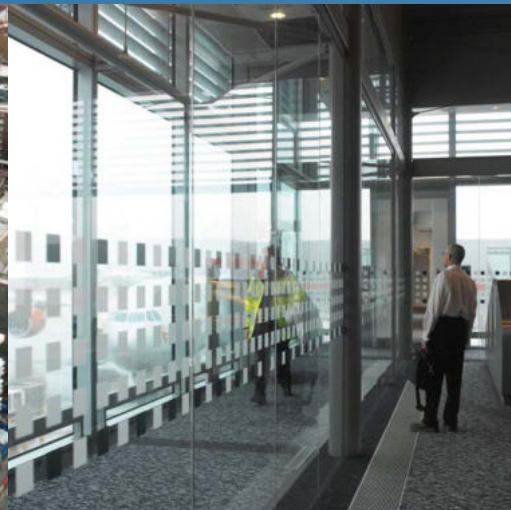


Balfour Beatty



2006 Preliminary Results

7 March 2007



Anthony Rabin

Balfour Beatty

Headline numbers

	2005	2006	
Revenue	£4,938m	£5,852m	+19%
Pre-tax profit*	£134m	£152m	+13%
Adjusted eps*	24.1p	27.3p	+13%
Full-year proposed dividend	8.1p	9.1p	+12%
Net cash (excluding 100% PPP)	£315m	£305m	
Order book	£7.6bn	£9.1bn	+20%

** Before exceptional items and amortisation of intangible assets*

Performance by sector

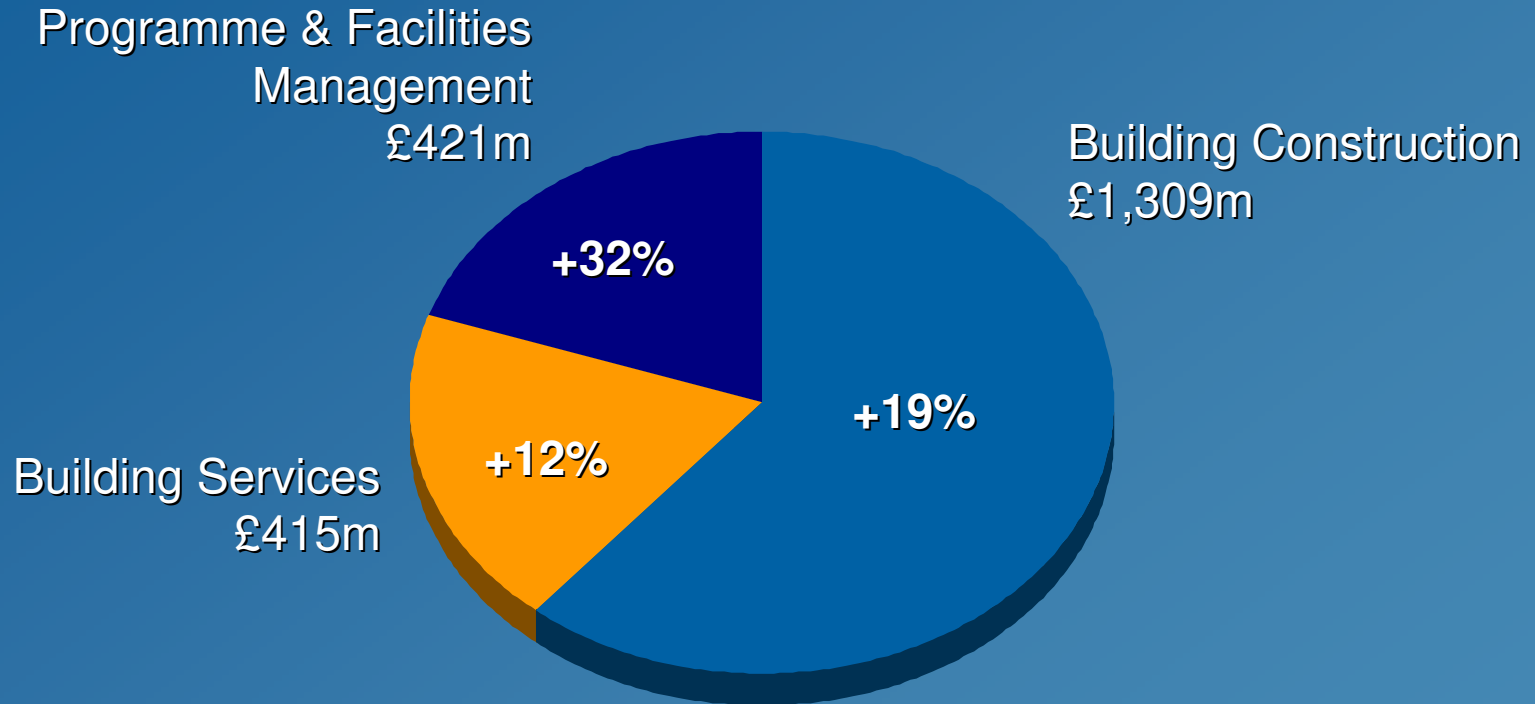
£m	2005	2006	
Building, Building Management and Services	35	43	+23%

