

Preliminary Results for year ended 31 March 2008



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Babcock International Group PLC



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

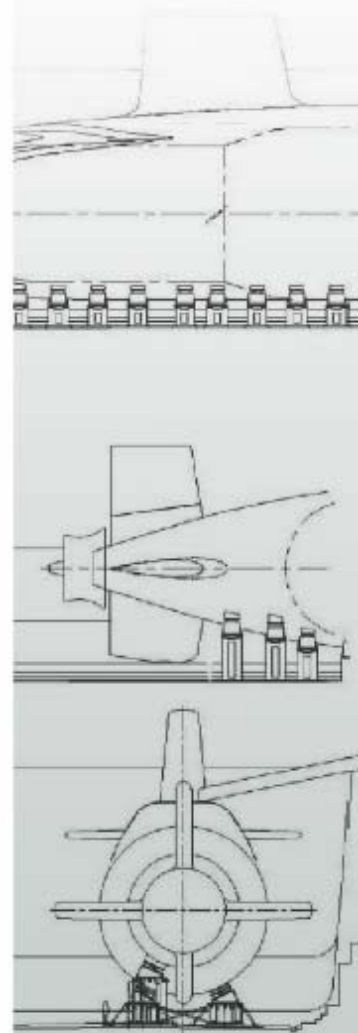
One of only three major players in the UK transmission sector

2007/08 highlights



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- Organic growth and acquisitions drive record results
 - 57% increase in revenue
 - 77% increase in underlying operating profit
 - 53% increase in underlying profit before tax
- Acquisitions enhance strategy of creating leading market positions
 - Continuing track record of successful integration
 - Opportunities for considered expansion into overseas markets
- Delivering value for shareholders
 - 43% increase in underlying EPS
 - 43% increase in total dividend to 11.50p





