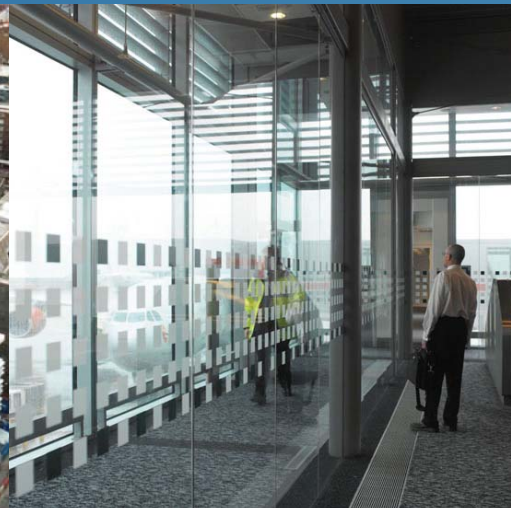


# Balfour Beatty



## 2006 Preliminary Results

7 March 2007



# Anthony Rabin

**Balfour Beatty**

# Headline numbers

	2005	2006	
Revenue	£4,938m	£5,852m	+19%
Pre-tax profit*	£134m	£152m	+13%
Adjusted eps*	24.1p	27.3p	+13%
Full-year proposed dividend	8.1p	9.1p	+12%
Net cash (excluding 100% PPP)	£315m	£305m	
Order book	£7.6bn	£9.1bn	+20%

\* Before exceptional items and amortisation of intangible assets

# Performance by sector

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£m	2005	2006	
<b>Building, Building Management and Services</b>	<b>35</b>	<b>43</b>	<b>+23%</b>

# Building, Building Management and Services

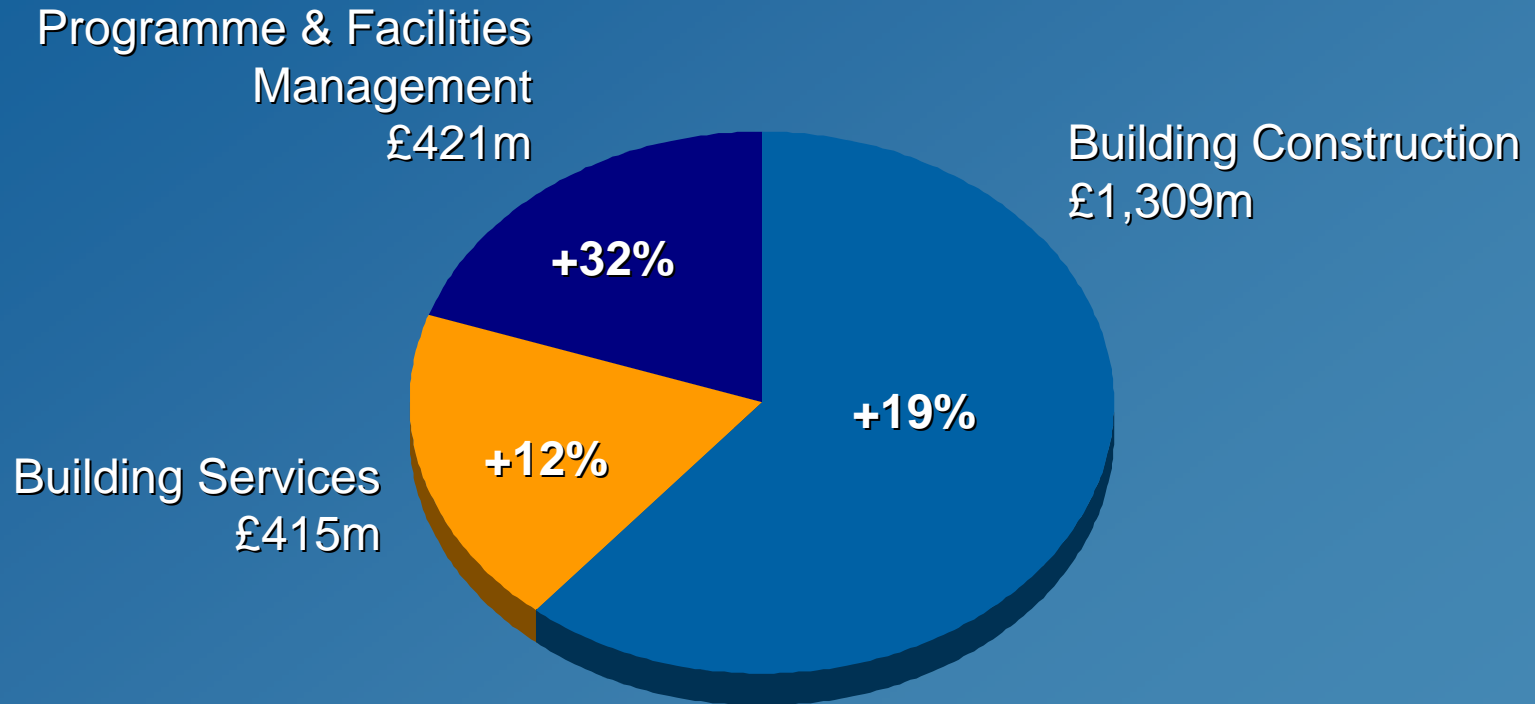
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£m	2005	2006
	35	43

