

Strong Performance Sustainable Future

- **Pre-tax profits up 25% at £95 million.**
- **Order book up 14% at £12.1 billion.**
- **Continued expansion in US through the acquisition of GMH Military Housing and Barnhart.**
- **Appointed preferred bidder for £1.5 billion M25 PPP contract.**

Group overview

Our half-year performance reflects the increasing success of our business strategy



Ian Tyler Chief Executive

Overview

The first half of 2008 was a further period of substantial growth for the Group both organically and through acquisitions. Financial performance improved significantly, our order book continued to increase and our cash position remains strong.

We continued to enhance our earnings potential through the acquisition of GMH Military Housing in the US (now Balfour Beatty Communities); Barnhart, a leading Californian construction management company; Dean & Dyball, a leading UK regional contractor; Blackpool International Airport; and, in July 2008, the German rail engineer, Schreck-Mieves.

We are committed to the continuing delivery of the reliable, responsible growth that our shareholders have enjoyed over recent years. We have a clear strategy for the development of the business in both the medium and long term and a proven track record of delivery.

Order book

During the first half of the year, the Group's order book grew by £0.7bn to £12.1bn. In addition to the consolidation of the order books of Dean & Dyball and Barnhart, it was a successful period for the Group in securing major project awards.

Revenue £4,332m +28%

Pre-tax profit* £95m +25%

Earnings per share* 16.2p +14%

Dividend 5.1p +11%

Order book £12.1bn +14%

Net cash† £333m

*before £57m exceptional credits (2007: £38m charges) and £8m amortisation charges (2007: £3m), and including 0.5p for the pre-exceptional results of discontinued operations in adjusted earnings per share in 2007. Pre-tax profit after exceptional items and amortisation was £144m (2007: £35m) and basic earnings per share were 24.1p (2007: 14.0p).

†before PPP subsidiaries (non-recourse).

These included the Midfield Pier Project for BAA at Heathrow Airport; the new Tamar Government Complex in Hong Kong; an extension of the contract to provide facilities management for BT; the Aquatics Centre for the London Olympics; the rail systems work for the new Gotthard Tunnel in Switzerland; and major public and private sector projects in Dubai and the US, including a \$330m Toll Road in Texas.

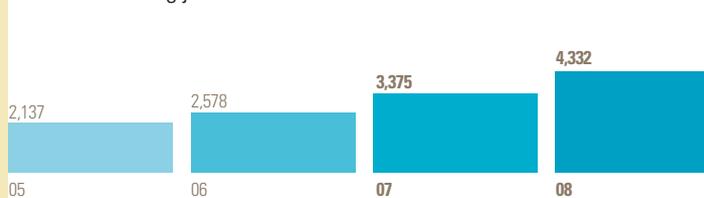
Since 28 June 2008, Balfour Beatty has been awarded a £300m rail contract in Malaysia and has also reached financial close on the Islington schools BSF project, the Institute of Technical Education in Singapore and two large military housing projects in the US, all of which generate substantial construction orders for the Group.

Outlook

We anticipate that order intake and trading performance will remain strong throughout the year and that we will make further good progress in the second half of the year.

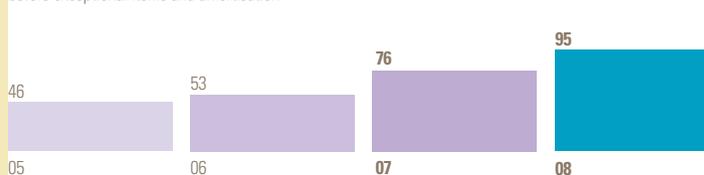
Half-year record

Revenue including joint ventures and associates



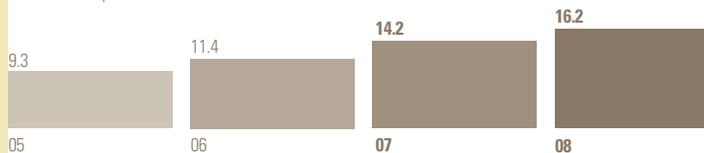
Pre-tax profit from continuing operations

before exceptional items and amortisation

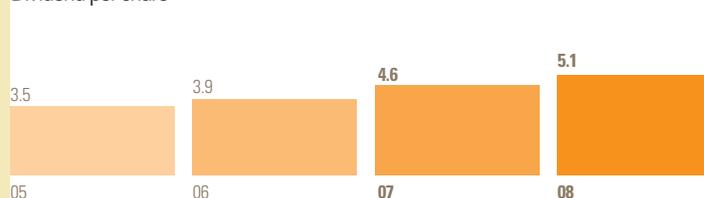


Adjusted earnings per share

before exceptional items and amortisation and including the pre-exceptional results of discontinued operations



Dividend per share



The financial report for the half-year ended 28 June 2008 can be viewed at www.balfourbeatty.com

What we've been doing:

Building, Building Management and Services

Revenue

£2.15bn

(2007: £1.56bn)

Profit*

£39m

(2007: £30m)

* Profit from operations before exceptional charges and amortisation of intangible assets.

Profit in the building sector* rose by 30% to £39m (2007: £30m) during the first half of the year. This reflected a full six-month contribution from Balfour Beatty Construction US, which was acquired at the end of March 2007, the impact of the acquisitions of Cowlin and Covion in the second half of 2007 and very satisfactory organic growth in Balfour Beatty's established business, held back somewhat by a write-down on a building services project pending resolution of income recovery negotiations, arising from design issues.



