

BALFOUR BEATTY TRADING UPDATE

TRADING IN LINE WITH EXPECTATIONS

Balfour Beatty, the international infrastructure group, today provides a trading update covering the period to 8 December 2021.

Financial update

- **Order book:** The year-end order book is expected to be around £15.5 billion (HY2021 £16.1 billion; FY2020 £16.4 billion) as the Group continues to win work on projects at the right terms and conditions across its portfolio.
- **Revenue:** Full year Group revenue is expected to be approximately double the half year revenue (HY2021: £4.2 billion; FY2020: £8.6 billion).
- **Profit:** The Board continues to expect that the earnings-based businesses (Construction Services and Support Services) will deliver underlying profit from operations for 2021 in line with 2019 (£172 million).
- **Taxation:** The underlying tax charge for 2021 is expected to be reduced by £16 million due to the revaluation of deferred tax assets following the UK Government's announced increase in UK tax rates.
- **Cash:** Cash performance continues to be strong in the second half of the year. Full year average monthly net cash is expected to be over £650 million (HY2021: £611 million; FY2020: £527 million).
- **Balance Sheet:** In October, the Group successfully concluded the extension of its £375 million committed revolving credit facility, which now extends to October 2024. As at 8 December 2021, this facility is undrawn.

Operational update

Construction Services: Tendering has returned to pre-pandemic levels at US Construction as the focus continues to be selectively bidding for new contracts. The Group has recently been awarded two circa \$200 million contracts in Texas and another in the Mid-Atlantic. The underlying market has been further supported by the bipartisan Infrastructure Investment and Jobs Act which provides over \$1 trillion in federal spending over the next five years.

At UK Construction, this month the Balfour Beatty VINCI joint venture launched its first tunnel boring machine at Long Itchington Wood. Progress is also being made on the central London property projects. One reached practical completion in the fourth quarter of this year and the remaining two contracts are still performing in line with the Group's expectations.

Gammon has recently won a circa £350 million contract for the design and construction of Ang Mo Kio station and tunnels by Singapore's Land Transport Authority and a circa £250 million contract for the development of four residential towers in Hong Kong.

Support Services: Following the increase in the margin target range from 3-5% to 6-8% in August, Support Services has maintained its strong performance into the second half of the year as the Group's power, road and rail maintenance business units continue to meet expectations.

Infrastructure Investments: Balfour Beatty has disposed of six assets in the year for around £80 million and invested around £20 million in four new projects. The Group is currently shortlisted on two US public private partnerships (P3) projects and is focused on the emerging P3 market for schools across the country.

Balfour Beatty continues to manage inflationary pressures across its portfolio. In Construction Services and Support Services mitigation is provided through contractual protection and early buyout using the Group's scale and supply chain management. At Infrastructure Investments, UK projects are predominately indexed with inflation. The US portfolio is also correlated with inflation, although indirectly through the link to rental inflation.

Sustainability

Balfour Beatty hosted and participated in a number of events and activities around COP26. Kick-started by over 750 ideas submitted by employees to the Company's My Contribution sustainability campaign, momentum was maintained by its Sustainable Evolution Showcase at Shotts, Scotland, and its Digital Innovation Hub in Glasgow. Employees were able to demonstrate to visiting customers, Government ministers, supply chain partners and school children the extent to which sustainability is an integral part of Balfour Beatty's expertise.

US military housing

The investigation by the US Department of Justice (DoJ) into the handling of certain work orders by Balfour Beatty Communities at a number of US military bases remains ongoing. Balfour Beatty's own investigation has completed, and all findings have been shared with the DoJ. The Group, through its external counsel, is actively working to resolve this matter in a timely manner.

Capital allocation framework

Balfour Beatty understands the importance of continuing to deliver attractive total cash returns to shareholders while maintaining an appropriate balance between investment in the business, and a strong capital position. The Group is committed to a multi-year share buyback programme and has returned £150 million in 2021. It is intended that the 2022 share buyback will be at least £100 million and is expected to commence following the announcement of the Group's full year results in March.

Quote

Leo Quinn, Balfour Beatty Group Chief Executive, said: "The Group is on track to deliver a 2021 performance in line with pre-pandemic levels.

"Looking to 2022, the Group has a high-quality order book. We are strongly positioned in three geographies where fiscal expansion, green infrastructure growth and, in the US, public private partnerships all play to our unique engineering capability. We remain confident of capitalising on these factors to drive superior returns."

ENDS

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Notes to editors:

- Balfour Beatty is a leading international infrastructure group with 26,000 employees driving the delivery of powerful new solutions, shaping thinking, creating skylines and inspiring a new generation of talent to be the change-makers of tomorrow.
- We finance, develop, build, maintain and operate the increasingly complex and critical infrastructure that supports national economies and deliver projects at the heart of local communities.
- Over the last 112 years we have created iconic buildings and infrastructure all over the world including: the £1.5 billion A14 improvement scheme - Britain's biggest road project; Hong Kong's HK\$5.5 billion world-class harbour theatre project for the West Kowloon Cultural District Authority; and the 12.5-mile \$429 million North Metro Commuter Rail line in Colorado, US.