



28 March 2006

Babcock International Group PLC

Pre-Close Trading Statement

In line with its usual practice, Babcock International Group PLC ("Babcock" or "the Group") the support services company, makes the following trading statement prior to the close of its financial year on 31 March 2006.

Babcock is pleased to reaffirm its statement made on 15 November 2005 that it expects the full year results to 31 March 2006 to be ahead of its original expectations. At the interim stage Babcock reported a 21% increase in underlying operating profit to £25.2m.

Overall, good momentum has been maintained across the business. Our order book is in excess of £2bn. Future revenue visibility remains high with major long term contracts booked with, amongst others, the Ministry of Defence, National Grid Transco, Network Rail, Orange and Vodafone in the UK and the power utility, Eskom, in South Africa.

Key features of the development of **Defence Services** in both 2006 and 2007 are the Regional Prime East contract, which commenced on 8 March 2006 and the extension of the contract to manage Her Majesty's Naval Base Clyde. Looking forward to 2007 and beyond, the contract award for the management of the Royal School of Military Engineering, where the Babcock-led consortium is the preferred bidder, is making progress and a timetable to reach financial close should be finalised later this year. This and the prospect of a positive result on our bid for package 2 of the Defence Training Rationalisation contract offer the potential for significant growth in this division over the next two years.

The strong growth of our **Engineering and Plant Services** business in South Africa has continued throughout the second half of the financial year. Government commitments on infrastructure spending and the continuing buoyancy of the resources sector underpin our confidence in the further growth of this business. We have made further progress in our strategy of expanding our range of infrastructure services and we are now at an advanced stage of negotiation for the acquisition from ABB of their South African power lines division. We are also pleased to announce the award of an £80 million contract from Eskom to provide permanent on-site services for five power stations over a five year period. We believe that further significant growth opportunities for Babcock exist in this and other areas of asset management in South Africa.

In **Rail**, we reported at the half year that whilst activity in track renewal had been strong, delays in the award of signalling contracts had held back overall growth. We are pleased to report that tendering activity in signalling in the second half of the year has continued to recover, which has led to both an upturn in delivered projects and in prospects going forward into 2007 for this division. Track renewals work has also continued to perform strongly.

The expected upturn in expenditure on both high voltage power transmission and mobile telephony networks has started to materialise, fuelling growth in our **Networks Services** business. Our positive assessment of the business cycle in the Networks business, both in UK high voltage power transmission and mobile telephony networks, at the time of the acquisition of Peterhouse in 2004 is now being borne out. For example, in transmission, the value of tenders in the course of preparation for work to be performed in the financial years 2007/08 and 2008/09 amounts to approximately £500 million whilst in mobile telephony, the rate of expenditure on network enhancement and 3G continues to accelerate.

The performance of **Technical Services**, which represents less than 20% of the Group's turnover, has been affected as anticipated by the current reduction in the order book. However the longer term prospects for renewed growth at Rosyth have been underpinned by the Ministry of Defence's decision, announced in the second half of the financial year, to nominate Rosyth as final assembly and integration site and primary block builder for the new aircraft carriers. There will also be extensive opportunities for Rosyth to compete for sub-contract work and our prospects of winning a significant portion of these contracts are good.

Babcock has been in discussion with industry participants and with the MoD about various options for both submarine and surface ship support in relation to the restructuring of the UK maritime sector and fully supports this initiative insofar as it is value adding for Babcock's shareholders. These discussions have not however extended to the possibility raised by VT Group and BAE Systems last week of their jointly bidding for the Group. Babcock believes that such a bid risks undervaluing both our successful support services operations and the excellent long-term prospects of Rosyth. Babcock has not received any proposal from VT Group, BAE Systems or their advisers and shareholders are urged to take no action at this time.

We continue to make progress on the disposal of the non-core businesses within Peterhouse which we acquired in 2004. In particular the loss-making IETG flow monitoring business has now been sold. Disposals and good cash management have enabled us to reduce net debt beyond our planned reduction targets and allow significant scope for further acquisitions, a number of which are already under negotiation.

Commenting on trading and prospects Gordon Campbell, Chairman of Babcock, said:

"Babcock has been transformed over recent years into a successful and growing support services group, as reflected by the Group's share price performance, which has outperformed the FTSE All Share Index by 214% over the last five years. Trading in the current financial year remains ahead of our original expectations and all of our markets offer substantial growth opportunities over the medium term. The Board is confident of Babcock's prospects within these markets and is convinced that the Group is well placed to continue to develop and grow on an independent basis."

The directors of Babcock accept responsibility for the information contained in this trading statement and, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this trading statement is in accordance with the facts and does not omit anything likely to affect the import of such information.

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Notes to editors:

About Babcock International Group PLC

Babcock International Group PLC is an asset management business. We manage fixed infrastructure and mobile assets. 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 2005 sales from continuing business were £745 million. In June 2004 Babcock acquired the Peterhouse Group which brought; Rail and Networks to the Group.

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.

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 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 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 Babcock International Group plc by 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.