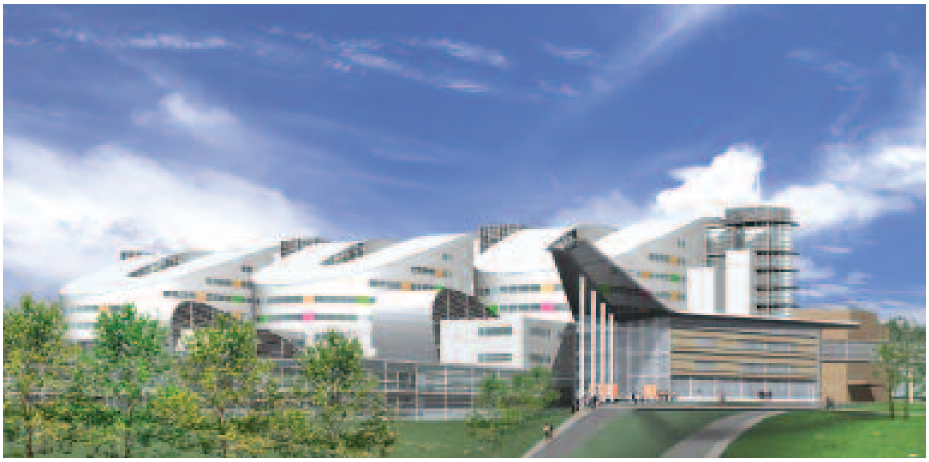
Balfour Beatty plc
The creation and care of essential assets

BALFOUR BEATTY INTERIM REPORT 2006

Balfour Beatty is a world-class engineering, construction and services group, well positioned in infrastructure markets which offer significant long-term growth potential. We seek to operate safely and sustainably.

We work in partnership with sophisticated customers who value the highest levels of quality, safety and technical expertise and for whom infrastructure quality, efficiency and reliability are critical. Our skills are applied in appropriate combination to meet individual customer needs.

Contents:



Clockwise from above:

Birmingham PPP Hospital In July, Consort Healthcare reached financial close on the £553m Birmingham Hospital PPP Scheme. The 35 year concession creates substantial long-term orders for Balfour Beatty Construction, Haden Young and Haden Building Management.

Ingolstadt to Nuremberg The new 78 kilometre railway line between Ingolstadt and Nuremberg opened in May. Balfour Beatty Rail Power Systems was the prime multi-disciplinary contractor, responsible for the delivery of all aspects of the electrification system and other technical equipment.

Terminal 5 Good progress was made on Balfour Beatty's £400m + of work at Heathrow Terminal 5, including the rail tunnels, rail station services, station construction management, mechanical and electrical fit-out, new track transit system and ancillary building works.

Birse In July, Balfour Beatty completed the acquisition of Birse Group, the UK civil engineering contractor for £32m. Birse strengthens the Group's UK regional civil engineering capability and adds new engineering skills.

Clockwise from above:

Road management and maintenance RCS won major new maintenance contracts for Mid and East Essex and North West Scotland – including responsibility for maintaining the Skye Bridge. It was also awarded extensions to its contracts in North Yorkshire and Hampshire.

Building Better Lives Balfour Beatty is a sponsor of Building Better Lives, a Prince's Trust led initiative, which provides training and job opportunities to help disadvantaged 18-25 year olds enter the construction industry.

One Island East In March, Gammon Construction, in which Balfour Beatty has a 50% interest, was awarded the HK$2bn contract to build a 70-storey, Grade A office building for Swire Properties in Hong Kong.

North Lanarkshire Schools The first two new schools built under the £150m PPP project in North Lanarkshire were handed over to the local authority in January 2006.

The half-year in brief

Highlights of the period

- Robust profit and earnings growth
- Order book reaches new record level at £8.8bn
- Period-end net cash of £353m, excluding PFI subsidiaries
- Acquisition of Charter and Edgar Allen and offer for Birse
- Birmingham Hospital and Birmingham Schools PPPs reach financial close

Financial summary

	2006 first half	2005 first half
Revenue including joint ventures and associates	**£2,773m**	£2,308m
Pre-tax profit		
– before exceptional items	**£60m**	£52m
– after exceptional items	**£39m**	£67m
Earnings per share		
– adjusted*	**11.4p**	9.3p
– basic	**6.5p**	13.4p
Interim dividend per share	**3.9p**	3.5p
Financing		
– net cash before PFI/PPP subsidiaries (non-recourse)	**£353m**	£299m
– net borrowings of PFI/PPP subsidiaries (non-recourse)	**£(17)m**	£(247)m

* before exceptional items.

Interim results

Overview
It is pleasing to report another period of robust profit and earnings growth, supported by a further strengthening of both our cash position and our order book. This has enabled us to increase the dividend, once again, at double-digit percentage levels.

We have also enhanced the future earnings growth potential of the business with acquisitions in UK rail, US construction services and UK regional and specialist civil engineering, in line with the strategy outlined in the 2005 Annual Report.

We remain committed to continuing the delivery of the reliable, responsible growth which our shareholders have enjoyed over recent years. We are clear about our priorities for the continued development of the business in both the medium and long-term and have the proven management capability to deliver.

First half-year results
Balfour Beatty's profit before taxation and exceptional items for the six months to 1 July 2006 were £60m (2005: £52m). Adjusted earnings per share were 11.4p (2005: 9.3p).

The Board has declared an interim dividend of 3.9p per ordinary share (2005: 3.5p).

There was a net exceptional charge, after tax, of £21m (2005: £17m credit), reflecting the premium paid on the buy-back of preference shares and a goodwill write-down, partly offset by a gain arising from the settlement of an historic legal issue.

Pre-tax profit for the period including exceptional items stood at £39m (2005: £67m) and basic earnings per share were 6.5p (2005: 13.4p).

Cash performance was again very strong and period-end net cash stood at £353m (2005: £299m), before taking account of the consolidation of £17m of non-recourse net debt in the wholly-owned PPP streetlighting concessions.

The period-end order book stood at £8.8bn, up by 19% since 2 July 2005 and by 16% since the year-end.

Revenue, including the Group's share of joint ventures and associates, at £2,773m (2005: £2,308m) was up by 20%.

The first half in brief

Trading
In the first half of the year, the Group's markets in building, engineering and investments remained positive and trading performance has been good, most particularly in building construction, utilities contracting, and professional and technical services. The Group's continuing progress has been achieved despite the previously anticipated changes in structure in the UK rail market.

Acquisitions
Three acquisitions have been completed since the beginning of 2006, at a total net cost to the Group of approximately £70m.

