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Babcock International Group PLC
21 November 2025

Babcock International Group PLC

Half year results for the six months ended 30 September 2025

This announcement contains inside information

21 November 2025

Consistent delivery underpins growth and margin expansion

Statutory results	30 September 2025	30 September 2024
Revenue	**£2,538.6m**	£2,408.9m
Operating profit	**£234.3m**	£183.8m
Basic earnings per share	**33.7p**	25.7p
Interim dividend per share	**2.5p**	2.0p
Cash generated from operations	**£226.9m**	£181.3m

Underlying results[1]	30 September 2025	30 September 2024
Contract backlog	**£9.9bn**	£9.5bn
Underlying operating profit	**£201.1m**	£168.8m
Underlying operating margin	**7.9%**	7.0%
Underlying basic earnings per share	**28.5p**	23.5p
Underlying free cash flow	**£140.6m**	£94.7m
Net debt	**£(351.1)m**	£(385.6)m
Net debt excluding leases	**£(55.8)m**	£(145.8)m
Net debt/EBITDA (covenant basis)	**0.2x**	0.6x

David Lockwood, Chief Executive Officer, said:

"Thanks to the skills and dedication of our people, Babcock continued its track record of profitable growth with a strong performance in the first half. Good momentum was underpinned by consistent delivery for our customers against a background of supportive market dynamics.

"We are on track to achieve our expectations for the full year and are pursuing exciting opportunities for sustainable growth and margin expansion, both in the UK and internationally."

Good performance in first half, full year expectations unchanged

- **Contract backlog**: £9.9 billion, reflecting significant Land and Aviation orders in 2H25 (FY25: £10.4 billion)
- **Revenue**: 7% organic growth driven by Nuclear, with lower volumes in Land Civil businesses
- **Statutory operating profit**: up 27%, including derivative revaluation and recovery of loan granted on disposal
- **Underlying operating profit**: up 19%, driven by strong performance in Nuclear and Marine
- **Underlying operating margin**: up 90 basis points to 7.9%, with increases in all sectors
- **Underlying EPS**: up 21% to 28.5p, reflecting higher underling operating profit and lower interest charge
- **Underlying free cash flow**: £141 million, with underlying operating cash conversion of 83%
- **Net debt** excluding leases reduced by £90 million to £56 million, a gearing ratio of 0.2x (FY25: 0.3x)
- **Interim dividend**: up 25% to 2.5 pence per share (HY25: 2.0 pence)

Consistent delivery driving growth and margin expansion

- On track to deliver FY26 target margin of 8% and medium-term target of >9%
- The first of five Type 31 frigates completed float-off, while the third ship commenced its assembly phase
- Re-opened Devonport's 15 Dock facility, marking the return of twin streaming submarine maintenance capability
- Successfully mobilised DSG, the follow-on £1.0 billion, five-year British Army vehicle support contract
- Mobilisation of 17-year Mentor 2 military air training contract in France progressing to plan

Market dynamics supporting growth in UK and Internationally across defence and nuclear

- Secured £114 million three-year contract to prepare for the first nuclear defueling of a decommissioned Trafalgar Class submarine in over 20 years
- Signed a teaming agreement with Patria to offer its 6x6 armoured personnel carrier to the UK Armed Forces
- Over £50 million in new orders secured for Skynet services
- Agreement with Hanwha Ocean to be In-Service Support partner on the Canadian Patrol Submarine Project
- MOU with HII to deliver autonomous launch and recovery of unmanned underwater vehicles
- Secured a first ever defence contract in South Africa, for submarine support
- Awarded new 10-year contract alongside Airbus Helicopters to deliver in-service support to 46 new H145 helicopters for the French Government

Strong balance sheet and consistent cash generation underpins disciplined capital allocation with active pipeline of organic and inorganic opportunities

- Ongoing buyback of £200 million in train - £49 million completed in the first half
- Organic investment opportunities including further investment in our advanced manufacturing capabilities and shipbuilding capacity at our Rosyth facility
- Assessing pipeline of inorganic investment opportunities in line with our disciplined M&A strategy

FY26 outlook

- Our expectations for FY26 are unchanged. We expect to achieve an underlying operating margin of 8%, with good progress to towards the medium-term guidance we set in June 2025: average revenue growth of mid-single digit, underlying margin of at least 9%, and average underlying operating cash conversion of at least 80%.

See page 14 for segmental analysis

Notes to statutory and underlying results on page 1

1. Alternative Performance Measures (APMs):

   The Group provides alternative performance measures (APMs), including underlying operating profit, underlying margin, underlying earnings per share, underlying operating cash flow, underlying free cash flow, net debt, net debt excluding leases and contract backlog, to enable users to have a more consistent view of the performance and earnings trends of the Group. These measures are considered to provide a consistent measure of business performance from year to year. They are used by management to assess operating performance and as a basis for forecasting and decision-making, as well as the planning and allocation of capital resources. They are also understood to be used by investors in analysing business performance.

   The Group's APMs are not defined by IFRS and are therefore considered to be non-GAAP measures. The measures may not be comparable to similar measures used by other companies, and they are not intended to be a substitute for, or superior to, measures defined under IFRS. The Group's APMs are consistent with those for the year ended 31 March 2025. The Group has defined and outlined the purpose of its APMs in the Financial Glossary on page 25.

The person responsible for arranging for the release of this announcement on behalf of the Company is Jack Borrett, the Corporate Secretary, Babcock International

Results presentation:

A presentation for investors and analysts will be held on 21 November at 09:00 am (BST). The presentation will be webcast live and will be available on demand at www.babcockinternational.com/investors/results-and-presentations. A transcript of the presentation and Q&A will also be made available on our website.

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CEO review

Introduction

The first half of FY26 saw good growth, higher margins and strong cash generation, with the Group on track to meet full year expectations. This was driven by successful delivery for our customers through the period, against a background of significant developments in our core defence and security markets.

Our specialist capabilities continue to be highly relevant in the current uncertain geopolitical environment. With a clear strategy and a disciplined approach to capital allocation, we are positioning for opportunities that will sustain profitable growth over the long term.

Good performance in HY26 underpins FY expectations

Babcock delivered another good performance in HY26 in line with expectations, with year-on-year increases across our key financial measures, including organic revenue, margin and cash generation.

Group revenue increased organically[1] 7% with Nuclear, our largest division, the standout contributor. Underlying operating profit[1] increased 19%, resulting in a 90 basis points increase in underlying operating margin[1] to 7.9% with all sectors contributing to the increase: good progress towards our FY26 target of 8% and medium-term target of at least 9%.

Cash conversion[1] of 83% remained in line with our medium-term target. This, together with lower pension deficit payments following the long-term funding arrangements reached in FY25, drove a 48% increase in underlying free cash flow[1] to £141 million. We executed £49 million of the £200 million share buyback programme by 30 September.

We have maintained a strong balance sheet, ending the period with net debt including leases[1] of £351 million (FY25: £373 million) and a gearing ratio (net debt to EBITDA[1]) of 0.2x (FY25: 0.3x) on a covenant basis.

Consistent delivery driving growth and margin expansion

Consistent delivery for our customers is central to our strategic ambitions. The period saw organic revenue growth in line with our guidance, and margin improvement in all four divisions.

In Marine, 6% organic revenue growth[1] was driven by our LGE business following record order wins in FY25 and further growth in the Skynet contract. As a result, divisional margin improved 160 basis points to 6.7%.

We achieved high output levels in our advanced manufacturing operations at our facilities in Bristol and Rosyth with the commencement of continuous production of integrated missile tube assemblies and handling systems for the US Columbia Class and the UK Dreadnought Class submarine programmes.

Nuclear's performance was particularly strong, delivering 14% organic revenue growth[1], continuing the positive trends across the sector. In defence nuclear, growth from higher submarine support volumes more than offset the anticipated decline in major infrastructure programme (MIP) revenue. In civil nuclear, our higher margin Cavendish Nuclear business grew 25%, benefitting from further strong growth in clean energy, primarily from the ramp up of major project work at Hinkley Point C. Through this combination of growth, mix and execution, Nuclear is the first division to reach our medium-term Group margin target of at least 9%.

We continue to execute the UK Government's multi-year, multi-billion investment in upgrading nuclear submarine infrastructure through the MIP. This investment programme, which will improve submarine availability, has enabled us to make good progress on the first Astute Class Base Maintenance Period and the Deep Maintenance Period contract to life-extend the second nuclear deterrent submarine HMS Victorious.

