Chief Executive's opening remarks

Ian Tyler

Chief Executive

Balfour Beatty

Agenda

- Plenary presentations
- Tea break
- Break-out sessions
- Closing remarks
- Q&A

Trading

- No new information on trading
- Most of the Group's businesses are performing well and in line with our expectations
- Construction business more mixed
  - Stable in the US; market recovery delayed
  - Volumes continuing to deteriorate in the UK, impacting margins
  - 2013 a difficult year for the construction business
  - Actively managing to mitigate headwinds

Mitigating actions

- Actions to-date
  - Focusing the group on less cyclical markets
  - Phases 1 and 2 of cost efficiency programme underway
- What more can we do?
  - Focus on risk management and pricing control
  - Scope for adjusting the current cost efficiency programme

Rail business

- Structural problems in the Rail business
  - Volumes becoming critically low in Italy and Spain
  - Progressive commoditisation of some of the work we do in the UK and Germany
- Actions
  - Redefine business, focus on value and withdraw from areas where we can't differentiate
  - Focus on the rail vertical strategy and the delivery of major complex projects

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Capital allocation
Balance sheet

- A strong balance sheet is a pre-requisite in our sector
- Monetisable assets broadly balance negative working capital
  - PPP/PFI portfolio and cash vs. negative working capital
- Hence, investable capital is:
  - Any excess of monetisable assets over negative working capital
  - Free cash flow
  - Proceeds from portfolio disposals

Capital allocation
Investments portfolio

Original disposal programme

- Sell £200-300m of mature assets over four to five years
- Target £20-25m of disposal gain p.a.

Factors to take into account

- Maximising value
- Macro factors such as long-term interest rates and inflation
- Political risk
- Balance sheet support

Accelerated disposal programme

- Disposal of £200m of Directors' value over the next three years
- Disposal gains of around £40m p.a.

Capital allocation
Moving capital into verticals and growth markets

- Developed and broadened skills in home markets
  - Construction delivery, support services and investment capability
- Acquired PB's design and programme management capability
- Infrastructure owners in search of a more effective outcome
- Combination of asset knowledge and asset delivery differentiates us
- Strategy is to build a higher value, higher margin business, exposed to higher growth markets with less cyclicality
- Long-term journey for the Group

Agenda

Andrew McNaughton

Deputy CEO and COO

Agenda

- Plenary presentations
  - Chief Executive's opening remarks
  - Infrastructure is a good place to be
  - Seizing growth opportunities
  - Accessing growth markets and resource economies
  - Realising sustainable returns from investments
- Tea break
- Break-out sessions
- Closing remarks and Q&A

Infrastructure is a good place to be

Peter Zinkin
Planning & Development Director

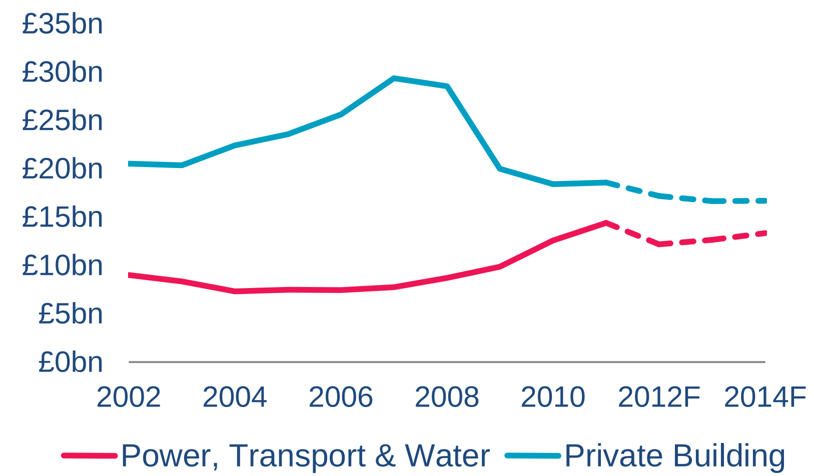
Balfour Beatty

Infrastructure is a good place to be

- Infrastructure markets are relatively resilient
- Sustainable economic growth requires infrastructure investment
- In developed economies, investment will be driven by aging infrastructure and the sustainability/carbon agenda
- In emerging economies, investment will be driven by urbanisation and economic growth
- Halo effect on resource economies, developed and emerging
- Infrastructure now high on government policy agendas

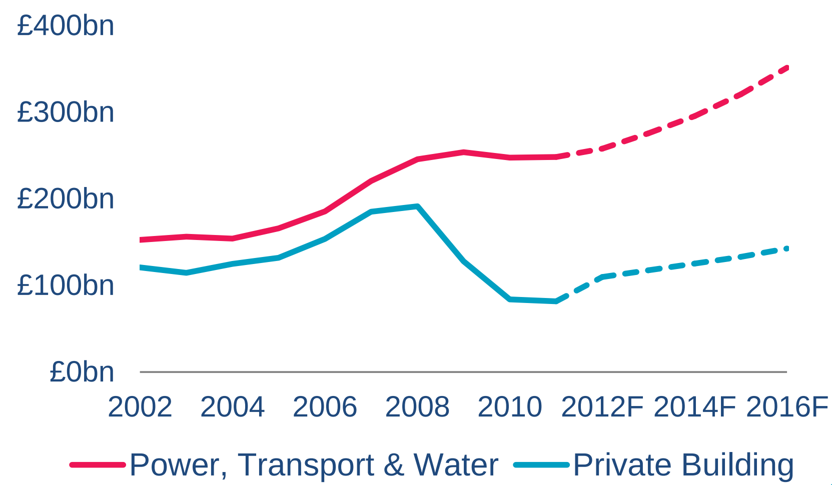
Infrastructure markets are relatively resilient

UK construction output



Source: UK Office of National Statistics; Experian forecasts

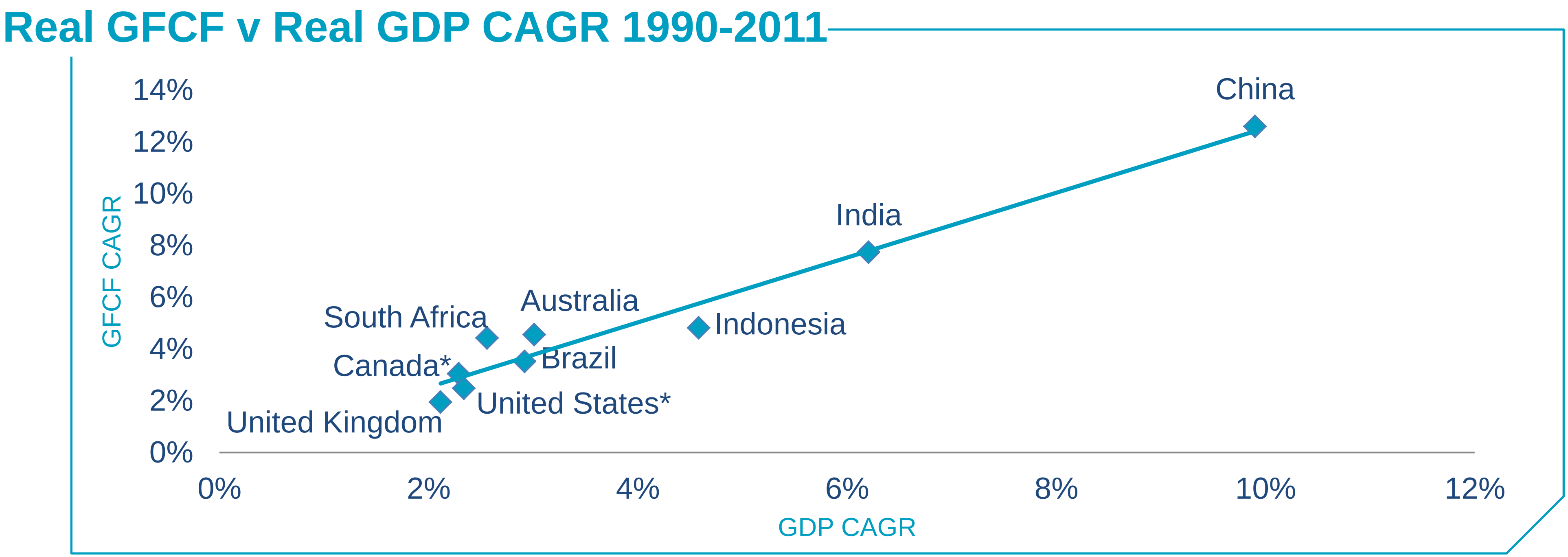
US construction output



Source: US Bureau of the Census; FMI forecast

- Infrastructure projects have long time scales
- Infrastructure is a counter-cyclical government policy tool
- Infrastructure is in part regulated – multi-year capex plans

Infrastructure is a prerequisite to growth



Source: World Bank *GFCF: Gross Fixed Capital Formation; *GFCF data for their countries for 1990-2010*

- Close correlation between investment and growth for prolonged periods across a wide range of countries
- Infrastructure investment in transport, power and water is needed to generate and sustain economic growth

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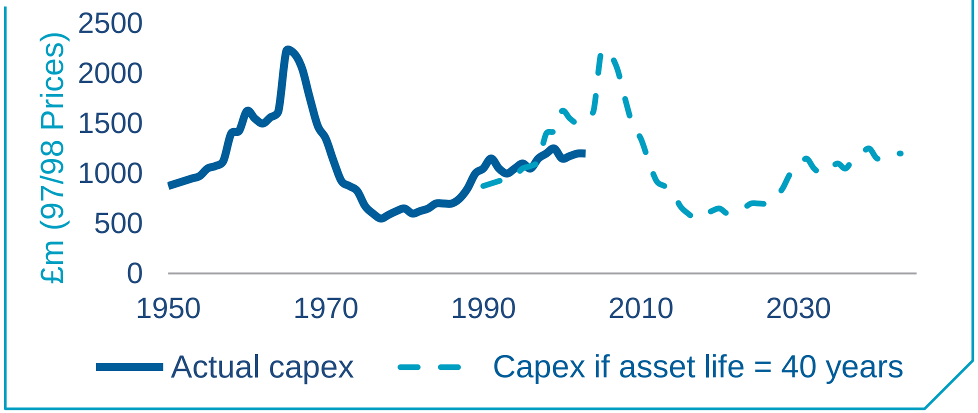
Drivers in developed economies

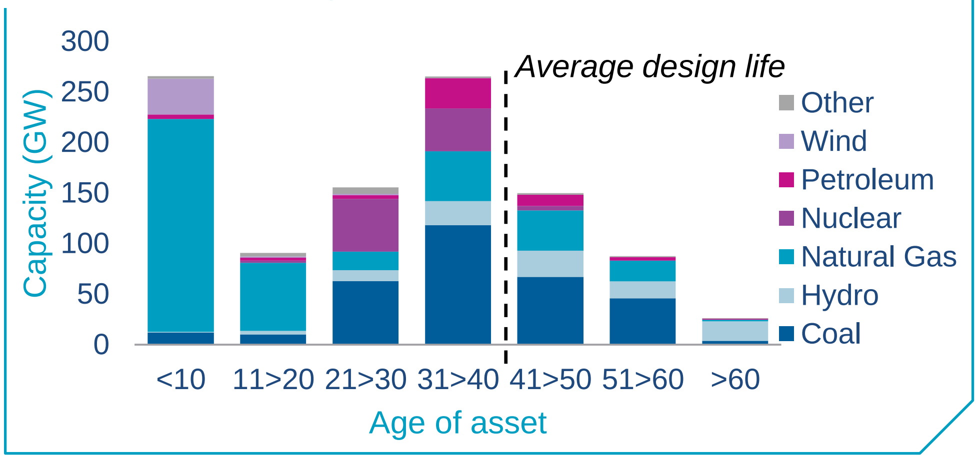
- Aging infrastructure – much of it constructed in 1960s and 1970s
- Sustainability and the carbon agenda e.g. power
- Demographics – internal population movements e.g. US south
- Bottlenecks – particularly transport e.g. UK aviation

