m#	-5%	-3%
Pre-tax profit*	£138m	£133m#	+4%	
Underlying eps*	14.7p	14.3p#	+3%	
Interim dividend	5.30p	5.05p	+5%	
Cash used in operations	(£114m)	(£21m)		
Average cash for the half year	£296m	£436m		
Net cash (excluding 100% PPP)	£292m	£500m		
Order book	£15.5bn	£14.6bn	+6%	+8%

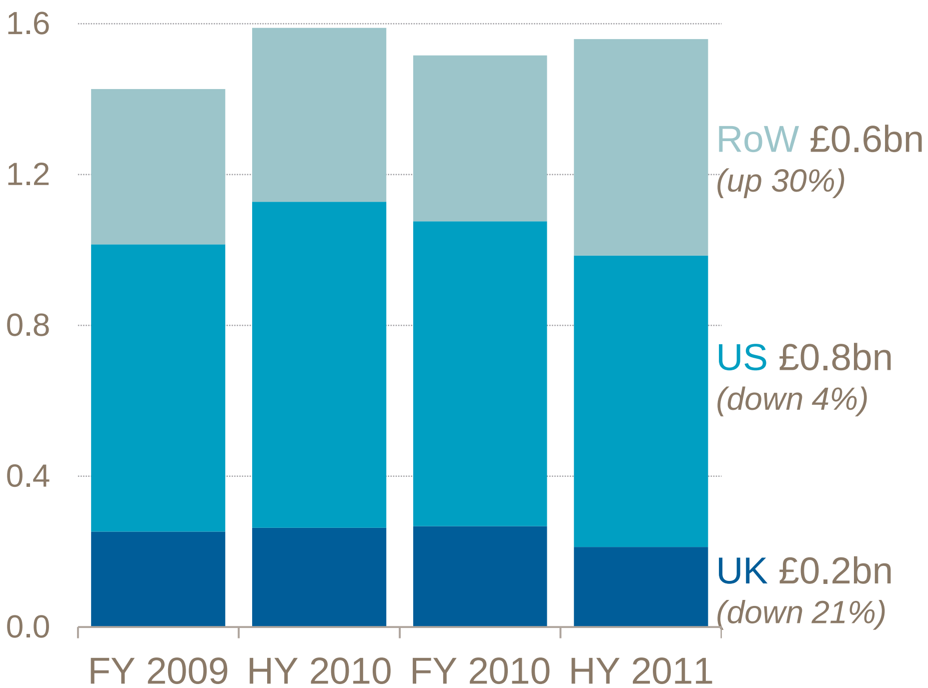
** from continuing operations, before non-underlying items*
 # re-presented for the classification of Barking Power as a discontinued operation

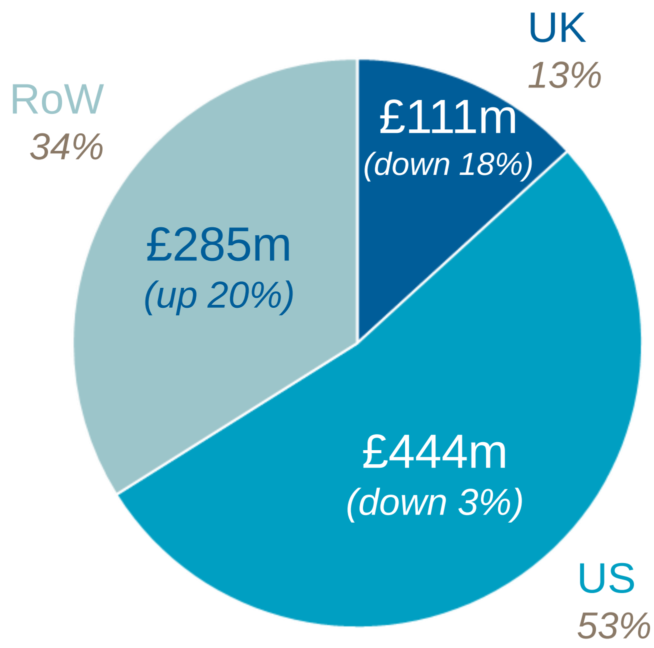
Order book position compared to a year ago



In each series group, left-hand column represents the order book as at 26 June 2010, and the right-hand column as at 1 July 2011

Professional Services – HY 2011 by geography





Order book

£1.6bn up 3%

(Dec 2010: £1.5bn)

Percent. changes relative to Dec 2010

Revenue

£840m up 1%

(June 2010: £829m)

Percent. changes relative to June 2010

Professional Services

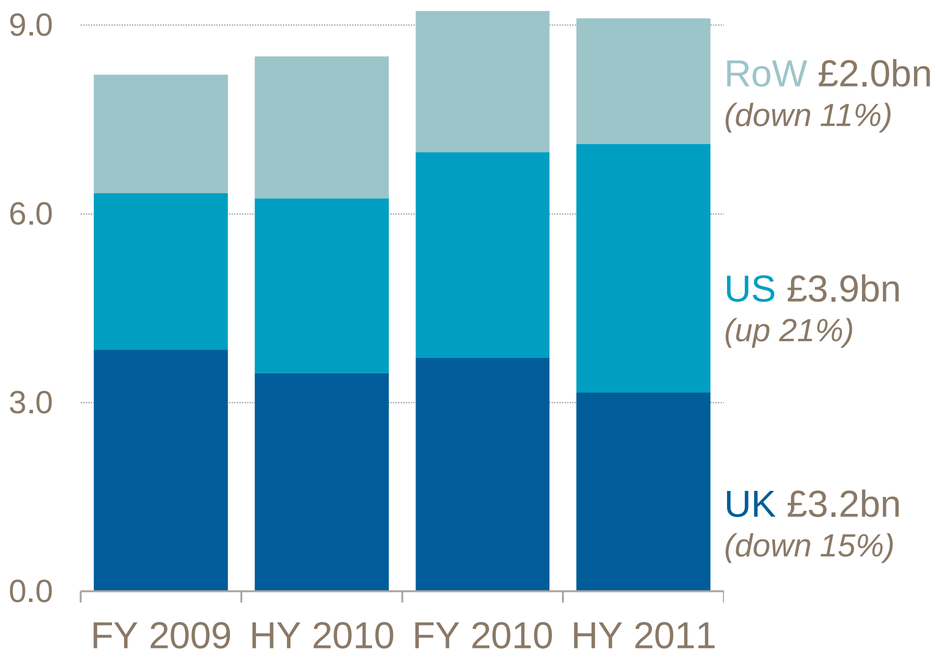
FY 2010		HY 2011	HY 2010	Actual growth	Constant currency
£1.5bn	Order book	£1.6bn	£1.6bn	-2%	+2%
£1,613m	Revenue	£840m	£829m	+1%	+3%
£85m	Profit*	£38m	£49m	-22%	-23%
5.3%	Margin %	4.5%	5.9%		

