Balfour Beatty

2013 full-year results presentation

6 March 2014

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ANDREW MCNAUGHTON

Chief Executive Officer

Balfour Beatty

Opening remarks
First year as CEO

- Challenging economic conditions and operational issues in UK Construction, and a significant downturn in Australia led to a disappointing financial performance
- Many parts of the Group performed well
  - Professional Services performed well outside of Australia
  - Infrastructure Investments produced excellent performance
  - Support Services won £1.0 billion of new work
  - US Construction saw 54% increase in order book intake
- Strategic actions leave Balfour Beatty better positioned to capitalise on growth opportunities

DUNCAN MAGRATH

Chief Financial Officer

Headline underlying numbers

	FY 2013	FY 2012	Actual growth	Constant currency
Order book*	£13.4bn	£13.5bn	-1%	-
Revenue*	£10,118m	£9,966m	+2%	+1%
Profit from operations*	£203m	£284m	-29%	-29%
Pre-tax profit*	£187m	£277m	-32%	
Underlying EPS*	20.0p	31.7p	-37%	
Average (borrowings)/cash for the year*#	£(366)m	£(46)m		
Net (borrowings)/cash*#	£(66)m	£35m		
Directors' valuation	£766m	£734m		
Full-year proposed dividend	14.1p	14.1p		

** from continuing operations, before non-underlying items*
 # excluding 100% of PPP

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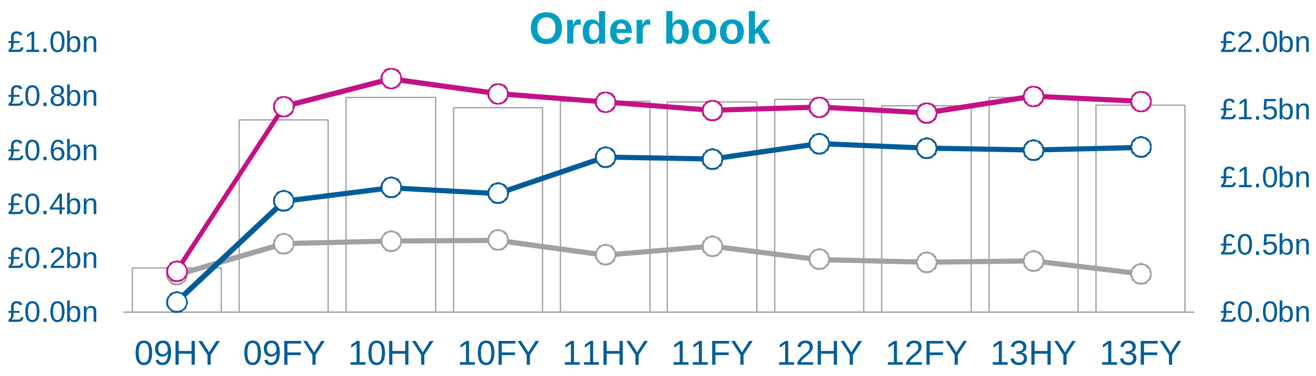
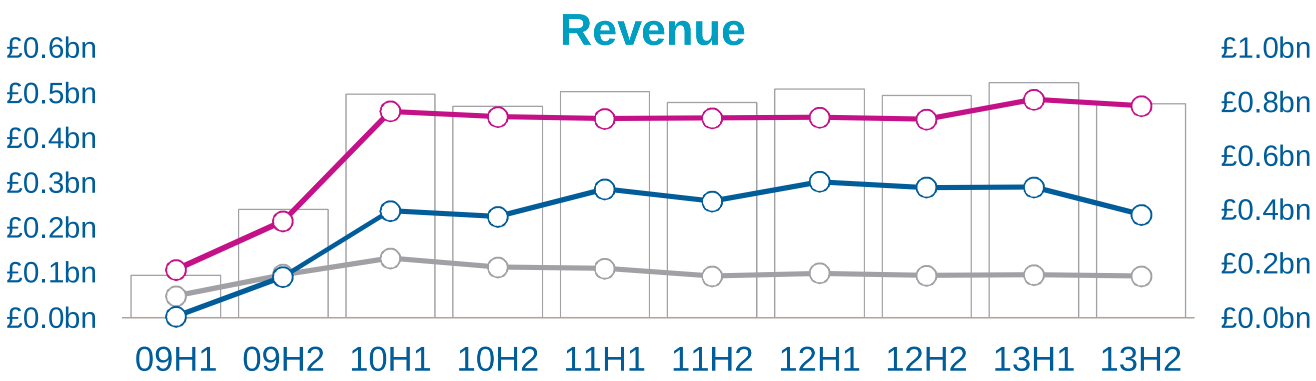
Professional Services

Overall orders and revenue broadly stable despite Australia





	%	FY13 £bn	Growth V FY12	Constant Currency
UK	7%	0.1	- 25%	n/a
US	53%	0.8	+ 6%	+ 8%
RoW	40%	0.6	+ 1%	+ 6%
Total	100%	1.5	-	+ 3%

	%	FY13 £bn	Growth V FY12	Constant Currency
UK	12%	0.2	- 4%	n/a
US	59%	1.0	+ 8%	+ 7%
RoW	29%	0.5	- 12%	- 9%
Total	100%	1.7	-	-

Total UK US RoW

2012 order book has been restated for £110m reallocation from Professional Services to Support Services
Left-hand axes represent lines by geography / Right-hand axes represent segment total bars

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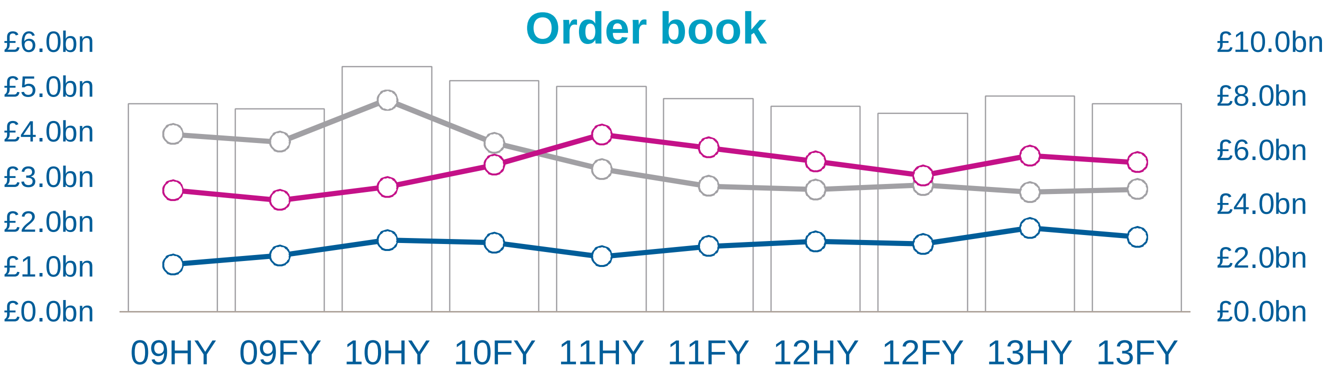
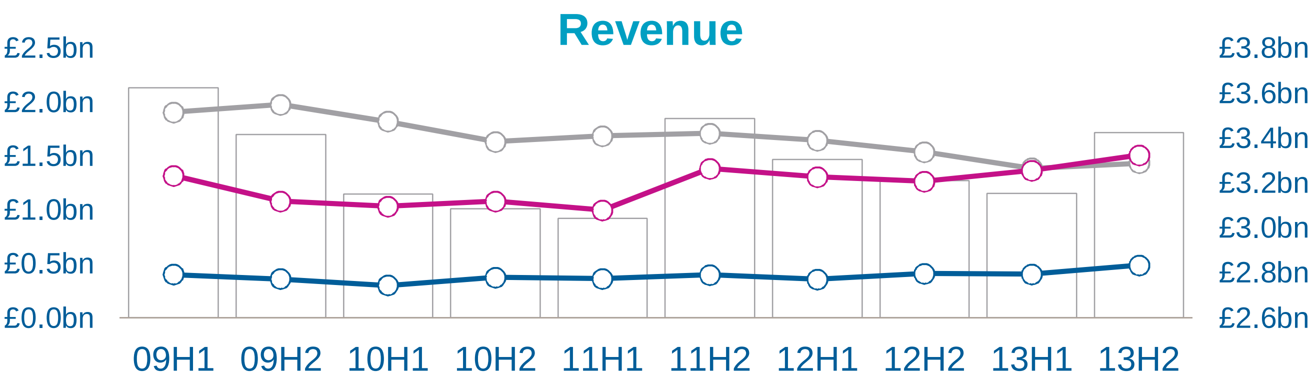
Construction Services

UK revenue decline as expected, US gradual pickup



	%	FY13 £bn	Growth V FY12	Constant Currency
UK	35%	2.7	- 3%	n/a
US	43%	3.3	+ 10%	+ 12%
RoW	22%	1.7	+ 10%	+ 14%
Total	100%	7.7	+ 5%	+ 6%



	%	FY13 £bn	Growth V FY12	Constant Currency
UK	42%	2.8	- 12%	n/a
US	44%	2.9	+ 12%	+ 10%
RoW	14%	0.9	+ 16%	+ 16%
Total	100%	6.6	+ 1%	-

Total UK US RoW

Excludes discontinued rail business for whole period
Left-hand axes represent lines by geography / Right-hand axes represent segment total bars

