HY presentation script
Opening remarks
Ian Tyler, Chief Executive
15 August 2012

Title slide

Good morning everyone, and welcome to our half-year results presentation.

Slide – Half-year 2012

In the first six months of 2012, we have delivered another set of solid results.

In many parts of the world, the markets we operate in are tough. But, we have developed a resilient business. We won 5 billion pounds of orders in the six months, replenishing the reduced levels of UK schools and hospitals in our order book with work in energy-from-waste in Gloucester, airport terminals in Hong Kong and even coal mine design work in Australia.

We increased margins in Professional Services and we are mitigating the negative trend in construction margins with cost savings. We achieved more from our planned asset disposals than we anticipated which has further enhanced EPS growth. And, even with those disposals, we believe that at the end of the year, the value of our investments portfolio is expected to remain fairly stable.

Let me now hand you over to Duncan who will take you through a detailed financial and operational review before I return with an update on our strategy.

Duncan…

HY presentation script
Financial and operational review
Duncan Magrath, Chief Financial Officer
15 August 2012

Slide – Name slide

Thank you Ian, and good morning everyone.

This morning I will give you a quick run through of the highlights of business performance and some key movements in the balance sheet.

Slide – Headline underlying numbers

Revenue increased by 6% to £5.5bn for the period. At constant currency, and excluding acquisitions, the underlying increase was 1%. Revenue again grew in each of our segments compared with last year's first half.

Profit from operations increased by 15% to £156m with a strong performance from the Investments business including £52m of disposal gains and a good performance from Professional Services. These helped offset the margin pressures in Construction Services, and the impact of some cost increases in Support Services. Excluding acquisitions, profit growth was 11%.

Interest costs increased from net income last year of £2m to a net interest cost of £2m this year largely due to lower cash balances.

Consequently pre-tax profits rose slightly less than profits from operations, and was up 12%.

Underlying earnings per share was up 28% on last year at 18.8 pence. The underlying effective tax rate of 25% was lower than usual and is the result of the weighting of disposal gains in our profits in the first half. The tax rate is sensitive to profit mix, but I expect the effective tax rate for the full year to be around 31%. I will deal with non-underlying items later in the presentation.

We have declared a 6% increase in the interim dividend to 5.6 pence reflecting our confidence in the prospects for the business and continuing our progressive dividend policy.

As expected both average cash and net cash were down in the period at £35m and £34m respectively. It is worth noting that £66m of investment disposal proceeds were received after the period end and therefore are not included in period end balance.

We have kept the discount rates used for valuing our investments unaltered, despite continuing to sell investments for more than the Directors Valuation. Even with the investment disposals in the period, the Directors' valuation of our PPP portfolio increased to £711m at the period-end up £29m from a year ago.

In challenging markets we were pleased to secure £5.1bn of orders in the first half resulting in an order book of £15.0bn. The order book was £0.2bn less than the year-end, half of which was due to exchange.

So let's now turn to the segmental analysis, starting with Professional Services.

Slide – Professional Services by geography

The **left** hand side shows the order book and the **right** hand side shows revenue.

Overall order book and revenue performance have been very stable over the period.

Geographic trends of the last 12 to 18 months have largely continued, with steady performance in the US and growth in the rest of the world offsetting the decline in the UK.

Turning to profits and margin performance.

Slide – Professional Services summary

The first half has seen further margin progression against the same period last year, and should enable our margin percentage for the full year to improve on the 5.3% we delivered last year.

This margin improvement has been achieved through good cost control, but also through the successful completion of some projects particularly some power projects in the US.

Now moving on to Construction Services…

Slide – Construction Services by geography

Here on the left you can see the continuation of recent trends in the order book with the overall position being slightly down by 2% in the half, although part of this was due to exchange. The order book increased by 9% in the rest of the world, but this wasn't quite enough to make up for the weakness in the UK and the US.

The US position has been more stable in the last six months than perhaps it looks. Whilst the US secured order position was down from the year-end, our awarded but not contracted position has improved, and these will move into the secured order book in due course. Overall we currently see a stable order book performance in the US.

On the right hand side, total construction revenue is up 7% on last year, principally due to acquisitions. Acquisitions affected the US most, without which the 31% revenue growth in the US would have been 10%.

Revenue in the Rest of the World was down 7% with reductions in European Rail and Dubai not being fully offset by continuing growth in Hong Kong.