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- Birmingham and Glasgow Hospital projects commence
- Procurement changes in Metronet stations programme
- Further strong growth in affordable housing
- £750m of new facilities management orders
- First contribution from Charter in the US

# Building, Building Management and Services



Revenue £2,145 million (+20%) (2005: £1,787 million)

Order book £3.6 billion (+50%) (Dec. 2005: £2.4 billion)

# Performance by sector

---

£m	2005	2006	
Building, Building Management and Services	35	43	+23%
<b>Civil and Specialist Engineering and Services</b>	<b>49</b>	<b>55</b>	<b>+12%</b>

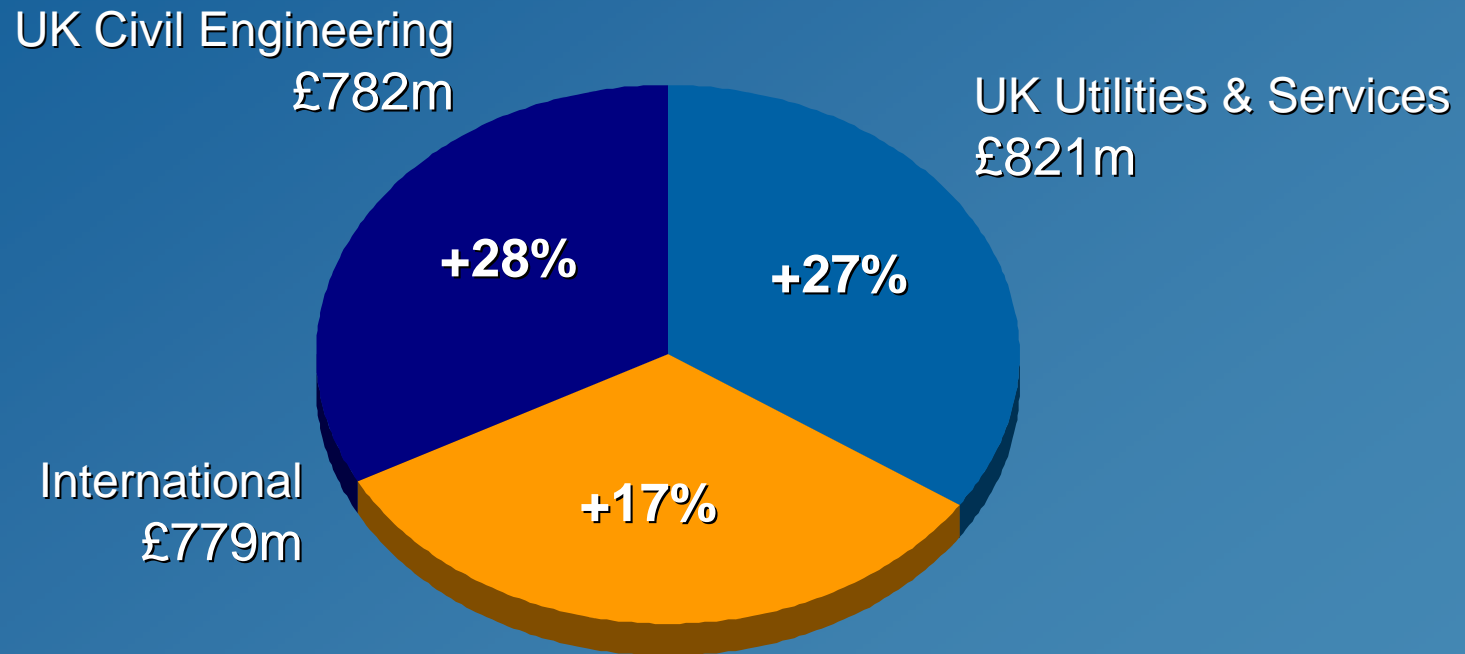
# Civil and Specialist Engineering and Services

£m	2005	2006
Civil and specialist engineering	29	25
Services	20	30
	49	55

- First contribution from Birse
- Good progress in Hong Kong and Dubai
- Further contract losses in US Central Division
- Contract provisions in Trans4m
- Northern Gas Networks and Eastern Electricity Alliance secured (c. £1 billion)
- Balfour Beatty Management developing successfully



# Civil and Specialist Engineering and Services



Revenue £2,382 million (+24%) (2005: £1,920 million)

Order book £4.5 billion (+12%) (Dec 2005: £4.0 billion)

# Performance by sector

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£m	2005	2006	
Building, Building Management and Services	35	43	+23%
Civil and Specialist Engineering and Services	49	55	+12%
<b>Rail Engineering and Services</b>	<b>32</b>	<b>38</b>	<b>+19%</b>

