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Half year results

for the six months ended 30 September 2019

20 November 2019

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Key messages

Half year in line with expectations

Full year guidance confirmed

Operational momentum increasing

Market update: UK Defence

- 2.6% (£2.2bn) growth in MOD budget for next year
- SDSR expected in 2020
- Higher activity levels supporting Royal Navy
- Transition to Future Maritime Support Programme
- Naval infrastructure programmes starting
- Continued expansion of training programmes and use of external providers
- Development of army equipment programmes including new and upgraded armoured vehicles

Market update: International Defence

- Defence spend increasing in our target markets
- Strong equipment market for our defence technology businesses
- **Australia:** growth in defence budget, development of Attack-class submarine and frigate programmes
- **Canada:** investment in submarine support, new pilot training programmes and construction of new naval platforms providing additional opportunities
- **France:** defence equipment support and pilot training programmes developing
- New submarine programmes developing in a number of countries providing equipment supply opportunities

Market update: Emergency Services

UK

- **Met Police training** – c.£300m contract announced today
- Continuing investment and expansion in air ambulance services

Europe

- Private provision continues to grow across Europe
- New regulations causing temporary delays in Italy and Spain
- Potential to expand presence in the Nordic countries

International

- Significant opportunities in North America following entry into Manitoba, Canada
- Opportunity to build on solid positions in Australia and New Zealand

Market update: Civil Nuclear

UK decommissioning

- Magnox sites handed back to NDA
- New supply chain model being developed by Magnox Ltd
- New opportunities emerging at Sellafield and AWE
- Longer term opportunities developing to support decommissioning of EDF power stations

UK nuclear services

- Support to EDF around fuelling of their AGR reactor fleet
- New project opportunities developing at Sellafield, Dounreay and AWE but constrained by funding
- New build developing: MEH Alliance Hinkley Point
- Uncertainty surrounding further planned new build projects

International

- Long term opportunities in Japan, Canada and Spain

Financial review

Franco Martinelli
Group Finance Director

On track for full year guidance

Revenue **£2.46bn**

> Full year **c.£4.9bn**

Operating profit[1] **£251m**

> Full year[2] **£540m to £560m**

Free cash flow (post-pension payments)[3] **£7m**

> Full year **> £250m**

Net debt (excl. IFRS 16 debt) of **£1,138m**

> **De-gearing** in H2

Underlying basic EPS **32.5p**

Interim dividend **7.2p**

1. On an IFRS 16 basis
2. Includes a c.£25 million positive impact from the adoption of IFRS 16
3. Pension payments in excess of income statement of £37 million

Underlying results in line with expectations

	HY20 (£m) IFRS 16 basis*	HY19 (£m) Pre-IFRS 16 basis*
Revenue	**2,458**	2,577
Revenue excl. step downs[2]	***2,458***	*2,458*
Operating profit*	**251**	280
Operating profit excl. step downs and pre-IFRS 16[2]	***238***	*243*
Operating margin	**10.2%**	10.9%
Profit before tax	**203**	246
Basic EPS	**32.5p**	39.9p
Interim dividend	**7.2p**	7.1p

* The adoption of IFRS 16 increases operating profit by £12.7 million in the period

- Revenue and operating profit reflects previously communicated step downs
- Margin broadly stable excluding step downs and IFRS 16 impact
- Interim dividend increased to 7.2p

All results throughout this presentation are shown on an underlying basis unless otherwise stated and all percentages are calculated on non-rounded figures

1. At constant exchange rates, on a pre-IFRS 16 basis for a like-for-like comparison
2. Results for this half year include the impact of previously communicated step downs. The revenue step down in the first half was £119 million and the operating profit step down was £37 million. To aid understanding, the impact of these step downs has been included in the table above as an adjustment to the prior period. Full details in appendix slide 39.

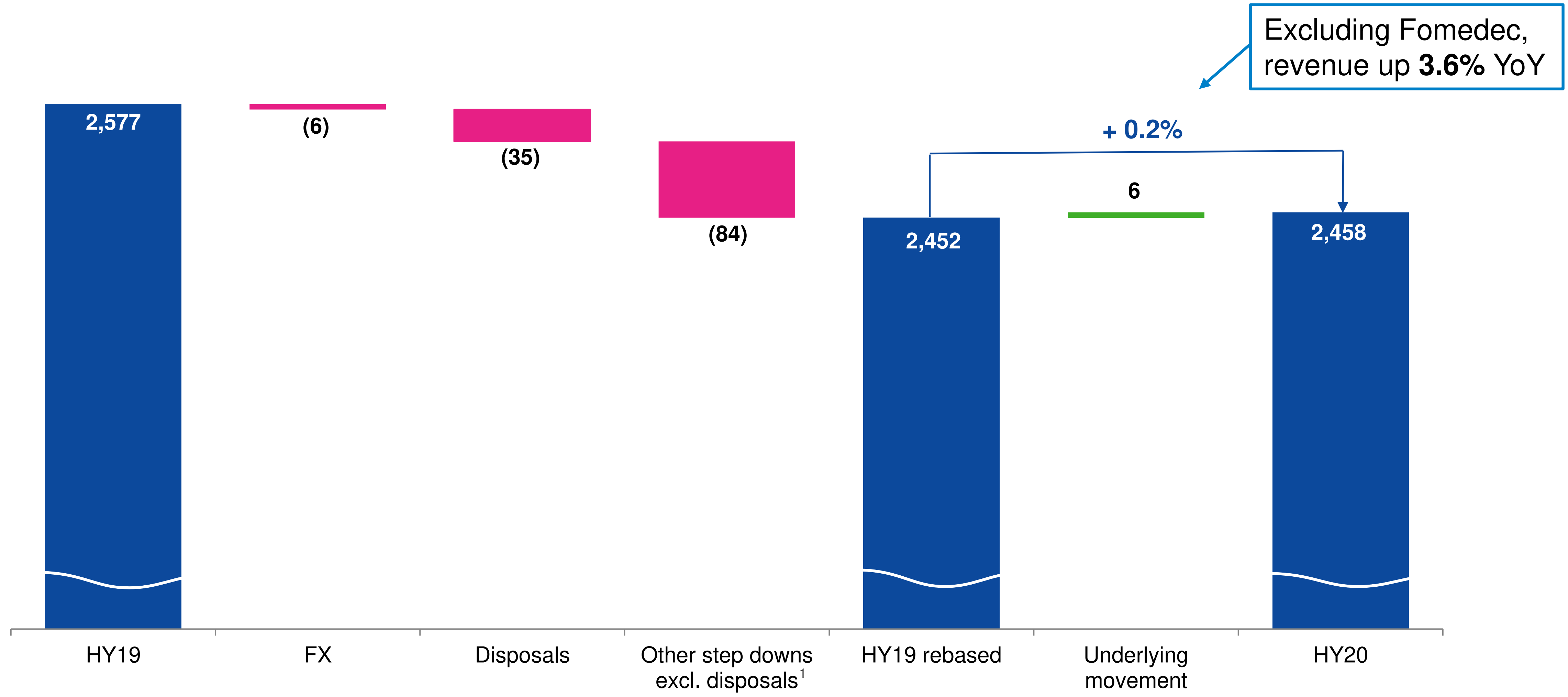
IFRS 16 adoption: minimal impact to EPS

	HY20 pre-IFRS 16	IFRS 16 adjustment	HY20 post-IFRS 16
Underlying operating profit (£m)	237.9	12.7	**250.6**
Net interest (£m)	(35.7)	(12.4)	**(48.1)**
Underlying profit before tax (£m)	202.2	0.3	**202.5**
Tax (£m)	(36.4)	-	**(36.4)**
Underlying profit after tax (£m)	165.8	0.3	**166.1**
EPS	32.5p	-	**32.5p**

- IFRS 16 impact as expected
- Adoption: modified retrospective transition approach
- Full year effect is twice half year effect and now reflected in operating profit guidance

Revenue growth excl. Fomedec

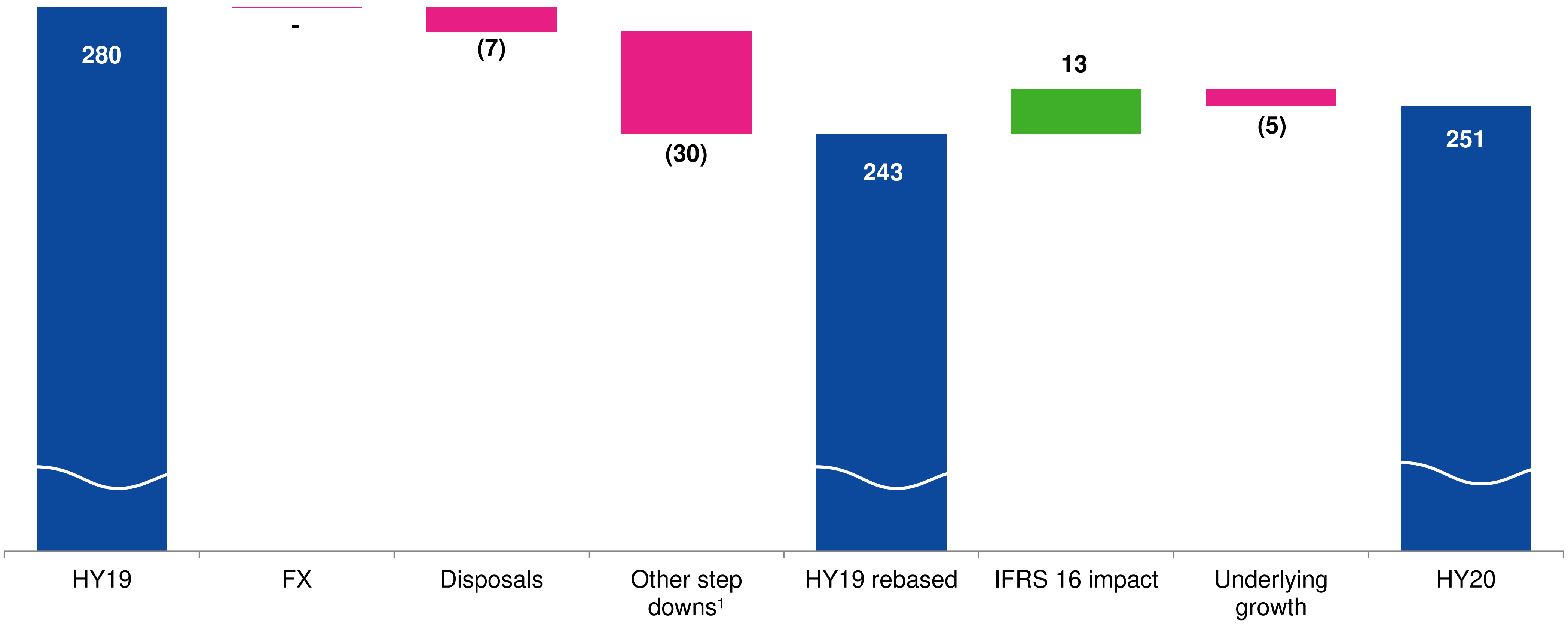
(£m)



