

Balfour Beatty



Bank of America Merrill Lynch Pan European Building & Infrastructure Conference

6 October 2010

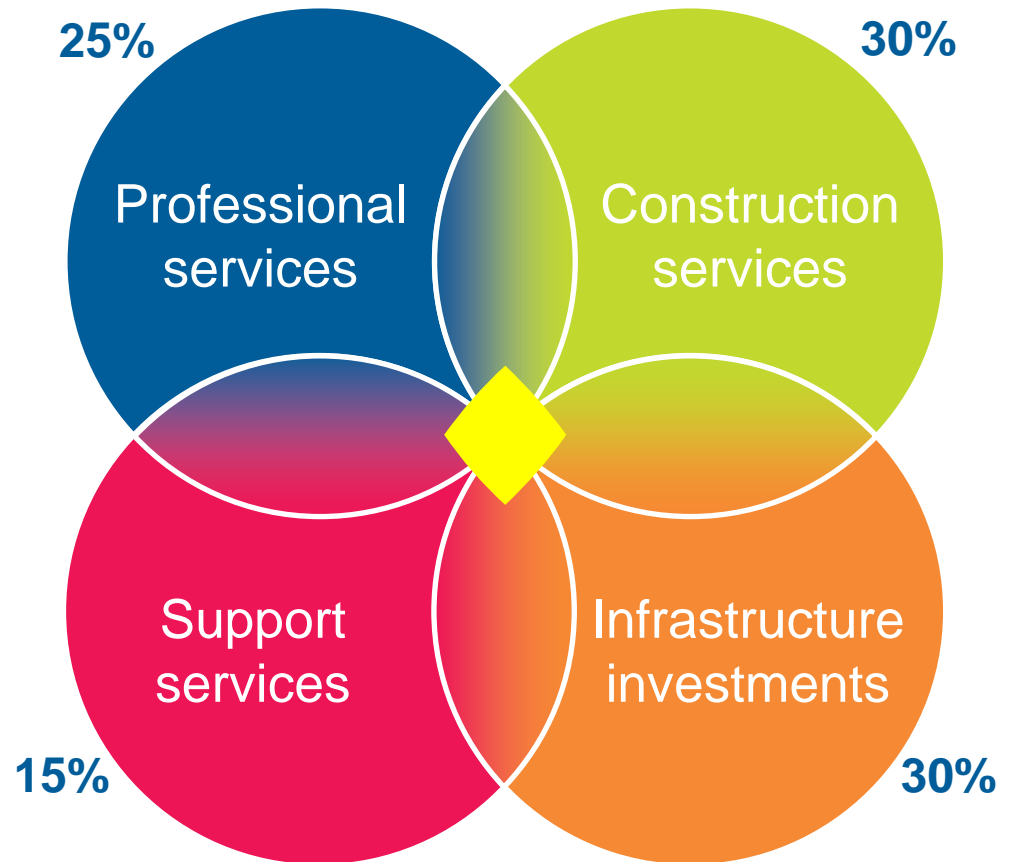


Agenda

- Overview of the Group
- Infrastructure markets
- Balfour Beatty infrastructure business model
- Opportunities across the Group
- Longer-term direction of the Group

