



trusted to deliver™



babcock

Babcock International Group PLC

Pre-close trading update and pro forma segmental analysis

29 September 2010

Disclaimer



trusted to deliver™

This document has been prepared by Babcock International Group PLC (the “**Company**”) solely for use at a presentation in connection with the Company's Pre-close Trading Statement. For the purposes of this notice, the presentation that follows (the “**Presentation**”) shall mean and include the slides that follow, the oral presentation of the slides by the Company, the question-and-answer session that follows that oral presentation, hard copies of this document and any materials distributed at, or in connection with, that presentation.

The Presentation does not constitute or form part of and should not be construed as, an offer to sell or issue, or the solicitation of an offer to buy or acquire, securities of the Company in any jurisdiction or an inducement to enter into investment activity. No part of this Presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever.

Statements in this Presentation, including those regarding the possible or assumed future or other performance of the Company or its industry or other trend projections may constitute forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements. Accordingly, no assurance is given that such forward-looking statements will prove to have been correct. They speak only as at the date of this Presentation and the Company undertakes no obligation to update these forward-looking statements.

The information and opinions contained in this Presentation do not purport to be comprehensive, are provided as at the date of the Presentation and are subject to change without notice. The Company is not under any obligation to update or keep current the information contained herein.

Agenda



trusted to deliver™

- Introduction
Pre-close trading statement Peter Rogers
- Pro forma segmental analysis Peter Rogers
Bill Tame
- Questions



trusted to deliver™



Peter Rogers

Current trading



trusted to deliver™

- Good progress in first half of 2010/11
 - trading, financial and operational performance all strong
 - overall no significant changes to market conditions
- Active dialogue with Government and MoD
 - to help them achieve savings in both short and medium-term
 - business model and track record of identifying cost effective solutions expected to provide significant opportunities
- VT integration progressing well
 - confident of achieving merger benefits identified at time of acquisition
 - new business structure and management teams in place
 - focusing on maximising opportunities created by acquisition

Divisional overview



trusted to deliver™

- Marine
 - performing strongly
 - delivering significant cost savings to MoD
 - aircraft carrier programme continues as contracted
 - international presence strengthening
- Defence and Security
 - markets stable, resource focused on front line operations
 - current contracts performing in line with our expectations
 - exploring opportunities to exploit strengths of combined division

Divisional overview cont



trusted to deliver™

- **Support Services**
 - no change in market conditions, budgets remain constrained
 - current contracts and frameworks performing in line with our expectations
 - exploring opportunities to take advantage of enhanced strength and breadth of capabilities within division
 - to provide more services for our existing customers
 - to transfer existing expertise to other customers

- **International**
 - steady improvement in economic environment in South Africa
 - demand for equipment picking up although market competitive
 - US defence business reducing lower margin business and increasing higher margin services business
 - developing opportunities in Middle East

Financial position



trusted to deliver™

- First half cash generation has been strong
- Net debt to EBITDA on completion 2.8 x
 - below 2.9 x anticipated at start of acquisition process
- Net debt at 30 September 2010 will show further improvement
- Secure financial position
 - comfortably within covenanted debt levels

Order book and outlook



trusted to deliver™

- Order book £12 billion
 - ongoing, steady flow of contracts from bid pipeline into order book
 - majority of this year's revenue already contracted and high proportion for 2011/12
 - all contracts performing as planned

- Bid pipeline remains healthy at £5 billion
 - some slow-down in public sector contracts coming to tender

- Confident in outlook for 2010/11 and thereafter
 - key markets remain attractive with significant growth opportunities in both UK and overseas
 - current economic climate expected to create additional outsourcing opportunities in medium to long-term
 - earnings expected to benefit from
 - synergy savings
 - improving contract margins in Support Services and International divisions



