



2004 Preliminary Results

9 March 2005

Balfour Beatty



Sir David John

Balfour Beatty

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Headline numbers

| | 2004 | 2003 | |
|--------------------------|---------|---------|------|
| Turnover | £4,171m | £3,678m | +13% |
| Operating profit* | £173m | £161m | +7% |
| Pre-tax profit* | £150m | £130m | +15% |
| Earnings per share* | 23.4p | 20.6p | +14% |
| Dividends per share | 6.6p | 6.0p | +10% |
| Net cash (excl 100% PFI) | £311m | £127m | |
| Order book | £6.8bn | £5.8bn | +17% |

** Before exceptionals, goodwill charges and, in the case of earnings per share, appropriations arising on the buy-back of preference shares*

Performance by sector

| £m | 2004 | 2003 | |
|---|-----------|-----------|-------------|
| Building, Building Management and Services | 32 | 28 | +14% |
| Andover Controls (discontinued) | 8 | 17 | |

- Mansell performs ahead of expectations
- Record order books, largely from PFI
- £1bn construction work at preferred bidder stage
- Lower profits from facilities management

Performance by sector

| £m | 2004 | 2003 | |
|--|-----------|-----------|-------------|
| Building, Building Management and Services | 32 | 28 | +14% |
| Civil and Specialist Engineering and Services | 23 | 21 | +10% |

Civil and Specialist Engineering and Services

| £m | 2004 | 2003 |
|----------------------------------|------|------|
| Civil and specialist engineering | 4 | 13 |
| Services | 19 | 8 |
| Operating profit | 23 | 21 |

- Significant performance in UK major projects and the regions
- Further losses in the US
- Good progress in road maintenance and utilities

Performance by sector

| £m | 2004 | 2003 | |
|---|-----------|-----------|------------|
| Building, Building Management and Services | 32 | 28 | +14% |
| Civil and Specialist Engineering and Services | 23 | 21 | +10% |
| Rail Engineering and Services | 43 | 41 | +5% |

Rail Engineering and Services

| £m | 2004 | 2003 |
|------------------------------------|------|------|
| UK infrastructure services | 35 | 15 |
| Projects and specialist businesses | 8 | 26 |
| Operating profit | 43 | 41 |

- Maintenance settlement at satisfactory levels
- Good performance in other UK businesses
- Weakness in German market
- Loss-making US business reorganised

Performance by sector

| £m | 2004 | 2003 | |
|---|-----------|-----------|-------------|
| Building, Building Management and Services | 32 | 28 | +14% |
| Civil and Specialist Engineering and Services | 23 | 21 | +10% |
| Rail Engineering and Services | 43 | 41 | +5% |
| Investments and Developments | 67 | 54 | +24% |
| Operating profit - continuing businesses* | 165 | 144 | +15% |
| Andover Controls (discontinued) | 8 | 17 | |
| | 173 | 161 | |

* Before exceptionals and goodwill amortisation

Investments and Developments

| £m | 2004 | 2003 |
|------------------------|------|------|
| PFII/PPP* | 52 | 48 |
| Barking Power | 15 | 6 |
| Profit before interest | 67 | 54 |
| Profit after interest | 41 | 26 |

- Increased contribution from Metronet and Connect
- Barking Power performance improves significantly