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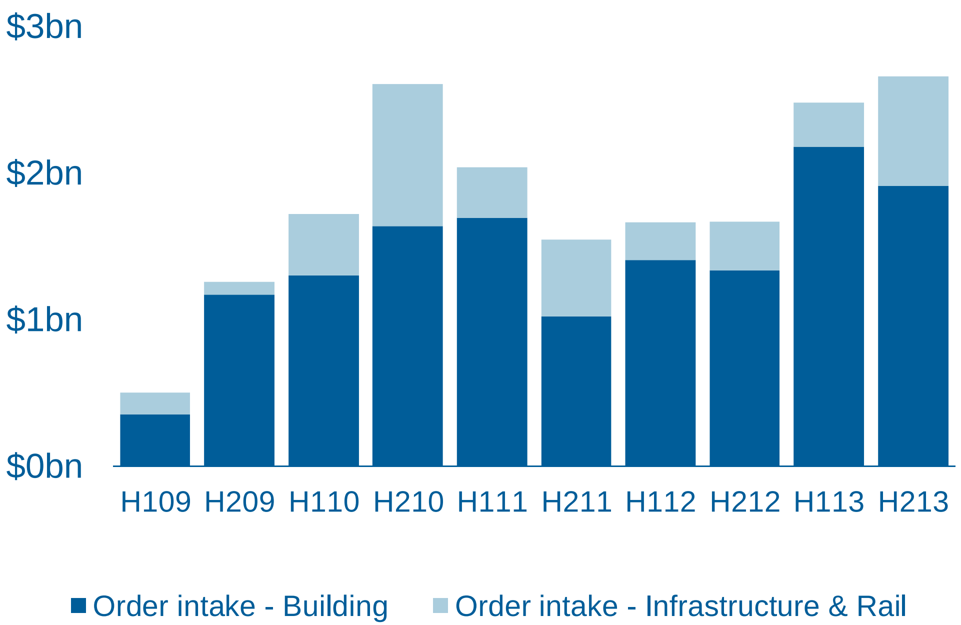
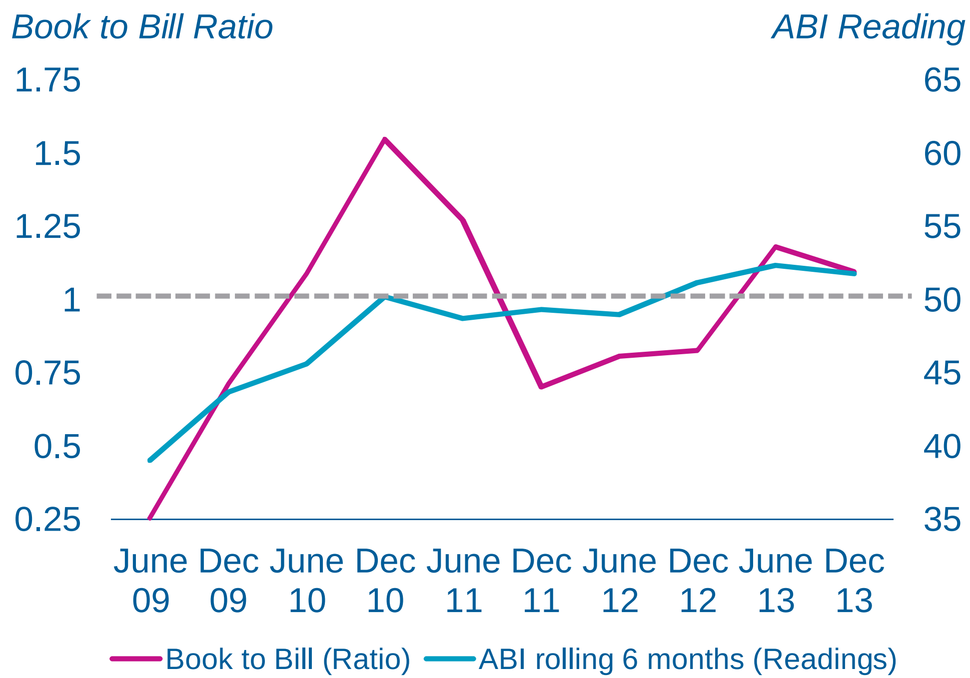
US construction

54% increase in US construction order intake in 2013





In 2013 Book to Bill consistently returns above 1.0 and ABI continuing above 50

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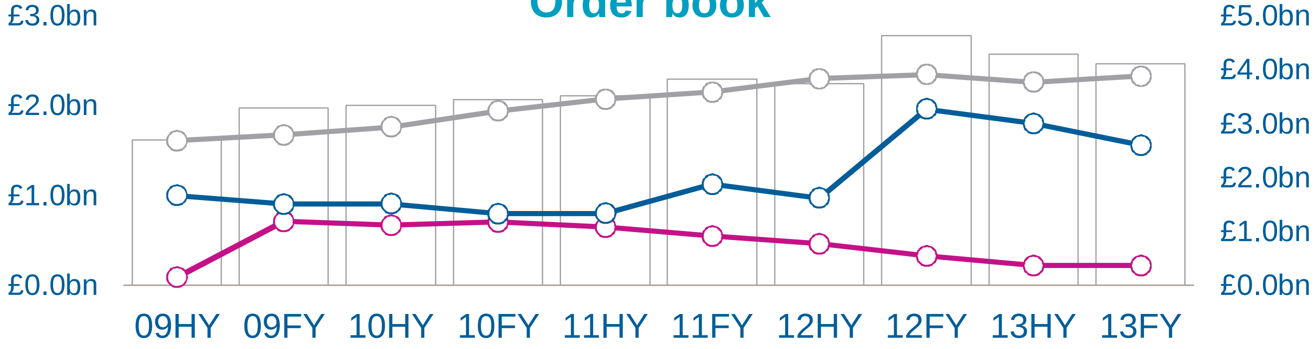
Support Services

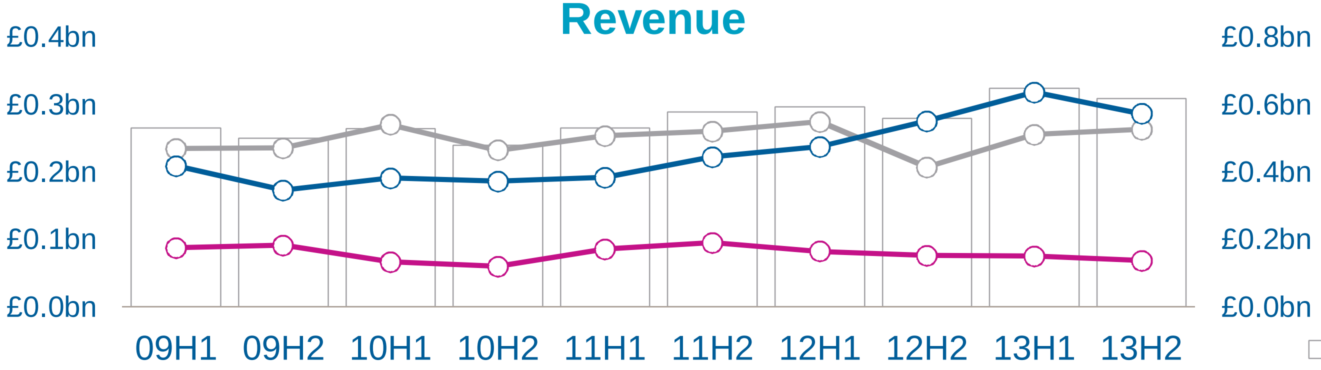
Strong revenue growth in power and transport

Order book



	%	FY13 £bn	Growth V FY12
Transport	56%	2.3	-1%
Power	39%	1.6	-21%
Water	5%	0.2	-32%
Total	100%	4.1	- 11%

Revenue



	%	FY13 £bn	Growth V FY12
Transport	39%	0.5	+ 8%
Power	46%	0.6	+ 18%
Water	15%	0.2	- 9%
Total	100%	1.3	+ 10%

Excludes discontinued FM business for the whole of the period
Left-hand axes represent lines by market / Right-hand axes represent segment total bars
2012 order book has been restated for £110m reallocation from Professional Services to Support Services

Infrastructure Investments

Successful year for closes and disposals

	Achieved financial close	Appointed preferred bidder	Remain preferred bidder	Total
University/student accommodation				6
OFTOs				3
Hospitals				2
Military housing				2
Energy – waste/bio plants				2
Total	**8**	**5[#]**	**2**	**15[#]**

- Reached first close of infrastructure Fund
- Using same discount rate, Directors' valuation increased to £766m after £128m of disposals

[#] includes 2 in 2014

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Profit from operations – by segment

	Professional Services		Construction Services		Support Services		Infrastructure Investments		Corporate Activities	
	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12
Profit / *Margin %*	£54m *3.3%*	£98m *5.9%*	*£21m* *0.3%*	£119m *1.8%*	£55m *4.3%*	£30m *2.6%*	£102m *16.8%*	£69m *10.8%*	£(29)m	£(32)m

Professional Services
- Strong performance from US Transportation, Asia & Middle East
- Collapse in mining programmes hit Australia
- UK stable

Construction Services
- Very poor H1 in UK, H2 improved - management changes implemented
- US performance stable
- Hong Kong – stable profits - increased revenues in large civil projects
- Middle East – down due to debtor provision releases in 2012

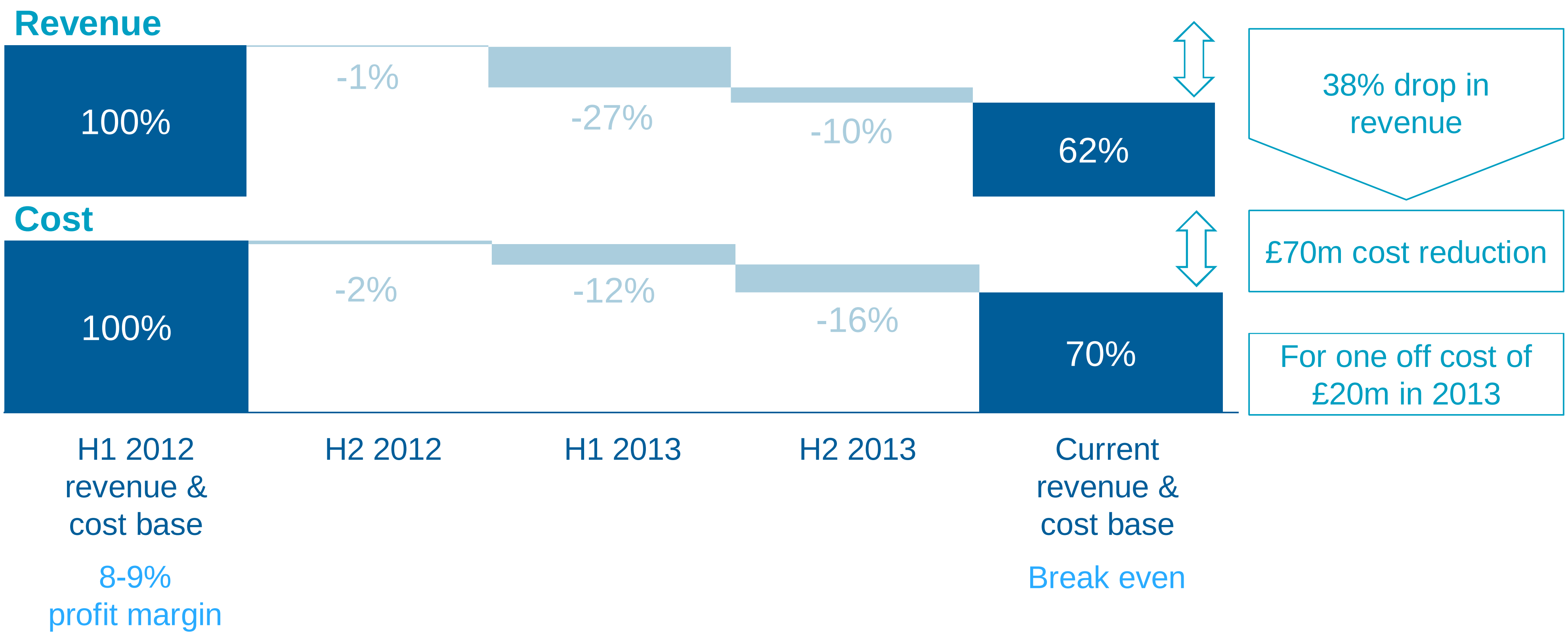
Support Services
- Strong performance in Power, increased volumes in 2013 and poor 2012
- Good performance in Transportation, particularly Highways and Local Authorities
- Reduced volumes in 2014 in Power and Rail renewals

Infrastructure Investments
- Additional £30m of investment disposals gains over 2012
- Profits down in the UK due to disposals, but up in US from increased fees

