

2011 full-year results presentation

8 March 2012



IAN TYLER
Chief Executive

A strong performance

- Demonstrating diversity, flexibility and resilience
- Growth in revenue and earnings in all divisions except for Construction Services
- Underpinning profits in the near term by expanding cost efficiency and asset disposal programmes
- Opportunities for our business in industry verticals and growth markets

DUNCAN MAGRATH
Chief Financial Officer

Agenda

- Financial highlights
- Segmental performance
- Balance sheet and cash

Headline underlying numbers

Strong performance

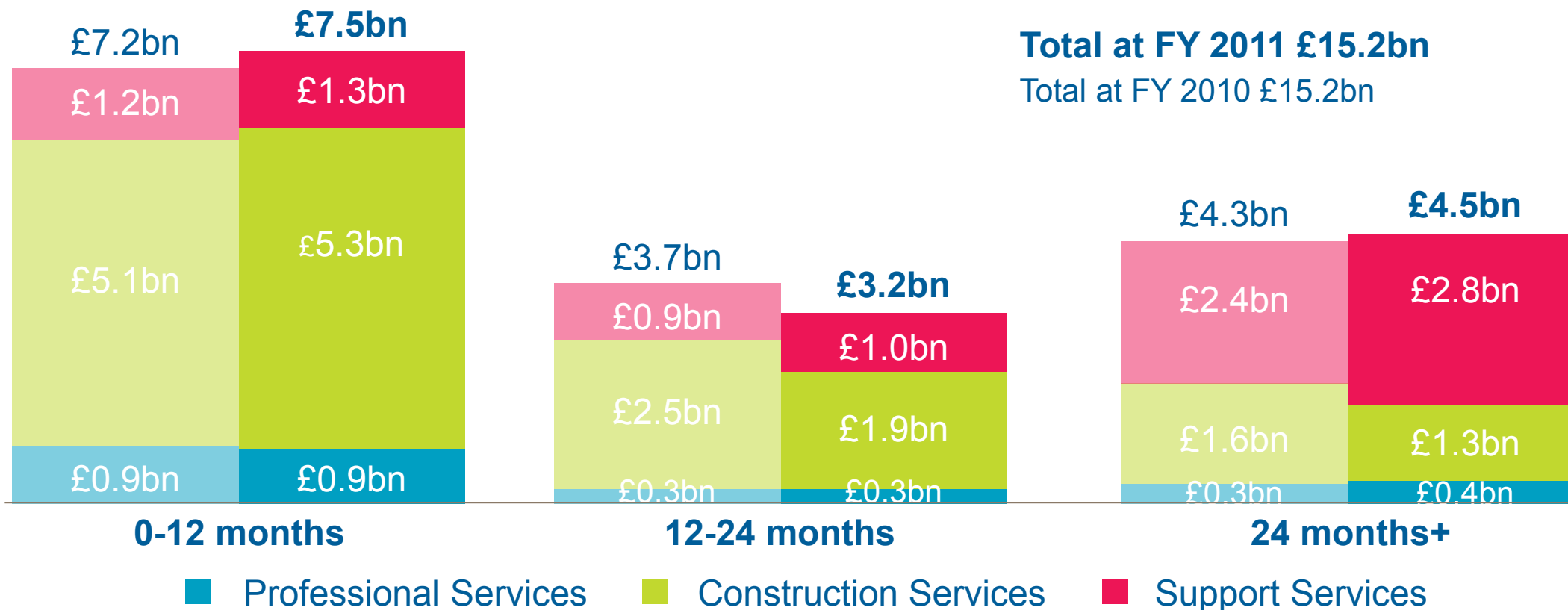
	FY 2011	FY 2010 [#]	Actual growth	Constant currency
Revenue*	£11,035m	£10,473m	+5%	+6%
Profit from operations*	£331m	£325m	+2%	+2%
Pre-tax profit*	£334m	£306m	+9%	
Underlying EPS*	35.5p	32.7p	+9%	
Full-year proposed dividend	13.8p	12.7p	+9%	
Cash generated from operations	£35m	£169m		
Average cash for the year	£200m	£435m		
Net cash (excluding 100% PPP)	£340m	£518m		
Directors' valuation of PPP	£743m	£671m		
Order book	£15.2bn	£15.2bn	-	-

* from continuing operations, before non-underlying items

re-presented for the classification of Barking Power as a discontinued operation

Order book position

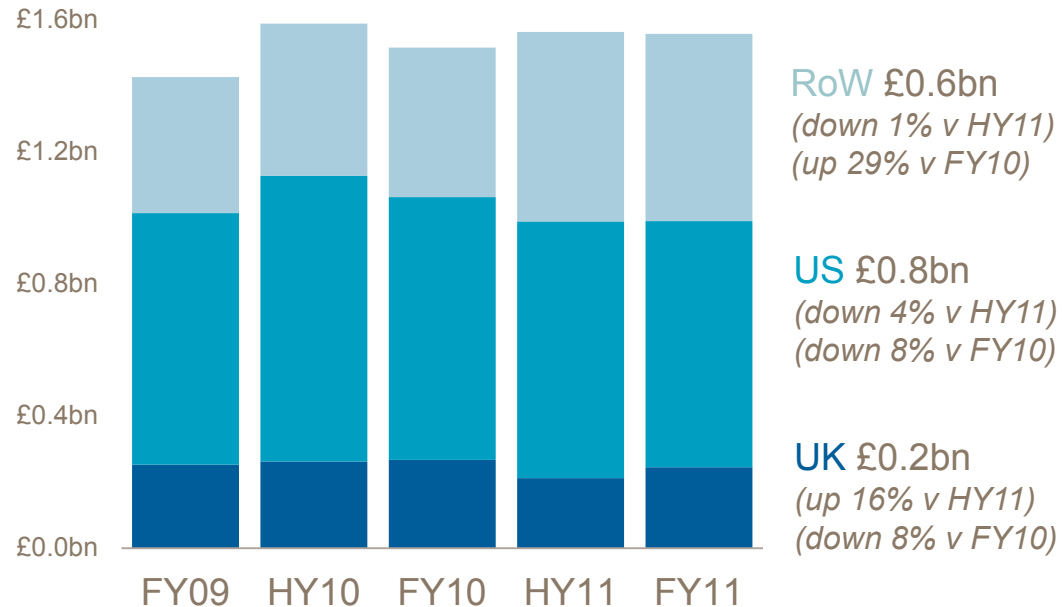
Resilient order book, despite reduced construction orders



In each series group, the left-hand column represents the order book as at 31 December 2010, and the right-hand column as at 31 December 2011

Professional Services – FY 2011 by geography

Modest growth in order book and revenue

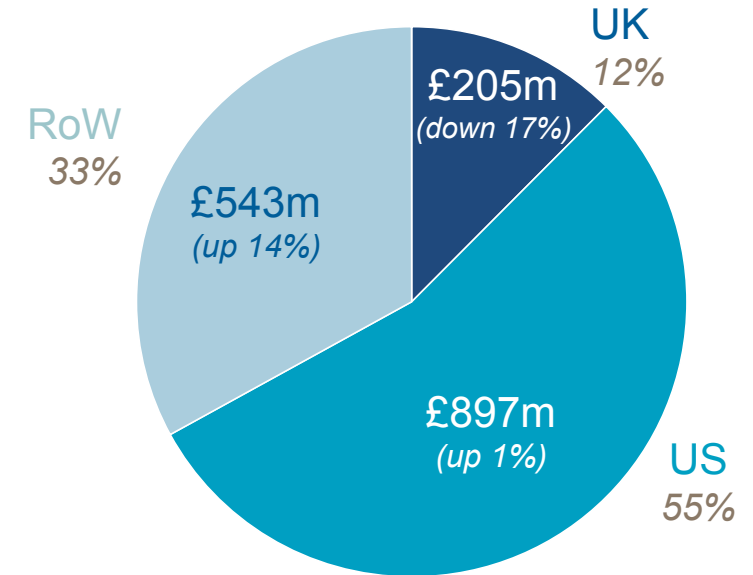


Order book

£1.6bn

(no change v HY11: £1.6bn)

(up 7% v FY10: £1.5bn)



Revenue

£1,645m up 2%

(FY10: £1,613m)