UK power T&D capex



Source: Judge Business School

Age of US power generation assets



Source: US Energy Information Administration

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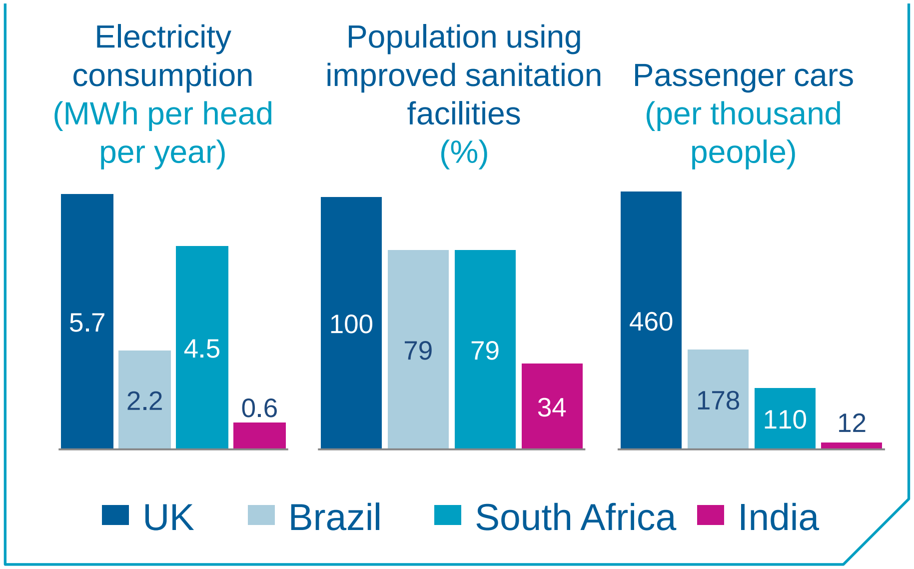
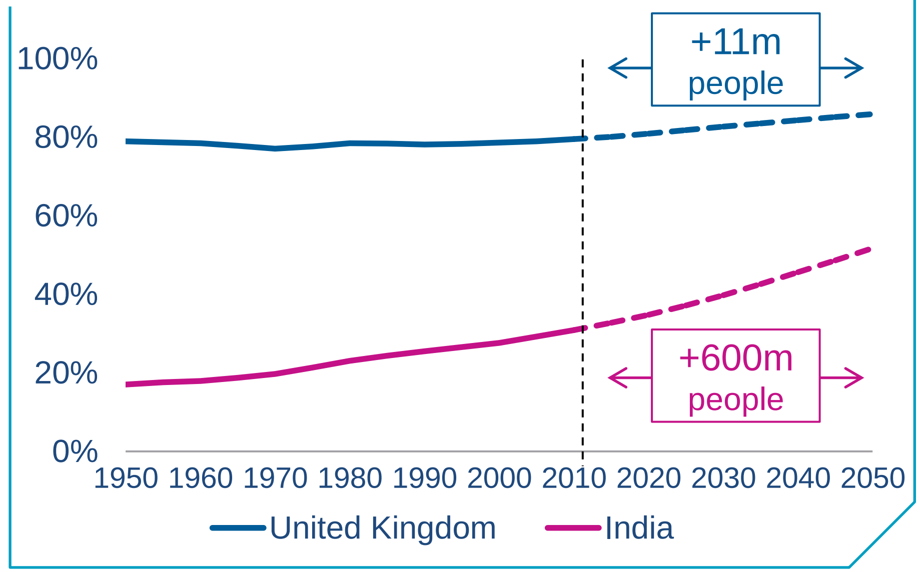
Drivers in emerging economies

Development metrics



Source: World Bank; WHO; International Road Federation

Urbanisation trends



Source: UN Development Programme

- Strong economic growth - Emerging 5% v Developed 2%
- Large infrastructure deficits in power, transport and water
- Urbanisation important driver – requires complex solutions
- In longer term, catch up in social infrastructure – health, education

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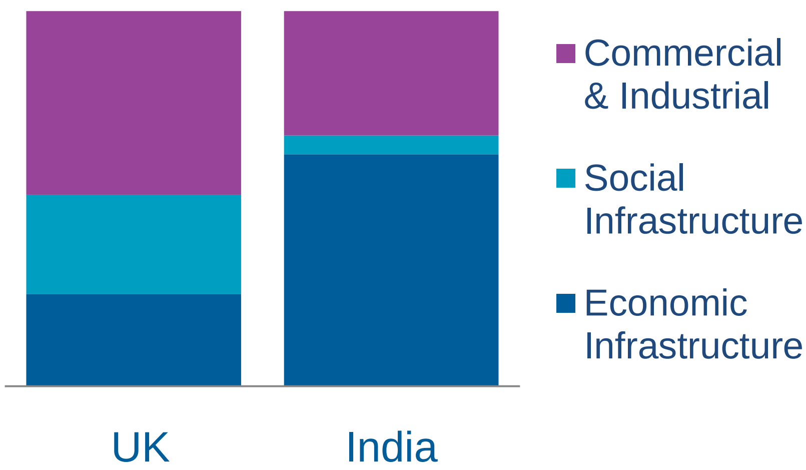
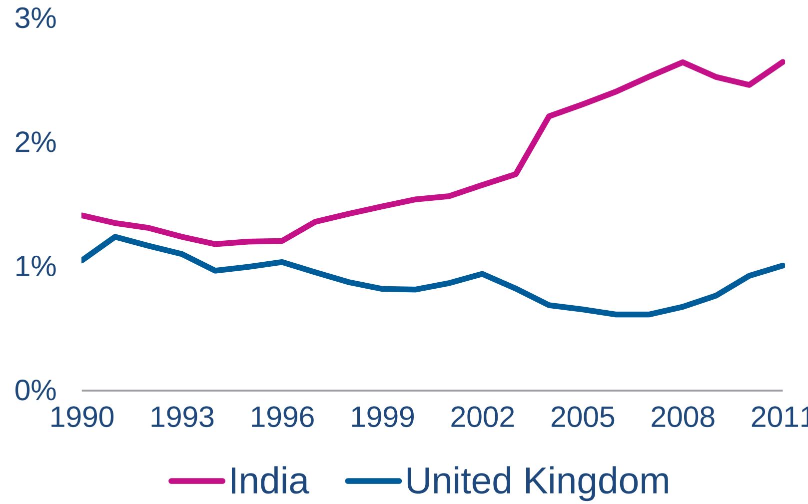
Infrastructure investment in emerging economies is accelerating

Construction output mix %



Source: ONS; India – BB estimate

Infrastructure as GDP %



Source: UK ONS; India – UN, BB estimates

- In emerging economies, economic infrastructure accounts for a much larger proportion of the construction market
- Investment has accelerated since 2000 – often assisted by private sector involvement

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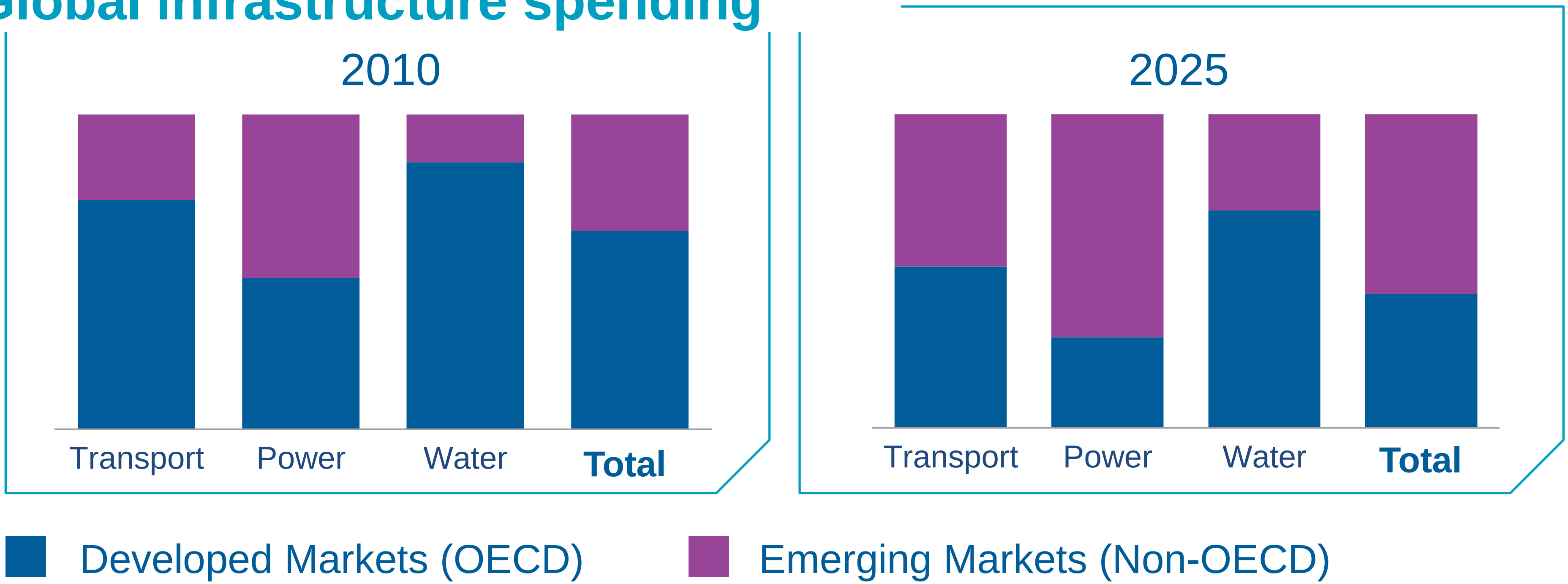
This differential growth will move the balance of infrastructure investment to emerging economies

Global infrastructure spending

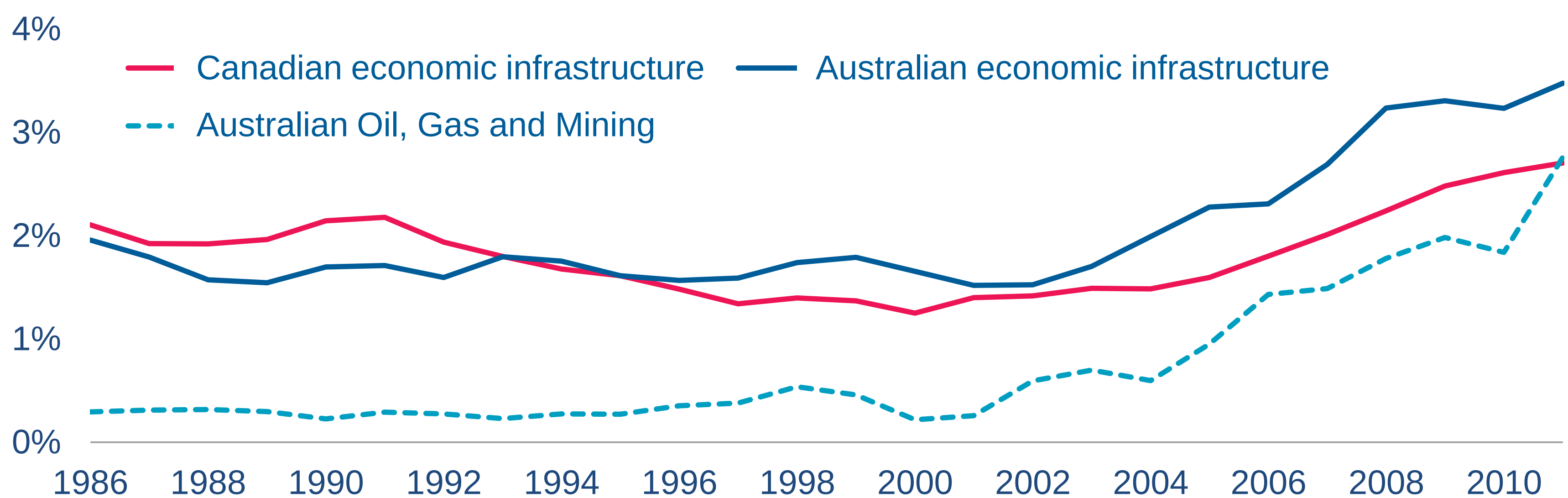


Source: Global Insight, IEA, BB estimates

- By 2025 emerging economies will account for the majority of investment in economic infrastructure

There will be a halo effect on resource economies

Construction output as GDP% 1986-2011



Source: Australian Bureau of Statistics; Statistics Canada

- Investment has accelerated in Australia and Canada
- Typically 25-40% of resource investment is in economic infrastructure
- We anticipate recent project deferral trend will reverse

