



# 2003 Interim Results

Balfour Beatty

13 August 2003



**Anthony Rabin**

**Balfour Beatty**

# Headline numbers

	First half 2002	First half 2003	
Turnover	£1,685m	£1,751m	+4%
Operating profit*	£65m	£66m	+2%
Pre-tax profit*	£48m	£51m	+6%
Earnings per share*	6.3p	8.1p	+29%
Dividends per share	2.35p	2.6p	+11%
Net cash	£41m	£104m	
Order book	£4.8bn	£6.4bn	+33%

\* Before exceptionals and goodwill amortisation

# Performance by sector

Full year  
2002

£m

First half  
2002

First half  
2003

**46**

**Building, Building Management  
and Services**

**21**

**19**

**-10%**

# Building, Building Management and Services

Full year 2002	£m	First half 2002	First half 2003
20	Construction	9	8
26	Services and systems	12	11
46		21	19

- Construction businesses continue to perform well
- Andover businesses impacted by US market
- Improved profitability from facilities management

# Performance by sector

Full year 2002	£m	First half 2002	First half 2003	
46	Building, Building Management and Services	21	19	-10%
17	<b>Civil and Specialist Engineering and Services</b>	7	7	-

# Civil and Specialist Engineering and Services

Full year 2002	£m		First half 2002	First half 2003
12	Services		5	3
5	Civil and Specialist Engineering		2	4
17			7	7

- Reorganisation of utilities business
- UK market prospects good and improving
- US performance on improving trend with claims submitted

# Performance by sector

Full year 2002	£m	First half 2002	First half 2003	
46	Building, Building Management and Services	21	19	-10%
17	Civil and Specialist Engineering and Services	7	7	-
<b>37</b>	<b>Rail Engineering and Services</b>	<b>16</b>	<b>16</b>	<b>-</b>



# Rail Engineering and Services

Full year 2002	£m	First half 2002	First half 2003
12	Infrastructure Services	7	7
25	Other	9	9
37		16	16

- UK infrastructure services continue to perform well
- Strong performance in Europe
- Major new contracts secured

# Performance by sector

Full year 2002	£m	First half 2002	First half 2003	
46	Building, Building Management and Services	21	19	-10%
17	Civil and Specialist Engineering and Services	7	7	-
37	Rail Engineering and Services	16	16	-
<b>49</b>	<b>Investments and Developments</b>	<b>21</b>	<b>24</b>	<b>+14%</b>
149	Operating profit*	65	66	+2%

\* Before exceptionals and goodwill amortisation

# Investments and developments

Full year 2002	£m	First half 2002	First half 2003
34	PFI/PPP	13*	20
15	Barking Power	8	4
49	Profit before interest	21	24
23	Profit after interest	8	11

\* Including property

- Concession performance improving
- First contribution from Metronet concessions
- Barking Power affected by TXU administration

# Operating profit v operating cash flow

£m	First half 2002	First half 2003
Group operating profit	28	23
Add back: goodwill amortisation	8	8
Group operating profit*	36	31
Depreciation	19	19
Exceptional items – cash expenditure	(2)	(4)
Other items	1	(1)
Working capital decrease/(increase)	(8)	71
Net cash inflow from operations	46	116

\* Before exceptionals and goodwill amortisation

# Balance sheet cash movement

£m	First half 2002	First half 2003
Opening net cash	63	67
Net cash inflow from operations	46	116
Dividends from J/Vs and associates	6	3
Capital expenditure and financial investment	(9)	(29)
Acquisitions and disposals	(34)	(4)
Buy-back of preference shares	-	(16)
Dividends and interest	(21)	(21)
Tax paid	(9)	(15)
Other items	(1)	3
Closing net cash	41	104

# Group balance sheet

£m	First half 2002	First half 2003
Goodwill*	276	276
Net cash	41	104
Other assets	(124)	(186)
Shareholders' funds	193	194

