Balfour Beatty

News Release

11 August 2010

BALFOUR BEATTY PLC

RESULTS FOR THE HALF-YEAR ENDED 26 JUNE 2010

STRONG PERFORMANCE WITH HIGH-QUALITY ORDER BOOK ACROSS INTERNATIONAL MARKETS

Balfour Beatty, the international infrastructure Group, reports its financial results for the half-year ended 26 June 2010:

	2010 first half	***2009 first half***
Revenue[4] including joint ventures and associates	**£5,199m**	£5,072m
Group revenue	**£4,605m**	£4,388m
Profit from operations[1]		
- before exceptional items and amortisation	**£151m**	£113m
- after exceptional items and amortisation	**£91m**	£86m
Pre-tax profit[1]		
- before exceptional items and amortisation	**£141m**	£107m
- after exceptional items and amortisation	**£81m**	£65m
Earnings per share[1,2]		
- adjusted[3]	**15.5p**	14.9p
- basic	**9.2p**	9.4p
Dividends per share[2]	**5.05p**	4.79p
Financing		
- net cash before PPP subsidiaries (non-recourse)	**£500m**	£394m
- net borrowings of PPP subsidiaries (non-recourse)	**£(252)m**	£(190)m

1 restated for the adoption of IFRIC 12 Service Concession Arrangements
2 per share data has been restated for the bonus element of the 2009 rights issue
3 before exceptional items and amortisation of intangible assets
4 including share of revenue of joint ventures and associates

Financial highlights

- Profit from operations[1,3] up 34% to £151 million
- Pre-tax profit[1,3] up 32% to £141 million
- Adjusted earnings per share[1,2,3] up 4% to 15.5p
- Average net cash (excluding non-recourse debt) in the first half of £436 million (2009 first half: £224 million)
- Interim dividend[2] increased 5% to 5.05p per share, reflecting confidence in the Group's ability to deliver growth over the medium term

Operational highlights

- High-quality order book of £14.6 billion (£14.1 billion at December 2009)
- Integration of Parsons Brinckerhoff continuing to proceed well and ahead of acquisition plan
- Strong profit performance in UK, US and Hong Kong construction businesses
- Successful start-up of national operations centre, with good contract wins and extensions by Balfour Beatty WorkPlace
- Sale for £24 million of two PPP investments, proceeds in excess of Directors' valuation
- Three PPP projects reached financial close
- Appointed as preferred bidder for one scheme under the Offshore Transmission Network Owners ("OFTO") regulatory regime in August

“We are reporting another strong performance in the first half of 2010.

We have created a Group which is uniquely well-placed in major markets to benefit from the long-term, global growth in investment in infrastructure. While the timing of short-term movements in individual markets is difficult to predict, we now have significant capabilities across the infrastructure lifecycle and operate in diverse markets and geographies, which gives us strength and resilience.

We have a high-quality order book of £14.6 billion at June 2010 and a number of opportunities in the second half of the year. This, along with the actions taken and proposed to drive efficiency, means we are well-positioned to manage any challenges in individual markets. Our continuing progressive dividend policy reflects our confidence in the Group’s ability to deliver growth over the medium term.

Overall, we remain confident about the outlook for the Group.”

Ian Tyler, Chief Executive

BALFOUR BEATTY PLC

RESULTS FOR THE HALF-YEAR ENDED 26 JUNE 2010

INTERIM MANAGEMENT REPORT

OVERVIEW

Balfour Beatty operates across the lifecycle of infrastructure assets with significant businesses in professional services, construction services, support services and infrastructure investments, which together give the Group a unique capability to deliver complex infrastructure projects across the world.

The Group is diversified across market sectors and geographies, with around half of its revenue now from outside the UK, and is strongly positioned to address the significant long-term infrastructure demands in economies around the world.

The first half of 2010 was another good period for the Group. Anticipated declines in underlying revenue were offset by strong margin performance in construction services and professional services, where there was a first full six months' contribution from Parsons Brinckerhoff, which was acquired in October 2009.

The order book at £14.6 billion, which was up 4% since the year end (December 2009: £14.1 billion), continues to give us good forward visibility.

FINANCIAL RESULTS

Revenue including joint ventures and associates was up 3% at £5,199 million (2009: £5,072 million), also 3% at constant currency. Excluding the impact of acquisitions, underlying revenue[4] was down 12%, due to the anticipated reductions in construction services' volumes in the UK, US and Middle East.

Profit from operations[1,3] was up 34% to £151 million (2009: £113 million), up 35% at constant currency. Excluding the impact of acquisitions, underlying profit from operations[1,3] was up 3% despite reduced revenue[4]. Strong margin performance in construction services, due to good cost control and operational delivery, and favourable gain-share income in professional services were partially offset by anticipated reductions in support services and infrastructure investments.

Pre-tax profit[1,3] was up 32% at £141 million (2009: £107 million).

Adjusted earnings per ordinary share[1,2,3] were up 4% at 15.5p (2009: 14.9p). Basic earnings per ordinary share[1,2] were 9.2p (2009: 9.4p).

Cash from operations was an outflow of £21 million (2009: inflow of £78 million). Average cash for the period was £436 million, ahead of the average of £224 million for the same period last year.

Period-end net cash stood at £500 million (2009: £394 million), before taking account of the consolidation of £252 million of non-recourse net debt held in PPP subsidiaries (2009: £190 million).

The Board has declared an interim dividend[2] up 5% at 5.05p per ordinary share (2009: 4.8p).

Information about the Group's related party transactions and principal risks and uncertainties is included in Notes 16 and 18 respectively of the condensed Group financial statements.

OPERATIONAL PERFORMANCE

Professional services

Parsons Brinckerhoff ("PB") is a leading global professional services company. Following the integration of Balfour Beatty Management and Heery with PB, our professional services business comprises 14,000 people working on infrastructure projects in over 80 countries. The integration has gone well and organisational structures have been simplified to focus on US Transportation; US Power; US Federal work; US Building; UK, Middle East and Northern Africa; and Australia, Asia and Southern Africa.

Revenue[4] in the first six months was £829 million, including £710 million from PB.

Profit from operations, before exceptional items and amortisation, increased by £43 million to £49 million (2009: £6 million), including a six-month contribution from PB of £35 million, which was ahead of plan, and a strong contribution from our existing businesses which improved by £8 million, principally due to favourable gain-share income in Balfour Beatty Management in the UK.

New business wins in the first half included programme management on the Illinois high-speed rail programme, along with projects at Port Columbus International Airport in Ohio and on the Lake Washington School District Capital Building Program. PB is involved, either as programme manager or engineering/environmental consultant, on high-speed and intercity passenger rail projects that have been allocated a combined US$4 billion in federal funding.

Outside the US, wins included architectural and engineering design to support the expansion of the Singapore Mass Rapid Transit System, engineering consultancy with the Abu Dhabi water and electricity authority, as well as feasibility and design for the next phase of a solar thermal power project in Australia.

The order book for professional services was £1.6 billion, an increase of 14% since the year end, or 4% at constant currency.

With a full-year impact of the acquisition of Parsons Brinckerhoff, we expect to make strong progress in professional services for the year as a whole.

Construction services

Balfour Beatty is a leading provider of construction services in the UK and US and operates through joint ventures in South-East Asia and the Middle East. Its rail business operates in a range of international markets.

Profit from operations, before exceptional items and amortisation, increased by 17% to £83 million (2009: £71 million), with good operational performance and continuing tight control of costs offsetting the anticipated decline in revenue[4] to £3,282 million (2009: £3,785 million).

The biggest reduction in revenue was in the US, where revenue declined 22% following the drop in the order book last year. Revenue was also down in the UK by 9%, with the completion of large hospital projects impacting the building and mechanical and electrical businesses, along with reductions in the regional building business, only partially offset by continued growth in the civil engineering businesses.

There was a good profit performance in the UK, with strong operational performance from the building business, offset by a reduction in UK and international rail projects. The first phase of T2B at Heathrow and Birmingham Hospital Phase 1 were both delivered on time and to budget. There was good progress on major civil engineering projects including the M25, Blackfriars station and the A3 Hindhead scheme. We have won a £460 million construction contract on the second phase of T2B at Heathrow.

In the US, operational performance and margin delivery were particularly strong and there was also a small benefit from the acquisitions of RT Dooley and SpawMaxwell in 2009. Major wins in the US included preconstruction and construction services for Dallas Fort Worth International Airport's seven-year terminal development programme and preferred bidder status on the multi-billion dollar Denver Eagle P3 commuter rail project.

