Babcock International Group PLC

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Half year results

for six months ended 30 September 2008

The largest facilities management support provider to the MoD
The largest support provider to the Royal Navy
The largest track contractor for Network Rail
One of the largest nuclear engineering resources in the UK
The largest engineering support services company in South Africa
One of only three major players in the UK transmission sector

First half highlights

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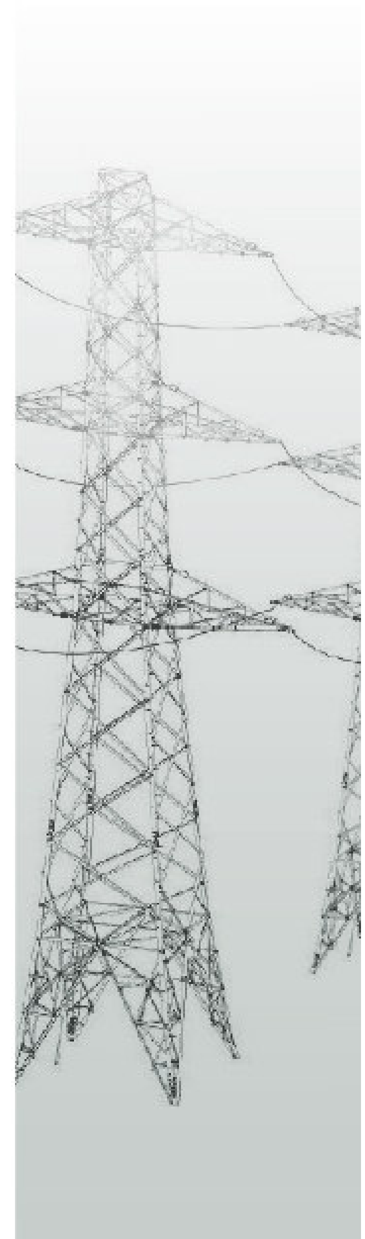

- Strong growth trend continues
  - revenue + 40%, operating profit* + 32%, pbt* + 33%
- Double digit organic growth
  - revenue + 15%, operating profit + 10%
- High level of cash generation
  - cash from operations £86.9m, conversion rate 132%

- Benefiting from leading market positions in robust markets
- £5.2bn order book underpins long term security of revenues

- Delivering value for shareholders
  - 29% increase in underlying eps
  - 21% increase in interim dividend to 4p

* Before amortisation of acquired intangibles and exceptional items – continuing businesses

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Financial results

for the six months to 30 September 2008

Bill Tame

Group Finance Director

Income statement

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	H1 2008/09 £m	H1 2007/08 £m	Change	FY 2007/08 £m
Revenue	**940.6**	672.6	+ 40%	1555.9
Operating profit*	**72.5**	55.0	+ 32 %	121.1
Margin	***7.7%***	*8.2%*	-	*7.8%*
Joint ventures	**-**	0.3	-	-
Net finance cost	**(14.7)**	(11.7)	-	(25.6)
Profit before tax*	**57.8**	43.6	+ 33%	95.5

* Before amortisation of acquired intangibles and exceptional items – continuing businesses

Income statement cont

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	H1 2008/09 £m	H1 2007/08 £m	Change	FY 2007/08 £m
Profit before tax*	**57.8**	43.6	+ 33%	95.5
Tax	**(11.0)**	(7.9)	-	(18.2)
*Effective tax rate***	***19%***	*19%*	-	*19%*
Profit after tax*	**46.8**	35.7	+ 31%	77.3
Amortisation of acquired intangibles and exceptionals (net of tax	**(4.9)**	(3.2)	-	(7.6)
Continuing profit after tax	**41.9**	32.5	+ 29%	
EPS*	**20.08p**	15.55p	+ 29%	33.40p
Discontinued businesses (net of tax)	**(13.3)**	-	-	-
Profit for the period	**28.6**	32.5	- 12%	69.7

* Before amortisation of acquired intangibles and exceptional items – continuing businesses