*\* Includes share of joint ventures and associates*

# Summary

Continuing growth in profits and earnings

Strong cash flow

Strong cash position to support future growth

**Mike Welton**

**Balfour Beatty**



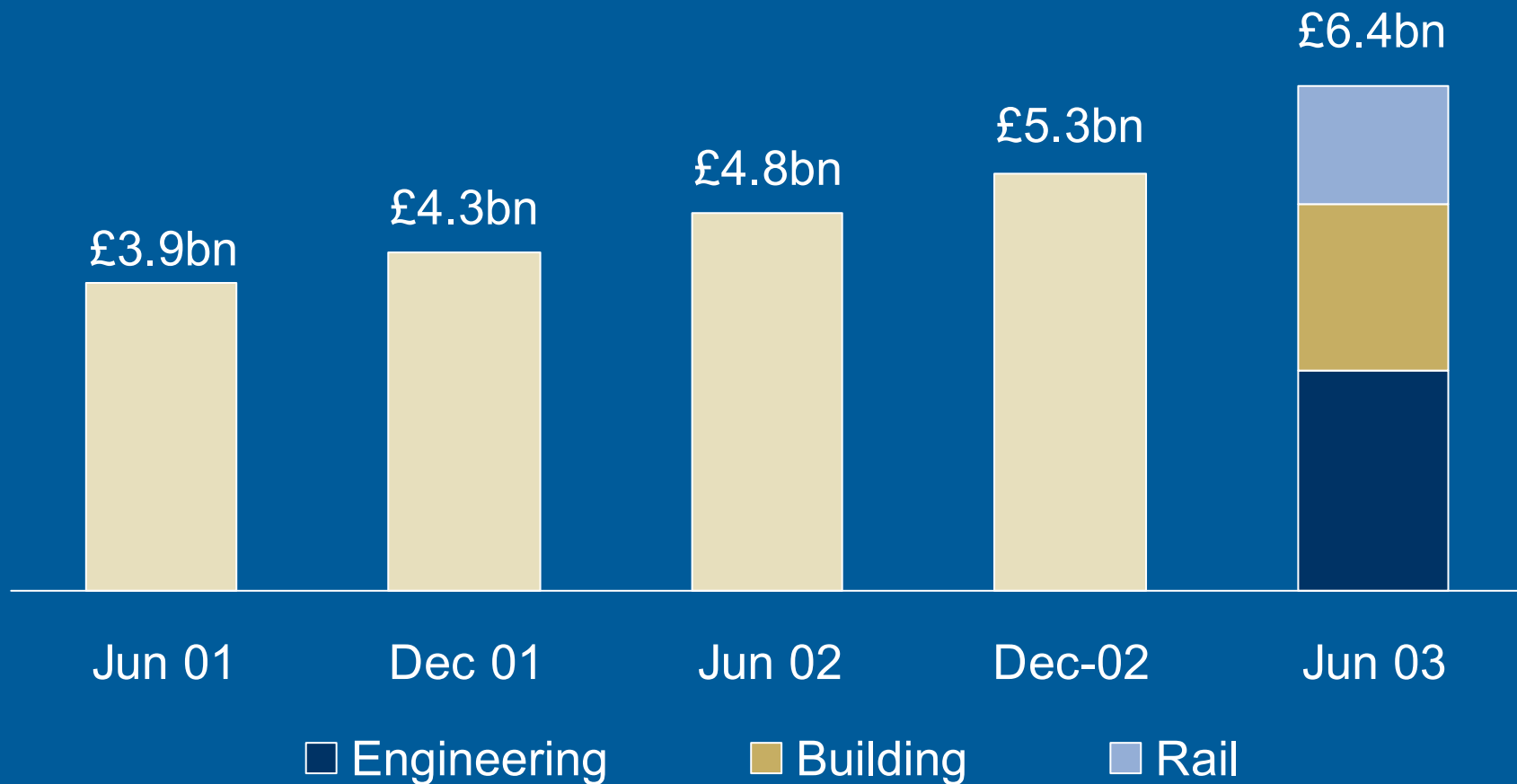
# Key objectives

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

# Underlying sector performance

Operating profits (£m)	First half 2002	First half 2003 reported	Increase in pensions	Underlying performance	
Building	21	19	2	21	-
Engineering	7	7	1	8	+14%
Rail	16	16	3	19	+19%
Investments	21	24	-	24	+14%
Operating profit	65	66	6	72	+11%

# Order book



# 2003 successes

## Balfour Beatty share

	£m
Metronet Station Refurbishment	540
Metronet Trackwork	500
Network Rail Renewals*	450
Metronet Civil Engineering	170
Terminal 5 Railway Station Construction Management	87

\* Preferred bidder – estimated total value not yet in order book

# 2003 successes

## Balfour Beatty share

	£m
M25 Widening	148
M77 DBFO Road	132
Blackburn PFI Hospital	125
Rotherham Schools	100
Sunderland Street Lighting	100
Area 4 Highways Agency Maintenance	80

# Investment in Metronet

## Projected Balfour Beatty share of profits\*

£m (BCV/SSL)	2003	2004	Total 1 <sup>st</sup> period
Operating profit	14	22	190
Profit before tax	7	12	90

Projected IRR in the range 14-18%

*\* Not including downstream contracting profits from orders to the value of £1.2bn*

# Process

Group-wide IT development programme  
in hand

Further improvements to Risk Management  
processes

Significant improvements in Accident Frequency  
Rates

# UK Building

Major player in complex UK building projects

Large secured order book

PPP/PFI health and education opportunities continue

Management outsourcing market healthy and growing



# Civil Engineering

Leading player in UK and selected overseas markets

Strong forward order book in strengthening UK roads sector

Opportunities in rail and other transport developments

US highways spend to continue at current volumes

# Worldwide Rail

Essential works for UK rail proceeding

Major changes in UK maintenance market

Italian electrification programme continues to develop

Increasing penetration of US industrial rail and maintenance markets

# PPP/PFI

18 concessions now

Successful and strong competitor in an attractive and growing market

Clear focus on target markets and projects – strong bidding activity

Increasingly profitable and cash-generative business for next 25-30 years

# Summary

Confident of further progress in 2003 and beyond

Underpinned by secured order book and PPP/PFI portfolio

Cash position gives flexibility for strategic development

Market opportunity continues to be encouraging