



29 January 2008

Babcock International Group PLC Interim Management Statement

In accordance with the requirements of the Disclosure and Transparency Rules, Babcock International Group PLC (Babcock), the support services company, today provides an Interim Management Statement for the period from 1 October 2007.

Trading remains in line with the Group's expectations at the time of the Interim Results. The Rail division continues to make progress and is expected to trade profitably during the second half of the financial year. Across all divisions, current contracts are performing as expected and new contracts are starting as planned. Framework contracts within the Rail and Networks divisions continue to grow and are delivering a steady schedule of work.

As announced on 23 January, building on its successful relationship with British Energy, Alstec has been awarded a contract to provide support for the UK fleet of seven Advanced Gas Reactor (AGR) power stations. The contract is anticipated by Alstec to be worth in excess of £70 million for work starting in April 2008 running through until 2012. British Energy has options to extend the contract through the operating lives of the AGR power stations including Stage 1 of decommissioning work, a process that could extend beyond 2020. This contract highlights the Group's opportunities for expansion in the nuclear market, reflecting both Alstec's nuclear engineering expertise and the Babcock partnership approach to the management of critical assets.

In the Marine division, Supply Chain Services has been selected as preferred bidder to provide spares for the Ministry of Defence Ground Support Equipment. The contract is worth £25 million over five years, with an option for a further five years. Design and Technology and Engineering Products have won a number of commercial contracts and on-going warship refit work is being allocated as programmed through the Surface Ship Support Alliance. We expect DML to be fully integrated into the Marine division by the end of this financial year. Discussions with the Ministry of Defence on the Terms of Business Agreement with respect to submarine support continue to progress.

The award of the manufacturing contracts for the CVF is expected once the Ministry of Defence has completed its Planning Round. This is likely to be before the end of March.

Growth prospects in South Africa remain excellent and the level of support required by Eskom to maintain its power stations and extend its high voltage network continues to increase significantly. We have recently been awarded a contract for the erection of a major overhead powerline in South Africa and orders to provide support for the design and build of Eskom's new power stations are expected in the next few months.

As announced on 22 January 2008, Babcock has entered into an agreement with INS Nuclear Solutions plc (INS) to acquire 100% of the issued share capital of INS Innovation Ltd for £39.8 million. INS Innovation is the sole operating business of INS. The acquisition is subject to the approval of INS shareholders. The Board of INS is also seeking shareholder approval for the cancellation of the quotation of INS's ordinary shares on AIM following completion of the disposal. Babcock currently owns 68% of the issued share capital of INS and will subsequently receive back 68% of the purchase price after costs.

Other than disclosed above, there has been no significant change in the financial position of the Group in the period. The Board remains confident that the results for the year to March 2008 will meet its expectations.

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