



Balfour Beatty

2002 Preliminary Results

5 March 2003

Balfour Beatty



Anthony Rabin

Finance Director



Headline Numbers

	2002	2001	
Turnover	£3,441m	£3,071m	+12%
Operating profit*	£149m	£136m	+10%
Pre-tax profit*	£118m	£102m	+16%
Earnings per share*	16.1p	14.1p	+14%
Dividends per share	5.4p	5.0p	+8%
Net cash	£67m	£63m	
Order book	£5.1bn	£4.3bn	+19%

* Before exceptionals and goodwill amortisation



Performance by Sector

£m	2002	2001	
Building, Building Management and Services	46	44	+5%



Building, Building Management and Services

£m	2002	2001
Construction	20	18
Services and systems	26	26
Operating profit	46	44

- Construction businesses continue to perform well
- Services and systems businesses steady



Performance by Sector

£m	2002	2001	
Building, Building Management and Services	46	44	+5%
Civil and Specialist Engineering and Services	17	22	-23%



Civil and Specialist Engineering and Services

£m	2002	2001
Services	12	5
Civil and specialist engineering	5	17*
Operating profit	17	22*

- Utilities business created
- Further US write-offs depress civil engineering profits
- Market prospects good and improving

* Excluding results for Dubai Cable Company



Performance by Sector

£m	2002	2001	
Building, Building Management and Services	46	44	+5%
Civil and Specialist Engineering and Services	17	22	-23%
Rail Engineering and Services	37	24	+54%



Rail Engineering and Services

£m	2002	2001
UK infrastructure services	12	3
Projects and specialist businesses	25	21
Operating profit	37	24

- Return to profit in UK maintenance
- Acquisition of ABB Dacom
- Strong performance in Europe



Performance by Sector

£m	2002	2001	
Building, Building Management and Services	46	44	+5%
Civil and Specialist Engineering and Services	17	22	-23%
Rail Engineering and Services	37	24	+54%
Investments and Developments	49	45	+9%
Operating profit* - continuing businesses	149	135	+10%

* Before exceptionals and goodwill amortisation



Investments and Developments

£m	2002	2001
PFI/PPP	34	26*
Barking Power	15	19
Profit before interest	49	45
Profit after interest	23	16

- Concession income increases
- Barking Power affected by electricity market difficulties

* Including Property



Operating Profit v. Operating Cash Flow

£m	2002	2001	2000
Group operating profit	67	61	53
add back: goodwill amortisation	19	10	3
Group operating profit*	86	71	56
Depreciation	40	35	32
Exceptional items – cash expenditure	(9)	(4)	(20)
Other items	–	–	(5)
Working capital decrease	25	15	42
Net cash inflow from operations	142	117	105

* Before exceptionals and goodwill amortisation



Balance Sheet Cash Movement

	£m
Opening net cash	63
Net cash inflow from operations	142
Dividends from J/Vs and associates	20
Capital expenditure	(46)
Disposal of tangible fixed assets	4
Acquisitions and disposals	(68)
Dividends and interest	(41)
Tax paid	(17)
Other items	10
Closing net cash	67



Acquisitions and Disposals

	£m
Acquisition of Kenton Utility	25
Acquisition of Walgrave Contracting Services	7
Acquisition of 49% of Romec	10
Other acquisitions/disposals	8
Deferred consideration for earlier acquisitions	18
	<hr/>
	68



Pensions

	£m SSAP24	£m FRS17
P&L charge 2002	19	26

- Funds in actuarial surplus at end 2002
- Note 22 shows £107m deficit under FRS17
- Disparity due entirely to differences in discount rates
- Future funding under review



Group Balance Sheet

£m	2002	2001
Goodwill*	280	255
Net cash	67	63
Other assets/(liabilities)	(154)	(133)
Shareholders' funds	193	185

* Including share of joint ventures and associates



Summary

- Continuing growth in underlying earnings
- Strong cash flow
- Record order book