Slide – Construction Services summary

You can see from this slide that profits for Construction Services were down from £67m last year to £53m this year.

As anticipated the most significant factor was the reduction in margin for our US Construction business which accounts for a third of our construction revenue. Looking forwards we are not expecting any further reductions.

Margins in the UK construction business held up well as we reached a successful conclusion on a number of our projects. As previously announced our cost reduction plans will help support UK margins in a tough environment.

Conditions in the UK & European Rail sector have been difficult in the period. In particular, markets in Continental Europe have weakened and this, combined with operational issues on a small number of projects, has impacted profitability.

There was a particularly strong profit performance from our Construction JV's with continuing growth in Gammon in Hong Kong and the improved cash environment in Dubai resulting in reversal of bad debt provisions and also facilitating final close-out of contracts.

While both geographic mix and project mix will continue to influence margins significantly, we expect a normal pattern of profitability skewed to the second half, which should mean that we will be able to maintain our overall margin at around 2% for the full year.

Turning now to Support Services…

Slide – Support Services by market

Following the strong order intake in 2011, the order book remained stable overall during the first half of this year.

Orders in the division can be lumpy, particularly due to the nature of the regulatory cycles. You can see this in the power and water figures.

Water orders continue to decline as we worked through the contracts won during the AMP5 bidding round in 2010.

Power, whilst up 22% since a year ago, was down 13% in the period. The underlying prospects for the power sector remain strong, however market uncertainties, which Ian will touch on later, are slowing new projects.

We saw continuing growth in transportation and buildings order books.

The strong order intake in 2010 and 2011 has fed through into a 9% increase in revenue for the period, with the strongest growth coming through in power.

Turning to margin performance, which paints a somewhat different picture to orders and revenue.

Slide – Support Services summary

Profit of £10m was impacted by both timing effects and non-recurring cost issues. As previously discussed contract start-up costs in the first half, particularly in the building and local authority markets, are skewing profits to the second half. Also the first half was impacted by increased costs in the Utilities sector which had a negative impact of c£10m, which will not be recovered in the full year.

Given the impact of the one-off costs and the contract start up costs, we expect profitability to improve in the second half, achieving a margin for the second half which should exceed the 5.1% we achieved in the same period last year.

Before moving onto the Investments segment, let's have a quick look at the phasing of our order book.

Slide – Order book phasing

The current order book is shown in bold, which totals the £15.0bn which compares with £15.5bn at the same point last year, shown lighter.

Overall you can see that the order book continues to give us good visibility. The profile for Professional Services is pretty consistent with last year and for Support Services it is somewhat improved.

Coverage for Construction Services for the balance of this year, and next year, is down somewhat which continues to illustrate the shift to smaller shorter term contracts within our business. These, however, do tend to have shorter lead times and can fill this gap.

Slide – Infrastructure Investments financials

PPP concession profits increased sharply compared to the first half of 2011. After bid costs, but before disposals, they rose from £8m in 2011 to £15m this year. This was principally due to reduced bid costs, which are affected by the level and stage of bid activity. We currently anticipate an increase in bid costs in the second half, particularly in the US and Canada.

In November 2010 we announced our intention to manage our portfolio more actively. In line with this policy we generated gains on disposals of £20m last year, £14m of which arose in the first half. This year the disposal of two stakes has generated disposal gains of £52m which exceeded the gains of £40m we had targeted on those particular assets.

Overall, therefore, including sub debt interest income of £11m, and PPP subsidiary net interest of £2m, we delivered a very strong pre-tax result from investments of £80m.

Slide – Infrastructure Investments highlights

These are our Investments highlights for the year:

- We reached financial close on two projects
- We have five projects at Preferred Bidder stage
- Directors Valuation is £711m for the half year, after disposals of £84m

I will come back to the Directors' valuation in a moment.

Turning to the interest line.

Slide – Net interest cost

We had a net interest cost of £2m in the period, compared with £2m of income last year.

The only significant movement was a £6m increase in interest payable as a result of both our lower net cash position, and a slight increase in cost from the new facility we put in place in November last year.

Whilst the movement on net finance costs on pension schemes was relatively small in the period, it is worth noting that looking to next year, when the new pension accounting standard is in operation, our current estimate is that the impact of the standard will be to increase our net pension costs by £13m.

Turning to non-underlying items.

