Babcock: The trusted partner

Capital Markets Day
5 June 2019
<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Speaker(s)</th>
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<tbody>
<tr>
<td>10:00</td>
<td><strong>Our strategy</strong></td>
<td>Archie Bethel</td>
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<tr>
<td>10:00</td>
<td><strong>Technology</strong></td>
<td>Jon Hall</td>
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<td>11:00</td>
<td>Break and demos</td>
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<td>11:20</td>
<td><strong>Marine</strong></td>
<td>John Howie</td>
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<td>11:20</td>
<td><strong>Nuclear</strong></td>
<td>Simon Bowen</td>
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<td>12:30</td>
<td>Lunch and demos</td>
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<td>13:15</td>
<td><strong>Land</strong></td>
<td>John Davies</td>
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<td>13:15</td>
<td><strong>Aviation</strong></td>
<td>Roger Hardy</td>
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<td>14:20</td>
<td>Break and demos</td>
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<tr>
<td>14:45</td>
<td><strong>Our Business Model</strong></td>
<td>Franco Martinelli</td>
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<td>14:45</td>
<td>Q&amp;A</td>
<td>John Davies, Roger Hardy</td>
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<td>14:45</td>
<td>Q&amp;A</td>
<td>All management team</td>
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<td>14:45</td>
<td>Concluding remarks</td>
<td>Archie Bethel</td>
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What we do

We are a leading provider of critical, complex engineering services across defence, emergency services and civil nuclear markets in the UK and increasingly international.
Our core strengths

**Technology and expertise**
- Operate in regulated environments
- Deep sector specific expertise
- Platform, system, equipment levels
- Integrate multiple technologies
- Critical, complex engineering
- Risk management

**Owned infrastructure and assets**
- Own strategic infrastructure and assets
- Operate customer owned infrastructure and assets
- Complex engineering facilities
- Over 500 aircraft in our fleet

**Successful operating model**
- Customer focused long term collaborative relationships
- Long term contracts balancing risk and reward
- Output based availability contracts
- Strategic Partnering Programme

Supporting leadership positions and maintaining barriers to entry
We apply these strengths to solve customer challenges

- Help maintain national security and save lives
- Sustain critical and complex assets
- Deliver critical services

- 35,000 highly skilled people worldwide
- Integrated with customers through long term partnerships
- Delivering critical, non-discretionary services
Safety and regulatory compliance are key to what we do

Across the business

• “Home Safe Every Day”
• Industry leading performance
• Our aim is perfection – target zero incidents across the whole group

Nuclear

• Over 30 years experience in highly regulated environment
• Leading nuclear site licence holder
• Shared approach across defence and civil businesses

Aviation

• Highest levels of safety
• Licensed to operate
What performance to expect
<table>
<thead>
<tr>
<th>Evolution of the Group</th>
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<tr>
<td><strong>Focus on key markets</strong></td>
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<tr>
<td>• &lt; 70% from three key markets</td>
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<tr>
<td><strong>Streamline portfolio</strong></td>
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<tr>
<td>• Began focus on key markets</td>
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<td><strong>Increase international</strong></td>
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<td>• &lt; 25% international</td>
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<td><strong>Technology embedded</strong></td>
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<td>• Technology recognised as key driver of business opportunities</td>
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<td><strong>Adapt systems and cost base</strong></td>
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<td>• Replacing multiple legacy IT systems</td>
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<td>• Continuous cost savings programme</td>
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Medium term financial targets

1. Earnings growth of 3% to 4% CAGR
2. Sustain margins at around 11%
3. Increase cash flows each year in line with earnings
4. Generate around £1.4 billion of free cash flow over the next five years
5. Continue to reduce net debt and increase flexibility
6. Improve ROIC from FY20
7. Sustainable dividend
Delivering medium term growth

1. Focus on three markets with strong leadership positions: Defence, Emergency Services and Civil Nuclear

2. Grow revenue from these markets from around 75% of group revenue today to over 85%

3. Develop and operate adjacent businesses for value

4. Grow international revenue from 30% of group revenue today to over 40%

5. Develop multi-sector, multi-market opportunities in Australia, Canada, France and Spain

6. Embed technology as a core growth driver across all four sectors

7. Maintain our historical business win rates
Our markets

Focus markets
- Defence
- Emergency Services
- Civil Nuclear

Adjacent markets
- Energy and Marine
- Oil and Gas aviation
- Rail and Power
- South Africa
- Airports
Our strategy is built on our three focus markets

Markets where we have leadership positions

- Defence
- Emergency Services
- Civil Nuclear
Defence

• **UK defence**
  – # 2 supplier in the UK
  – Ten year £178bn MOD Equipment Plan
  – Growth from long-term programmes
  – Support across Navy, Army, RAF
  – Technology driver of growth

• **International defence**
  – Established presence in Canada, Australia, New Zealand and France
  – Submarine programmes in South Korea and Spain
  – Significant long term growth potential
  – Core member of the UK Defence Growth Partnership
Emergency Services

• Europe
  – #1 aerial firefighting provider
  – #1 aerial medical services provider
  – Established presence in Spain, Portugal, Italy, France and Sweden
  – Entered Norway and Finland
  – Significant opportunities to expand further
  – UK: air ambulance, police, search and rescue, Met Police, London Fire Brigade

• International
  – #1 Australia
  – New entrant in Canada
  – Significant opportunities in North America
Civil Nuclear

- **UK decommissioning - NDA**
  - Large long term programme of decommissioning
  - UK Government forecasts over £100 billion spend spread over 100 years
  - Including Dounreay, Magnox, Sellafield

- **UK decommissioning - EDF**
  - Fleet of aging AGR Nuclear Power stations

- **UK nuclear services**
  - Operational support of infrastructure and plant
  - New build nuclear, Hinkley Point C

- **International**
  - Long term opportunities in Japan, Canada and Spain
Our sector teams
New Nuclear sector

• Creating single Nuclear sector by combining Civil Nuclear and our UK Naval Nuclear businesses

• Benefits:
  – Tighter alignment with our key UK customers
  – Brings together nuclear teams: around 5,000 nuclear SQEP qualified personnel
  – Creating the largest pool of nuclear engineering expertise in the UK
  – Facilitating exchange of know-how and best practice across the two areas
  – Combined approach to nuclear infrastructure across civil and defence
  – Operating under a single regulator, the ONR

• Effective for FY20 onwards

• Restatements included in appendix
New Nuclear sector is aligned with our customers

- **International Naval Defence**
  - Defence Equipment & Support
  - Marine sector
  - Commercial Marine

- **Ministry of Defence**
  - Defence Nuclear Organisation
  - Submarine Delivery Agency
  - Atomic Weapons Establishment
  - Nuclear Decommissioning Authority

- **BEIS**
  - Office for Nuclear Regulation
  - EDF Energy
  - Nuclear power generation

- **Defence Equipment & Support**
  - **Ministry of Defence**
  - **BEIS**

- **Nuclear sector**
  - **Office for Nuclear Regulation**
  - **BEIS**

- **Marine sector**
  - **International Naval Defence**

- **EDF Energy**
  - **Office for Nuclear Regulation**
  - **BEIS**
Our strategy is delivered by sector across our markets

<table>
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<tr>
<th>Sector</th>
<th>Revenue %</th>
<th>Adjacent</th>
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<tr>
<td>Defence</td>
<td>52%</td>
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<td>Emergency services</td>
<td>15%</td>
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<tr>
<td>Civil nuclear</td>
<td>10%</td>
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<tr>
<td>Adjacent</td>
<td>23%</td>
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</tbody>
</table>

- Marine: 21%
- Nuclear: 22%
- Land: 33%
- Aviation: 24%
- Energy and Marine
- Rail and Power
- South Africa
- Airports
- Oil and Gas

1. See appendix slide 170 for detail
Supported by a strong order book and pipeline

Group order book
£17bn

- Marine: 29%
- Nuclear: 19%
- Land: 23%
- Aviation: 29%

Group pipeline
£14bn

- Marine: 34%
- Nuclear: 35%
- Land: 17%
- Aviation: 14%
Significant international presence

- UK
- International

Order book:
- £17bn
  - UK: 80%
  - International: 20%

Pipeline:
- £14bn
  - UK: 58%
  - International: 42%

- 30% of Group revenue today, moving to over 40% in the medium term
- Developing multi-sector, multi-market opportunities in Australia, Canada, France and Spain
- Aviation in Italy, Portugal and Scandinavia
- Marine in South Korea, New Zealand and Oman
- Developing Nuclear presence in Japan
- South African Land business
Our strategy
Our strategy

- Build strategic partnerships with our customers
- Focus on our three key markets
- Maintain and grow UK business
- Expand internationally
- Embed technology across all businesses
- Manage adjacent markets for value
- Relentless focus on operational excellence
Marine

- Grow the UK Defence business as the trusted partner to the Royal Navy
- Build on longevity of key naval programmes both in the UK and internationally
- Grow our technology systems, equipment management and consultancy capabilities in defence and adjacent markets
- Continue to expand overseas in our target markets
- Continued operational excellence to improve returns
• Grow our UK submarine business
  – Trusted partner to the Submarine Delivery Agency
  – In partnership with the Royal Navy, MOD and SDA, continue to develop strategic naval base infrastructure
  – Continue to develop improved in-service and long term sustainment in support of entire submarine fleet
  – Establish FMSP contract as driver of continued productivity improvement and operating excellence
  – Build on longevity of multiple programmes

• Grow our UK civil nuclear business as a trusted partner to NDA and EDF

• Explore and develop international markets for civil nuclear

• Continued operational excellence to improve returns
• **Defence:** become the British Army’s strategic readiness partner
  – Continue to transform DSG
  – Develop training business
  – Build on opportunities in UK Defence
  – Position for international growth in Australia and elsewhere as opportunities arise
  – Continued operational excellence to improve returns

• **Adjacent markets**
  – Manage these businesses for value
  – Continue to pursue attractive opportunities
  – Improve operating efficiency to deliver for customers
Aviation

• Become the largest aerial emergency services provider in the world
  – Grow share in established countries
  – Enter new countries and regions
• Develop the defence business in existing and new international markets
  – Become a recognised world leader in flight training
  – Become a leader in MRO
• Build on our significant pipeline of opportunities
• Continued operational excellence (including optimising our aircraft fleet) to improve returns
Babcock over the medium term and beyond

1. Leader in defence, emergency services and nuclear
2. Long term business with decades of visibility
3. Significant international expansion
4. Increasing technology across all sectors
5. Delivering for our customers
6. Sustainable earnings growth and cash generation
7. Delivering for our shareholders
Technology drives value for the Group

- Creates barriers to entry and improves competitive differentiation
- Supports margins across the business
- Improves revenue growth across sectors
Our technology strategy

- A trusted partner for our customers in the selection, operation and through-life support of their critical assets
- Technical authority to improve customer outcomes
- Innovative data capture, analysis and visualisation technologies
- Adopting new technologies to drive innovation
Technology embedded across our sectors