# Rail Engineering and Services

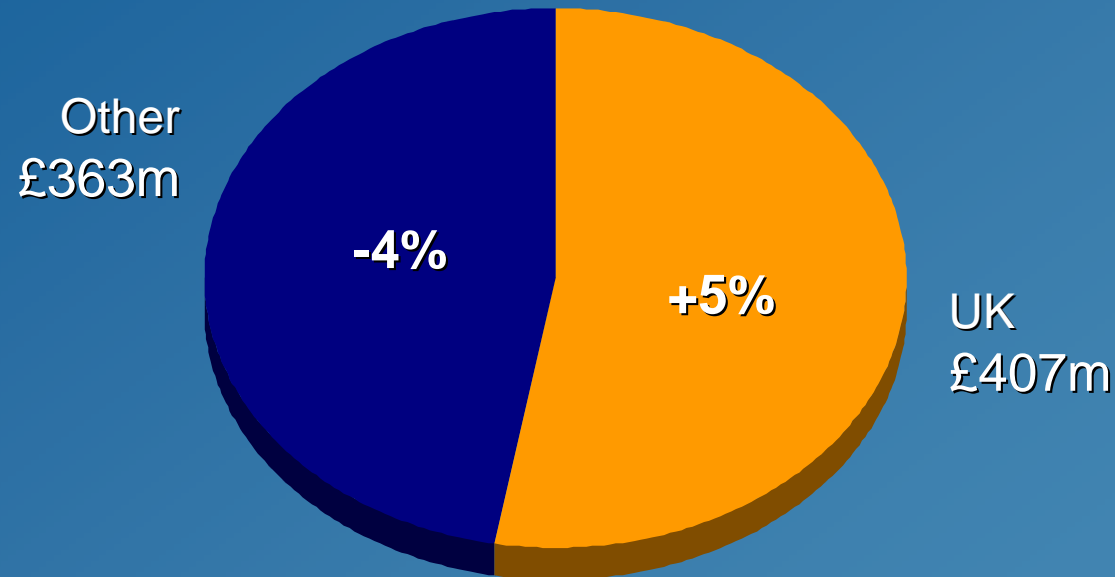
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£m	2005	2006
UK businesses	37	23
Overseas businesses	(5)	15
	32	38

- UK profit level reflects last year's one-off settlements
- Good progress on UK projects
- East London Line awarded
- US losses significantly reduced
- Good progress in continental Europe

# Rail Engineering & Services

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Revenue £770 million (2005: £766 million)

Order book £1.0 billion (Dec 2005: £1.2 billion)

# Performance by sector

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£m	2005	2006	
Building, Building Management and Services	35	43	+23%
Civil and Specialist Engineering and Services	49	55	+12%
Rail Engineering and Services	32	38	+19%
<b>Investments and Developments</b>	<b>20</b>	<b>32</b>	<b>+60%</b>

# Investments and Developments

£m	2005			2006		
	PPP	Barking	Total	PPP	Barking	Total
Share of results of JVs & associates	22	8	30	36	15	51
Group operating loss*			(10)			(19)
<b>I &amp; D operating profit</b>			<b>20</b>			<b>32</b>
<i>Group net finance income</i>			17			-
<i>Subordinated debt interest income</i>			5			8
<i>I &amp; D net result</i>			42			40

\* Including Property and excluding exceptional items

# Investments and Developments

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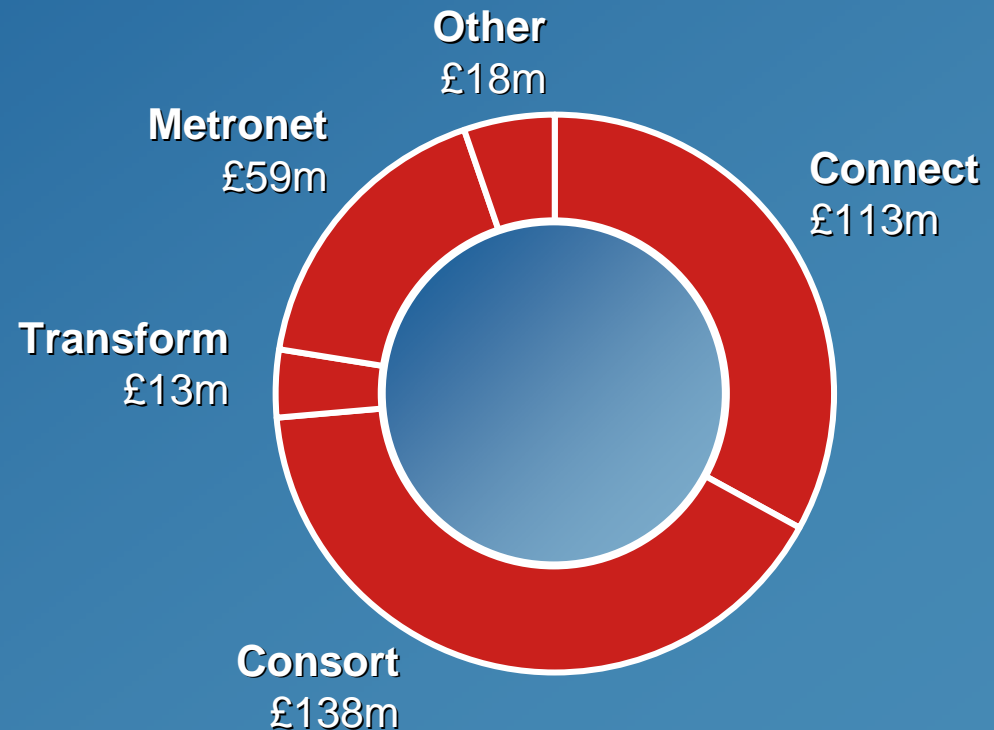
- Financial close for Birmingham Hospital and Birmingham Schools
- Preferred bidder for Knowsley Schools, Derby Street Lighting and Fife Hospital
- Pre-qualification and bidding opportunities remain strong
- Exeter International Airport acquired in Jan. 2007
- International businesses up and running

