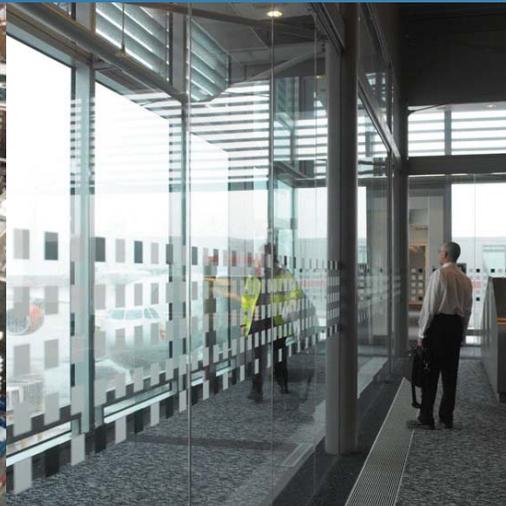


# Balfour Beatty



## 2006 Interim Results

16 August 2006



# Sir David John

**Balfour Beatty**

# Anthony Rabin

**Balfour Beatty**

# Headline numbers

---

	First half 2005	First half 2006	
Revenue	£2,308m	£2,773m	+20%
Pre-tax profit*	£52m	£60m	+15%
Adjusted eps*	9.3p	11.4p	+23%
Interim dividend	3.5p	3.9p	+11%
Net cash (excluding 100% PFI)	£299m	£353m	
Order book	£7.4bn	£8.8bn	+19%

\* Before exceptional items

# Performance by sector

---

Full year 2005	£m		First half 2005	First half 2006
<b>35</b>	<b>Building, Building Management and Services</b>		<b>8</b>	<b>17</b>

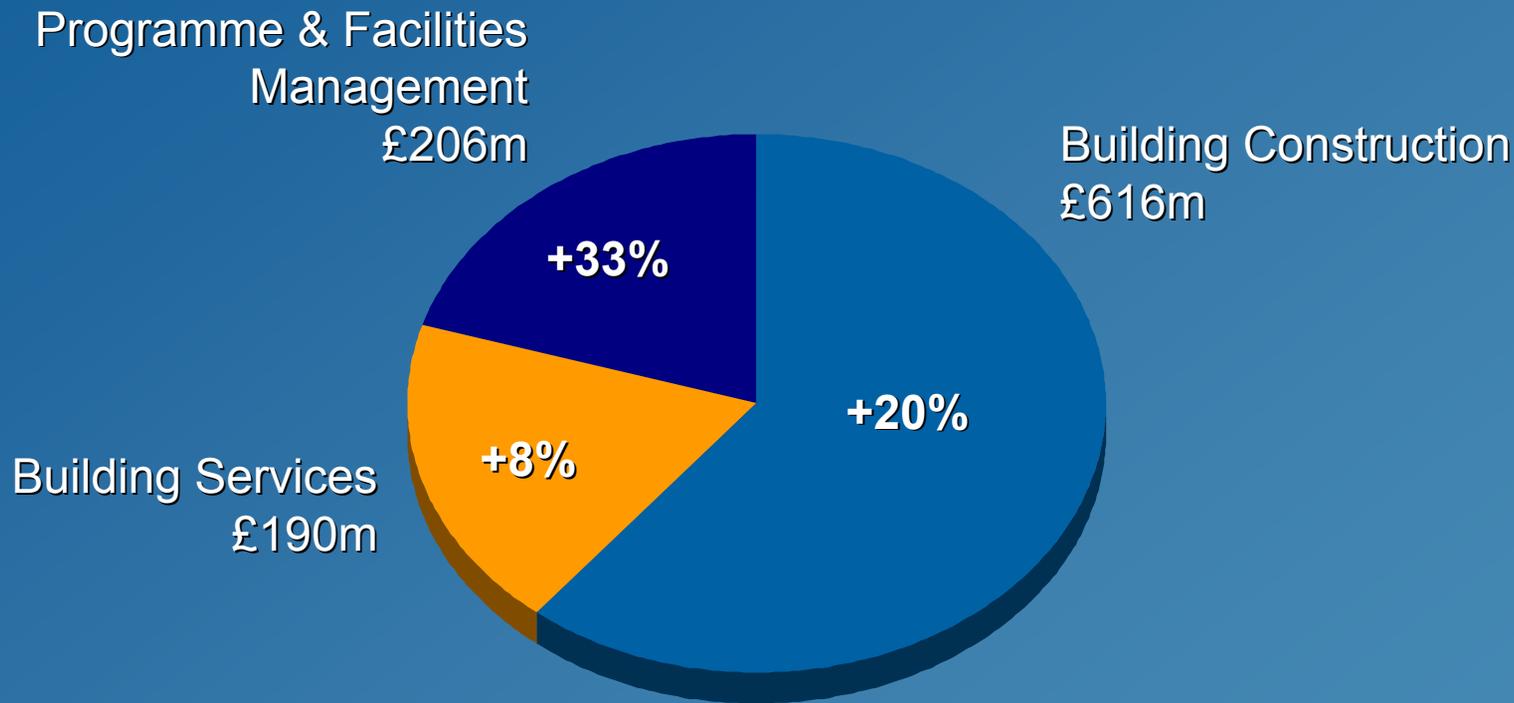
# Building, Building Management and Services

