



2017 full year results presentation

14 March 2018

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Leo Quinn
Group Chief Executive



Build to Last highlights

- Underlying profit from operations more than doubled to £196m (2016: £69m)
- All earnings-based businesses materially improved profit from operations
- Average net cash £42m (2016: £46m net debt); year end net cash £335m (2016: £173m)
- M25 partial sales in line with strategy to maximise value from Investments portfolio
- Directors' valuation of Investment portfolio unchanged at £1.2bn
- Rebased, higher quality order book of £11.4bn, in line with half year
- Recommended final dividend of 2.4 pence per share; full year 3.6 pence per share

Remain on track for industry-standard margins in second half of 2018

De-risking Balfour Beatty to improve returns



GEOGRAPHIC

Simplified and refocused on chosen markets in UK & Ireland, US and Far East

Exited construction in Middle East, Indonesia, Australia and Canada



COMMERCIAL

Selective bidding for contracts best aligned with Group's infrastructure capabilities

Higher quality, lower risk order book on more favourable commercial terms



OPERATIONAL

Upgraded leadership and governance

Short interval control via Gated Lifecycle, Digital Briefcase and Project on a Page



FINANCIAL

Strong balance sheet; running business with average net cash

Started to pay down gross debt in 2017

Building a culture to underpin future profitable growth

Phil Harrison
Chief Financial Officer



Headline numbers

	2017	2016 [^]
Revenue*	£8,234m	£8,215m
Profit from operations*	£196m	£69m
Pre-tax profit*	£165m	£62m
Post-tax profit	£143m	£48m
Statutory profit	£168m	£24m
Underlying basic EPS*	20.9p	7.2p
Dividends per share	3.6p	2.7p
Order book*	£11.4bn	£12.4bn
Directors' valuation	£1,244m	£1,220m
Year end net cash [‡]	£335m	£173m
Average net cash/(debt) [‡]	£42m	£(46)m

* from continuing operations, before non-underlying items

‡ excluding infrastructure concessions (non-recourse) net debt

[^] re-presented to classify the Group's 49% interests in Dutco Balfour Beatty LLC and BK Gulf LLC as discontinued operations

Strong financial performance

Balfour Beatty

Underlying profit from operations

£m	2017*	2016**
US Construction	41	33
UK Construction#	16	(65)
Gammon	15	11
Construction Services	72	(21)
Support Services	41	34
Infrastructure Investments	116	89
Corporate activities	(33)	(33)
Total	196	69

* from continuing operations, before non-underlying items

re-presented to include Rail construction as part of UK Construction

^ re-presented to classify the Group's 49% interests in Dutco Balfour Beatty LLC and BK Gulf LLC as discontinued operations

Improved profit from operations across all businesses

Balfour Beatty

Order book

£bn	FY 2017	HY 2017	FY 2016 [^]
Construction Services			
US	4.3	4.7	5.5
UK [#]	2.7	2.2	2.3
Gammon	1.3	1.2	1.5
	8.3	8.1	9.3
Support Services			
Utilities	1.3	1.5	1.5
Transportation	1.8	1.8	1.6
	3.1	3.3	3.1
Total	11.4	11.4	12.4

£bn	FY 2017	FY 2016 [^]
0-12 months	4.9	5.9
12-24 months	3.3	3.4
24 months+	3.2	3.1
Total	11.4	12.4

Full year 8% decrease (down 3% at CER)

Directly in line with half year 2017

Strong governance ensures selective bidding

Increased bid margin thresholds, lower risk contract portfolio

[#] re-presented to include Rail construction as part of UK Construction

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Higher quality order book

Balfour Beatty

Construction Services

£m	2017*			2016 [^]		
	Revenue	PFO	PFO %	Revenue	PFO	PFO %
US	3,634	41	1.1%	3,427	33	1.0%
UK [#]	1,998	16	0.8%	2,143	(65)	(3.0)%
Gammon	1,017	15	1.5%	967	11	1.1%
Total	6,649	72	1.1%	6,537	(21)	(0.3)%

Performance

Revenue increased 2%
(down 2% at CER)

Construction Services
returned to profit

Materially improved PFO in
all business segments

* from continuing operations, before non-underlying items

re-presented to include Rail construction as part of UK Construction

[^] re-presented to classify the Group's 49% interests in Dutco Balfour Beatty LLC and BK Gulf LLC as discontinued operations

Remain on track for industry-standard margins in second half of 2018

Support Services

£m	2017	2016
Revenue		
Utilities	608	590
Transportation	453	513
Total	1,061	1,103
Profit from operations*	41	34
PFO margin*	3.9%	3.1%

* before non-underlying items

Performance

Revenue decreased by 4%

Power: restructure and cost removal

Gas and Water: middle of regulatory cycles

Highways: strong work winning

Rail: Network Rail operations contracts

Support Services in middle of PFO margin range

Infrastructure Investments

£m	2017	2016
Pre-disposals operating profit*	30	24
Gain on disposals	86	65
Investments underlying operating profit*	116	89
Subordinated debt interest receivable	26	29
Infrastructure concessions' net interest	(2)	(3)
Investments pre-tax result*	140	115

* before non-underlying items

Performance

Increased profit driven by higher gains on disposals

Three partial sales of Connect Plus M25:

2017 profit & cash: 12.5% sale for £54m profit on disposal, £103m cash proceeds

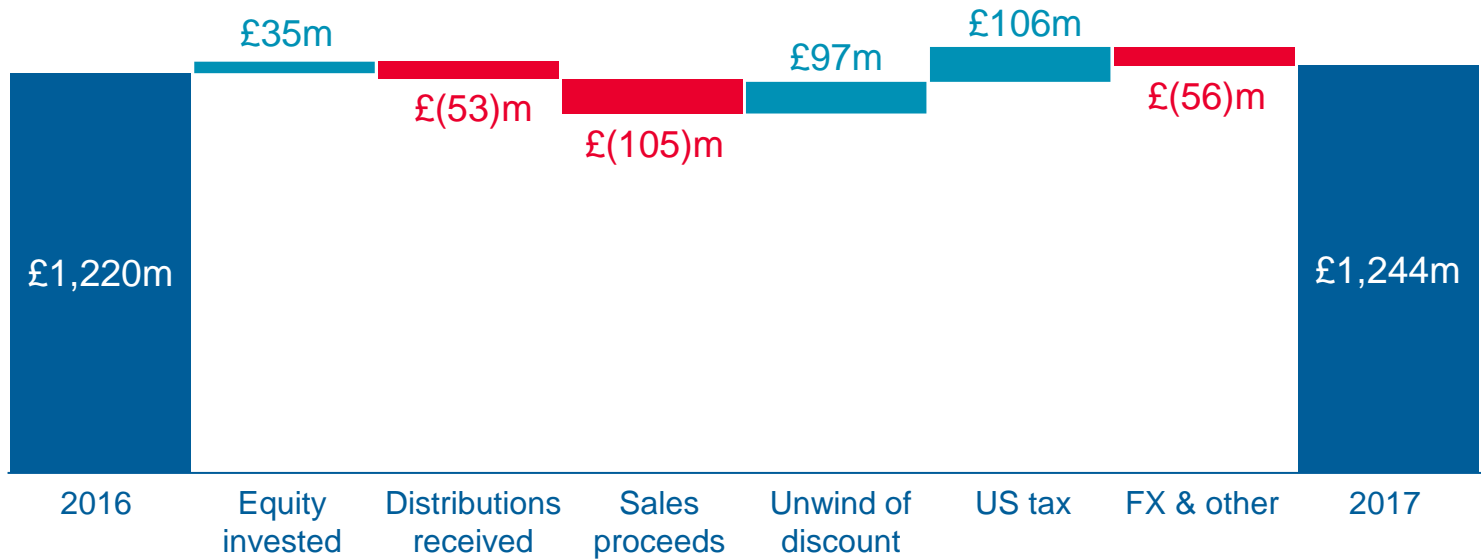
2017 profit, 2018 cash: 7.5% sale for £32m profit on disposal, £62m cash proceeds

2018 profit & cash: 5% sale for £21m profit on disposal, £42m cash proceeds

In total 25% sale for £107m profit on disposal, £207m cash proceeds; Group retains 15% interest in Connect Plus M25 asset

Ongoing strategy to maximise value of the portfolio

Directors' valuation of Investments portfolio



Directors' valuation remains stable at £1.2bn

Aberdeen Western Peripheral Route (AWPR)

- Bid in 2014
- Delays caused by utilities and weather throughout the project
- Project completion expected summer 2018
- Cash outflow in the range announced 15 January 2018
 - Balfour Beatty's 50% obligation c. £105m to £120m
- As a result of Carillion's liquidation, a one-off, non-underlying charge of £44m taken in 2017



Project focus remains on completion

Full year cash flow

£m	2017	2016
Operating cash flows	39	(58)
Working capital inflow/(outflow)	27	(48)
Pension deficit payments	(25)	(41)
Cash generated from/(used in) operations	41	(147)
Infrastructure Investments		
Disposal proceeds	105	189
New investments	(35)	(65)
Other	51	33
Cash inflow	162	10
Opening net cash*	173	163
Closing net cash*	335	173

* excluding infrastructure concessions

£m	2017	2016
Working capital		
Inventories & WIP	(12)	42
Construction contract balances	7	36
Trade & other payables	(92)	(60)
Trade & other receivables	95	(134)
Provisions	29	68
Working capital inflow/(outflow)	27	(48)

Performance

Average net cash £42m (2016: £46m net debt)

Maintained strong working capital position

Cash is our compass

Balfour Beatty

Group balance sheet

£m	2017	2016
Goodwill and intangible assets	1,155	1,162
Working capital	(888)	(894)
Net cash (excluding infrastructure concessions)	335	173
Investments in joint ventures and associates	531	628
PPP financial assets	163	163
Infrastructure concessions – non-recourse net debt	(305)	(233)
Retirement benefit assets/(liabilities)	32	(231)
Other assets & liabilities	33	(11)
Equity holders' funds	1,056	757

