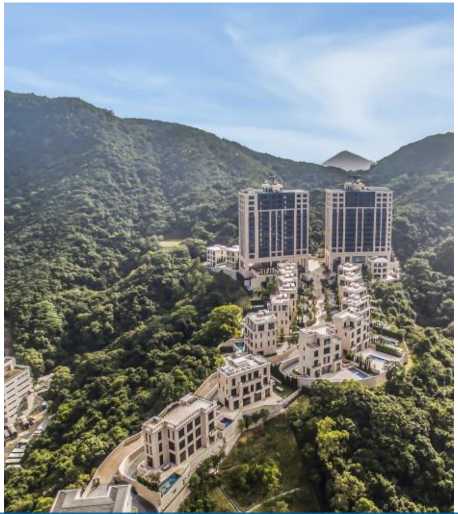

2016 full-year results presentation

16th March 2017

Balfour Beatty

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Leo Quinn

Group Chief Executive

Balfour Beatty

Build to Last: Programme Highlights

- Significantly exceeded Phase One targets – £439m cash in : £123m cost out
- Continued to simplify the Group; exiting non-core assets
- Upgraded leadership and de-layered management in UK and US
- Improving risk management and order book from strengthened governance
- Increased customer satisfaction
- Favourable medium and long term market outlook
- Reiterated Phase Two targets: industry-standard margins by end of 2018

Real momentum in transformation

Build to Last: Financial Highlights

- Order book £12.7bn, up 15% (up 4% at CER)
- Underlying revenue £8.5bn, up 4% (down 3% at CER)
- Group returned to profit following two years of losses; underlying profit from operations £67m
- In the second half of 2016 UK Construction returned to underlying profitability
- Strong balance sheet: net cash £173m underpinned by £1.2bn Investments portfolio
- Following dividend reinstatement, recommended final dividend of 1.8 pence per share (full year 2.7p)

Positive trajectory on all financial metrics

Phil Harrison

Chief Financial Officer

Headline numbers

	2016	2015
Revenue*	**£8,530m**	£8,235m
Profit (loss) from operations*	**£67m**	£(106)m
Pre-tax profit (loss)*	**£60m**	£(123)m
Post-tax profit (loss)*	**£48m**	£(134)m
Underlying EPS*	**7.0p**	(19.8)p
Dividends per share	**2.7p**	-
Order book*	**£12.7bn**	£11.0bn
Directors' valuation	**£1,220m**	£1,244m
Net cash≠	**£173m**	£163m

** from continuing operations, before non-underlying items*
≠ excluding non-recourse net debt

Improved financial metrics

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Order book

£bn	**2016**	2015
Construction Services		
US	5.5	4.1
UK	2.1	1.9
Rail	0.2	0.2
Far East	1.5	1.2
Middle East	0.3	0.5
	9.6	7.9
Support Services		
Utilities	1.5	1.6
Transportation	1.6	1.5
	3.1	3.1
Total	**12.7**	11.0

£bn	**2016**	2015
0-12 months	6.2	5.6
12-24 months	3.4	2.5
24 months+	3.1	2.9
Total	**12.7**	11.0

- Order book increased 15% (4% at CER)
- Continued disciplined and selective approach to bidding
- Tighter control and more stability with shift to lower risk contract portfolio

Improved order book value and quality

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Construction Services

£m		2016			2015	
	Revenue*	**PFO***	PFO* %	**Revenue***	**PFO***	**PFO*%**
US	3,427	33	1.0%	3,097	(22)	(0.7)%
UK	1,894	(64)	(3.4)%	2,024	(187)	(9.2)%
Rail	249	(1)	(0.4)%	274	(5)	(1.8)%
Overseas joint ventures						
Far East	967	11	1.1%	796	19	2.4%
Middle East	315	(2)	(0.6)%	197	(34)	(17.3)%
	6,852	**(23)**	**(0.3)%**	6,388	(229)	(3.6)%

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

Performance

Revenue

Underlying revenue up 7% with 11% increase in US partly offset by 6% decrease in UK

Decline in UK relates to areas with historical issues

Profit from operations

Losses reflect historical issues in UK

US already at lower end of industry-standard margin target

Positive trajectory

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UK historical contracts

Year end 2016: 90% of projects at practical or financial completion

Historic contracts as at	**2016**	2015
Continuing	9	36
Practical completion	16	24
Financial completion	64	29
Total	**89**	89

90%

Remaining nine projects expected to reach practical completion in 2017 or 2018

Achieved year end target

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Support Services

£m	2016	2015
Revenue*		
Utilities	590	631
Transportation	513	628
	1,103	1,259
Profit from operations*	**34**	24
Operating margin* %	**3.1%**	1.9%

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

Performance

Revenue

12% decrease due to phasing of contracts and regulatory cycles

Transport: lower volumes from local authorities

Profit from operations

Support Services already at lower end of 3%-5% industry-standard margin target

Positive trajectory

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Infrastructure Investments

£m	2016	2015
UK*	20	33
North America	29	25
Infrastructure Fund	-	3
Bidding costs and overheads	(25)	(24)
Pre-disposals operating profit	**24**	37
Profit on disposals	65	95
Underlying profit from operations	**89**	132
Subordinated debt interest income	29	24
Infrastructure concessions' net interest	(3)	5
Investments pre-tax result	**115**	161