The Group's rail business in Scandinavia grew strongly, following strong order intake last year.

There was a good performance by Gammon, the Hong Kong contractor in which Balfour Beatty has a 50% shareholding, with very strong order book growth including a new air cargo terminal at Hong Kong International Airport and part of the West Island Line extension for the MTR Corporation. Prospects for future work remain strong.

In the Middle East, profits were in line with last year despite a significant reduction in total revenue. Strong profit performance in the mechanical & electrical business, particularly outside Dubai, was offset by significant reductions in the Dubai building and civil construction markets.

The order book for construction services was £8.5 billion, an increase of 4% since the year end, or flat at constant currency.

We continue to expect a similar overall level of performance in the year in construction services compared to last year.

Support services

Balfour Beatty is a leading provider of support services operating in facilities management and business services outsourcing, water and power, and transport (highways management and rail renewals) sectors.

Revenue[4] increased by 1% in the period to £735 million (2009: £726 million), with growth in facilities management and business services outsourcing offset by a reduction in rail renewals and the slow start to AMP5 contracts in the water sector.

Profit from operations, before exceptional items and amortisation, decreased by £7 million to £21 million (2009: £28 million), impacted by the investment in a national operations centre set up to support external facilities management customers and a slow start-up to AMP5.

Balfour Beatty WorkPlace's operations in healthcare and education were boosted as a number of major PPP schemes moved from construction phase to operational phase, underlining the benefits of Balfour Beatty's integrated model.

In the power sector, the Group's contracts in the UK are performing well and we see this as an area of substantial long-term growth, both in the UK and elsewhere in the world.

In highways management, there was a first full six months' contribution from the M25 operations and maintenance contract. A £100 million, 10-year partnership was signed with Southampton City Council in July to provide highways planning and asset management services.

The order book for support services remained stable at £4.5 billion (December 2009: £4.5 billion) with good contract wins/extensions with customers including Royal Mail, Anglian Water and North East Lincolnshire Council and the business is well-positioned for growth.

We expect performance for the year as a whole in support services to be weighted towards the second half and continue to expect it to be broadly in line with last year.

Infrastructure investments

Balfour Beatty is a leading Public Private Partnership ("PPP") concession company in the UK and the US. This segment has grown to become a significant part of the Group's business and a major component of the value of the Group.

Profit from operations[1], before exceptional items and amortisation, decreased, as anticipated, by £11 million to £14 million (2009: £25 million), principally due to a reduction in profits from Barking Power Station and increased bid cost expense.

In the UK, PPP concession profits were in line with last year despite the sale of the Group's holding in the Aberdeen Waste Water concession and reducing the Group's interest in the Edinburgh Royal Infirmary concession to 50%, largely due to increased profits on completed hospital projects and on the M25.

The asset sales generated cash of £24 million, which was £3 million in excess of their value in the Directors' valuation of PPP concessions as at 31 December 2009 and generated an exceptional profit of £20 million.

Despite those sales and the sale of a bond in one of the US military housing concessions, the Directors' valuation of the PPP portfolio has increased from £610 million at December 2009 to £624 million on a consistent basis.

In the UK, financial close was achieved on Blackburn with Darwen and Bolton Building Schools for the Future ("BSF") and, in August, Coventry street lighting, with preferred bidder status reached on North West Fire & Rescue, and three BSF schools projects for which approval for the sample schools was given last week.

Balfour Beatty was recently appointed preferred bidder under the Offshore Transmission Network Owners ("OFTO") regulatory regime to own, operate and maintain the offshore high-voltage transmission system which will connect the Thanet offshore wind farm to the electricity transmission network in the UK.

In the US, the Group's PPP business received additional funding from the US Department of the Army for an expansion phase of military family housing at Fort Carson in Colorado and, in its first move outside that sector, reached financial close on a student accommodation project at Florida Atlantic University.

Profits from US PPP concessions reduced by £1 million in the period as some projects, as scheduled, came out of the construction phase and less fee income was earned.

Profits from non-PPP infrastructure investments decreased to £5 million (2009: £9 million). As highlighted previously, profits in Barking Power station were lower than last year. Barking Power has reviewed the carrying value of its plant in light of the expiry of the offtake and gas input contracts in September 2010 and has concluded, based on the current expectation of future power and gas prices, that it should write-down the value of its assets. That write-down is reflected as a non-cash exceptional charge of £27 million and results in a book value for the Group's investment in Barking Power of £53 million.

Bid costs and overheads have increased by £6 million compared with last year, reflecting significant levels of activity in the first half, and greater recovery of costs last year.

As previously reported, we expect the outcome for infrastructure investments for the full year to be significantly behind 2009, largely as a result of the impact of Barking Power.

COST AND EFFICIENCY

Our businesses have continued to control costs tightly. In addition, the Group has been evaluating additional levels of cost efficiency through procurement savings and a support centre which would be responsible for managing and delivering transactional accounting services and payroll processes to the Group's UK construction services and support services businesses.

This is an important structural move for the Group to enhance our competitiveness further and will also underpin earnings in the short and medium term.

This is expected to deliver benefits of at least £30 million per annum. Of that £30 million per annum, £10 million will improve competitiveness at project level and around £20 million will directly impact the structural cost base. Of the anticipated £20 million of annual structural cost saving, around half is expected to be realised in 2011, with the full benefits from the end of 2012. The one-off costs of implementation are approximately £25 million in 2010/11, plus around £10 million in additional IT investment.

EXCEPTIONAL ITEMS & AMORTISATION OF INTANGIBLE ASSETS

The Group has recorded an exceptional loss of £18 million (2009: £22 million loss), before a related £3 million tax credit (2009: £6 million credit), including £11 million of anticipated post-acquisition integration and reorganisation costs, principally resulting from the integration of Parsons Brinckerhoff.

Charges for the amortisation of intangible assets have increased, due to the impact of acquisitions, to £42 million (2009: £20 million) with a related tax credit of £14 million (2009: £6 million).

OTHER FINANCIAL INFORMATION

Average cash in the first half of the year was £436 million, ahead of the average of £224 million for the same period last year. The period-end net cash position was £500 million (2009: £394 million), excluding the non-recourse net debt in PPP subsidiaries.

Cash from operations was an outflow of £21 million (2009: inflow of £78 million), partly due to the timings of receipts around period ends, the anticipated unwind of some of the PB cash position and less negative working capital due to the reduction in construction revenue.

Net finance costs increased to £10 million (2009: £6 million, before exceptional items), principally due to a £3 million anticipated increase in the net finance costs from pension schemes.

The pension deficit has increased to £629 million pre-tax, or £451 million after tax, largely due to a further reduction in the effective real discount rate used to value liabilities from 2.15% at the 2009 year end to 2.05% at June 2010. This takes no account of the recent announcement from the government on changes to pension legislation which will change the basis of general pension indexation from RPI to CPI. If scheme specific rules are not overridden, we estimate our liabilities would be reduced by between £52 million and £80 million, assuming CPI is less than RPI by between 0.5% and 0.75%.

The effective tax rate for the period was 35% (2009: 39%), benefiting from increased profits from lower tax territories. The tax rate for the full year is anticipated to be similar to this rate.

OUTLOOK

Balfour Beatty is uniquely well-placed in major markets to benefit from the long-term, global growth in investment in infrastructure. While the timing of short-term movements in individual markets is difficult to predict, the Group now has significant capabilities across the infrastructure lifecycle and operates in diverse markets and geographies, which gives the business strength and resilience.

The Group has a high-quality order book of £14.6 billion at June 2010 and a number of opportunities in the second half of the year. This, along with the actions taken and proposed to drive efficiency, means the Group is well-positioned to manage any challenges in individual markets. Our continuing progressive dividend policy reflects our confidence in the Group's ability to deliver growth over the medium term.

Overall, we remain confident about the outlook for the Group.

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This document contains forward looking statements which have been made in good faith based on the information available at the time of its approval. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a number of risks and uncertainties that are inherent in any forward looking statement which could cause actual results to differ materially from those currently anticipated.

Notes to Editors:

Balfour Beatty (www.balfourbeatty.com) is a world-class infrastructure group operating in professional services, construction services, support services and infrastructure investments.

We work in partnership with our customers principally in the UK, continental Europe, the US, South-East Asia, Australia and the Middle East, who value the highest levels of quality, safety and technical expertise.

