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BABCOCK INTERNATIONAL GROUP PLC ACQUIRES NUCLEAR AND AIRPORTS SERVICES OPERATOR ALSTEC GROUP LIMITED

Continuing its successful strategy of acquiring and developing technically sophisticated businesses in growing infrastructure and asset management markets, Babcock International Group PLC ("Babcock") today announces the acquisition on a debt free basis of Alstec Group Limited ("Alstec") for a net cash consideration of £44.9 million, funded from existing banking facilities.

Alstec reported turnover of £82.6 million in the year ended 31 March 2006 and profit before interest and tax was £3.7 million after charging £1 million in respect of legacy claims not transferring to Babcock. The business has a total order book of in excess of £67 million and gross assets of £21.5 million. The recent award of additional contracts in nuclear and an extension of operations in the airports business together with a reduced level of ongoing costs offer excellent prospects for growth in Alstec's profits in the current year.

Alstec operates in three distinct support services markets that are very familiar to Babcock; nuclear, airports and defence systems. Within each of these markets Alstec provides a range of services and engineered solutions for its customers' operationally complex and critical activities. Babcock provides high value, technically based services to large public sector and blue chip customers operating in complex environments. Alstec's operations are entirely consistent with this model.

In nuclear, with turnover of £40 million in the year to 31 March 2006, Alstec provides technical expertise associated with the reactor island at many UK nuclear power stations including nuclear fuel handling equipment, remote inspection, instrumentation and safety systems. Alstec provides decommissioning and waste management services at the Atomic Weapons Establishment, Aldermaston and for the UKAEA and reactor outage support for British Energy with which Alstec holds 'critical supplier' status. Alstec supplies design, installation and commissioning services for reactor protection systems to British Energy and British Nuclear Group and is also involved in a number of long-term alliance contracts with other key suppliers to the nuclear industry. This business will provide a natural extension to Babcock's existing nuclear clean up and facilities management contracts at Rosyth and HM Naval Base, Clyde.

Alstec's airports services business, with turnover of £34 million in the year to 31 March 2006, provides operations and maintenance services for BAA PLC's automated baggage sortation system at Heathrow airport. The business also operates and maintains the inter-terminal transfer facilities between all terminals. Opportunities to expand the provision of these services at Heathrow into the proposed central terminal area redevelopment and the new T5 facilities together with the possibility of similar service provision at other airports offer excellent growth prospects.

Alstec also operates a small defence business (turnover in the year to 31 March 2006 of £9 million) for the design, supply, maintenance and upgrade of equipment for the Ministry of Defence and its equipment suppliers for submarines, surface ships and aircraft. In particular it designs, supplies and maintains key reactor components for the Vanguard and Astute class submarines and is the design authority for the hydroplane and rudder actuators for Astute. Alstec's defence business has also been selected as supplier and systems integrator for the award winning weapons handling system for the future aircraft carriers and has been working in partnership with Babcock at Rosyth on a number of other aircraft carrier opportunities over the past twelve months.

The combination of Alstec's skills and track record with those of Babcock creates exciting new opportunities in two major growth markets: nuclear decommissioning and airport management as well as augmenting Babcock's existing strong position in the maintenance of submarines, surface ships and on the new carrier programme.

Peter Rogers, Chief Executive of Babcock, commented:

"Alstec is an excellent strategic fit with Babcock's existing support services activities and brings to us an important set of new customers. We are now well placed to bid for a range of opportunities in the expanding market for nuclear utility support services and decommissioning. Alstec's position in the airport services market is well established, and provides Babcock with a number of additional opportunities in a growing market.

"Having recently secured some significant new contracts, Alstec offers excellent growth prospects and we expect the acquisition of the business to be earnings enhancing for Babcock in its first year of ownership."*

Martin Melling, Alstec's Chairman and Chief Executive, commented:

"We are delighted to be joining Babcock. Alstec has an exceptional pedigree dating back to its GEC heritage, and there are significant opportunities to grow in each of our core markets. We believe that, with Babcock's resources, relationships and complementary skills, we are exceptionally well-placed to grow our business, which will provide increasing opportunities for the Alstec workforce."

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About Babcock International Group PLC

Babcock International Group PLC is an asset management business. We manage fixed infrastructure and mobile assets for a range of blue chip customers. Babcock integrates labour, technical capabilities, systems and supply chain partners to meet the outsourcing needs of customers for 'mission-critical' capabilities.

In the year to 31 March 2006 sales from continuing business were £837 million.

The Group operates across five core business segments:

Defence Services, supplying facilities management, equipment support and training services to the armed forces.

Technical Services, providing engineering and logistical support to both the defence and civil sectors in the UK.

Engineering and Plant Services, supplying design, installation and maintenance support to the energy sector in Africa and the US. It also holds the Volvo franchise for construction equipment in Southern Africa.

Rail, providing design, renewal and installation services for the UK rail infrastructure.

Networks, supporting the design, maintenance and renewal of power transmission and cellular telecommunications networks in the UK.

Babcock's head office is in London and the Company's shares are quoted on the London Stock Exchange in the support services sector (EPIC:BAB). For further information, please visit Babcock's website at www.Babcock.co.uk.

About Alstec

Alstec Group is a support services business operating in three markets - nuclear, defence and airport services employing some 1200 direct UK staff. Alstec operates in demanding, complex environments: providing both equipment / systems design and support services through its three market orientated business units. The nuclear business, headquartered at Whetstone, has staff located at many civil nuclear facilities in the UK and at AWE Aldermaston. The defence business is niche and principally involved in specialist naval activities. The airport services business is centred on Heathrow and provides comprehensive operations and maintenance support for the baggage systems in the central terminal area, much of which it has designed, supplied and installed in its role as a systems integrator. For further information, please visit Alstec's website at www.alstec.com.

* The statement that the acquisition will be earnings enhancing in its first year of ownership when compared to the earnings per share that Babcock would have achieved without the acquisition, does not constitute a profit forecast and should not be interpreted to mean that the earnings per share in the year to 31 March 2007, or in any subsequent period, would necessarily match or be greater than those for the relevant preceding financial period.

Dealing Disclosure Requirements

Under the provisions of Rule 8.3 of the City Code on Takeovers and Mergers (the "Code"), if any person is, or becomes, "interested" (directly or indirectly) in 1% or more of any class of "relevant securities" of VT Group plc or of BAE Systems plc or of Babcock International Group PLC, all "dealings" in any "relevant securities" of that company (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by no later than 3.30 pm (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which the offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the "offer period" otherwise ends.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of VT Group plc or of BAE Systems plc or of Babcock International Group PLC, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the Code, all "dealings" in "relevant securities" of VT Group plc or of BAE Systems plc or of Babcock International Group PLC by VT Group plc or BAE Systems plc or Babcock International Group PLC, or by any of their respective "associates", must be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Takeover Panel's website at www.thetakeoverpanel.org.uk.

"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, you should consult the Panel.