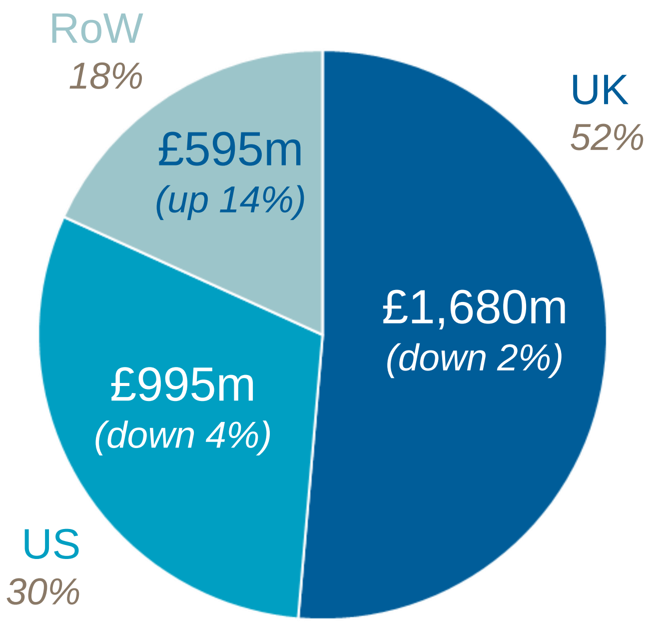
** before non-underlying items*

- Excluding HY 2010's incentive income, underlying trading robust
- Good performance in the US
- Growth in RoW despite impact of Queensland floods
- Weak performance in UK; further cost reductions

** before non-underlying items*

Construction Services – HY 2011 by geography





Order book

£9.1bn down 1%

(Dec 2010: £9.2bn)

Percent. changes relative to Dec 2010

Revenue

£3,270m no change

(June 2010: £3,278m)

