babcock
trusted to deliver™

Trusted to deliver

Full year results for the year ended 31 March 2017

24 May 2017

Disclaimer

This document has been prepared by Babcock International Group PLC (the "**Company**") solely for use at a presentation in connection with the Company's full year results announcement in respect of the full year ended 31 March 2017. For the purposes of this notice, the presentation that follows (the "**Presentation**") shall mean and include the slides that follow, the oral presentation of the slides by the Company, the question-and-answer session that follows that oral presentation, hard copies of this document and any materials distributed at, or in connection with, that presentation.

The Presentation does not constitute or form part of and should not be construed as, an offer to sell or issue, or the solicitation of an offer to buy or acquire, securities of the Company in any jurisdiction or an inducement to enter into investment activity. No part of this Presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever.

Statements in this Presentation, including those regarding the possible or assumed future or other performance of the Company or its industry or other trend projections, as well as statements about Babcock's or management's beliefs or expectations, may constitute forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond Babcock's control. These risks, uncertainties and factors may cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements. Accordingly, no assurance is given that such forward-looking statements will prove to have been correct. Forward looking statements in the Presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. They speak only as at the date of this Presentation and the Company undertakes no obligation to update these forward-looking statements.

The information and opinions contained in this Presentation do not purport to be comprehensive, are provided as at the date of the Presentation and are subject to change without notice. The Company is not under any obligation to update or keep current the information contained herein.

Agenda

Introduction	**Archie Bethel**
Financial and operational review	**Franco Martinelli**
Growth opportunities	**Archie Bethel**
Questions	**Archie Bethel** **Franco Martinelli** **Bill Tame** **John Davies** **Roger Hardy** **John Howie** **Simon Bowen**

Visible growth and returns

babcock
trusted to deliver™

Continued growth	Excellent visibility	Cash remains a focus	Delivering returns
Revenue: **+8%** headline **+5%** organic* **Operating profit:** **+7%** headline **+5%** organic*	**£19.0bn order book** **£10.5bn bid pipeline** **76% of revenue in place for FY18**	**Cash conversion:** **115% pre capex** **86% post capex** **Net debt/EBITDA ratio reduced to 1.8 x**	**+8.0% EPS** **+9.1% FY dividend** **11.9% post tax ROIC**

*at constant exchange rates

Good momentum in 2016/17

Operations

- successful sector structure realignment
- final AirTanker delivered on schedule
- Warrior Armoured Vehicle upgrade demonstrator underway
- MCS awarded 38 contracts and extensions
- Magnox decommissioning contract to end 2019
- Metropolitan Police interim extension awarded
- UK Military Flying Training Systems contracts underway

Growth

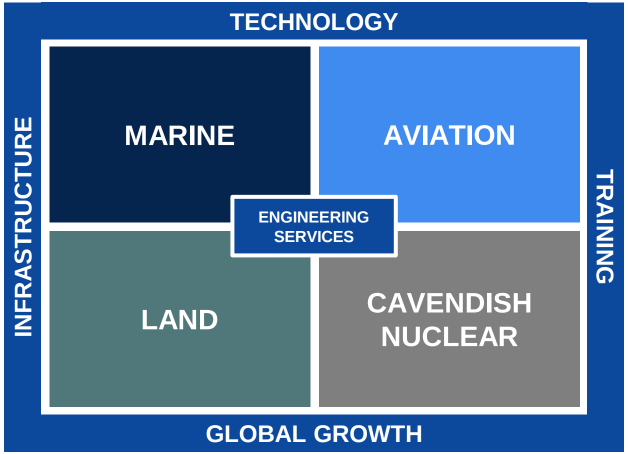
- FOMEDEC pilot training support contract awarded
- Qantas ground support fleet management contract awarded
- T45 destroyer and QEC aircraft carrier Technical Authority and support contract awarded
- UK-US trident nuclear missile launch tube contract expanded
- Submarine Dismantling Programme begins
- Hinkley Point C new nuclear plant given go-ahead
- fourth Offshore Patrol Vessel for Irish Naval Service awarded

Aligned for growth

Closer to our markets
- closer alignment with key government customers and the Armed Forces
- closer alignment with regulators, key suppliers and competitors

Increased focus aligned to capability
- specialist engineering expertise of operating in highly regulated environments
- focused management teams with deep sector knowledge
- future investment focused on our core activities

Platform for growth
- each sector has significant opportunities for UK growth
- better support for technology and training driven across the Group
- easier to identify and develop international opportunities through our Global Growth team



Strategic growth priorities
- build on deep sector expertise and knowledge sharing driven by technology and training
- invest in skills and frameworks to capture opportunities
- drive business development pipeline with sector strengths and reference case data
- accelerate global growth to 30% of Group revenue over 5 years, focusing on areas of core capability

Financial and operational review

Franco Martinelli - Group Finance Director

Group financial highlights

babcock
trusted to deliver™

Headline
- +7.7% growth in revenue
- +6.5% growth in operating profit

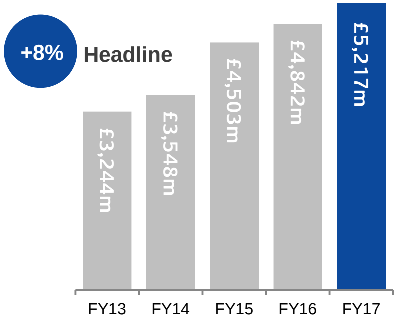
Organic growth at constant exchange rates
- +4.9% growth in revenue
- +5.3% growth in operating profit

Cash
- cash conversion (pre capex): 115%
- cash conversion (post capex): 86%
- free cash flow yield increasing to: 7.2%

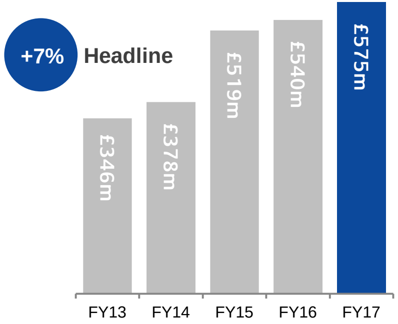
EPS
- +8.0% growth

Net debt
- reduced by £55m (£111m at constant exchange rates)
- Net debt to EBITDA improved to 1.8 x

