



2004 Interim Results

Balfour Beatty

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Anthony Rabin

Balfour Beatty

Headline numbers

	First half 2003	First half 2004	
Turnover	£1,751m	£1,992m	+14%
Operating profit*	£66m	£82m	+24%
Pre-tax profit*	£51m	£68m	+33%
Earnings per share*	8.0p	10.7p	+34%
Dividends per share	2.6p	2.85p	+10%
Net cash (excluding 100% PFI)	£104m	£121m	
Order book	£6.4bn	£6.5bn	

* Before exceptionals and goodwill amortisation

Performance by sector

Full year 2003	£m	First half 2003	First half 2004
28	Building, Building Management and Services	13	13
17	Andover Controls (discontinued)	6	7

Building, Building Management and Services

Full year 2003	£m	First half 2003	First half 2004
17	Construction	8	11
11	Services	5	2
28		13	13
17	Andover Controls (discontinued)	6	7

- Mansell performs as anticipated
- Strong order book for major building construction
- Heery first-half costs

Performance by sector

Full year 2003	£m		First half 2003	First half 2004	
28		Building, Building Management and Services	13	13	
21		Civil and Specialist Engineering and Services	7	8	+14%

Civil and Specialist Engineering and Services

Full year 2003	£m	First half 2003	First half 2004
13	Civil and specialist engineering	4	-
8	Services	3	8
21		7	8

- Further costs taken in the US pending claim recoveries
- Strong performance in UK road maintenance
- Utilities recovery continues

Performance by sector

Full year 2003	£m		First half 2003	First half 2004	
28	Building, Building Management and Services		13	13	
21	Civil and Specialist Engineering and Services		7	8	+14%
41	Rail Engineering and Services		16	23	+44%

Rail Engineering and Services

Full year 2003	£m	First half 2003	First half 2004
26	Projects and specialist businesses	9	8
15	UK infrastructure services	7	15
41		16	23

- Sound performance in rail engineering and projects
- German market uncertain
- Maintenance settlement increases profits in UK infrastructure services

Performance by sector

Full year 2003	£m	First half 2003	First half 2004	
28	Building, Building Management and Services	13	13	
21	Civil and Specialist Engineering and Services	7	8	+14%
41	Rail Engineering and Services	16	23	+44%
54	Investments and Developments	24	31	+29%
144	Operating profit – continuing businesses*	60	75	+25%
17	Andover Controls (discontinued)	6	7	
161		66	82	

* Before exceptionals and goodwill amortisation

Investments and Developments

Full year 2003	£m	First half 2003	First half 2004
48	PFI/PPP	20	24
6	Barking Power	4	7
54	Profit before interest	24	31
26	Profit after interest	11	17

- Operational concession performance continues to be satisfactory
- Full half-year contribution from Metronet concessions
- Barking Power performance improves

Operating profit v operating cash flow

£m	First half 2003	First half 2004	First half 2004 exc PFI subsidiaries
Group operating profit	23	41	33
Add back: goodwill amortisation	8	8	8
Group operating profit*	31	49	41
Depreciation	19	23	19
Exceptional items – cash expenditure	(4)	(1)	(1)
Other items	(1)	1	1
Working capital decrease	71	45	6
Net cash inflow from operations	116	117	66

* Before exceptionals and goodwill amortisation

Balance sheet cash movement

£m	First half 2003	First half 2004	First half 2004 exc PFI subsidiaries*
Opening net cash	67	124	127
Net cash inflow from operations	116	117	66
Dividends from J/Vs and associates	3	2	8
Capital expenditure and financial investment	(29)	(55)	(20)
Acquisitions and disposals	(4)	(13)	(15)
Buy-back of preference shares	(16)	(18)	(18)
Dividends, interest and tax paid	(36)	(38)	(30)
PFI/PPP net debt at acquisition date	-	(239)	-
Other items	3	3	3
Closing net cash/(debt)	104	(117) [†]	121 [†]

[†] Before £226m Andover sale proceeds

* Treating PFI subsidiaries as associates

Group balance sheet

£m	First half 2003	First half 2004
Goodwill*	276	313
Net cash	104	121
PPP subsidiaries	-	21
Tangible assets + working capital	-	259
Non-recourse net debt	-	(238)
Other assets	(185)	(218)
Shareholders' funds	195	237

* 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

Our businesses

Established positions of leadership in local / regional markets

Technology-based businesses which are internationally transportable

Strategic priorities

Continue to strengthen our existing business

Grow where we are already established

Develop US presence

Consolidate our position in Asia-Pacific

Extend PPP portfolio

Extend rail footprint

Integration of Mansell

New MD appointed

Strong focus and clear strategy in growing markets

- Repair and maintenance
- Education
- Social housing

Large proportion of work in frameworks / partnerships

Developments in UK Rail

Maintenance successfully handed over

“The management and staff of Balfour Beatty have been very professional and without their help this major organisational change could not have happened as quickly or as smoothly as it has.”

Network Rail Route Director for Anglia

Settlement of outstanding issues

Renewals share up to c.30% (£113m pa)

UK Government Rail Review

Sale of Andover Controls

Change in market structure – future profits at risk

Significant supply side consolidation – a seller's market

Exceptional second-half profit of c£120m

£226m cash available for investment

Balfour Beatty in the US

New management team in place

Heavy marine engineering business closed

Full integration of rail businesses

Profitable transport contracting businesses in California, Texas and Pennsylvania/Ohio

Heery a leader in its field

US priorities

Address loss-making businesses

Establish strong organisation

Sell Andover

Carefully grow the business

Acquisition of 50% of Gammon

Market leader in Hong Kong

Strong presence in long-term growth market

Established businesses in China and Singapore

Conduit for transportable businesses

Adding to the PPP portfolio

New preferred bidder status

- £520m Birmingham Hospital
- £140m Lanarkshire Schools

Committed equity will exceed £200m

Currently bidding for 7 schemes

Comprehensive Spending Review

NHS spending up 7% to £92bn

Education spending up 5% to £77bn

Transport budget increased to £10.8bn by 2008

50% increase in social housing

The future

Increasing PPP bidding opportunities

Increasing profit / cash contribution from Investments

Core market growth

- M25 and M1 widening
- Utilities post regulatory review
- Increasing outsourcing
- Social housing

Summary

Progress in line with expectations

Careful evaluation of opportunities

Continuation of reliable, responsible growth