Building, Building Management and Services

£m	2005	2006
	35	43

- Birmingham and Glasgow Hospital projects commence
- Procurement changes in Metronet stations programme
- Further strong growth in affordable housing
- £750m of new facilities management orders
- First contribution from Charter in the US

Building, Building Management and Services



Revenue £2,145 million (+20%) (2005: £1,787 million)

Order book £3.6 billion (+50%) (Dec. 2005: £2.4 billion)

Performance by sector

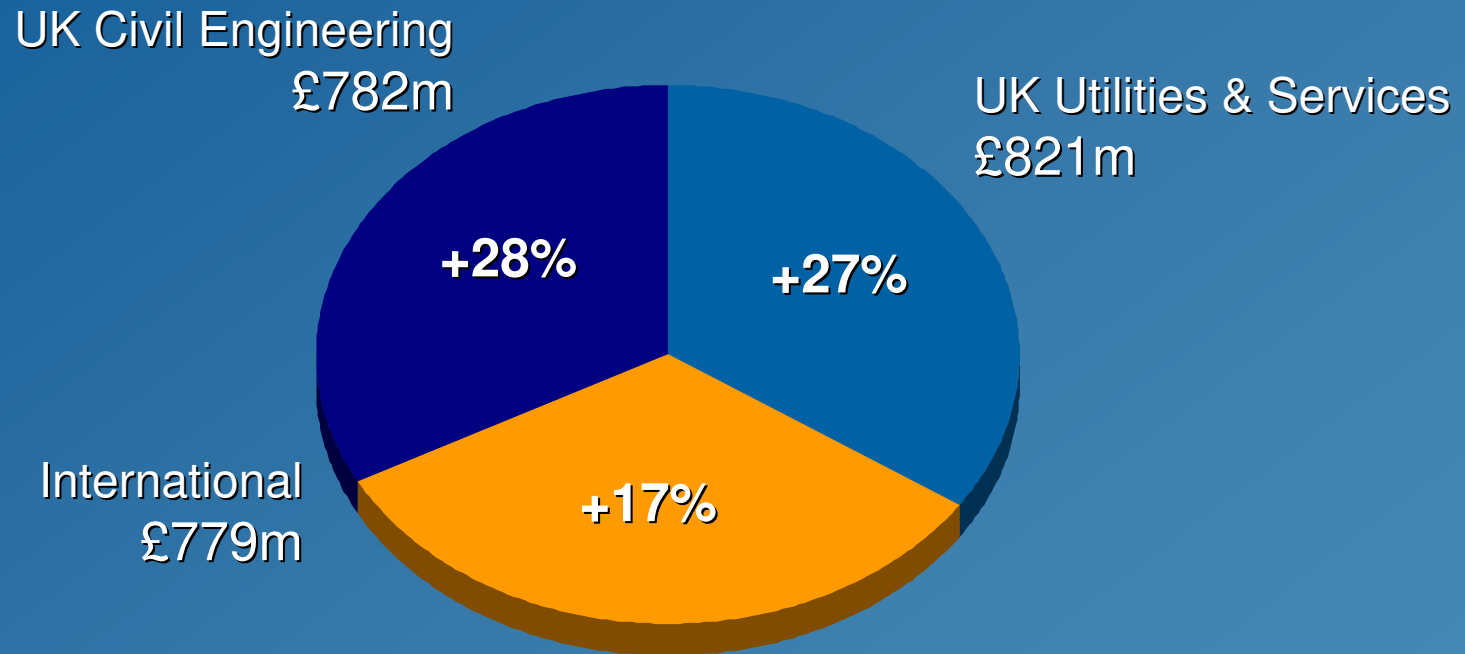
£m	2005	2006	
Building, Building Management and Services	35	43	+23%
Civil and Specialist Engineering and Services	49	55	+12%

Civil and Specialist Engineering and Services

£m	2005	2006
Civil and specialist engineering	29	25
Services	20	30
	49	55

- First contribution from Birse
- Good progress in Hong Kong and Dubai
- Further contract losses in US Central Division
- Contract provisions in Trans4m
- Northern Gas Networks and Eastern Electricity Alliance secured (c. £1 billion)
- Balfour Beatty Management developing successfully

Civil and Specialist Engineering and Services



Revenue £2,382 million (+24%) (2005: £1,920 million)

Order book £4.5 billion (+12%) (Dec 2005: £4.0 billion)