London Olympic Aquatics Centre

Civil and Specialist Engineering and Services

Revenue

£1.56bn

(2007: £1.29bn)

Profit*

£44m

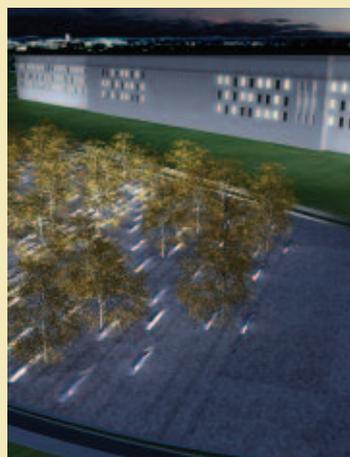
(2007: £26m)

* Profit from continuing operations before exceptional charges and amortisation of intangible assets.

Profit in the engineering sector* rose by 69% to £44m (2007: £26m). This represents a very strong performance across the board with particularly good progress being made in Dubai, where half-year revenues were up almost 40% on last year and full-year revenues of the joint venture business will exceed £0.7bn. Progress was also particularly marked in Balfour Beatty Utility Solutions, which continues to enjoy the benefits of its major re-organisation in 2007.



Eastern Electricity Alliance



Pentagon Memorial, Washington DC



British Energy, Facilities Management



New Government Complex, Hong Kong

Rail Engineering and Services

Revenue

£398m

(2007: £344m)

Profit*

£10m

(2007: £13m)

* Profit from operations before exceptional charges and amortisation of intangible assets.

Profit in the rail sector* fell by £3m to £10m (2007: £13m) in the first half. Improvement in performance in the US was more than offset by the phasing of profit recognition on major contracts in the UK. In the UK, Thameslink, Crossrail and other major rail project expenditure in the coming years will create substantial opportunities for Balfour Beatty, as will the investment plans of a number of other rail network owners around the world.



London Heathrow, Terminal 5

Investments

Revenue

£220m

(2007: £181m)

Profit*

£14m

(2007: £17m)

* Profit from continuing operations before exceptional charges and amortisation of intangible assets.

Profit in the investments sector* fell by £3m to £14m (2007: £17m) during the first half of the year. Underlying concession performance was satisfactory, although profitability was impacted by further increases in bidding costs as Balfour Beatty Capital extends its activities beyond UK PPP markets. There was a first contribution from Balfour Beatty Communities (formerly GMH Military Housing).

Profits in Barking Power were somewhat lower than last year as a result of the benefit of some one-off items in last year's performance.



Blackpool International Airport



Rawang-Ipoh Electrification, Malaysia



Gotthard Tunnel, Switzerland



US Military Accommodation

Our strategy has resulted in significant progress over the last six months.

Our goal at Balfour Beatty is to deliver consistent, long-term value growth to our shareholders. We do this by striving to remain or become the leading provider of high-quality, customer critical infrastructure in each of our markets. By becoming the partner of choice to sophisticated owners in our chosen disciplines and geographies, we believe we will achieve secure, industry best margins in our contracting activities and substantial, sustainable equity returns from our long-term investment portfolio.

Four areas of focus:

UK infrastructure

We make amongst our best and most reliable margins where we lead the market in infrastructure provision in the UK's regions. These markets continue to deliver vigorous demand growth as investment in new schools, hospitals, affordable housing, roads, bridges and other transport facilities continues to increase.

- Acquisition of Dean & Dyball
- UK regional contracting revenues increased by over 50% since end 2006

Professional and technical services

Balfour Beatty Management, our UK-based professional and technical services business, and Heery International in the US, continue to grow. In the UK, this puts us in an increasingly powerful position to satisfy our long-term relationship customers' demand for a higher-level, integrated presence at the top of their supply chain and to engage in design, project planning and programme management in the broader marketplace, as we already do in the US.

- UK professional staff doubled since end 2006
- Heery International revenue to top £500m in 2008

Infrastructure investment

In the period since the UK Government first turned to private finance to add momentum to its public service agenda, Balfour Beatty has become a leader in the field. The expertise which has been developed in the Group, as a result, represents an ideal base from which to extend our reach into other infrastructure investment markets both in the UK and internationally.

- Acquisition of Balfour Beatty Communities gives a leading presence in US PPP
- Blackpool airport acquired

International markets

To sustain growth in earnings and shareholder value in the long term, Balfour Beatty must establish substantial contracting and investment businesses outside the UK. Our primary objective is to create, in the US, a multi-disciplinary business with similar characteristics to our successful UK model adapted to local characteristics, with the capacity to integrate financing, professional and technical services, project delivery and long-term support services.

- 2008 US revenues anticipated at £2bn
- Dubai business' 2008 revenues £700m +



Group overview

Balfour Beatty is a world-class engineering, construction, services and investment business well-positioned in infrastructure markets which offer significant long-term growth.

We work in partnership with sophisticated customers who value the highest levels of quality, safety and technical expertise. Our skills are applied in appropriate combinations to meet individual customer need.

Our strategy is designed to continue to deliver strong, reliable, responsible growth in shareholder value over the long term.

Where we work – revenue by destination (half-year 2008)



£2,907m (2007: £2,429m)
UK (67%)



£941m (2007: £564m)
US (22%)



£178m (2007: £164m)
Asia Pacific (4%)



£160m (2007: £114m)
Middle East, Near East (4%)

£145m (2007: £102m)
Continental Europe (3%)

£1m (2007: £2m)
Central and South America

Some of the asset owners for whom we work



Balfour Beatty

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