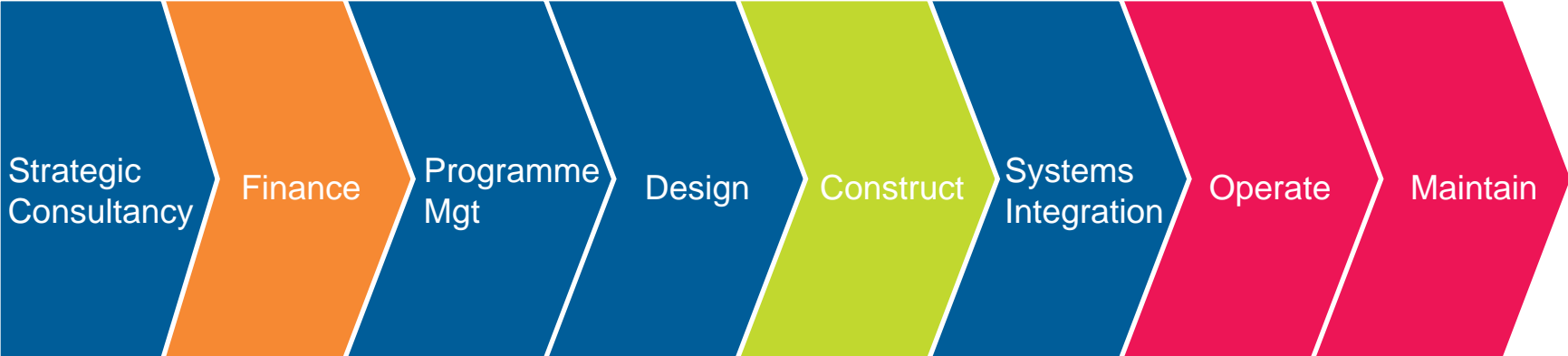
Integrated business model

- International infrastructure business
- Strong and self-sufficient divisions
- Each separately world-class
- Together, offering infrastructure owners a uniquely integrated service
- Particularly relevant to the largest, most complex and highest value projects

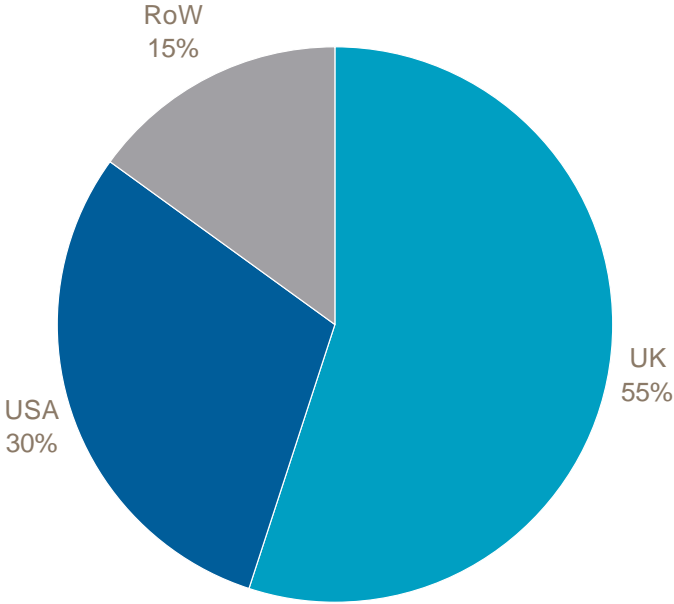
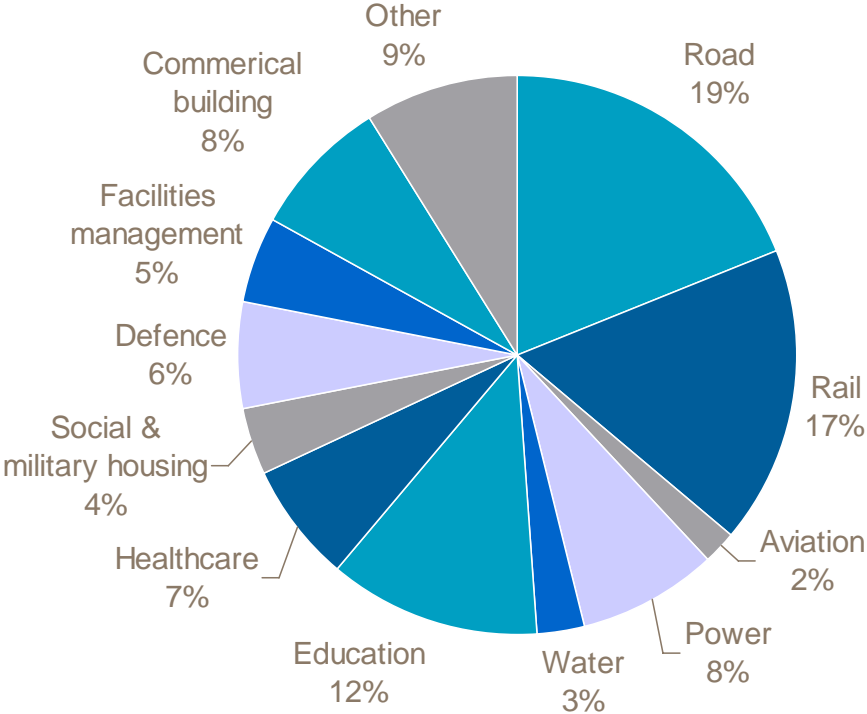