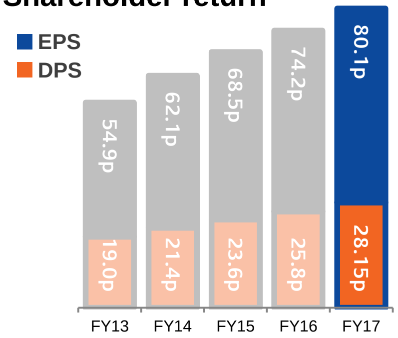
Underlying revenue



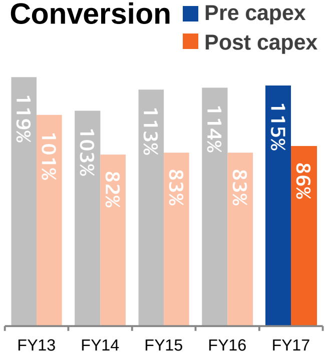
Underlying operating profit



Shareholder return*



Cash Conversion



*FY14 and FY13 DPS and EPS data restated to reflect impact of 2014 Rights Issue

Income Statement

babcock
trusted to deliver™

Organic growth at constant exchange rates

- +4.9% revenue - FX effect: **£133m**
- +5.3% operating profit - FX effect: **£15m**

Margin 11.0%

- Marine and Technology and Support Services improved
- Defence and Security and International reduced

Profit before tax increased by 7.6%

- Interest charge flat

Profit after tax increased by 8.0%

EPS increased 8.0%

Full year dividend increased 9.1%

	FY 17 (£m)	FY 16 (£m)	Change
Total revenue	**5,217**	4,842	+7.7%
Operating profit	**575**	540	+6.5%
Operating margin	***11.0%***	*11.1%*	
Profit before tax	**495**	460	+7.6%
Profit after tax	**408**	378	+8.0%
EPS	**80.1**	74.2	+8.0%
Full year dividend	**28.15p**	25.8p	+9.1%

On an underlying basis

Marine and Technology

Continuing growth
- +6.5% revenue (+4.9% organic revenue*)
- +9.7% operating profit (+8.8% organic operating profit*)
- margin improvement driven by contract performance and an increase in R&D tax credits

Good progress on contracts
- life extensions for Vanguard Class and T23 progressing
- Submarine Dismantling Programme began
- T45 and QEC Technical Authority and support contract
- won all six Maritime Equipment Consumables (MEC) packages
- further work for joint UK-US missile launch tube programme
- fourth Offshore Patrol Vessel for Irish Naval Service
- QEC revenues flat (c £100m step-down expected in 2017/18)

Marine and Technology	FY 17 (£m)	FY 16 (£m)	Change
Revenue	**1,806**	1,696	+6.5%
Operating profit	**218**	199	+9.7%
Operating margin	**12.1%**	11.7%	

Full segmental analysis, including JVs, in Appendix 1

On an underlying basis

From 01 April 2017 Babcock will be reporting on a sector basis, see slide 14 and Appendices 6 and 7

*at constant exchange rates

Defence and Security

babcock
trusted to deliver™

Strong performance

- +15.8% revenue (+15.1% organic revenue*)
- +11.7% operating profit (+11.3% organic operating profit*)
- impact of lower margin DSG procurement revenue partially offset by step up in RSME JV (now in year nine of 30 year contract)

Good progress on contracts

- c £1 billion of UK Military Flying Training System contracts underway (Fixed Wing, Rotary Wing, Rear Crew extension)
- DSG going well; working on demonstration vehicles for the Warrior Capability Sustainment Programme
- Phoenix II: implemented new fleet management system
- strong operational performance on Hawk support contracts
- final AirTanker delivered on schedule – dividends FY18
- SDSR15: Air programmes bidding now, Land programmes progressing with significant activity expected in FY19

Defence and Security	FY 17 (£m)	FY 16 (£m)	Change
Revenue	**977**	843	+15.8%
Operating profit	**147**	131	+11.7%
Operating margin	**15.0%**	15.6%	

Full segmental analysis, including JVs, in Appendix 1

On an underlying basis

From 01 April 2017 Babcock will be reporting on a sector basis, see slide 14 and Appendices 6 and 7

*at constant exchange rates

Support Services

Broadly maintained position

- -2.3% revenue (-3.3% organic revenue*)
  - Magnox step-down as expected; Dounreay additional works
  - Rail was buoyant in FY17
  - Training: some weakness
  - volume shortfall in N America fleet management
- +2.7% operating profit (+9.6% organic operating profit*)
  - Magnox JV margin step up as expected
  - prior year included £7.5m profit on disposal

Operational progress

- Met Police: new contract with growth expected to start Q3 FY18
- emergency services contracts performing well
- Magnox formal exit in Aug 2019
- Dounreay: some programme acceleration in FY17
- no step-down expected in nuclear JVs in 2017/18
- Hinkley Point C go-ahead
- civil infrastructure sale, c £30m revenue

Support Services	FY 17 (£m)	FY 16 (£m)	Change
Revenue	**1,479**	1,513	-2.3%
Operating profit	**111**	108	+2.7%
Operating margin	**7.5%**	7.1%	

Full segmental analysis, including JVs, in Appendix 1

On an underlying basis

From 01 April 2017 Babcock will be reporting on a sector basis, see slide 14 and Appendices 6 and 7

*at constant exchange rates

International

Revenue growth but margin pressure

- +21.0% revenue (+9.5% organic revenue growth*)
  - S Africa >10% growth driven by strong performance in equipment in H2
  - MCS growth +6.3%*
  - new business: FOMEDEC, Qantas, Alitalia
- -2.1% operating profit (-12.9% organic operating profit*)
  - MCS: EC225 unrecovered costs, oil and gas market difficult
  - profits reduced in S African equipment business
  - new business initially recognised at low margin

Revenue growth but environment remains challenging

- MCS secured 38 new contracts and extensions
- two new oil and gas (o&g) crew support contracts started in H2
- EC225 and o&g market pressures likely to impact FY18 margins
- Qantas contract performing well
- S African equipment market: buoyant second half, margins tight
- S African power business performing well
- FOMEDEC asset deliveries FY19

