

Balfour Beatty



2005 Preliminary Results

8 March 2006



Sir David John

Balfour Beatty

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Headline numbers

	2004	Pro forma 2004	2005	
Revenue	£4,239m	£4,239m	£4,938m	+16%
Pre-tax profit* continuing operations	£122m	£107m	£134m	+25%
Adjusted eps*	22.5p	22.1p	24.1p	+9%

* Before exceptional items, and in the case of eps, premium on buy-back of preference shares

Headline numbers

	2004	2005	
Full-year proposed dividend	6.6p	8.1p	+23%
Net cash (excluding 100% PFI)	£311m	£315m	
Order book	£6.8bn	£7.6bn	+12%

Performance by sector

£m	2004	2005	
Building, Building Management and Services	34	35	+3%

Building, Building Management and Services

£m	2004	2005
	34	35

- Steady underlying performance
- Mansell performs well
- Construction recovers strongly from some short-term contract issues in first half
- Heery performance improves

Performance by sector

£m	2004	2005	
Building, Building Management and Services	34	35	+3%
Civil and Specialist Engineering and Services	16	49	+206%

Civil and Specialist Engineering and Services

£m	2004	2005
Civil and specialist engineering	(3)	29
Services	19	20
	16	49

- Return to profit in US civils
- Steady performance in UK civils
- Good progress in RCS and Power Networks
- Utilities gearing up for major new long-term contracts
- Strong order book growth

Performance by sector

£m	2004	2005	
Building, Building Management and Services	34	35	+3%
Civil and Specialist Engineering and Services	16	49	+206%
Rail Engineering and Services	44	32	-27%

Rail Engineering and Services

£m	2004	2005
UK businesses	50	37
Overseas businesses	(6)	(5)
	44	32

- UK profits affected by handover of rail maintenance business to Network Rail in 2004
- Improved performance in Rail Power Systems
- Further write-downs on one US rail signalling contract

Performance by sector

£m	2004†	2005	
Building, Building Management and Services	34	35	+3%
Civil and Specialist Engineering and Services	16	49	+206%
Rail Engineering and Services	44	32	-27%
Investments and Developments	17	20	+18%

† Pro forma

Investments and Developments

£m	2004			2005		
	PFI	Barking	Total	PFI	Barking	Total
Share of results of JVs & associates	19	7	26	22	8	30
Group operating profit*			(9)			(10)
I & D operating profit			17			20
<i>Group net finance income</i>			16			17
<i>Subordinated debt interest income</i>			9			5
<i>I & D net result</i>			42			42

* Including Property and excluding exceptional items

Investments and Developments

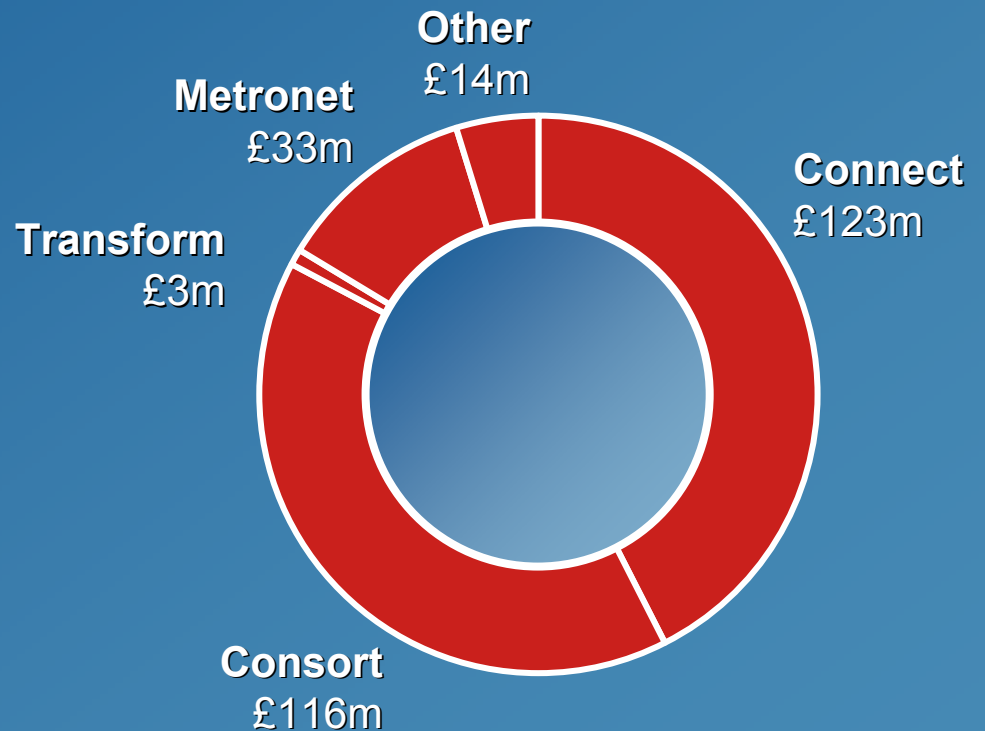
- UCLH 1st phase and M77 handed over on-time
- Financial close on South Tyneside street lighting, and North Lanarkshire and Bassetlaw schools
- Metronet operational performance satisfactory
- Pre-qualification and bidding opportunities strong