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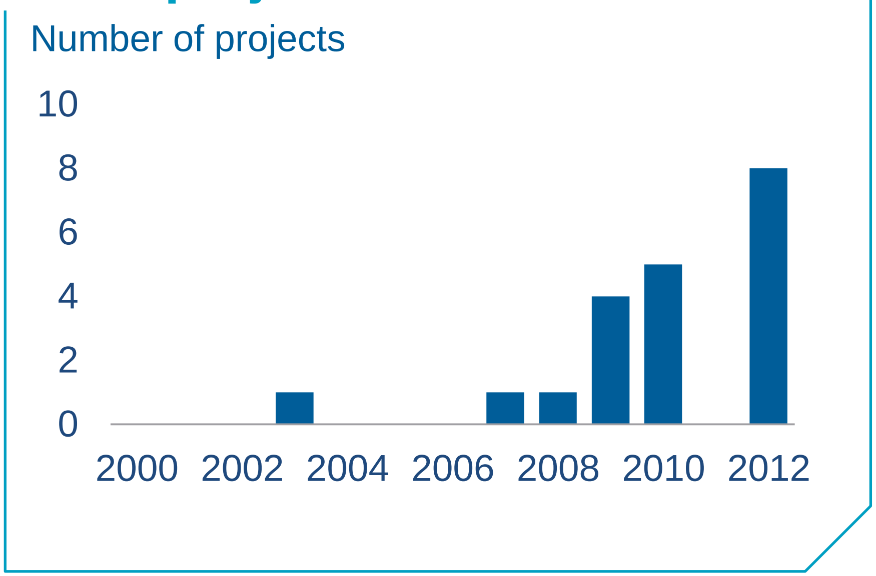
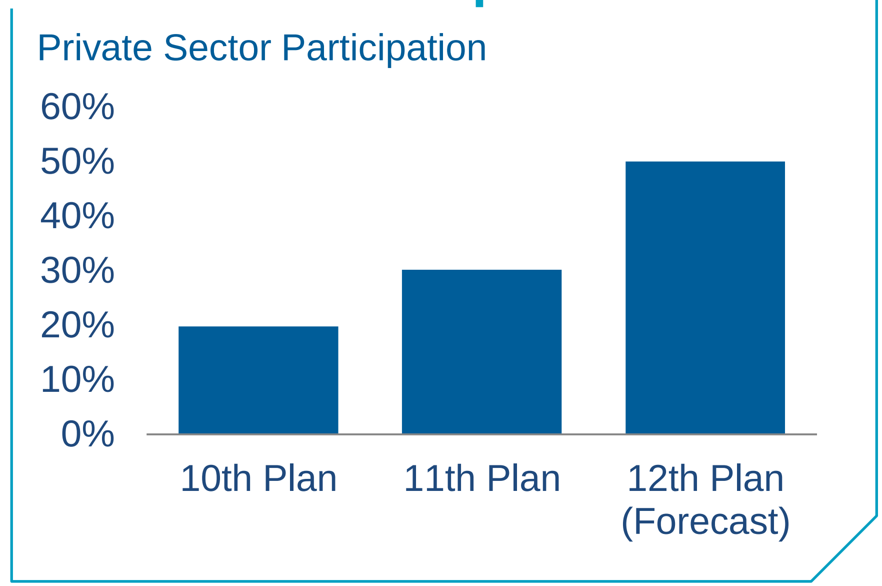
Financing infrastructure investment

US PPP projects closed/live



Source: Infra Americas

India National Development Plans



Source: India Planning Commission

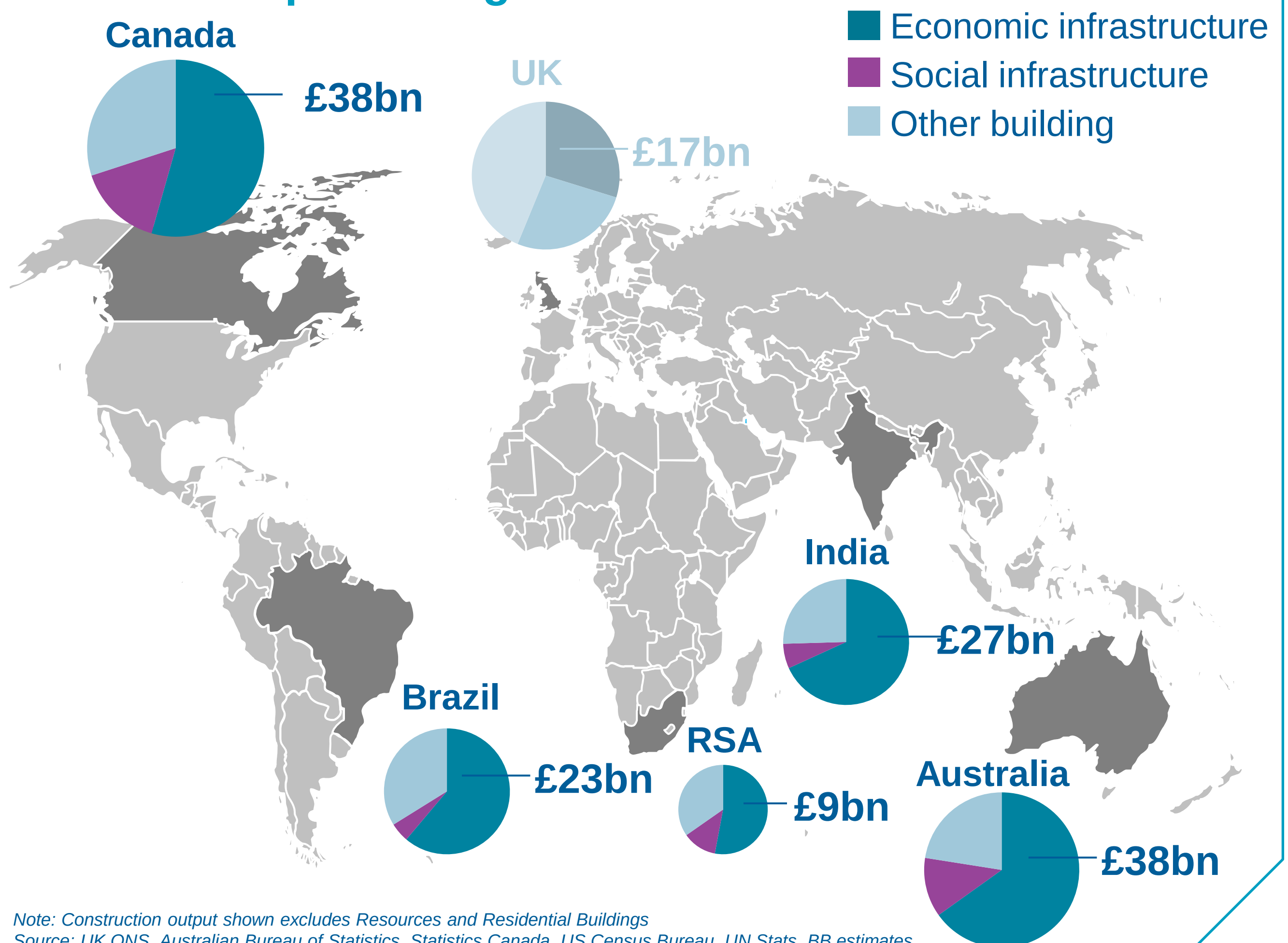
- Public sector - infra investment generates economic growth and revenue
- Utilities moving from public control to regulated regimes
- Rising private sector participation in developing and financing projects: direct investment, concessions, PPP/PFI

Long-term view of infrastructure market

- Large, sustainable market in transport, power and water
- Positive long-term drivers in developed, emerging and resource economies
- In shorter term more spending on power and energy
- In longer term, spending will move to transport and water
- Emerging markets will account for an increasing share of infrastructure investment
- In emerging markets, ultimately social infrastructure will also increase to support aspirations of wealthier societies

We are intensifying our focus on emerging and resource economies

Construction output in target countries



Note: Construction output shown excludes Resources and Residential Buildings
Source: UK ONS, Australian Bureau of Statistics, Statistics Canada, US Census Bureau, UN Stats, BB estimates

Selection basis

- Market size
- Growth (long term)
- Procurement
- Resource exposure
- Ethics
- Safety
- Competition
- Scope to leverage asset knowledge

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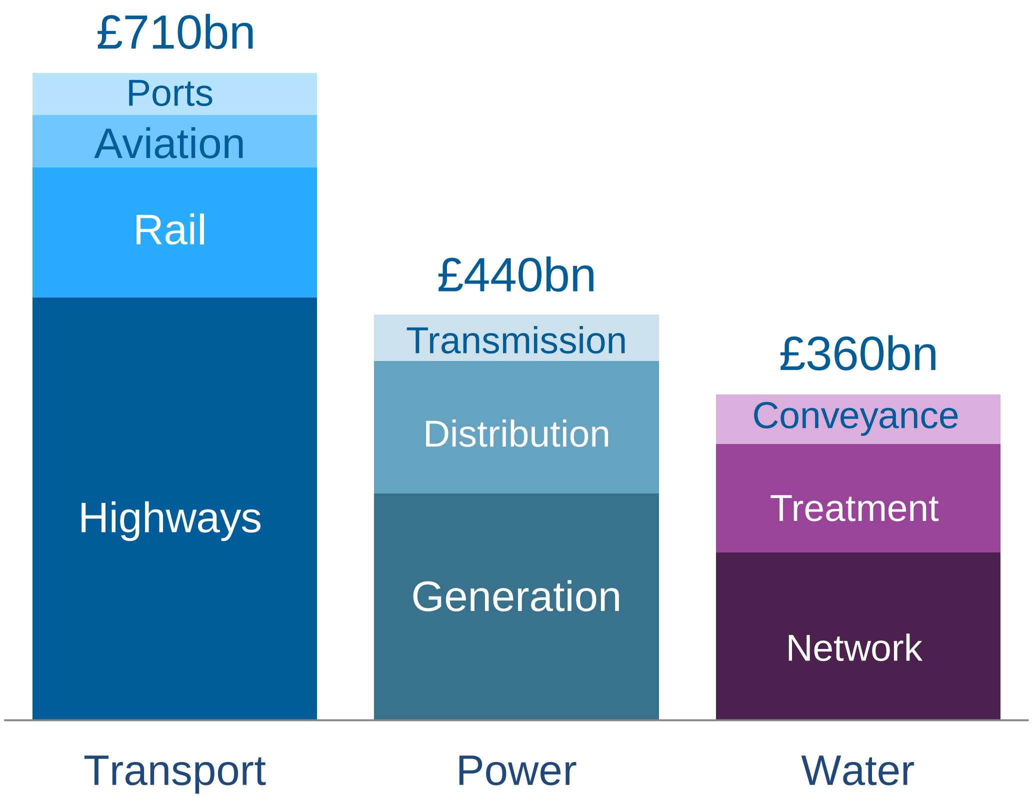
We are progressively reinforcing our position in specific verticals – transport, power, water

Global market sizes by sector



Source: Global insight, IEA, Global Water Intelligence, BB Estimates

Selection basis

- Relevance to selected country markets
- Leverage Group asset knowledge globally
- Possibility of early client engagement
- Group end-to-end capabilities

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Infrastructure is a good place to be

- Infrastructure markets are relatively resilient
- Sustainable economic growth requires infrastructure investment
- In developed economies, investment will be driven by aging infrastructure and the sustainability/carbon agenda
- In emerging economies, investment will be driven by economic growth, urbanisation and natural resources
- Halo effect on resource economies, developed and emerging
- Infrastructure now high on government policy agendas

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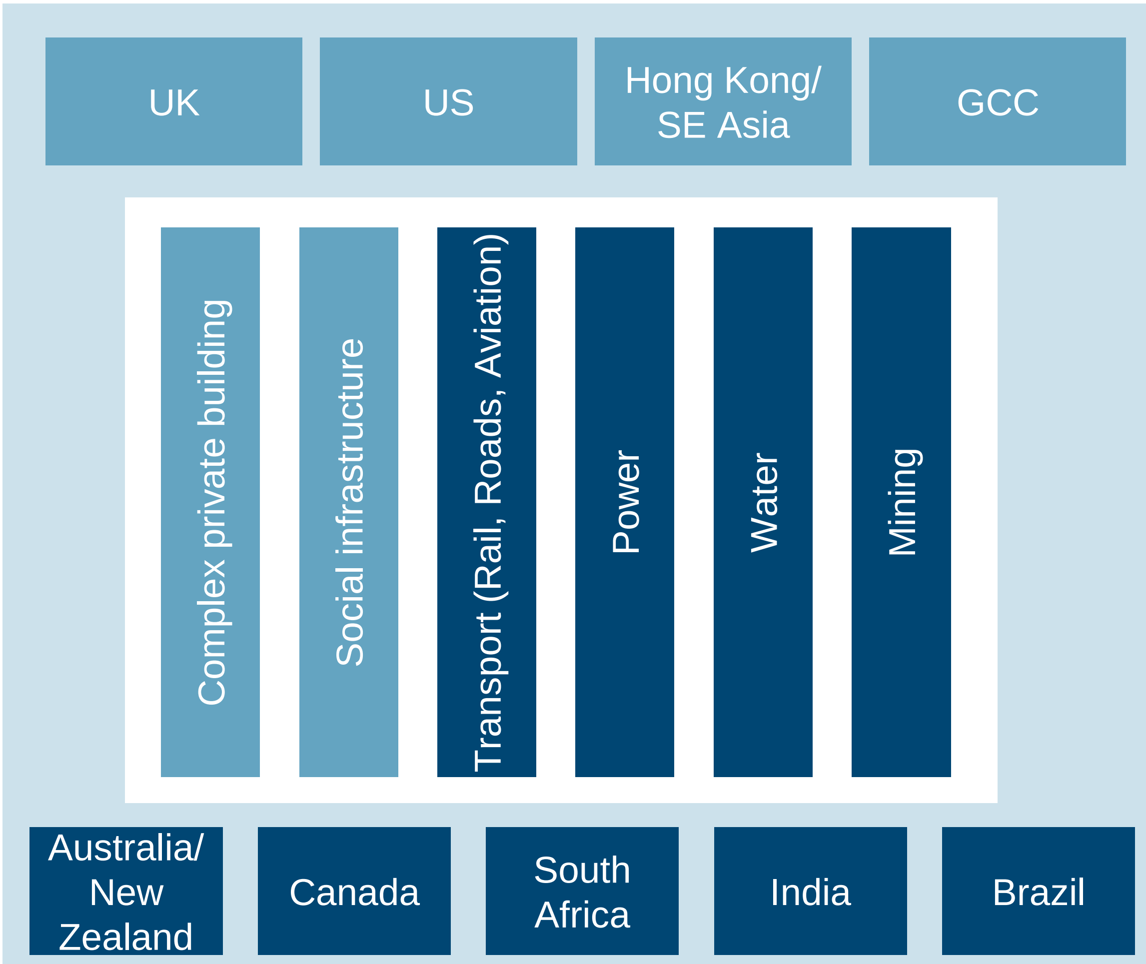
Seizing growth opportunities

