



Balfour Beatty

2007 Preliminary Results

5 March 2008



Anthony Rabin

Balfour Beatty

Headline numbers

	2006	2007	
Revenue	£5,506m	£7,488m	+36%
Pre-tax profit*	£136m	£201m	+48%
Adjusted eps*	27.3p	35.0p	+28%
Full-year proposed dividend	9.1p	11.5p	+26%
Cash generated from operations	£217m	£281m	+29%
Net cash (excluding 100% PPP)	£305m	£374m	
Order book	£9.1bn	£11.4bn	+25%

** Before exceptional items and amortisation of intangible assets, and including the results of discontinued operations in adjusted eps*

Performance by sector

£m

2006

2007

**Building, Building Management
and Services**

43

75

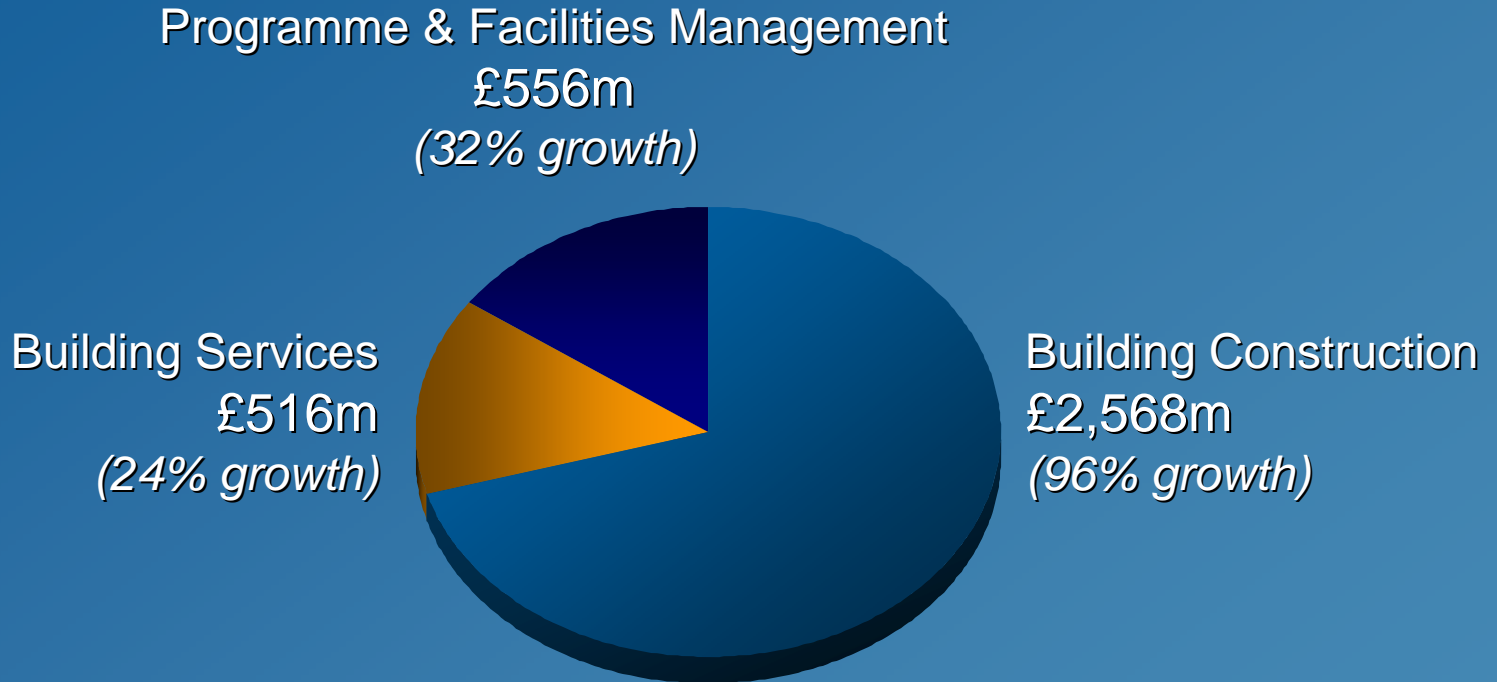
+74%

Building, Building Management and Services

£m	2006	2007
Construction and building services	32	63
Building management services	11	12
	43	75

- Good progress in UK building construction
- Acquisition of Cowlin extends regional coverage
- BB Construction US performance above expectations
- Strengthening of facilities management business through Covion acquisition

Building, Building Management and Services



Revenue £3,640 million (+70%) (2006: £2,145 million)

Order book £6.1 billion (+69%) (December 2006: £3.6 billion)