Charter, based in Texas, provides construction management, design and build and construction services to public and private customers, with a particular strength in the education sector. The business which has annual sales of approximately £100m complements Heery, the Group's US project and programme management specialist.

Edgar Allen is a UK manufacturer of switches, crossings and other rail track products with annual sales of approximately £25m. Its acquisition strengthens Balfour Beatty's leading position as a specialist in the design, manufacture and supply of track products through Balfour Beatty Rail Track Systems.

Balfour Beatty's cash offer for Birse, the UK civil engineering company, was declared wholly unconditional on 21 July. Birse, with annual sales in excess of £300m, offers significant growth potential based on its strong strategic fit with Balfour Beatty's existing regional civil engineering businesses and adds capability in disciplines including coastal and rail-related civil engineering and process skills in the water and other sectors. The acquisition involves a cash consideration of £32m and the assumption of approximately £20m of net debt.

Order book
During the first half of the year, the order book has grown substantially to £8.8bn, with major new long-term projects secured in UK road maintenance, UK utilities contracting and UK civil engineering. We have also had notable successes in the Hong Kong building, and US and Dubai road markets. In June, the Birmingham Hospital PPP project reached financial close, adding over £500m of construction, electrical and mechanical engineering work and the potential for over £300m of long-term service revenues.

The Board
Two new non-executive Directors were appointed to the Board in the first half of the year. Mike Donovan was most recently Chief Operating Officer of Marconi plc, with previous senior management experience at British Aerospace, Vickers and the Rover Group. Stephen Howard was most recently Group Chief Executive of Novar plc, having had a long and successful career with Cookson Group plc. Their appointments were effective from 1 July 2006.

Jim Cohen, who has been an executive Director since 2000, will retire from the Board with effect from 18 February 2007.

Chalmers Carr, who was appointed a non-executive Director in 2003, is to retire from the Board on 31 August 2006.

Business sectors

Building, Building Management and Services
Profit from operations in the building sector has more than doubled to £17m (2005: £8m) in the period. In building construction, both Mansell and Balfour Beatty Construction performed well, the latter resuming its normal pattern following the losses incurred on a small number of construction contracts in the first half of last year. Profits from building services also improved, and performance in facilities management and programme and project management was satisfactory. The acquisition of Charter will significantly increase Heery's presence in the growing US education market.

Order intake was particularly strong, with the sector order book increasing to £3.2bn following a number of significant successes. These included the conversion of preferred bidder positions on Birmingham Hospital and Birmingham Schools PPP projects to financial close, and further good progress in the affordable housing sector.

The first phase of the new Blackburn Hospital was handed over on time and budget.

Further good progress is expected in the building sector in the second half of the year.

Civil and Specialist Engineering and Services

Profit from operations before exceptional items in the engineering sector rose by 41% to £24m (2005: £17m) in the period. Good progress was made in most constituent businesses, including improving volumes and profits in the Utilities business after the major contract wins of last year; continuing growth in profits from the road maintenance business; an increasing contribution from Balfour Beatty Management; and further performance improvement in our jointly-owned companies in Hong Kong and Dubai.

The UK civil engineering business has now been augmented by the acquisition of Birse, creating a UK presence with combined annual revenues of approximately £700m, and much improved geographical and sector coverage.

In the US, Balfour Beatty Construction Inc's civil engineering businesses in California and Texas performed well. Performance in the Central division was less satisfactory and appropriate action has been taken. In addition, we have decided to write-down the division's carrying value by £17m.

The sector order book stands at £4.4bn. During the first half of the year, major new projects and major extensions were won in UK road maintenance; in UK civil engineering, most notably for the northern ticket hall at the new King's Cross Underground station; in the UK electricity and gas sector; and in major new infrastructure work in Australia, Hong Kong and Dubai.

Performance in the engineering sector is expected to show satisfactory progress in the second half of the year.

Rail Engineering and Services

Profit from operations before exceptional items in the rail sector fell to £11m (2005: £20m) in the first half of the year. As anticipated, this reflected a sharp fall in contribution from the UK business following the substantial one-off settlements of completed contracts achieved last year and generally lower levels of activity for Network Rail. Progress on major rail contracts at Heathrow Terminal 5 for BAA and work on the London Underground track renewal programme continued to accelerate, including the complete refurbishment of the Waterloo and City line. The acquisition of Edgar Allen, in March, significantly strengthens our track systems and products business.

Performance in Europe and the US improved. Balfour Beatty Rail Power Systems reported increased profits in Germany, where the complex multi-disciplinary Ingolstadt to Nuremberg line was commissioned and opened on time. Progress was also good in Italy, and a new electrification project was secured in China. In the US, the process of repositioning the rail business to service specific market requirements continued and performance under a previously problematic major signalling contract in Pennsylvania stabilised.

The rail order book stands at £1.2bn.

Performance in the rail sector is anticipated to recover strongly in the second half of the year as a result of improvements in the UK and continuing progress elsewhere.

Investments and Developments

Profit from operations before exceptional items in the investments and developments sector at £15m was well ahead of the comparable period (2005: £8m). This reflected the reclassification of Connect from subsidiary to joint venture following last year's sale of 15% of its equity, steady concession performance, and increased profits from Barking Power, where availability was good and electricity prices were favourable.

Two important projects reached financial close during the first half of the year. The £553m Birmingham Hospital PPP project passed the government's review process successfully in April and reached financial close in June. The £74m Birmingham Schools PPP project reached financial close in April.

The Metronet PPP concessions, in which we have a 20% interest, continued to make progress in most areas, although there have been delays to the station upgrade programme and some challenging operating issues. The contribution to the Group's profits of our investment in Metronet was in line with the comparable period in 2005.

The Group now has 20 operating concessions, with a further three projects at preferred bidder stage – the Northern Batch Hospitals scheme in Manchester, the Pinderfields Hospital in Yorkshire and the Derby Streetlighting project. The Group's PFI/PPP portfolio was subject to a Directors' valuation, on a discounted cash flow basis, which gave a value as at the end of 2005 of £289m.

Ten UK bids are under active preparation and the pipeline of available bidding opportunities remains strong. The Group has now established satellite investment businesses in the US, Germany and Hong Kong. Bids or prequalification statements are in preparation for road, rail and accommodation projects in the US and accommodation projects in Germany and Singapore. The Group is also assessing bidding opportunities for non-PFI assets in the UK.

Good progress is anticipated in this sector in the second half of the year.

