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Full year results for the year ended 31 March 2016

25 May 2016

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Agenda

Introduction	**Peter Rogers**
Financial and operational review	**Franco Martinelli**
Growth and visibility	**Archie Bethel**
Questions	**Peter Rogers** **Franco Martinelli** **Archie Bethel** **Bill Tame** **John Davies** **Roger Hardy** **John Howie**

Continuing to deliver

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Delivered organic growth through strong underlying performance	Maintained the order book at record levels, excellent visibility of future revenues	Maintained the bid pipeline at £10.5 billion of opportunities	Continued focus on shareholder value
8% growth in revenue 6% growth in operating profit*	£4.8bn order intake in period 78% of revenue in place for FY17	£5.8bn of new entries into bidding pipeline underpins future growth	8% increase in EPS 9% increase in full year dividend

Key markets remain positive

*at constant exchange rates

Key milestones: FY16

UK

- Defence Support Group (DSG) mobilised, integration on track
- Marine: Vanguard and frigate fleet life extensions starting well
- Magnox contract performing well: scope for growth
- Dounreay decommissioning scope growth
- UK Military Flying Training System: fixed and rotary wing contracts won

International

- MCS: stable despite headwinds
- Ahead of three year plan
- Italy: Rome airport fleet management contract for Alitalia
- Australia: JV supporting Australian ANZAC Class frigates enters new alliance
- Oman: MOU for a naval support facility JV with Oman Drydock Company in Duqm
- Ghana and Mozambique: successful country entries supporting our customer ENI

UK: outsourcing continues

Strategic Defence & Security Review & Comprehensive Spending Review

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UK Government defence commitment: 2% of GDP

Key Outcomes			Babcock capability: Infrastructure & Programmes	Babcock capability: Equipment & Assets	Babcock capability: Technical Training
Sea	Successor (V-LIFEX) Astute (T-boats transitioning)	T26 programme (T23-LIFEX) QEC (2 in-service)	✔	✔	✔
Air	F35 Lightning (2 squadrons, 1 new) Typhoon (7 squadrons, 2 new) Voyager x 14 Maritime patrol aircraft x 9	Apache upgrades Wildcat (6 squadrons overall) Merlin (6 squadrons overall) T2 Hawk	✔	✔	✔
Land	2 x New Strike Brigades (1500 vehicles) Warrior capability upgrades	Armoured Brigades x 2 (with upgrades) Challenger II LIFEX	✔	✔	✔
Staff	Increase in Navy, RAF, Army (training) Increased outsourcing of frontline services	Increase in Navy, RAF, Army reserves Optimised structure	✔	✔	✔
CSR	Civil nuclear and NDA budget confirmed Apprentice Levy introduced	Rail investment confirmed Defence spending reinforced	✔	✔	✔

Group structure

Strong leadership and management

Babcock International Group
Chief Executive, Peter Rogers

Chief Operating Officer, Archie Bethel
Chief Executive from 1 September 2016

Marine and Technology
John Howie

Defence and Security
Roger Hardy

Support Services
John Davies

International
Bill Tame

Group Finance Director
Franco Martinelli

Financial and operational review

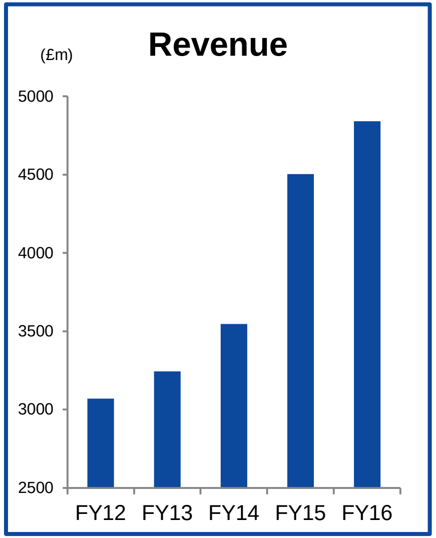
Franco Martinelli - Group Finance Director

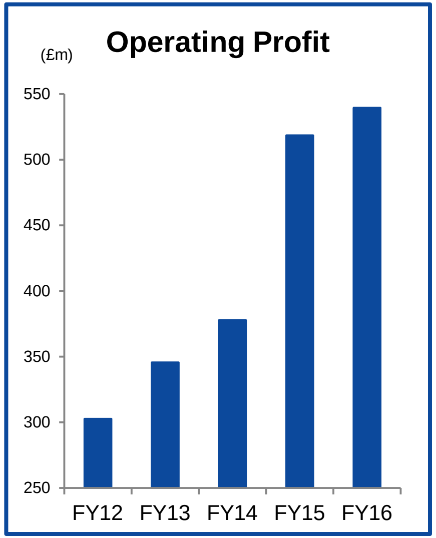
Group financial highlights

Headline
- +8% growth in revenue
- +4% growth in operating profit

Organic growth at constant exchange rates
- +8% growth in revenue
- +6% growth in operating profit

- Another excellent year for Marine and Technology
- Support Services +13% growth*
- Defence and Security better than expected
- International stable at constant exchange rates