Percentage changes relative to FY10

Professional Services

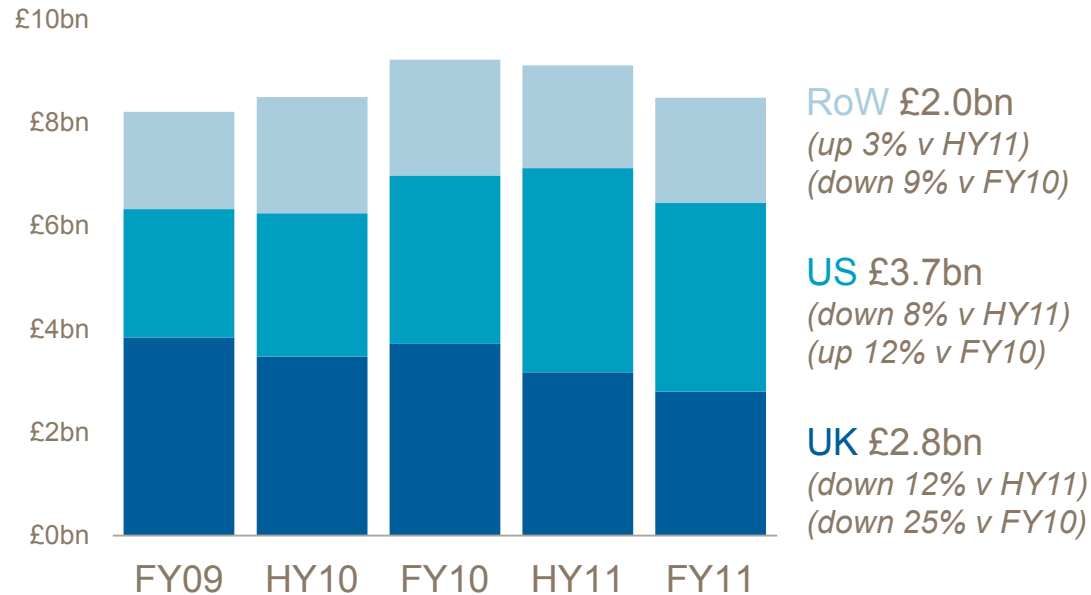
	FY 2011	FY 2010	Actual growth	Constant currency
Order book	£1.6bn	£1.5bn	+7%	+6%
Revenue	£1,645m	£1,613m	+2%	+2%
Profit*	£87m	£85m	+2%	+1%
Margin %	5.3%	5.3%		

* before non-underlying items

- 5.3% margin up on 2010's underlying 4.8% excluding 2010's £8m additional incentive income
- Good performance in the US, particularly power
- Growth in RoW, particularly Australia and Canada
- Actions taken to offset difficult UK market

Construction Services – FY 2011 by geography

Resilient global order book despite UK decline



Order book

£8.5bn

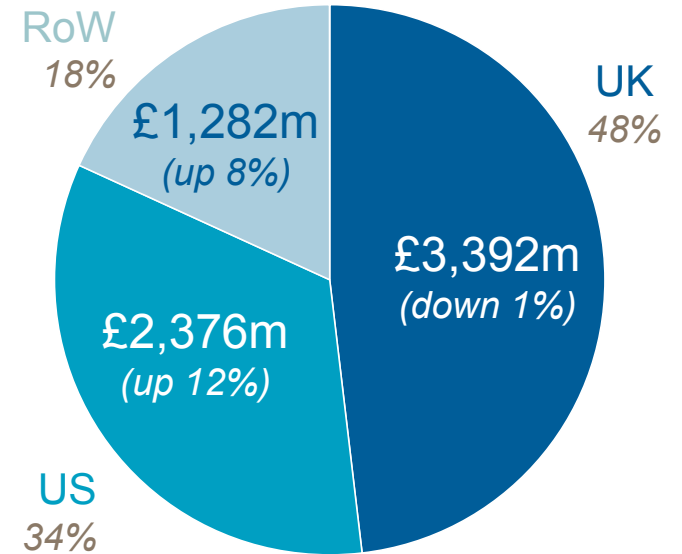
(down 7% v HY11: £9.1bn)

(down 8% v FY10: £9.2bn)

RoW £2.0bn
(up 3% v HY11)
(down 9% v FY10)

US £3.7bn
(down 8% v HY11)
(up 12% v FY10)

UK £2.8bn
(down 12% v HY11)
(down 25% v FY10)



Revenue

£7,050m up 5%

(FY10: £6,734m)

Percentage changes relative to FY10

Construction Services

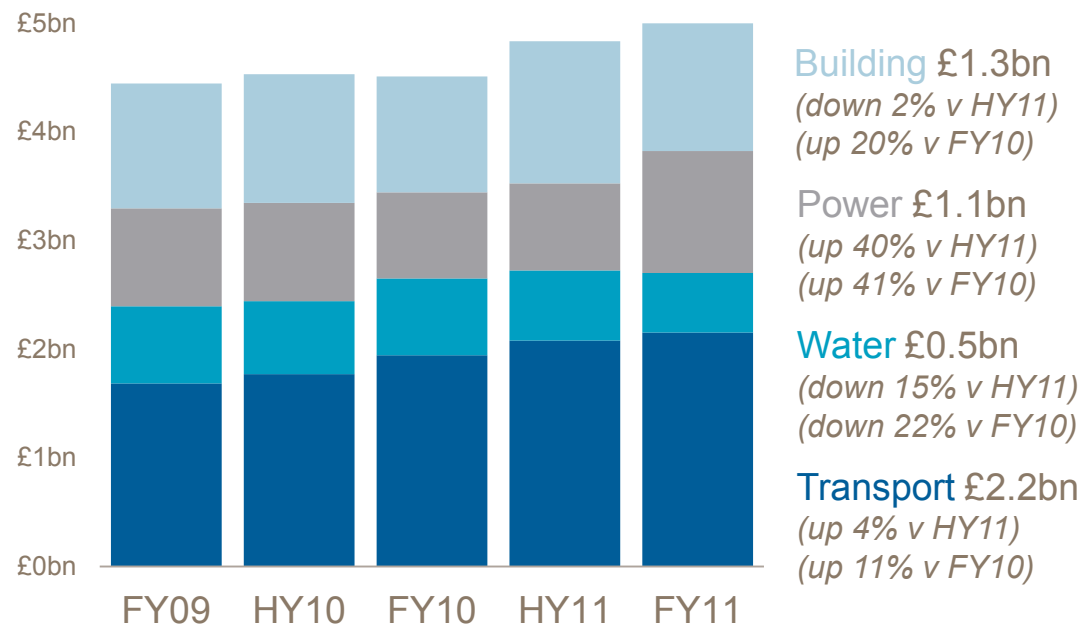
	FY 2011	FY 2010	Actual growth	Constant currency
Order book	£8.5bn	£9.2bn	-8%	-8%
Revenue	£7,050m	£6,734m	+5%	+6%
Profit*	£169m	£201m	-16%	-15%
Margin %	2.4%	3.0%		

* before non-underlying items

- Good revenue performance in the US, but as anticipated, margin down on a very strong 2010
- Good profit performance in the UK on stable revenue
- Continuing revenue and order growth in Hong Kong
- Continuing low volumes and reduced order book in the UAE
- Good rail performance in UK and US, declines in Germany and Scandinavia

Support Services – FY 2011 by geography

Strong orders and revenue growth



Building £1.3bn
(down 2% v HY11)
(up 20% v FY10)

Power £1.1bn
(up 40% v HY11)
(up 41% v FY10)

Water £0.5bn
(down 15% v HY11)
(down 22% v FY10)

Transport £2.2bn
(up 4% v HY11)
(up 11% v FY10)

Order book

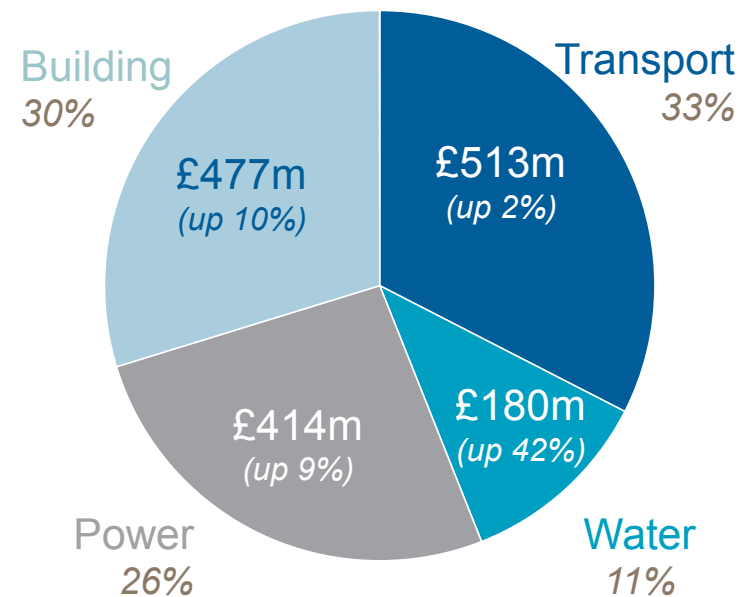
£5.1bn

(up 6% v HY11: £4.8bn)

(up 13% v FY10: £4.5bn)

Building includes business services outsourcing and facilities management

Transport includes highways management and rail renewals



Revenue

£1,584m up 10%

(FY10: £1,443m)

Percentage changes relative to FY10

Support Services

	FY 2011	FY 2010	Actual growth	Constant currency
Order book	£5.1bn	£4.5bn	+13%	+13%
Revenue	£1,584m	£1,443m	+10%	+10%
Profit*	£67m	£62m	+8%	+8%
Margin %	4.2%	4.3%		

* before non-underlying items

- Good growth in order book, particularly power and local authority
- Revenue growth in all sectors
- Strong recovery in water as AMP5 activity increases
- Second half growth in power revenues

Infrastructure Investments

Strong earnings performance

£m	FY 2011			FY 2010#		
	Group	JVs & assoc	Total	Group	JVs & assoc	Total
PPP UK/Singapore	1	37	38	1	30	31
PPP US	12	7	19	14	6	20
Infrastructure	(3)	(1)	(4)	(4)	(1)	(5)
Bidding costs and overheads	(30)	-	(30)	(34)	-	(34)
Pre-disposals operating profit*	(20)	43	23	(23)	35	12
Gain on disposals	20	-	20	n/a	n/a	n/a
Investments operating profit*	-	43	43	(23)	35	12
<i>Subordinated debt interest income</i>			25			19
<i>PPP subsidiaries' net interest</i>			3			(1)
Investments pre-tax result*			71			30
<i>Investments post-tax result*</i>			64			27