Performance by sector

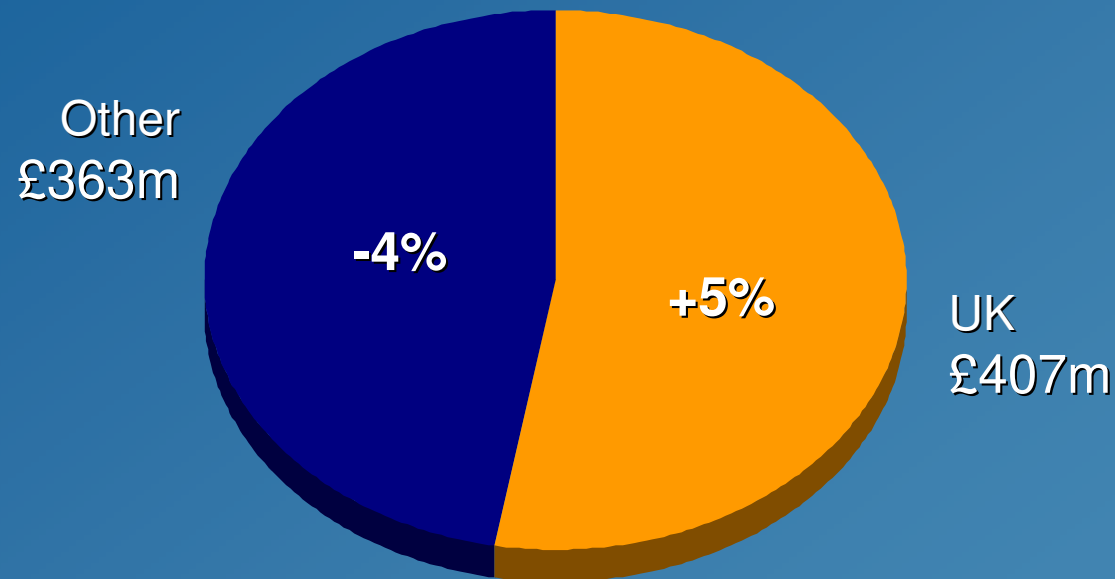
£m	2005	2006	
Building, Building Management and Services	35	43	+23%
Civil and Specialist Engineering and Services	49	55	+12%
Rail Engineering and Services	32	38	+19%

Rail Engineering and Services

£m	2005	2006
UK businesses	37	23
Overseas businesses	(5)	15
	32	38

- UK profit level reflects last year's one-off settlements
- Good progress on UK projects
- East London Line awarded
- US losses significantly reduced
- Good progress in continental Europe

Rail Engineering & Services



Revenue £770 million (2005: £766 million)

Order book £1.0 billion (Dec 2005: £1.2 billion)

Performance by sector

£m	2005	2006	
Building, Building Management and Services	35	43	+23%
Civil and Specialist Engineering and Services	49	55	+12%
Rail Engineering and Services	32	38	+19%
Investments and Developments	20	32	+60%

Investments and Developments

£m	2005			2006		
	PPP	Barking	Total	PPP	Barking	Total
Share of results of JVs & associates	22	8	30	36	15	51
Group operating loss*			(10)			(19)
I & D operating profit			20			32
<i>Group net finance income</i>			17			-
<i>Subordinated debt interest income</i>			5			8
<i>I & D net result</i>			42			40

* Including Property and excluding exceptional items

Investments and Developments

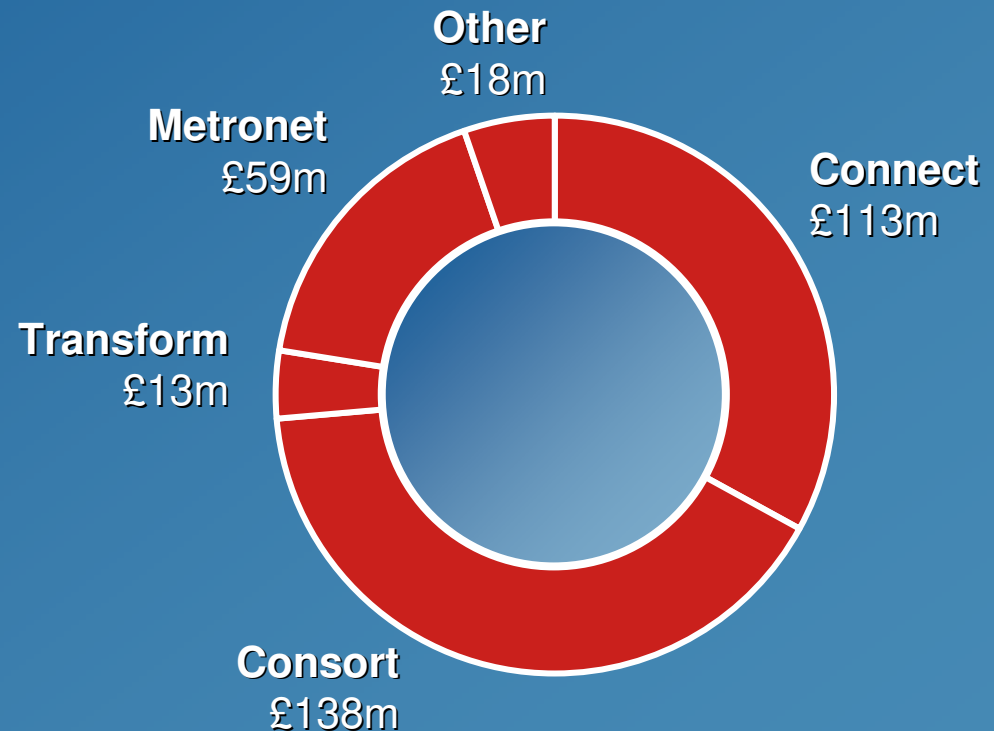
- Financial close for Birmingham Hospital and Birmingham Schools
- Preferred bidder for Knowsley Schools, Derby Street Lighting and Fife Hospital
- Pre-qualification and bidding opportunities remain strong
- Exeter International Airport acquired in Jan. 2007
- International businesses up and running