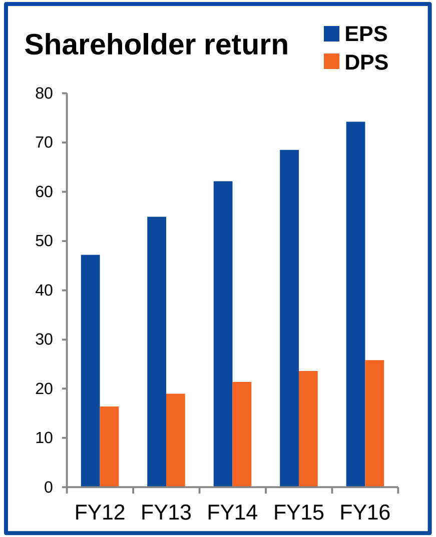
*organic, at constant exchange rates

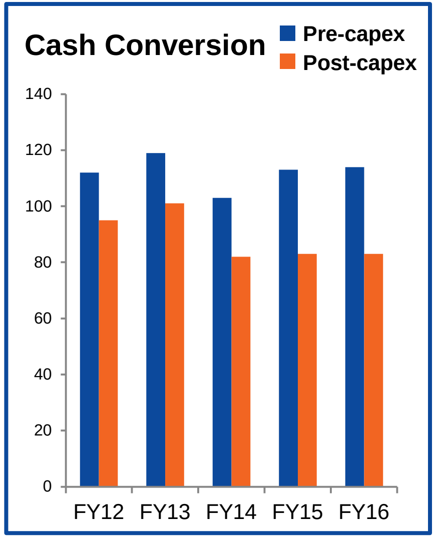
Group financial highlights (continued)

Cash
- cash conversion (pre capex): 114%
- cash conversion (post capex): 83%
- free cash flow yield increasing to: 6.5%

EPS
- +8% growth

Net debt
- reduced £100m (c £160m at constant exchange rates)
- Net debt to EBITDA improved to 2.0 x





Income Statement

Organic growth at constant exchange rates

- +8% revenue - FX effect: **£99m**
- +6% operating profit - FX effect: **£12m**

Margin 11.1%

- Magnox: early stage margin recognition
- South Africa equipment

Profit before tax increased by 10%

- Interest charge reduction: £21m
- FY16 R&D tax credits: operating profit +£7m

Profit after tax increased by 10%

EPS increased 8%

- EPS growth at constant FX +10%

Full year dividend increased 9%

	FY 16 (£m)	FY 15 (£m)	Change
Total revenue	**4,842.1**	4,503.3	+8%
Operating profit	**539.7**	518.7	+4%
Operating margin	***11.1%***	*11.5%*	
Profit before tax	**459.7**	417.7	+10%
Profit after tax	**377.8**	343.4	+10%
EPS	**74.2**	68.5	+8%
Full year dividend	**25.8p**	23.6p	+9%

On an underlying basis

Marine and Technology

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Strong performance
- +9% organic revenue*
- +15% organic operating profit*
- margins improving (partly R&D tax credits)

Good progress on contracts
- Life extension programmes start successfully
  - Vanguard class: began on HMS Vanguard
  - Type 23: work began well on HMS Monmouth
- warship and submarine refits performing well in the year (HMS Vengeance, HMS Talent, HMS Albion, HMCS Corner Brook)
- Australian JV supporting ANZAC class frigates
  - well placed for warship support through new alliance
- Wind farms: E.ON (Rampion), DONG Energy (Hornsea Project One)

FY17 Outlook
- good progress expected despite lower QEC volumes

Marine and Technology		FY 16 (£m)	FY 15 (£m)	Change
Revenue	total (incl. JVs)	**1,695.9**	1,562.5	+9%
	JVs	**21.6**	18.9	+14%
Operating profit	total (incl. JVs)	**198.9**	173.9	+14%
	JVs	**3.0**	1.9	+58%

Operating margin	total (incl. JVs)	**11.7%**	11.1%
	JVs	**13.9%**	10.1%

On an underlying basis

*at constant exchange rates

Defence and Security

Strengthening performance
- +4% organic revenue*
- +2% organic operating profit*
- operating margin stable at 15.6%

Good progress on contracts
- Military Flying Training System mobilising:
  - fixed wing awarded
  - rotary wing awarded
- DSG: all milestones met, awarded further scope, future growth from Warrior, Challenger and Protected Mobility programmes
- vehicle and fleet support contracts performing well
  - Phoenix II: fleet management contract: geographic spread
- renewed army training, maintenance and support services contracts
- awarded 5-year AESAS rotary wing contract (MCS synergy)
- joint ventures performing as expected (AirTanker operational phase)
- strong performance at RSME, construction phase complete

FY17 Outlook
- FY16 contract wins will drive strong performance

Defence and Security		FY 16 (£m)	FY 15 (£m)	Change
Revenue	total (incl. JVs)	**843.1**	812.8	+4%
	JVs	**88.5**	102.2	-13%
Operating profit	total (incl. JVs)	**131.3**	128.7	+2%
	JVs	**45.2**	46.3	-2%

Operating margin	total (incl. JVs)	**15.6%**	15.8%
	JVs	**51.1%**	45.3%

On an underlying basis

*at constant exchange rates

Support Services

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Strong performance
- +13% organic revenue*, driven by full year of Magnox
- +8% organic operating profit*
- margin reflects early stage of Magnox contract

Good progress across the division
- strong performance in nuclear
  - Dounreay scope growth
  - Magnox consolidation phase submitted
- other businesses performing in line with expectations
  - Rail growth offsets power decline in year
  - renewed training contracts (BMW, Network Rail)
  - Worcester education support operational
  - Met Police: current contract extended, new contract start expected 2017
- capability support to international growth opportunities

FY17 Outlook
- low single digit growth due to scheduled Dounreay/Magnox step down

Support Services		FY 16 (£m)	FY 15 (£m)	Change
Revenue	total (incl. JVs)	**1,513.0**	1,316.4	+15%
	JVs	**566.4**	379.3	+49%
Operating profit	total (incl. JVs)	**107.6**	100.9	+7%
	JVs	**19.9**	20.7	-4%