** including Singapore and Australia*

Performance

Simplified business; exiting BBIP and Australia

In total, 16 complete or part disposals

Asset sales generated £189m with disposal profits of £65m

All disposals at or above Directors' valuation

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Infrastructure Investments

	2015 projects	New wins in period	Projects sold	2016 projects
University/student accommodation	11			10
OFTO	3			3
Healthcare	6			6
Military housing	21			21
Transport	13			13
Housing	5			8
Energy	4			4
Schools	7			-
Other	3			4
Total	73*	**4**	**8**	**69** ≠

** Two projects that were at preferred bidder subsequently included in the Directors' valuation*
≠ Five projects have not yet reached financial close

Diversified portfolio

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Directors’ valuation of Investments portfolio

£m				**2016**	2015
Opening valuation				1,244	1,300
Cash invested inc. BBIP investment			65		
Cash received – distributions	(64)				
– disposals	(189)	→	(253)		
	Net cash received			(188)	(125)
New project wins				6	45
Disposal gains against Directors’ valuation				7	-
Unwind of discount on NPV				90	93
Operational performance inc. FX movements				61	(69)
Closing valuation				**1,220**	1,244
Number of projects included in portfolio				**69**	73*

* *Two projects that were at preferred bidder status subsequently included in the Directors’ valuation*

Valuation maintained, despite disposals

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Cash flow

£m	**2016**	2015
Operating cash flows*	(58)	(247)
Working capital	(48)	178
Infrastructure Investments		
Disposal proceeds	189	145
New investments	(65)	(102)
Pension deficit payments	(41)	(66)
Other	33	36
Cash inflow (outflow)	**10**	(56)
Cash inflow (outflow) exc PB proceeds	**1**	(81)

Opening cash≠	163	219
Movements in the year	10	(56)
Closing cash	**173**	163

* *Before pension deficit payments*
≠ *Excluding infrastructure concessions net debt*

£m	**2016**	2015
Working capital		
Inventory & WIP	42	27
Construction contract balances	36	308
Trade & other payables	(60)	(236)
Trade & other receivables	(134)	74
Provisions	68	5
Working capital (outflow) inflow	**(48)**	178

Performance

Positive cash movement in the year of £10m

Average net debt (£46m)

Positive cash movement in the year

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Group balance sheet

£m	**2016**	2015
Goodwill and intangible assets	1,162	1,066
Working capital	(894)	(890)
Net cash (excluding infrastructure concessions)	173	163
Investments in joint ventures and associates	628	671
PPP financial assets	163	402
Infrastructure concessions – non-recourse net debt	(233)	(365)
Retirement benefit liabilities	(231)	(146)
Other assets and liabilities	(11)	(75)
Equity holders' funds	**757**	826

Maintaining balance sheet strength

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Leo Quinn

Group Chief Executive

Build to Last

Simplifying the business

- Streamlining structures

Strengthening leadership

- Clear direction

Improving governance and processes

- Short interval control

Transforming the culture

- Measurement and transparency

Foundations laid for future profitable growth

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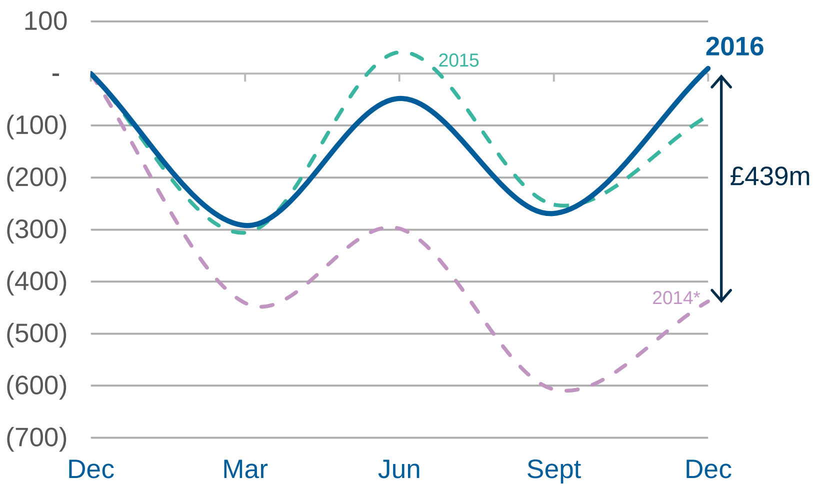
Build to Last – LEAN

Phase One targets achieved: **£200m cash in :** £100m cost out

Cumulative annual cash flow



** Adjusting for the sale of Parsons Brinckerhoff*
≠ Includes part disposals

Cash is our Compass

- £439m cash flow improvement versus 2014
- Cumulative cash flow improvements
  - improved operating cash flow and working capital
  - increased net investment disposals
  - dividend suspension (now reinstated)
  - foreign exchange
- Positive total cash movement in 2016