PPP portfolio Directors' valuation: December 2006

Total equity committed: £304m

Cash invested: £173m

**Directors'
Valuation
£341m**



Performance by sector

£m	2005	2006	
Building, Building Management and Services	35	43	+23%
Civil and Specialist Engineering and Services	49	55	+12%
Rail Engineering and Services	32	38	+19%
Investments and Developments	20	32	+60%
Corporate costs	(21)	(24)	
Profit from operations*	115	144	+25%
Net finance income*	19	8	
Pre-tax profit*	134	152	+13%

* Before exceptional items and amortisation of intangible assets

Operating profit v operating cash flow

£m	2005	2006
Group operating profit	58	61
Depreciation	41	43
Impairment and amortisation charges	12	17
Other items	(5)	3
Working capital decrease	61	92
Cash generated from operations [†]	167	216
PPP subsidiaries – adjustment	-	1
Cash generated from operations	167	217

† Treating PPP subsidiaries as joint ventures

Balance sheet cash movement

£m	2005	2006
Opening net cash	311	315
Cash generated from operations	167	216
Dividends from JVs and associates	19	24
Capital expenditure and financial investment	(71)	(78)
Acquisitions and disposals	(42)	(80)
Buy-back of preference shares	(11)	(19)
Dividends, interest and tax paid	(59)	(68)
Other items	1	(5)
Closing net cash†	315	305
PPP subsidiaries net debt	(14)	(21)
Closing net cash	301	284

† Treating PPP subsidiaries as joint ventures

Acquisitions

£m

Edgar Allen	12
Charter	9
Birse	57
Deferred consideration	2
	<hr/>
	80

Exceptional items

£m

Profit from operations:

National Engineering Construction

– goodwill impairment (16)

– reorganisation costs (2)

(18)

Birse integration costs (3)

Hatfield fine reduction 2

(19)

Finance costs:

Premium on buy-back of preference shares (7)

(26)

Tax on exceptional items 1

Net exceptional post-tax charge (25)

Pensions under IAS 19

£m	2005	2006
Defined benefit schemes:		
P&L charge	40	39
Employer cash contributions	33	36
Balance sheet liability (gross)	280	288
Balance sheet liability (net of deferred tax)	201	212
Defined contribution schemes:		
P&L charge & contributions	9	13

Group balance sheet

£m	Dec 2005	Dec 2006
Goodwill and intangible assets	284	436
Net cash (excluding PPP)	315	305
Preference shares – liability	(98)	(90)
PPP subsidiaries	-	-
Non-current assets + working capital	14	21
Non-recourse net debt	(14)	(21)
Other assets / liabilities	(209)	(264)
Shareholders' funds	292	387