Operating margin	total (incl. JVs)	**7.1%**	7.7%
	JVs	**3.5%**	5.5%

On an underlying basis

**at constant exchange rates*

International

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MCS / International
Revenue: £548m
Organic revenue growth excluding pass-through costs*: -1%

- Emergency Services revenue +5%
- Oil and Gas revenue -13%

Organic operating profit* +5%: £95m

- margin: 17.3% (last year 17.8%)

Significant business developments

- Ambulance Victoria started well
- reduced firefighting activity in Spain
- two-year extension to SASEMAR search and rescue
- country entries: Ghana, Mozambique, Germany
- Rome airport fleet management: Alitalia
- capturing procurement, fleet and engineering efficiencies

FY17 Outlook

- ES growing: new contracts, rebid growth, new countries
- O&G: contract wins offset by reduced flying hours
- EC225 grounding uncertainties
- more international opportunities

International		FY 16 (£m)	FY 15 (£m)	Change
Revenue	total (incl. JVs)	**790.1**	811.4	-3%
	JVs	**7.2**	6.3	+14%
Operating profit	total (incl. JVs)	**107.6**	116.8	-8%
	JVs	**2.2**	2.5	-12%

Operating margin	total (incl. JVs)	**13.6%**	14.4%
	JVs	**30.6%**	39.7%

On an underlying basis

**at constant exchange rates*

In future, as previously guided, International will be presented as one division

International

South Africa

Revenue +6%*; Operating profit -20%*

- margin pressure in equipment

Power generation and transmission: progressing well

- full order book, high bidding activity, market share increasing
- revenue and operating profit increasing

Equipment and trucks: commodity headwinds

- Volvo and DAF market share increasing
- equipment revenues and profits down

FY17 Outlook

- equipment market challenging but stable
- power generation opportunities

International		FY 16 (£m)	FY 15 (£m)	Change
Revenue	total (incl. JVs)	**790.1**	811.4	-3%
	JVs	**7.2**	6.3	+14%
Operating profit	total (incl. JVs)	**107.6**	116.8	-8%
	JVs	**2.2**	2.5	-12%

Operating margin	total (incl. JVs)	**13.6%**	14.4%
	JVs	**30.6%**	39.7%

On an underlying basis

**at constant exchange rates*

In future, as previously guided, International will be presented as one division

Income Statement

Net finance cost: (£80m)
- Group interest reflecting refinancing/cash generation
- JV interest reduction reflects Building Schools for the Future (BSF) JV asset sale
- IAS19 as expected

Tax rate 17.8% this year
- R&D tax credits: grossed-up included in operating profit - no net EPS effect

EPS +8%
- +£7.5m gain on sale of BSF Lewisham (FY15 BSF Greenwich £8.5m)

FY17 Outlook
- Group interest marginal cost 2%
- fixed-wing JV interest +c £2m
- tax rate c 17%

		FY 16 (£m)	FY 15 (£m)	Change
Total revenue		**4,842.1**	4,503.3	+8%
Operating profit		**539.7**	518.7	+4%
Operating margin		***11.1%***	*11.5%*	
Net finance costs	Group	**(53.0)**	(59.0)	
	JV	**(21.9)**	(31.0)	
	IAS 19	**(5.1)**	(11.0)	
	total	**(80.0)**	(101.0)	
Profit before tax		**459.7**	417.7	+10%
Tax		**(81.9)**	(74.3)	
Effective rate		***17.8%***	*17.8%*	
Profit after tax		**377.8**	343.4	+10%
EPS		**74.2**	68.5	+8%
Proposed FY dividend		**25.8p**	23.6p	+9%

On an underlying basis

Cash conversion

Cash conversion ahead of guidance
- 114% pre-capital expenditure
- 83% post-capital expenditure

Working capital ahead of expectations
- significant cash flow driven by contract milestones
- FY17 outflow as per FY15

Provisions
- net release of £1.5m
- full year cash outflow of £25.1m

Net capex 1.7 x depreciation
- lower than expected due to MCS growth and phasing of ERP payments

Outlook FY17
- capex to depreciation c 1.5x
- cash conversion: >100% pre capex, c 80% post capex

Cash flow	FY 16 (£m)	FY 15 (£m)
Operating profit	**468.3**	445.9
Amortisation and depreciation	**86.0**	78.5
Other non-cash items	**15.0**	16.7
Working capital (excluding retirement benefits and provisions)	**(11.5)**	(23.4)
Provisions	**(25.1)**	(14.3)
Operating cash flow	**532.7**	503.4
Cash conversion	***114%***	*113%*
Capital expenditure (net)	**(145.1)**	(135.0)
Operating cash flow after capital expenditure	**387.6**	368.4
Cash conversion after capital expenditure %	***83%***	*83%*
Capital expenditure: Deprecation	**1.7**	1.7

Net cash flow

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Dividends from joint venture increase to £23.0m

Cash tax continues to benefit from pension payments

Pension contributions in excess of income statement: £34.9m
- FY17: c £40m

Free cash flow improving
- pre excess pension payments £310.6m (+16%)
- post excess pension payments £275.7m (+23%)
- free cash flow yield 6.5% (FY15: 5.4%)

Cash flow	FY 16 (£m)	FY 15 (£m)
Operating cash flow after capital expenditure	**387.6**	368.4
Interest paid (net)	**(53.4)**	(73.8)
Taxation	**(46.6)**	(46.1)
Dividends from JVs	**23.0**	19.5
Free cash flow pre pensions	**310.6**	268.0
Pensions contributions in excess of income statement	**(34.9)**	(43.9)
Free cash flow post pensions	**275.7**	224.1
Dividends	**(125.6)**	(117.0)
Other	**(53.0)**	(899.0)
Net cash inflow/outflow	**97.1**	(791.9)
Opening net debt	**(1,325.6)**	(533.7)
Closing net debt	**(1,228.5)**	(1,325.6)