International	FY 17 (£m)	FY 16 (£m)	Change
Revenue	**956**	790	+21.0%
Operating profit	**105**	108	-2.1%
Operating margin	**11.0%**	13.6%	

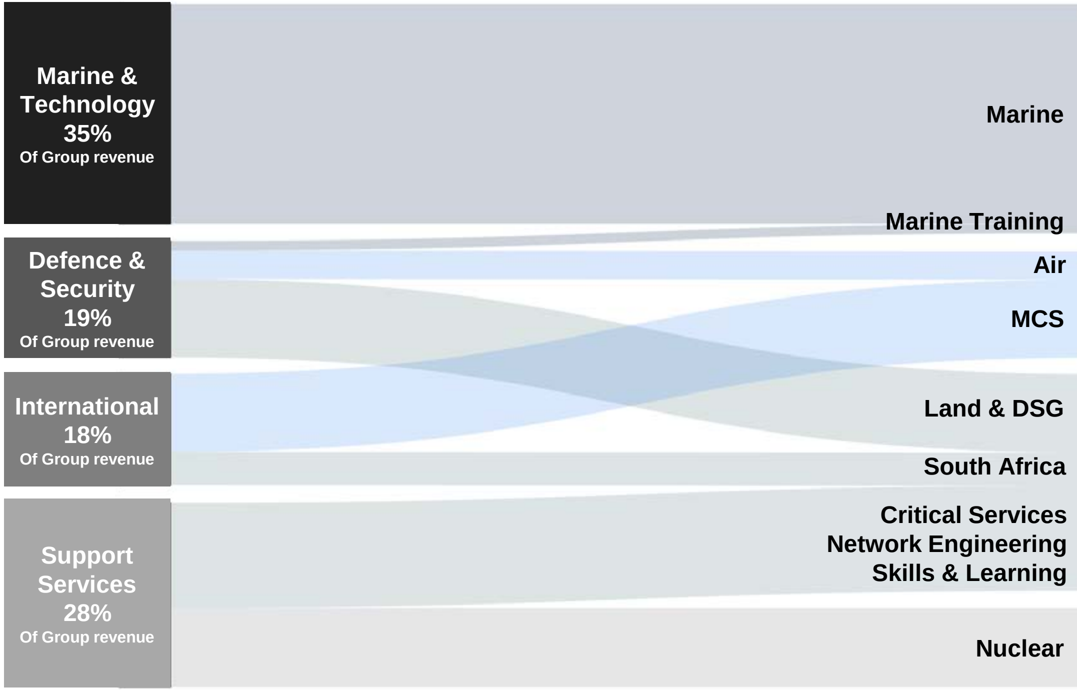
Full segmental analysis, including JVs, in Appendix 1

On an underlying basis

From 01 April 2017 Babcock will be reporting on a sector basis, see slide 14 and Appendices 6 and 7

*at constant exchange rates

FY17 Division to sector reconciliation



Sector	% of Group revenue	FY17 headline growth		FY17 margin
		Revenue	Op profit	
Marine	36%	5.7%	9.5%	12.3%
Aviation	17%	18.4%	4.4%	16.6%
Land	35%	13.0%	(3.5)%	7.7%
Cavendish Nuclear	12%	(10.1)%	28.5%	9.8%

A full division to sector reconciliation can be found in Appendices

Income Statement

babcock
trusted to deliver™

Net finance cost: (£80m)

- Group interest reflecting refinancing/cash generation
- JV interest reflects new Ascent programme
- IAS19 as expected
- FY18: Group interest marginal cost 1%

Tax rate 17.5% this year

- going forward tax rate expected to be c 18%

EPS +8.0%

- FY16 included £7.5m gain on sale of BSF Lewisham

Outlook

- mid single digit organic revenue growth*
- margins broadly stable
- continuing focus on returns

		FY 17 (£m)	FY 16 (£m)	Change
Total revenue		**5,217**	4,842	+7.7%
Operating profit		**575**	540	+6.5%
Operating margin		***11.0%***	*11.1%*	
Net finance costs	Group	**(49)**	(53)	
	JV	**(25)**	(22)	
	IAS 19	**(6)**	(5)	
	total	**(80)**	(80)	
Profit before tax		**495**	460	+7.6%
Tax		**(87)**	(82)	
Effective rate		***17.5%***	*17.8%*	
Profit after tax		**408**	378	+8.0%
EPS		**80.1**	74.2	+8.0%
Proposed FY dividend		**28.15p**	25.8p	9.1%

**at constant exchange rates*

On an underlying basis

Cash conversion

Cash conversion ahead of guidance

- 115% pre capital expenditure
- 86% post capital expenditure

Working capital ahead of expectations

- modest cash outflows over last two years, driven by milestones and customer requirements

Provisions

- net charge of £2.5m
- full year cash outflow of £28.4m as expected

Net capex 1.5x depreciation

- medium term c 1.3x

Cash flow	FY 17 (£m)	FY 16 (£m)
Operating profit	**472**	468
Amortisation and depreciation	**92**	86
Other non-cash items	**14**	15
Working capital (excluding retirement benefits and provisions)	**(8)**	(12)
Provisions	**(28)**	(25)
Operating cash flow	**542**	533
Cash conversion	***115%***	*114%*
Capital expenditure (net)	**(135)**	(145)
Operating cash flow after capital expenditure	**407**	388
Cash conversion after capital expenditure %	***86%***	*83%*
Capital expenditure: Deprecation	**1.5**	1.7

Net cash flow

babcock
trusted to deliver™

Dividends from joint venture increased to £26.7m

Cash tax continues to benefit from pension payments but overseas losses benefit reduced

Pension contributions in excess of income statement: £38.2m

- FY18: c £45m

Free cash flow improving

- pre excess pension payments £321m (+3.3%)
- post excess pension payments £283m (+2.5%)
- free cash flow yield 7.2% (FY16: 6.5%)

