

**Bank of America Merrill Lynch
Pan European Building and Infrastructure Conference Script**

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SLIDE - Agenda

Good morning everybody.

I would like to do four things this morning.

First of all, as this is an industry-wide conference, I will give a quick overview of Balfour Beatty for the benefit of those who are not familiar with us.

Second, I want to give you our view at a high level of global infrastructure markets and how we have shaped our business to address those markets.

Then, I want to give you an update on Parsons Brinckerhoff or in short PB, and review some of the major opportunities across the Group which are now open to us.

And lastly, I will share with you some thoughts on the longer-term direction of the Group. Because, as we have said before, our focus as a management team is unequivocally on delivering value over the long-term.

SLIDE – Integrated business model

We have spent the last five years expanding our company, both organically and through acquisition, while focusing our efforts on four segments. Balfour Beatty is now an international infrastructure company with a complete life-cycle approach.

Our four segments are strong, self-sufficient and world-class. We are now one of only a few companies internationally with the capability to deliver complex infrastructure projects at conception, feasibility and financing through to design, construction, operations and maintenance.

This means that as infrastructure projects become more complex, we take away interface risk from our customers.

This ability to provide a joined-up approach plays to exactly what major infrastructure owners need from their trusted suppliers and, in our experience, are increasingly demanding from them.

SLIDE – Providing services across the infrastructure

The group of businesses we've put together covers the entire value chain in infrastructure development. The recent acquisition of PB which I will come back to in a moment, has increased our presence across this value chain and its strategic importance to us is illustrated in this diagram.

Let me add in case there is any doubt in your minds, that we are led by our clients as to which services they buy from us. The majority of our projects still involve single service delivery, but it is becoming increasingly common for our client to seek a reduction in delivery risk and cost by going to a single provider for the whole life-cycle of the project.

SLIDE – In diverse end-markets and geographies

On a separate note, we are cognisant that our business is dependent on economic cycles and hence, exposure to a broad and diverse set of end-markets ensures the stability of our revenue. On the first chart is the breakdown of our revenue at the half-year, from roads and rail in transportation to water and power in utilities and hospitals and schools in social infrastructure.

Equally, the breadth of our geographic reach has developed over the years. With acquisitions in the US, including those of Centex construction, GMH and Parsons Brinckerhoff, our JV with Jardine in the Far East, and many more operations around the globe, we now have substantial operations in 10 countries and a foothold in another 70.

SLIDE – Strong track record

A quick word on our track record although the charts tell their own story.

Our order book and revenue have grown for the last five years. Our margins are at robust levels and we have plans in place to improve them further. EPS was flat in 2009, mainly due to equity raised through a rights issue in order to finance PB's acquisition.

Nevertheless, our dividend growth reflects our confidence in the future growth of the company.

SLIDE – Infrastructure – an attractive, long-term market

Infrastructure is a long-term business and we continue to believe that growth in expenditure on infrastructure creation and renewal will exceed growth in GDP over the next 10 years and even further.

That there is an infrastructure deficit in many developed economies is indisputable. The necessity to build and replace social and civil infrastructure in markets such as power, water and transportation will be a key driver of economic growth. The developed markets of Western Europe and North America are expected to see growth due to the need to replace ageing infrastructure. This expansion will also reflect changing demographics and deliver society's sustainability goals.

But the need to create infrastructure is even more evident in the developing economies of the world. Over the next 10 years, the most exciting infrastructure

markets will be in countries such as India, Brazil and, of course, across China and other South East Asian countries as they drive ambitious plans to develop their social and industrial fabric.

In positioning our business firmly in the infrastructure markets, we are in an environment with many excellent growth opportunities.

Of course, it is also clear that private capital will play an increasing role in the next few years as governments balance their need for infrastructure to drive economic growth against their need to control fiscal deficits.

Against this background, our objective is to shape our business to capitalise on these huge opportunities, and that is precisely what we have been doing over the last few years.

SLIDE – Infrastructure business model

As I laid out a few minutes ago, we have now created a substantial world-class group of businesses which operate in, and are now broadly-balanced across the infrastructure lifecycle.

