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BABCOCK INTERNATIONAL GROUP PLC

27 March 2014

Proposed Acquisition of Avincis Group and fully underwritten £1,100 million Rights Issue

Summary

Babcock International Group PLC ("Babcock"), the UK's leading engineering support services company, announces that it has entered into a conditional agreement to acquire the entire issued share capital of Avincis for £920 million (€1,100 million) from World Helicopters S.à r.l. (a portfolio company of investment funds affiliated with Investindustrial and Kohlberg Kravis Roberts & Co.) (the "Acquisition"). Under the terms of the Acquisition, the Babcock Group will also assume Avincis's net debt of £705 million. The Acquisition will be funded through a fully underwritten rights issue of 5 New Ordinary Shares at 790 pence each for every 13 Existing Ordinary Shares, raising approximately £1,100 million, before expenses (the "Rights Issue").

Avincis is a leading provider of helicopter and fixed wing services in mission critical operations such as medical, search and rescue, fire-fighting and civil protection in Europe and a leading supplier of critical offshore crew-change helicopter services to the oil and gas industry in the UK sector of the North Sea, with a clear ambition to expand its operations in the growing Norwegian and Australian offshore oil and gas markets.

The Directors of Babcock (the "Directors") believe that the Acquisition will create a strong platform for future growth and enhance value for shareholders, employees and customers, for the following reasons:

- Avincis is a clear strategic fit with Babcock;
- Avincis is well-positioned for growth in its markets;
- the combination of Babcock and Avincis will create a medium term revenue synergy opportunity;
- Avincis has high revenue visibility with an order book of approximately €2.3 billion, as at 31 December 2013;
- Avincis diversifies Babcock's customer base and geographies; and

- the Acquisition is expected to be earnings accretive in Babcock's first full financial year following the Acquisition and will achieve a return on invested capital in excess of the current Babcock cost of capital from Babcock's second full financial year following the Acquisition.[1]

As a result of its size, the Acquisition constitutes a Class 1 transaction under the Listing Rules and is therefore conditional, among other things, upon the approval of Babcock Shareholders at the General Meeting.

A combined Class 1 circular and prospectus (the "Prospectus") containing further details of the Acquisition and the Rights Issue and containing the notice convening the General Meeting (to be held at 10.30 a.m. on 16 April 2014) will be sent to Babcock Shareholders (other than Babcock Shareholders with a registered address in the United States or the Excluded Territories) as soon as practicable.

Peter Rogers, Chief Executive of Babcock, said:

"The proposed acquisition of Avincis meets Babcock's strategic objectives as it brings into the Babcock Group a market-leading business, delivering mission critical services and complex engineering support to blue-chip customers in multiple geographies. Avincis already has a strong growth platform and its combination with Babcock will generate even greater expansion opportunities and value creation for Babcock's shareholders."

James Drummond, Chief Executive of Avincis, said:

"Babcock is a great strategic and cultural fit for Avincis. We provide vital, complex and life-saving services for our customers, and both share a commitment to operational excellence and the highest standards of safety. Avincis's global business has grown significantly over the past few years, and joining forces with Babcock will allow the strengthened group to access new markets and customers, and build on an already impressive order intake."

A presentation for analysts and institutional investors will be held today at Holborn Bars, 138-142 Holborn, 2nd Floor, London, EC1N 2NQ at 8.30 a.m. For further details please call Catherine Hanou (FTI Consulting) on +44 (0) 20 3727 1340. The presentation for analysts will be available on Babcock's website: www.babcockinternational.com

J.P. Morgan Cazenove is acting as Sole Financial Adviser in connection with the Acquisition and the Rights Issue and Sole Sponsor in connection with the Rights Issue. Jefferies International Limited and J.P. Morgan Cazenove are acting as Global Co-ordinators in connection with the Rights Issue. Jefferies International Limited, J.P. Morgan Cazenove, Barclays Bank PLC and HSBC Bank plc are acting as Joint Bookrunners in connection with the Rights Issue. Rothschild is acting as Independent Financing Adviser in connection with the Rights Issue and Acquisition finance.

This preceding summary should be read in conjunction with the full text of the following announcement and its appendices, together with the Prospectus which is expected to be published today.

Indicative abridged timetable[2]

Publication of Prospectus	27 March 2014
Latest time and date for receipt of Forms of Proxy	10.30 a.m. on 14 April 2014
Rights Issue Record Date	close of business on 14 April 2014
Babcock General Meeting	**10.30 a.m. on 16 April 2014**
Existing Ordinary Shares marked "ex" by the London Stock Exchange	8.00 a.m. on 17 April 2014
Dealings in New Ordinary Shares, nil paid, commence on the London Stock Exchange	8.00 a.m. on 17 April 2014
Latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters	**11.00 a.m. on 6 May 2014**
Dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange	**8.00 a.m. on 7 May 2014**
Expected date of Completion of Acquisition	**May 2014**

Information on Babcock

Babcock is the UK's leading engineering support services company with customers in the UK and overseas in the defence, energy, emergency services, transport, education, communications, mining and construction sectors. Its customers are mainly central and local governments, regulated bodies, and blue-chip companies operating in highly regulated sectors, who own or operate strategically important assets requiring long-term maintenance and upgrade. In the financial year ended 31 March 2013, Babcock generated underlying revenue of £3.2 billion and employed approximately 26,000 staff worldwide across its four divisions: Marine and Technology, Defence and Security, Support Services and International.

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BABCOCK INTERNATIONAL GROUP PLC

Proposed Acquisition of Avincis Group and fully underwritten £1,100 million Rights Issue

Introduction

Babcock announces that it has entered into a conditional agreement to acquire the entire issued share capital of Avincis for £920 million (€1,100 million) from World Helicopters (a portfolio company of investment funds affiliated with Investindustrial and Kohlberg Kravis Roberts & Co.).

Avincis is a leading provider of helicopter and fixed wing services in mission critical operations such as medical, search and rescue, fire-fighting and civil protection in Europe and a leading supplier of offshore crew-change helicopter services to the oil and gas industry in the UK sector of the North Sea, with a clear ambition to expand its operations in the growing Norwegian and Australian offshore oil and gas markets. Headquartered in the UK, Avincis operates in 8 countries (excluding the Latin America business which Avincis has decided to discontinue) and employs more than 2,800 employees, including over 1,000 technicians and engineering staff.