1. Exits, QEC and Magnox

Operating profit reflects phasing of step downs

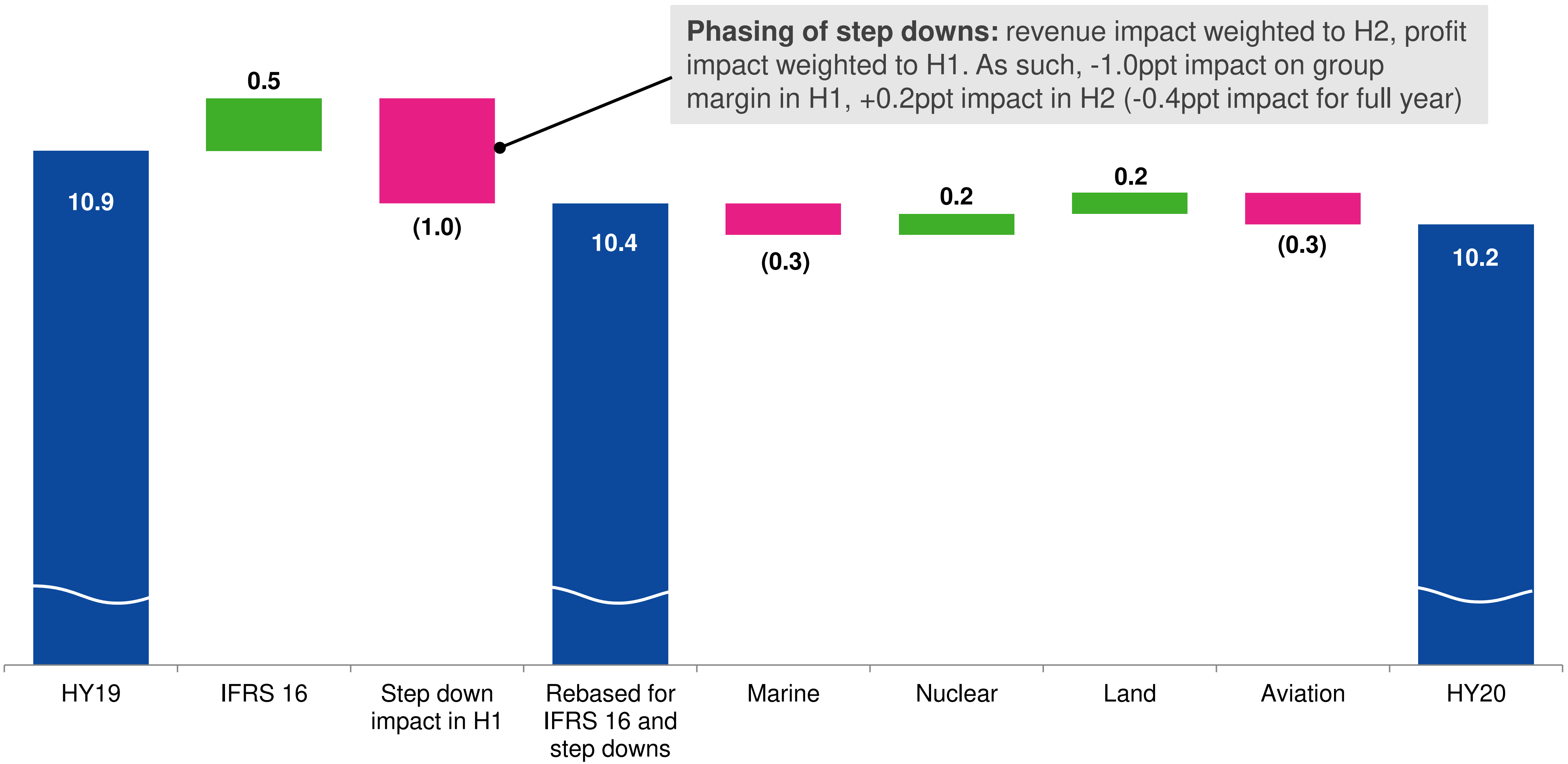
(£m)



1. Exits, QEC, Magnox, Holdfast and Brexit-related costs

Margin movement in line with expectations

(%)



Marine: strong revenue growth, ahead of expectations

	HY20 IFRS 16 basis*	HY19 Pre-IFRS 16 basis*	Organic growth[1]
Revenue (£m)	**564**	526	
Revenue excl. step downs[2]	***564***	*517*	*8.6%*
Operating profit (£m)	**73**	76	
Operating profit excl. step downs and pre-IFRS 16[2]	***72***	*75*	*-4.5%*
Operating margin	**12.8%**	14.5%	

* The adoption of IFRS 16 increases operating profit by £0.6 million in the period

- Strong revenue growth led by:
  - Increased activity in UK warship support
  - Strong orders across technology businesses
- Operating profit slightly down:
  - Phasing of profit in the year as expected
  - Contract outperformances in H1 last year

FY20 outlook updated:

- Revenue growth excl. QEC[3] stronger than expected
- Margin expected to be slightly lower than last year

All results throughout this presentation are shown on an underlying basis

1. At constant exchange rates, on a pre-IFRS 16 basis
2. HY20 step down: **QEC** c.£9m to revenue and c.£1m to operating profit
3. Expect impact to revenue of end of QEC contract to be c.£80m

Nuclear: revenue growth excl. Magnox

	HY20 IFRS 16 basis*	HY19 Pre-IFRS 16 basis*	Organic growth[1]
Revenue (£m)	**588**	637	
Revenue excl. step downs[2]	***588***	*581*	*1.1%*
Operating profit (£m)	**58**	62	
Operating profit excl. step downs and pre-IFRS 16[2]	***57***	*52*	*7.9%*
Operating margin	**9.8%**	9.7%	

* The adoption of IFRS 16 increases operating profit by £0.5 million in the period

- Revenue and operating profit down due to Magnox step down[2]
- Strong performance in UK defence
- Small decline in civil nuclear

FY20 outlook unchanged:

- Slight revenue growth excl. Magnox[3]
- Underlying margin similar to last year

All results throughout this presentation are shown on an underlying basis

1. At constant exchange rates, on a pre-IFRS 16 basis
2. HY20 step down: **Magnox** c.£56m to revenue and c.£10m to operating profit
3. Expected revenue step down in FY20 from Magnox is c.£240m

Land: good first half performance

	HY20 IFRS 16 basis*	HY19 Pre-IFRS 16 basis*	Organic growth[1]
Revenue (£m)	**790**	798	
Revenue excl. step downs[2]	***790***	*748*	*6.3%*
Operating profit (£m)	**58**	63	
Operating profit excl. step downs and pre-IFRS 16[2]	***56***	*44*	*19.6%*
Operating margin	**7.3%**	7.9%	

* The adoption of IFRS 16 increases operating profit by £2.2 million in the period

- Revenue growth of 6.3% excluding exits and disposals:
  - Higher defence procurement revenues
  - Stronger trading in South Africa
- Operating profit step downs:
  - Exits and disposals
  - Holdfast (RSME)[2]
- Excluding step downs, operating profit up 19.6%

FY20 outlook updated:

- Revenue growth excl. exits and disposals[3]
- Margin maintained excl. Holdfast (RSME)

All results throughout this presentation are shown on an underlying basis

1. At constant exchange rates, on a pre-IFRS 16 basis
2. HY20 step downs: **Exits:** c.£19m to revenue, c.£1.5m to OP; **Disposals:** c.£31m to revenue, c.£5m to OP; **Holdfast:** c.£13m to OP
3. Expect £60m impact from exits and disposals in FY20

Aviation: first half headwinds

	HY20 IFRS 16 basis*	HY19 Pre-IFRS 16 basis*	Organic growth[1]
Revenue (£m)	**515**	616	
Revenue excl. step downs[2]	***515***	*612*	*-15.7%*
Operating profit (£m)	**66**	82	
Operating profit excl. step downs and pre-IFRS 16[2]	***57***	*75*	*-22.5%*
Operating margin	**12.8%**	13.3%	

* The adoption of IFRS 16 increases operating profit by £9.2 million in the period

- Last year included around £90m from Fomedec asset sales
- Revenue slightly down excl. Fomedec and step downs, helped by new operations in Norway and Canada
- Operating profit down:
  - Bidding delays in emergency services in Southern Europe
  - Brexit-related costs flagged last year
  - Contract outperformances flagged last year
  - Pressures in oil and gas continue
- Aviation is sector with the only significant IFRS 16 impact

FY20 outlook updated:

- Lower revenue than FY19
- Margin flat compared to FY19 (including IFRS 16 benefit)

All results throughout this presentation are shown on an underlying basis
1. At constant exchange rates, on a pre-IFRS 16 basis
2. HY20 step downs: **Helidax:** c.£4m to revenue, c£1.5m to OP; **Brexit restructuring:** c.£5m to OP

Cash conversion: second half weighted

	HY20 (£m)		HY19 (£m)	
Underlying operating profit excluding JVs[1]		**209.0**		219.7
Amortisation and depreciation		**51.4**		52.9
Depreciation of right of use asset (IFRS 16)		**59.4**		-
Other non-cash items		**2.8**		2.0
Working capital (excl. provisions)		**(106.9)**		10.4
Provisions		**(14.1)**		(20.9)
Operating cash flow		**201.6**		264.1
Gross capital expenditure	**(95.5)**		(103.2)	
Disposals within capital expenditure[2]	**24.4**		19.3	
Net capex pre-IFRS 16	**(71.1)**		(83.9)	
IFRS 16 additions	**(52.7)**		-	
Net capital spend		**(123.8)**		(83.9)
Operating cash flow after capex		**77.8**		180.2
Cash conversion (pre-IFRS 16)		***30%***		*82%*
Net capex/depreciation (pre-IFRS 16)		***1.4x***		*1.6x*