- Technology deployed across the full asset lifecycle in our sectors
- Applied across the whole asset enterprise: infrastructure, information, supply chain, personnel training
- We apply our deep technical know-how to make complex engineering decisions for, or with, our customers – a trusted technical authority
- We bring our expertise into asset design and selection so customers get more in-service capability and cost-effective outcomes
- Anticipate future technology trends and developments working with customers to make decisions on future asset investments
## Focused investment in innovative technology

### Monitor

- Training effects simulation
- Additive manufacture
- Electric propulsion
- Geo-polymer repair
- Robotics
- High speed vertical lift
- Connectivity
- Distributed ledgers
- Muon tomography
- Virtual reality
- Adaptive welding

### Prioritise

### Act

- Digitally enabled asset management
- Advanced manufacturing
- Remotely piloted and autonomous systems
Example 1: Digitally enabled asset management

- Distinctive Babcock approach to add value in asset operation and maintenance
- Exploiting data and digital technologies in asset support
- Common foundations and open standards maximise customer value
- Gaining advantage from multiple data sources
- Modelling the support chain as well as the asset
- Digital twins (virtual representations of real assets) underpin critical support decisions
Example 2: Advanced manufacturing

- Specialist Babcock capability integral to programme delivery and asset availability
- Our high-integrity manufacturing capability supports core business activities including new programmes and in-service repair and overhaul
- Complex and safety-critical assemblies vital to programme delivery and asset availability
- Strengthens our contribution across the lifecycle
- Important part of our offer to international customers
- Continued investment in advanced and innovative manufacturing technologies
Example 3: Remotely piloted and autonomous systems

- Deliver efficient services in hostile environments
- Multiple applications across our sectors
- Lua drone developed by Babcock in partnership with local companies and academic partners
  - Enhances efficiency of current firefighting operations
  - Reduces risk for crews operating in hazardous situations
- Developing capability that enhances our service today and locks us into a key future technology evolution
Collaborating to acquire and develop technology

- Customer engagement and formation of partnerships to help our contract bidding
- Collaboration with key commercial partners to deliver operational efficiencies
- Engagement with SMEs to pull through novel technologies for our customers
- Long term research partnerships to mature strategic technologies
Summary: our technology strategy

- A trusted partner for our customers in the selection, operation and through-life support of their critical assets
- Technical authority to improve customer outcomes
- Innovative data capture, analysis and visualisation technologies
- Adopting new technologies to drive innovation
Guide to today’s demos

**Marine:**
Digitally enabled support solution

- **iSupport - Type 23 frigates**

- **In-cell decommissioning system**

**Nuclear:**
decommissioning and submarine support

**Aviation:**
Data-led remotely piloted firefighting

- **Lua firefighting and EINFOREX**

- **Electro-mechanical blended learning**

**Land:**
Defence training

- **Defence training**
Break and demos
What we do in Marine

We ensure the UK Royal Navy goes to sea safely by supporting their ships and crew around the world.

We support navies around the world through the delivery of complex ship and submarine sustainment programmes.

We deliver marine technology solutions to improve our customers complex, safety-critical operations.
Video: overview of what we do

Every day at Babcock
Marine overview: significant international presence

Revenue by market
- £1.1bn
- Defence: 24%
- Energy and Marine: 76%

Revenue by geography
- £1.1bn
- UK: 66%
- International: 34%

International revenue by geography
- £370m
- Australia & NZ: 22%
- South Korea: 18%
- North America: 15%
- Spain and Oman: 45%
- UK: 15%
- International: 66%

76%
Marine overview: what we do

**UK Defence**
- Surface Ship Support
- Systems & Equipment
- Training
- Warship deep maintenance – 75% of fleet
- Warship fleet time support
- Design, build, assembly and support of QEC
- Support and upgrade of future platforms
- Supply and integration of OEM technology
- Royal Navy training

**International Defence**
- Submarine Support
- Systems & Equipment
- Training
- 100% Canadian submarine refits
- Australian ship and submarine support
- US-UK Common Missile Compartments
- New Zealand and Oman dockyards
- Weapons handling and launch technology

**Energy and Marine**
- Systems & Equipment
- Complex Assets Support
- Design
- Engineering Consultancy
- Owned intellectual property in complex energy and marine systems
- Through-life support of complex assets
- Marine engineering and platform design
- Advanced manufacturing

**Technology products and solutions into all markets**
- Digitally enabled marine support solutions
- Engineering and technical innovation
- Global support solutions
Solving complex problems for our customers

Design and deliver highly complex programmes

Manage complex assets critical to the customers’ operations

Reduce through life support costs

Upgrade legacy platforms and systems

Enhance platform and system availability

UK Royal Navy
Royal Canadian Navy
US Navy
Royal Navy of Oman
South Korean Navy
Royal Australian Navy
Royal New Zealand Navy

UK MOD Defence Equipment & Support

General Dynamics Electric Boat

DSME

Navantia

Hyundai Heavy Industries Co. Ltd.
Our core strengths

Advanced technology
• Design, integrate and support technology solutions (Babcock’s & OEMs’)
• Upgrade platforms and predict critical support
• Deliver savings and improve availability
• IP in weapons handling and launch systems, gas handling and emissions control systems
• Equipment management and inventory optimisation

Technical expertise
• Long heritage of technical authority and innovative engineering capability
• Delivery of critical programmes for complex assets in highly regulated environments
• World class naval training provider
• c.5,000 technical staff including annual intake of c.200 apprentices and c.70 graduates

Infrastructure and assets
• Supporting naval and commercial marine programmes
• Own Devonport and Rosyth dockyards
• Utilise Esquimalt Dockyard in Victoria, Canada
• Operate Auckland Naval Base in New Zealand
• Duqm Naval Dockyard (JV with Oman Dry Dock)
Core strengths: infrastructure and assets

**Owned infrastructure** in the UK which is critical to the delivery of the Royal Navy’s warship support requirements

**Managed infrastructure** in key international locations to enable delivery of critical warship and submarine sustainment programmes

**Critical assets** that provide specialist manufacturing and support capabilities in the UK and around the world
Core strengths: technical expertise

**Platform life-extension** – a unique capability to extend the life of complex marine assets addressing challenging system and structural issues

**World class training** – delivering critical operator and maintainer training for navies with high pass rates

**Design and engineering** – technical authority and development of innovative design solutions and IP. Engineering solutions for customer problems

**Project and programme management** – delivery of large and complex build and support programmes for marine customers

**Advanced manufacturing** – delivery of high quality, innovative manufacturing solutions for safety critical environments
Case study: expertise in advanced manufacturing

UK-US Common Missile Compartment

Joint programme
- Common Missile Compartment for Dreadnought (UK) and Columbia (US) Class nuclear submarines

Babcock involvement
- Significant position on high profile US Department of Defence-led programme
- Contracted to manufacture an initial 5 missile tube assemblies in 2014 followed by a further 22 in 2016
- Extended for a further 30 in April 2019
- Investment in advanced manufacturing technology and facilities to achieve quality standards
- First supplier to have robotic welding process certified by NAVSEA
- Opportunity for further orders
Core strengths: advanced technology

**Owned intellectual property:** complex systems / equipment design and development – ecoSMRT, Weapons Handling and Launch Systems (WHLS)

**Through-life support of complex equipment:** warships, submarines, weapons and C4ISTAR

**Design, engineering and management services:** supply and integration of OEM technology

**Use of innovative support technologies:** enabling digital asset management (iSupport)

**Advanced manufacturing:** exploiting innovative manufacturing technologies
Case study: digitally-enabled asset management - iSupport

**Maintain the asset**
Execute a scheduled asset maintenance plan

**Engineer the asset**
Manage the design intent and understand the asset’s performance

**Enable the maintainer**
Deliver engineering applications, analytics, field support integrated training

**Digitise the asset**
Optimise design, production and support of the physical asset and equipment performance

**Connect the asset and enterprise**
Acquire real and near time performance data and remote diagnostics
Our markets: overview

Defence
- Surface ships
- Infrastructure
- Complex equipment
- Naval training
- Submarines

Energy and Marine
- Platform design and engineering
- Advanced manufacturing
- Consultancy
- Liquid gas systems
## Our markets and growth potential

<table>
<thead>
<tr>
<th>10-year addressable market</th>
<th>Market share</th>
<th>Our position</th>
<th>Our growth</th>
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<tbody>
<tr>
<td><strong>UK defence</strong></td>
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</table>
| £15bn                      | High         | • Largest support provider to Royal Navy  
• 75% of complex warship support  
• QEC support  
• Design and build of specialist systems and equipment  
• Complex equipment management | • New programmes allow us to grow above the market |
| **International defence**  |              |              |            |
| £11.5bn                    | Low          | • Sole provider Canada submarine maintenance  
• Top 3 position in Australian warship maintenance  
• Sole provider of NZ ships and dockyard support | • Increase share in medium growth market |
| **Energy and Marine**      |              |              |            |
| £12.5bn                    | Low          | • Top 3 global position in liquid gas handling systems  
• Engineering consultancy  
• Cyber security | • Increase share in medium growth market |

We expect to grow our revenue at around 4% CAGR
Defence: significant addressable markets

**UK and global 10-year addressable market**
- £26.5bn (57% UK, 43% International)

**International 10-year addressable market**
- £11.5bn
  - 30% Australia & NZ
  - 22% Other incl. Spain and Oman
  - 38% North America

UK and global markets include Australia & NZ and Oman.
Characteristics of our Marine sector

**UK Defence**
- Long-term integrated output contracts
- Mix of long term, target cost contracts and short-cycle work
- Some customer procurement activity
- Nearly all work competed
- Lower capital intensity than the group
- Sustainable margins achievable, supported by technology

**International Defence**
- Established market-leading positions in niche market segments
- Mix of long term contracts and short cycle work
- Strong long-term customer relationships
- Higher margin than group, supported by technology

**Energy and Marine**
- Global market leading positions in niche gas-handling technologies
- Largely short cycle work
- Mix of equipment sales, marine engineering, design and consultancy
- Higher margin businesses

FY19 revenue split
- UK Defence: £1.1bn (56%)
- International Defence: £1.1bn (24%)
- Energy and Marine: £0.2bn (20%)
Order book and pipeline

Key opportunities

Platforms – new UK Royal Navy platform opportunities

Training – new UK Royal Navy training opportunities

Canada – next phase of the Canadian submarine programme

Australia – future submarine systems and equipment

Australia – high frequency communications systems
Our strategy

- Grow the UK Defence business as the trusted partner to the Royal Navy
- Build on longevity of key naval programmes both in the UK and internationally
- Grow our technology systems, equipment management and consultancy capabilities in Defence and adjacent markets
- Continue to expand overseas in our target markets
- Continued operational excellence to improve returns
Grow the UK defence business

- Deliver on the Type 23 Frigate Life Extension programme
- Set the enterprise transformation agenda (with the MOD) for warship support over the next five years
- Strategic Partnering Programme with MOD
- Launch and deploy a digitally-enabled marine support solution – deployment of iSupport
- Secure our position as the Royal Navy’s primary training partner
- Continue to secure targeted equipment management contracts with the MOD
Build on longevity of UK programmes

