

# Balfour Beatty



## 2008 Preliminary Results

5 March 2009



**Balfour Beatty**

**Duncan Magrath**

Finance Director

# Headline numbers

	2008	2007	
Revenue	£9,486m	£7,488m	+27%
Pre-tax profit*	£249m	£201m	+24%
Adjusted eps*	39.9p	35.0p	+14%
Full-year proposed dividend	12.8p	11.5p	+11%
Cash generated from operations	£297m	£277m	
Net cash (excluding 100% PPP)	£440m	£374m	
Order book	£12.8bn	£11.4bn	+12%

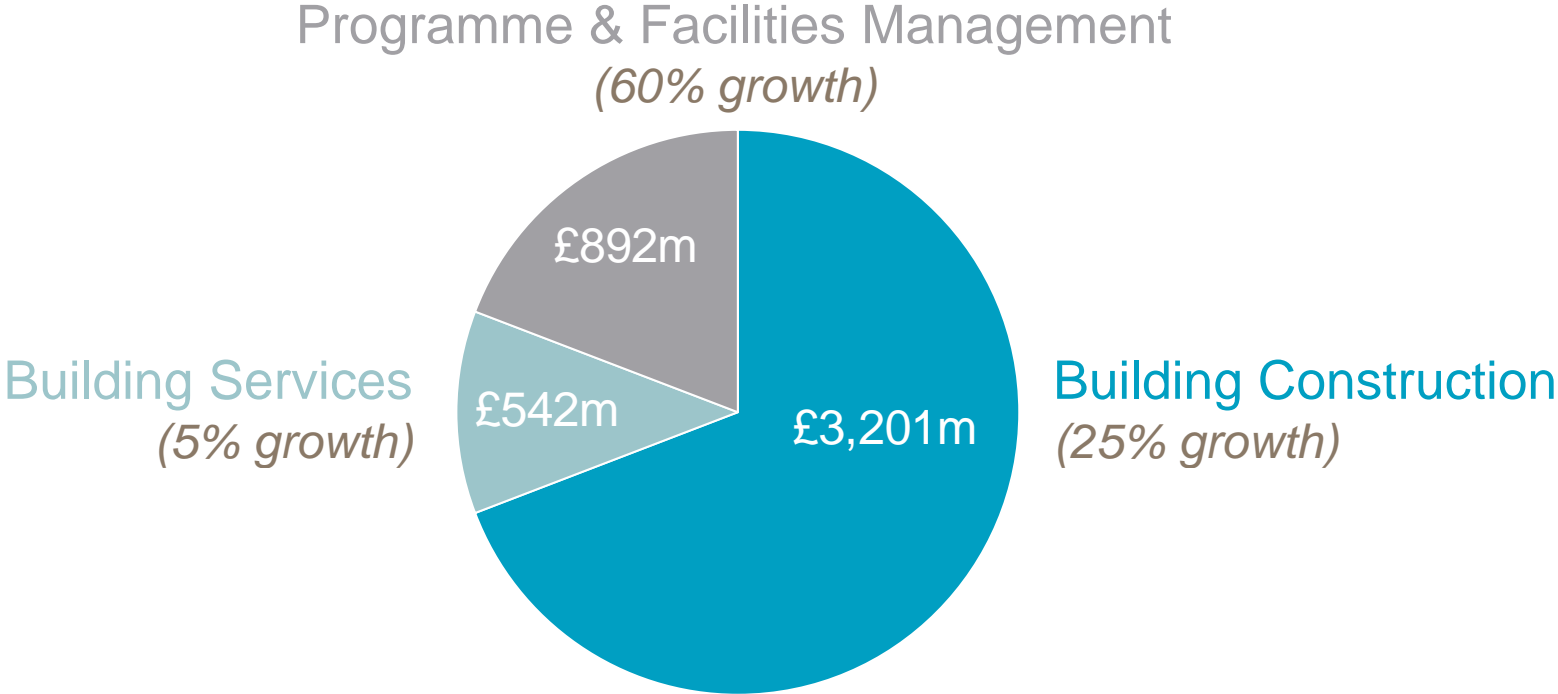
\* before exceptional items and amortisation, and including the pre-exceptional results of discontinued operations in adjusted eps in 2007

# Building, Building Management and Services

	2008	2007	
Order book	£6.7bn	£6.1bn	+10%
Revenue	£4,635m	£3,640m	+27%
Profit	£88m	£70m	+26%

- Acquisitions of Dean & Dyball and Barnhart
- Full year contributions from BB Construction US, Cowlin and Covion
- Write-downs on a UK building services project and a property developer receivable
- Growth in BB WorkPlace and other established businesses

# Building, Building Management and Services



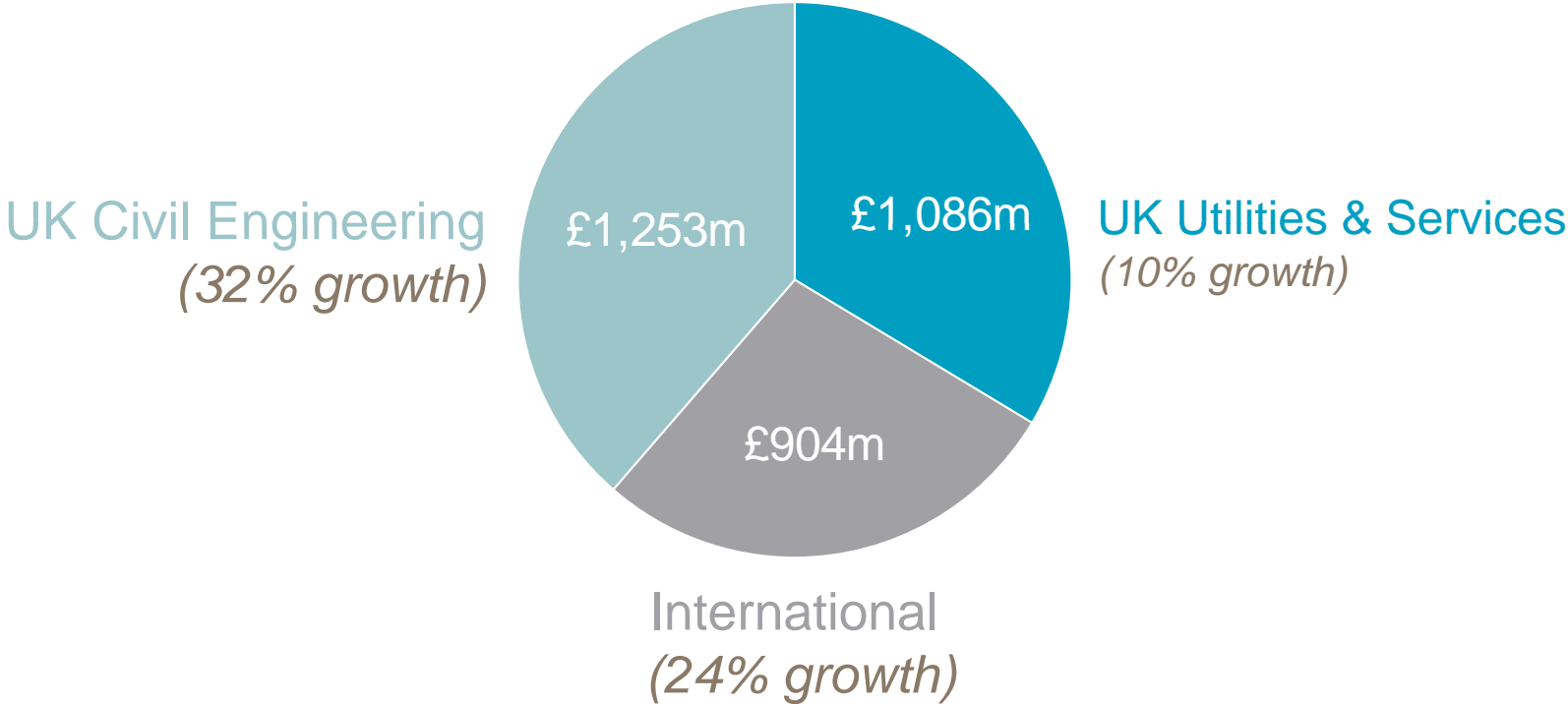
Revenue £4,635m (+27%) (2007: £3,640m)