trusted to deliver™

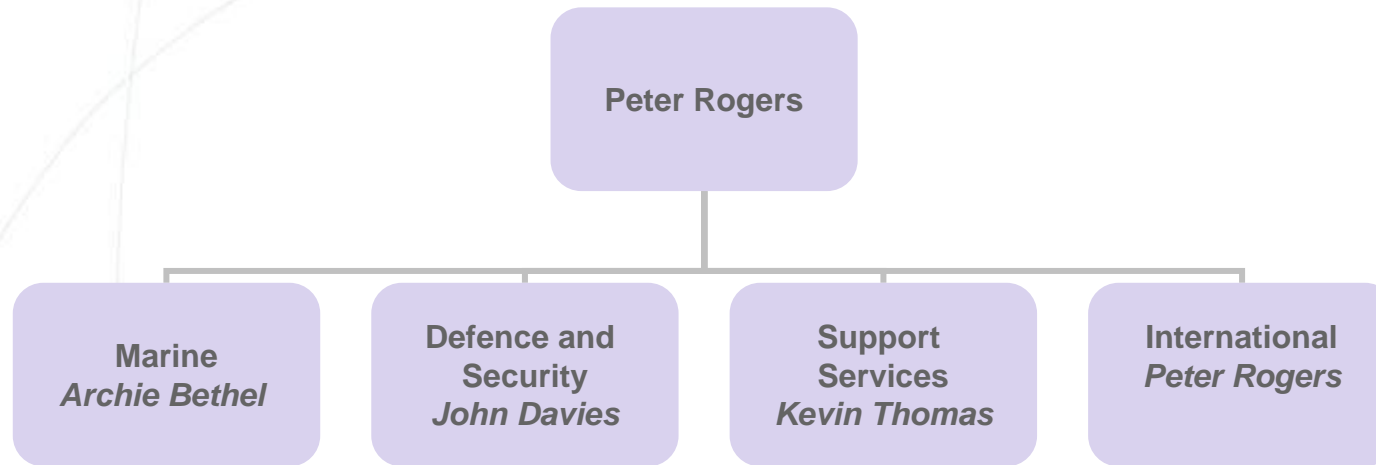


Pro forma segmental analysis

Group operating and reporting structure



trusted to deliver™



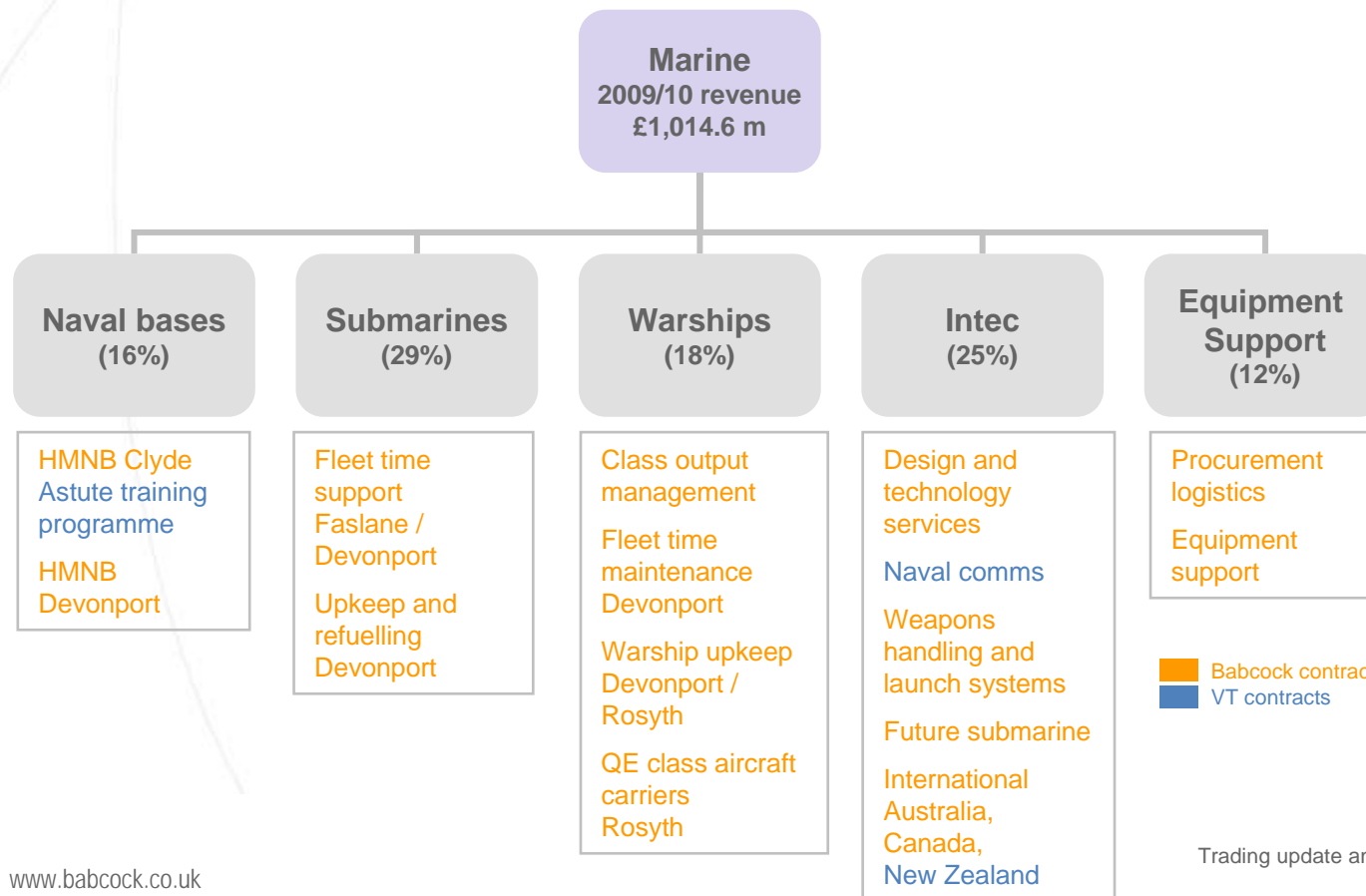
- Simpler, clearer reporting structure
- Combined Babcock and VT businesses within divisions
 - maximising opportunities created by acquisition
 - better placed to offer broader customer solutions
 - increased importance to customers