Andrew McNaughton

Deputy CEO and COO

Balfour Beatty

Our strategy: Leveraging three key strengths in target markets for incremental growth



= Target geographies and verticals for additional growth

- Local presence in multiple geographies
- End-to-end asset knowledge
- Investor/ developer/ PPP skills

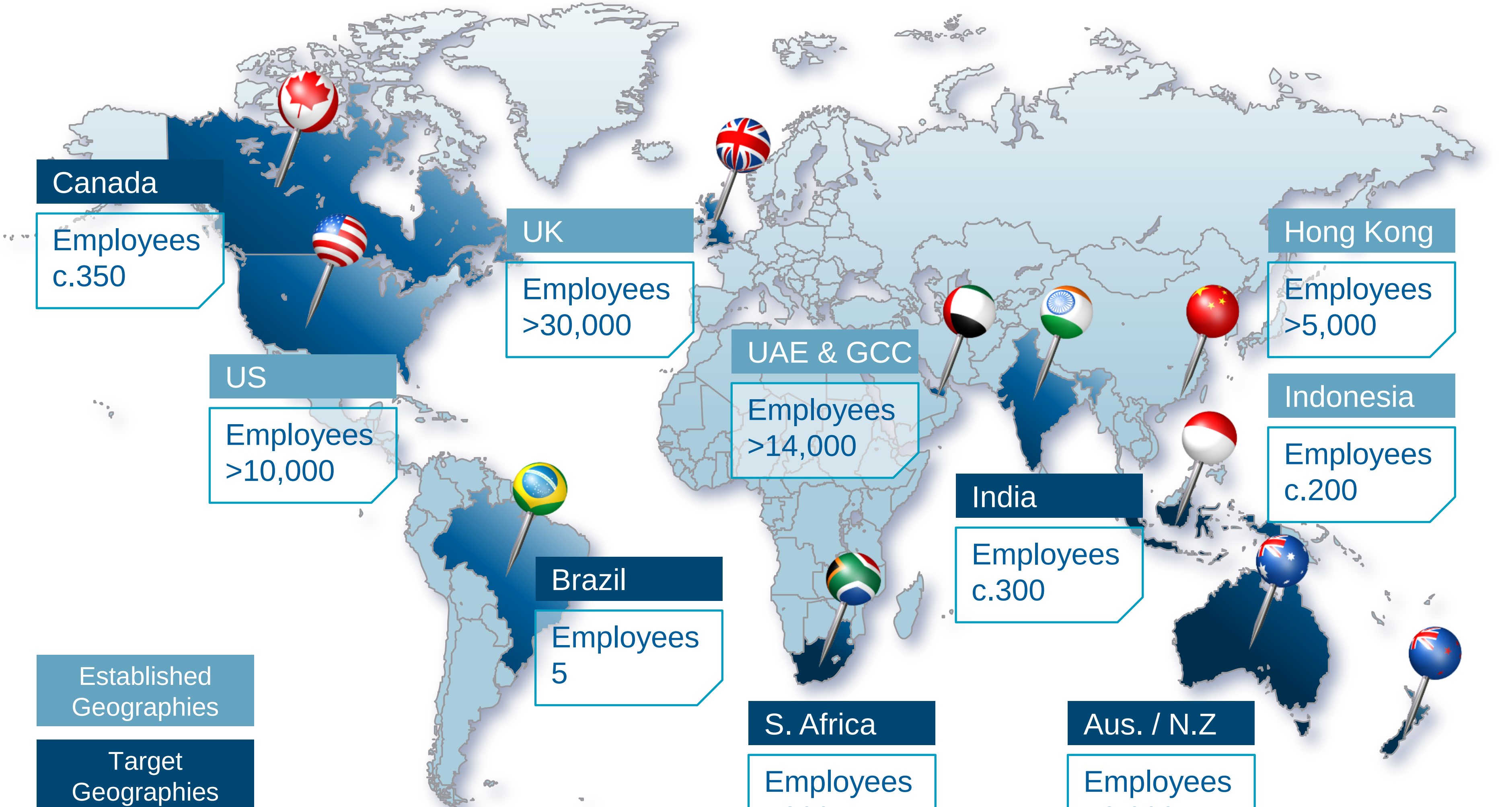
Local presence

Closer to customers and markets

- Aligned with local customers
- Embedded in and committed to our communities
- Connected to the local supply chain

- Closer to clients
- Fully harnessing and developing the local supply chain
- Better able to manage risk

Building deep-rooted local businesses



Note: Employee numbers include JV employees

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End-to-end asset knowledge

Stronger engagement, better solutions

- Strategic relationships and early engagement with clients
- Design informed by construction and operation insight (and vice versa)
- Experience as an owner and ability to develop, structure and finance investments

- Early identification of opportunities
- Shaping and creating projects; bringing opportunities to life
- Lower cost, higher quality, faster construction

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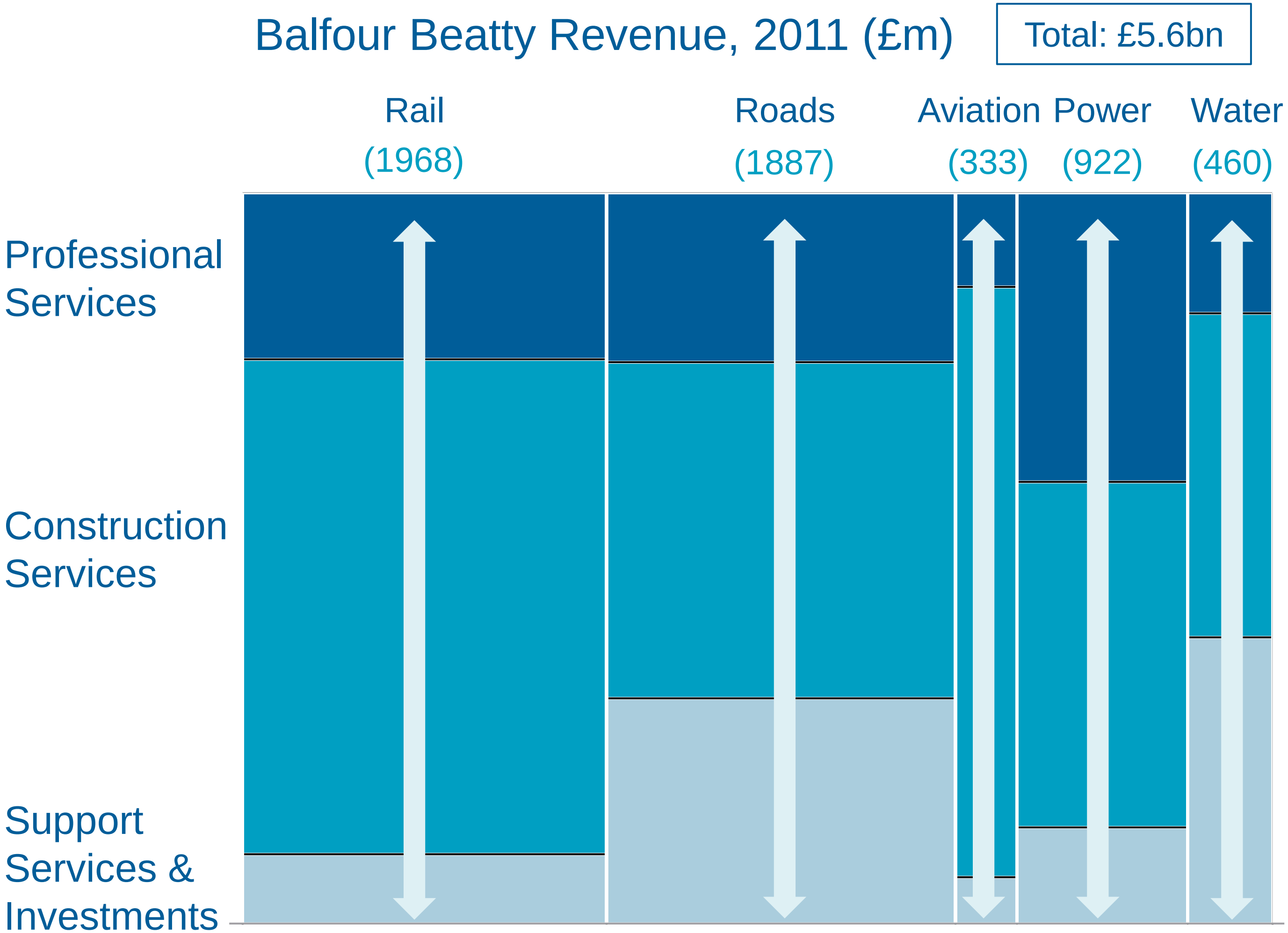
Global expertise across the whole asset lifecycle



- Global verticals link all parts of the Group active in a given sector for:
  - Knowledge flow, specialist resource and best practice
  - Global sector strategy
  - Coordinating global customers

Note: Excludes social infrastructure, buildings and mining
Source: Internal Accounts

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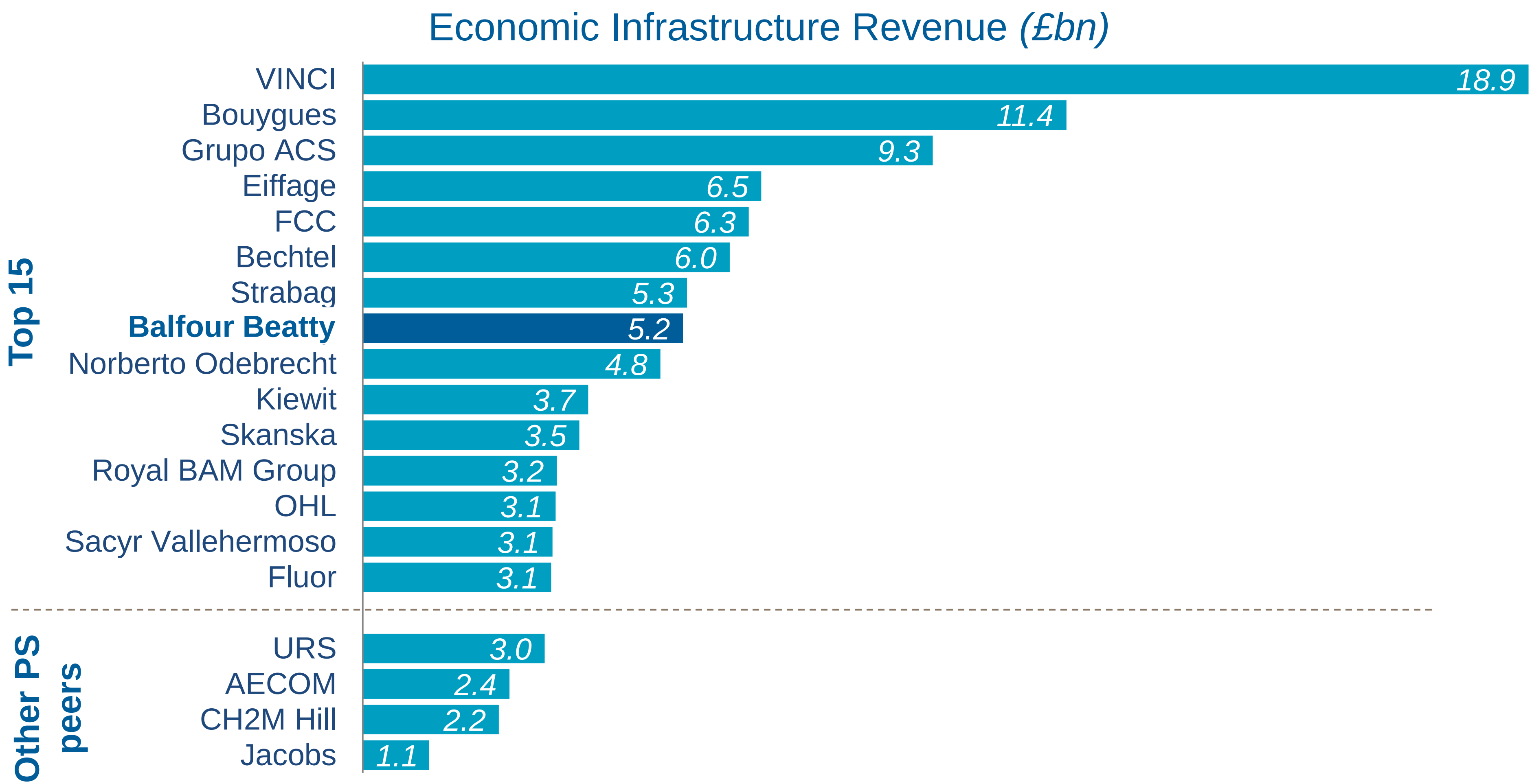
A leading global player in economic infrastructure



