28 September 2006

BABCOCK INTERNATIONAL GROUP PLC

TRADING UPDATE

In accordance with its normal practice, Babcock International Group PLC ("Babcock" or "the Group") makes the following trading statement in advance of its interim results for the six months ending 30 September 2006.

Babcock has had another strong six months and trading continues in line with the Group's expectations at the time of the AGM Statement in July 2006.

Operations

With the Regional Prime East contract for Defence Estates successfully mobilised and operating well and the Prime South West contract in its third year, growth in **Defence Services** has been good. All contracts in this division continue to perform well. We continue to make good progress on RSME and Ministry of Defence (MoD) approval is scheduled for the first quarter of next year. If approved this contract would add approximately £30 million per annum to Defence Services' turnover. The announcement of preferred bidder for Defence Training Review, package 2 is expected in November this year.

In **Engineering and Plant Services** our South African operations continue to enjoy strong demand in all their markets, particularly the equipment market, where currently growth is constrained only by availability of plant. The increase in expenditure on infrastructure programmes in South Africa will continue to support growth in both the equipment business and the engineering services business, where major bids are being prepared for new power generation capacity for Eskom, the South African power utility. Some weakening of the Rand during the first half will dilute the full impact of this strong underlying performance on translation into the Group's consolidated interim result.

Activity levels in **Rail** have continued to improve and the business was successful in September in securing preferred bidder status on two out of the six signalling strategic framework contracts recently tendered by Network Rail. These contracts are expected to be worth approximately £100 million over 5 years. We are delighted to be working in partnership with Network Rail to renew their assets. As reported at the full year, a programme of rationalisation has started in Rail to improve operating margins and bring them within a range acceptable to the Group. Some further costs associated with this programme will be incurred in the first half-year with the final tranche charged during the second half. Whilst margins in the first half-year remain below expectations, the full benefits of the rationalisation should be seen in the financial year 2007/08 and beyond.

Activity levels in **Networks** on high-voltage transmission line refurbishment for National Grid plc have been high and we are optimistic of securing significant contracts for execution during the normally quiet winter period. Our joint tender with Amec PLC and Mott McDonald for the National Grid alliancing contracts for the future support of the transmission network is in the course of adjudication and we expect the announcement of preferred bidder next month. In the mobile telecoms business, slow release of infrastructure work by the major service providers has temporarily delayed progress but we anticipate a return to normal levels of activity during the course of next year.

In **Technical Services**, the warship refit operations at Rosyth have, as expected, reached historically low levels of activity. However, with an ongoing programme of cost reductions in place and the prospect of a stable and sustainable workload under the MoD Maritime Industrial Strategy, the outlook is brighter for 2007 and beyond. In this regard, the MoD has recently confirmed to industry the start of the refit periods for five warships during the second half of the current financial year together with the regeneration of three vessels prior to disposal in FY 2007. We continue to explore ways of delivering further value to the MoD in Naval surface ship and submarine support.

Progress towards main-gate approval by the MoD at the end of this calendar year for the construction phase of the new aircraft carriers (CVF) is on track. Demand for design services, including our work on the CVF project, has remained strong throughout the period. In nuclear, we have been short-listed to manage and operate the low-level waste repository at Drigg for the Nuclear Decommissioning Authority; an announcement of preferred bidder is expected in mid-2007. This encouraging news is a clear indicator that the strategy of expanding our nuclear services into the civil market through the acquisition of Alstec will allow Babcock access to this rapidly growing area.

Acquisitions

Both our recent acquisitions, Alstec and Powerlines, continue to perform ahead of planning assumptions and we believe significant new opportunities exist for both businesses.

Alstec, acquired in May, has made an encouraging start. The acquisition brings new opportunities in two major growth markets - nuclear decommissioning and airport management - and strengthens Babcock's existing position in the maintenance of submarines and surface ships as well as on the new aircraft carrier programme.

The South African **Powerlines** business acquired in June has seen high levels of demand from its principal customer Eskom in the first few months under Babcock's ownership. We are confident that given the significant capital investment required in the high voltage infrastructure in South Africa over the coming years, growth will remain strong in this business.

Summary

The trading environment for Babcock's businesses remains excellent. Our order book continues to be strong and is currently in excess of £2.3 billion. We believe Babcock's markets offer significant organic growth opportunities and we continue to look to acquire businesses in the technically sophisticated area of support services in which we operate.

Babcock will announce its interim results on 14 November 2006.

- Ends -

Enquiries:

Babcock International Group PLC **020 7291 5000**
Peter Rogers (Chief Executive)
Bill Tame (Finance Director)

Financial Dynamics **020 7269 7121**
Andrew Lorenz / Susanne Walker

Notes to editors:

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.