Key infrastructure markets include transportation (roads, rail and airports); social infrastructure (education, specialist healthcare, and various types of accommodation); utilities (water, gas and power transmission and generation) and commercial (offices, leisure and retail).

The Group delivers services essential to the development, creation and care of these infrastructure assets including project design, financing and management, engineering and construction, and facilities management services.

Balfour Beatty employs 50,000 people around the world.

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A presentation to analysts and investors will be made at RBS, 250 Bishopsgate, London EC2M 4AA at 9.30 am.

There will be a live webcast of this presentation on www.balfourbeatty.com and the slides presented will be available on the website from 9.30 am.

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A half-year update will be posted on 19 August 2010 to holders of ordinary shares and preference shares. The financial report for the half-year ended 26 June 2010 can be viewed on the Company's website at www.balfourbeatty.com

The interim 2010 dividend of 5.05p net per ordinary share will be paid on 3 December 2010 to holders of these shares on the register on 8 October 2010 by direct credit or, where no mandate has been given, by cheque posted on 2 December 2010 payable on 3 December 2010. The ordinary shares will be quoted ex-dividend on 6 October 2010.

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 2010 on 1 January 2011 to holders of these shares on the register on 26 November 2010 by direct credit or, where no mandate has been given, by cheque posted on 31 December 2010 payable on 1 January 2011. The preference shares will be quoted ex-dividend on 24 November 2010.

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Condensed Group statement of financial performance

For the half-year ended 26 June 2010 based on unaudited figures

	Notes	2010 first half Before exceptional items[1] £m	2010 first half Exceptional items[1] (Note 6) £m	2010 first half Total £m	2009 first half Before exceptional items[1,2] £m	2009 first half Exceptional items[1] (Note 6) £m	2009 first half Total[2] £m	2009 year Before exceptional items[1,2] £m	2009 year Exceptional items[1] (Note 6) £m	2009 year Total[2] £m
Revenue including share of joint ventures and associates		**5,199**	**–**	**5,199**	5,072	–	5,072	10,339	–	10,339
Share of revenue of joint ventures and associates	3	**(594)**	**–**	**(594)**	(684)	–	(684)	(1,385)	–	(1,385)
Group revenue		**4,605**	**–**	**4,605**	4,388	–	4,388	8,954	–	8,954
Cost of sales		**(4,082)**	**–**	**(4,082)**	(4,060)	–	(4,060)	(8,173)	–	(8,173)
Gross profit		**523**	**–**	**523**	328	–	328	781	–	781
Net operating expenses										
– amortisation of intangible assets		**–**	**(42)**	**(42)**	–	(20)	(20)	–	(48)	(48)
– other		**(413)**	**9**	**(404)**	(255)	(7)	(262)	(582)	63	(519)
Group operating profit		**110**	**(33)**	**77**	73	(27)	46	199	15	214
Share of results of joint ventures and associates	3	**41**	**(27)**	**14**	40	–	40	81	–	81
Profit from operations		**151**	**(60)**	**91**	113	(27)	86	280	15	295
Investment income	4	**22**	**–**	**22**	17	–	17	32	–	32
Finance costs	5	**(32)**	**–**	**(32)**	(23)	(15)	(38)	(47)	(15)	(62)
Profit before taxation		**141**	**(60)**	**81**	107	(42)	65	265	–	265
Taxation	7	**(35)**	**17**	**(18)**	(26)	12	(14)	(69)	15	(54)
Profit for the period attributable to equity holders		**106**	**(43)**	**63**	81	(30)	51	196	15	211

[1] and amortisation of intangible assets.

[2] Restated for the adoption of IFRIC 12 (Note 1.2).

	Notes	2010 first half pence	2009 first half[2,3] pence	2009 year[2,3] pence
Basic earnings per ordinary share	8	**9.2**	9.4	37.1
Diluted earnings per ordinary share	8	**9.2**	9.3	37.0
Dividends per ordinary share proposed for the period	9	**5.05**	4.79	11.99

[2] Restated for the adoption of IFRIC 12 (Note 1.2).

[3] Per share numbers have been restated for the bonus element of the 2009 rights issue (Note 12).

Condensed Group statement of comprehensive income

For the half-year ended 26 June 2010 based on unaudited figures

	2010 first half £m	2009 first half[2] £m	2009 year[2] £m
Profit for the period	**63**	51	211
Other comprehensive (expense)/income for the period			
Actuarial losses on retirement benefit obligations	**(55)**	(332)	(350)
Fair value revaluations – PPP financial assets	**44**	(44)	(81)
– PPP cash flow hedges	**(74)**	10	5
– other cash flow hedges	**(5)**	(3)	(2)
Changes in fair value of net investment hedges	**–**	18	18
Currency translation differences	**57**	(98)	(77)
Tax relating to components of other comprehensive income	**25**	103	120
Total other comprehensive expense for the period	**(8)**	(346)	(367)
Total comprehensive income/(expense) for the period attributable to equity holders	**55**	(295)	(156)

[2] Restated for the adoption of IFRIC 12 (Note 1.2).

Condensed Group statement of changes in equity

For the half-year ended 26 June 2010 based on unaudited figures

						Other reserves						
	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 [2] £m	Hedging reserves £m	Currency translation reserve £m	Merger reserve £m	Other £m	Retained profits/ (Accumulated losses) £m	Non-controlling interests £m	Total [2] £m
At 1 January 2009	239	54	16	139	226	(26)	85	–	20	104	4	861
Total comprehensive (expense)/income for the period	–	–	–	–	(4)	11	(71)	–	–	(231)	–	(295)
Ordinary dividends	–	–	–	–	–	–	–	–	–	(37)	–	(37)
Joint ventures' and associates' dividends	–	–	–	–	(27)	–	–	–	–	27	–	–
Movements relating to share-based payments	–	–	–	–	–	–	–	–	3	(1)	–	2
At 27 June 2009	239	54	16	139	195	(15)	14	–	23	(138)	4	531
Total comprehensive income/(expense) for the period	–	–	–	–	10	(2)	22	–	(1)	110	–	139
Ordinary dividends	–	–	–	–	–	–	–	–	–	(26)	–	(26)
Joint ventures' and associates' dividends	–	–	–	–	(48)	–	–	–	–	48	–	–
Issue of ordinary shares	104	3	–	–	–	–	–	252	–	–	–	359
Rights issue expenses	–	–	–	–	–	–	–	–	–	(3)	–	(3)
Movements relating to share-based payments	–	–	–	–	–	–	–	–	(2)	1	–	(1)
Transfers	–	–	–	(107)	–	–	–	(3)	–	110	–	–
At 31 December 2009	343	57	16	32	157	(17)	36	249	20	102	4	999
Total comprehensive income/(expense) for the period	**–**	**–**	**–**	**–**	**2**	**(15)**	**47**	**–**	**7**	**14**	**–**	**55**
Ordinary dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(49)**	**–**	**(49)**
Joint ventures' and associates' dividends	**–**	**–**	**–**	**–**	**(26)**	**–**	**–**	**–**	**–**	**26**	**–**	**–**
Recycling of revaluation reserves to the statement of financial performance on disposal	**–**	**–**	**–**	**–**	**(4)**	**–**	**–**	**–**	**–**	**–**	**–**	**(4)**
Movements relating to share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**	**3**	**–**	**1**
At 26 June 2010	**343**	**57**	**16**	**32**	**129**	**(32)**	**83**	**249**	**25**	**96**	**4**	**1,002**

[2] Restated for the adoption of IFRIC 12 (Note 1.2).