One of the strongest balance sheets in the sector

Leo Quinn
Group Chief Executive



Build to Last

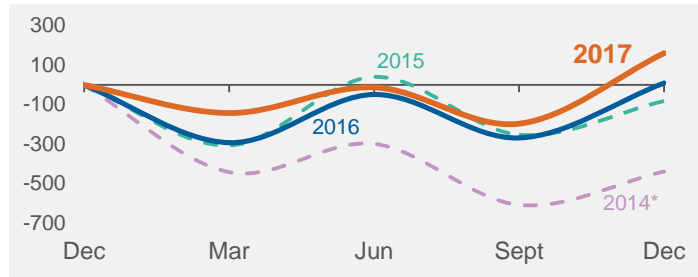


Platform to underpin future profitable growth

Build to Last

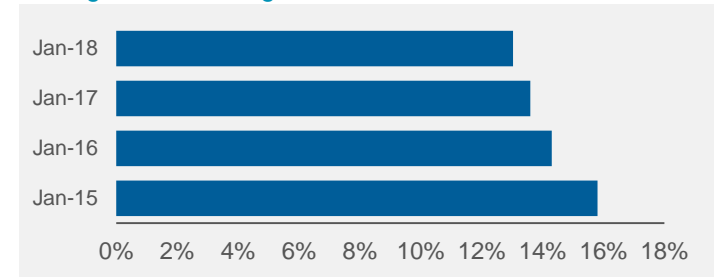


Lean: Cumulative annual cash flow⁺ £m

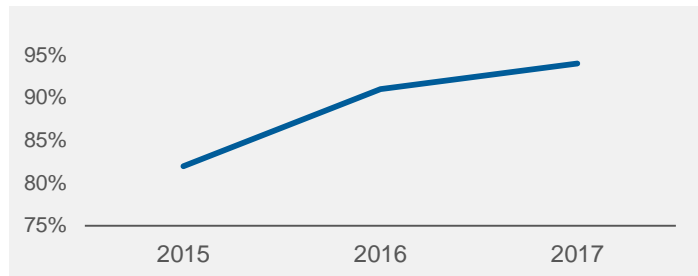


* adjusting for the sale of Parsons Brinckerhoff + includes other disposals

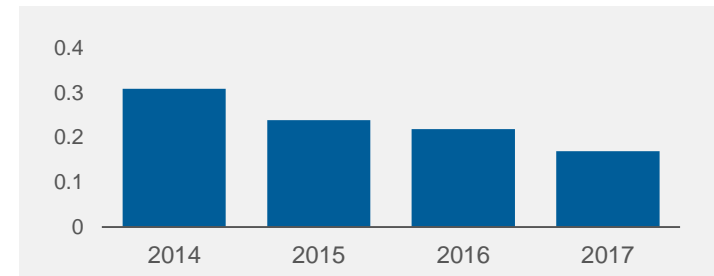
Expert: UK voluntary attrition moving annual average



Trusted: Customer satisfaction – DWWSWDD



Safe: Lost Time Injury Rate[^]



[^] excluding international joint ventures

Capabilities to capitalise on rising infrastructure tide

Infrastructure Investments model

Project: M25 Orbital Road



- DBFO contract awarded 2009 at c.£6bn
- Three partial sales totalling 25% of Connect Plus M25 for £207m
- Value represents 25% premium on previous market transactions
- Retained 15% stake in asset and full share of 25 year Connect Plus Services maintenance contract

- Utilise favourable construction working capital
- Project finance makes return on capital employed
- Enhanced returns when Investments, Construction and Services deliver as one
- Optimise value through the disposal of operational assets, whilst also continuing to invest in new opportunities
- Cash Out: Equity invested in new opportunities
- Cash In: Distributions received and sale proceeds

Infrastructure Investments underpins balance sheet strength

Infrastructure Investments case study

Project: LAX Automated People Mover

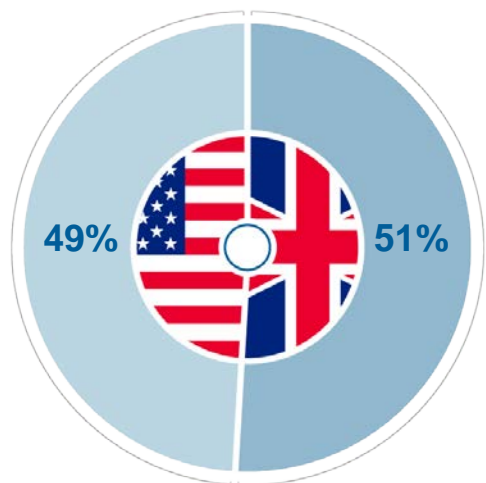
- 2.25 miles elevated trainlines, six stations, 30 million passengers a year
- \$1.95bn DBFO (30% construction & 27% equity partner)
- Experienced four-way joint venture construction team
- Plays to Balfour Beatty strengths:
 - Project financing
 - Core geography
 - Capitalises on Building, Civils and Rail expertise



First Balfour Beatty US PPP project

Infrastructure Investments portfolio by sector

Directors' valuation by geography



Directors' valuation by sector (£m)	2017	2014*
Roads	290	467
Healthcare	136	225
Other PFI	28	116
Non-PFI	182	135
UK total[^]	636	943
US military housing	497	322
US other	111	15
North America total	608	337
Total	1,244	1,280

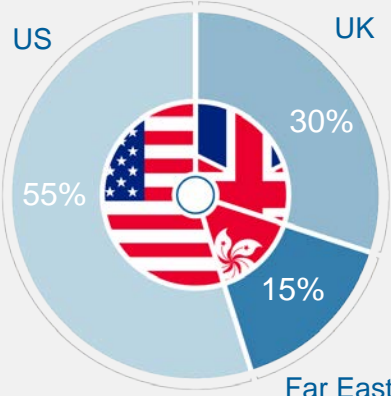
Directors' valuation by phase (£m)	2017	2014*
Operations	1,089	1,128
Construction	130	137
Preferred bidder	25	15
Total	1,244	1,280