Cash flow	FY 17 (£m)	FY 16 (£m)
Operating cash flow after capital expenditure	**407**	388
Interest paid (net)	**(52)**	(53)
Taxation	**(62)**	(47)
Dividends from JVs	**27**	23
Free cash flow pre pensions	**321**	311
Pensions contributions in excess of income statement	**(38)**	(35)
Free cash flow post pensions	**283**	276
Dividends	**(134)**	(126)
Acquisitions/Disposals/JV	**(28)**	(4)
Other	**(66)**	(49)
Net cash inflow/outflow	**55**	97
Opening net debt	**(1,229)**	(1,326)
Closing net debt	**(1,174)**	(1,229)

Balance sheet

Net debt reduced by £55m

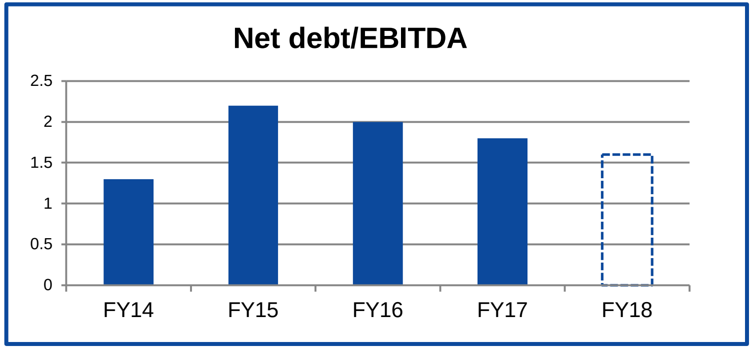
- £111m at constant exchange rates
- Net debt to EBITDA ratio: 1.8 x

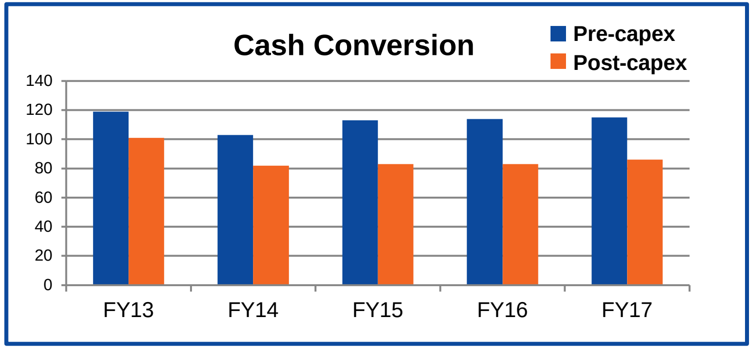
Net debt to EBITDA outlook

- FY18: c 1.6 x
- medium term: deleveraging at 0.2 x – 0.3 x p.a.*

Year end post tax ROIC: 11.9% (FY16: 11.7%)

- continued focus on capital employed and on improving returns





*assumes no significant acquisitions

Accounting: understanding the business

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

Underlying adjustments:

- JVs
- IFRIC 12
- acquired intangibles
- free cash flow
- no exceptional items

Business judgements:

- pensions
- provisions

Future accounting changes:

- IFRS 15 - FY19
- IFRS 16 - FY20

Joint ventures

babcock
trusted to deliver™

JVs 13% of underlying revenue and 13% of underlying profit

Operational joint ventures increasing
- dividends follow profits, subject to short-term phasing (6 - 12months)
- AirTanker Services dividend received last two years
- Magnox JV next year to reflect profit step-up this year

Asset joint ventures stable after sale of BSF assets
- dividends follow after paying down JV debt
- First AirTanker LTD dividends expected FY18
- Holdfast margin step up after 9 years
- Holdfast (RSME JV) dividends payable after 10 years: FY20

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

Total dividends for FY18: c £35m

	FY 17 (£m)		FY 16 (£m)	
	Asset JV	**Operational JV**	Asset JV	Operational JV
Operating Profit	**30**	**43**	16	25
IFRIC 12	**29**	**-**	30	-
Total underlying profit	**59**	**43**	46	25
Finance costs	**(25)**	**-**	(22)	-
Profit before tax	**34**	**43**	24	25
Tax	**(5)**	**(9)**	(2)	(6)
Profit after tax	**29**	**34**	22	19
Dividends	**8**	**19**	5	18

Managing pensions

Deficit movements:

- results protected by interest rate and inflation hedging
- asset performance better than expected
- cash contributions benefit

FY18: Income statement / cash flow

- service cost rise of £8.8m due to lower bond yields and higher inflation – mostly Marine
- partially offset by £4.1m decrease in interest
- cash service costs increasing in Rosyth and BIG Pension schemes
- higher deficit contributions for Rosyth scheme: c £8m
- cash in excess of income statement c £45m

Future actions

- proposed increase in employee contributions
- launch of educational toolkit to promote greater awareness of freedom to opt out of DB scheme
- interest and inflation rate hedging to be maintained

IAS 19	FY 17 (£m)	FY 16 (£m)
Assets	**4,676**	3,825
Obligations	**(4,781)**	(4,028)
Net deficit	**(105)**	(203)

Income statement	FY 18 (£m)	FY 17 (£m)
Operating profit	**48**	39
Net interest costs	**2**	6
Total	**50**	45

Key assumptions	FY 17	FY 16
Discount rate	**2.6%**	3.5%
Inflation (RPI)	**3.2%**	2.9%

Financial summary FY17

babcock
trusted to deliver™

Continuing growth	**Revenue** **+ 8%** headline **+ 5%** organic*	**Operating profit** **+ 7%** headline **+ 5%** organic*	**Operating margin** **11%**
Financial discipline and cash flow	**Cash conversion** **115%** pre capex **86%** post capex	**Net capex to depreciation** **1.5 x**	**Net debt to EBITDA** **1.8 x**
Delivering returns	**EPS** **+ 8.0%**	**DPS** **+ 9.1%**	**ROIC** **11.9%** post tax
Clear visibility	**Order book** **+ pipeline** **c £30 billion**	**FY18 revenue in place** **76%**	**Stable win rates** **> 40%** new bids **> 90%** rebids