Summary

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

Ian Tyler

Balfour Beatty

Balfour Beatty growth 2006 and beyond

- **Medium-term**

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

- **Longer-term**

- Expansion of non-UK domestic businesses






Progress report

- Balfour Beatty Capital
- Balfour Beatty Management
- Birse
- Centex

Balfour Beatty Capital

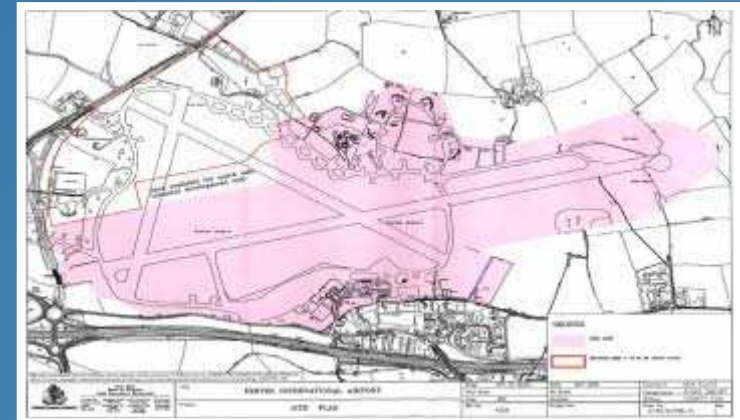
 <p>HIGHWAYS AGENCY</p> <p>Mar 1996 Connect M1-A1</p> <p>£290m Highway</p>	 <p>HIGHWAYS AGENCY</p> <p>May 1996 Connect A50</p> <p>£42m Highway</p>	 <p>HIGHWAYS AGENCY</p> <p>July 1996 Connect A30-35</p> <p>£127m Highway</p>	 <p>NHS</p> <p>Mar 1998 Consort Durham</p> <p>£90m Hospital</p>	 <p>UNDERGROUND</p> <p>Aug 1998 Powerlink/ PADco</p> <p>£184m Power Systems</p>	 <p>NHS</p> <p>Aug 1998 Consort Edinburgh</p> <p>£220m Hospital</p>	 <p>SCOTTISH WATER</p> <p>May 2000 Aberdeen Env. Services</p> <p>£92m Water</p>
 <p>NHS</p> <p>July 2000 Health Mgt (UCLH)</p> <p>£282m Hospital</p>	 <p>Stoke on Trent</p> <p>Oct 2000 Transform Schools (Stoke)</p> <p>£84m School</p>	 <p>UNDERGROUND</p> <p>Apr 2003 Metronet Rail BCV</p> <p>£1,783m Rail</p>	 <p>UNDERGROUND</p> <p>Apr 2003 Metronet Rail SSL</p> <p>£2,108m Rail</p>	 <p>Scottish Executive</p> <p>May 2003 Connect M77/GSO</p> <p>£167m Road</p>	 <p>Rotherham Metropolitan Borough Council The best place to live, learn and work.</p> <p>June 2003 Transform Schools</p> <p>£113m Schools</p>	 <p>NHS</p> <p>July 2003 Consort Blackburn</p> <p>£116m Hospital</p>
 <p>Sunderland City Council</p> <p>Aug 2003 Connect Roads Sunderland</p> <p>£27m Street Lighting</p>	 <p>North Lanarkshire Council</p> <p>June 2005 Transform Schools</p> <p>£140m Schools</p>	 <p>West Lothian Council</p> <p>July 2005 Transform Schools</p> <p>£127m Schools</p>	 <p>south tyneside</p> <p>Dec 2005 Connect Roads South Tyneside</p> <p>£28m Street Lighting</p>	 <p>Birmingham City Council Education Service</p> <p>Mar 2006 Transform Schools</p> <p>£89m Schools</p>	 <p>NHS</p> <p>June 2006 Consort Birmingham</p> <p>£553m Hospital</p>	 <p>exeter INTERNATIONAL AIRPORT</p> <p>Jan 2007 Regional & City Airports (Exeter)</p> <p>£60m Airport</p>

Developing a project

STAGE ONE	STAGE TWO	STAGE THREE	STAGE FOUR	STAGE FIVE
Pre-bid	Bidding	Preferred bidder	Construction	Operations
				
<p>Marketing Business dev. Bid submissions mgt. Project promotion</p>	<p>Marketing Business dev. Bid submissions mgt. Project finance Cost modelling Procurement Risk mgt.</p>	<p>Project finance Cost modelling Commercial mgt. Design dev. Construction mgt. Community engagement Whole life cost mgt.</p>	<p>Design dev. Construction mgt. Operational mgt. Community engagement HSE Whole life cost mgt.</p>	<p>Operational mgt Community engagement HSE Whole life cost mgt.</p>

Exeter International Airport

- One of the fastest growing airports in the UK
- Forecast growth in passengers to 2m by 2016 and 3m by 2029
- Significant growth in non-aeronautical revenues
- Already operating at peak capacity
 - to develop further requires significant capex
- Expansion of Flybe engineering base and development of flight training centre