Outlook

Trading prospects in our key sectors remain positive, with a continuing flow of major orders and new opportunities. The Group's cash performance continues to track profits over time and the net cash position remains strong. Opportunities to strengthen further the business through investment and acquisition continue to be pursued. Our strategy for the future growth and development of the business is clear and we are confident that we will continue to make good progress in 2006 and beyond.

Sir David John KCMG Chairman

Ian Tyler Chief Executive

Group income statement

For the half-year ended 1 July 2006 based on unaudited figures

	Notes	2006 first half Before exceptional items £m	2006 first half Exceptional items (Note 6) £m	2006 first half Total £m	2005 first half Before exceptional items £m	2005 first half Exceptional items (Note 6) £m	2005 first half Total £m	2005 year Before exceptional items £m	2005 year Exceptional items (Note 6) £m	2005 year Total £m
Revenue including share of joint ventures and associates		**2,773**	**–**	**2,773**	2,308	–	2,308	4,938	–	4,938
Share of revenue of joint ventures and associates	3	**(719)**	**–**	**(719)**	(494)	–	(494)	(1,101)	–	(1,101)
Group revenue		**2,054**	**–**	**2,054**	1,814	–	1,814	3,837	–	3,837
Cost of sales		**(1,900)**	**(15)**	**(1,915)**	(1,672)	–	(1,672)	(3,528)	(14)	(3,542)
Gross profit		**154**	**(15)**	**139**	142	–	142	309	(14)	295
Net operating expenses		**(129)**	**–**	**(129)**	(118)	–	(118)	(237)	–	(237)
Group operating profit		**25**	**(15)**	**10**	24	–	24	72	(14)	58
Share of results of joint ventures and associates	3	**31**	**–**	**31**	19	24	43	43	30	73
Profit from operations		**56**	**(15)**	**41**	43	24	67	115	16	131
Investment income	4	**12**	**–**	**12**	29	–	29	56	–	56
Finance costs	5	**(8)**	**(6)**	**(14)**	(20)	(9)	(29)	(37)	(9)	(46)
Profit before taxation		**60**	**(21)**	**39**	52	15	67	134	7	141
Taxation	7	**(11)**	**–**	**(11)**	(12)	2	(10)	(32)	(3)	(35)
Profit for the period attributable to equity shareholders		**49**	**(21)**	**28**	40	17	57	102	4	106

	Notes	2006 first half pence	2005 first half pence	2005 year pence
Basic earnings per ordinary share	8	**6.5**	13.4	24.9
Diluted earnings per ordinary share	8	**6.5**	13.2	24.7
Dividends per ordinary share proposed for the period	9	**3.9**	3.5	8.1

Group statement of recognised income and expense

For the half-year ended 1 July 2006 based on unaudited figures

	Notes	2006 first half £m	2005 first half £m	2005 year £m
Actuarial gains/(losses) on retirement benefit obligations		**46**	–	(14)
PFI/PPP cash flow hedges – net fair value gains/(losses)		**25**	(14)	(17)
– reclassified and reported in net profit		**–**	–	1
PFI/PPP financial assets – fair value revaluation		**(28)**	19	10
– reclassified and reported in net profit		**–**	–	(4)
Changes in fair value of net investment hedges		**7**	(2)	(6)
Currency translation differences		**(7)**	4	8
Tax on items taken directly to equity		**(15)**	(1)	9
Net income/(expense) recognised directly in equity		**28**	6	(13)
Profit for the period		**28**	57	106
Total recognised income for the period attributable to equity shareholders	14	**56**	63	93

Group balance sheet
At 1 July 2006 based on unaudited figures

	Notes	2006 first half £m	2005 first half £m	2005 year £m
Non-current assets				
Goodwill		**292**	276	284
Property, plant and equipment		**170**	156	167
Investments in joint ventures and associates	3	**400**	252	375
Investments		**47**	42	38
PFI/PPP financial assets		**20**	356	14
Deferred tax assets		**67**	64	83
Derivative financial instruments		**1**	–	2
Trade and other receivables		**35**	52	35
		1,032	1,198	998
Current assets				
Inventories		**75**	58	61
Due from customers for contract work		**263**	267	217
Derivative financial instruments		**5**	1	–
Trade and other receivables		**614**	520	619
Cash and cash equivalents – PFI/PPP subsidiaries		**–**	23	–
– other		**381**	306	345
		1,338	1,175	1,242
Total assets		**2,370**	2,373	2,240
Current liabilities				
Trade and other payables		**(1,182)**	(983)	(1,038)
Due to customers for contract work		**(274)**	(251)	(274)
Derivative financial instruments – PFI/PPP subsidiaries		**–**	(14)	–
– other		**–**	(4)	(4)
Current tax liabilities		**(32)**	(31)	(30)
Borrowings – PFI/PPP non-recourse term loans		**–**	(14)	–
– other		**(28)**	(7)	(30)
		(1,516)	(1,304)	(1,376)
Non-current liabilities				
Borrowings – PFI/PPP non-recourse term loans		**(17)**	(256)	(14)
Liability component of preference shares		**(90)**	(99)	(98)
Derivative financial instruments		**–**	–	(2)
Trade and other payables		**(68)**	(68)	(66)
Deferred tax liabilities		**(4)**	(2)	(3)
Retirement benefit obligations	11	**(237)**	(256)	(280)
Provisions		**(112)**	(111)	(109)
		(528)	(792)	(572)
Total liabilities		**(2,044)**	(2,096)	(1,948)
Net assets		**326**	277	292
Equity				
Called-up share capital	14	**214**	213	214
Share premium account	14	**40**	24	26
Equity component of preference shares	14	**16**	18	18
Special reserve	14	**172**	178	175
Share of joint ventures' and associates' reserves	14	**199**	133	182
Other reserves	14	**10**	25	5
Accumulated losses	14	**(325)**	(314)	(328)
Total equity		**326**	277	292