---

Full year 2005	£m	First half 2005	First half 2006
35		8	17

- Good progress in building construction
- Profits improve in building services
- Satisfactory performance in programme and facilities management
- Charter acquisition complements Heery

# Building, Building Management and Services



Revenue £1,012 million – 2006 first half

Order book £3.2 billion (Dec. 2005: £2.4 billion)

# Performance by sector

---

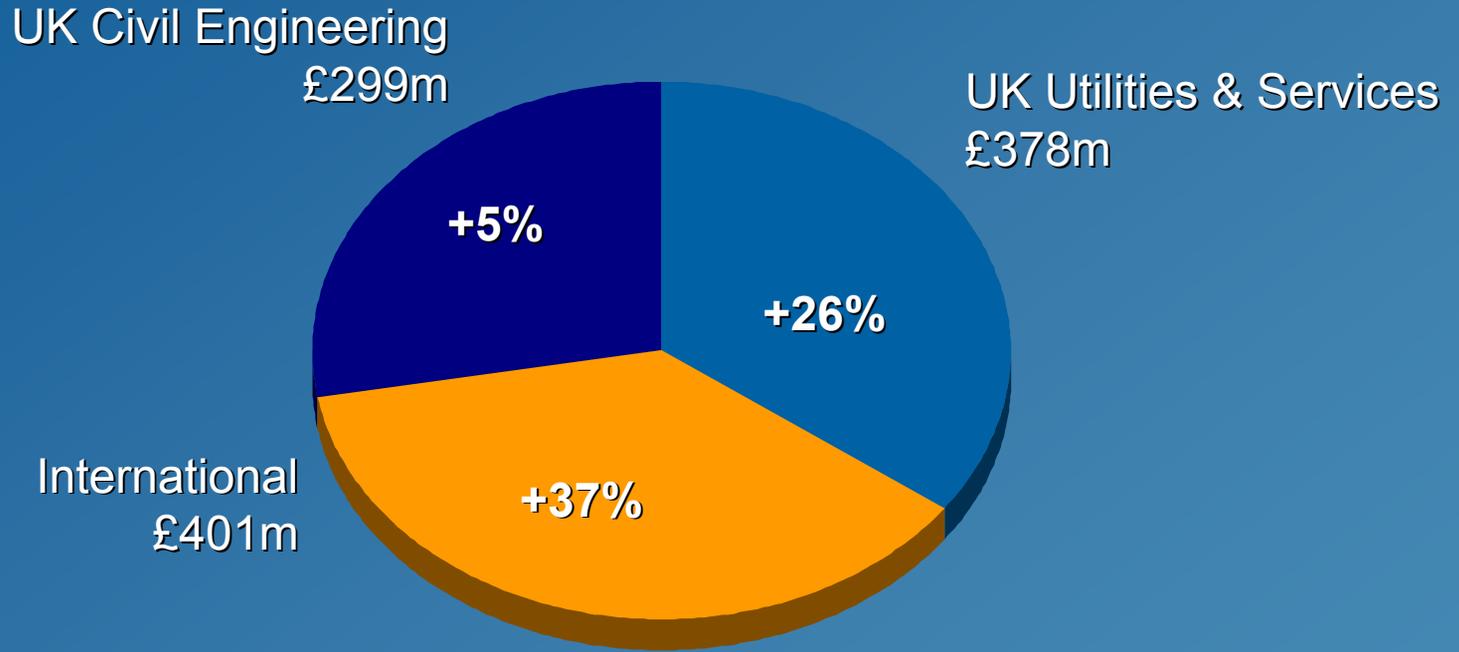
Full year 2005	£m	First half 2005	First half 2006
35	Building, Building Management and Services	8	17
<b>49</b>	<b>Civil and Specialist Engineering and Services</b>	<b>17</b>	<b>24</b>