International capital projects

- **US**

Short-listed for Oakland Airport Connector project, California

- **Germany**

Bid submitted for Bremen Hospital

- **Singapore**

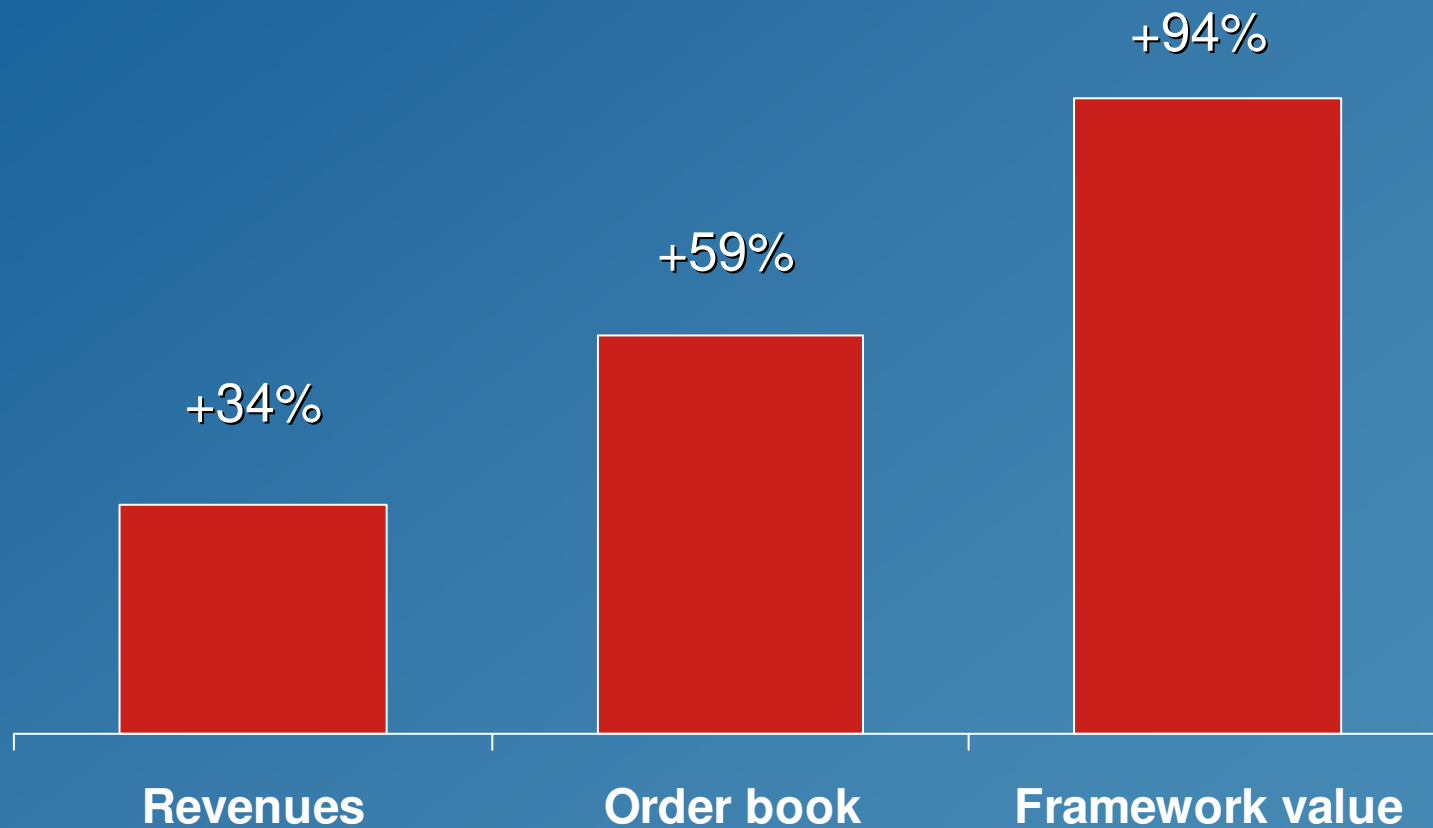
Bid submitted for Further Education Facility

Professional and technical services

- Alliances with United Utilities and National Grid
- King's Cross St Pancras Underground Station
- BAA complex build integration
- M25 PPP