Note: Excluding Chinese companies. Based on 2010 revenue in Construction, Design & CM/PM.
Source: Engineering News Record (2011)

A distinctive combination of strengths

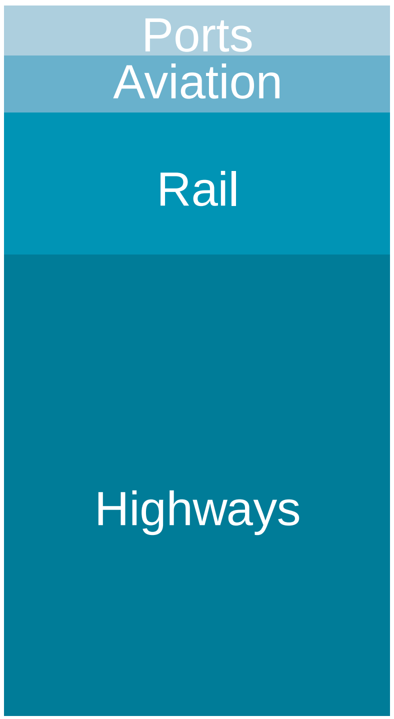
Example competitors across disciplines	Develop Invest	Design Manage	Delivery	O & M	Breadth & depth of local presence	Approx. number of offices
Balfour Beatty	✓	✓	✓	✓	✓✓✓	**c.390**
Bechtel	✓	✓	✓	-	✓	c.40
Fluor	✓	✓	✓	-	✓	c.60
Vinci	✓	-	✓	✓	✓✓	c.200
Hochtief	✓	-	✓	✓	✓✓	c.150
Skanska	✓	-	✓	✓	✓✓	c.300
AECOM	-	✓	-	✓	✓✓✓	c.450
URS	-	✓	✓	✓	✓✓	c.300

Note: Analysis for economic infrastructure only
Source: Company Websites, Annual Reports and BB Analysis

Transport: strong growth drivers

Transport Market 2011

£710bn



Growth Drivers

Emerging markets:
- Population and economic growth
- Capacity constraints
- Low cost air travel, cheaper cars

Developed markets:
- Condition of existing networks
- Environmental targets
- Rise in private travel and freight traffic
- Capacity constraints

- Evolving procurement
  - Increase in design-build and PPP
  - Greater outsourcing of operations and maintenance
  - More sophisticated engagement with suppliers

Source: Global Insight, BB Estimates

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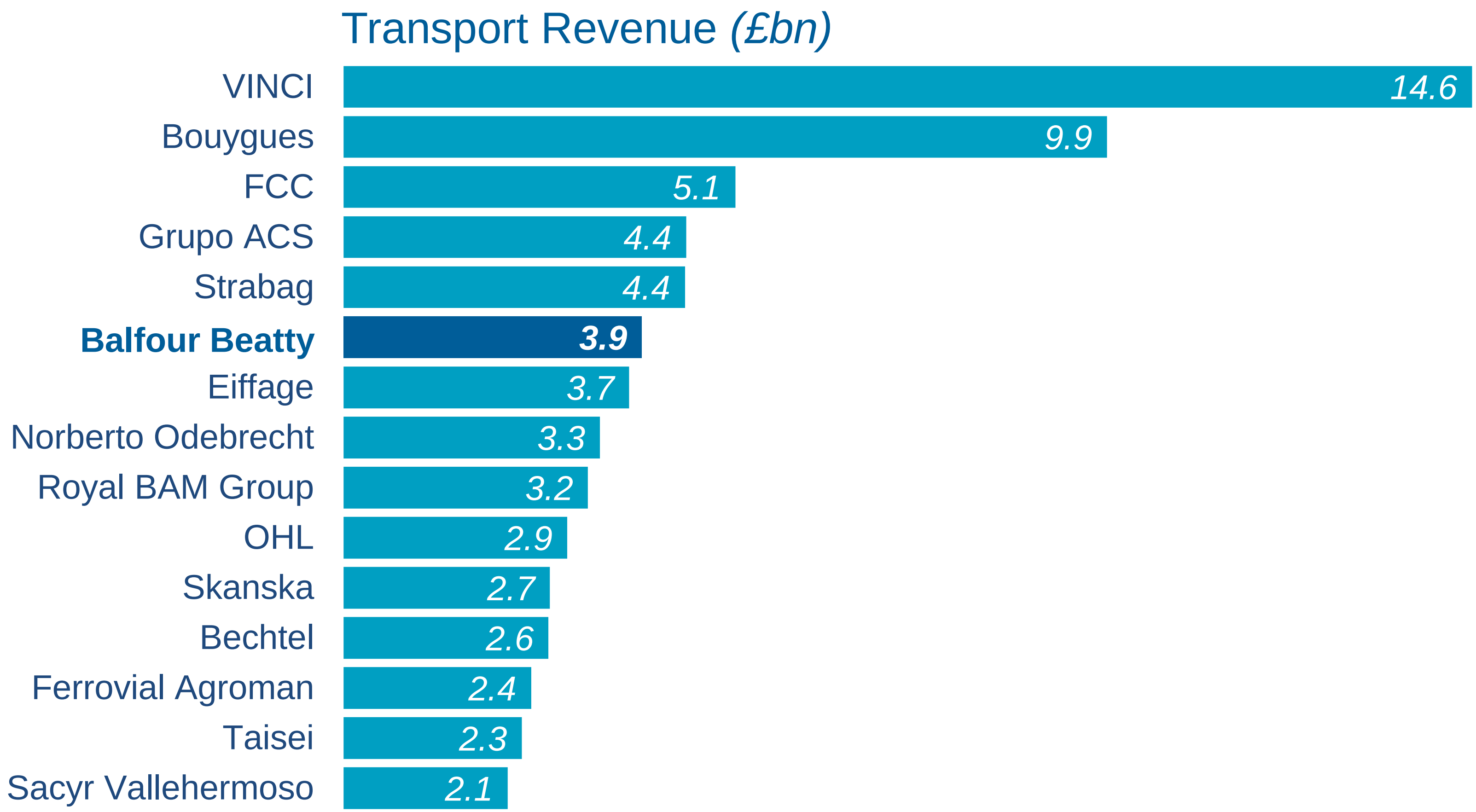
A leading player in Transport



Note: Excluding Chinese companies. Based on 2010 revenue in Construction, Design and CM/PM.
Source: Engineering News Record (2011)

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Group approach: leverage our strengths in major projects

- Home markets: full service offering
  - Target projects where asset knowledge and expertise are valued
- Growth geographies: professional services-led with selective delivery risk
  - Add global asset knowledge and world-class delivery capabilities from home markets to local professional services presence
- Focus on major projects and major programmes

Full leverage of existing businesses; maximum value capture from all projects; effective risk management; selection of high-return opportunities

Strategies in Roads, Rail and Aviation

Roads

- Continue targeting integrated and/ or complex projects in UK and US
- Selectively address opportunities in other Group territories
- Leverage O&M skills from home markets

Rail

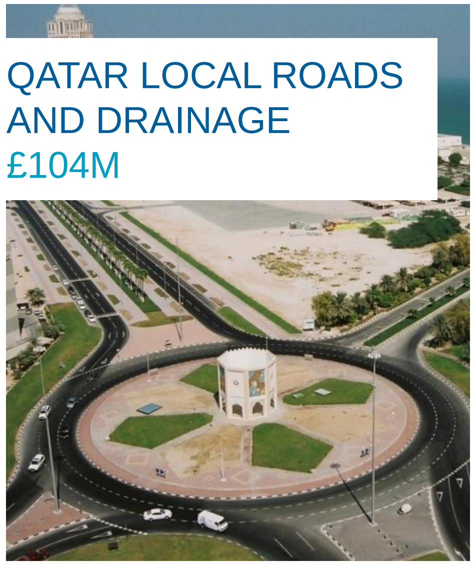
- Address issues in European Rail
- Continue targeting integrated/ complex projects in UK and US
- Re-focus international work on Group target geographies
- Leverage delivery capability and asset knowledge from home markets (major projects and O&M)

Aviation

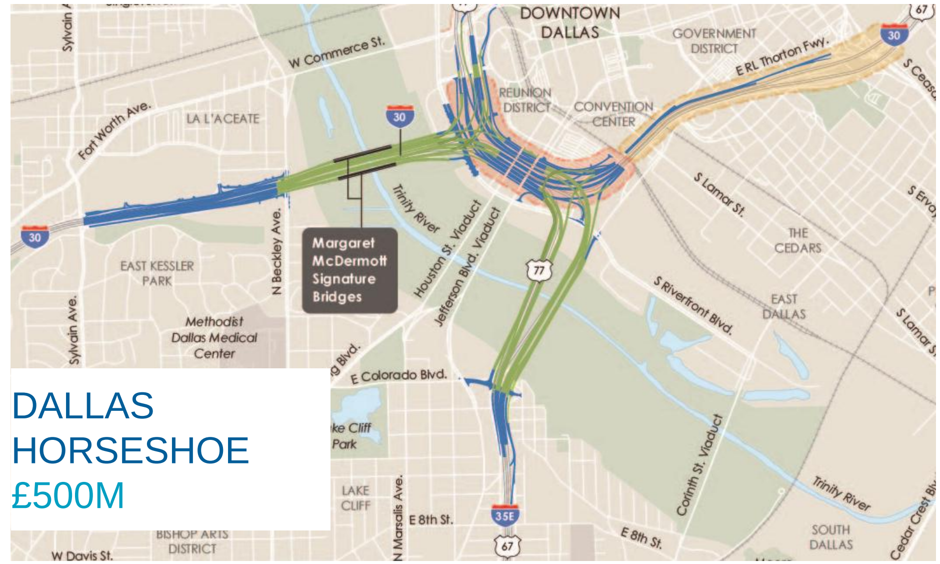
- Continue exploiting integrated and/ or complex opportunities in UK and Hong Kong
- Promote integrated model in US
- Increase exposure to aviation opportunities in other Group territories (e.g. South East Asia), via professional services led approach

Transport strategy in action

F-BANE
RE-SIGNALLING
£320M



QATAR LOCAL ROADS
AND DRAINAGE
£104M



DALLAS
HORSESHOE
£500M

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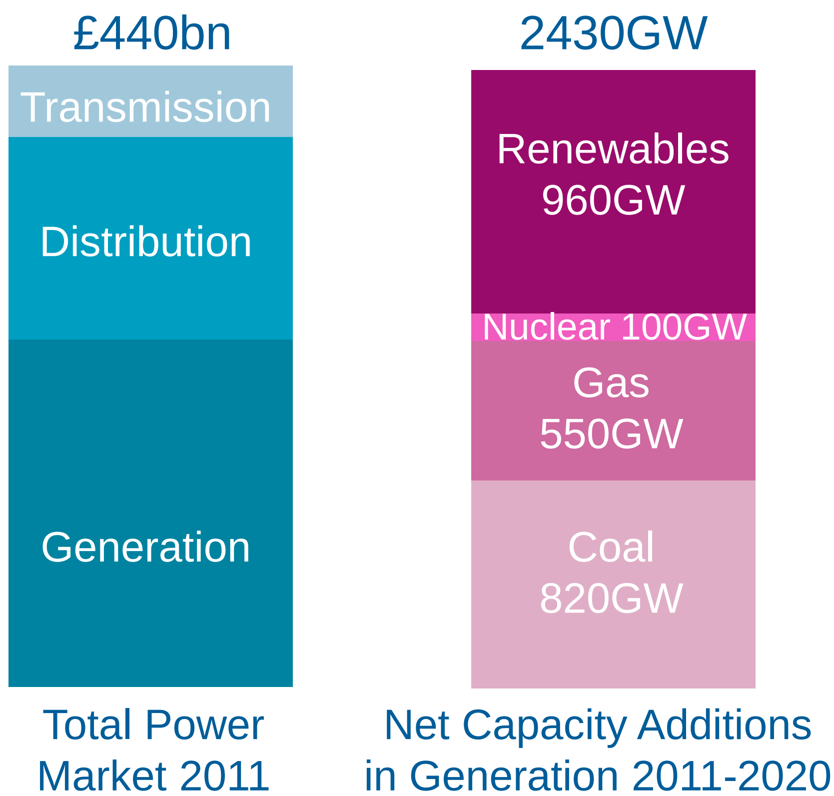
Power: a large and sustainable market

Global Power Market



- Drivers: carbon agenda, asset retirements, economic and population growth
- Growth hotspots
  - Generation – gas and renewables, possibly other
  - Transmission
- Skilled staff in high demand globally, especially in transmission