* from continuing operations, before non-underlying items

n/a = disposals previously shown as non-underlying items

re-presented for the classification of Barking Power as a discontinued operation

Infrastructure Investments

- Achieved financial close on
 - Hertfordshire BSF
 - North West Fire & Rescue
 - Cambridgeshire and Northamptonshire streetlighting
- Appointed preferred bidder on
 - Greater Gabbard Offshore high-voltage transmission (“OFTO”)
 - Energy-from-waste facility in Gloucestershire and waste facility in Essex
 - Three military housing projects for US Air Force
- Disposed of
 - 60% interest in Connect A50 for proceeds of £16m
 - Entire 50% interest in Consort Healthcare (Blackburn) for proceeds of £12m
 - Entire 50% interest in Transform Schools (North Lanarkshire) for proceeds of £18m (February 2012)
 - Entire 25.5% effective interest in Barking Power to Balfour Beatty Pension Fund
- Directors’ valuation increased to £743m

Net interest income

Benefiting from PPP investment and reduced pension costs

£m		FY 2011	FY 2010
PPP subordinated debt interest receivable		25	19
PPP interest on financial assets	25		
PPP interest on bank loans and overdrafts	(22)	3	(1)
Net finance costs – pension schemes		(3)	(21)
Other interest receivable	7		
Other interest payable	(17)	(10)	(4)
Preference shares finance cost		(12)	(12)
Net investment income/(finance costs)		3	(19)

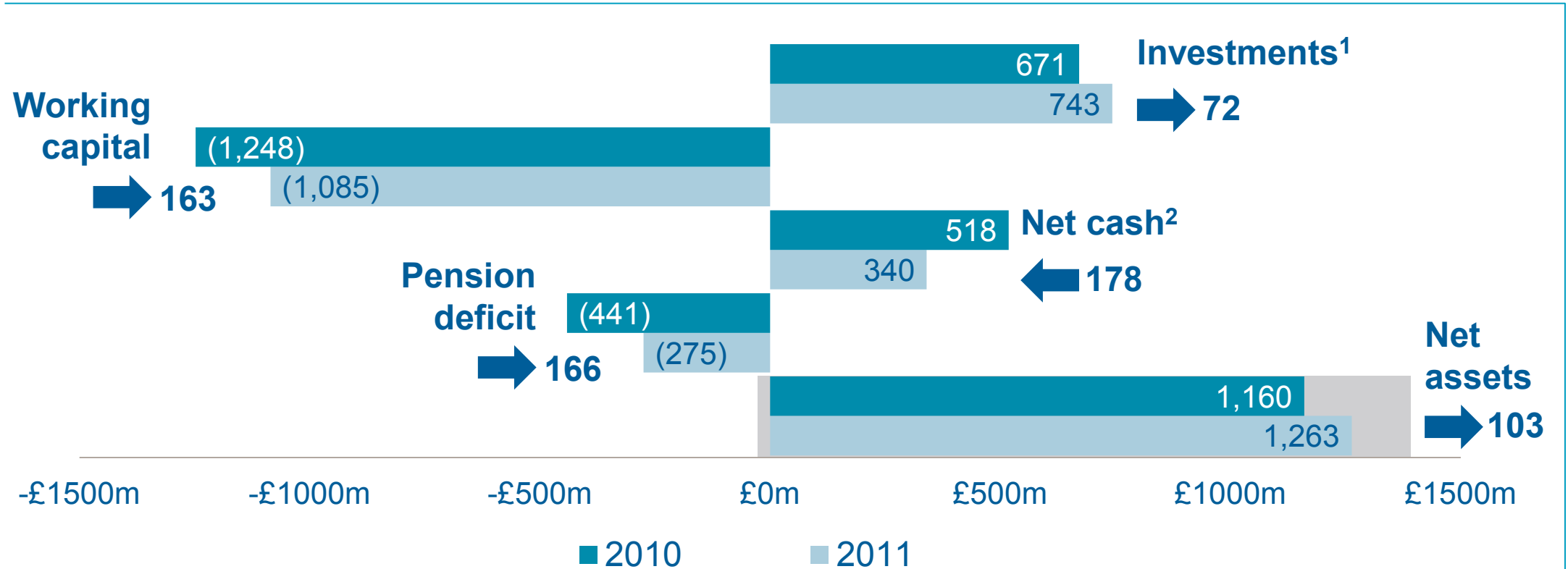
Cost efficiency update

Good progress on 2010 initiatives

- UK shared service centre launched in Newcastle in October 2010 to cover accounting, payroll and procurement
- Processed first transactions Q1 2011
- Now employing 230 people
- Processing 50% of UK transactions or £3bn of revenue
- 17,500 payslips per month
- £300m of spend going through Group procurement programmes
- Conversion to new IT system in progress – first unit live October 2011
- Gross savings of £15m in 2011 – on target for £30m of gross savings by 2013 as forecast

Balance sheet elements

Changing shape, continued strength



¹ Directors' valuation of PPP concessions

² excluding net debt of PPP subsidiaries (non-recourse)

PPP portfolio valuation movements – FY 2011

Net cash realisation, and increased value

£m

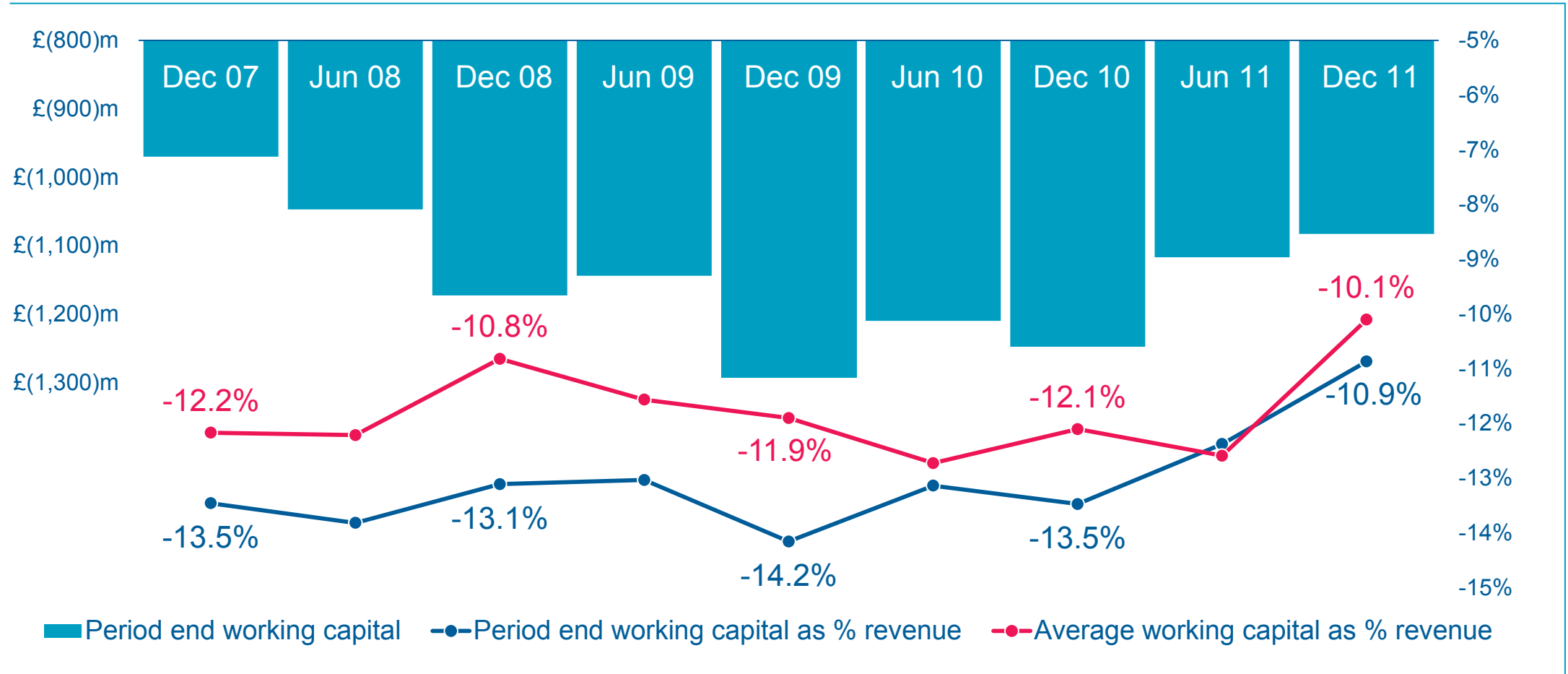
Valuation as at December 2010 restated		671
Cash invested		
Cash received – distributions		
– disposals		
	<div style="display: flex; align-items: center; gap: 20px;"> <div style="border: 1px solid black; padding: 5px; text-align: center;"> (70) (28) </div> <div style="font-size: 2em;">→</div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> 52 (98) </div> </div> <p style="text-align: center; margin-top: 5px;">Net cash received</p>	
		(46)
Unwind of discount on NPV		69
New project wins		32
Operational and disposal gains + FX		17
Valuation as at December 2011		743

Working capital – key points

- Management controls remain strong
- Varies through the business cycle
- Impacted by mix of geographies, sectors and project size
- Given the scale of business, cash movements can be significant
- Working capital remains within normal cyclical bounds