# PPP portfolio Directors' valuation: December 2006

Total equity committed: £304m

Cash invested: £173m

**Directors'  
Valuation  
£341m**





# Performance by sector

£m	2005	2006	
Building, Building Management and Services	35	43	+23%
Civil and Specialist Engineering and Services	49	55	+12%
Rail Engineering and Services	32	38	+19%
Investments and Developments	20	32	+60%
<b>Corporate costs</b>	<b>(21)</b>	<b>(24)</b>	
Profit from operations*	115	144	+25%
<b>Net finance income*</b>	<b>19</b>	<b>8</b>	
Pre-tax profit*	134	152	+13%

\* Before exceptional items and amortisation of intangible assets

# Operating profit v operating cash flow

£m	2005	2006
Group operating profit	58	61
Depreciation	41	43
Impairment and amortisation charges	12	17
Other items	(5)	3
Working capital decrease	61	92
Cash generated from operations <sup>†</sup>	167	216
PPP subsidiaries – adjustment	-	1
Cash generated from operations	167	217

*† Treating PPP subsidiaries as joint ventures*

# Balance sheet cash movement

£m	2005	2006
Opening net cash	311	315
Cash generated from operations	167	216
Dividends from JVs and associates	19	24
Capital expenditure and financial investment	(71)	(78)
Acquisitions and disposals	(42)	(80)
Buy-back of preference shares	(11)	(19)
Dividends, interest and tax paid	(59)	(68)
Other items	1	(5)
Closing net cash <sup>†</sup>	315	305
PPP subsidiaries net debt	(14)	(21)
Closing net cash	301	284

*† Treating PPP subsidiaries as joint ventures*

# Acquisitions

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£m

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Edgar Allen	12
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Charter	9
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Birse	57
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Deferred consideration	2
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	80
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# Exceptional items

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£m

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## Profit from operations:

National Engineering Construction

– goodwill impairment (16)

– reorganisation costs (2)

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(18)

Birse integration costs (3)

Hatfield fine reduction 2

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(19)

## Finance costs:

Premium on buy-back of preference shares (7)

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(26)

Tax on exceptional items 1

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Net exceptional post-tax charge (25)

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# Pensions under IAS 19

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£m	2005	2006
Defined benefit schemes:		
P&L charge	40	39
Employer cash contributions	33	36
Balance sheet liability (gross)	280	288
Balance sheet liability (net of deferred tax)	201	212
Defined contribution schemes:		
P&L charge & contributions	9	13

# Group balance sheet

£m	Dec 2005	Dec 2006
Goodwill and intangible assets	284	436
Net cash (excluding PPP)	315	305
Preference shares – liability	(98)	(90)
PPP subsidiaries	-	-
Non-current assets + working capital	14	21
Non-recourse net debt	(14)	(21)
Other assets / liabilities	(209)	(264)
Shareholders' funds	292	387

# Summary

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



# Ian Tyler

**Balfour Beatty**

# Balfour Beatty growth 2006 and beyond

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- **Medium-term**

- New infrastructure investment markets
- Knowledge-based businesses
- UK regional business expansion

- **Longer-term**

- Expansion of non-UK domestic businesses

# Progress report

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- Balfour Beatty Capital
- Balfour Beatty Management
- Birse
- Centex