Percent. changes relative to June 2010

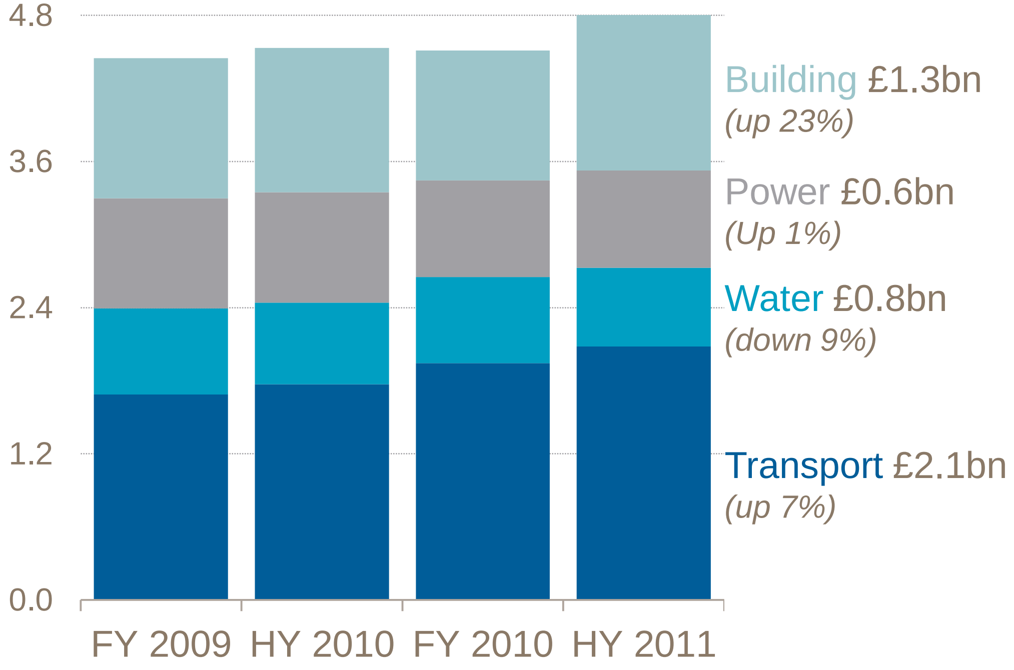
Construction Services

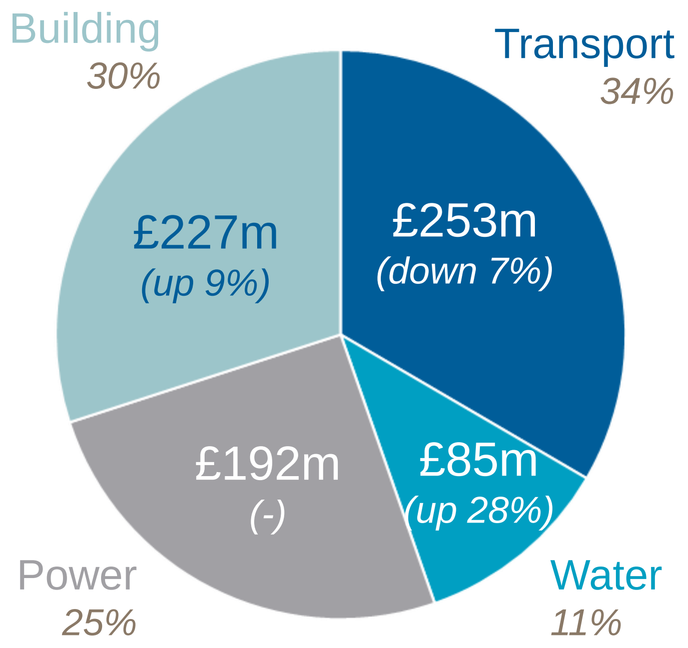
FY 2010		HY 2011	HY 2010	Actual growth	Constant currency
£9.2bn	Order book	£9.1bn	£8.5bn	+7%	+9%
£6,734m	Revenue	£3,270m	£3,278m	-	+2%
£201m	Profit*	£67m	£79m	-15%	-12%
3.0%	Margin %	2.0%	2.4%		

** before non-underlying items*

- Good performance in the US, but as anticipated, down on a very strong HY 2010
- Good profit performance in the UK on stable revenue
- Hong Kong revenue continues to grow on back of strong order intake in 2010
- Middle East continuing low volumes and reduced order book
- Good rail performance in UK and US, offset by adverse impact of certain contracts in Europe

Support Services – HY 2011 by market





Order book

£4.8bn up 7%

(Dec 2010: £4.5bn)

Percent. changes relative to Dec 2010

Building includes business services outsourcing and facilities management

Transport includes highways management and rail renewals

Revenue

£757m up 2%

(June 2010: £739m)

Percent. changes relative to June 2010

Support Services

FY 2010		HY 2011	HY 2010	Actual growth	Constant currency
£4.5bn	Order book	£4.8bn	£4.5bn	+7%	+7%
£1,443m	Revenue	£757m	£739m	+2%	+2%
£62m	Profit*	£25m	£25m	-	-
4.3%	Margin %	3.3%	3.4%		

** before non-underlying items*

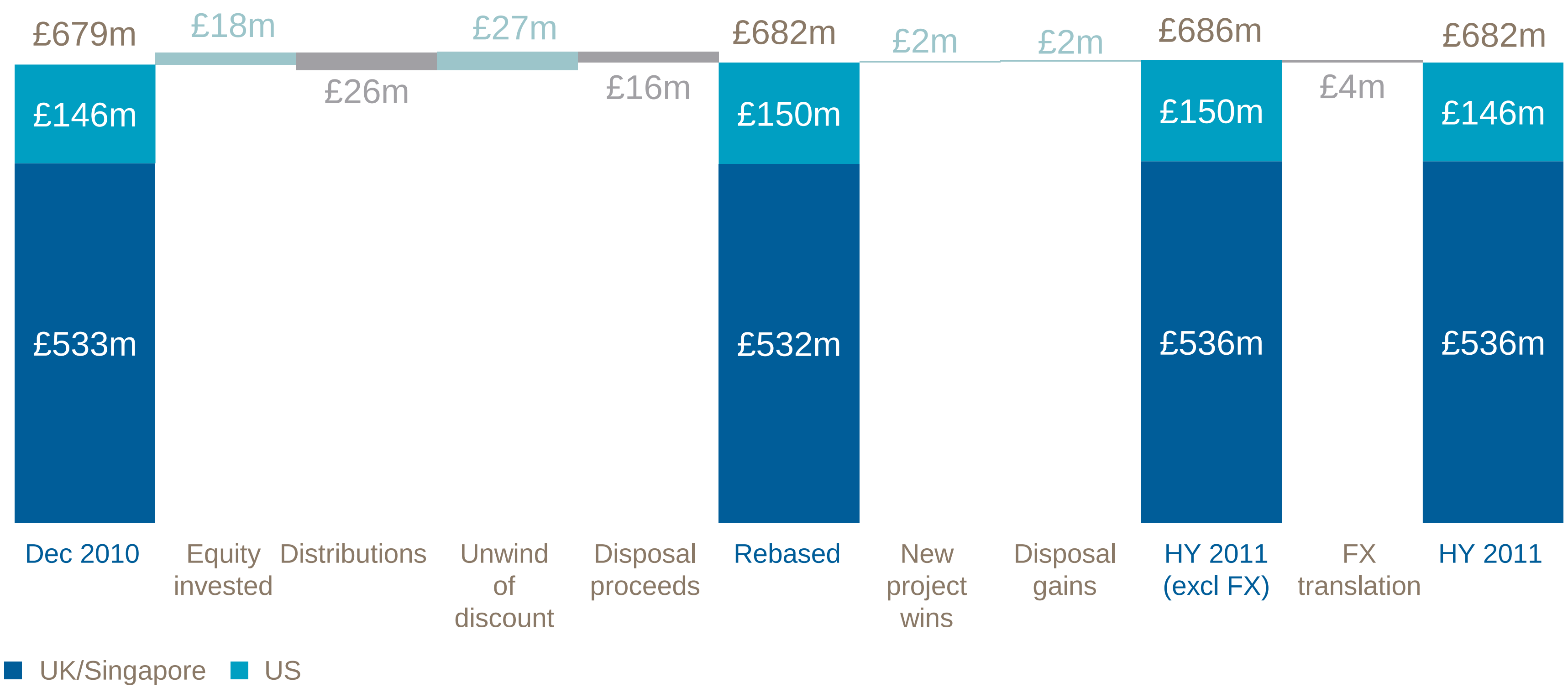
- Good growth in order book, particularly building and local authority work
- Water activity recovered, but held back by slower start to electrical transmission activity, and reduced electrical cabling
- Strengthened service offering with mobile FM capability (Romec Services) and energy consulting (Power Efficiency)

