

Balfour Beatty



Investor Day

9 June 2009



Investments

Anthony Rabin

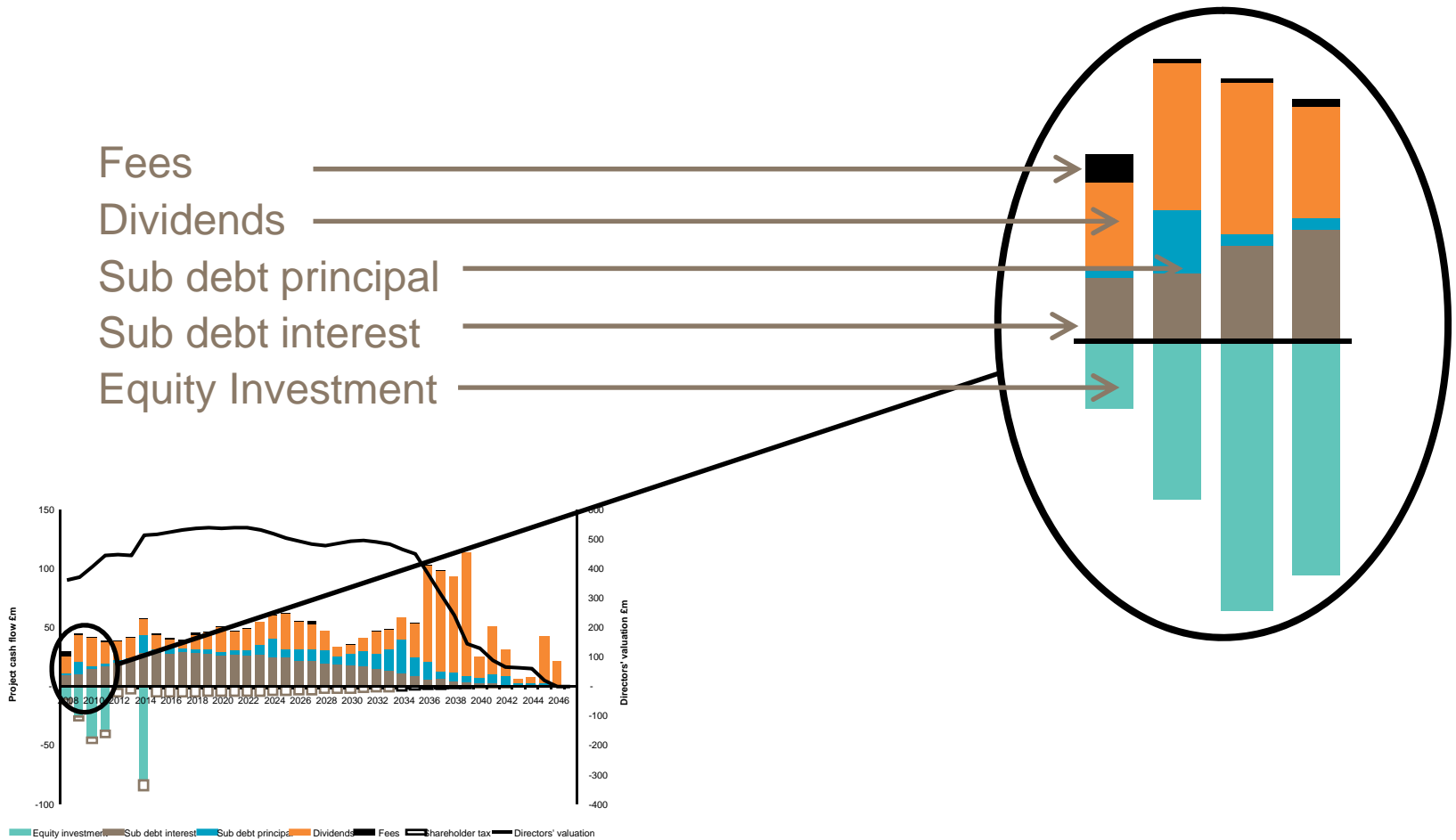
Deputy Chief Executive, Balfour Beatty plc

Valuation

Tax

- Tax at “Project Level” v “Corporate Level”
- Market Transactions v Corporate Value