# Balfour Beatty Capital

 <p><b>HIGHWAYS AGENCY</b></p> <p>Mar 1996 Connect M1-A1</p> <p><b>£290m</b> Highway</p>	 <p><b>HIGHWAYS AGENCY</b></p> <p>May 1996 Connect A50</p> <p><b>£42m</b> Highway</p>	 <p><b>HIGHWAYS AGENCY</b></p> <p>July 1996 Connect A30-35</p> <p><b>£127m</b> Highway</p>	 <p><b>NHS</b></p> <p>Mar 1998 Consort Durham</p> <p><b>£90m</b> Hospital</p>	 <p><b>UNDERGROUND</b></p> <p>Aug 1998 Powerlink/ PADco</p> <p><b>£184m</b> Power Systems</p>	 <p><b>NHS</b></p> <p>Aug 1998 Consort Edinburgh</p> <p><b>£220m</b> Hospital</p>	 <p><b>SCOTTISH WATER</b></p> <p>May 2000 Aberdeen Env. Services</p> <p><b>£92m</b> Water</p>
 <p><b>NHS</b></p> <p>July 2000 Health Mgt (UCLH)</p> <p><b>£282m</b> Hospital</p>	 <p><b>Stoke on Trent</b></p> <p>Oct 2000 Transform Schools (Stoke)</p> <p><b>£84m</b> School</p>	 <p><b>UNDERGROUND</b></p> <p>Apr 2003 Metronet Rail BCV</p> <p><b>£1,783m</b> Rail</p>	 <p><b>UNDERGROUND</b></p> <p>Apr 2003 Metronet Rail SSL</p> <p><b>£2,108m</b> Rail</p>	 <p><b>Scottish Executive</b></p> <p>May 2003 Connect M77/GSO</p> <p><b>£167m</b> Road</p>	 <p><b>Rotherham Metropolitan Borough Council</b> The best place to live, learn and work.</p> <p>June 2003 Transform Schools</p> <p><b>£113m</b> Schools</p>	 <p><b>NHS</b></p> <p>July 2003 Consort Blackburn</p> <p><b>£116m</b> Hospital</p>
 <p><b>Sunderland City Council</b></p> <p>Aug 2003 Connect Roads Sunderland</p> <p><b>£27m</b> Street Lighting</p>	 <p><b>North Lanarkshire Council</b></p> <p>June 2005 Transform Schools</p> <p><b>£140m</b> Schools</p>	 <p><b>West Lothian Council</b></p> <p>July 2005 Transform Schools</p> <p><b>£127m</b> Schools</p>	 <p><b>south tyneside</b></p> <p>Dec 2005 Connect Roads South Tyneside</p> <p><b>£28m</b> Street Lighting</p>	 <p><b>Birmingham City Council Education Service</b></p> <p>Mar 2006 Transform Schools</p> <p><b>£89m</b> Schools</p>	 <p><b>NHS</b></p> <p>June 2006 Consort Birmingham</p> <p><b>£553m</b> Hospital</p>	 <p><b>exeter INTERNATIONAL AIRPORT</b></p> <p>Jan 2007 Regional &amp; City Airports (Exeter)</p> <p><b>£60m</b> Airport</p>

# Developing a project

STAGE ONE	STAGE TWO	STAGE THREE	STAGE FOUR	STAGE FIVE
Pre-bid	Bidding	Preferred bidder	Construction	Operations
				
<p>Marketing Business dev. Bid submissions mgt. Project promotion</p>	<p>Marketing Business dev. Bid submissions mgt. Project finance Cost modelling Procurement Risk mgt.</p>	<p>Project finance Cost modelling Commercial mgt. Design dev. Construction mgt. Community engagement Whole life cost mgt.</p>	<p>Design dev. Construction mgt. Operational mgt. Community engagement HSE Whole life cost mgt.</p>	<p>Operational mgt Community engagement HSE Whole life cost mgt.</p>

# Exeter International Airport

- One of the fastest growing airports in the UK
- Forecast growth in passengers to 2m by 2016 and 3m by 2029
- Significant growth in non-aeronautical revenues
- Already operating at peak capacity
  - to develop further requires significant capex
- Expansion of Flybe engineering base and development of flight training centre