*at constant exchange rates

babcock

trusted to deliver™

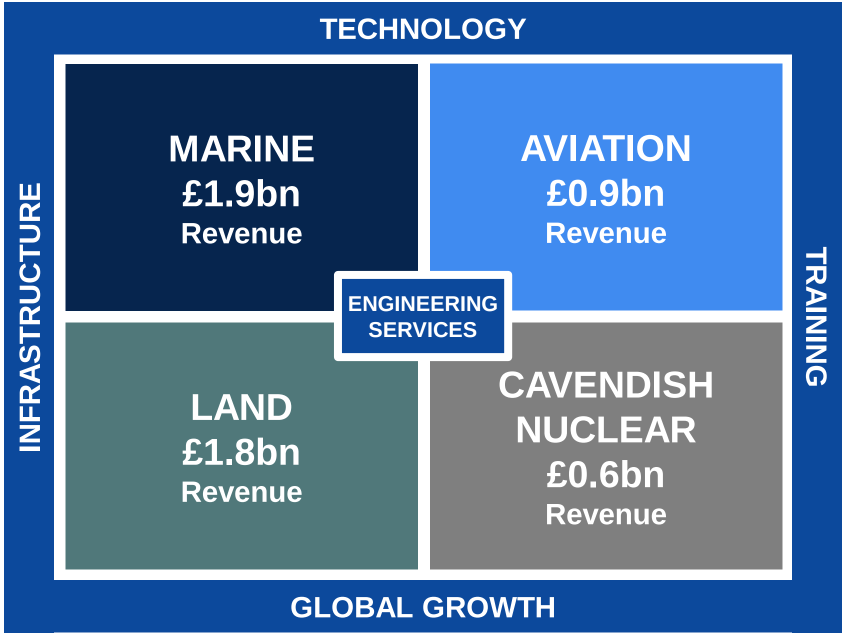
Opportunities for growth

Archie Bethel, Group Chief Executive

Experts in our chosen sectors

Each sector has:

- sufficient scale to become a world leader
- both defence and civil customers sitting under one focused management team
- existing UK and international operations
- range of engineering services offerings, supported by technology and training
- unique infrastructure operated within a complex regulatory regime
- significant opportunities for growth both in the UK and globally



FY17 revenue

Sector characteristics: Marine

babcock
trusted to deliver™

Differentiators and barriers to entry

- largest support partner to Royal Navy (100% of submarine and 75% of the surface fleet refits)
- unique owned marine facilities
- long-term management of two out of the three UK Naval Bases
- key support provider for Royal Canadian Navy (100% of submarine deep maintenance) and Australian Navy

Outlook

- further outsourcing in naval marine (moving up the value chain)
- opportunities in commercial marine and energy markets in UK and internationally
- engineering consulting and cyber, security and intelligence markets growing

Market segment	Size*	Key Opportunities
UK naval marine	£4.4bn	• Nuclear facilities • Successor • Submarine decommissioning • Astute deep maintenance • Future platform support (T45 & QEC)
Canadian naval marine	£1.0bn	• National ship building programme • Halifax Class Frigate Support • Victoria Class Life Extension
Aus/NZ naval marine	£1.9bn	• SEA1000 submarine programme • SEA 1180 OPV / SEA 5000 Frigate • Collins class LIFEX
Energy & Marine	£2.0bn	• Offshore Substations • Subsea Modules • LPG & LNG systems • Volatile Organic Compound (VOC) recovery
UK Cyber, Intelligence & Security	£2.6bn	• Managed security service • Increased Security & Intelligence Agency spend • Critical National Infrastructure investment • Defence Communications Upgrades
Engineering consulting	£2.0bn	• MOD FATS Framework • EDF TSA Framework • RR MSA Framework

**annual addressable revenue*

Sector characteristics: Land

trusted to deliver™

Differentiators and barriers to entry

- main support partner for British Army with strategic portfolio of initiatives
- core training partner for British Army
- own unique infrastructure (fleet management and support)
- experience providing support for c 80,000 vehicles
- long-term support partner to Met Police and LFB

Outlook

- further outsourcing opportunities in equipment support in UK and internationally
- whole force approach
- technical training civil & defence markets growing

Market segment	Size*	Key Opportunities
UK Defence fleet, equipment & training support solutions	£1.3bn	• DSG: Warrior; Challenger; Protected Mobility vehicles • Individual and collective training • Support closer to the front line • International expansion
Blue light vehicle conversion, fleet management & maintenance	£1.0bn	• UK fleet consolidation • International expansion
Global airport GSE and baggage handling equipment support	£1.0bn	• Major international airports • Major airport hubs
UK Defence and civil training	Defence £1.2bn Civil £1.3bn	• Overseas training for British Army • Army Training • International expansion • Met Police Training • Apprenticeship Levy and funding reform • Rail skills shortage (HS2)
South Africa equipment sales	£0.7bn	• Growing market share
UK Rail network	£2.0bn	• HS2 • Digital railway • Trans Pennine • Translink

**annual addressable revenue*

Sector characteristics: Aviation

babcock
trusted to deliver™

Differentiators and barriers to entry

- world leading provider of helicopter emergency services
- long-term relationships and critical asset expertise
- highly regulated industry critical Air Operating Certificates, PART 145
- key training and support partner to UK and French Air Force
- maintain 25% of all UK MOD rotary and fixed wing aircraft

Outlook

- further opportunities in emergency services in the UK and internationally
- continued growth in HEMS
- military air market growing
- pressure in the oil & gas market

Market segment	Size*	Key Opportunities
Defence aviation support (equipment & infrastructure)	£1.6bn	• OEM support (P-8, Apache) • Airbase support (HADES, Lossiemouth) • Project GATEWAY
Defence flying training	£1.6bn	• Contracted air services • Outsourced military flying training systems • RN Flight Deck School of Operations
Emergency services	£3.2bn	• New geographies • Additional services eg night flying • Entry into central European markets • Further government outsourcing • In-organic growth (market consolidation) • SASEMAR (Spain) • RAAF (Australia) • Further government outsourcing
Oil and Gas helicopter services	£2.4bn	• North West shelf fields in Australia • Africa and South East Asia (eg Chevron) • North Europe Offshore Wind • Shetland fields

**annual addressable revenue*

Sector characteristics: Cavendish Nuclear

Differentiators and barriers to entry

- largest nuclear services provider in the UK
- approximately 6,000 skilled nuclear employees
- operate 13 out the UK's 37 licensed sites
- lead partner at Dounreay decommissioning - most complex site closure project in Europe
- lead partner in Magnox decommissioning: unique expertise
- deliver major design and build projects, design services and reactor operations and maintenance