Total	
FY13	FY12
£203m ***2.0%***	**£284m** ***2.8%***

** from continuing operations, before non-underlying items*
Margin %

Australia performance



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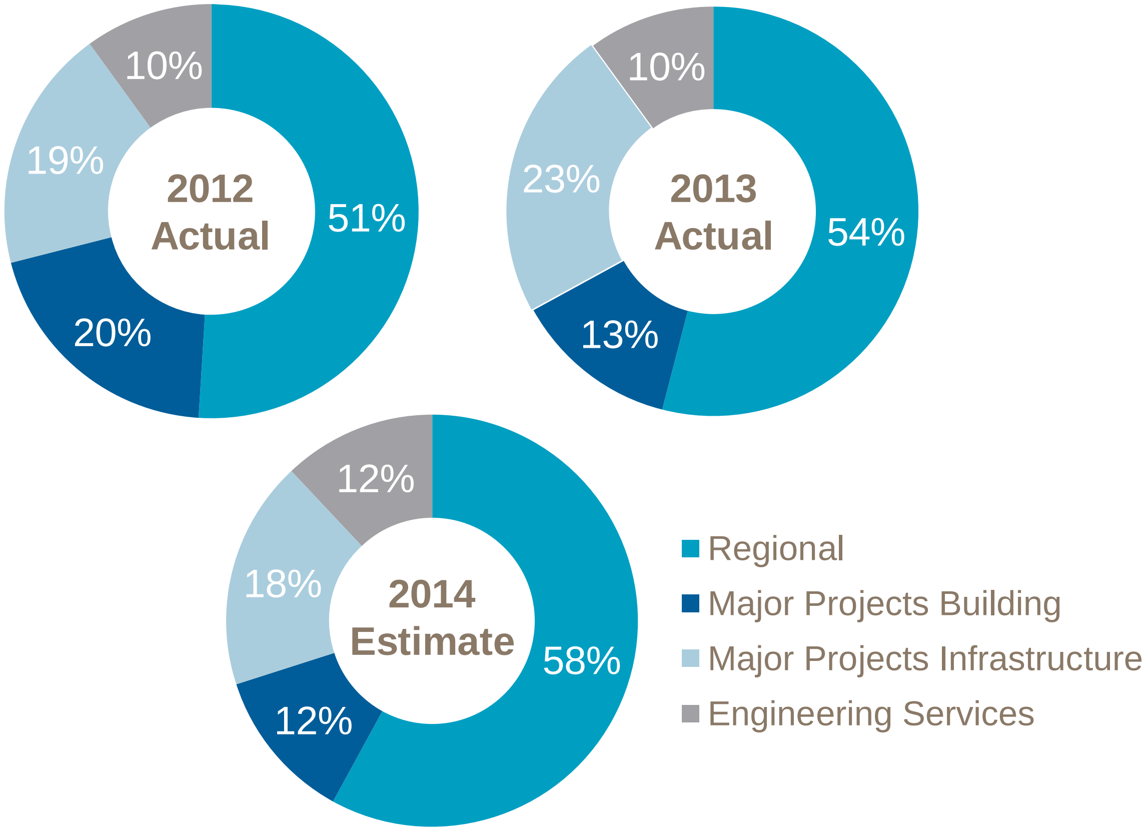
Construction Services UK
Revenue by business stream



- April 2013 - £50m reduced profit expectations
- Ended down £60m, with pluses and minuses, but overall:
  - Regional – as expected; improvements in volume and pricing
  - Major Projects: -
    - Building - some contract close out issues, market stable, margins tight
    - Infrastructure – as expected; pipeline thin
  - Engineering Services – performance declined in Q4; continuing to be challenging
- 2014 further shift in mix to Regional business

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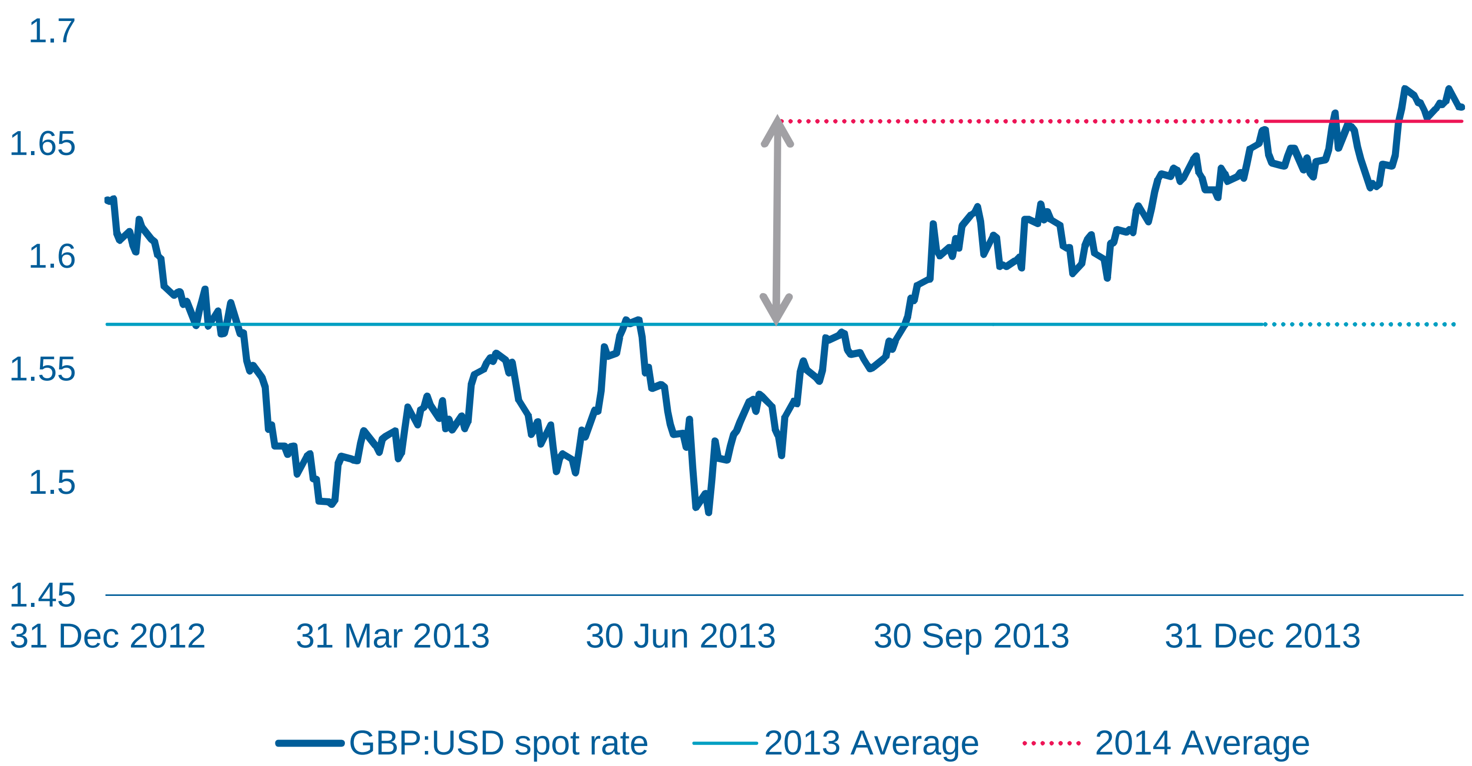
FX rates

US $ sensitivity – profit from operations



2014 YTD Average = $1.66

2013 FY Average = $1.57

US $ Sensitivity 1¢ movement = £0.8m profit

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Cost efficiency programme

- Targeting £80m annual savings by 2015, £70m achieved in 2013
- 2013 actions
  - Reorganisations
    - UK construction into three business streams
    - US construction into three regions
  - Shared service centres
    - Expansion of Newcastle, UK into HR and IT Shared Services
    - Set up of Lancaster, Pennsylvania to service US Professional Services
- In addition to the above, significant restructuring in Australia to reduce the cost base in light of significant market decline and closure of UK DB pension scheme to future accrual

Non-underlying items

£m	FY 2013	
Restructuring and reorganisation costs:		
— Australia	(20)	£70m reduction in annualised cost base
— Other existing businesses	(32)	1300 reduction in Construction UK headcount
Post-acquisition integration, reorganisation and other costs	(4)	Howard S Wright
Pension curtailment, non-cash charge	(52)	£250m reduction in future DB pension contributions; £125m net of DC contributions
Cost of implementing UK and US shared service centres	(17)	Expansion into HR & IT services in UK, and set-up in US
Amortisation of acquired intangible assets	(30)	
Total of non-underlying items*	**155**	
Tax on non-underlying items*	35	

** from continuing operations*

Cash used in operating activities

£m	FY 2013	FY 2012
Profit from underlying operations	203	308
Share of JV profit	(71)	(96)
Depreciation	50	64
Pension deficit payments	(57)	(61)
Profit on disposal of PPP investments	(82)	(52)
Working capital	(127)	(310)
Other	1	11
	(83)	**(136)***
Income taxes paid	(13)	(19)
Non-underlying items & discontinued operations	(79)	(83)
Cash used in operating activities	**(175)**	**(238)**

** includes FY 2013 discontinued operations*

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Net cash flow before financing

£m	FY 2013	FY 2012
Cash used in operating activities	**(175)**	**(238)**
Dividends from JV's	48	58
PPE capex & intangibles, net of proceeds	(68)	(53)
Investments: Infrastructure & assets in course of construction	(33)	-
Investment in infrastructure investments	(59)	(55)
Disposal of infrastructure investments*	128	84
Disposal of subsidiaries, net of cash disposed and costs	139	-
Other	17	36
Net cash flow before financing activities	**(3)**	**(168)**