Performance by sector

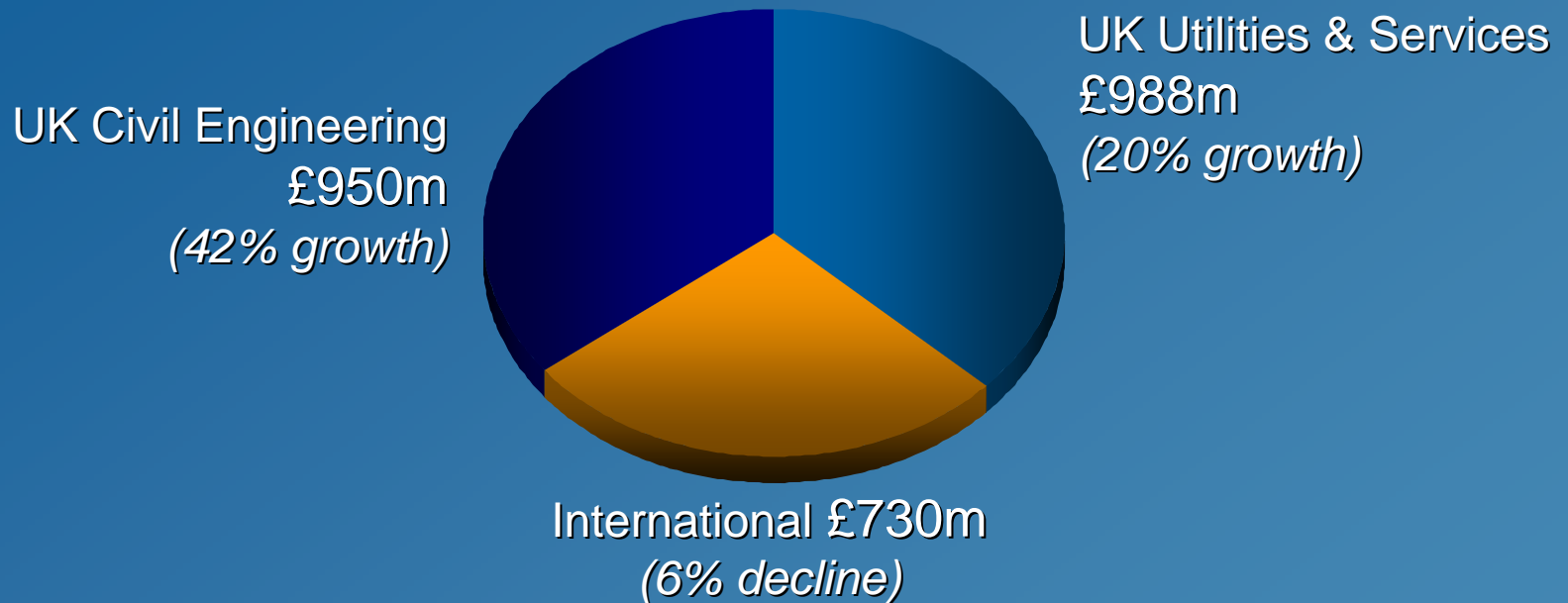
£m	2006	2007	
Building, Building Management and Services	43	75	+74%
Civil and Specialist Engineering and Services	47	86	+83%

Civil and Specialist Engineering and Services

£m	2006	2007
Civil and specialist engineering	17	55
Services	30	31
	47	86

- Profit progress in UK civils, including full year contribution from Birse
- Strong progress in Hong Kong and Dubai
- US civils returns to profit
- Balfour Beatty Utility Solutions formed
- Balfour Beatty Management continues to grow

Civil and Specialist Engineering and Services



Revenue £2,668m (+17%) (2006: £2,271m)

Order book £4.4bn (+5%) (December 2006: £4.2bn)*

*excluding Trans4M orders, subsequently cancelled

Performance by sector

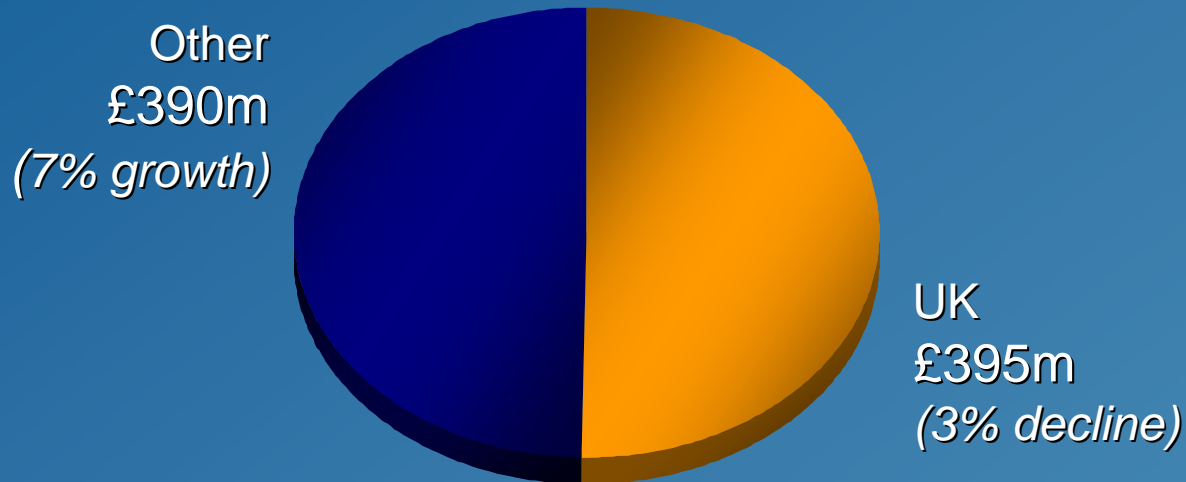
£m	2006	2007	
Building, Building Management and Services	43	75	+74%
Civil and Specialist Engineering and Services	47	86	+83%
Rail Engineering and Services	38	44	+16%

Rail Engineering and Services

£m	2006	2007
UK businesses	23	29
Overseas businesses	15	15
	38	44

- Good progress on overground and underground renewals in UK
- Confirmation of on-going role in overground and underground renewals
- Steady performances in Continental Europe and North America
- £10bn UK network capacity enhancement 2009-2014

Rail Engineering & Services



Revenue £785m (+2%) (2006: £770m)

Order book £0.9bn (-5%) (December 2006: £0.95bn)

