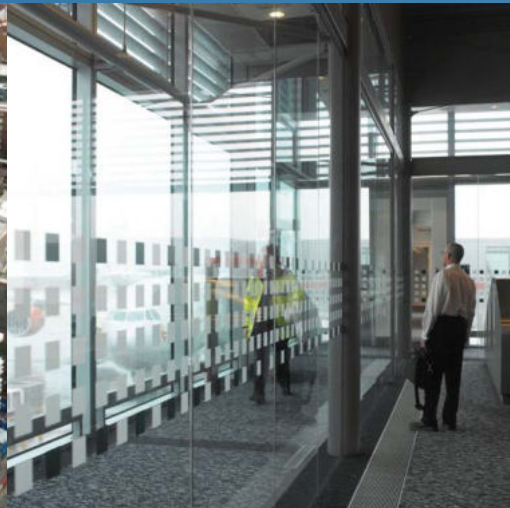


Balfour Beatty



2005 Interims

17 August 2005



Anthony Rabin

Balfour Beatty

Headline numbers

	First half 2004	Pro forma first half 2004	First half 2005	
Turnover (revenue)	£2,026m	£2,026m	£2,308m	+14%
Pre-tax profit* continuing operations	£53m	£44m	£52m	+18%
Adjusted eps*	10.4p	10.1p	9.3p	-9%

* Before exceptional items, and in the case of eps, premium on buy-back of preference shares

Headline numbers

	First half 2004	First half 2005	
Interim dividend	2.85p	3.5p	+23%
Net cash (excluding 100% PFI)	£121m	£299m	
Order book	£6.5bn	£7.4bn	+14%

Performance by sector

Full year 2004	£m		First half 2004	First half 2005
34	Building, Building Management and Services		14	8

Building, Building Management and Services

Full year 2004	£m	First half 2004	First half 2005
34		14	8

- Steady underlying performance
- Mansell performs particularly well
- Some short-term contract issues in Construction
- Heery performance improves
- **Significantly stronger performance expected in 2nd half**

Performance by sector

Full year 2004	£m	First half 2004	First half 2005
34	Building, Building Management and Services	14	8
16	Civil and Specialist Engineering and Services	8	17

Civil and Specialist Engineering and Services

Full year 2004	£m	First half 2004	First half 2005
(3)	Civil and specialist engineering	(1)	10
19	Services	9	7
16		8	17

- Steady performance overall
- Significant improvement in US civils performance
- Utilities gearing up for major new long-term contracts
- Good progress expected to be maintained in 2nd half

Performance by sector

Full year 2004	£m	First half 2004	First half 2005
34	Building, Building Management and Services	14	8
16	Civil and Specialist Engineering and Services	8	17
44	Rail Engineering and Services	23	20

Rail Engineering and Services

Full year 2004	£m	First half 2004	First half 2005
50	UK businesses	19	26
(6)	Overseas businesses	4	(6)
44		23	20

- Steady UK performance - renewals settlements
- German market remains depressed
- Write-down of one US rail signalling contract
- 2nd half performance expected to remain satisfactory

Performance by sector

Full year 2004†	£m	First half 2004†	First half 2005
34	Building, Building Management and Services	14	8
16	Civil and Specialist Engineering and Services	8	17
44	Rail Engineering and Services	23	20
17	Investments and Developments	7	8

† Pro forma

Investments and Developments

Full year 2004	£m	First half 2004			First half 2005		
		PFI JVs & Assocs	Barking	Total	PFI JVs & Assocs	Barking	Total
26	Share of results of JVs & associates	7	3	10	8	4	12
(9)	Group operating profit*			(3)			(4)
17	I & D operating profit			7			8
16	<i>Group net finance income</i>			8			9
9	<i>Subordinated debt interest income</i>			3			3
42	<i>I & D net result</i>			18			20

* Including Property and excluding exceptional items

Investments and Developments

- UCLH 1st phase and M77 handed over on-time
- Financial close on North Lanarkshire and Bassetlaw schools
- Metronet performance satisfactory
- Pre-qualification and bidding opportunities strong
- Satisfactory performance expected for full year

Performance by sector

Full year 2004†	£m	First half 2004†	First half 2005
34	Building, Building Management and Services	14	8
16	Civil and Specialist Engineering and Services	8	17
44	Rail Engineering and Services	23	20
17	Investments and Developments	7	8
(17)	Corporate costs	(10)	(10)
94	Profit from operations*	42	43
13	Net finance income*	2	9
107	Pre-tax profit – continuing operations*	44	52

* Before exceptional items

† Pro forma

Operating profit v operating cash flow

£m	First half 2004*	First half 2005*
Group operating profit	31	24
Trading profit from discontinued operations	7	-
Depreciation	20	20
Other items	1	1
Working capital decrease	8	39
Cash generated from operations	67	84