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Financial Review

for the year ended 31 March 2008



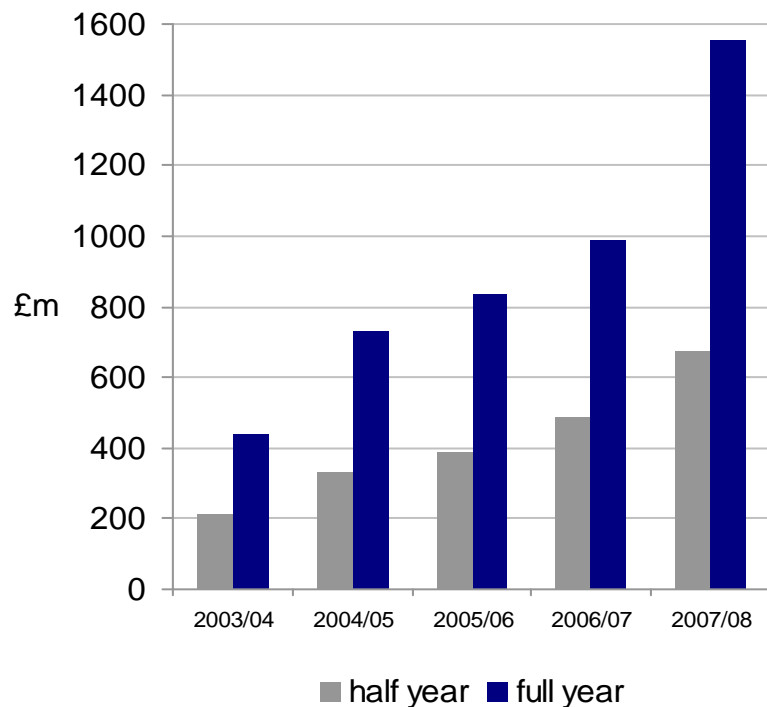
Bill Tame
Group Finance Director

Sustained strong growth

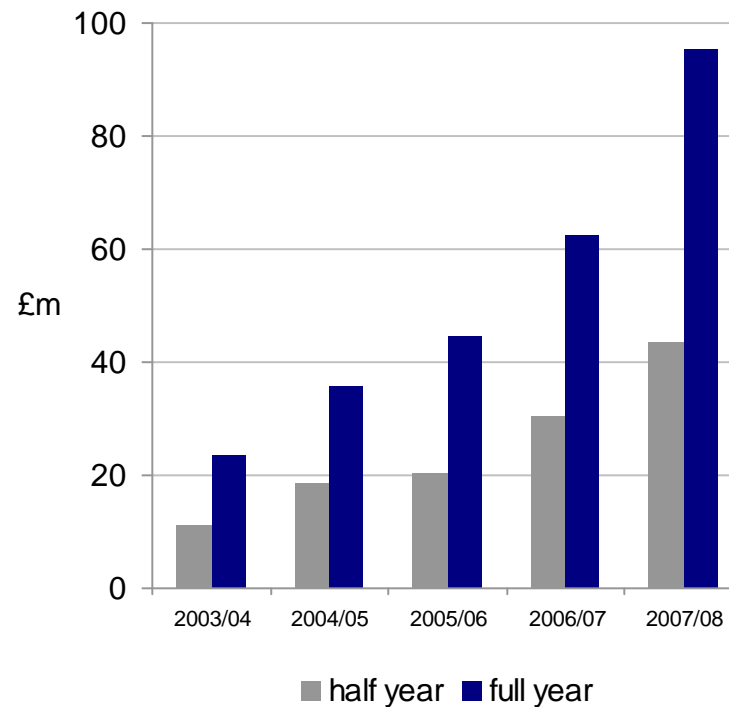


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Revenue



Profit before tax*



* Before amortisation of acquired intangibles and exceptional items

Income statement



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	FY 2007/08 £m	FY 2006/07 £m	Change
Revenue	1,555.9	988.3	+ 57%
Operating profit*	121.1	68.3	+ 77%
<i>Margin</i>	7.8%	6.9%	-
Joint ventures	-	0.4	-
Net finance cost	(25.6)	(6.2)	-
Profit before tax*	95.5	62.5	+ 53%
Amortisation of acquired intangibles and exceptionals	(10.9)	(5.5)	-