Performance by sector

£m	2006	2007	
Building, Building Management and Services	43	75	+74%
Civil and Specialist Engineering and Services	47	86	+83%
Rail Engineering and Services	38	44	+16%
Investments	24	16	-33%

Investments

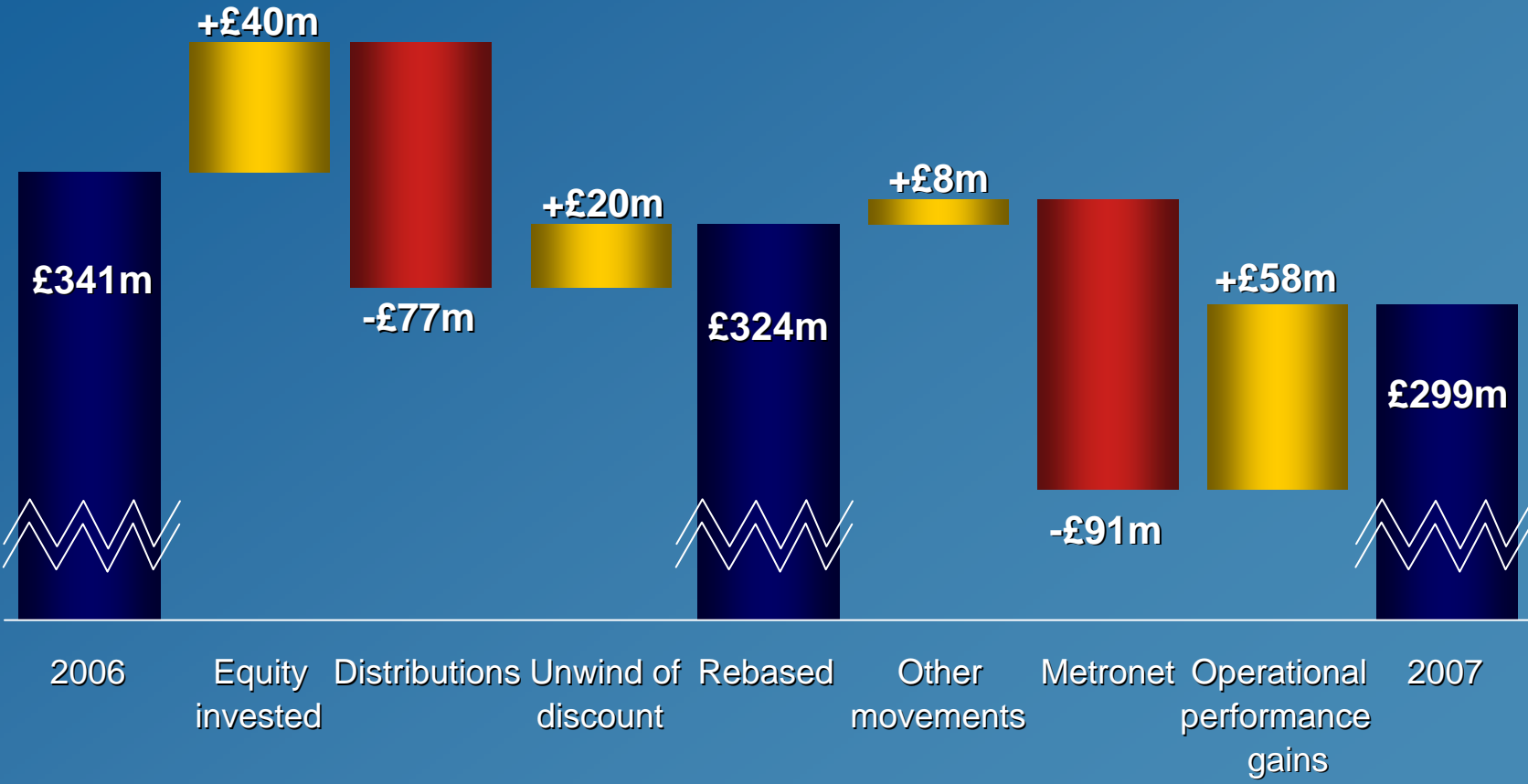
£m	2006			2007		
	PPP JVs & Assocs	Infrast- ructure	Total	PPP JVs & Assocs	Infrast- ructure	Total
Share of results of JVs & associates*	28	15	43	29	12	41
Group operating costs			(19)			(25)
Invest. operating profit			24			16
<i>Subordinated debt interest income</i>			8			11
<i>Invest. net result</i>			32			27

* Before exceptional items

Investments

- Financial close for Pinderfields, Salford and Tameside Hospitals, Knowsley Schools and Derby streetlighting
- Preferred bidder for Islington Schools, Carlisle Northern Distributor Road and ITE Singapore
- Metronet concessions treated as discontinued following PPP Administration
- Exeter International Airport acquired

PPP portfolio valuation: December 2007



Performance by sector

£m	2006	2007	
Building, Building Management and Services	43	75	+74%
Civil and Specialist Engineering and Services	47	86	+83%
Rail Engineering and Services	38	44	+16%
Investments	24	16	-33%
Corporate costs	(24)	(30)	
Profit from continuing operations*	128	191	+49%
Net finance income*	8	10	
Pre-tax profit*	136	201	+48%

* Before exceptional items and amortisation of intangible assets

Operating profit v operating cash flow

£m	2006	2007
Group operating profit*	80	126
Depreciation	43	50
Exceptional items	(3)	(39)
Other items	4	3
Working capital decrease	93	141
Cash generated from operations	217	281