** Tax rate before prior year and non-recurring tax adjustments

Bridging analysis

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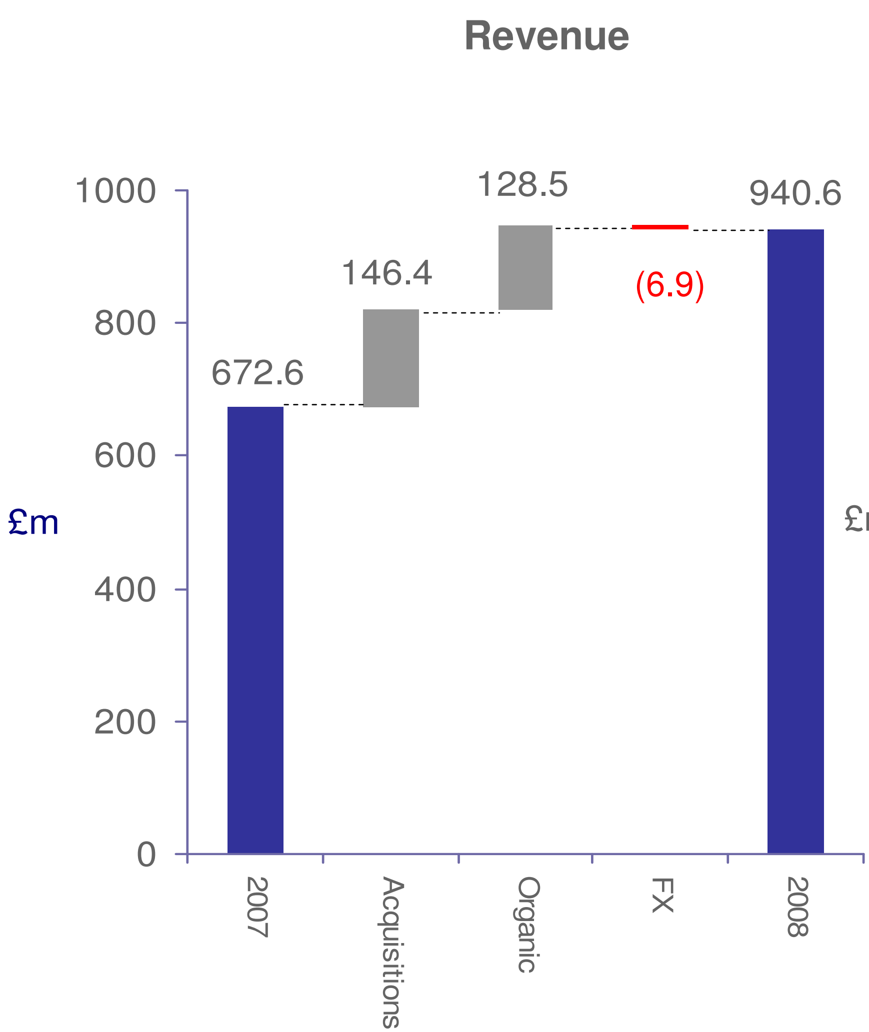

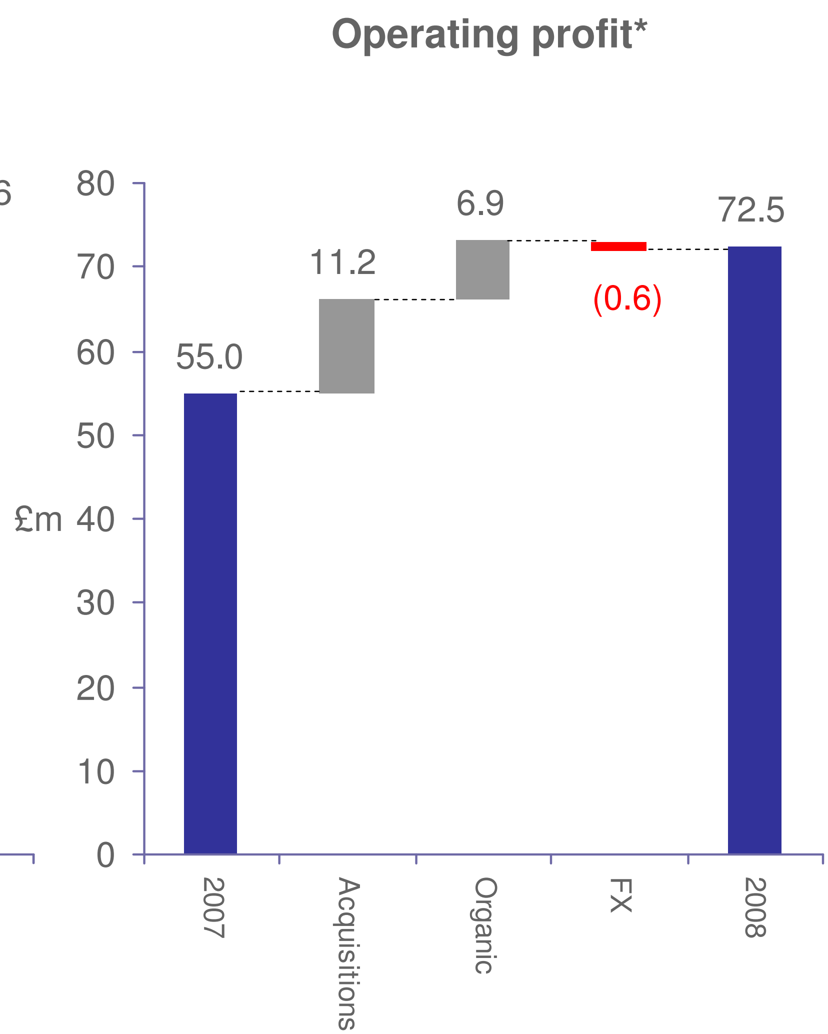

* Before amortisation of acquired intangibles and exceptional items

** Acquisitions includes the effects of current and prior year acquisitions, organic growth rates based on 2007 restated

Segmental analysis

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	Revenue			Operating profit*			Operating return on revenue	
	H1 2008/09 £m	H1 2007/08 £m	Change	**H1 2008/09 £m**	H1 2007/08 £m	Change	**H1 2008/09**	H1 2007/08
Marine	**432.4**	236.7	+ 83%	**42.2**	29.1	+ 45%	**9.8%**	12.3%
Defence	**152.6**	138.6	+ 10%	**14.1**	13.5	+ 4%	**9.2%**	9.7%
Rail	**113.7**	98.6	+ 15%	**(4.7)**	(2.7)	- 74%	**- 4.1%**	- 2.7%
Nuclear	**54.4**	36.3	+ 50%	**6.7**	3.3	+ 103%	**12.3%**	9.1%
Networks	**65.1**	54.4	+ 20%	**4.4**	5.4	- 19%	**6.8%**	9.9%
Eng & Plant	**122.4**	108.0	+ 13%	**11.0**	8.4	+ 31%	**9.0%**	7.8%
Unallocated	**-**	-	-	**(1.2)**	(2.0)			
Total	**940.6**	672.6	+ 40%	**72.5**	55.0	+ 32%	**7.7%**	8.2%