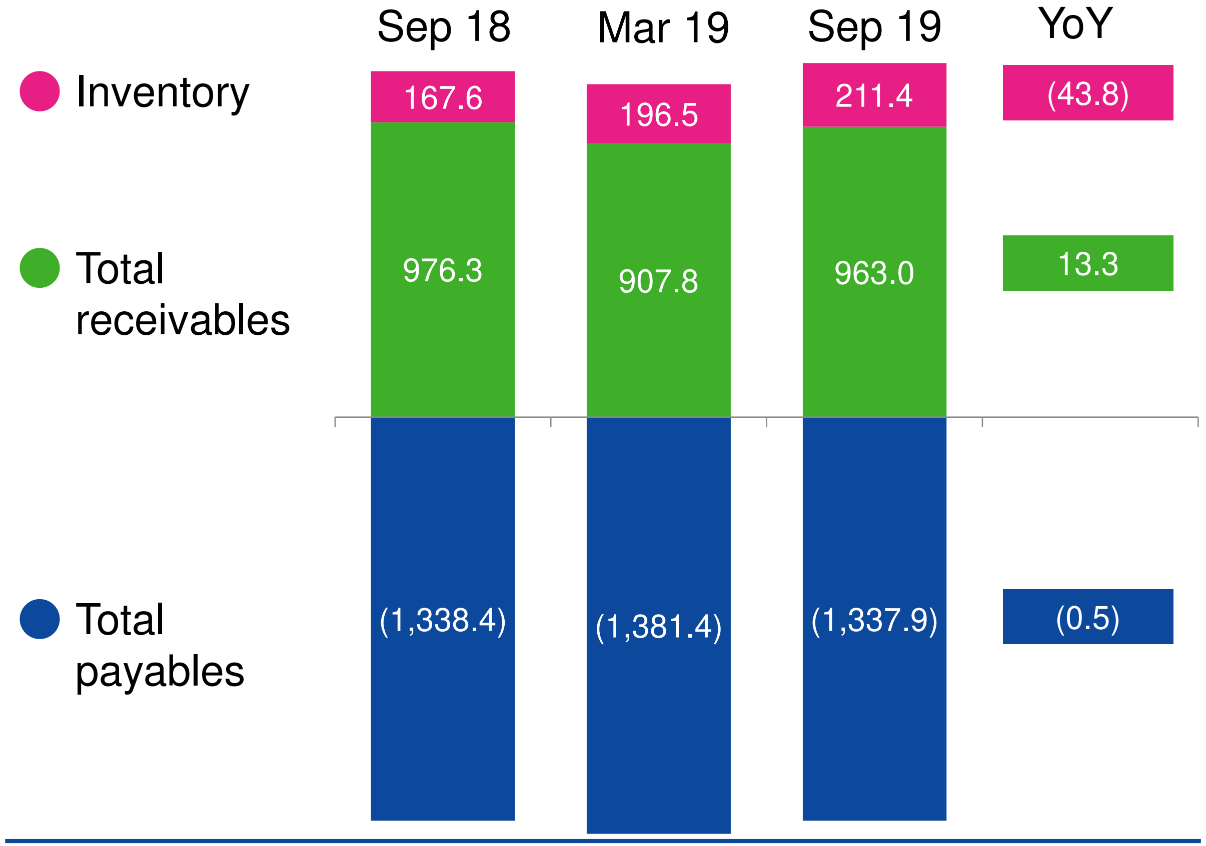
- **Working capital** outflow as expected, last year included Fomedec benefit
- **Net capex** pre-IFRS 16 was 1.4x depreciation, lower in H2
- **Strong H2 free cash flow expected:**
  - Working capital seasonality
  - Capex lower – higher sale and leaseback
  - Lower H2 pension and provision outflows than last year
- **Cash conversion** c.90% for full year, in line with our target

Note: IFRS 16 impacts: Increases operating cash flow pre-capex (operating lease charge replaced by depreciation and interest). New operating lease additions reflected as capital spend

1. Group underlying operating profit excluding JV contribution of £41m
2. Disposals relate to converting owned assets to operating leases

Working capital: always seasonal, H2 inflow expected

(£m)



Net:	£(194.5)m	£(277.1)m	£(163.5)m

- Payables/receivables: in line with last September
- H2 movement expected again

Inventory

- Further build up for Brexit
- Mobilisation for Norway, Manitoba, France
- South Africa activity

Receivables

- Continued improvement in unbilled receivables
- Higher capitalised contract balances in new contracts (Norway, Manitoba)
- Receivables factoring: around £100m, broadly in line with last year

Payables

- Lower activity

Free cash flow reflects working capital phasing

	HY20 (£m)	HY19 (£m)
Operating cash flow after capex	**77.8**	180.2
Net interest paid	**(15.5)**	(14.0)
Interest paid – IFRS 16	**(12.4)**	-
Taxation	**(43.0)**	(46.7)
Dividends from JVs	**37.3**	20.0
Pensions contributions in excess of income statement	**(37.4)**	(20.7)
Free cash flow	**6.8**	118.8

- Minimal IFRS 16 impact[1]
- JV dividends higher year on year: Magnox – phasing
- Pension contributions evenly spread this year
- Net debt of £1,138m reflects:
  - Dividends paid of £116m
  - Cash exceptionals (related to FY19 exceptional charge) of £31m
  - Negative FX impact of £18m

1. The total IFRS 16 impact on free cash flow was £7m: operating profit (£12.7m), depreciation of right of use asset (£59.4m), IFRS 16 additions (- £52.7m), interest (- £12.4m)

Net debt: our definition

Two measures:

	Net debt:		Gearing:	
1	£1.14bn	Group net debt	1.9x	Group EBITDA[1] (excl. IFRS 16 EBITDA impact) + JV dividends "covenant basis"
2	£1.75bn	Group net debt + IFRS 16 lease liability	2.3x	Group EBITDA[1] (incl. IFRS 16 EBITDA impact) + JV dividends

Group net debt excludes	Value	Rationale for excluding
Pension funding deficit	c.£400m	6 year payment plan, payments included in FCF
JV net debt	£282m	Non-recourse to Group, asset-backed, mainly AirTanker

1. Group EBITDA excludes our share of JV's EBITDA

Pensions

IAS 19:

(£m)	HY20	HY19
Assets	**4,907**	4,652
Obligations	**4,922**	4,626
Net (deficit)/surplus	**(15)**	26

Underlying income statement impact (£m)	HY20	HY19
Service cost	**(18)**	(20)
Incurred expenses	**(2)**	(2)
Net interest cost	**-**	-
Total impact	**(20)**	(22)

Key assumptions	HY20	HY19
Discount rate	**1.8%**	2.7%
Inflation (RPI)	**3.0%**	3.2%

- IAS 19 deficit £15m (HY19: £26m surplus):
  - Discount rate effect greater than inflation reduction
- Technical provisions deficit still c.£400m
  - Contributions reduce deficit
  - Discount rates down – increases deficit
  - 80% hedged inflation and interest rates
- Deficit contributions over six years, may not be evenly spread
- Rosyth agreement expected in the second half
- Part closure of BIGPS to future accrual: DB costs reduced, some associated increase in DC costs

Joint ventures: significant cash dividend stream

JV performance

All £m	HY20 Total	HY20 Asset	HY20 Operational	HY19 Total	HY19 Asset	HY19 Operational
Total underlying profit	**41**	28	13	**59**	37	22
Profit after tax	**22**	12	10	**40**	23	17
Dividends	**(37)**	(9)	(28)	**(20)**	(5)	(15)
Cash gap	**(15)**	3	(18)	**20**	18	2

JV net debt (at Sept 2019)

All £m	Cash	Loans	Net debt	Babcock proportion
AirTanker	**421**	(2,265)	(1,843)	(239)
Ascent	**37**	(147)	(110)	(55)
Others	**54**	(32)	21	12
Total	**512**	**(2,444)**	**(1,932)**	**(282)**

- No cash gap in period: Magnox dividends received
- Our share of distributable reserves: **c.£140m** – future dividend stream
- Expect JV dividends of around £45m for each financial year up to FY22

- All JV debt is non-recourse to the Group
- JV debt mostly in AirTanker (85% of total)
- Significant cash balances: JV performances, ahead of scheduled debt repayments
- Babcock proportion of net debt **£282m** (March 2019: £311m)

See appendix for definitions of asset and operational JVs

Joint ventures: AirTanker

Our holding:
13.3%

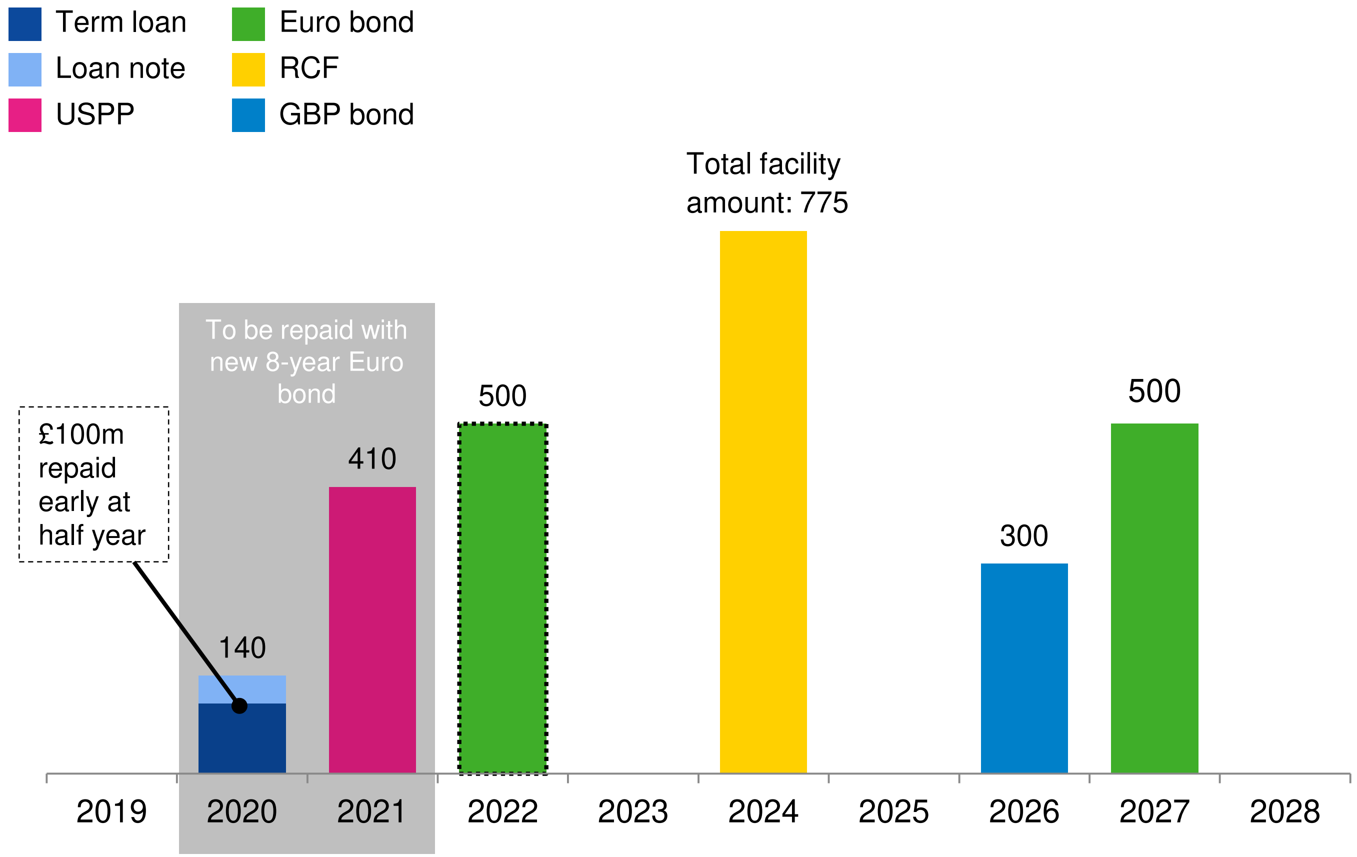
Our JV partners:
Airbus, Rolls-Royce, Thales, Cobham