Our Land underlying operating margin[1] increased 20 basis points to 7.9% despite lower revenues in our Rail and Africa civil businesses. We mobilised the follow-on £1.0 billion, five-year DSG vehicle support contract in the period, cementing our position as a Strategic Partner to the British Army. We also completed the first tranche of the Jackal 3 High Mobility Transporter programme and commenced production of tranche 2, comprising 53 six-wheeled 'Extenda' variants.

Finally, Aviation delivered 26% organic revenue growth[1]. This was driven by the rapid ramp up of major new international contracts - Mentor 2 and MCO 145-C2 in France and BC HEMS in Canada - as well as scope growth in existing UK military aviation contracts. These drove a 240 basis point improvement in underlying operating margin, to 7.2%.

Overall, we have made considerable progress towards our full year underlying operating margin[1] target of 8.0%. We remain focused on driving margin to at least 9% over the medium term, through growth from higher quality business and continued efficiencies from ongoing productivity and investment initiatives.

Market dynamics supporting growth

Governments across our markets continue to focus on defence and security as geopolitical uncertainty continues. There is a clear recognition of the need for investment in defence capabilities, energy security, increased sovereignty and industrial resilience. However, this commitment to defence is against a backdrop of fiscal strain, which increases the relevance of Babcock's focus on affordability, availability and capability. As a long-standing, strategic partner to the UK and other governments, and with growing partnerships and relationships across the supply chain, Babcock is well positioned to deliver not only sovereign defence solutions but to contribute to wider economic growth.

After setting out its defence and security priorities in the Strategic Defence Review in June 2025, the UK Government published its Defence Industrial Strategy (DIS) in September. Babcock welcomed initiatives including: publication of five-year procurement pipelines which offer greater visibility and predictability of upcoming MOD capability needs, an increase in funding for skills, and the announcement of a Defence Growth Deal for Plymouth, where Babcock plays a key anchoring role in the local economy through our Devonport dockyard.

Our work at Devonport is an example of where we are critical to both national security and regional prosperity. Focused activity has culminated in the creation of 'Team Plymouth', a partnership between defence, industry, academia and local and national government, with Plymouth set to benefit from a share of £250 million to support regeneration as one of five key growth areas identified in the strategy. In June, we published a blueprint for regional regeneration which included our plan to relocate 2,000 employees from Devonport support functions to create a new capability hub in Plymouth city centre.

By reinforcing sovereign capability and fostering strategic industry-government alignment, the DIS creates a more stable and attractive environment for UK's defence industry to invest for the long-term, creating significant opportunities for growth.

Strategic progress and longer-term growth

Our contract backlog stood at £9.9 billion at 30 September, slightly down compared to the start of the year (FY25: £10.4 billion), reflecting the large order intake in the 2H25 - DSG and Mentor 2. We continue to address an expanding longer-term opportunity set, and to secure partnerships and collaborations with leading global industry players across our portfolio, to drive future growth in both our domestic and international markets.

In Marine, we signed an agreement with South Korea's Hanwha Ocean to be its exclusive in-service support partner for the new Canadian Patrol Submarine Project (CPSP). This follows Hanwha Ocean's selection as one of two qualified suppliers by the Government of Canada. We also signed a partnership agreement with US defence prime HII to deliver autonomous launch and recovery of Unmanned Underwater Vehicles via our leading submarine weapons launch handling system.

We are bidding for several new multi-billion-pound international shipbuilding opportunities, as well as working with existing Government customers such as Indonesia and Poland, and strategic partners on additional naval programme and marine support opportunities.

In Nuclear, we progressed our nuclear submarine disposal work following award of a £114 million, three-year contract to support the first defueling of a decommissioned British nuclear submarine in over 20 years. Under the contract we will work collaboratively with the UK Defence Nuclear Enterprise and industry partners to prepare for the defuel of four decommissioned submarines at our Devonport facility from 2026.

We continue to make good progress on commercial discussions on the follow-on to our largest contract, Future Maritime Support Programme (FMSP) to support the UK nuclear submarine fleet, which completes at the end of FY26. In Australia, our joint venture with HII signed an MOU with the Victorian Government to build a skilled workforce and strengthen the supply chain for the AUKUS programme.

In the civil nuclear market, notable developments in the first half, including the UK Government's commitment to full funding for the new nuclear Sizewell C power station, should lead to opportunities across our Cavendish Nuclear business. In the small modular reactor (SMR) sector, Great British Energy-Nuclear (GBE-N) has launched its wider procurement programme, and we are now tendering to provide engineering services. In addition, following the announcement of X-energy and Centrica's Joint Development Agreement to deploy X-energy's Xe-100 Advanced Modular Reactors (AMRs) in the UK, we are in dialogue concerning further support building on our work co-funded by the UK Government's Future Nuclear Enabling Fund. In fuels, our support to the UK front-end nuclear fuel cycle continues to grow through engineering design projects with Westinghouse and Urenco.

In Land, our product strategy is gaining momentum. We signed a teaming agreement with Finnish company Patria to be the build partner for its armoured personnel carrier in the UK. Now that the UK MOD has joined the European Common Armoured Vehicle System (CAVS) programme, this paves the way for us to expand our footprint within the Plymouth and South Devon Freeport to satisfy the full UK build requirement for the 6×6 vehicle and support the British Army's export ambitions as part of the Land Industrial Strategy.

After the period end, we secured our first ever defence contract in South Africa, in submarine support. While small in the context of the Group, it is an important development, with defence now a strategic focus for our long-established South African business. This success was achieved through the combination of our strong local presence and specialist capabilities in the support of complex naval vessels.

Disciplined capital allocation - delivering both growth and returns

We have a clear and consistent capital allocation framework that is focused on maximising shareholder value. With a strong balance sheet, we have the financial capacity to invest in the growing opportunity set and make returns to shareholders.

Investment for growth: organic investment remains our first capital allocation priority, and we see a significant number of attractive opportunities to sustain long-term shareholder value creation. In addition to ongoing investment in the business to further improve overall quality and delivery, we are assessing several material capex opportunities across the portfolio.

These include further investment in our advanced manufacturing capabilities and increased shipbuilding capacity at our Rosyth facility to address emerging naval programme opportunities. We are also investigating a number of innovative proposals that would see us investing alongside our government customers, for example in infrastructure or 'build and operate' models, to drive their defence agendas and deliver the capabilities they require at an acceptable value. We will update the market at the appropriate time as and when such opportunities mature.

Inorganic investment: We continue to be active in assessing inorganic investment opportunities in line with our disciplined M&A strategy, targeting bolt-on complementary businesses to support future organic growth potential.

Shareholder returns: Paying a regular and progressive dividend to our shareholders remains a capital allocation priority. The Board has recommended an interim dividend of 2.5 pence per share, a 25% increase on HY25. We expect to complete the £200 million share buyback programme by the year end, having repurchased approximately c. £49 million shares as at 30 September. We continually assess our capital allocation requirements and will consider additional shareholder returns should we determine that we have surplus capital, after considering our investment priorities.

Outlook

Our expectations for FY26 are unchanged. We expect to achieve an underlying operating margin of 8%, with good progress to towards the medium-term guidance we set in June 2025: average revenue growth of mid-single digit, underlying margin of at least 9%, and average underlying operating cash conversion of at least 80%.

David Lockwood
Chief Executive

Other information

Dividend

An interim dividend of 2.5 pence per ordinary share (HY25: 2.0 pence per share) is payable on 16 January 2026 to shareholders whose names appear on the register at the close of business on 5 December 2025. Shareholders may participate in the dividend re-investment plan and elections must be made by 23 December 2025. Details of the dividend re-investment plan can be found, and shareholders can make elections, at www.babcock-shares.com.

Notes to CEO Statement

1. A defined Alternative Performance Measure (APM) as set out on page 2 and in the Financial Glossary on page 25.

Financial review

The Group provides alternative performance measures (APMs), including underlying operating profit, underlying margin, underlying earnings per share, underlying operating cash flow, underlying free cash flow, net debt and net debt excluding leases, to enable users to have a more consistent view of the performance and earnings trends of the Group. These measures are considered to provide a consistent measure of business performance from year to year. They are used by management to assess operating performance and as a basis for forecasting and decision-making, as well as the planning and allocation of capital resources. They are also understood to be used by investors in analysing business performance.

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The reconciliation from the IFRS statutory income statement to the underlying income statement is shown below.