<table>
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<tr>
<th>Platform support</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
<th>2050</th>
<th>2060</th>
<th>2070</th>
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<td>Albion Class</td>
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<td>QE Class</td>
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<thead>
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<th>Systems and equipment</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
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<th>2060</th>
<th>2070</th>
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<tr>
<td>Dreadnought WHLS</td>
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<td>US-UK CMC</td>
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<td>Astute WHLS</td>
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<tr>
<td>Astute replacement WHLS</td>
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<td>Type 26 AWHS</td>
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Continue to expand in international target markets

- Secure equipment positions on key international submarine programmes
- Secure equipment positions on international warship programmes
- Secure new strategic HF Communications contracts in Australia and New Zealand
- Secure Canadian VISSC 2 and Victoria Class modernisation programme
- Develop global support proposition for the Royal Navy, Royal Navy of Oman, US Navy, US Military Sealift Command from Duqm and other strategic international locations
Longevity of international programmes

**Platform support**
- ANZAC Class (Aus)
- Canberra Class (Aus)
- Collins Class (Aus)
- NZ fleet Support
- Victoria Class (Can)

**Systems and equipment**
- Jangbogo III (Korea)
- S80 (Spain)
- Attack Class (Aus)
- HF comms (Aus)
- Hunter Class (Aus)
Grow our technology capability

- Digitally-enabled support solutions
- Complex equipment management and inventory optimisation
- Weapons handling and launch equipment
- Liquefied gas cargo handling and fuel supply systems
- Niche segments of the global C4ISTAR market
  - Communications
  - Electronic warfare
  - Command and control systems
  - Maritime autonomous systems
- Future submarine systems
Continued operational excellence

• Health and safety our main priority

• Deliver efficiency and asset availability improvements for our customers

• Output-based contracts allow for strong returns when we deliver for our customers

• Application of unique IP and technological know-how in niche markets drives higher returns

• Investment in technology, infrastructure and training of our people

• Operational efficiency across the sector
Summary

- Leading provider in the UK and internationally
- Increasing focus on technology
- Growth opportunities in the UK and internationally

Medium term target:

Revenue CAGR around 4%
Nuclear
Simon Bowen
Chief Executive
What we do in Nuclear

- We have supported the continuous at sea deterrent for 50 years
- We sustain the entirety of the UK’s submarine fleet
- We take a leading role in all civil nuclear: from new build, operational support to decommissioning
Characteristics of our Nuclear sector

**UK Defence**
- Lead provider of engineering support for UK submarines
- Long term programmes, complex work and target cost
- Owned unique infrastructure
- Sustainable returns achievable
- Capital intense with significant infrastructure (MOD funded)

**Civil Nuclear**
- Mostly long term engineering projects (design, build, commission)
- Complex engineering, programme management and high hazard waste services
- Dounreay, long term contract
- Sustainable returns achievable
- Low capital intensity

1. Excluding Magnox. See appendix slide 170 for splits of reported revenue for FY19
Video: supporting the UK’s continuous at sea deterrent
What we do: UK Defence

**Naval base management**
- Management and operation of two of the three UK Naval Bases (HMNB Clyde and HMNB Devonport). Including;
  - Critical Infrastructure management
  - Logistics and transport
  - Complex waterfront operations
  - Engineering

**Through-life support and life extension**
- Life extension of Vanguard Class
- Fleet support for Vanguard, Trafalgar and Astute Classes
- Technical evaluations for future class support
- Technology upgrades
- Defueling & refuelling, dismantling, design and engineering

**Critical strategic infrastructure**
- Own Devonport and Rosyth Dockyards
- Design and delivery of critical, complex projects on nuclear licenced sites

**AWE**
- Design and build projects
- Decommission redundant plutonium handling facilities
- Waste characterisation and management
What we do: Civil Nuclear

Decommissioning

- Programme and project management
- Accountable for site licenses
- Dounreay restoration

Nuclear services

- Concept design, engineering and build/manufacture of bespoke plant and equipment
- Manufacture of radioactive waste packages
- Operations and maintenance support to site licensees
- Specialist radiological laboratories and radiometrics

New build

- Design and implementation to fit out Hinkley Point C
- Positioning and preparing for the next nuclear UK projects
Nuclear safety and regulatory compliance is vital

- Over 40 years experience as nuclear site-licence holder
- Highly regulated environments
- Multiple regulatory interfaces
- Shared learning across Civil Nuclear and UK Defence businesses
Operate across the UK

- Defence sites
- Cavendish Nuclear hubs

**Customers:**

**Defence**
MOD/DNO: SDA, AWE

**Civil Nuclear**
NDA, EDF, Sellafield, Dounreay, Magnox

- Around 5,000 nuclear trained specialists
- Transferable skills across civil and defence
- Present at every UK nuclear defence location and civil location
Supporting Civil Nuclear at multiple sites across the UK

- **In operation**
  - Hartlepool
  - Heysham 1, 2
  - Torness
  - Chapelcross
  - Sellafield
  - Heysham 1, 2
  - Wylfa
  - Trawsfynydd
  - Berkeley
  - Oldbury
  - Hunterston A, B
  - Hinkley Point A, B, C
  - Dounreay
  - Dungeness A, B
  - Bradwell A, B
  - Sizewell A, B

- **In decommission**
  - Hinkley Point C

- **New build**
  - Sizewell C
  - Hinkley Point C
  - Dungess A, B
  - Bradwell A
  - Trawsfynydd
Our core strengths

Technology and expertise
- Around 5,000 nuclear trained specialists
- Highly skilled programme and project management capability
- Significant embedded nuclear know-how
- Experience of complex nuclear engineering

Infrastructure and assets
- Own Devonport naval dockyard
- Own Rosyth naval dockyard
- Own key infrastructure, e.g. dry docks, nuclear processing, handling and storage facilities
- Operate key infrastructure at Faslane and Coulport, HMNB Clyde

Successful operating model
- Long-term integrated performance based output contracts
- Partnering with our customer – integrated teams
- Programme and project management capability
Core strengths: technology and expertise

- Centre of excellence for nuclear submarine engineering, operations and submariner training for over 30 years
- Transition from Trafalgar Class to Astute Class
- Life extending Vanguard Class in preparation for transition to Dreadnought Class
- Submarine disposal capability at Devonport and Rosyth
- UK leader in radiation hazard management
- Proven technologies for retrieval, processing and packaging a wide range of radioactive waste
- Leading partner in the Nuclear Sector Deal
- Partnering with UK research institutes and universities
## Core strengths: infrastructure and assets

<table>
<thead>
<tr>
<th><strong>Owned</strong></th>
<th><strong>Devonport</strong></th>
<th><strong>Vanguard Class refit facility</strong></th>
<th><strong>Rosyth</strong> submarine dismantling</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Devonport" /></td>
<td><img src="image2.png" alt="Vanguard Class refit facility" /></td>
<td><img src="image3.png" alt="Rosyth submarine dismantling" /></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Managed</strong></th>
<th><strong>Clyde naval base</strong> - Ship-lift</th>
<th><strong>Clyde naval base</strong> - Astute Class jetty</th>
<th><strong>Civil Nuclear</strong> - Dounreay</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image4.png" alt="Clyde naval base - Ship-lift" /></td>
<td><img src="image5.png" alt="Clyde naval base - Astute Class jetty" /></td>
<td><img src="image6.png" alt="Civil Nuclear - Dounreay" /></td>
<td></td>
</tr>
</tbody>
</table>
Our markets

UK Defence

Civil Nuclear
# UK defence market

<table>
<thead>
<tr>
<th>10-year addressable market</th>
<th>Market share</th>
<th>Programmes</th>
<th>Our growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submarine support</td>
<td>High</td>
<td>- Trafalgar</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Astute</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Vanguard</td>
<td>• Grow with the market</td>
</tr>
<tr>
<td>Naval base (Devonport, Clyde)</td>
<td>High</td>
<td>- Clyde</td>
<td>• Grow with the market</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Devonport</td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>New market</td>
<td>- Devonport</td>
<td>• New opportunities</td>
</tr>
<tr>
<td>Submarine defueling and dismantling</td>
<td>New market</td>
<td>- SDP programme</td>
<td>• 20 out of service subs to be dismantled</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• In service submarines</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Future classes</td>
</tr>
<tr>
<td>AWE</td>
<td>Low</td>
<td>- Royal Naval Armament (RNAD) at Coulport</td>
<td>• Continued support</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Plutonium facility decommissioning</td>
<td>• New scope</td>
</tr>
</tbody>
</table>

We expect to grow our revenue at around 4% CAGR
## Civil nuclear market

<table>
<thead>
<tr>
<th>10-year addressable market</th>
<th>Market share</th>
<th>Programmes</th>
<th>Our growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UK decommissioning</strong></td>
<td>£10bn</td>
<td>Low</td>
<td>• Decommissioning framework  &lt;br&gt; • Magnox reactor decommissioning (new)  &lt;br&gt; • EDF reactors decommissioning (new)</td>
</tr>
<tr>
<td><strong>UK new build</strong></td>
<td>£4.5bn</td>
<td>Low</td>
<td>• Hinkley Point C  &lt;br&gt; • Sizewell/Bradwell/Wylfa?  &lt;br&gt; • SMR/AMR</td>
</tr>
<tr>
<td><strong>UK nuclear services</strong></td>
<td>£6bn</td>
<td>Medium</td>
<td>• Pipeline of future Sellafield projects  &lt;br&gt; • EDF reactor extension programme  &lt;br&gt; • Products, services and front end engineering</td>
</tr>
<tr>
<td><strong>International:</strong>  &lt;br&gt; Japan, Canada and Spain</td>
<td>£20bn</td>
<td>New entrant</td>
<td>• Tokai  &lt;br&gt; • Fukushima</td>
</tr>
</tbody>
</table>

**We expect to grow our revenue at around 4% CAGR**
Order book and pipeline

Key opportunities

- **FMSP** – 2020 replacement for MSDF under ToBA
- **Infrastructure** – new naval nuclear infrastructure
- **Submarine Disposal Programme** - 20+ submarines
- **Sellafield** – Nuclear Services project opportunities
- **New build** - Hinkley, Sizewell & Bradwell
- **Magnox/EDF** - reactor decommissioning (20 sites)
Our strategy

• Grow our UK submarine business
  – Trusted partner to the Submarine Delivery Agency
  – In partnership with the Royal Navy, MOD and SDA, continue to develop strategic naval base infrastructure
  – Continue to develop improved in-service and long term sustainment in support of entire submarine fleet
  – Establish FMSP contract as driver of continued productivity improvement and operating excellence
  – Build on longevity of multiple programmes

• Grow our UK civil nuclear business as a trusted partner to NDA and EDF

• Explore and develop international markets for civil nuclear

• Continued operational excellence to improve returns
Grow our UK submarine business

- On track to deliver c.£1bn ToBA savings for MOD over 2010-2025
- Future Maritime Support Programme (FMSP) contract for continuation of submarine in-service support and naval base services at Clyde and Devonport
- Deliver the Vanguard Class life extension programme
- Prepare for Astute Class deep maintenance at Devonport
- Deliver efficiencies through the joint Submarine Availability Improvement programme
- In partnership with the SDA establish an agreed Strategic Nuclear Infrastructure Plan for the Devonport site
- Progress submarine defueling and disposal programme
- Develop opportunities with AWE
Build on longevity of multiple UK submarine programmes