* excluding BBIP

[^] UK includes Singapore

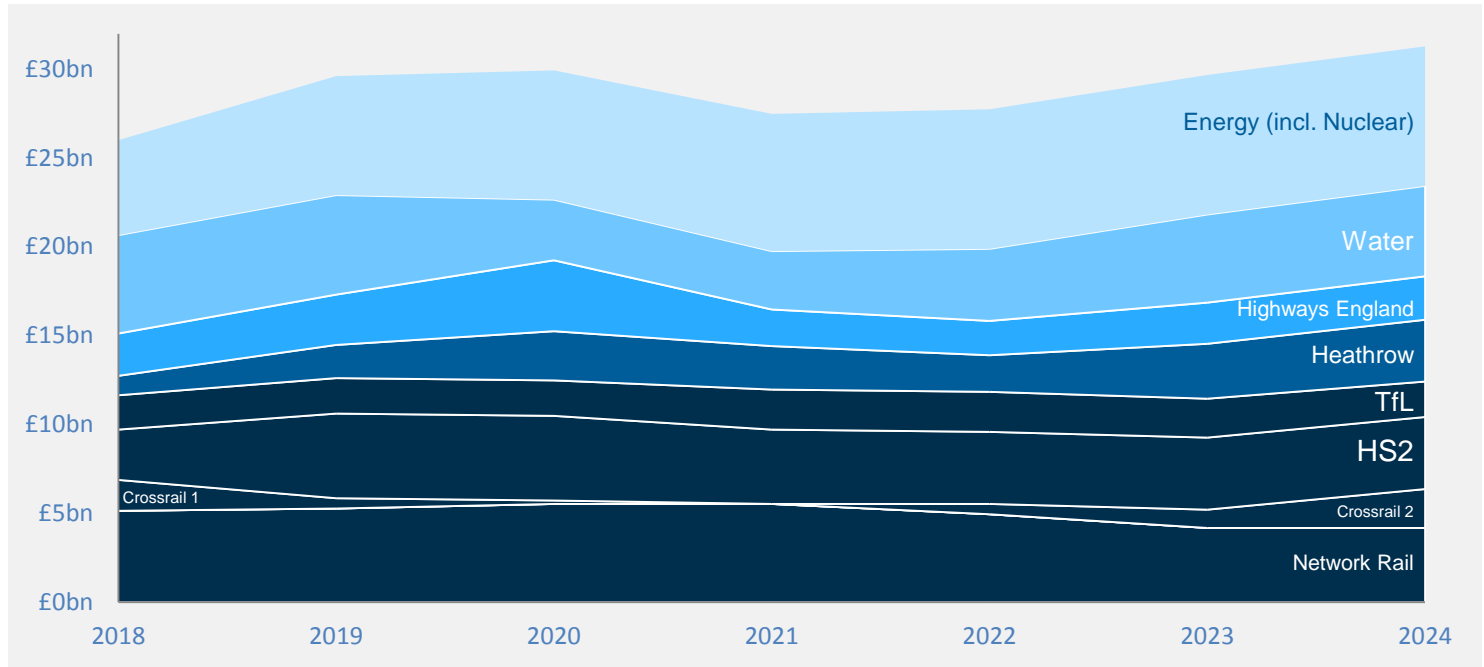
US PPP market demand strong

Positive infrastructure markets

Construction revenue by geography	US Positive infrastructure & buildings market	UK Positive infrastructure market	Far East Positive infrastructure market
 <p>US 55%</p> <p>UK 30%</p> <p>Far East 15%</p>	Fixing America's Surface Transportation (FAST) Act US\$305bn	HS2 £56bn	HK International airport third runway HK\$140bn
	Nationwide transportation bonds > US\$200bn	Hinkley Point C £20bn	Central Kowloon Route HK\$16bn
	California education bonds US\$35bn	Highways England £35bn	Rail Circle Line Singapore SG\$1.5bn
		Heathrow third runway £14bn	

Bidding selectively in growing markets

UK infrastructure expenditure 2018 – 2024



Source: Network Rail

Significant infrastructure investment market

The Four H's: Case study – HS2 opportunity

Planned HS2 phases



	Contract description	Total opportunity	Detail	Balfour Beatty expertise			
				Civils	Rail	Power	M&E
Phase 1 (awarded)	Lot N1 main works civils*	£1.3 billion	Awarded	✓	✓		
	Lot N2 main works civils*	£1.2 billion	Awarded	✓	✓		
Phase 1 (future)	Old Oak Common station	Approx. £1.3 billion	Award expected in 2018	✓	✓		✓
	Rail systems, Lots 1-3 and 6	Approx. £2.5 billion	Award expected in 2019	✓	✓	✓	✓
	Birmingham stations	Approx. £1.3 billion	Award expected in 2020	✓	✓		✓
Phase 2a	Birmingham to Crewe, all lots	Approx. £3.7 billion	Award expected in 2019	✓	✓		✓

* published 7 July 2017

Decade of opportunity for which Balfour Beatty is uniquely positioned

Build to Last outlook



Phase One (2015-16)

- Targets achieved: solid foundations for sustainable, 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

On track for industry-standard margins in the second half of 2018

Balfour Beatty today



Strong operational controls and strong balance sheet

- Build to Last transforming Balfour Beatty

Proven leadership team

- Building bench strength in depth across the organisation

Focused strategy

- Sustainable profitable growth

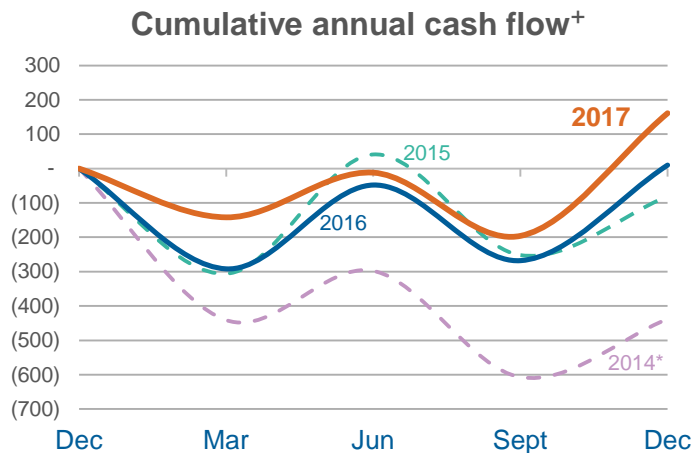
Positive market outlook

- Capitalising on expert infrastructure capabilities

Strong platform for industry-leading performance

Appendix

Build to Last – LEAN



* adjusting for the sale of Parsons Brinckerhoff
+ includes other disposals

Cash is our compass

- Average net cash £42m (2016: £46m net debt)
- Year end net cash £335m (2016: £173m)