Income statement

	30 September 2025			30 September 2024		
	Underlying £m	**Specific adjusting items £m**	**Statutory £m**	Underlying £m	Specific adjusting items £m	Statutory £m
Revenue	**2,538.6**	**-**	**2,538.6**	**2,408.9**	**-**	**2,408.9**
Operating profit	**201.1**	**33.2**	**234.3**	**168.8**	**15.0**	**183.8**
Operating margin	*7.9%*		*9.2%*	*7.0%*		*7.6%*
Share of results of joint ventures and associates	4.2	-	4.2	5.1	-	5.1
Net finance costs	(13.5)	1.3	(12.2)	(16.8)	(0.1)	(16.9)
Profit before tax	**191.8**	**34.5**	**226.3**	**157.1**	**14.9**	**172.0**
Income tax (expense)	(49.3)	(8.5)	(57.8)	(38.4)	(3.6)	(42.0)
Profit after tax	**142.5**	**26.0**	**168.5**	**118.7**	**11.3**	**130.0**
Non-controlling interest	(0.8)	-	(0.8)	0.7	-	0.7
Profit attributable to the owners of the parent	**143.3**	**26.0**	**169.3**	**118.0**	**11.3**	**129.3**
Basic EPS	**28.5p**	**5.2p**	**33.7p**	**23.5p**	**2.2p**	**25.7p**
Diluted EPS	**28.0p**	**5.0p**	**33.0p**	**23.0p**	**2.2p**	**25.2p**

A full statutory income statement can be found on page 35.

As described on page 2, statutory operating profit includes specific adjusting items (SAIs) that are not included in underlying operating profit, which is a key APM for the Group. A reconciliation of statutory operating profit to underlying operating profit is shown in the table below and in note 2 of the interim financial statements.

Revenue of £2,539 million grew 7% organically offset by a (1)% currency translation effect. The increase was driven by strong growth in Nuclear followed by Aviation and Marine, while Land was down year on year due to our Civil businesses. See segmental tables on page 14:

- **Marine** revenue increased 6% (at constant FX) to £823 million due to higher volumes in our LGE business and growth of the Skynet programme, offset by lower ship support volumes in the UK.
- **Nuclear** revenue increased 14% (at constant FX) to £989 million as submarine support activity grew strongly under the Future Maritime Support Programme (FMSP) programme and Civil Nuclear grew 25% as new projects ramped up, more than offsetting a reduction from the timing of Major Infrastructure Programme (MIP) revenue across the year.
- **Land** revenue decreased 10% (at constant FX) to £526 million due to lower volumes in our Civil businesses, particularly Rail following the completion of a number of delivery projects, and Africa where mining equipment sales have reduced.
- **Aviation** revenue increased 26% (at constant FX) to £201 million due to scope increases in UK military support contracts, the ramp up of the Mentor 2 programme in France and the start of the British Colombia HEMS contract in Canada.

Underlying operating profit increased by 19% to £201.1 million driven by strong performance in Nuclear and Marine. As a result, underlying operating margin increased to 7.9% (HY25: 7.0%). See segmental tables on page 14:

- **Marine** underlying operating profit increased 38% to £55.3 million due to growth in LGE and Skynet and the completion of certain support activities. As a result, underlying operating margin increased to 6.7% (HY25: 5.1%).
- **Nuclear** underlying operating profit increased 18% to £89.7 million due to the revenue growth as well as some contract changes and risk retirement on project milestones. As a result, underlying operating margin increased to 9.1% (HY25: 8.7%).
- **Land** underlying operating profit decreased 8% to £41.6 million due to the lower volumes in Rail and Africa and some contract recoveries in the prior period. Despite this, underlying operating margin increased slightly to 7.9% (HY25: 7.7%).
- **Aviation** underlying operating profit increased 88% to £14.5 million, reflecting mix, improved project profitability, programme timing and contract renegotiations, including price. As a result, underlying operating margin increased to 7.2% (HY25: 4.8%).

Further analysis of financial performance is included in each sector's operational review starting on page 15.

Statutory operating profit increased to £234.3 million (HY25: £183.8 million) due to the increase in underlying operating profit, the revaluation of derivatives and the final recovery of loan receivables originating from the disposal of the Civil Training business in FY23. As a result, statutory operating margin increased to 9.2% (HY25: 7.6%).

the CMT Training business in FY25. As a result, statutory operating margin increased to 9.2% (HY25: 7.6%).

Reconciliation of statutory to underlying operating profit

	30 September 2025 £m	30 September 2024 £m
Statutory operating profit	**234.3**	**183.8**
Amortisation of acquired intangibles	5.7	4.4
Business acquisition, merger and divestment related items	(8.5)	-
Curtailment gain on pension scheme closure	-	(0.3)
Exceptional items	(2.1)	-
Fair value movement on derivatives	(28.3)	(19.1)
Specific adjusting items impacting operating profit	**(33.2)**	**(15.0)**
Underlying operating profit	**201.1**	**168.8**

Share of joint ventures and associates on a statutory basis was a profit of £4.2 million (HY25: profit of £5.1 million).

Net finance costs

- **Underlying net finance costs** decreased to £13.5 million (HY25: £16.8 million) due to higher interest earned on surplus cash balances and lower interest cost on pension liabilities, offset by the additional interest charge on new lease liabilities.
- **Statutory net finance costs** decreased to £12.2 million (HY25: £16.9 million), reflecting the items above and the fair value movement of derivatives which hedge interest cost.

Income tax expense

- **Underlying income tax expense** increased to £49.3 million (HY25: £38.4 million) due to higher underlying operating profit and lower underlying net finance costs. This represents an effective underlying tax rate of 26.3% (HY25: 25.3%), calculated using underlying profit before tax excluding the share of income from joint ventures and associates (which is a post-tax number). The Group's effective underlying tax rate is expected to remain broadly stable over the medium term depending on country profit mix.
- **Statutory income tax expense** increased to £57.8 million (HY25: £42.0 million), higher than underlying income tax expense due to the tax impact of the specific adjusting items outlined above.

Basic earnings per share

- **Underlying basic earnings per share** increased 21% to 28.5 pence (HY25: 23.5 pence), reflecting higher underlying operating profit and lower underlying net finance costs.
- **Basic earnings per share** on a statutory basis increased 31% to 33.7 pence (HY25: 25.7 pence) due to the improvement in underlying earnings per share and the post tax impact of the specific adjusting items outlined above.

Reconciliation of statutory profit and basic EPS to underlying profit and basic EPS

	30 September 2025		30 September 2024	
	£m	**Basic EPS**	£m	Basic EPS
Statutory profit after tax for the year	**168.5**	**33.7p**	130.0	25.7p
Specific adjusting items, net of tax	(26.0)	(5.2)p	(11.3)	(2.2)p
Underlying profit after tax for the year	**142.5**	**28.5p**	118.7	23.5p

Dividend per share

The Board has recommended an interim dividend of 2.5 pence per ordinary share (HY25: 2.0 pence), a 25% increase.

Exchange rates

The translation impact of foreign currency movements resulted in a decrease in revenue of £23 million and a decrease in underlying operating profit of £1 million. The main currencies that have impacted our results are the Australian Dollar, Canadian Dollar, Euro, New Zealand Dollar and South African Rand. The currencies with the greatest potential to impact results are the South African Rand, the Australian Dollar, the Euro and the Canadian Dollar:

- A 10% movement in the South African Rand against Sterling would affect revenue by around £34 million and underlying operating profit by around £3 million per annum
- A 10% movement in the Australian Dollar against Sterling would affect revenue by around £29 million and underlying operating profit by around £1 million per annum
- A 10% movement in the Euro against Sterling would affect revenue by around £16 million and underlying operating profit by around £1 million per annum
- A 10% movement in the Canadian Dollar against Sterling would affect revenue by around £18 million and underlying operating profit by around £2 million per annum

Cash flow and net debt

Underlying cash flow and net debt

Underlying cash flows are used by the Group to measure operating performance as they provide a more consistent measure of business performance from year to year.