Condensed Group statement of financial position

As at 26 June 2010 based on unaudited figures

	Notes	2010 first half £m	2009 first half [2] £m	2009 year [2,4] £m
Non-current assets				
Intangible assets – goodwill	10	**1,176**	928	1,143
– other		**286**	190	298
Property, plant and equipment		**315**	288	315
Investments in joint ventures and associates	3	**438**	442	451
Investments		**85**	53	83
PPP financial assets		**290**	205	260
Deferred tax assets		**198**	206	191
Derivative financial instruments		**–**	–	1
Trade and other receivables		**76**	68	98
		2,864	2,380	2,840
Current assets				
Inventories		**106**	120	100
Due from customers for contract work		**689**	451	524
Derivative financial instruments		**2**	1	–
Trade and other receivables		**1,406**	1,203	1,329
Current tax assets		**21**	–	5
Cash and cash equivalents – PPP subsidiaries		**17**	4	10
– other		**516**	406	608
		2,757	2,185	2,576
Total assets		**5,621**	4,565	5,416
Current liabilities				
Trade and other payables		**(2,500)**	(2,258)	(2,412)
Due to customers for contract work		**(650)**	(483)	(607)
Derivative financial instruments		**(2)**	(47)	(1)
Current tax liabilities		**(5)**	(6)	(8)
Borrowings – PPP non-recourse loans		**(6)**	(16)	(19)
– other		**(3)**	(2)	(23)
		(3,166)	(2,812)	(3,070)
Non-current liabilities				
Trade and other payables		**(147)**	(152)	(163)
Derivative financial instruments		**(44)**	(20)	(24)
Borrowings – PPP non-recourse loans		**(263)**	(178)	(239)
– other		**(13)**	(10)	(13)
Deferred tax liabilities		**(9)**	(10)	(9)
Liability component of preference shares		**(89)**	(88)	(88)
Retirement benefit obligations	11	**(629)**	(587)	(586)
Provisions		**(259)**	(177)	(225)
		(1,453)	(1,222)	(1,347)
Total liabilities		**(4,619)**	(4,034)	(4,417)
Net assets		**1,002**	531	999
Equity				
Called-up share capital	12	**343**	239	343
Share premium account		**57**	54	57
Equity component of preference shares		**16**	16	16
Special reserve		**32**	139	32
Share of joint ventures' and associates' reserves		**129**	195	157
Other reserves		**325**	22	288
Retained profits/(accumulated losses)		**96**	(138)	102
Equity attributable to equity holders of the parent		**998**	527	995
Non-controlling interests		**4**	4	4
Total equity		**1,002**	531	999

[2] Restated for the adoption of IFRIC 12 (Note 1.2).

[4] Restated for the amendments to the acquisition statement of financial position of Parsons Brinckerhoff Inc (Notes 1.4 and 13).

Condensed Group statement of cash flows

For the half-year ended 26 June 2010 based on unaudited figures

	Notes	**2010 first half £m**	2009 first half £m	2009 year £m
Cash flows from operating activities				
Cash (used in)/generated from operations	14.1	**(21)**	78	294
Income taxes paid		**(21)**	(17)	(31)
Net cash (used in)/from operating activities		**(42)**	61	263
Cash flows from investing activities				
Dividends received from joint ventures and associates		**26**	27	75
Interest received		**10**	12	17
Acquisition of businesses, net of cash and cash equivalents acquired		**(5)**	(26)	(300)
Purchase of intangible assets		**(6)**	–	(3)
Purchase of property, plant and equipment		**(39)**	(44)	(71)
Purchase of other investments		**(2)**	–	–
Investment in and loans made to joint ventures and associates		**(21)**	(13)	(50)
Investment in PPP financial assets		**(12)**	(48)	(95)
Settlement of financial derivatives		**–**	(15)	(57)
Disposal of investments in joint ventures		**24**	–	–
Disposal of property, plant and equipment		**4**	7	19
Disposal of other investments		**3**	3	16
Net cash used in investing activities		**(18)**	(97)	(449)
Cash flows from financing activities				
Proceeds from issue of ordinary shares		**–**	–	356
Purchase of ordinary shares		**(3)**	(3)	(6)
Proceeds from new loans		**22**	55	121
Repayment of loans		**(22)**	(3)	(4)
Repayment of finance leases		**–**	(1)	(3)
Ordinary dividends paid		**–**	–	(63)
Interest paid		**(16)**	(9)	(19)
Preference dividends paid		**(5)**	(5)	(11)
Net cash (used in)/from financing activities		**(24)**	34	371
Net (decrease)/increase in cash and cash equivalents		**(84)**	(2)	185
Effects of exchange rate changes		**9**	(41)	(30)
Cash and cash equivalents at beginning of period		**608**	453	453
Cash and cash equivalents at end of period	14.2	**533**	410	608

Notes

1 Accounting policies

1.1 Basis of preparation

The condensed Group financial statements for the half-year ended 26 June 2010 included in this report have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed Group financial statements should be read in conjunction with the financial statements for the year ended 31 December 2009, which were prepared in accordance with IFRS as adopted by the European Union.

The condensed Group financial statements have been reviewed, not audited, and were approved for issue by the Board on 10 August 2010. The financial information included in this report does not constitute statutory accounts for the purposes of Section 434 of the Companies Act 2006. A copy of the Company's audited statutory accounts for the year ended 31 December 2009 has been delivered to the Registrar of Companies. The independent auditors' report on those accounts was unqualified, did not include a reference to any matters to which the

auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The condensed Group financial statements have been prepared on the basis of the accounting policies set out in the Annual report and accounts 2009 except as described in Note 1.2 below. The Group's principal risks and uncertainties are set out in Note 18 in these financial statements and Note 1.27 and on pages 70 to 73 of the Annual report and accounts 2009. Having made appropriate enquiries and reviewed medium-term cash forecasts, the Directors consider it reasonable to assume that the Group has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the half-year condensed Group financial statements.

1.2 Changes in accounting policy

The Group has adopted IFRIC 12 Service Concession Arrangements in the current period. IFRIC 12 relates to the accounting for the Group's PPP concessions and requires certain assets constructed by one of the equity accounted joint ventures that were previously accounted for as available-for-sale financial assets to be accounted for as intangible assets.

The adoption had the following effect on the Group's share of joint venture balances:

	2009 opening position £m	2009 first half £m	2009 year £m
Statement of financial position			
Investments in joint ventures and associates	(4)	(2)	(7)
Statement of changes in equity			
Share of joint ventures' and associates' reserves – PPP financial assets	–	3	(1)
Statement of financial performance			
Share of results of joint ventures and associates	–	(1)	(2)

The comparative information presented in this half-year report has been restated for the adoption of IFRIC 12.

IFRS 1 First-time Adoption of International Financial Reporting Standards (revised 2008); IFRIC 15 Agreements for the Construction of Real Estate; IFRIC 16 Hedges of a Net Investment in a Foreign Operation; IFRIC 17 Distributions of Non-cash Assets to Owners; IFRIC 18 Transfers of Assets from Customers; Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items; Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions; Improvements to IFRSs (issued April 2009); and Amendments to IFRS 1 Additional Exemptions for First-time Adopters also came into effect and were adopted in the current period but had no effect on the condensed Group financial statements.

1.3 Change in segmentation

In the Annual report and accounts 2009, the Group's segmentation was revised following the acquisition of Parsons Brinckerhoff Inc in October 2009. The Group's segments were previously Building, building management and services; Civil and specialist engineering and services; Rail engineering and services; and Investments. The Group's new segments are Professional services; Construction services; Support services; Infrastructure

investments; and Corporate activities. The information disclosed in Note 2 for the half-year 2009 has been re-presented based on the new segments.

1.4 Restatement of comparative information

New information in respect of certain contractual positions as at the acquisition date of Parsons Brinckerhoff Inc has been considered by management resulting in changes to the fair value of net assets recognised in respect of the acquisition from those fair values disclosed in the Annual report and accounts 2009. As a result the adjustments disclosed in Note 13 have been made to the acquisition date statement of financial position. The 2009 full year statement of financial position has been restated accordingly.

1.5 Accounting standards not yet adopted by the Group

IFRS 9 Financial Instruments; IAS 24 Related Party Disclosures (revised 2009); IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments; Improvements to IFRSs (issued May 2010); and the amendments to: IAS 32 Financial Instruments: Presentation: Classification of Rights Issues; IFRIC 14 Prepayments of a Minimum Funding Requirement; and IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters were either in issue but not yet adopted or not yet endorsed by the European Union at 10 August 2010.

Except for IFRS 9 none of these accounting standards, interpretations or amendments is expected to have a significant effect on the Group's accounting policies or financial statements. IFRS 9 Financial Instruments is expected to replace IAS 39 Financial Instruments: Recognition and Measurement from 2013, subject to EU adoption. IFRS 9 in issue as at 10 August 2010 only concerns the classification and measurement of financial assets. New requirements for the classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting are expected to be added to IFRS 9 in 2010. The requirements of IFRS 9 in issue as at 10 August 2010 would result in the Group's PPP financial assets being reclassified from "available-for-sale", which is a category that will no longer exist under the new standard, to a debt instrument measured either at amortised cost or at fair value through profit or loss. As a result, movements in the fair value of PPP financial assets would no longer be recognised in other comprehensive income. Retrospective application of this requirement would result in the closing balance of fair value movements recognised in PPP financial asset reserves being transferred to retained earnings. The effect within the Group's reserves would be a transfer of £8m from PPP financial asset reserves to retained earnings. The effect within the share of joint ventures' and associates' reserves would be a transfer of £78m from PPP financial asset reserves to retained earnings.