# Civil and Specialist Engineering and Services

	2008	2007	
Order book	£4.9bn	£4.4bn	+11%
Revenue	£3,243m	£2,668m	+22%
Profit	£104m	£82m	+27%

- Good progress in UK roads and BB Utility Solutions
- Appointed preferred bidder for M25 widening and maintenance PPP
- BB Management contributing to major bids and growing strongly
- Reduction in orders and liquidity evident in Dubai
- Continuing improvement in US profitability

# Civil and Specialist Engineering and Services



Revenue £3,243m (+22%) (2007: £2,668m)

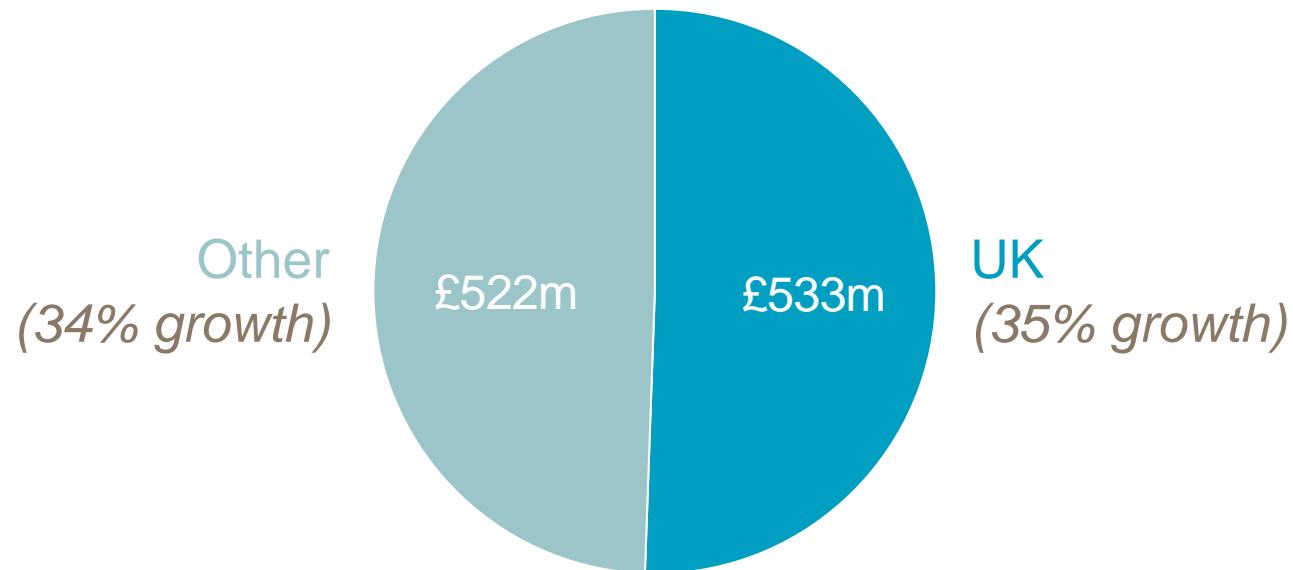
# Rail Engineering and Services

	2008	2007	
Order book	£1.2bn	£0.9bn	+33%
Revenue	£1,055m	£785m	+34%
Profit	£41m	£40m	+3%

- Acquisition of Schreck-Mieves
- Won bid for rail systems work on the Gotthard Base Tunnel
- Good result from international electrification business
- Track renewals work in the UK proceeding well
- Reduced margin due to settlements in 2007 and delayed profit recognition



# Rail Engineering and Services



Revenue £1,055m (+34%) (2007: £785m)

# Investments

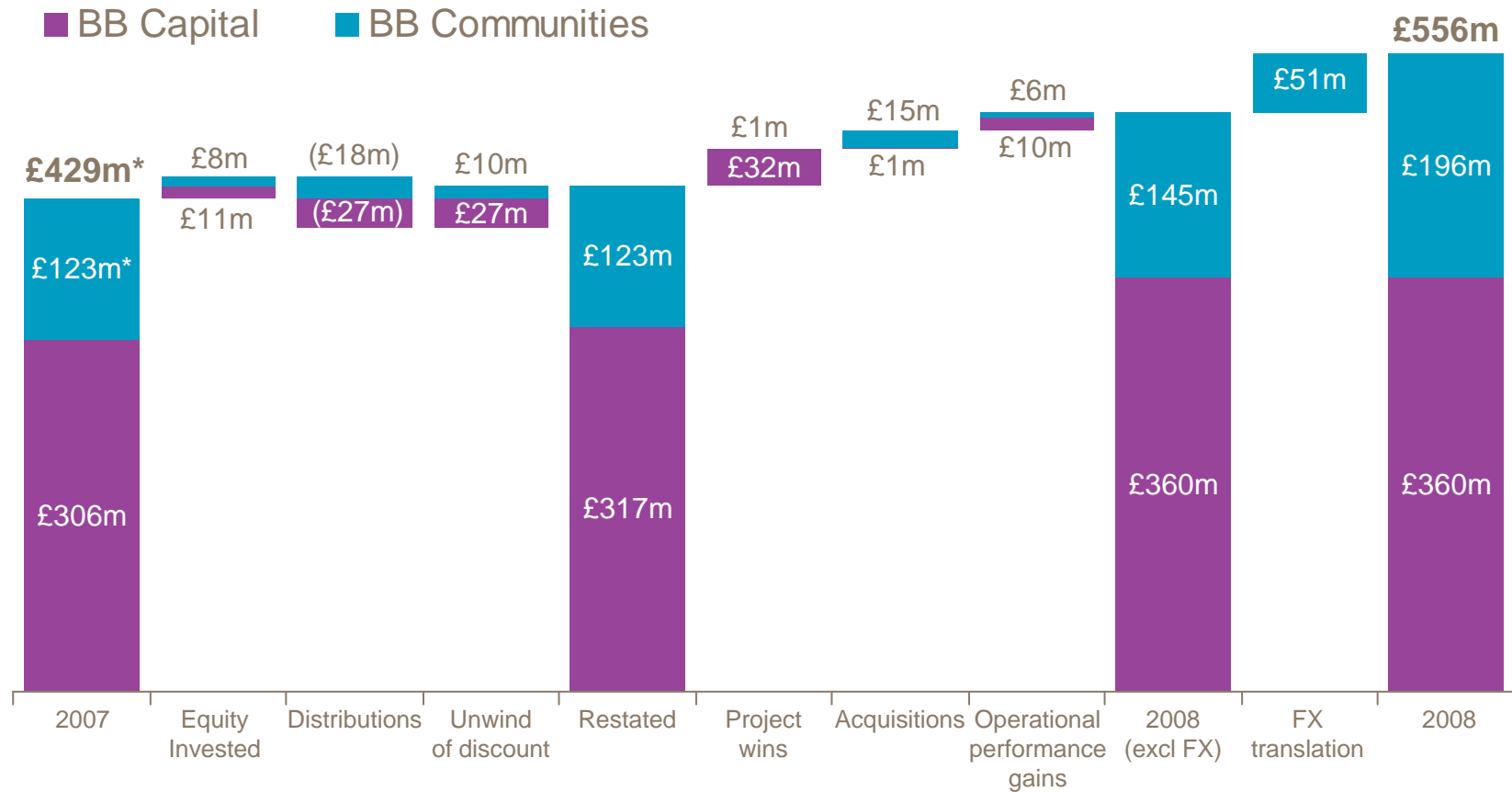
£m	2008			2007			
	Group	JVs & assoc's	Total	Group	JVs & assoc's	Total	
PPP concessions*	1	31	32	1	29	30	
Infrastructure investments*	(3)	17	14	-	12	12	
BB Communities	10	2	12	-	-	-	
Overheads & bidding costs	(27)	-	(27)	(26)	-	(26)	
<b>Investments operating profit*</b>	<b>(19)</b>	<b>50</b>	<b>31</b>	<b>(25)</b>	<b>41</b>	<b>16</b>	<b>+94%</b>
<i>Subordinated debt interest income</i>			12			11	
<i>PPP subsidiaries' net interest</i>			1			-	
<i>Investments net result</i>			<b>44</b>			<b>27</b>	<b>+63%</b>