Profit before tax	84.6	57.0	+ 48%

* Before amortisation of acquired intangibles and exceptional items

Income statement continued



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	FY 2007/08	FY 2006/07	Change
	£m	£m	
Profit before tax*	95.5	62.5	+ 53%
Tax	(18.2)	(12.6)	+ 44%
<i>Effective tax rate**</i>	19%	22%	-
Profit after tax*	77.3	49.9	+ 55%
Amortisation of acquired intangibles and exceptionals***	(7.6)	(4.7)	-
Profit for the period	69.7	45.2	+ 54%
Average shares in issue	224.5	205.7	+ 9%
EPS*	33.40 p	23.35 p	+ 43%

* Before amortisation of acquired intangibles and exceptional items

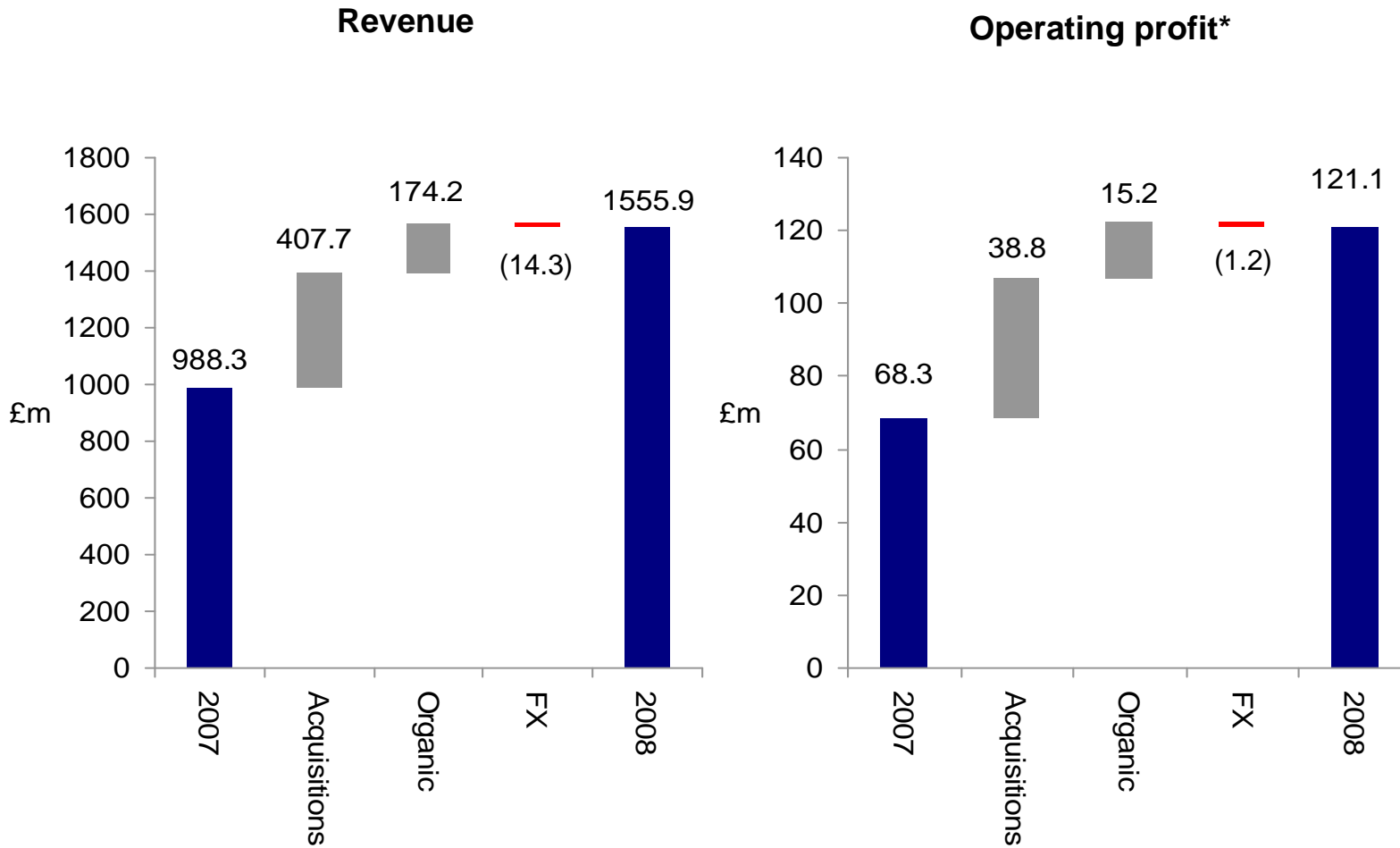
** Tax rate before prior year and non-recurring tax adjustments

