



25 March 2010

Babcock International Group PLC
Signature of Terms of Business Agreement

Babcock International Group PLC (Babcock) confirms that it has signed a long term strategic Terms of Business Agreement (ToBA) with the Ministry of Defence (MoD). The agreement confirms Babcock as the MoD's key support partner in the maritime sector and underpins the delivery of key aspects of the MoD's Defence Industrial Strategy.

The ToBA covers the fifteen year period between 2010 and 2025 during which Babcock commits to the progressive delivery of guaranteed cost savings to the MoD. In return, Babcock is nominated to undertake specific roles and to perform particular types of engineering work in support of the Royal Navy's major warships and nuclear-powered submarines. In addition, the ToBA also extends Babcock's management roles at the Clyde and Devonport Naval Bases from 2013 to 2025 – a value of some £2.5 billion.

In addition to the extension of the Clyde and Devonport Naval bases management roles, the agreement also provides visibility of a forward work programme of some £2.5 billion at 2010 prices. These combined values are stated after benefits, which Babcock has agreed to deliver, of some 15% of the total value. Savings above the committed levels will be shared between Babcock and the MoD – providing the basis for additional financial benefits to both parties.

Following signature of the ToBA, the Group's order book will be increased by c £2.5 billion to around £8.5 billion. This does not include future refit work which is subject to individual valuation at the time of award.

Peter Rogers, Babcock's Chief Executive said "The finalisation of this agreement is a fundamental cornerstone of Babcock's partnering relationship with the MoD in providing support to the Royal Navy. It confirms Babcock's long term strategic role and it will deliver significant benefits to both parties over the fifteen year period."

Enquiries

Babcock International Group PLC

Peter Rogers

Terri Wright

020 7355 5300

FD

Andrew Lorenz

Sophie Kernon

020 7269 7291