



2 October 2012

Babcock International Group PLC Pre-close trading statement

Babcock International Group PLC (Babcock or the Group), the UK's leading engineering support services company, today provides an update on trading for the half year ended 30 September 2012. The Group's half year results will be released on Tuesday 6 November 2012.

Group overview

Trading across the Group has continued to be positive during the first half of the 2012/13 financial year and we remain confident of meeting our expectations for this financial year and delivering strong progress on last year.

Our businesses continue to experience buoyant market conditions, in both civil and military markets, as current and potential customers continue to seek increased efficiency and improved availability of assets. This is driving further opportunities for the Group, where we can benefit from our market leading positions and our track record of delivering efficiencies for our customers.

During the first half, cash generation across the Group has remained strong and as a result we expect to see further reduction in net debt at the half year.

Order book and bid pipeline

The order book has remained stable at around £13 billion. Across the divisions there has been a regular flow of smaller contract wins and extensions moving from the bid pipeline during the first half of the year.

The bid pipeline, which increased to £13 billion at the time of the IMS in July, has also remained stable with a significant number of large opportunities under bid, the majority of which we expect to be awarded over the next 18 months.

Reflecting the buoyant market conditions we are experiencing, we continue to identify new opportunities before a formal competitive process has begun. During the first half these have included both civil and military opportunities, in the UK and overseas, where we can benefit from our expertise and the strength of our market positions. We are currently tracking significant defence equipment and training support opportunities which we expect to come to market and move into the bid pipeline over the next 12 – 24 months.

Outlook

Babcock is well positioned to help our customers formulate cost efficient support solutions and we believe the current economic climate will continue to create significant medium and long-term growth opportunities both in the UK and overseas.

The strength of the order book continues to provide excellent visibility of future revenue streams across the Group. Since the beginning of the financial year this position has been further supported by growth in the bid pipeline and new opportunities coming into the tracking pipeline. As a result we continue to benefit from excellent visibility of future revenues and we enter the second half with c 90% of the Group's anticipated revenue for the 2012/13 financial year currently contracted and over 50% for the 2013/14 financial year. The Board therefore remains confident of meeting its expectations for this financial year and delivering strong progress on last year.

Divisional reorganisation

In order to achieve closer alignment of our operational businesses with our customers' requirements, the defence-related elements of our Infrastructure business unit have been transferred from the Support Services division to the Defence and Security division. Our military infrastructure and facilities management capability and our military base support activities will be brought together to create an integrated service offering which will further reinforce our strong position focusing on the expanded role of the Defence Infrastructure Organisation (DIO) and the Next Generation Estates contracts currently being procured.

The segmental split for the full year results to 31 March 2012 and half year results to 30 September 2011 have been restated below to reflect this change. The half year results to 30 September 2011 have also been restated to reflect the disposal of the US defence operations announced in May 2012 and reported as discontinued.

Full year 31.3.2012 Continuing operations – underlying*	Group	Joint ventures	Total
Revenue £m			
Marine and Technology	1,084.7	-	1,084.7
Defence and Security	733.8	167.3	901.1
Support Services	749.9	54.7	804.6
International	280.0	-	280.0
Total £m	2,848.4	222.0	3,070.4
Operating profit £m			
Marine and Technology	135.1	-	135.1
Defence and Security	70.4	27.9	98.3
Support Services	79.3	8.7	88.0
International	19.3	-	19.3
Unallocated	(11.7)	-	(11.7)
Total £m	292.4	36.6	329.0
Operating margin %			
Marine and Technology	12.5	-	12.5
Defence and Security	9.5	16.7	10.9
Support Services	10.6	15.9	10.9
International	6.9	-	6.9
Total %	10.3	16.5	10.7

Half year 30.9.11 underlying*	Group	Joint ventures	Total
Revenue £m			
Marine and Technology	538.0	-	538.0
Defence and Security	338.6	58.7	397.3
Support Services	355.8	29.4	385.2
International	151.5	-	151.5
Continuing total £m	1,383.9	88.1	1,472.0
Discontinued	115.9	-	115.9
Discontinued total £m	1,499.8	88.1	1,587.9
Operating profit £m			
Marine and Technology	67.4		67.4
Defence and Security	33.4	12.4	45.8
Support Services	34.1	3.8	37.9
International	9.1	-	9.1
Unallocated	(5.0)	-	(5.0)
Continuing total £m	139.0	16.2	155.2
Discontinued	6.5	-	6.5
Discontinued total £m	145.5	16.2	161.7
Operating margin %			
Marine and Technology	12.5		12.5
Defence and Security	9.9	21.1	11.5
Support Services	9.6	12.9	9.8
International	6.0	-	6.0
Continuing total %	10.0	18.4	10.5
Discontinued	5.6	-	5.6
Discontinued total %	9.7	18.4	10.2

* underlying revenue includes the Group's share of joint ventures and associates revenues, underlying operating profit includes IFRIC 12 investment income and joint ventures and associates operating profit but is before amortisation of acquired intangibles and exceptional items.

Following the transfer of the defence infrastructure operations into the Defence and Security division, the divisional split of the order book and bid pipeline are set out below.

	Marine and Technology	Defence and Security	Support Services	International
Order book	38%	37%	23%	2%
Bid pipeline	11%	32%	57%	-

Conference call

A conference call for analysts and investors will be held at 8.00 am on 2 October 2012.

Participant Access Details

Toll Number 0203 140 0668
Toll-Free Number 0800 3681950
Participant PIN Code 256049#

Enquiries

Babcock International Group PLC

Peter Rogers – Chief Executive

Bill Tame – Finance Director

Terri Wright – Head of Investor Relations

020 7355 5300

FTI Consulting

Andrew Lorenz

Nick Hasell

020 7269 7291