Cost out

- Build to Last Phase One: £123m cost out
- 2017: additional £30m cost out
- Continuing to invest in technology to drive performance and efficiencies

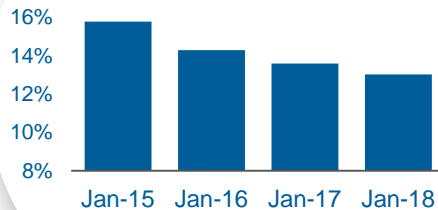
Cash in, cost out: improve every day

Build to Last – EXPERT



UK voluntary attrition

(moving annual average)



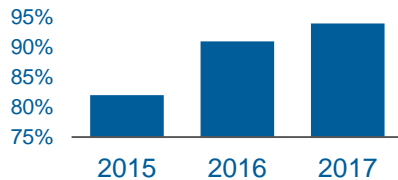
Creating a great place to work

- Continue to strengthen leadership
 - Rail, Power T&D, Gas and Water under one leader in UK & Ireland
 - Two executive leaders promoted for Buildings and Civils operations in US
- Continuously investing in future capabilities
 - Over 150 former Carillion staff with key capabilities employed
 - 5.3% of UK workforce in 'earn and learn' roles
 - Recruited 124 apprentices, 93 graduates and 35 trainees in 2017
 - Investing in infrastructure to manage and develop our people
- 60% Group employee engagement score (2016: 58%)

Recruiting, training and retaining the highest calibre workforce

Build to Last – TRUSTED

Customer satisfaction rate



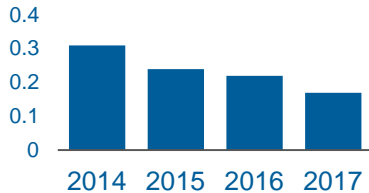
Continuing to deliver on promises

- Governance and controls providing a transparent and disciplined contracting framework
 - Over 1,000 projects utilising Digital Briefcase
 - Project on a Page fully embedded within ERP system
 - Winning new business matched to capabilities with appropriate risk-reward
 - Higher quality, lower risk order book
- Management focused on quality of the order book
- Group customer satisfaction increased to 94% (2016: 91%)