** includes disposal of CNDR PPP subsidiary in 2013*

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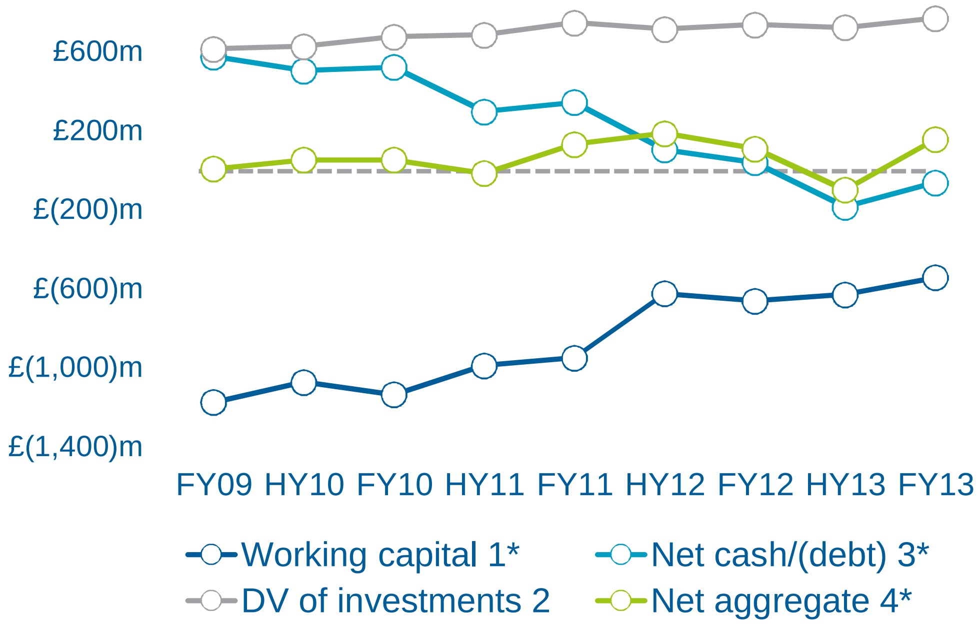
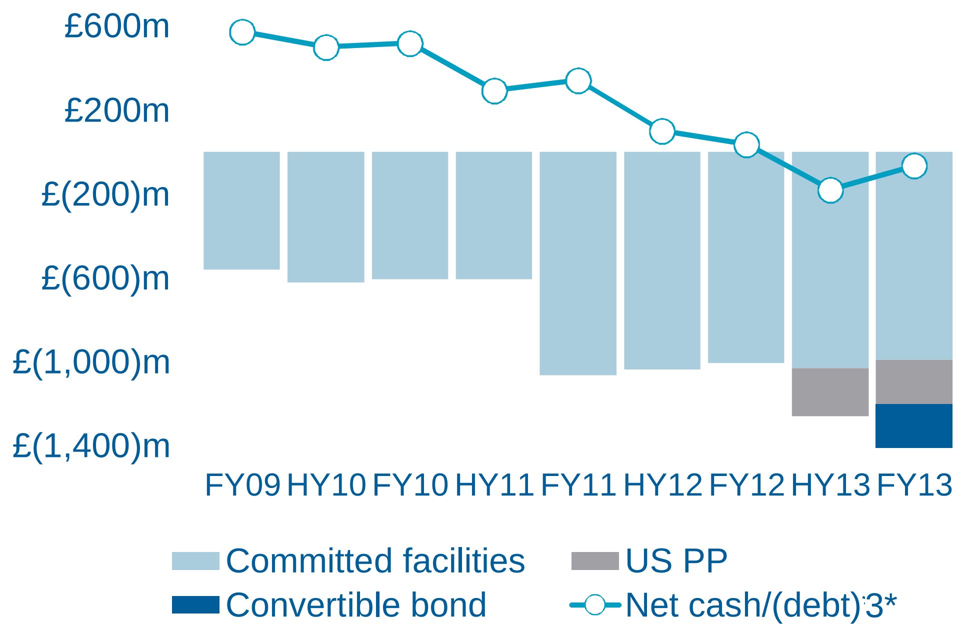
Managing the balance sheet

Facilities and cash/debt have flexed as working capital reduced

Maintaining strength



Maintaining liquidity



[1] *HY 2013 and earlier figures restated to exclude provisions greater than 1 year*
[2] *Directors' valuation of PPP concessions*
[3] *Excluding net debt of PPP subsidiaries (non-recourse)*
[4] *Aggregate of Directors' valuation of PPP concessions, net cash/(debt) and working capital*

** FY 2012 and earlier figures include 2013 discontinued operations*

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PPP portfolio valuation movements

Valuation increased, despite £163m net distributions, and no change in discount rates

£m			FY 2013	FY 2012
Opening valuation			734	743
Cash invested		48		
Cash received – distributions	(83)			
– disposals	(128)	(211)		
	Net cash received		(163)	(114)
Unwind of discount on NPV			74	75
New project wins			4	4
Disposal gains			45	17
Inflation, FX & operational gains			72	9
Closing valuation			**766**	**734**

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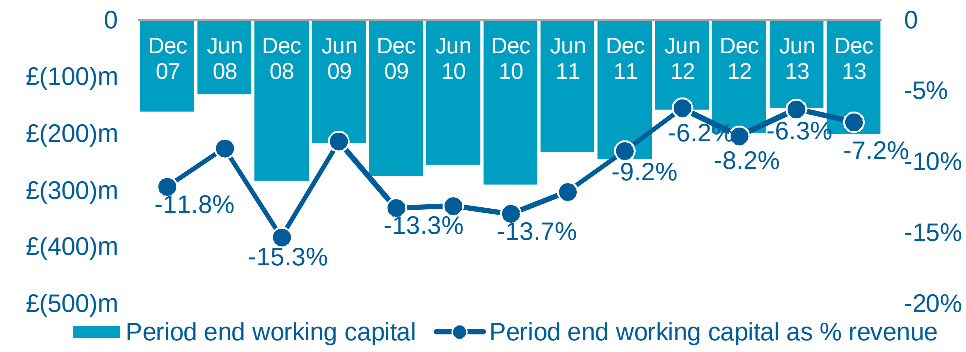
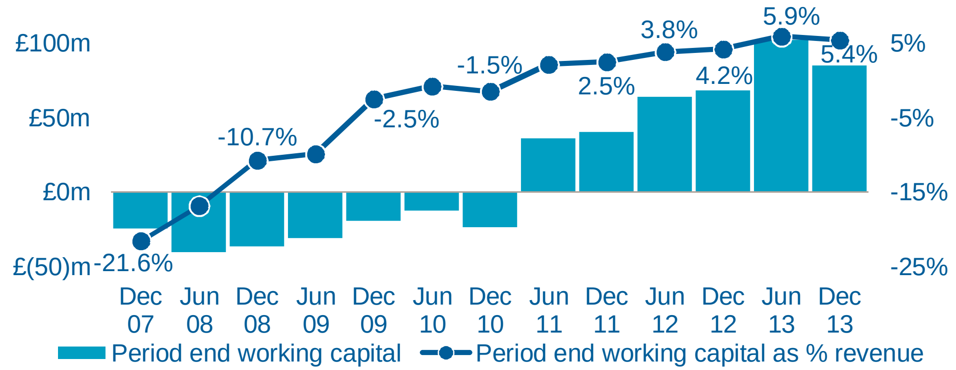
Working capital – small inflow in H2, better than expected, £127m outflow for the year on continuing businesses

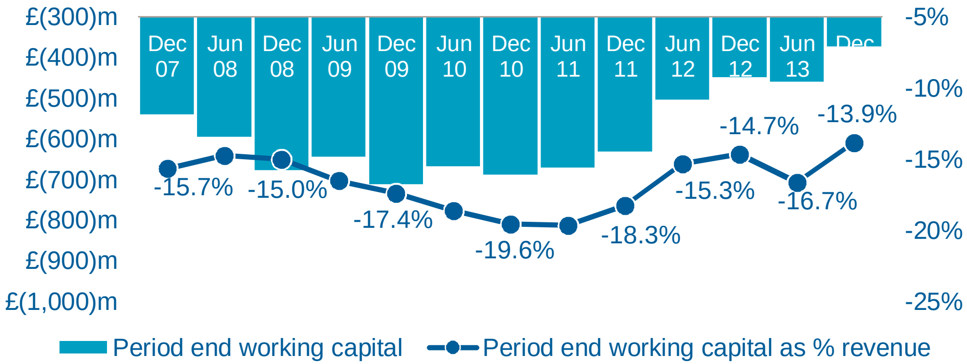
US Construction stabilised, and starting to improve



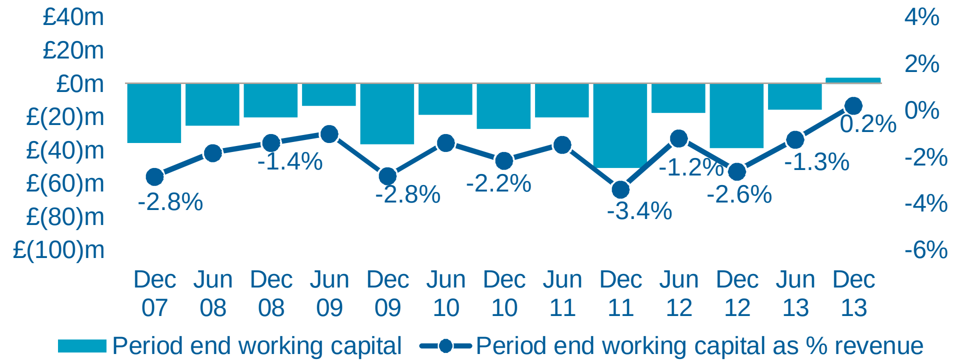
Professional Services – stable around 5%



UK Construction, outflow, c£60m further to go

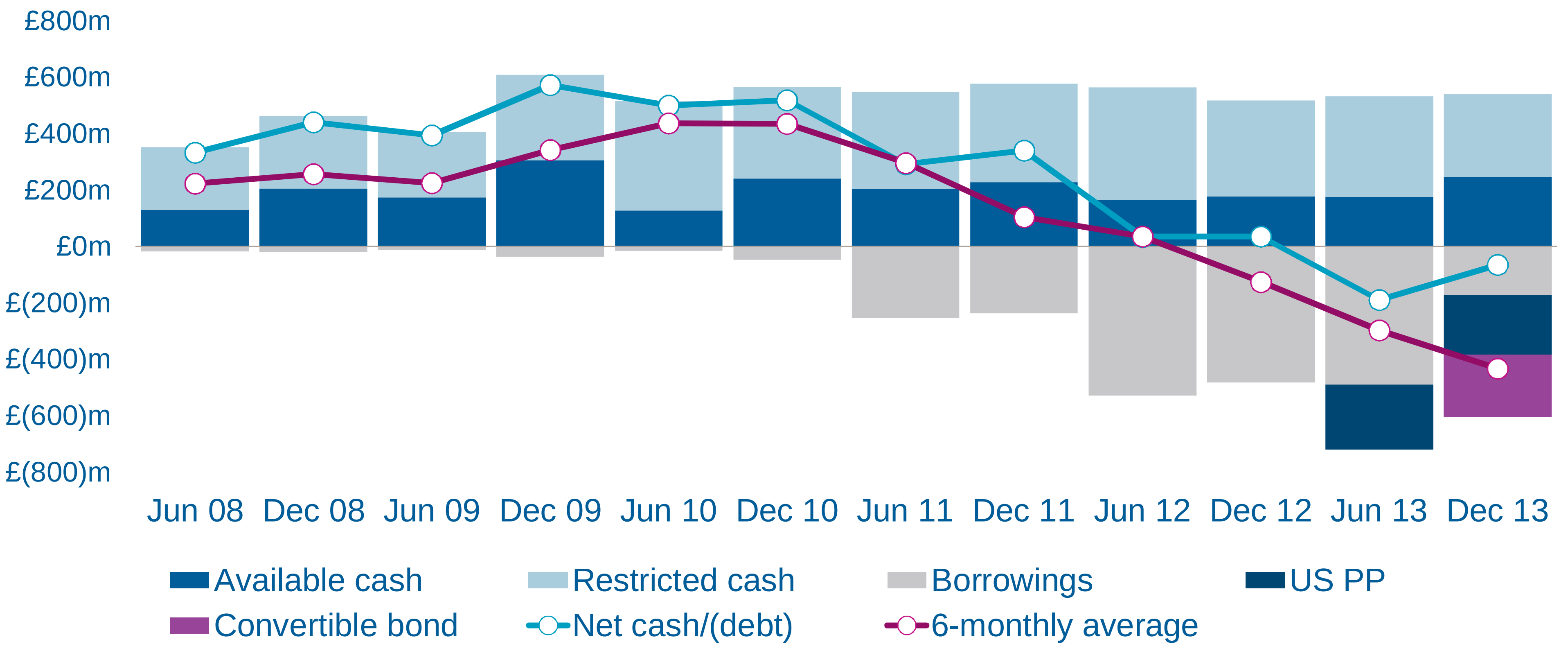


Support Services, positive WC as expected



Net cash/(debt) balances†

Debt diversified and maturity extended



† excluding net debt of PPP subsidiaries
Dec 2012 and earlier figures include 2013 discontinued operations

