

Date: 19 July 2005

Babcock International Group PLC
Annual General Meeting 2005
Chairman's Statement

The following is the text of the statement being made by the Chairman of Babcock International Group PLC at its Annual General Meeting being held today, 19th July 2005, starting at 11:30 am.

“The Babcock strategy during the last 5 years has been to transform the company from an engineering conglomerate into a support services business. This was firstly in the defence sector, but it was always the intention to broaden the market spread to give a better balance. This was achieved with the acquisition of the Peterhouse Group in June 2004. The last 12 months have been predominantly occupied with the integration of the Peterhouse businesses into the Babcock Group.

This resulted in the profits before tax (pre goodwill and exceptional items) to 31st March 2005, increasing by 52% over the previous year. Not all of this increase, however, came as a consequence of the acquisition and the operating profit for the original Babcock businesses increased by 18%.

We continue to win new contracts and in the last few months have been named as preferred bidder for the Royal School of Military Engineering and for the Eastern Regional Prime contracts. The latter is particularly satisfying since we bought the SGI business in 2003 for £26 million and this business should have a turnover in the next financial year in excess of £120 million. We also secured a 5-year extension to the Faslane contract, and this morning we announced the winning of further contracts from Network Rail for high output track renewals and signalling works worth in total over £200m. These orders highlight the strong position and excellent prospects of our rail business. The order book now stands in excess of £2 billion, and trading is in line with our expectations at the time of the preliminary statement.

Over the 5 years to March 2005 an investment in Babcock has outperformed an investment in the All Share Index (excluding investment trusts) by 124% and that figure would be nearly 143% if we took the 5 years to the end of June.

I am also pleased to confirm that on Friday 15th July Babcock was officially admitted to the FTSE 250 index, a further recognition of our transformation.

The Board has been conscious that throughout a period of such dramatic change one key priority has been to maintain a secure financial position. However, with the larger and more broadly based group the Board is now recommending a final dividend of 2.65 pence per share giving a total for the year of 4 pence per share which is an increase over the previous year of 19.4%. Over the medium term, we intend to target dividend cover based on full year earnings, excluding goodwill and exceptional items, in the range of 2.5 – 3 times.”

- Ends -

Babcock International Group PLC

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