Doing What We Say We Will Do

Build to Last – SAFE

**Balfour Beatty Group
Lost Time Injury Rate***



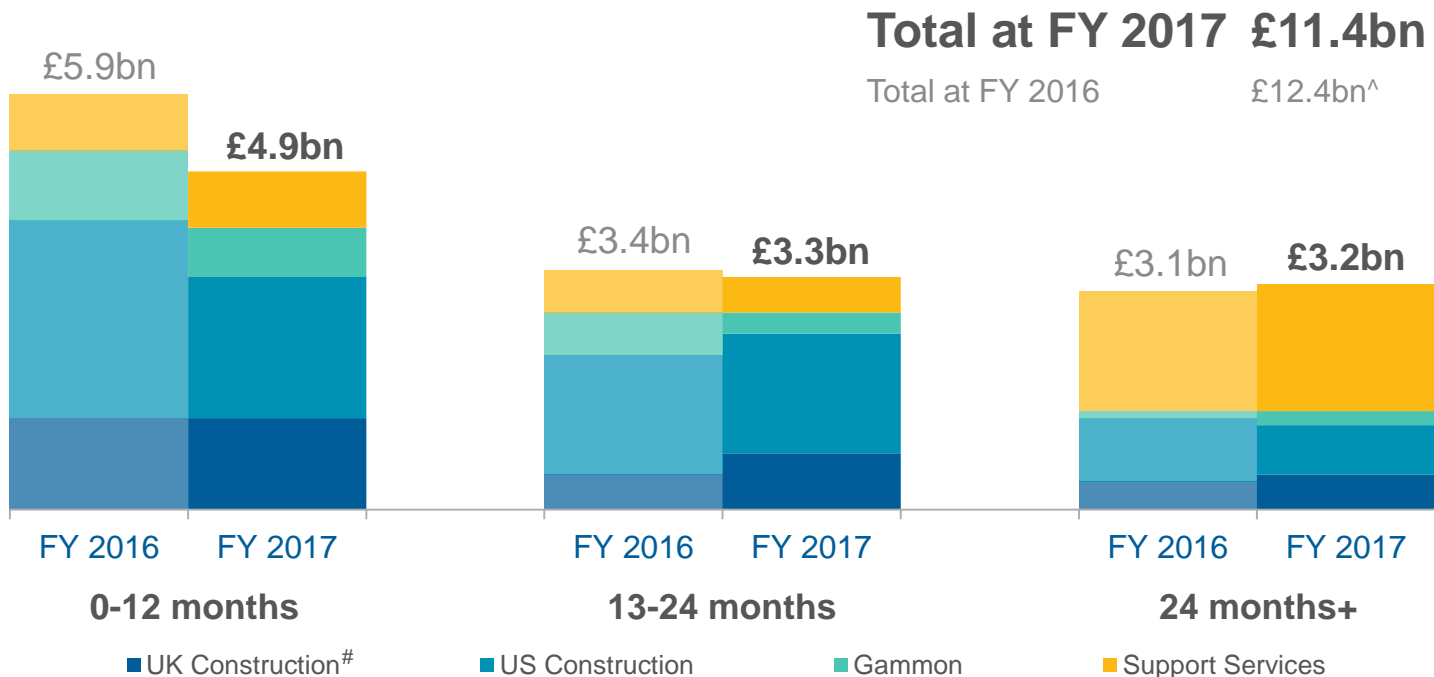
Creating a safer culture

- Group Lost Time Injury Rate* improved to 0.17 (2016: 0.22)
- Observation rates continue to increase – sign of engagement
- Making Safety Personal – a pause for thought
 - Over 24,000 employees and supply chain operatives attended Making Safety Personal training
 - Mates in Mind mental health training courses delivered to 1,800 employees over six months
- 25% by 2025 – reinforcing commitment to Safety by Design

* excluding international joint ventures

Zero Harm culture

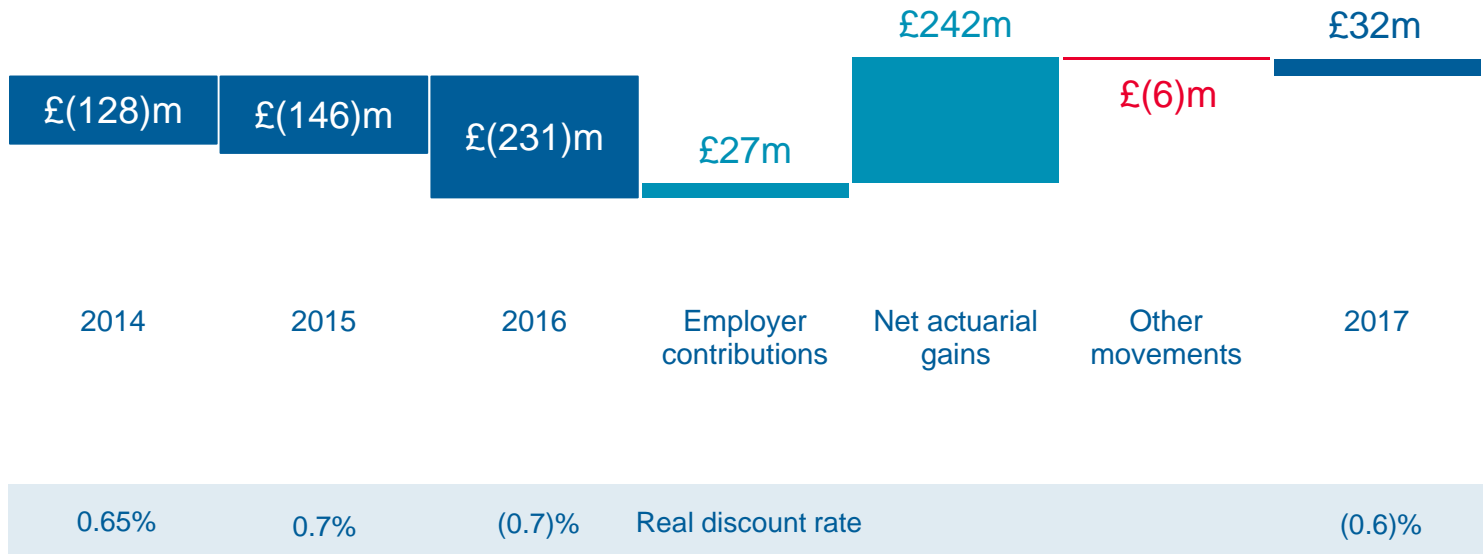
Order book position compared with prior year



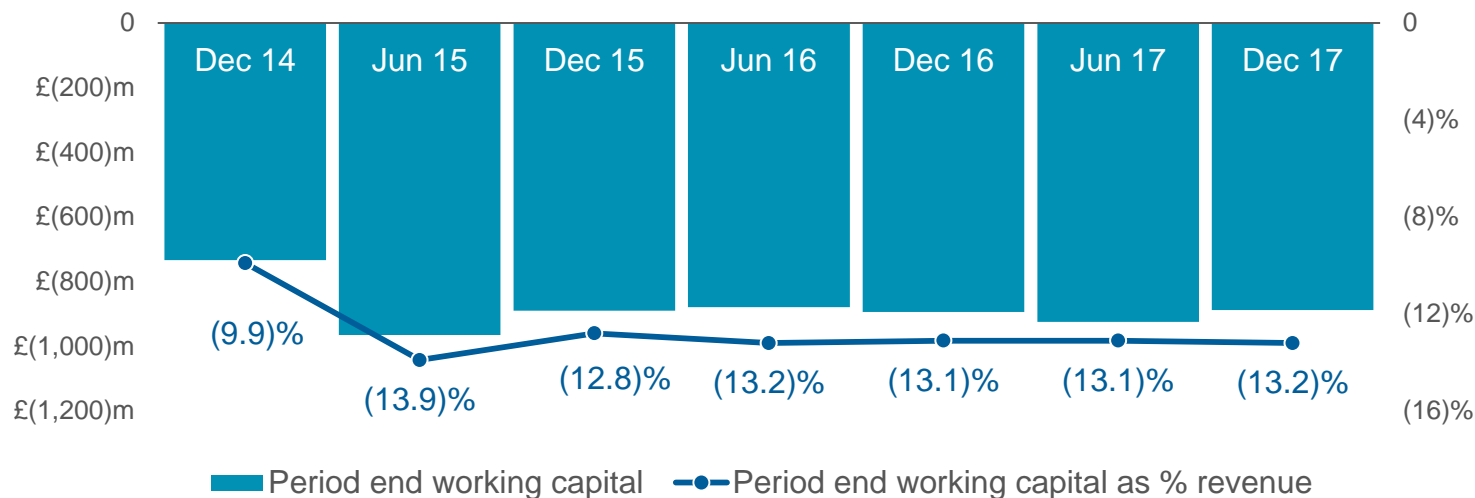
[#] re-presented to include Rail construction as part of UK Construction

