

Balfour Beatty



2009 Preliminary Results

4 March 2010

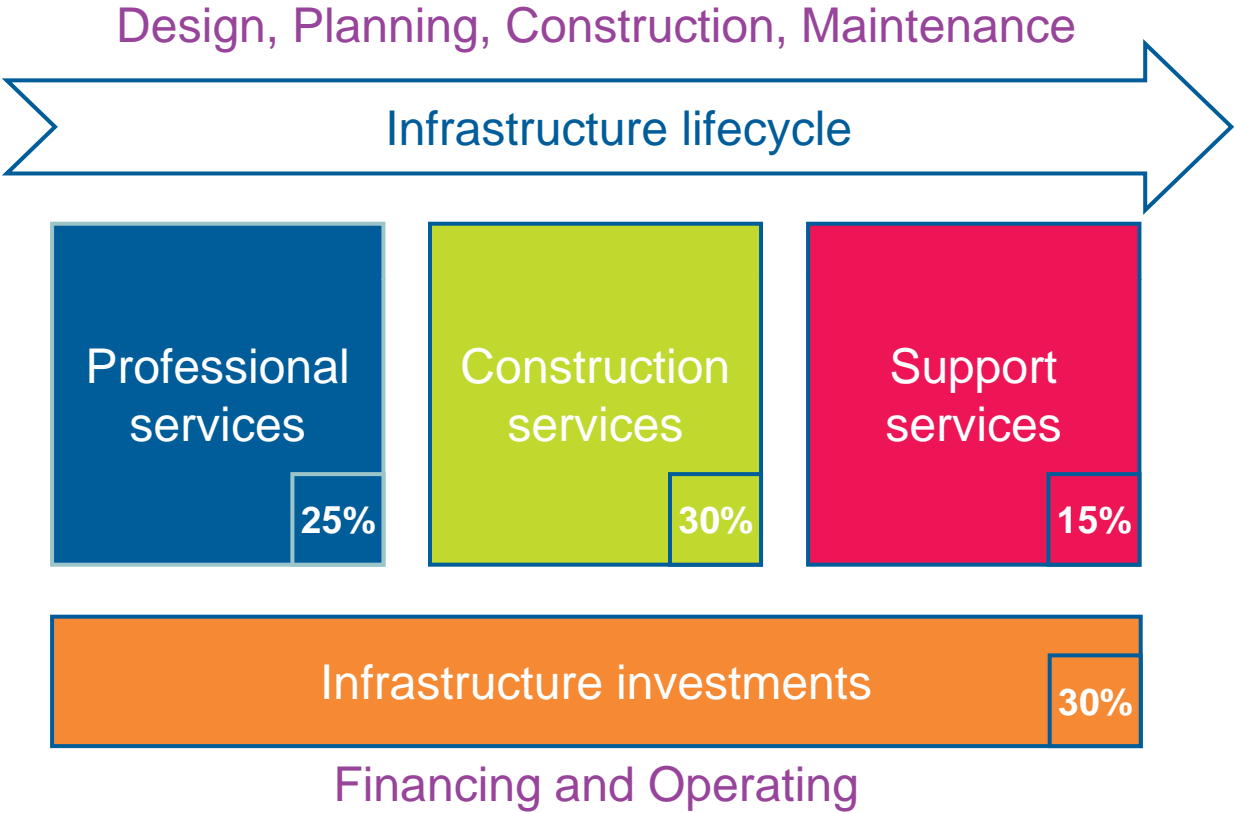


Balfour Beatty

Duncan Magrath

Finance Director

Business segments



Note: Balfour Beatty analysis – illustrative allocation of value by segment

Headline numbers

	2009	2008	Actual growth	Constant currency
Revenue	£10,339m	£9,486m	+9%	+3%
Profit from operations*	£282m	£230m	+23%	+14%
Pre-tax profit*	£267m	£249m	+7%	
Adjusted eps*^	34.7p	34.7p		
Full-year proposed dividend^	12.0p	11.1p	+8%	
Cash generated from operations	£294m	£297m		
Average cash for the year	£283m	£239m		
Net cash (excluding 100% PPP)	£572m	£440m		
Order book	£14.1bn	£12.8bn	+10%	+15%

* before exceptional items and amortisation

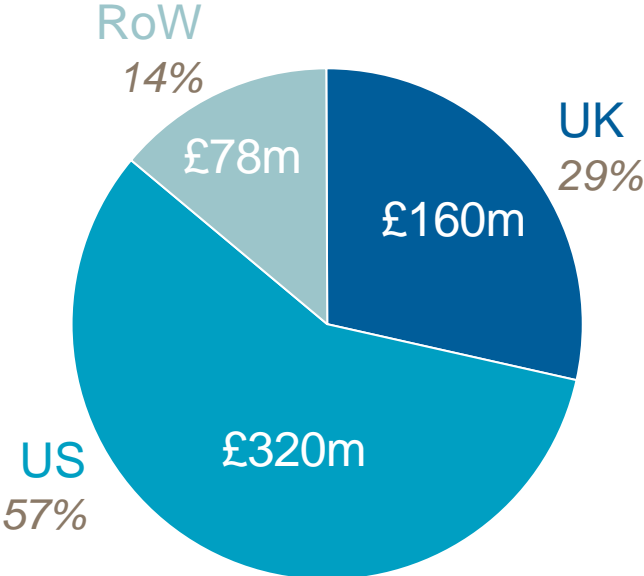
^ per share numbers have been restated for the bonus element of the 2009 rights issue