\* before exceptional items and amortisation

# Investments

- BB Communities (GMH Military Housing) acquired
- Financial close for AMC West, West Point and Fort Jackson
- Acquired Fort Leonard Wood and Lackland
- Blackpool Airport acquired
- Financial close for Islington Schools and ITE Singapore
- Appointed preferred bidder for M25 project and Southwark Schools
- Progress on preferred bidder projects for Fife Hospital and Carlisle Northern Development Route

# PPP portfolio valuation 2008



\* Value of projects acquired on 30 April 2008

## Investment income & finance costs

£m	2008	2007
PPP subordinated debt interest receivable	12	11
PPP interest on financial assets	7	2
Income on net investment hedges	6	-
Other interest receivable	13	16
Net investment income – pension schemes	5	13
<b>Investment income</b>	<b>43</b>	<b>42</b>
PPP interest on bank loans and overdrafts	(6)	(2)
Preference shares finance cost	(12)	(12)
Other interest payable	(6)	(5)
<b>Finance costs*</b>	<b>(24)</b>	<b>(19)</b>

\* before exceptional items and amortisation

## Performance by sector

£m	2008	2007
Building, Building Management and Services	88	70
Civil and Specialist Engineering and Services	104	82
Rail Engineering and Services	41	40
Investments	31	16
Corporate costs	(34)	(30)
Profit from operations*	230	178
Investment income	43	42
Finance costs*	(24)	(19)
<b>Pre-tax profit*</b>	<b>249</b>	<b>201</b>

\* before exceptional items and amortisation

# Exceptional items and intangible asset amortisation

£m	Profit from operations	Tax	Net
<b>Exceptional items:</b>			
Pension gain	60	(17)	43
Acquisition integration, reorganisation & other costs	(6)	2	(4)
Withdrawal of industrial buildings allowances	(3)	(3)	(6)
	51	(18)	33
<b>Amortisation of intangible assets</b>	(27)	7	(20)
	24	(11)	13

# Cash generated from operations

£m	2008	2007
Group operating profit*	155	113
Depreciation	65	50
Exceptional cash items	(6)	(39)
Other items	7	3
Pension deficit payments	(38)	(10)
Working capital decrease/(increase)	114	160
<b>Cash generated from operations</b>	<b>297</b>	<b>277</b>
Net capital expenditure	(76)	(71)
	221	206

\* before exceptional items and amortisation



# Pensions charge

£m	2008	2007
<b>Defined benefit schemes:</b>		
P&L charge – current service cost	45	54
Expected return on assets	(141)	(133)
Interest on scheme liabilities	136	120
Net finance credit	(5)	(13)
Net pension charge	40	41
<b>Defined contribution schemes:</b>		
P&L charge and employer funding contributions	28	17

# Group balance sheet

£m	Dec 2008	Dec 2007
Goodwill and intangible assets	1,198	753
Other non-current assets (excluding PPP)	1,029	858
Current assets (excluding cash)	1,703	1,292
Current liabilities (excluding borrowings)	(2,797)	(2,146)
Net cash (excluding PPP subsidiaries)	440	374
PPP subsidiaries – financial assets	151	62
PPP subsidiaries – non-recourse net borrowings	(143)	(61)
Retirement benefit obligations	(261)	(286)
Other non-current liabilities (excluding borrowings)	(459)	(363)
<b>Shareholders' funds</b>	<b>861</b>	<b>483</b>

# Balance sheet cash movement

£m	2008	2007
Opening net cash <sup>†</sup>	374	305
Cash generated from operations	293	279
Dividends from JVs and associates	53	83
Capital expenditure and financial investment	(83)	(132)
Acquisitions and disposals	(331)	(107)
Share issue - proceeds from placing	182	-
Dividends, interest and tax paid	(63)	(59)
Exchange adjustments net of hedge closures	24	12
Other items	(9)	(7)
<b>Closing net cash<sup>†</sup></b>	<b>440</b>	<b>374</b>
PPP subsidiaries non-recourse net debt	(143)	(61)
Closing net cash	297	313

<sup>†</sup> treating PPP subsidiaries as joint ventures/associates

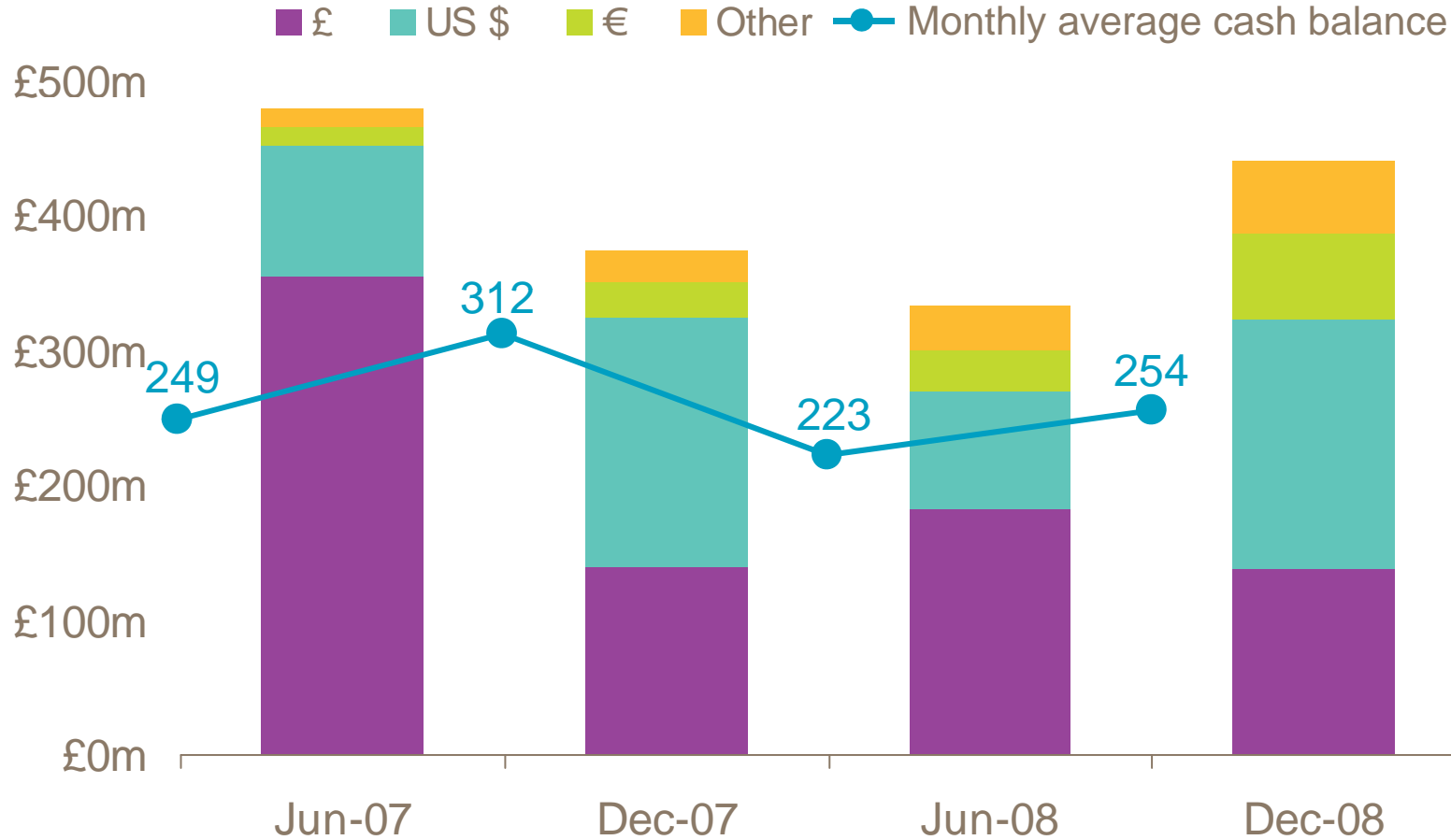
# Acquisitions

£m		
Balfour Beatty Communities #	30 April	180
Dean & Dyball *	18 March	50
Barnhart *	4 June	36
Blackpool International Airport *	5 May	15
Schreck-Mieves *	31 July	32
Other		14
Deferred consideration		4
		<b>331</b>

