



Balfour Beatty

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*Ian Tyler*  
Finance Director



## *Headlines*

- Continuing forward profit momentum
- Earnings supported by strong cash flow
- Growing contribution from acquisitions
- Good growth prospects in key markets



## *Headlines*

- Turnover +18%
- Operating profits\*† +23%
- Pre-tax profits\* +17%
- Earnings per share\* +41%
- Dividends per share +10%
- Order book +20% (since Dec 2000)  
+40% (since June 2000)

*\* Before exceptional items and goodwill amortisation*

*† Continuing businesses*



## *Headline Numbers*

2000		First Half 2000	First Half 2001
£2,603m	Turnover	£1,215m	£1,436m
£114m	Operating profit*	£48m	£59m
£86m	Pre-tax profit*	£35m	£41m
10.9p	Earnings per share*	3.9p	5.5p
4.5p	Dividends per share	2.0p	2.2p
£104m	Net Cash	£135m	£63m

*\* Before exceptionals and goodwill amortisation*



## *Performance by Sector*

2000 Full Year	£m	First Half 2000	First Half 2001	
<b>39</b>	<b>Building, Building Management and Services</b>	<b>14</b>	<b>22</b>	<b>+57%</b>
27	Civil and Specialist Engineering and Services	10	7	-30%
6	Rail Engineering and Services	6	7	+17%
41	Investments and Developments	18	23	+28%
113	Operating profit* - continuing businesses	48	59	+20%

\* Before exceptionals and goodwill amortisation



## *Building, Building Management and Services*

2000 Full Year	£m	First Half 2000	First Half 2001
18	Construction	7	9
21	Services and Systems	7	13
39		14	22

- Construction and service businesses improve
- Significant contribution from Integral
- More even half-year split



## *Performance by Sector*

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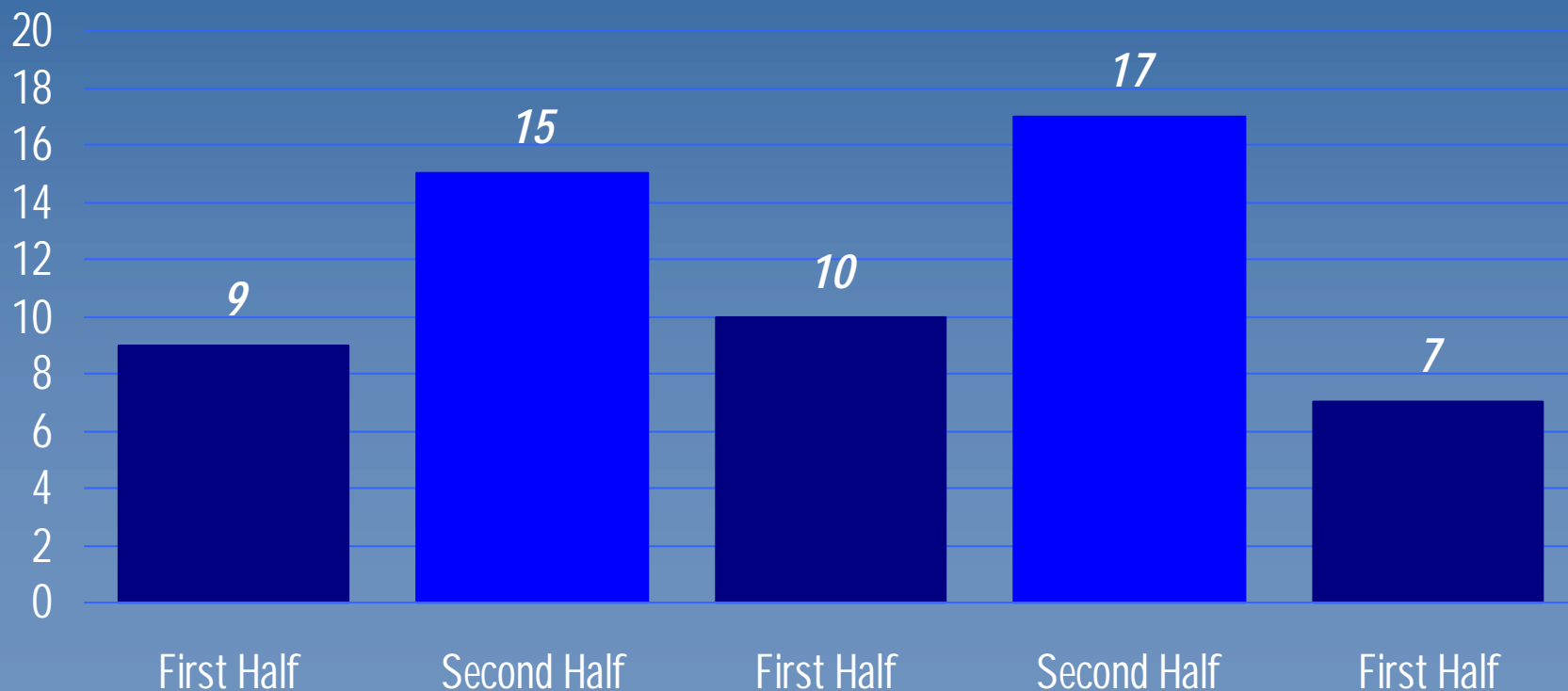
## *Civil and Specialist Engineering and Services*