Infrastructure Investments

FY 10	£m	HY 2011 Group	HY 2011 JVs & assoc	HY 2011 Total	HY 2010 Group	HY 2010 JVs & assoc	HY 2010 Total
31	PPP UK/Singapore	-	19	19	1	15	16
20	PPP US	9	3	12	9	3	12
(5)	Infrastructure	(2)	(1)	(3)	(2)	(1)	(3)
(34)	Bidding costs & overheads	(20)	-	(20)	(19)	-	(19)
12	Pre-disposals operating profit	(13)	21	8	(11)	17	6
n/a	Gain on disposals	14	-	14	n/a	n/a	n/a
12	**Investments operating profit***	**1**	**21**	**22**	**(11)**	**17**	**6**
19	*Subordinated debt interest income*			*12*			*9*
(1)	*PPP subsidiaries' net interest*			*-*			*-*
30	**Investments pre-tax result***			**34**			**15**
27	*Investments post-tax result**			*32*			*14*

** from continuing operations, before non-underlying items*
n/a = disposals previously shown as exceptional items

PPP portfolio valuation roll-forward – HY 2011



Discount rates	Pre-tax	Post-tax
UK	9.4%	8.0%
US	11.5%	8.0%
Combined portfolio	10.0%	8.0%

Balfour Beatty

Infrastructure Investments

- Achieved financial close on
  - Hertfordshire BSF
  - North West Fire & Rescue
  - Cambridgeshire (April) and Northamptonshire (August) streetlighting
- Appointed preferred bidder on
  - Greater Gabbard Offshore high-voltage transmission (“OFTO”)
- Disposal of 60% interest in Connect A50 for proceeds of £16m
- Barking Power disposal process ongoing
- Directors’ valuation update as at June 2011 in line with Dec 2010 despite disposals

Investment income and finance costs

FY 10	£m	HY 2011	HY 2010
19	PPP subordinated debt interest receivable	12	9
19	PPP interest on financial assets	12	9
8	Other interest receivable	3	4
46	Investment income	**27**	**22**
(20)	PPP interest on bank loans and overdrafts	(12)	(9)
(12)	Preference shares finance cost	(6)	(6)
(12)	Other interest payable	(6)	(6)
(21)	Net finance costs – pension schemes	(1)	(11)
(65)	Finance costs	**(25)**	**(32)**
(19)	**Net investment income/(finance costs)**	**2**	**(10)**

Performance by sector

FY 10	£m	HY 2011	HY 2010
85	Professional Services	38	49
201	Construction Services	67	79
62	Support Services	25	25
12	Infrastructure Investments	22	6
(35)	Corporate costs	(16)	(16)
325	**Profit from operations***	**136**	**143**
46	Investment income	27	22
(65)	Finance costs	(25)	(32)
306	**Pre-tax profit***	**138**	**133**

** from continuing operations, before non-underlying items*

Non-underlying items

£m	HY 2011 Profit before tax	Tax	Net
UK Shared Service Centre	(7)	2	(5)
Loss on disposal of rail manufacturing*	(7)	(1)	(8)
Acquisition, post-acquisition integration, reorganisation & other costs	(4)	1	(3)
	(18)	2	(16)
Amortisation of acquired intangible assets	(29)	9	(20)
	(47)	11	(36)
Discontinued operations – Barking dividend			5