- **Vanguard Class SSBN**
- transition to
- **Dreadnought Class SSBN**
- **Trafalgar Class SSN**
- transition to
- **Astute Class SSN**
- **Astute replacement**
- **Submarine Disposal Programme**
Video: UK civil nuclear

PEOPLE WHO INNOVATE
Grow our UK civil business

- Develop market opportunities:
  - EDF power stations end operation in mid-2020s
  - Magnox reactor decommissioning and continuous reactor dismantling
  - Hinkley Point > Sizewell > Bradwell > Wylfa?
  - Large Sellafield decommissioning opportunities still to come to market

- Grow vertical markets:
  - High-capability manufacturing
  - Front end engineering
  - Radiometric services and labs
Develop international markets for civil nuclear

- Build on UK leadership in high hazard defueling, decommissioning and waste management

- **Japan**: Tokai (Magnox reactor), Fukushima and other BWR/PWR reactors

- **Canada**: decommissioning of shutdown Candu reactors and Chalk River site

- **Spain**: seven operational reactors that will close from 2020
Continued operational excellence

- Health and safety our main priority

- Mainly operate long term, incentive-based contracts structured to deliver both performance and cost benefits to our customers

- Continuous innovation used to deliver projects and win new work

- Improved efficiency through investment in technology, infrastructure and training of our highly skilled people

- Earning sustainable returns by delivering higher levels of asset availability to our customers
Summary

- Position supported by owned critical national infrastructure
- Partnering with MOD on all submarine programmes
- Large opportunities in civil nuclear
- Developing international business over the long term

Medium term target:

Revenue CAGR

around 4%
Lunch and demos
Land sector

Land defence

• Long term contracts and enduring relationships
• Focus on vehicle support
• Focus on military technical training

Adjacent markets

• Long term contracts and enduring relationships
• Continue to pursue selective opportunities
• Improve operating efficiency to deliver for customers and sustain margins
Characteristics of the Land sector

FY19 revenue split

- Defence: 38%
- South Africa: 15%
- Emergency Services: 13%
- Rail and Power: 8%
- Airports: 21%
- Training and other: 5%

£1.6bn

Defence
- Includes significant JVs, all long term contracts
- Non-JV business is focused on vehicle support and training, all through long term contracts
- Non-JV business includes procurement (pass-through)
- Lower capital intensity

Adjacent markets
- Mostly long term contracts (South Africa includes significant short-cycle work)
- Lower margins and capital intensity than Group
- Continue to exit small non-strategic areas
## Our adjacent markets

<table>
<thead>
<tr>
<th>Emergency Services</th>
<th>Rail and Power</th>
<th>Airports</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Long term contracts</td>
<td>• Track renewal and signalling works</td>
<td>• Baggage system operations</td>
<td>• Power generation support,</td>
</tr>
<tr>
<td>• Vehicle and asset management for the London Fire Brigade and Met Police</td>
<td>• CP6/CP7 preferred bidder</td>
<td>• Special projects</td>
<td>engineering and plant hire services</td>
</tr>
<tr>
<td>• Firefighter training</td>
<td>• Leading role in Scotland and Northern Ireland</td>
<td>• UK, Netherlands and Australia</td>
<td>• Mining and construction equipment</td>
</tr>
<tr>
<td></td>
<td>• Leading provider to National Grid</td>
<td></td>
<td>and heavy duty vehicle franchise</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Vehicle and asset management</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>support</td>
</tr>
</tbody>
</table>
What we do in Land

We ensure the British Army can focus on their missions safely by supporting all of their vehicles.

We enable the British Army to do their job with our technical training programmes.

Our people support the British Army by contributing to front line support and joining reserves programmes.
Defence focus

Vehicle support

- Through-life support and fleet management for c.32,000 British Army vehicles from protected mobility vehicles up to main battle tanks
- Procurement activity on behalf of the customer
- Procure, maintain and repair c.2,000 army heavy construction vehicles
- Provide and maintain armoured fighting vehicles at the British Army’s centre of excellence for armoured warfare training

Training

- Largest external provider of training to the British Army
  - c.21,000 soldiers every year
  - c.750,000 training days every year
- Royal School of Military Engineers (RSME)
- Royal Electrical and Mechanical Engineers (REME)
Our core strengths

**Technical expertise**
- Experienced workforce
- Knowledge and understanding of platforms
- Applied technology for asset support
- Data analytics

**Infrastructure and assets**
- Operate all DSG sites
- IT investment to maximise operational excellence

**Operating model**
- Partnering with our customer
- Delivering increased availability for the customer
- Continuous improvement and efficiency
The Land defence market

<table>
<thead>
<tr>
<th>10-year addressable market</th>
<th>Market share</th>
<th>Our position</th>
<th>Our growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK vehicle support</td>
<td>£8bn</td>
<td>High</td>
<td>• DSG&lt;br&gt; • ALC JV</td>
</tr>
<tr>
<td>UK training</td>
<td>£8bn</td>
<td>Medium</td>
<td>• Holdfast (RSME) JV&lt;br&gt; • REME</td>
</tr>
<tr>
<td>International vehicle support</td>
<td>&gt; £20bn</td>
<td>New entrant</td>
<td>• Small position in Australia today</td>
</tr>
<tr>
<td>International training</td>
<td>&gt; £10bn</td>
<td>New entrant</td>
<td>• No position today</td>
</tr>
</tbody>
</table>

We expect to grow our revenue at around 3% CAGR
A long term business

• **Holdfast (RSME):**
  - 30 year contract to 2038

• **Defence Support Group (DSG):**
  - 10 year contract to 2025
  - 5 x one year options
  - Investing in IT systems to develop future efficiencies

• **ALC**
  - 15 year contract to 2021
Land Defence order book and pipeline

- UK vehicle support
- International vehicle support
- Training

Key opportunities

- **DSG scope expansion** – procurement gain share and incremental SSS
- **Miter** - MOD C-vehicles
- **Warrior** - Warrior upgrade programme
- **Challenger II** - overhaul programme
- **Australia** - vehicle engineering

Order book: £3.5bn
- UK: 62%
- International: 38%

Pipeline: £1bn
- UK: 71%
- International: 22%
- Training: 7%
Our strategy

- To become the British Army’s strategic readiness partner
  - Continue to transform DSG
  - Develop training business
  - Build on opportunities in UK Defence

- Position for international growth in Australia and elsewhere as opportunities arise

- Continued operational excellence to improve returns
Continue to transform DSG

- Strategic Partnering Programme
- Joint improvement programmes
- New integrated IT system
- Expand scope and move to gain share on procurement savings
Develop our individual training activities to new military schools

Extend from our strong base in individual training to collective training
Build on opportunities in UK defence

- **DSG scope expansion** - procurement gain share and incremental SSS
- **Warrior** - Warrior upgrade programme
- **Challenger II** - overhaul programme
- **Miter** - MOD C-vehicles
Position for international opportunities

- Credibility gained from support to the British Army
- Build on significant opportunities in Australia
- Position for growth elsewhere as opportunities arise
  - Initial focus on vehicle support in Europe
  - France MCO-T 2025
Continued operational excellence

• Long term nature of our business enables investment to maximise efficiency and effectiveness:
  – c.£15m in new DSG IT systems
  – Enhanced procurement efficiency
  – Improved fleet availability management
  – Training compression: using technology to deliver enhanced training
Summary

• Aim to become the British Army’s strategic readiness partner
• Positioned for international growth as opportunities arise
• Run adjacent markets for value

Medium term target:

Revenue CAGR around 3%
What we do in Aviation

We save lives with our aerial emergency medical and search and rescue services

We protect communities with our firefighting operations

We support the defence of nations by supporting air forces in the UK and overseas
A typical day: video
Health and safety is our priority every day
Our strategy

- Become the largest aerial emergency services provider in the world
  - Grow share in established countries
  - Enter new countries and regions
- Develop the defence business in existing and new international markets
  - Become a recognised world leader in flight training
  - Become a leader in MRO
- Build on our significant pipeline of opportunities
- Drive efficiency across the sector (including optimising our aircraft fleet) to improve returns
Where we operate

- Defence
- Oil & Gas
- Aerial Emergency Services

Canada: 3 Firefighting sites
- 15 sites 9 Firefighting 6 EMS
- 1 defence site

UK: 25 sites 19 EMS 1 SAR
- 3 EMS sites
- 3 O&G sites

Ireland: 28 EMS sites
- 3 EMS sites

France: 39 sites 6 Firefighting 33 EMS
- 6 O&G sites

Spain: 101 sites 50 Firefighting 28 EMS 23 SAR/CP/Surveillance
- 2 O&G sites

Italy: 35 defence sites

Sweden: 9 EMS sites

Finland: 4 EMS sites

Norway: 7 EMS sites

Australia: 8 EMS sites

95 sites
9 Firefighting
30 EMS
24 SAR/CP/Surveillance

9 EMS sites
5 O&G sites

10 EMS sites
5 O&G sites

4 EMS sites
3 O&G sites

2 O&G sites
3 EMS sites
39 sites
6 Firefighting
33 EMS

2 O&G sites
7 EMS sites

5 O&G sites
8 EMS sites

3 EMS sites
3 O&G sites

Our core strengths

Technology and expertise
- Integration of innovative systems
- Skilled workforce delivering complex and critical services in a highly regulated environment

Owned infrastructure and assets
- Second largest fleet in Europe
- Fleet diversity in terms of aircraft type and ownership models

Successful operating model
- Long term contracts
- Strong customer relationships
- Availability and output based contracts
Core strengths: technology and expertise

Aerial emergency medical services:
Innovative technology delivers improved patient outcomes, driving a higher quality and more cost effective service

Aerial firefighting:
Technology enables us to deliver a market leading aerial firefighting system

- Modular medical suites
- Performance Based Navigation
- 24/7 day and night
- Night firefighting
- Real-time telemetry
- Live Command Streaming
- Monitoring
- Prediction & Analytics
- Pylon avoidance
- Night firefighting
- Performance Based Navigation
- Modular medical suites
Core strengths: skilled workforce

• 1,300 pilots
  – Planes and helicopters

• 120 medical staff
  – Doctors, nurses, paramedics

• 3,000 engineering, maintenance and base teams
  – Achieving high aircraft availability levels

• Also flight operations, airworthiness, safety, operational control centres and ground equipment teams
Core strengths: scale of our fleet

- We own or operate a fleet of over 530 aircraft
- Target fleet rationalisation from 37 variants down to 12 variants
Core strengths: fleet management

**Babcock owned fleet**
- Currently does not match contract length, with residual value risk at end of contract

**Customer owned fleet**
- Babcock operate and maintain
- Matches contract length
- Often unusual aircraft requiring niche skills
- No depreciation or residual value risk

**Leased fleet**
- Babcock operate and maintain
- May have power by the hour requirement
- Will mostly match lease to contract length
- No depreciation or residual value risk

**New aircraft requirements**
- Leasing is our current default position
- Leasing less available in military related activities
- Bespoke financing requirements for customers
- Will mostly match lease with contract length
Core strengths: successful operating model