Balfour Beatty



Mike Welton

Chief Executive



Key Objectives

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

Balfour Beatty



2002



Balfour Beatty in the UK Building Market

Balfour Beatty Construction (BBCL), Haden Young (HY),
Balfour Kilpatrick (BK), Haden Building Management (HBM)

Sales	➔ £900m
Operating profits	➔ £30m
Operating cash	➔ £30m
Margins	➔ 3.3%
Competitor margins	➔ 1-3%
Repeat business	➔ 75%



Government Procurement

- Very substantial forward programmes in public building
 - complex project and programme management
 - complex mechanical and electrical engineering
 - whole-life asset management



Customers

Top 5 Customers

BBCL

Consort*
Babcock &
Brown*
BAE
Hammerson
CIN

HY

BB*
Laing*
Sir R
McAlpine*
Bovis*
Skanska

BK

Goldman
Sachs
Canary Wharf
LUL*
BAA
Laing*

HBM

Royal Mail
Benefits
Agency
Consort
Healthcare*
Inland
Revenue
BT



Balfour Beatty in the US Building Market

Heery and Andover

- Profits maintained despite some market weakness
- Well positioned for future upturn



UK Roads

- £600m new maintenance and management work
- £270m Early Contractor Involvement Contracts
 - A3
 - A303
- Preferred bidder for £130m M77 PFI



Utilities Contracting

£m		Approximate Annual Sales
Balfour Beatty Power Networks		145
John Kennedy	} Balfour Beatty Utilities	100
Kentons		75
		<hr/> 320



US and LUL

- USA
 - Improved performance and recoveries
- Metronet
 - £600m+ civil engineering work over 7½ years



UK Rail

Essential works – UK

- West Coast Main Line completion
- Southern Region Power Upgrade
- Southern Region Signalling Framework Upgrade
- Maintenance and renewals
- Track systems and plant
- £500m trackwork for Metronet



Overseas Rail

Electrification in Italy

	Value to BB - €m	Length km	Progress to date
Rome-Naples	90	195	65%
Turin-Novara	72	120	5%
Milan-Bologna	118	178	15%
Bologna-Florence	70	76	30%



Overseas Rail

- Germany → Satisfactory performance in flat market
- Eastern Europe → Accession funding increasing
- Asia → Selective market presence
- USA → Continuing market expansion



UK PFI / PPP

The Forward Market

£bn

-
-
- Forecast new PFI/PPP investment in 2002-2005 25
 - Committed expenditure on signed contracts to 2012 52
 - Committed expenditure on signed contracts to 2027 92



Balfour Beatty and PPP

- Highly segmented market
- Focus on large, complex projects with potential for full-service integration
- Favourable market characteristics
- Strong team and quality portfolio



Balfour Beatty in Healthcare PPP

Construction value (£m)

Current Portfolio

Durham	70
Edinburgh	220
UCLH	225

Preferred Bidder

Blackburn	86
-----------	----

Short Listed

Birmingham	400
Pinderfields	200
St Helens	140

Coming to market by end 2003:

18 further major hospitals with total construction value of over £2.8bn



Balfour Beatty in Education PPP

Construction value (£m)

Current Portfolio

Stoke	80
-------	----

Preferred Bidder

Rotherham	90
-----------	----

Short Listed

Crawley	50
---------	----

Coming to market by end 2003:

9 schemes with total construction value of nearly £800m



The US Market

- Rail spending on a sharp increase
- Highway spending to stay strong
- Heery / Andover resilient
- New US CEO appointed 1.1.03



Order Book

£bn	Dec 2000	Dec 2001	Dec 2002
Building, Building Management and Services	1.3	1.3	1.9
Civil and Specialist Engineering and Services	1.2	1.8	2.1
Rail Engineering and Services	0.8	1.2	1.1
Total	3.3	4.3	5.1 *

** 45% for execution in 2003*



Outlook

- Further substantial growth in order book
- Growing income from investments
- Performance improvements in engineering
- Strong positions in rail and major building
- Further progress in 2003