Slide – Non-underlying items

As announced in March, following on from the successful creation of a Shared Service Centre, we are expanding the scope of our cost reduction program. Ian will cover progress on this later, but in financial terms we booked £14m of costs for the new scope in the period, which was principally due to redundancy costs. Our estimate of the total costs remains in the range of £50m to £75m ie 1 to 1.5x the annualised savings of £50m.

In the period we also booked £12m of costs related to post acquisition integration and reorganisation costs, approximately £11m of which results from a recent UK Court of Appeal decision in a case involving a Parsons Brinckerhoff project dating back over 10 years ago. We knew about it at the time of the PB acquisition, but had not provided for it, on the basis of the legal advice at the time. We are currently pursuing other avenues of relief, including further appeal, but we have booked the full impact in the first half.

Whilst underlying trading in Exeter Airport has not deteriorated in the period, we believe that the timing for recovery of passenger numbers has drifted further out, and so we have taken a non-cash write-down of our investment.

Slide – Cash from operations

Cash used in operations was £292m. This compares with £114m in the previous year.

The key movement relates to operating working capital where an outflow of £320m, was £117m higher than the same period last year.

I will come back to working capital in a minute, but let me first cover the changing shape of our balance sheet.

Slide – Balance sheet elements

I showed you a version of this slide at our full-year results, but let me just remind you that I am mixing our actual balance sheet position in the case of working capital, cash and pensions, with a Directors' valuation of our PPP portfolio. Also note that as I have reduced the Directors valuation for the disposals, I have increased the cash position by £66m to £100m for the proceeds from the disposal that were received after the period end.

As we have previously discussed, we believe that we should manage our balance sheet to ensure that we maintain an appropriate balance between investments, working capital and cash. Through the downturn in the cycle we will see the cash and working capital compress, and then expand again when we return to growth.

The semi-liquid PPP investments of £711m and cash of £100m act as a counterweight to the working capital liabilities of £758m and the longer term pension liabilities of £223m. A matching reduction in both liabilities and assets does not necessarily fundamentally change that balance.

I have shown in the middle of the slide a simple aggregation of the Director's valuation of PPP investments, negative working capital and cash. You can see that the aggregate net position has become more positive moving from negative £143m a year ago to a positive £53m.

I will now go through each element in turn, starting with the PPP investments.

Slide – PPP portfolio valuation

We have left the pre-tax discount rates used to value the portfolio unchanged at 9.5% for the UK, and 12.0% for the US. The rate covers a range of maturity of assets, but we believe continues to be a conservative discount rate – as evidenced by our gains on disposals against the Directors' valuation. The gain against Directors Value in the first half is essentially the £22m shown at the bottom of the table.

The most significant other item in the reconciliation is the disposals and distributions of £126m, although as noted earlier £66m of this was received after the period end. Offsetting this is the investment of £39m of cash and £33m from the unwinding of the discount, leaving the valuation at a healthy £711m.

I have included a slide in the appendix with the annual cash flows, and how the NPV changes over time. It shows that even with cash distributions of c£50m per annum, and no cash reinvestment, the value of the portfolio will continue to increase for the next ten or so years.

Turning now to working capital.

Slide – Working capital - Group

In the first half we have seen a continuation of the trends we described earlier in the year. On the right hand side you can see that negative working capital has reduced to 7.9% of Group revenue. The negative working capital is reduced by the £66m of disposal proceeds which are sitting as a receivable at the period end, but the most significant changes are in Construction Services, so let’s look at those in more detail.

Slide – Working Capital – Construction Services

Construction Services has the highest negative percentage and given its scale, the greatest influence on the Group position. These percentages vary by type of business, for instance public work tends to run with more negative working capital than private. It also varies by geography with the UK being in a more negative position than the US, which I will show you later.

The overall percentage dropped to 11.9% at the end of June. I predicted in March a fall of 1% to 2%, so this is a little more than that, so let me now show you the underlying movements split by geography focusing on the UK and US, which accounts for nearly all of our working capital.

Slide – Working capital – Construction Services UK

The format of this graph is the same as the previous one, but for the UK Construction business only.

You can see that it has operated in the range of 16% to 21% of negative working capital. Overall the percentage is now back to a level similar to that of four years ago.