- **Long term contracts**
  - Some key contracts are 10 years (Italian firefighting, Manitoba firefighting, Norway air ambulance, LAFT)
  - Typical length of 3-5 years

- **Integrated into customer set up**
  - Ambulance control centres
  - Four operational control centres

- **Availability and output based contracts**
  - Military training: aircraft available for use on flight line
  - Aerial emergency medical services: availability KPIs
  - Aerial firefighting: aircraft availability

- Many contracts **split** into a monthly fixed standing charge and a variable fixed flying rate

- **Customer satisfaction**: industry-leading rebid win rate (> 80%)
Our focus markets

Aerial Emergency Services

Defence
## Aerial emergency services market

<table>
<thead>
<tr>
<th>10-year addressable market</th>
<th>Market share</th>
<th>Our position</th>
<th>Our growth</th>
</tr>
</thead>
</table>
| Aerial emergency medical services | £7.5bn | Medium | • European regional  
• Norway fixed wing  
• Australia (Victoria, Queensland, South Australia) | • New geographies: Europe, Canada and Australasia |
| Aerial firefighting | £5bn | Medium | • Manitoba regional  
• VVF Canadair Italy  
• Spanish regional | • New geographies: Europe and North America |
| Aerial search and rescue¹ | £3bn | Low | • SASEMAR, Spain  
• UK oil and gas | • New geographies: Europe and Australasia |

We expect to grow our revenue over 5% CAGR

---

1. Includes aerial surveillance
Become largest aerial emergency medical services provider

• **Maintain leading position in home markets:** France, Italy, Spain and Australia

• **Win new business:** contract award in Norway

• **Target growth in new markets:** Europe and Canada

• Supported by innovation, higher quality services than competitors and more cost effective

- Modular medical suites
- Real-time telemetry
- Fixed and rotary wing
- Babcock medical staff
- Performance based navigation
- 24/7 operations
Become the largest aerial firefighting system provider

- **Maintain leading position in home markets:** award of Italian contract was critical

- **Expansion into new geographies:** award of Manitoba contract

- **Fast growing market:** increase in wildfires and public concern

- **Supported by technology enablers:**
  - Night firefighting
  - Drone monitoring
  - Live command streaming
  - Fixed and rotary wing
  - Prediction & analytics
  - Pylon avoidance
Our aviation defence business

**Flying training**
- Flying training school
- Ground and technical training school
- Training aircraft provision and maintenance
- Flight simulator school and maintenance
- Key provider to RAF and L'Armee d'Air

**Aircraft support**
- Fleet planning and asset management
- Rotary wing maintenance
- Fixed wing maintenance
- Quality and airworthiness

**Air station support**
- Security and reception
- Information systems
- Logistics and warehousing
- Ground handling and aircraft refuelling
- Air traffic control
- New build aviation infrastructure

**MRO**
- Engine, avionics and component maintenance
- Design and completions
- Modifications and upgrades

**Joint ventures** are a key feature of the aviation defence market

**Our JVs:** Ascent (flying training) and AirTanker (aircraft support)
Video: example of our military aircraft capability

The Armada Programme
## Aviation defence market

<table>
<thead>
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<th>Market share</th>
<th>Our position</th>
<th>Our growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flying training</td>
<td>£9bn</td>
<td>Medium</td>
<td>• Ascent JV</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• UK Introductory training</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• French Air Force</td>
</tr>
<tr>
<td>Aircraft support</td>
<td>£2bn</td>
<td>Low</td>
<td>• AirTanker JV</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• PC-21</td>
</tr>
<tr>
<td>UK air station support</td>
<td>£1bn</td>
<td>High</td>
<td>• Royal Air Force (HADES)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Royal Navy (AESAS)</td>
</tr>
<tr>
<td>Maintenance, repair and overhaul (MRO)</td>
<td>£3bn</td>
<td>Medium</td>
<td>• Armada, Spain</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Albacete, Spain</td>
</tr>
</tbody>
</table>

We expect to grow our revenue over 5% CAGR
Become a leader in aviation defence training and MRO

• **Build on our strengths:**
  – Over 2,000 employees
  – Full end-to-end offering (pilot trainers, operation and management of aircraft fleets and military bases)

• **Extend geographic reach:**
  – Canada
  – Spain
  – Australia

• **Extend capability:**
  – Aggressor air (“Top Gun”)
Managing our Oil and Gas business for value

• **Actions taken:**
  – Refocused the cost base
  – Rightsized the fleet
  – Repurposing some aircraft for firefighting
  – Plan to sell surplus helicopters

• **Geographic focus:**
  – UK North Sea
  – Nordics
  – Australia

• **Ensuring contracts provide:**
  – Appropriate returns
  – Steady revenue streams
Characteristics of our Aviation sector

Aviation revenue is c.60% international

Aerial emergency services
- Mostly international
- High capital intensity
- Contract length varies (c.5 years, but can be 10 years)
- Fixed standing rates and variable flying rates
- Output contracts with KPI incentives

Defence
- Mostly long term contracts (fixed price)
- Mostly UK today plus French military training
- Includes significant JVs (AirTanker, Ascent)
- Capital intensive within JVs, but mostly non-recourse to Group

Oil and gas
- Long term contracts plus spot work
- Very low margin
- Low growth market
Build on our significant pipeline of opportunities

Key opportunities

Canada – Canada air ambulance
Netherlands – search and rescue
Canada – Canada military training
Spain – Spanish military training
France – military search and rescue
Australia – Australia military maritime surveillance
Drive efficiency across the sector

Today:
Operations in 11 countries¹, each fully independent separate operating companies with multiple certifications, authorisations and back offices

Future:
- Move to reduced number of operating companies
  - UK
  - Consolidated EU
  - North America
  - Australia

- Single back office for UK and EU operations
- Fleet rationalisation: 37 variants down to 12
- Pilot cadre pay and retention
- Centralisation of maintenance hubs
- Front Line First programme
- Procurement savings
- IT savings

¹. Includes North America and Australia
Summary

• Focused on defence and aerial emergency services
• Significant international expansion - become the world’s largest aerial emergency services provider
• Develop the defence business in the UK and internationally
• Run Oil and Gas business for value

Medium term target:

Revenue CAGR around 5%
Franco Martinelli, Group Finance Director

Our business model

Franco Martinelli, Group Finance Director
What I will cover today

- Dynamics of the Group
- Our business model
- Types of contract
- How our business model varies by sector
- Investing to support leadership positions and sustain margins
- Our financial priorities
- Medium term financial targets
Dynamics of the Group

Government / blue chip customers

Complex, in-depth critical work

Long term contracts

Partnerships

Group
Our business model includes long and short cycle work

<table>
<thead>
<tr>
<th>Long term contracts</th>
<th>Short cycle work</th>
<th>Procurement related business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of visibility: High</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Strategic importance: High</td>
<td>Mixed</td>
<td>Enabler</td>
</tr>
<tr>
<td>Margins: &gt; 11%</td>
<td>c. 5%</td>
<td>c. 0% → c. 5%</td>
</tr>
</tbody>
</table>

Our business model includes long and short cycle work, with the following breakdown:

- **Long term contracts**: c. 80%
- **Short cycle work**: c. 15%
- **Procurement related business**: c. 5%
Tight governance over pipeline to maintain margins

Contract governance ensures sustained margins:
- 7 review hurdles in bid process
- Focus on delivery
- Returns on capital
- Margin
- Cash flow
- Contract growth / continuous improvement
- Win c.40% of new bids
- Win c.90% of rebids

Tracking pipeline

Bidding pipeline £14bn
- Decide to bid
- c.70% new bids
- c.30% rebids

Order book £17bn
- As performance obligations on contracts are satisfied
- Large in-contract growth
- Small in-contract growth
- Some short cycle work does not flow through order book
- Contract governance ensures sustained margins:
- Returns on capital
- Margin
- Cash flow
- Contract growth / continuous improvement

Revenue
# Long term contract accounting: a visual summary

<table>
<thead>
<tr>
<th>Bidding</th>
<th>Mobilisation/set-up</th>
<th>Delivery</th>
<th>Option years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bidding starts</td>
<td>Win work</td>
<td>Contract starts</td>
<td>Operational contract starts</td>
</tr>
</tbody>
</table>

### Revenue
- Revenue recognised as performance obligations satisfied over time

### Costs
- **Bid costs expensed**
- Mobilisation costs amortised over life of contract
- Delivery costs expensed
- Mobilisation costs fully amortised

### Margin
- Margin -ve
- Margin low in initial phase
- Scope for margin increase if risks retire
- Higher margin

### Cash
- Cash -ve
- Cash -ve/nil/+ve
- Cash depends on agreed invoice dates and payment terms

**Options Years**

**Opportunities**

**Bidding**

**Key Points**
- Bid costs expensed
- Mobilisation costs amortised over life of contract
- Delivery costs expensed
- Mobilisation costs fully amortised
- Margins and cash flow dynamics

**Challenges**
- Initial phase margins
- Cash flow implications
- Risk management strategies
## Business model varies by sector

<table>
<thead>
<tr>
<th>Contract type</th>
<th>Target cost / shared risk</th>
<th>Fixed price</th>
<th>Capital intensity</th>
<th>FY19 rebased margin¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>![Circle]</td>
<td>![Circle]</td>
<td>![Circle]</td>
<td>13.8%</td>
</tr>
<tr>
<td>Nuclear</td>
<td>![Circle]</td>
<td>![Circle]</td>
<td>![Circle]</td>
<td>11.2%</td>
</tr>
<tr>
<td>Land</td>
<td>![Circle]</td>
<td>![Circle]</td>
<td>![Circle]</td>
<td>7.8%</td>
</tr>
<tr>
<td>Aviation</td>
<td>![Circle]</td>
<td>![Circle]</td>
<td>![Circle]</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

¹. See appendix slide 170 for detail
Capex to support leadership positions and sustain margins

<table>
<thead>
<tr>
<th>Infrastructure</th>
<th>Aircraft</th>
<th>IT</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Protect leadership positions</td>
<td>• Maintain barriers to entry</td>
<td>• Enhance security</td>
</tr>
<tr>
<td>• Some MOD funded</td>
<td>• Scale benefits</td>
<td>• Drive efficiency</td>
</tr>
</tbody>
</table>
Our financial priorities

• Sustain margins at around 11%
• Increase cash flow each year in line with earnings:
  – Manage operating cash flow
  – Generate significant free cash flow
• Continue to reduce net debt and increase flexibility
• Improve ROIC from FY20
• Sustainable dividend
Sustain margins at around 11%

- Track record of delivery

- Group margin supported by order book and contract review process
  - 77% of revenue in FY20
  - 51% in FY21

- Governance over bidding process supports pipeline margin

- Competitors have similar margins
Sustain margins at around 11%

- Continuous cost savings:
  - **Contract performance** – continuous improvement
  - **Procurement**:
    - Capability transformed
    - Strategic partnerships with key suppliers
    - Year on year benefits
    - Category management leverage
  - **IT investment**: ERP, procurement, HR
  - **UK shared services**: finance, procurement, HR

