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UBS Support and Business Services Conference – 13 September 2012

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Trusted to deliver



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- The UK's **leading** engineering support services company
- We deliver **critical support** and **training** to customers who own or manage **complex** and **strategically important** infrastructure or assets
- We are equipment or platform agnostic
 - unlike OEM's
- We sell **cost saving** solutions
 - we don't sell equipment
- We have market leading positions

No 1 support provider to the Royal Navy

- The UK's largest naval support business
- 100% of submarine refits and maintenance
- 75% of surface fleet refits
- 50% of surface fleet base ported at Babcock managed facilities



Largest supplier of support services to the MoD

- Support to all three armed forces
- c 50,000 servicemen trained per annum
- Management and support to c 20,000 military vehicles



Largest nuclear support services company in the UK

- Employer of c 3,500 nuclear engineers
- Provides support throughout the nuclear lifecycle, from design to decommissioning



No 1 work-based learning provider

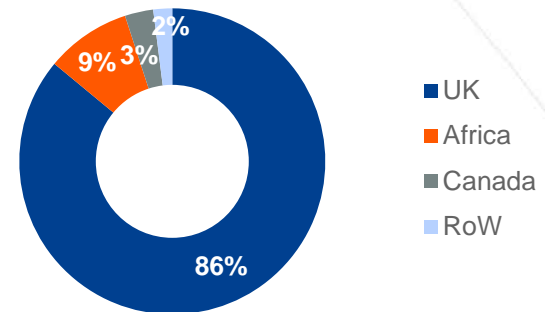
- Leading apprentice training supplier in the UK
- Delivers training to over 22,000 learners nationwide
- Delivers c 25,000 training man days for BMW annually



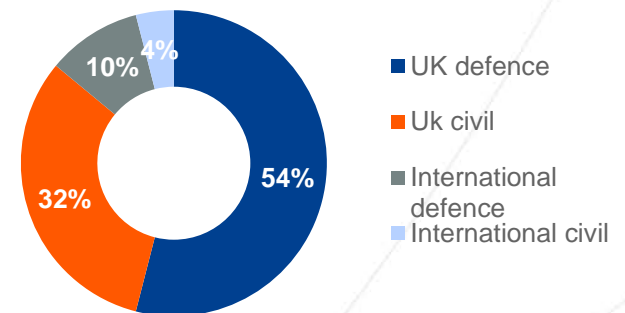
Key facts

- FY 12 results
 - £3.1bn revenue
 - £329.0m operating profit
 - £274.1m profit before tax
 - 61.47p eps
- c 25,000 employees across the world
 - >89% UK based
- 58% of our business is in global defence markets
 - but not an OEM
- Excellent long-term visibility
 - order book £13bn
 - bid pipeline £13bn
 - long-term contracts – up to 25 year agreements

Revenue by geography



Customers by category





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Delivering growth

The market environment

Driving further opportunities

- Economic environment creates a need for outsourcing
 - customers' imperative to find cost efficient support solutions
- Long-term relationships are of fundamental importance in this economic environment
 - need to understand customers' business and operational requirements
- Excellent reputation with customers
 - ✓ **Babcock identified as most highly rated supplier to MoD in 2011**
- Well positioned to realise opportunities in bidding and tracking pipeline
 - good business model for the current economic environment
 - established track record of delivering efficiencies and increasing availability

Customers' economic environment
– financially constrained
– cost reductions required

Options
– reduce output
– eliminate services
– find different delivery models

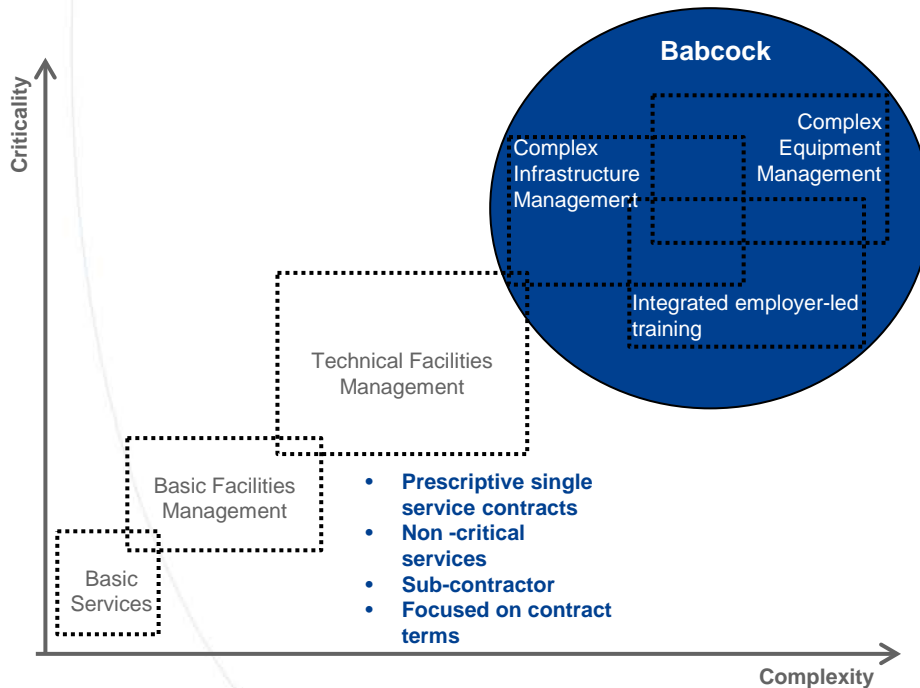
Requirements
– work with partners to provide value for money and reduce inefficiency without reductions in service or quality
– outsource