SLIDE – Professional services

In professional services, we are a global player in project management and design, and a market leader in transportation and power.

SLIDE – PS – a knowledge business

In this business, it is imperative to attract and retain top talent. It is the capabilities and client relationships of the staff that ensure seizing the best contracts in the market. Often we get our first look into a project by conducting a feasibility study years before the contract reaches the bidding stage.

PB has put BB on the map in global professional services and we intend to develop this position. Through organic growth and acquisition, we aim to enhance our capabilities in power, water, mining and rail. Markets such as Canada, India and possibly China are very attractive to us, as I touched on earlier. We intend to continue our expansion into those countries. Moreover, PB will increasingly become the platform which integrates processes across the Group.

SLIDE – Construction services

In construction services, we have market-leading businesses in the UK, the US, Hong Kong and the Middle East and a leading position in the international rail market.

SLIDE – CS – a delivery business

Construction is for all intents and purposes a local business. It requires knowledge of the local supply chain and companies who establish an integrated supply chain and forge strong relationships with the customers will lead this market. Project and commercial management skills are essential and the focus is on delivery to cost, quality and schedule.

At any one time, we work on a vast number of construction projects, none of which represents more than 2 percent of Group revenue. Managing the risks associated with the delivery and cost of these projects is an inherent part of the job, and having been in this space for a very long time, we have developed the necessary skills, systems and controls to ensure that risk is mitigated and managed.

Construction remains a significant part of the Group. Our focus is on filling in the gaps in certain markets and growing others where we see specific opportunities. I will elaborate on some of these opportunities in a few minutes. So, let me move on.

SLIDE – Support services

In support services, we are focused on government and regulated industry customers and are well-established as a leading provider of facilities management, business services outsourcing, utility and rail services and highways management.

SLIDE – SS – a service business

Support services is indeed a service business. The business is characterised by the need to deliver continuous improvement in cost and quality and by the intimate relationship with the client.

This business has huge potential for organic growth. We have established ourselves in segments such as highway and building management, utilities, rail renewal and business services outsourcing. Our clients are the likes of the major utility companies, the Highways Agency, Royal Mail, British Gas, Metropolitan Police. We believe outsourcing will be a lasting trend, particularly in the current climate of cost reduction.

Furthermore, we have an excellent reputation in this market and the scope to increase market share. Our work for National Grid in power transmission, in which we are the market leader, is also included in this segment. Given Offgem and National Grid's plans, we are likely to see significant growth in this sector going forward.

SLIDE – Infrastructure investments

In infrastructure investments, we are a leader in UK and US PPP, with a strong track record of developing and financing projects over the last 15 years.

SLIDE – II – an asset owner

While all of our other businesses are earnings-based trading businesses in some shape or form, this division is a long-term return on capital business and hence should be forecast and valued separately.

Our commitment to PPP is strong. We aim to broaden PPP in the US and internationally ... as well as develop it into other classes of infrastructure. You may have heard for example, about our first US student housing PPP at Florida Atlantic University.

We are also evaluating ways of optimising the value of our current UK portfolio. In the past, we have held our assets for the long-term. Our current thinking is that the numerous opportunities we see in PPP can be financed by reducing our investment in some of the mature assets in the current portfolio.

SLIDE – Parsons Brinckerhoff – strategic rationale

Now let me turn to PB in some detail. We acquired PB in October 2009 after many months of due diligence. Being an employee-owned firm, PB's due diligence on us was just as rigorous.

The quality of the business and its management was relatively easy to establish. After all, we had partnered with them many times before. The most significant other factor was access ... access PB would give us to markets where they were established and the integrated approach this would help us to develop.

SLIDE – Parsons Brinckerhoff – a game-changing move

PB was a game-changing move to round out our capabilities across the infrastructure lifecycle to address those customer needs I have just described.

We are very pleased with the way in which PB has been integrated into the Group and how it has performed as part of Balfour Beatty.

Following the integration of Heery in the US and Balfour Beatty Management in the UK into PB, our professional services business now consists of 14,000 people working across 80 countries. The integration process has gone smoothly and the cultural and strategic alignment of the two businesses is very strong.