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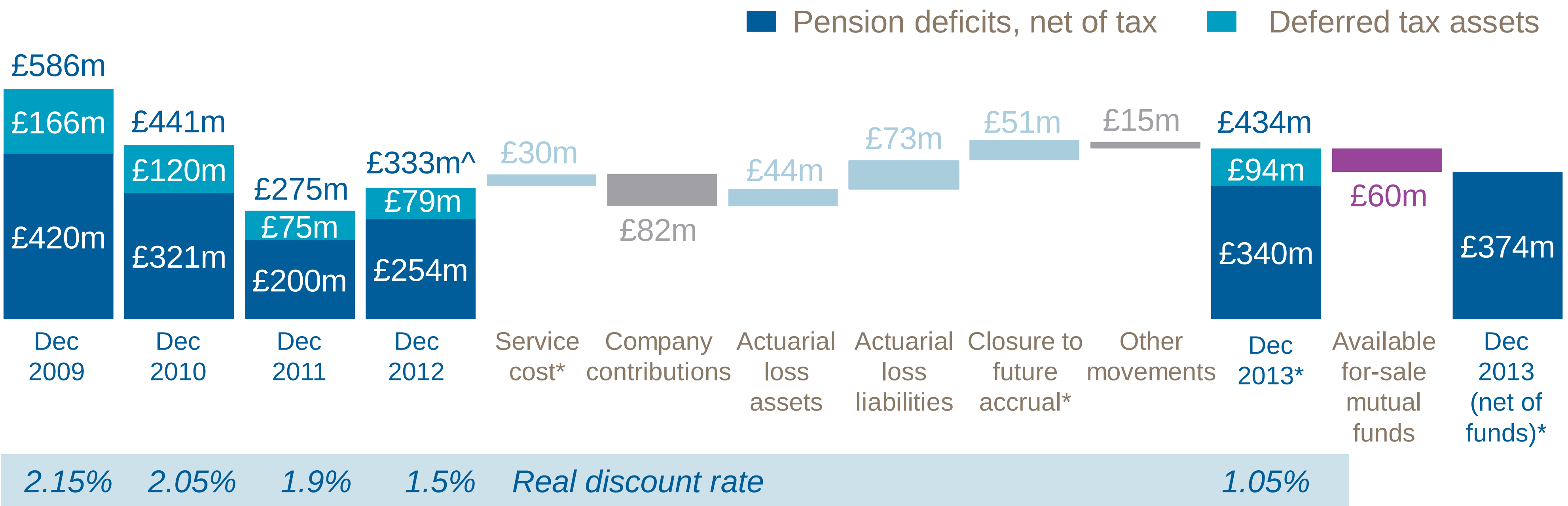
Net interest cost
Increase in year due to US private placement

£m		FY 2013	FY 2012
PPP subordinated debt interest receivable		25	24
PPP interest on financial assets	33		
PPP interest on bank loans and overdrafts	(28)	5	4
Net finance costs – pension schemes*		(9)	(9)
Other interest receivable	7		
Other interest payable	(22)	(15)	(14)
US Private Placement		(9)	-
Convertible bonds finance cost		(1)	-
Preference shares finance cost		(12)	(12)
Net investment income/(finance costs)		**(16)**	**(7)**

** restated for IAS 19 (revised)*
Figures from continuing operations, before non-underlying items

Pensions – balance sheet movement



Since Dec 2009 deficit funding of £314m

^ restated for IAS 19 revised

** from continuing operations*

Model guidance matters

- Investment disposal gains reverting back to regular £40m in 2014 (2013: £82m)
- 2014 P&L finance cost for US PP and convertible bonds will be c.£20m (2013: £10m)
- 2014 Pension interest cost £15m (2013: £9m)
- Current FX rates impacting reported profits, c.£0.8m per 1 cent movement
- 2013 underlying tax rate 43%, 2014 underlying rate estimated at c.40%

Summary of 2013 performance

- Disappointing 2013 financial performance, due to UK Construction and Australia
- Actions taken so Group is better positioned to focus on growth in some parts of core UK & US markets
- Impact of working capital outflows reduced in 2013 and anticipated to reduce further in 2014
- Balance sheet strength – increased DV for Investments portfolio and funding sources diversified away from pure bank debt, with longer maturity and low fixed rates
- Full year proposed dividend maintained at 14.1 pence

ANDREW MCNAUGHTON

Chief Executive Officer

Balfour Beatty

Agenda

- Major issues impacting financial performance
- Other strategic actions taken in 2013
- Focusing on growth opportunities
  - Construction: capitalising on growth opportunities
  - Infrastructure Investments: generating value for the Group
- Summary

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Major issues impacting financial performance
Australian Professional Services

- Swift market deterioration in early 2013
  - Organisational restructuring
  - Reduced operational costs by 30%
  - Adverse impact on financial performance
- Volume and pricing risks remain
- Expect to return to break-even in 2014

Major issues impacting financial performance
UK Construction Services

- Disappointing financial performance
  - Challenging trading environment
  - Major reorganisation impacted operational delivery
- Operational review swiftly implemented
  - Reviewed over 1,000 ongoing projects to identify causes of underperformance
- New management team
  - Strengthened leadership across divisional & operating unit levels
  - Tightened key commercial practices in tendering, estimating & commercial governance
  - Closure of operating units with weak future prospects

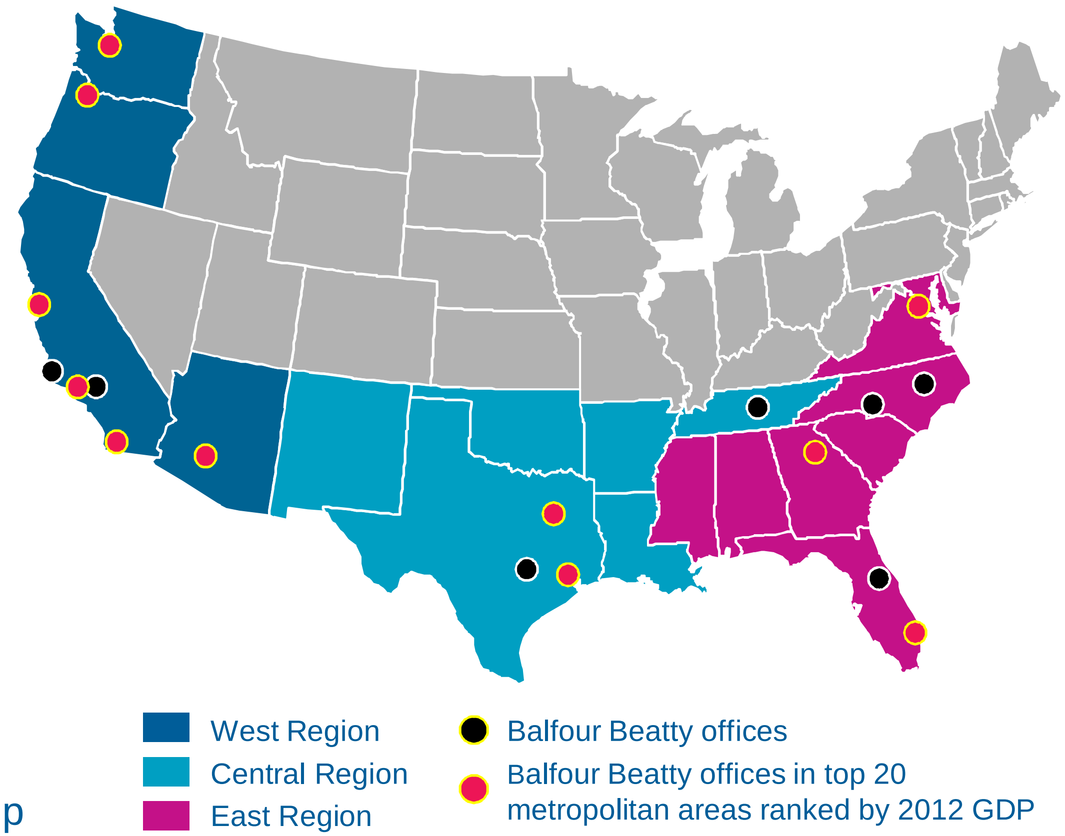
Other strategic actions taken in 2013

- Disposals
  - WorkPlace
  - Mainland European Rail
  - Exeter Airport
- Cost savings initiatives
  - Closed UK defined benefit pension scheme to future accrual
- Diversified our corporate funding sources
  - US private placement
  - Convertible bond

FOCUSING ON OUR GROWTH OPPORTUNITIES

US Construction Services
Building the business

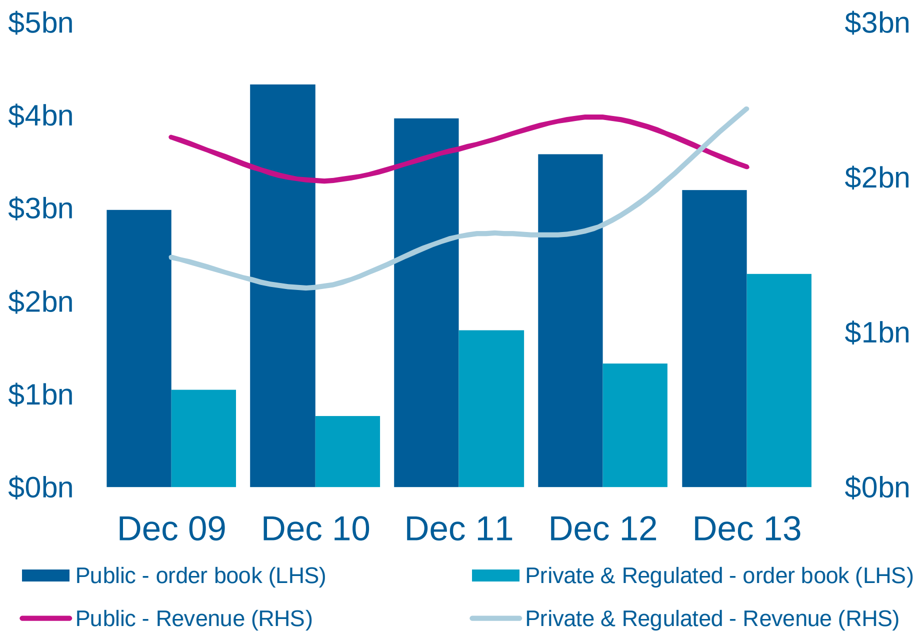
- Decision to diversify away from UK into untapped US market in 2007
- Strategic objectives:
  - Strengthen local footprint
  - Create national structure
  - Broaden sector capability
- Business reorganisation in 2011-12
  - Leaner operating model
    - – Restructured into 3 regions from 5 divisions
    - – Hub model focuses on key growth cities
  - National capability centre
    - – Enhanced knowledge sharing across the group



US Construction Services
Anticipating market changes

- Prepared business to respond to changing market environment
- Focus on Federal building at start of downturn reduced impact of market decline
- Leveraging capabilities and customer relationships has driven recent growth
- Order book growing since December 2012
- Growth being driven by market share gains as a result of strategic actions