Our share of JV net debt:
£239m (non-recourse)

- Owns 14 aircraft
- PFI structure: guaranteed minimum payments cover financing (assumption: only 9/14 aircraft flying)
- JV holds significant cash balance as ahead of performance expectations
- Contract runs to 2035
- Not included in JV partners' net debt

Refinanced: access to multiple liquidity sources

Debt maturity profile (£m)



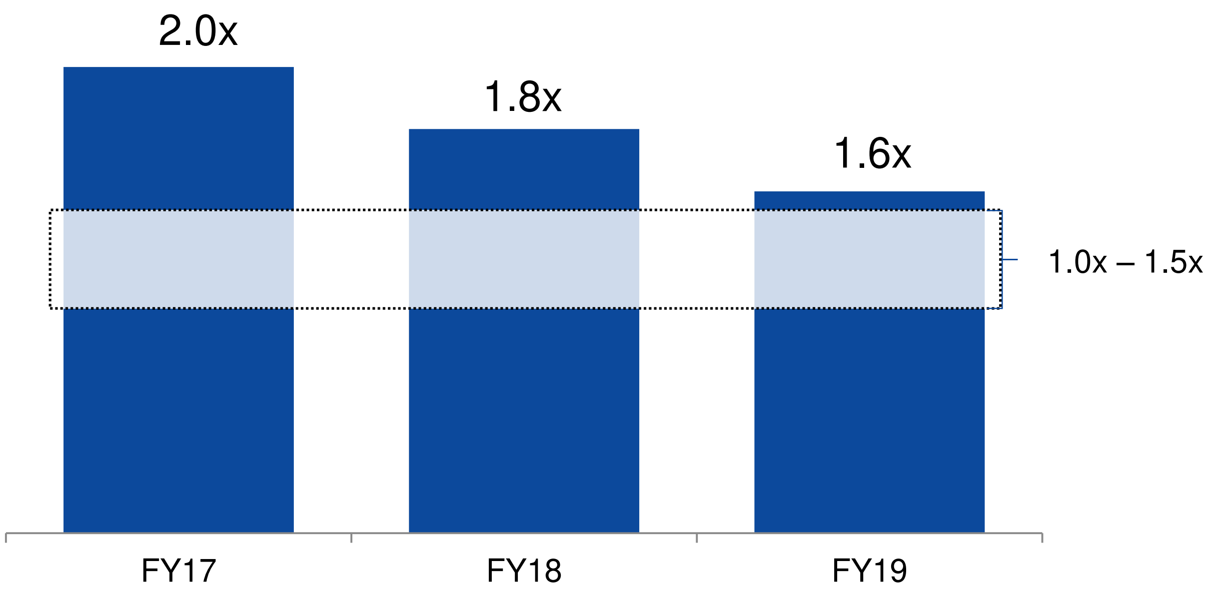
- Access to sufficient liquidity via a £775m Revolving Credit Facility maturing in August 2024
- New 8 year Euro bond 2027
- Gross cash balance high until March 2021

Covenants	At Sept 19
Net debt/EBITDA: <3.5x	1.9x
Interest cover: >4	12.4x

1. Maturity profile sourced from the latest annual report except for Revolving Credit Facility which was signed after the annual report was published

Capital allocation: we target 1.0x to 1.5x net debt / EBITDA

Net debt / EBITDA[1]:



Our capital allocation priorities:

Organically invest in the business

Fund pension schemes / safeguard credit rating

Sustainable ordinary dividend to shareholders

Highly selective bolt on acquisitive growth

Bolt on M&A considered against hurdle rates and current group valuation

Capital return to shareholders

Share buyback / special dividend

1. Group net debt / (Group EBITDA + JV dividends). All pre-IFRS 16

FY20 guidance confirmed

- **Revenue:** expected to be around £4.9bn
- **Margin[1]:** as previously guided, plus IFRS 16 benefit
- **Operating profit[1]:** expected to be in the range £540m to £560m
- **Free cash flow:** expected to be over £250m
- **Performance weighted to H2**, especially for cash generation

1. Compares to previous operating profit range of £515m - £535m and margin range of 10.7% - 11.0% on a pre-IFRS 16 basis

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Progressing on our strategy

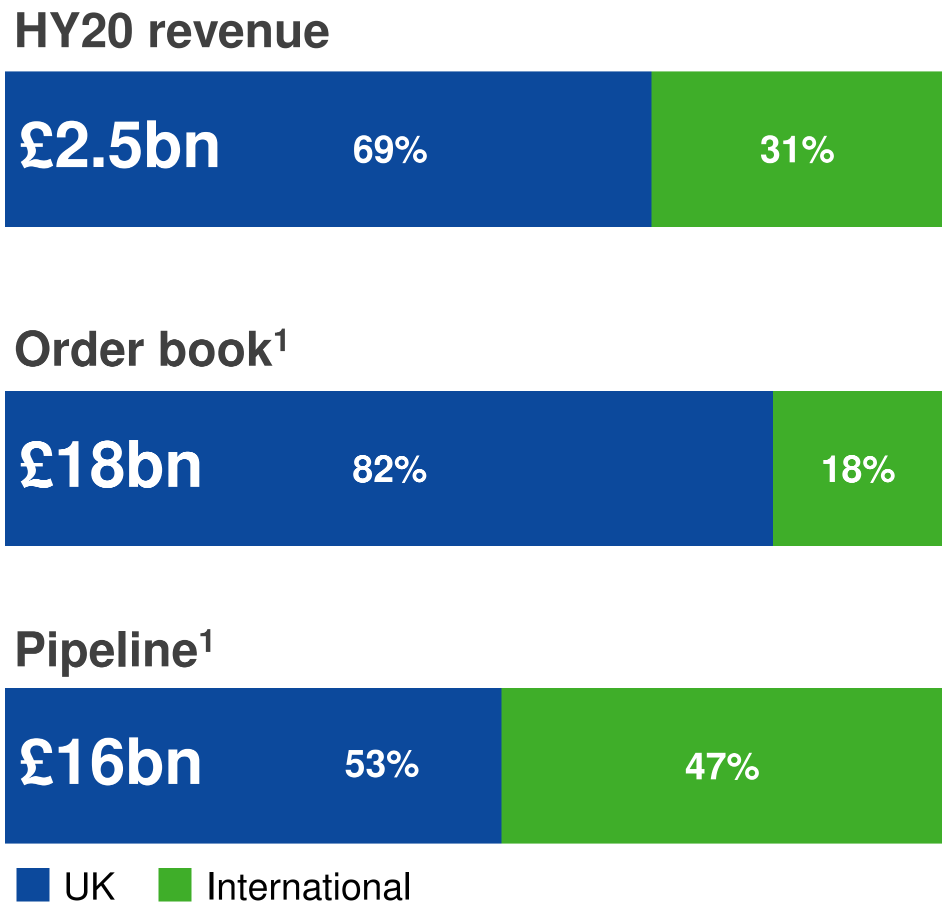
Archie Bethel
Chief Executive

Delivering medium term growth

- Focus on three markets with strong leadership positions: Defence, Emergency Services and Civil Nuclear
- Grow revenue from these markets from around 75% of group revenue today to over 85%
- Develop and operate adjacent businesses for value
- Grow international revenue from 30% of group revenue today to over 40%
- Develop multi-sector, multi-market opportunities in Australia, Canada, France and Spain
- Embed technology as a core growth driver across all four sectors
- Maintain our historical business win rates

- Significant wins in our three focus markets including Type 31
  - Record order book and pipeline with increased activity
    - Revenue growth in Marine and Land adjacent markets
    - International operations started: Norway and firefighting in Canada
  - Progress in adjacent markets with South Africa and Rail
- Technology leading growth in products business and crucial to winning Type 31
- Business win rates in line with historic levels

Continue to grow international businesses



Commenced operations in:

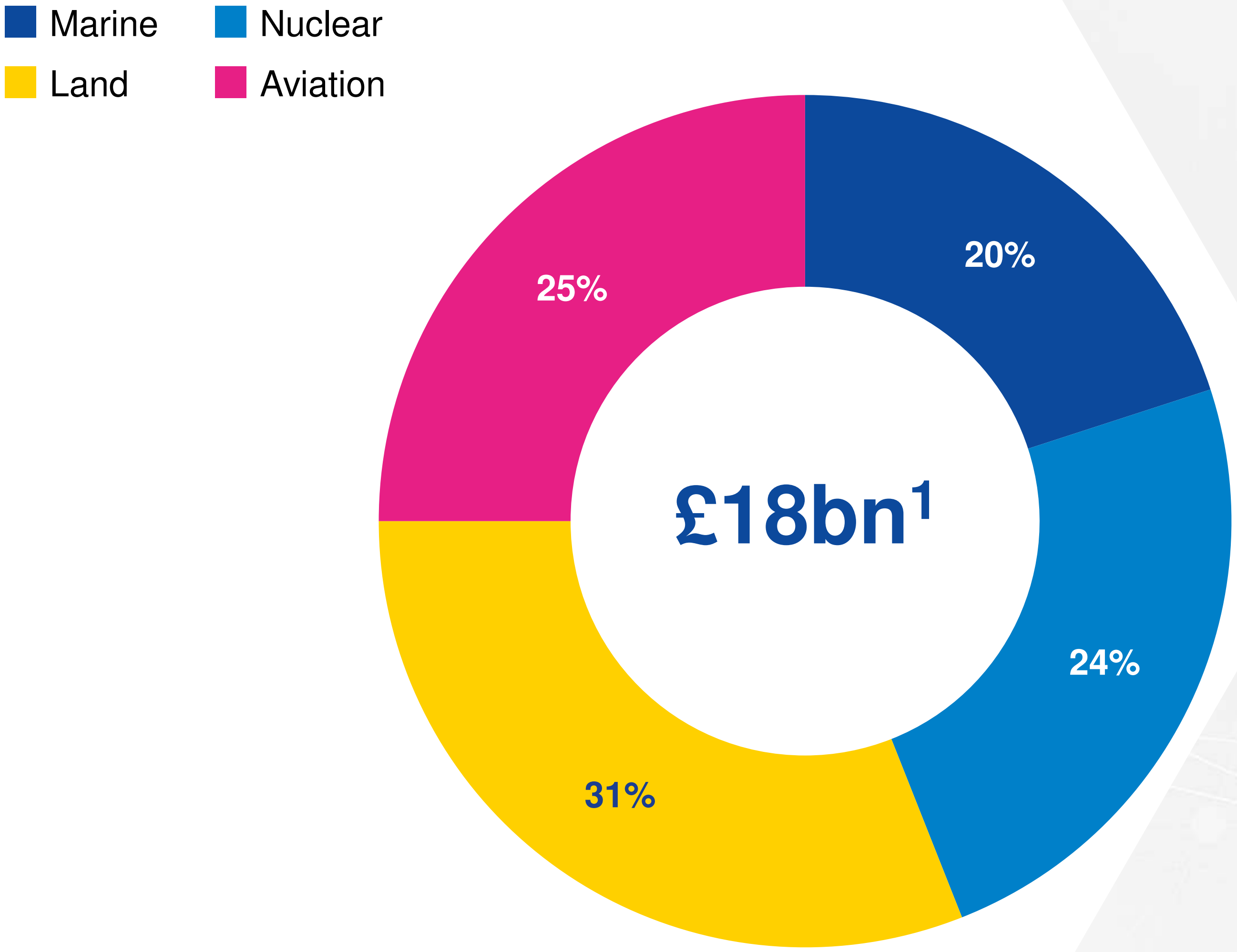
- Norway aerial medical services
- Canada (Manitoba) aerial firefighting
- Canada nuclear waste management consultancy