As of 31 December 2013, Avincis's total fleet comprised 343 aircraft, operating from more than 200 operational bases and the average age of its on balance sheet aircraft, weighted by insurance value, was approximately 9.3 years. Total revenue in the year to 31 December 2013 was €582 million and adjusted EBITDA was €135 million, giving a 23 per cent. adjusted EBITDA margin.[3]

Babcock proposes to finance the Acquisition through the proceeds of the Rights Issue. Babcock has also entered into a debt facility to enable it to refinance the existing debt of Avincis following completion of the Acquisition.

The Acquisition is classified under the Listing Rules as a Class 1 transaction as a result of the size of Avincis compared to Babcock. A General Meeting will be held at 10.30 a.m. on 16 April for Babcock Shareholders to consider, and if thought fit, pass the Resolution to approve the Acquisition.

<u>Background to and Reasons for the Acquisition of Avincis</u>

Babcock's strategy

Babcock is the UK's leading engineering support services company. Its objective is to grow from this position in both the UK and overseas as well as to deliver superior and sustainable value for its shareholders. Babcock aims to achieve this strategy by creating and growing a balanced portfolio of businesses that:

- work for governments, public sector organisations, regulated bodies and blue-chip companies;
- provide technical services that are critical, complex and bespoke;
- have long-term integrated output or availability contracts, balancing risk and reward;
- are customer-focused and work collaboratively;
- are, or are capable of becoming, top three in their marketplace; and
- have a strong health and safety focus.

Babcock has grown successfully both organically and through acquisitions and continues to seek attractive opportunities to expand that fit its business model. As set out below, the Directors believe that the proposed Acquisition fulfils Babcock's criteria.

Avincis is a clear fit with Babcock's strategic objectives

The Directors believe that Avincis is aligned to Babcock's strategic objectives. Avincis's customers are typically public sector bodies and oil and gas companies working in highly-regulated environments. Its services have a high engineering and technical content and are generally critical, complex and bespoke in nature. Contracts are typically four to seven years in length with options for the customer to extend by a further one or two years. Risk and reward are balanced through a high fixed revenue component (typically approximately 75 per cent. across the Life and Rescue and Safety and Environment business divisions, and approximately 60 per cent. in the Energy Support Services business division), and a variable revenue component primarily dependent on hours flown and often partially mitigated by a pass-through of fuel costs. Avincis is highly customer-focused, working closely and collaboratively with customers to achieve their objectives. Avincis is a market leader in European helicopter and fixed wing emergency services and number three in the UK sector of the North Sea oil and gas crew-change business. Safety is a top priority and the key focus of management and staff attention: safety processes and systems are continually improved and updated. Avincis has been recognised for its safety culture by the US Department of Transportation.

Avincis is positioned for growth

The Directors believe that Avincis has strong growth prospects which will be enhanced by Babcock's solid financial position and proven commercial capabilities.

Helicopter and fixed wing emergency services

The Directors believe that Avincis is well-positioned to grow further in its existing geographies through:

- growth in helicopter emergency services;
- the potential for further outsourcing of search and rescue services, civil protection operations and maintenance, repair and overhaul ("MRO") activities for civil protection clients;
- market share growth; and
- selective acquisitions.

Growth in new geographies is possible through acquisitions and setting up new operations. A subsidiary of Avincis has already entered into a conditional agreement to acquire an indirect interest of approximately 85 per cent. of Scandinavian AirAmbulance for an initial cash consideration of SEK206.5 million with a further SEK84.2 million (subject to a completion adjustment) payable in two years' time. Scandinavian AirAmbulance provides emergency medical services in Sweden and Finland from 12 permanent bases. For the financial year ended 30 April 2013 Scandinavian AirAmbulance reported net revenue of SEK429 million and EBITDA of SEK103 million. The Directors believe that other opportunities exist in Scandinavia, Eastern Europe and elsewhere in the world.

Offshore crew-change helicopter services

The Directors believe that there will be significant opportunities for growth in Avincis's existing operations in the UK, Australia and Norway and that Avincis is well-positioned to exploit these based on a number of factors including:

- their belief that oil and gas customers in these countries are keen for the development of a strong third player to complement the two existing main players;
- their belief that Avincis is growing its customer relationships and reputation;
- that Avincis has outstanding orders for new Sikorsky S-92 aircraft (an in-demand large helicopter); and
- the evidence of Avincis's recent contract awards in the UK and Australia.

The Directors believe that growth opportunities in new geographies exist in South East Asia through leveraging Avincis's Australian presence, as well as partnering with, or acquiring, local entities, and in East Africa, through customer-led situations and leveraging Babcock's existing position in Southern and Eastern Africa.

Revenue synergies through combining Babcock's and Avincis's capabilities

In the medium term, Babcock sees opportunities in defence outsourcing in Europe and critical services outsourcing in the UK, Europe and Australia. Ongoing public sector austerity and continued demand for services are expected by the Directors over time to drive customers to outsource more defence and other activities to save money and increase efficiency. Avincis provides rotary-wing capability in the UK and Europe as well as having an existing local presence. These complement Babcock's commercial and technical skills in general defence outsourcing to address this growing need and the Directors believe that the Enlarged Group would be well positioned for outsourced military helicopter MRO in the UK and Europe. Revenue synergies are also expected by the Directors to arise over time through selling Babcock's asset management, training and infrastructure offerings using Avincis as a platform to address any such potential opportunities in Europe and Australia.

Avincis has high revenue visibility

With a strong order book of approximately €2.3 billion as at 31 December 2013 and an identified total pipeline of opportunities of approximately €7 billion as at 10 March 2014, the Directors believe Avincis has a high level of revenue visibility. Avincis has significantly shorter bidding timetables than the traditional Babcock model. Since 1

July 2013, Avincis has won 16 contracts with an estimated total of approximately €330 million, including for emergency medical services in France in Burgundy, Provence, Alpes and Cote d'Azur; offshore services to the Enagas Gaviota platform in Spain on a two year basis; and, offshore services to Nexen Petroleum in the North Sea on a five year basis. Furthermore, examples of forthcoming opportunities include a seven year contract for emergency medical services in Australia, an oil and gas contract for Eni in Cyprus for an initial term of two years, a one year contract for a potential new customer in Australia for offshore services and a three year and five year MRO contract in the UK and France, respectively. The Directors expect Avincis to achieve double digit revenue growth in 2014 and 2015, in part due to the full year effect of contracts started part way through 2013 and the in-year effect of new contracts won but not yet started. In addition, approximately 85 per cent. of budgeted 2014 revenue is in the order book or at preferred bidder stage with a corresponding level of visibility for 2015 of 56 per cent.