US revenue & order book progression



*The chart above has been amended to re-present the revenue figures

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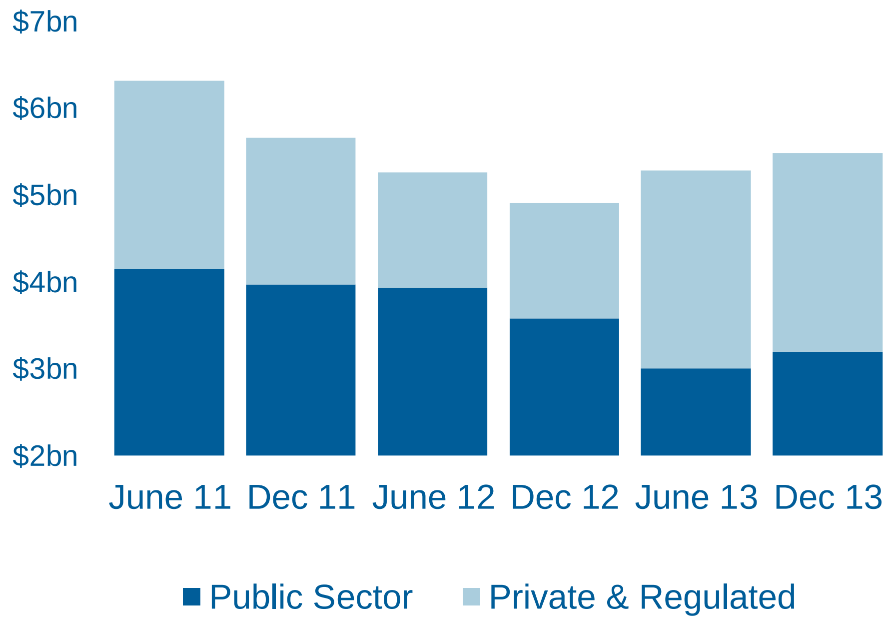
US Construction Services
Summary

- US business closely aligned to growth markets
- Outperformed the wider market in 2013 through market share gains
- Volumes recovering, but bid margin improvement may not occur until 2015
- Remain focused on the quality of work we win, to enhance longer-term margins

Order book progression



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UK Construction
Lagging the US

- UK recovery expected 12-18 months after the US
- Evidence of increased activity in early cycle industries
  - Regional business already benefitting from increased UK housing activity
- Wider construction recovery will take time
  - Regional business will continue to be primary beneficiary
- Actions taken in 2013 provide strong potential to capitalise on future growth in UK construction

Infrastructure Investments
Generating value for the Group

- Value driver for the Group
  - Generates activity across the group
- UK Infrastructure Investments
  - 15 year track record in UK PFI / PPP hospitals, schools & roads
  - Adapted model to successfully enter new markets: Power transmission, energy-from-waste & student accommodation
  - £4.5bn UK construction revenue directly generated to date
- US Infrastructure Investments
  - Market leader in Military Housing
  - Student accommodation capability leveraged from UK business
  - $2bn US construction revenue directly generated to date, with further $4bn expected, but not currently in the order book
  - Further opportunities in adjacent markets eg multi-family housing

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Infrastructure Investments
'Investor and developer' model

- Asset disposal programme announced in 2010
- Recycled proceeds into new investments
  - Maintained strength & diversity of portfolio
  - Generated further construction revenues
- £419m underlying portfolio increase
- Strong pipeline of future opportunities
  - £110m equity investment expected in 2014
- Investment capability is a key differentiator supporting Group growth strategy

PPP valuation movements since 2010

2010 Closing Valuation		**£671m**
Equity invested	149	
Distributions received	(233)	
Disposal Proceeds	(240)	
Net cash received		(324)
Underlying portfolio increase		419
2013 closing valuation		**£766m**

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Infrastructure Investments
Case studies: M25 & Canada

- M25 contract awarded in 2009
  - Connect Plus – £600m UK construction revenue to date
  - Connect Plus Services – £900m Support Services contract over concession life
- Children’s & Women’s Hospital, Canada
  - Leveraged existing knowledge and skills:
    - Leader in UK healthcare PPP market
    - Construction of major hospital facilities in the US
  - C$350 million redevelopment
  - Approaches from potential partners on future opportunities

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Summary
Capitalising on our opportunities

- Addressed underperformance in 2013
  - Actions taken in Australian Professional Services & UK construction
  - Strategic actions across the group position the Group for growth opportunities
- Our focus for 2014 is:
  - Capitalising on growth opportunities in core US & UK construction markets
  - Consistent operational delivery across the Group
  - Increased capital allocation to Infrastructure Investments
- Positioned for economic recovery in core infrastructure markets

APPENDIX

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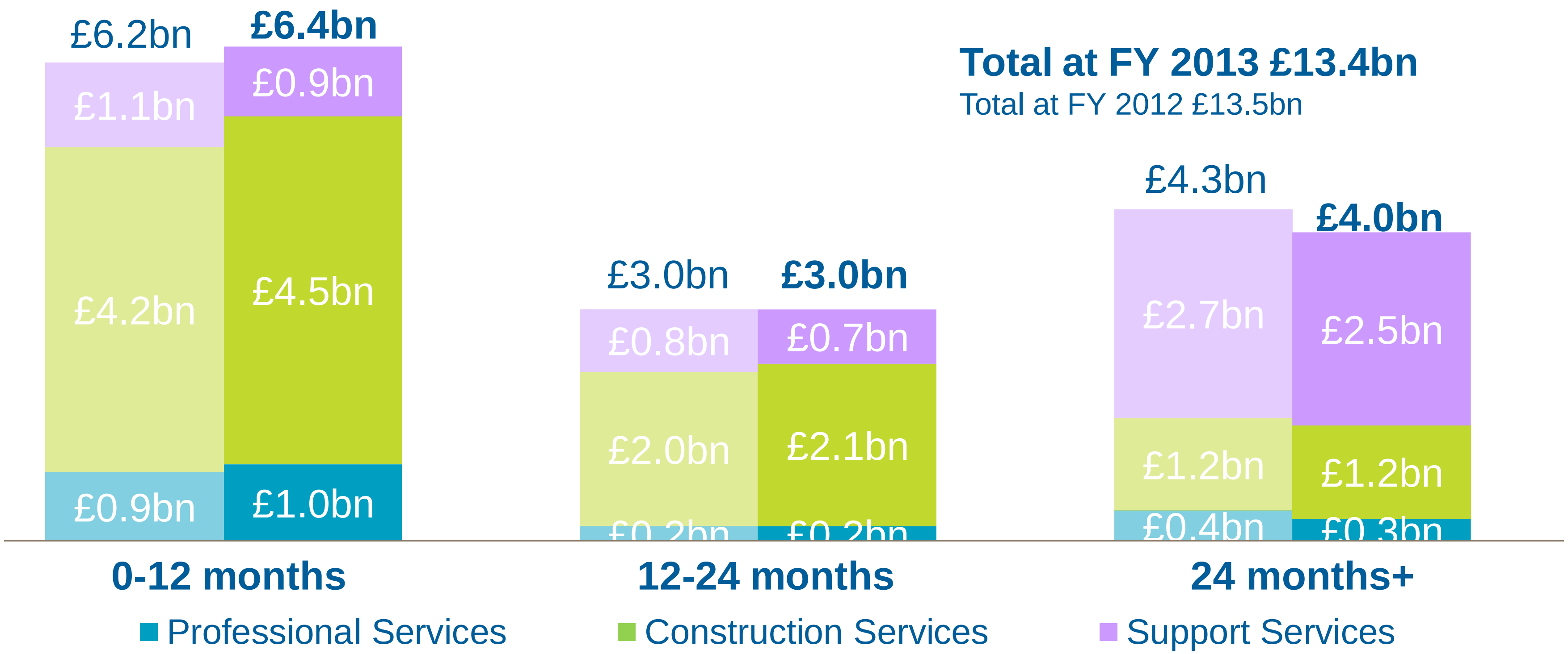
Order book position compared to a year ago

Resilient, with improved short term, particularly US construction

Total at FY 2013 £13.4bn
Total at FY 2012 £13.5bn



In each series group, left-hand column represents the order book as at 31 December 2012, and the right-hand column as at 31 December 2013
From continuing operations
2012 order book has been restated for £110m reallocation from Professional Services to Support Services

Infrastructure Investments

£m	FY 2013 Group	FY 2013 JVs & assoc	FY 2013 Total	FY 2012# Group	FY 2012# JVs & assoc	FY 2012# Total
UK†	2	27	29	2	35	37
North America	21	6	27	12	6	18
Infrastructure	(3)	-	(3)	(3)	(1)	(4)
Infrastructure Fund	(2)	-	(2)	(4)	-	(4)
Bidding costs and overheads	(31)	-	(31)	(30)	-	(30)
Pre-disposals operating profit*	(13)	33	20	(23)	40	17
Gain on disposals	82	-	82	52	-	52
Investments operating profit*	**69**	**33**	**102**	**29**	**40**	**69**
Subordinated debt interest income			*25*			*24*
PPP subsidiaries' net interest			*5*			*4*
Investments pre-tax result*			**132**			**97**
*Investments post-tax result**			*121*			*91*

** before non-underlying items*
 # re-presented to separately identify costs directly related to the Infrastructure Fund
† including Singapore

Discontinued business – Rail Germany/Scandinavia/Spain

	FY 2013#	FY 2012	Actual growth	Constant currency
Order book	£516m	£609m	-15%	-13%
Revenue	£396m	£448m	-12%	-8%
(Loss)/profit*	£(26)m	£2m		
Non-underlying items†	£(52)m	£(98)m		

** before non-underlying items*
† FY 2013 includes losses on business disposal of £5m
 # FY 2013 includes Rail Spain results up until disposal

- Poor financial performance from Germany, with three problem contracts
- Spain sold in March 2013, Scandinavia sold in January 2014
- German signalling workshop sold, switches and crossings manufacturing being closed
- Germany – in discussion with a number of buyers for remainder of business
- Non-underlying items include £38m goodwill impairment (FY 2012 £95m)

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Underlying effective tax rate

£m	FY 2013 PBT	FY 2013 Tax	FY 2013 PAT	FY 2013 *Tax rate (%)*	FY 2012 PBT	FY 2012 Tax	FY 2012 PAT	FY 2012 *Tax rate (%)*
Group, excluding JVs & associates*	116	(50)	66	***43.1***	185	(61)	124	***33.0***
JVs & associates*	80	(9)	71	***11.3***	105	(13)	92	***12.4***
Aggregate*	196	(59)	137	***30.1***	290	(74)	216	***25.5***
Less JV tax*	(9)				(13)			
Pre-tax profit*	**187**				**277**			

** from continuing operations before non-underlying items*

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Pensions charge

£m	FY 2013	FY 2012
Defined benefit schemes:		
P&L charge – service cost	30	41
P&L credit – past service credit	-	(2)
Curtailment cost	52	2
Interest income	(108)	(110)
Interest cost	117	119
Net finance charge†	9	9
Net pension charge*	91	50
Defined contribution schemes:		
P&L charge	46	50
Total charge*	**137**	**100**

† FY 2012 restated for IAS 19 revised
** from continuing operations*

Balance sheet cash movement

£m	Dec 2013	Dec 2012
Opening net cash†	35	340
Cash used in operations†*	(165)	(218)
Dividends from JVs and associates	48	58
Capital expenditure and financial investment	(26)	(9)
Acquisitions and disposals (net of net cash acquired / disposed)	150	(4)
Dividends, interest and tax paid	(116)	(114)
Exchange adjustments	3	(17)
Other items	5	(1)
Closing net cash/(borrowings)†	**(66)**	**35**
PPP subsidiaries non-recourse net borrowings	(354)	(368)
Closing net borrowings	(420)	(333)

