

News Release

14 May 2013

BALFOUR BEATTY 2013 Q1 IMS

Balfour Beatty, the international infrastructure group, announces its 2013 Q1 Interim Management Statement, covering the period 1 January to 13 May 2013.

Trading

There has been no change in performance since the trading update on 29 April 2013.

As detailed in the trading update, a combination of difficult market conditions and poor performance in the UK construction business has resulted in management's 2013 full-year expectations for profit from operations in the UK Construction business being reduced by c.£50 million while trading in our other businesses remains in line with our prior expectations in aggregate despite a £10 million shortfall in the German rail business.

Operating performance

Order book

Our order book, at £16.0 billion at the end of March, represents a 5% increase since the year-end and continues to give us good visibility.

The Professional Services order book has improved during the quarter, giving the business a healthy workload to execute through the year.

The Construction Services order book has increased, predominantly due to the conversion of previously Awarded But Not Contracted work to signed orders in the US construction business. The order book of our construction JV in Hong Kong, Gammon, also increased in the quarter while the overall position in UK construction was flat.

In Support Services, an increase in the order book in facilities management has been offset by the conversion of multi-year utilities and local authority order books into revenue, leaving the order book for the division broadly unchanged since the year-end.

Professional Services

Professional Services has started the year with some good wins in our target sectors such as the Garrison Energy Center and an extension to our work on the California High Speed Rail project.

Revenue in the quarter was in line with the first quarter of 2012. Performance in the USA

and Canada are on track with management expectations despite low levels of activity in the building segment in both countries. Performance in the UK is stable, with strength in transportation while power continues to be challenging. The Middle Eastern business continues to grow as we successfully access opportunities in new and growing markets such as Qatar.

As mentioned in our trading update on 29 April, our business in Australia has been impacted by the cancellation of capital projects in the mining sector which have had a consequential impact on the public spending plans of Australian states and municipalities. We have reduced the workforce in Australia in a swift response to the situation. The cost savings from these actions and the good performance in Singapore, China and Hong Kong are expected to offset a significant part of the decline in profitability in the AAPSA (Australia Asia Pacific and South Africa) region.

Parsons Brinckerhoff's shared service centre in Lancaster, PA, which now houses the back office functions that used to be located in Manhattan, NY, started its operations successfully in March.

The timing of the cost savings mentioned above is expected to skew the division's profits toward the second half of the year beyond what we would expect from the normal seasonality of the Professional Services business.

Construction Services

In a UK marketplace which continues to be adversely impacted by the shortage of major public projects and fierce competition in the regional markets, our total construction revenue declined by 11% in the first quarter, driven mainly by a 23% fall in UK construction.

Revenue at our Mainland European Rail operations, which we have announced our intention to divest, declined by 24% in the quarter. Our international major rail projects, particularly in Australia, are progressing well.

Construction revenue in the US was stable, with a strong order book as we take advantage of pockets of opportunity in regions such as the Northwest, Texas and Florida and in segments such as commercial buildings, data centres and leisure facilities.

Following the completion of the internal review of the UK regional and major projects businesses, we reaffirm that the profitability of Construction Services has been impacted by a c.£50 million profit shortfall in UK construction as announced in our trading update on 29 April 2013. As a result, the UK construction business is expected to break even in the full year.

Meanwhile, our construction businesses in the USA, Hong Kong and Dubai remain on track to deliver on management's expectations for the full year.

Support Services

Trading has been consistent with our expectations, with the good growth dynamics of the division continuing in the quarter. We have successfully mobilised the National Grid contract won last December, which contributed to the strong first quarter performance in

Utilities in the gas, power transmission and water segments in the UK.

Living Places, our local authority services business, is benefiting from its good success rate of wins in that market in the last two years. All of the contracts won are fully mobilised and generating good revenue and profitability with the exception of Wiltshire Highways won in January which we will be starting up in June.