Avincis is well placed to retain and build upon its market position

The Directors believe that Avincis's businesses are well placed to retain and build upon their market positions, having regard to market features such as regulations, scale, relationships and skills and experience. All helicopter and fixed wing operations require an Aircraft Operator's Certificate (AOC) and maintenance permits that are valid in each country of operation. Safety management systems and processes are mandated by regulators and are often reviewed and enhanced. Avincis's businesses are capital intensive, with capital required to fund growth as well as regular maintenance and replenishment of the fleet of aircraft. Economies of scale are derived through the procurement of aircraft and spares, financing of aircraft and operating efficiencies in the areas of maintenance centres, training and back-up aircraft. Strong established customer relationships around quality of service, reliability and long-term contracts are beneficial to Avincis. Avincis also benefits from pilots who are skilled and experienced on specific aircraft types, and in specialised missions, as well as its highly trained aircraft technicians.

Avincis diversifies Babcock's customer base and geographies

The Directors believe that the acquisition of Avincis will diversify Babcock's client base and reduce its customer concentration and that Avincis will also expand significantly Babcock's geographical footprint with businesses in Australia, France, Italy, Portugal, Spain, the UK and, subject to completion of the acquisition of Scandinavian AirAmbulance, in Sweden and Finland, as well as having newly established operations in Norway.

Attractions to Babcock of the Avincis business

The Directors believe that the principal business sectors in which Avincis operates and the potential financial impact of the Acquisition are attractive, as described below:

Principal business sectors

Avincis operates in two principal sub-sectors of the aviation services industry: helicopter and fixed wing emergency services and offshore oil and gas crew-change services. In addition, Avincis carries out MRO on both its own and third party aircraft.

Helicopter and fixed wing emergency services

Helicopter and fixed wing emergency services include emergency medical services, search and rescue services, fire-fighting services and civil protection services. Customers are generally public sector bodies (central, regional and local government) and charities. These activities tend to be non-cyclical in nature as a result of increasing public demand and higher expectations regarding services to be delivered by the relevant public authorities. Many of the contracts are structured on an availability basis over the medium to long term with a high fixed-revenue component. Avincis has significant market positions in Australia, France, Italy, Portugal, Spain and the UK. Avincis operates its helicopter and fixed wing emergency services business under the Inaer brand in continental Europe, Bond in the UK and Australian Helicopters in Australia.

Offshore oil and gas crew-change services

Avincis operates regular offshore oil and gas crew-change services in the UK sector of the North Sea, one of the most advanced, complex and challenging offshore environments in the world. In November 2013 it started offshore operations in Australia and has recently set-up a Norwegian offshore operation. Customers are generally blue-chip national and international oil and gas companies. These activities tend to be structured around providing regular crew-changes to fit the crew-change rota of the particular offshore operation. Contracts are generally medium to long term in duration with a high fixed-revenue component, although

Avincis also has some spot and short term work. Avincis has significant oil and gas crew-change operations in the UK, small operations in Australia, Italy and Spain and a new operation in Norway. Avincis operates offshore oil and gas crew-change services under the Bond brand in the UK and Australia, Inaer in continental Europe and Norsk Helikopterservice (NHS) in Norway.

Financial impact

The Babcock Board, in making its recommendation, expects that the Acquisition will be earnings accretive to Babcock Shareholders in the first full financial year of Babcock following the Acquisition and will achieve a return on invested capital in excess of the current Babcock cost of capital from the second full financial year of Babcock following the Acquisition. Babcock expects the net debt/ EBITDA ratio of the Enlarged Group for the year ended 31 March 2014 to be approximately 2.5x, with a target net debt/ EBITDA ratio for the year ended 31 March 2015 of approximately 2.3x.[4] This level of gearing is below the previous acquisition spike of approximately 2.9x net debt/EBITDA in July 2010 following the purchase of VT Group plc.

Financial Information on Avincis[3]

Audited full year financials			
(€, in thousands)	31 Dec 11	31 Dec 12	31 Dec 13
Total Revenue	515,531	573,518	582,192
Adjusted EBITDA	137,618	141,308	134,962
Underlying operating profit	79,568	81,065	71,963
Underlying operating profit before loss on disposal of non-current assets	91,909	88,485	84,354
Total assets	1,297,366	1,403,900	1,425,820
Total liabilities	1,124,258	1,254,063	1,366,936
Total equity	173,107	149,837	58,884

Investigations

Avincis is party to certain legal proceedings and investigations, most of which are routine and all of which are incidental to its business. Some matters involve claims for damages as well as other relief. The main ongoing investigation is being carried out by The Air Accident Investigation Branch into the 29 November 2013 helicopter accident in Glasgow, which resulted in ten fatalities, several persons injured and significant property damage. A separate investigation into the accident is also being carried out by Police Scotland under the direction of the Procurator Fiscal. Avincis is cooperating with the Air Accident Investigation Branch and Police Scotland, and other authorities that are investigating the causes of the accident and are waiting to know the outcome of these investigations. In addition, Bond has received several intimations of civil claims for compensation for personal injury and property damage from solicitors acting for people impacted by the accident, including, without limitation, a potential employers' liability claim in respect of the Bond Air Services pilot who died in the accident. While waiting to know the final outcome of these investigations, Bond's insurance company has informed it that, without any acknowledgement of liabilities (other than strict liability of Bond Air Services Ltd as operator under the applicable laws and regulations), the insurance company has started to make certain interim payments to give support to some of the people impacted by the accident that had intimated a civil claim.

Principal terms of the Acquisition

Terms

Under the terms of the Sale and Purchase Agreement, and subject to the conditions set out below being satisfied, Babcock has agreed to acquire Avincis for €1,100 million, representing an implied acquisition multiple of 14x 2013 Avincis's adjusted EBITDA, pro forma for the acquisition of Scandinavian AirAmbulance.[5]

A locked box mechanism has been and will be in place from 31 December 2013 to the date of Completion, designed to prevent cash and cash equivalents from "leaking out" of Avincis to World Helicopters or its affiliates. Under the terms of the Acquisition, Babcock will assume £705 million of Avincis's net debt (being the net debt of Avincis as at 31 December 2013).

Conditions

Completion of the Acquisition is conditional on the following:

- the Resolution being passed at the General Meeting;
- approval having been obtained from the Spanish Council of the National Markets and Competition Commission, or alternatively the Council of Ministers, or the Acquisition being otherwise deemed cleared under the Spanish Competition Act 15/2007;
- a formal or tacit approval having been obtained from the Portuguese Competition Authority or, alternatively, from the Portuguese Minister of Economy; and
- the Underwriting Agreement not having been terminated prior to Admission and Admission having occurred. Completion is expected to take place in May 2014.