† treating PPP subsidiaries as joint ventures/associates
** excludes cash used in operations by PPP subsidiaries and tax paid*

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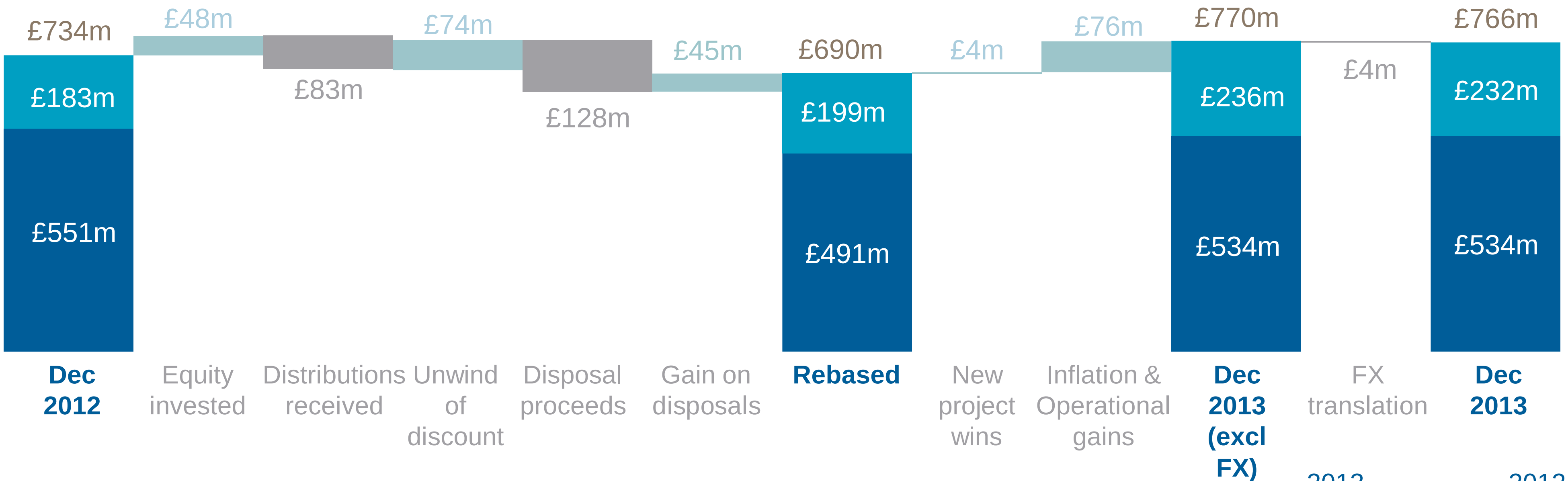
Group balance sheet

£m	Dec 2013	June 2013	Dec 2012*
Goodwill and intangible assets	1,252	1,307	1,372
Current assets#	1,956	2,066	2,047
Current liabilities and current provisions#	(2,506)	(2,700)	(2,712)
Working capital #*	(550)	(634)	(665)
Net assets held for sale	12	154	-
Net cash/(borrowings) (excluding PPP subsidiaries)	(66)	(189)	35
PPP subsidiaries – financial assets	455	537	542
PPP subsidiaries – non-recourse net borrowings	(354)	(380)	(368)
Retirement benefit obligations (net of tax)	(340)	(262)	(254)
Other assets	1,120	1,147	1,209
Other liabilities	(496)	(491)	(561)
Equity holders' funds	**1,033**	**1,189**	**1,310**

excluding cash/borrowings, non-current provisions, tax and derivatives

* *restated to reflect the effects of IAS19 Employee Benefits (Revised)*

PPP portfolio valuation roll-forward – FY 2013



UK/Singapore   US

Pre shareholder tax discount rates	2013 current	2012 previous
UK	9.5%	9.5%
US	12.0%	12.0%

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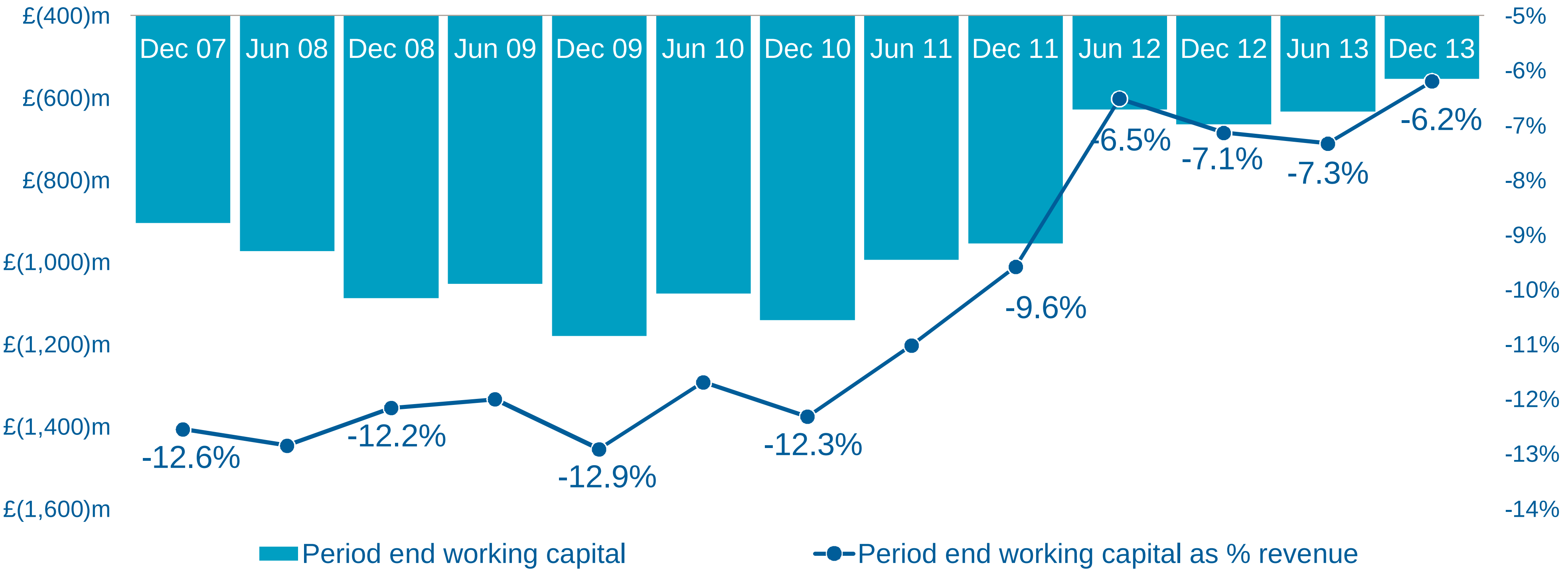
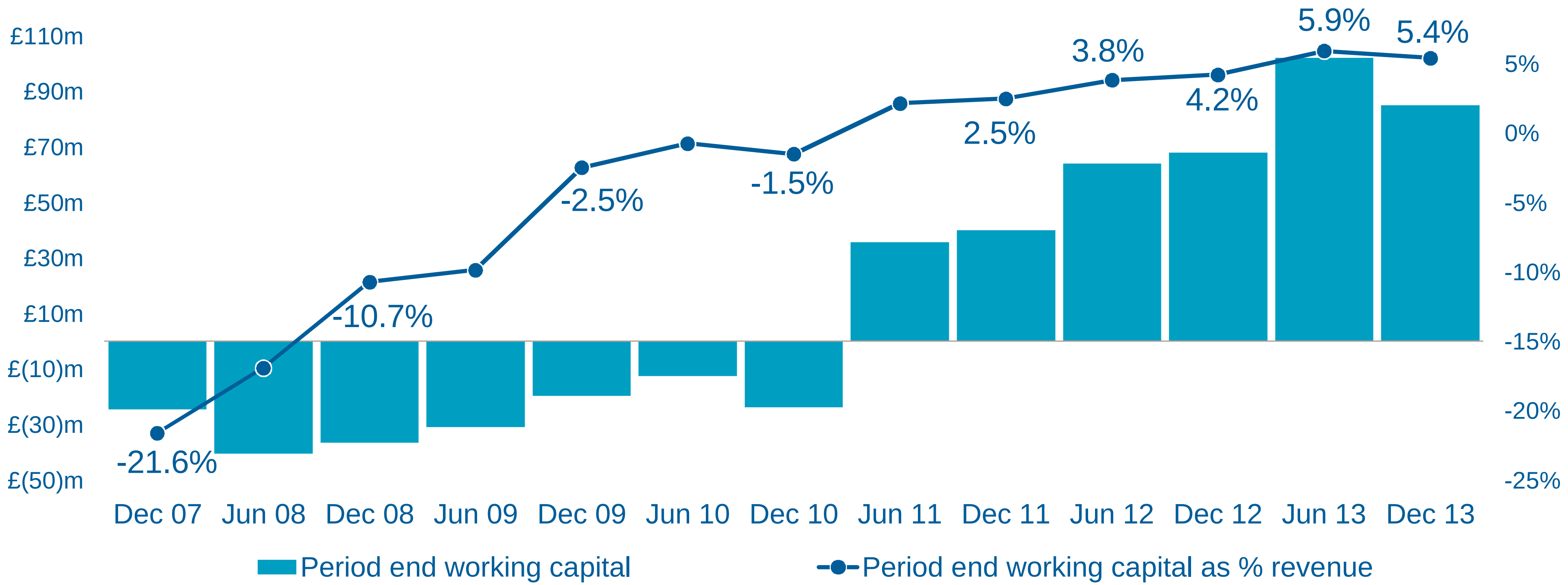
Working capital – Group