* Before exceptional items and amortisation

Balance sheet cash movement

£m	2006	2007
Opening net cash†	315	305
Cash generated from operations	216	283
Dividends from JVs and associates	24	83
Capital expenditure and financial investment	(78)	(132)
Acquisitions and disposals	(80)	(106)
Buy-back of preference shares	(19)	(8)
Dividends, interest and tax paid	(68)	(59)
Other items	(5)	8
Closing net cash†	305	374
PPP subsidiaries net debt	(21)	(61)
Closing net cash	284	313

† Treating PPP subsidiaries as joint ventures/associates

Acquisitions and disposals

£m

BB Construction US (Centex)*	86
Cowlin*	31
Covion*	32
Exeter International Airport (net)*	16
Other acquisitions	23
Deferred consideration	2
	<hr/>
	190
Devonport disposal	(84)
	<hr/>
	106

** After adjusting for cash balances*

Exceptional items

£m

Profit from operations:

Metronet – investment write-off	(87)
Metronet – contract balances written off	(27)
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	(114)
Tax on items above	19
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	(95)
US reorganisation and integration costs (net of tax)	(4)
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	(99)
Finance costs:	
Premium on buy-back of preference shares	(2)
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	(101)
Recognition of US tax losses	51
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	(50)
Profit on sale of Devonport	57
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Net exceptional post-tax credit	7*

* Before amortisation of intangible assets

Pensions under IAS 19

£m	2006	2007
Defined benefit schemes:		
P&L charge	39	41
Employer cash contributions	36	44
Balance sheet liability (gross)	288	286
Balance sheet liability (net of deferred tax)	212	213
Defined contribution schemes:		
P&L charge and contributions	13	17

Group balance sheet

£m	Dec 2006	Dec 2007
Goodwill and intangible assets	436	753
Net cash (excluding PPP)	305	374
Preference shares – liability	(90)	(87)
PPP subsidiaries	-	(3)
Non-current assets + working capital	21	58
Non-recourse net debt	(21)	(61)
Other assets / liabilities	(264)	(554)
Shareholders' funds	387	483

Summary

- Continuing growth in profits and earnings
- Strong cash flow
- Strong cash position to support future growth