# Civil and Specialist Engineering and Services

Full year 2005	£m		First half 2005	First half 2006
29		Civil and specialist engineering	10	10
20		Services	7	14
49			17	24

- Good performance in Hong Kong and Dubai, offset by US Central division performance
- Excellent progress in utilities contracting and road maintenance
- Birse acquisition completed since half-year

# Civil and Specialist Engineering and Services



Revenue £1,078 million - 2006 first half

Order book £4.4 billion (Dec 2005: £4.0 billion)

# Performance by sector

---

Full year 2005	£m	First half 2005	First half 2006
35	Building, Building Management and Services	8	17
49	Civil and Specialist Engineering and Services	17	24
<b>32</b>	<b>Rail Engineering and Services</b>	<b>20</b>	<b>11</b>

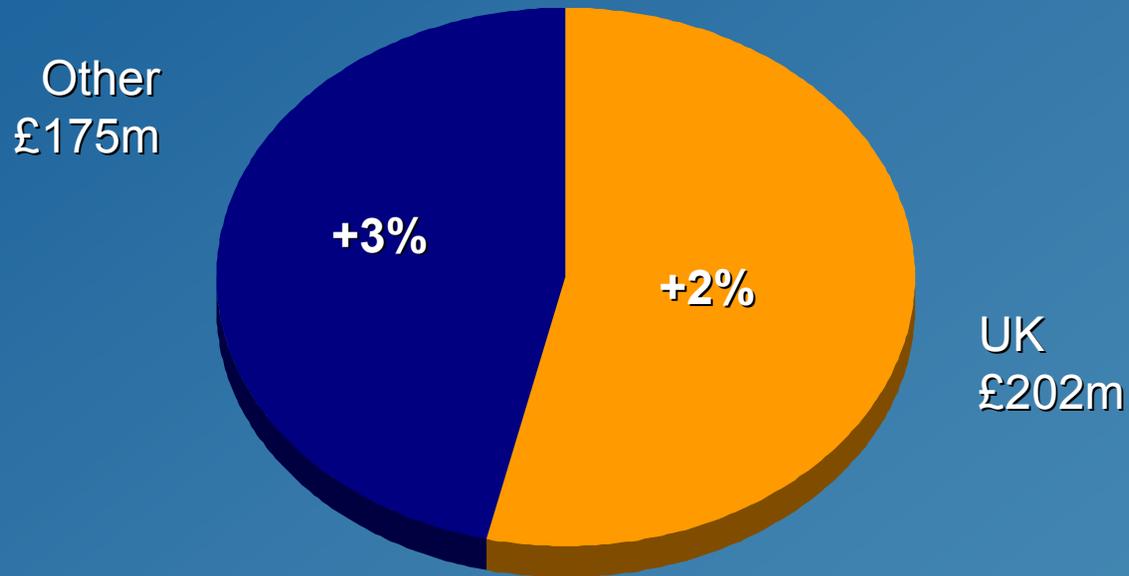
# Rail Engineering and Services

Full year 2005	£m	First half 2005	First half 2006
37	UK businesses	26	7
(5)	Overseas businesses	(6)	4
32		20	11

- Substantial fall in UK profits after 2005's one-off settlements
- Good progress on Heathrow T5 and Metronet contracts
- Steady performance in Europe and the US
- Edgar Allen acquisition strengthens BBR Track Systems

# Rail Engineering & Services

---



Revenue £377 million – 2006 first half

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

# Performance by sector

---

Full year 2005	£m	First half 2005	First half 2006
35	Building, Building Management and Services	8	17
49	Civil and Specialist Engineering and Services	17	24
32	Rail Engineering and Services	20	11
<b>20</b>	<b>Investments and Developments</b>	<b>8</b>	<b>15</b>

# Investments and Developments

Full year 2005	£m	First half 2005			First half 2006		
		PFI JVs & Assocs	Barking	Total	PFI JVs & Assocs	Barking	Total
30	Share of results of JVs & associates*	8	4	12	17	6	23
(10)	Group operating loss*			(4)			(8)
<b>20</b>	<b>I &amp; D operating profit</b>			<b>8</b>			<b>15</b>
17	<i>Group net finance income</i>			9			-
5	<i>Subordinated debt interest income</i>			3			3
42	<i>I &amp; D net result</i>			20			18

\* Including Property and excluding exceptional items

# Investments and Developments

---

- Good progress in BB Capital
- Financial close for Birmingham Hospital and Birmingham Schools projects
- Metronet profits in line with first half 2005
- Barking Power profits improve
- Strong bidding pipeline, including overseas opportunities