The Babcock solution - well positioned to deal with these market conditions
– detailed knowledge and understanding of our customers' businesses and operational requirements
– unrivalled scale of resource, experience and depth of knowledge

Differentiating ourselves

Our knowledge, experience and unique infrastructure ensure we are able to operate in the higher value sectors of our markets

Our business model



- **Complex integrated output based contracts**
- **Critical to customers' success**
- **Single strategic partner**
- **Long-term relationship**
- **Shared risk/reward**

Our strategy





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Our selected growth routes

Our objective is to develop from our position as the UK's leading engineering support services company and grow in both the UK and overseas

How we are doing this

- Continuing to focus on our strategy
- Controlling risk by sticking to what we know
- Building on our strengths, reputation and track record we seek to
 - grow existing contracts
 - grow existing customers
 - grow new customers
- We will not provide new services to new customers in new geographies



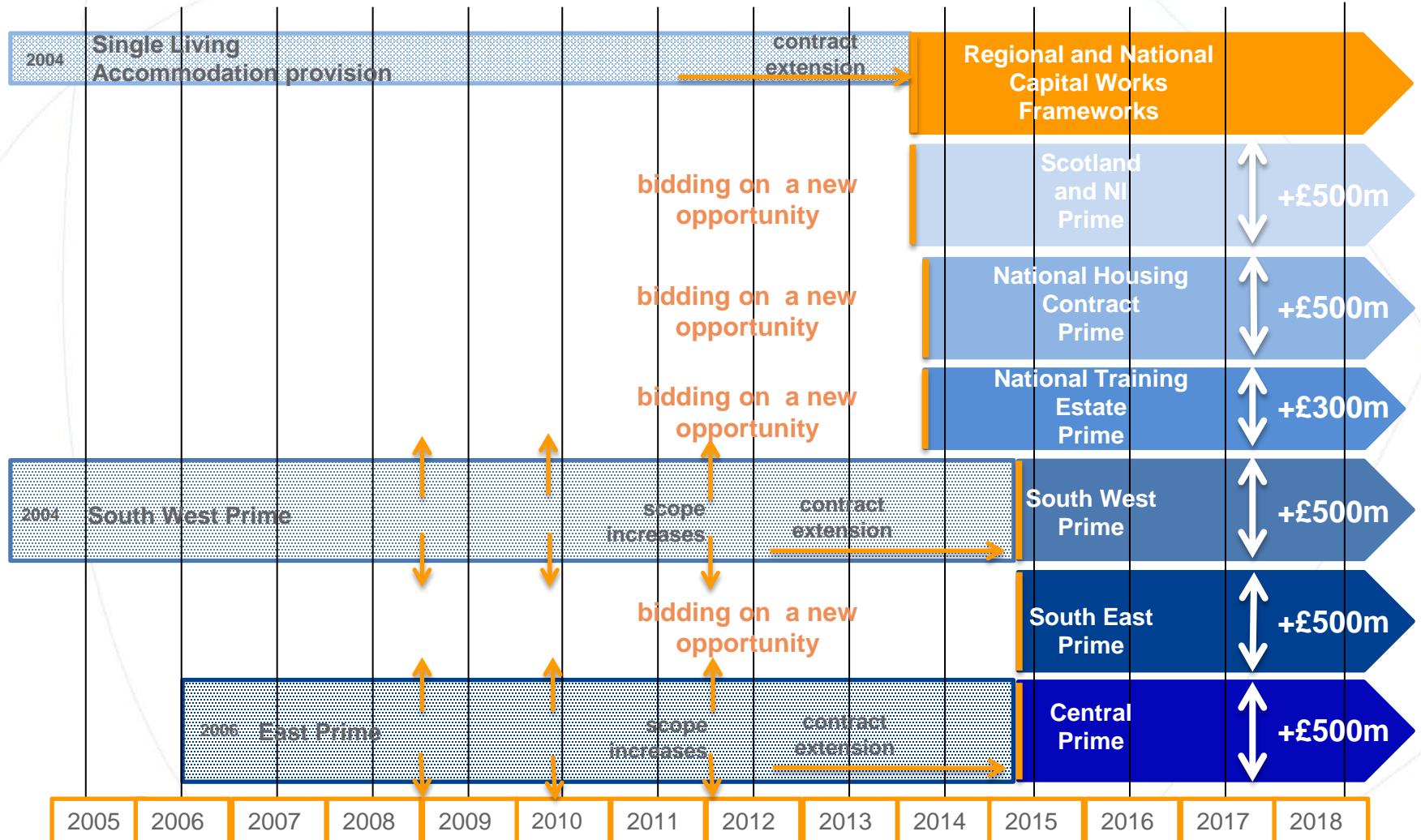
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Grow existing contracts