Professional services

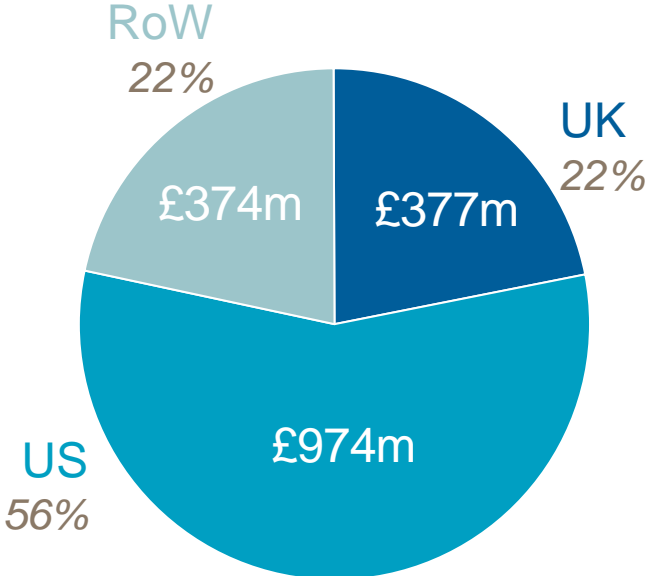
	2009	2008	Actual growth	Constant currency
Order book	£1.4bn	£0.4bn	+250%	+285%
Revenue	£558m	£290m	+92%	+70%
Profit	£13m	£14m	-7%	-19%
Margin %	2.3%	4.8%		

- Included above are post-acquisition results of Parsons Brinckerhoff (2009: Order book £1.1bn; Revenue £248m; Loss £1m)
 - Integration proceeding well
 - BBM and PB(UK) combined
- Fee pressure and lower order activity in US; modest impact of stimulus

Professional services – revenue by geography



2009 actual
£558m



2009 proforma*
£1,725m

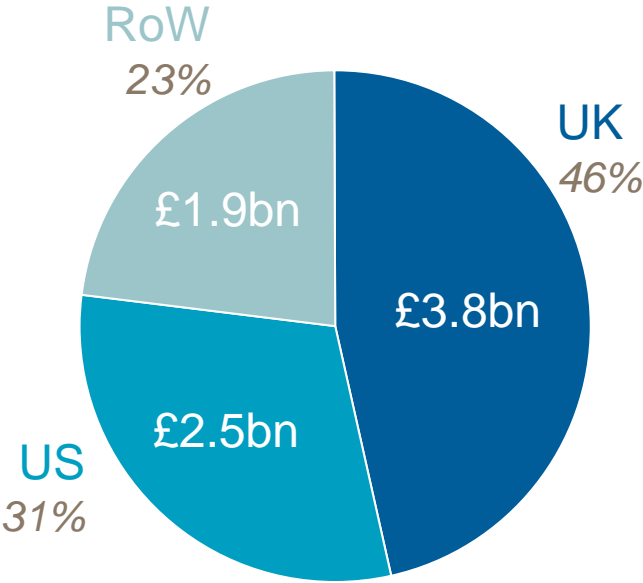
* includes pre-acquisition Parsons Brinckerhoff

Construction services

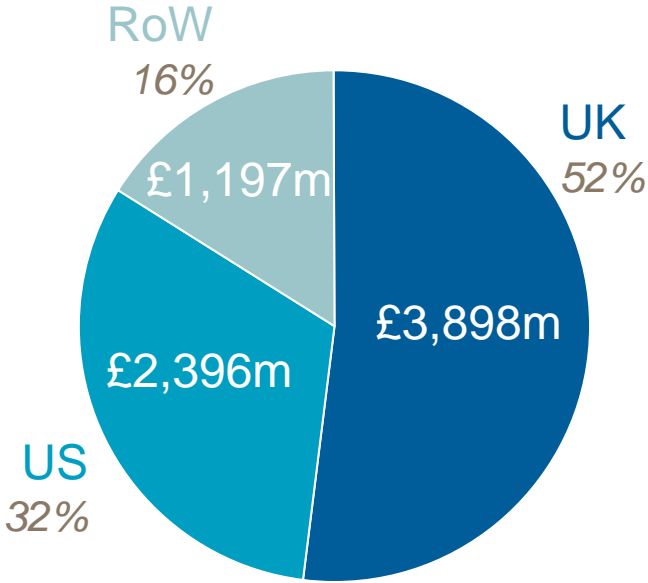
	2009	2008	Actual growth	Constant currency
Order book	£8.2bn	£9.5bn	-14%	-8%
Revenue	£7,491m	£7,095m	+6%	-2%
Profit	£207m	£167m	+24%	+14%
Margin %	2.8%	2.4%		

- US – strong revenue and profit performance plus small benefit from acquisitions of RT Dooley and SpawMaxwell
- UK – strong building, good civils, reduced rail profitability
- Hong Kong – good performance with strong order book growth
- Middle East – continuing growth outside Dubai in M&E; building business downsized