### IT investment:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>Today</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERP systems</td>
<td>Multiple</td>
<td>Two</td>
<td>One</td>
</tr>
<tr>
<td>HR systems</td>
<td>None</td>
<td>One UK</td>
<td>One worldwide</td>
</tr>
<tr>
<td>Procurement systems</td>
<td>Multiple</td>
<td>One UK</td>
<td>One worldwide</td>
</tr>
</tbody>
</table>

### UK shared services:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>Today</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shared services (Finance, HR, Procurement)</td>
<td>None</td>
<td>Two</td>
<td>One</td>
</tr>
</tbody>
</table>
Sustain margins at around 11%

**Across Group**
- Continuous cost savings, systems investment, leverage Group functions, shared services

**Marine**
- Growth in higher margin areas, continuous improvement, delivering for customers

**Nuclear**
- Operational efficiency, growth in nuclear services, delivering for customers

**Land**
- Continue to transform DSG, operational efficiency, gainshare, selective tendering in adjacent markets

**Aviation**
- Restructure, continuous improvement, continue international expansion, fleet management/optimisation, in-house maintenance
Continue to reduce net debt

Net debt:

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15</td>
<td>£1,326m</td>
</tr>
<tr>
<td>FY16</td>
<td>£1,229m</td>
</tr>
<tr>
<td>FY17</td>
<td>£1,174m</td>
</tr>
<tr>
<td>FY18</td>
<td>£1,115m</td>
</tr>
<tr>
<td>FY19</td>
<td>£958m</td>
</tr>
</tbody>
</table>

Past delivery:
- Reduced net debt by £368m over four years
- £1.1bn free cash flow over four years

Continue to focus on cash:
- Bidding process control
- Multi-layered controls
- Zero based budgeting

Generate £1.4bn free cash flow over next five years
Cash generation gives increased flexibility

**Invest in the business**
- Drive growth
  - Disciplined investment criteria to support ROIC
  - Bolt-on M&A if meets hurdles

**De-gear balance sheet**
- Flexibility
  - Well-positioned for any environment
  - Safeguard credit rating
  - Additional funding for pension schemes

**Return capital to shareholders**
- Sustainable dividend
  - Ordinary dividend, well covered by free cash flow
  - De-gearing on track and offers scope for additional returns
### Medium term financial targets: revenue growth

<table>
<thead>
<tr>
<th>Service</th>
<th>Revenue CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>Around 4%</td>
</tr>
<tr>
<td>Nuclear</td>
<td>Around 4%</td>
</tr>
<tr>
<td>Land</td>
<td>Around 3%</td>
</tr>
<tr>
<td>Aviation</td>
<td>Around 5%</td>
</tr>
<tr>
<td>Group</td>
<td>3% to 4%</td>
</tr>
</tbody>
</table>

Note: Medium term targets, excludes impact of Magnox and QEC as detailed on appendix slide 170
Medium term financial targets

- **Sustainable earnings growth:** 3% to 4% CAGR
- **Sustain margins:** Stable at around 11%
- **Increase cash flows:** Generate around £1.4bn free cash flow over five years
- **Reduce net debt:** Increase flexibility
- **Improve ROIC:** From FY20

With a sustainable dividend

Value for shareholders
Concluding remarks

Archie Bethel, Chief Executive
Medium term financial targets

1. Earnings growth of 3% to 4% CAGR
2. Sustain margins at around 11%
3. Increase cash flows each year in line with earnings
4. Generate around £1.4 billion of free cash flow over the next five years
5. Continue to reduce net debt and increase flexibility
6. Improve ROIC from FY20
7. Sustainable dividend
Delivering medium term growth

1. Focus on three markets with strong leadership positions: Defence, Emergency Services and Civil Nuclear

2. Grow revenue from these markets from around 75% of group revenue today to over 85%

3. Develop and operate adjacent businesses for value

4. Grow international revenue from 30% of group revenue today to over 40%

5. Develop multi-sector, multi-market opportunities in Australia, Canada, France and Spain

6. Embed technology as a core growth driver across all four sectors

7. Maintain our historical business win rates
Babcock over the medium term and beyond

1. Leader in defence, emergency services and nuclear
2. Long term business with decades of visibility
3. Significant international expansion
4. Increasing technology across all sectors
5. Delivering for our customers
6. Sustainable earnings growth and cash generation
7. Delivering for our shareholders
Thank you
## Sector restatement: FY19

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>Restatement</th>
<th>FY19 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>1,707</td>
<td>(621)</td>
<td>1,086</td>
</tr>
<tr>
<td>Nuclear</td>
<td>698</td>
<td>621</td>
<td>1,319</td>
</tr>
<tr>
<td>Land</td>
<td>1,620</td>
<td></td>
<td>1,620</td>
</tr>
<tr>
<td>Aviation</td>
<td>1,136</td>
<td></td>
<td>1,136</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,161</td>
<td></td>
<td>5,161</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>Restatement</th>
<th>FY19 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>221</td>
<td>(80)</td>
<td>141</td>
</tr>
<tr>
<td>Nuclear</td>
<td>64</td>
<td>80</td>
<td>144</td>
</tr>
<tr>
<td>Land</td>
<td>146</td>
<td></td>
<td>146</td>
</tr>
<tr>
<td>Aviation</td>
<td>160</td>
<td></td>
<td>160</td>
</tr>
<tr>
<td>Unallocated</td>
<td>(3)</td>
<td></td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>588</td>
<td></td>
<td>588</td>
</tr>
</tbody>
</table>
## Sector restatement: HY19

### Revenue

<table>
<thead>
<tr>
<th>Sector</th>
<th>HY19</th>
<th>Restatement</th>
<th>HY19 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>825</td>
<td>(299)</td>
<td>526</td>
</tr>
<tr>
<td>Nuclear</td>
<td>338</td>
<td>299</td>
<td>637</td>
</tr>
<tr>
<td>Land</td>
<td>798</td>
<td></td>
<td>798</td>
</tr>
<tr>
<td>Aviation</td>
<td>616</td>
<td></td>
<td>616</td>
</tr>
<tr>
<td>Total</td>
<td>2,577</td>
<td></td>
<td>2,577</td>
</tr>
</tbody>
</table>

### Operating profit

<table>
<thead>
<tr>
<th>Sector</th>
<th>HY19</th>
<th>Restatement</th>
<th>HY19 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>108</td>
<td>(32)</td>
<td>76</td>
</tr>
<tr>
<td>Nuclear</td>
<td>30</td>
<td>32</td>
<td>62</td>
</tr>
<tr>
<td>Land</td>
<td>63</td>
<td></td>
<td>63</td>
</tr>
<tr>
<td>Aviation</td>
<td>82</td>
<td></td>
<td>82</td>
</tr>
<tr>
<td>Unallocated</td>
<td>(3)</td>
<td></td>
<td>(3)</td>
</tr>
<tr>
<td>Total</td>
<td>280</td>
<td></td>
<td>280</td>
</tr>
</tbody>
</table>
## Sector restatement detail: FY19 as reported

<table>
<thead>
<tr>
<th></th>
<th>All values in £m</th>
<th>Marine</th>
<th>Nuclear</th>
<th>Land</th>
<th>Aviation</th>
<th>Unallocated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue including joint ventures and associates</td>
<td>1,706.6</td>
<td>698.3</td>
<td>1,620.2</td>
<td>1,135.5</td>
<td>-</td>
<td>-</td>
<td>5,160.6</td>
</tr>
<tr>
<td>Less: joint venture and associates revenue</td>
<td>20.3</td>
<td>465.7</td>
<td>60.2</td>
<td>139.6</td>
<td>-</td>
<td>-</td>
<td>685.8</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td><strong>1,686.3</strong></td>
<td><strong>232.6</strong></td>
<td><strong>1,560.0</strong></td>
<td><strong>995.9</strong></td>
<td>-</td>
<td><strong>-</strong></td>
<td><strong>4,474.8</strong></td>
</tr>
<tr>
<td>Operating profit before share of results of joint ventures and associates</td>
<td>178.6</td>
<td>21.6</td>
<td>42.3</td>
<td>(25.0)</td>
<td>(21.0)</td>
<td>196.5</td>
<td></td>
</tr>
<tr>
<td>Exceptional items</td>
<td>33.6</td>
<td>4.9</td>
<td>17.7</td>
<td>86.4</td>
<td>18.2</td>
<td>160.8</td>
<td></td>
</tr>
<tr>
<td>Acquired intangible amortisation</td>
<td>4.7</td>
<td>0.7</td>
<td>44.1</td>
<td>45.7</td>
<td>-</td>
<td>95.2</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit - Group</strong></td>
<td><strong>216.9</strong></td>
<td><strong>27.2</strong></td>
<td><strong>104.1</strong></td>
<td><strong>107.1</strong></td>
<td><strong>(2.8)</strong></td>
<td><strong>452.5</strong></td>
<td></td>
</tr>
<tr>
<td>IFRIC 12 investment income – Group</td>
<td>0.3</td>
<td>-</td>
<td>1.0</td>
<td>-</td>
<td>-</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>Share of operating profit – joint ventures and associates</td>
<td>3.3</td>
<td>37.0</td>
<td>39.5</td>
<td>27.0</td>
<td>-</td>
<td>106.8</td>
<td></td>
</tr>
<tr>
<td>Share of IFRIC 12 investment income – joint ventures and associates</td>
<td>-</td>
<td>-</td>
<td>1.4</td>
<td>26.4</td>
<td>-</td>
<td>27.8</td>
<td></td>
</tr>
<tr>
<td><strong>Underlying operating profit</strong></td>
<td><strong>220.5</strong></td>
<td><strong>64.2</strong></td>
<td><strong>146.0</strong></td>
<td><strong>160.5</strong></td>
<td><strong>(2.8)</strong></td>
<td><strong>588.4</strong></td>
<td></td>
</tr>
</tbody>
</table>
## Sector restatement detail: FY19 adjustments

<table>
<thead>
<tr>
<th>All values in £m</th>
<th>Marine</th>
<th>Nuclear</th>
<th>Land</th>
<th>Aviation</th>
<th>Unallocated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue including joint ventures and associates</td>
<td>(620.6)</td>
<td>620.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Less: joint venture and associates revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>(620.6)</td>
<td>620.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating profit before share of results of joint ventures and associates</td>
<td>(68.2)</td>
<td>68.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(11.1)</td>
<td>11.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Acquired intangible amortisation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating profit - Group</strong></td>
<td>(79.3)</td>
<td>79.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>IFRIC 12 investment income – Group</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Share of operating profit – joint ventures and associates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Share of IFRIC 12 investment income – joint ventures and associates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Underlying operating profit</strong></td>
<td>(79.3)</td>
<td>79.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
## Sector restatement detail: FY19 restated