- Using existing contract structures to offer a wider range of services and deliver more within each contract
- Efficiencies generated by doing more within one contract
- Our understanding of outputs and availability is crucial
- We have a number of large, long-term contracts which allow us to identify further saving opportunities for our customers
 - BBC World Service to 2022
 - Terms of Business Agreement (ToBA) to 2025
 - Royal School of Military Engineering (RSME) to 2039

Grow existing contracts

MoD Infrastructure



Grow existing contracts

RSME PPP

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Delivering additional services to the Royal Engineers under a 30 Year PPP

- Delivery of 300,000 training days to the Royal Engineers including phase 2 and 3 technical trade training
- Increased role in training scheduling, management, training design and delivery
- Training optimisation has led to 25% efficiency in some courses
- Contracted increase in IT / IS support over 3½ years
- 310 Royal Engineers released back to frontline duties

Future growth

- Transfer of further customer delivered functions to Babcock
 - training delivery
 - admin support
 - training quality and design
- Delivery of services at other RSME sites
- Commercial exploitation of existing spare capacity - i.e. resettlement training
- Further training transformation offering the MoD additional efficiencies and savings through gainshare





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Grow existing customers

- We have strong long-term relationships with our major customers
- We have enhanced our strategic importance to our customers
- We are able to offer a broader range of services and solutions

Grow existing customers

The Royal Australian Navy

An established Babcock position

- Provision of Collins class weapon discharge system and subsequent through life support
- Provision of MK 32 torpedo launch system and in-country designed torpedo handling system for new Hobart Class (air warfare destroyer)
- March 2012 - AU\$300m 5 year contract to support ANZAC class frigates - first of its kind
- Support to Rizzo review “Rebuild Navy Engineering”

Changing market environment

- Seeking strength and self-reliance in Asia-Pacific
- Looking to increase asset availability
- Move from individual tender process towards UK style alliancing long-term support model

Growing opportunities for Babcock

- Increase spend in platform sustainment at expense of capital programmes
- Through life support for Collins class submarine fleet
- Landing Helicopter Deck Capability Support Coordinator
- Garden Island naval dockyard support contract
- Air Warfare Destroyer sustainment



The Coles Review

A change in approach to submarine support

- Issues with Collins class submarine availability

- “lack of a strategic approach”
- “confused responsibilities and accountabilities”
- “lack of submarine knowledge and experience”
- “disparate organisation unfit for purpose”

Findings of the Coles Review, December 2011

- Asset availability in the UK is a model for change in Australia
- Babcock has skills and existing market presence to offer solution
- Babcock strategy increases footprint and straddles the political divide