Ian Tyler

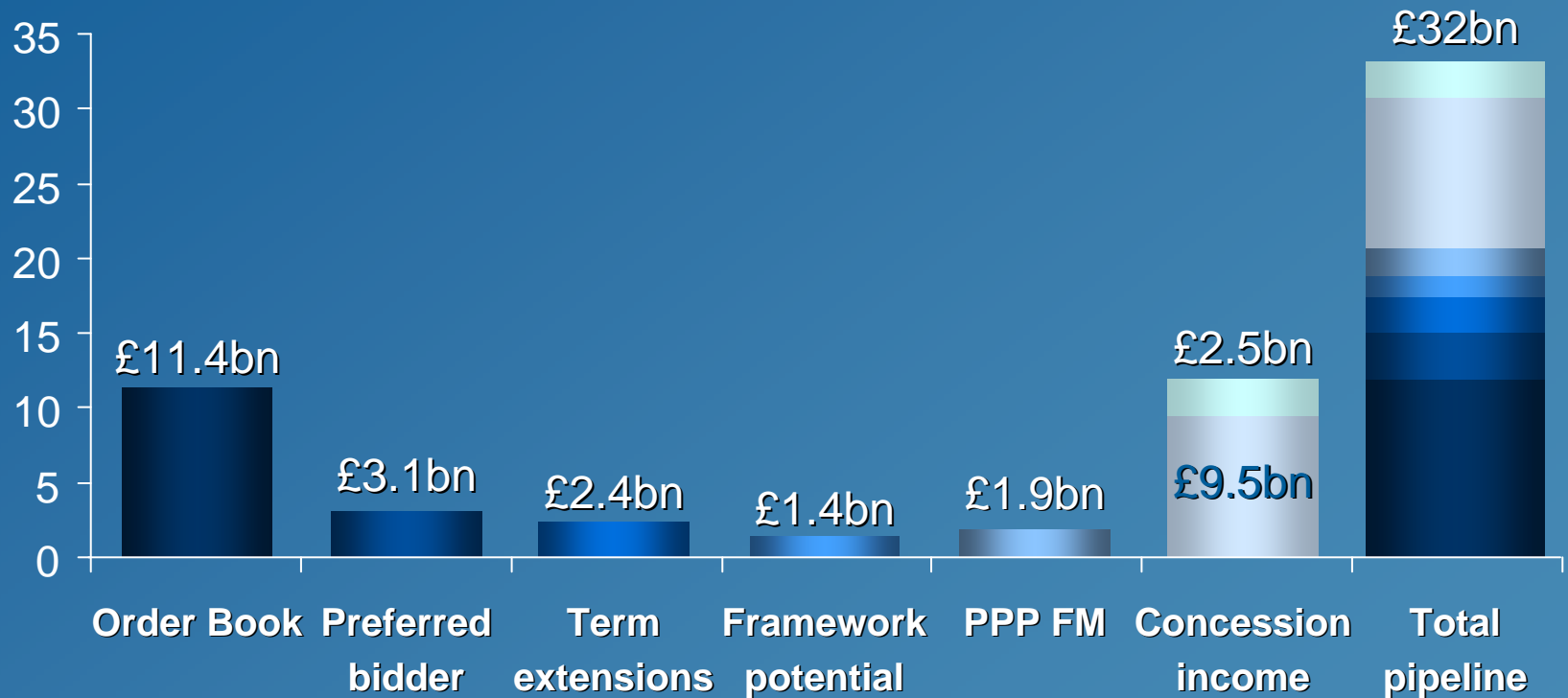
Balfour Beatty

Growth underpinned

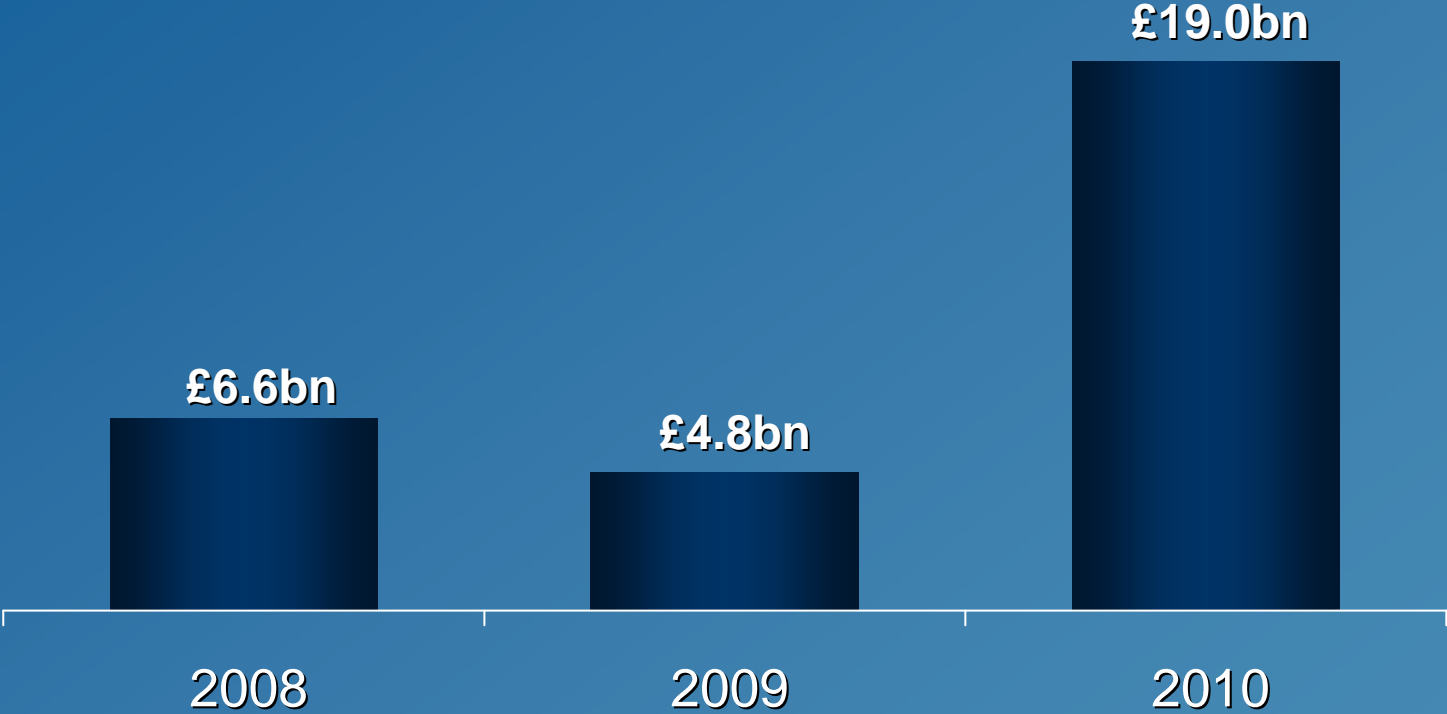
- Order book and pipeline
- Non-cyclical markets
- Business growth momentum