* Before amortisation of acquired intangibles and exceptional items

Operating return on revenue*

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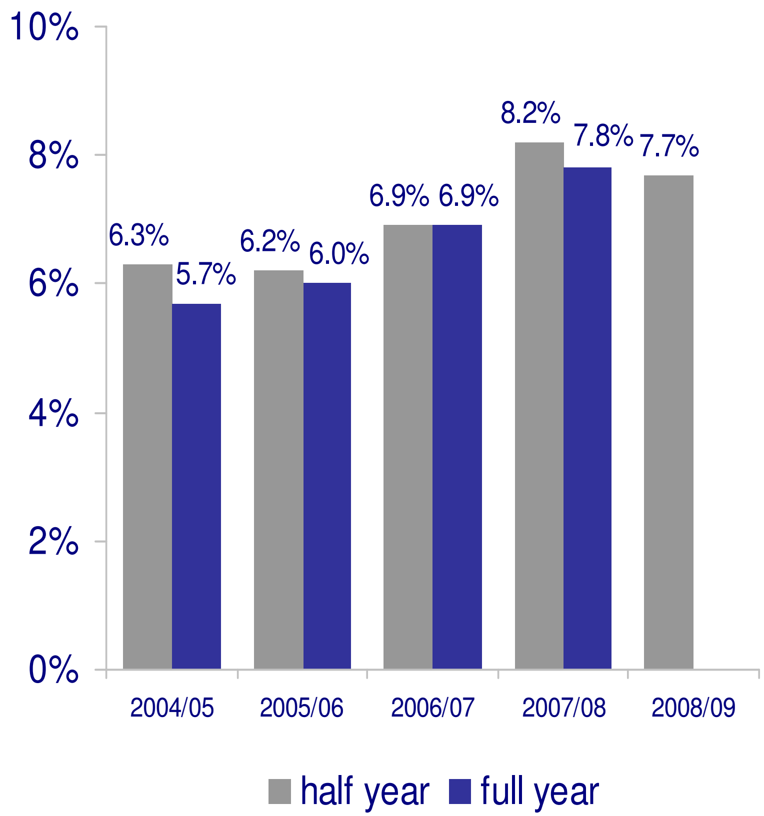
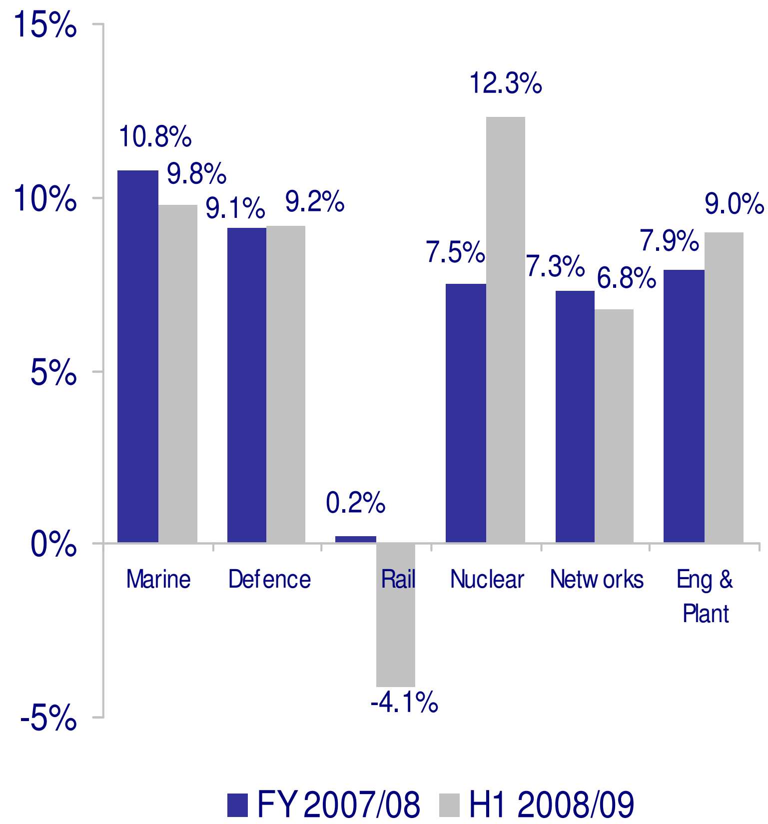
Group