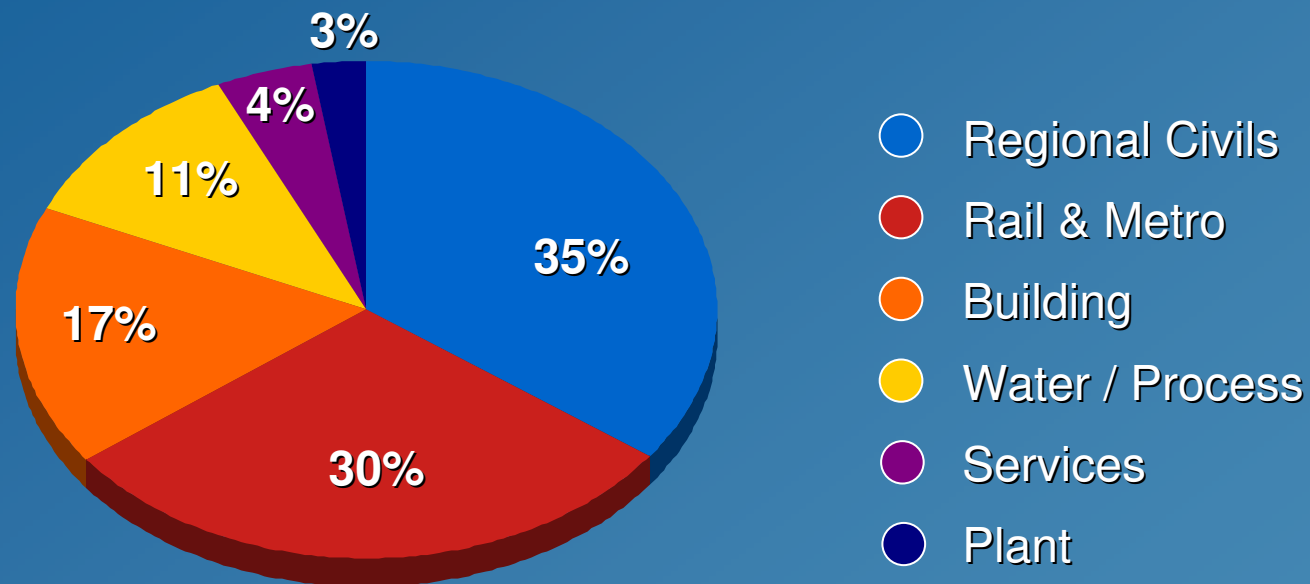
UK infrastructure

Mansell growth 2003-2006



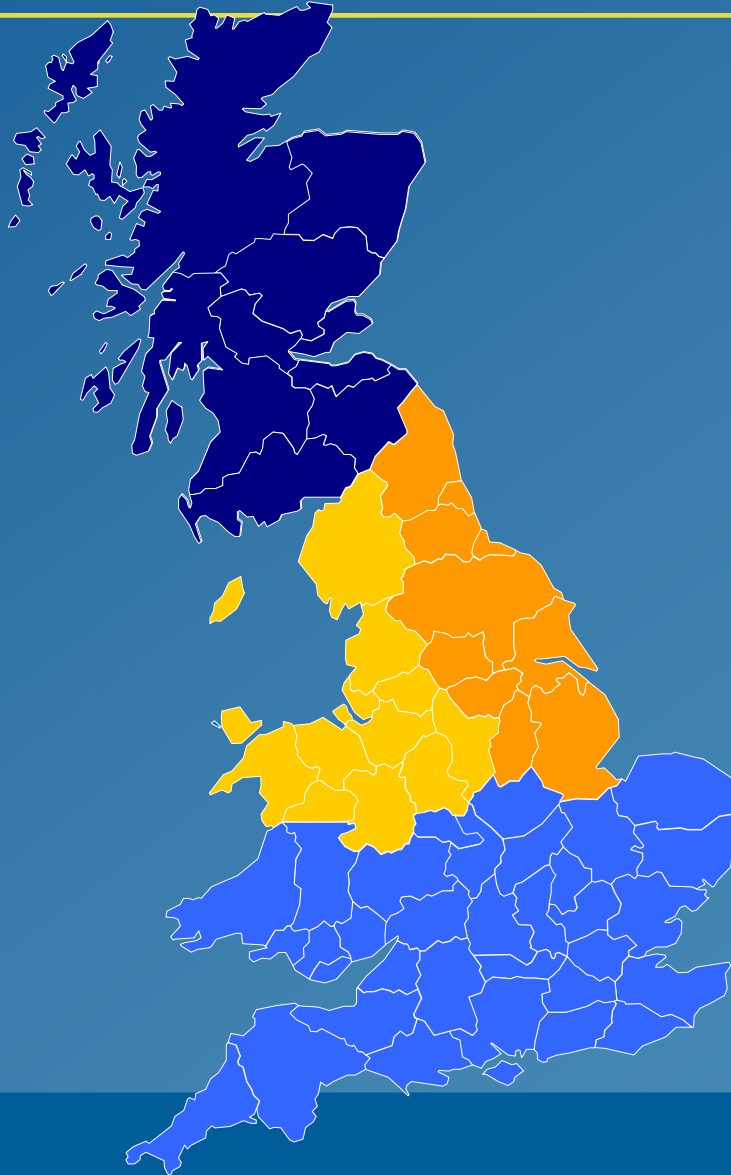
Birse Group plc

2005 revenues - £340m



BBCEL and Birse combined

Revenue and market share



£110m
14%

£100m
14%

£94m
8%

£137m
5%

Key criteria for overseas acquisition

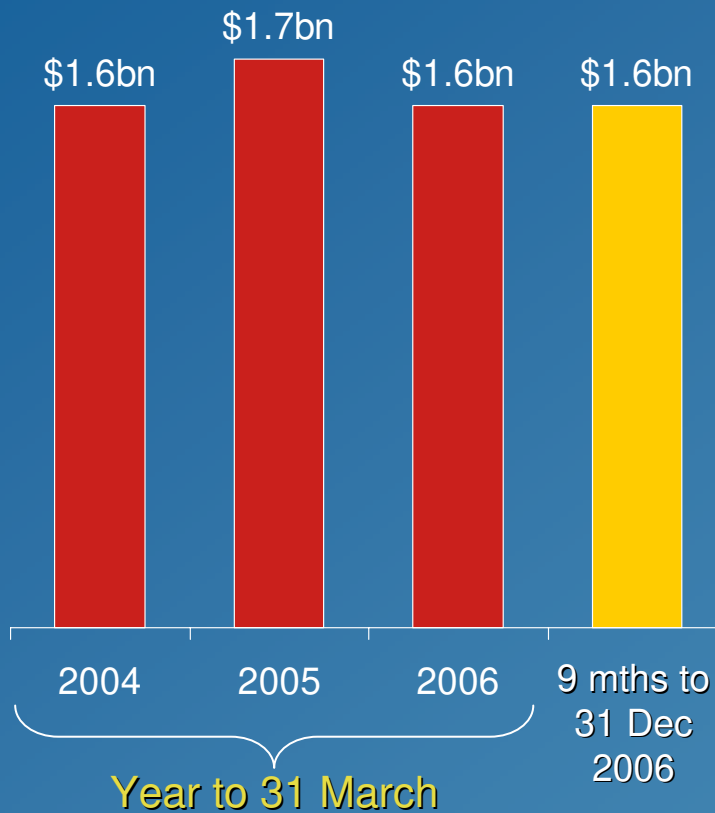
- Critical mass
- Acceptable business environment
- Sophisticated customers
- Leadership