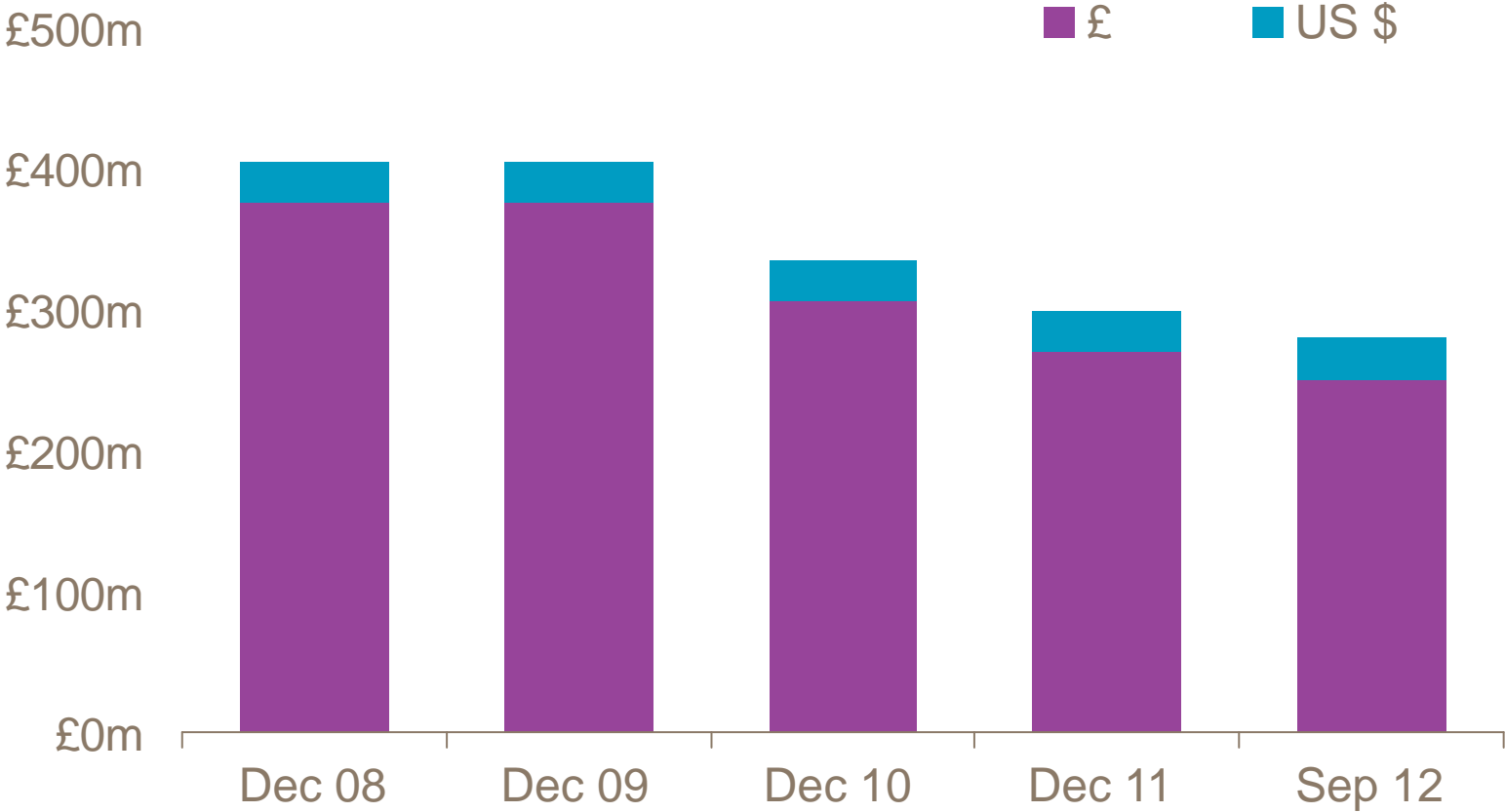
# formerly GMH Military Housing

\* after adjusting for cash balances and including borrowings on acquisition

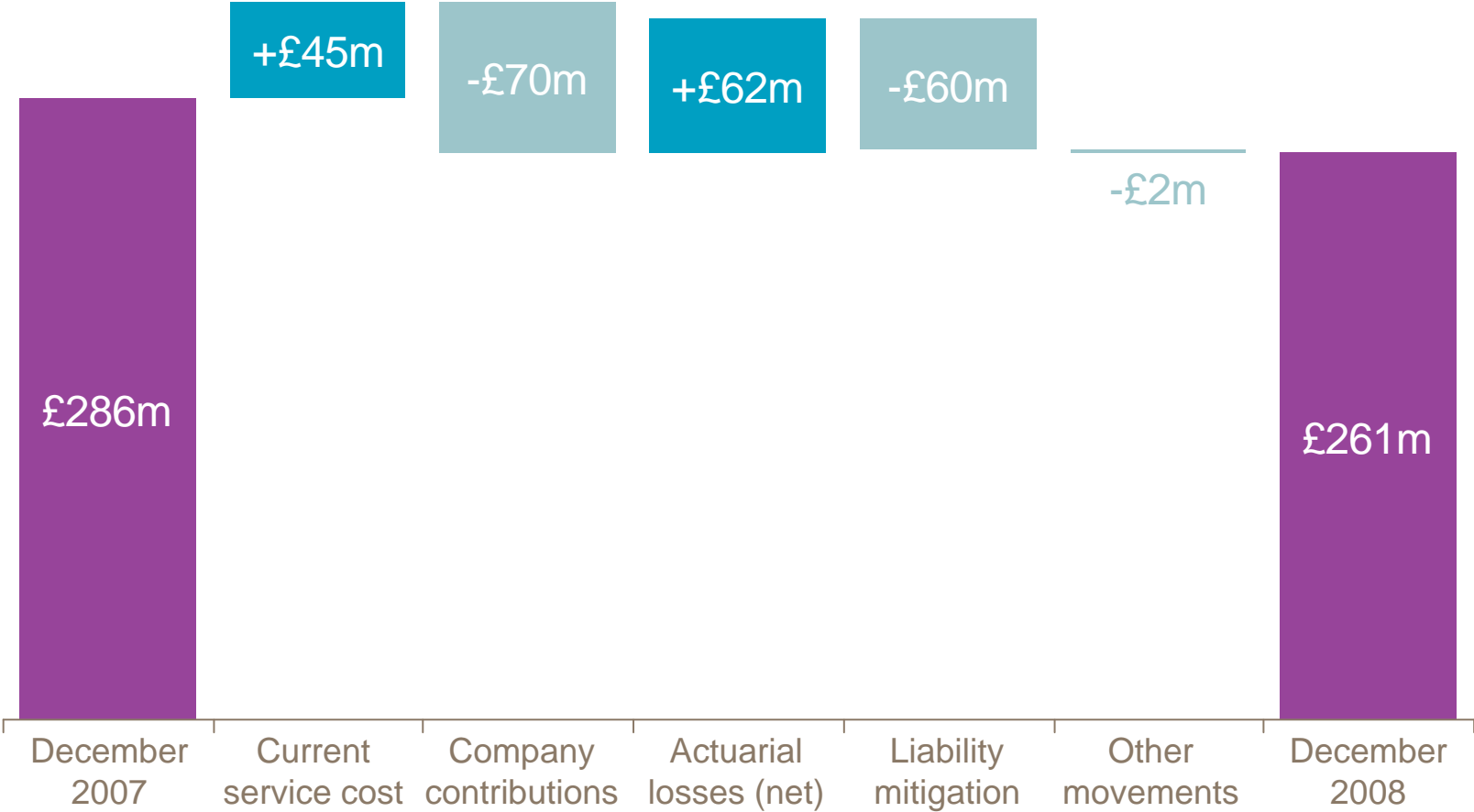
# Cash balances



# Committed bank facilities



# Pensions – balance sheet movement



# Summary

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



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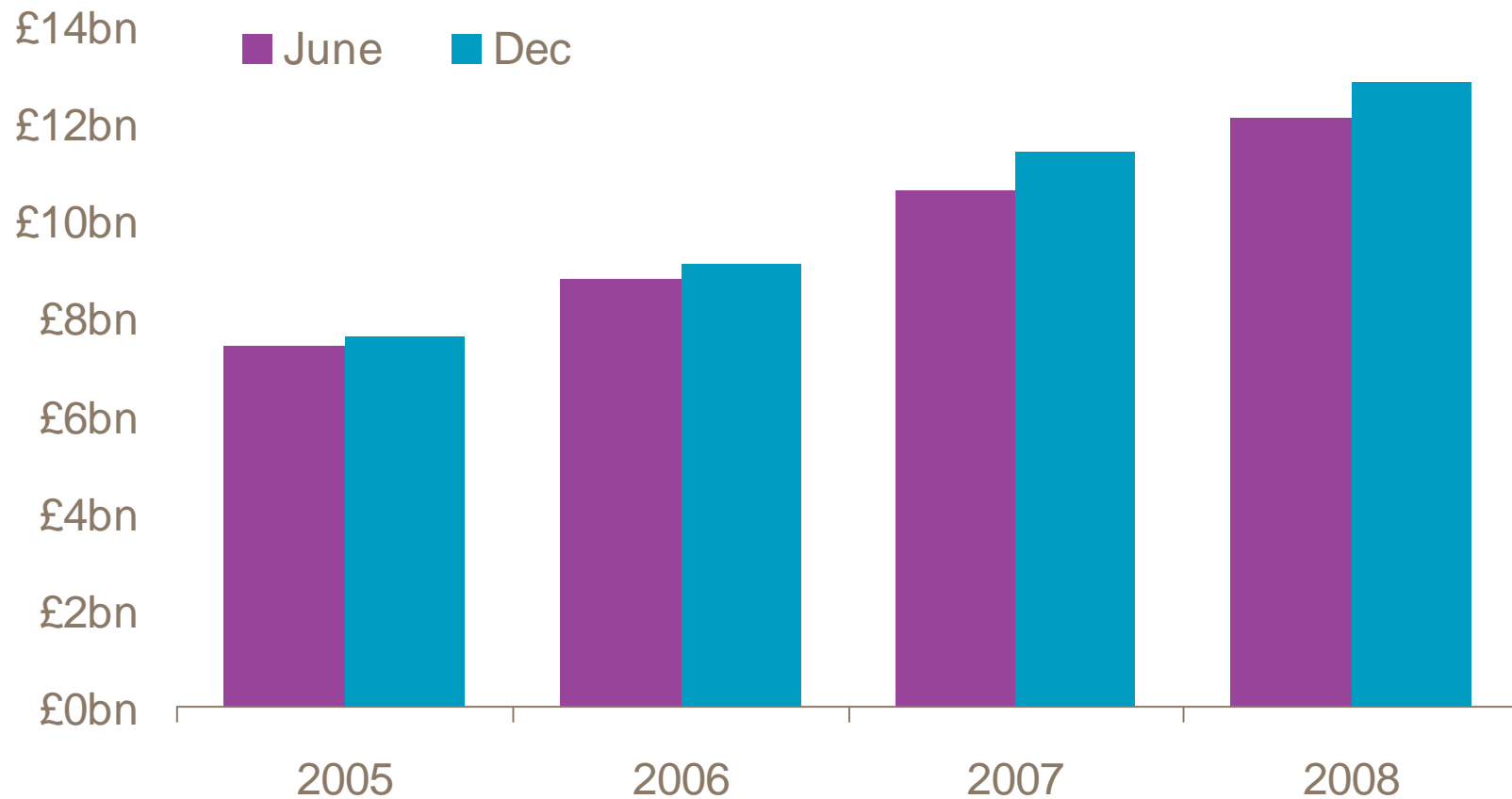
**Ian Tyler**