Segmental



* Before amortisation of acquired intangibles and exceptional items

Cash flow

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	H1 2008/09 £m	H1 2007/08 £m	FY 2007/08 £m
Operating profit	**65.6**	50.6	110.2
Non cash items	**16.8**	13.1	29.5
Working capital	**4.5**	(10.2)	(20.5)
Cash from operations	**86.9**	53.5	119.2
Cash conversion	***132%***	*106%*	*108%*
Net capital expenditure	**(3.3)**	(3.3)	(8.6)
Interest	**(14.8)**	(7.0)	(20.3)
Tax	**(5.4)**	(5.6)	(9.5)
Free cash flow	**63.4**	37.6	80.8
Acquisitions/disposals	**(96.0)**	(373.2)	(384.5)
Dividends	**(18.7)**	(12.8)	(20.3)
Other	**(0.5)**	77.5	75.5
Net cash flow	**(51.7)**	(270.9)	(248.5)

Defined benefit pensions – IAS19 position
Impact on income statement

- 2008/09 income statement
  - reflects a full six months of DML
  - is not affected by current market disruption
  - net full year charge £15.5m

Income statement	H1 2008/09 £m	FY 2008/09 *Forecast* £m	FY 2007/08 £m
Service cost	**13.1**	26.3	26.8
Expected return on assets	**(63.7)**	(127.1)	(115.1)
Interest on obligation	**58.3**	116.3	92.1
	(5.4)	(10.8)	(23.0)
Net charge/(credit) to operating profit	**7.7**	15.5	3.8

- 2009/10 income statement
  - H1 assumptions give charge of c £16m based on
    - FTSE 4900
    - discount rate 7.36%
    - inflation 3.4%
    - salary increases 4.4%
  - will be based on markets at 31 March 2009

Sensitivities – net charge

	Rate	FTSE = 4900	FTSE = 4300	FTSE = 4000
Discount rate	7.26%	£17m	£22m	£25m
Inflation	3.3%	£12m	£18m	£21m
Salary increases	4.3%	£12m	£18m	£20m

Defined benefit pensions – IAS19 position
Impact on balance sheet

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- Increased balance sheet protection from further bias to fixed interest investments and liability driven investment
- Decline in asset values more than offset by reduction in liabilities
- Future cash contributions will reduce
- Sensitivity to discount rate is significant but mark-to-market rules apply

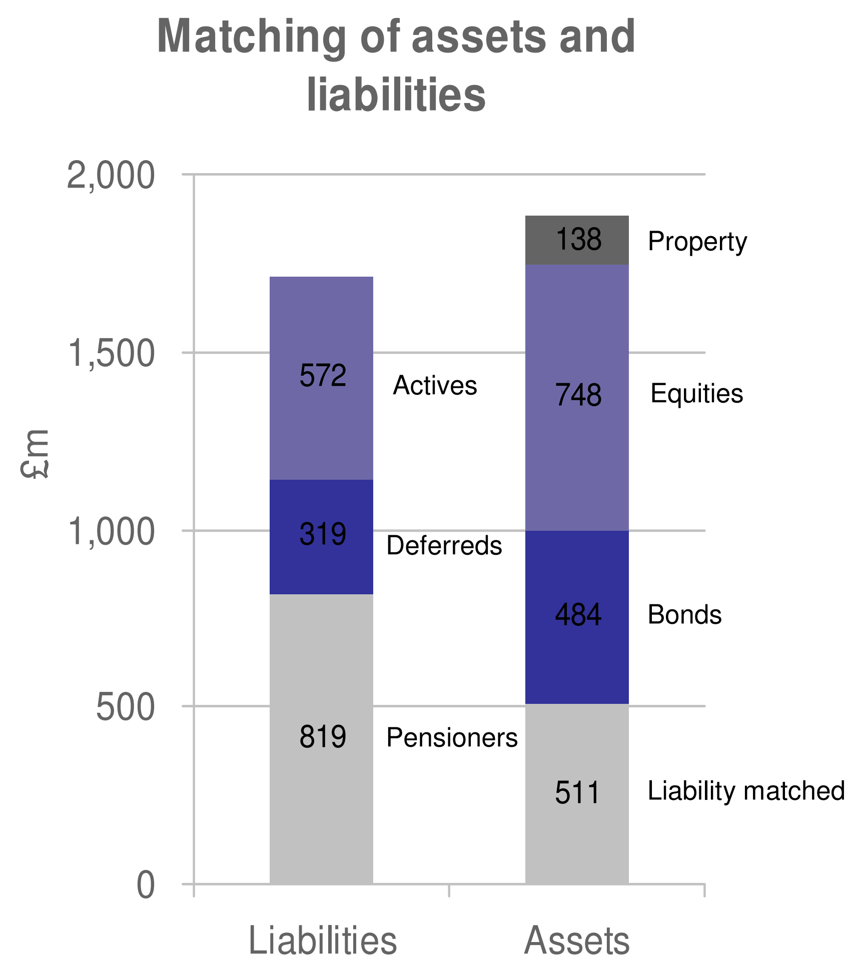
Balance Sheet	**30 Sept 2008 £m**	30 Sept 2007 £m	31 March 2008 £m
Assets at market value	**1,880.9**	2,032.1	1,983.8
Liabilities	**(1,711.9)**	(1,923.5)	(1,841.6)
Surplus/(deficit)	**169.0**	108.6	142.2
Cash contributions	**22.3**	10.8	30.8

Sensitivities – surplus

	Rate	FTSE = 4900	FTSE = 4300	FTSE = 4000
Discount rate	7.26%	£142m	£64m	£24m
Inflation	3.3%	£195m	£117m	£78m
Salary increases	4.3%	£191m	£113m	£73m