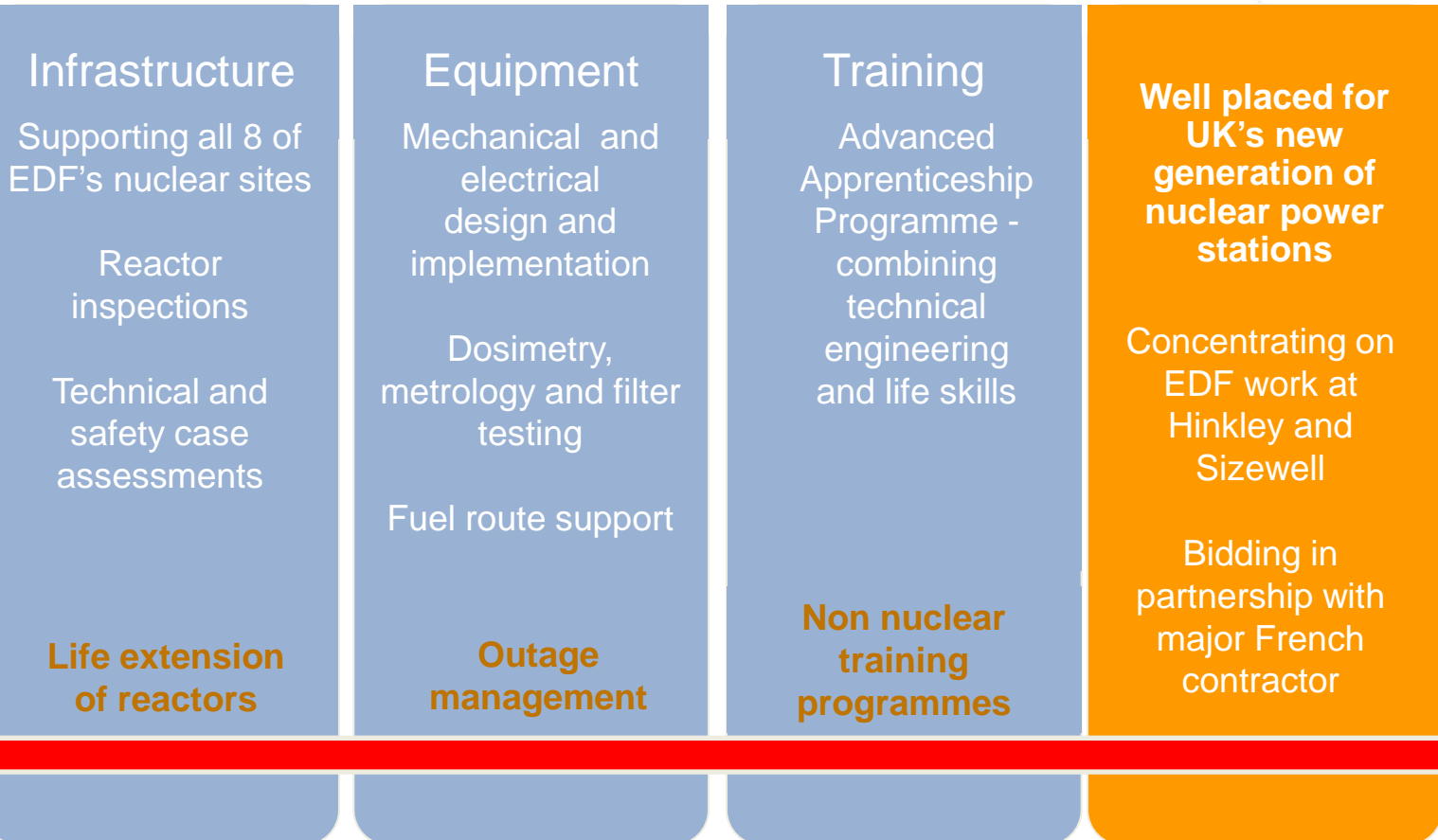
Grow existing customers EDF



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Existing generation

New build



Opportunity to grow deeper and wider





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Grow new customers

- We seek to be leaders in our chosen markets
- Using the success of our current operations to demonstrate benefits of outsourced operations to new customers in UK and overseas
- We can build on the strength of our reputation and track record of delivery

Grow new customers

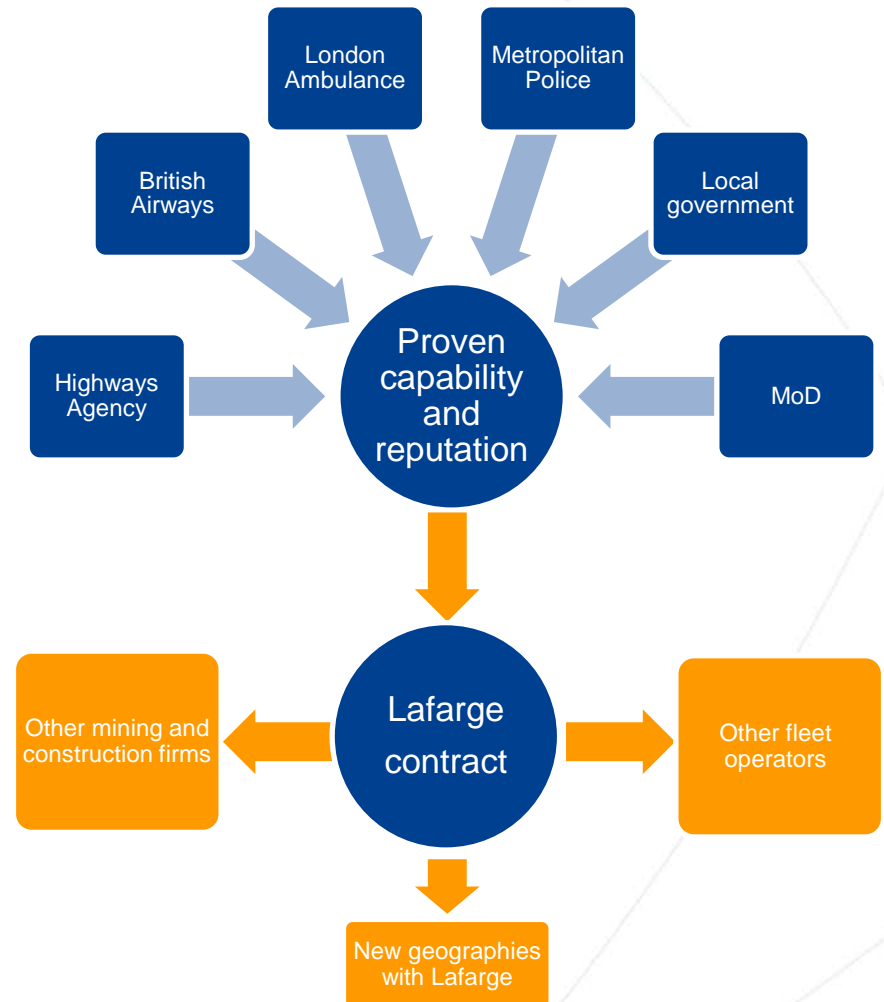
Mobile asset management

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Opening up a new market in mining and construction asset management