Outlook

- opportunities in nuclear decommissioning, new build and new sectors
- UK civil nuclear market remains resilient

Market segment	Size*	Key Opportunities
UK Nuclear Decommissioning	£2.4bn	• Growth on decommissioning • Sellafield • AWE • EDF AGR fleet
International Nuclear Decommissioning	£1.0bn	• Japan • Germany
Decommissioning Oil and gas	£1.5bn	• Centrica • Repsol • Eni • BP • Conoco Premier Oil
Nuclear Services	£1.4bn	• EDF defuelling and outage management • Sellafield design and build projects • AWE capital projects
New Build	£1.5bn	• Hinkley Point C • Wylfa • Small Modular Reactors

**annual addressable revenue*

Order book and bid pipeline

Order book £19.0 billion

- £4.7 billion order intake in period from:
  - new contracts
  - organic growth within existing contracts, eg Dounreay, DSG
- £1.2 billion of which not through pipeline

Clear revenue visibility

- 76% for FY18
- 52% for FY19

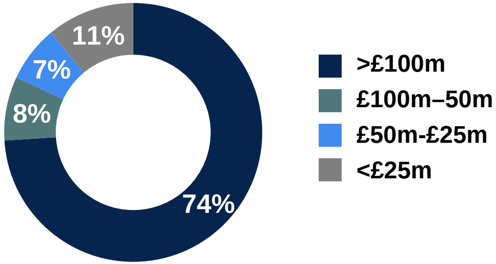
£10.5 billion bid pipeline provides further opportunities for growth

- £6.6 billion of opportunities added to the bid pipeline in the period

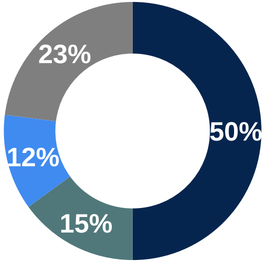
Group win rates stable

- new bids over 40%
- rebids over 90%

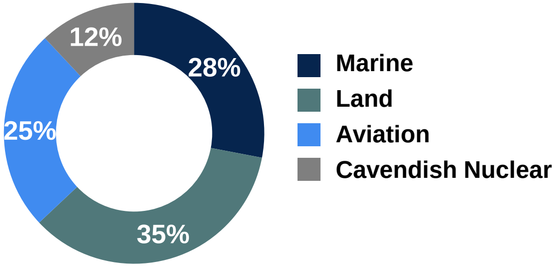
Order book by value



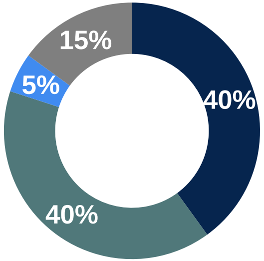
Pipeline by value



Order book by sector



Pipeline by sector



Continuing momentum

Continuing to deliver

- strong growth in period; winning business in UK and internationally
- robust cash flow and strong returns

Positioned for the future:

- differentiated position: technical expertise and unique infrastructure
- sharper focus on engineering services in four sectors
- long-term contracts, aligned and embedded with customers
- 76% of FY18 revenue already in place

Opportunities across all our markets

- effective balance of risk and reward
- broadening base of international business
- buoyant tracking pipeline

Mid-single digit revenue growth with broadly stable margins

Questions?

babcock

trusted to deliver™

babcock

trusted to deliver™

Appendices

Appendix 1

Underlying segmental analysis

babcock
trusted to deliver™

		Revenue (£m)		Operating profit (£m)		Operating margin (%)	
		FY17	FY 16	**FY17**	FY 16	**FY17**	FY 16
Marine and Technology	Group	**1,777.8**	1,674.3	**211.2**	195.9	**11.9%**	11.7%
	JV	**27.8**	21.6	**6.9**	3.0	**24.8%**	13.9%
	total	**1,805.6**	1,695.9	**218.1**	198.9	**12.1%**	11.7%
Defence and Security	Group	**885.7**	754.6	**87.9**	86.1	**9.9%**	11.4%
	JV	**90.8**	88.5	**58.7**	45.2	**64.6%**	51.1%
	total	**976.5**	843.1	**146.6**	131.3	**15.0%**	15.6%
Support Services	Group	**936.5**	946.6	**78.1**	87.7	**8.3%**	9.3%
	JV	**542.3**	566.4	**32.4**	19.9	**6.0%**	3.5%
	total	**1,478.8**	1,513.0	**110.5**	107.6	**7.5%**	7.1%
International	Group	**947.1**	782.9	**102.0**	105.4	**10.8%**	13.5%
	JV	**8.6**	7.2	**3.3**	2.2	**38.4%**	30.6%
	total	**955.7**	790.1	**105.3**	107.6	**11.0%**	13.6%
Unallocated	Group	-	-	**(5.7)**	(5.7)	-	-
Total	Group	**4,547.1**	4,158.4	**473.5**	469.4	**10.4%**	11.3%
	JV	**669.5**	683.7	**101.3**	70.3	**15.1%**	10.3%
	total	**5,216.6**	4,842.1	**574.8**	539.7	**11.0%**	11.1%

Appendix 2
Statutory to underlying reconciliation

All values in £m		Continuing operations – statutory	JV and associates			Sub total	IFRIC 12 income	Amortisation of acquired intangibles	Change in tax rate	Continuing operations – underlying
			Revenue and operating profit	Finance costs	Tax					
31 Mar 17	Revenue	4,547.1	669.5			5,216.6				5,216.6
	Operating profit	359.6	72.8			432.4	29.7	112.7		574.8
	Share of profit from JV	56.7	(72.8)	24.6	14.2	22.7	(28.5)	5.8		-
	Investment income	1.2				1.2	(1.2)			-
	Net finance costs	(55.4)	-	(24.6)		(80.0)				(80.0)
	Profit before tax	362.1	-	-	14.2	376.3	-	118.5	-	494.8
	Tax	(46.5)	-	-	(14.2)	(60.7)	-	(26.4)	0.5	(86.6)
	Profit after tax	315.6	-	-	-	315.6	-	92.1	0.5	408.2
31 Mar 16	Revenue	4,158.4	683.7			4,842.1				4,842.1
	Operating profit	352.5	40.8			393.3	30.6	115.8		539.7
	Share of profit from JV	34.6	(40.8)	21.9	8.0	23.7	(29.5)	5.8		-
	Investment income	1.1				1.1	(1.1)			-
	Net finance costs	(58.1)	-	(21.9)		(80.0)				(80.0)
	Profit before tax	330.1	-	-	8.0	338.1	-	121.6	-	459.7
	Tax	(39.0)	-	-	(8.0)	(47.0)	-	(26.8)	(8.1)	(81.9)
	Profit after tax	291.1	-	-	-	291.1	-	94.8	(8.1)	377.8