*** After tax

Bridging analysis



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* Before amortisation of acquired intangibles and exceptional items

Segmental analysis



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	Revenue			Operating profit			Operating return on revenue	
	FY 2007/08 £m	FY 2006/07 £m	Change	FY 2007/08 £m	FY 2006/07 £m	Change	FY 2007/08	FY 2006/07
Marine	633.2	217.3	+ 191%	68.7	22.3	+ 208%	10.8%	10.3%
Defence	302.1	247.3	+ 22%	27.5	20.4	+ 35%	9.1%	8.2%
Rail	228.1	228.8	-	0.5	9.3	-	0.2%	4.1%
Nuclear	76.3	54.4	+ 40%	5.7	3.3	+ 73%	7.5%	6.1%
Networks	98.5	74.9	+ 32%	7.2	6.8	+ 6%	7.3%	9.1%
Eng & Plant	217.7	165.6	+ 31%	17.1	13.3	+ 29%	7.9%	8%
Unallocated				(5.6)	(7.1)			
Total	1,555.9	988.3	+ 57%	121.1	68.3	+ 77%	7.8%	6.9%

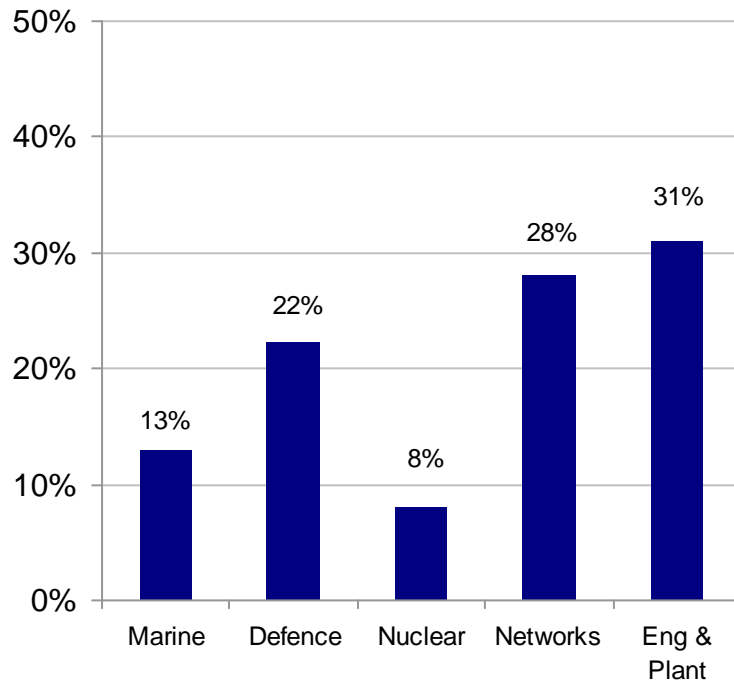
* Before amortisation of acquired intangibles and exceptional items