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Pensions – balance sheet movement



Working capital – Group

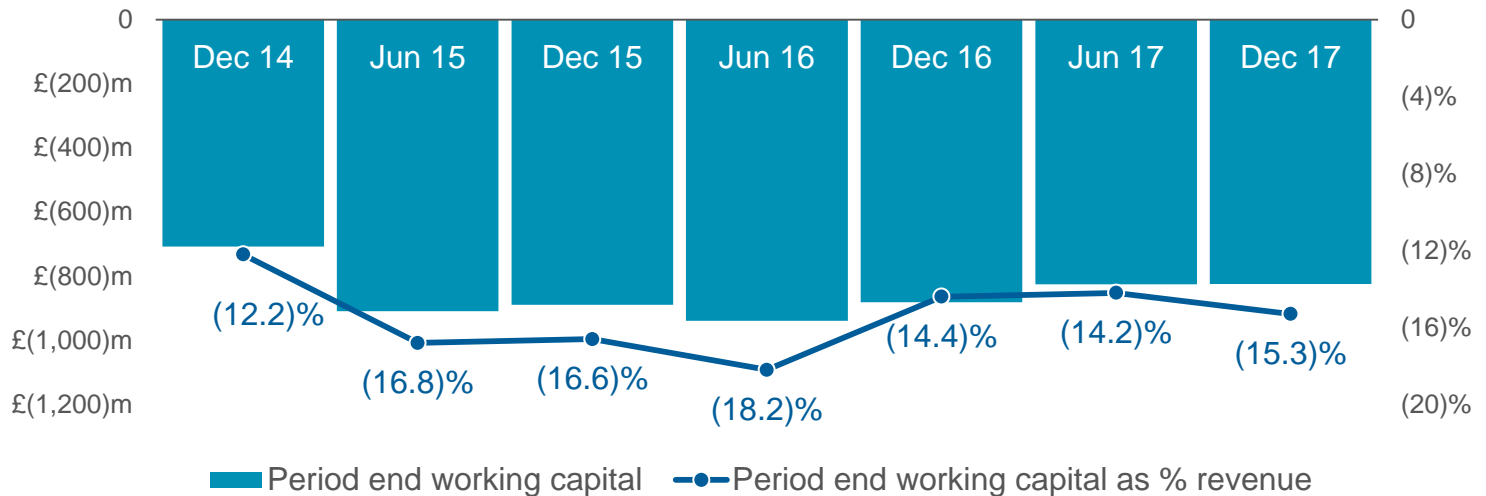


<i>Debtor days</i> ¹	29	28	27	30	34	37	28
<i>Creditor days</i> ¹	46	53	45	52	51	53	46

from continuing operations, including non-underlying items

¹ debtor days include current trade receivables. Creditor days include current trade and other payables, excluding accruals

Working capital – Construction Services



from continuing operations, including non-underlying items

Net interest cost

£m		2017	2016
Subordinated debt interest receivable	26		
Interest on PPP financial assets	11		
Interest on non-recourse borrowings	(13)	24	26
Net finance costs – pension schemes		(6)	(4)
Other interest receivable	4		
Other interest payable	(14)	(10)	(9)
US private placement		(13)	(13)
Gain on foreign currency deposits		1	19
Convertible bonds			
- finance cost	(5)		
- accretion	(7)	(12)	(12)
Preference shares			
- finance cost	(12)		
- accretion	(3)	(15)	(14)
Net interest cost		(31)	(7)

Non-underlying items

£m	2017	2016
Trading		
- ES & Rail Germany	-	(5)
Impairment & amortisation		
- Amortisation of acquired intangibles	(9)	(9)
- Land impairment relating to Blackpool Airport	-	(3)
Restructuring & reorganisation		
- Build to Last transformation costs	(12)	(14)
Disposals and other		
- Gain on disposal of Heery International Inc.	18	-
- Loss on disposal of Blackpool Airport	(1)	-
- Gains on disposal of SSL, BBIP and Rail Germany	-	8
- Additional loss on the AWPR contract as a result of Carillion's liquidation	(44)	-
- Release of Trans4m provisions	-	9
- Pension fund settlement gain	-	1
- Reassessment of industrial disease related liabilities	-	(14)
- Revised legal guidelines and settlements	-	(25)
Tax		
- UK deferred tax assets	34	-
- Reduced US Federal corporate income tax rate	32	-
- Tax on other items	2	4
Non-underlying items after tax	20	(48)
Non-underlying profit from discontinued operations	5	24
Total non-underlying items	25	(24)