- Lafarge growth
 - building on existing mobile asset systems and processes
 - £50m 10 year availability contract signed in July 2011 covering UK
 - £100m 10 year availability contract signed in December 2011 covering North America / Canada
 - providing unique and independent bridge between Lafarge and OEMs / dealers
 - first year feedback very positive
- Looking at new geographies with Lafarge
 - c 5,400 assets in 76 countries
 - In discussions with new Lafarge divisions
- Engagement with 3 large mining prospects
- Market research completed -182 companies identified
- Addressable market in mining and construction worth more than £3bn

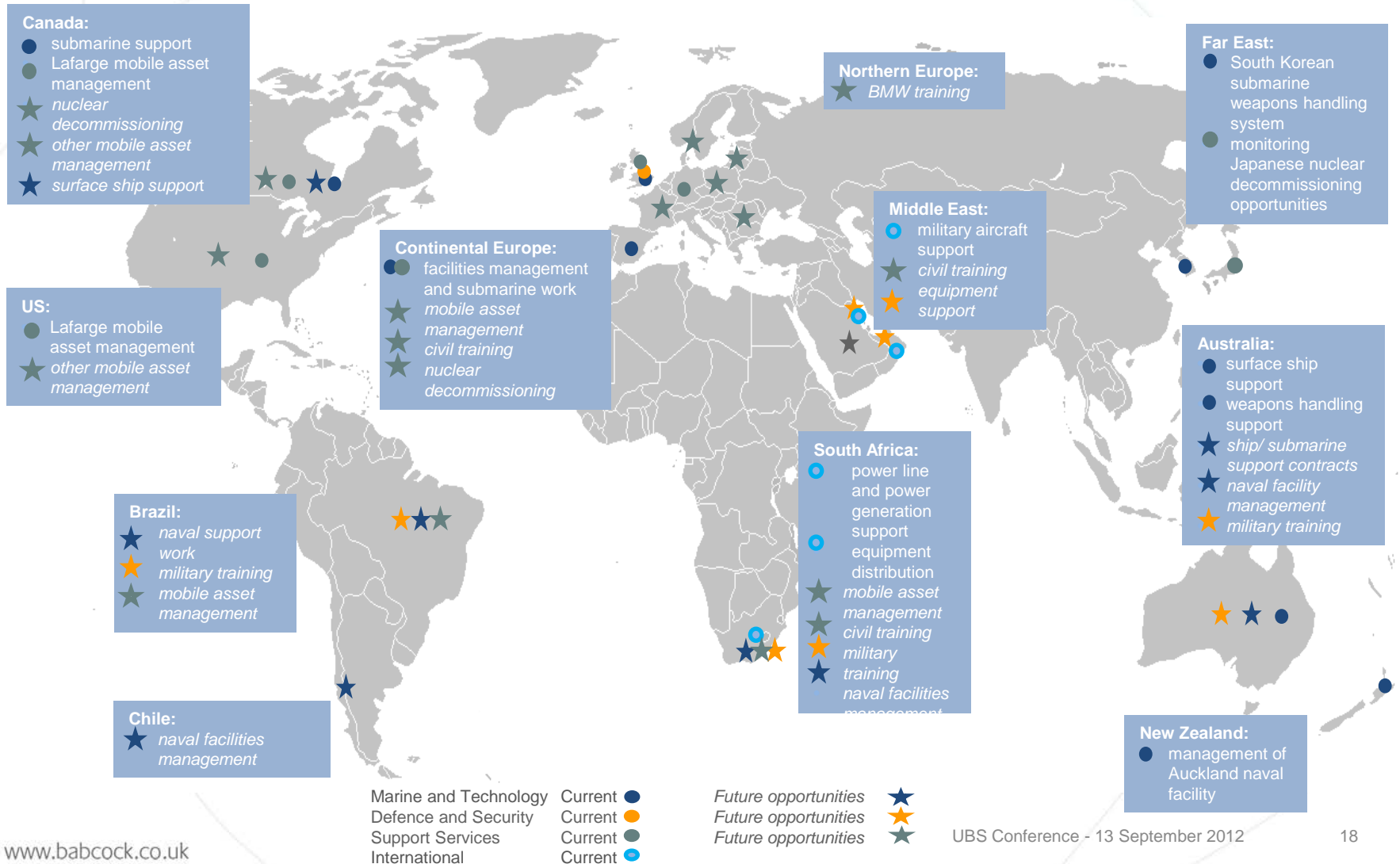


Targeted growth

Building an international business



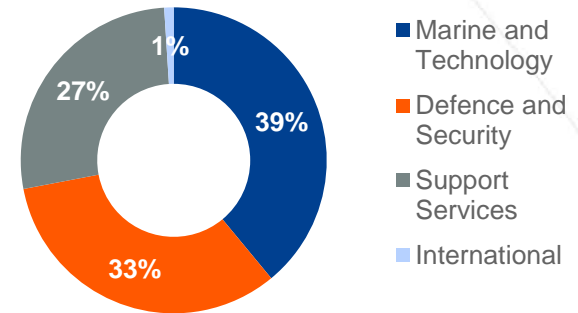
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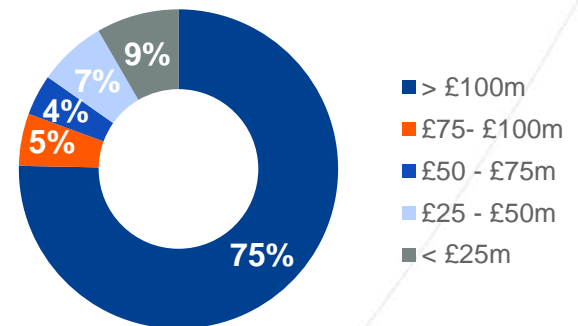
Order book - £13 billion