In the event that the Resolution is not passed on or before 24 April 2014, or the Underwriting Agreement is terminated prior to Admission or Admission does not occur, save in certain limited circumstances, Babcock will be required to pay to affiliates of Avincis €10 million.

Financing

The Acquisition will be financed by way of a fully underwritten Rights Issue of New Ordinary Shares at a price of 790 pence per New Ordinary Share on the basis of 5 New Ordinary Shares for every 13 Existing Ordinary Shares. 139,259,204 New Ordinary Shares will be issued, raising gross proceeds of approximately £1,100 million and net proceeds of approximately £1,055 million after deduction of estimated expenses of the Rights Issue and the Acquisition.

The Rights Issue is conditional upon, amongst other things, the passing of the Resolution at the General Meeting, Admission, and the Underwriting Agreement having become unconditional in all respects (save for conditions relating to Admission) and not having been terminated in accordance with its terms prior to Admission. The Rights Issue is not conditional on completion of the Acquisition. However if, prior to Admission, the Sale and Purchase Agreement is terminated or lapses, the Rights Issue will not proceed.

The Rights Issue will be made under the existing shareholder authorities that were granted at the AGM held in July 2013 under resolutions 18 (*authority to allot shares*) and 19 (*dis-application of pre-emptive rights*).

Refinancing

Babcock has entered into a new £383 million multi-currency debt facility and a €620 million debt facility (the "Bridge Facility") to enable it to refinance the existing debt of Avincis following completion of the Acquisition, should the Babcock Board consider it necessary or desirable to do so. A refinancing of the existing third party net debt of Avincis, which is approximately £705 million, brings with it a potential interest cost reduction of up to £35 million per year. When combined with Babcock's existing debt facilities, the Bridge Facility increases the overall leverage of the Babcock Group. The Bridge Facility is repayable on 26 March 2015 (being the date falling 12 months from the date of the Bridge Facility), which may be extended by two further periods of six months at the option of Babcock.

In addition, Babcock has entered into a backstop revolving credit facility (the "Backstop Facility"), which will only be drawn down if the consent to the Acquisition from the existing lenders under Babcock's existing revolving credit facility is not obtained. Such consent is required as the current terms of the existing revolving credit facility do not permit Class 1 transactions.

Principal terms of the Rights Issue

Babcock is proposing to raise approximately £1,055 (net of estimated expenses), by way of the Rights Issue of 139,259,204 New Ordinary Shares. The Issue Price of 790 pence per New Ordinary Share, which is payable in full on acceptance by not later than 11.00 a.m. on 6 May 2014, represents a 42.2 per cent. discount to the Closing Price of 1,366 pence per Existing Ordinary Share on 26 March 2014 (being the last Business Day prior to the announcement of the Rights Issue) and a 34.5 per cent. discount to the theoretical ex-rights price of 1,206 pence per New Ordinary Share calculated by reference to the Closing Price on the same day. If a Qualifying Shareholder does not take up any of its entitlement to New Ordinary Shares, its proportionate shareholding will be diluted by 27.8 per cent. However, if a Qualifying Shareholder takes up its Rights in full, it will, after the Rights Issue has completed and excluding any fraction of an Ordinary Share, as nearly as practicable have the same proportionate voting rights and entitlements to dividends as it had on the Record Date.

If a Qualifying Shareholder does not wish to subscribe for the New Ordinary Shares to which it is entitled, such Shareholder can instead sell its rights to those New Ordinary Shares and receive the net proceeds in cash. This is referred to as dealing in the rights "nil paid".

Babcock proposes to offer New Ordinary Shares by way of the Rights Issue to Qualifying Shareholders on the following basis and otherwise on the terms and conditions set out in further detail in the Prospectus:

5 New Ordinary Shares at 790 pence each for every 13 Existing Ordinary Shares

held by Qualifying Shareholders on the Record Date. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Fractional entitlements to New Ordinary Shares will not be allotted and, where necessary, entitlements will be rounded down to the nearest whole number of New Ordinary Shares.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive in full all dividends and other distributions declared, made or paid by reference to a record date after the date of their issue.

The Rights Issue is conditional upon, amongst other things:

- the Resolution being passed at the General Meeting;
- the Sale and Purchase Agreement not having been terminated or lapsed, prior to Admission;
- the Underwriting Agreement having become unconditional in all respects (save for condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective by not later than 8.00 a.m. on 17 April 2014 (or such later time and/or date, being not later than 48 hours later, as the parties to the Underwriting Agreement may agree).

The Rights Issue has been fully underwritten on the basis set out in the Underwriting Agreement. The Underwriters, as agents for Babcock, have agreed under the terms of the Underwriting Agreement to exercise reasonable endeavours to procure subscribers or, failing which, to subscribe for the New Ordinary Shares not taken up in the Rights Issue at a price of 790 pence per New Ordinary Share.

The Rights Issue will be made under the existing shareholder authorities that were granted at the AGM held in July 2013 under resolutions 18 (*authority to allot shares*) and 19 (*dis-application of pre-emption rights*).

Applications will be made for the New Ordinary Shares to be admitted to the premium listing segment of the Official List of the UKLA and to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and dealings (for normal settlement) in the New Ordinary Shares will commence, nil paid, at 8.00 a.m. on 17 April 2014.

The results of the Rights Issue, including the aggregate number of New Ordinary Shares issued and the aggregate amount raised, net of expenses, is expected to be announced by Babcock to a Regulatory Information Service by 8.00 a.m. on 7 May 2014.

Assuming Completion takes place, the Rights Issue proceeds of approximately £1,055 million (net of estimated expenses) will be applied to satisfy the consideration to be paid to World Helicopters under the Sale and Purchase Agreement and the balance of the proceeds will be available to Babcock for working capital purposes.

The Rights Issue is not conditional upon completion of the Acquisition. In the event that Admission is effected but Completion does not take place, the Directors' current intention is that the proceeds of the Rights Issue will be invested and/or applied to manage Babcock's debt and cash position on a short-term basis while the Directors evaluate other acquisition opportunities and, if no acquisitions can be found on acceptable terms, the Directors will consider how best to return surplus capital to Shareholders. Such a return could carry financial costs for certain Babcock Shareholders, will incur costs on the part of Babcock and would be subject to applicable securities laws.

