



7 July 2011

**Babcock International Group PLC
Interim Management Statement**

Prior to today's Annual General Meeting, Babcock International Group PLC (Babcock or the Group), the UK's leading engineering support services company, is issuing the following Interim Management Statement for the period from 1 April 2011.

Trading for the Group as a whole has been good during the first quarter of this financial year and remains consistent with our expectations at the time of our preliminary results announced on 17 May 2011. Our markets have remained robust, providing significant opportunities for growth both in the UK and overseas and our existing contracts and framework agreements continue to perform in line with our expectations. Synergy benefits arising from last year's acquisition of VT Group plc (VT) are flowing through into the divisions at the levels anticipated and as scheduled.

The order book and bid pipeline remain strong, reflecting the momentum of our ongoing operations as well as the new opportunities that have come to market since the beginning of this calendar year. Bidding activity levels remain good across the businesses and progress has been made as a number of contracts move closer to final award. We continue to engage with customers as they consider how new outsourcing programmes could help them achieve greater efficiencies.

The Group's financial position has continued to strengthen. Cash generation across the divisions has remained strong throughout the first quarter of the year and as a result we have continued to pay down debt. Over the past year as part of our financing strategy post the acquisition of VT, we have been reviewing our debt capital structure to ensure the Group has appropriate and flexible funding. Following the issue of \$650 million US private placement loan notes at the end of the last financial year, replacing the £400 million acquisition bridge facility, we have now successfully completed the refinancing of the Group's main corporate banking facility with a £500 million, 5 year revolving credit facility maturing in 2016.

Strategic Review

A strategic review of the Group has been ongoing since the completion of the VT acquisition. As part of that review, the Board has concluded that the former VT US defence operations do not meet the Group's strategic objectives and therefore, as currently structured, are not considered a core part of the Group. A range of options, including divestment, is currently being considered.

Plans to exit the Waste operations continue to progress as expected.

Outlook

We remain confident that the current economic climate will continue to drive an increase in new outsourcing opportunities in our markets, in both the private and public sectors. In this environment, we believe that we are well placed to benefit from the scale of our operations, the breadth of our expertise and our track record of delivering both operational and financial efficiencies.

The Board remains confident in the outlook for the Group and, supported by the excellent visibility in the order book and bid pipeline, looks forward to achieving good progress this year and thereafter.

- Ends -

Enquiries

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Babcock International Group PLC IMS conference call

A conference call for analysts and investors will be held at **8.00 am** on 7 July 2011.

Conference call and playback details are set out below and an audiocast will be available from mid-morning on 7 July at www.babcock.co.uk

Participant Access

UK Access Number + 44 (0)20 3140 0724 (no pin required)

UK Toll Free Number 0800 368 1918

Playback

UK Toll Access Number + 44 (0)20 3140 0698

UK Toll Free Number 0800 368 1890

US Toll Free Number + 1 877 846 3918

Conference Reference 378308#