* Including Property

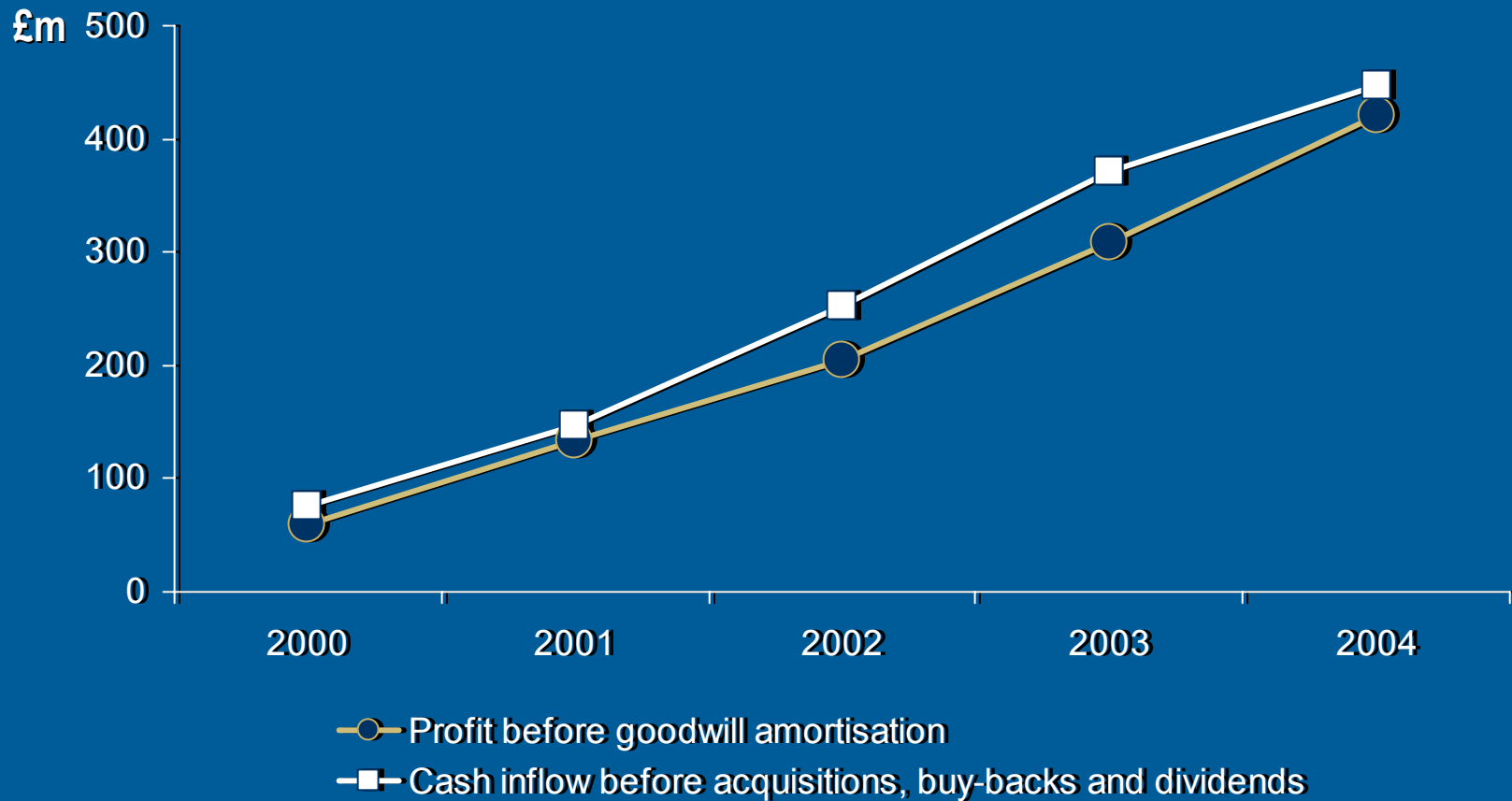
Operating profit v operating cash flow

| £m | 2004 excl PFI subsidiaries* | 2004 | 2003 |
|---|-----------------------------------|------------|------------|
| Group operating profit | 46 | 67 | 68 |
| add back: goodwill amortisation | 33 | 33 | 15 |
| Group operating profit* | 79 | 100 | 83 |
| Depreciation | 41 | 50 | 43 |
| Exceptional items – cash receipts/(expenditure) | (6) | (6) | 5 |
| Other items | 1 | 1 | - |
| Working capital decrease | 25 | 26 | 39 |
| Net cash inflow from operations | 140 | 171 | 170 |