	30 September 2025 £m	30 September 2024 £m
Statutory operating profit	234.3	**183.8**
Add back: specific adjusting items (see table on page 6)	(33.2)	(15.0)
Underlying operating profit	201.1	**168.8**
Right of use asset depreciation & impairment	25.0	19.3
Other depreciation & amortisation	39.2	34.8
Non-cash items	6.3	10.0
Working capital movements	(31.8)	(13.4)
Provisions	(5.4)	(14.3)
Net capital expenditure	(45.5)	(47.5)
Lease principal payments	(22.8)	(22.8)
Underlying operating cash flow	166.1	**134.9**
Underlying operating cash conversion (%)	83%	80%

Underlying operating cash conversion (%)	83%	80%
Pension contributions in excess of income statement	(7.4)	(23.9)
Interest paid (net)	(12.8)	(11.9)
Tax paid	(12.4)	(16.2)
Dividends from joint ventures and associates	7.1	11.8
Underlying free cash flow	140.6	**94.7**
Net acquisitions and disposals of subsidiaries	8.5	-
Dividends paid (including non-controlling interests)	(23.0)	(16.6)
Purchase of own shares	(65.1)	(13.3)
Purchase of other investments	(2.1)	-
Lease principal payments	22.8	22.8
Net new lease arrangements	(55.4)	(38.2)
Other non-cash debt movements	(2.4)	(1.2)
Fair value movement in debt and related derivatives	5.6	(5.9)
Exchange movements	(7.3)	7.5
Movement in net debt	22.2	49.8
Opening net debt	(373.3)	(435.4)
Closing net debt	(351.1)	**(385.6)**
Add back: leases	295.3	239.8
Closing net debt excluding leases	(55.8)	**(145.8)**

A full statutory cash flow statement can be found on page 38 and a reconciliation to net debt on page 11.

Underlying operating cash flow increased 23% to £166.1 million (HY25: £134.9 million) largely due to the increase in underlying operating profit. The conversion ratio of underlying operating cash to underlying operating profit was 83% (HY25: 80%), reflecting an increase in working capital due to slightly increased inventory and the timing of indirect tax payment cycles. Gross capex of £71.1 million (HY25: £50.6 million) represents continued investment in our operations and systems, particularly in Devonport, and c.£20 million of payments for aircraft which were offset by a broadly similar amount of aircraft disposal proceeds. Net capex of £45.5 million (HY25: £47.5 million) was slightly ahead of depreciation. Capital expenditure is reconciled in the financial glossary on page 25.

Underlying free cash flow increased to £140.6 million (HY25: £94.7 million), reflecting higher underlying operating cash flow and lower pension deficit repair contributions following the agreement of long-term funding arrangements for our three main schemes. Most of our pension, interest and tax payments are made in the second half of the year.

Acquisitions and disposals

Cash receipts and related fair value gains of £8.5 million arose on the final settlement of loan receivables originating from the disposal of the Civil Training business in FY23. These are not included within underlying operating profit or underlying free cash flow.

New lease arrangements

In addition to net capital expenditure, and not included in underlying free cash flow, £55.4 million (HY25: £38.2 million) of net new lease arrangements were entered into in the period, primarily relating to aircraft to support new contracts in Canada and Australia. These new lease arrangements are therefore included in net debt, but do not involve any cash outflows at inception.

Reconciliation of underlying operating cash flow to statutory net cash flows from operating activities

	30 September 2025 £m	30 September 2024 £m
Underlying operating cash flow	**166.1**	**134.9**
Add: net capital expenditure	45.5	47.5
Add: lease principal payments	22.8	22.8
Less: pension contributions in excess of income statement	(7.4)	(23.9)
Less: Non-operating cash items (excluded from underlying cash flow)	(0.1)	-
Cash generated from operations	**226.9**	**181.3**
Tax paid	(12.3)	(16.2)
Net interest paid	(12.8)	(11.9)
Net cash flows from operating activities	**201.8**	**153.2**

Statutory cash flow summary

	30 September 2025 £m	30 September 2024 £m
Net cash flow from operating activities	**201.8**	**153.2**
Net cash flow from investing activities	(31.7)	(35.6)
Net cash flow from financing activities	(113.6)	(53.0)
Net increase in cash, cash equivalents and bank overdrafts	**56.5**	**64.6**

Net cash flow from operating activities increased to £201.8 million (HY25: £153.2 million) due to higher underlying operating cash flow and lower pension deficit payments.

Net cash flow from investing activities was an outflow of £31.7 million (HY25: outflow of £35.6 million). The decrease relates to the final settlement of loan receivables originating from the disposal of the Civil Training business, offset by higher net capex.

Net cash flow from financing activities was an outflow of £113.6 million (HY25: outflow of £53.0 million), including £22.8 million lease principal payments (HY25: £22.8 million), £23.0 million dividends paid (HY25: £16.6 million) and £65.1 million purchase of own shares (HY25: £13.3 million).

Movement in net debt - reconciliation of statutory cash flows to net debt

	30	

	30 September 2025 £m	30 September 2024 £m
Net increase in cash, cash equivalents and bank overdrafts	**56.5**	**64.6**
Cash flow from the decrease in debt	(3.8)	15.4
Change in net funds resulting from cash flows	**52.7**	**80.0**
Additional lease obligations	(45.7)	(39.5)
New lease receivables granted	19.3	8.9
Other non-cash movements and changes in fair value	3.2	(7.1)
Foreign currency translation differences	(7.3)	7.5
Movement in net debt in the period	**22.2**	**49.8**
Opening net debt	(373.3)	(435.4)
Closing net debt	**(351.1)**	**(385.6)**

Net debt

Net debt at 30 September 2025 was £351.1 million, a reduction of £22.2 million from the position at the start of the year driven by underlying free cash flow offset by dividend payments of £23.0 million, £65.1 million to purchase own shares and net new leases of £26.4 million. Net debt excluding leases was £55.8 million.

Components of net debt

	30 September 2025 £m	31 March 2025 £m
Cash and cash equivalents	704.7	646.5
Current liabilities - bank debt and other loans	(299.4)	(0.5)
Non-current liabilities - bank debt and other loans	(473.7)	(750.7)
Other debt instruments (includes loans to JVs)	(21.1)	(38.6)
Net finance leases	33.7	42.1
Closing net debt excluding leases	**(55.8)**	**(101.2)**
Include leases	(295.3)	(272.1)
Closing net debt	**(351.1)**	**(373.3)**

Summarised balance sheet

	30 September 2025 £m	31 March 2025 £m
Intangible assets	916.4	920.6
Property, plant and equipment and right of use assets	826.3	787.7
Investment in joint ventures, associates and other investments	43.2	43.5
Assets held for sale	3.0	-
Working capital	(657.3)	(694.2)
Provisions	(134.4)	(138.3)
Net retirement benefit surplus/(deficit)	31.5	(8.4)
Net tax assets	29.9	76.1
Net other financial assets and liabilities	33.1	8.1
Leases	(295.3)	(272.1)
Net debt excluding leases	(55.8)	(101.2)
Net assets	740.6	**621.8**

Property, plant and equipment (PP&E) and right of use assets were £826.3 million, an increase of £38.6 million from the position at the start of the year. PP&E increased by £16.6 million to £575.5 million, including gross capital expenditure of £73.4 million, disposals of net book value of £24.0 million and depreciation of £30.2 million. Right of use assets increased by £22.0 million to £250.8 million including net new leases of £47.9 million and depreciation and impairment of £25.0 million.

Working capital increased by £36.9 million from the position at the start of the year to £(657.3) million due to an increase in inventory and the timing of indirect tax payment cycles.

Funding and liquidity

As of 30 September 2025, the Group had access to a total of £1.4 billion of borrowings and facilities. These comprised:

- £600 million RCF, refinanced on 17 July 2025, maturing on 17 July 2030 with two option years and accordion expansion facility for a further uncommitted £200 million for the duration of the agreement.
- £300 million bond maturing on 5 October 2026
- €550 million bond, hedged at £493 million, maturing on 13 September 2027
- An overdraft facility of £50 million

At 30 September 2025, the Group's net cash (cash and cash equivalents less overdrafts) balance was £704.7 million. This, combined with the undrawn amounts under our committed RCFs and overdraft facilities, gave us liquidity of around £1.4 billion.

Pensions

The Group has a number of defined benefit pension schemes. The principal defined benefit pension schemes in the UK are the Devonport Royal Dockyard Pension Scheme (DRDPS), the Babcock International Group Pension Scheme (BIGPS) and the Royal Dockyard Pension Scheme (RRDPS) - the principal schemes.

IAS 19

At 30 September 2025, the IAS 19 valuation for accounting purposes was a net surplus of £31.5 million (FY25: net deficit of £8.4 million). The change in net accounting position is driven by change in actuarial financial assumptions and the deficit recovery contributions paid by the Group. The fair value of plan assets (including longevity swap value) of £2,815.7 million decreased by £15.3 million, driven by the impact of IFRIC 14 asset ceilings and asset returns being lower than the IAS 19 expected return on plan assets. The present value of pension benefit obligations of

£2,784.2 million decreased by £55.2 million driven by a slight increase in the discount rate and a fall in market implied inflation expectations. The fair value of the assets and liabilities of the Group pension schemes at 30 September 2025 and the key assumptions used in the IAS 19 valuation of our schemes are set out in note 13 on page 54.