Corporate taxation of UK project cashflows

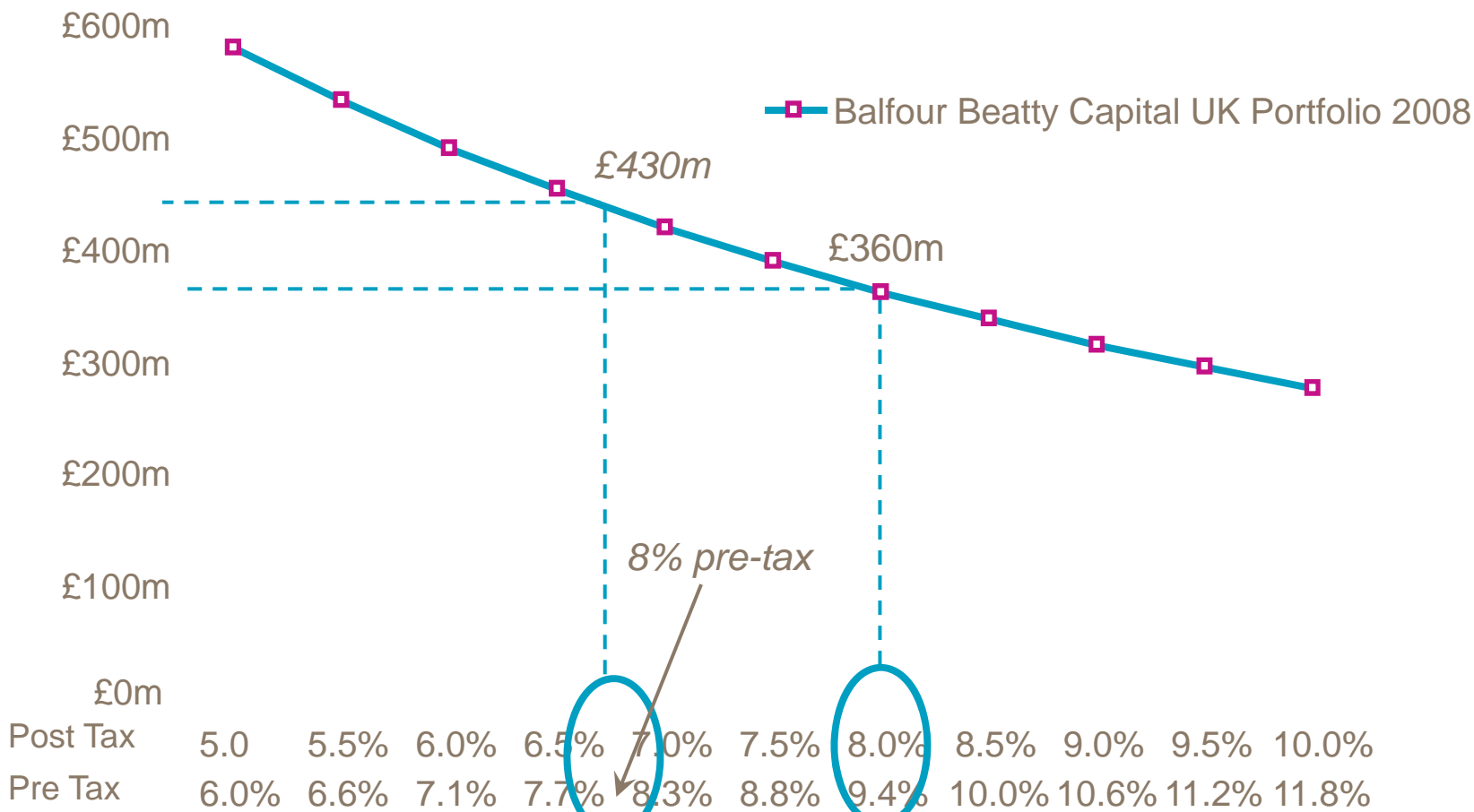


Tax

- Tax at “Project Level” v “Corporate Level”
- Market Transactions v Corporate Value
- UK Tax v US Tax