Investment portfolio – flawless execution over 24 months

- 20 asset disposals≠, 13 new project wins
  - £334m cash disposal proceeds; £167m cash invested
- Expect to grow Directors Valuation from current £1.2bn

Maintaining cash disciplines

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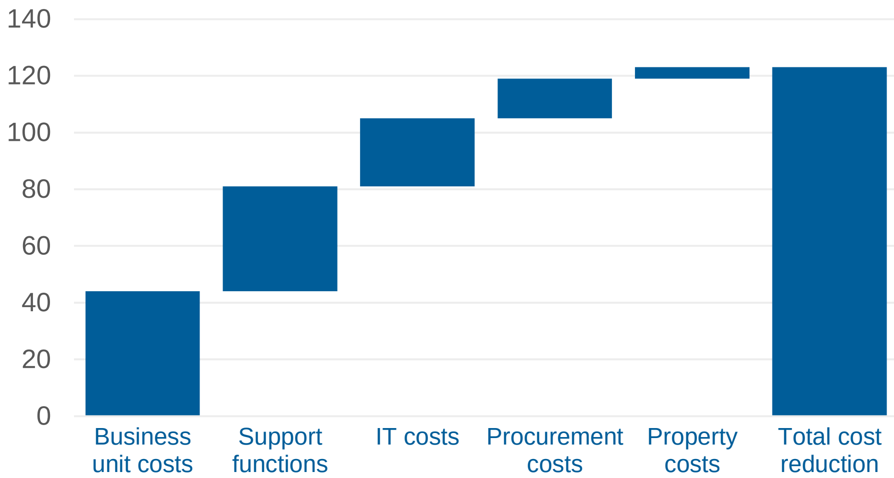
Build to Last – LEAN

Phase One targets achieved: £200m cash in : **£100m cost out**

£123m annualised savings since 2014



- Early, bold decisions delivering efficiencies
  - Centralised support functions; UK followed by US
  - My Contribution: over 3,000 ideas delivering c. £19m savings
  - Established 40+ US strategic procurement partnerships
- Continuing to de-layer and simplify the Group around core markets
  - 80% of senior leadership upgraded and strengthened
  - US Construction now unified under single leader
  - UK M&E and Power leadership upgraded
  - Exited Middle East, Australia and Indonesia; divested BBIP

Full benefits still to be realised

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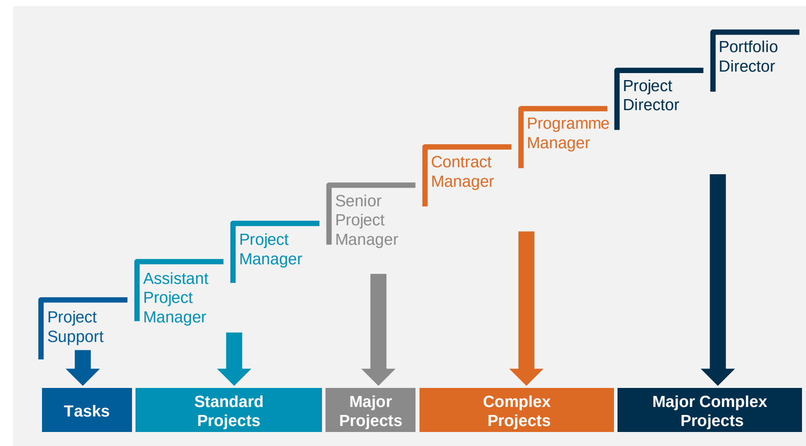
Build to Last – EXPERT

- Upgrading leadership
- Competencies measured
- Optimised resource allocation
- Improved retention rates
- 114 apprentices, 110 graduates
- Digitising construction

Project management competency development



Driving competitive advantage

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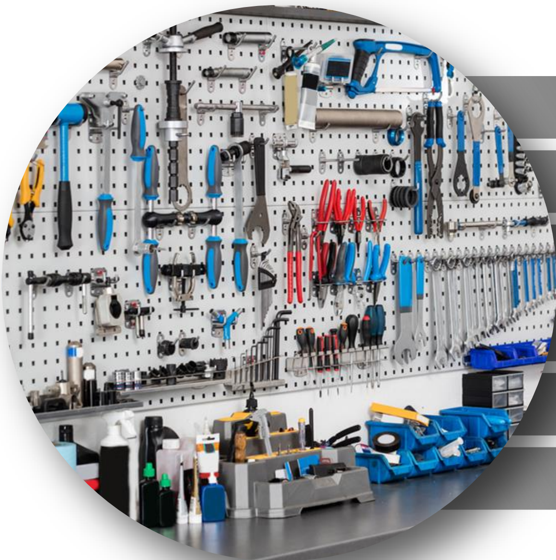
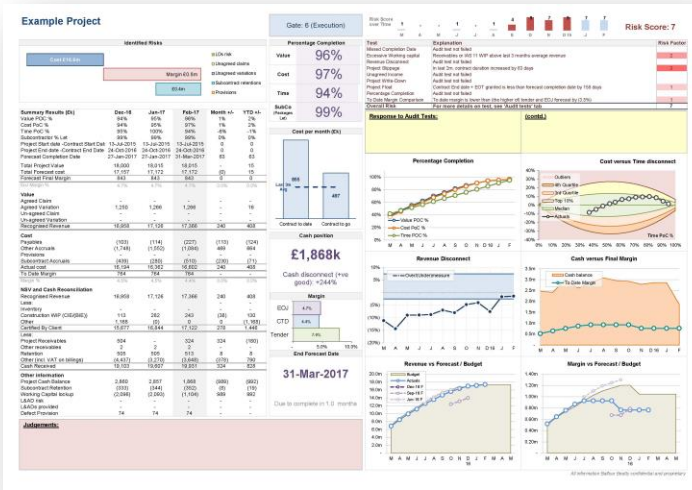
Build to Last – TRUSTED