** Including write-off of goodwill amounting to £7m*

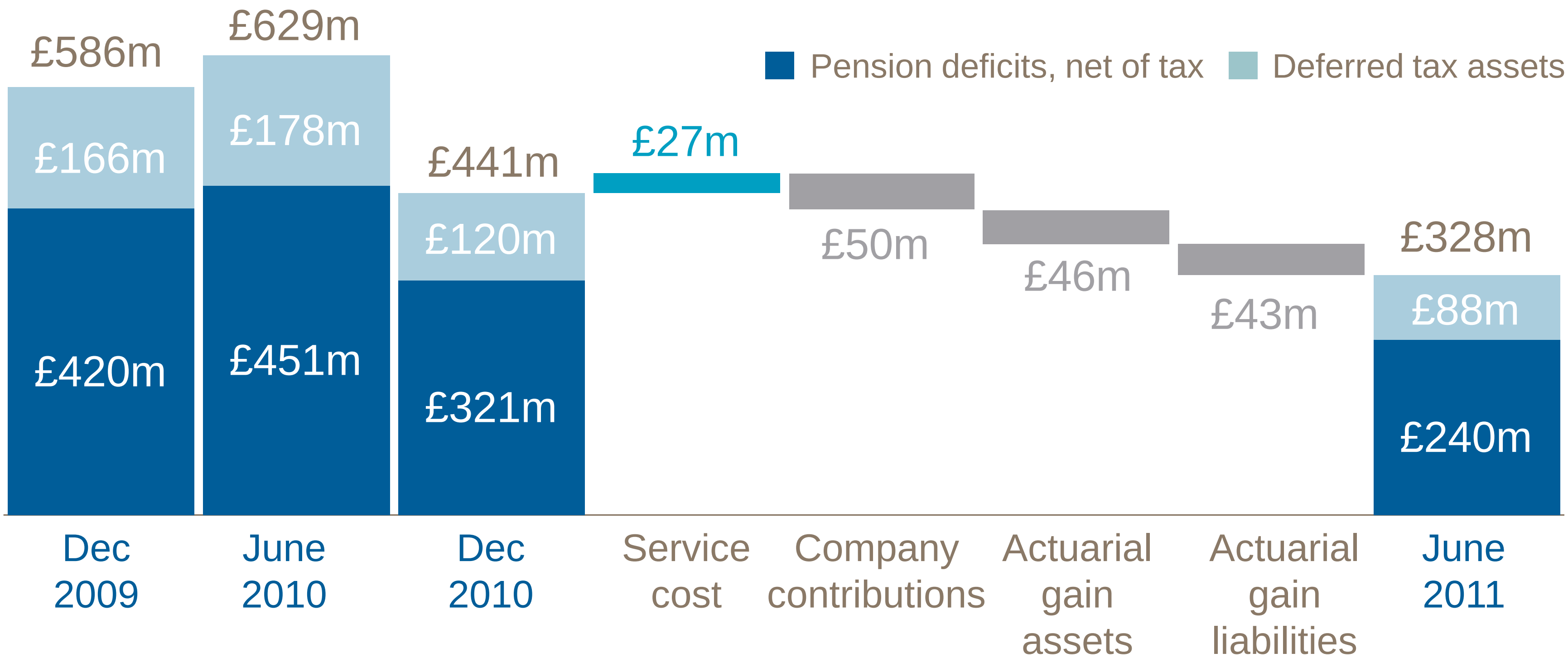
Balfour Beatty

Cash from operations

£m	H1 2011	H2 2010	H1 2010
Group operating profit*	106	143	110
Depreciation	36	37	37
Non-underlying cash items	(11)	(32)	(11)
Other items	(12)	5	(7)
Pension deficit payments	(30)	(65)	(16)
Working capital (increase)/decrease	(203)	102	(134)
Cash (used in)/from operations	**(114)**	**190**	**(21)**
Net capex & purchase of intangibles	(45)	(51)	(35)
	(159)	139	(56)

** before non-underlying items*

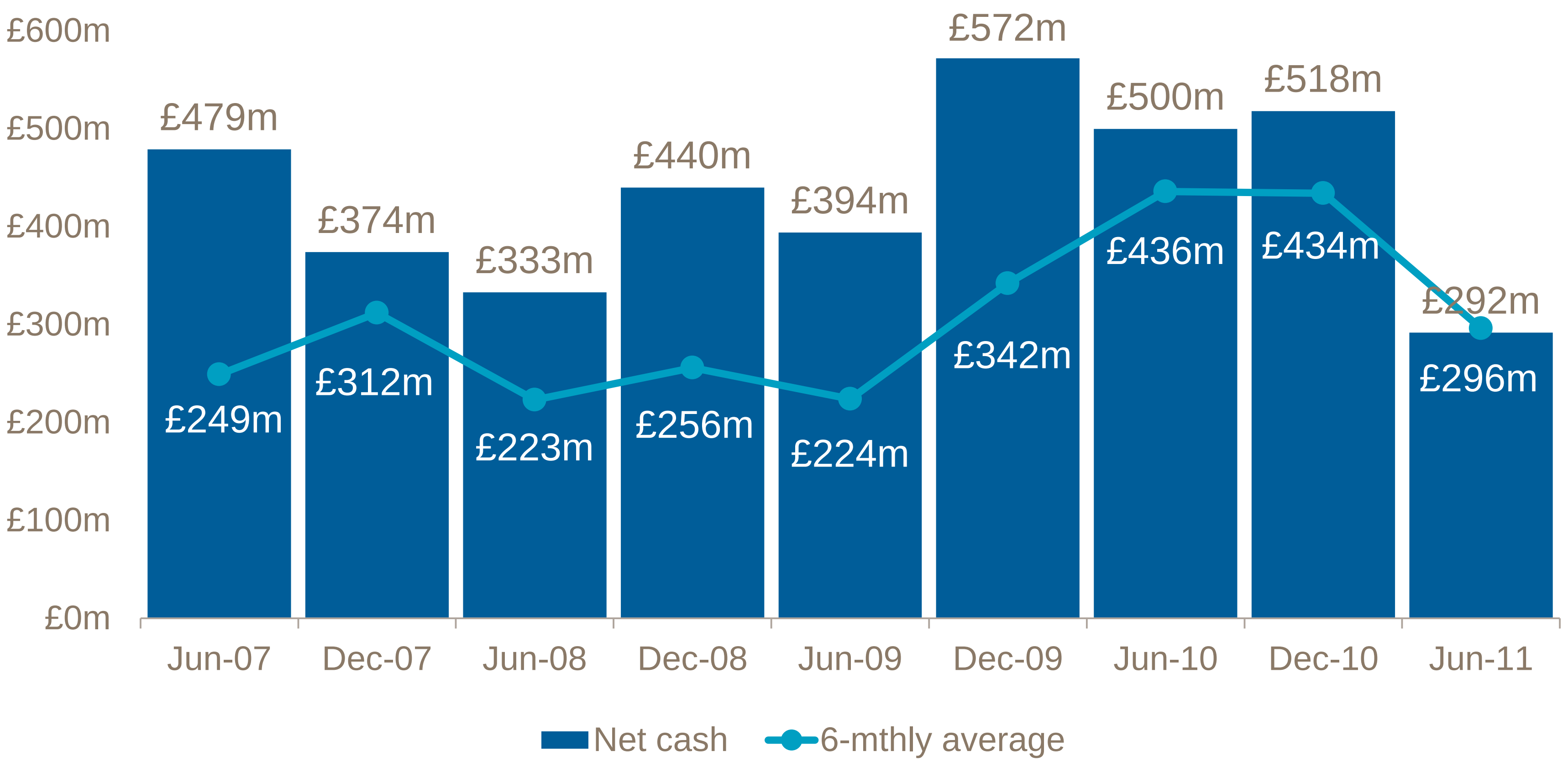
Pensions – balance sheet movement



Cumulative cash contributions for regular and deficit funding since December 2009 of £171m

	June 2011
Net retirement benefit obligations	£240m
Available-for-sale mutual funds	£(52)m
Underlying net liability	£188m

Net cash balances†



† excluding net debt of PPP subsidiaries

Summary of first half 2011

- Pre-tax profit up 4%
- EPS up 3%
- Interim dividend up 5%
- Average cash £296m
- Order book £15.5bn
  - up 6% from HY 2010
  - up 2% from Dec 2010