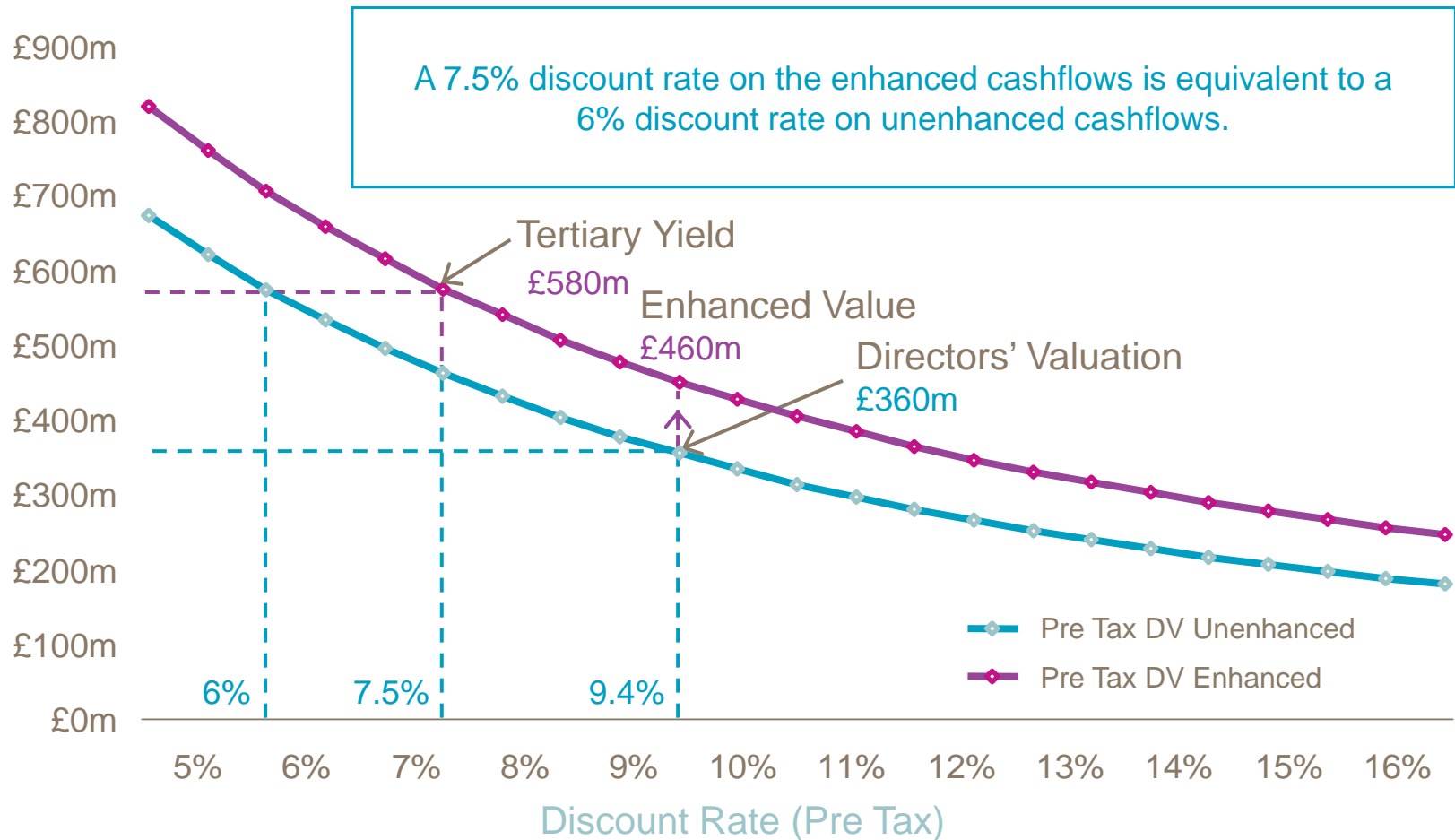
Pre/post tax discount rates

Directors' valuation



BB Capital portfolio – Secondary market equivalent rate

Valuation



BB Capital PFI portfolio value after enhancement

Tertiary Market Yield	Value of cashflow enhancement £m		
	80	100	120
6.5%			
7.5%		580	
8.5%			

BB Capital PFI portfolio value after enhancement

Tertiary Market Yield	Value of cashflow enhancement £m		
	80	100	120
6.5%	640	670	700
7.5%	560	580	610
8.5%	490	510	530