# International capital projects

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- **US**

Short-listed for Oakland Airport Connector project, California

- **Germany**

Bid submitted for Bremen Hospital

- **Singapore**

Bid submitted for Further Education Facility

# Professional and technical services

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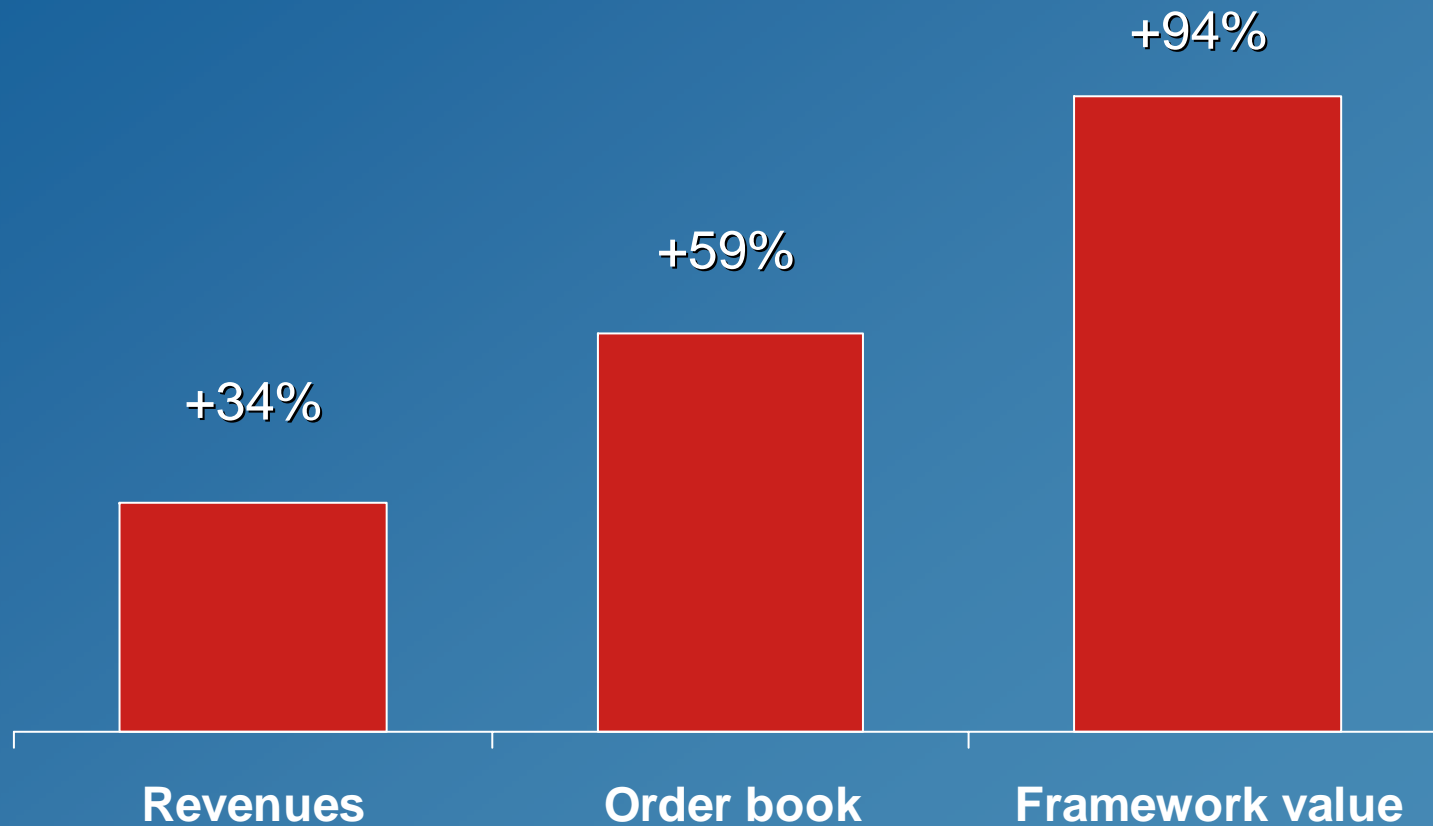
- Alliances with United Utilities and National Grid
- King's Cross St Pancras Underground Station
- BAA complex build integration
- M25 PPP



# UK infrastructure

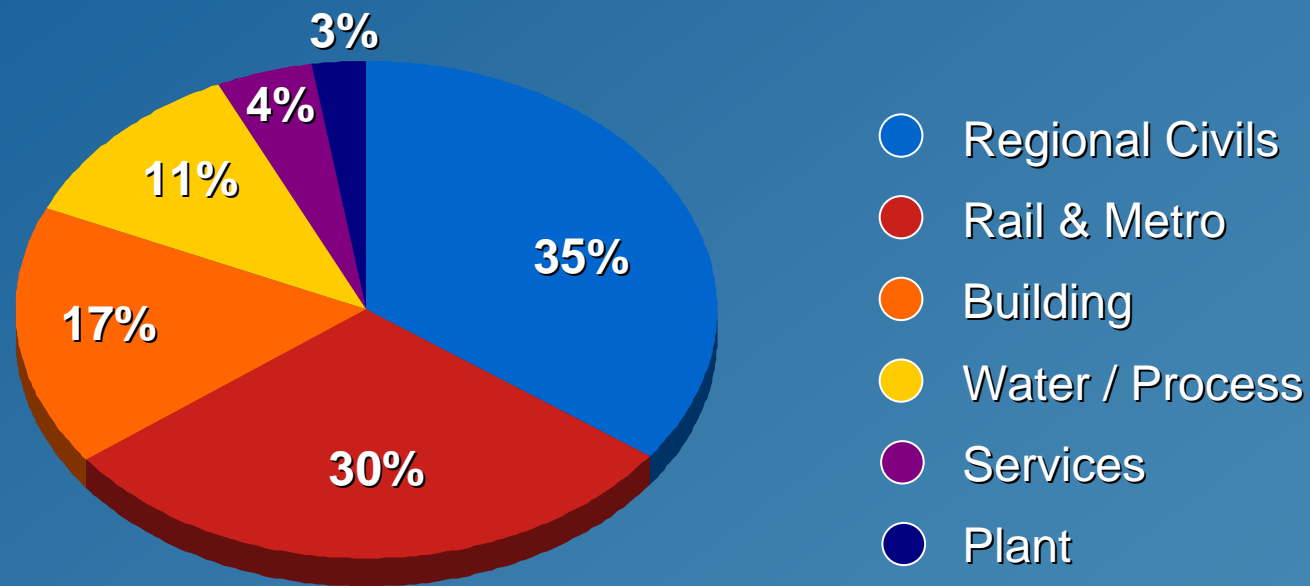
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Mansell growth 2003-2006