Existing market progress:

- Australia: commenced new defence support operations in Marine (LHDs) and Land (CBRNE)
- Continued delivery of missile launch tube assemblies (Dreadnought and Columbia) to the USA
- Secured aerial emergency services contract for Marche, Italy
- Order book for ecoSMRT and LPG systems now exceeds £100m
- Improved order situation at Eskom in South Africa

1. As at 20 November 2019

Order book increased to over £18 billion[1]

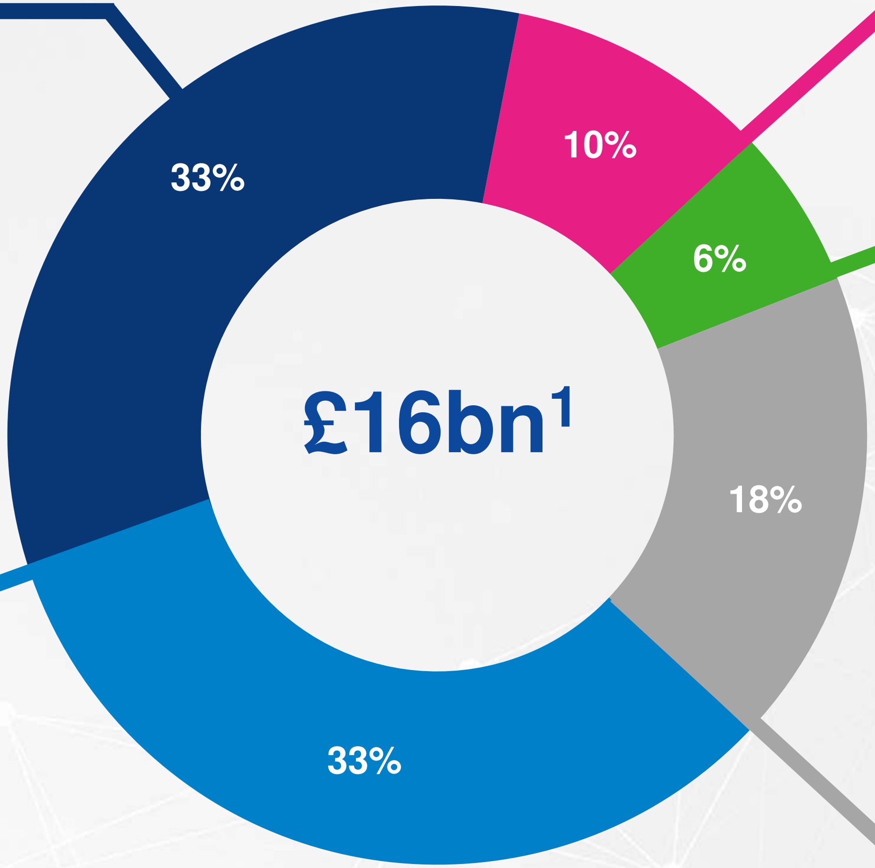


- **£3.5bn** order intake including Type 31
- Order book since increased to over **£18bn** following award of Type 31
- **88%** contracts >£25 million
- **92%** of FY20 revenue secured, **61%** of FY21

1. As at 20 November 2019

Pipeline increased to £16 billion[1]

Defence UK
- Shipbuilding
- Army C-vehicles
- Marine training
- Nuclear infrastructure
- Submarine disposal
- Army heavy-vehicle sustainment
- Aviation support



Emergency Services
- Canada, Europe

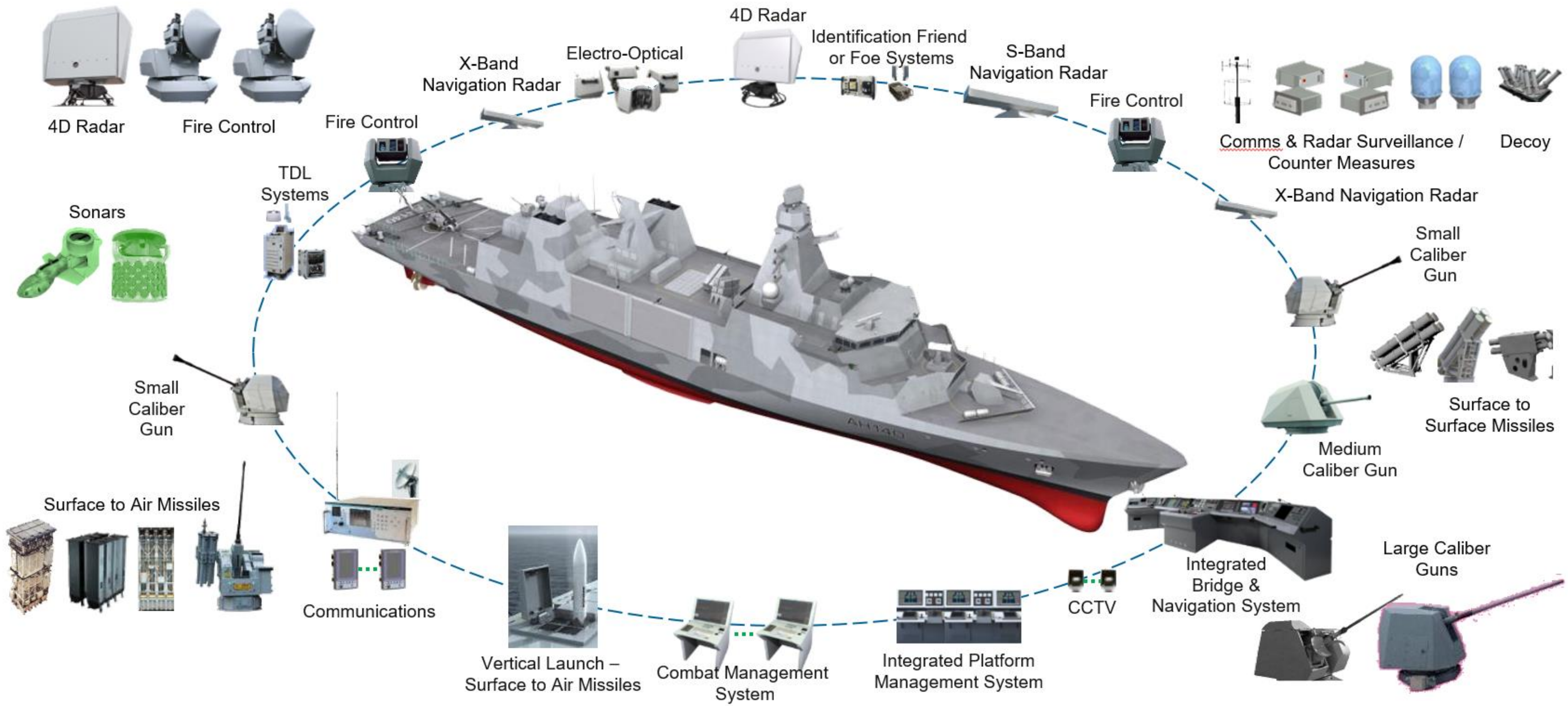
Civil Nuclear
- Decommissioning, services, new build
- Small international opportunties

Defence International
- Can: military air training
- Can: submarine support
- Aus: submarine systems and HF comms
- Aus: aviation and land support programmes
- Fra: aviation support and training programmes

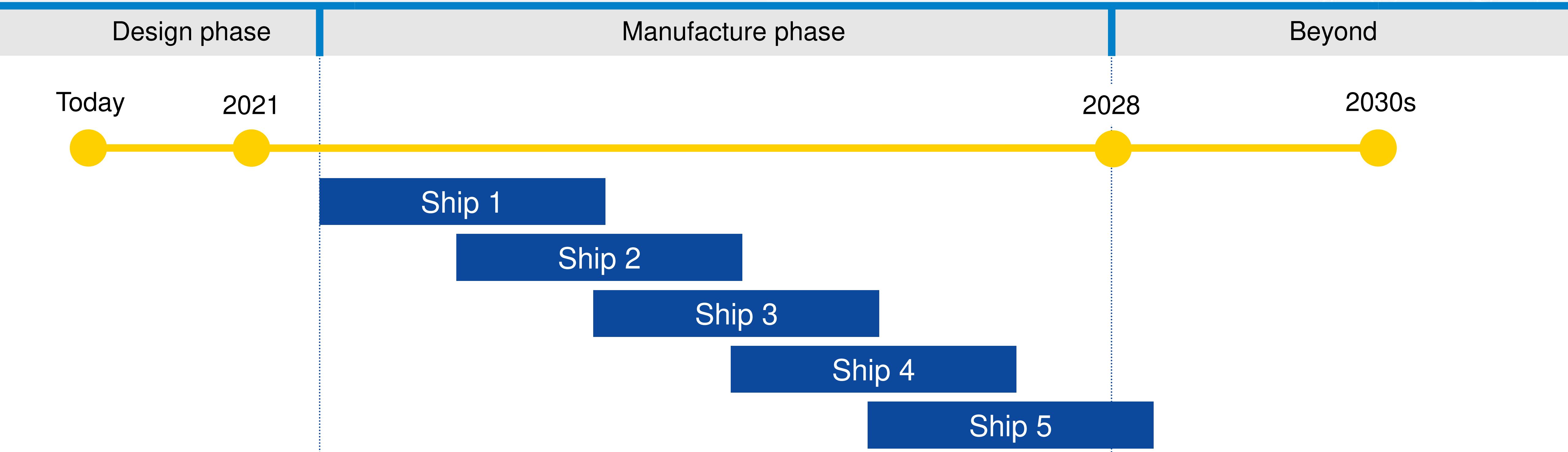
Adjacent markets
- South Africa support
- Rail programmes