Balfour Beatty

Ian Tyler

Chief Executive

Agenda

- Market overview
- Key actions
- Managing in changing markets

Market overview

Short-term issues – long-term growth

Short-term

- Funding for infrastructure investment is scarce
- Impact on our markets in the short term

Long-term

- Demand for infrastructure will grow faster than GDP
- Market trends provide opportunity for businesses with depth of resource, asset knowledge and capacity to integrate
- Balfour Beatty is well-placed with a unique set of capabilities

UK market

Background

- Public sector investment in public infrastructure will fall over the next three years
- No wholesale drive towards outsourcing of services

Key opportunities

- Government is focused on infrastructure development and bringing more private finance into public infrastructure
- Substantial opportunities in the local authority market
- Signs of recovery in the commercial market, most notably in London
- Power generation and transmission present the greatest opportunity

US transportation market

Background

- Transportation funding is caught in the cross-fire between politicians
- Limitations in federal transportation funding due to falling gas tax and no prospect of a general fund top-up

Key opportunities

- Transportation is delivered by the states
- States are looking for alternative means of funding
  - 29 states have PPP legislation
- After a period of stable market activity, growth is likely to resume after the next presidential election

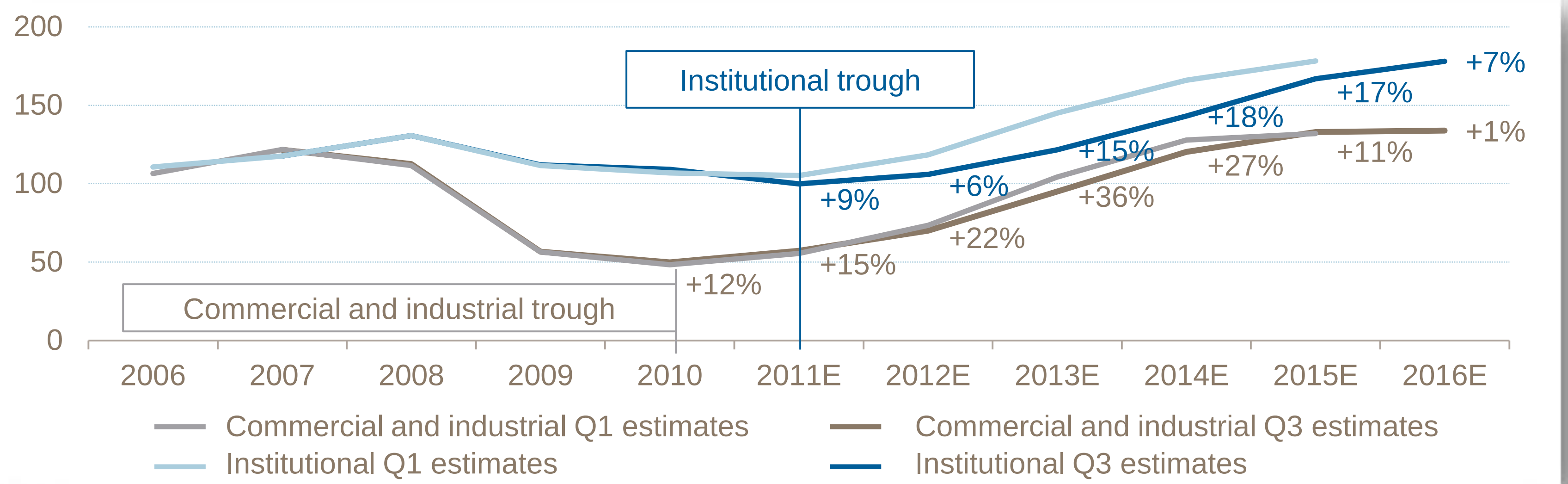
US building construction market

Background

- Strong niche position in federal construction
- Commercial construction market is unlikely to recover until GDP growth resumes and more bank financing is available

Key opportunities

- Exploitation of strong position in federal construction
- Although forecasts have been revised down in Q3, strong recovery is expected, when it arrives



Source: McGraw Hill; Commercial and industrial comprises stores, warehouses, offices, hotels, auto and manufacturing and institutional comprises education, dormitories, health facilities, public and religious facilities, amusement parks and transportation.

Markets in the rest of the world

- Growth is strong in parts of the Middle East
  - Dubai infrastructure market remains virtually dormant
  - Qatar, Kuwait and Saudi Arabia seeing high levels of infrastructure spend by their governments
- Australia's resource-led economy is presenting excellent opportunities
- Hong Kong's outlook is highly positive in both transportation and utility infrastructure

Key actions

Five clear objectives

1. Develop our business further
2. Focus on markets with the greatest opportunities
3. Improve operational performance and cost-effectiveness
4. Continue to strengthen core skills
5. Continue to show leadership in values and behaviour

Developing our business further

- Seeking out areas of market opportunity
- Acquiring businesses that fit our strategy
- Managing subsequent integration and growth

Developing our business further

Howard S. Wright acquisition

- Based on the Pacific West Coast
- Region set to be one of the first in the US to resume healthy growth
- Good geographic, strategic and cultural fit
- Puts us in 3rd position in US general building
- Significant opportunities in leveraging HSW's relationships with customers which we could serve on a broader geographic basis

Developing our business further

- Seeking out areas of market opportunity
- Acquiring businesses that fit our strategy
- Managing subsequent integration and growth
- Leveraging infrastructure investment skills
  - Establishing infrastructure funds management business
  - Good progress in the period