1.6 Exchange rates

Exchange rates applied in the preparation of these financial statements:

Average rates

£1 buys	**2010 first half**	2009 first half	Change	**2010 first half**	2009 year	Change
USD	**1.53**	1.50	2%	**1.53**	1.56	(2)%
EUR	**1.15**	1.12	3%	**1.15**	1.12	3%

Closing rates

£1 buys	**2010 first half**	2009 first half	Change	**2010 first half**	2009 year	Change
USD	**1.50**	1.65	(9)%	**1.50**	1.62	(7)%
EUR	**1.22**	1.17	4%	**1.22**	1.13	8%

2 Segment analysis

2.1 For the half-year ended 26 June 2010

	Professional services £m	Construction services £m	Support services £m	Infrastructure investments £m	Corporate activities £m	Total £m
Performance by activity:						
Revenue including share of joint ventures and associates	**829**	**3,282**	**735**	**352**	**1**	**5,199**
Share of revenue of joint ventures and associates	**(4)**	**(275)**	**(64)**	**(251)**	**–**	**(594)**
Group revenue	**825**	**3,007**	**671**	**101**	**1**	**4,605**
Group operating profit/(loss)	**49**	**69**	**19**	**(11)**	**(16)**	**110**
Share of results of joint ventures and associates	**–**	**14**	**2**	**25**	**–**	**41**
Profit/(loss) from operations before exceptional items and amortisation	**49**	**83**	**21**	**14**	**(16)**	**151**
Exceptional items	**(10)**	**(1)**	**–**	**(7)**	**–**	**(18)**
Amortisation of intangible assets	**(26)**	**(8)**	**(1)**	**(7)**	**–**	**(42)**
Profit/(loss) from operations	**13**	**74**	**20**	**–**	**(16)**	**91**
Investment income						**22**
Finance costs						**(32)**
Profit before taxation						**81**
Other information						
Total assets	**873**	**2,685**	**414**	**874**	**775**	**5,621**
Total liabilities	**(616)**	**(2,861)**	**(425)**	**(128)**	**(589)**	**(4,619)**
Net assets	**257**	**(176)**	**(11)**	**746**	**186**	**1,002**
Capital expenditure	**7**	**22**	**9**	**–**	**1**	**39**
Gain on sale of investments in joint ventures	**–**	**–**	**–**	**20**	**–**	**20**
Impairment of Barking power station	**–**	**–**	**–**	**(27)**	**–**	**(27)**
Depreciation	**6**	**25**	**5**	**1**	**–**	**37**

2.2 For the half-year ended 27 June 2009

	Professional services £m	Construction services £m	Support services £m	Infrastructure investments [2] £m	Corporate activities £m	Total [2] £m
Performance by activity:						
Revenue including share of joint ventures and associates	157	3,785	726	386	18	5,072
Share of revenue of joint ventures and associates	–	(359)	(62)	(263)	–	(684)
Group revenue	157	3,426	664	123	18	4,388
Group operating profit/(loss)	6	60	27	(3)	(17)	73
Share of results of joint ventures and associates	–	11	1	28	–	40
Profit/(loss) from operations before exceptional items and amortisation	6	71	28	25	(17)	113
Exceptional items	–	(6)	–	(1)	–	(7)
Amortisation of intangible assets	(1)	(10)	(1)	(8)	–	(20)
Profit/(loss) from operations	5	55	27	16	(17)	86
Investment income						17
Finance costs						(38)
Profit before taxation						65
Other information						
Total assets	74	2,602	451	790	648	4,565
Total liabilities	(97)	(2,811)	(454)	(121)	(551)	(4,034)
Net assets	(23)	(209)	(3)	669	97	531
Capital expenditure	1	33	8	1	1	44
Impairment of inventory, property, plant and equipment	–	(4)	–	–	–	(4)
Depreciation	1	26	7	1	1	36

[2] Restated for the adoption of IFRIC 12 (Note 1.2).

2.3 For the year ended 31 December 2009

	Professional services £m	Construction services £m	Support services £m	Infrastructure investments [2] £m	Corporate activities £m	Total [2] £m
Performance by activity:						
Revenue including share of joint ventures and associates	558	7,491	1,443	829	18	10,339
Share of revenue of joint ventures and associates	(5)	(673)	(140)	(567)	–	(1,385)
Group revenue	553	6,818	1,303	262	18	8,954
Group operating profit/(loss)	13	183	50	(12)	(35)	199
Share of results of joint ventures and associates	–	24	5	52	–	81
Profit/(loss) from operations before exceptional items and amortisation	13	207	55	40	(35)	280
Exceptional items	(23)	(16)	3	(1)	100	63
Amortisation of intangible assets	(8)	(20)	(2)	(18)	–	(48)
Profit/(loss) from operations	(18)	171	56	21	65	295
Investment income						32
Finance costs						(62)
Profit before taxation						265
Other information						
Total assets [4]	841	2,498	380	855	842	5,416
Total liabilities [4]	(592)	(2,765)	(400)	(111)	(549)	(4,417)
Net assets [4]	249	(267)	(20)	744	293	999
Capital expenditure	2	55	10	3	1	71
Impairment of inventory, property, plant and equipment	–	(4)	–	–	–	(4)
Depreciation	2	50	13	2	2	69

[2] Restated for the adoption of IFRIC 12 (Note 1.2).

[4] Restated for the amendments to the acquisition statement of financial position of Parsons Brinckerhoff Inc (Notes 1.4 and 13).

2.4 Infrastructure investments (Balfour Beatty Capital and Balfour Beatty Communities)

	2010 first half £m	2009 first half [2] £m	2009 year [2] £m
Revenue			
PPP UK*			
– joint ventures and associates	**207**	214	472
– subsidiaries	**36**	57	125
PPP US	**62**	64	131
Infrastructure			
– joint ventures and associates	**44**	49	95
– subsidiaries	**3**	2	6
	352	386	829

	2010 first half £m	2009 first half [2] £m	2009 year [2] £m
Profit from operations – before exceptional items and amortisation of intangible assets			
PPP UK*			
– joint ventures and associates [1]	**15**	15	29
– subsidiaries	**1**	1	1
PPP US			
– joint ventures and associates [1]	**3**	2	4
– subsidiaries	**9**	11	20
Infrastructure			
– joint ventures and associates [1]	**7**	11	19
– subsidiaries	**(2)**	(2)	(3)
	33	38	70
Bidding costs and overheads	**(19)**	(13)	(30)
	14	25	40

* including Singapore.

[1] The Group's share of the results of joint ventures and associates is disclosed net of investment income, finance costs and taxation.

[2] Restated for the adoption of IFRIC 12 (Note 1.2).

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

	2010 first half £m	2009 first half [2] £m	2009 year [2] £m
Statement of financial performance			
Share of revenue of joint ventures and associates	**594**	684	1,385
Operating profit before exceptional items	**37**	34	71
Investment income	**78**	67	139
Finance costs	**(62)**	(49)	(106)
Taxation	**(12)**	(12)	(23)
Share of results of joint ventures and associates before exceptional items	**41**	40	81
Statement of financial position			
Property, plant and equipment	**105**	140	138
PPP financial assets	**1,967**	1,769	1,887
PPP concession intangible assets	**22**	23	23
Military housing projects	**50**	43	45
Net cash/(borrowings) – PPP non-recourse	**(1,674)**	(1,580)	(1,527)
– other	**300**	263	112
Other net assets/(liabilities)	**(332)**	(216)	(227)
Share of net assets of joint ventures and associates	**438**	442	451

[2] Restated for the adoption of IFRIC 12 (Note 1.2).

4 Investment income

	2010 first half £m	2009 first half £m	2009 year £m
PPP subordinated debt interest receivable	**9**	6	9
PPP interest on financial assets	**9**	6	14
Income arising from derivatives designated as hedges of net investments in foreign operations	**–**	1	1
Other interest receivable and similar income	**4**	4	8
	22	17	32

5 Finance costs

	2010 first half £m	2009 first half £m	2009 year £m
Preference shares – finance cost	**6**	6	12
PPP non-recourse – bank loans and overdrafts	**9**	6	13
Net finance cost on pension scheme assets and liabilities	**11**	8	15
Other interest payable – bank loans and overdrafts	**3**	1	5
– other loans	**3**	2	2
	32	23	47
Exceptional item – foreign exchange options	**–**	15	15
	32	38	62

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 2010 on 1 July 2010 to holders of these shares on the register on 28 May 2010. 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 2010 on 1 January 2011 to holders of these shares on the register on 26 November 2010 by direct credit or, where no mandate has been given, by cheque posted on 31 December 2010 payable on 1 January 2011. These shares will be quoted ex-dividend on 24 November 2010.