Source: IEA, BB estimates

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A solid base to build on

Leading players in Power Professional Services		
	Firm	**Rev (£m)**
1	Bechtel	909
2	Black & Veatch	411
3	AMEC	365
4	SNC-Lavelin	359
5	AECOM	353
10	Balfour Beatty	303

- Top 10 player in professional services
- Leading player in Transmission delivery
  - Number 1 in the UK
- Generation EPC capabilities in the US and increasingly elsewhere
- UK investor/developer in Generation and Transmission

Note: Excluding Chinese companies. Based on 2010 revenue in Design and CM/PM.
Source: Engineering News Record (2011)

Strategy: harness local presence, global knowledge

- Harness local professional services presence with global engineering and procurement capabilities
- Extend relationships with international Power clients
- Increased involvement in PPP and concessions
- 3-pronged generation strategy
  - Reinforce professional services
  - Further develop EPC activity in <100MW market
  - Increase EPC capability in >100MW

Good progress in mining and water

- Water
  - Strong in UK
  - Significant and growing in US (Frucon acquisition 2011)
  - Leveraging enhanced capabilities across US
  - Bringing skills into target growth markets, particularly Australia
- Mining
  - Leveraging presence in Australia, South Africa, Brazil for international miners
  - Growing demand for DBFO power, rail and housing

Summary

- Key strengths are local presence, asset knowledge and investment capability
- The breadth and depth of our business in core infrastructure markets differentiate us
- Harnessing the strengths of the Group provides significant opportunities in both mature and growth economies

Accessing growth markets and resource economies

George Pierson

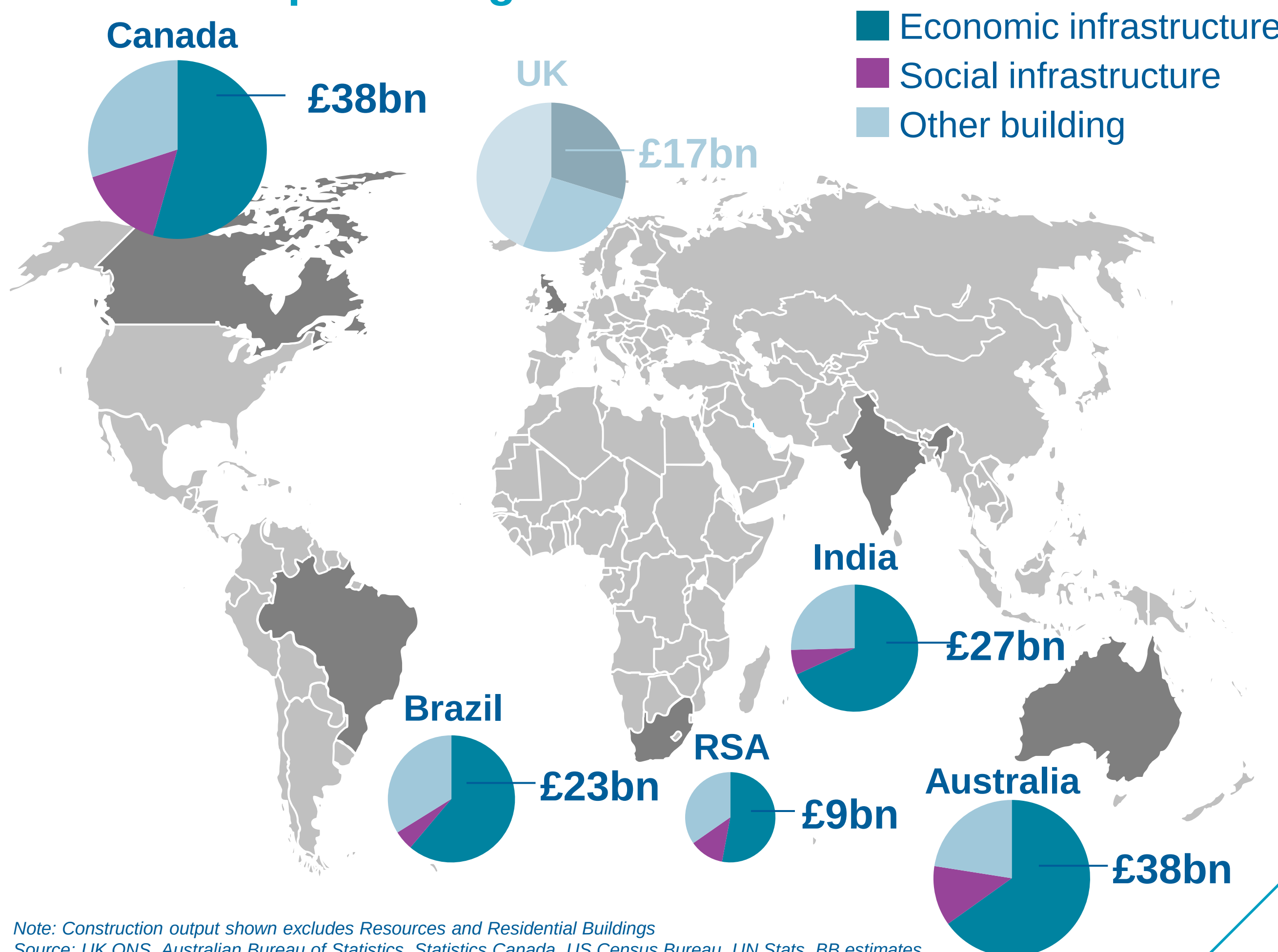
CEO, Professional Services

Balfour Beatty

Our target geographies

Large markets with strong growth prospects

Construction output in target countries



Note: Construction output shown excludes Resources and Residential Buildings
Source: UK ONS, Australian Bureau of Statistics, Statistics Canada, US Census Bureau, UN Stats, BB estimates

Selection basis

- Large markets
- Economic infrastructure predominates
- Strong long-term growth drivers
- Growth underpinned by resource-related spend
- Increasing role for PPP

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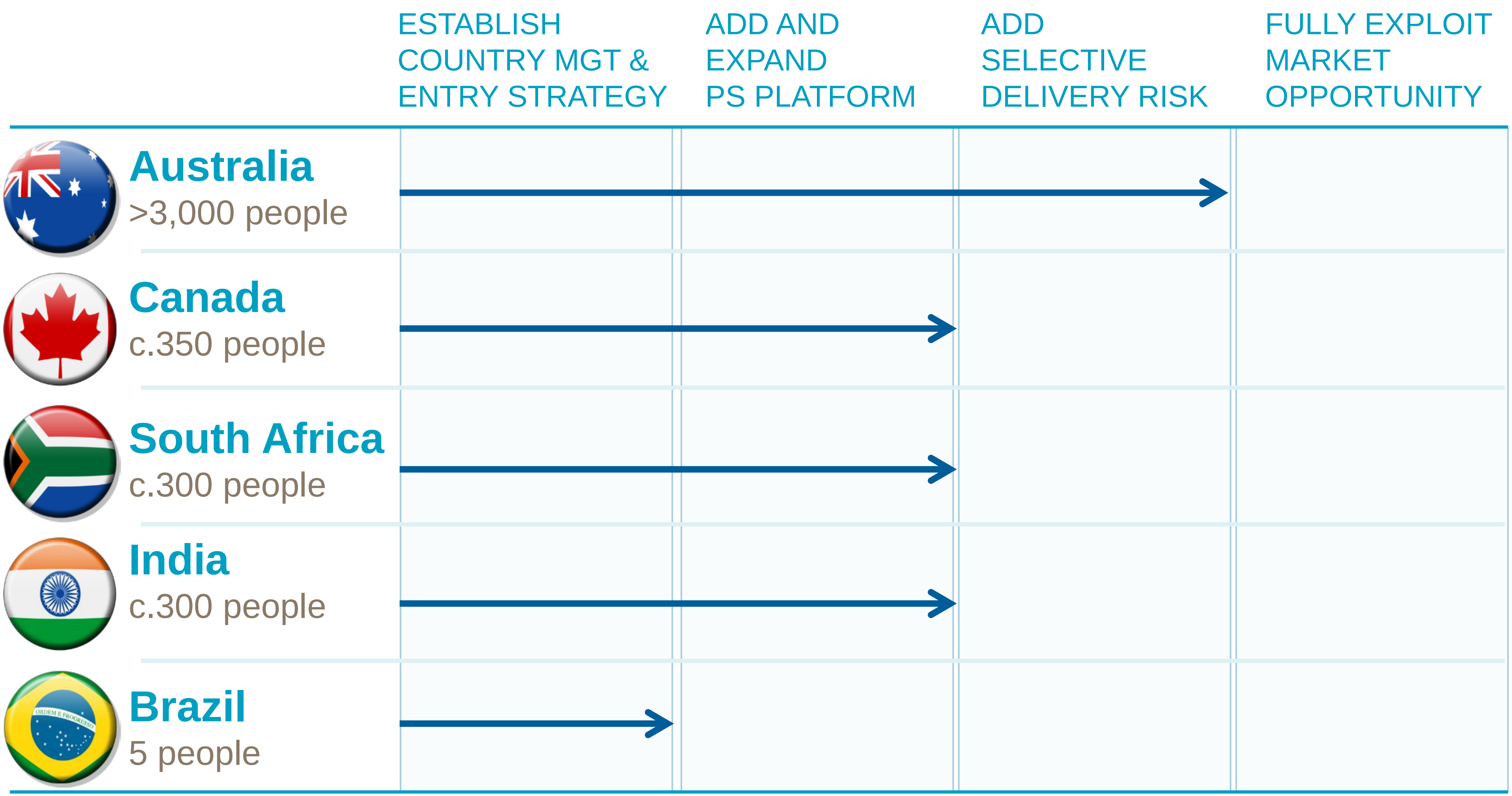
Our strategy
Professional services platform and delivery risk



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Australia/New Zealand

Strong drivers and favourable procurement

Current position

- Major presence through acquiring PB in 2009
- 3,000 people
- Top 5 in professional services: 2,500 people on infrastructure and resources
- At-risk delivery projects in rail and power

Market overview

- £38bn market
- Strong growth since 1990s, large pipeline of work
- Resources sector dampened but still providing opportunities
- Progressive procurement
- Two large local contracting groups

Already seeing results

MELBOURNE
REGIONAL RAIL LINK
(Australia)

Progress to date

- Rail
  - Melbourne RRL
- Power Transmission
  - JV with UGL
- Power Generation
  - Karratha
  - Te Mihi

Taking delivery risk in target verticals

GREENBANK TRANSMISSION LINE
(Australia)

Future opportunities

- Further opportunities in power
- Development opportunities in WTE and renewables
- Asset management in roads and water
- End-to-end services to mining customers
- Rail

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Professional Services platform creates opportunities in Canada

Market overview

- £38bn market
- Growth resilient, driven by population & economic growth, environmental drivers, and resources
- Well-functioning PPP market, DB increasing

Current position

- Approximately 350 people
- Halsall acquired in 2010
- Professional services platform to import transport capabilities
- Also active in Power Transmission and PPP

Importing Transport skills

Further opportunities from adding delivery risk

Progress to date

- Buildings professional service business acting as a platform
- Broadened professional services offer into Transport
  - Waterloo Ontario
  - Toronto Transit
  - Burlington canal lift bridge

Future opportunities

- Power Generation EPC
- Rail delivery projects
  - Transit
  - Potentially O&M
- PPP in economic and social infrastructure
- Further opportunities in Power Transmission

Our other target geographies

South Africa

- 300 people in professional services; focus on power
- Drivers – infrastructure shortage, political uncertainty, public sector capacity issues
- Starting to benefit from importing delivery capability
- Opportunities
  - Management of infrastructure programmes
  - Power gen & transmission
  - Mining and other infrastructure

India

- 300 people in professional services
- JV with Tata to deliver urban infrastructure
- Drivers – economic growth, urbanisation, National Development Plan
- Opportunities
  - Power transmission
  - Rail
  - Low cost design centre

Brazil

- Established local office in 2012
- Drivers - Growth Acceleration Programme, Olympics, World Cup, resources
- Opportunities
  - PPP/concessions
  - Rail
  - Power & energy
  - Mining
- Investment/JV needed

Acquisitions: creating a platform for growth

- Australia, New Zealand, South Africa and Canada
  - Platform for growth from PB and Halsall
  - Now being leveraged organically, drawing on global capabilities
  - Select acquisitions will accelerate growth in our chosen verticals
- Brazil
  - Requires joint venture or acquisition
  - Finding the right partner may take some time

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Summary

- Targeting five geographies for international expansion
- Our strategy is to leverage our strong professional services platform and selectively add capability to manage delivery risk
- Our approach is already yielding results and we see a strong pipeline of future opportunities
- Acquisitions will be pursued if the right opportunities present themselves

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Realising sustainable returns from investments

Ian Rylatt
CEO, Balfour Beatty Investments

Balfour Beatty

Investments
Business objectives

- To invest in projects utilising our investment skills and expertise to benefit the growth and development of the Group
- Support business opportunities within the new “Verticals”
- Diversify our investment activity into new sectors and regions
- Respond to changing infrastructure procurement needs
- Recycle equity from mature projects to release value