- Gated Lifecycle
- Digital Briefcase
- Site Mobilisation Hub
- One Business Management System
- Relentless collaboration
- Strong balance sheet

Project on a Page



Doing what we say we will do

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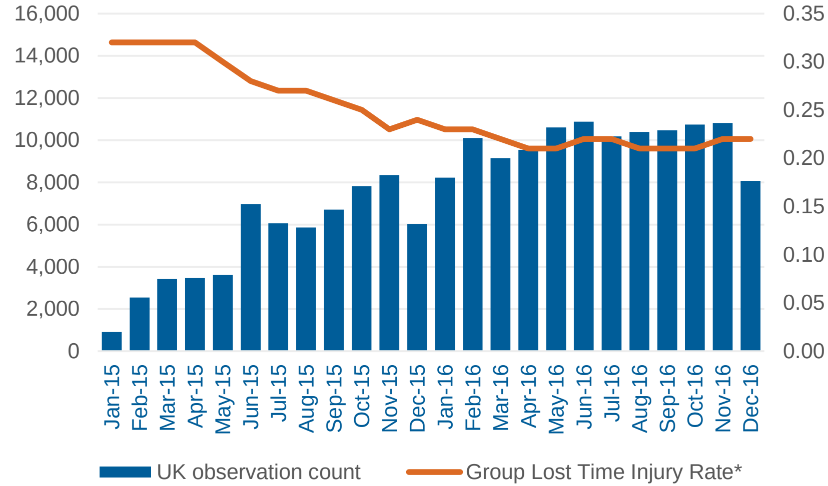
Build to Last – SAFE

- Improving LTIR
- Growth in observations
- Safety by design
- Making safety personal
- Review and learn
- Sentencing guidelines

Group Lost Time Injury Rate* vs UK observations



** Excluding international joint ventures*

Zero Harm – our license to operate

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Core markets

US CONSTRUCTION

US Administration prioritising infrastructure renewal

FAST Act provides $305bn funding

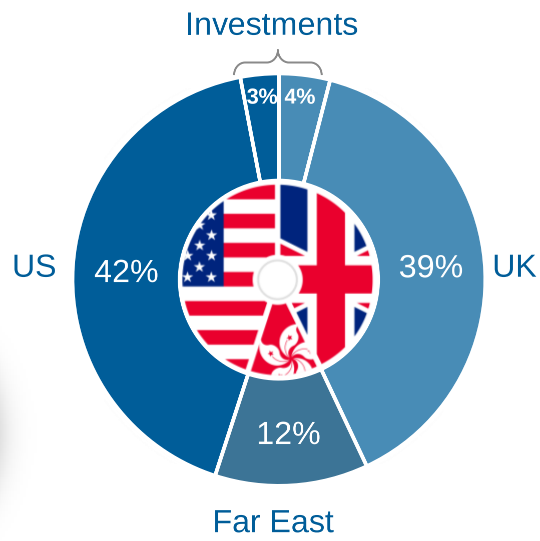
Over $200bn education and transportation bonds

SUPPORT SERVICES

Medium term pick-up as regulatory periods reset (Rail, Gas, Water, Power)

Power cabling and offshore

REVENUE BY GEOGRAPHY



UK CONSTRUCTION

UK Government £500bn National Infrastructure and Construction Pipeline

Strong pipeline of major projects (Highways, HS2, Energy, Airports)

Tall buildings

INVESTMENTS

UK and US Governments seeking to reinvigorate Private Finance market (PF2, US tax credits)

Strong pipeline of opportunities

Favourable market conditions

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Build to Last outlook

Phase One (2015-16)

- Targets achieved: laying the foundations for future, profitable growth

Phase Two (2017-18)

- Earnings-based businesses: reach industry-standard margins
  - UK Construction: 2%-3%
  - US Construction: 1%-2%
  - Support Services: 3%-5%
- Asset-based business: portfolio managed to maximise value

