



30 March 2010

Babcock International Group PLC Pre-close Trading Statement

On 23 March 2010, Babcock announced that it had reached agreement on the terms of a recommended acquisition of VT Group plc. As part of that announcement Babcock made the following statement.

“Current trading, trends and prospects

The Babcock Board believes that the financial year ending 31 March 2010 will prove to have been another excellent year of progress for Babcock.

Trading in the second half of the year has remained resilient, with no significant changes to market conditions and remains in line with the expectations outlined by Babcock in its Interim Management Statement released on 2 February 2010.

Babcock continues to benefit from the long-term nature of its contracts, the critical nature of the engineering support it provides and the strong relationships it has with its customers. All of Babcock's major support contracts are performing well, with no significant changes to the levels of work coming through to Babcock's operating divisions.

Babcock believes that its strong market positions, as well as its track record of delivering efficiencies for customers, make it well placed to benefit from the economic pressures which are likely to continue to increase for its customers.

Babcock is confident that the long-term growth prospects for the Babcock Group's principal markets remain strong, supported by the strength of its order book and bid pipeline, and in the financial year ending 31 March 2011 Babcock expects to build further on the excellent progress it has made in previous years.”

Terms of Business Agreement

On 25 March 2010 the Ministry of Defence (MoD) announced progress on three key projects to deliver vital equipment support to the Royal Navy, one of which was the signature of Babcock's long-term strategic Terms of Business Agreement (ToBA). Babcock's announcement of the signature was made the same day and that announcement included the information set out below.

“The ToBA covers the fifteen year period between 2010 and 2025 during which Babcock commits to the progressive delivery of guaranteed cost savings to the MoD. In return, Babcock is nominated to undertake specific roles and to perform particular types of engineering work in support of the Royal Navy's major warships and nuclear-powered submarines. In addition, the ToBA also extends Babcock's management roles at the Clyde and Devonport Naval Bases from 2013 to 2025 – a value of some £2.5 billion.

In addition to the extension of the Clyde and Devonport Naval bases management roles, the agreement also provides visibility of a forward work programme of some £2.5 billion at 2010 prices. These combined values are stated after benefits, which Babcock has agreed to deliver, of some 15% of the total value. Savings above the

committed levels will be shared between Babcock and the MoD – providing the basis for additional financial benefits to both parties.

Following signature of the ToBA, the Group's order book will be increased by c £2.5 billion to around £8.5 billion. This does not include future refit work which is subject to individual valuation at the time of award."

In addition to the announcement on ToBA, Babcock welcomed the MoD's statement, made on the same day, of its commitment to the long term future of the Royal Navy and the maritime defence industry. In particular confirmation of the initial build and long-term procurement activities for Astute boats 5 and 6 and commitment to the Successor deterrent submarine programme. Babcock has active roles in both these programmes.

Analyst and investor site visit

On 30 and 31 March 2010, Babcock will be hosting a site visit for analysts and investors focusing on the activities in its Defence division and its contract at the Royal School of Military Engineering. No material new information will be disclosed as part of this visit.

Babcock will be announcing its preliminary results on Tuesday 11 May 2010.

Enquiries

Babcock International Group PLC

020 7355 5300

Peter Rogers

Terri Wright

FD

020 7269 7291

Andrew Lorenz

Sophie Kernon