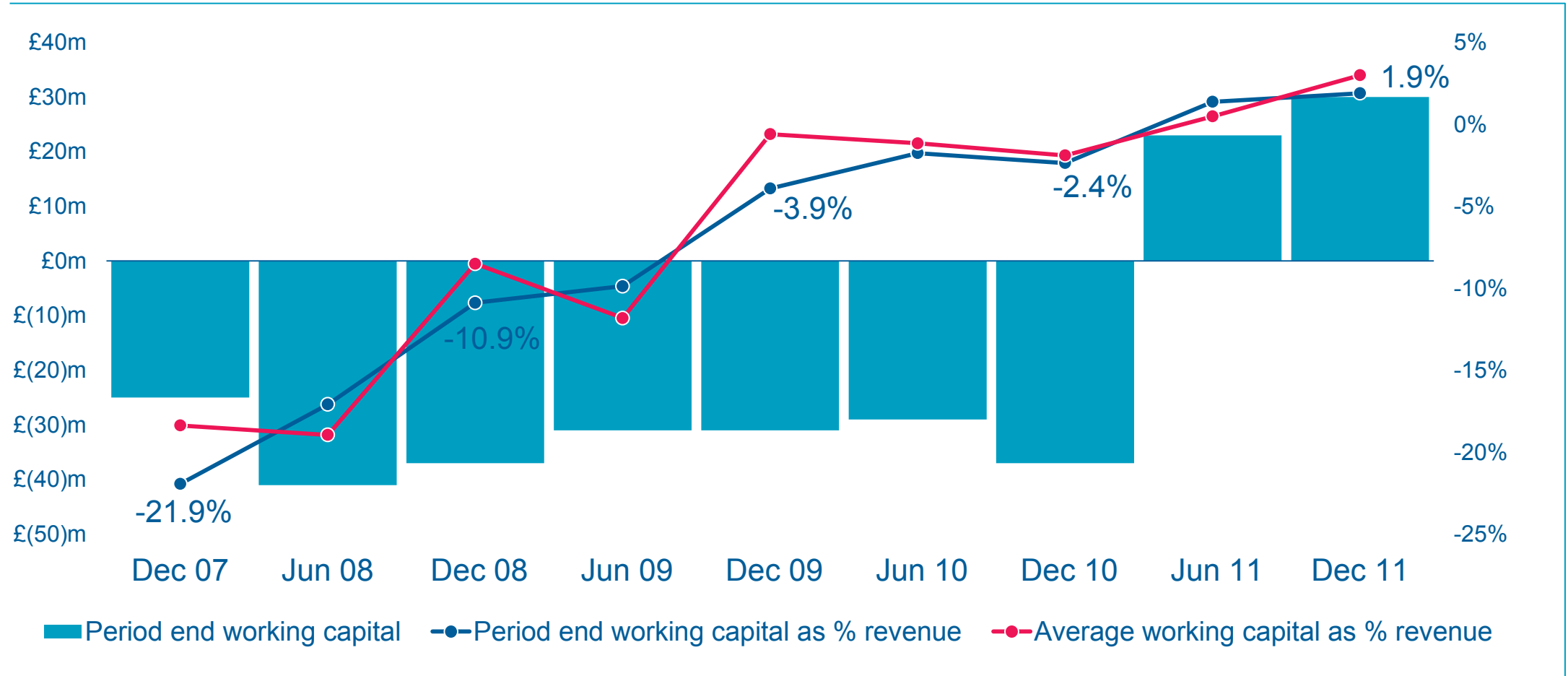
Working capital – Group

Negative working capital, but cyclical reductions



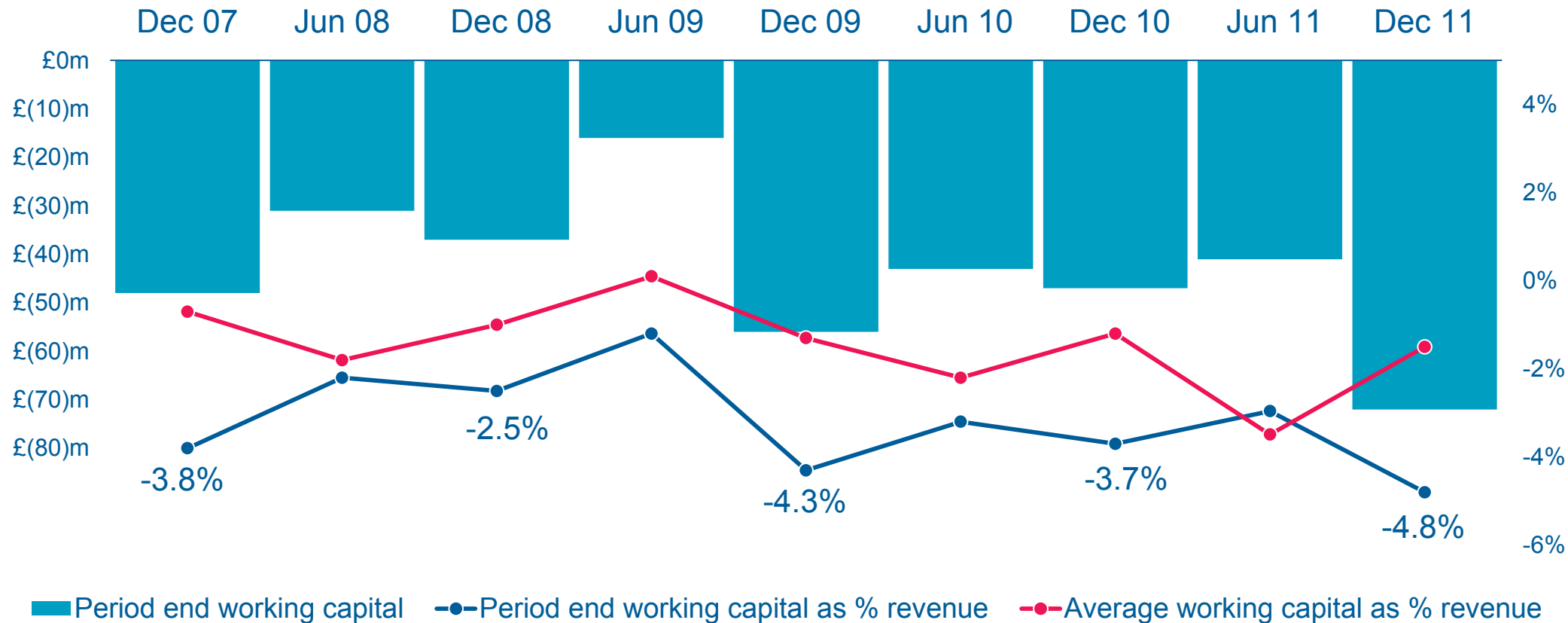
Working capital – Professional Services

Reverting to a normal 5% of revenue



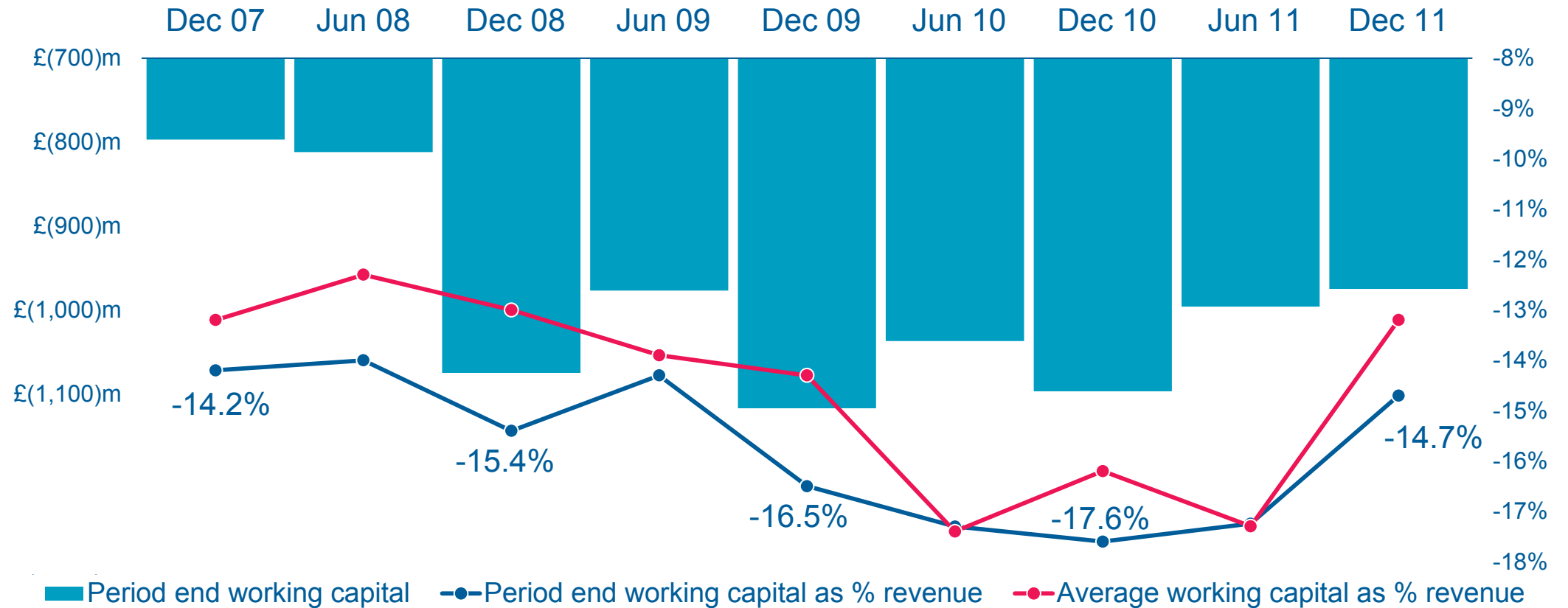
Working capital – Support Services

Impacted by contract cycles – particularly in HY 2011



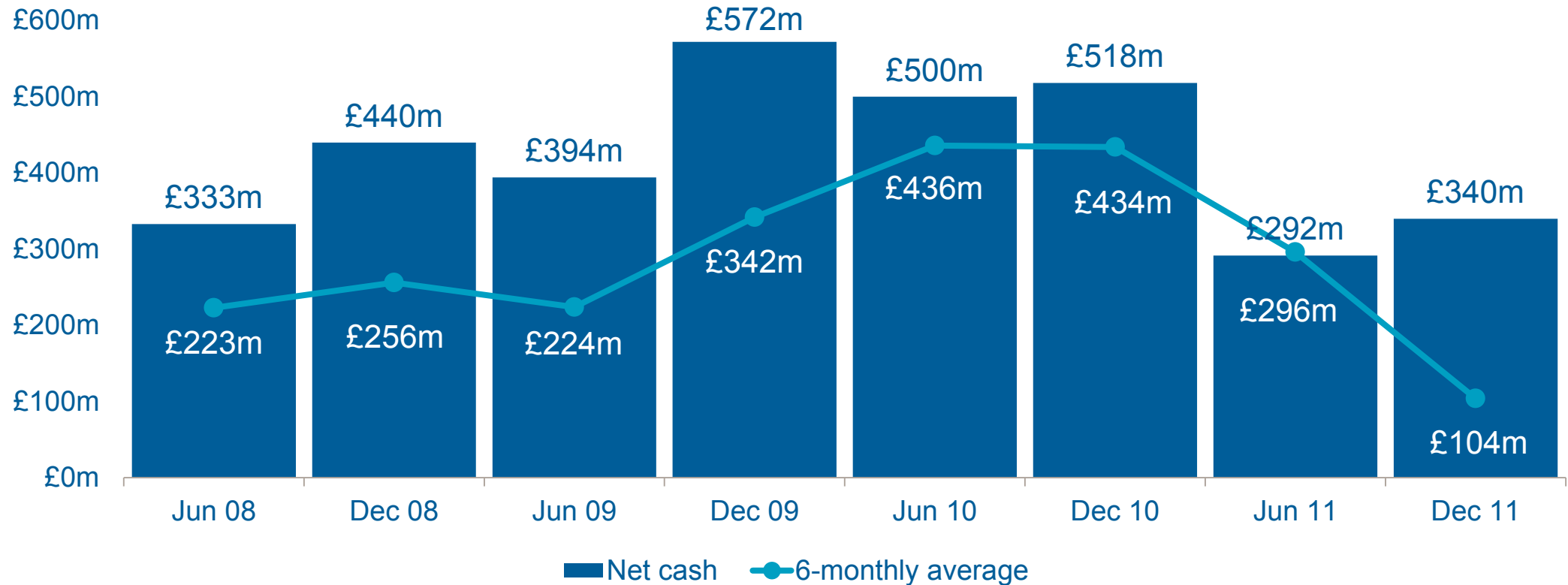
Working capital – Construction Services

Reductions due to cyclicalty and mix



Net cash balances†

Impacted by working capital movements



† excluding net debt of PPP subsidiaries

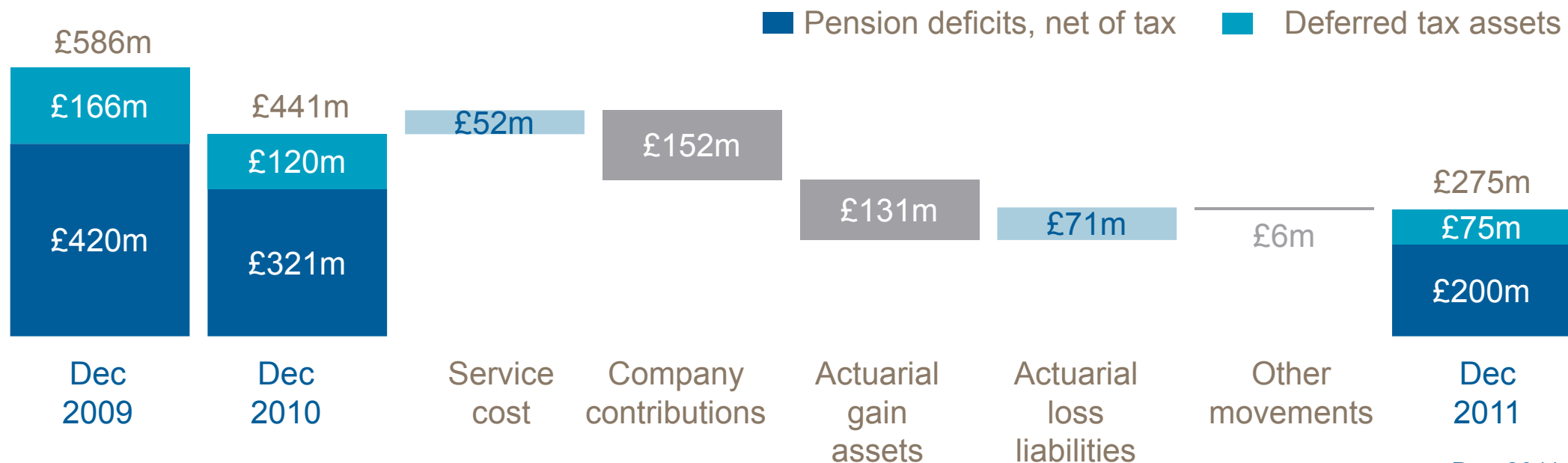
Cash from operations – FY 2011

Positive cash from operations