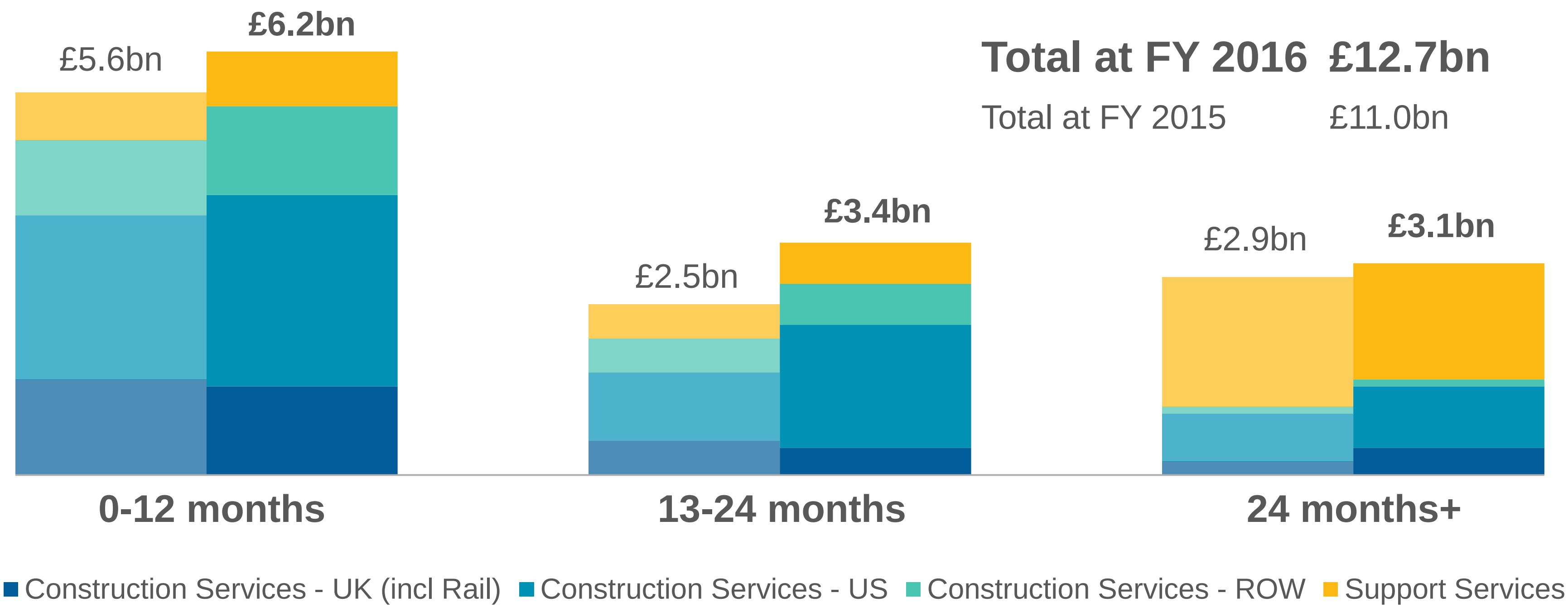
Phase Three (2019+)