Appendix 3
Exchange rate movements

	Effect on revenue (£m)			Effect on underlying operating profit (£m)			Effect on profit before tax (£m)			Average rates for FY 17
Change	**1%**	**5%**	**10%**	**1%**	**5%**	**10%**	**1%**	**5%**	**10%**	
EUR	3.8	19.0	37.9	0.6	3.0	5.9	0.3	1.7	3.4	1.19
ZAR	2.9	14.7	29.4	0.2	1.2	2.4	0.2	1.1	2.3	18.5
CAD	1.4	7.0	14.0	0.1	0.4	0.8	0.1	0.4	0.8	1.72

Appendix 4
Cash flow reconciliation

	FY17 (£m)	FY16 (£m)
Cash generated from operations	**504**	490
Retirement benefit contributions in excess of income statement	**38**	35
Profit on disposals of JVs	**-**	8
Operating cash flow	**542**	533

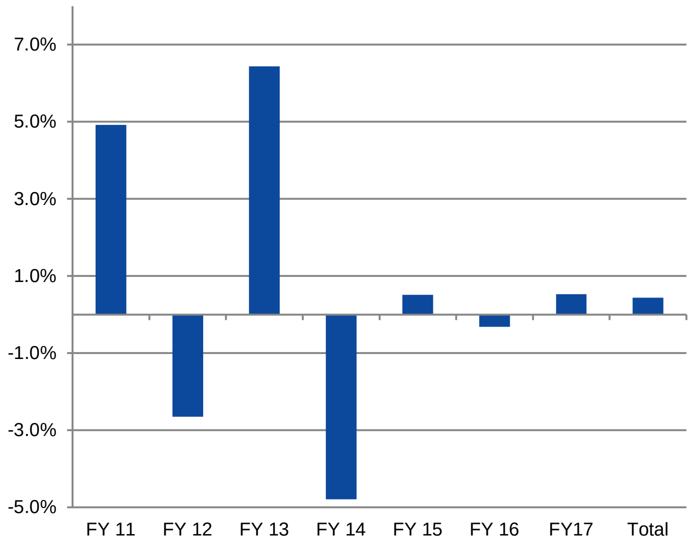
Appendix 5
Provisions

Full year net charge £2.5m
- average of last seven years underlying operating profit*
  - less than 1% cumulative net charge as a % of underlying profit
  - 6% cash utilisation

Full year: £28.4m cash outflow
- utilised: contracts (gain share and warranty), personnel (taxation and reorganisation), property and assets
- utilisation c £6m pa on Avincis (MCS) operating leases
- FY18 outflow expected to be similar to FY17 reducing thereafter

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

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



Appendix 6

Division to sector reconciliation: revenue (underlying)

As Reported	FY17 (£m)	FY16 (£m)	FY15 (£m)	New alignment	FY17 (£m)	FY16 (£m)	FY15 (£m)	Growth rate FY17	Growth rate FY16
Group Revenue									
Marine and Technology	**1,777.8**	1,674.3	1,543.6	**Marine**	**1,873.8**	1,778.4	1,647.8	**5.4%**	7.9%
Defence and Security	**885.7**	754.6	710.6	**Aviation**	**793.1**	659.9	636.6	**20.2%**	3.7%
Support Services	**936.5**	946.6	937.1	**Land**	**1,685.4**	1,511.8	1,489.7	**11.5%**	1.5%
International	**947.1**	782.9	805.1	**Nuclear**	**194.8**	208.3	222.5	**-6.5%**	-6.4%
Unallocated			0.2						
Total Group Revenue	**4,547.1**	4,158.4	3,996.6		**4,547.1**	4,158.4	3,996.6	**9.3%**	4.0%
Joint Venture and associate Revenue									
Marine and Technology	**27.8**	21.6	18.9	Marine	**27.8**	21.5	19.0	**29.3%**	13.2%
Defence and Security	**90.8**	88.5	102.2	Aviation	**80.9**	78.5	89.4	**3.1%**	-12.2%
Support Services	**542.3**	566.4	379.3	Land	**126.3**	91.9	62.2	**37.4%**	47.7%
International	**8.6**	7.2	6.3	Nuclear	**434.5**	491.8	336.1	**-11.7%**	46.3%
Total JV Revenue	**669.5**	683.7	506.7		**669.5**	683.7	506.7	**-2.1%**	34.9%
Total Revenue									
Marine and Technology	**1,805.6**	1,695.9	1,562.5	**Marine**	**1,901.6**	1,799.9	1,666.8	**5.7%**	8.0%
Defence and Security	**976.5**	843.1	812.8	**Aviation**	**874.0**	738.4	726.0	**18.4%**	1.7%
Support Services	**1,478.8**	1,513.0	1,316.4	**Land**	**1,811.7**	1,603.7	1,551.9	**13.0%**	3.3%
International	**955.7**	790.1	811.4	**Nuclear**	**629.3**	700.1	558.6	**-10.1%**	25.3%
Unallocated			0.2						
Total Revenue	**5,216.6**	4,842.1	4,503.3		**5,216.6**	4,842.1	4,503.3	**7.7%**	7.5%