- Order book c £13bn at 05.07.12
 - robust performance
 - excludes sole source forward programmes for submarines and warships c £3bn under the ToBA
- In addition to regular “book and burn” contracts
- FY 13 revenue coverage c 80%
 - excludes Marine and Technology forward programmes as above

Order book by division



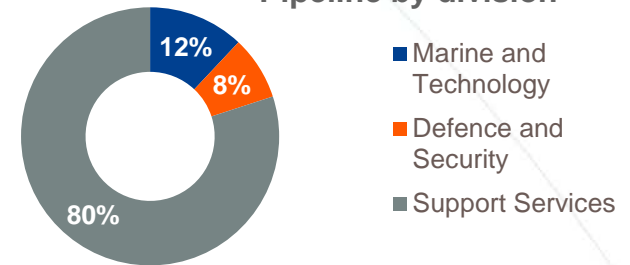
Order book by value



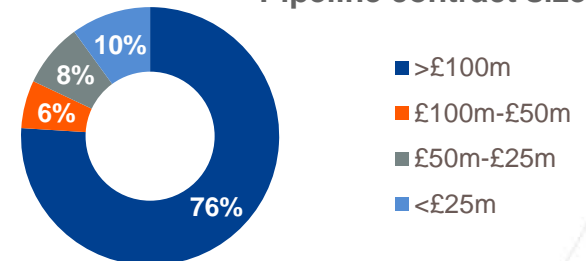
Bid Pipeline - £13 billion

- Bid pipeline - £13bn at 05.07.12
 - £9.5bn at 31.03.12
- New bids make up 79% of the pipeline
- Currently bidding 27 opportunities in excess of £100m comprising 76% of our pipeline
- Key bids include
 - Next Generation Estates (NGEC) contracts (2013/2014)
 - Super Magnox PBO (2014)
- No major rebids until 2014
 - South West Regional Prime
 - East Regional Prime
- Additional significant opportunities further out in tracking