Financial performance in the first half has been slightly ahead of the acquisition plan and the order book has grown.

And this is despite short-term weakness in its core US transportation market as a result of the delay to the re-authorisation of the US transport bill. This is continuing to impact the flow of particularly the larger projects but we believe it is likely to be a short-term phenomenon. We expect to see increases in funding over the medium-term.

It is worth noting that the House of Representatives recently passed an Appropriations Bill which, if agreed to by Senate and the President, would increase transport funding in 2011 by around 9%.

Other areas in the US, particularly in Federal markets, are holding up well.

Meanwhile, we are seeing good growth prospects in Asia and in Australia, where PB operates in the transport, power, mining, water and building sectors.

New business wins in the first half included programme management on the Illinois high-speed rail programme, along with projects on the Port Columbus International Airport in Ohio and the Lake Washington School District Capital Building Program.

Outside the US, wins included architectural and engineering design to support the ongoing expansion of the Singapore Mass Rapid Transit System, engineering consultancy with the Abu Dhabi water and electricity authority, as well as feasibility and design for a major part of the Australian Government's solar flagship programme.

With strong first half performance and good prospects for the second half, we are even more confident that we will deliver both our short and medium-term financial objectives from the acquisition, and our longer-term strategic ambitions.

As I have said before, PB is key to our professional services strategy as an integrator across the infrastructure lifecycle and the acquisition opens up new opportunities for us.

I want to spend the next few minutes highlighting some of the specific opportunities and projects that we now see in front of us as an international infrastructure business.

SLIDE – Opportunities in international infrastructure
Denver Rail

In the US, we are part of the team which has been selected as preferred bidder to construct the Eagle commuter rail project in Denver.

Along with our partners, we will be responsible for the engineering, procurement and construction of a major extension to Denver's rapid transit system.

The project involves not just the construction of the static infrastructure, but also the procurement of rolling stock, systems integration and the operation and maintenance of the entire system for around 30 years. It draws on skills from across all sectors of our business.

The Eagle project is part of a much bigger, multi-billion dollar transit expansion programme to build and operate new commuter and light rail schemes in the Denver area.

There are likely to be many other such schemes in the US. And our integrated expertise - in rail engineering, allied to our professional services and PPP capabilities - means we are well-placed in this market in the future.

Indeed, as the US starts to look at the viability of High Speed Rail, we have already established ourselves as the market leader with PB now involved in around half of all feasibility work in this field across the US.

**SLIDE – Opportunities in international infrastructure
Heathrow Airport**

In the UK, we recently confirmed a contract working with BAA on their Terminal 2 Concourse B development at Heathrow.

BAA is a long-standing customer and we have enhanced the range of capabilities we provide to them by including resource and expertise from PB's US airports team on this latest phase of work.

**SLIDE – Opportunities in international infrastructure
Indian Roads**

In India, which is a relatively new geography for Balfour Beatty, PB is currently working on, amongst other things, the extensions to the Delhi and Mumbai Metros and the redevelopment of Delhi Airport. But, we are now also beginning to look more widely at an involvement in the infrastructure market.

We have formed a joint venture with GVK, one of India's leading infrastructure companies, to bid for road projects let by the National Highways Authority of India on a build, operate and transfer basis.

These are massive, long-term projects.

There is simply no way we could have considered getting involved in, or been able to be competitive, on these projects as a downstream contractor.

But with the design and programme capabilities we now have through PB supporting our investment business, there is a lot of potential value we bring to the joint venture.

SLIDE – Opportunities in international infrastructure UK Power

Let me now turn to the UK power market.

In the UK nuclear sector, we are already working on the early contractor involvement phases of decommissioning projects at Sellafield and are one of a handful of companies with the scale, resources and expertise to support the nuclear new-build programme in due course.

In the broader UK power market, there will be substantial opportunities linked to offshore generation and renewable energy.

We are the preferred bidder to acquire and operate the £163m Thanet high-voltage, offshore transmission system, pulling together our investment, operations and maintenance and professional service capabilities. Ofgem estimate that over the next 15 years, the UK will invest around £200bn in the UK's power infrastructure with renewable energy and offshore being one of the largest components.