	30 September 2025 £m	31 March 2025 £m
Fair value of plan assets (note 13)	2,815.7	2,831.0
Present value of benefit obligations (note 13)	(2,784.2)	(2,839.4)
Net surplus / (deficit) at period end	**31.5**	**(8.4)**

Income statement charge

The charge included within underlying operating profit in HY26 for defined benefit pension schemes was £4.2 million (HY25: £10.5 million), of which £1.7 million related to service costs (HY25: £7.1 million), £2.5 million related to expenses (HY25: £3.4 million). In addition to this, there was a net interest charge of £nil (HY25: charge of £2.0 million). The reduction follows the closure of defined benefit schemes to future accrual and is broadly offset by an increase in the charge for defined contribution schemes.

Technical provision

An estimate of the aggregate actuarial deficits of the Group's defined benefit pension schemes (excluding those in surplus), including all longevity swap funding gaps, calculated using each scheme's technical provisions basis, as at HY26 was approximately £95 million (FY25: c.£125 million, HY25: c.£160m). Such valuations use discount rates based on UK gilts - which differs from the corporate bond approach of IAS 19. This technical provision estimate reflects the assumptions used within the latest agreed valuation prior to 30 September 2025 for each of the principal schemes.

Actuarial valuations are carried out every three years to determine the Group's cash contributions to the schemes. The valuation of the three largest schemes is set so only one scheme is undertaking its valuation in any one year, to spread the financial impact of market conditions. The valuation of the DRDPS as at 31 March 2023 was completed in FY24, the valuation of the RRDPS as at 31 March 2024 was finalised in April 2025, and work is currently ongoing on the valuation of the BIGPS at 31 March 2025.

We expect annual deficit repair payments to be c.£20 million per annum for the next five years.

Cash contributions

Group cash contributions made into the defined benefit pension schemes, excluding expenses and salary sacrifice contributions were as follows:

	30 September 2025 £m	30 September 2024 £m
Current service contributions	2.5	8.7
Deficit recovery	5.1	13.2
Longevity swap	0.9	5.8
Total cash contributions - employer	**8.5**	**27.7**

Segmental analysis

The Group reports its performance through four reporting sectors.

30 September 2025	Marine £m	Nuclear £m	Land £m	Aviation £m	Total £m
Contract backlog	2,820	1,762	3,321	2,015	9,918
Revenue	822.5	989.1	525.6	201.4	2,538.6
Statutory operating profit	77.0	89.7	50.1	17.5	234.3
Statutory operating margin	9.4%	9.1%	9.5%	8.7%	9.2%
Underlying operating profit	55.3	89.7	41.6	14.5	201.1
Underlying operating margin	6.7%	9.1%	7.9%	7.2%	7.9%

30 September 2024	Marine £m	Nuclear £m	Land £m	Aviation £m	Total £m
Contract backlog	2,991	2,461	2,410	1,655	9,517
Revenue	789.8	865.7	591.3	162.1	2,408.9
Statutory operating profit	56.5	75.8	45.5	6.0	183.8
Statutory operating profit margin	7.2%	8.8%	7.7%	3.7%	7.6%
Underlying operating profit	40.0	75.7	45.4	7.7	168.8
Underlying operating margin	5.1%	8.7%	7.7%	4.8%	7.0%

Operational reviews

Marine

Our c.7,500 employees design, develop, build, manufacture and integrate specialist systems, and deliver technical through-life support for complex platforms in the marine sector. Over 75% of Marine's revenue is derived from defence, with the remainder largely comprising our Liquid Gas Equipment (LGE) business.

Operational highlights

- In June 2025, HMS Venturer, the first of five Type 31 frigates completed float-off and returned to dry dock for fit-out and commissioning, while the third frigate, HMS Formidable, commenced its assembly phase
- Over £50 million in new orders secured for Skynet services
- Expanded scope of work delivered in Australia in our Regional Maintenance Provider - West contract
- Secured initial LGE contracts for ammonia-based fuel gas supply systems using Babcock IP technology

	September 2025 £m	2024 £m
Contract backlog*	**2,820**	2,991
Revenue	**822.5**	789.8
Underlying operating profit*	**55.3**	40.0
Underlying operating margin*	**6.7%**	5.1%

* Alternative Performance Measures are defined in the Financial Glossary on page 25.

Contract backlog reduced to £2,820 million, reflecting delivery of the record LGE order intake in FY25 and revenue recognised on the Type 31 contract, partially offset by orders for the manufacturing of missile tubes and the RMP West support contract in Australia.

Revenue increased 6% (at constant FX) to £823 million due to higher volumes in our LGE business and growth of the Skynet programme, offset by lower ship support volumes in the UK.

Underlying operating profit increased 38% to £55.3 million due to growth in LGE and Skynet and the completion of certain support activities. As a result, underlying operating margin increased to 6.7% (HY25: 5.1%).

Operational review

Defence

UK defence (50% of Marine revenue)

The Type 31 Inspiration Class five-frigate programme being built for the Royal Navy at Babcock's facility in Rosyth has made steady progress. HMS Venturer, left the assembly hall in June and is now docked, creating space in the Venturer build hall facility for the third frigate. Ship 2, HMS Active, continues to progress towards float-off in 2026 and ship 3, HMS Formidable, moved to the Venturer build hall to commence the assembly phase. Ship 3 is benefitting from an enhanced build strategy, accelerating early outfitting. Thales successfully completed all factory acceptance testing on equipment and software for the Mission System.

Advanced manufacturing operations have maintained high output levels, notably with the delivery of nine missile tubes over nine months to General Dynamics Electric Boat for the US Columbia Class submarine programme. Continuous production of integrated tube handling has started at our facilities in Bristol and Rosyth, streamlining and automating the management of missile tube manufacture and assembly within the Common Mission Compartment for both UK Dreadnought and US Columbia Class submarines. Babcock continues to engage with US partners to secure further opportunities.

Innovation remains integral to Babcock's manufacturing strategy. Developments include the use of automated painting systems on the frigates, virtual reality for facility design, drone training for site operations, and the implementation of Automated Welding Equipment System Inspection and Monitoring (AWESIM) in collaboration with the University of Strathclyde. AWESIM enables real-time, non-destructive testing for missile tube applications.

Babcock met all contractual key performance indicators under the surface ship element of the Future Maritime Support Programme (FMSP) for the Royal Navy. This included the completion of upgrade and maintenance activities for Type 23 vessels HMS Kent, planning for HMS Portland and preparation for works on other vessels, as well as the provision of fleet time support to operational platforms both domestically and internationally. Deployed support was delivered for HMS Richmond in South Korea, in collaboration with Hanwha Ocean, ensuring high availability for the Carrier Strike Group. We have completed preparations for the docking of HMS Iron Duke in November.

Aircraft carrier HMS Queen Elizabeth successfully docked in Rosyth, with work progressing in line with expectations.

As the Type 23 fleet is phased out, Babcock is transitioning its support focus to the new Type 26 platforms, with lessons learned from current programmes informing future support strategies. Our Class Output Management team is expanding to manage capability insertion and fleet time engineering for Type 26, delivered from Devonport. The management of class managed equipment will become increasingly critical as these vessels enter service.

Progress continues on securing an extension for FMSP and the follow-on long-term Naval Support Integrated Global Network (NSIGN) contract for future surface ship support. A key development during the period was the UK Ministry of Defence's decision to contract directly with Babcock for elements of NSIGN.

In our Mission Systems business, delivery of Skynet communication services remains stable across all UK Ministry of Defence and Government users. The business secured over £50 million in new orders during the period, with scope increases including a major contract for the Maritime Network Evolution project. Additional international customers have also been onboarded for Space services.

August saw a significant milestone with the delivery of the Dreadnought Class - Boat 1 Weapon Stowage Module, enabling the customer to integrate into the first vessel of the UK's future Continuous At Sea Deterrent nuclear submarine.

In September, Babcock launched NOMAD™- its first fully AI-powered product designed to clean, transcribe, translate, and analyse voice and text data in real time, including in communications-denied environments. NOMAD™ exemplifies Babcock's commitment to rapid innovation and mission-focused capability, combining advanced technologies with deep customer insight to deliver operational advantage.

International defence (28% of Marine revenue)

In Australia, we continue to play a critical role as the Royal Australian Navy's surface ship sustainment provider in Western Australia. Babcock strengthened its operational scope as Regional Maintenance Provider - West (RMP-West), expanding its sustainment portfolio to include Arafura Class offshore patrol vessels and the Supply Class auxiliary oiler replenishment ship HMAS Stalwart, servicing four ship classes in parallel.