- Market-leading strengths and performance

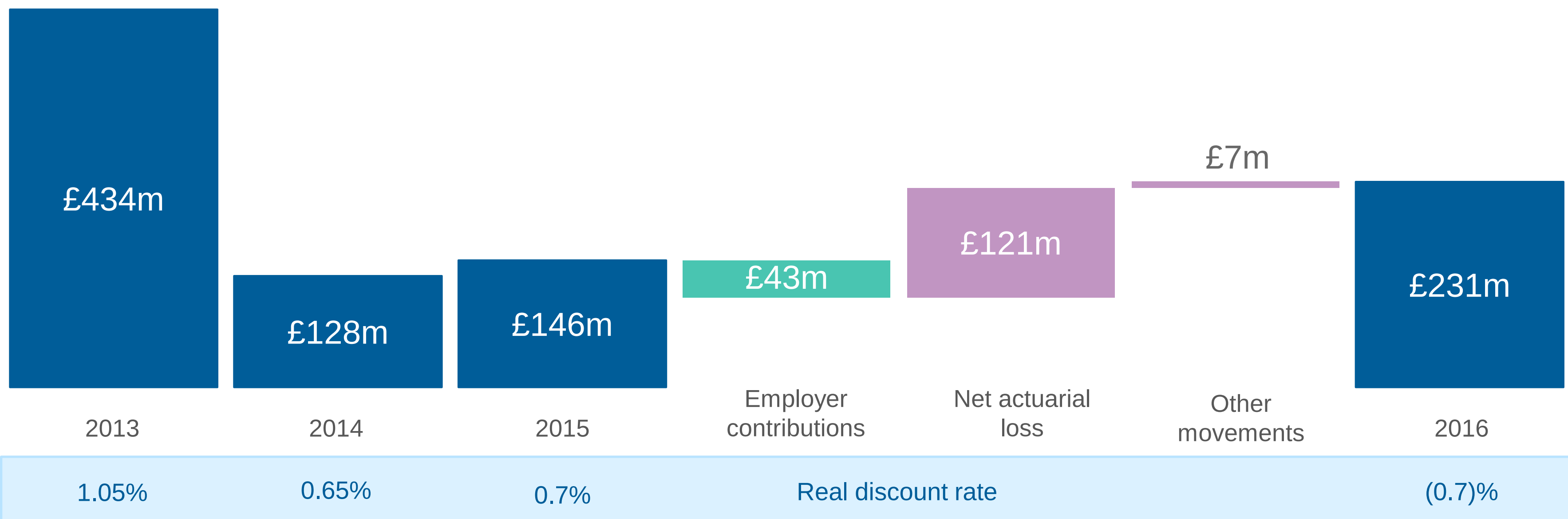
Foundations set; trajectory positive

Appendix

Order book position FY16 v FY15



Pensions – balance sheet movement



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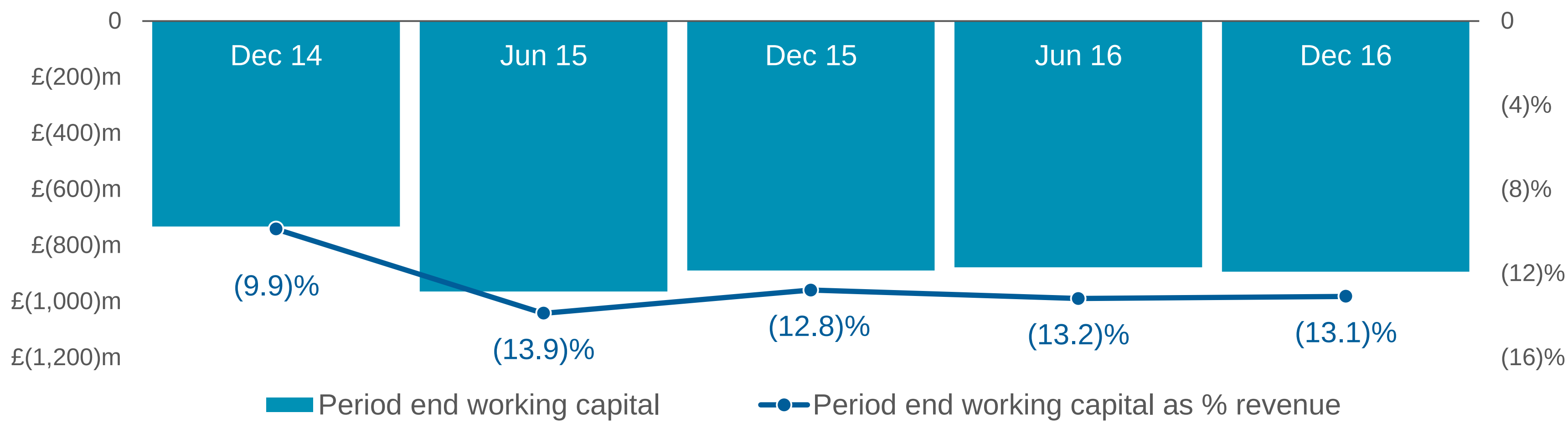
Working capital – Group



*Debtor days**	59		42	49	48
*Creditor days**	100		91	99	97
Debtor days≠	29		27	30	34
Creditor days≠	46		45	52	51

From continuing operations including non-underlying

* *Debtor days include Current trade & other receivables, Due from construction contract customers and Due to construction contract customers. Creditor days include Trade and other payables*

≠ *Debtor days include Current trade receivables. Creditor days include Current trade and other payables, excluding accruals*

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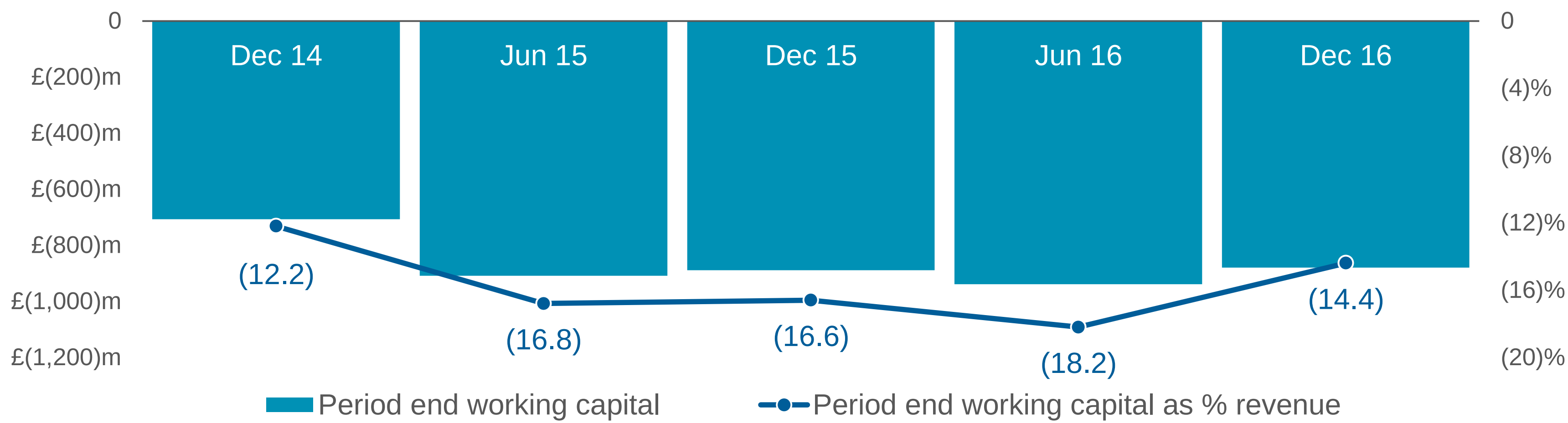
Working capital – Construction Services