Chief Executive

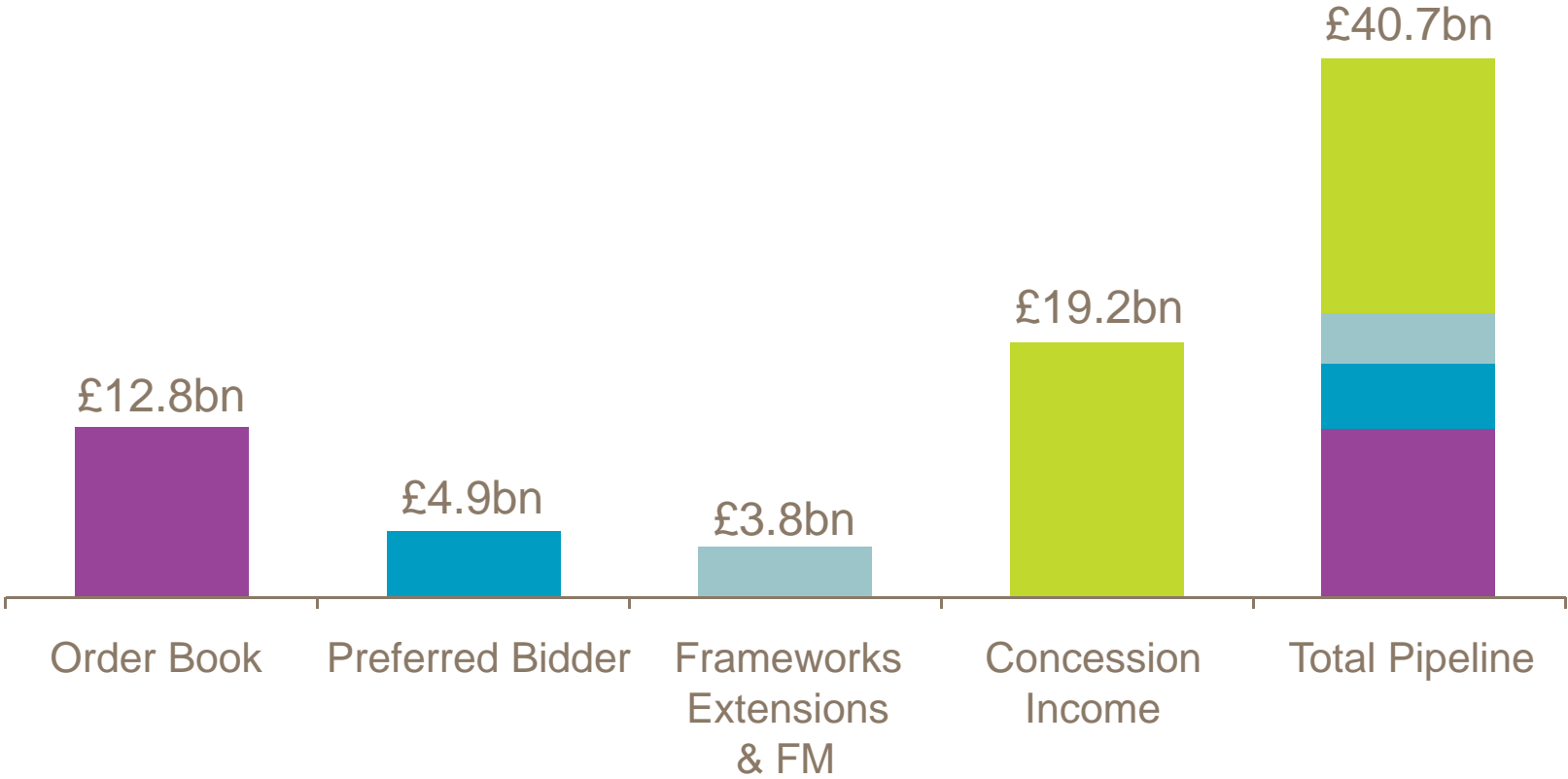
# A resilient business

- Financial strength
- Visibility of future work

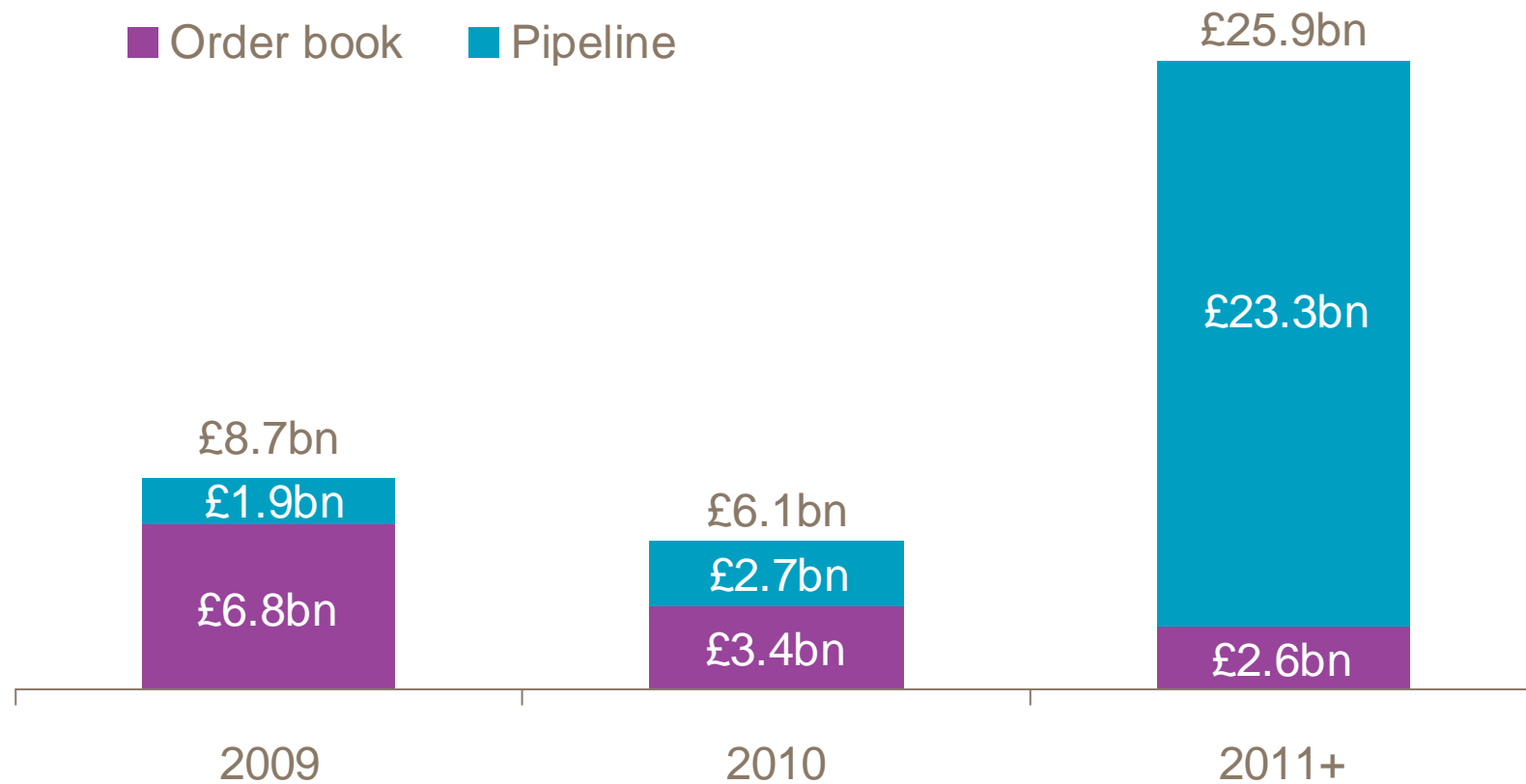
# Order book



# Order book and pipeline – December 2008



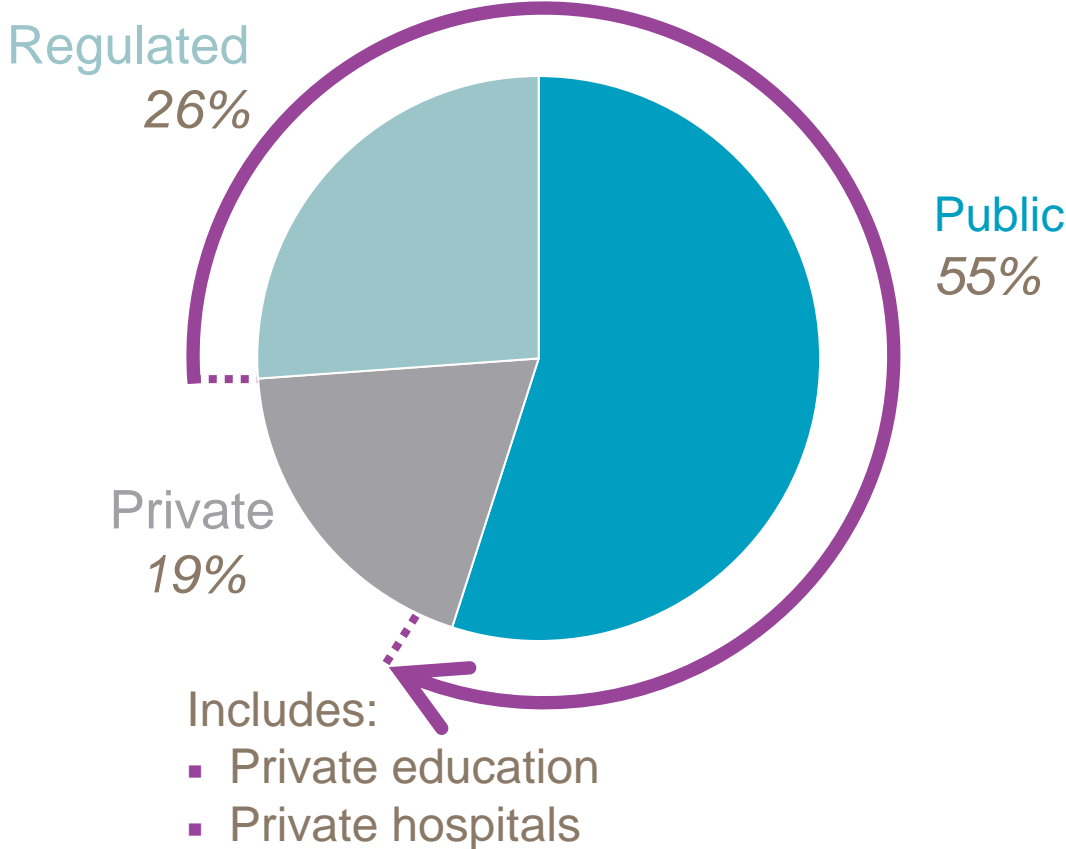
# Order book and pipeline



## A resilient business

- Financial strength