- Strategic investment

Order book and pipeline

As at end December 2007

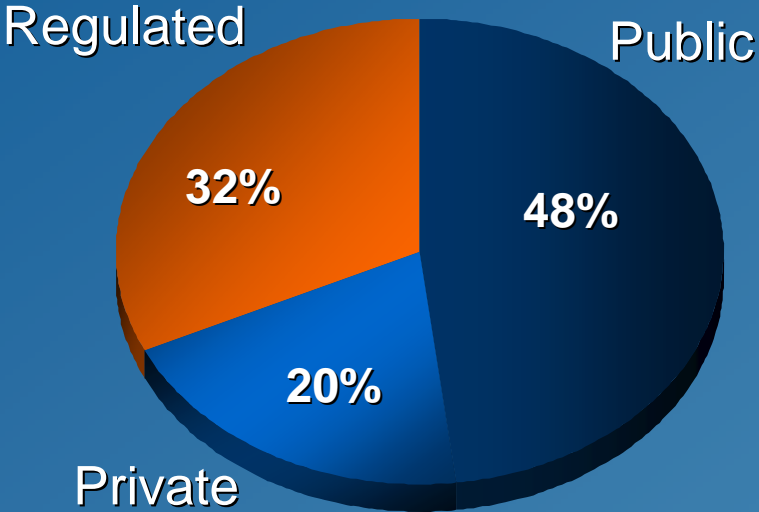


Order book and pipeline



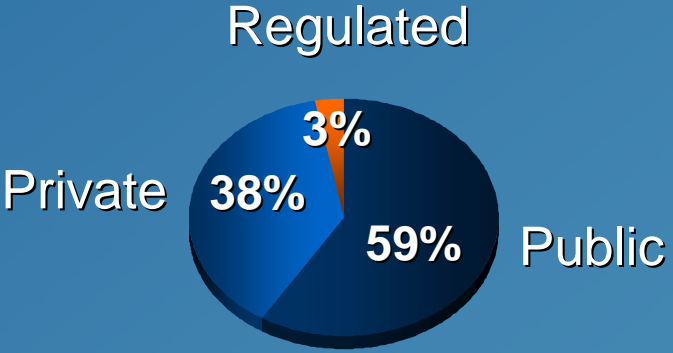
Non-cyclical markets (2007 Revenue)