2000 Full Year	£m	First Half 2000	First Half 2001
24	Continuing businesses	9	6
3	Cables	1	1
27		10	7

- Foot and mouth impact on power networks business
- Ducab sold
- Seasonal uplift anticipated in second-half



## *Civil and Specialist Engineering and Services Operating Profits*





## *Performance by Sector*

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## *Rail Engineering and Services*

2000 Full Year	£m	First Half 2000	First Half 2001
(8)	Maintenance	2	(2)
10	Specialist Businesses	4	4
4	Acquisitions	-	5
6		6	7

- First quarter RT1a losses; IMC2000 from 1/4/2001
- Earnings from acquisitions second-half biased



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\* Before exceptionals and goodwill amortisation



## *Investments and Developments*

2000 Full Year	£m	First Half 2000	First Half 2001
24	PFI/PPP	15	12
16	Barking Power	4	12
1	Property	(1)	(1)
41		18	23



## *Cashflow from Activities*

	£m
Group operating profit	25
Dividends from J/Vs and associates	6
Goodwill amortisation	5
Capex less depreciation	(2)
Increase in working capital	(19)
Group interest	(1)
Tax	(1)
Cash from operations	13



## *Movement in Net Cash*

	£m
Opening net cash	104
Cash from operations	13
Net cost of acquisitions/disposals	(8)
Investments	(24)
Share buy back/minority interest repaid	(2)
Cash expenditure on exceptionals	(2)
Dividends	(16)
Exchange	(2)
Closing net cash	63





## *Group Balance Sheet*

£m	First Half 2001	First Half 2000
Goodwill	173	63
Net cash	63	135
Other assets	(73)	(52)
Shareholders funds	163	146



## *Summary*

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

Balfour Beatty



***Mike Welton***

Chief Executive



## *Key Objectives*

- Sustainability
  - Better, more secure margins
- Focus
  - Maintain competitive advantage
- Growth
  - Organic and by acquisition
- Process
  - Continuous improvement