Appendix 7

Division to sector reconciliation: operating profit (underlying)

babcock
trusted to deliver™

As Reported	FY17 (£m)	FY16 (£m)	FY15 (£m)	New alignment	FY17 (£m)	FY16 (£m)	FY15 (£m)	Return on revenue FY17	Return on revenue FY16	Return on revenue FY15
Group Operating Profit										
Marine and Technology	**211.2**	195.9	172.0	**Marine**	**227.0**	210.6	188.3	**12.1%**	11.8%	11.4%
Defence and Security	**87.9**	86.1	82.4	**Aviation**	**106.9**	102.4	93.0	**13.5%**	15.5%	14.6%
Support Services	**78.1**	87.7	80.2	**Land**	**113.0**	133.8	150.9	**6.7%**	8.9%	10.1%
International	**102.0**	105.4	114.3	**Nuclear**	**32.3**	28.3	16.7	**16.6%**	13.6%	7.5%
Unallocated	**(5.7)**	(5.7)	(1.6)		**(5.7)**	(5.7)	(1.6)			
Total Group Operating Profit	**473.5**	469.4	447.3		**473.5**	469.4	447.3	**10.4%**	11.3%	11.2%
Joint Venture and associate Operating Profit										
Marine and Technology	**6.9**	3.0	1.9	Marine	**6.9**	3.0	2.0	**24.8%**	14.0%	10.5%
Defence and Security	**58.7**	45.2	46.3	Aviation	**38.6**	36.9	39.2	**47.7%**	47.0%	43.8%
Support Services	**32.4**	19.9	20.7	Land	**26.7**	10.9	19.8	**21.1%**	11.9%	31.8%
International	**3.3**	2.2	2.5	Nuclear	**29.1**	19.5	10.4	**6.7%**	4.0%	3.1%
Total JV Operating Profit	**101.3**	70.3	71.4		**101.3**	70.3	71.4	**15.1%**	10.3%	14.1%
Total Operating Profit										
Marine and Technology	**218.1**	198.9	173.9	**Marine**	**233.9**	213.6	190.3	**12.3%**	11.9%	11.4%
Defence and Security	**146.6**	131.3	128.7	**Aviation**	**145.5**	139.3	132.2	**16.6%**	18.9%	18.2%
Support Services	**110.5**	107.6	100.9	**Land**	**139.7**	144.7	170.7	**7.7%**	9.0%	11.0%
International	**105.3**	107.6	116.8	**Nuclear**	**61.4**	47.8	27.1	**9.8%**	6.8%	4.9%
Unallocated	**(5.7)**	(5.7)	(1.6)		**(5.7)**	(5.7)	(1.6)			
Total Operating Profit	**574.8**	539.7	518.7		**574.8**	539.7	518.7	**11.0%**	11.1%	11.5%

Appendix 8

2016/7: operating segmental sectors (statutory)

All values in £m	Marine £m	Land £m	Aviation £m	Nuclear £m	Unallocated £m	Group Total £m
Continuing operations						
Total revenue	1,901.6	1,811.7	874.0	629.3	-	5,216.6
Joint venture revenue	27.8	126.3	80.9	434.5	-	669.5
Group Revenue	**1,873.8**	**1,685.4**	**793.1**	**194.8**	**-**	**4,547.1**
Operating profit	**216.4**	**66.2**	**51.8**	**30.9**	**(5.7)**	**359.6**
Acquired intangibles	9.9	46.3	55.1	1.4	-	112.7
Operating Profit – Group	226.3	112.5	106.9	32.3	(5.7)	472.3
IFRIC 12 investment income - Group	0.7	0.5	-	-	-	1.2
Operating Profit - share of joint ventures	6.9	25.2	11.6	29.1	-	72.8
IFRIC 12 investment income – Share of JVs	-	1.5	27.0	-	-	28.5
Underlying Operating Profit	**233.9**	**139.7**	**145.5**	**61.4**	**(5.7)**	**574.8**
Joint venture share of interest		(1.4)	(23.2)			(24.6)
Joint venture share of taxation	(2.1)	(3.9)	(2.3)	(5.9)		(14.2)
Acquired intangibles amortisation – Group	(9.9)	(46.3)	(55.1)	(1.4)		(112.7)
Acquired intangibles amortisation - JVs		(2.0)	(3.8)			(5.8)
Net finance costs					(55.4)	(55.4)
Group profit before Tax	**221.9**	**86.1**	**61.1**	**54.1**	**(61.1)**	**362.1**

Appendix 9
2015/6: operating segmental sectors (statutory)

All values in £m	Marine £m	Land £m	Aviation £m	Nuclear £m	Unallocated £m	Group Total £m
Continuing operations						
Total revenue	1,799.9	1,603.7	738.4	700.1	-	4,842.1
Joint venture revenue	21.5	91.9	78.5	491.8	-	683.7
Group Revenue	**1,778.4**	**1,511.8**	**659.9**	**208.3**	**-**	**4,158.4**
Operating profit	**199.2**	**82.1**	**50.5**	**26.4**	**(5.7)**	**352.5**
Acquired intangibles	10.8	51.2	51.9	1.9		115.8
Operating Profit – Group	210.0	133.3	102.4	28.3	(5.7)	468.3
IFRIC 12 investment income - Group	0.6	0.5				1.1
Operating Profit - share of joint ventures	3.0	9.0	9.3	19.5		40.8
IFRIC 12 investment income – Share of JVs		1.9	27.6			29.5
Underlying Operating Profit	**213.6**	**144.7**	**139.3**	**47.8**	**(5.7)**	**539.7**
Joint venture share of interest		(1.4)	(20.5)			(21.9)
Joint venture share of taxation	(0.9)	(0.9)	(1.9)	(4.3)		(8.0)
Acquired intangibles amortisation – Group	(10.8)	(51.2)	(51.9)	1.9		(115.8)
Acquired intangibles amortisation - JVs		(2.0)	(3.8)			(5.8)
Net finance costs					(58.1)	(58.1)
Group profit before Tax	**201.9**	**89.2**	**61.2**	**41.6**	**(63.8)**	**330.1**

Appendix 10
Net Capital Expenditure

	FY17 (£m)	FY16 (£m)
Purchases of disposal of property, plant and equipment	**176**	163
Purchases of intangible assets	**31**	28
Proceeds on disposal of property, plant and equipment	**(72)**	(66)
New finance leases - received	**-**	20
Capital expenditure (net)	**135**	145

Note:

- disposals in the main represent new Helicopter assets converted into operating leases

babcock

trusted to deliver™