£m	FY 2011	FY 2010
Group operating profit*	256	253
Depreciation	70	74
Non-underlying cash items	(19)	(43)
Other items	(13)	(2)
	294	282
Pension deficit payments – ongoing	(58)	(41)
Working capital increase	(201)	(32)
	35	209
Pension deficit payments – one-off	-	(40)
Cash generated from operations	35	169
Net capex and purchase of intangibles	(75)	(86)
<i>* before non-underlying items</i>	(40)	83

Pensions – balance sheet movement

Continuing reduction in deficits

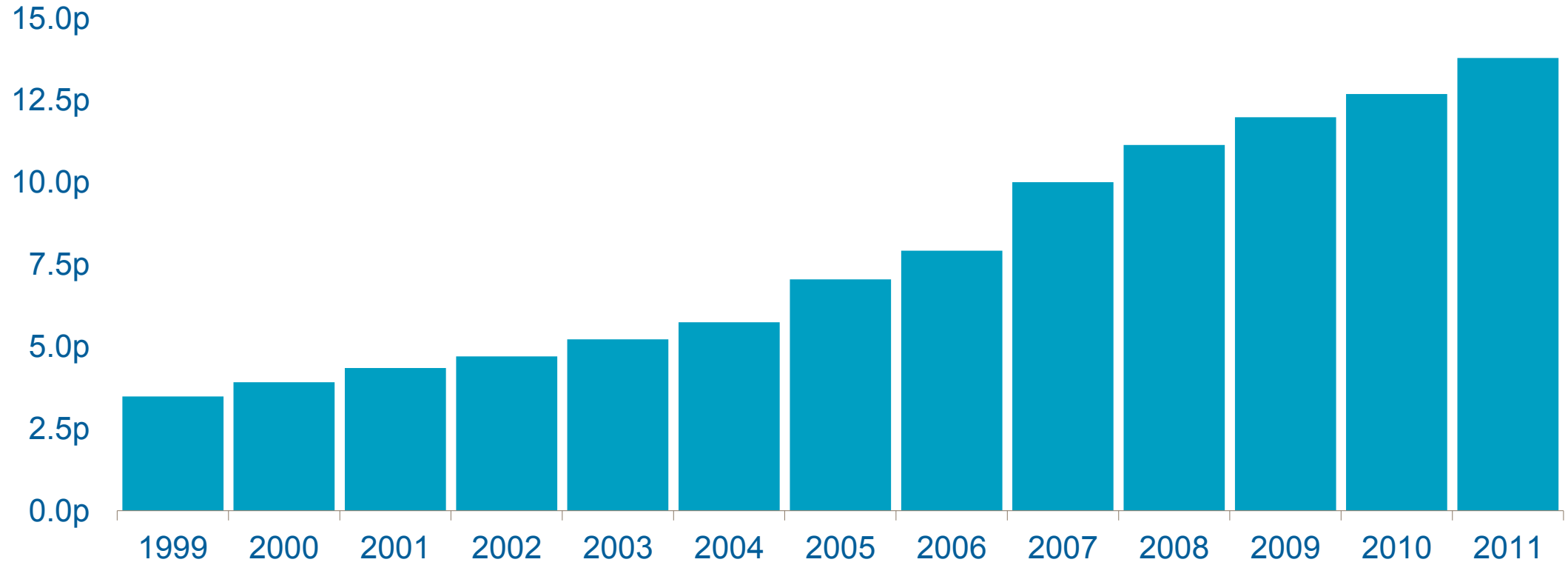


Cumulative contributions for deficit funding of £194m since December 2009

	Dec 2011
Net retirement benefit obligations	£200m
Available-for-sale mutual funds	£(50)m
Underlying net liability	£150m