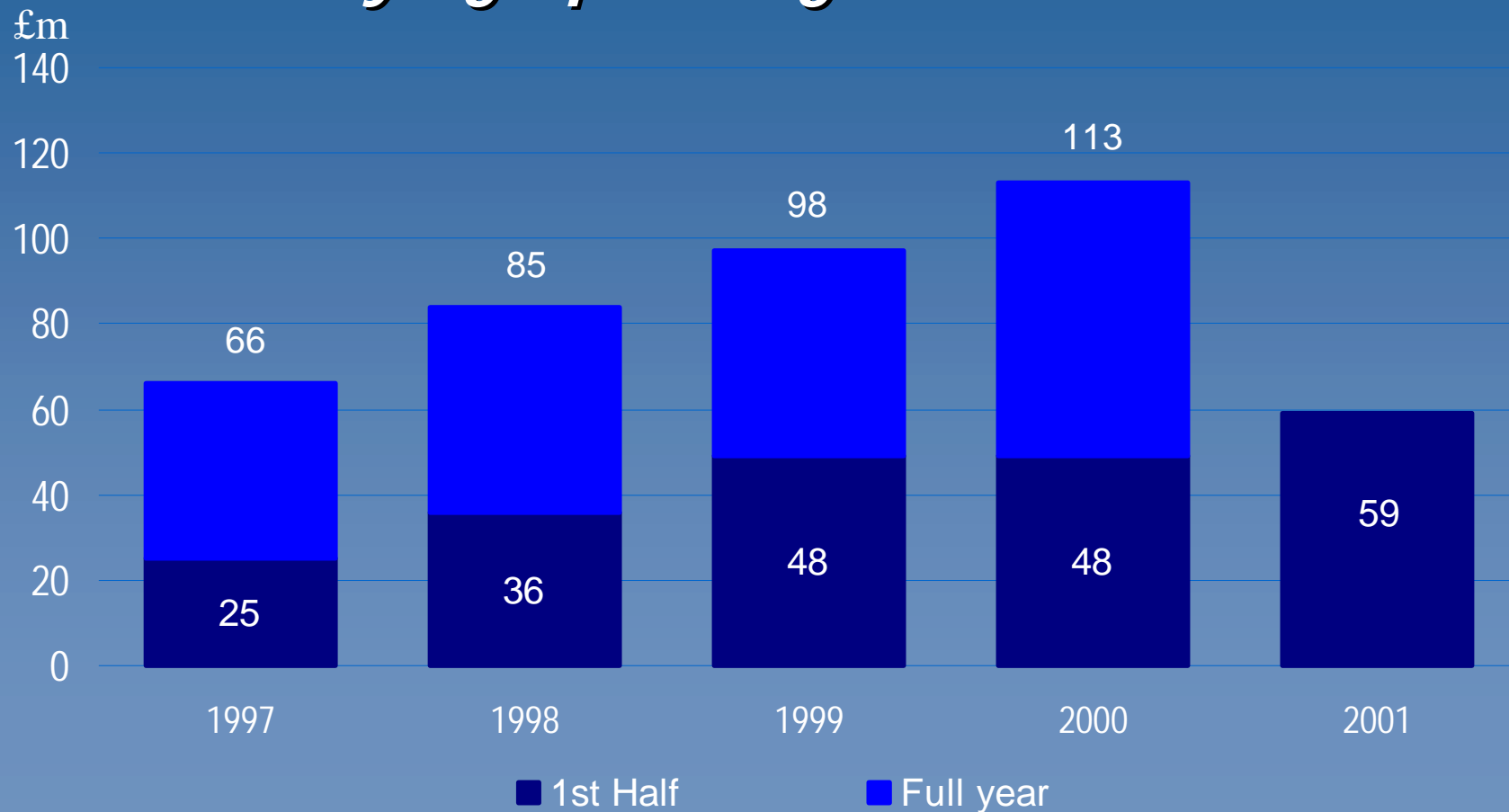


## *Key Objectives as stated in August 1999*

- Generate steady and sustainable earnings growth
- Improve the quality of earnings
- Retain strong financial disciplines and control
- Manage continuous business process improvement
- Maximise range of group capabilities
- Develop businesses with growth potential



## *Underlying Operating Profit\* Growth*



*\* From continuing businesses, before exceptional items and goodwill amortisation*



## *Quality of Earnings*

- Base margins improved
- Approximately 30% of sales in long-term service contracts
- Earnings underpinned by predictable concession income
- Order book size and quality



## *Order Book*

£bn	June 2000	Dec 2000	June 2001
Building, Building Management and Services	1.1	1.3	1.5
Civil and Specialised Engineering	1.0	1.1	1.2
Rail Engineering and Services	0.7	0.9	1.2
Total	2.8	3.3	3.9

Current order book: over 40% in support services





## *Quality of Earnings*

- Base margins improved
- Approximately 30% of sales in long-term service contracts
- Earnings underpinned by predictable concession income
- Order book size and quality
- Operating profits underpinned by operating cash



## *Cash Underpins Profits*

£m	Operating Profit*	Operating Cash*
1996-2000	277	302

*\* Excluding joint ventures and associates*



## *Financial Disciplines and Control*

- Profit before turnover, strict margin targets
- Conservative profit recognition and accounting
- Strong operating cash and working capital controls



## *Business Process Improvement*

- Supplier base cut radically; preferred supplier regime
- Enhanced Risk Management system
- Alliance with BuildOnLine for e-commerce
- Increasing emphasis on Knowledge Management
- Repeat business ratios continue to improve



## *Maximising Group Capabilities*

- Strong public and private sector market trends to outsource services and interface management
  - PFI, prime contracting, design and build
- Comprehensive and successful combination of linked skills/disciplines in PFI hospitals, schools, etc
- Increasing cross-fertilisation between disciplines for private sector clients
- Whole life asset management and costing



## *Develop Growth Businesses*

- Rail
  - Acquisitions for electrification, trackwork, signalling
  - Market presence extended in key growth areas
- PPP/PFI
  - 11 concessions active, most now earning
  - LUL PPP
  - Extensive bidding and prequalification
- USA
  - Building control systems
  - Civil and engineering
  - Rail
  - Programme management



## *Key Objectives*

- Sustainability
  - Better, more secure margins
- Focus
  - Maintain competitive advantage
- Growth
  - Organic and by acquisition
- Process
  - Continuous improvement



## ***Building, Building Management and Services***

### **Sector status**

- Strong profit growth momentum
- Excellent business mix

### **Key market dynamics**

- Increasing demand for outsourcing, service integration and efficient construction





## *Civil and Specialist Engineering and Services*

### Sector status

- Stable underlying profitability
- Period returns variable

### Key market dynamics

- Substantially increased public/PPP spending plans for UK and US infrastructure



## ***Rail Engineering and Services***

### **Sector status**

- UK maintenance position stabilised
- Broad business mix based on leadership positions

### **Key market dynamics**

- Worldwide market growth in mainline and light rail expenditure



## *Investments and Developments*

### **Sector status**

- Current portfolio set to deliver predictable growth
- LUL PPP
- First-class team targeting carefully selected opportunities

### **Key market dynamics**

- £20 billion of PFI deals over the next 5 years plus further growth in PPP



## *The Future*

- Order book of £3.9 billion a new record
- Key markets remain positive
- Business mix to exploit key long-term market trends
- Rail business recovering after 2000 setback
- Further acquisitions and market opportunities being evaluated
- Continuing adherence to key objectives and principles