Organic growth – FY 2007/08

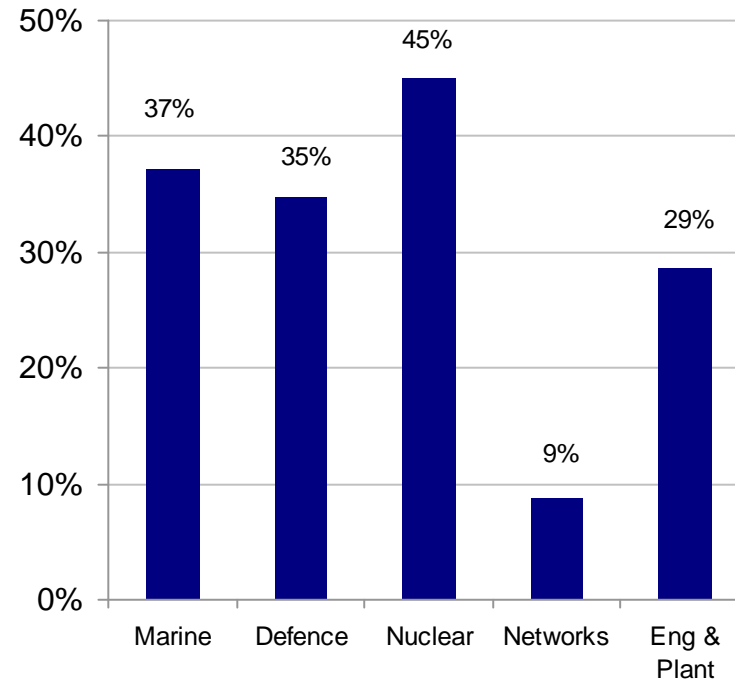


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Revenue %



Operating profit* %

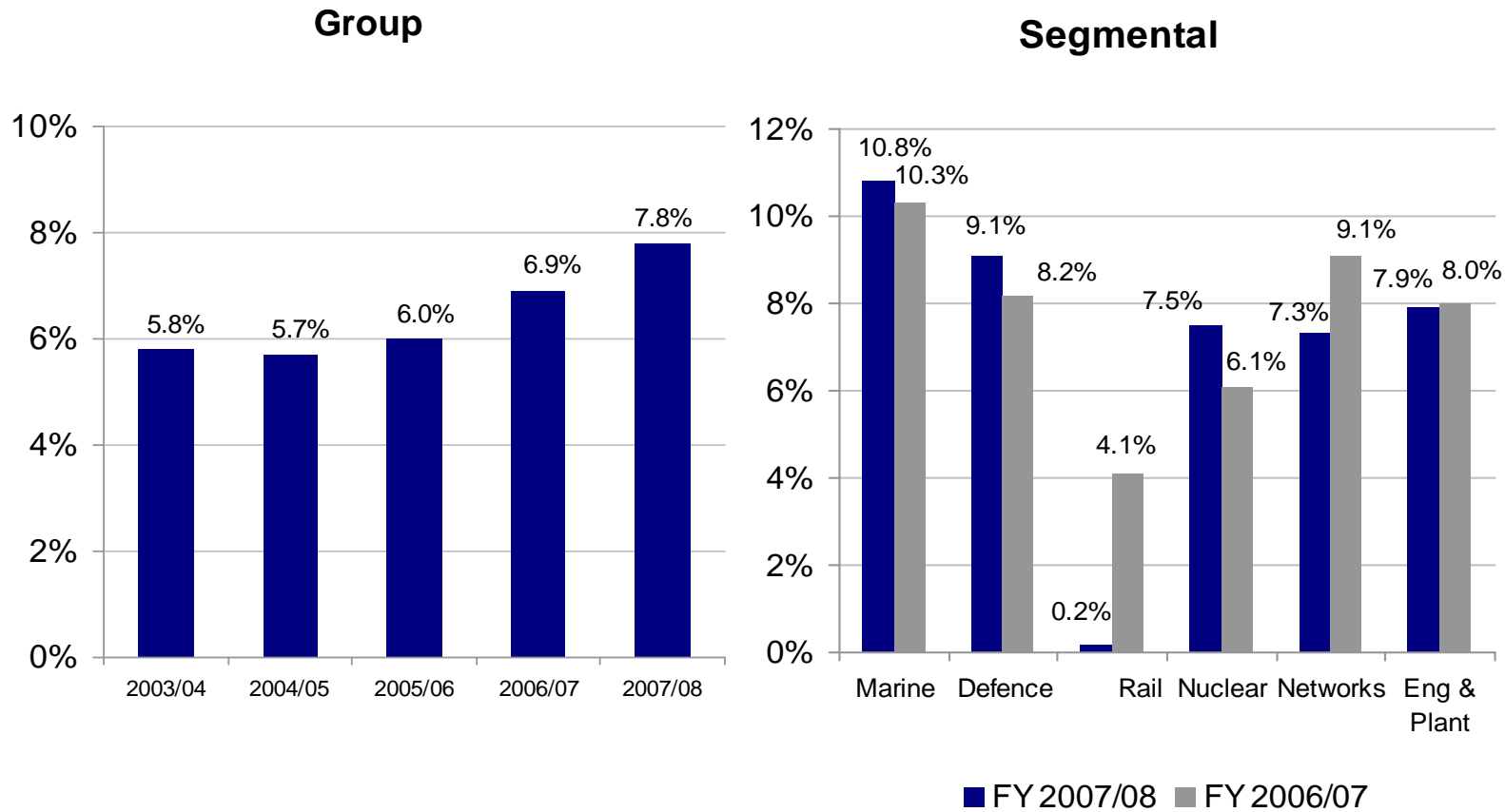


* Before amortisation of acquired intangibles and exceptional items

Operating return on revenue*



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* Before amortisation of acquired intangibles and exceptional items

Cash flow



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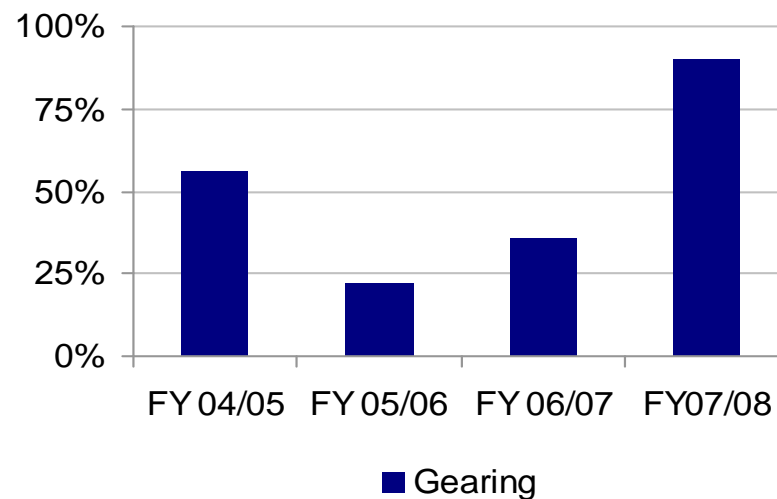
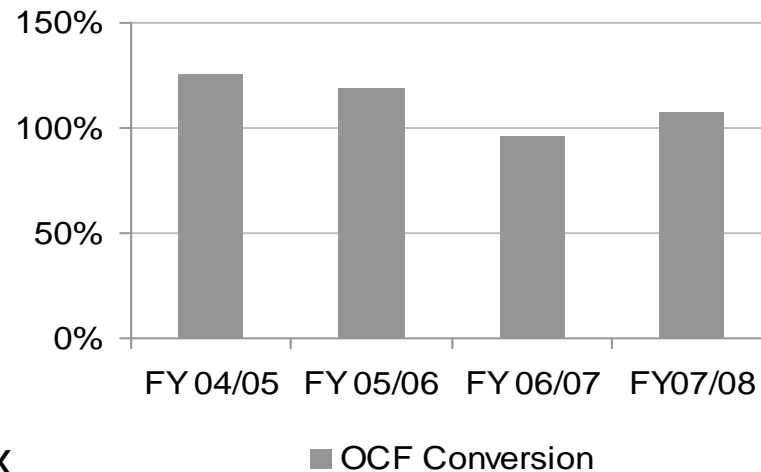
	FY 2007/08 £m	FY 2006/07 £m
Operating profit	110.2	62.8
Non cash items	29.5	14.7
Working capital	(20.5)	(17.3)
Cash from operations	119.2	60.2
Cash conversion	108%	96%
Net capital expenditure	(8.6)	(6.3)
Interest	(20.3)	(5.5)
Tax	(9.5)	(7.7)
Free cash flow	80.8	40.7
Acquisitions/disposals	(384.5)	(61.3)
Dividends	(20.3)	(13.6)
Other	75.5	(1.3)
Net cash flow	(248.5)	(35.5)