Deleveraging

Net debt reduced by c £100m

- despite FX effect: c £60m
- Net debt to EBITDA ratio improved to 2.0x

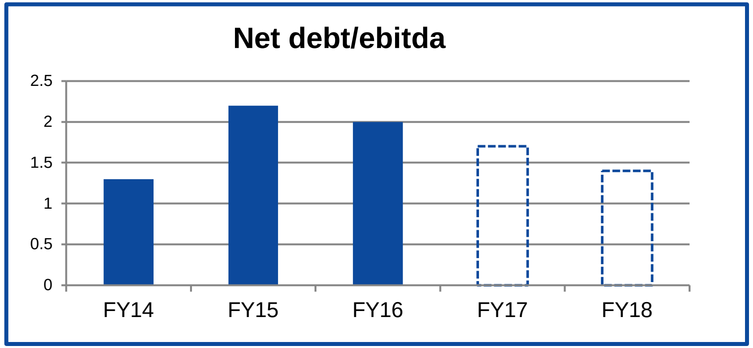
Continued reductions expected net debt/EBITDA

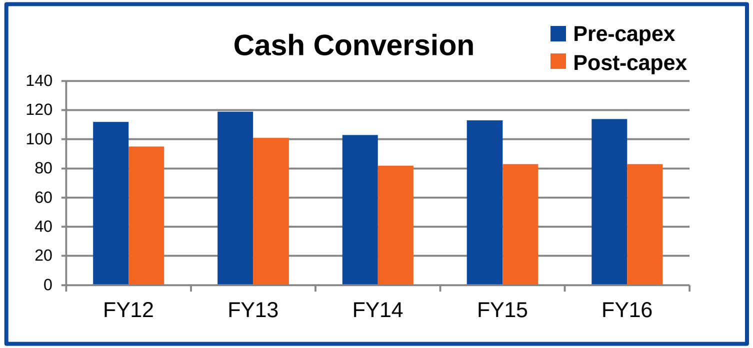
- FY17: c 1.7x*
- FY18: c 1.4x*

Capital expenditure FY17: 1.5x depreciation

- MCS capital expenditure: c £40m pa
- marine infrastructure: c £45m pa

Year end ROIC: 14.2%





**assumes no significant acquisitions*

Accounting: understanding the business

Underlying numbers provide a consistent measure of business performance year to year thereby enabling comparison and understanding of Group financial performance

Underlying adjustments:

- JVs
- IFRIC 12
- acquired intangibles
- free cash flow

Business judgements:

- pensions
- provisions

Accounting: underlying adjustments

31 Mar 16	Continuing operations – statutory (£m)	JV and associates (£m)	IFRIC 12 income (£m)	Amortisation of acquired intangibles (£m)	Tax rate change	Continuing operations – underlying (£m)
Revenue	4,158.4	683.7	-	-	-	4,842.1
Operating profit	352.5	40.8	30.6	115.8	-	539.7
Share of profit from JV	34.6	(10.9)	(29.5)	5.8	-	-
Investment income	1.1	-	(1.1)	-	-	-
Net finance costs	(58.1)	(21.9)	-	-	-	(80.0)
Profit before tax	330.1	8.0	-	121.6	-	459.7
Tax	(39.0)	(8.0)	-	(26.8)	(8.1)	(81.9)
Profit after tax	291.1	-	-	94.8	(8.1)	377.8

- JVs
- IFRIC 12
- amortisation of acquired intangibles
- no exceptional items
- tax rate change

Joint ventures

Joint ventures represent 14% of underlying revenue and 13% of underlying profit

Operational joint ventures increasing

- dividends follow profits – subject to short-term phasing (6 - 12months)
- AirTanker Services dividend received last 2 years

Asset joint ventures stable after sale of BSF assets

- dividends follow after paying down JV debt
- Ascent and AirTanker LTD dividends expected FY18
- fixed wing last of asset JVs (accelerated debt pay down)

Asset JVs		Operational JVs	
Holdfast	74%	Cavendish Fluor Partnership LTD	65%
ALC	50%	Cavendish Dounreay Partnership LTD	50%
Ascent	50%	Naval Ship Management Australia	50%
Helidax	50%	ABC Electrification	33%
AirTanker LTD	13%	AirTanker Services	23%

Total dividends for FY17: £20-25m

	FY 16 (£m)		FY 15 (£m)	
	Asset JV	Operational JV	Asset JV	Operational JV
Operating Profit	**16.0**	**24.7**	18.0	17.2
IFRIC 12	**29.5**	**-**	36.1	-
Total underlying profit	**45.5**	**24.7**	54.1	17.2
Finance costs	**(21.9)**	**0.1**	(31.0)	-
Profit before tax	**23.6**	**24.8**	23.1	17.2
Tax	**(2.0)**	**(5.9)**	(2.1)	(2.8)
Profit after tax	**21.6**	**18.9**	21.0	14.4
Dividends	**4.9**	**18.0**	8.8	10.7

Managing pensions

Full benefits of pension modernisation realised (Devonport, Rosyth, BIGPS)

- capped salaries
- increased employee contributions (salary sacrifice)
- limit pensionable salary increases
- retirement ages aligned to State retirement age
- c £7m benefit, masked by salary sacrifice

Interest / inflation / longevity hedging reduces volatility of deficit

Deficit movements:

- - Devonport valuation
- - Rail 100% liability assumption
- - investment performance below interest unwind
- + deficit contributions
- + discount rate

Outlook

- service costs included in divisional guidance
  - deficit contributions increase: c £5m
- IAS19 interest costs: +£1.3m

