



31 March 2009

Babcock International Group PLC Pre-close Trading Statement

Babcock International Group PLC ('Babcock' or 'the Group'), the engineering support services company, makes the following statement on trading for the 2008/09 financial year and the outlook for the 2009/10 financial year, prior to entering its close period. Babcock will announce its preliminary results on 12 May 2009.

Trading performance

2008/09 has been another year of excellent progress. Overall, trading conditions for the Group have been strong throughout the year and performance remains in line with our expectations outlined at the time of our Interim Management Statement (IMS) on 3 February 2009.

Since the IMS progress has been made on the following contracts.

- The Long Overhaul Period (Refuel) (LOP(R)) contract for HMS Vigilant was announced on 2 March 2009. The contract is expected to be worth in excess of £300 million over a three and a half year period and has been signed under new contracting arrangements with the Ministry of Defence (MoD).
- On 2 March 2009, the Aircraft Carrier Alliance (ACA) announced revisions to the build strategy for the UK's two new aircraft carriers on completion of the MoD's Equipment Examination in late 2008. The changes to the build strategy will result in additional activity being undertaken by Babcock and, whilst the impact of this is still to be finalised, we anticipate an increase of around 25% to the £675 million contract awarded to Babcock in July 2008.
- The £560 million Warship Support Modernisation Initiative (WSMI) contract for Devonport has been awarded, extending the provision of naval base support and management through to 2013.
- During April we expect to commence a ten year contract for the delivery of a wide range of design and technical services to support all the UK's in-service submarines. This has an estimated value of £150 million and follows the successful completion of the existing 11 year contract.
- Work has started on the next Urgent Operational Requirement (UOR) for Jackal vehicles. This contract, expected to be worth in the order of £55 million, is to produce around a further 200 vehicles. To date, more than 200 Jackals have been delivered to the armed forces.
- Two contracts have been secured for the provision of initial designs for weapons handling systems for new submarine programmes in Korea and Australia. These mark a further significant step in the drive to expand the Group's international submarine support operations.

Market conditions in our Marine, Defence, Nuclear and Networks divisions remain robust with all major contracts and framework agreements in these divisions performing well. In Rail, the planned exit from multi-disciplinary project work, representing annual

revenue of approximately £55 million, is progressing well and will refocus the business on the profitable areas of track renewal, high output and signalling. Restructuring costs in the second half of the year are expected to be in the order of £1 million.

As highlighted at the time of the IMS, the South African equipment market has weakened with order intake in the last quarter down some 40% on the same period last year. The power generation and transmission markets remain strong. Consequently, although the second half is likely to be slightly weaker than the first, we expect full year results for the Engineering and Plant division will once again show good progress on last year. However, given the weaker equipment market, the outlook for 2009/10 is for the division to return to levels similar to those in 2007/08.

Financial performance

The Group has maintained its strong cash flow performance and net debt has been reduced in line with our expectations.

Good progress has been made towards implementing measures designed to eliminate volatility on £800 million of pension liabilities through the use of annuities and longevity swaps. These are currently under discussion with the various trustee bodies. A further update will be given at the time of the preliminary results announcement in May 2009. Whilst the income statement net pensions charge for 2009/10 will be calculated based on closing indices on 31 March 2009, current indications show a charge similar to that of the current year.

Outlook and order book

Including the new orders received since the February 2009 IMS, the order book is currently valued in excess of £5.5 billion, some 70% above this time last year. This, together with a strong bid pipeline, gives us excellent visibility of future revenues.

Over recent years we have grown our business to achieve leading positions in markets with good long-term growth prospects and where our customers' budgetary spend is non-discretionary. We are confident that all our major market segments remain attractive and that growth prospects for the Group as a whole remain strong.

Enquiries:

Babcock International Group PLC

Peter Rogers
Bill Tame
Terri Wright

020 7355 5300

Financial Dynamics

Sophie Kernon
Charlotte Whitley

020 7269 7121

A conference call for analysts and investors will be held at 7.30 am this morning. For dial in details please contact Financial Dynamics on 020 7269 7121.