Group cash flow statement

For the half-year ended 1 July 2006 based on unaudited figures

	Notes	2006 first half £m	2005 first half £m	2005 year £m
Cash flows from operating activities				
Cash generated from operations	16.1	**133**	89	167
Income taxes paid		**(9)**	(12)	(28)
Net cash from operating activities		**124**	77	139
Cash flows from investing activities				
Dividends received from joint ventures and associates		**7**	6	12
Interest received		**14**	26	64
Acquisition of businesses, net of cash and cash equivalents acquired		**(21)**	(6)	(56)
Purchase of property, plant and equipment		**(28)**	(29)	(57)
Purchase of investments		**(10)**	–	–
Investment in and loans made to joint ventures and associates		**(8)**	(4)	(12)
Investment in financial assets		**(4)**	(16)	(21)
Disposal of businesses, net of cash and cash equivalents disposed		**–**	–	(15)
Disposal of property, plant and equipment		**6**	4	8
Disposal of investments		**–**	2	6
Net cash used in investing activities		**(44)**	(17)	(71)
Cash flows from financing activities				
Proceeds from issue of ordinary shares		**3**	3	6
Purchase of ordinary shares		**(4)**	(1)	(3)
Proceeds from new loans		**30**	2	6
Repayment of loans		**–**	(72)	(80)
Finance lease principal repayments		**(1)**	(2)	(2)
Buy-back of preference shares		**(17)**	(9)	(11)
Ordinary dividends paid		**(15)**	(28)	(28)
Interest paid		**(2)**	(14)	(27)
Premium paid on repayment of US Dollar term loan		**–**	(9)	(9)
Preference dividends paid		**(6)**	(13)	(13)
Net cash used in financing activities		**(12)**	(143)	(161)
Net increase/(decrease) in cash and cash equivalents		**68**	(83)	(93)
Effects of exchange rate changes		**(3)**	–	3
Cash and cash equivalents at beginning of period		**316**	406	406
Cash and cash equivalents at end of period	16.2	**381**	323	316

Notes

1 Basis of presentation

The interim financial statements have been prepared on the basis of the accounting policies set out in the 2005 Balfour Beatty plc Annual Report and Accounts.

2 Segment analysis

For the half-year ended 1 July 2006

	Building, building management and services £m	Civil and specialist engineering and services £m	Rail engineering and services £m	Investments and developments £m	Corporate costs £m	Total £m
Performance by activity:						
Group revenue	**955**	**717**	**376**	**6**	**–**	**2,054**
Group operating profit	**16**	**17**	**11**	**(8)**	**(11)**	**25**
Share of results of joint ventures and associates	**1**	**7**	**–**	**23**	**–**	**31**
Profit from operations before exceptional items	**17**	**24**	**11**	**15**	**(11)**	**56**
Exceptional items	**–**	**(17)**	**2**	**–**	**–**	**(15)**
Profit from operations	**17**	**7**	**13**	**15**	**(11)**	**41**
Investment income						**12**
Finance costs						**(14)**
Profit before taxation						**39**

	Europe £m	North America £m	Other £m	Total £m
Performance by geographic origin:				
Group revenue	**1,756**	**283**	**15**	**2,054**
Profit from operations before exceptional items	**61**	**(9)**	**4**	**56**
Exceptional items	**2**	**(17)**	**–**	**(15)**
Profit from operations	**63**	**(26)**	**4**	**41**

For the half-year ended 2 July 2005

	Building, building management and services £m	Civil and specialist engineering and services £m	Rail engineering and services £m	Investments and developments £m	Corporate costs £m	Total £m
Performance by activity:						
Group revenue	788	633	367	26	–	1,814
Group operating profit	6	12	20	(4)	(10)	24
Share of results of joint ventures and associates	2	5	–	12	–	19
Profit from operations before exceptional items	8	17	20	8	(10)	43
Exceptional items	–	–	–	24	–	24
Profit from operations	8	17	20	32	(10)	67
Investment income						29
Finance costs						(29)
Profit before taxation						67

	Europe £m	North America £m	Other £m	Total £m
Performance by geographic origin:				
Group revenue	1,590	218	6	1,814
Profit from operations before exceptional items	58	(16)	1	43
Exceptional items	24	–	–	24
Profit from operations	82	(16)	1	67

2 Segment analysis continued

For the year ended 31 December 2005

	Building, building management and services £m	Civil and specialist engineering and services £m	Rail engineering and services £m	Investments and developments £m	Corporate costs £m	Total £m
Performance by activity:						
Group revenue	1,674	1,366	763	34	–	3,837
Group operating profit	32	39	32	(10)	(21)	72
Share of results of joint ventures and associates	3	10	–	30	–	43
Profit from operations before exceptional items	35	49	32	20	(21)	115
Exceptional items	(8)	–	(12)	36	–	16
Profit from operations	27	49	20	56	(21)	131
Investment income						56
Finance costs						(46)
Profit before taxation						141

	Europe £m	North America £m	Other £m	Total £m
Performance by geographic origin:				
Group revenue	3,332	483	22	3,837
Profit from operations before exceptional items	134	(20)	1	115
Exceptional items	28	(12)	–	16
Profit from operations	162	(32)	1	131

3 Share of results and net assets of joint ventures and associates

	2006 first half £m	2005 first half £m	2005 year £m
Income statement			
Share of revenue of joint ventures and associates	**719**	494	1,101
Operating profit before exceptional items	**25**	21	50
Investment income	**60**	29	70
Finance costs	**(43)**	(22)	(56)
Taxation	**(11)**	(9)	(21)
Share of results of joint ventures and associates before exceptional items	**31**	19	43
Balance sheet			
Property, plant and equipment	**200**	184	206
PFI/PPP financial assets	**1,369**	795	1,255
Net cash/(borrowings) – PFI/PPP non-recourse	**(1,186)**	(594)	(914)
– other	**83**	2	26
Other net liabilities	**(66)**	(135)	(198)
Share of net assets of joint ventures and associates	**400**	252	375

4 Investment income

	2006 first half £m	2005 first half £m	2005 year £m
PFI/PPP non-recourse – interest on financial assets	**1**	18	36
PFI/PPP subordinated debt interest receivable	**3**	3	5
Other interest receivable and similar income	**8**	8	15
	12	29	56

5 Finance costs

	2006 first half £m	2005 first half £m	2005 year £m
PFI/PPP non-recourse – other interest payable	**1**	9	19
Other interest payable – bank loans and overdrafts	**–**	2	1
– other loans	**1**	2	4
	2	13	24
Preference shares – finance cost	**6**	7	13
	8	20	37
Exceptional items – premium on buy-back of preference shares	**6**	3	3
– net premium on repayment of US Dollar term loan	**–**	6	6
	14	29	46

A preference dividend of 5.375p gross (4.8375p net) per cumulative convertible redeemable preference share of 1p was paid in respect of the six months ended 30 June 2006 on 1 July 2006 to holders of these shares on the register on 26 May 2006. A preference dividend of 5.375p gross (4.8375p net at current tax rate) per cumulative convertible redeemable preference share will be paid in respect of the six months ending 31 December 2006 on 1 January 2007 to holders of these shares on the register on 24 November 2006 by direct credit or, where no mandate has been given, by cheque posted on 28 December 2006 payable on 1 January 2007. These shares will be quoted ex-dividend on 22 November 2006.

