



1 April 2008

Babcock International Group PLC

Trading Update

Babcock International Group PLC (Babcock) is providing the following update on trading as it enters its close period prior to announcing Preliminary Results on 13 May 2008.

We anticipate that results for the year ended 31 March 2008 will be in line with our expectations. Trading has continued satisfactorily since the time of our Interim Management Statement on 29 January 2008.

Marine

The new management structure for Babcock Marine is in place and the operations at Devonport have been fully integrated into the division. We have noted the commitments made by Ministers and the Ministry of Defence to the future of Devonport and continue to look forward with confidence to long-term work streams at the dockyard. Marine has traded well throughout the year benefiting from steady warship refit work at Devonport and Rosyth and submarine refuelling and maintenance work at Devonport and Faslane. Negotiations with the Ministry of Defence relating to the Terms of Business Agreement for submarine support continue to progress, although we would not expect these to be concluded until the second half of the calendar year.

We remain confident that the manufacturing contracts for the CVF (Future Aircraft Carrier) will be signed shortly. In February the civil engineering contract for the modifications to the dock area at Rosyth was signed, witnessed by the Secretary of State for Defence. The cost of the works, which will enable the assembly of the new carriers, is being paid for by the Ministry of Defence. This marks a significant milestone in the CVF project.

Nuclear

From 1 April a separate division will be created to combine our civil nuclear capabilities. This reflects the position of strength we have built in the civil nuclear engineering market through the acquisitions of Alstec and INS adding to our existing capabilities. We believe this market holds significant opportunities for us in the future.

Defence Services

The division has traded steadily throughout the year with the multi activity contracts and the two Regional Prime contracts performing in line with expectations. The Building Schools for the Future (BSF) contract with Hackney is moving towards financial close and the bid process for BSF Southwark is proceeding as planned. The Royal School of Military Engineering PPP continues to progress well with financial close planned by the end of June.

Rail

As we anticipated, the division has improved its performance significantly and has traded profitably throughout the second half. Work carried out by the division during the Christmas and Easter periods was all completed on time and within budget.

Engineering and Plant

The opportunities for continued growth are strong. The South African government remains committed to increase significantly the supply of electricity throughout the country. We are well positioned to support Eskom and the OEM suppliers in the construction of new generation capacity, as well as in the recommissioning of mothballed power stations and the provision of outage support on operational power stations. The Powerlines business has shown strong growth with a significant increase in the order book throughout the year.

The demand for Volvo equipment has increased further over the most recent quarter, with a record number of orders being taken in February. There are currently no signs of a weakening in demand.

Networks

The division has traded steadily through the year. In the transmission business the Electricity Alliance with National Grid and the alliance with EDF Energy Solutions continue to operate smoothly. In addition we have been successful in winning further contracts with Scottish Power. Access to skilled resource remains an issue across the industry. To alleviate this situation we are seeking to expand our design office in Sofia, Bulgaria as well as maintaining a significant training programme to provide the necessary levels of support for the division.

In the communications business, as signalled previously, the mobile telecommunications market has continued to be slow although we are starting to see a number of new opportunities coming through. The broadcast market remains active in preparation for the completion of Digital Switchover by 2012.

Outlook

The markets in which we operate are attractive. The strong positions we hold in these markets and the long-term relationships we have developed with our key customers have underpinned our performance in the year just ended and make us confident of further progress in the new financial year.

Enquiries

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