Marine



trusted to deliver™

- The UK's leading naval support business with a unique role supporting the Royal Navy



Marine

Key activities and contracts



trusted to deliver™

2009/10 Pro forma	<i>Babcock</i>	<i>VT</i>	Group £m	<i>Babcock</i>	<i>VT</i>	Joint Ventures £m	Total £m
Revenue	973.8	40.8	1,014.6	-	-	-	1,014.6
Operating profit	116.5	2.6	119.1	-	-	-	119.1

Key activities

- Warships
 - class output management (SSSA)
 - upkeep and design support
 - Queen Elizabeth class aircraft carriers c £1 billion to 2018
- Submarines
 - Submarine Enterprise Performance Programme (SEPP)
 - engineering support
- Naval base management
- Naval nuclear infrastructure
 - design, build and support
- High integrity systems
 - weapons handling and launch systems
- Naval communications
- Canadian submarine fleet support – VISSC
 - £225 million over 5 years, option to extend to 15 years c £900 million

Future opportunities

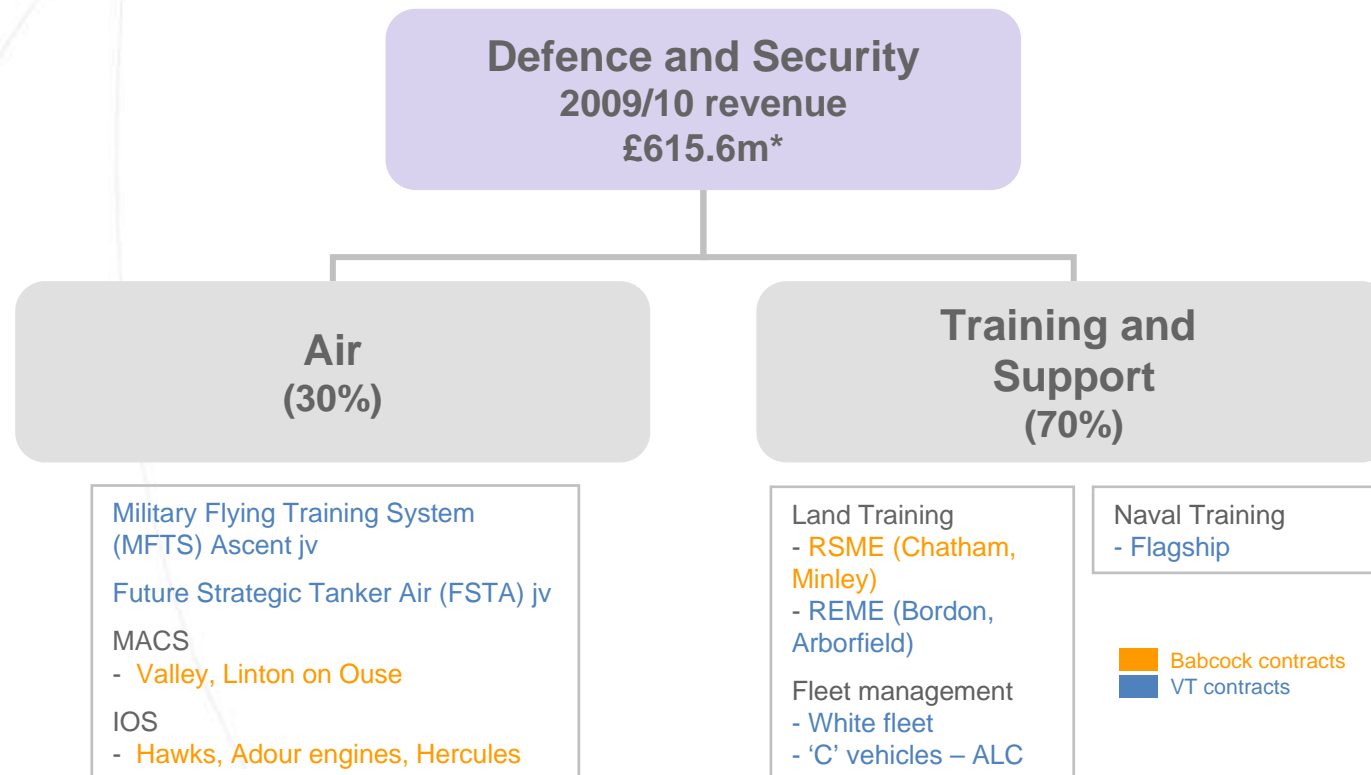
- Terms of Business Agreement (ToBA) scope expansion
 - submarine flotilla output management
 - Centres of Excellence for
 - warship deep maintenance
 - amphibious support
- Future submarine programme
- Submarine dismantling programme
- Equipment procurement and support
- International opportunities
 - Canada
 - opportunity to extend support to surface fleet
 - Australia
 - national policy for expanding and reforming Naval support including SEA 1000 submarine replacement programme
 - Spain, Korea
 - Developing presence through weapons handling and launch systems expertise

Defence and Security



trusted to deliver™

- A major support provider to all three armed forces delivering training and equipment support



Defence and Security

Key activities and contracts



trusted to deliver™

2009/10 Pro forma	<i>Babcock</i>	<i>VT</i>	Group £m	<i>Babcock</i>	<i>VT</i>	Joint Ventures* £m	Total £m
Revenue	74.1	431.7	505.8	13.8	96.0	109.8	615.6
Operating profit	9.1	59.2	68.3	0.7	17.6	18.3	86.6

Key activities

- Future Strategic Tanker Air (FSTA)
£1 billion to 2035 (*JV and sub contract to JV*)
 - provision of hangar facilities, ICT systems support
- Military Flying Training Systems (MFTS)
£300 million to 2035 (*JV and sub contract to JV*)
 - provision of training system, hangar facilities and programme management
- Training
 - RSME £1.5 billion to 2039 (*JV and sub contract to JV*)
 - REME £20 million pa
 - Flagship £80 million pa
- Aircraft and airfield support £40 million pa
 - Hawk, Hercules
 - Valley, Linton on Ouse
- Fleet management
 - White fleet £100 million pa
 - 'C' vehicles £300 million to 2020 (*JV*)
- Government Agency £495 million to 2015