I do expect this to drop somewhat further through changing mix in business and some modest investment in construction finance schemes. Our current investment in construction financed projects is £30m. As regards to changes in contractual terms in the market , so far we have not been effected that much, our investment in construction finance as noted above has been modest and for instance we have not seen many project bank accounts introduced on the work we are performing. We do however recognise the importance of a healthy supply chain and we are seeing if there is any merit in putting in place supplier finance arrangements to help them.

Turning now to the US.

Slide – Working Capital – Construction Services US

You will see from this slide that the US working capital as a percentage of revenue is lower than the UK, with the gap at its widest being 10 percentage points. The drop in negative working capital in the US in the last six months is somewhat larger than I expected. So far cash has not benefited from the pick-up in revenue in the period, and this has been exacerbated by the reduction in secured orders. Looking forward, I am not anticipating the figures for the US to drop much lower than this.

So you can see from these graphs that the geographic mix can have a significant impact on our working capital position.

It is always difficult to judge quantum and timing of changes in working capital, however I currently expect the overall working capital to improve in the second half. This is based on the normal seasonal inflow, but also to an extent on an assumed recovery in the US exceeding further underlying reductions in the UK and to a lesser extent Professional Services.

The other side of the working capital movement is of course cash, so let us now look at that.

Slide – Net cash balances

Net cash ended the period at £34m, just to remind you this excluded the £66m of disposal proceeds received after the period end.

We refer to a net cash position, but it is worth understanding the composition of this, as this will help with your interest forecasts.

In the appendix I have included a slide showing the split of cash between available cash, restricted cash and borrowings. We have also included a follow-on slide referring to available facilities.

In the current banking market, it is important to diversify debt funding sources away from purely bank facilities which we will plan to do before our main facilities renew in 2016.

Turning to the last component of the balance sheet I showed you earlier, namely pensions.

Slide – Pensions – Balance sheet movement

You can see that our net pension deficit is considerably smaller than 3 years ago despite the very low discount rates, significantly helped by the £225m of deficit funding we have made over that period.

During the period the real discount rate improved slightly from 1.9% to 2.0%. This along with £31m of deficit contributions helped reduce the gross deficit to £223m. The net after tax, and net of mutual funds position is now £111m.

And finally, a quick look at dividends…

Slide – Dividends per share

We have been pursuing a progressive dividend policy and we are particularly aware of the importance of dividends to our shareholders in the current environment.

As I mentioned earlier, we have declared an interim dividend of 5.6p, a 6% increase over the previous year.

Slide – Summary of first half 2012

So let me summarise our performance in the first half of 2012.

The order book has remained stable at £15.0bn.

We achieved good margin performance in Professional Services, and the crystallisation of value in our Investments business has offset the profit decline in Construction Services and Support Services.

We have seen a further cyclical reduction in cash, but our balance sheet continues to be supported by our investments portfolio.

Pre-tax profits were up 12%, EPS up 28%, and we are declaring a dividend up 6%, reflecting our confidence in the Group's medium term growth prospects.

So at this point I'm going to hand you back to Ian.

HY presentation script
Market and strategy review
Ian Tyler, Chief Executive
15 August 2012

Title slide

Thank you Duncan.

In the next part of this morning's presentation I'd like to share with you how the work we've done in recent months is shaping the Group for the future. I'll try to bring these strategic developments to life by giving you examples of some of our current projects as we go along.

I should begin by explaining that today will be more of an update based on some recent developments than a full-blown strategy session. When we meet again at our planned investor seminar in the fourth quarter, we can develop these themes further and widen the scope.

Divider – Markets

But before I dive into strategy, let's have a very quick look at the market backdrop.

Market conditions have not changed materially since we reported in March, but there are a few developments that are worth noting.

Slide – Transportation markets

Demand in our core transportation markets remains subdued but with areas of clear opportunity.

The US Transportation Bill was authorised in July for a period of over two years. Although the amount of funding is essentially unchanged and the term is not the traditional six years, the bill will give the Departments of Transport the visibility and security of funding which should help some of the larger highways and transit projects.

In the past few months, we have also seen increased focus on fiscal stimulus from the UK and US governments. The UK government's rail funding plans are based on doubling rail funding for the period 2014-2019, and the government is proposing guarantees to facilitate funding of infrastructure. Although these announcements are shrouded in politics, they are real and they are important. Practically, though, they will not materially impact the economy generally, and our business specifically, in the short term.

In contrast, in other parts of the world, and for us notably in places like Hong Kong and Qatar, governments continue to invest in transportation and other infrastructure as the backbone of future economic growth. And as you have heard from Duncan, we have benefitted from that.