6 Exceptional items

	2006 first half £m	2005 first half £m	2005 year £m
6.1 Credited to/(charged against) profit from operations			
Group operating profit – litigation settlements and fines	**2**	–	(8)
– profit on sale of interest in Connect Roads	**–**	–	6
– impairment of investment in Romec Ltd	**–**	–	(8)
– impairment of goodwill in Balfour Beatty Rail Inc	**–**	–	(4)
– impairment of goodwill in National Engineering and Contracting Company	**(17)**	–	–
	(15)	–	(14)
Share of results of joint ventures and associates			
– TXU distributions to Barking Power Ltd	**–**	24	30
	(15)	24	16
6.2 Charged to finance costs			
– premium on buy-back of preference shares	**(6)**	(3)	(3)
– net premium on repayment of US Dollar term loan	**–**	(6)	(6)
(Charged against)/credited to profit before taxation	**(21)**	15	7
Taxation thereon	**–**	2	(3)
(Charged against)/credited to profit for the period	**(21)**	17	4

6.1 The exceptional item credited to Group operating profit in 2006 arose from the reduction in the fine (less associated costs) imposed on Balfour Beatty Rail Infrastructure Services Ltd in respect of the Hatfield derailment in October 2000. As a result of unsatisfactory performance in the Central division of Balfour Beatty Construction Inc, the goodwill arising on the acquisition of National Engineering and Contracting Company has been written off and charged against Group operating profit in 2006. The exceptional items charged against Group operating profit in 2005 arose from litigation and settlement costs of £8m which includes a payment to the US Government by Balfour Beatty Construction Inc, for its share of a settlement payment to resolve allegations arising from investigations into a joint venture contract awarded in 1995 and completed in 2000 and the costs awarded against Balfour Beatty Rail Infrastructure Services Ltd for admitted breaches of the Health and Safety at Work Act following the Hatfield derailment in October 2000, provision for the associated fine having been made in prior years; a profit of £6m on the disposal of a 15% interest in Connect Roads Ltd and Connect M77/GSO Holdings Ltd; an impairment charge of £8m in respect of the Group's investment in Romec Ltd; and a goodwill impairment charge of £4m in respect of Balfour Beatty Rail Inc.

The exceptional item credited to profit from operations in share of results of joint ventures and associates in 2005 (first half £24m, full year £30m) arises in Barking Power Ltd in which the Group holds a 25.5% interest. The gain represents the Group's share, after charging taxation (first half £10m, full year £12m), of the distributions received by Barking Power Ltd from the administrator of TXU Europe following the damages agreement reached in December 2004 of £179m.

6.2 The exceptional items charged against finance charges are the premium of £6m (2005: first half £3m, full year £3m) arising on the repurchase for cancellation of 10.8m (2005: first half 5.6m, full year 6.8m) preference shares at a cost of £17m (2005: first half £9m, full year £11m), and, in 2005, the net premium of £6m arising from the repayment of the US Dollar term loan.

7 Taxation

	2006 first half £m	2005 first half £m	2005 year £m
UK current tax	**6**	6	19
Foreign current tax	**3**	2	6
Deferred tax	**2**	2	10
Total tax charge	**11**	10	35

Corporation tax for the period is charged at 39% (2005: first half 36%, full year 35%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year, based on profit before taxation and exceptional items, excluding the results of joint ventures and associates.

8 Earnings per ordinary share

	2006 first half		2005 first half		2005 year	
	Basic £m	**Diluted £m**	Basic £m	Diluted £m	Basic £m	Diluted £m
Earnings	**28**	**28**	57	57	106	106
Exceptional items	**21**		(17)		(4)	
Adjusted earnings	**49**		40		102	

	2006 first half		2005 first half		2005 year	
	Basic m	**Diluted m**	Basic m	Diluted m	Basic m	Diluted m
Weighted average number of ordinary shares	**426.2**	**430.9**	423.0	428.4	424.2	428.7

	2006 first half		2005 first half		2005 year	
	Basic pence	**Diluted pence**	Basic pence	Diluted pence	Basic pence	Diluted pence
Earnings per ordinary share	**6.5**	**6.5**	13.4	13.2	24.9	24.7
Exceptional items	**4.9**		(4.1)		(0.8)	
Adjusted earnings per ordinary share	**11.4**		9.3		24.1	

The calculation of basic earnings is based on profit for the period attributable to equity shareholders. The weighted average number of ordinary shares used to calculate diluted earnings per ordinary share has been adjusted for the conversion of share options. No adjustment has been made in respect of the potential conversion of the cumulative convertible redeemable preference shares, the effect of which would have been antidilutive throughout each period. Adjusted earnings per ordinary share, before exceptional items, has been disclosed to give a clearer understanding of the Group's underlying trading performance.

9 Dividends on ordinary shares

	2006 first half		2005 first half		2005 year	
	Per share pence	**Amount £m**	Per share pence	Amount £m	Per share pence	Amount £m
Proposed dividends for the period:						
Interim 2005	**–**	**–**	3.5	15	3.5	15
Final 2005	**–**	**–**	–	–	4.6	20
Interim 2006	**3.9**	**17**	–	–	–	–
	3.9	**17**	3.5	15	8.1	35
Recognised dividends for the period:						
Final 2004		**–**		16		16
Interim 2005		**–**		–		15
Final 2005		**20**		–		–
		20		16		31

The interim 2006 dividend will be paid on 13 December 2006 to holders of ordinary shares on the register on 27 October 2006 by direct credit or, where no mandate has been given, by cheque posted on 12 December 2006 payable on 13 December 2006. These shares will be quoted ex-dividend on 25 October 2006.

10 PFI/PPP subsidiaries

At 1 July 2006, the Group had a 100% interest in two PFI/PPP concessions through its shareholdings in Connect Roads Sunderland Holdings Ltd and Connect Roads South Tyneside Holdings Ltd. The Group also had a 100% interest in three PFI/PPP concessions through its shareholdings in Connect Roads Ltd and Connect M77/GSO Holdings Ltd until 20 December 2005, when the Group disposed of a 15% interest in those concessions and they became joint ventures. The performance of the wholly-owned PFI/PPP concessions (until ceasing to be subsidiaries as appropriate) and their balance sheets are summarised below.