<table>
<thead>
<tr>
<th></th>
<th>All values in £m</th>
<th>Marine</th>
<th>Nuclear</th>
<th>Land</th>
<th>Aviation</th>
<th>Unallocated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue including joint ventures and associates</td>
<td>1,086.0</td>
<td>1,318.9</td>
<td>1,620.2</td>
<td>1,135.5</td>
<td>-</td>
<td>5,160.6</td>
<td></td>
</tr>
<tr>
<td>Less: joint venture and associates revenue</td>
<td>20.3</td>
<td>465.7</td>
<td>60.2</td>
<td>139.6</td>
<td>-</td>
<td>685.8</td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td><strong>1,065.7</strong></td>
<td><strong>853.2</strong></td>
<td><strong>1,560.0</strong></td>
<td><strong>995.9</strong></td>
<td>-</td>
<td><strong>4,474.8</strong></td>
<td></td>
</tr>
<tr>
<td>Operating profit before share of results of joint ventures and associates</td>
<td>110.4</td>
<td>89.8</td>
<td>42.3</td>
<td>(25.0)</td>
<td>(21.0)</td>
<td>196.5</td>
<td></td>
</tr>
<tr>
<td>Exceptional items</td>
<td>22.5</td>
<td>16.0</td>
<td>17.7</td>
<td>86.4</td>
<td>18.2</td>
<td>160.8</td>
<td></td>
</tr>
<tr>
<td>Acquired intangible amortisation</td>
<td>4.7</td>
<td>0.7</td>
<td>44.1</td>
<td>45.7</td>
<td>-</td>
<td>95.2</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit - Group</strong></td>
<td><strong>137.6</strong></td>
<td><strong>106.5</strong></td>
<td><strong>104.1</strong></td>
<td><strong>107.1</strong></td>
<td>(2.8)</td>
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## Sector restatement detail: HY19 as reported

<table>
<thead>
<tr>
<th></th>
<th>All values in £m</th>
<th>Marine</th>
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<th>Land</th>
<th>Aviation</th>
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<td>Operating profit before share of results of joint ventures and associates</td>
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<td>6.9</td>
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<td>(5.9)</td>
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<td>23.9</td>
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<tr>
<td><strong>Operating profit - Group</strong></td>
<td><strong>105.4</strong></td>
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<td><strong>59.6</strong></td>
<td>(3.5)</td>
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<tr>
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<td><strong>29.9</strong></td>
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<td><strong>81.6</strong></td>
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### Sector restatement detail: HY19 adjustments

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<th>All values in £m</th>
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<th>Land</th>
<th>Aviation</th>
<th>Unallocated</th>
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<tbody>
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<td><strong>Revenue</strong></td>
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<td>Operating profit before share of results of joint ventures and associates</td>
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<tr>
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<td>(32.2)</td>
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<td>IFRIC 12 investment income – Group</td>
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<td>Share of operating profit – joint ventures and associates</td>
<td>-</td>
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<tr>
<td>Share of IFRIC 12 investment income – joint ventures and associates</td>
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<td>-</td>
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<td><strong>Underlying operating profit</strong></td>
<td>(32.2)</td>
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### Sector restatement detail: HY19 restated

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<tr>
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<th>Land</th>
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<td>322.1</td>
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<td><strong>2,254.8</strong></td>
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<tr>
<td>Operating profit before share of results of joint ventures and associates</td>
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<td>(5.9)</td>
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<tr>
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<td>5.4</td>
<td>7.1</td>
<td>88.1</td>
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<td>120.4</td>
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<tr>
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<td>0.4</td>
<td>23.9</td>
<td>23.4</td>
<td>-</td>
<td>50.0</td>
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<tr>
<td><strong>Operating profit - Group</strong></td>
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<td><strong>44.1</strong></td>
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<td><strong>59.6</strong></td>
<td><strong>(3.5)</strong></td>
<td><strong>219.7</strong></td>
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<td>0.5</td>
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<td>-</td>
<td>0.7</td>
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<tr>
<td>Share of operating profit – joint ventures and associates</td>
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<td>18.0</td>
<td>15.8</td>
<td>8.6</td>
<td>-</td>
<td>45.1</td>
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<tr>
<td>Share of IFRIC 12 investment income – joint ventures and associates</td>
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<td>-</td>
<td>0.7</td>
<td>13.4</td>
<td>-</td>
<td>15.1</td>
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<tr>
<td><strong>Underlying operating profit</strong></td>
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<td><strong>62.1</strong></td>
<td><strong>63.3</strong></td>
<td><strong>81.6</strong></td>
<td><strong>(3.5)</strong></td>
<td><strong>279.6</strong></td>
</tr>
</tbody>
</table>
Rebased FY19: split by sector

<table>
<thead>
<tr>
<th>Revenue:</th>
<th>FY19 restated</th>
<th>Stepdowns</th>
<th>FY19 rebased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>1,086</td>
<td>(80)</td>
<td>1,006</td>
</tr>
<tr>
<td>Nuclear</td>
<td>1,319</td>
<td>(256)</td>
<td>1,063</td>
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<tr>
<td>Land</td>
<td>1,620</td>
<td>(65)</td>
<td>1,555</td>
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<tr>
<td>Aviation</td>
<td>1,136</td>
<td>(9)</td>
<td>1,127</td>
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<tr>
<td>Group</td>
<td>5,161</td>
<td>(410)</td>
<td>4,751</td>
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</table>

<table>
<thead>
<tr>
<th>Operating profit:</th>
<th>FY19 restated</th>
<th>Stepdowns</th>
<th>FY19 rebased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>141</td>
<td>(2)</td>
<td>139</td>
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<tr>
<td>Nuclear</td>
<td>144</td>
<td>(24)</td>
<td>120</td>
</tr>
<tr>
<td>Land</td>
<td>146</td>
<td>(24)</td>
<td>122</td>
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<tr>
<td>Aviation</td>
<td>160</td>
<td>(13)</td>
<td>148</td>
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<tr>
<td>Corporate</td>
<td>(3)</td>
<td>-</td>
<td>(3)</td>
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<tr>
<td>Group</td>
<td>588</td>
<td>(63)</td>
<td>525</td>
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</table>

**Note:** FY21 stepdowns of £135m revenue for Magnox and £30m revenue for QEC with minimal profit impact
FY19: sector splits

Revenue
- Marine: 31%
- Nuclear: 26%
- Land: 31%
- Aviation: 22%

Operating profit
- Marine: 25%
- Nuclear: 24%
- Land: 27%
- Aviation: 24%

Order book
- Marine: 24%
- Nuclear: 19%
- Land: 29%
- Aviation: 23%

Pipeline
- Marine: 34%
- Nuclear: 17%
- Land: 14%
- Aviation: 35%

Revenue: £5.2bn
Operating profit: £588m
Order book: £17bn
Pipeline: £14bn
FY19: market splits

Revenue
- Defence: £5.2bn (52%)
- Emergency services: £1.5bn (10%)
- Civil nuclear: £1bn (15%)
- Adjacent: £230m (10%)

Order book
- Defence: £17bn (67%)
- Emergency services: £1.3bn (13%)
- Civil nuclear: £1.7bn (10%)
- Adjacent: £1bn (10%)

Pipeline
- Defence: £14bn (66%)
- Emergency services: £900m (9%)
- Civil nuclear: £800m (8%)
- Adjacent: £2.4bn (17%)
FY19: international splits

UK vs international
- UK: 70%
- International: 30%

International
- Europe: 43%
- South Africa: 23%
- Australasia: 13%
- North America: 12%
- Rest of world: 9%

1. Splits based on FY19 revenue
Sector detail: Marine

**FY19 revenue split**
- £1.1bn
  - UK Defence: 56%
  - International Defence: 24%
  - Energy and Marine: 20%

**Order book at 31 March 19**
- £3bn
  - Defence: 96%
  - Energy and Marine: 4%

**Pipeline at 31 March 19**
- £5bn
  - Defence: 91%
  - Energy and Marine: 9%

**UK vs international FY19 revenue**
- £1.1bn
  - UK: 66%
  - International: 34%
Sector detail: Nuclear

FY19 revenue\(^1\) split

- £0.9bn (29% Defence, 71% Civil Nuclear)

Order book at 31 March 19

- £4bn (43% Defence, 57% Civil Nuclear)

Pipeline at 31 March 19

- £2bn (63% Defence, 37% Civil Nuclear)

UK vs international FY19 revenue

- £1.3bn (100% Defence)

1. Excluding Magnox. See appendix slide 170 for splits of reported revenue for FY19
Sector detail: Land

FY19 revenue split

- **£1.6bn**: Total revenue
  - Defence: 38%
  - Emergency Services: 8%
  - South Africa: 13%
  - Rail and Power: 21%
  - Airports: 15%
  - Training and other: 5%

Order book at 31 March 19

- **£5bn**: Total order book
  - Defence: 71%
  - Other: 29%

Pipeline at 31 March 19

- **£2bn**: Total pipeline
  - Defence: 70%
  - Other: 30%

UK vs international FY19 revenue

- **£1.6bn**: Total revenue
  - UK: 72%
  - International: 28%
Sector detail: Aviation

**FY19 revenue split**
- £1.1bn
  - Aerial Emergency Services: 47%
  - Defence: 35%
  - Oil and gas: 18%

**Order book at 31 March 19**
- £5bn
  - Aerial Emergency Services: 53%
  - Defence: 3%
  - Oil and gas: 18%

**Pipeline at 31 March 19**
- £5bn
  - Aerial Emergency Services: 71%
  - Defence: 5%
  - Oil and gas: 3%

**UK vs international FY19 revenue**
- £1.1bn
  - UK: 37%
  - International: 63%
## Joint ventures

<table>
<thead>
<tr>
<th>Babcock underlying JVs</th>
<th>Share</th>
<th>Country</th>
<th>Sector</th>
<th>Start</th>
<th>End</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holdfast (RSME)</td>
<td>74%</td>
<td>UK</td>
<td>Land</td>
<td>2008</td>
<td>2038</td>
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<tr>
<td>ALC</td>
<td>50%</td>
<td>UK</td>
<td>Land</td>
<td>2005</td>
<td>2021</td>
</tr>
<tr>
<td>Ascent</td>
<td>50%</td>
<td>UK</td>
<td>Aviation</td>
<td>2016</td>
<td>2033</td>
</tr>
<tr>
<td>AirTanker</td>
<td>13%</td>
<td>UK</td>
<td>Aviation</td>
<td>2008</td>
<td>2035</td>
</tr>
<tr>
<td>Bernhard Schulte</td>
<td>50%</td>
<td>Germany</td>
<td>Marine</td>
<td>2017</td>
<td>2027</td>
</tr>
<tr>
<td>Cavendish Fluor Partnership</td>
<td>65%</td>
<td>UK</td>
<td>Nuclear</td>
<td>2014</td>
<td>2019</td>
</tr>
<tr>
<td>Cavendish Dounreay Partnership</td>
<td>50%</td>
<td>UK</td>
<td>Nuclear</td>
<td>2012</td>
<td>2030s</td>
</tr>
<tr>
<td>Naval Ship Management Australia</td>
<td>50%</td>
<td>Aus</td>
<td>Marine</td>
<td>2018</td>
<td>2024</td>
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<tr>
<td>ABC Electrification</td>
<td>33%</td>
<td>UK</td>
<td>Land</td>
<td>2014</td>
<td>2019</td>
</tr>
<tr>
<td>AirTanker Services</td>
<td>22%</td>
<td>UK</td>
<td>Aviation</td>
<td>2008</td>
<td>2035</td>
</tr>
</tbody>
</table>