Dividend policy of the Enlarged Group

Babcock paid dividends per share of 26.3 pence, 22.7 pence and 19.4 pence for the financial years ended 31 March 2013, 2012 and 2011, respectively, and an interim dividend of 6.90 pence per share for the financial year ending 31 March 2014. Babcock's dividend policy is that, over the medium term, the dividend cover should be, on average, 2.5 to 3 times (based on underlying earnings per share), having regard to the availability of distributable reserves and cash, and taking into account the Enlarged Group's working capital and investment requirements.

Following Completion, Babcock intends to maintain the same dividend policy.

Current trading and future prospects

Babcock

Over the past few years, Babcock's customers have faced difficult decisions when trying to manage the delivery of critical services with relatively scarce resources. As a result, new outsourcing opportunities have been created by customers who (i) need to achieve financial savings without reducing outputs or eliminating services; (ii) want a better value-for-money support solution while improving availability of assets or infrastructures; and/or (iii) want to improve or invest in new assets or infrastructures but lack the necessary scale of resource, depth of knowledge or expertise to carry out the complex engineering support required.

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. Babcock's business model, scale of operations, the depth and breadth of its experience and its track record of delivering operational and financial efficiencies provide a platform to benefit from the positive markets which continue to offer Babcock medium and long-term opportunities in both the UK and overseas. The size of the order book and bid pipeline continue to provide good visibility of future revenue streams. In addition, Babcock has identified new markets and geographies with similar growth characteristics where it believes its business model will be an advantage.

On 11 February 2014, Babcock published its Interim Management Statement for the period from 1 October 2013, an extract from which is copied below:

"Overview

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.

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."

There has been no change in the Directors' assessment of the matters described above since 11 February 2014.

The Directors expect that underlying earnings per share will achieve low double digit growth for the year ending 31 March 2014, which is intended to indicate that underlying earnings per share will be not less than 68.6 pence for that period. This statement represents a profit forecast and supersedes all previous profit forecasts issued by Babcock for the same period. Further information, in relation to this profit forecast is provided in Appendix 2 of this announcement.

Avincis

The demand for life and rescue helicopter services and safety and environmental helicopter services has been driven by an outsourcing trend for these services by public administrations in the European Union. By outsourcing the operation and maintenance of helicopters to specialised helicopter operators like Avincis instead of retaining them in-house, public administrations have been able to achieve costs savings and improved service, such as increased coverage and more modern aircraft. Additionally, Avincis benefits from product substitution as certain customers use helicopters to maintain geographic coverage following closures of smaller or regional hospitals or by replacing a number of car ambulance services with one helicopter.

Avincis's demand for energy support services is dependent on levels of activity in offshore oil and gas exploration, development and production. While these activity levels are affected by trends in, and expectations regarding, oil and gas prices, Avincis's Energy Support Services customers typically base their capital expenditure budgets on their long-term commodity expectations and not necessarily on the spot price. The oil and gas production business is typically less cyclical than the exploration and development business because the oil and gas production platforms remain in place over the long-term and are relatively unaffected by economic cycles.

As at 10 March 2014, Avincis identified total pipeline of opportunities of approximately €7 billion.

Management and employees

No changes will be made to the Babcock Board as a result of the Acquisition, so the Babcock Board will continue to comprise the Chairman, five executive Directors and, with the accession of Jeff Randall to the Board on 1 April 2014, six independent non-executive Directors.

Peter Rogers, the Chief Executive of Babcock, has committed to continue as the Chief Executive until at least the summer of 2016.

As announced on 21 March 2014, Justin Crookenden, an independent non-executive Director of Babcock, has confirmed his intention to retire from the Board on 30 November 2014 after nine years on the Board and in accordance with corporate governance best practice for independent non-executive directors.

Babcock attaches great importance to the skills and experience of the existing management and employees of Avincis, who are expected to contribute to the success of the Enlarged Group. Upon completion of the Acquisition, the Board intends to fully respect the existing rights of all Avincis employees.

The Avincis senior management team are expected to remain in place following the Acquisition.

Financial effect of the Acquisition

On a pro forma basis and assuming that the Acquisition and the Rights Issue had taken place on 30 September 2013, the Enlarged Group would have had net assets of approximately £1,970.3 million (based on the net assets of Babcock as at 30 September 2013 and Avincis as at 31 December 2013).

The Babcock Board, in making its recommendation, expects that the Acquisition will be earnings accretive to Babcock Shareholders in the first full financial year of Babcock following the Acquisition.[6]

General Meeting

As a result of its size, the Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules and is therefore conditional upon the approval of Babcock Shareholders.

A General Meeting will be convened to be held at the offices of FTI Consulting at 200 Aldersgate, Aldersgate Street, London EC1A 4HD at 10.30 a.m. on 16 April 2014. The purpose of the General Meeting is to consider and, if thought fit, pass the Resolution to approve the Acquisition.

Recommendation

The Babcock Board believes the Acquisition, the Rights Issue and the Resolution to be in the best interests of Babcock and Babcock Shareholders as a whole. Accordingly, the Babcock Board intends to unanimously recommend that Babcock Shareholders vote in favour of the Resolution to be put to the General Meeting as they intend to do (or seek to procure to be done) in respect of their own beneficial holdings of 1,120,581 Babcock Ordinary Shares in aggregate, representing approximately 0.31 per cent. of the existing issued ordinary share capital of Babcock.

The Directors are fully supportive of the Rights Issue. Each of the Directors who hold Ordinary Shares either intends, to the extent that he or she is able, to take up in full his or her rights to subscribe for New Ordinary Shares under the Rights Issue or to sell sufficient of their Nil Paid Rights during the nil paid dealing period to meet the costs of taking up the balance of their entitlements to New Ordinary Shares.

Further Information

Further details in relation to the Acquisition and Rights Issue will be set out in the Prospectus which is expected to be published today. Please also refer to the Important Notice at the end of this announcement.

Babcock Shareholders' attention is drawn, in particular, to the risk factors set out in the Important Notice and which will be described in further detail in the Prospectus.