	FY 16	FY 15
Assets	**3,824.8**	3,938.0
Obligations	**(4,027.9)**	(4,106.8)
Net deficit	**(203.1)**	(168.8)

Income statement	FY 17	FY 16
Operating profit	**41.1**	**44.7**
Net interest costs	**6.4**	**5.1**
Total	**47.5**	**49.8**

Key assumptions	FY 16	FY 15
Discount rate	**3.5%**	3.4%
Inflation (CPI)	**1.9%**	1.9%

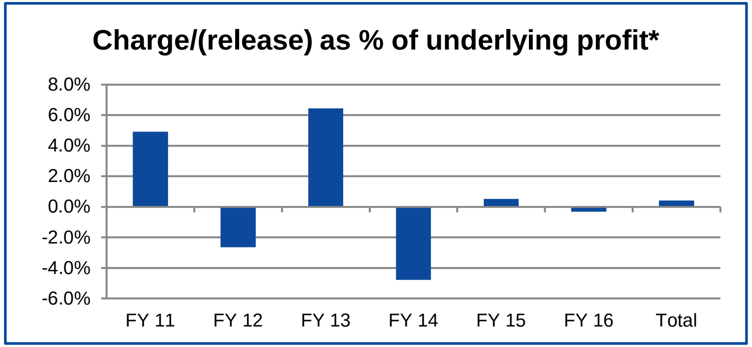
Provisions

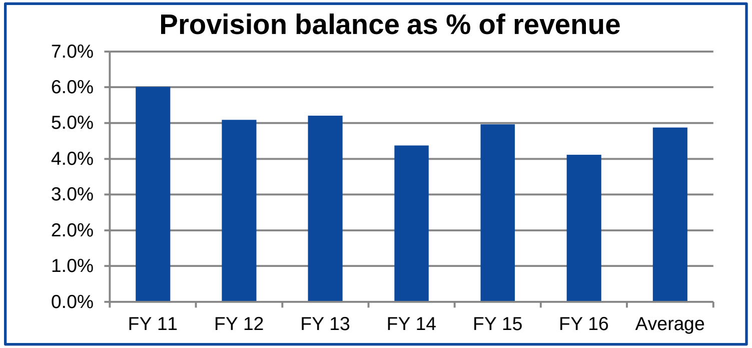
Full year net release £1.5m
- average of last six years underlying operating profit*
  - less than 1% cumulative net charge as a % of underlying profit
  - 6% cash utilisation

Full year: £25.1m cash outflow
- utilised: contracts (gain share and warranty), personnel (taxation and reorganisation), property and assets
- utilisation c £6m pa on Avincis (MCS) operating leases
- FY17 outflow expected to be similar to FY16

Provisions made as required by accounting standards
- contract costs, property, personnel, warranty, onerous leases, acquisition, disposals

Percentage of sales reflects our business as engineering support services company
- lower provision level than typical for an engineering company or manufacturer
- higher provision level than typical for a non-engineering support services business





* excluding JVs , see appendix

Order book and bid pipeline

Order book maintained at £20 billion

£4.8bn order intake in period from:
- new contracts
- organic growth within existing contracts, eg Dounreay, DSG

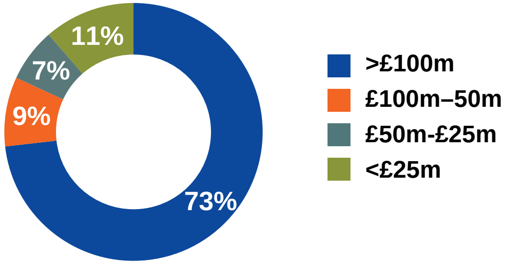
£0.9bn of revenue not through pipeline

Clear revenue visibility
- 78% for FY17
- 53% for FY18

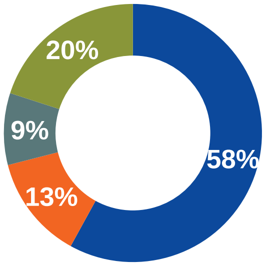
£10.5 billion bid pipeline provides further opportunities for growth
- £5.8 billion of opportunities added to the bid pipeline in the period