* Treating PFI subsidiaries as associates / joint ventures

Balance sheet cash movement

£m	First half 2004*	First half 2005*
Opening net cash	127	311
Cash generated from operations	67	84
Dividends from JVs and associates	8	9
Capital expenditure and financial investment	(17)	(33)
Acquisitions and disposals	(15)	(6)
Buy-back of preference shares	(18)	(9)
Dividends, interest and tax paid	(34)	(55)
PFI / PPP borrowings at acquisition	-	-
Other items	3	(2)
Closing net (debt) / cash	121†	299

* Treating PFI subsidiaries as associates / joint ventures

† Before £218m net cash from sale of Andover

Exceptional items

£m

Profit from operations:

TXU distributions to Barking Power (net of tax)	24
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Finance costs:

Premium on buy-back of preference shares	(3)
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Premium on repayment of US\$ term loan	(6)
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Tax on exceptional finance costs	2
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Net exceptional post-tax profit	<u>17</u>
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Pension charges under IAS 19

Full year 2004	£m	First half 2004	First half 2005
50	Current service cost	24	24
(5)	Net finance income	(2)	(2)
2	Defined contribution schemes	1	1
47		23	23
(8)	Exceptional settlement gain	-	-
39		23	23

Group balance sheet

£m	Dec 2004	Pro forma Dec 2004	June 2005
Goodwill*	310	305	307
Net cash	311	311	299
Preference shares – liability	-	(103)	(99)
PFI / PPP subsidiaries	32	63	72
Non-current assets + working capital	276	307	319
Non-recourse net debt	(244)	(244)	(247)
Other assets / liabilities	(351)	(349)	(302)
Shareholders' funds	302	227	277

* Includes share of joint ventures and associates

Summary

- No impact from IFRS on business operations, strategy or cash
- Continuing growth in profits
- Strong cash flow
- Strong cash position to support future growth

Ian Tyler

Balfour Beatty

First half 2005

- Strong cash generation
- Increased order book
- Turnaround in US civils
- Growth in PFI portfolio
- Satisfactory settlement of legacy rail issues

Dividend rebased

Today's agenda

- Mansell – an established leader in growing markets
- Balfour Beatty Utilities – a new business to exploit market change
- Heery – solid positions and future growth potential
- Texas Highways – a growing business with future PFI potential

Mansell

- Substantial portfolio of long-term frameworks
- Social housing



Mansell

- Top 10 frameworks have £600m potential
- Good spread of customer types
 - British Telecom
 - BAA
 - Department of Work and Pensions
 - Metropolitan Housing Association
 - University of Reading
 - MoD

BAA



**Mansell
Airports**

Defence Estates



Social housing – key trends

- £22bn government spend committed – private sector to match
- All housing to “decent” standards by 2010
- Project size increasing in value and duration
- Potential for new procurement methods

Market trends – social housing

	Estimated Annual Value £m
• Morgan Sindall (Lovell Partnerships)	420
• Mansell	200
• Kier	185
• ROK	180
• Wates	175
• Willmott Dixon	160
• Keepmoat	135

Source: Contract Journal, July 2005

UNITE



Mansell

- Excellent spread of blue chip customers
- Dedicated skills aligned to market sectors
- Comprehensive regional network
- High customer satisfaction ratings

Balfour Beatty Utilities

- Acquisition of John Kennedy and Kentons (£70m)
- Merged and reorganised in 2002



Why invest in utilities?

- Growth and change from regulatory reviews
- Continued trend to outsourced services
- Within Balfour Beatty's competence footprint

The markets

- 78% of water network yet to be upgraded / replaced
- 50% of gas network yet to be upgraded / replaced
- 77% of volumes now under partnering / alliance contracts

Forward order book

Order book: c.£1bn

including: Greater Manchester NGT Alliance
United Utilities Integrated Services
Anglian and Severn Trent Water
South West and Yorkshire Water

Balfour Beatty Utilities

Market shares

- Clean water – operations 18%
- Clean water – capital 19%
- Gas mains replacement 15%
- Wastewater 6%

The current position

- Order book secured to 2010
- Mobilisation in progress
- Efficiencies key to maximising margin levels

Heery International

Capabilities

- Architecture
- Interior design
- Engineering
- Facilities planning and design
- Construction management
- Programme management



K-12 education

- Market volumes on long-term upward trend
- Market leader with a substantial track record
 - 160 school districts
 - \$20 billion managed value
- Long-term relationships with key customers



Federal government

- Major Washington presence
- Leading supplier to the GSA
 - eg Department of Transportation
 - National Archives Building
 - Patent and Trademark Office
- Well positioned for high-growth security market



Other growth business

- Healthcare
 - Veterans hospitals and clinics
 - HUD funded critical access hospitals
- Higher education
 - Public and community college upgrade
 - Site master planning
- Justice
 - Federal and county courthouse programme

Heery

- \$55m profits, \$60m cash
- Recent acquisitions further strengthen business
- Positive market fundamentals