Dividends per share

Twelve years of growth



Summary of 2011

- Order book stable at £15.2bn
- Good margin performance in Professional Services
- Profit growth in Professional Services, Support Services and Infrastructure Investments offset Construction Services decline
- Pre-tax profit and EPS up 9%
- Final dividend up 11%, total dividend up 9%

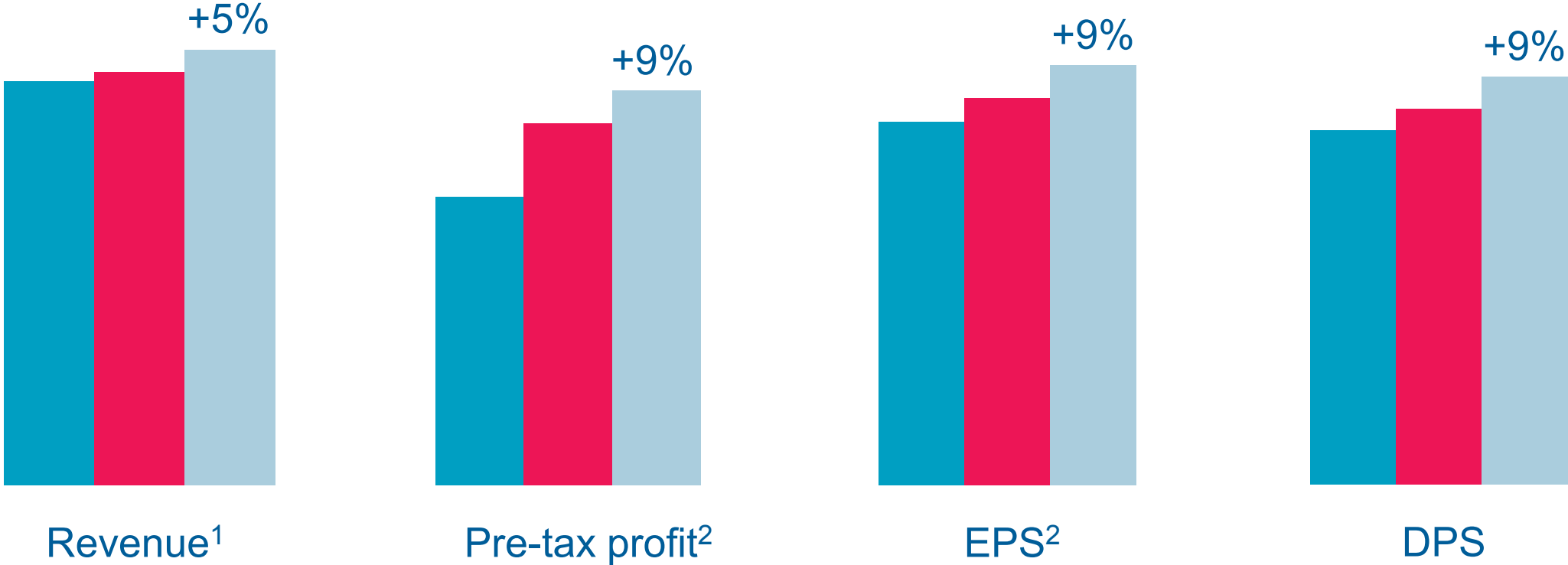
IAN TYLER
Chief Executive

Introduction



Balfour Beatty

A year of strong performance



¹ including joint ventures and associates, ² from continuing operations, before non-underlying items

A year of progress towards the delivery of strategy

- Progress as planned in Parsons Brinckerhoff's performance
 - ✓ Professional Services operating margin up at 5.3%
- Completion of construction footprint in the US
 - ✓ Howard S. Wright
- PPP asset disposal programme
 - ✓ £20m gain
- Delivery of the first phase of cost reduction in the UK
 - ✓ £15m cost savings

Agenda

- Near-term challenges and actions
- Development of strategy
- Conclusion

Near-term challenges and actions



Increasing operational performance

- Current cost efficiency programme is delivering
- Expecting to be able to go further
- Moving the programme deeper into our operations
- Targeting a further £50m pa
 - Modest savings in 2012
 - Major portion to come through in 2013
 - One-off cost expected to be in a range 1 to 1.5 times the annual savings

Accelerating the PPP asset disposal programme

- Programme successful in 2011
- Good level of activity in the secondary market
- Targeting £40m of gains in 2012
- Cash proceeds will support future investments in PPP
- Gains on disposals will contribute to profit and dividends

Near-term challenges

Conclusion

- Headwinds in 2012
 - Construction margins contracting
- Long-term programmes
 - Drive operational efficiency
 - Recycle capital in investments business
- These two programmes will ensure we make progress in 2012

Development of strategy



Balfour Beatty

Developing our business model to deliver strategy

- Continuing to develop our business model
- Parsons Brinckerhoff acquisition

Rationale

- Make us one of the world's major infrastructure players in professional services
 - Give us a leading position in US civil infrastructure
 - Enhance our global positioning
- Delivering as planned
 - Two distinct elements of the Group emerging

Meeting customer demand in single-capability markets

- World-class businesses
 - Market leadership positions
 - Strong cash profile
 - Cyclical characteristics
 - Lower margin – lower risk
 - Very attractive returns on the resources committed
- Need to invest in capabilities, take advantage of niche opportunities and run efficiently

Seizing opportunity in industry verticals

■ Key industry verticals

- Power, rail, mining, water and transport
- Putting teams together from the breadth of the Group
- Providing solutions to infrastructure challenges
- Complex and valuable projects
- Growth potential with access to new territories

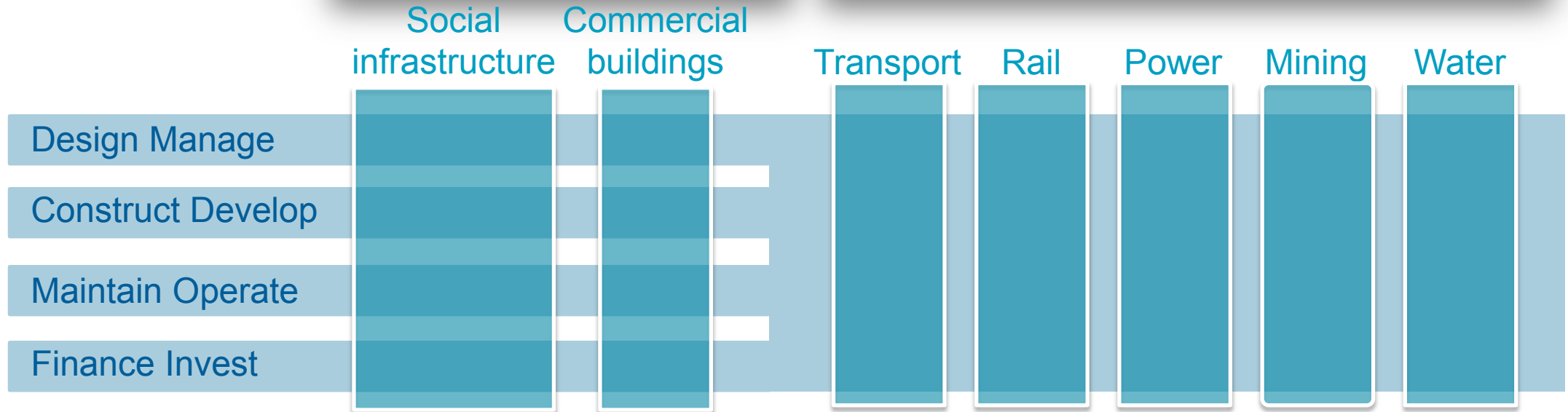
Directing resources to where we see value