* Treating PFI subsidiaries as associates

Cash v profits

(cumulative since Jan 2000)



Balance sheet cash movement

| £m | 2004 excl PFI subsidiaries* | 2004 | 2003 |
|--|-----------------------------------|-------|------|
| Opening net cash | 127 | 124 | 67 |
| Net cash inflow from operations | 140 | 171 | 170 |
| Dividends from J/Vs and associates | 17 | 8 | 11 |
| Capital expenditure and financial investment | (55) | (57) | (39) |
| Acquisitions and disposals | 159 | 161 | (21) |
| Buy-back of preference shares | (20) | (20) | (16) |
| Dividends, interest and tax paid | (63) | (87) | (63) |
| PFI / PPP net debt at acquisition date | - | (239) | - |
| Other items | 6 | 6 | 15 |
| Closing net cash | 311 | 67 | 124 |

* *Treating PFI subsidiaries as associates*

Acquisitions and disposals – net cash

| | £m |
|---|-------|
| Acquisitions in 2004: | |
| Gammon | 34 |
| Connect Roads (32%) | 11 |
| Other | 7 |
| Deferred consideration for earlier acquisitions | 4 |
| | <hr/> |
| | 56 |
| Disposals in 2004: | |
| Andover Controls | 218 |
| Other | (1) |
| | <hr/> |
| | 217 |
| | <hr/> |
| Net cash inflow on acquisitions and disposals | 161 |

Exceptional items

| | £m |
|--|-------------|
| Profit on disposal of Andover Controls | 137 |
| Loss on disposal of First Philippine | (1) |
| Profit on sale of Hong Kong business | 1 |
| Cancellation of Network Rail maintenance contracts | 7 |
| Profit on sale of UK fixed assets | 2 |
| Loss on sale of US plant and machinery | (4) |
| Net exceptional pre-tax profit | <u>142</u> |
| Tax on exceptional items | <u>(15)</u> |
| Net exceptional post-tax profit | <u>127</u> |

Pensions

| £m | 2004 | 2003 |
|---------------------------|------|------|
| P&L charges: | | |
| SSAP 24 | 35 | 28 |
| FRS 17 | | |
| - before exceptional gain | 46 | 40 |
| - after settlement gain | 38 | 35 |

- Two main funds show 100% funding level at end 2004
- £121m deficit (after tax credit) under FRS 17 for two main funds
- Disparity due entirely to differences in discount rates

Group balance sheet

| £m | 2004 | 2003 | 2002 |
|-----------------------------------|-------|-------|-------|
| Goodwill* | 295 | 318 | 280 |
| Net cash | 311 | 124 | 67 |
| PFI/PPP subsidiaries | 23 | - | - |
| Tangible assets + working capital | 267 | 3 | - |
| Non-recourse net debt | (244) | (3) | - |
| Other assets/(liabilities) | (216) | (211) | (155) |
| Shareholders' funds | 413 | 231 | 192 |

* Includes share of joint ventures and associates

Principal impacts of IFRS

Net assets

Reduced by

- Preference share treatment
- Pension fund deficits
- Treatment of derivatives

Increased by

- Dividend costs post balance sheet date
- Revaluation of PFI assets

Pre-tax profits and earnings

Reduced by

- Preference share charges
- Pension costs (IAS 19)
- Share-based payments
- Deferred taxation

Increased by

- Impairment review v goodwill amortisation

Summary

Continuing growth in underlying earnings

Strong cash flow

Cash available to further improve business mix

Ian Tyler

Balfour Beatty

Balfour Beatty – a successful company ...