Disposal strategy
Announced in 2010

- Realise value from mature assets
- Realise cash to fund future business development
- Selective and sequential disposal of assets - disposal of £200m - £300m of value from 2011 to 2015
- Probable gains totalling £20-25m pa
- The investment business to be cash positive after investments

Disposals programme
Performance to date

£m	2011	H1 2012	Total disposals
Cash proceeds	28	84	112
Profit on disposal	20	52	72

Directors' valuation over the period increased from £671m to £711m

Directors’ valuation movements

Directors’ valuation 31st December 2010		£671m
Increases		
Investments made	£91m	
Unwind of the discount	£101m	
New wins	£32m	
Performance changes in the projects	£11m	
Decreases		
Distributions taken	£112m	
Disposals	£83m	
Directors’ valuation 31st June 2012		£711m

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Cash movements

Jan 2011 – June 2012

Investments made	(£91m)
Distributions taken	£112m
	£21m
Disposal proceeds	£112m
Net cash generated	£133m

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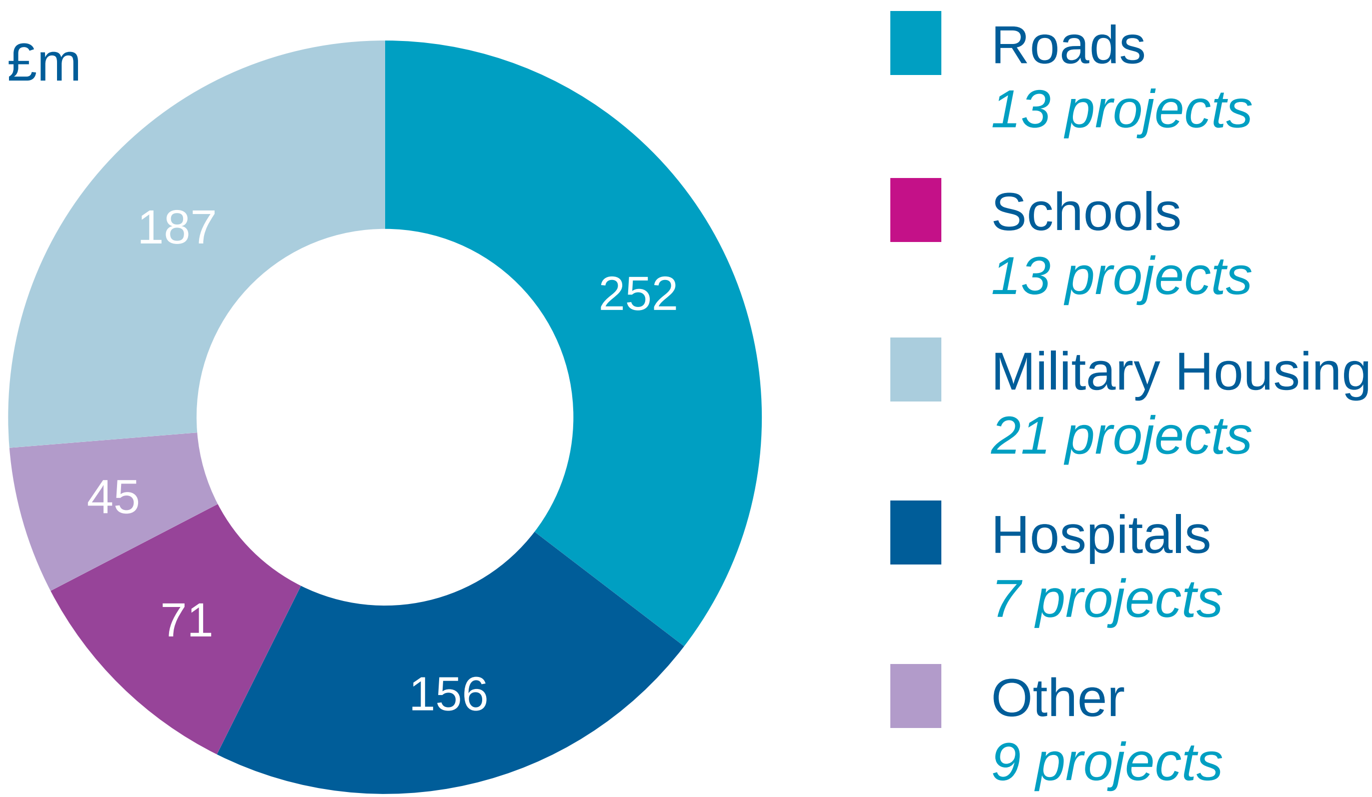
A diverse portfolio

Directors' valuation £711m

30 June 2012



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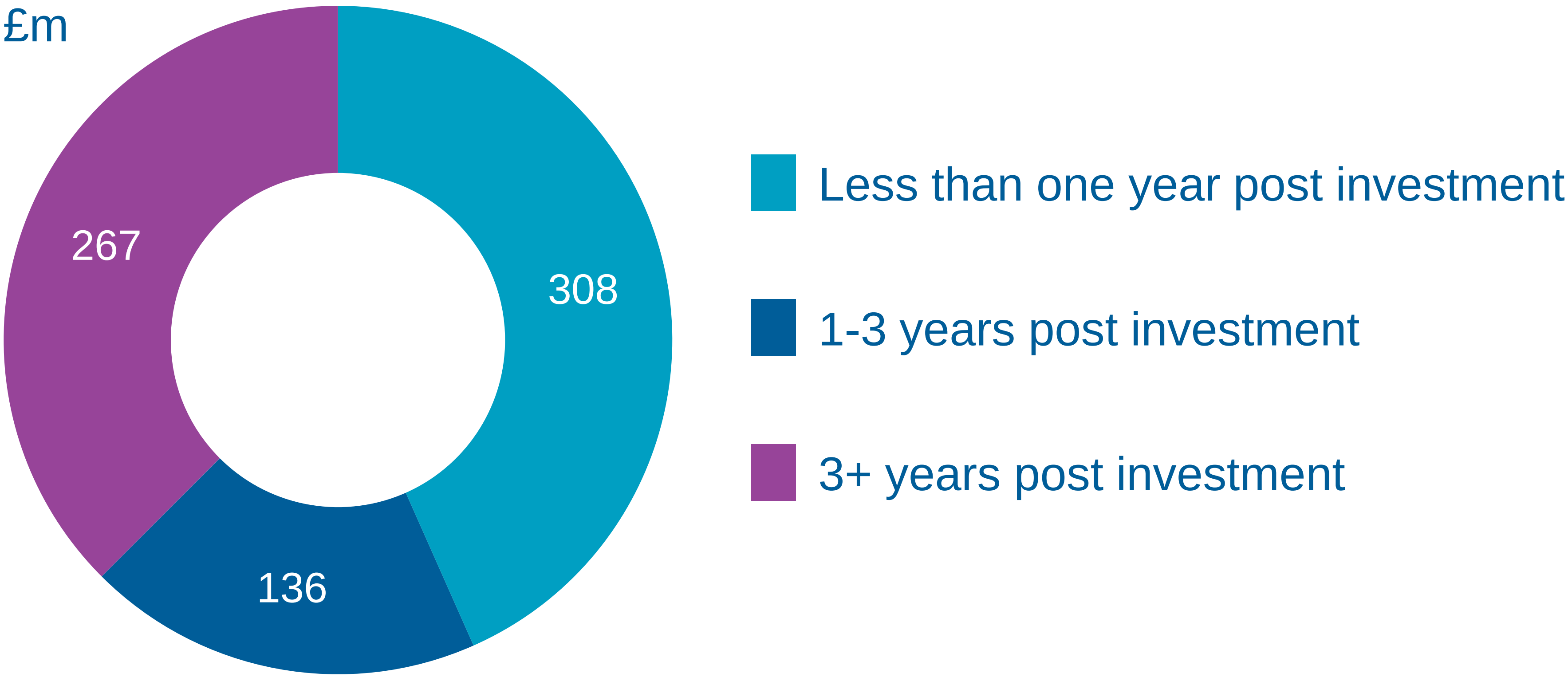
Portfolio maturity

Directors' valuation £711m

30 June 2012

£m



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Portfolio characteristics

- £308m – Less than one year post final investment
  - Generally in a “lock-in” period where equity cannot be sold
- £136m – 1-3 years from investment
  - Generally still adding value to projects
- £267m – 3+ years from investment
  - c£100m US projects with ongoing value addition and strategic presence
  - c£50m of assets held in medium term for strategic reasons

Disposal considerations

- Maximise the value of our assets
- Dispose of assets where value has been maximised
- Hold assets where there is a strategic benefit or we can capture additional downstream value
- Additional considerations
  - Operational efficiencies
  - Market considerations
  - Asset performance
  - Lifecycle optimisation
  - Disposal profit vs annual income

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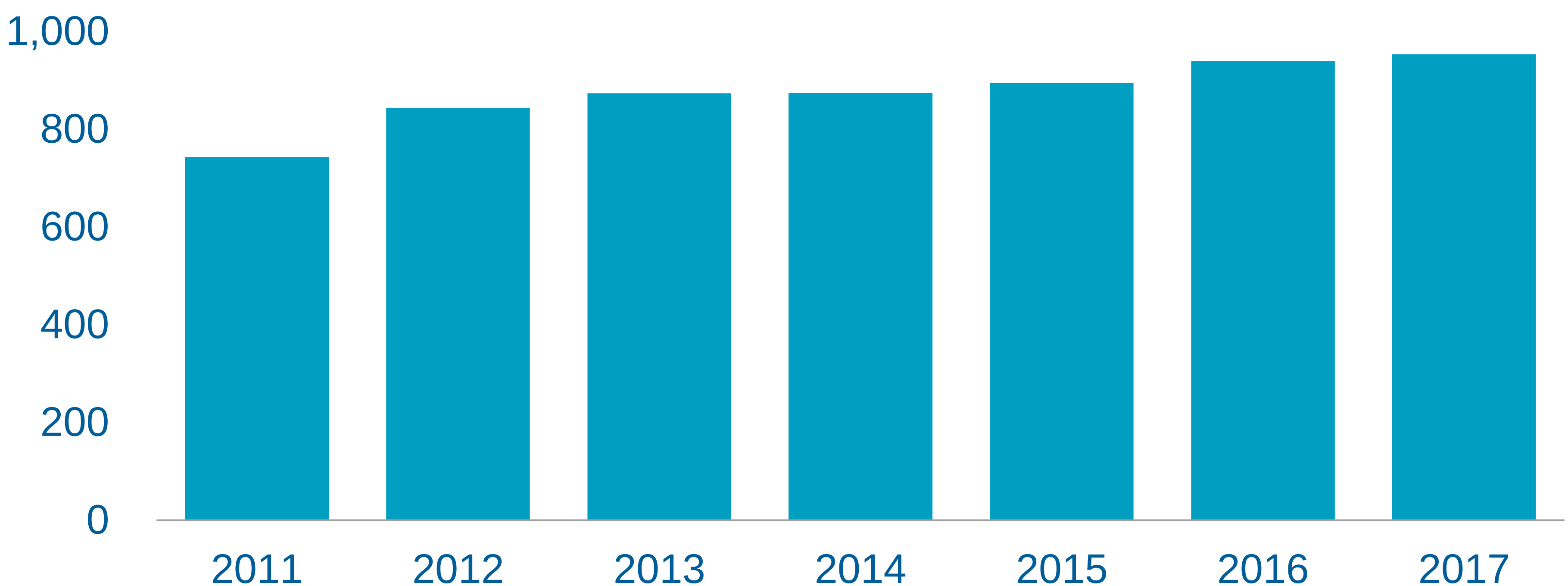
Expanding portfolio with no wins or disposals

Directors' valuation

£m



Opportunities for future wins

- Active UK market
  - PPP opportunities (e.g. Priority schools programme)
  - Non-PPP opportunities
- Market growth in the US
- Opportunities in Group's target geographies
  - Immediate – Canada, India, Australia
  - Future – Brazil
- Investment opportunities in industry verticals