Increasing our focus on markets with the greatest opportunities

- UK power market
- Local Authority outsourcing
- International growth markets

Increasing our focus on markets with the greatest opportunities

UK power market

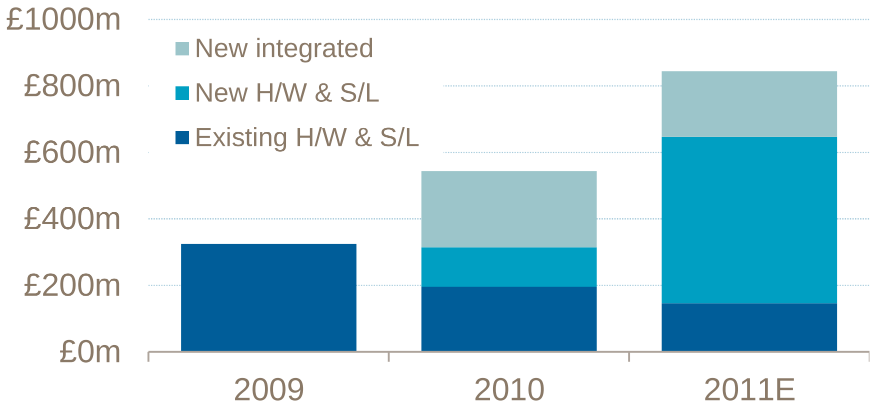
- UK's energy policy will move materially over the next 10 years towards cheaper clean technologies
- Our approach is to be capable in a range of technologies
- We are investing in a number of capabilities to take advantage of this market
  - Nuclear power
  - Offshore power
  - Parsons Brinckerhoff is one of Europe's foremost power consultancies
- Preferred bidder on the £317m Greater Gabbard Offshore Transmission programme
- Actively building capability in waste to energy

Increasing our focus on markets with the greatest opportunities

Local Authority business, Living Places

- Created a separate unit within our Support Services group
- £660m of contracts won in the last 18 months
- High volumes of tendering activity in the Local Authority market
- Our win rates better than 1 in 2
- Recent 100% track record in securing contract extensions
- Increasing role of integrated contracts is an opportunity

Order book progression*



** Current secured order book plus contracts at preferred bidder stage*

Value of contracts won since January 2010

Contract type	Value (£m)
Integrated	133
Highways integrated	103
Highways term maintenance	102
Street lighting	322
Total	660

Increasing our focus on markets with the greatest opportunities

New growth markets

- Developing a Canadian transportation practice following the acquisition of Halsall in Canada
- Opportunity to combine Parsons Brinckerhoff activities in India with our PPP skills to create a highly relevant offering

Improving operational performance and cost-effectiveness

- Adjusting the cost structures of operating companies
  - Reduction of 1,700 employees in 12 months
- Have been rolling out procurement and back office initiatives since spring 2010
  - Roll-out is proceeding according to plan
  - Completion expected in 2013
  - Achieving gross annualised benefits of about £15m
  - Anticipate achieving annual gross savings of £30m, £20m net

Strengthening our core skills

- Developing the culture and mechanisms to share and transfer knowledge
- Using our combined skills to gain competitive advantage
  - Global transport planning skills applied to the Local Authority market
  - PB's world leading engineering and programme skills enhance our construction proposition
  - PB is a key component of the funds management business

Managing in changing markets

Professional Services

- Steady volume and reasonably robust margins expected
- Progress is impacted in the UK by the shift in market drivers from public to private sector market
- Repositioning resource to higher growth areas
  - Middle East and Asia
  - Mining
- Focus on value and efficiency to enhance the bottom line
- Confident in our ability to deliver both the financial and strategic objectives of the PB acquisition

Construction Services

- Unlikely to see activity levels grow substantially in the short term in the UK and the US
  - Some further reduction possible in the UK
- Lack of volume will impact our business
  - Some reduction in gross margins
  - Working capital outflow
- Opportunities to grow elsewhere in the world
  - Hong Kong
  - Middle East

Support Services

- Steady growth in activity
  - Local government outsourcing
  - Energy sector
- Profits held back in the short term
  - Mobilisation costs impact the early stages of contracts
  - Full benefits accrue at the later stages

Infrastructure Investments

- Governments focusing on finding solutions involving the private sector
- Investment opportunities exist, particularly in the UK
- Generating further income by disposal of mature assets

Conclusion

- Although there are significant challenges in our markets, the nature and magnitude of these are as we expected and planned for
- We are confident of making progress in 2011
- Looking further out, we will continue to manage the business on the basis that conditions will remain tough
- Our strategy will stand us in good stead
  - Scale and capabilities we have built over the last several years
  - Actions we have taken in individual markets
  - Major cost measures we started implementing in 2010
- We expect recovery in our markets in the medium term
- We are well-positioned to take advantage of the growing demand longer-term for infrastructure across the globe

Forward-looking statements

This announcement may include certain forward-looking statements, beliefs or opinions, including statements with respect to Balfour Beatty plc's business, financial condition and results of operations. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology. These statements reflect the Balfour Beatty plc Directors' beliefs and expectations and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation: developments in the global economy; changes in UK and US government policies, spending and procurement methodologies; and the failure in Balfour Beatty's health, safety or environmental policies.

No representation is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements speak only as at the date of the relevant materials and Balfour Beatty plc and its advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in the materials. No statement in the announcement is intended to be, or intended to be construed as, a profit forecast or to be interpreted to mean that earnings per Balfour Beatty plc share for the current or future financial years will necessarily match or exceed the historical earnings per Balfour Beatty plc share. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.