Slide – Power markets

The need to invest in power infrastructure in the UK is undiminished, but so too is the lack of clarity from government. As a result, there remains a hiatus in the flow of new developments, particularly around renewable and alternative energy schemes, pending clarification of the government's energy policy. There is no doubt that in due course this situation will resolve itself but, in the meantime, we see a large number of potential projects on hold.

Conversely, we see a growing range of opportunities in North America, Australia, the Middle East and Africa - in both generation and transmission, and across the public and private sectors.

Slide – Social infrastructure markets

In social infrastructure – or, to put it more simply, 'buildings' – the UK market continues to be challenging - much as predicted. This reflects the combination of the planned reduction in public sector capital spend, and the unsurprising lack of private sector investment.

In the US, we have seen patches of recovery although these don't yet represent a consistent trend to speak of. Having said that, the consensus among industry members seems to be that the US market is bumping along the bottom with few predicting further deterioration.

While these market conditions suggest that we will face continuing short-term challenges, they do promise some great opportunities in the medium term.

Divider – Strategy

So let's look at what we're doing to minimise the impact of the former and capitalise on the latter.

Slide – Three stages of strategy

As I set out in March, you can look at our future strategic development in three stages. Firstly, the immediate measures we are taking in the next couple of years; secondly, the medium-term reorientation of the Group around key vertical markets; and finally, our long-term view.

Against the backdrop of the market conditions I've just talked about, the actions we have taken to drive cost efficiency across the business and to crystallise value from our investment assets are crucial.

More fundamentally though, we have started the process of realigning our business around core vertical infrastructure markets – focused on our key customers rather than on our individual capabilities.

This will allow us to develop our business in new sectors and new geographies, giving us greater exposure to higher growth markets and, ultimately, the scope to drive higher value as we position Balfour Beatty to benefit from the long-term growth in global infrastructure demand.

Now, let's look at each of these elements in turn, beginning with efficiency.

Slide- Immediate measures - Efficiency

We announced Phase 1 of our cost efficiency drive back in 2010. At the end of 2011, we had a run-rate of 15 million pounds and we are on track to achieve our target savings of 30 million pounds.

In March this year, we announced the second phase. This programme is broader and deeper than Phase 1 and targets an additional 50 million pounds of savings by 2015.

We have already made good progress in Phase 2. The UK construction business is being rationalised with a new operating model based on just three business streams which focus on major national projects, on regional markets, and on engineering services. This operating model will be up and running in January 2013 and will allow us to reduce the number of employees in back office functions by about 650 and rationalise the property portfolio from the 75 locations to about 40.

Our Support Services division is also implementing cost reduction measures as we speak, although these are more tactical in nature as we're not changing our operating model.

These two divisions will account for the majority of the targeted savings and most of the savings are expected to come through in 2013.

Cost efficiency initiatives are underway in the US operations and across our IT infrastructure – also as part of Phase 2 - and these savings are expected come through later in 2013 and 2014.

Slide – Immediate measures – Crystallisation of value from investment assets

We have also put in place plans to optimise our investment portfolio base, crystallising some of the value in the portfolio which has grown over the last 15 years, reaching 743 million pounds in 2011.

The disposal programme, which we started in 2011, has been very successful indeed with total proceeds of 112 million pounds and gains on disposals reaching 72 million pounds in the two years.

More importantly, the discount rates achieved upon sale have been lower than the discount rates we use in our Directors' valuation, resulting in higher value. These government-backed assets offering inflation-linked returns are very much sought after, and I see nothing to change this favourable situation in the foreseeable future.

Going forward we expect to continue this programme, although it's important to recognise the impact of a large asset on the level of gains achieved this year. Typically, I would expect us to deliver around 30 million pounds of annual disposal gains although the absolute level will vary from year to year. Based on current discount rates, the value of the portfolio is not expected to diminish if we continue disposals at around this level.

Slide – Immediate measures - Position for cyclical recovery

The successful implementation of the changes to our operational model and the planned efficiency programmes will underpin margins in the near term and will also mean that we will come out of the market downturn leaner and stronger. Our operations will be more integrated, efficient, collaborative and closer to the customer. Our balance sheet will be strong and efficient and we will seize the opportunities for profitable growth when cyclical recovery starts in our markets.

OK, enough about the short term. Let's now talk about medium-term strategy.