Strong financial position high levels of cash generation



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- OCF conversion rate 108%
- Gearing ratio 89%
- Interest cover stands at 5.5 x
- Net debt to EBITDA ratio at 2.3 x
- Period end net debt £322.2m

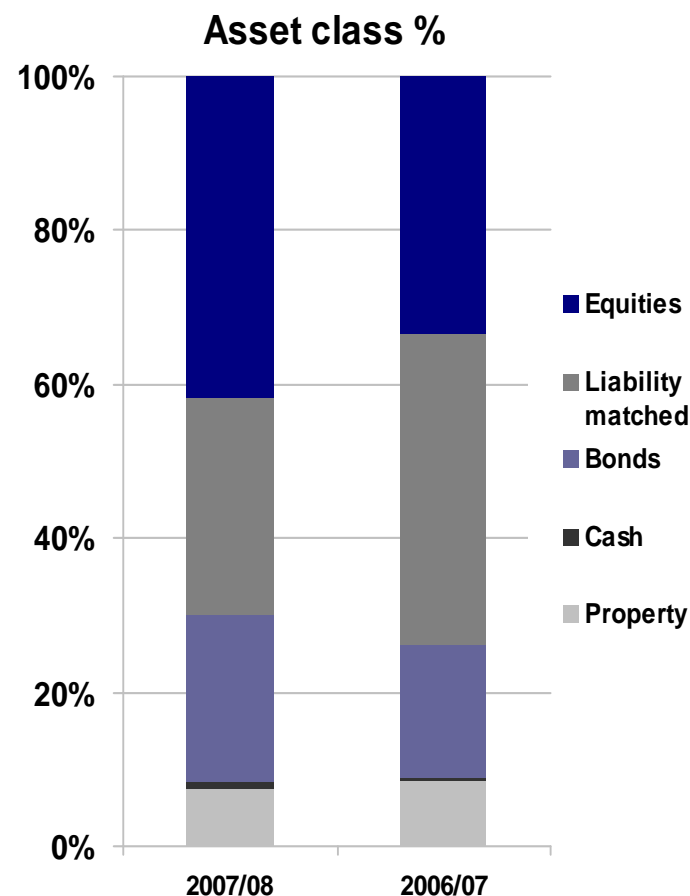


Defined benefit pensions* - IAS19 position



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	2007/08 £m	2006/07 £m
Income statement		
Service cost	26.8	15.0
Expected return on assets	(115.1)	(68.5)
Interest on obligation	92.1	51.6
	(23.0)	(16.9)
Net charge/(credit) to operating profit before one-offs	3.8	(1.9)
Gains from liability reduction project/ curtailment	(2.5)	(3.8)
Net charge/(credit) to operating profit	1.3	(5.7)
Balance sheet		
Assets at market value	1,983.8	1,200.9
Liabilities	(1,841.6)	(1,147.8)
Surplus	142.2	53.1
Cash contributions	30.8	9.3



*Excludes BNS Defined Benefit Scheme underwritten by the Ministry of Defence

Financial summary



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- Organic growth in operating profit 20%
- Improved operating margins 7.8% v 6.9%
- Eps up 43% 33.40p v 23.35p
- Dividend up 43% 11.50p v 8.05p
- Cash conversion rate 108%
- Debt service ratios comfortable
- Order book £3bn v £2.4bn



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Operational Review



Peter Rogers
Group Chief Executive

2007/08: Revenue £633.2m Operating profit £68.7m Operating margin 10.8%

2006/07: Revenue £217.3m Operating profit £22.3m Operating margin 10.3%

- DML integration on course – initial synergies delivered
- Marine ToBA moving ahead
- Acquisition of Strachan & Henshaw provides expansion into new geographies
- Consolidating position as leading support partner to RN
- Clear programme of work through SSSA
- Confident of CVF programme
- Design & Technology and Supply Chain Services continue to provide growth opportunities
- Continue receiving orders for land vehicles