Our contract as alliance partner in the Warship Asset Management Agreement (WAMA) is beginning to wind down, as the sustainment of the ANZAC Class ships transitions to RMP-West by 2026. Babcock acted as principal contractor on a six-month project to recover critical military equipment from decommissioned frigate ex-HMAS Anzac, reintegrating these assets into navy inventory to support the operational readiness of the class.

Under the contract with BAE Systems, Babcock has completed the Critical Design Review for the Hunter Class frigate Air Weapons Handing System (AWHS). Babcock is tasked with designing, assembling, testing and overseeing the installation of the AWHS on the frigates, based on our modified design for the UK's Type 26 frigates.

Babcock submitted a bid for the future sustainment of the Anzac Class Design Support contract, responsible for the design function once vessels transition from acquisition to in-service and disposal. Contract award is expected in 2026.

In New Zealand, our engagement with local suppliers and service providers continues to be a critical part of our role as the Strategic Maritime Partner to the New Zealand Defence Force. Under the seven-year Maritime Fleet Sustainment Services (MFSS) contract, Babcock engaged over 120 local suppliers to support the successful delivery of scheduled maintenance of HMNZS Te Mana. Partnering with Seatrium, Babcock supported the completion of deployed critical maintenance work on the Royal New Zealand Navy ship HMNZS Aotearoa in Singapore and commenced the delivery of critical rejuvenation and maintenance work on HMNZS Otago.

In Canada, our team continues to deliver HMCS Victoria's Extended Docking Work Period (EDWP) as part of the Victoria In-Service Support Contract (VISSC) for support of the Victoria Class submarine fleet. We also received a contract amendment aligning HMCS Victoria's EDWP with the current VISSC contract end date in 2027. We continue to support Fleet Maintenance Facility Cape Scott with HMCS Windsor's EDWP in Halifax, Nova Scotia.

As Canada continues its programme to acquire the next generation of conventionally powered submarines, Babcock

As Canada continues its programme to acquire the next generation of conventionally powered submarines, Babcock Canada signed a teaming agreement with Hanwha Ocean, one of two short-listed suppliers for the Canadian Patrol Submarine Project. Through this agreement, Babcock becomes the exclusive in-service support partner for Hanwha Ocean on the programme.

In Sweden, we continue our extensive engagement with the Luleå Class surface combatant programme, with a decision expected in 2026. Working closely with Saab, we have successfully completed all preliminary design review deliverables and are now focused on the critical design review due in early 2026.

In Denmark, we continue to engage on potential opportunities as we maintain our collaboration with OMT to support the basic design phase for the Danish Arctic Patrol Ships through the DFS consortium, reinforcing our presence in Northern European markets.

In Ukraine, having completed the regeneration of UK Sandown Class Mine Counter Measure Vessels (MCMVs) prior to their sale to the Ukrainian Navy, we were awarded a three-year contract for maintenance and support. We have successful delivered the first two support periods for the vessels, with the next due in December, and assisted with repairs as requested by the UK Royal Navy.

In Romania, we facilitated the transfer of title for the former MCMV, HMS Pembroke, to Romania. The Romanian vessel has now departed the UK and is on passage back to Romania.

In Poland, Babcock signed a strategic cooperation agreement with PGZ SA to strengthen collaboration across the maritime and aerospace domains. The agreement supports joint initiatives in the design, construction, maintenance, and servicing of naval assets, as well as the sustainment of military aircraft and the co-development of strategic asset management solutions for the Polish armed forces.

Additionally, the third Arrowhead User Group Conference was held in Gdansk, bringing together stakeholders involved in the Arrowhead frigate design.

In Brazil, we are extending our current support contract on NAM Atlantico (formerly UK landing platform dock, HMS Ocean), which ends in March 2026. We are looking to establish a similar support contract for HMS Bulwark, soon to operate as 'NDM Oiapoque', once she departs the UK in Summer 2026.

In Indonesia, we continue to work closely with the Government, with our maritime partnership programme exploring ways in which the UK can support Indonesia in areas of maritime defence, maritime security and maritime modernisation.

Civil (22% of Marine revenue)

Our LGE business performed well in the period, successfully delivering sixteen projects featuring its cargo handling systems for LPG, LNG, and Ethane liquefied gas carriers, including its first project with Samsung Heavy Industries for a European shipowner. To enhance service delivery, LGE established a new entity in Singapore dedicated to drydock operations for ecoSMRT® systems. The business completed nine drydock service operations globally to support its patented ecoSMRT® LNG reliquefaction systems.

The company also secured its first contracts for the design and supply of Ammonia Fuel Gas Supply Systems using its ecoFGSS-FLEX® technology, supporting the transition to ammonia as a zero-carbon marine fuel. Babcock was recognised by HD Hyundai Heavy Industries as Partner of the Year 2025.

The National Environmental Research Council requested the extension of our current contract for the remaining two scientific research vessels, RRS Discovery and RRS James Cook, by one year to enable both ships to dock at Rosyth in 2026.

Nuclear

Our c.11,100 employees provide complex through-life engineering support to the entirety of the UK's nuclear submarine fleet. We own and manage critical national infrastructure and provide engineering integration support to AWE. We operate across UK civil nuclear, including new build, generation support and decommissioning.

Operational highlights

- Re-opened Devonport's 15 Dock facility, marking the return of twin streaming submarine maintenance capability
- Secured £114 million three-year contract to prepare for the first nuclear defueling of a decommissioned Trafalgar Class submarine in over 20 years
- Fin removal marked a milestone for the Swiftsure Submarine Dismantling Demonstrator Project in Rosyth
- Announced transformative plans to locate more than 2,000 workers from Devonport into Plymouth city centre
- Cavendish Nuclear and Amentum awarded next phase of contract to support Japan's Monju Reactor Decommissioning involving construction of sodium treatment facility

Financial review

	30 September 2025 £m	30 September 2024 £m
Contract backlog*	**1,762**	2,461
Revenue	**989.1**	865.7
Underlying operating profit*	**89.7**	75.7
Underlying operating margin*	**9.1%**	8.7%

* Alternative Performance Measures are defined in the Financial Glossary on page 25.

Contract backlog decreased to £1,762 million, primarily reflecting trading on our multi-year FMSP submarine support contract which is in its final year (expected to be replaced by a new contract by the end of FY26) and the HMS Victorious Deep Maintenance Programme (£560 million recognised in backlog FY24), as well as MIP contract maturity (£750 million recognised in backlog in FY24).

Revenue increased 14% (at constant FX) to £989 million as submarine support activity grew strongly under the Future Maritime Support Programme (FMSP) programme and Civil Nuclear grew 25% as new projects ramped up, more than offsetting a reduction from the timing of Major Infrastructure Programme (MIP) revenue across the year.

Underlying operating profit increased 18% to £89.7 million due to the revenue growth as well as some contract changes and risk retirement on project milestones. As a result, underlying operating margin increased to 9.1% (HY25: 8.7%).

Operational review

Defence

UK defence (86% of Nuclear revenue)

In May, we marked the return of the capability to maintain two nuclear-powered submarines at Devonport with the formal opening of 15 Dock, following the completion of major infrastructure upgrades. We continue to make good progress on the first Astute Class Base Maintenance Period in 15 Dock, with around three-quarters of the project scope now complete.

Following the reopening of 9 Dock in September 2024, HMS Victorious' maintenance programme is progressing as planned and to schedule, while opportunities for acceleration are being explored.

Our Major Nuclear Capital Programmes business (managing the Major Infrastructure Programme (MIP)) continues to focus on delivering the modernisation of facilities and substantial upgrades to existing critical infrastructure required to meet the evolving needs of the Royal Navy. We are focused on enabling a faster, more efficient return of platforms to sea through world-class infrastructure delivery.

As part of this programme, the ongoing redevelopment of Devonport's 10 Dock has achieved several major milestones in the period. In April 2025, the project achieved more than three million hours without a Lost Time Incident, reflecting the highest standards of safety and delivery performance. Once complete, 10 Dock will provide a new dock, berth, logistics and production support facilities, critical for Astute Class Deep Maintenance Periods and future submarine capability.

We have commenced mobilisation of key preparatory activities to support the first defuel of a decommissioned Trafalgar Class submarine in more than two decades, following the award of a £114 million contract in June 2025. The work, under a three-year programme delivered in partnership with the wider Defence Nuclear Enterprise, will enable the eventual defueling of four submarines.