Single-capability markets

- Single capability
- UK, US, Hong Kong
- Developed markets

Industry verticals

- Multi-capability
- Global
- Emerging markets



Growing prospects in industry verticals

Single-capability markets

Industry verticals

Share in order book

2011

41%

59%

2009

57%

43%

Rail

Demand for rail systems is growing

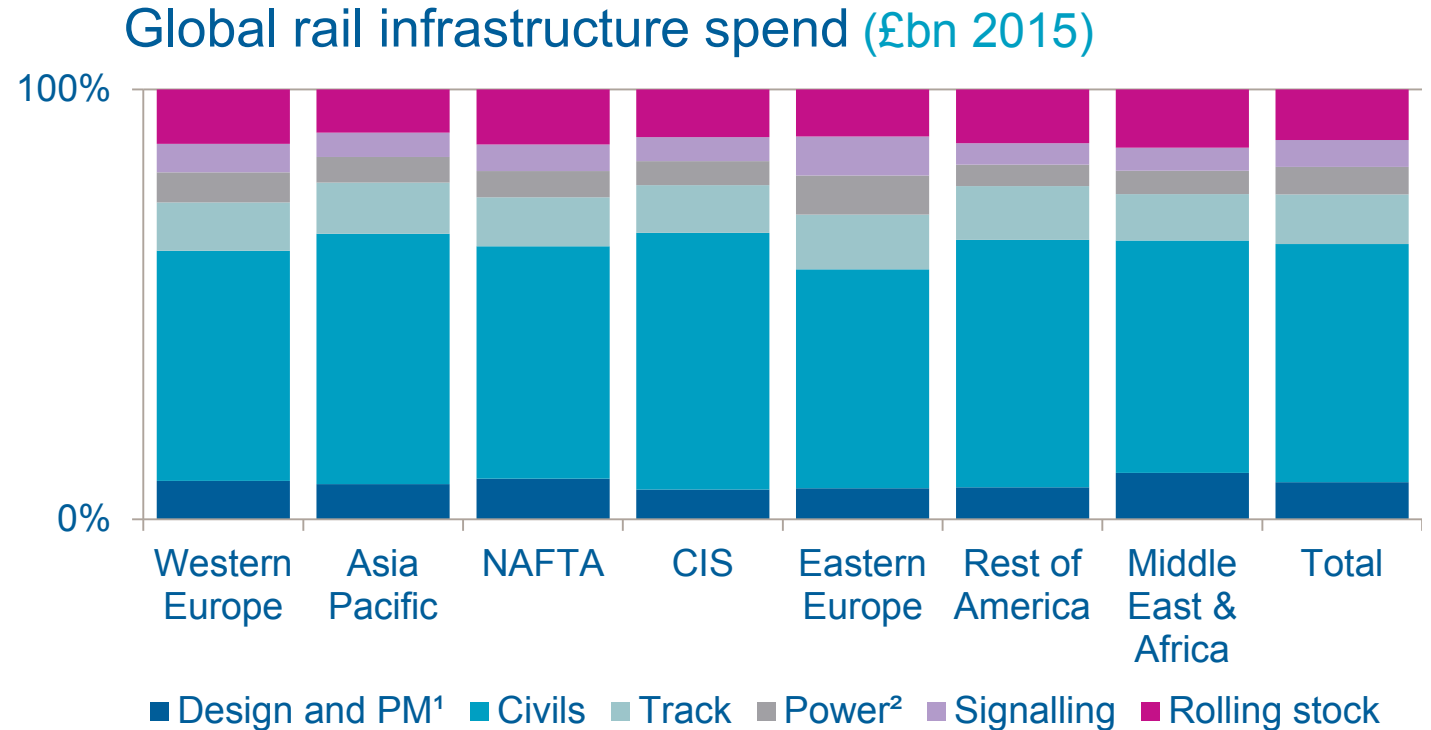
- Rapid urbanisation leading to demand for urban transit systems
- Supports industrial growth e.g. mining
- Socially and environmentally desirable in developed markets
- Global rail infrastructure spend¹ is forecast to grow, reaching £100bn by 2015

¹ Association of the European Rail Industry (UNIFE) projections

Rail

Opportunity in multi-disciplinary projects

- From design and track to electrification and rolling stock integration
- International rail projects won recently
 - Melbourne
 - Denmark
 - Qatar Rail



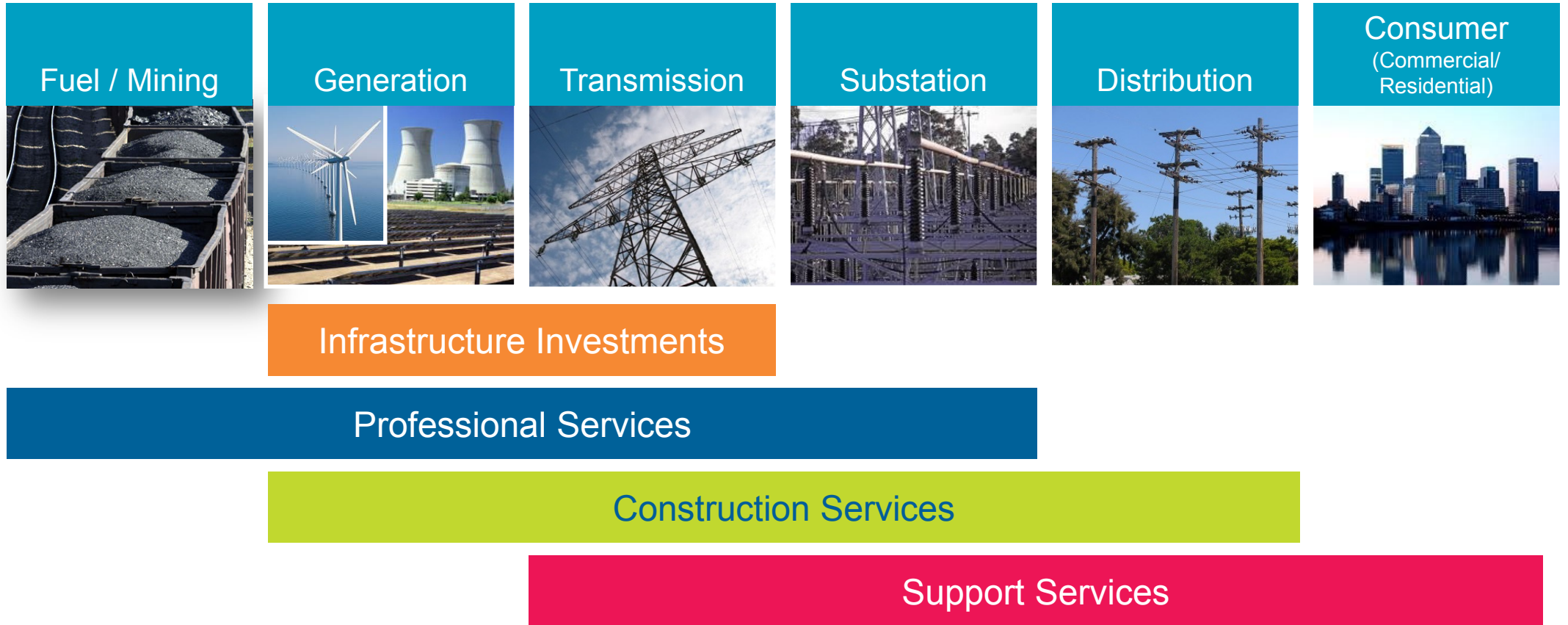
¹ Project management

² Includes power and electrification

Source: Association of the European Rail Industry (UNIFE) projections

Power

Considerable strength across the lifecycle

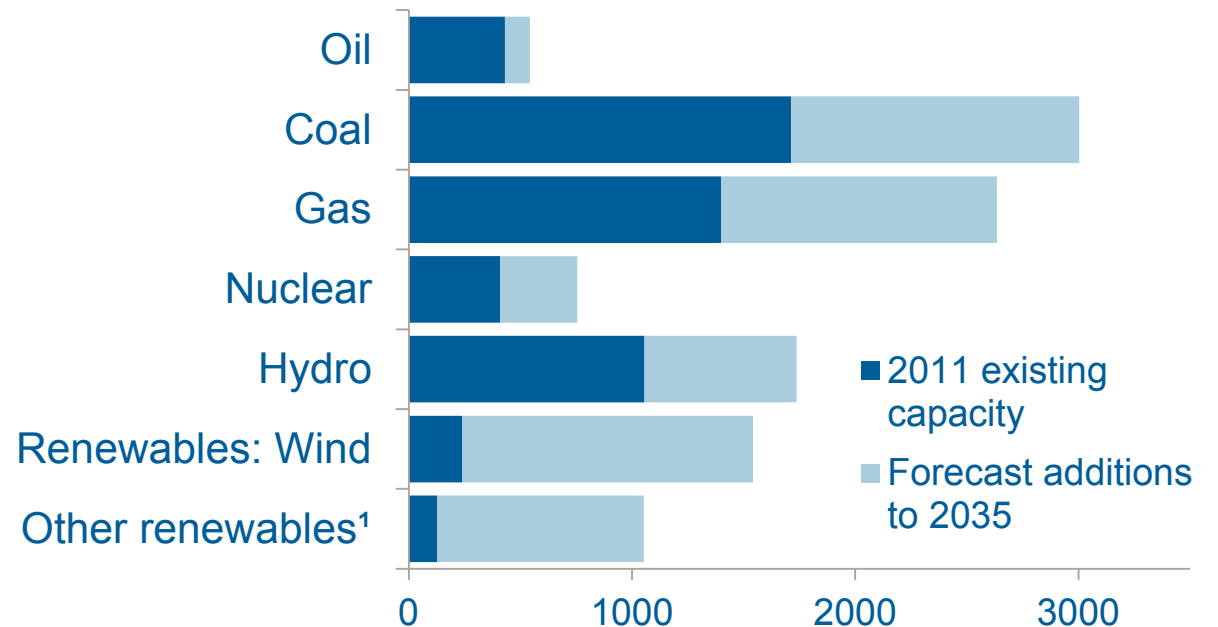


Power

Demand is increasing

- Growing demand in developing markets
- Replacement of ageing assets in developed markets
- Environmental pressures driving renewables
- US\$9trn is forecast to be spent between now and 2035
 - Growing proportion of renewables and nuclear

Global power generation 2011-2035 (GW)



¹ includes biomass and waste, geothermal, solar PV, CSP and marine
Source: IEA World Energy Outlook 2011 and Balfour Beatty estimates

Power

Transmission and distribution vital

- Leader in the UK
- International transmission activity
 - In the US with National Grid
 - In Australia through joint venture with UGL
 - Developing relationships in Canada