Defence

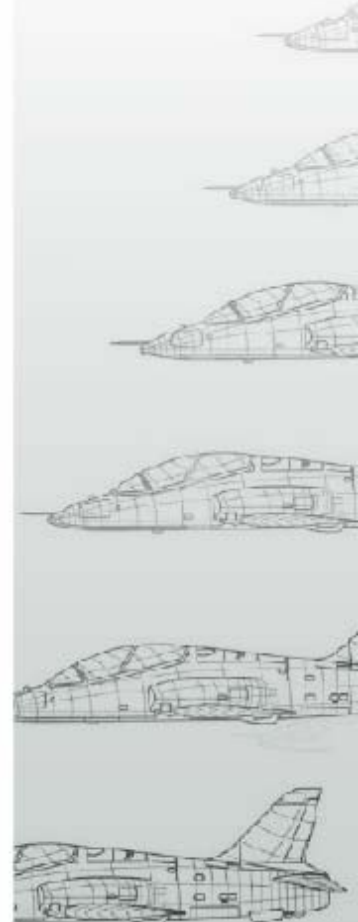


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2007/08: Revenue £302.1m Operating profit £27.5m Operating margin 9.1%

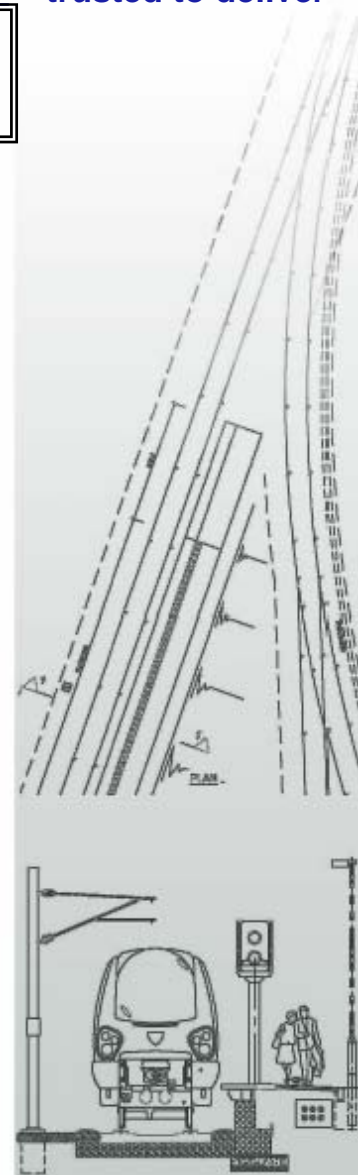
2006/07: Revenue £247.3m Operating profit £20.4m Operating margin 8.2%

- Excellent organic growth
- All contracts performing well
 - High levels of customer satisfaction
 - Scope extensions being awarded
- BSF
 - Hackney to financial close May/June 2008
 - 2 more bids in pipeline and further targets identified
- RSME getting closer!



2007/08:	Revenue £228.1m	Operating profit £0.5m	Operating margin 0.2%
2006/07:	Revenue £228.8m	Operating profit £9.3m	Operating margin 4.1%

- Poor H1 performance improved in H2
 - New management team and new operational structure
 - Further progress expected in 2008/09
- Largest track renewal contractor
 - Additional work won in Scotland and North West
 - Operating most productive advanced track finishing system
- Successfully completing and winning new projects
 - Stirling Alloa Kincardine project due to open May 2008
 - Settle to Carlisle started April 2008
- Signalling framework orders – steady stream
- Telecommunications frameworks providing growth opportunities