We continue to progress commercial discussions with the MOD on an extension to FMSP along with a longer-term partnering arrangement to sustain our support for the Royal Navy nuclear submarine fleet, ahead of the conclusion of the FMSP contract on 31 March 2026.

Our work at Devonport is critical to both national security and the region's prosperity. Focused activity and partnerships in Plymouth and the wider region have culminated in the announcement of 'Team Plymouth', a partnership between defence, industry, academia, and local and national government. As one of five key growth areas identified in the UK Defence Industrial Strategy, Plymouth is set to benefit from a share of £250 million Government defence fund to support regeneration.

In June 2025, as part of the programme of regeneration, we published Babcock Delivering Defence Dividend: Blueprint for Regional Regeneration, which included our plan to relocate 2,000 support functions employees from Devonport to create a new central capability hub in Plymouth city centre.

At HMNB Clyde in Scotland, we continue to play a vital role in supporting the sustainment of the Royal Navy's operational submarine capability and the site's role in delivering the UK's Continuous at Sea Deterrent (CASD).

In the period, the UK Government announced an initial £250 million investment under the Clyde 2070 programme, the first phase of a multi decade, multi-billion-pound plan to transform the site. As a key industry partner, we are ideally positioned to support plans to modernise facilities, enhance sustainability, and secure HMNB Clyde's role in the UK's submarine enterprise for generations to come.

This period also saw the introduction of an Alternative Working Week within our operations at HMNB Clyde. By consolidating the traditional five-day week into four days, we have been able to deliver better flexibility and surge capacity outside of a core working week, whilst enabling a better work-life balance for our workforce.

Our Rosyth facility marked a milestone in June 2025 with the completion of work to remove the fin from the decommissioned submarine Swiftsure. Using a world-first dismantling methodology, the project will enable approximately 90% of materials to be reused or recycled, setting a new standard for sustainable submarine recycling. The programme is due to be completed by the end of 2026.

Additionally, Rosyth Dockyard has been designated by the MOD to host a contingent docking facility (CDF) supporting sea trials for the future HMS Dreadnought Cass submarines in the early 2030s. This is part of wider UK Government investment in infrastructure upgrades at Rosyth which will also support submarine dismantling activity.

At AWE Aldermaston, work continues on the design, installation and commissioning of complex plant and engineering equipment in support of CASD.

International defence

In Australia, our joint venture with HII, H&B Defence, secured its first contract to enhance supply chain capabilities for the global AUKUS enterprise through the Australian Submarine Supplier Qualification pilot programme (AUSSQ), Australia's gateway into the US submarine supply chain. In August, the first Australian supplier received an RFQ for the US Virginia submarine programme following successful qualification through AUSSQ. H&B Defence is developing a syllabus to advance nuclear knowledge amongst Western Australian businesses after securing a state government grant to deliver a series of new defence industry training courses.

Civil

UK Civil (14% of Nuclear revenue)

In Clean Energy, Cavendish Nuclear's contribution to the MEH Alliance at Hinkley Point C has grown to 800 people, with further growth anticipated as MEH activity increases. Building on this success, the MEH Alliance approach is being evolved for Sizewell C, with intelligent replication of proven Hinkley strategies to drive efficiency and productivity.

During the period, the UK Government announced full funding for Sizewell C to be Britain's next nuclear power station. As part of the Sizewell C consortium and alliance partnership, we are coordinating the supply of materials and equipment to enhance installation efficiency, creating jobs and apprenticeships, and support our role in delivering a nationally significant project and clean energy future for the UK.

In the small modular reactor (SMR) sector, we are actively developing manufacturing opportunities, following our preparatory design work to build the UK's first SMRs. This follows a milestone announcement by Great British Energy-Nuclear (GBE-N), in selecting a preferred bidder to build SMRs. Subsequently GBE-N have now launched their wider SMR procurement programme, with a series contracts totalling over £1.5 billion being placed over the next two years. Cavendish Nuclear has recently submitted a tender as part of this wider programme to provide owner's engineering services, valued at £300 million, with the result expected in early 2026.

Building on detailed assessments with the US company, X-energy, co-funded by the UK Government's Future Nuclear Enabling fund, we continue to support supply chain development for future UK nuclear projects. Alongside the announcement of the Atlantic Partnership for Advanced Nuclear Energy and the joint development agreement to deploy X-energy's Xe-100 reactors, with a preferred first project at Hartlepool, we are in active dialogue regarding our future role. The partnership marks a once-in-a-generation opportunity to strengthen UK energy security and build on the nation's advanced gas reactor heritage.

Our support to the UK front-end nuclear fuel cycle continues to grow through projects with Westinghouse and Urenco. We are supporting Westinghouse in the design and build of a facility to process reprocessed uranium to enable its future enrichment and use as a nuclear fuel. We are also supporting Urenco in the design of an expansion to the tails management facility, which will convert depleted uranium hexafluoride to the lower hazard uranium oxide material for long term storage. Urenco achieved their governance approval to enter the next phase of the project, and we have now started the front-end engineering design which will complete in 2027.

In Decommissioning, we are currently bidding for several major frameworks to support Sellafield. In October 2025, our joint venture, Nuclear Decommissioning Solutions (NDS), was awarded a contract under the £4.6 billion Sellafield Ltd Decommissioning and Nuclear Waste Partnership framework to support retrievals work, as part of the site's high hazard risk reduction programmes.

We have also signed contracts for the provision of radiometric and environmental analysis support which secures our position as a critical service supplier to Sellafield over the next four years.

International Civil

In the USA, Cavendish Nuclear, as part of the Southern Ohio Cleanup Company (SOCCo) joint venture, has transitioned into the site management and operations phase of the decommissioning and dismantling contract with the US Department of Energy to lead the environmental cleanup at the former Portsmouth Gaseous Diffusion Plant in Piketon, Ohio.

This long-term 10-year contract, with a potential five-year extension, represents a major step forward in the safe and

This long term 10 year contract, with a potential five year extension, represents a major step forward in the safe and sustainable decommissioning of a complex and legacy nuclear power plant facility. SOCCo will leverage decades of UK and global nuclear decommissioning experience to safely demolish ageing facilities and deploy innovative technologies to support water treatment and soil improvement works.

In Japan, we were awarded the next phase of work by the Japan Atomic Energy Agency to support the decommissioning of the Monju Prototype Fast Reactor, in Fukui Prefecture.

Alkali Metal Processing Limited, a joint venture between Cavendish Nuclear and Amentum, will construct, commission, and secure regulatory permissions for a new facility in the UK which will treat the sodium coolant removed from the Japanese reactor to be safely converted into sodium hydroxide for general industrial reuse. The joint venture will now move forward with construction, installation of process equipment and preparations for operation, working closely with locally based supply chain partners.

We also signed an MOU with Lucideon to address complex decommissioning challenges and advance nuclear waste management. The partnership will bring together our engineering and project delivery expertise and with Lucideon's MIDAR® geopolymer technology, providing a framework to jointly explore global decommissioning challenges, with an initial focus on the Japanese market.

In Sweden, Cavendish Nuclear is exploring opportunities to support the roll-out and deployment of SMRs. Vattenfall is in the final stage of its technology selection process, having down selected Rolls Royce SMR or General Electric Vernova to build three SMRs adjacent to the existing nuclear power plant. Cavendish Nuclear has supported both suppliers in the UK and is well positioned to support their deployment in Sweden, and across Europe.

Land

Our c.5,800 employees provide essential services to our customers through three core capabilities: build, support and train. We do this through the delivery of through-life engineering support and systems integration for military vehicles and equipment. We provide individual and collective training for customers with critical missions and deliver engineering services in power generation and transport networks and through-life support of mining equipment.

Operational highlights

- Successfully mobilised the £1 billion five-year British Army strategic support partner DSG follow-on
- Completed first tranche of the High Mobility Transporter Jackal 3 programme for the British Army
- Signed a teaming agreement with Patria to offer its 6x6 armoured personnel carrier to the UK Armed Forces
- Demonstrated a new application integrating light mortars with in-service UK tactical communications systems
- Unveiled new Australian facility to support the Defence High Frequency Communications System programme

Financial review

	30 September 2025 £m	30 September 2024 £m
Contract backlog*	**3,321**	2,410
Revenue	**525.6**	591.3
Underlying operating profit*	**41.6**	45.4
Underlying operating margin*	**7.9%**	7.7%

* Alternative Performance Measures are defined in the Financial Glossary on page 25.