1. As at 20 November 2019

Arrowhead 140: significant milestone for the Group



Type 31: indicative timeline



- Capex c.£50m

- c.£200m revenue per year

- Sustainment programme
- Export opportunities

On track to deliver medium term 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

Key messages

Half year in line with expectations

Full year guidance confirmed

Operational momentum increasing

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Appendix

HY20 step downs

	Revenue (£m)	Operating profit (£m)	Margin
HY19	2,577	280	10.9%
Step downs:			
End of QEC contract	(9)	(1)	
End of Magnox contract	(56)	(10)	
Impact of exits and disposals	(54)	(8)	
Normalisation of Holdfast profit contribution		(13)	
Brexit-related Aviation restructuring		(5)	
	(119)	(37)	
Rebased HY19	**2,458**	**243**	**9.9%**

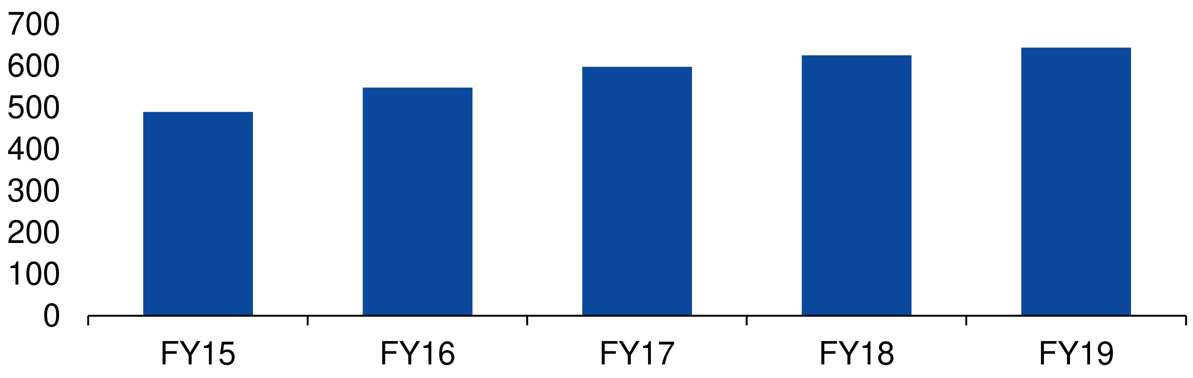
FY20 guidance: updated estimated step downs

	Revenue (£m)	Operating profit (£m)	Margin
FY19	5,161	588	11.4%
Step downs:			
End of QEC contract	(80)	(2)	
End of Magnox contract	(240)	(25)	
Impact of exits and disposals	(70)	(9)	
Normalisation of Holdfast profit contribution		(17)	
Brexit-related Aviation restructuring		(10)	
	(390)	(63)	
Rebased FY19	**4,771**	**525**	**11.0%**

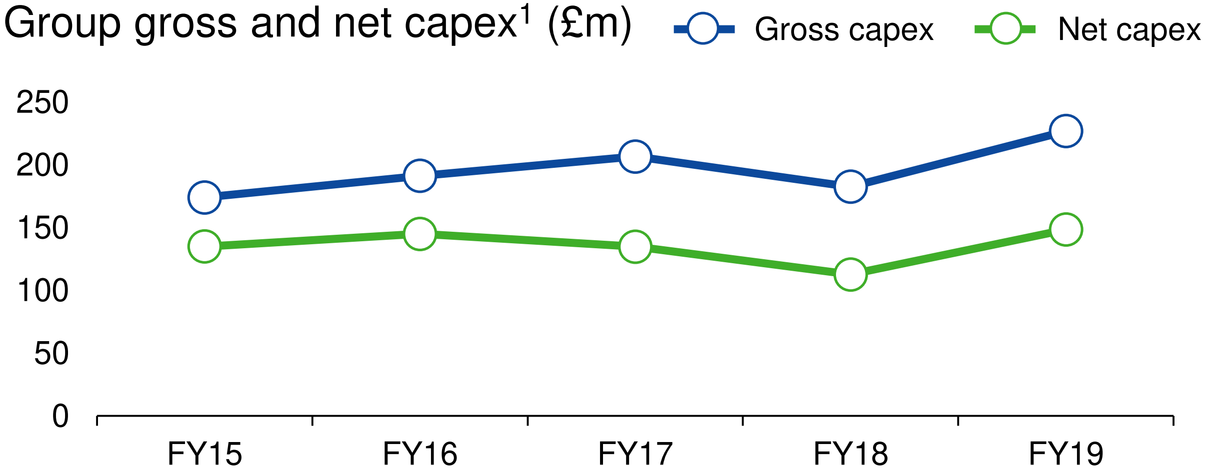
Note: FY21 step downs of £120m revenue for Magnox and £30m for QEC with minimal profit impact

Our aircraft fleet financing approach

Gross book value of aircraft (£m)



Group gross and net capex[1] (£m)



Aims:
- New assets to be leased where appropriate
- Optimise lease pricing

Approach:
- Buy aircraft/slot deposits for a percentage of possible new requirement (wins/rebids)
- Once contract won, sale and leaseback where market efficient
- Retain asset where market inefficient (e.g. more bespoke assets)
- Lease directly for gap in requirement

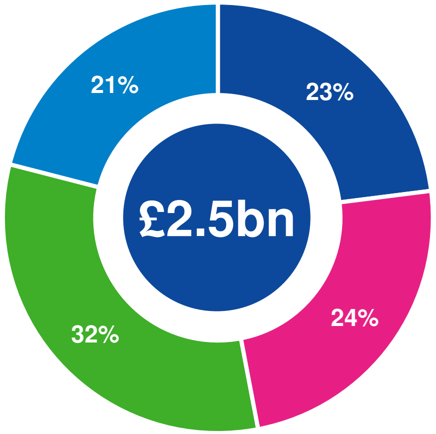
Outcome:
- Owned assets increasing
- Lease pricing efficient
- Gross/net capex gap consistent

Conclusion:
- Owned and leased fleet growing
- Potential to reset owned/leased mix
- Fleet rationalisation may provide opportunity

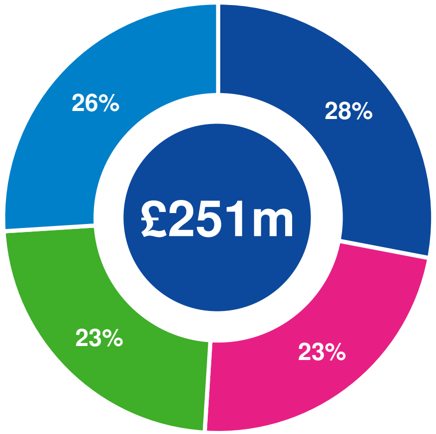
1. Total capex including aircraft

HY19: sector splits

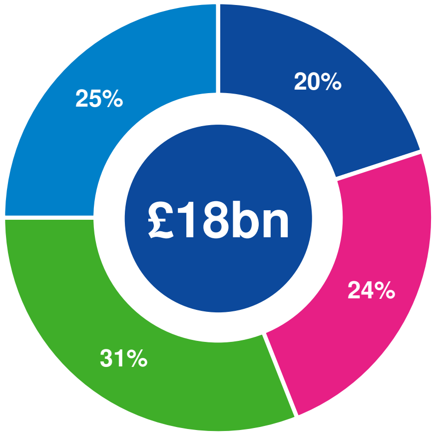
Revenue



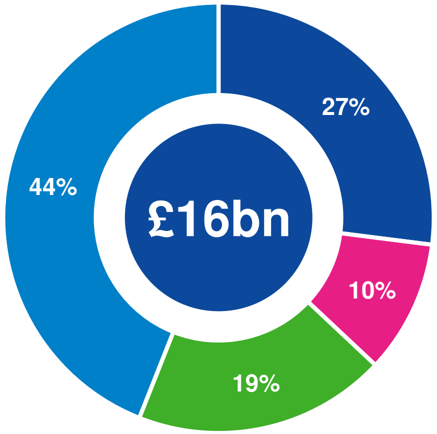
Operating profit



Order book[1]



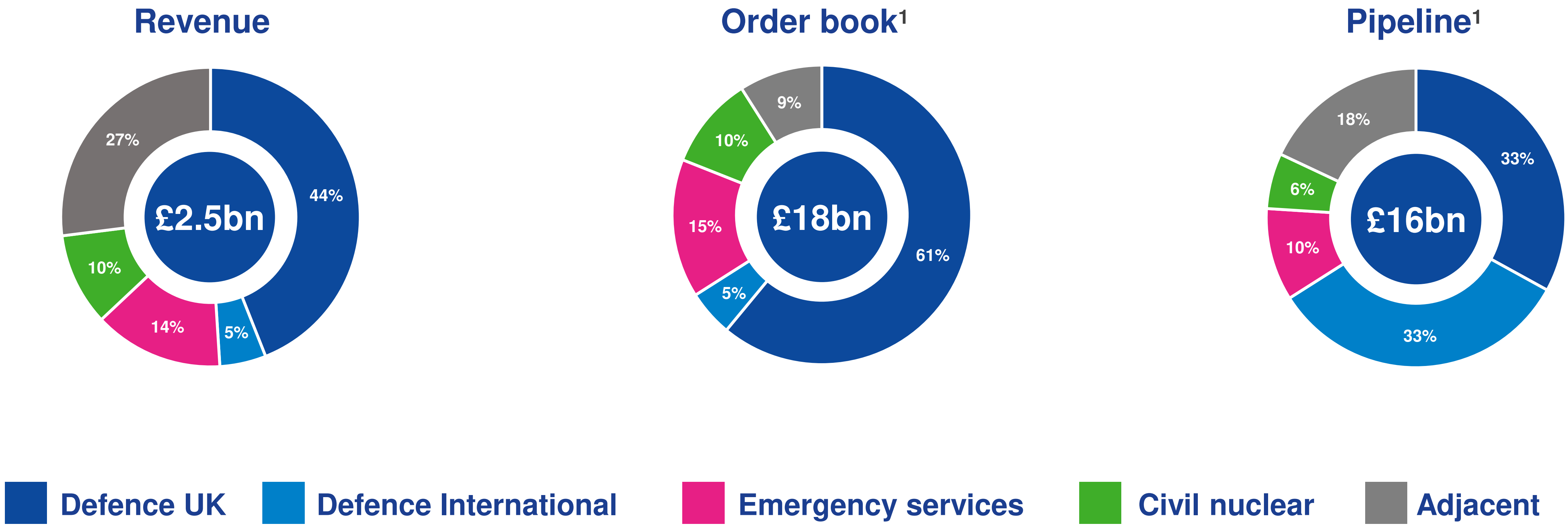
Pipeline[1]