UK bidding

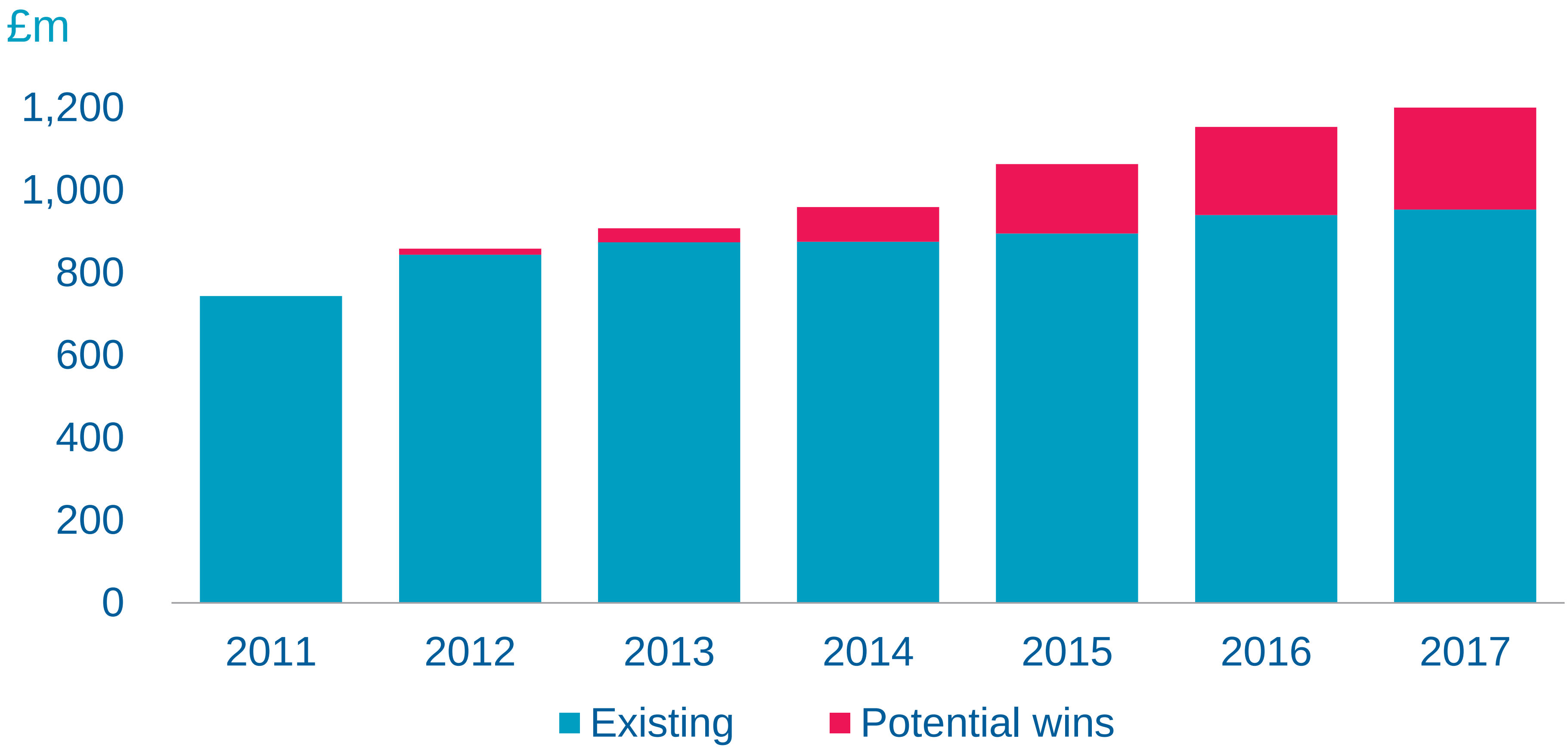
Bid	Progress
PFI and NPD	
Gloucestershire Waste	Preferred Bidder, target close end 2012
Kilmarnock FE College	One of three, interim bid end 2012
Royal National Orthopaedic	One of two, interim bid submitted
Stoke Extra Care	One of three, interim bid submitted
M8	One of four, detailed bid end 2012
Mersey Gateway	One of three, draft final bid end 2012
Non-PFI	
Edinburgh Student Accommodation	Preferred Bidder, target close Q1 2013
Aberystwyth Student Accommodation	One of two, final bid end 2012
Suffolk University College	One of five, initial bid end 2012
Thanet OFTO	Preferred Bidder, target close mid 2013
Greater Gabbard OFTO	Preferred Bidder, target close mid 2013
Gwynt y Mor OFTO	One of four, initial bid Q1 2013
Brigg	Target close Q1 2013
Edinburgh and Midlothian Waste	One of four, detailed bid Q1 2013

US and Canada bidding

Bid	Progress
PPP	
Capital US – Juvenile Detention Center, Puerto Rico	One of four, awaiting RFP, final bid June 2013
Canada – North Island Hospitals	One of three, RFP Q1 2013, final bid Q2 2013
Non-PPP	
Communities – Northern Group	Preferred Bidder, target close Q3 2013
Communities – ACC Group III	Preferred Bidder, target close Q3 2013
Campus – Reno/Nevada	Preferred Bidder, target close Q2 2013
Campus – Iowa	Preferred Bidder, target close Q2 2013
Campus – Houston Baptist	Preferred Bidder, target close Q3/4 2013
Campus – West Chester	One of two, final bid submitted

Portfolio significantly larger with potential wins

Directors' valuation



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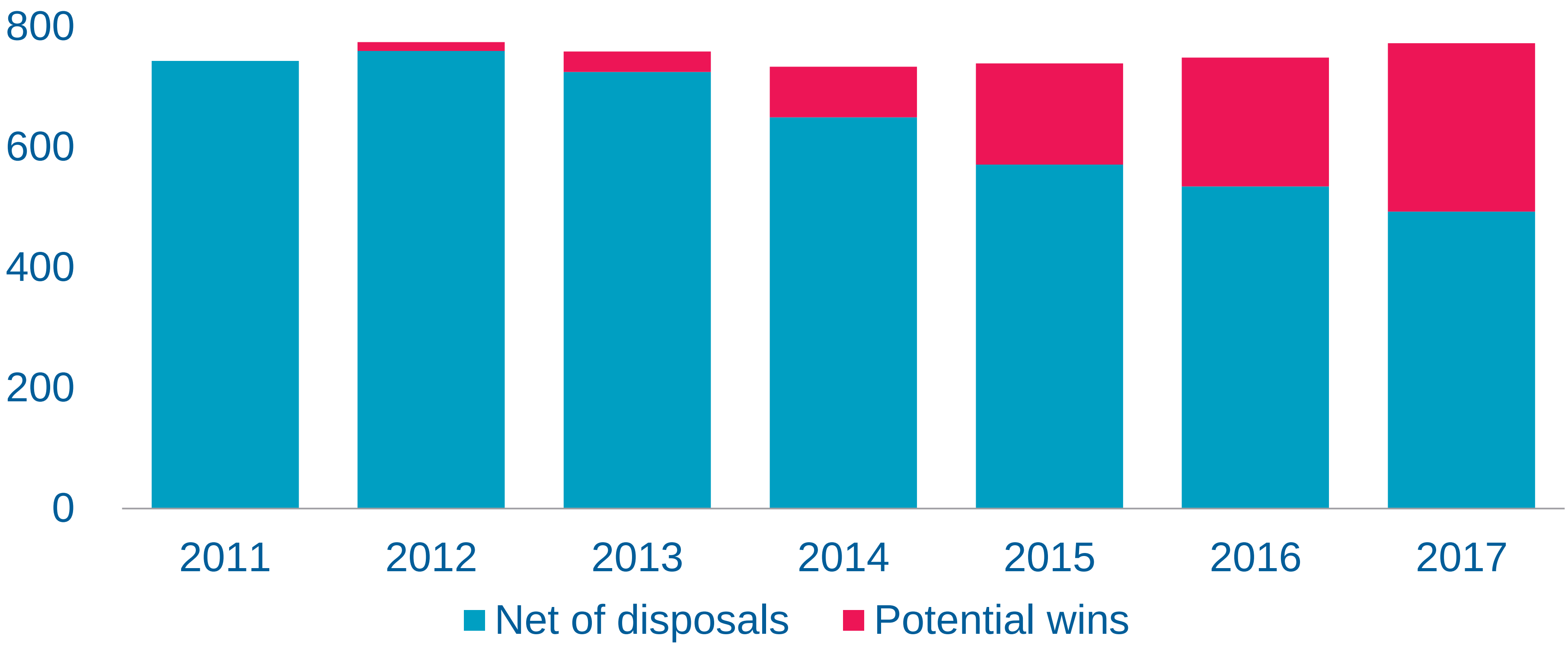
Accelerated disposal model

Directors' valuation

£m



Assumed disposal profits of c.£40m p.a. until 2015 and £30m thereafter

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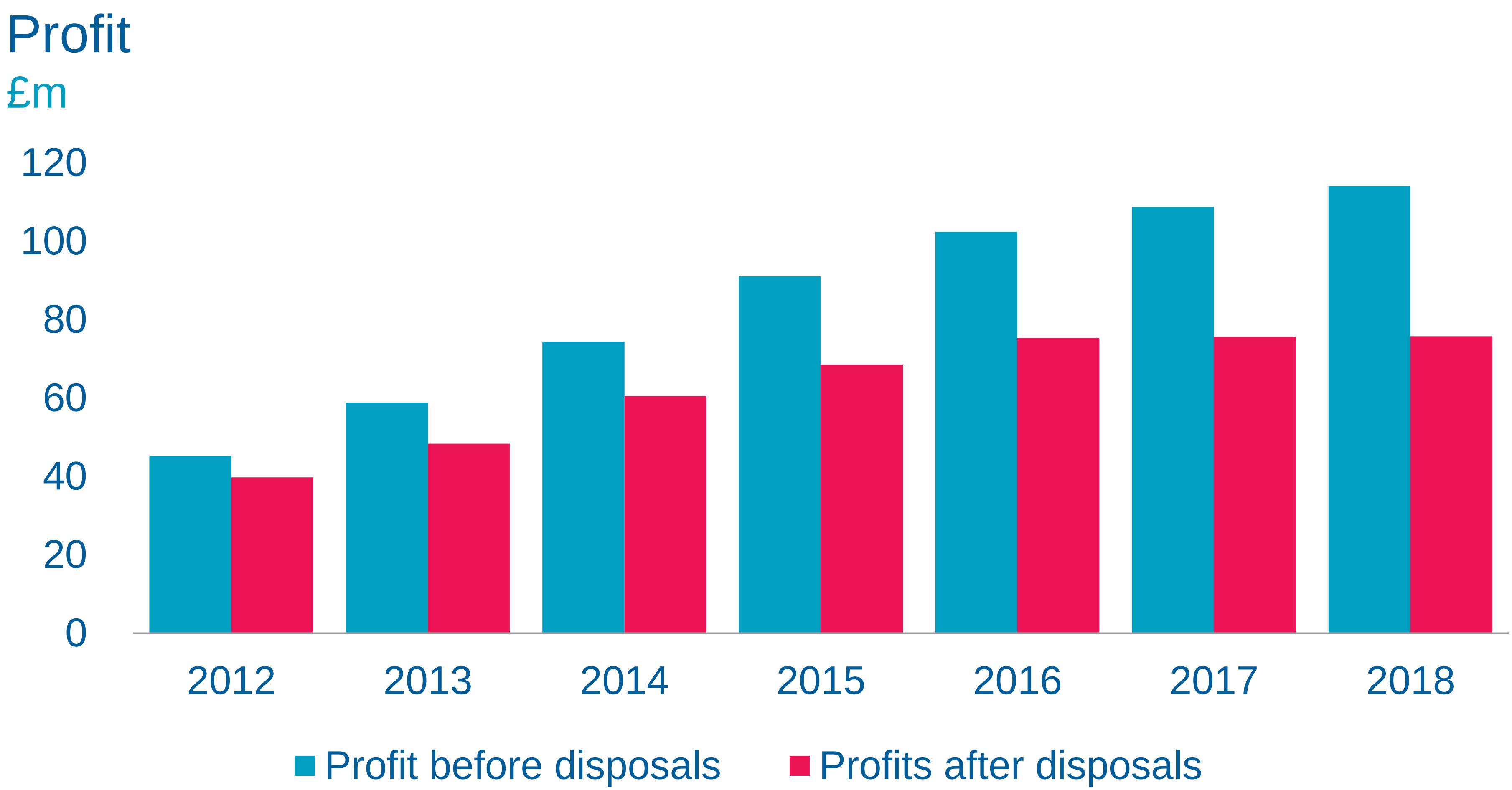
Effect of disposals on operating profit



Operating profit includes potential wins

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Summary

- Continuing investment opportunities in existing markets
- Accessing infrastructure investment opportunities in new markets
- Continuing realisation of value through disposals
- £200m of Directors' valuation over the next three years generating a total disposal profit of circa £40m p.a.
- Significant release of cash to the Group
- Directors' valuation likely to be relatively stable going forward

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Concluding remarks

Andrew McNaughton

Deputy CEO and COO

On track to deliver strategy in the medium term

Infrastructure is a good place to be	Shifting our business to less cyclical, more resilient economic infrastructure markets Share of economic infrastructure in order book up from 43% to 59%[1]	>70% medium term
Seizing growth opportunities	Achieving superior margin through differentiation PS margin up from 4.5% to 5.3%[2]	6-7% by 2015
Accessing growth markets & resource economies	Generating more revenue in markets with higher growth rates Share of higher growth markets in revenue up from 9% to 13%[3]	25% medium term
Realising sustainable return from investments	Higher level of sustainable disposal gains Previous target: £20-25m Achieved £72m in two years	£40m in 2013-15

[1] Share of economic infrastructure in the order book: 2009 v 2011
[2] Professional Services division operating margin: 2009 proforma v 2011
[3] Revenue including JVs and associates generated outside Europe and North America: 2010 v 1H2012

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