6 Exceptional items and amortisation of intangible assets

	2010 first half £m	2009 first half £m	2009 year £m
6.1 (Charged against)/credited to profit from operations			
Net operating expenses – gain on sale of investments in joint ventures	**20**	–	–
– reduction in pension past service liabilities	**–**	–	100
– acquisition related expenses	**–**	(1)	(16)
– Office of Fair Trading ("OFT") fine	**–**	–	(5)
– post-acquisition integration, reorganisation and other costs	**(11)**	(2)	(12)
– impairment charges in respect of railway facilities and inventory	**–**	(4)	(4)
Share of joint ventures and associates – impairment of Barking Power station	**(27)**	–	–
	(18)	(7)	63
6.2 Charged against finance costs			
– foreign exchange options	**–**	(15)	(15)
6.3 (Charged against)/credited to profit before taxation	**(18)**	(22)	48
– tax on items above	**3**	6	(18)
– release of deferred tax on unremitted foreign earnings	**–**	–	16
Exceptional items (charged against)/credited to profit for the period	**(15)**	(16)	46
Amortisation of intangible assets	**(42)**	(20)	(48)
Tax thereon	**14**	6	17
(Charged against)/credited to profit for the period	**(43)**	(30)	15

6.1 During the period the Group disposed of its 50% interest in Aberdeen Environmental Services (Holdings) Ltd and a 23.9% interest in Consort Healthcare (Edinburgh Royal Infirmary) Holdings Ltd. The Group retains a 50% interest in Consort Healthcare (Edinburgh Royal Infirmary) Holdings Ltd following the transaction. The aggregate consideration received was £24m. The disposals resulted in a total gain of £20m being realised, comprising £16m in respect of gains on disposal of the investments in the joint ventures and £4m in respect of revaluation reserves recycled to the statement of financial performance.

In 2009 the Group implemented measures to limit the increase in pension benefits of certain groups of in-service members of the Balfour Beatty Pension Fund giving rise to a reduction in past service liabilities of £100m in the second half of 2009.

In 2009 costs directly attributable to acquisitions have been incurred in respect of Dooley Construction Limited Partnership (first half £1m, full-year £1m) and Parsons Brinckerhoff Inc (first half £nil, full-year £15m).

In 2004 the OFT initiated an investigation into tender activities across the UK construction sector. The OFT concluded its investigation in 2009 and determined that these activities amounted to breaches of competition law in the UK. As a result of the decision, Mansell was fined £5m in the second half of 2009 in respect of such instances, all of which took place before its acquisition by the Group. The Company and its operating businesses co-operated with the OFT throughout the investigation.

Reorganisation and integration costs of £11m (2009: first half £2m, full-year £12m) have been incurred, £10m (2009: first half £nil, full-year £8m) relating to Parsons Brinckerhoff, £1m (2009: first half £nil, full-year £nil) relating to SpawMaxwell, £nil (2009: first half £1m, full-year £1m) relating to Balfour Beatty Communities, £nil (2009: first half £1m, full-year £2m) relating to Dean & Dyball, £nil (2009: first half £nil, full-year £3m) relating to Schreck-Mieves and £nil (2009: first half £nil, full-year £1m) relating to Douglas E Barnhart. Further, in the second half of 2009 a gain of £3m was recognised in relation to the relocation of certain Rail UK businesses.

An impairment charge of £4m was incurred in the first half of 2009 in respect of writing down buildings and inventory of railway facilities in Germany to their fair value less costs to sell due to a decision by a main customer to consolidate procurement over fewer production facilities.

A post-tax impairment charge of £27m (2009: first half £nil, full-year £nil) was incurred in respect of writing down the value of the assets held by Barking Power Limited. The Group has a 25.5% interest in Barking Power Limited. The impairment has arisen following a detailed assessment of the future earnings of the power station in view of existing bilateral contracts with power purchasers and gas suppliers ending in September 2010. The future cash flows in the impairment model are dependent on future power, gas and carbon prices and exchange rates, all of which are volatile and are based on forecasts provided by an external consultant. The other principal sensitivity in the impairment model relates to the discount rate applied. Given the nature of the business and the return an investor would expect from a company with a similar risk profile, a pre-tax discount rate of 11% was applied to the forecast cash flows generated over the remaining 15 year useful life of the power station.

6.2 Due to the volatile currency markets, the Group entered into a number of foreign exchange option contracts in the first half of 2009 at a cost of £15m to limit the cash outflow for the planned settlement of the Group's foreign exchange contracts in respect of net investment hedging.

6.3 The exceptional items (charged against)/credited to Group operating profit have given rise to a tax credit of £3m (2009: first half £6m credit, full-year £18m charge). As a result of the Finance Act 2009, future dividend income from outside the UK is exempt from UK corporation tax which led to the release of £10m of deferred tax in the UK in the second half of 2009. In addition, in the second half of 2009 there was a release of £6m of US deferred tax in relation to unremitted earnings where future additional US tax will no longer be incurred.

7 Taxation

	2010 first half £m	2009 first half £m	2009 year £m
UK current tax	**(4)**	2	4
Foreign current tax	**12**	7	29
Deferred tax	**27**	17	36
	35	26	69
Exceptional items and amortisation of intangible assets	**(17)**	(12)	(15)
Total tax charge	**18**	14	54

Under IAS 34 the half-year tax charge represents the expected tax rate applicable for the full-year, calculated as far as practicable for each tax jurisdiction, applied to the profit before taxation, exceptional items and amortisation of intangible assets for each tax jurisdiction. If the profit mix between tax jurisdictions differs between the half-year and full-year, a different overall effective tax rate for the half-year and full-year will arise.

In addition to the Group tax charge above is £25m of tax credited directly to equity (2009: first half £103m credited, full-year £120m credited), comprising a deferred tax credit of £18m (2009: first half £87m credit, full-year £94m credit) and a credit in respect of joint ventures and associates of £7m (2009: first half £16m credit, full-year £26m credit).

8 Earnings per ordinary share

	2010 first half		2009 first half		2009 year	
	Basic £m	**Diluted £m**	Basic [2] £m	Diluted [2] £m	Basic [2] £m	Diluted [2] £m
Earnings [1]	**63**	**63**	51	51	211	211
Exceptional items [1]	**15**	**15**	16	16	(46)	(46)
Amortisation of intangible assets [1]	**28**	**28**	14	14	31	31
Adjusted earnings [1]	**106**	**106**	81	81	196	196

	Basic m	**Diluted m**	Basic [3] m	Diluted [3] m	Basic m	Diluted m
Weighted average number of ordinary shares	**682**	**682**	545	546	571	572

	Basic pence	**Diluted pence**	Basic [2,3] pence	Diluted [2,3] pence	Basic [2] pence	Diluted [2] pence
Earnings per ordinary share	**9.2**	**9.2**	9.4	9.3	37.1	37.0
Exceptional items	**2.2**	**2.2**	3.0	3.0	(8.0)	(7.9)
Amortisation of intangible assets	**4.1**	**4.1**	2.5	2.5	5.3	5.3
Adjusted earnings per ordinary share	**15.5**	**15.5**	14.9	14.8	34.4	34.4

[1] Earnings are post-tax profits attributable to equity holders. Exceptional items, amortisation and adjusted earnings are post-tax.

[2] Restated for the adoption of IFRIC 12 (Note 1.2).

[3] The weighted average number of ordinary shares and earnings per share numbers have been restated for the bonus element of the 2009 rights issue (Note 12).

The calculation of basic earnings is based on profit for the period attributable to equity shareholders. The calculation of the weighted average number of ordinary shares was affected by the issue of 205,502,237 ordinary shares on 22 October 2009. It has been adjusted for the conversion of share options in the calculation of diluted earnings per ordinary share. 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 post-tax exceptional items and post-tax amortisation of intangible assets, has been disclosed to give a clearer understanding of the Group's underlying trading performance.

The half-year 2009 per share information has been restated for the bonus element of the October 2009 rights issue. The adjustment factor was calculated by dividing the share price immediately before the shares were quoted ex-rights (316.0p) with the theoretical ex-rights price (275.2p), giving an adjustment factor of 1.14826.