- Visibility of future work
- Customer profile

# Revenue by customer sector

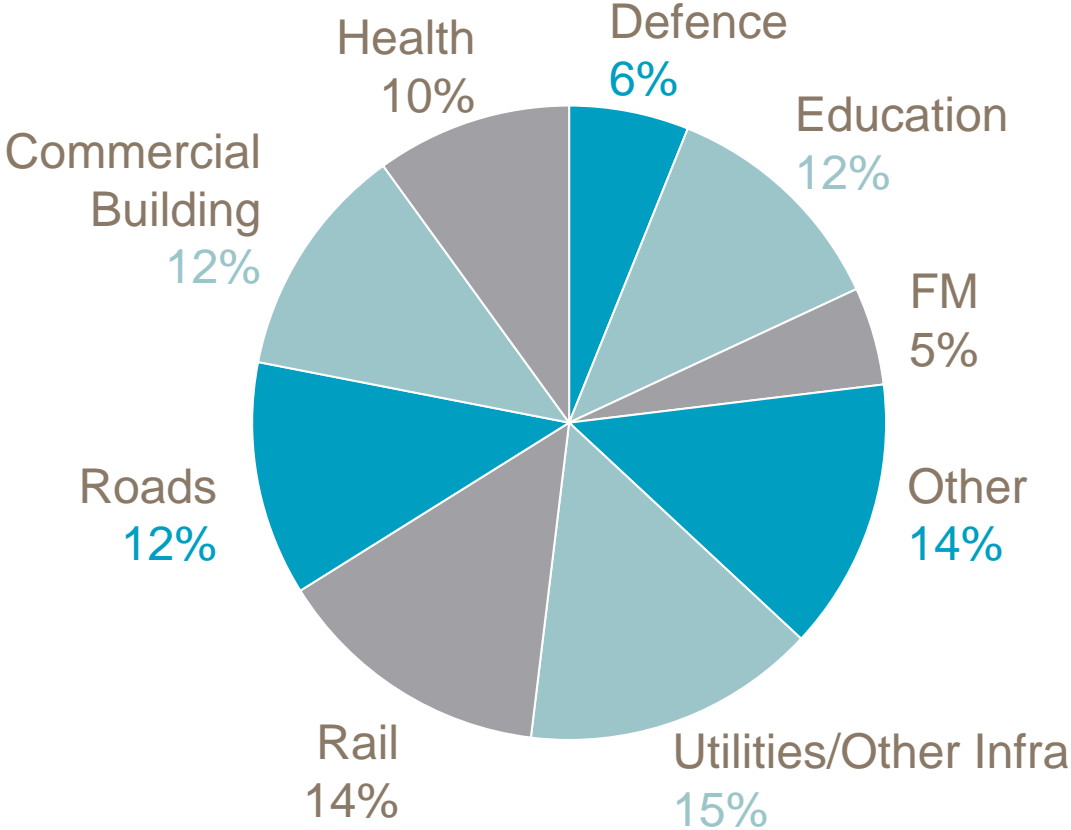


# A resilient business

- Financial strength
- Visibility of future work
- Customer profile
- Cost flexibility
- Breadth of portfolio



# Revenue by market sector





# Roads

# Overseas power transmission



# Rail

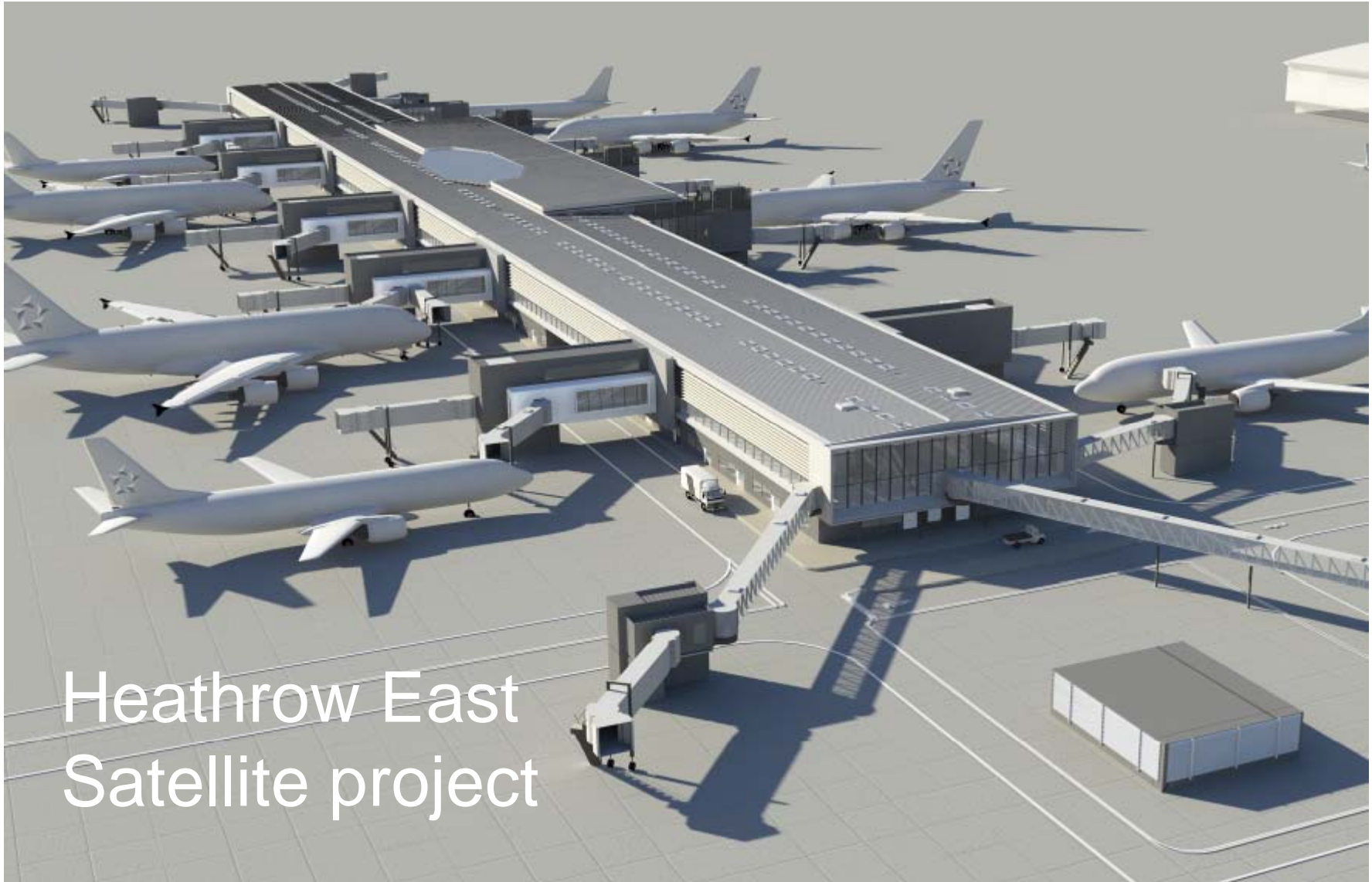