Notes: Balfour Beatty analysis – illustrative allocation of value by segment

Providing services across the infrastructure lifecycle



In diverse end-markets and geographies

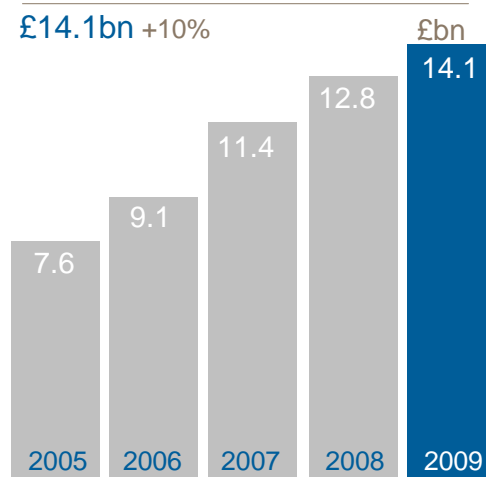


Notes: For half-year ended 26 June 2010, breakdown of revenue including share of joint ventures and associates

Strong track record

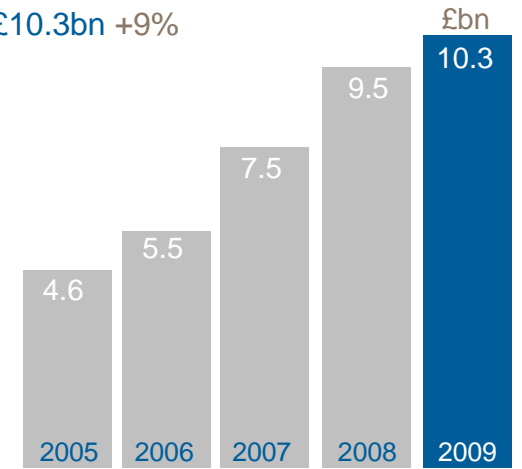
Order book

£14.1bn +10%



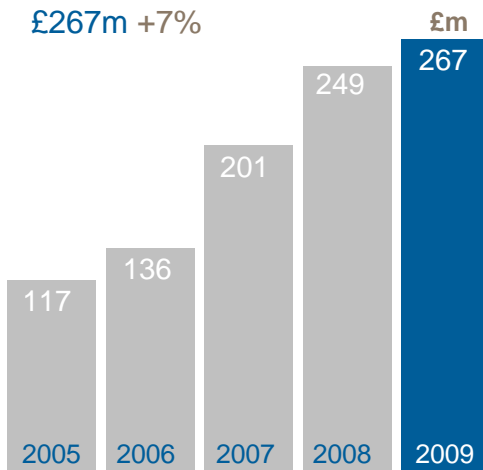
Revenue incl. joint ventures & associates

£10.3bn +9%



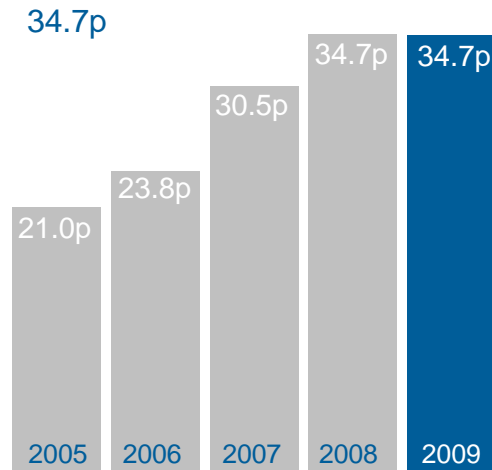
Pre-tax profit

£267m +7%



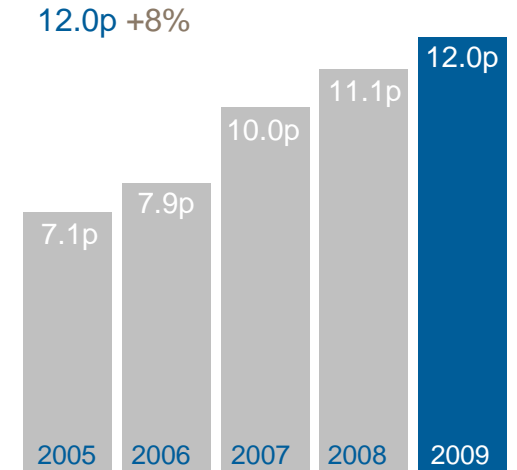
Adjusted eps

34.7p



Dividend growth

12.0p +8%



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Infrastructure – an attractive, long-term market

