



11 February 2014

Babcock International Group PLC Interim Management Statement

Babcock International Group PLC (Babcock or the Group), the UK's leading engineering support services company, issues the following Interim Management Statement for the period from 1 October 2013.

Overview

The Group continues to experience positive market conditions across its business units in the UK and overseas. The general economic climate continues to drive both public and private sector customers to consider new or additional outsourcing of essential support activities as a way of delivering increased financial and operational efficiency.

Following the strong performance in the first half of the 2013/14 financial year, the Group has traded well during the third quarter of the year. Activity levels are high in all divisions and, despite the continued weakness of the South African Rand, financial performance is in line with our expectations as set out at the time of our half year results announcement on 12 November 2013.

Financial position

The Group's financial position remains robust and operating cash flow is once again expected to be above 100% of operating profit at the year end. For the full year, net acquisition spend, after disposals, will total over £60 million. We therefore expect the net debt to ebitda ratio at the year-end to be around 1.5 times.

Acquisitions

During the year to date, in support of our strategic growth objectives, the Group has continued to make a number of acquisitions which have added to our capabilities and will enable us to expand our international presence.

As announced in July 2013, the Support Services division acquired Conbras Ltda in Brazil for a cash consideration of £18.2 million plus deferred consideration of £4.4 million. Conbras generated revenue of c £40 million in its financial year to 30 December 2012.

In December 2013, the Support Services division acquired Skills2Learn for c £5 million. Skills2Learn specialises in the delivery of virtual reality and e-learning based training and will enable its Skills and Learning business to offer customers a broader range of innovative training solutions. The business generated revenue of c £2 million in its last financial year.

In December 2013, the Marine and Technology division acquired Context Information Security (ContextIS) for £28 million plus deferred consideration of £4 million payable in 2016. ContextIS provides specialist technical consultancy services in the cyber security market and generated revenue of c £10 million during its financial year ended 31 May 2013.

In January 2014, the Support Services division acquired the National Training Institute (NTI) in Oman for c £12 million. NTI provides training solutions for customers in the energy, oil and gas and construction sectors across the Middle East and combined with Babcock's UK training expertise will provide a strong base from which to expand in the region. NTI generated revenue of c £11 million in its last financial year.

Order book and bid pipeline

The order book currently stands at c £11.5 billion. During the period Babcock has won, had extended, or has been announced as preferred bidder on contracts totalling c £700 million, which include:

- Rail overhead line electrification frameworks awarded by Network Rail to ABC Electrification, a partnership between Alstom, Babcock and Costain for the Central (London North Western, South) region and the Wales and Western region. The two frameworks are estimated to generate revenue for Babcock of c £300 million over the next 7 years.
- A range of submarine support packages in the UK and Canada totalling c £100 million.
- The procurement and installation of conversion kits to Phalanx gun systems for the Ministry of Defence worth an additional c £14 million to the current Phalanx equipment support contract.
- A number of commercial oil and gas contracts totalling over £60 million including the provision and management of 'Walk to Work' vessel and associated services for Total worth c £17 million. This contract will enable Total to complete construction activity on two North Sea oil platforms. Following the successful integration of LGE into the Marine and Technology division, during the first year of ownership, total new order intake for commercial activities for overseas customers has been £130 million.
- High voltage overhead power line 5 year framework for SSE and project works for SP Energy Networks totalling c £40 million.
- Successful retender of the Volkswagen Group United Kingdom technical and apprentice training contract, which has been extended to include commercial training, administration and recruitment services. This contract is expected to be worth c £25 million over 5 years.

Since the end of the first half, the bid pipeline has increased to £18.5 billion and, together with the significant opportunities still being tracked, will be the key driver of organic growth over the next few years.

Along with a number of new opportunities for the Marine and Technology and Support Services divisions totalling around £500 million, the main contributor to the increase in the bid pipeline is the Defence Support Group (DSG), following commencement of the tender process. The value may be subject to adjustment during the process. DSG is a significant opportunity for the Defence and Security division to build on its capability to support complex assets and deliver improved service and optimised outputs for the Ministry of Defence.

Outlook

Our business model, the scale of our operations, the depth and breadth of our experience and our track record of delivering operational and financial efficiencies provide an excellent platform to benefit from the positive markets which continue to offer us medium and long-term opportunities in both the UK and overseas. The strength of the order book and bid pipeline continue to provide excellent visibility of future revenue streams.

Babcock has delivered strong growth in revenue and earnings in the financial year to date. In light of this the Board is confident that the Group will continue to make further strong progress this year, in line with its expectations.

Ends

Enquiries

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Conference call

A conference call for analysts and investors will be held at 8.00 am this morning, access details below

Dial in number 020 3139 4830

Toll-free number 0808 2370030

Participant PIN 75352983#

An audio-cast and replay details of the call will be available at

www.babcockinternational.com

Full year results

Babcock will announce its full year results for the year ended 31 March 2014 on Tuesday 20 May 2014.