



21 July 2014

**Babcock International Group PLC (Babcock or the Group)  
Interim Management Statement**

Prior to today's Annual General Meeting, Babcock, the UK's leading engineering support services company, is issuing the following Interim Management Statement for the period from 1 April 2014.

**Operational review**

Across all our businesses, the 2014/15 financial year has started well. Activity levels remain high and trading is in line with our expectations. There has been no change in our customers' requirements for us to deliver critical support for their activities. Our key markets remain positive and continue to offer significant medium and long-term growth opportunities.

At the end of the last financial year, Babcock was announced as preferred bidder on a number of major contracts that will become operational during this financial year. Transition and mobilisation activities for these complex projects are all proceeding well with no delays to expected contract signature or start dates and no changes to anticipated contract terms.

**Avincis integration**

The acquisition of the Avincis Group (Avincis) was announced on 27 March 2014 and completed on 16 May 2014. Since completion, the business has performed in line with our expectations set out in the acquisition documentation, with continuing high levels of order intake.

Avincis completed the acquisition of Scandinavian AirAmbulance on 30 June 2014. With 12 permanent bases in Finland and Sweden, the acquisition supports the Group's growth plans in Scandinavia.

Good progress is being made in the planned refinancing of Avincis' debt. Following completion of the acquisition, Babcock repaid and cancelled two revolving credit facilities for €145 million and £25 million and a £260 million high yield note. Notice has also been given for repayment on 1 August 2014 of the €470 million high yield note.

Integration activities are progressing well, reflecting the high levels of co-operation and planning prior to completion. Actions are in hand to ensure we maximise the medium and long-term opportunities for the Group created by the acquisition. As part of the integration process, we are undertaking a detailed review of Avincis' future fleet requirements to optimise fleet cost and efficiency going forward.

## **Financial review**

The Group's financial position remains healthy with a good cash performance during the period. We remain confident of achieving a net debt:ebitda ratio of around 2.3 x by the end of this financial year.

## **Order book and bid pipeline**

The bid pipeline currently stands at £16.0 billion, including the Avincis bid pipeline of £1 billion and after adjusting for the unsuccessful bids for Tranche 2 of the Next Generation Estates Contracts. The Group has around £3 billion of contracts still at preferred bidder stage within the bid pipeline which are expected to transfer to the order book on contract signature during the first half of the year.

We continue to see new opportunities coming into the bid pipeline from across the divisions, including potential opportunities for international customers. The tracking pipeline has also strengthened and continues to support our long-term growth plans.

During the period to date, successful contract wins, preferred bidder announcements and business development activities have included:

- c £300 million total contract awards for Avincis including a c £50 million, 7 year, extension to its contract with Maersk to provide crew change services for its North Sea oil installations.
- £160 million contract for Cavendish Nuclear and jv partners Balfour Beatty to deliver Phase 3 of the Silos' Maintenance Facility contract at Sellafield.
- Successful rebid of the Environmental Laboratories contract at Sellafield valued at c £45 million for 10 years.
- 5 year extension to New Zealand Dockyard management contract, expected to be worth NZ\$200 million on signature during the second half. This develops Babcock's partnering role with the Royal New Zealand Navy and Ministry of Defence.
- A £45 million order for a third Irish offshore patrol vessel to be built at our Appledore facilities.
- A range of maritime equipment support contracts secured totalling c £50 million for DE&S (Defence Equipment and Support).
- Successful completion of the refit of first Canadian Coast Guard heavy icebreaker, Louis S St Laurent for the Canadian Coast Guard.

The total Group order book has increased to £13.5 billion with the inclusion of the Avincis order book which was valued at c £2 billion at the end of June. This provides coverage of 74% of anticipated revenue for 2014/15, excluding the contracts currently at preferred bidder stage which we expect to be generating revenue during the second half.

As previously indicated, in addition to contracts at preferred bidder stage, the Maritime Support Delivery Framework (MSDF) with the Ministry of Defence is expected to become operational during the second half, adding a further c £2 billion to the order book.

## **Outlook**

Our markets, in both the UK and overseas, remain positive as customers seek financial and operational efficiencies and improvements. Against this backdrop, our business model, the scale of our operations, the depth and breadth of our experience

and our successful track record are creating medium and long-term opportunities for our businesses, in existing as well as new markets and geographies.

The integration of Avincis is progressing smoothly and the business is performing as expected. The Group's strong order book and pipeline continue to provide excellent visibility.

The Board remains confident the Group will continue to make strong progress during this year and that the results for the 2014/15 financial year will be in line with its expectations.

**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         38993809#

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

[www.babcockinternational.com](http://www.babcockinternational.com)