Defined benefit pensions – IAS19 position
Managing pension plans

- Progressive movement towards liability matched asset portfolio
- Bulk buy-out proposed of c £300m of pensioner liabilities
- Longevity, inflation and interest rate risk on remaining £500m to be eliminated via hedging instruments



Funding

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• Period end net debt	£373.9m
• Facilities (ex overdrafts - £20m)	£600.0m
• Term of facility - 5 years from June 2007	
• Net debt to ebitda (annualised) ratio	2.2 x
• Interest cover	5.8 x
• Free cashflow less dividends	
07/08 full year	£60.5m
08/09 half year	£44.7m

Financial summary

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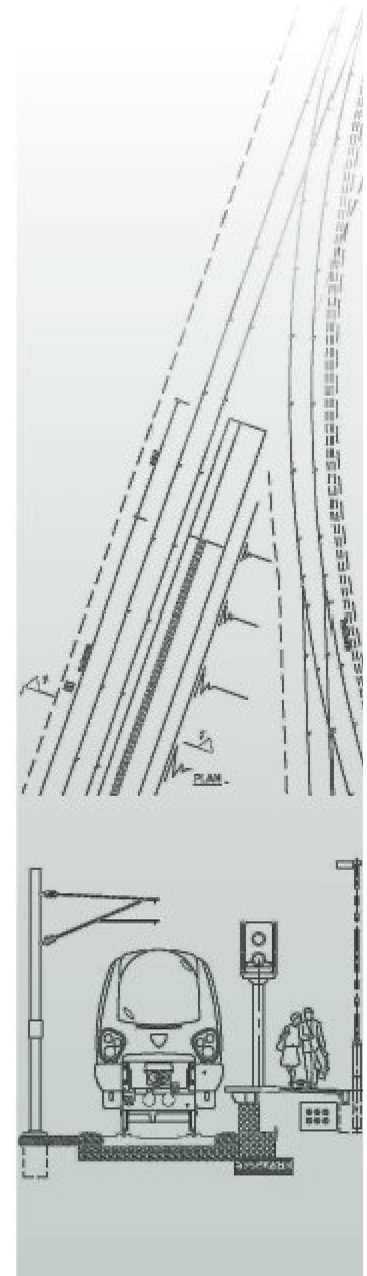
- Growth in operating profit 32% £72.5m
- eps increased 29% 20.08p
- Dividend increased 21% 4.0p
- Cash conversion rate 132%
- Funding position good
  - no refinancing required until 2012



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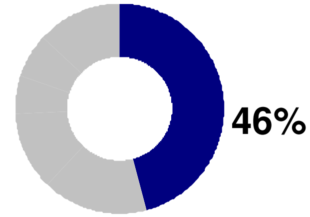
Operational Review

Peter Rogers
Chief Executive

Marine



% Group revenue

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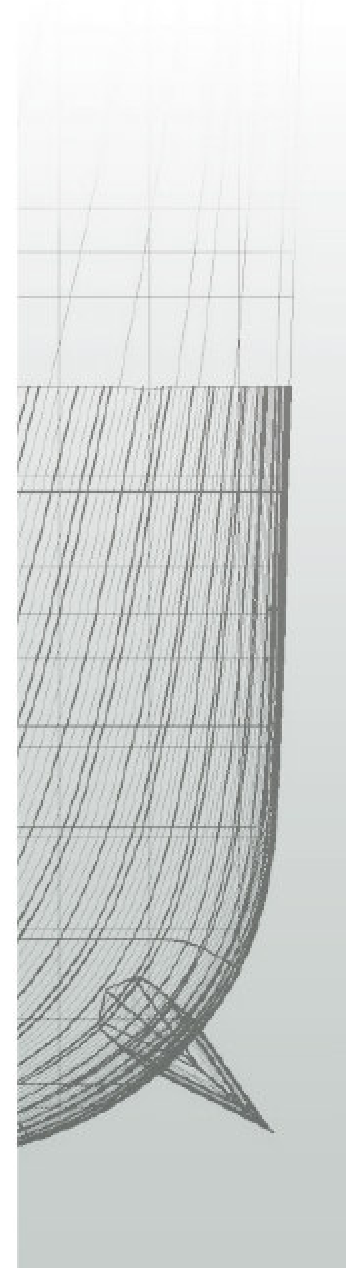
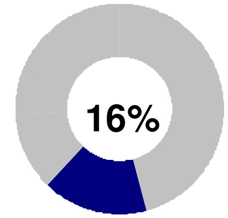
Revenue ***£432.4m*** **Operating profit** ***£42.2m*** **Operating margin** ***9.8%***

+ 83% **+ 45%**

- Excellent first half – stable operating margins
- Strong organic growth
- ToBA progressing well
  - forecast synergies £14m by 2011
  - Process Commitment Document signed October
  - final signature expected summer 2009
  - no delays to contracts or synergies
- CVF progressing as planned
- Steady stream of refit and maintenance work for surface fleet and submarines
- Major role in UK future defence projects from concept stage
- Canadian contract moving to full operational support
  - further overseas opportunities being pursued
- Confident of continuing robust market conditions