Future opportunities

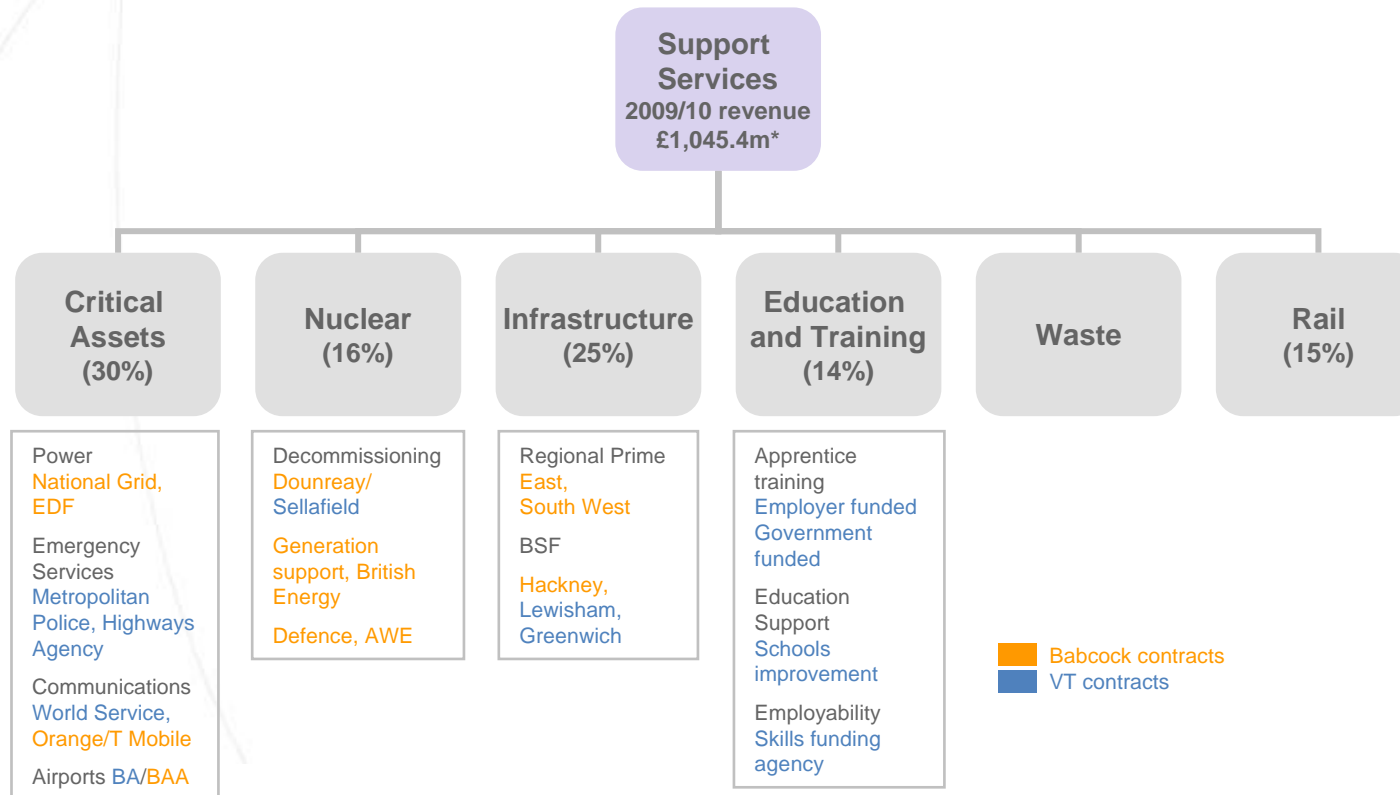
- Defence Training Review 1 and 2
- Whole fleet management
- Defence Storage and Distribution Agency (DSDA)
- Defence Support Group (DSG)

Support Services



trusted to deliver™

- Delivers a broad range of training and equipment and infrastructure support to civil government, local authority and blue-chip companies



Support Services

Key activities and contracts



trusted to deliver™

2009/10 Pro forma	<i>Babcock</i>	<i>VT</i>	Group £m	<i>Babcock</i>	<i>VT</i>	Joint Ventures* £m	Total £m
Revenue	673.4	331.3	1,004.7	14.1	26.6	40.7	1,045.4
Operating profit	35.8	29.6	65.4	0.1	0.4	0.5	65.9

Key activities

- Regional Prime contracts for MoD/Defence Estates
 - £200 million pa
- Energy Alliance with National Grid and Amec
 - £50 million pa to 2012
- BBC World Service
 - £30 million pa
- Metropolitan Police fleet maintenance
 - £20 million pa to 2016
- Apprentice training - including BMW, VW Group, Network Rail
 - c £20 million total value of contracts
- Schools improvement - Surrey and Waltham Forest
 - c £30 million total value of contracts