Portfolio valuation: December 2005

Total equity committed: £283m

Cash invested: £149m

Valuation
£289m



Performance by sector

£m	2004†	2005	
Building, Building Management and Services	34	35	+3%
Civil and Specialist Engineering and Services	16	49	+206%
Rail Engineering and Services	44	32	-27%
Investments and Developments	17	20	+18%
Corporate costs	(17)	(21)	
Profit from operations*	94	115	
Net finance income*	13	19	
Pre-tax profit – continuing operations*	107	134	

† Pro forma * Before exceptional items

Operating profit v operating cash flow

£m	2004	2005
Group operating profit	55	58
Trading profit from discontinued operations	8	-
Depreciation	41	41
Impairment charge	18	12
Other items	2	(5)
Working capital decrease	17	61
Cash generated from operations†	141	167
PFI subsidiaries – adjustment	7	-
Cash generated from operations	148	167

† Treating PFI subsidiaries as joint ventures

Balance sheet cash movement

£m	2004	2005
Opening net cash	127	311
Cash generated from operations	141	167
Dividends from JVs and associates	17	19
Capital expenditure and financial investment	(56)	(71)
Acquisitions and disposals	159	(42)
Buy-back of preference shares	(20)	(11)
Dividends, interest and tax paid	(63)	(59)
Other items	6	1
Closing net cash†	311	315
PFI subsidiaries net debt	(244)	(14)
Closing net cash	67	301

† Treating PFI subsidiaries as joint ventures

Acquisitions and disposals

£m

Consort Healthcare ERI (31.4%)	31
Signalbau Bahn	9
Pennine	8
JCM	6
Deferred consideration	2
	<hr/> 56
Connect Roads disposal (15%)	(14)
	<hr/> 42

Exceptional items

£m

Profit from operations:

Gain on sale of 15% of Connect Roads	6
Legacy legal issue in the US	(8)
Romec investment impairment	(8)
Goodwill impairment Balfour Beatty Rail Inc	(4)
TXU distributions to Barking Power (net of tax)	30
	<hr/>
	16

Finance costs:

Premium on buy-back of preference shares	(3)
Premium on repayment of US\$ term loan	(6)
	<hr/>
	7

Tax on exceptional items	(3)
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Net exceptional post-tax profit	4
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Pensions under IAS 19

£m	2004	2005
P&L charge pre-exceptionals	48	49
Exceptional settlement gain	(8)	-
	40	49
Employer contributions	42	43
Balance sheet liability	254	280

Group balance sheet

£m	Dec 2004	Pro forma Dec 2004	Dec 2005
Goodwill	279	274	284
Net cash (excluding PFI)	311	311	315
Preference shares – liability	-	(103)	(98)
PFI / PPP subsidiaries	32	58	-
Non-current assets + working capital	276	302	14
Non-recourse net debt	(244)	(244)	(14)
Other assets / liabilities	(320)	(313)	(209)
Shareholders' funds	302	227	292