Pipeline / Goodwill

UK and US separate businesses

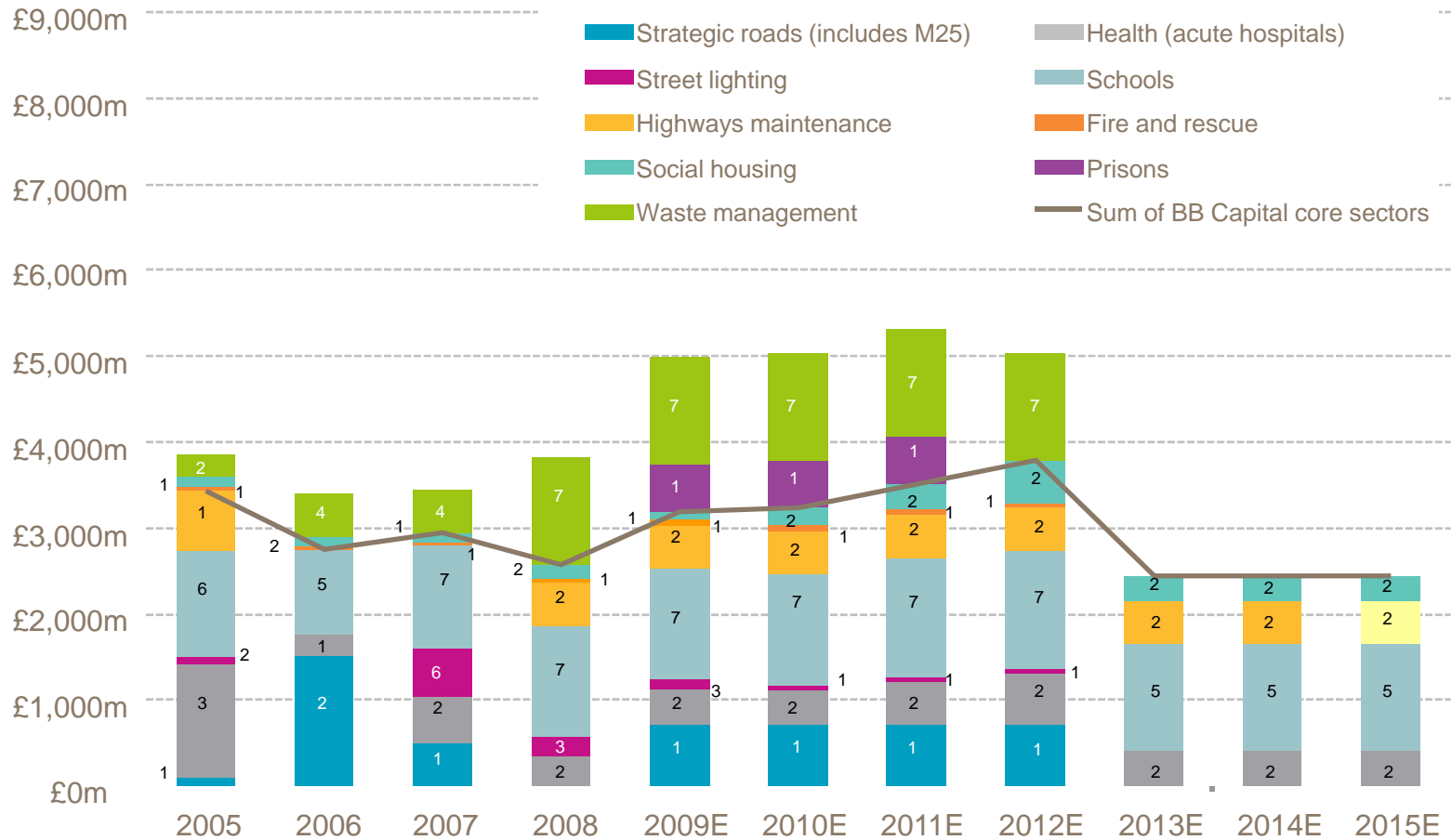
▪ UK	Consider a perpetuity type model	
	Average commitment pa	£40m
	Uplift at 50%	£20m
	Perpetuity value at 10% DR	£200m
	Perpetuity value of unrecovered bid costs	(£100m)
	UK pipeline	£100m
▪ US	Purchase price	\$350m
	Existing assets at 8% (and working capital)	\$257m
	Goodwill	\$93m

Representing future Military housing and UPH wins

No account of wider PPP market opportunities

PFI – Future business

UK PFI deals by OJEU ex defence



UK market trends

- Health
 - Limited number of large schemes
 - Increasing focus on primary care via NHS LIFT
- Schools
 - BSF has replaced traditional PFI
 - Majority of bid budget in this sector
 - LEPs potential for procuring other council facilities
- Roads
 - Few, but large projects
 - Street lighting
 - Significant expansion of highways maintenance
- Infrastructure
 - Offshore renewables transmission
- Other key sectors
 - Social housing
 - Fire and rescue



Potential bidding activity 2009

In progress

Blackburn/Bolton BSF	£520m
Hull BSF	£310m
Ealing BSF	£265m
Derby City BSF	£231m
Etoile Cancer Centre, Lyon	£200m
Eupen Schools, Belgium	£80m
Coventry Streetlighting	£66m
East Shires Streetlighting	£140m
NW Fire and Rescue	£60m

Planned to start

Hertfordshire BSF	£1,000m
Oldham BSF	£180m
Portsmouth BSF	£180m
Doncaster BSF	£250m
Republic of Ireland Roads	£700m
Hounslow Highways M'tnce M8	£200m £180m
London Fire and Rescue	£60m
Stoke Social Housing	£100m
Papworth Hospital	£170m
Royal Liverpool Hospital	£350m

Summary

Summary

- Post tax discount rate of 8% equivalent to “market “ pre tax rate of 9.4%
- BB portfolio’s cashflows have upside value from savings and, to a lesser extent, future refinancings
- Market rates dictated by Tertiary market, who are likely to value at discount rates less than 9.4% (pre corporate tax)
- Existing and potential deal flow in UK and US reinforces pipeline/goodwill value
- These factors make the Directors’ Valuation conservative