### Asset JVs
- Typically assets and debt
- Dividends follow after paying down JV debt
- Typically long-term

### Operational JVs
- Capability partnerships
- No debt
- Dividends follow profits, subject to short-term phasing
# Key contracts: Marine

<table>
<thead>
<tr>
<th>Contract</th>
<th>Customer</th>
<th>Start</th>
<th>End</th>
<th>Country</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSDF</td>
<td>UK MOD</td>
<td>2015</td>
<td>2020</td>
<td>UK</td>
<td>Warship support and surface fleet infrastructure elements of MSDF</td>
</tr>
<tr>
<td>QEC</td>
<td>UK MOD</td>
<td>2005</td>
<td>2019</td>
<td>UK</td>
<td>Build and assembly of QEC aircraft carriers in the Aircraft Carrier Alliance</td>
</tr>
<tr>
<td>VISSC</td>
<td>RCN</td>
<td>2008</td>
<td>2022</td>
<td>Can</td>
<td>Victoria In Service Support Contract to sustain Royal Canadian Navy’s submarine programme</td>
</tr>
<tr>
<td>Canberra Class support</td>
<td>RAN</td>
<td>2019</td>
<td>2025</td>
<td>Aus</td>
<td>NSM JV. 5 year (with 2 x 5 year options) support contract for Royal Australian Navy’s two largest warships, the Canberra Class Landing Helicopter Docks (LHD)s</td>
</tr>
<tr>
<td>NZ Dockyard Management Contract</td>
<td>RNZN</td>
<td>2015</td>
<td>2020</td>
<td>NZ</td>
<td>Management of Devonport Dockyard in Auckland and sustainment of Royal New Zealand Navy fleet</td>
</tr>
<tr>
<td>MSSP</td>
<td>UK MOD</td>
<td>2017</td>
<td>2024</td>
<td>UK</td>
<td>Maritime Systems Support Partner. Technical Authority and equipment support package for QEC and T45 classes</td>
</tr>
<tr>
<td>Defence High Frequency Comms</td>
<td>UK MOD</td>
<td>2003</td>
<td>2021</td>
<td>UK</td>
<td>Operate high tech equipment to transmit and receive messages for UK and NATO forces around the globe</td>
</tr>
<tr>
<td>FOAP Training</td>
<td>UK MOD</td>
<td>2012</td>
<td>2021</td>
<td>UK</td>
<td>Fleet Outsourced Activities Project. Royal Navy training delivery and support, 7-year contract with 2-year extension signed</td>
</tr>
<tr>
<td>WAMA</td>
<td>RAN</td>
<td>2018</td>
<td>2024</td>
<td>Aus</td>
<td>Warship Asset Management Agreement. NSM JV. Sustainment of the ANZAC class frigates</td>
</tr>
</tbody>
</table>
### Key contracts: Nuclear

<table>
<thead>
<tr>
<th>Contract</th>
<th>Customer</th>
<th>Start</th>
<th>End</th>
<th>Country</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magnox</td>
<td>NDA</td>
<td>2014</td>
<td>2019</td>
<td>UK</td>
<td>JV with Fluor, decommissioning, demolition and clean up of 12 Magnox sites</td>
</tr>
<tr>
<td>MSDF</td>
<td>UK MOD</td>
<td>2015</td>
<td>2020</td>
<td>UK</td>
<td>Nuclear submarine, infrastructure and nuclear license site elements of MSDF</td>
</tr>
<tr>
<td>Dounreay</td>
<td>NDA</td>
<td>2012</td>
<td>TBD</td>
<td>UK</td>
<td>JV with CH2M and Aecom, decommissioning, demolition and restoration of Dounreay</td>
</tr>
<tr>
<td>Sellafield Design Services Alliance</td>
<td>Sellafield</td>
<td>2012</td>
<td>2027</td>
<td>UK</td>
<td>15 year framework contract providing design and engineering services to Sellafield</td>
</tr>
<tr>
<td>EDF Energy Lifetime Enterprise Agreement</td>
<td>EDF</td>
<td>2015</td>
<td>2030</td>
<td>UK</td>
<td>Providing fuel route and other services to advanced gas cooled reactors until the last of 7 reactors ceases power generation in c.2030</td>
</tr>
<tr>
<td>AWE decommissioning</td>
<td>AWE</td>
<td>2020</td>
<td>2030</td>
<td>UK</td>
<td>Site manager for decommissioning of AWE's complex</td>
</tr>
<tr>
<td>Hinkley Point C</td>
<td>EDF</td>
<td>2019</td>
<td>2027</td>
<td>UK</td>
<td>JV with Boccard, early contractor involvement studies and early works installation package for Hinkley Point C new build reactor</td>
</tr>
<tr>
<td>Sellafield Glove boxes</td>
<td>Sellafield</td>
<td>2017</td>
<td>2027</td>
<td>UK</td>
<td>Glove Box Systems to process nuclear material</td>
</tr>
</tbody>
</table>
## Key contracts: Land defence

<table>
<thead>
<tr>
<th>Contract</th>
<th>Customer</th>
<th>Start</th>
<th>End</th>
<th>Country</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSME - Royal School of Mechanical Engineers</td>
<td>UK MOD</td>
<td>2008</td>
<td>2038</td>
<td>UK</td>
<td>Provision of training and associated support services Joint venture</td>
</tr>
<tr>
<td>DSG - Defence Support Group</td>
<td>UK MOD</td>
<td>2015</td>
<td>2025</td>
<td>UK</td>
<td>Maintenance, repair and overhaul to over 35,000 vehicles of the British Army’s A and B Vehicle fleets. Option for 5 x 1 year extensions</td>
</tr>
<tr>
<td>Phoenix II – White fleet</td>
<td>UK MOD</td>
<td>2016</td>
<td>2022</td>
<td>UK</td>
<td>Fleet management services for the British Army’s c.15,000 vehicle white fleet, including procurement of vehicles and services</td>
</tr>
<tr>
<td>ALC - Construction vehicle fleet</td>
<td>UK MOD</td>
<td>2005</td>
<td>2021</td>
<td>UK</td>
<td>JV with Amey, C-Vehicle service provision and support for over 2,000 British Army construction vehicles</td>
</tr>
<tr>
<td>DCTT - Defence College of Technical Training</td>
<td>UK MOD</td>
<td>2014</td>
<td>2021</td>
<td>UK</td>
<td>Technical training of electrical mechanical engineering</td>
</tr>
<tr>
<td>TMASS II - Training Maintenance and Support Services</td>
<td>UK MOD</td>
<td>2016</td>
<td>2022</td>
<td>UK</td>
<td>Training maintenance and support provider to British Army Armoured Centre</td>
</tr>
</tbody>
</table>
## Key contracts: Land civil

<table>
<thead>
<tr>
<th>Contract</th>
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<th>End</th>
<th>Country</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eskom Boiler Service</td>
<td>Eskom</td>
<td>2011</td>
<td>2019</td>
<td>South Africa</td>
<td>Maintenance and generation support contract for 5 power stations</td>
</tr>
<tr>
<td>London Fire Brigade (LFB) Fleet management</td>
<td>LFB</td>
<td>2014</td>
<td>2035</td>
<td>UK</td>
<td>Technical fleet management of the LFBs 430 vehicles and around 45,000 pieces of firefighting equipment</td>
</tr>
<tr>
<td>London Fire Brigade Training</td>
<td>LFB</td>
<td>2012</td>
<td>2037</td>
<td>UK</td>
<td>Delivering over 200 training programmes to c 5,000 firefighters from two new state of the art facilities, 97,000 delegate days of training pa</td>
</tr>
<tr>
<td>London Metropolitan Police (LMP) Service Fleet management</td>
<td>LMP</td>
<td>2006</td>
<td>2019</td>
<td>UK</td>
<td>Managing and overseeing the repair and maintenance for the fleet, and specialist equipment, including short and medium term rental requirements, 12-year contract with extension signed</td>
</tr>
<tr>
<td>Control Period 6&amp;7 (preferred bidder)</td>
<td>Network Rail</td>
<td>2019</td>
<td>2029</td>
<td>UK</td>
<td>Awarded preferred bidder for track and signalling work, phases 6&amp;7, Scottish regions</td>
</tr>
<tr>
<td>Signalling and Telecoms</td>
<td>Translink</td>
<td>2017</td>
<td>2024</td>
<td>UK</td>
<td>Signalling and Telecoms framework in Northern Ireland</td>
</tr>
</tbody>
</table>
## Key contracts: Aviation

<table>
<thead>
<tr>
<th>Contract</th>
<th>Customer</th>
<th>Start</th>
<th>End</th>
<th>Country</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fomedec</td>
<td>French DOD</td>
<td>2017</td>
<td>2028</td>
<td>France</td>
<td>Provision of aircraft, training and maintenance to French Air Force</td>
</tr>
<tr>
<td>HADES</td>
<td>UK MOD</td>
<td>2018</td>
<td>2023</td>
<td>UK</td>
<td>Air station support. Provision of engineering services and technical aviation services to 17 air stations across the UK</td>
</tr>
<tr>
<td>Victoria Air Ambulance</td>
<td>Victoria Gov</td>
<td>2016</td>
<td>2026</td>
<td>Australia</td>
<td>HEMS contract, 6 specially configured AW139 aircraft</td>
</tr>
<tr>
<td>Norwegian FW EMS</td>
<td>Norwegian Government</td>
<td>2019</td>
<td>2025</td>
<td>Norway</td>
<td>Provision and fully operational EMS service of 11 specialist fixed-wing aircraft from summer 2019. Option to extend by further 5 years</td>
</tr>
<tr>
<td>Italy Firefighting</td>
<td>Ministry of Interior</td>
<td>2018</td>
<td>2022</td>
<td>Italy</td>
<td>Operation and maintenance of 19 Government owned CL-415 Canadair aircraft. Option to extend by further 4 years</td>
</tr>
<tr>
<td>Salvamento Sasemar</td>
<td>Spanish Coastguard</td>
<td>2018</td>
<td>2022</td>
<td>Spain</td>
<td>Spanish coastguard search and rescue contract, 14 aircraft, 13 bases, 1,250 missions annually, 25 year relationship with customer, ~30 staff. Option to extend by further 2 years</td>
</tr>
<tr>
<td>Manitoba - Fire Fighting</td>
<td>Manitoba state government</td>
<td>2018</td>
<td>2028</td>
<td>Canada</td>
<td>Market entry FF contract in Canada operated under Babcock Canada with Babcock owned surveillance aircraft and customer owned Canadair water bombers. Option to extend by further 3 years</td>
</tr>
<tr>
<td>JV - UK Military Flying Training System</td>
<td>UK MOD</td>
<td>2008</td>
<td>2033</td>
<td>UK</td>
<td>Ascent 50/50 JV with Lockheed Martin - rotary and fixed-wing flight training</td>
</tr>
<tr>
<td>JV - AirTanker</td>
<td>UK MOD</td>
<td>2008</td>
<td>2035</td>
<td>UK</td>
<td>JV with Babcock, Thales, RR, Cobham and Airbus. infrastructure that supports air-to-air refueling and air-transport operations</td>
</tr>
</tbody>
</table>