Summary

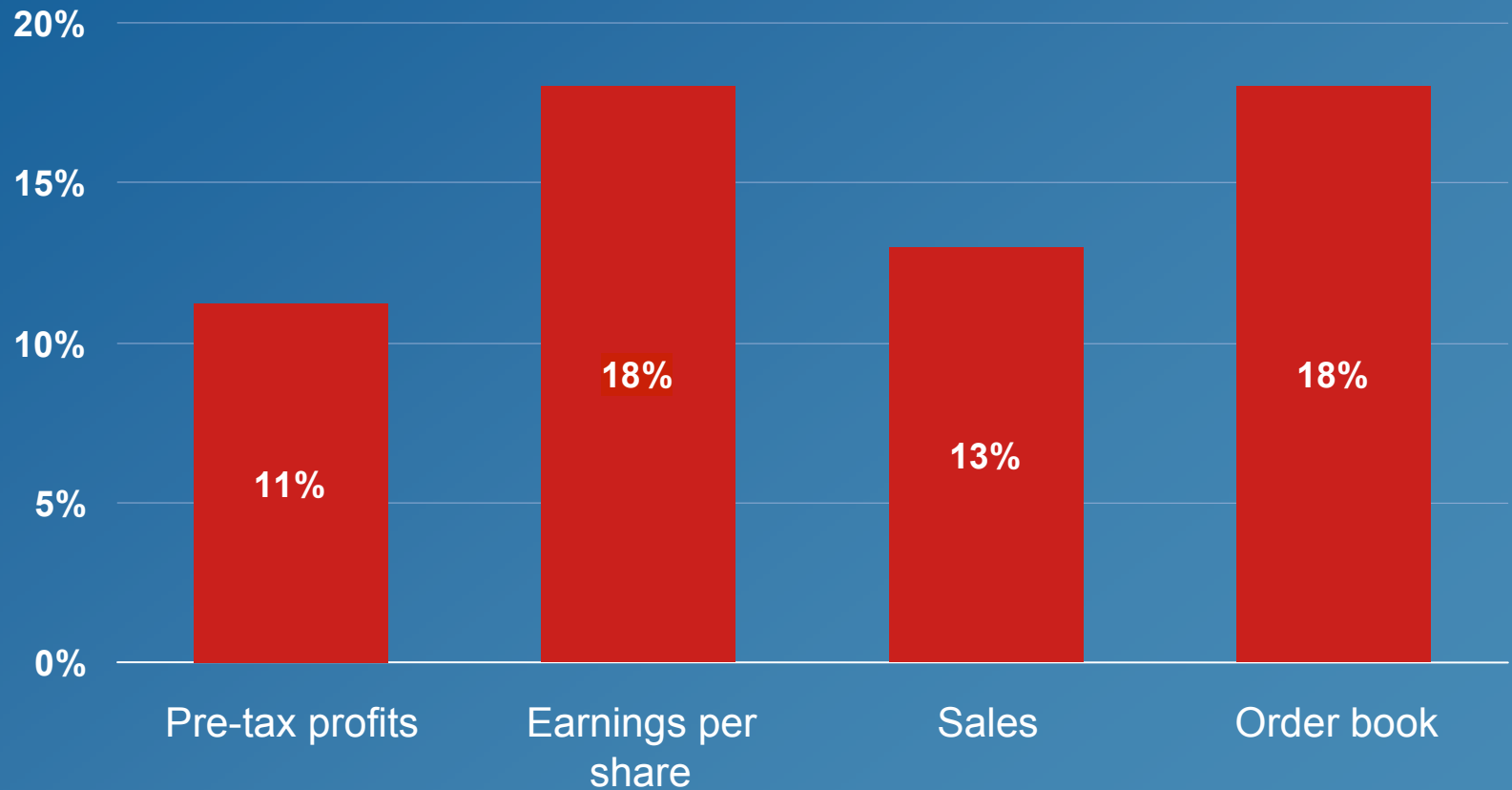
- No impact from IFRS on business operations, strategy or cash
- Continuing growth in profits
- Strong cash flow
- Strong cash position to support future growth