Financial history

450%

Increase in revenue

45

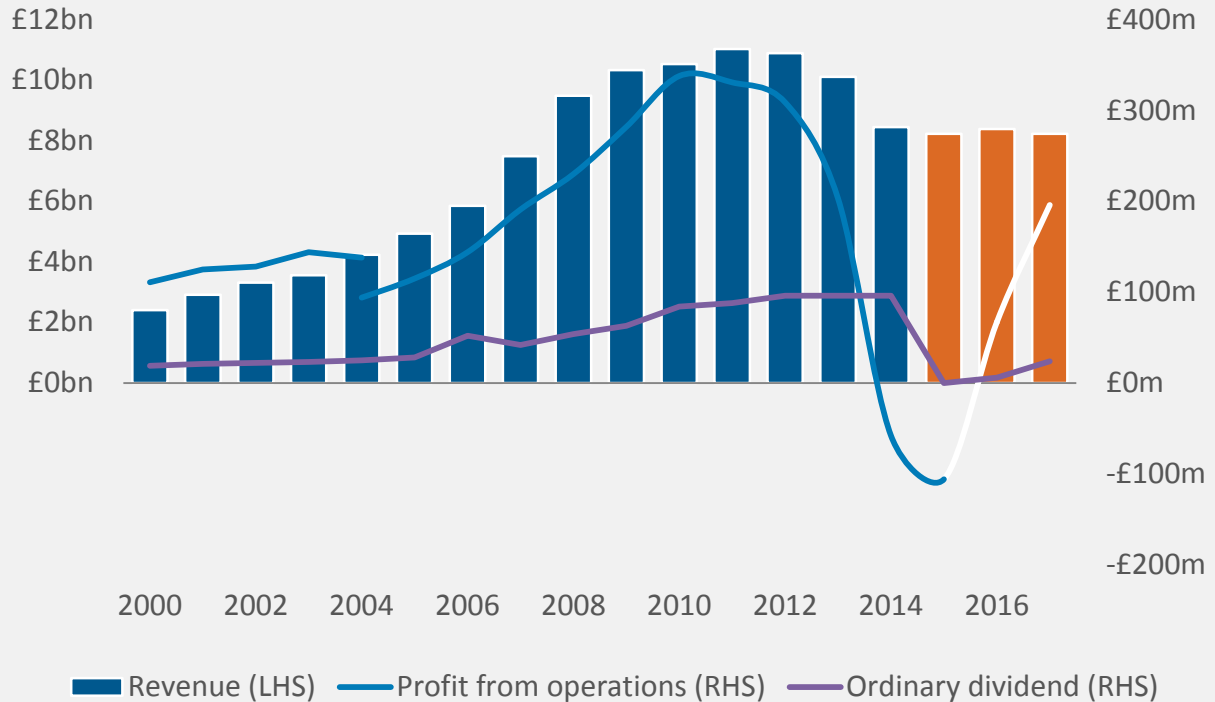
Acquisitions

£94m

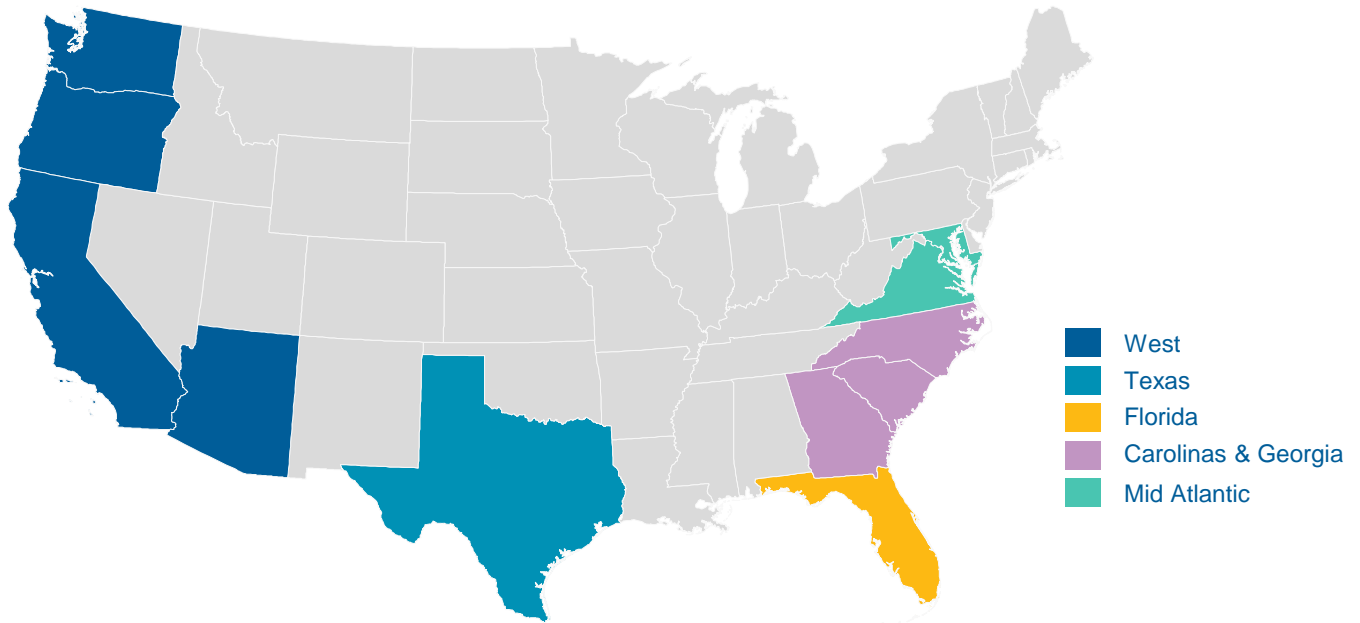
Average ordinary dividend (2011-2014)

£10m

Average ordinary dividend (2015-2017)



US Regional Construction



Balfour Beatty