Future opportunities

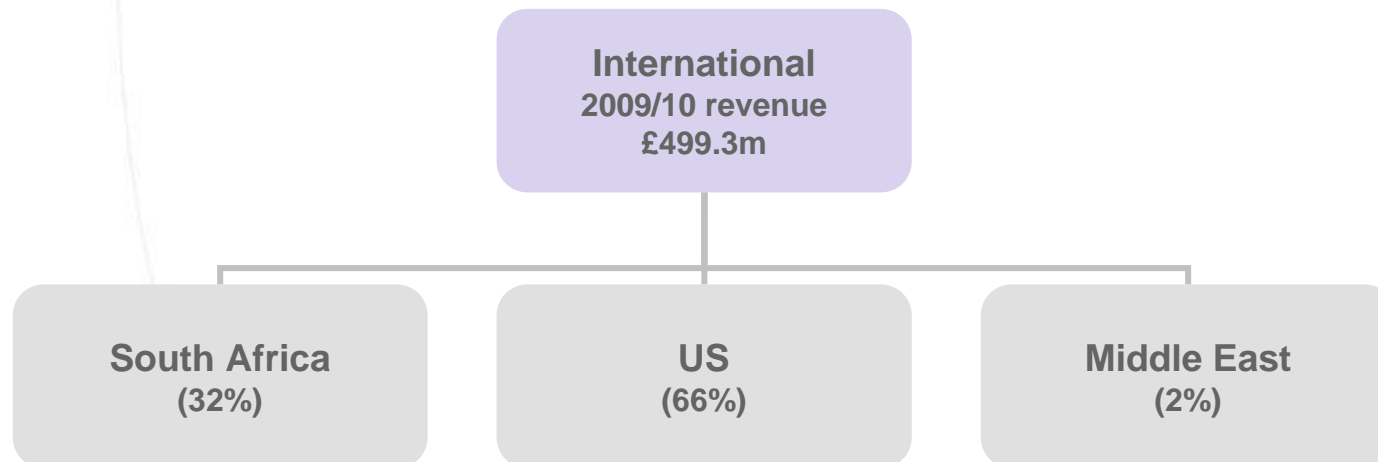
- Building on strength of existing operations and enhanced capabilities to attract new customers
 - whole fleet management
 - education improvement services
 - in-house training schemes
- National Grid investment programme for renewable and nuclear power generation
- Improving asset utilisation and maintenance as well as sharing training facilities for local authorities

International



trusted to deliver™

- United States - a range of support services to US DoD
- South Africa
 - power generation and transmission engineering support
 - plant and equipment distribution
- Middle East - targeting engineering and infrastructure support across defence and civil sectors



International Key activities and contracts



trusted to deliver™

2009/10 Pro forma	<i>Babcock</i>	<i>VT</i>	Group £m	<i>Babcock</i>	<i>VT</i>	Joint Ventures £m	Total £m
Revenue	174.2	325.1	499.3	-	-	-	499.3
Operating profit	10.9	15.7	26.6	-	-	-	26.6

Key activities

South Africa

- Volvo construction equipment and other vehicle franchises
- Eskom power generation support
- Construction and maintenance of high voltage power networks

United States

- Base and logistics support
- Fixed and rotor wing aircraft maintenance
- Communications infrastructure integration

Middle East

- Co-ordinating office, identifying and evaluating opportunities for other divisions
- Royal Oman Air Force

Future opportunities

South Africa

- Economic recovery
- Power infrastructure upgrades
- Building on success of Volvo franchise to develop new vehicle franchises

United States

- Exploring range of support services in defence markets, building on strengths elsewhere in Group

Middle East

- Building on proven track record and established reputation in the UK – bidding on opportunities to provide infrastructure, engineering and training support services in both defence and civil markets



trusted to deliver™





trusted to deliver™



Appendix

2009/10 pro forma segmental analysis



trusted to deliver™

	Group £m	Joint Ventures* £m	Total £m
Revenue			
Marine	1,014.6	-	1,014.6
Defence & Security	505.8	109.8	615.6
Support Services	1,004.7	40.7	1,045.4
International	499.3	-	499.3
Total	3,024.4	150.5	3,174.9
Operating Profit			
Marine	119.1	-	119.1
Defence & Security	68.3	18.3	86.6
Support Services	65.4	0.5	65.9
International	26.6	-	26.6
Other	(16.5)	-	(16.5)
Total	262.9	18.8	281.7
Interest	(22.9)	(10.9)	(33.8)
Profit before tax	240.0	7.9	247.9



trusted to deliver™