Marine Nuclear Land Aviation

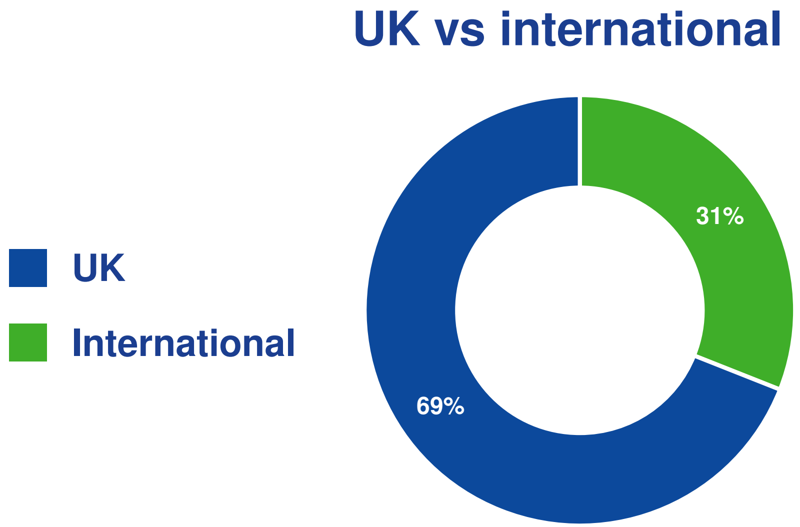
1. As at 20 November 2019

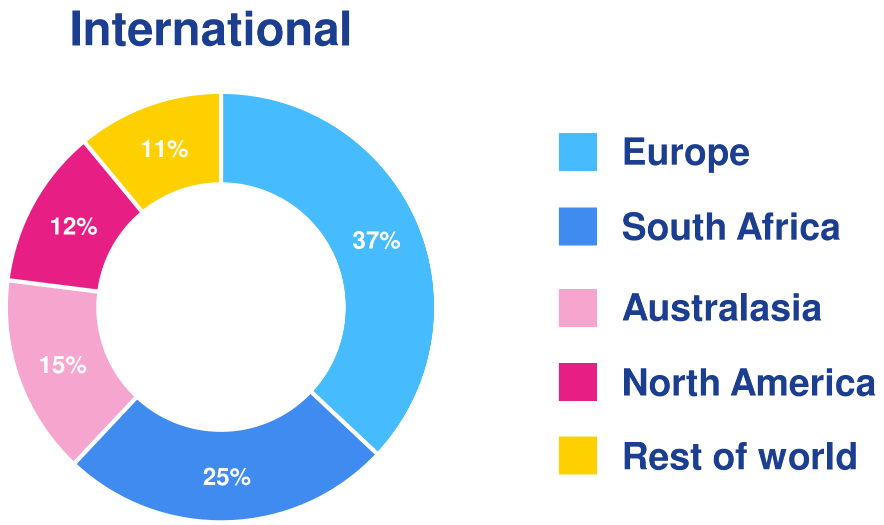
HY19: market splits



1. As at 20 November 2019

HY19: international splits





Key contracts: Marine

Contract	Customer	Start	End	Country	Notes
Type 31	UK MOD	2019	2028	UK	Design, build and assembly of five general purpose frigates for the Royal Navy
MSDF	UK MOD	2014	2021	UK	Warship support and surface fleet infrastructure elements of MSDF
QEC	UK MOD	2005	2019	UK	Build and assembly of QEC aircraft carriers in the Aircraft Carrier Alliance
VISSC	RCN	2008	2022	Can	Victoria In Service Support Contract to sustain Royal Canadian Navy's submarine programme
Canberra Class support	RAN	2019	2025	Aus	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 (LHDs)
NZ dockyard management	RNZN	2015	2020	NZ	Management of Devonport Dockyard in Auckland and sustainment of Royal New Zealand Navy fleet
MSSP	UK MOD	2017	2024	UK	Maritime Systems Support Partner. Technical Authority and equipment support package for QEC and T45 classes
Defence High Frequency Comms	UK MOD	2003	2021	UK	Operate high tech equipment to transmit and receive messages for UK and NATO forces around the globe
FOAP Training	UK MOD	2012	2021	UK	Fleet Outsourced Activities Project. Royal Navy training delivery and support, 7-year contract with 2-year extension signed
WAMA	RAN	2018	2024	Aus	NSM JV. Warship Asset Management Agreement. Sustainment of the ANZAC class frigates

Key contracts: Nuclear

Contract	Customer	Start	End	Country	Notes
MSDF	UK MOD	2014	2021	UK	Nuclear submarine, infrastructure and license site elements of MSDF
Dounreay	NDA	2012	TBD	UK	JV with CH2M and Aecom, decommissioning, demolition and restoration of Dounreay
Hinkley Point C – MEH Alliance	EDF	2022	2028	UK	JV alliance to deliver mechanical, electrical, heating, ventilation and air conditioning at HPC
Sellafield Design Services Alliance	Sellafield	2012	2027	UK	15 year framework contract providing design and engineering services to Sellafield
EDF Energy Lifetime Enterprise Agreement	EDF	2015	2030	UK	Providing fuel route and other services to advanced gas cooled reactors until the last of 7 reactors ceases power generation in c.2030
AWE decommissioning	AWE	2020	2030	UK	Site manager for decommissioning of AWE's complex
Hinkley Point C	EDF	2019	2027	UK	JV with Boccard, early contractor involvement studies and early works installation package for Hinkley Point C new build reactor
Sellafield Glove boxes	Sellafield	2017	2027	UK	Glove Box Systems to process nuclear material

Key contracts: Land defence

Contract	Customer	Start	End	Country	Notes
RSME - Royal School of Mechanical Engineers	UK MOD	2008	2038	UK	Provision of training and associated support services Joint venture
DSG - Defence Support Group	UK MOD	2015	2025	UK	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
Phoenix II – White fleet	UK MOD	2016	2022	UK	Fleet management services for the British Army's c.15,000 vehicle white fleet, including procurement of vehicles and services
ALC - Construction vehicle fleet	UK MOD	2005	2021	UK	JV with Amey, C-Vehicle service provision and support for over 2,000 British Army construction vehicles
DCTT - Defence College of Technical Training	UK MOD	2014	2021	UK	Technical training of electrical mechanical engineering
TMASS II - Training Maintenance and Support Services	UK MOD	2016	2022	UK	Training maintenance and support provider to British Army Armoured Centre

Key contracts: Land civil

Contract	Customer	Start	End	Country	Notes
London Fire Brigade (LFB) fleet management	LFB	2014	2035	UK	Technical fleet management of the LFBs 430 vehicles and around 45,000 pieces of firefighting equipment
London Fire Brigade (LFB) training	LFB	2012	2037	UK	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
London Metropolitan Police Service (MPS) training	MPS	2020	2028	UK	Police Education and Qualification Framework providing initial training to police recruits
London Metropolitan Police Service (MPS) fleet management	MPS	2006	2020	UK	Managing and overseeing the repair and maintenance for the fleet, and specialist equipment, including short and medium term rental requirements
Baggage handling systems and support	Heathrow (BAA)	2013	2020	UK	Complex proprietary systems to manage baggage, saving the customer money, improves efficiency and customer facing experience
Control Period 6&7	Network Rail	2019	2029	UK	Awarded preferred bidder for track and signalling work, phases 6&7, Scottish regions
Signalling and telecoms	Translink	2017	2024	UK	Signalling and Telecoms framework in Northern Ireland

Key contracts: Aviation

Contract	Customer	Start	End	Country	Notes
Fomedec	French DOD	2017	2028	France	Provision of aircraft, training and maintenance to French Air Force
HADES	UK MOD	2018	2023	UK	Air station support. Provision of engineering services and technical aviation services to 17 air stations across the UK
Victoria Air Ambulance	Victoria Gov	2016	2026	Australia	HEMS contract, 6 specially configured AW139 aircraft
Norwegian FW EMS	Norwegian Government	2019	2025	Norway	Provision and fully operational EMS service of 11 specialist fixed-wing aircraft from summer 2019. Option to extend by further 5 years
Italy Firefighting	Ministry of Interior	2018	2022	Italy	Operation and maintenance of 19 Government owned CL-415 Canadair aircraft. Option to extend by further 4 years
Salvamento Sasemar	Spanish Coastguard	2018	2022	Spain	Spanish coastguard search and rescue contract, 14 aircraft, 13 bases. Option to extend by further 2 years
Manitoba - Fire Fighting	Manitoba state government	2018	2028	Canada	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
UK Military Flying Training System	UK MOD	2008	2033	UK	Ascent 50/50 JV with Lockheed Martin - rotary and fixed-wing flight training
AirTanker	UK MOD	2008	2035	UK	JV with Babcock, Thales, Rolls-Royce, Cobham and Airbus. Infrastructure that supports air-to-air refueling and air-transport operations

Underlying EPS reconciliation

	HY20 (p)	HY19 (p)	Movement
Statutory EPS	**25.6**	11.5	14.1
Acquired intangibles amortisation[1]	**6.9**	8.4	(1.5)
Exceptional items[1]	**-**	20.0	(20.0)
Underlying EPS	**32.5**	39.9	(7.4)

- Acquired intangibles amortisation: non-cash item

JV treatment:

- No effect at EPS level
- Impacts operating profit, net finance charges and tax

1. Net of tax

Statutory to underlying reconciliation

All values in £m		Statutory	Joint Ventures and Associates			IFRIC 12 income	Amortisation of acquired intangibles	Exceptional items	Underlying
			Revenue and operating profit	Finance costs	Tax				
30 Sept 2019	Revenue	**2,194.8**	**263.0**						**2,457.8**
	Operating profit	**168.7**	**27.9**			**13.7**	**40.3**		**250.6**
	Share of profit from JV	**19.6**	**(27.9)**	**11.7**	**6.8**	**(13.1)**	**2.9**		**-**
	Investment income	**0.6**				**(0.6)**			**-**
	Net finance costs	**(36.4)**		**(11.7)**					**(48.1)**
	Profit before tax	**152.5**	**-**	**-**	**6.8**	**-**	**43.2**	**-**	**202.5**
	Tax	**(21.4)**			**(6.8)**		**(8.2)**		**(36.4)**
	Profit after tax	**131.1**	**-**	**-**	**-**	**-**	**35.0**	**-**	**166.1**
	Return on revenue	**7.7%**							**10.2%**
30 Sept 2018	Revenue	2,254.8	322.1						2,576.9
	Operating profit	49.3	45.1			14.8	50.0	120.4	279.6
	Share of profit from JV	37.4	(45.1)	11.8	7.1	(14.1)	2.9		-
	Investment income	0.7				(0.7)			-
	Net finance costs	(22.3)		(11.8)					(34.1)
	Profit before tax	65.1	-	-	7.1	-	52.9	120.4	245.5
	Tax	(6.9)			(7.1)		(10.4)	(19.8)	(44.2)
	Profit after tax	58.2	-	-	-	-	42.5	100.6	201.3
	Return on revenue	2.2%							10.9%

Underlying organic growth

All values in £m	Marine	Nuclear	Land	Aviation	Unallocated	Total
Underlying revenue						
30 September 2018	525.9	637.1	798.1	615.8		2,576.9
Exchange adjustment	2.4	-	(7.9)	-		(5.5)
Disposals	-	-	(30.9)	(4.3)		(35.2)
Step downs excl. disposals	(9.1)	(56.0)	(19.1)	-		(84.2)
Organic growth excl. step downs	45.2	6.9	50.2	(96.5)		5.8
30 September 2019	564.4	588.0	790.4	515.0		2,457.8
Reported revenue growth	7.3%	-7.7%	-1.0%	-16.4%		-4.6%
Organic growth[1]	6.9%	-7.7%	3.9%	-15.7%		-3.0%
Organic growth[1] excl. step downs	8.6%	1.1%	6.3%	-15.7%		0.2%
Underlying operating profit						
30 September 2018	76.1	62.1	63.3	81.6	(3.5)	279.6
IFRS 16 impact	0.6	0.5	2.2	9.2	0.2	12.7
Exchange adjustment	0.2	-	(0.5)	0.1	-	(0.2)
Disposals	-	-	(5.1)	(1.5)	-	(6.6)
Step downs excl. disposals	(1.0)	(9.9)	(14.5)	(5.0)	-	(30.4)
Organic growth excl. step downs	(3.4)	4.9	12.4	(18.4)	-	(4.5)
30 September 2019	72.5	57.6	57.8	66.0	(3.3)	250.6
Reported revenue growth	-5.5%	-8.1%	-12.2%	-30.4%		-14.9%
Organic growth[1]	-5.8%	-8.1%	-3.3%	-28.7%		-12.5%
Organic growth[1] excl. step downs	-4.5%	7.9%	19.6%	-22.5%		-1.6%

1. At constant exchange rates

Underlying segmental analysis

babcock

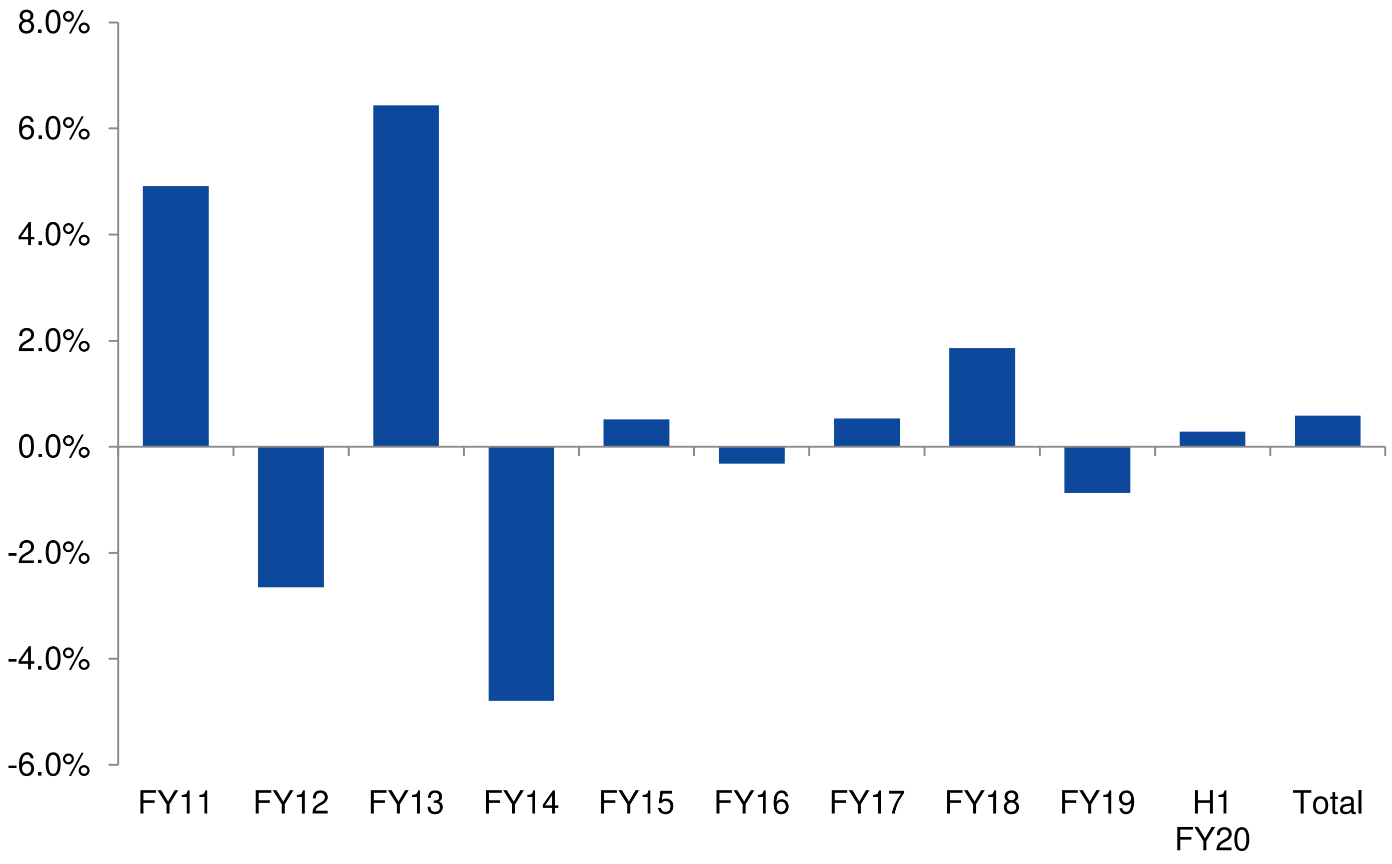
		Revenue (£m)		Operating profit (£m)		Operating margin	
		HY20	**HY19**	**HY20**	**HY19 (pre-IFRS 16)**	**HY20**	**HY19 (pre-IFRS 16)**
Marine	Group	**546.0**	515.4	**70.5**	73.4	**12.9%**	14.2%
	JV	**18.4**	10.5	**2.0**	2.7	**10.9%**	25.7%
	Total	**564.4**	525.9	**72.5**	76.1	**12.8%**	14.5%
Nuclear	Group	**419.8**	405.8	**50.2**	44.1	**12.0%**	10.9%
	JV	**168.2**	231.3	**7.4**	18.0	**4.4%**	7.8%
	Total	**588.0**	637.1	**57.6**	62.1	**9.8%**	9.7%
Land	Group	**781.2**	782.6	**50.5**	46.8	**6.5%**	6.0%
	JV	**9.2**	15.5	**7.3**	16.5	**79.3%**	106.5%
	Total	**790.4**	798.1	**57.8**	63.3	**7.3%**	7.9%
Aviation	Group	**447.8**	551.0	**41.7**	59.6	**9.3%**	10.8%
	JV	**67.2**	64.8	**24.3**	22.0	**36.2%**	34.0%
	Total	**515.0**	615.8	**66.0**	81.6	**12.8%**	13.3%
Total	Unallocated			**(3.3)**	(3.5)		
	Group	**2,194.8**	2,254.8	**209.6**	220.4	**9.5%**	9.8%
	JV	**263.0**	322.1	**41.0**	59.2	**15.6%**	18.4%
	Total	**2,457.8**	2,576.9	**250.6**	279.6	**10.2%**	10.9%

Exchange rate movements

	Impact of FX movement on revenue (£m)			Impact of FX movement on underlying operating profit (£m)			Impact of FX movement on profit before tax (£m)		
	1%	**5%**	**10%**	**1%**	**5%**	**10%**	**1%**	**5%**	**10%**
EUR	2.2	11.0	22.0	0.3	1.3	2.6	0.1	0.6	1.2
ZAR	1.7	8.6	17.3	0.2	1.0	1.9	0.2	0.9	1.8
CAD	0.7	3.4	6.7	0.1	0.4	0.8	0.1	0.4	0.8
SEK	0.4	2.1	4.3	0.0	0.1	0.3	0.0	0.1	0.1
AUD	0.9	4.7	9.3	0.0	0.1	0.3	0.0	0.0	(0.1)

Provisions

Charge/(release) as % of underlying profit[1]



- Half year net charge[2] £0.6m
- Average of last nine and a half years:
  - 0.4% cumulative net charge as a % of underlying profit[2]
  - 5% cash utilisation of underlying operating profit[2]
- Half year: £14m cash outflow[2]
  - Utilised: contracts (gain share and warranty), personnel (taxation and reorganisation), property and assets
- Provisions made as required by accounting standards
  - Contract costs, property, personnel, warranty, acquisitions and disposals
  - Under IFRS 16, onerous lease provisions now recognised as impairments to right of use assets

1. Excluding JVs
2. Excluding provisions in relation to exceptional items

Joint ventures

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

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

Joint ventures: significant cash dividend stream

	HY20 (£m)			HY19 (£m)		
	Total	**Assets**	**Operational**	**Total**	**Assets**	**Operational**
Operating Profit	**27.8**	14.7	13.1	**45.1**	23.2	21.9
IFRIC 12	**13.2**	13.2	-	**14.1**	14.1	-
Total underlying profit	**41.0**	27.9	13.1	**59.2**	37.3	21.9
Finance costs	**(11.7)**	(11.7)	-	**(11.8)**	(11.8)	-
Profit before tax	**29.3**	16.2	13.1	**47.4**	25.5	21.9
Tax	**(6.8)**	(4.1)	(2.7)	**(7.1)**	(2.4)	(4.7)
Profit after tax	**22.5**	12.1	10.4	**40.3**	23.1	17.2
Dividends	**(37.3)**	(8.9)	(28.4)	**(20.0)**	(5.4)	(14.6)
Cash gap	**(14.8)**	3.2	(18.0)	**20.3**	17.7	2.6