Projected infrastructure spending 2009-2020
trillion \$US



Global growth in infrastructure spend forecast to exceed GDP growth over next 11 years

**Global spend CAGR
7.7%**

*The circles are illustrative of relative spend in 2009-2020
Source: IHS Global Insight, Global Construction Outlook 2010 Q3-10*

- **Developed world**
 - Ageing infrastructure
 - Demographic changes
 - De-carbonisation
- **Developing world**
 - Engine of economic growth
 - Population growth
 - Demographic changes/urbanisation

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Infrastructure business model



Professional services



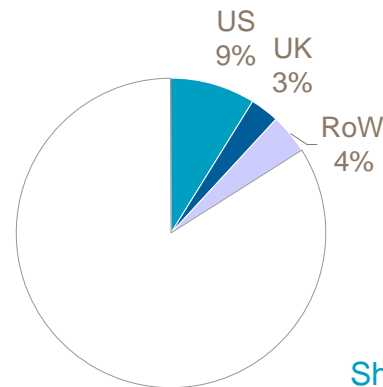
- Programme and project management
- Architectural services
- Project design
- Technical services
- Planning
- Consultancy

Revenue¹
£829m

Share in Group
revenue¹
16%

Order book
£1.6bn

Profit²
£49m



Share in Group revenue¹

Notes: For Half-year ended 26 June 2010, ¹ Revenue including share of joint ventures and associates, ² Profit from operations before exceptional items and amortisation

Professional services - a knowledge business



Business drivers

- Track record and staff qualifications key factor in winning work
- Staff utilisation and multipliers: 'billability' drives profitability
- Mostly fee-based, limited risk

Strategic themes

- Capability enhancement (power, water, mining, rail)
- Truly global footprint
- Geographic expansion (Canada, India, China)
- Process integration

Construction services



- Building
- Construction management
- Refurbishment and fit-out
- Mechanical and electrical services
- Civil engineering
- Ground engineering
- Rail engineering

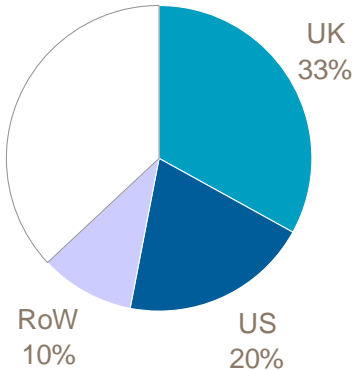
Revenue¹
£3,282m

Share in Group revenue¹
63%

Order book
£8.5bn

Profit²
£83m

Notes: For Half-year ended 26 June 2010, ¹ Revenue including share of joint ventures and associates, ² Profit from operations before exceptional items and amortisation



Share in Group revenue¹

Construction services - a delivery business



Business drivers

- Integration of supply chain
- Local capability
- Project and commercial management skills
- Delivery focus: cost and schedule
- Risk management
- Low operational gearing

Strategic themes

- Growth in established geographies
 - US
 - HongKong/South-East Asia
- Specific opportunities
 - UK power – nuclear, renewable energy
 - HK infrastructure
 - US federal

Support services



Revenue¹
£735m

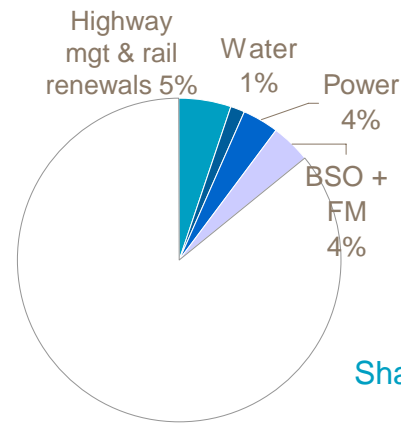
Share in Group revenue¹
14%

Order book
£4.5bn

Profit²
£21m

Notes: For Half-year ended 26 June 2010, ¹ Revenue including share of joint ventures and associates, ² Profit from operations before exceptional items and amortisation