	2006 first half £m	2005 first half £m	2005 year £m
Income statement			
Group revenue	**6**	24	32
Profit from operations	**–**	–	–
Investment income	**1**	18	36
Finance costs	**(1)**	(9)	(19)
Profit before taxation	**–**	9	17
Taxation	**–**	(3)	(5)
Profit for the period	**–**	6	12
Cash flow			
Profit from operations	**–**	–	–
Decrease in working capital	**–**	5	–
Income taxes paid	**–**	(1)	(3)
Net cash inflow/(outflow) from operating activities	**–**	4	(3)
Net cash (outflow)/inflow from investing activities	**(3)**	(1)	20
Net cash outflow from financing activities	**–**	(6)	(11)
Net cash (outflow)/inflow	**(3)**	(3)	6
Net borrowings at beginning of period	**(14)**	(244)	(244)
Net borrowings at date of disposal	**–**	–	224
Net borrowings at end of period	**(17)**	(247)	(14)
Balance sheet			
PFI/PPP financial assets	**20**	356	14
Derivative financial instruments	**–**	(14)	–
Current and deferred taxation	**(1)**	(23)	–
Cash and cash equivalents	**–**	23	–
Non-recourse term loans	**(17)**	(270)	(14)
Net assets	**2**	72	–

11 Retirement benefit obligations

The IAS 19 valuations of the Group's principal defined benefit pension schemes have been updated to 1 July 2006. The principal actuarial assumptions used were as follows:

	2006 first half %	2005 year %
Inflation rate	**3.00**	2.80
Discount rate	**5.25**	4.75
Future salary increases	**4.50**	4.30
Future pension increases	**3.00**	2.80

The movement in retirement benefit obligations for the half-year ended 1 July 2006 was as follows:

	£m
At 1 January 2006	**(280)**
Service cost	**(29)**
Interest cost	**(51)**
Expected return on plan assets	**58**
Contributions from employer	**21**
Benefits paid	**1**
Actuarial gains and losses – assets	**(42)**
– liabilities	**87**
Business acquired	**(2)**
At 1 July 2006	**(237)**

12 Borrowings

During the half-year ended 1 July 2006, the Group obtained a new short-term bank loan in the amount of US$50m. The loan bears interest at market rates and is repayable within one year. The proceeds were converted to sterling. The borrowing forms part of the Group's strategy of hedging its foreign currency net assets.

13 Share capital

During the half-year ended 1 July 2006, 86,119 ordinary shares were issued following the exercise of savings-related share options and 1,242,772 ordinary shares were issued following the exercise of executive share options for an aggregate cash consideration of £3m.

During the half-year ended 1 July 2006, 10,849,390 preference shares were repurchased for cancellation by the Company for a total consideration of £17,067,611 at an average price of 157.3p.

14 Movements in equity

For the half-year ended 1 July 2006

	Called-up share capital £m	Share premium account £m	Equity component of preference shares £m	Special reserve £m	Share of joint ventures' and associates' reserves £m	Other reserves £m	Accumulated losses £m	Total £m
At 1 January 2006	**214**	**26**	**18**	**175**	**182**	**5**	**(328)**	**292**
Net profit for the period	**–**	**–**	**–**	**–**	**31**	**–**	**(3)**	**28**
Actuarial gains on retirement benefit obligations	**–**	**–**	**–**	**–**	**1**	**–**	**45**	**46**
PFI/PPP cash flow hedges								
– net fair value gains/(losses)	**–**	**–**	**–**	**–**	**25**	**–**	**–**	**25**
PFI/PPP financial assets								
– fair value revaluation	**–**	**–**	**–**	**–**	**(31)**	**3**	**–**	**(28)**
Changes in fair value of net investment hedges	**–**	**–**	**–**	**–**	**–**	**7**	**–**	**7**
Currency translation differences	**–**	**–**	**–**	**–**	**(3)**	**(4)**	**–**	**(7)**
Tax on items taken directly to equity	**–**	**–**	**1**	**–**	**1**	**(3)**	**(14)**	**(15)**
Total recognised income for the period	**–**	**–**	**1**	**–**	**24**	**3**	**28**	**56**
Ordinary dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(20)**	**(20)**
Joint ventures' and associates' dividends	**–**	**–**	**–**	**–**	**(7)**	**–**	**7**	**–**
Issue of ordinary shares	**–**	**3**	**–**	**–**	**–**	**–**	**–**	**3**
Buy-back of preference shares	**–**	**11**	**(3)**	**–**	**–**	**–**	**(11)**	**(3)**
Movements relating to share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Transfers	**–**	**–**	**–**	**(3)**	**–**	**2**	**1**	**–**
At 1 July 2006	**214**	**40**	**16**	**172**	**199**	**10**	**(325)**	**326**

For the half-year ended 2 July 2005

	Called-up share capital £m	Share premium account £m	Equity component of preference shares £m	Special reserve £m	Share of joint ventures' and associates' reserves £m	Other reserves £m	Accumulated losses £m	Total £m
At 1 January 2005	212	15	19	181	86	29	(315)	227
Net profit for the period	–	–	–	–	43	–	14	57
PFI/PPP cash flow hedges								
– net fair value gains/(losses)	–	–	–	–	(13)	(1)	–	(14)
PFI/PPP financial assets								
– fair value revaluation	–	–	–	–	20	(1)	–	19
Changes in fair value of net investment hedges	–	–	–	–	–	(2)	–	(2)
Currency translation differences	–	–	–	–	4	–	–	4
Tax on items taken directly to equity	–	–	–	–	(1)	–	–	(1)
Total recognised income for the period	–	–	–	–	53	(4)	14	63
Ordinary dividends	–	–	–	–	–	–	(16)	(16)
Joint ventures' and associates' dividends	–	–	–	–	(6)	–	6	–
Issue of ordinary shares	1	2	–	–	–	–	–	3
Buy-back of preference shares	–	7	(1)	–	–	–	(7)	(1)
Movements relating to share-based payments	–	–	–	–	–	–	1	1
Transfers	–	–	–	(3)	–	–	3	–
At 2 July 2005	213	24	18	178	133	25	(314)	277