UK Revenue



£5.3 billion

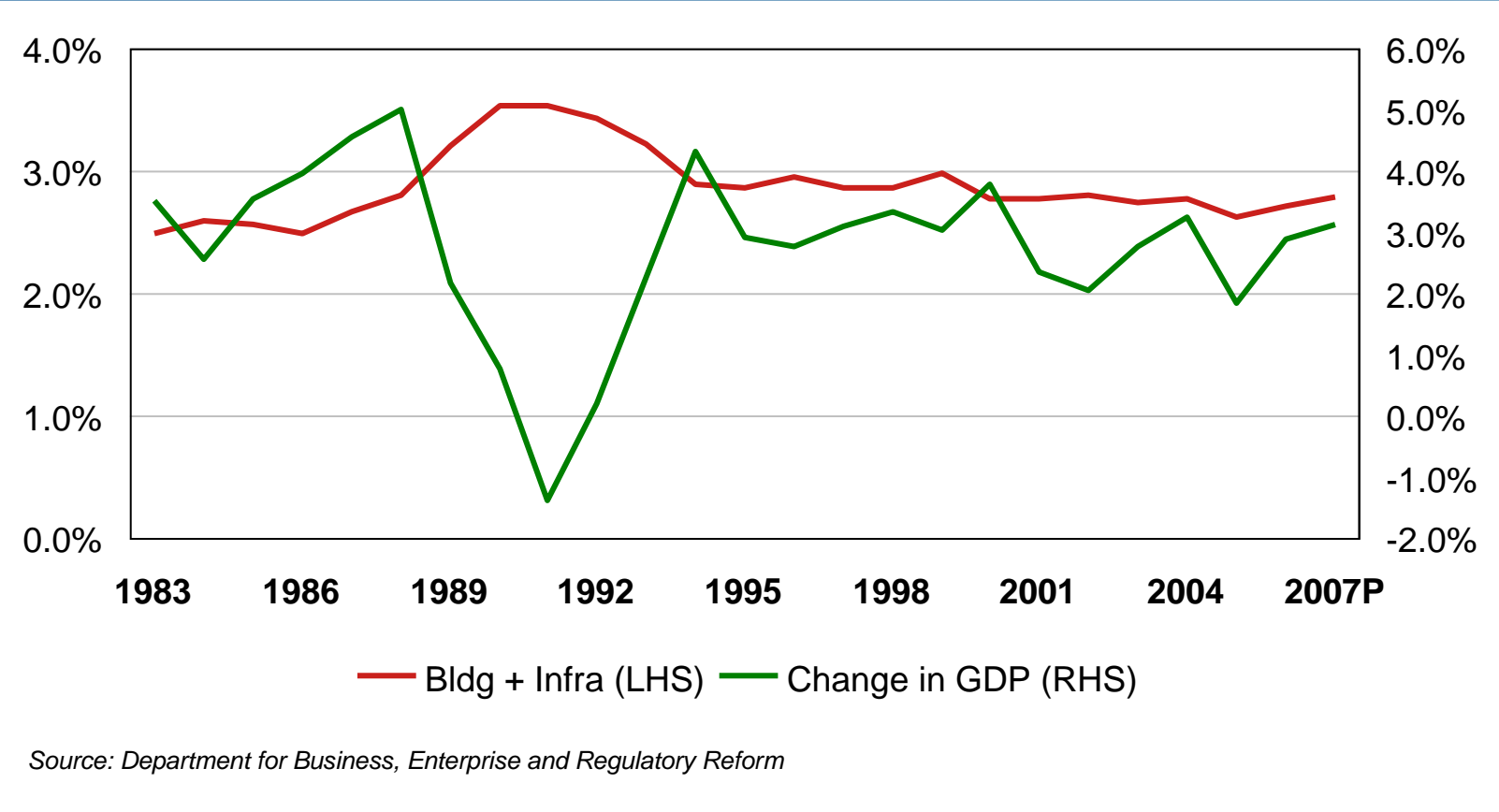
US Revenue



£1.5 billion

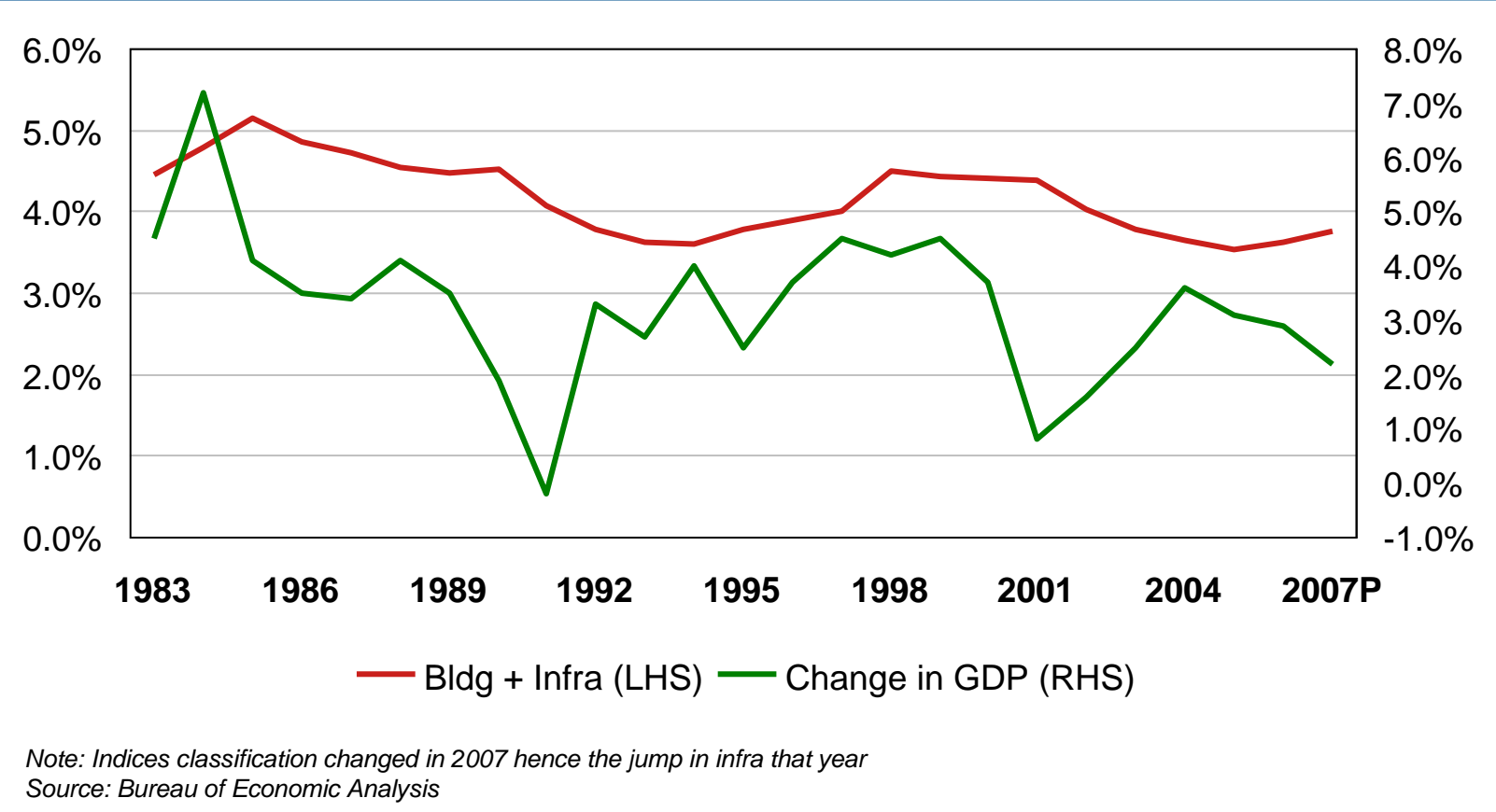
Historic market trends

UK



Historic market trends

US



Business growth momentum

	2005-2008 revenue growth	
UK Facilities Management	60%+	£1.2bn order book
Professional and Technical Services	300%+	Increasingly successful differentiator
Dubai	50%+	Continuing strong market growth
UK Utilities	50%+	Revenue secured to 2010

Together 30% of 2008 EBIT

Medium and long-term growth drivers

- **Short-term**

- Inherent in existing business mix

- **Medium-term**

- UK regional contracting
- Professional and technical services
- New infrastructure investment markets