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APPENDIX 1

Expected Timetable of Principal Events

Each of the times and dates in the table below is indicative only and may be subject to change.[2]

Announcement of the Acquisition and Rights Issue	27 March 2014
Publication and posting of the Prospectus, the Notice of General Meeting and the Form of Proxy	27 March 2014
Latest time and date for receipt of Forms of Proxy	10.30 a.m. on 14 April 2014
Rights Issue Record Date	close of business on 14 April 2014
General Meeting	**10. 30 a.m. on 16 April 2014**
Despatch of Provisional Allotment Letters (to Qualifying non-CREST Shareholders only)[7]	16 April 2014
Existing Ordinary Shares marked "ex" by the London Stock Exchange	8.00 a.m. on 17 April 2014
Dealings in New Ordinary Shares, nil paid, commence on the London Stock Exchange	8.00 a.m. on 17 April 2014
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)[7]	as soon as practicable after 8.00 a.m. on 17 April 2014
Nil Paid Rights and Fully Paid Rights enabled in CREST	as soon as practicable after 8.00 a.m. on 17 April 2014
Latest time and date for Cashless Take-Up or disposal of Nil Paid Rights using the Special Dealing Service	3.00 p.m. on 29 April 2014
Recommended latest time for requesting withdrawal of Nil Paid Rights and Fully Paid Rights from CREST (i.e. if your Nil Paid Rights and Fully Paid Rights are in CREST and you wish to convert them to certificated form)	4.30 p.m. on 29 April 2014
Latest time for depositing renounced Provisional Allotment Letters, nil or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights and Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form).	3.00 p.m. on 30 April 2014
Latest time and date for splitting Provisional Allotment Letters, nil or fully paid	3.00 p.m. on 1 May 2014
Latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters	**11.00 a.m. on 6 May 2014**
Results of Rights Issue to be announced through a Regulatory Information Service	by 8.00 a.m. on 7 May 2014
Dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange	**8.00 a.m. on 7 May 2014**
New Ordinary Shares credited to CREST accounts	as soon as practicable after 8.00 a.m. on 7 May 2014
Despatch of definitive share certificates for the New Ordinary Shares in certificated form	by no later than 14 May 2014
Expected date of Completion of Acquisition	**May 2014**

Notes:

1 This statement is not a profit forecast and shall not be interpreted to mean that the future earnings per share of Babcock will necessarily match or exceed the historical earnings per share of Babcock.

2 The times and dates set out in the expected timetable of principal events above may be adjusted by Babcock with the agreement of J.P. Morgan Cazenove in which event details of the new times and dates will be notified to the UKLA, the London Stock Exchange and, where appropriate, Qualifying Shareholders.

[3] Financial information of Avincis has been extracted, without material adjustment, from the historical financial information of Avincis Topco prepared in accordance with IFRS-EU as applied by Babcock for the sole purpose of its inclusion in this announcement and the Prospectus. This financial information may differ from the financial information reported by affiliates of Avincis which has been prepared in accordance with other applicable generally accepted accounting principles.

[4] This statement is not a profit forecast and shall not be interpreted to mean that the future earnings per share of Babcock will necessarily match or exceed the historical earnings per share of Babcock.

[5] Scandinavian AirAmbulance EBITDA for the year ended 30 April 2013.

[6] This paragraph is not a profit forecast and shall not be interpreted to mean that the future earnings per share of Babcock will necessarily match or exceed the historical earnings per share of Babcock.

[7] Subject to certain restrictions relating to Qualifying Shareholders with registered addresses outside the United Kingdom, details of which will be set out in the Prospectus.

APPENDIX 2

ASSUMPTIONS FOR PROFIT FORECAST FOR THE BABCOCK GROUP FOR THE FINANCIAL YEAR ENDING 31 MARCH 2014

The Babcock Directors have prepared the Profit Forecast on the basis of the following assumptions:

Factors outside the influence or control of the Babcock Directors

- There will be no material change to macroeconomic, political or legal conditions in the markets or regions in which the Babcock Group operates that materially affect the Babcock Group during the year ending 31 March 2014.
- There will be no material changes in market conditions within the defence and support services industry over the one month forecast period to 31 March 2014 in relation to either customer demand or competitive environment.
- The exchange rates and inflation and tax rates in Babcock's principal markets will remain materially unchanged from the prevailing rates.
- There will be no material change in Babcock's labour costs, including medical and pension and other post-retirement benefits driven by external parties or regulations.
- There will be no business disruption that will have a significant impact on Babcock's operations, customers or financial performance.
- There will be no material change in legislation or regulatory requirements impacting on Babcock's operations or its accounting policies.

Factors within the influence or control of the Babcock Directors

- Current contract negotiations with a number of clients will conclude materially as the Babcock Directors would reasonably expect based on Babcock's past experience.
- No material new client contract issues will arise beyond those that are already known to the Babcock Directors at the current time and built into the forecasts.
- The Profit Forecast excludes any exceptional transaction and transition costs associated with the proposed acquisition of Avincis by Babcock.
- The Profit Forecast does not take into account any impact of the Rights Issue or the Acquisition, which will be completed after 31 March 2014.
- There will be no material change in the weighted average number of shares in issue during the financial year ending 31 March 2014.

APPENDIX 3

GLOSSARY

Acquisition	the proposed acquisition of Avincis by way of acquisition of the Avincis Shares pursuant to the Sale and Purchase Agreement;
Admission	the proposed admission of the New Ordinary Shares issued under the Rights Issue by the UKLA to listing on the premium segment of the Official List and by the London Stock Exchange to trading nil paid on the main market of the London Stock Exchange;
Avincis	Avincis Topco and its subsidiary undertakings from time to time;
Avincis Shares	the entire issued and allotted share capital of Avincis Topco;
Avincis Topco	Avincis Mission Critical Services Topco Limited (company number 08338012) whose registered office is 8th Floor Kings Buildings, 16 Smith Square, London, SW1P 3HQ;
Babcock	Babcock International Group PLC, a company incorporated in England and Wales with registered number 02342138 and having its registered office at 33 Wigmore Street, London, W1U 1QX;
Babcock Group	Babcock and its subsidiary undertakings from time to time;
Babcock Shareholder	a holder of Ordinary Shares;
Backstop Facility	a £500,000,000 multicurrency revolving credit facility that may be utilised by Babcock for the purposes of refinancing the indebtedness under the Existing Facility Agreement and for its general corporate and working capital purposes;
Bridge Facility	a £383,000,000 multicurrency term loan facility and a €620,000,000 term loan facility for the purposes of refinancing or cash collateralising certain indebtedness of Avincis and for the general ongoing corporate and working capital purposes of Avincis;
Capita Asset Services	a trading name of (i) Capita Registrars Limited acting as Registrar and Receiving Agent to Babcock and (ii) Capita IRG Trustees Limited, which is making available the Special Dealing Service;
Cashless Take-up	the sale of such number of Nil Paid Rights as will generate sufficient sale proceeds to enable the direct or indirect holder thereof to take up all of their remaining Nil Paid Rights (or entitlements thereto);
certificated	in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in certificated form (that is, not in CREST);
CHAPS	the UK Clearing House Automated Payment System for the same-day processing of pound sterling and euro fund transfers;
Closing Price	the closing middle market price of a relevant share as derived from the London Stock Exchange Daily Official List of share identifiers (SEDOL) on any particular day;
Completion	Completion of the Acquisition in accordance with the Sale and Purchase Agreement;
CREST or CREST system	the paperless settlement procedure operated by Euroclear enabling system securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument;
Directors	the directors on the board of Babcock;
EBITDA	earnings before interest, taxation, depreciation and amortisation;
Enlarged Group	the Babcock Group as enlarged by the Acquisition and the Rights Issue proceeds (following completion of the Acquisition and completion of the Rights Issue, respectively);
Euroclear	Euroclear UK & Ireland Limited;