Construction services – 2009 by geography



Order book
£8.2bn



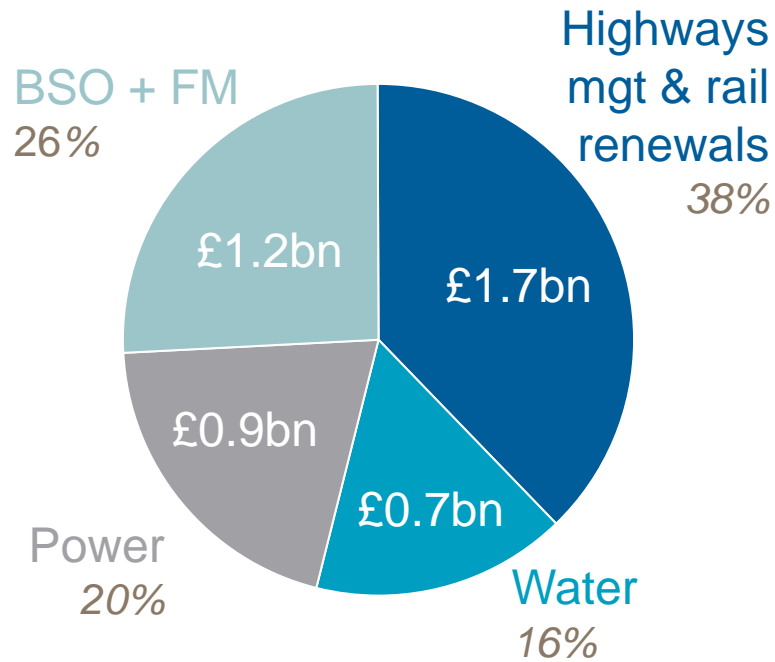
Revenue
£7,491m

Support services

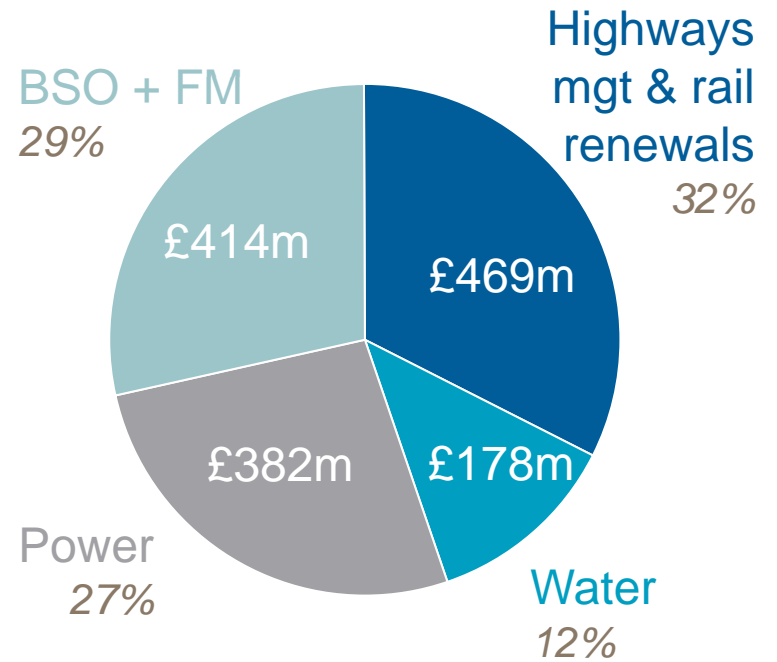
	2009	2008	Actual growth	Constant currency
Order book	£4.5bn	£2.9bn	+55%	+50%
Revenue	£1,443m	£1,548m	-7%	-7%
Profit	£55m	£52m	+6%	+7%
Margin %	3.8%	3.4%		

- M25 management contract started Sept '09
- QinetiQ FM contract and one year extension to Royal Mail contract
- Secured AMP5 United Utilities contract and Anglian Water alliance extension
- Declining volumes at end of AMP 4
- Reduced UK rail renewals volumes