14 Movements in equity continued

For the year ended 31 December 2005

	Called-up share capital £m	Share premium account £m	Equity component of preference shares £m	Special reserve £m	Share of joint ventures' and associates' reserves £m	Other reserves £m	Accumulated losses £m	Total £m
At 1 January 2005	212	15	19	181	86	29	(315)	227
Net profit for the year	–	–	–	–	73	–	33	106
Actuarial gains/(losses) on retirement benefit obligations	–	–	–	–	7	–	(21)	(14)
PFI/PPP cash flow hedges								
– net fair value gains/(losses)	–	–	–	–	(20)	3	–	(17)
– reclassified and reported in net profit	–	–	–	–	–	1	–	1
PFI/PPP financial assets								
– fair value revaluation	–	–	–	–	29	(19)	–	10
– reclassified and reported in net profit	–	–	–	–	–	(4)	–	(4)
Changes in fair value of net investment hedges	–	–	–	–	–	(6)	–	(6)
Currency translation differences	–	–	–	–	5	3	–	8
Tax on items taken directly to equity	–	–	1	–	(6)	6	8	9
Total recognised income for the year	–	–	1	–	88	(16)	20	93
Ordinary dividends	–	–	–	–	–	–	(31)	(31)
Joint ventures' and associates' dividends	–	–	–	–	(12)	–	12	–
Issue of ordinary shares	2	4	–	–	–	–	–	6
Buy-back of preference shares	–	7	(2)	–	–	–	(8)	(3)
Movements relating to share-based payments	–	–	–	–	–	(2)	2	–
Transfers	–	–	–	(6)	20	(6)	(8)	–
At 31 December 2005	214	26	18	175	182	5	(328)	292

15 Acquisitions

On 30 March 2006, the Group acquired 100% of the issued share capital of Edgar Allen, the UK rail track products manufacturer, for a consideration of £21.0m and costs of £0.6m. The provisional fair value of net assets acquired was £9.7m and goodwill arising was £11.9m. The goodwill recognised is attributable to the acquisition strengthening the Group's leading position in the design, manufacture and supply of track products.

On 31 March 2006, the Group acquired 100% of the issued share capital of Charter, the US construction management company, for a consideration of £17.3m and costs of £0.5m. The provisional fair value of net assets acquired was £2.9m and goodwill arising was £14.9m. The goodwill recognised is attributable to the acquisition complementing the Group's US project and programme management business, with a particular strength in the education sector.

The provisional fair value of the net assets acquired, consideration paid and provisional goodwill arising on these transactions were:

	Book value of assets acquired £m	Fair value adjustments £m	Fair value of assets acquired £m
Net assets acquired:			
Property, plant and equipment	**2**	**–**	**2**
Working capital	**(5)**	**(2)**	**(7)**
Cash and cash equivalents	**19**	**–**	**19**
Borrowings	**(1)**	**–**	**(1)**
Current tax liabilities	**(1)**	**–**	**(1)**
	14	**(2)**	**12**
Goodwill			**27**
			39
Satisfied by:			
Cash consideration			**38**
Costs incurred			**1**
			39

The subsidiary businesses acquired earned revenues of £74.3m and profit from operations of £1.5m for the half-year, of which £31.3m and £1.0m respectively were earned in the period since acquisition.

During the half-year ended 1 July 2006, £1.3m deferred consideration was paid in respect of acquisitions completed in earlier years.

16 Notes to the cash flow statement

	2006 first half £m	2005 first half £m	2005 year £m
16.1 Cash generated from operations comprises:			
Profit from operations	**41**	67	131
Share of results of joint ventures and associates	**(31)**	(43)	(73)
Depreciation of property, plant and equipment	**21**	20	41
Impairment charge	**17**	–	12
Movements relating to share-based payments	**2**	2	3
Profit on disposal of property, plant and equipment	**(1)**	(1)	(2)
Profit on disposal of businesses	**–**	–	(6)
Operating cash flows before movements in working capital	**49**	45	106
Decrease in working capital	**84**	44	61
Cash generated from operations	**133**	89	167
16.2 Cash and cash equivalents comprise:			
Cash and deposits	**113**	142	146
Term deposits	**268**	164	199
UK PFI/PPP project finance – cash and deposits	**–**	2	–
– term deposits	**–**	21	–
Bank overdrafts	**–**	(6)	(29)
	381	323	316
16.3 Analysis of net cash:			
Bank overdrafts	**–**	(6)	(29)
Other short-term loans	**(27)**	(1)	–
Finance leases	**(1)**	–	(1)
Cash and deposits	**113**	142	146
Term deposits	**268**	164	199
	353	299	315
UK PFI/PPP project finance – Sterling floating rate term loan (2008-2027)	**(15)**	(10)	(13)
– Sterling floating rate term loan (2011-2030)	**(2)**	–	(1)
– Sterling floating rate term loan (2005-2011)	**–**	(24)	–
– Sterling floating rate term loan (2005-2012)	**–**	(88)	–
– Sterling fixed rate bond (2006-2034)	**–**	(148)	–
– cash and deposits	**–**	2	–
– term deposits	**–**	21	–
Net cash	**336**	52	301
16.4 Analysis of movement in net cash:			
Opening net cash	**301**	67	67
Net increase/(decrease) in cash and cash equivalents	**68**	(83)	(93)
Acquisitions – borrowings at date of acquisition	**(1)**	–	(1)
Businesses sold – borrowings at date of disposal	**–**	–	253
New loans	**(30)**	(2)	(6)
Repayment of loans	**–**	72	80
Finance lease principal repayments	**1**	2	2
Exchange adjustments	**(3)**	(4)	(1)
Closing net cash	**336**	52	301

17 Post balance sheet events

On 21 July 2006, the Group acquired Birse Group plc, a UK regional construction and engineering services company, for a cash consideration of £32m.

The results for the half-year ended 1 July 2006 are unaudited and were approved by the Board on 15 August 2006. The full year figures for 2005 included in this report do not constitute statutory accounts for the purposes of Section 240 of the Companies Act 1985. A copy of the Company's statutory accounts for the year ended 31 December 2005 has been delivered to the Registrar of Companies. The independent auditors' report on those accounts was unqualified and did not contain any statement under Section 237(2) or (3) of the Companies Act 1985.

Independent review report to Balfour Beatty plc

Introduction

We have been instructed by the Company to review the financial information for the half-year ended 1 July 2006 which comprises the Group income statement, the Group statement of recognised income and expense, the Group balance sheet, the Group cash flow statement and the related Notes 1 to 17. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the half-year ended 1 July 2006.

Deloitte & Touche LLP
Chartered Accountants
London
15 August 2006

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area.
Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Shareholder information

Financial calendar

	2006
25 October	Ex-dividend date for interim 2006 ordinary dividend
27 October	Interim 2006 ordinary dividend record date
22 November	Final date for receipt of DRIP mandate forms (see below)
22 November	Ex-dividend date for January 2007 preference dividend
24 November	January 2007 preference dividend record date
13 December	Interim 2006 ordinary dividend payable
	2007
1 January	Preference dividend payable
7 March*	Announcement of 2006 full year results
May*	Annual General Meeting

*Provisional dates

Registrar and transfer office

All administrative enquiries relating to shareholdings should, in the first instance, be directed to the Company's Registrars and clearly state the shareholder's registered name and address and, if available, the full shareholder reference number.