Appendix

Pensions charge

FY 2010	£m	HY 2011	HY 2010
	Defined benefit schemes:		
53	P&L charge – service cost	27	26
(130)	Expected return on assets	(72)	(64)
151	Interest cost on scheme liabilities	73	75
21	Net finance charge	1	11
74	Net pension charge	28	37
	Defined contribution schemes:		
52	P&L charge	27	26
126	**Total charge**	**55**	**63**

Group balance sheet

£m	June 11	Dec 10	Jun 10*
Goodwill and intangible assets	1,523	1,447	1,464
Current assets#	2,180	1,877	2,201
Current liabilities and provisions#	(3,297)	(3,125)	(3,411)
Working capital#	(1,117)	(1,248)	(1,210)
Net cash (excluding PPP subsidiaries)	292	518	500
PPP subsidiaries – financial assets	351	327	290
PPP subsidiaries – non-recourse net borrowings	(294)	(270)	(252)
Retirement benefit obligations (net of tax)	(240)	(321)	(451)
Other assets	1,031	1,024	957
Other liabilities	(332)	(321)	(300)
Shareholders' funds	**1,214**	**1,156**	**998**

amended for Parsons Brinckerhoff opening balance sheet
 # excluding cash/borrowings, tax, derivatives and Barking asset held for sale at June 2011

Balance sheet cash movement

£m	HY 2011	HY 2010
Opening net cash†	518	572
Cash used in operations†	(116)	(39)
Dividends from JVs, associates and Barking	27	26
Capital expenditure and financial investment	(56)	(61)
Acquisitions/disposals (net of cash acquired)	(58)	19
Dividends, interest and tax paid	(19)	(22)
Exchange adjustments	(3)	8
Other items	(1)	(3)
Closing net cash†	**292**	**500**
PPP subsidiaries non-recourse net debt	(294)	(252)
Closing net (debt)/cash	(2)	248

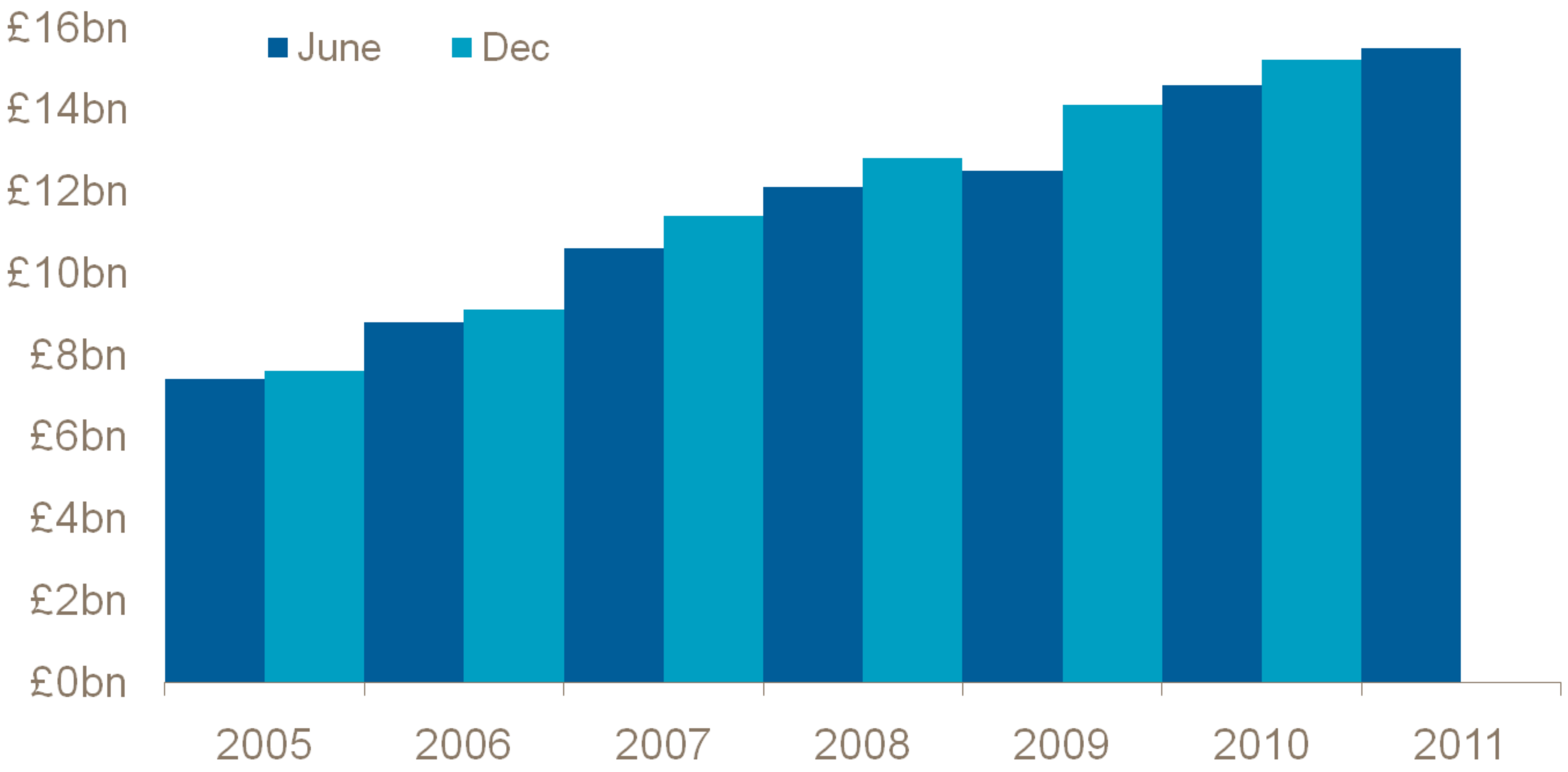
† treating PPP subsidiaries as joint ventures/associates and eliminating their £2m cash from operations (HY 2010: £18m)

Acquisitions and disposals

£m		
Acquisitions:		
Romec Services	30 March	29
Power Efficiency*	7 April	15
Fru-Con Construction*	15 June	13
Howard S. Wright*	30 June	35
Deferred consideration		3
		95
Disposals:		
UK rail manufacturing	3 May	(37)
		58

** net of cash acquired*

Order book



£16bn
£14bn
£12bn
£10bn
£8bn
£6bn
£4bn
£2bn
£0bn
June
Dec
2005
2006
2007
2008
2009
2010
2011