# Military housing / PPP



# Facilities management





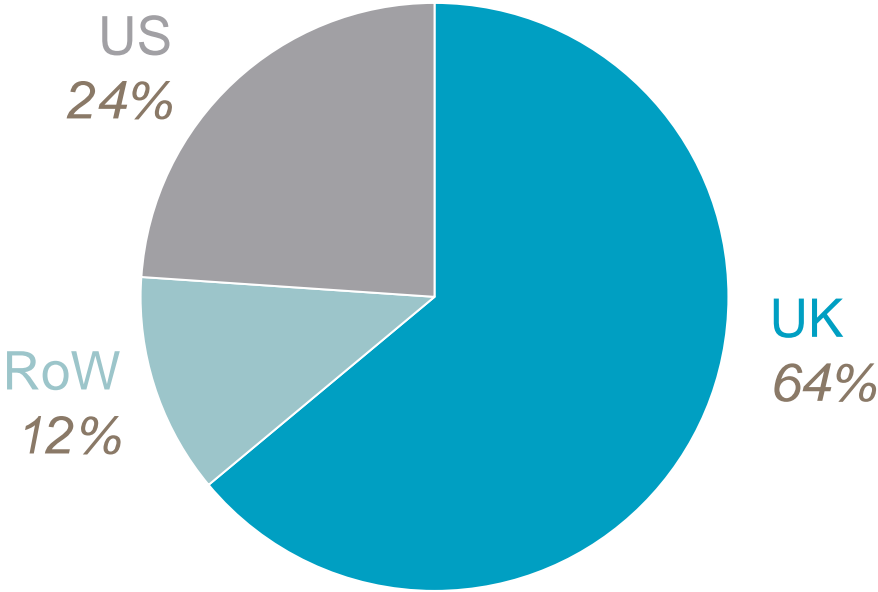
# Heathrow East Satellite project



# National Grid US



# Geographical split – 2008 revenue



# A resilient business

- Financial strength
- Visibility of future work
- Customer profile
- Cost flexibility
- Breadth of portfolio