Mining

Integrated demand for mining infrastructure

Mine structure

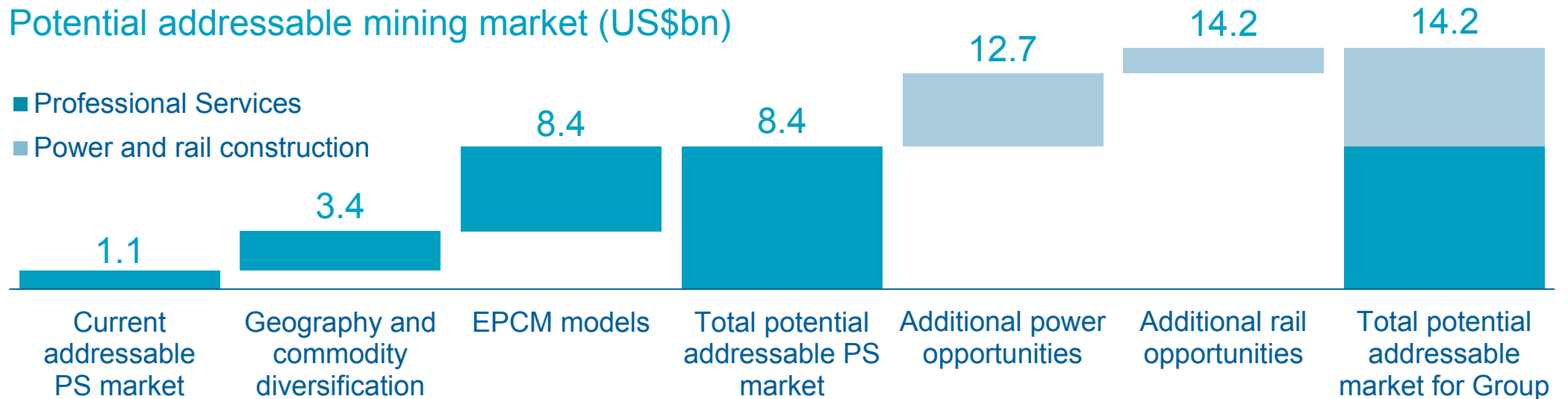
Mine	Process	Infrastructure				
<ul style="list-style-type: none">• Underground operations• Shafts• Extraction	<table><tr><td data-bbox="900 605 1204 997">Upstream</td><td data-bbox="1204 605 1584 997">Downstream</td></tr><tr><td><ul style="list-style-type: none">• Crushing• Screening</td><td><ul style="list-style-type: none">• Smelting</td></tr></table>	Upstream	Downstream	<ul style="list-style-type: none">• Crushing• Screening	<ul style="list-style-type: none">• Smelting	<ul style="list-style-type: none">• Buildings• Transportation networks (e.g. rail, ports)• Utilities (e.g. generation, networks)
Upstream	Downstream					
<ul style="list-style-type: none">• Crushing• Screening	<ul style="list-style-type: none">• Smelting					

Mining

Expanding the addressable market

- Mining construction market large and growing fast
- Mostly procured via EPCMs
- Parsons Brinckerhoff expected to be springboard

Potential addressable mining market (US\$bn)



Balfour Beatty research

Industry verticals

Conclusion

- We are a natural player in industry verticals such as:
 - Rail
 - Power
 - Mining
 - Transport (e.g. highways, airports)
 - Water
- Creating value from our depth of asset knowledge
- Realising the promise of our professional services acquisition
- Expecting to devote more of our resources to these vertical markets

Growth in resource-rich economies

■ Australia

- Steady economy weighted towards infrastructure
- Sophisticated procurement model
- Substantial presence to develop

■ Canada

- Acquired Halsall in 2010
- Developing a transportation and power business

Growth in emerging markets

- Favourable growth dynamics
- Focusing on those with sufficient scale, good competitive environment and appropriate ethical standards
- Expected to grow hand in hand with our verticals strategy
- Challenges are not to be underestimated
- Prospects are very attractive

Emerging markets progress to date

- **India**
 - Office to complement Parsons Brinckerhoff's presence
 - Memorandum of Understanding with Tata Projects
- **Brazil**
 - Opened office in 2011
- **Southern Africa**
 - Building out from the bridgehead we have with PB
- **Middle East**
 - Two significant successes in Qatar

Conclusion



Balfour Beatty

Conclusion

- Challenges in UK and US construction markets will remain
- Financial performance underpinned by cost reduction and asset disposal programmes
 - Expected to offset short-term headwinds and provide momentum
- Focus on industry verticals which are less cyclical
- Exposure to higher-growth geographies

Long-term strategy

- Drive performance in key industry verticals
- Develop new geographies, deploying collective group capabilities
- Operate efficiently and benefit from cyclical recovery
- Development of infrastructure is becoming an increasing central theme of economic policy
- We are well placed to benefit from the long-term global trend for growth

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APPENDIX

Performance by sector

£m	FY 2011	FY 2010 [#]
Professional Services	87	85
Construction Services	169	201
Support Services	67	62
Infrastructure Investments	43	12
Corporate costs	(35)	(35)
Profit from operations*	331	325
Net interest income/(cost)	3	(19)
Pre-tax profit*	334	306

* from continuing operations, before non-underlying items

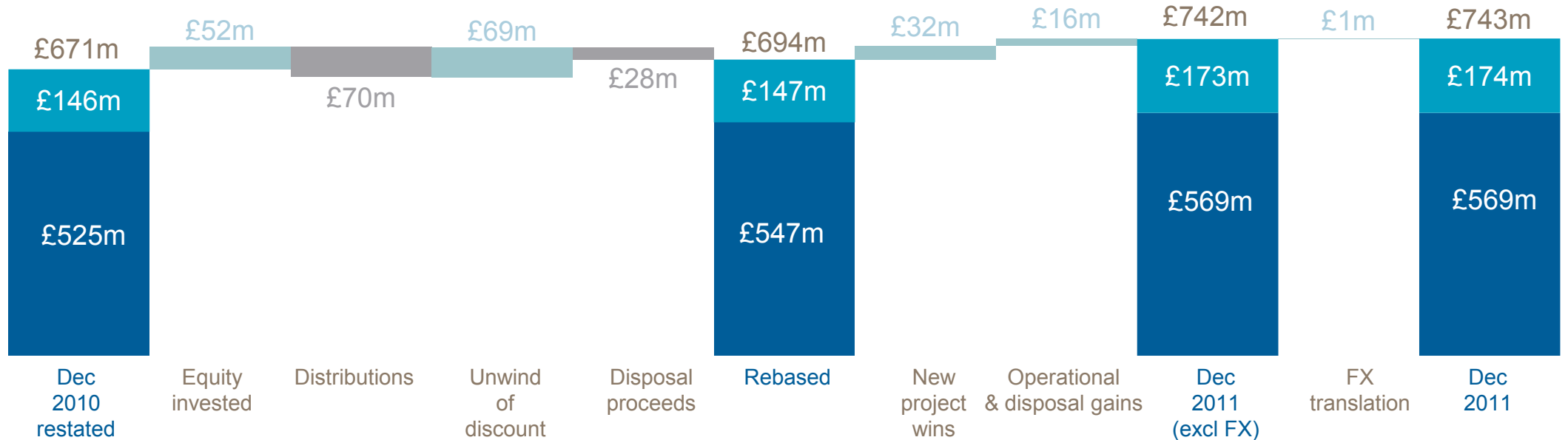
re-presented for the classification of Barking Power as a discontinued operation

Non-underlying items

£m	Loss before tax	Tax	Net loss
UK shared service centre	(12)	3	(9)
Loss on disposal of UK rail manufacturing*	(7)	-	(7)
Acquisition, post-acquisition integration, reorganisation and other costs	(7)	1	(6)
	(26)	4	(22)
Amortisation of acquired intangible assets	(62)	23	(39)
	(88)	27	(61)
Discontinued operation – Barking			4

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

PPP portfolio valuation roll-forward – FY 2011



■ UK/Singapore ■ US

Pre-tax discount rates	2011 current	2010 previous
UK	9.5%	9.4%
US	12.0%	11.5%
Combined	10.1%	10.0%

Group balance sheet

£m	Dec 2011	Dec 2010
Goodwill and intangible assets	1,518	1,447
Current assets [#]	2,154	1,877
Current liabilities and provisions [#]	(3,239)	(3,125)
Working capital [#]	(1,085)	(1,248)
Net cash (excluding PPP subsidiaries)	340	518
PPP subsidiaries – financial assets	457	327
PPP subsidiaries – non-recourse net borrowings	(332)	(270)
Retirement benefit obligations (net of tax)	(200)	(321)
Other assets	973	1,024
Other liabilities	(412)	(321)
Shareholders' funds	1,259	1,156

[#] excluding cash/borrowings, tax and derivatives

Balance sheet cash movement

£m	FY 2011	FY 2010
Opening net cash [†]	518	572
Cash generated from operations	35	164
Dividends from JVs and associates (inc. Barking)	59	62
Capital expenditure and financial investment	(92)	(163)
Acquisitions and disposals (net of net cash acquired)	(63)	(20)
Dividends, interest and tax paid	(115)	(108)
Exchange adjustments	(2)	12
Other items	-	(1)
Closing net cash[†]	340	518
PPP subsidiaries non-recourse net debt	(332)	(270)
Closing net cash	8	248

[†] treating PPP subsidiaries as joint ventures/associates

Acquisitions and disposals

£m

Acquisitions:

Romec Services	30 March	29
Power Efficiency*	7 April	15
Fru-Con Construction*	15 June	14
Howard S. Wright*	30 June	33
Office Projects*	22 August	6
Deferred consideration		3

100

Disposals:

UK rail manufacturing	3 May	(37)
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63

* net of cash acquired

Order book