Impacted by revenue drop in Construction Services



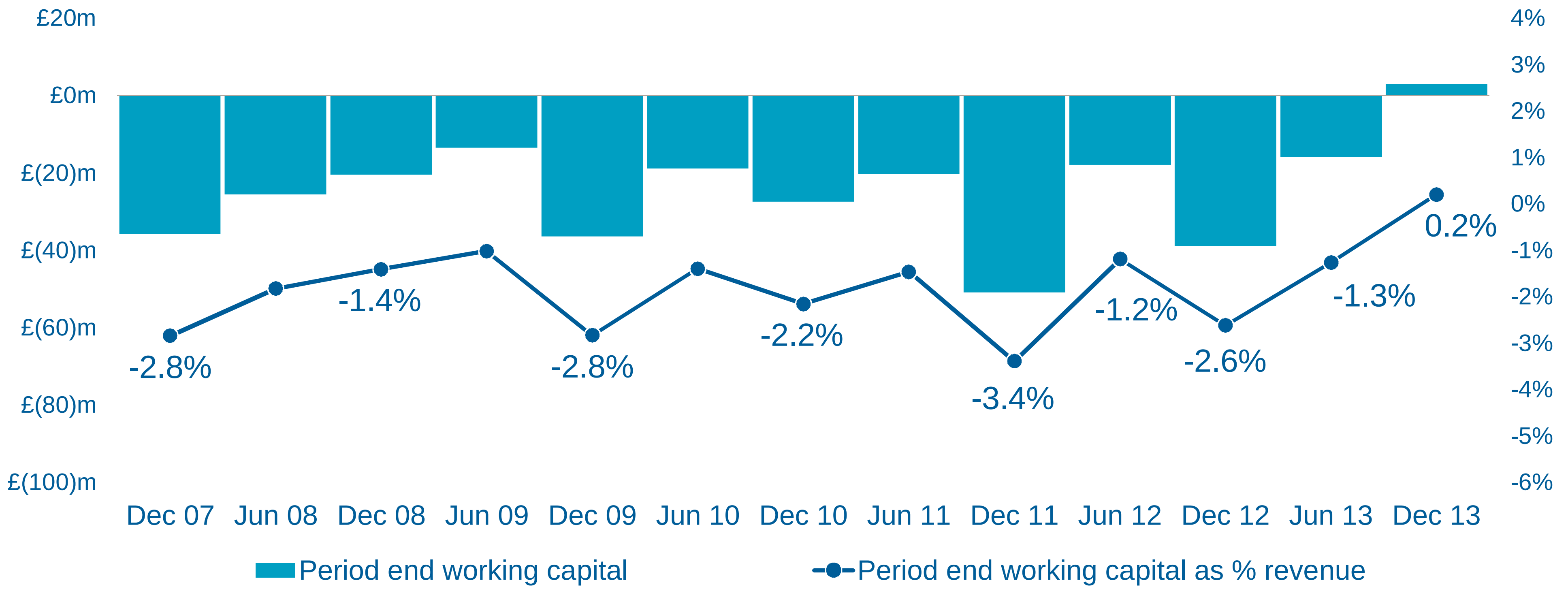
Dec 2012 and earlier figures include 2013 discontinued operations
June 2013 and earlier figures restated to remove provisions greater than 1 year

Working capital – Professional Services



June 2013 and earlier figures restated to remove provisions greater than 1 year

Working capital – Support Services



Dec 2012 and earlier figures include 2013 discontinued operations
June 2013 and earlier figures restated to remove provisions greater than 1 year

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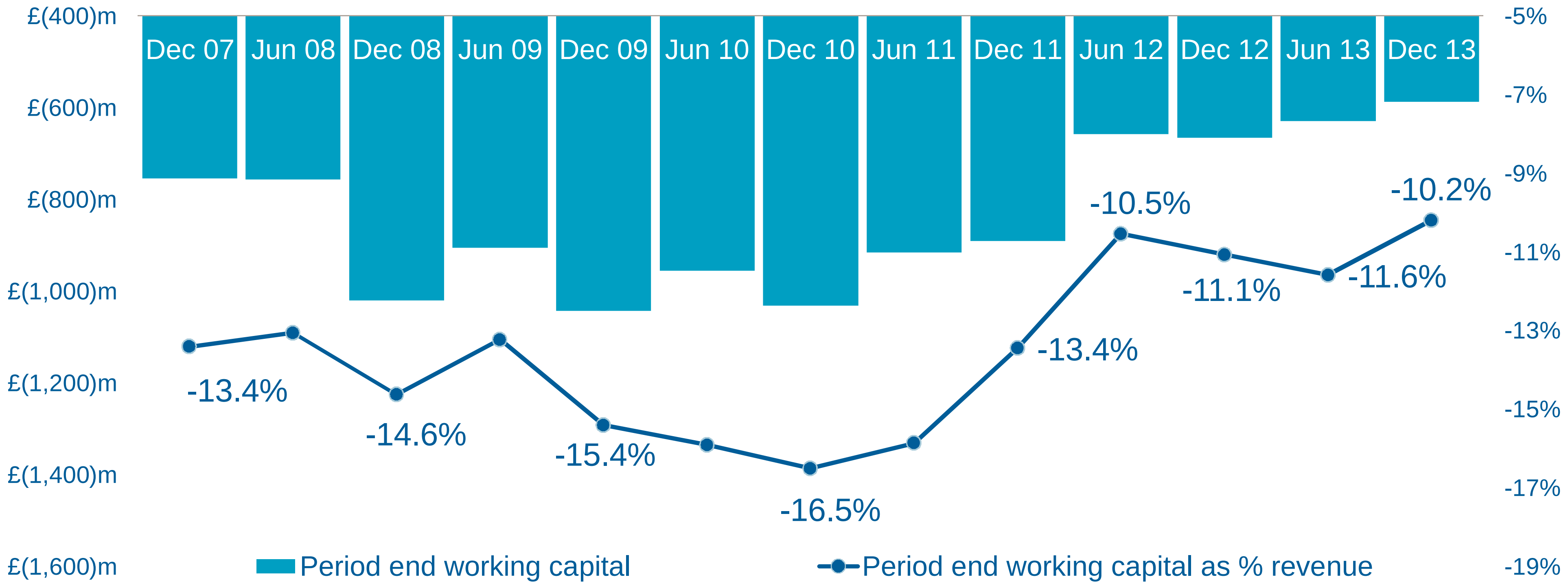
Working capital – Construction Services consolidated



Dec 2012 and earlier figures include 2013 discontinued operations
June 2013 and earlier figures restated to remove provisions greater than 1 year

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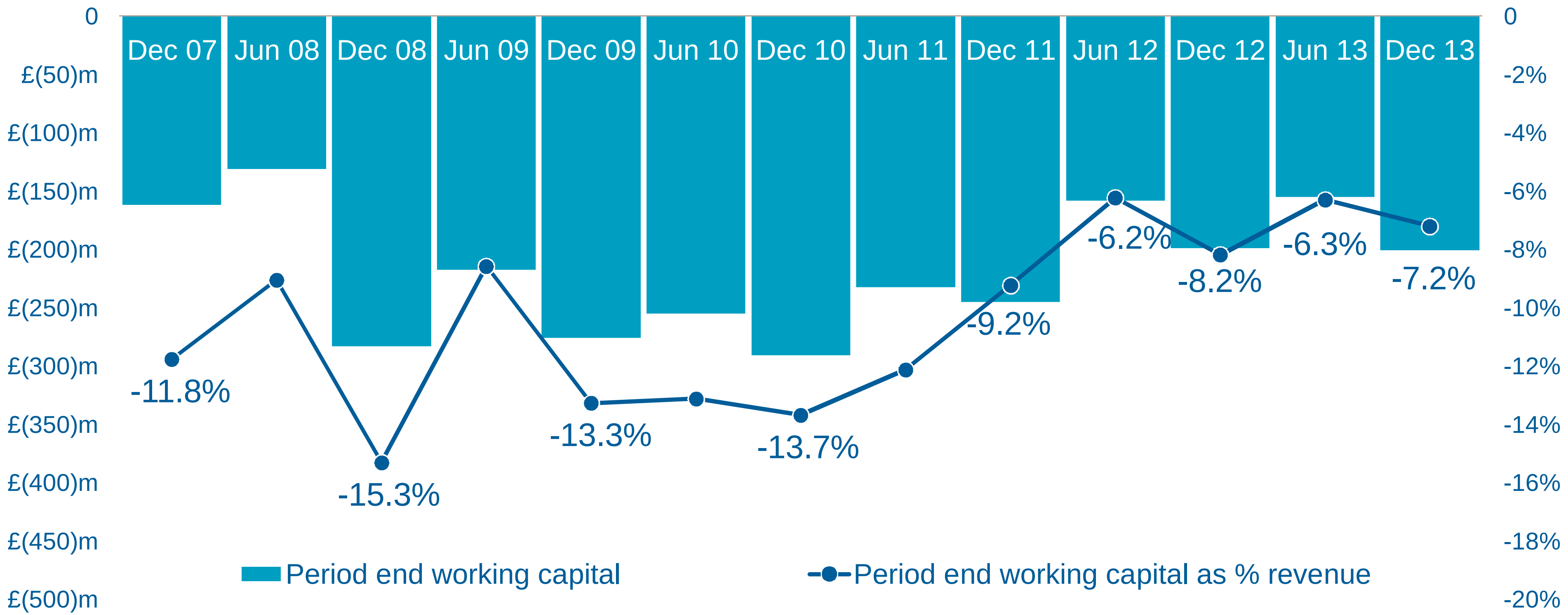
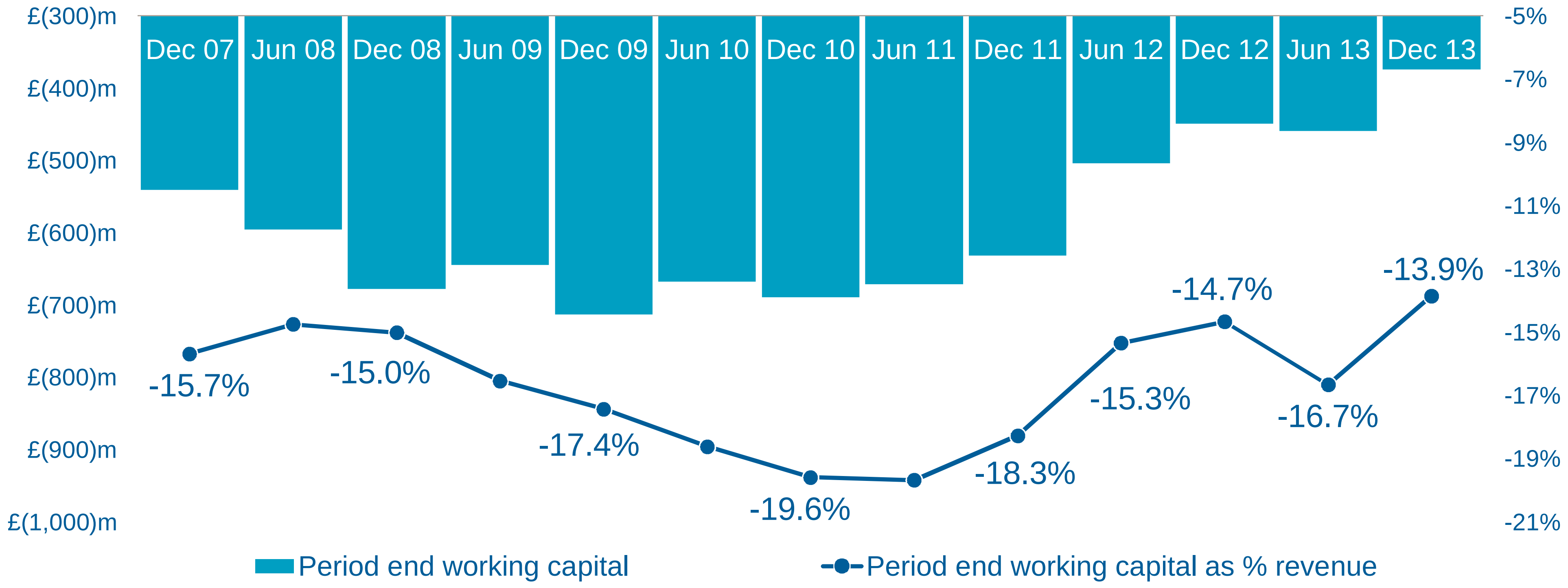
Working capital – Construction Services US



June 2013 and earlier figures restated to remove provisions greater than 1 year

Working capital – Construction Services UK



June 2013 and earlier figures restated to remove provisions greater than 1 year

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Available funds