

## **News Releases**

### **AGM Trading Statement and Interim Management Statement**

**15 May 2008**

In his report to shareholders this afternoon at the Annual General Meeting of Balfour Beatty, the international engineering, construction, services and investment group, Sir David John KCMG will give the following Trading Statement, which also serves as the Group's Interim Management Statement, covering the period 1 January to 14 May 2008.

“As is our customary practice, I would like to update you on trading so far this year.

#### **Trading**

“I am very pleased to report that trading performance in 2008 to date has been strong. A number of major new orders has been secured across our business sectors and geographical markets and our confirmed order book and anticipated work pipeline has grown further from its very satisfactory year-end levels.

#### **Order Intake**

“The year to date has been characterised by a pleasing number of major new project awards. These include the appointment of Connect Plus, in which we have a 40% interest, as provisional preferred bidder for the 30-year M25 PPP widening and maintenance programme; the contract to build the £300 million London Olympic Aquatics Centre; the new £320 million Central Government Complex and Legislative Council Complex in Hong Kong; a leading role in the £445 million M74 construction contract in Scotland; a contract for £200 million of complex rail systems work for the new Gotthard Base Tunnel in Switzerland; a number of major new contracts for public and private sector customers in the US, including the £320 million contract to design and build additions and renovations at the National Military Medical Centre in Maryland and the £125 million expansion of the Peabody Hotel in Florida; and £220 million of new orders for building and building services work in Dubai.

#### **Acquisition and Investment**

“The early part of the year has also been characterised by significant progress and expenditure in acquisitions and investments to increase the Group’s current and future earning power within the clear strategy laid out by the Group in recent years.

“On 1 May, we completed the acquisition of GMH Military Housing (now Balfour Beatty Communities) for \$350 million. This is the latest step in the continuing expansion of our US presence, with a high-quality PPP concession portfolio and support service skills. It creates, together with Balfour Beatty Construction US, which has performed above our expectations since its acquisition in March 2007, a proven, comprehensive, in-house offering, integrating construction, support services and financing to the US military and other emerging US markets.

“In March, we acquired Dean & Dyball, a leading UK regional contractor, for £45 million. This is the latest transaction in our strategy to extend our UK regional contracting footprint and provides a strong, profitable presence in civil engineering markets in the southern half of England and Wales.

“In May, we completed the acquisition of Blackpool Airport for £14 million, following the transaction to buy Exeter International Airport in 2007.

“The conversion of three PPP preferred bidder positions, with a total construction value of £320 million and an equity commitment of £14 million, is anticipated in the near future.

## **Cash**

“Operating cash flow has again been very satisfactory although the Group’s average net cash position has reduced as a result of acquisition expenditure.

## **Sector Performance**

“Good progress in the **Building** sector is continuing, with particularly strong performances in Balfour Beatty Construction in the US and the UK, Mansell and Haden Building Management, which secured a substantial extension to its facilities management contract for BT during the period.

“Very good progress has also continued in **Engineering**, with particularly strong performance in the existing UK regional civil engineering network, now augmented by Dean & Dyball, and in Dubai.

“Progress in **Rail** is also good as market prospects continue to improve, although the period has not benefited from one-off settlements of historic projects as was the case in the first months of last year.

“In the **Investments** sector, we continue to make substantial commitments in both new PPP projects and other infrastructure assets and in the development of our PPP bidding capability outside the UK, while existing concessions continue to perform at anticipated levels.

## **The Board**

“This is my last statement as Chairman. It has been a great privilege to lead Balfour Beatty during a period of exceptional progress for the Group. I have enjoyed working with a most talented and dedicated group of people during that time immensely.

“Steve Marshall, who succeeds me after this meeting, brings comprehensive public company experience and a thorough familiarity with the construction and support services sector to the task. I leave the Company in excellent hands.

### **Outlook**

“We anticipate that order intake and trading performance will remain strong during the course of 2008 and that we will continue to add to our long-term earning power through investment and acquisition. We anticipate that 2008 performance will be at the top end of current expectations.”

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