From continuing operations including non-underlying

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Net interest cost

£m		**2016**	2015
Subordinated debt interest receivable	29		
Interest on PPP financial assets	21		
Interest on non-recourse borrowings	(24)	26	29
Net finance costs – pension schemes		(4)	(3)
Other interest receivable	6		
Other interest payable	(15)		
FX gains on US deposits	19	10	(8)
US private placement		(13)	(11)
Convertible bonds			
- finance cost	(5)		
- accretion	(7)	(12)	(11)
Preference shares			
- finance cost	(12)		
- accretion	(2)	(14)	(13)
Net interest cost		**(7)**	(17)

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Non-underlying items

£m	Continuing	
Trading		
- ES	(6)	
- Rail Germany	1	(5)
Impairment & amortisation		
- Amortisation of acquired intangibles	(9)	
- Land impairment relating to Blackpool Airport	(3)	(12)
Restructuring & reorganisation		
- Build to Last transformation costs	(14)	(14)
Disposals & other		
- Release of Trans4m provisions	9	
- Gain on disposal of SSL, BBIP and Rail Germany	8	
- Pension fund settlement gain	1	
- Reassessment of industrial disease related liabilities	(14)	
- Revised legal guidelines and settlements	(25)	(21)
Non-underlying items before tax		**(52)**

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Construction Services trajectory

£m	PFO			Operating margin %		
	H1	H2	FY 2016	H1	H2	FY 2016
US	12	21	**33**	0.7%	1.2%	**1.0%**
UK	(66)	2	**(64)**	(7.7)%	0.2%	**(3.4)%**
Rail	(3)	2	**(1)**	(2.3)%	1.7%	**(0.4)%**
Overseas joint ventures						
Far East	3	8	**11**	0.7%	1.4%	**1.1%**
Middle East	(6)	4	**(2)**	(4.3)%	2.3%	**(0.6)%**
	(60)	37	**(23)**	(1.9)%	1.0%	**(0.3)%**

Performance

PFO

In H2 all geographies returned to positive PFO

UK returned to profit following material losses over previous two and a half years

Operating margin

Build to Last Phase Two targets:

UK 2%-3%

US 1%-2%

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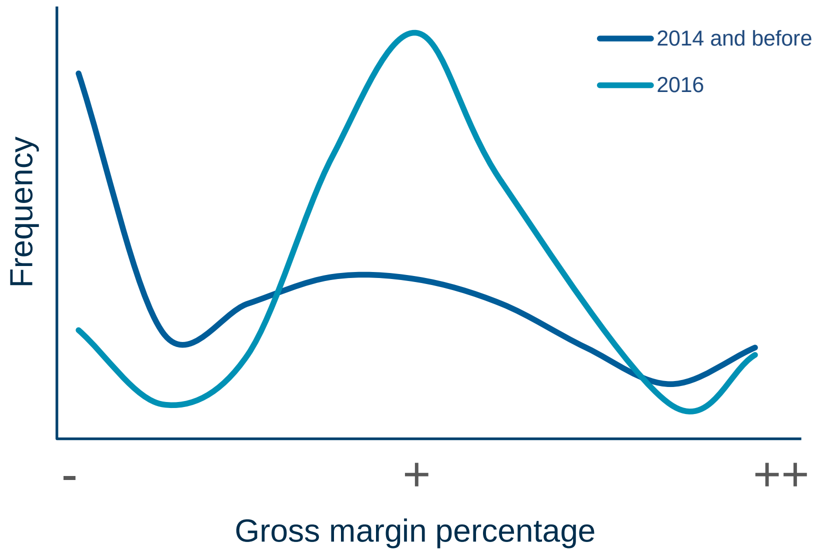
UK Regional Construction – tighter control