Our operations and maintenance contracts related to buildings, rail networks and highways have all progressed well in the quarter.

Infrastructure Investments

In the period, we have continued to work on diversifying the business into new geographies and new sectors while the underlying business has maintained a very good level of performance. We see excellent opportunities in our target geographies and sectors and continue to bid for economic and social infrastructure projects both in the UK and overseas.

We are progressing with a number of new project opportunities such as student accommodation in the UK and the US, the Mersey Gateway and the M8 as well as our first PF2 project, the Royal National Orthopaedic Hospital. We have recently pre-qualified for the Aberdeen Western Peripheral Route project which demonstrates our strong presence in Scotland.

As part of our strategy to manage our investments portfolio more actively, we announced the completion of two PFI disposal transactions on 1 May 2013 for aggregate proceeds of £58.5 million which exceeded the Directors' valuation by £21.9 million:

- our 50% interests in four PFI schools projects in Birmingham, Bassetlaw, Stoke and Rotherham sold to our co-shareholder, Innisfree, for combined proceeds of £42.5 million, generating a gain on disposal of £24.4 million, and
- our 50% interest in the Tameside Hospital PFI sold to a subsidiary of HICL Infrastructure Company Limited, our co-shareholder, for a consideration of £16.0 million, generating a gain on disposal of £9.0 million.

Based on the value achieved through these disposals, we expect to exceed our £40 million disposal gain target when we complete the disposals of all the assets earmarked for sale in 2013.

Balfour Beatty Infrastructure Partners (BBIP) reached first close on its first fund in January and subsequently increased its commitments to US\$418 million. The fund has since made its first investment into a UK renewable energy portfolio.

Financial position

Average net debt increased in the quarter to £220 million. This reflects continued working capital outflow in the business and is in line with management's expectations. As indicated, we expect further working capital outflow in the second quarter, before a partial reversal in the second half of the year.

Our balance sheet remains strong after taking full account of the cash impact of the

aggregate £50 million profit shortfall.

As part of the process of diversifying our sources of funds, we raised US\$350 million through a US private placement in the first quarter.

Outlook

While UK construction markets and the Mainland European rail markets continue to be very challenging as indicated, trading in our other businesses is broadly in line with management's expectations.

As we progress through the year, our business is expected to benefit from the cost efficiency programmes we have in place, a recovery in operational performance in UK construction and the ongoing implementation of strategic initiatives. Based on these dynamics and the first half weighting of the profit shortfall in UK construction, we expect our profits to be more heavily skewed to the second half than in previous years.

We remain confident that the strategy we have set out for the medium term will transform Balfour Beatty into an increasingly diverse and international business which is better positioned to benefit from structural growth in infrastructure markets with less cyclical characteristics.

ENDS

Conference call

Balfour Beatty will host a conference call for investors at 15:00 (UK time). To join the call, please dial +44 (0)20 3427 1905 and quote confirmation code 2962531. A recording of the call and its transcript will be posted on our website 24 hours after the event.

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This document contains forward-looking statements which have been made in good faith based on the information available at the time of its approval. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a number of risks and uncertainties that are inherent in any forward-looking statement which could cause actual results to differ materially from those currently anticipated.

Notes to Editors:

1. Balfour Beatty (www.balfourbeatty.com) is an international infrastructure group that delivers world class services essential to the development, creation and care of infrastructure assets; from finance and development, through design and project management to construction and maintenance.

Our businesses draw on more than 100 years of experience to deliver the highest levels of quality, safety and technical expertise to our clients principally in the UK, the US, Southeast Asia and the Middle East. We continue to develop our business in key growth markets in South Africa, Australia, Canada, Brazil and India.

With proven expertise in delivering infrastructure critical to support communities and society today and in the future, our key market sectors include transportation (roads, rail and aviation), power and energy, mining, water and social infrastructure such as hospitals and schools.

Balfour Beatty employs 50,000 people around the world.