Slide – Medium-term strategy – Industry verticals

Looking beyond the near term, the most significant move over the next two to five years will be the reorientation of our business around key vertical markets. I would stress at this stage that this is still a journey rather than a destination.

In March, we showed you this diagram, and set out the five key industry verticals on the right: transportation, rail, power, mining and water. These are sectors in which we believe we have, or have the capacity to develop, unique strength by aligning our capabilities across the globe.

We contrasted these verticals to the social infrastructure part of the business. These are our main building construction businesses with market-leading positions in developed countries.

The fact that these construction businesses are in a cyclical downturn in our major geographies should not detract from their long-term value. We will continue to nurture these businesses so that we maintain our market leadership. But in the meantime, our focus is on developing the depth of our capability across these key vertical markets.

Currently, the five verticals sit within our current divisional structure. When needed, we put teams together from the divisions to bid for and work on the larger strategic projects. Although we are not there yet, we will evolve towards a new structure reflecting the vertical focus where operations, customer relationships and management accountabilities are aligned with these verticals.

We are also investing in systems and processes for our people around the world to share and transfer knowledge easily and effectively.

Slide – Medium-term strategy - Verticals in order book

So, how significant are these verticals in our business? In March we showed you that the share of our chosen verticals in our order book had increased from 43% in 2009 to 59% at the end of 2011. We've seen this figure increase slightly – to 61% -

although we need to recognise that, over such a short period of time, this figure can be a little volatile.

Let's look at each of these markets in turn.

Slide – Medium-term strategy - Transportation

We are one of the top three transportation design and programme management businesses in the world according to Engineering News-Record figures, with Aecom and URS, as well as a leading transportation contractor. Based on this strong starting position, we have set ourselves a number of goals.

Firstly, as I have mentioned a number of times before, we are extending the reach of our professional services business, particularly in the US where we are predominantly a client-side business, into infrastructure delivery. Over the first half of 2012, we have continued to move the business in this direction by aligning ourselves with customers who are looking for design-build capability. We are now the lead designer in the design-build team responsible for doubling the capacity of the Midtown Tunnel in Virginia, which is a core US transportation asset. We are also the lead engineer on the design-build team delivering Florida's I-275 Widening Project.

Still in North America, we have also sought to grow in the Canadian transportation market, initially through our professional services business, following the acquisition of Halsall which, when we bought it, was predominantly in buildings. Once again, we've made good progress. So far this year for example, we have been awarded the Waterloo Rapid Transit project and the Burlington Canal Lift Bridge.

In the UK, we have focussed on consolidating the core relationship we have with the Highways Agency in a period when new construction is limited. The award of the Area 10 contract was clearly important. In a move driven by the need to find more cost-effective ways of maintaining the Strategic Road Network, the HA are replacing their traditional maintenance contracts with the new Asset Support Contracts which take a more outcome-based approach to service levels.

Furthermore, strategically, our pivotal role in the design, build, management, operation and financing of major corridors, such as the M25, not only gives us a clear opportunity in the short term, but also allows us to play a key role in the development of long-term government policy on such issues as road pricing and asset management.

Finally, we should not forget the strength of our business in aviation - and in particular, in operationally critical areas - with the award earlier in the year of the Mid Field Concourse in Hong Kong and continuing operations at Dallas Fort Worth and on the T2B project at London Heathrow.

Slide - Medium-term strategy - Rail

Rail is clearly an area of great strategic importance to us – a sector where we have significant global presence in design, delivery and maintenance. We operate in 23 countries from Chile to Denmark and Australia.

The slight inconvenience is that our world-leading multi-disciplined construction delivery business is centred in Europe, and our world class design and programme management skills are focused principally in the US. Aligning these capabilities across the world is ongoing, but we're making progress.

You've heard quite a lot about what we're up to in North America in projects like Denver but we're also making progress outside the US. In March, I mentioned our win in Melbourne. The Danish rail signalling project which we were awarded earlier this year in joint venture with Thales is a further example. It indicates the type of project we are targeting, combining both our engineering and our construction capabilities with external technology providers to deliver fundamentally better outcomes for our customers.

Slide – Medium-term strategy - Power

In the power sector, the breadth of work we do is second to none. We are designers, developers, investors as well as delivery partners – in both generation and transmission.

We have four key objectives in this sector as set out on the slide.