Defence



% Group revenue

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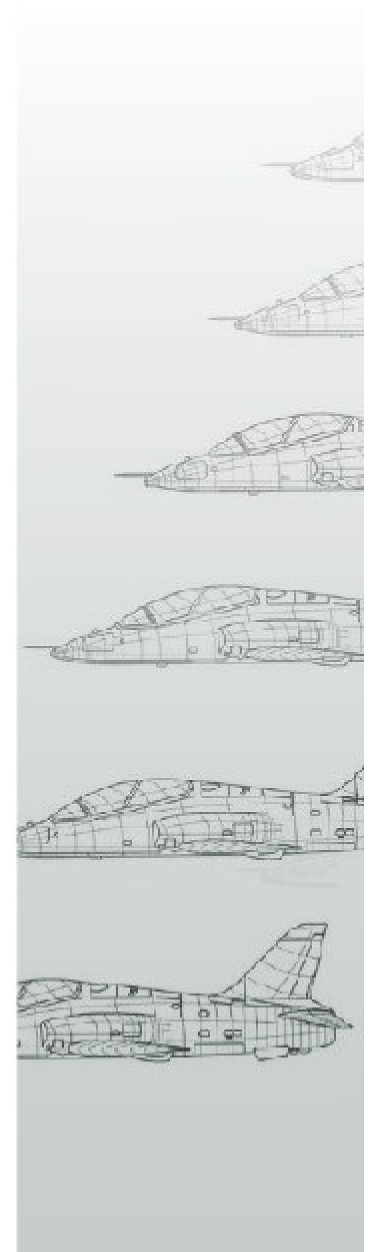
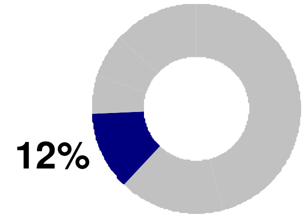
Revenue ***£152.6m*** **+ 10%** **Operating profit** ***£14.1m*** **+ 4%** **Operating margin** ***9.2%***

- Steady first half growth – stable operating margins
- RSME concluded
  - operational start January 2009
- Regional Prime contracts performing well
  - additional extension projects and contracts being secured
- Multi-activity and IOS contracts successful
- BSF – Hackney signature expected soon
- Airports operations very strong first half
  - increasing support to BAA at Heathrow
  - significant opportunities for growth
- Markets remain resilient



Rail



% Group revenue

babcock
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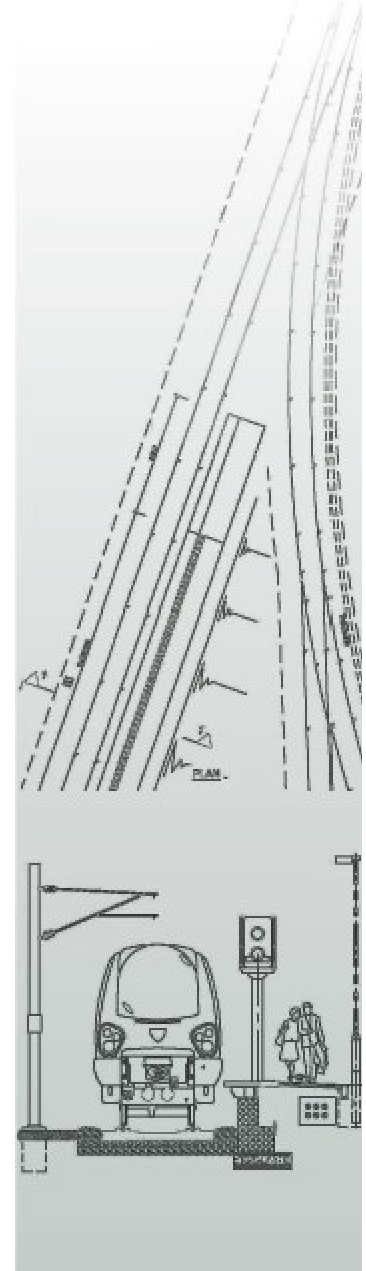
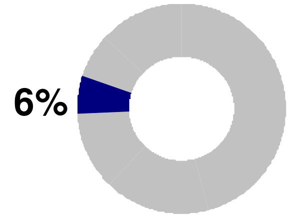
Revenue ***£113.7m*** **Operating profit** ***£(4.7)m*** **Operating margin** ***- 4.1%***
+ 15%

- H1 damaged by projects business
  - now withdrawn from new bids for multi-disciplinary projects
  - close management of project run outs
- Track and signalling framework contracts providing steady flow of work – all profitable
  - management actions delivering business improvements
  - margins improving as planned
- Technical performance excellent
- Confident that actions taken to date will deliver acceptable levels of return
- Regulator’s proposed settlement provides growth
- Additional frameworks being bid in both track and signalling
  - track enhancements and Type F signalling