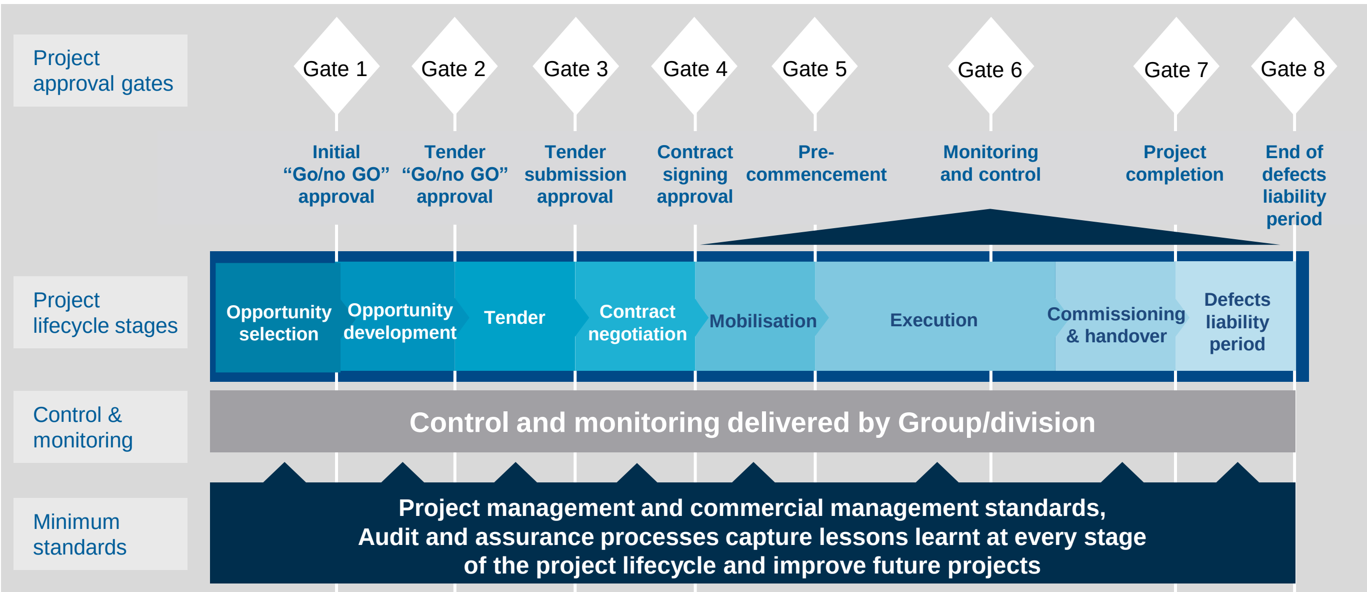
Graph shows distribution of gross margin percentage delivered to date across UK regional contracts, based on year of commencement

For completed contracts, “to date” represents the final position; for ongoing projects, it reflects a prudent estimate of our delivered performance

Projects started in 2016 have a much narrower range of outcomes as a direct consequence of the tighter, more effective control environment

Build to Last

Gated business lifecycle



More selective bidding process

Bid margins improving

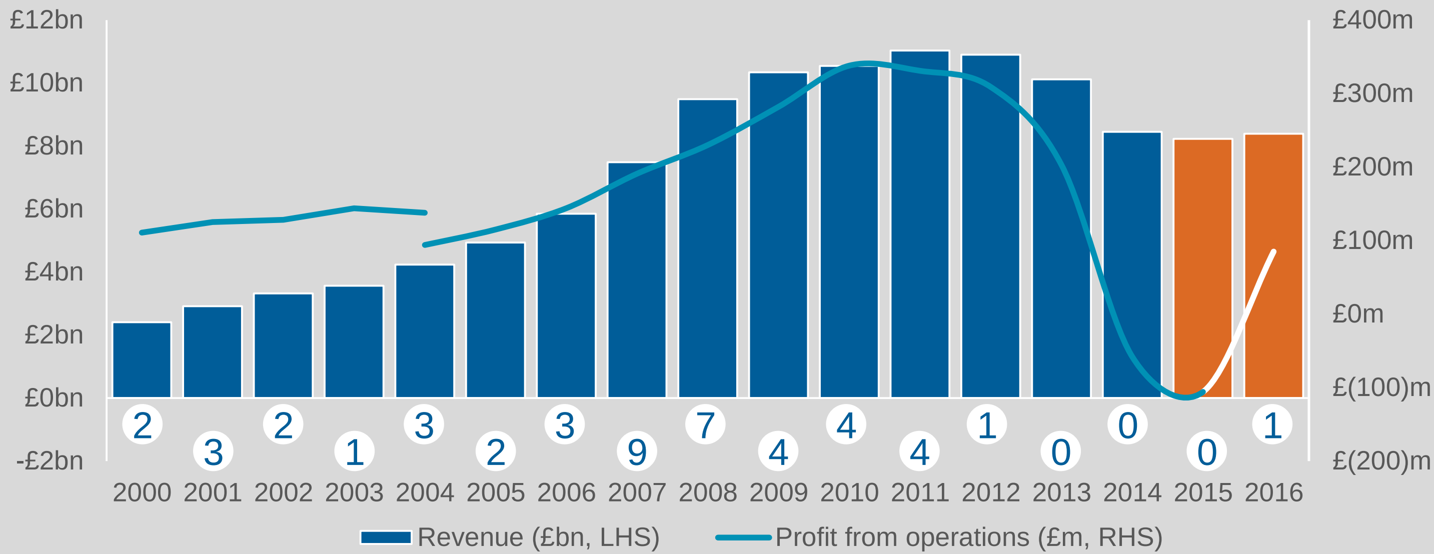
Focus on cash, cost and risk

Greater concentration on two-stage bidding

Financial history

450%
increase in revenue

45
acquisitions since 2000



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