Support services – 2009 by market



Order book
£4.5bn



Revenue
£1,443m

BSO = Business services outsourcing
FM = Facilities management

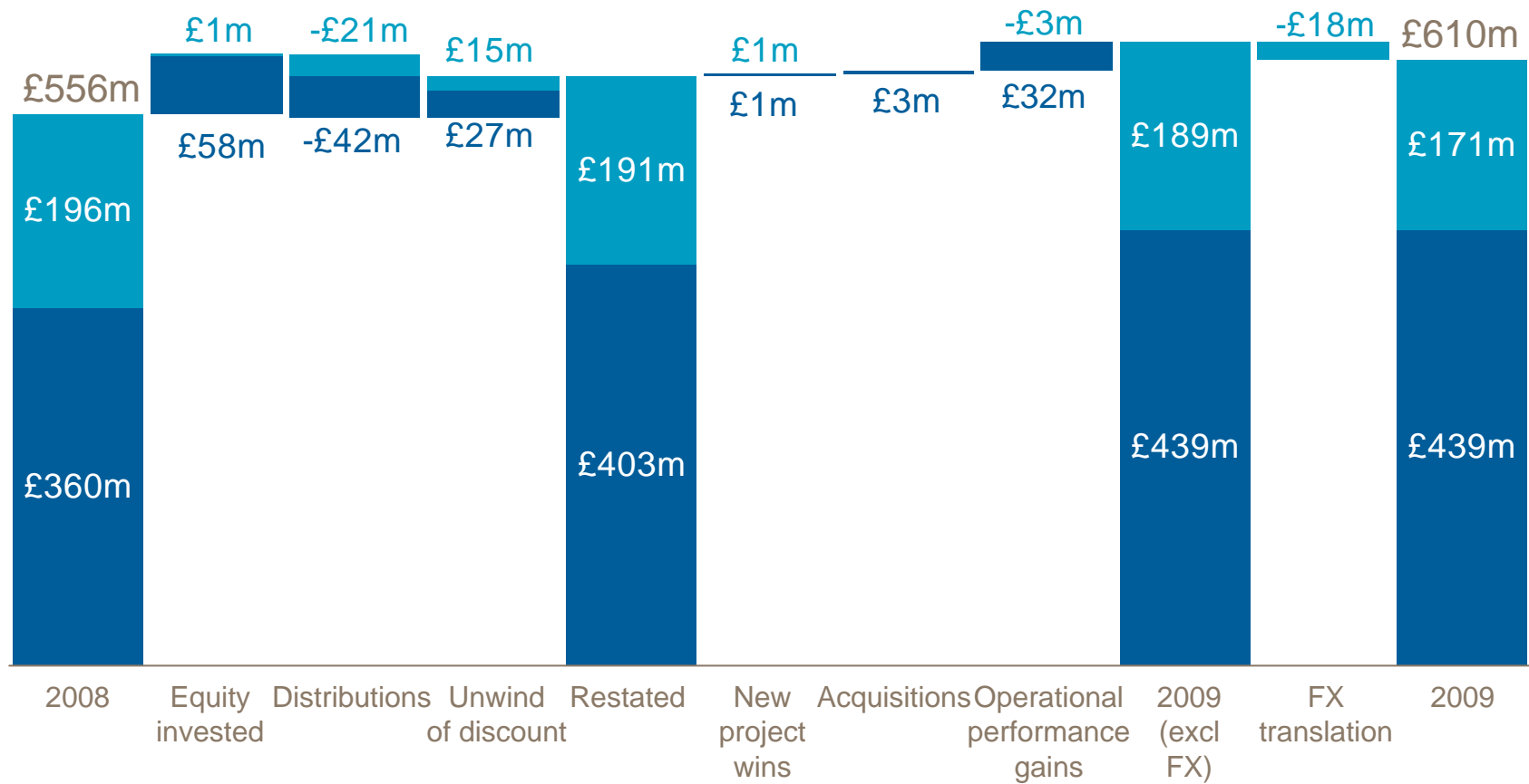
Infrastructure investments

£m	2009			2008			
	Group	JVs & assoc	Total	Group	JVs & assoc	Total	
PPP	1	31	32	1	31	32	
BB Communities	20	4	24	10	2	12	
Infrastructure	(3)	19	16	(3)	17	14	
Bidding costs & overheads	(30)	-	(30)	(27)	-	(27)	
Investments operating profit**	(12)	54	42	(19)	50	31	+35%
<i>Subordinated debt interest income</i>			9			12	
<i>PPP subsidiaries' net interest</i>			1			1	
Investments pre-tax result			52			44	+18%
<i>Investments post-tax result</i>			51			46	+11%

* before exceptional items and amortisation
27% growth at constant currency

PPP portfolio valuation 2009

■ BB Capital ■ BB Communities



Infrastructure investments

- Increase in Directors' valuation of PPP concessions to £610m
- Full year's results of BB Communities (GMH Military Housing) acquired 30 April 2008
- Achieved financial close on
 - M25 project
 - Southwark Schools
 - Fife Hospital
 - Carlisle Northern Development Route
 - Blackburn with Darwen and Bolton BSF (January 2010)
- Preferred bidder – Coventry street lighting, Florida Atlantic University student housing
- Strong performance from Barking – contracts expire Sept 2010

Investment income & finance costs

£m	2009	2008
PPP subordinated debt interest receivable	9	12
PPP interest on financial assets	14	7
Income on net investment hedges	1	6
Other interest receivable	8	13
Net investment income – pension schemes	-	5
Investment income	32	43
PPP interest on bank loans and overdrafts	(13)	(6)
Preference shares finance cost	(12)	(12)
Other interest payable	(7)	(6)
Net finance costs – pension schemes [^]	(15)	-
Finance costs*	(47)	(24)
Net (finance costs)/investment income	(15)	19

* before exceptional items and amortisation ^ expected to increase to £23m in 2010

Performance by sector

£m	2009	2008
Professional services	13	14
Construction services	207	167
Support services	55	52
Infrastructure investments	42	31
Corporate costs	(35)	(34)
Profit from operations*	282	230
Investment income	32	43
Finance costs*	(47)	(24)
Pre-tax profit*	267	249

* before exceptional items and amortisation

Exceptional items & intangible asset amortisation

£m	2009		
	Profit before tax	Tax	Net
Exceptional items:			
Pension gain	100	(28)	72
Acquisition related expenses	(16)	1	(15)
Mansell OFT penalty	(5)	-	(5)
US dollar options	(15)	4	(11)
Post acquisition integration, reorganisation & other costs	(16)	5	(11)
Release of deferred tax on unremitted foreign earnings	-	16	16
	48	(2)	46
Amortisation of intangible assets	(48)	17	(31)
	-	15	15

Cash generated from operations

£m	2009	2008
Group operating profit*	199	155
Depreciation	69	65
Exceptional cash items	(33)	(6)
Other items	4	7
Pension deficit payments	(35)	(38)
Working capital decrease	90	114
Cash generated from operations	294	297
Net capital expenditure	(52)	(76)
	242	221