- **Longer-term**

- Expansion of non-UK domestic businesses

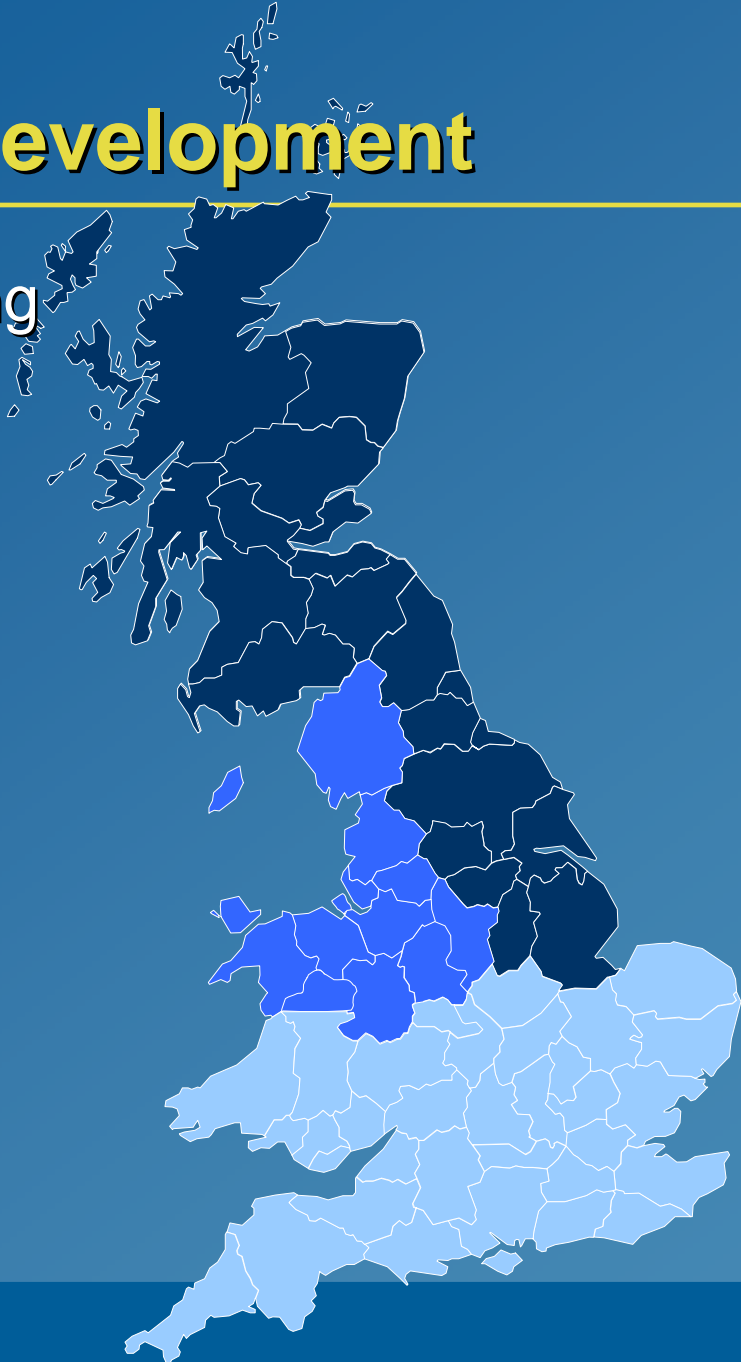
Strategic development

UK regional contracting

2003	Mansell	70% revenue increase, 100% profit increase
2006	Birse	Performing ahead of expectations, fully integrated
2007	Cowlin	Performing well, integration proceeding to plan

Strategic development

Civil Engineering
market shares



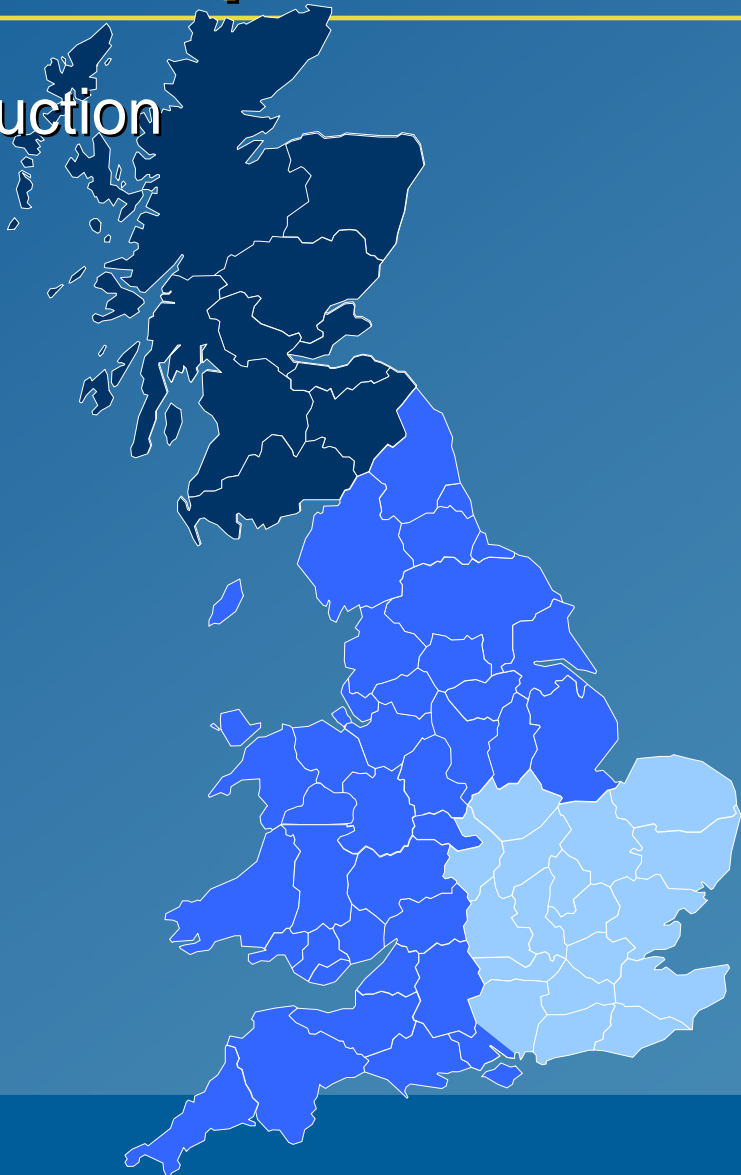
Strong

Medium

Low

Strategic development

Building Construction
market shares



Strong

Medium

Low

Strategic development

Professional and technical services

Balfour Beatty Management

- 500+ professionals
- Major projects and bids
 - National Grid
 - British Energy
 - Olympics
 - BAA
 - M25
- Independent operation
 - Transport for London
 - Developer market

Strategic development

Professional and technical services

Heery International

- Major player in public sector markets
- At forefront of design and build trend
- On-going acquisition programme

Strategic development

Private infrastructure investment

UK PPP

- 3 new preferred bidder
- 5 concessions converted to contract

New markets

- Exeter International Airport
- ITE Singapore
- GMH Military Housing

Strategic development

US

- Long-established businesses well positioned for growth
- Balfour Beatty Construction performing above expectations
- Growth through increased penetration + geographic expansion
- Excellent prospects in PPP accommodation and support service markets through GMH

GMH Military Housing performance

Profit from operations



GMH Military Housing

- 15 concessions covering 42 bases across US
- 810 employees
- \$110m of invested and committed capital
- Excellent prospects in associated markets

Balfour Beatty in the US

	Building	Civil Engineering	Rail
Investment	✓	✓	✓
Professional & Technical Services	✓		
Execution / Delivery	✓	✓	✓
Support Services	✓		✓

2007

- Strong financial performance
- Significant progress in our strategic development
- Exciting long-term market prospects