Please write to:
The Balfour Beatty plc Registrar
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Telephone 0870 702 0122
or by e-mail to:
web.queries@computershare.co.uk

They can help you to:
– check your shareholding;
– register a change of address or name;
– obtain a replacement dividend cheque or tax voucher;
– record the death of a shareholder;
– amalgamate multiple accounts;
– resolve any other question about your shareholding.

Dividend mandates

If you wish dividends to be paid directly into your bank or building society account, you should contact the Registrars for a dividend mandate form.

Dividends paid in this way will be paid through the Bankers Automated Clearing System (BACS).

Information about Balfour Beatty's Dividend Reinvestment Plan ("DRIP") can also be obtained from the Registrars.

The interim dividend for 2006 will be paid on 13 December 2006. If you have already elected to join the DRIP, then you need take no further action. If you wish to join the DRIP, then you should complete a mandate form and return it to the Registrars by no later than 22 November 2006 in order to participate in the DRIP for this dividend. If you do not have a DRIP mandate form, please contact the Registrars.

Shareholder information on the Internet and electronic communications

The Balfour Beatty website at www.balfourbeatty.com offers shareholders and prospective investors a wealth of information about the Company, its people and businesses and its policies on corporate governance and corporate responsibility. It should be regarded as your first point of reference for information on any of these matters.

Computershare Investor Services PLC have introduced a facility enabling Balfour Beatty shareholders to access details of their shareholding over the internet subject to complying with an identity check. You can access this service via the shareholder information section of the Balfour Beatty website at www.balfourbeatty.com. You can also obtain information on recent trends in Balfour Beatty's share price.

Balfour Beatty actively supports eTree, a programme designed to promote shareholder communication through electronic means rather than paper, by rewarding every shareholder who switches with a sapling to be planted on behalf of the Woodland Trust's Tree for All Campaign. To register, or to find out more, please visit www.etreeuk.com/balfourbeatty. This service enables you to save paper, contribute to a better environment and give a child the chance to plant a tree.

In order to receive shareholder communications such as notices of shareholder meetings and the annual report and accounts electronically rather than by post, you need to register your details on www.etree.uk.com.

Unsolicited mail

Balfour Beatty is obliged by law to make its share register available on request to other organisations who may then use it as a mailing list. This may result in you receiving unsolicited mail. If you wish to limit the receipt of unsolicited mail, you may do so by writing to the Mailing Preference Service, an independent organisation whose services are free to you. Once your name and address have been added to its records, it will advise the companies and other bodies that support the service that you no longer wish to receive unsolicited mail. If you would like more details, please write to:

Mailing Preference Service
Freepost 29 LON20771
London W1E 0ZT

or visit the Mailing Preference Service website at www.mpsonline.org.uk.

Gifting shares to your family or to charity

To transfer shares to another member of your family as a gift, please ask the Registrars for a Balfour Beatty gift transfer form. Alternatively, if you have only a small number of shares whose value makes it uneconomic to sell them, you may wish to consider donating them to the share donation charity ShareGift (registered charity no. 1052686), whose work Balfour Beatty supports. Any shares that you donate to ShareGift will be aggregated, sold when possible and the proceeds will be donated to a growing list of charities. Since ShareGift was launched, nearly £10m has been given to more than 1,000 charities. Further information may be obtained from the Registrars or from the ShareGift Internet site www.ShareGift.org.

Share dealing services

The Company has established an execution-only postal share dealing service, through JPMorgan Cazenove Limited, for private investors who wish to buy or sell Balfour Beatty plc's shares. Further details can be obtained from:

The Balfour Beatty Share Dealing Service
JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA
Telephone: 020 7155 5155

Alternatively, Hoare Govett Limited offers a low-cost, execution-only, postal share dealing service for UK resident investors. Further details can be obtained from:

Hoare Govett Limited (LCSD)
250 Bishopsgate
London EC2M 4AA
Telephone: 020 7678 8300

Both JPMorgan Cazenove Limited and Hoare Govett Limited are authorised and regulated by the Financial Services Authority.

Share price

The Balfour Beatty share price can be found at the Balfour Beatty website at www.balfourbeatty.com and in the appropriate sections of national newspapers under the classification "Construction and Building Materials". It is also available on Ceefax and Teletext and a number of personal finance websites on the Internet. Historic share prices are available from the library at Hoare Govett. Telephone: 020 7678 5926.

The London Stock Exchange Daily Official List (SEDOL) codes are:
Ordinary shares: 0096162
Preference shares: 0097820

The London Stock Exchange "ticker" codes are:
Ordinary shares: BBY
Preference shares: BBYB

Capital gains tax

For capital gains tax purposes the market value on 31 March 1982 of Balfour Beatty plc's ordinary shares of 50p each was 307.3p per share. This has been adjusted for the 1-for-5 rights issue in June 1992 and the 2-for-11 rights issue in September 1996.

Enquiries

Enquiries relating to Balfour Beatty's results, business and financial position should be made in writing to the Corporate Communications Department at the Company's Registered Office address or by e-mail to info@balfourbeatty.com.

PROSHARE
PRIVATE INVESTOR AWARDS
2003 WINNER

Designed and produced by Radley Yeldar (London)

Clockwise from left:

Blackburn Hospital Phase 1 of the new 668 bed, PPP Queens Park Hospital in Blackburn was handed over to the Trust on time and on budget and opened to patients in early July.

King's Cross The Group won the £115m contract to construct the new Northern Ticket Hall at King's Cross Underground Station in May and is playing a leading role in the project and programme management of the entire development.

Oklahoma State University Boone Pickens Stadium Heery is the master planner and conceptual designer for this multi-phased stadium renovation and expansion project which made good progress in the first-half of the year.

Clockwise from below:

London Youth Games Balfour Beatty is the corporate partner for the 2006 London Youth Games, in which over 20,000 young Londoners compete in 30 different sports, culminating in a three day sporting festival at Crystal Palace.

Acquisitions In March, Balfour Beatty completed the acquisition of Charter, a US construction management and services company and Edgar Allen, a rail track products manufacturer, for a net aggregate consideration of £20m.

Northern Gas Networks In June, Balfour Beatty was appointed preferred bidder for the contract to replace all the gas mains in Northern England, in a contract operated by United Utilities which is likely to be worth in excess of £300m.

CHARTER BUILDERS, LTD.

EA EDGAR ALLEN

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