



8 July 2010

## **Babcock International Group PLC Interim Management Statement**

Prior to today's Annual General Meeting, Babcock International Group PLC ('Babcock' or 'the Group'), the engineering support services company, is issuing the following Interim Management Statement for the period since 31 March 2010.

The 2010/11 financial year has started well and trading for the Group as a whole remains resilient. The Group's financial position remains secure and performance to date is consistent with our expectations at the time of our preliminary results announcement on 11 May 2010. Cash generation across the Group has remained strong and we have continued to use cash to pay down debt, this provides a solid foundation for the enlarged Group, following completion of the acquisition of VT Group plc (VT).

Since the start of this financial year, the order book has been stable at around £8.3 billion. We have also maintained a healthy bid pipeline. All our major support contracts and framework agreements, which already include a commitment to deliver efficiencies for our customers, are performing as expected, with no changes to the levels of work coming through or their financial performance.

As the Government seeks to address the fiscal deficit in the UK, we believe there will be an increase in outsourcing opportunities in our chosen markets. Our track record of working in partnership with our customers to identify and deliver the cost effective solutions and long-term operational efficiencies they require, leaves us well placed to take advantage of these opportunities.

### **Acquisition of VT Group plc**

Our proposed acquisition of VT has received all the necessary competition and regulatory clearances, in both the UK and US and both Babcock and VT shareholders have voted overwhelmingly in favour of the transaction. A final court hearing to approve the capital reduction of VT required to implement the associated scheme of arrangement will be held later today 8 July 2010, and following approval the scheme will become effective.

Within the constraints imposed by competition regulation, the Babcock and VT management teams together have made excellent progress in planning a speedy and efficient integration process which will start immediately following completion.

### **Outlook**

We believe our major markets remain attractive with significant long-term growth opportunities in both the UK and overseas and that these opportunities are considerably enhanced by the increased scale and capabilities we expect the acquisition of VT to bring to the Group.

Across our businesses we have excellent visibility, supported by the long-term nature of our contracts, a strong order book and robust bid pipeline. We believe the outlook for the 2010/11 financial year remains positive and we look forward to another year of good progress.

- Ends –

### **Enquiries**

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### **Forward looking statements**

*Certain statements in this announcement are forward looking statements. Such statements may relate to Babcock's business, strategy and plans. Statements that are not historical facts, including statements about Babcock's or its management's beliefs and expectations, are forward-looking statements. Words such as 'believe', 'anticipate', 'estimates', 'expects', 'intends', 'aims', 'potential', 'will', 'would', 'could', 'considered', 'likely', and variations of these words and similar future or conditional expressions are intended to identify forward-looking statements but are not the exclusive means of doing so. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions, some known and some unknown, that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements, many of which are beyond Babcock's control. Forward-looking statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Nor are they indicative of future performance and Babcock's actual results of operations and financial condition and the development of the industry and markets in which Babcock operates may differ materially from those made in or suggested by the forward-looking statements. You should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement because such statements relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements reflect Babcock's judgement at the date of this announcement and are not intended to give any assurance as to future results. Except as required by law, Babcock is under no obligation to update (and will not) or keep current the forward-looking statements contained in this announcement or to correct any inaccuracies which may become apparent in such forward-looking statements.*

*A copy of this announcement will be made available, free of charge, on Babcock's website ([www.babcock.co.uk](http://www.babcock.co.uk)) by no later than 12 noon (London time) on 9 July 2010.*