Balfour Beatty Construction Inc

- Three regional businesses
 - Texas
 - California
 - Pennsylvania / Ohio

The Federal Transport budget

- \$286bn federal funding guaranteed 2005-2009
- Up 38% on previous budget

Top spending states 2005/09

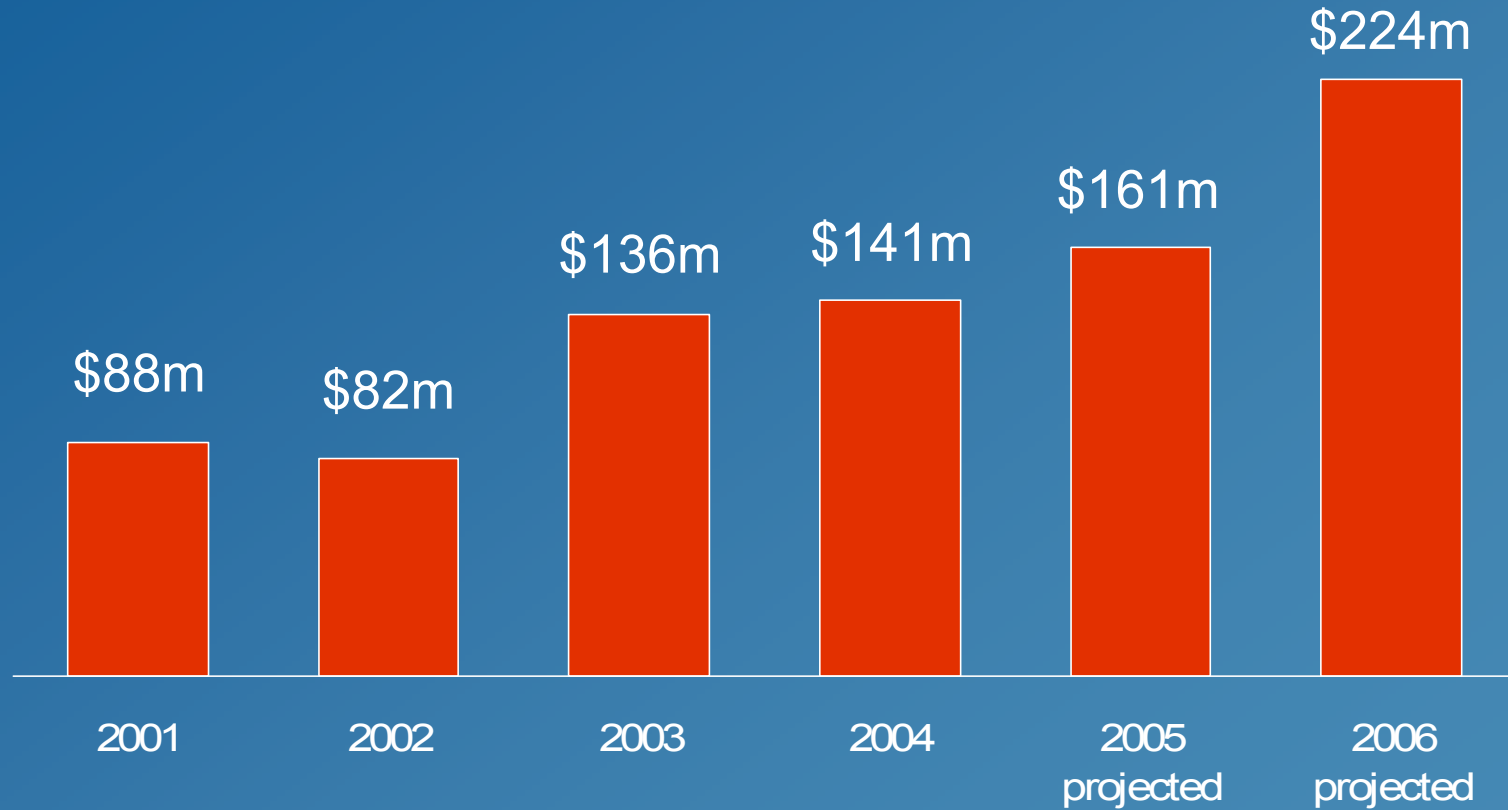
	\$bn	
California	17.2	+34%
Texas	14.5	+37%
Florida	8.7	+33%
New York	8.4	+19%
Pennsylvania	8.2	+19%
Ohio	6.6	+36%

Texas Highways Division

- Set up in 1995
- Experienced management team
- 40+ road projects – worth £1bn over 10 years
- Consistently profitable
- SH 130 going well
- PFI market in development

Texas Highways Division

Turnover (\$ million)



Balfour Beatty

Balfour Beatty

Outlook

- Good trading prospects
- Substantial net cash
- Normal seasonal pattern resumed
- Good progress in year as a whole

Balfour Beatty

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