# Birse Group plc

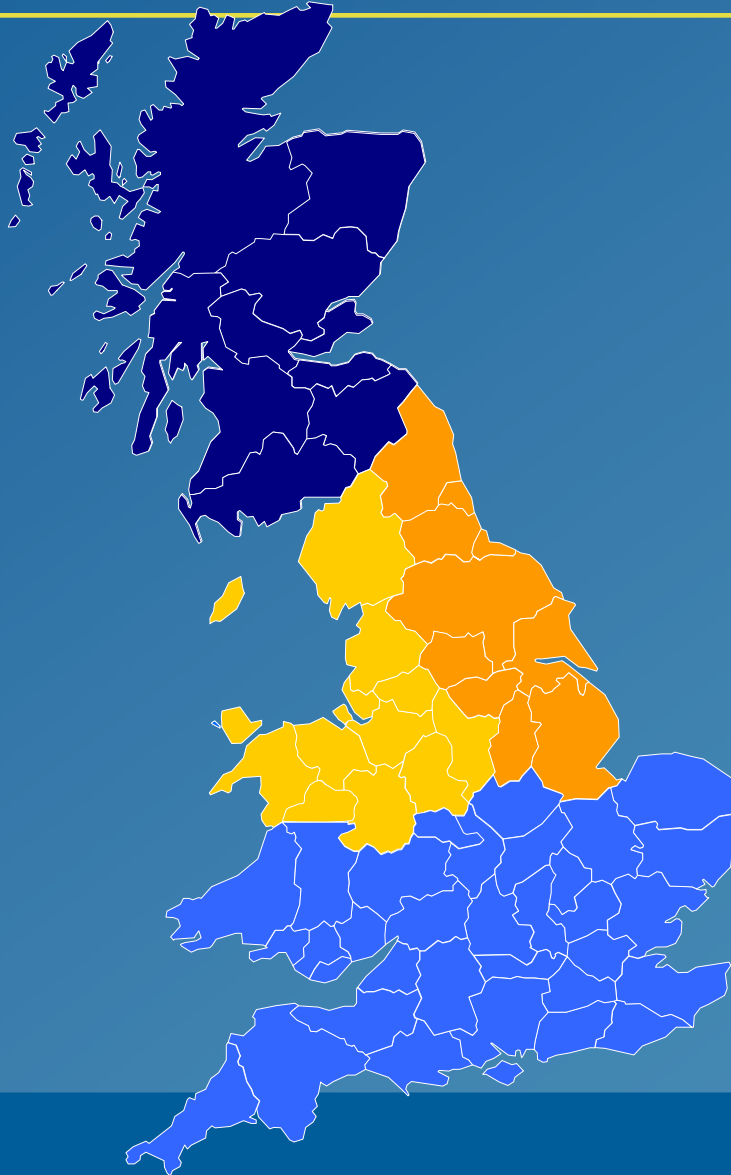
2005 revenues - £340m



# BBCEL and Birse combined

## Revenue and market share

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£110m  
14%

£100m  
14%

£94m  
8%

£137m  
5%

# **Key criteria for overseas acquisition**

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- Critical mass
- Acceptable business environment
- Sophisticated customers
- Leadership

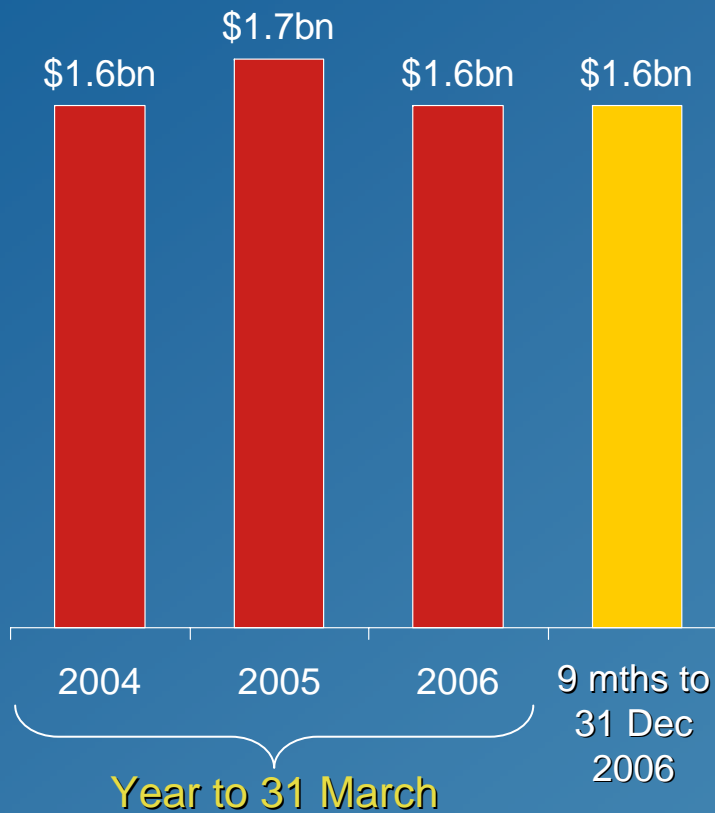
# Centex Construction fit with strategic priorities