The success in our bid for Thanet is not only a valuable opportunity in its own right but it is also an important first step in what we believe will be a very important market for us.

Furthermore, it illustrates the changing nature of our investment business, as we place less emphasis on structured PFI and PPP assets – although these will continue to be important to us – and more on wider classes of infrastructure assets.

SLIDE – Where we are today

I hope you can see from these few examples how the business we have created and the capabilities we now have within the Group gives us access to a much wider range of markets and geographies.

I'll come to where all this takes us in the medium term in a few minutes but, before I do, let's just reflect on where we are today.

We have reported continued earnings growth.

We have increased our order book to £14.6 billion with some exciting opportunities to come. The projects in Denver, Heathrow and the Darnall Army Medical Centre, to give three examples, will be recognised in our order book during the second half.

It is also worth noting – and you may have heard me say this many times before - that we don't include preferred bidder positions in our order book. And we only include the initial phases of multi-stage projects. In other words, our order book is a conservative number and is a secure figure relating to signed contracts.

So we have created the platform from which we are extremely well-placed to take advantage of the growth in infrastructure markets across the world, and we have a strong balance sheet to enable us to invest further.

The inevitable consequence of this strategy is that, although we remain a major business in the UK, we are less and less exposed to the UK construction market.

There are clearly short and medium-term questions about the level of UK public sector investment in infrastructure and how such investment will be funded. However, bear in mind that only 20% of our business is derived from this source, and that with our order book and visible pipeline, it will be some time before the impact of this is felt. Meanwhile, there are significant growth opportunities in the other 80% of our business.

SLIDE – Growth opportunities

I have already mentioned as significant opportunities the power market. But outsourcing, an upturn in the UK commercial market, energy from waste, and greater drive towards more sustainable solutions all present us with significant opportunities in the UK.

Add to that the opportunities for growth in the US, in South-East Asia and, in the longer term, in the emerging economies to which PB now gives us access, and I hope you agree that it is important to keep concerns over the inevitable impact of the comprehensive spending review on individual parts of our business in proportion.

In addition, our performance is underpinned by the benefit we expect to get from our cost efficiency programmes which we expect to deliver net savings of around 20 million pounds per annum by 2012.

Of course, when discussing market trends and revenue opportunities, I have focused on the medium term. What I cannot do is predict the exact timing or the impact of rises and falls in the many individual markets and programmes in which we are involved.

This means I cannot predict the Group's exact growth trajectory over the next few years. What I can say though is that I am absolutely confident of our ability to deliver growth over the medium term and our progressive dividend policy reflects that confidence.

SLIDE – Future direction of the Group

So what will Balfour Beatty look like in the years to come?

Over the next two to three years, I expect that we will see significant growth from our professional services business, both organically and through acquisition.

This reflects both its pivotal position in our overall strategy and the ongoing process of consolidation in the global professional services market.

Over the same period, I believe that, while it will always be an important component of our business, the relative proportion of business from the UK construction market will fall.

We see scope for further growth in the US construction market as the state infrastructure and commercial markets recover – probably in 12 to 18 months' time.

At the same time, I believe we will see strong, mostly organic, growth within our support services business.

We will continue to generate increasing value from our infrastructure investment and development activities as we broaden the classes of assets in which we invest and further use the skills and knowledge of PB to enhance our capabilities.

Net, net we will see the balance of our business shift away from our UK construction activities, and move towards markets in the US and Asia and towards professional and support services with the former playing an increasingly central role in our strategy.

SLIDE – In summary

So, let me summarise.

We have created a powerful Group, capable of delivering services to customers across the infrastructure lifecycle.

We have strong, market-leading businesses, which are mutually reinforcing. Collectively, they make us a leader in the delivery of infrastructure.

We are increasingly diversified, by market and by geography, which give us real resilience and provides access to more opportunities.

Our balance sheet strength and strong record of customer delivery underpin our position and are key competitive advantages.

The breadth and depth of our business, and our proven capability to manage the impacts of market change, means that we are uniquely placed to take advantage of the inevitable growth in the demand for infrastructure and the exciting opportunities in front of us.

We remain confident about the outlook for the business.

Thank you.