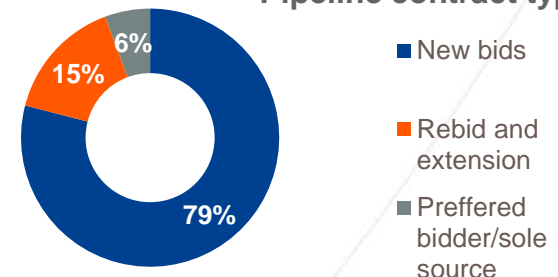
Pipeline by division



Pipeline contract size



Pipeline contract type

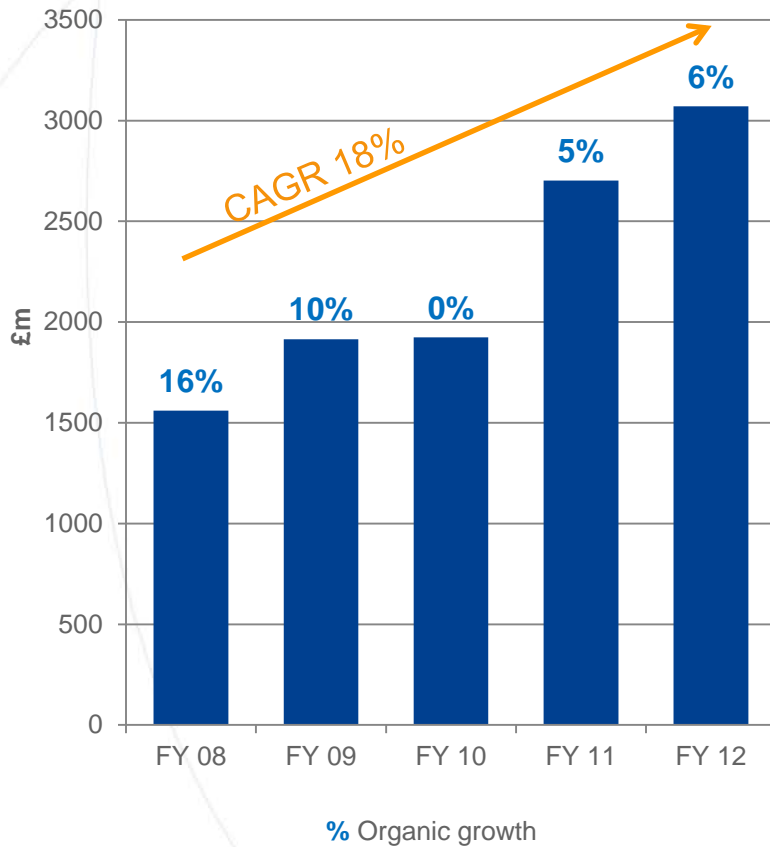


Sustained track record of growth

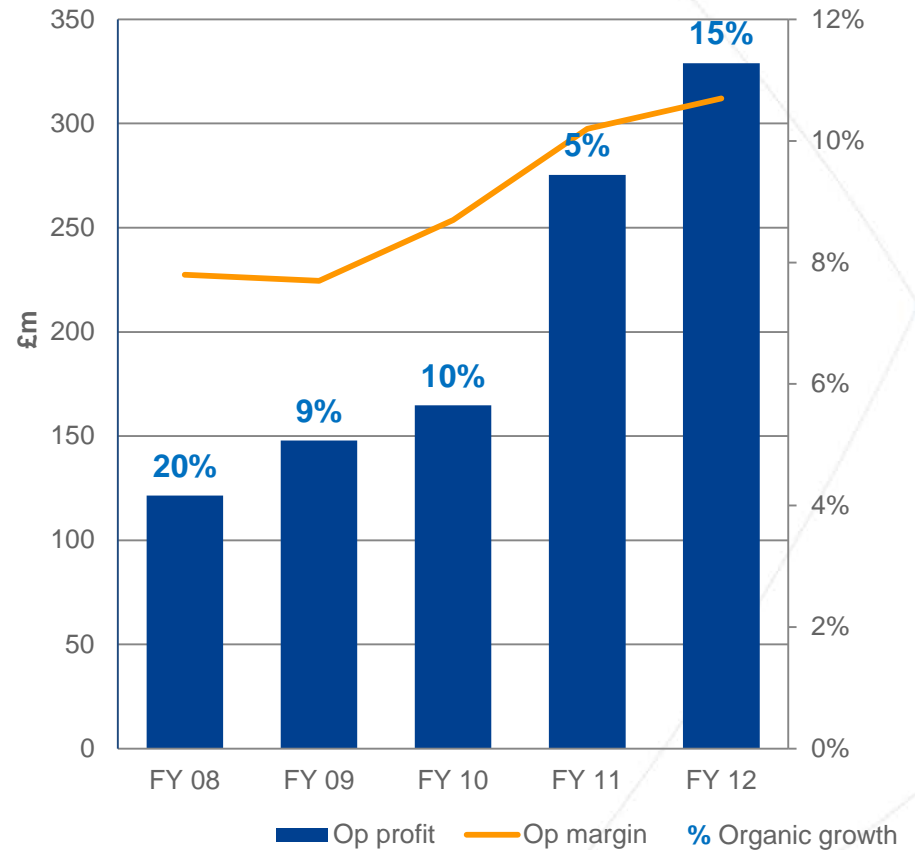


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Revenue



Operating profit and margin



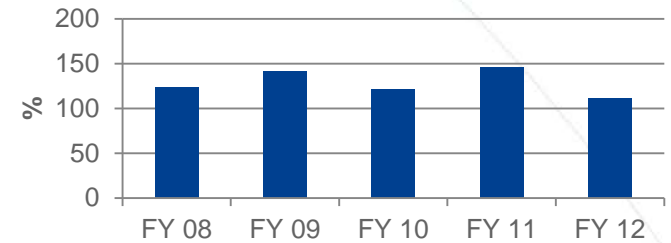


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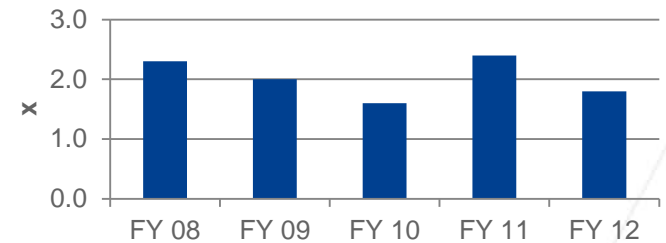
Strong financial position

- Focus on cash across the business
 - deleveraging rapidly
 - supporting future growth opportunities
- Total net debt on 31.03.12 equalled £641.1m
 - £729m at 31.03.11
 - c £890m pro forma at 31.03.10
- Net debt/EBITDA 1.8 times
- Strong cash conversion at 111%

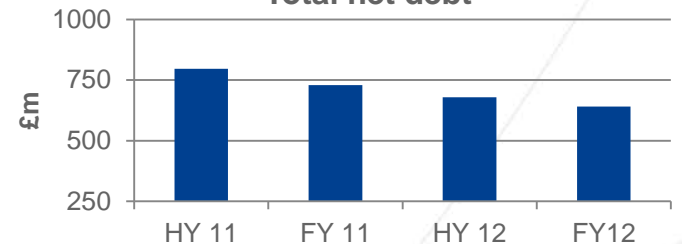
Cash conversion (KPI)