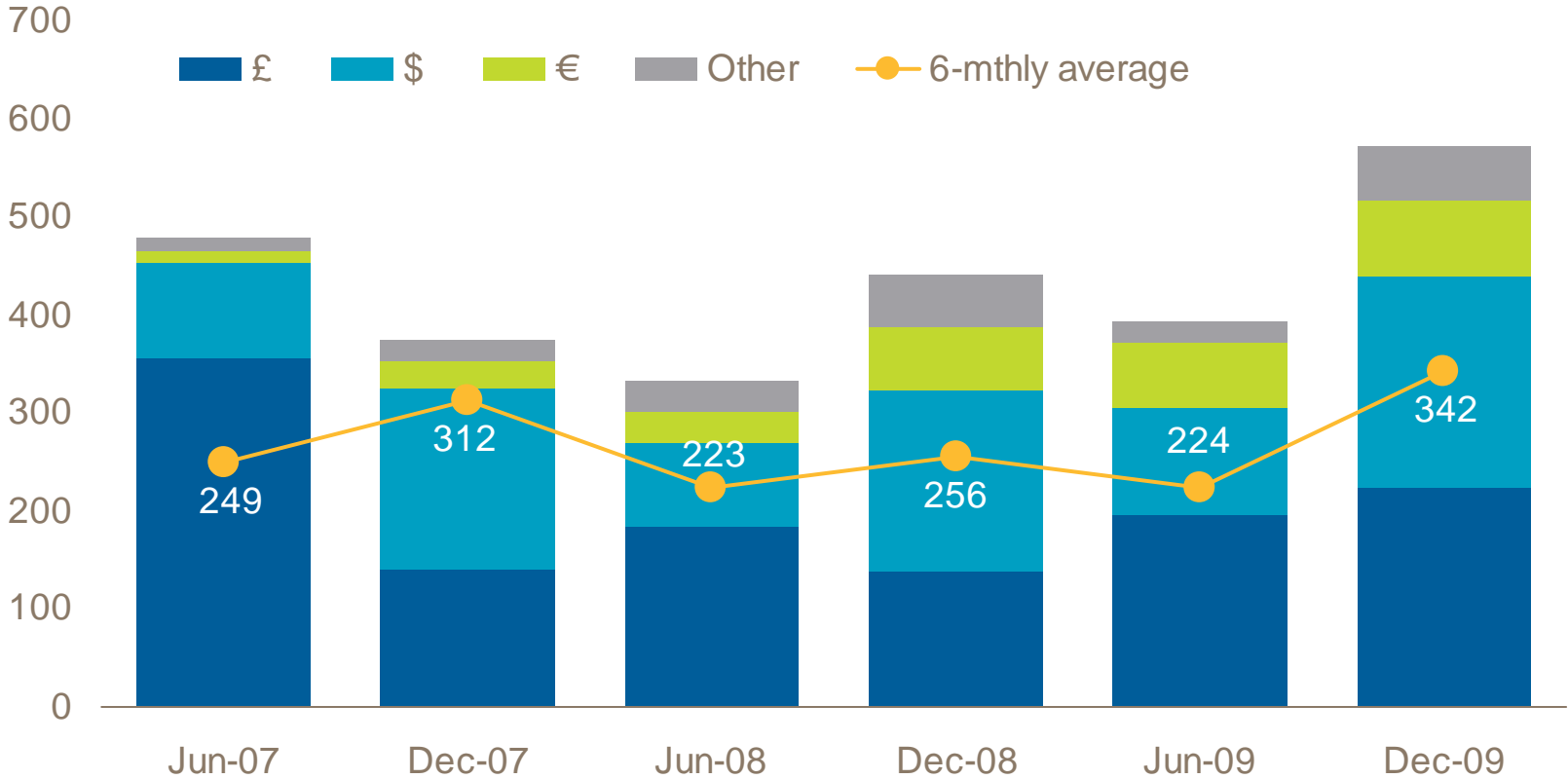
* before exceptional items and amortisation

Balance sheet cash movement

£m	2009	2008
Opening net cash [†]	440	374
Cash generated from operations	291	293
Dividends from JVs and associates	75	53
Capital expenditure and financial investment	(89)	(83)
Acquisitions and disposals (net of net cash acquired)	(314)	(331)
Share issues – net proceeds from rights issue/placing	352	182
Dividends, interest and tax paid	(94)	(63)
Exchange adjustments net of hedge closures	(87)	24
Other items	(2)	(9)
Closing net cash[†]	572	440
PPP subsidiaries non-recourse net debt	(248)	(143)
Closing net cash	324	297

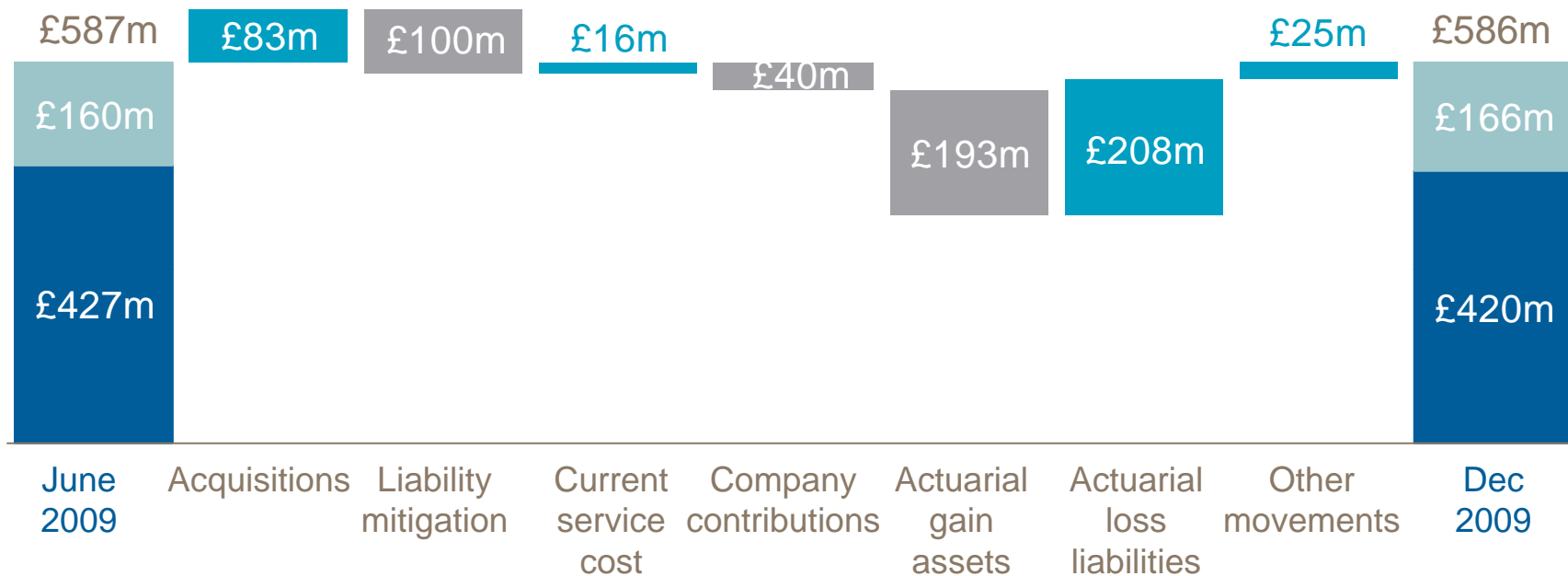
[†] treating PPP subsidiaries as joint ventures/associates