# Performance by sector

Full year 2005	£m	First half 2005	First half 2006
35	Building, Building Management and Services	8	17
49	Civil and Specialist Engineering and Services	17	24
32	Rail Engineering and Services	20	11
20	Investments and Developments	8	15
(21)	<b>Corporate costs</b>	(10)	(11)
115	Profit from operations*	43	56
19	<b>Net finance income*</b>	9	4
134	Pre-tax profit*	52	60

\* Before exceptional items

# Operating profit v operating cash flow

£m	First half 2005	First half 2006
Group operating profit	24	10
Depreciation	20	21
Impairment charge	-	17
Other items	1	1
Working capital decrease	39	84
Cash generated from operations <sup>†</sup>	84	133
PFI subsidiaries - adjustment	5	-
Cash generated from operations	89	133

<sup>†</sup>Treating PFI subsidiaries as associates/joint ventures

# Balance sheet cash movement

£m	First half 2005	First half 2006
Opening net cash <sup>†</sup>	311	315
Cash generated from operations	84	133
Dividends from JVs and associates	9	7
Capital expenditure and financial investment	(33)	(40)
Acquisitions and disposals	(6)	(21)
Buy-back of preference shares	(9)	(17)
Dividends, interest and tax paid	(55)	(19)
Other items	(2)	(5)
Closing net cash <sup>†</sup>	299	353
PFI subsidiaries net debt	(247)	(17)
Closing net cash	52	336

<sup>†</sup>Treating PFI subsidiaries as associates/joint ventures

# Acquisitions and disposals

---

£m

---

Edgar Allen	(11)
Charter	(9)
Other	(1)
	<hr/>
	(21)

# Exceptional items

---

£m

---

## Profit from operations:

Hatfield fine reduction	2
Goodwill impairment	(17)

---

(15)

## Finance costs:

Premium on buy-back of preference shares	(6)
--	-----

---

(21)

Tax on exceptional items	-
--------------------------	---

---

Net exceptional post-tax charge	(21)
---------------------------------	------

# Pensions

---

Full year 2005	£m	First half 2005	First half 2006
49	P&L charge	23	25
43	Employer contributions	20	24
280	Balance sheet liability	256	237

# Group balance sheet

£m	Dec 2005	June 2006
Goodwill	284	292
Net cash (excluding PFI)	315	353
Preference shares – liability	(98)	(90)
Retirement benefit obligations	(280)	(237)
PFI / PPP subsidiaries	-	2
Non-current assets + working capital	14	19
Non-recourse net debt	(14)	(17)
Other assets / liabilities	71	6
Shareholders' funds	292	326

# Summary

---

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

# Ian Tyler

**Balfour Beatty**

**Balfour Beatty**

---

# Major Public Sector Projects



Birmingham Hospital – £553m



Birmingham Hospital – £553m



Birmingham Schools – £74m



Pinderfields Hospital – £250m



Northern Batch Hospitals – £190m



Victoria and Stobhill Hospitals – £180m

**Balfour Beatty**

---

# Major Public Sector Projects

**Balfour Beatty**

---

# Long Term Frameworks



Northern Gas Networks – £700m



Central Electricity Networks – £160m



National Grid Electricity Alliances



New road maintenance contracts & extensions – £470m

**Balfour Beatty**

---

# Long Term Frameworks

**Balfour Beatty**

---

**Hong Kong and Dubai**



Venetian Casino – £205m



Venetian Casino – £205m



One Island East – £150m



West Kowloon Station – £140m



Burj Mall – £400m



Dubai Roads – £100m

**Balfour Beatty**



US



Metronet

# Strategy for growth

---

- Medium-term
  - Regional infrastructure

# Birse

---

## Balfour Beatty Civil Engineering

Adds regional coverage	North, Midlands, South-East
Adds new disciplines	Rail, Coastal, Process Engineering

## Mansell

Adds regional coverage	Educational Building in Yorkshire
------------------------	-----------------------------------

Revenue                      circa £350m

Order book                      circa £500m

# Strategy for growth

---

- Medium-term
  - Regional infrastructure
  - Private Finance

# Private Finance opportunities

---

- US
  - Oakland Airport Connector
  - State Highway 161
  - Healthcare and other building
- Gammon Capital
  - University of Singapore
- Germany
- UK
  - Non PFI Assets

# Strategy for growth

---

- Medium-term
  - Regional infrastructure
  - Private Finance
  - Professional Technical Services

# Strategy for growth

---

- **Medium-term**
  - Regional infrastructure
  - Private finance
  - Professional technical services
- **Longer-term**
  - US
  - Asia
  - Western Europe

**Balfour Beatty**