Ian Tyler

Balfour Beatty

Balfour Beatty growth 2000-2005

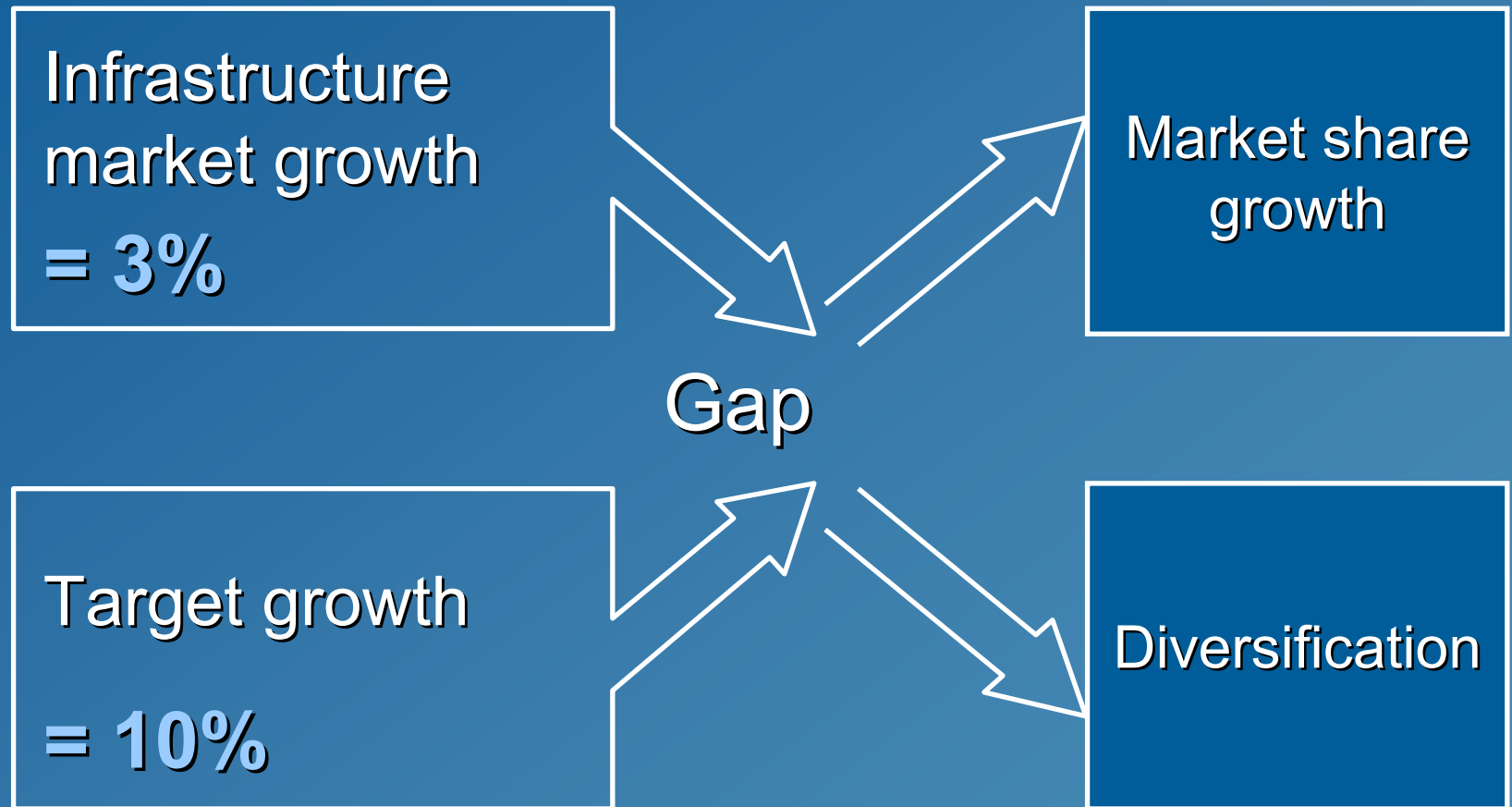
CAGR



Balfour Beatty growth 2006 and beyond

- Short-term
 - Inherent in existing business mix

Strategic conundrum



Strategic framework

- Minimum distance from core capabilities
- Exploit / create positions of market leadership

Balfour Beatty growth 2006 and beyond

- **Short-term**

- Inherent in existing business mix

- **Medium-term**

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

- **Longer-term**

- Expansion of non-UK domestic businesses

Criteria for international diversification

- Adequate market size
- Acceptable business environment
- Sufficiently sophisticated
- Market leadership possible

Balfour Beatty growth 2006 and beyond

- **Short-term**

- Inherent in existing business mix

- **Medium-term**

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

- **Longer-term**

- Expansion of non-UK domestic businesses
 - US
 - Western Europe
 - South-East Asia