Consistent profits and earnings growth

Arising from organic growth, acquisitions and PFI

Basic management principles consistently applied

Experienced management, market leadership,
consistent culture

Balfour Beatty strengths and procurement trends
match

Strong stakeholder support

... with strong core skills

Engineering

Bid management

Project management

Commercial management

Labour management

Professional services management

Specialist PFI skills

... which has outstripped GDP base growth

Strong concession base

Extended life-cycle presence

Greater geographic focus

New procurement methods exploited

Our markets

UK building

UK facilities management

UK infrastructure

UK utilities

Rail

US

Asia and the Middle East

Investments

UK building

*Balfour Beatty Construction
Mansell
Haden Young
Balfour Kilpatrick*



Market leaders

Good processes / reputations

£1.2bn orders

£1bn+ preferred bidder

UK facilities management

Haden Building Management



Rapid market growth over recent years

Order book at £800m in long-term contracts

Sales doubled to £250m over last five years

Sector/product specialisms for future growth

UK infrastructure

*Balfour Beatty Civil Engineering
Stent
RCS*



UK leader in roads and complex schemes

Superior capabilities and relationships

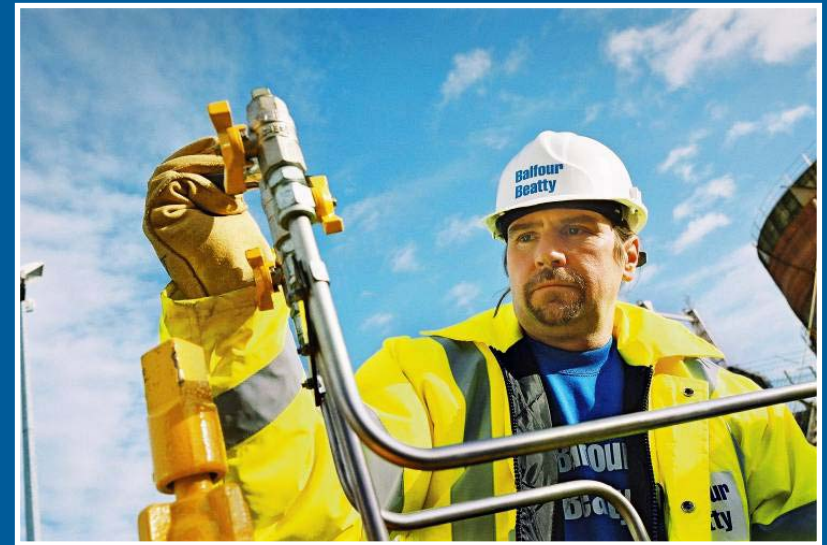
In harmony with procurement modes and developments

£1.5bn order book

Build our position as supplier of choice

UK utilities

Balfour Beatty Utilities
Balfour Beatty Power Networks



Focussed, good market positions

Forward order book of over £800m

Work secured to deliver medium-term growth

Rail

Balfour Beatty Rail
Balfour Beatty Rail Inc



Strong core business base

Some market difficulties

Revisit growth model

Scope for appropriate acquisitions

USA

Balfour Beatty Construction Inc
Balfour Beatty Rail Inc
Heery International



Substantial losses in 2004

Major rationalisation implemented

Sound business models now established

Careful growth only on strong business base

Asia and the Middle East

Gammon
Dutco Balfour Beatty

Leading player in Hong Kong
Presence in China and Singapore
Good regional prospects
Strong player in Dubai



Investments

*Balfour Beatty Capital Projects
Barking Power*



Established market leader in PPP / PFI

Good returns from invested funds

Built-in future earnings growth

No imperative to trade

Key future source of contracting work

Social housing

*Mansell
Balfour Beatty Construction*



£47bn spend scheduled by 2010

Mansell has confirmed order book of £200m

Mansell “Partnering Contractor of the Year” 2004

Our themes in developing the business

Retain / strengthen all key disciplines

Best use of cash resources

Acquire for medium-term earnings growth

Retain and grow PPP portfolio

Exploit the strength of our capability and our brand

Outlook

Sustained growth in 2005 and beyond