Centex Construction fit with strategic priorities

- Leader in selected growth markets
- Proven senior management team
- Successful record of focused growth
- Over 95% of its revenue negotiated
- Logical extension of our Heery presence
- Compatible culture and processes
- Substantial growth potential in its own right
- Adds to our ambitions in construction and PPP

Centex Construction financial performance

Revenue



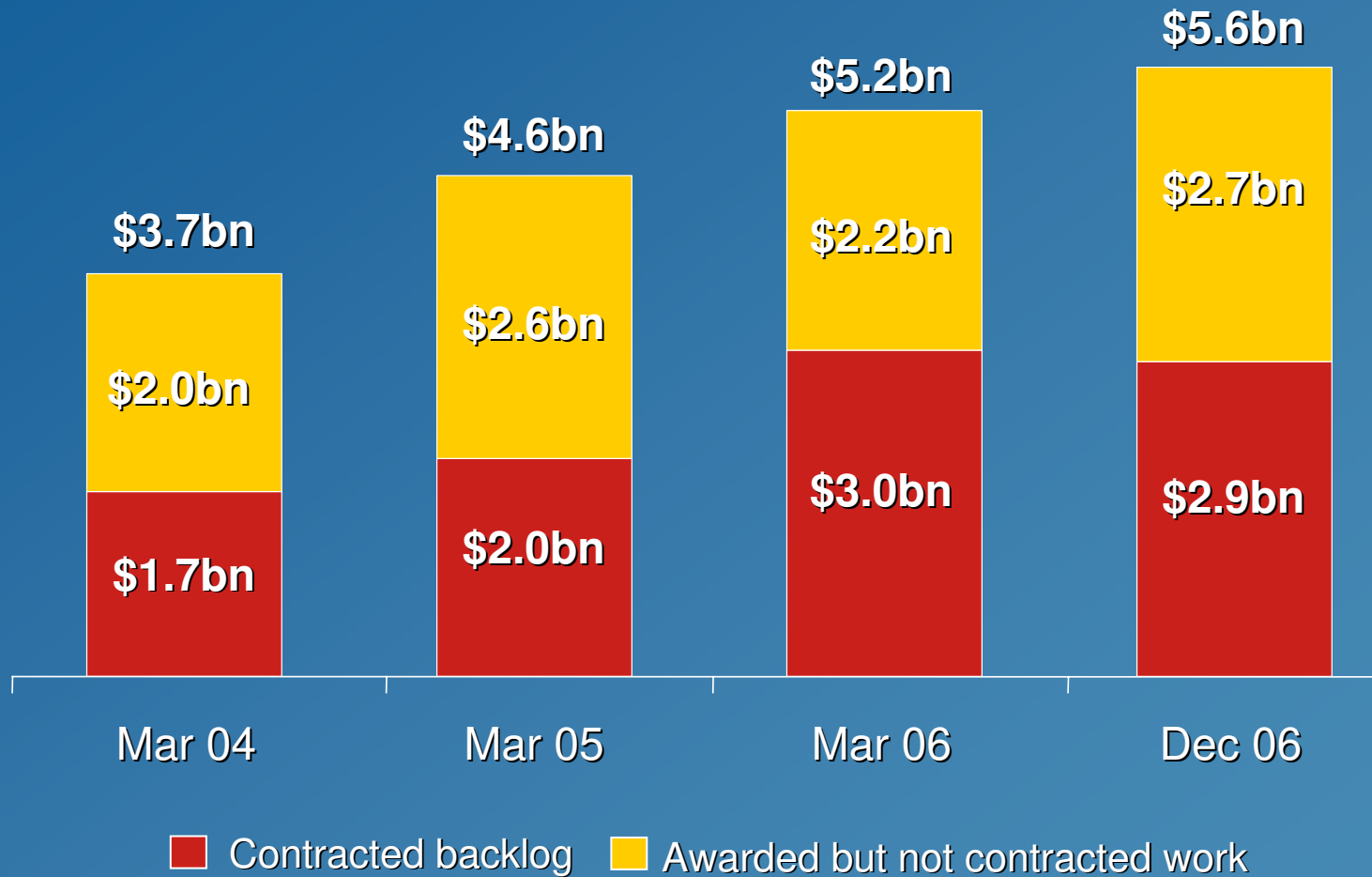
Operating profit



Navy South-East housing project

- \$525 million
- 5 year programme
- 2,116 new homes
- 11 bases in 5 states

Centex Construction order book



Growth enhancement through Centex Construction

- Develop careful geographical market replication
- Exploit potential for upstream/downstream offer with Heery
- Create leadership in emerging procurement methods
- Develop business in building-based PPP

Balfour Beatty