Nuclear



% Group revenue

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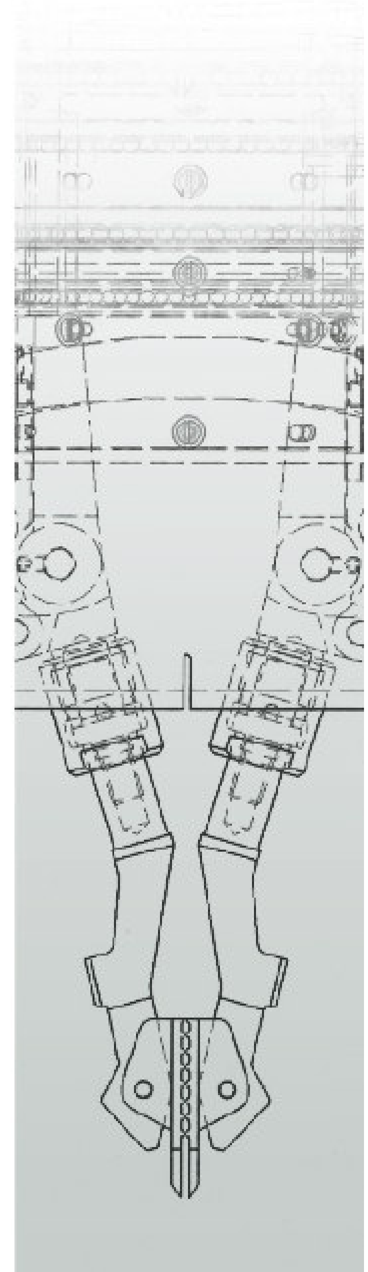
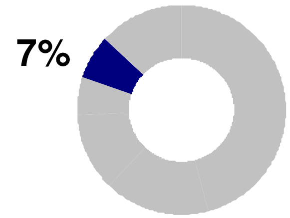
Revenue ***£54.4m*** **Operating profit** ***£6.7m*** **Operating margin** ***12.3%***

+ 50% ***+ 103%***

- Very strong first half – excellent margins
- BNS Nuclear Services achieved significant market presence
  - Strachan & Henshaw and INS fully integrated
- Operational support markets remain solid
  - increased demand from life extension projects
- Decommissioning market subdued
  - still waiting for confirmation of activities from NDA
  - already active at Sellafield and Dounreay
  - expertise and scale will ensure we benefit as market develops
- New build market moving forward
  - positive discussions with designers



Networks



% Group revenue

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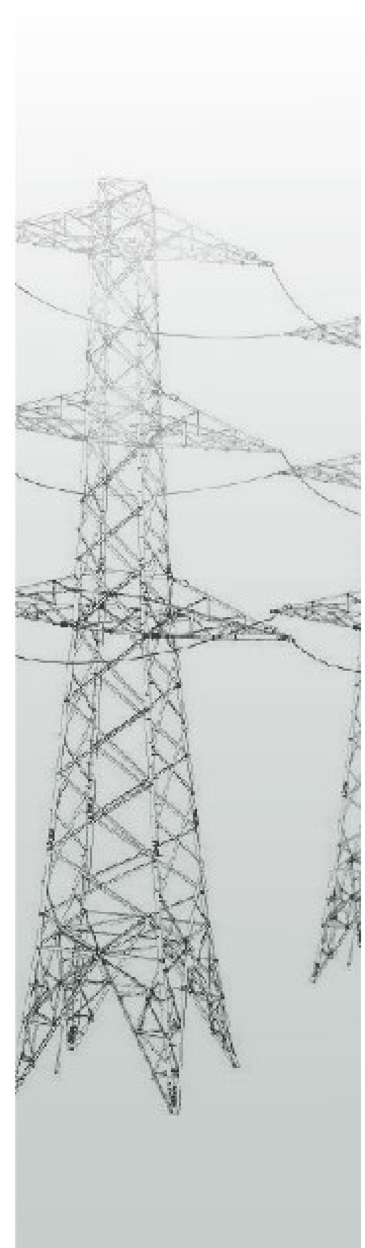
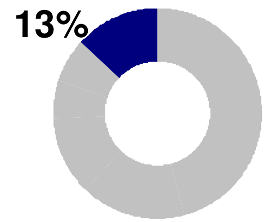
Revenue ***£65.1m*** **Operating profit** ***£4.4m*** **Operating margin** **6.8%**

+ 20% **- 19%**



- Alliance contracts continue to deliver good flow of work for Transmission business
  - greater long term visibility and increased revenues offset reduced margin
- Margin also held back by initial Irish costs
- Further design resource secured in Bulgaria
- Secure flow of work from Digital Switchover programme
- Pursuing new opportunities within both fixed and mobile telecoms market
- Current market growth levels will increase when new generation capacity build starts and telecoms network owners start network sharing

Engineering and Plant



% Group revenue

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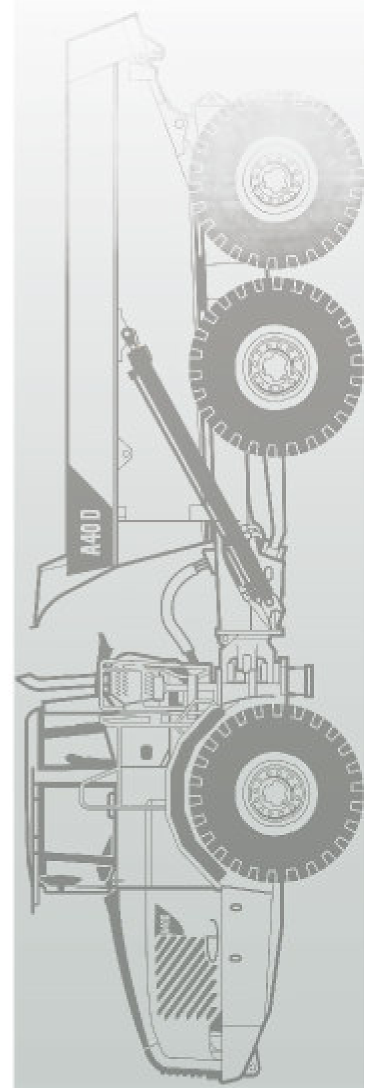
Revenue ***£122.4m*** **+ 13%** **Operating profit** ***£11.0m*** **+ 31%** **Operating margin** ***9.0%***