Excluded Territories	Australia, Canada, China, Hong Kong, Japan and South Africa and any other jurisdictions where the extension and availability of the Rights Issue would breach any applicable law;
Existing Ordinary Shares	the Ordinary Shares of 60 pence each in the capital of Babcock in issue immediately prior to the Rights Issue;
Form of Proxy	the form of proxy enclosed with the Prospectus for use in connection with the General Meeting;
FSMA	the Financial Services and Markets Act 2000, as amended;
Fully Paid Rights	rights to acquire the New Ordinary Shares, fully paid;
General Meeting	the general meeting of Babcock proposed to be held at the offices of FTI Consulting at 200 Aldersgate, Aldersgate Street, London EC1A 4HD at 10.30 a.m. on 16 April 2014 to approve the Resolution, the notice of which will be contained in the Prospectus;
IFRS-EU	International Financial Reporting Standards as adopted by the European Union;
J.P. Morgan Cazenove	J.P. Morgan Securities plc, in its capacity as Sole Sponsor, Joint Global Coordinator and Joint Bookrunner, or J.P. Morgan Limited, in its capacity as Sole Financial Adviser, as the context requires, each of 25 Bank Street, Canary Wharf, London E14 5JP;
Listing Rules	the listing rules made by the Financial Conduct Authority under section 73A of FSMA;
MRO	maintenance, repair and overhaul activities;
New Ordinary Shares	the Ordinary Shares of 60 pence each proposed to be issued by Babcock pursuant to the Rights Issue;
Nil Paid Rights	New Ordinary Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue;
Official List	the official list of the UKLA;
Ordinary Shares	the ordinary shares with a nominal value of 60 pence each in the capital of Babcock;
Overseas Shareholders	Qualifying Shareholders who are resident in, or citizens of, countries other than the United Kingdom;
Prospectus	the combined Class 1 circular in relation to the Acquisition and the prospectus in relation to the Rights Issue expected to be published today;
Provisional Allotment Letters	the renounceable provisional allotment letters relating to the Rights Issue to be issued to Qualifying non-CREST Shareholders other than certain Overseas Shareholders
Qualifying Shareholder	a Qualifying Shareholder holding Ordinary Shares in uncertificated form;
Qualifying non-CREST Shareholder	a Qualifying Shareholder holding Ordinary Shares in certificated form;
Qualifying CREST Shareholder	a Shareholder on the register of members of Babcock at the Record Date;
Record Date	close of business on 14 April 2014;
Resolution	the ordinary resolution to be proposed at the Babcock General Meeting (and set out in the notice of general meeting to be contained in the Prospectus) to, among other matters, approve the Acquisition;
Rights	the Nil Paid Rights and/or the Fully Paid Rights;
Rights Issue	the proposed issue of the New Ordinary Shares to Qualifying Shareholders by way of Rights on the terms and subject to the conditions that will be set out in the Prospectus and, in the case of Qualifying non-CREST Shareholder only, the Provisional Allotment Letters;

Sale and Purchase Agreement	the agreement dated 27 March 2014 between Babcock and World Helicopters pursuant to which Babcock conditionally agreed to acquire the Avincis Shares;
Scandinavian AirAmbulance	Scandinavian Air Ambulance AB (publ), a company limited by shares incorporated in Sweden under company registration number 556675-8107;
Securities Act	the United States Securities Act of 1933, as amended;
Special Dealing Service	the dealing service being made available by Capita Asset Services to Qualifying non-CREST Shareholders who are individuals with a registered address in the UK or any other jurisdiction within the European Economic Area who wish to sell all of their Nil Paid Rights or to effect a Cashless Take-up;
stock account	an account within a member account in CREST to which a holding of a particular share or other security in CREST is admitted;
UKLA	the UK Listing Authority;
uncertificated	in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in uncertificated form (that is, in CREST) and title to which may be transferred by using CREST;
Underwriters	J.P. Morgan Cazenove, Jefferies, Barclays and HSBC;
Underwriting Agreement	the agreement dated 27 March 2014 between Babcock and the Underwriters pursuant to which the Underwriters have conditionally agreed to underwrite the Rights Issue;
World Helicopters	World Helicopters S.à r.l (company number B112.127), a company incorporated in Luxembourg with its registered office at 51 Avenue John Fitzgerald Kennedy, L-1855 Luxembourg, the holding company of Avincis Topco.

IMPORTANT NOTICE

The defined terms set out in Part XVI of the Prospectus apply in this announcement. This announcement has been issued by and is the sole responsibility of Babcock International Group PLC.

This announcement is not a prospectus but an advertisement and investors should not acquire any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares referred to in this announcement except on the basis of the information contained in the Prospectus. The information contained in this announcement is for background purposes only and does not purport to be full or complete. No reliance may be placed for any purpose on the information contained in this announcement or its accuracy or completeness. This announcement cannot be relied upon for any investment contract or decision. The information in this announcement is subject to change.

A copy of the Prospectus when published will be available from the registered office of Babcock and on Babcock's website at www.babcockinternational.com provided that the Prospectus will not, subject to certain exceptions, be available (whether through the website or otherwise) to Babcock Shareholders in the Excluded Territories or the United States.

Neither the content of Babcock's website nor any website accessible by hyperlinks on Babcock's website is incorporated in, or forms part of, this announcement. The Prospectus will give further details of the New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights being offered pursuant to the Rights Issue.

This announcement is for information purposes only and is not intended to and does not constitute or form part of any offer or invitation to purchase or subscribe for, or any solicitation to purchase or subscribe for, Nil Paid Rights, Fully Paid Rights or New Ordinary Shares or to take up any entitlements to Nil Paid Rights in any jurisdiction in which such an offer or solicitation is unlawful. The information contained in this announcement is not for release, publication or distribution to persons in the United States or any of the Excluded Territories and should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

This announcement does not constitute, or form part of, an offer to sell or the solicitation of an offer to purchase or subscribe for any Company securities in the United States or any of the Excluded Territories. The Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") or under any securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, exercised, resold, renounced, or otherwise transferred, directly or indirectly, in or into the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

There will be no public offering of the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares in the United States or any of the Excluded Territories.