Group win rates stable
- new bids over 40%
- rebids over 90%

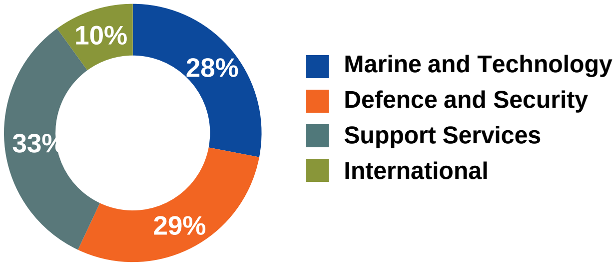
Order book by value



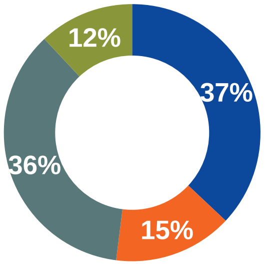
Pipeline by value



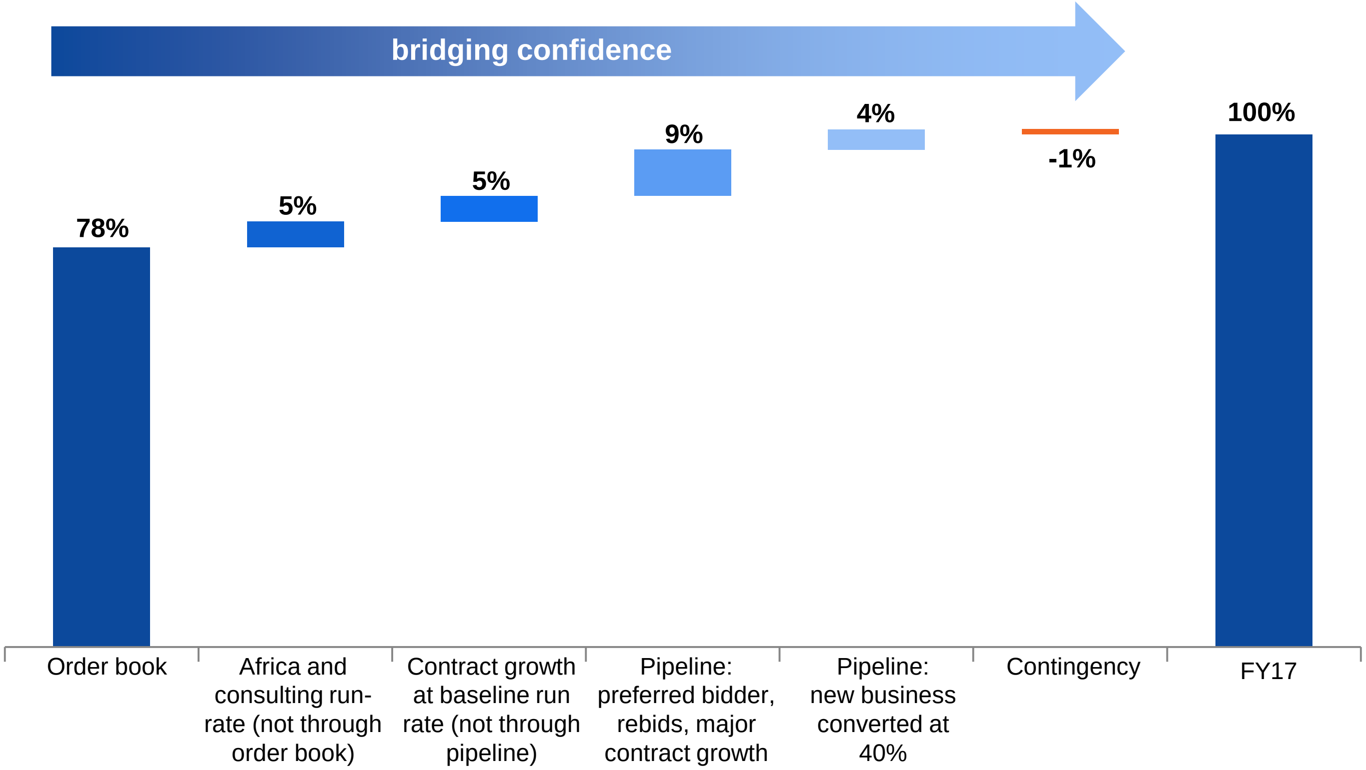
Order book by division



Pipeline by division



Visibility of FY17 revenue growth



Upsides

- growth in existing contracts
- unsighted new business
- growth in Africa/ consulting

Downsides

- phasing
- procurement delays
- EC225

Financial summary FY16

Clear visibility	Order book & pipeline over £30 billion	FY17 revenue visibility 78%	Stable win rates > 40% new bids > 90% rebids
Financial discipline and cash flow	Cash conversion Pre capex 114% Post capex 83%	Net capex to depreciation 1.7x	Net debt to EBITDA 2.0x
Continuing growth*	Revenue + 8%	Operating profit + 6%	Operating margin 11.1%
Shareholder value	EPS + 8%	DPS + 9%	ROIC 14.2%⁺

*organic at constant exchange rates ⁺pre-taxation

Guidance FY17

Headline revenue growth*	**c 7%**
Margins	**broadly stable**
Cash conversion: pre capex / post capex	**> 100% / c 80%**
Capex to depreciation ratio	**1.5x**
Net debt to ebitda ratio	**c 1.7x**
Pensions deficit contributions	**c £40m**

*previously advised headwinds of c £160m (QEC, Dounreay/Magnox) and at current exchange rates

Continued growth and visibility

Archie Bethel, Group Chief Operating Officer

Babcock: trusted to deliver

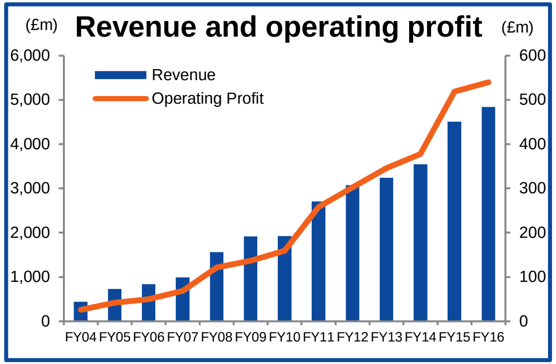
Our strategy
Market leading positions
Public body and blue chip customers
Customer focused long term relationships
Integrated engineering and technical expertise
Balancing risk and reward
Excellent health and safety record

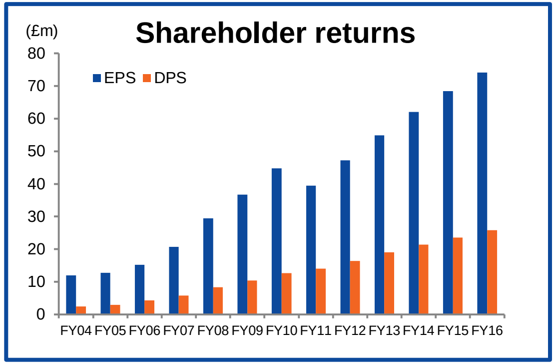
Predictability of future revenues
- long term customer relationships
- aligned with the customer; driving efficiencies;
- £20bn order book