9 Dividends on ordinary shares

	2010 first half		2009 first half [3]		2009 year	
	Per share pence	**Amount £m**	Per share pence [3] (adjusted)	Amount £m	Per share pence [3] (adjusted)	Amount £m
Proposed dividends for the period						
Interim 2009	**–**	**–**	4.79	26	4.79	26
Final 2009	**–**	**–**	–	–	7.20	49
Interim 2010	**5.05**	**34**	–	–	–	–
	5.05	**34**	4.79	26	11.99	75
Recognised dividends for the period:						
Final 2008		**–**		37		37
Interim 2009		**–**		–		26
Final 2009		**49**		–		–
		49		37		63

[3] The interim 2009 dividend per share number has been restated for the bonus element of the 2009 rights issue (Note 12).

The interim 2010 dividend will be paid on 3 December 2010 to holders of ordinary shares on the register on 8 October 2010 by direct credit or, where no mandate has been given, by cheque posted on 2 December 2010 payable on 3 December 2010. These shares will be quoted ex-dividend on 6 October 2010.

10 Goodwill

	Cost [4] £m	Accumulated impairment losses £m	Carrying amount [4] £m
At 1 January 2009	1,024	(49)	975
Exchange and other adjustments	(70)	6	(64)
Businesses acquired	17	–	17
At 27 June 2009	971	(43)	928
Exchange and other adjustments	15	(1)	14
Businesses acquired [4]	201	–	201
At 31 December 2009 [4]	**1,187**	**(44)**	**1,143**
Exchange and other adjustments	**36**	**(4)**	**32**
Business acquired	**1**	**–**	**1**
At 26 June 2010	**1,224**	**(48)**	**1,176**

[4] Restated for the amendments to the acquisition statement of financial position of Parsons Brinckerhoff Inc (Notes 1.4 and 13).

11 Retirement benefit obligations

The following actuarial assumptions have been used in the IAS 19 valuations of the Group's principal defined benefit pension schemes:

	2010 first half %	2009 first half %	2009 year %
Inflation rate	**3.25**	3.40	3.50
Discount rate	**5.30**	6.20	5.65
Future increases in pensionable salary – certain members of the Balfour Beatty Pension Fund	**–**	3.40	–
– other members	**4.75**	4.90	5.00
Future pension increases	**3.25**	3.40	3.50
Expected return on plan assets – Balfour Beatty Pension Fund	**5.93**	6.27	5.93
– Railways Pension Scheme	**7.30**	7.45	7.30
– Mansell schemes	**–**	6.40	–
– Parsons Brinckerhoff Scheme	**6.75**	–	6.75

On 31 May 2009 the Mansell plc Pension Scheme and the Hall & Tawse Retirement Benefit Plan ("Mansell schemes") merged with the Balfour Beatty Pension Fund ("BBPF").

The amounts recognised in the statement of financial position are as follows:

	2010 first half £m	2009 first half £m	2009 year £m
Present value of obligations	**(2,815)**	(2,409)	(2,757)
Fair value of plan assets	**2,186**	1,822	2,171
Liability in the statement of financial position	**(629)**	(587)	(586)

The present value of obligations comprises £82m (2009: first half £26m, full-year £76m) arising from wholly unfunded plans and £2,733m (2009: first half £2,383m, full-year £2,681m) arising from plans that are wholly or partly funded.

	2010 first half £m	2009 first half £m	2009 year £m
The movement in retirement benefit obligations for the period was as follows:			
At beginning of period	**(586)**	(261)	(261)
Currency translation differences	**(3)**	4	1
Other transfers	**–**	–	(20)
Service cost	**(26)**	(16)	(32)
Interest cost	**(75)**	(65)	(131)
Expected return on plan assets	**64**	57	116
Exceptional past service gain	**–**	–	100
Settlement gain	**8**	–	–
Contributions from employer – deficit funding	**16**	13	35
– regular funding	**20**	16	34
Benefits paid	**2**	–	5
Businesses acquired	**–**	–	(83)
Actuarial gains and losses – liabilities	**(76)**	(279)	(487)
– assets	**27**	(56)	137
At end of period	**(629)**	(587)	(586)

During the half-year ended 26 June 2010 the Group offered certain deferred members of the BBPF enhanced benefits to leave the BBPF and transfer to a freestanding defined contribution scheme, resulting in a £42m reduction in assets, a £50m reduction in liabilities and a settlement gain of £8m. A net gain of £2m was recognised after payment of £6m of enhancements and other expenses.

In the second half of 2009 the Group implemented measures to limit the increase in pensionable pay of certain groups of in-service defined benefit members of the BBPF, giving rise to a reduction in retirement benefit obligations of £100m.

The sensitivity of the Group's retirement benefit obligations to different actuarial assumptions is as follows:

	Percentage points/years	Increase/ (decrease) in obligations %	Increase/ (decrease) in obligations £m
Increase in discount rate	0.5	(7.7)	(217)
Increase in inflation rate	0.5	5.7	158
Increase in salary above inflation	0.5	0.5	14
Increase in life expectancy	One year	3.6	100

In July 2010 the UK government announced its intention to change the basis of general pension indexation from the retail price index (RPI) to the consumer price index (CPI) basis. However it is unclear whether, if enacted, any general legislation will override scheme specific rules that refer to RPI rather than the statutory basis for adjusting pensions. If scheme specific rules referring to RPI are not overridden, then any reduction in liabilities is estimated to be in the range £52m to £80m, since for structural reasons CPI is expected to be below RPI by between 0.5% and 0.75%.

12 Share capital

During the half-year ended 26 June 2010, 46,740 ordinary shares were issued following the exercise of savings-related share options and 298,950 ordinary shares were issued following the exercise of executive share options for an aggregate cash consideration of £0.6m.

On 17 September 2009 the Company announced a fully underwritten 3 for 7 rights issue at a subscription price of 180p per new ordinary share to substantially finance the acquisition of Parsons Brinckerhoff Inc. The rights issue and acquisition were approved by the holders of the Company's ordinary shares at a general meeting on 7 October 2009 and the rights issue closed on 22 October 2009. 205,502,237 new ordinary shares were issued, raising £352m after issue costs and expenses of £18m. The rights issue utilised a cash box structure and therefore qualified for merger relief under Section 612 of the Companies Act 2006 so that the premium arising was not required to be credited to the Company's share premium account.

13 Acquisitions

13.1 Current period

On 29 January 2010 the Group acquired 100% of Multibuild Hotels and Leisure Limited and Multibuild Interiors Limited ("Multibuild") for a cash consideration of £2m. Multibuild, based in Stockport UK, specialises in the construction and fit-out of hotel and leisure facilities. The acquisition extends the Group's capabilities in the construction and fit-out of hotels and other leisure facilities, including cinemas and casinos, and will give Balfour Beatty access to the wider fit-out market. The fair value of net assets acquired was £nil, intangible assets arising were £1m and goodwill of £1m has been recognised. The results of Multibuild since acquisition and if the acquisition had been completed at the beginning of the period would not have had a material effect on the Group's results.

13.2 Prior periods

The fair values of acquired assets and liabilities, including goodwill, previously disclosed as provisional for SpawMaxwell Company LLC and Strata Construction Ltd have been finalised in the current period with no material changes to the fair values disclosed in the Annual report and accounts 2009.

The fair values of the acquired assets and liabilities disclosed as provisional in the Annual report and accounts 2009 in respect of Parsons Brinckerhoff Inc have been amended during the half-year ended 26 June 2010. The following adjustments have been made:

	Fair values previously disclosed £m	Adjustments made during the period £m	Fair value of assets acquired £m
Net assets acquired:			
Working capital	4	(26)	(22)
Provisions	(19)	(3)	(22)
Deferred tax	2	8	10
Other	216	–	216
Identifiable net assets	203	(21)	182
Goodwill	172	12	184
Net assets	375	(9)	366
Contingent consideration recoverable	7	9	16

The fair values in respect of working capital, provisions, deferred tax, goodwill and contingent consideration are provisional as at 26 June 2010 pending the finalisation of the continuing detailed reviews of the commercial and legal position of specific contracts as at the acquisition date 27 October 2009. The fair values of all other assets and liabilities previously disclosed as provisional in the Annual report and accounts 2009 have been finalised.

The movement in the fair value of goodwill, net assets acquired and the contingent consideration arrangements has been primarily as a result of the continuing assessment and settlement of contract positions, including those covered by the contingent consideration arrangement.