Net cash balances†



† excluding net debt of PPP subsidiaries

Pensions – balance sheet movement



	Jun 2009	Dec 2009
Discount rate	6.20%	5.65%
Inflation rate	3.40%	3.50%
Real discount rate	2.80%	2.15%

■ Pension deficits, net of tax
■ Deferred tax assets

Summary of 2009

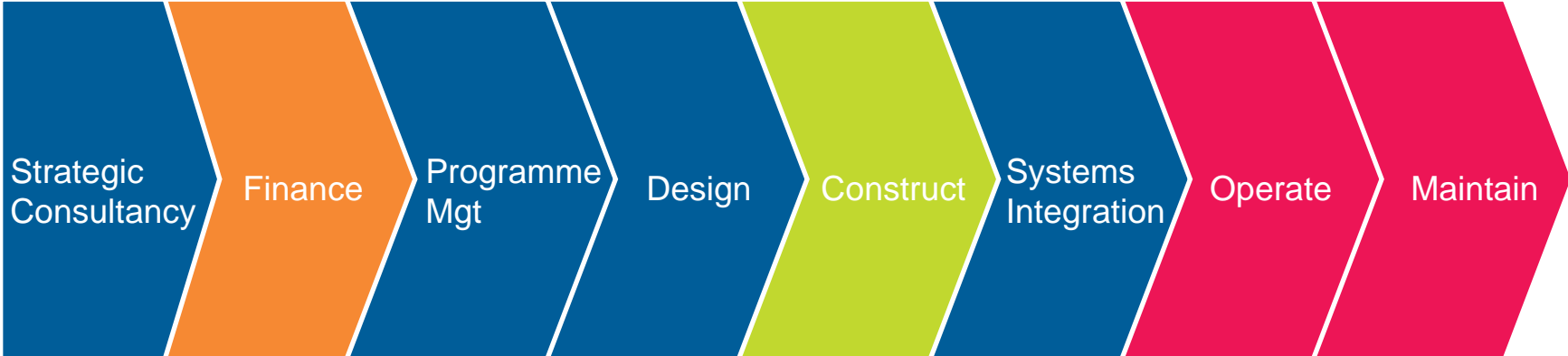
- Performance excluding exchange and acquisitions
 - Revenue down 4%
 - Profit from operations up 10%
- Overall performance
 - Revenue up 9%
 - Profit from operations up 23%
 - Pre-tax profit up 7%
- Dividends up 8%
- Average cash £283m
- £14.1bn order book, up 10%

Balfour Beatty

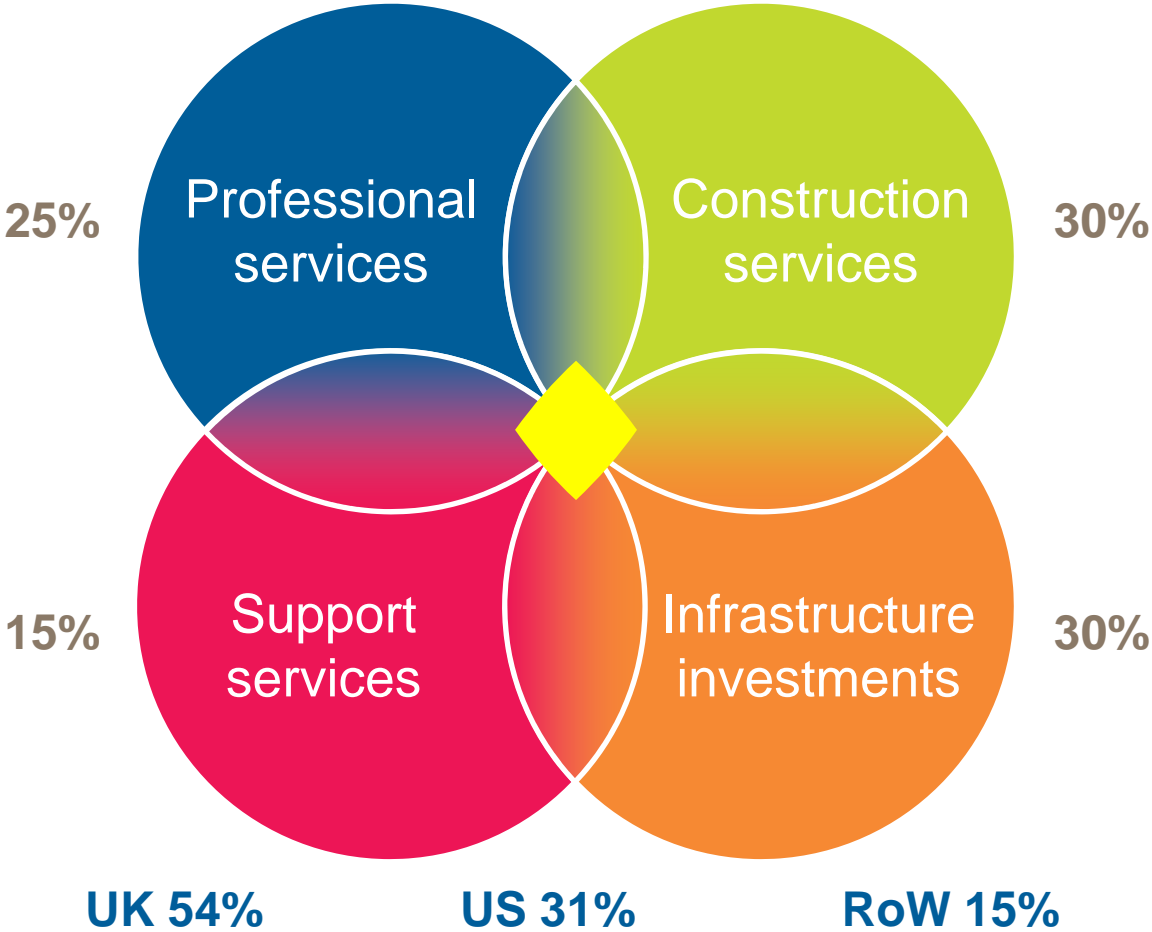
Ian Tyler

Chief Executive

Services provided across the infrastructure lifecycle



Balfour Beatty business model



Notes: 1. Balfour Beatty analysis – illustrative allocation of value by segment
 2. Geographic revenue includes pre-acquisition Parsons Brinckerhoff