- Upgrade and maintenance of water, gas and electricity works
- Total facilities management and business services outsourcing (BSO)
- Highways network management, operation and maintenance
- Rail renewals



Share in Group revenue¹

Support services – a service business



Business drivers

- Continuous improvement: quality enhancement and cost reduction
- Contract renewal and scope expansion
- Intimate contact with client organisation

Strategic themes

- Growth in Total Facilities Management market share
- Capitalise on growth in UK outsourcing
- UK power opportunities

Infrastructure investments



Revenue¹
£352m

**Share in Group
revenue¹**
7%

No. of concessions
55

Profit²
£14m

- Operate a portfolio of long-term PPP concessions in the UK, primarily in the education, health and road/street lighting sectors
- Operate a portfolio of long-term military accommodation PPP concessions in the US
- Operate education PPP concessions in Singapore and the US
- Active investor in non-PPP assets at Blackpool and Exeter International airports and Barking Power Station, and preferred bidder in OFTO

Notes: For Half-year ended 26 June 2010, ¹ Revenue including share of joint ventures and associates, ² Profit from operations before exceptional items and amortisation

Infrastructure investments – an asset owner



Business drivers

- Capital intensive business; ROE-based
- Whole life cost optimisation
- PPP (availability risk) v asset investment (demand risk) skills

Strategic themes

- Broaden US PPP
- Expand PPP internationally
- Develop investments in wider class of infrastructure
- Optimise value of current UK portfolio

Parsons Brinckerhoff – strategic rationale



- World-class transportation and power business
- Broad geographical footprint
- Access to US infrastructure market
- Access to developing markets
- Integration of group-wide activities

Parsons Brinckerhoff – a game-changing move



- Acquisition rounded out capabilities across the infrastructure lifecycle
- 14,000 employees¹, 80 countries
- Strong cultural and strategic alignment with Balfour Beatty
- Performance ahead of plan and growing order book
- Key role as integrator across the infrastructure lifecycle, providing new opportunities for the Group

Notes: ¹ Includes approx. 1,500 employees from Heery and BB Management

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Opportunities in international infrastructure

Denver Rail



- Preferred bidder on Eagle commuter rail project, Denver:
 - engineering, procurement and construction
 - rolling stock procurement
 - systems integration
 - operations and maintenance
- Good prospects for similar schemes across the US

Opportunities in international infrastructure

Heathrow Airport



- £460 million contract at Heathrow Terminal 2 – T2B
- Enhanced range of capabilities through PB's US resource and expertise

Opportunities in international infrastructure

India roads



- PB has operated in India for a number of years (Metros in Delhi and Mumbai; Delhi airport)
- Balfour Beatty joint venture with GVK to bid for road projects on a build/operate/transfer basis
- PB provides design and programme management capabilities

Opportunities in international infrastructure

UK power



- Well-positioned to support nuclear new-build programme
- Substantial opportunities in offshore generation and renewable energy
- Appointed preferred bidder to acquire and operate Thanet offshore transmission system (OFTO)

Where we are today

- Capabilities across the infrastructure lifecycle and access to wide range of markets and geographies
- Continued growth in earnings
- Order book increased to £14.6 billion in H1 2010
- H2 order book to include recent contracts such as Denver rail, Heathrow T2B and Darnall Army Medical Centre
- Strong balance sheet
- Resilient business model

Growth opportunities



- Significant UK opportunities
 - New nuclear and renewables
- Plus, opportunities in:
 - US
 - South-East Asia
 - Emerging economies through PB
- Efficiency programme
- Confident in ability to deliver growth over the medium-term, reflected in dividend policy

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Long-term direction of the Group

- Significant growth in professional services
- Further growth in US construction
- Strong growth in support services
- Relative exposure to UK construction to fall
- Continued value creation from infrastructure investments

In summary

- Creation of powerful position to deliver across the infrastructure lifecycle
- Strong, market-leading and mutually reinforcing businesses
- Uniquely strong collective capability
- Diversification, through markets and geographies, provides resilience and access to more opportunities
- Balance sheet strength and strong record of customer delivery
- Well-placed to take advantage of long-term demand for infrastructure
- Confident about outlook for business

Balfour Beatty