Net debt/ EBITDA (KPI)



Total net debt

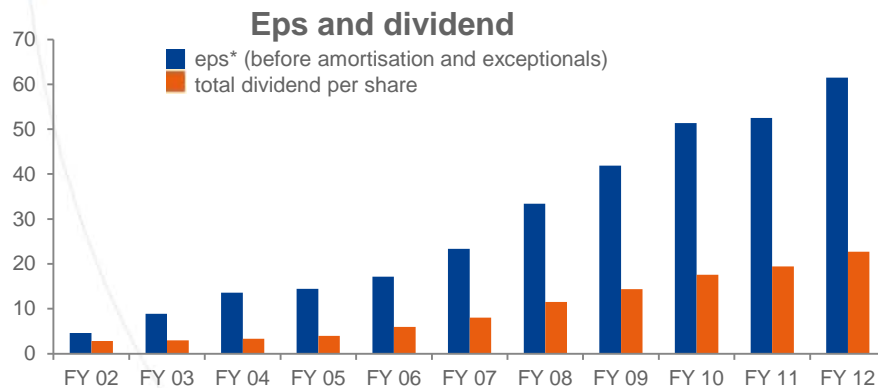




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Delivering value for shareholders

- 17% increase in FY 12 full year dividend to 22.7p
 - FY 11 19.4p
- 17% increase in FY 12 eps* to 61.47p
 - FY 11 52.5p
- Policy to maintain dividend cover of between 2.5x and 3x
- Superior shareholder return (TSR)



	TSR 10 years	TSR 5 years	TSR 1 Year
Babcock	+ 866%	+ 126%	+ 32%
FTSE 250	+ 148%	+ 14%	+ 1.7%

Conclusions

A strong platform for the future



- Focused growth strategy
- Good business model
 - operating in the higher value areas of the market
 - strong, long-term relationships with key customers
 - demonstrable track record of delivering financial and operational efficiencies
- Current market environment is an opportunity not a threat
- Strong financial track record
- Excellent visibility through long-term contracts and agreements, strong order book and growing bid pipeline



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Questions?



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Appendices

Appendix 1 – divisional information

Marine and Technology



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Key activities

- Warships
 - class output management (SSSA)
 - upkeep and design support
 - Queen Elizabeth class aircraft carriers c £1.3 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
- Australia Anzac frigate fleet support
 - 5 years
 - first overseas surface fleet contract win

	FY12 £m	FY11 £m	Change %
Revenue	1,084.7	1,019.5	+ 6%
Operating profit	135.1	119.3	+ 13%

Operating margin	12.5%	11.7%
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Appendix 2 – divisional information

Defence and Security



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Key activities

- Future Strategic Tanker Air (FSTA)
c £1.4bn to 2035 (*joint venture and sub contract to joint venture*)
 - provision of hanger facilities, ICT systems support
- Military Flying Training Systems (MFTS)
c £300m to 2033 (*joint venture and sub contract to joint venture*)
 - provision of training system, hanger facilities and programme management
- Training
 - RSME c £1.5bn to 2039 (*joint venture and sub contract to joint venture*)
 - Royal Electrical and Mechanical Engineers c £20m pa
 - Flagship c £80m pa
- Aircraft and airfield support £80m pa
 - Hawk, Tucano, Grob Tutor, Sea King
 - Valley, Linton on Ouse
- Fleet management
 - Phoenix contract for c 14,000 vehicles
 - 'C' vehicles c £200m to 2020 (*joint venture*)
- Government Agency c £250m to 2015

	FY12 £m	FY11 £m	Change %
Revenue	613.3	469.2	+ 31%
Operating profit	79.6	73.2	+ 9%

Operating margin	13.0%	15.6%
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Appendix 3 – divisional information

Support Services



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Key activities

- Maintenance and new build of high voltage transmission and distribution networks c £95m pa
- Education and school improvement service– Surrey and Devon c £35m pa
- Dounreay site operation and decommission – Babcock share of total contract c £800m
- Support EDF AGR power stations c £50m pa
- Emergency services training, London Fire Brigade and facilities in Bristol and Cardiff c £20m pa
- Mobile asset management including Metropolitan Police and Lafarge c £30m pa

	FY12 £m	FY11 £m	Change %
Revenue	1,092.4	946.6	+ 15%
Operating profit	106.7	79.6	+ 34%

Operating margin	9.8%	8.4%
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Appendix 4 – divisional information

International



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Key activities

South Africa

- Volvo construction equipment franchise
- DAF truck franchise
- Eskom power generation support
- Construction and maintenance of high voltage power networks
- Crane Hire

Middle East

- Co-ordinating office, identifying and evaluating opportunities for other divisions
- Military aircraft support to the Royal Oman Air Force

	FY12* £m	FY11* £m	Change %
Revenue	280.0	267.9	+ 5%
Operating profit	19.3	18.1	+ 7%

Operating margin	6.9%	6.8%	* Continuing revenue
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