



27 March 2012

**Babcock International Group PLC (Babcock or the Group)  
Pre-close Trading Statement**

Babcock International Group PLC, the UK's leading engineering support services company, issues the following update on trading for the financial year ending 31 March 2012, before entering its close period. Babcock will announce full year results on 15 May 2012.

**Overview**

The Group's trading environment for the year has been positive and the financial performance for the 2011/12 full year remains consistent with the Board's expectations at the time of our Interim Management Statement on 31 January 2012.

Throughout this year, our customers have faced ongoing financial and budgetary constraints and increasingly have looked to outsource their support requirements to achieve cost-savings and improved availability or efficiency. This has created opportunities for the Group through our distinctive, engineering based, long-term support model. During the period, the Group has strengthened the visibility of future revenues in the order book and has further increased both the bidding and tracking pipelines, with opportunities arising both in the UK and overseas, including the recent success in securing preferred bidder status for the upkeep of the Royal Australian Navy's Anzac class frigates.

**Order book**

During the second half of this financial year the Group has been successful in securing preferred bidder status on a number of new long-term contracts and achieving extensions to existing contractual arrangements, totalling around £2 billion. Some of these, including London Fire Brigade Training and Sellafeld Design Services Alliance, are now operational and have moved into the order book. The contract for the Dounreay Parent Body Organisation (PBO) will not become operational until early April 2012 and so is still included in the bid pipeline. As a result of these successes, after remaining stable at c £12 billion for the past 18 months, the order book has increased to c £12.5 billion, excluding the Dounreay PBO contract.

In addition, we can today confirm the following new contract awards.

The Marine and Technology division has signed a £350 million contract for the three and a half year Long Overhaul Period and Refuel (LOP(R)) for HMS Vengeance, the fourth of the Vanguard class submarines to undergo a refit at our specialist facilities at Devonport dockyard. This contract follows the successful completion of the LOP(R) for HMS Vigilant, the first to be completed under our Terms of Business Agreement with the Ministry of Defence (MoD).

The Defence and Security division has signed a contract with the MoD under Project Phoenix, worth £135 million, for the period to August 2016. This contract will provide continuity of service and incremental replacement for over 14,000 vehicles (ranging from cars to coaches and articulated trucks) previously provided through the White Fleet contract. Babcock has already been announced as the MoD's service provider for Project Phoenix and we now estimate the overall Phoenix contract to be worth c £400 million over the next four and a half years.

### **Bid pipeline**

Despite our substantial recent success in converting opportunities into orders, we have more than replenished our bid pipeline. The bid pipeline now stands at c £12 billion, including Dounreay, and has risen from £10 billion on 31 January 2012. This increase reflects the acceleration in activity in our markets and the strength of our positions in those markets. In particular, the increase is a combination of further new contract opportunities from the Defence Infrastructure Organisation, which are due to be awarded between 2013 and 2015, and longer-term opportunities arising in the nuclear new-build market which are now in bid and are expected to be awarded between 2015 and 2017.

In addition to increases in both the order book and bid pipeline, the Group continues to track a number of significant opportunities which are expected to come to market over the next financial year. In support of these opportunities, discussions are ongoing with our major customers about their plans for future outsourcing programmes, particularly in the defence training and equipment support markets.

### **Financial review**

Cash flow remains strong and as previously indicated, net debt at 31 March 2012 is expected to represent less than two times EBITDA.

Synergy benefits arising from the combination with VT Group plc are now fully visible and are being realised in line with plan.

### **Outlook**

The key markets in which the Group operates remain strong and we believe that the current economic climate will continue to create significant medium and long-term growth opportunities, both in the UK and overseas.

In this environment we believe we are well placed to benefit from the scale of our operations, the breadth of our experience and our track record of delivering operational and financial efficiencies.

The Group continues to benefit from excellent visibility of future revenue streams through its long-term contracts, strong order book and bid pipeline. The Board, therefore, is confident of achieving its expectations for this financial year and looks forward to building on this progress further in 2012/13.

### **Analyst and investor site visit**

On 27 and 28 March 2012, Babcock will be hosting a site visit for analysts and investors focusing on activities in the Defence and Security division, the Group's civil and military training capabilities and its training contracts for BMW Group and for the School of Electrical and Mechanical Engineers at Bordon. No material new information will be disclosed as part of this visit.

**Enquiries**

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A conference call for analysts and investors will be held at 8.00 am this morning.

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**Playback details**

Playback number: 020 3140 0668

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