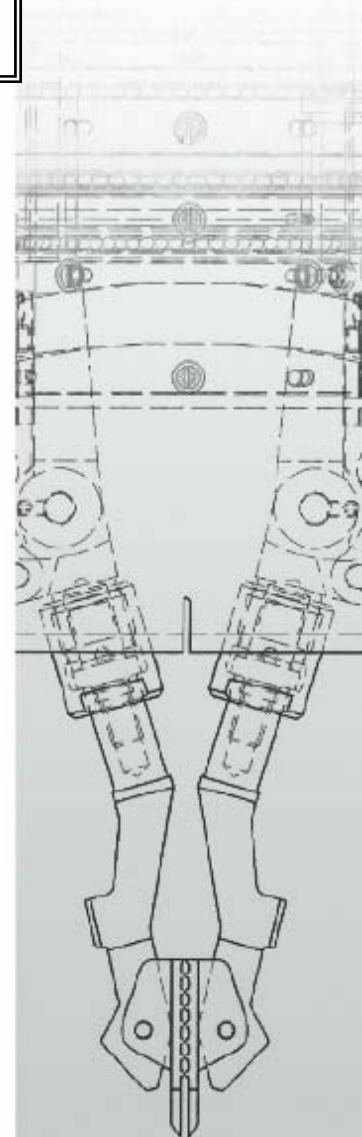
Nuclear



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2007/08:	Revenue £76.3m	Operating profit £5.7m	Operating margin 7.5%
2006/07:	Revenue £54.4m	Operating profit £3.3m	Operating margin 6.1%

- Demand for high quality nuclear engineering expertise continues to grow
- Delays to decommissioning and new build programme increase demand from current operations
 - British Energy continue AGR improvements
 - £70m 5 year contract with option to extend for plant life
- Strong position and good relationships with key civil nuclear customers and operations
 - British Energy, NDA, Sellafield, Dounreay, AWE
- Well positioned to respond to increasing market opportunities – excellent OEM relationships
- S&H widens equipment technology base



Networks



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2007/08:	Revenue £98.5m	Operating profit £7.2m	Operating margin 7.3%
2006/07:	Revenue £74.9m	Operating profit £6.8m	Operating margin 9.1%

- Transmission Alliances working successfully
 - Good long term visibility albeit at reduced margins
- Further increase in volume expected from alliance with EDF Energy Networks
- Specialist transmission design workload increasing
 - Increasing resource available through new design office in Bulgaria
- Digital Switchover programme gathering pace
- First contract secured in fixed line network
- Further opportunities to come from BT's next generation communications network



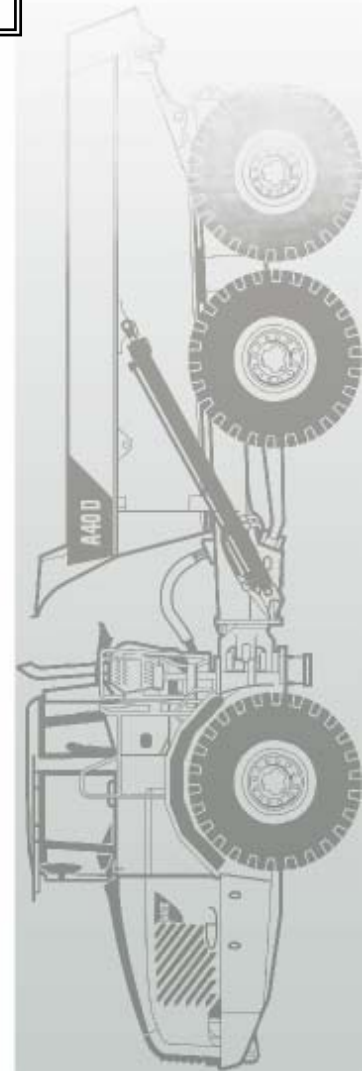
Engineering and Plant



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2007/08: Revenue £217.7m Operating profit £17.1m Operating margin 7.9%
2006/07: Revenue £165.6m Operating profit £13.3m Operating margin 8.0%

- Electricity provision remains key priority for South African government – major infrastructure improvement plans
 - Growth from return to service contracts as well as from general outage and maintenance support for Eskom
 - Support provider for new build power stations
- Powerlines contracts being won across southern Africa
- Equipment market remains strong
 - Record year with sales increasing by 25% and parts and service sales up by 35%
 - Infrastructure improvements continue and mining and mineral industries remain buoyant across southern Africa



- All markets provide opportunities for growth
- Good relationships with major customers
- Good visibility of earnings streams/order book underpins future
- Well positioned for additional major long term contracts
 - RSME - £1.3bn over 30 years
 - CVF - £600m to 2015
 - Submarine refits – £350m
 - ISOLUS - £25-30m pa for 30 years
- Bid pipeline remains strong
- Remain confident





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Appendices



Number of shares in issue



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	2008	2007
Weighted average number of ordinary shares <i>for purpose of basic EPS</i>	224,459,855	205,715,620
Effect of dilutive potential ordinary shares	4,264,409	6,228,491
Weighted average number of ordinary shares <i>for purpose of diluted EPS</i>	228,724,264	211,944,111