- Very strong first half
- Government commitment to improving electricity supply and infrastructures unaffected by global economic situation
- Demand increasing for power generation support
  - outage maintenance will increase in summer months
- Power shortages affecting major industrial customers
  - generator order book reaches record level
- Powerlines order book very strong
- Demand for coal to sustain domestic power generation supporting high demand for Volvo construction equipment
- MACK truck franchise under negotiation
- Significant market opportunities available
  - managing resource carefully



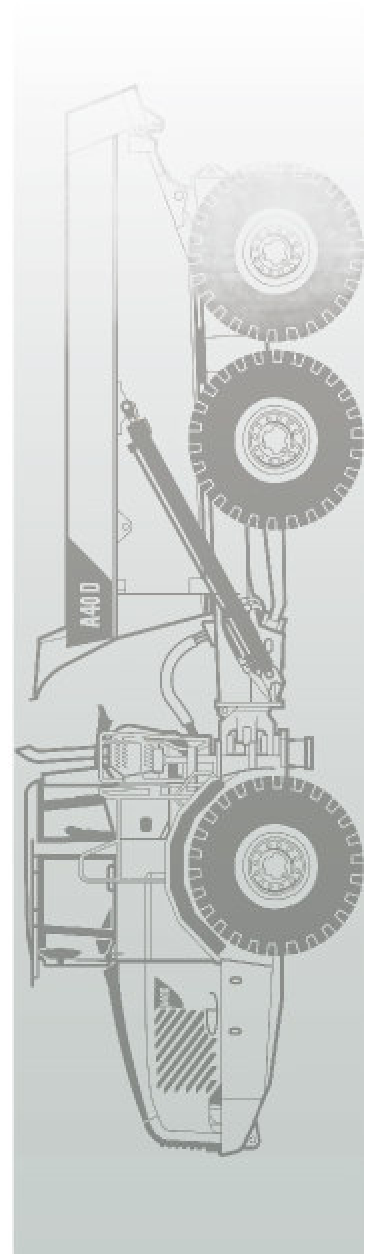
Order book

- Major long term contracts increased order book to over £5bn
  - CVF £675m through to 2016
  - VISSC £125m through to 2013
    - opportunity to extend for another 10 years
  - RSME £1.5bn through to 2038

- H2 contracts expected

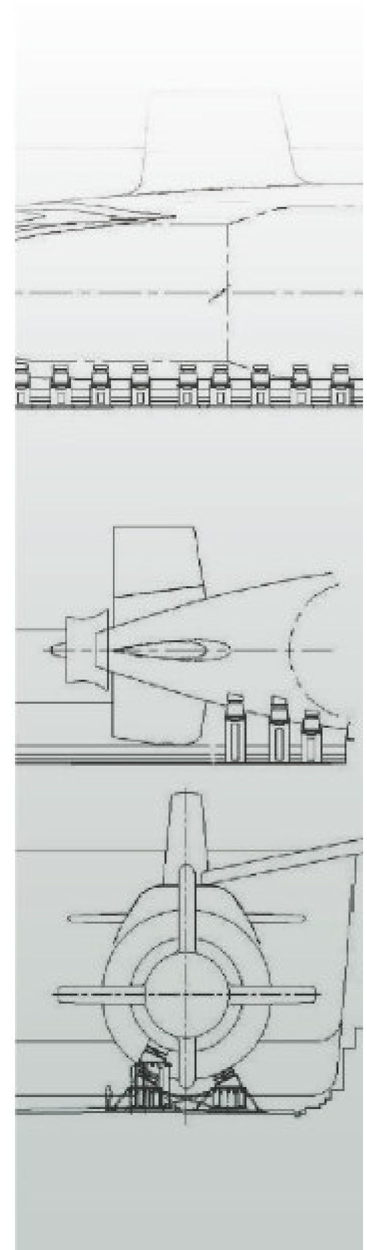
– Hackney Building Schools for the Future – 10 yrs	£80m
– HMS Vigilant – 3 yrs	£350m
– Jackals	£35m
– WSMI Devonport – 4 yrs	£550m

- Bid pipeline remains healthy
  - bidding opportunities of over £3bn



Outlook

- Markets remain attractive with good long term growth prospects
- Trading remains strong
- Order book strengthened by major contract wins
  - good long term visibility
- We remain confident that this will be another year of excellent progress for the Group



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Questions

Babcock International Group PLC

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The largest facilities management support provider to the MoD
The largest support provider to the Royal Navy
The largest track contractor for Network Rail
One of the largest nuclear engineering resources in the UK
The largest engineering support services company in South Africa
One of only three major players in the UK transmission sector