Track record of delivery
- depth and breadth of technical knowledge and expertise
- focus on meeting performance criteria
- over 90% rebid success rate

Continuing growth opportunities
- clear visibility of future opportunities, £10.5bn pipeline
- proven ability to grow existing contracts
- key markets positive; geographic reach
- strong portfolio of successful reference cases
- over 40% new bid success rate

Robust risk management
- effective management of risk from pre-tender and throughout contract life
- demonstrable resilience to macro risk: elections, austerity, SDSR, commodity headwinds





An environment we understand

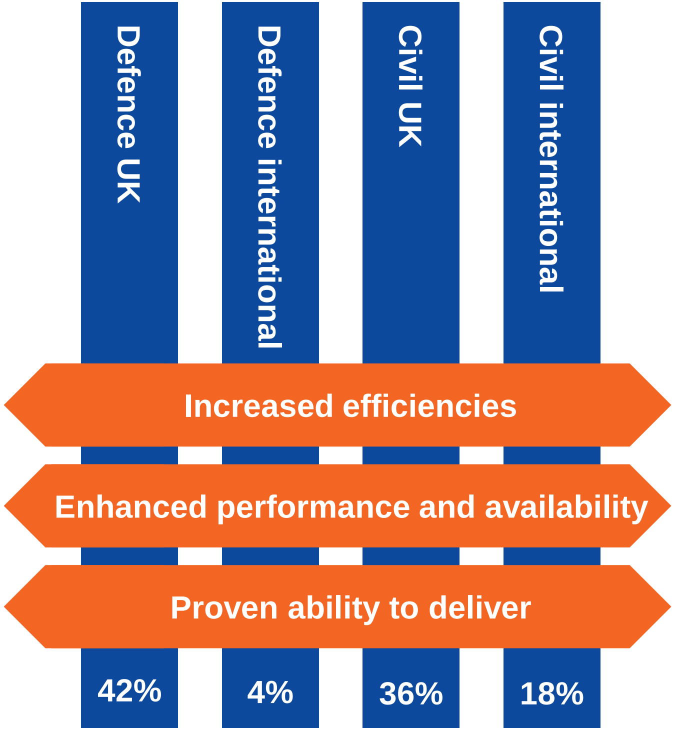
Market dynamics positive for outsourcing

Customers require increased operational and cost efficiency in delivering critical services

- reducing cost without compromising on performance
- increasing operational efficiency and performance enhancements

Benefits delivered through the Babcock business model: understood in the UK, and increasingly internationally

- continuing opportunities coming from UK public and private sectors
- customers focused on cost of managing assets and complex programmes
- wealth of successful reference cases and experience facilitating international opportunities and delivery



Increasingly international

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In year developments

- Italy: Rome airport fleet management contract for Alitalia
- Australia: JV supporting Australian ANZAC Class frigates moving into support alliance
- Oman: MOU for a naval support facility JV with Oman Drydock Company in Duqm
- Ghana and Mozambique: successful country entries supporting our customer ENI

Market focus

- training
- fleet management
- airport services
- nuclear decommissioning
- International naval programmes

Country focus

- Canada
- Australia
- Oman
- Spain
- Germany
- France
- Italy
- Southern Africa

Delivering our strategy

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Growing our UK markets

- defence opportunities: air, land, sea
- civil nuclear sector developments
- vehicle fleet support opportunities
- air sector services growth
- technical training developments
- networks, education, renewable energy

Growing our international markets

- defence in Australia, Canada
- emergency services in Europe
- emergency services in Scandinavia
- ‘wider Babcock’ into European markets
- supporting key customers into new areas: Southern Africa, Oman, UAE

Growing our capabilities and growing our people

- innovative customer focused solutions
- developing scale through integration
- reach-back and sharing best practice
- training, talent development, succession
- employee engagement, diversity, inclusion, Home Safe Everyday

Growth opportunities

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Marine and Technology

UK's largest naval support business and leading provider of through-life engineering support services to the Royal Navy

Short term

- Type 23 and Vanguard refit and life-extension
- Astute class refit
- equipment procurement packages
- Australian warship refit joint venture
- Oman dock opportunities

Medium term

- UK Submarine dismantling
- nuclear infrastructure site modification
- Successor
- Canadian shipbuilding programme
- Australia: sustainment programmes

Defence and Security

UK's leading provider of military training and equipment support

Short term

- MFTS Fixed Wing FY
- Phoenix II vehicle support FY
- MFTS Rotary Wing
- Defence Fire and Rescue
- DSG: Warrior; Challenger; Protected Mobility vehicles

Medium term

- naval training modernisation
- expanded airbase support services
- further support closer to the front line
- International: air and sea training, fleet availability

FY = full year effect

Growth opportunities

Support Services

Key support provider of complex and critical support services to civil customers

Short term

- nuclear decommissioning growth (Dounreay, Magnox & Sellafield)
- fleet management: Metropolitan Police
- technical apprentice training
- airports

Medium term

- nuclear
  - UK new build
  - International (Japan)
- support for international training, airports, fleet management
- blue light services

International

One of the world's top 3 providers of mission-critical operations.
Leading supplier of engineering support services in South Africa

Short term

- MCS: technology, aircraft and scope upgrades for existing customers
- MCS: new geographies/services
- SA: growing equipment and trucks market share (Terex – addition)
- SA: power generation support opportunities

Medium term

- Babcock growth in Europe
- continue to extend Babcock business in Southern Africa
- commodity sector recovery
- fleet management
- training
- airports

Summary: our growth plans in action

Our strategy and business model has created a strong platform for sustained profitable growth

- increased international footprint provides expanded and exciting platform for growth
- further growth opportunities being identified in the UK

Clear visibility of future revenue growth and opportunities further underpins confidence

- existing contracts, new contracts and new customers

Market dynamics remain positive across our key sectors

Financial discipline delivering attractive cash generation, deleveraging and improving returns

Expect to make further good progress in the 2016/17 financial year

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Questions?