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- Leader in selected growth markets
- Proven senior management team
- Successful record of focused growth
- Over 95% of its revenue negotiated
- Logical extension of our Heery presence
- Compatible culture and processes
- Substantial growth potential in its own right
- Adds to our ambitions in construction and PPP

# Centrex Construction financial performance

## Revenue



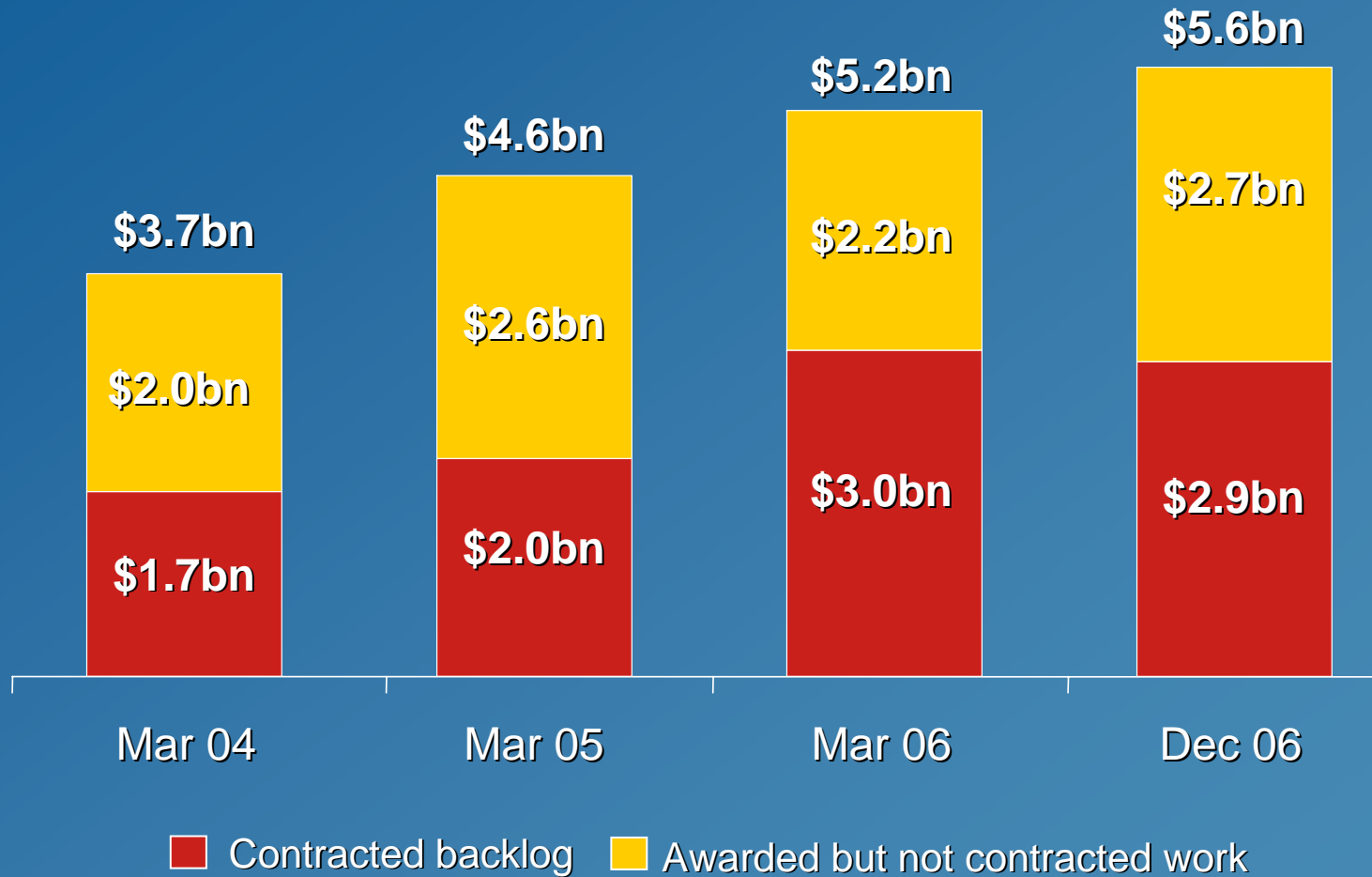
## Operating profit



# Navy South-East housing project

- \$525 million
- 5 year programme
- 2,116 new homes
- 11 bases in 5 states

# Centex Construction order book





# Growth enhancement through Centex Construction

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- Develop careful geographical market replication
- Exploit potential for upstream/downstream offer with Heery
- Create leadership in emerging procurement methods
- Develop business in building-based PPP

**Balfour Beatty**