Underlying demand for infrastructure

Short term

- High-quality order book of £14.1 billion
- Does not include preferred bidder positions, framework contracts, optional contract extensions and concession income

Medium term

- Exciting opportunities in many markets and geographies
- Well placed to deal with perceived challenges in some of our markets

Long term

- Growth in infrastructure expenditure to exceed GDP growth
- Secure and attractive market environment
- Substantial opportunities to address infrastructure deficit



Professional services

- Acquisition of Parsons Brinckerhoff (PB) delivered key strategic objectives:
 - One of the world's major players in professional services
 - Added substantially to our position in the US
 - Access to new geographies; strengthened offer in existing markets
- Outlook as expected at acquisition
- Integration phase one completed:
 - Existing businesses managed by PB
 - Retention of PB team
- Integration phase two:
 - Significant opportunities to integrate Group's overall capability



Professional services

US transport

- Increased funding over the medium term

US building

- Growth through geographic diversity, design-build and Federal work

US power and water

- Small presence currently
- Significant growth potential

Australia

- Opportunities for growth in transport, power, water and building

Far East

- Increasing opportunities
-



Construction services

- Business operates across public, regulated and private sectors
- Better balance between UK and overseas activity

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- UK public capital**
- Fiscal constraint
 - All political parties recognise need to maintain infrastructure investment
 - Inevitably, greater use of private capital
 - Areas of growth, eg managed motorways

-
- UK power**
- Opportunities in offshore generation, renewable energy and nuclear

-
- UK regulated**
- Expenditure maintained, with growth potential

-
- UK commercial**
- First signs of recovery
-



Construction services

US

- Expanding geographical footprint
 - Lower levels of activity in building in 2010, general recovery H2 2011
 - Good opportunities in Federal markets, including civil infrastructure
-

Hong Kong

- Significant increase in high-quality work
 - Expect growth to continue
-

Middle East

- Dubai quiet
 - High level of activity in M&E
-



Support services

- Increased outsourcing across business
- Customers seeking to deliver “more for less”

Facilities management / business services outsourcing

- Successfully evolving business model
- Expanding range of services
- Long-term contracts, eg QinetiQ
- Increasingly large addressable market

Utilities

- £700m of AMP5 contracts, recurring long-term revenue
- Contracts with National Grid in both UK and US

Highways management

- Leading position, working with Highways Agency
- Managed motorway programme

Rail renewals

- Leading position, working with Network Rail, TfL
-



Infrastructure investments

- Rolling out a successful model
- Flexibility and expertise to adapt to new procurement models

UK education

- Continuing opportunities
- Latest win £450m Blackburn and Bolton BSF

UK health

- Major schemes currently under construction
- Reduction in new projects coming to market

UK non-PPP

- Opportunities to combine engineering and investment skills
- Pre-qualification for offshore transmission (OFTOs)

US military housing

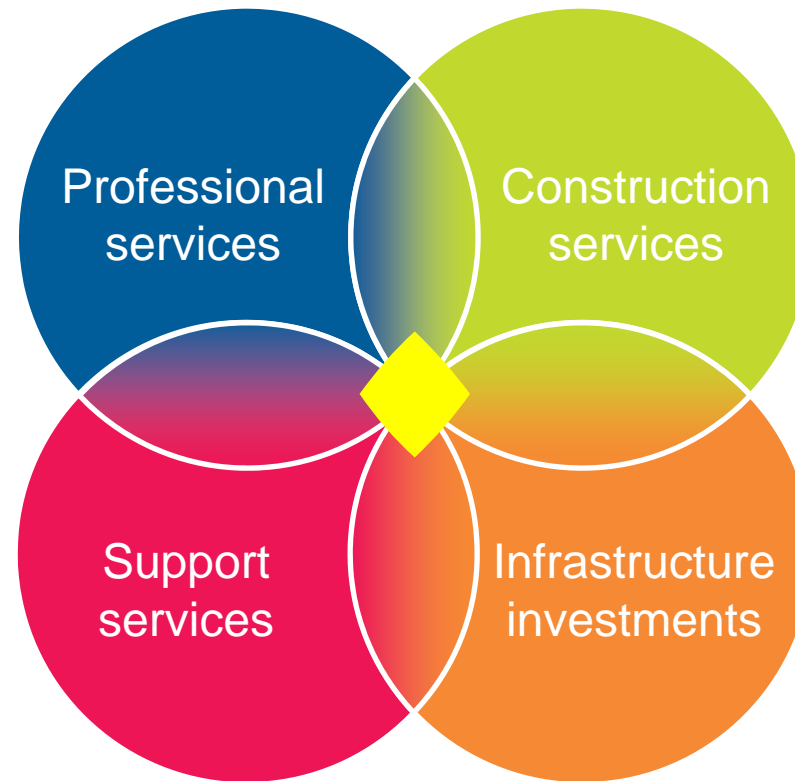
- Further opportunities – US Air Force, Single Soldier

US P3

- Maturing market
 - Opportunities in student accommodation/education, renewable energy, hospitals, courthouses
-



Integrated capability



Summary

- Creation of unique capability to deliver across the infrastructure lifecycle
- Four strong, market-leading and mutually reinforcing businesses
- Diversification, through markets and geographies, provides resilience and access to more opportunities
- Right skills and capabilities, and proven track record to take advantage of long-term demand for infrastructure
- Confident about Group prospects