# Nuclear new-build

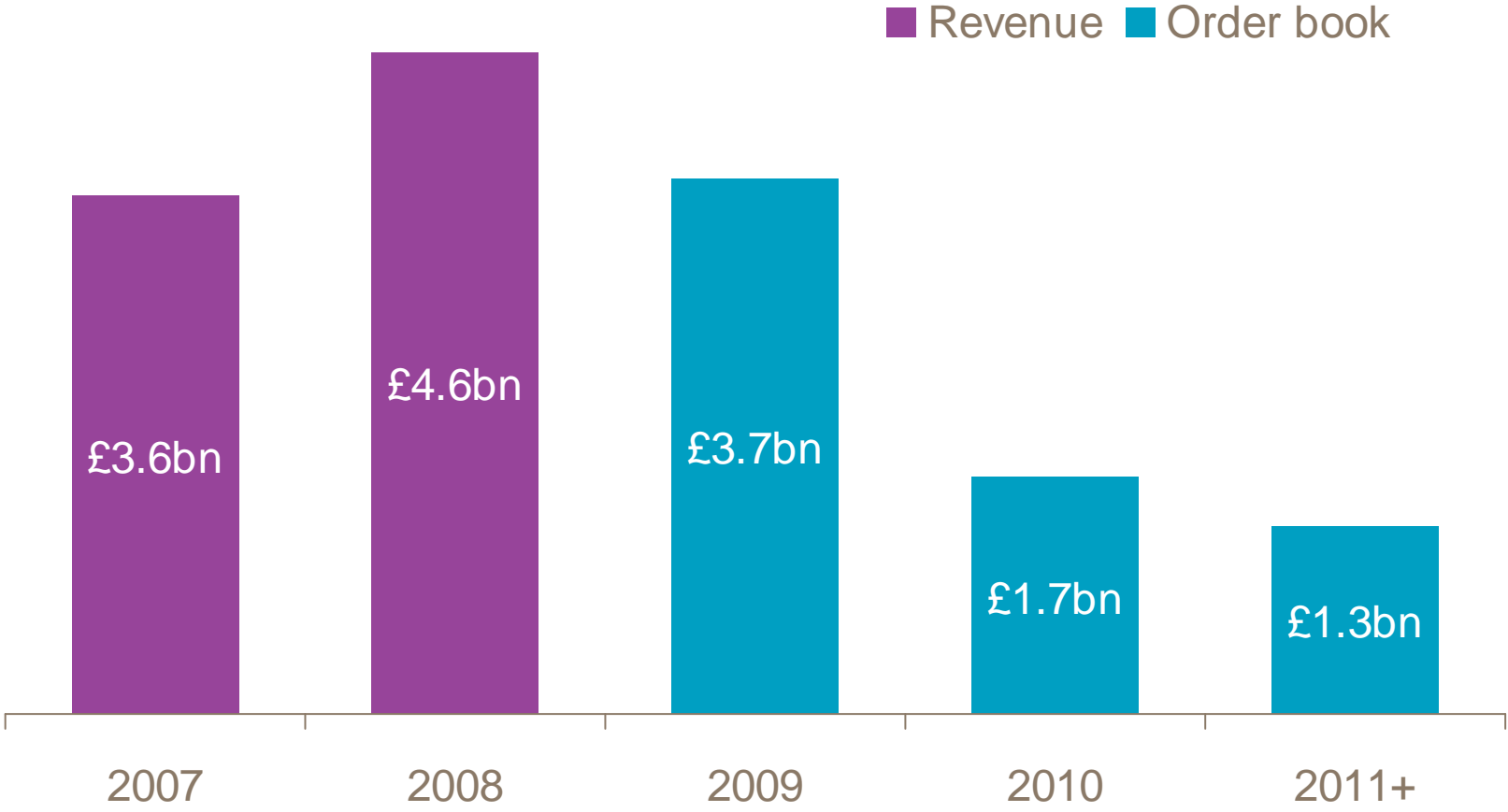
# Crossrail



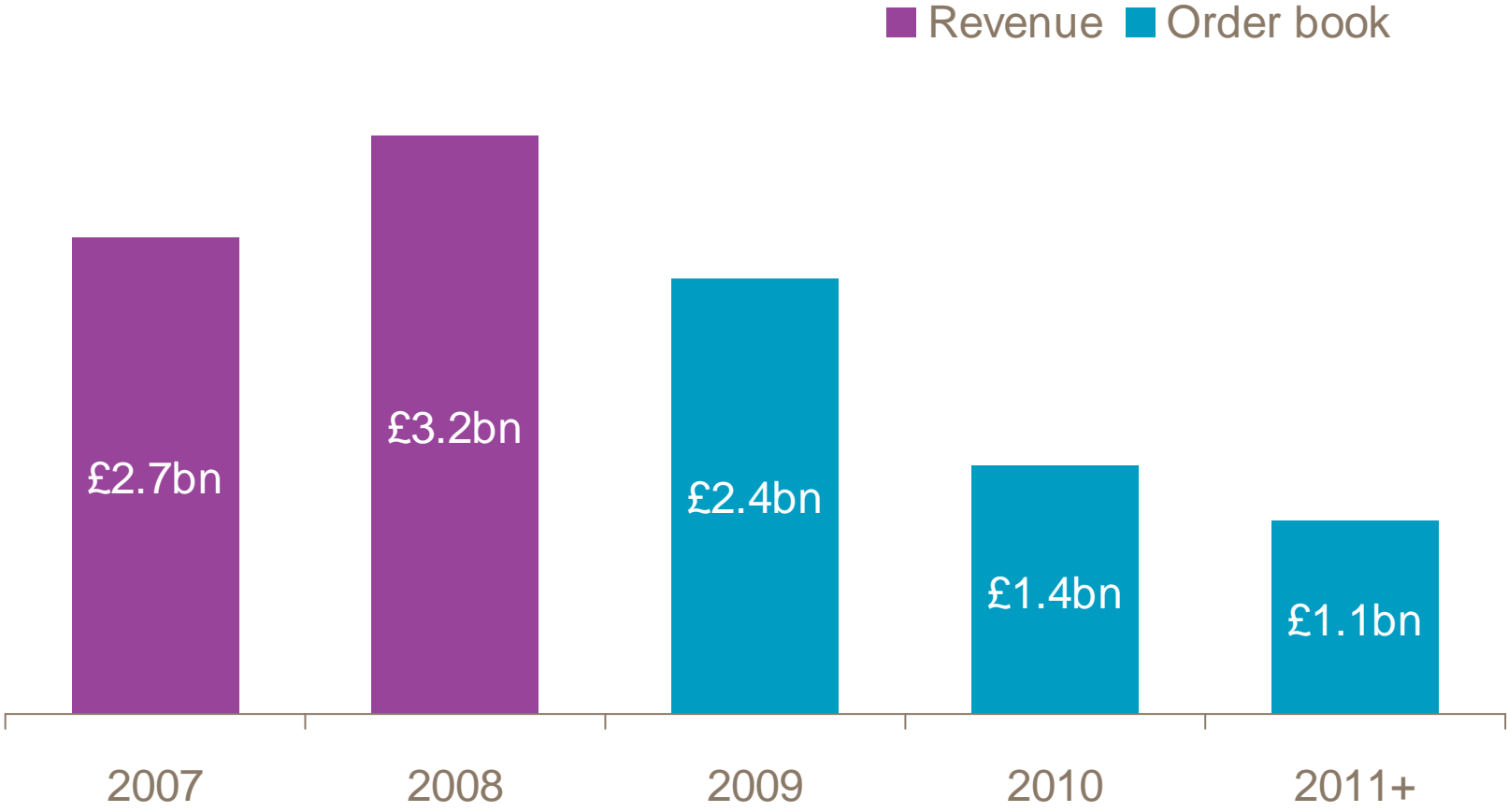
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# Appendices

# Building, Building Management and Services



# Civil and Specialist Engineering and Services





# Rail Engineering and Services