13.3 Contingent consideration arrangements

Contingent consideration (payable)/recoverable	SpawMaxwell £m	Parsons Brinckerhoff Inc £m	Total £m
As disclosed in the Annual report and accounts 2009	(3)	7	4
Changes in the evaluation of contractual positions after review of the acquisition date position	–	9	9
Fair value of contingent consideration recognised as at 26 June 2010	(3)	16	13

The fair value of the contingent consideration arrangements is estimated by applying the provisions of the purchase agreement to the current management assessment of possible outcomes and discounting the expected contract costs and insurance claim proceeds to their present value. The maximum amount that the Group could be required to make or receive under the terms of the contingent consideration arrangements is between £11m payable and £16m receivable in respect of Parsons Brinckerhoff and £3m payable in respect of SpawMaxwell.

14 Notes to the statement of cash flows

	2010 first half £m	2009 first half [2] £m	2009 year [2] £m
14.1 Cash generated from operations comprises:			
Profit from operations	**91**	86	295
Exceptional impairment charge in respect of railway facilities and inventory	**–**	4	4
Exceptional reduction in pension past service liabilities	**–**	–	(100)
Share of results of joint ventures and associates	**(14)**	(40)	(81)
Depreciation of property, plant and equipment	**37**	36	69
Amortisation of other intangible assets	**42**	20	48
Pension deficit payments	**(16)**	(13)	(35)
Movements relating to share-based payments	**3**	5	7
Profit on disposal of investment in joint ventures	**(20)**	–	–
Profit on disposal of property, plant and equipment	**(2)**	(3)	(4)
Other non-cash items	**(8)**	–	1
Operating cash flows before movements in working capital	**113**	95	204
(Increase)/decrease in working capital	**(134)**	(17)	90
Cash (used in)/generated from operations	**(21)**	78	294

	2010 first half £m	2009 first half [2] £m	2009 year [2] £m
14.2 Cash and cash equivalents comprise:			
Cash and deposits	**498**	298	464
Term deposits	**18**	108	144
PPP cash balances	**17**	4	10
Bank overdrafts	**–**	–	(10)
	533	410	608

14.3 Analysis of net cash:

Cash and deposits	**498**	298	464
Term deposits	**18**	108	144
Bank overdrafts	**–**	–	(10)
Finance leases	**(13)**	(11)	(13)
Other short-term loans	**(3)**	(1)	(13)
	500	394	572
PPP non-recourse project finance – Sterling floating rate term loan (2008–2027)	**(23)**	(24)	(24)
– Sterling floating rate term loan (2011–2030)	**(22)**	(15)	(19)
– Sterling floating rate term loan (2012–2031)	**(16)**	(10)	(13)
– Sterling floating rate term loan (2010–2034)	**(166)**	(145)	(174)
– Sterling floating rate term loan (2012–2037)	**(42)**	–	(28)
PPP cash and cash equivalents	**17**	4	10
Net cash	**248**	204	324

14.4 Analysis of movement in net cash:

Opening net cash	**324**	297	297
Net (decrease)/increase in cash and cash equivalents	**(84)**	(2)	185
Acquisitions – borrowings at date of acquisition	**–**	–	(14)
Proceeds from new loans	**(22)**	(55)	(121)
Repayment of loans	**22**	3	4
Repayment of finance leases	**–**	1	3
Currency translation differences	**8**	(40)	(30)
Closing net cash	**248**	204	324

[2] Restated for the adoption of IFRIC 12 (Note 1.2).

14.5 Borrowings

During the period ended 26 June 2010 the significant movements in borrowings were a net increase of £11m in non-recourse borrowings funding the development of financial assets in PPP subsidiaries, a reduction in overdrafts of £10m and a reduction in other short term loans of £10m.

15 Contingent liabilities

The Group has, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts and given guarantees in respect of the Group's share of certain contractual obligations of joint ventures and associates and certain retirement benefit obligations of the Balfour Beatty Pension Fund and the Parsons Brinckerhoff pension scheme. Where the Group enters into such agreements, it considers them to be insurance arrangements, and accounts for them as such. Guarantees are treated as contingent liabilities until such time as it becomes probable that the Group will be required to make payment under the guarantee.

An associate is a member of a multi-employer defined benefit pension plan where there is insufficient information on which to base a reliable estimate of the defined benefit obligation and accordingly the associate is accounting for the plan as a defined contribution plan. Under certain circumstances it is possible that additional contributions may be made to fund the deficit attributable to the associate, however no reliable estimate can be made of whether and to what extent a liability may crystallise.

Provision has been made for the Directors' best estimate of known legal claims, investigations and legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

16 Related party transactions

The Group has contracted with, provided services to, and received management fees from, certain joint ventures and associates amounting to £468m (2009: first half £501m, full-year £939m). These transactions occurred in the normal course of business at market rates and terms. In addition the Group procured equipment and labour on behalf of certain joint ventures and associates which were charged at cost with no mark-up. The amount due from joint ventures and associates from trading activities was £22m (2009: first half £18m, full-year £20m). The amount due to joint ventures and associates from trading activities was £14m (2009: first half £7m, full-year £41m).

17 Seasonality

The Group's activities are not subject to significant seasonal variation.

18 Principal risks and uncertainties

The global economic downturn has increased uncertainties which may cause the Group's customers to cancel, postpone or reduce existing or future projects. In particular, the Group is dependent on UK and US government policies and spending for a significant part of its revenues. In addition, the current economic climate has increased pressure on some of the Group's customers and its supply chain. However, given the strength of the Group's order book and careful management of its supply chain, the Directors consider that these will have limited impact on the Group's results in the second half of the year.

The Group's pension deficit in respect of its defined benefit schemes is subject to changes in market discount and inflation rates, market returns on assets and longevity. The assets of the schemes are managed in the light of updated liability assumptions.

The nature of the principal risks and uncertainties which may have a material effect on the Group's performance in the second half of the year are more fully described on pages 70 to 73 of the Annual report and accounts 2009. These include the impact of external risks such as the economic environment, commercial counterparty solvency and legal and regulatory risks; strategic risks over acquisitions and investments; organisation and management risks including people, ethics, information technology and information security; financial and treasury risks including liquidity, currency, interest rates, treasury counterparty, pensions and taxation; and delivery and

operational risks encompassing bidding, joint ventures, project delivery, supply chain and health, safety and environmental risks.

19 Post balance sheet events

On 21 July 2010, the Finance (No. 2) Act 2010 was substantively enacted, implementing a reduction to the main corporation tax rate from 28% to 27% effective from 1 April 2011. It has also been announced, although not enacted, that there will be a 1% reduction in the main corporation tax rate in each of the three subsequent years to bring the rate down to 24% by 1 April 2014.

The effect of the Finance (No. 2) Act 2010 is expected to reduce the Group's deferred tax asset by £5m, with £1m being charged to the statement of financial performance and £4m being charged to reserves during the second half of the year. In addition, should the future corporation tax rate reductions be enacted, based on the latest forecasts, this will give rise to a further reduction in the Group's net deferred tax asset of £12m by 2014, with £2m being charged to the statement of financial performance and £10m being charged to reserves.

Responsibility statement

We confirm that to the best of our knowledge:

- the condensed Group financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting;
- the interim management report includes a fair review of important events during the half-year ended 26 June 2010 and their impact on the condensed Group financial statements and a description of the principal risks and uncertainties for the second half of the year, as required by the Disclosure and Transparency Rule 4.2.7R; and
- the interim management report includes a fair review of related parties' transactions and changes therein, as required by the Disclosure and Transparency Rule 4.2.8R.

On behalf of the Board
I P Tyler Chief Executive
D J Magrath Finance Director
10 August 2010

Independent review report to Balfour Beatty plc

We have been engaged by Balfour Beatty plc ("the Company") to review the condensed Group financial statements of Balfour Beatty plc in the financial report for the half-year ended 26 June 2010 which comprise the condensed Group statement of financial performance, the condensed Group statement of comprehensive income, the condensed Group statement of changes in equity, the condensed Group statement of financial position, the condensed Group statement of cash flows and the related Notes 1 to 19. We have read the other information contained in the half-year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed Group financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 half-year financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-year financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed Group financial statements included in this half-year financial report have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed Group financial statements in the half-year financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed Group financial statements in the financial report for the half-year ended 26 June 2010 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditors
London, UK
10 August 2010