The distribution of this announcement into jurisdictions other than the United Kingdom may be restricted by law, and, therefore, persons into whose possession this announcement comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of such jurisdiction. In particular, subject to certain exceptions, this announcement, the Prospectus and the Provisional Allotment Letter should not be distributed, forwarded to or transmitted in or into the United States or any of the Excluded Territories.

This announcement does not constitute a recommendation concerning the Rights Issue. The price and value of securities can go down as well as up. Past performance is not a guide to future performance. The contents of this announcement are not to be construed as legal, business, financial or tax advice. Each Shareholder or prospective investor should consult his, her or its own legal adviser, business adviser, financial adviser or tax adviser for legal, financial, business or tax advice.

J.P. Morgan Securities plc, which conducts its UK investment banking businesses as J.P. Morgan Cazenove, Jefferies International Limited, Barclays Bank PLC and HSBC Bank plc (together, the "Underwriters"), which are authorised in the UK by the Prudential Regulatory Authority and regulated in the UK by the

Prudential Regulatory Authority and the Financial Conduct Authority, are acting exclusively for Babcock and no one else in connection with the Rights Issue and the Acquisition and will not regard any other person as their respective clients in relation to the Rights Issue and/or the Acquisition and will not be responsible to any person other than Babcock for providing the protections afforded to clients of the Underwriters, nor for providing advice in relation to the Acquisition or any other matters referred to herein.

NM Rothschild & Sons Limited ("Rothschild"), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for Babcock and for no one else in connection with the Rights Issue or the Acquisition and will not be responsible to anyone other than Babcock for providing the protections afforded to clients of Rothschild nor for providing advice in relation to the Rights Issue or the Acquisition.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters under FSMA or the regulatory regime established thereunder, none of the Underwriters accepts any responsibility whatsoever for the contents of this announcement, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with Babcock, the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares, the Acquisition or the Rights Issue. Subject to applicable law, each of the Underwriters accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this announcement or any such statement.

The Underwriters may, in accordance with applicable laws and regulations, engage in transactions in relation to the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Except as required by applicable laws or regulations, the Underwriters do not propose to make any public disclosure in relation to such transactions.

RISKS

The Board and other members of senior management believe that the risks and uncertainties relating to the business of Babcock and Avincis include but are not limited to:

- **Reliance on large contracts with a relatively limited number of major customers, including customers affected by political and public spending decisions, means Babcock and Avincis are exposed to political risks, and damage to reputation**

- **The Babcock Group depends and will continue to depend heavily on UK government customers, particularly the Ministry of Defence, and other UK public sector bodies and agencies, for a substantial proportion of its revenue. Damage to Babcock's reputation with any such customers or damage to the reputation of outsourcing business generally, could lead to loss of business across that customer base and significant economic damage**

- **The operations of Babcock and Avincis carry significant health and safety and environmental risks and the Enlarged Group will be exposed to a greater extent to the risk of losses and reputational damage from safety incidents and accidents**

- **Failure to realise the pipeline of opportunities and to secure rebids can involve significant wasted costs, missed opportunities for growth and loss of revenue**

- **The businesses of Babcock and Avincis depend on their ability to attract, train and retain their senior management and highly skilled employees**

- **Failure to deliver secure IT systems and to combat cyber and other security risks to information and physical sites could adversely affect the ability of Babcock and Avincis to win future contracts and in the event of a breach of security could lead to business disruption and reputational damage**

- **Certain of the businesses of Babcock and Avincis are dependent on national and local governments' policies with regards to maintaining and improving public infrastructure and their attitude to outsourcing of services or activities to the private sector. National and local government policy changes and public spending constraints are potentially material risks for Babcock and Avincis**

- **If Scotland becomes independent, there is likely to be a lengthy period of uncertainty in respect of the new Scottish government's policies and their impact (some of which can be adverse) on the Babcock Group's and, following the Acquisition, the Enlarged Group's Scottish businesses. There may also be a medium term knock-on effect on the nature, timing and scope of the policies and procurement plans of the successor British state, especially in defence terms**

- **There may be a decline in the UK government's defence budget or a change in its defence policy or priorities, which may adversely affect the Babcock Group's business. The UK government is due to undertake a Strategic Defence and Security Review in 2015 after the general election due in 2015 and such review may have material short or longer-term consequences for the Babcock Group's business with the Ministry of Defence**

- **As a contractor with national and local governments, public sector bodies and agencies and government regulated customers, each of Babcock and Avincis is subject to procurement rules and regulations and procurement delays which may increase Babcock and Avincis's bidding, performance and compliance costs and could have an adverse impact on Babcock's and, following the Acquisition, the Enlarged Group's business, financial condition, results of operations or prospects**

FORWARD-LOOKING STATEMENTS

Certain statements contained in this announcement that are not historical facts are "forward looking" statements within the meaning of section 27A of the Securities Act. These forward looking statements are subject to a number of risks and uncertainties, many of which are beyond Babcock's control and all of which are based on the Directors' current beliefs and expectations about future events. In some cases, these forward looking statements can be identified by the use of forward looking terminology, including the terms "targets", "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of Babcock concerning, among other things:

(a) **Babcock's objectives, acquisition and financing strategies, target return, results of operations, financial condition, prospects, capital appreciation of the Ordinary Shares and dividends;**
(b) **trends in the sectors in which Babcock intends to invest; and**
(c) **anticipated financial and other benefits resulting from the Acquisition, and Babcock's plans and objectives following the Acquisition.**

By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward looking statements are not guarantees of future performance. Babcock's actual performance, results of operations, internal rate of return, financial condition, distributions to Babcock Shareholders and the development of its financing strategies may differ materially from the impression created by the forward looking statements contained in this announcement. In addition, even if Babcock's actual performance, results of operations, internal rate of return, financial condition, distributions to Babcock Shareholders and the development of its financing strategies are consistent with the forward looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods.

The list of risks set out in the section "RISKS" above is not exhaustive and there are other factors that may cause the Group's actual results to differ materially from the forward looking statements contained in this announcement.

Forward looking statements contained in this announcement apply only as at the date of this announcement. To the extent required by the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules and other applicable regulations, Babcock will update or revise the information in this announcement. Otherwise, Babcock undertakes no obligation publicly to update or revise any forward looking statement, whether as a result of new information, future developments or otherwise.