Appendix

Reconciliation to former segments

Order book £bn	2009	2008
Building	5.5	6.7
Engineering	6.1	4.9
Rail	1.4	1.2
	13.0	12.8

Revenue £m	2009	2008
Building	4,976	4,635
Engineering	3,136	3,243
Rail	1,132	1,055
	9,244	8,933

Profit £m	2009	2008
Building	134	88
Engineering	107	104
Rail	35	41
	276	233

Note: the figures above do not include PB

Pensions charge

£m	2009	2008
Defined benefit schemes:		
P&L charge – current service cost	32	45
Expected return on assets	(116)	(141)
Interest on scheme liabilities	131	136
Net finance credit	15	(5)
Net pension charge*	47	40
Defined contribution schemes:		
P&L charge & employer funding contributions	39	28
Total charge*	86	68

* before exceptional items

Group balance sheet

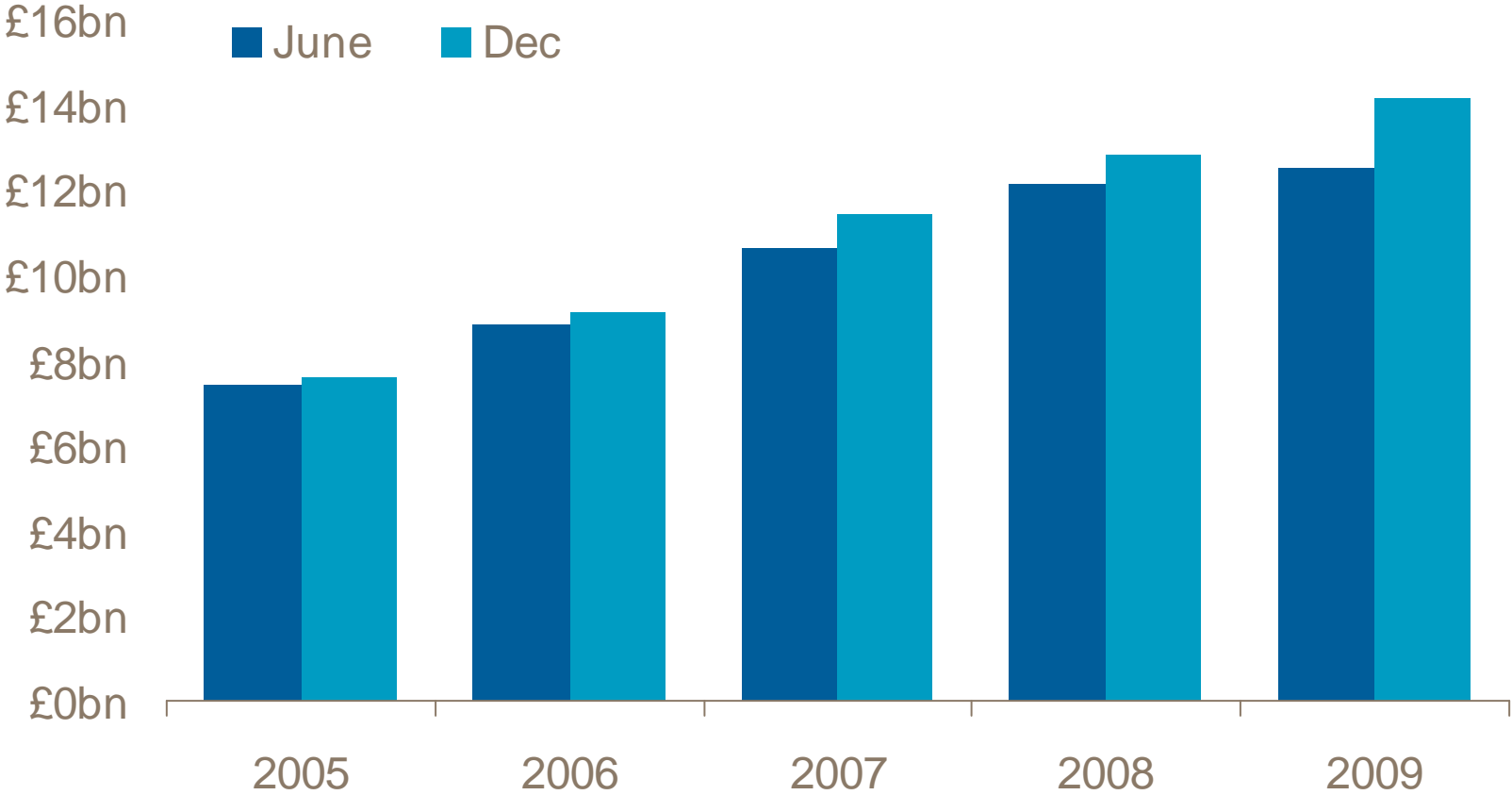
£m	Dec 2009	Dec 2008
Goodwill and intangible assets	1,429	1,198
Other non-current assets (excluding PPP & RBO tax)	963	962
Current assets (excluding cash)	1,958	1,703
Current liabilities (excluding borrowings)	(3,002)	(2,797)
Net cash (excluding PPP subsidiaries)	572	440
PPP subsidiaries – financial assets	260	151
PPP subsidiaries – non-recourse net borrowings	(248)	(143)
Retirement benefit obligations (net of tax)	(420)	(194)
Other non-current liabilities (excluding borrowings)	(510)	(459)
Shareholders' funds	1,002	861

Acquisitions

£m

RT Dooley *	23 February	22
Parsons Brinckerhoff *	27 October	272
SpawMaxwell *	13 November	11
Strata Construction *	24 December	5
Deferred consideration		4
<i>* after adjusting for cash acquired totalling £136m and including £14m acquired debt</i>		314

Order book



Order book – December 2009