In the UK, whilst it was clearly disappointing not to be selected for Hinckley Point, the opportunities remain substantial. In the energy and waste infrastructure sectors for instance, we have been awarded the Essex Waste Treatment contract and are preferred bidder for the Gloucester Waste to Energy project. These projects are typical of our near-term workload and we are at various stages in the bid process for similar schemes worth nearly 1 billion pounds. Similarly, we have significant immediate opportunities in combined-cycle gas power generation and renewables schemes throughout the UK.

On the client-side design and engineering business, we have continued to move forward, building on our existing projects such as Medupi in South Africa with, for example, the award of a contract to act as comprehensive owner's engineer on a major power generation plant for the Saudi Electric Company.

On the EPC front, having recently completed Coolidge in the US, we have started work on an EPC geothermal plant in New Zealand.

We seem to be gathering pace in the region as, only last week, PB commenced work on a significant fast-track generation project in Western Australia where we are executing on an EPC basis.

This project involves participation by the power business units in Asia, Australia/Pacific, the UK and the US, drawing on a strong delivery record in the US with the same technology. It is also supported by a global procurement team based in the UK.

In addition to a large pipeline of power projects in Australia, we expect to extend our EPC capability in the power sector across a number of regions over the next 12 months, from Mozambique to Canada.

Finally, our power transmission capability is a specialist business with potential global reach. Beyond the substantial opportunities which I have talked about before, we have at the present time, long-term activity in the US, Australia and New Zealand and we are looking at substantial opportunities in Canada, Indonesia and India. Perhaps the specialist nature of this business is best illustrated by the recent award of the contract by E.ON to install the cable for its Humber Gateway offshore wind farm.

Slide – Medium-term strategy – Water and Mining

Water is an important area of growth for us. It naturally aligns with our core capabilities and market focus but, beyond our traditional utilities work in the UK, we are relatively small. We have significant multi-discipline ambitions in this sector.

For the moment though, we are focusing on developing our delivery capabilities in the US. Through Fru-Con, which we acquired in 2011, we are developing our national water market strategy in the US. So far, we have had success in a number of projects, most recently the Galveston project in Texas. This isn't our largest project but it does represent an important step in our strategy to leverage our water capabilities across the US to enable us to deliver nationally. In due course, we intend to build this business further by strengthening our presence up and down the value chain.

Mining is another sector that plays to our strengths but in which we are currently embryonic. We established a separate mining division based in Sydney last year. This business pulls together the work we do, principally on the client side, through our professional services business in Australia.

This approach is best illustrated through the work we were awarded earlier this year as the owner's engineer for the Cobbora Coal Mine Project in New South Wales. We were engaged on the basis of a long history of successfully designing and developing mine infrastructure in the Hunter Valley.

Progressively, we want to develop this business by bringing together all our skills in infrastructure delivery and operation, including power and rail, to provide the major mining houses with greater value.

Slide – Long-term view

Looking further ahead, we remain very excited about the long-term prospects in the global infrastructure market. We see significant opportunities in infrastructure on a global scale. While these are somewhat hindered at the present time by governments' spending cuts, the demand for transportation, power and resources is clearly there, and in principal, governments agree on the need for increased infrastructure investment.

Slide – Conclusion

So, to sum up… This was another solid set of results with a strong secure order book.

And, we're planning to underpin our financial performance with significant cost savings and further disposals from our portfolio of infrastructure investments. Together, we expect these measures to offset the short-term headwinds and provide momentum.

Even more significantly, as we develop our focus on industry verticals, we will increase our exposure to higher growth sectors and geographies while reducing the impact of short-term cyclicality in construction markets generally.

Our strategy remains:

• To drive capability and performance in key industry verticals; and

• To develop our business in new geographies, drawing on our collective expertise from across the Group

Underpinning both our strategy and our optimism are the fundamental growth opportunities that characterise these markets. We will target those sectors with the strongest growth and where our end-to-end infrastructure knowledge gives us a key competitive advantage.

The development of infrastructure is increasingly central to economic growth in both mature and emerging markets. Across the broad spectrum of the infrastructure markets, our deep asset knowledge gives us the best possible opportunity to take full advantage of this long-term global trend.

That concludes our presentation this morning – thank you for listening.

Now Duncan and I will take your questions. For the benefit of the webcast participants, please remember to press the button in front of you before speaking, and state your name and company. We will also take questions from the webcast if there are any.