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Appendix

Appendix 1

Underlying segmental analysis

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		Revenue (£m)		Operating profit (£m)		Operating margin (%)	
		FY 16	**FY 15**	**FY 16**	**FY 15**	**FY 16**	**FY 15**
Marine and Technology	Group	**1,674.3**	1,543.6	**195.9**	172.0	**11.7%**	11.1%
	JV	**21.6**	18.9	**3.0**	1.9	**13.9%**	10.1%
	total	**1,695.6**	1,562.5	**198.9**	173.9	**11.7%**	11.1%
Defence and Security	Group	**754.6**	710.6	**86.1**	82.4	**11.4%**	11.6%
	JV	**88.5**	102.2	**45.2**	46.3	**51.1%**	45.3%
	total	**843.1**	812.8	**131.3**	128.7	**15.6%**	15.8%
Support Services	Group	**946.6**	937.1	**87.7**	80.2	**9.3%**	8.6%
	JV	**566.4**	379.3	**19.9**	20.7	**3.5%**	5.5%
	total	**1,513.0**	1,316.4	**107.6**	100.9	**7.1%**	7.7%
International	Group	**782.9**	805.1	**105.4**	114.3	**13.5%**	14.2%
	JV	**7.2**	6.3	**2.2**	2.5	**30.6%**	39.7%
	total	**790.1**	811.4	**107.6**	116.8	**13.6%**	14.4%
Unallocated	Group	-	0.2	(5.7)	(1.6)	-	-
Total	Group	**4,158.4**	3,996.6	**469.4**	447.3	**11.3%**	11.2%
	JV	**683.7**	506.7	**70.3**	71.4	**10.3%**	14.1%
	total	**4,842.1**	4,503.3	**539.7**	518.7	**11.1%**	11.5%

Appendix 2

Statutory to underlying reconciliation

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All values in £m		Continuing operations – statutory	JV and associates			IFRIC 12 income	Amortisation of acquired intangibles	Change in tax rate	Continuing operations – underlying
			Revenue and operating profit	Finance costs	Tax				
31 Mar 16	Revenue	**4,158.4**	**683.7**						**4,842.1**
	Operating profit	**352.5**	**40.8**			**30.6**	**115.8**		**539.7**
	Share of profit from JV	**34.6**	**(40.8)**	**21.9**	**8.0**	**(29.5)**	**5.8**		
	Investment income	**1.1**				**(1.1)**			
	Net finance costs	**(58.1)**		**(21.9)**					**(80.0)**
	Profit before tax	**330.1**	**-**	**-**	**8.0**	**-**	**121.6**	**-**	**459.7**
	Tax	**(39.0)**			**(8.0)**	**-**	**(26.8)**	**(8.1)**	**(81.9)**
	Profit after tax	**291.1**	**-**	**-**	**-**	**-**	**94.8**	**(8.1)**	**377.8**
31 Mar 15	Revenue	3,996.6	506.7						4,503.3
	Operating profit	352.3	35.2			37.6	93.6		518.7
	Share of profit from JV	29.4	(35.2)	31.0	5.0	(36.2)	6.0		
	Investment income	1.4				(1.4)			
	Net finance costs	(70.0)		(31.0)					(101.0)
	Profit before tax	313.1	-	-	5.0	-	99.6	-	417.7
	Tax	(46.7)			(5.0)	-	(23.2)	0.6	(74.3)
	Profit after tax	266.4	-	-	-	-	76.4	0.6	343.4

Appendix 3

Exchange rate movements

	Effect on revenue (£m)			Effect on underlying operating profit (£m)			Effect on profit before tax (£m)			Average rates for FY 16
Change	1%	5%	10%	1%	5%	10%	1%	5%	10%	
EUR	3.2	15.8	31.7	0.6	2.9	5.7	0.4	1.8	3.6	1.37
ZAR	2.4	12.2	24.5	0.2	0.9	1.7	0.1	0.7	1.5	20.59
SEK	0.4	2.2	4.3	0.2	0.8	1.6	0.1	0.6	1.1	12.78

Appendix 4
Cash flow reconciliation

	FY 16 £m	FY 15 £m
Cash generated from operations	**490.3**	426.8
Retirement benefit contributions in excess of income statement	**34.9**	43.9
Exceptional items – acquisition costs	**-**	24.2
Profit on disposals of JVs	**7.5**	8.5
Operating cash flow	**532.7**	503.4

Appendix 5
Provisions

	Total/ Average	2016	2015	2014	2013	2012	2011
P&L charged/(released) (£m)	8.5	**(1.5)**	2.3	(15.2)	18.3	(7.7)	12.3
Charge/(release) as % of underlying profit	0.7%	**(0.3%)**	0.5%	(4.8%)	6.4%	(2.7%)	4.9%
Provision balance (£m)		**170.9**	198.3*	145.1	157.8	145.0	154.1
Provision balance as % of revenue		**4.1%**	4.4%*	4.4%	5.2%	5.1%	6.0%
Underlying profit excluding JVs (£m)		**468.3**	445.9	317.2	284.2	290.2	250.1
Movement in provisions per cash flow (£m)		**(25.1)**	(14.3)	(31.3)	(11.5)	(16.0)	(16.8)
Provisions cash flow as % of underlying profit	6%	**5 %**	3%	10%	4%	6%	7%

*Restated post finalised DSG acquisition balance sheet

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