

## *News Release*

12 May 2010

### **INTERIM MANAGEMENT STATEMENT**

Balfour Beatty, the international infrastructure group, today issues this Interim Management Statement, covering the period 1 January to 11 May 2010, ahead of its AGM later today.

#### **Trading**

Our trading performance in 2010 to date is consistent with our expectations for the year. Our business is performing well, with a number of good contract wins, which has resulted in the order book moving ahead of the 2009 year-end figure of £14.1 billion.

#### **Business performance**

Balfour Beatty operates across the infrastructure lifecycle with significant and complementary capabilities in professional services, construction services, support services and infrastructure investments. We are diversified across market sectors and geographies, with around half of the Group's revenue now from outside the UK, and, particularly since the acquisition of Parsons Brinckerhoff ("PB"), we are strongly positioned to address the significant long-term infrastructure demands in economies around the world.

In **professional services**, there will be a first full-year contribution in 2010 from PB, which is performing well and in line with our expectations. Integration, including with Heery in the US and Balfour Beatty Management in the UK, has proceeded faster than anticipated and we are confident that the acquisition will deliver the strategic benefits expected.

In the US, PB has reinforced its position as a market leader in transportation, and, following recent contract wins, it is now managing high-speed and intercity passenger rail projects accounting for a combined US\$4 billion of the US\$8 billion American Recovery and Reinvestment Act (ARRA) investment in the rail sector.

Across its global operations, professional services continues to move forward, with particularly good prospects in Asia and Australia where economic conditions are more buoyant.

**Construction services** continues to perform in line with expectations, benefiting from a strong order book and good operational delivery across a broad range of customers both in the UK and elsewhere in the world.

In the UK, there has been good progress on all our major projects, including the M25, Blackfriars Station and the London 2012 Aquatics Centre. Our regional businesses have performed satisfactorily, backed up by continued strong order intake. We will look to take advantage of opportunities outside the public sector, one example being our recent acquisition of Multibuild<sup>1</sup>, which is focused on the private sector retail and leisure markets.

The US construction business, as anticipated, is seeing lower levels of activity this year compared to an exceptionally strong 2009. However, recent order intake has been significant, including pre-construction and construction services for Dallas Fort Worth International Airport's seven-year terminal development programme.

Gammon in Hong Kong has further added to its record order book by securing a number of new contract wins in the highway and railway infrastructure markets, as well as work on a new air cargo terminal at Chek Lap Kok airport.

In **support services**, we are a £1.5 billion revenue business focusing principally on government and regulated industry customers. Our businesses are performing well and have an excellent forward order book.

In the water sector, we are focused on the mobilisation of contracts totalling over £700 million under the new asset management plan (AMP5) which reinforces our leading position in this market. In the power sector, our contracts are performing well, both in the UK and elsewhere in the world, and we see this as an area of substantial long-term growth.

Our UK total facilities management business continues to make good progress. In the local authority outsourcing market, we secured a £250 million, 10-year strategic partnership contract with North East Lincolnshire Council, building on the outsourcing work we carry out for customers such as the Department for Work and Pensions and the Metropolitan Police. The new national operations centre, which is focused on increasing the operational effectiveness of our existing and future contracts, went live at the beginning of April with its first customer, QinetiQ, which awarded us a £105 million, seven-year contract.

In UK rail renewals and highways management, we have won additional work with long-term customers Network Rail and the Highways Agency.

In **infrastructure investments**, we have continued to see a good pipeline of opportunities both within a PPP framework and through other procurement mechanisms. For instance, we are one of six bidders to reach a shortlist for phase one of the Offshore Transmission Network Owners (“OFTO”) regulatory regime, to own and operate the connections from offshore wind projects to the electricity transmission network in the UK.

In UK PPP, we have been appointed preferred bidder for the £300 million Ealing Building Schools for the Future (BSF) scheme and have reached financial close on the £450 million Blackburn with Darwen and Bolton BSF project. We have also been appointed preferred bidder for the £250 million PPP Coventry street lighting contract and the £47m North West Fire and Rescue Services PPP project.

We have completed the sale of our holding in the Aberdeen Waste Water concession and have reduced our interest in the Edinburgh Royal Infirmary concession to 50%. These sales generated cash of £24.3 million, which was in excess of their value in the Directors' valuation of PPP concessions as at 31 December 2009.

In UK investments, Barking Power station has started the year well. In September 2010, its primary off-take and gas input contracts come to an end and new arrangements will be put in place.

Our US PPP business has received additional funding from the US Department of the Army for an expansion phase of military family housing at Fort Carson in Colorado and, in its first move outside that sector, has reached financial close on a student accommodation project at Florida Atlantic University.

## **Cash**

Our cash position remains robust, with average net cash in excess of £400 million for the first quarter of 2010 (excluding net debt in PPP subsidiaries), partly as a result of PB post-acquisition cash flows remaining ahead of expectations.

## **Outlook**

Balfour Beatty operates across the infrastructure lifecycle and is uniquely placed in major markets to benefit from the long-term growth in investment in infrastructure. Furthermore, each of our business areas operates in a diversity of markets, which, allied to our capability to provide an integrated service to customers, gives our business strength and resilience. In spite of continuing economic uncertainty, we remain confident about the prospects for the Group.

ENDS

<sup>1</sup> Multibuild refers to Multibuild Hotels and Leisure Ltd and Multibuild Interiors Ltd

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## **Notes to Editors:**

Balfour Beatty ([www.balfourbeatty.com](http://www.balfourbeatty.com)) is a world-class infrastructure group operating in professional services, construction services, support services and infrastructure investments.

We work in partnership with our customers principally in the UK, the US, South-East Asia and the Middle East, who value the highest levels of quality, safety and technical expertise.

Our key infrastructure markets include transportation (roads, rail and airports); social infrastructure (education, specialist healthcare, and various types of accommodation); utilities (water, gas and power transmission and generation) and commercial (offices, leisure and retail). We deliver services essential to the development, creation and care of these infrastructure assets including investment, project design, financing and management, engineering and construction and facilities management services.

Balfour Beatty employs 50,000 people around the world.