Contract backlog increased to £3,321 million due to the award of the new DSG vehicle support contract (announced as 'Reframe') in FY25 worth c.£1 billion with remaining order intake offset by delivery on long-term contracts.

Revenue decreased 10% (at constant FX) to £526 million due to lower volumes in our Civil businesses, particularly Rail following the completion of a number of key delivery projects, and Africa where mining equipment sales have reduced.

Underlying operating profit decreased 8% to £41.6 million due to the lower volumes in Rail and Africa and some contract recoveries in the prior period. Despite this, underlying operating margin increased slightly to 7.9% (HY25: 7.7%).

Operational review

Defence

UK defence (40% of Land revenue)

Mobilisation of the £1 billion five-year DSG follow-on contract extension for the maintenance, repair and asset management of British Army vehicles and equipment is well underway. This will see Babcock maximise the availability of critical equipment through improved readiness, regeneration and asset management services, cementing our position as a strategic partner to the British Army.

METIS, our strategic asset management platform developed in partnership with Palantir Technologies, was formally unveiled in September 2025 and is currently being introduced across the business. The platform uses the equipment support enterprises digital footprint to derive the optimal balance of cost, risk and performance for assets throughout their lifecycle.

Working with Supacat and the UK MOD, we completed the first tranche of the High Mobility Transporter Jackal 3 programme for the British Army. Production of tranche two, which consists of 53 six-wheeled 'Extenda' variants, known as the Jackal 3 (E), is now underway.

In a UK first, in September 2025, we successfully demonstrated a new application which seamlessly integrates the light 120mm mortar with in-service UK tactical communications systems, providing a 'ready-now' digital capability for the British Army. Developed in collaboration with General Dynamics - Mission Systems UK, the Babcock Advanced Ballistic Engagement Layer allows the mortar system to communicate with the Bowman ComBAT Infrastructure and Platform Battlefield Information System Application, enabling first-of-its-kind networked firepower from sensor to effector. We have partnered with ST Engineering to offer the UK an integrated, end-to-end solution to enhance British mortar capability, as part of the MOD's 120mm mortar procurement.

In September 2025, we signed a teaming agreement with Patria to be the build partner for its armoured personnel carrier in the UK. The agreement coincided with confirmation that the UK had signed a technical arrangement to join the Common Armoured Vehicles (CAVs) programme which encompasses a growing number of nations across the Joint Expeditionary Force.

We signed a MOU with Ultra PCS, a company providing electronics for military platforms, to develop a generic vehicle architecture solution for the British Army based on the mature UltraEAK (Electronic Architecture Kit) product which implements mission systems on new and legacy military land vehicles. This collaboration will deliver a modular and scalable software solution that supports current customer requirements while enabling affordable capability developments to meet future needs.

We continue to support the UK Government in providing critical support to Ukraine's Armed Forces, delivering personnel training and the refurbishment and renewal of equipment through our Project HECTOR contract. In addition, we continue to support Operation Interflex, the British-led multinational military operation to train and support the Armed Forces of Ukraine. Following contract award by the UK MOD in March 2025, we have commenced a proof-of-concept which will enable Ukraine's armed forces to use innovative technology to 3D print military equipment, demonstrating our ability to deliver defence support capability whenever and wherever it is required

Our defence training business was awarded a one-year extension to deliver individual electromechanical training to the British Armed Forces at MOD Lyneham, worth £22 million.

In September, we launched a new Marine variant of the Babcock Immersive Training Experience (BITE) to international navies. BITE uses innovative and future-proof technology to replicate the physical, sensory and cognitive challenges of operating in a high stress environment, reducing the need to rely on platform availability for training. In May 2025 we launched the Land variant in Canada.

International defence (11% of Land revenue)

In Australia, we unveiled the expansion of our new warehousing assembly hall, further expanding our footprint in South Australia. The expanded production and test facility will support Babcock's upgrade and enhancement of Australia's Defence High Frequency Communications System (JP9101) programme.

In April, we highlighted the growth of the asset portfolio and workforce for the Australian Defence Force's Ground Support Equipment contract where managed assets have increased from 4,000 to 11,000 assets across 250 fleet types since the start of the contract in 2017.

Babcock's C-CBRNE programme won Land Programme of the Year at the 2025 Australian Defence Industry Awards, recognising our integration of cutting-edge counter-chemical, biological, radiological, nuclear and explosive (C-CBNRE) technologies for the ADF.

We finalised our bid for the Land 4140 contract which is seeking a programme integration partner to deliver an evolving Land Command, Control, Communications and Computer (LC4) System to build and maintain the Australian Army's new battlefield communications network. This contract also includes the development of a panel of technology and service providers known as the LC4 Enterprise. Contract award is expected mid-2026.

In New Zealand, we continue to work closely with the New Zealand Ministry of Defence on the Fixed High Frequency Radio Refresh programme. In October we successfully completed the first system acceptance testing milestone.

In France, we continue to progress airbase equipment support contracts, with a number of activities expanding scope.

Work on dedicated facilities at the Lanvéoc and Lann-Bihoué naval bases is underway, with delivery expected in the first half of 2026. The completion of these two infrastructure projects will mark key milestones in the strengthening our operational presence in France.

In Poland, in June our training business signed an MOU with the Polish Air Force University to conduct joint research and development for the armed forces that will provide experiential aviation scenarios within BITE, our state-of-the-art product for speeding up mission readiness. The agreement leverages our expertise in training needs analysis and experience in delivering military training.

Civil

UK Civil (14% of Land revenue)

Our Rail business experienced lower volumes year on year, driven by our Translink frameworks with the flagship Belfast Grand Central Station project having completed last year. Volumes in the Rail Systems Alliance Scotland (Babcock, in partnership with Network Rail and Arcadis) were delivered as expected in Year 2 of Control Period 7, with a seamless transition to the new Network Rail National Plant Framework which commenced in April 2025.

International Civil (35% of Land revenue)

In Africa, the Equipment business which supplies mining industry vehicles, was impacted by the lower coal prices affecting activity levels. Volumes are expected to increase in the second half of FY26, driven by increased commodity demands. In addition, some power projects shifted to H2 FY26 in the Power Generation business. We also successfully completed both the Lethabo ESP and Sasol low Nox contracts, and are one of seven bidders down-selected for the commercial phase of the Eskom Boiler contract, which is expected to be awarded in 2026.

Aviation

Our c.2,600 employees deliver military pilot training support for the two largest Air Forces in Europe (France and UK), through-life support to operational military flying assets and critical air operations for government customers.

Operational highlights

- Mobilisation of 17-year Mentor 2 military air training contract in France progressing to plan
- Awarded new 10-year contract alongside Airbus Helicopters to deliver in-service support to 46 new H145-D3 helicopters for the French Government
- Secured £70 million contract to deliver new infrastructure facilities for Ascent UK Military Flying.
- Signed contract with Uplift360 to explore repurposing composite materials from Typhoon class aircraft
- Awarded new 8-year A 250 million contract with Australian Border Force for helicopter services

Financial review

	30 September 2025 £m	30 September 2024 £m
Contract backlog*	**2,015**	1,655
Revenue	**201.4**	162.1
Underlying operating profit*	**14.5**	7.7
Underlying operating margin*	**7.2%**	4.8%

* Alternative Performance Measures are defined in the Financial Glossary on page 25.

Contract backlog increased to £2,015 million with the award of the Mentor 2 contract (c.£300 million order intake in 2H 25) and the A 250 million Australian Border Force contract, offset by delivery on long-term contracts.

Revenue increased 26% (at constant FX) to £201 million due to scope increases in UK military support contracts, the ramp up of the Mentor 2 programme and growth in helicopter support activity in France and the start of the British Colombia HEMS contract in Canada.

Underlying operating profit increased 89% to £14.5 million, reflecting improved project profitability, programme timing and contract renegotiations, including price. As a result, underlying operating margin increased to 7.2% (HY25: 4.8%).

Operational review

Defence

UK defence (38% of Aviation revenue)

Performance remains strong on the HADES contract to deliver essential critical services to the RAF, Joint Aviation Command and Strategic Command at 16 stations across the UK.

In May, we were awarded a £70 million contract to deliver new infrastructure facilities as part of a £300 million Military Flying Training System contract secured by Ascent, our 50/50 joint venture with Lockheed Martin. Ascent will deliver the Future ISTAR (Intelligence, Surveillance, Target Acquisition and Reconnaissance) and Rear Crew Training System (FIRCTS) programmes.

Our operations on the RAF Light Aircraft Flying Task (LAFT) continue to deliver high levels of aircraft availability, recently completing 750,000 flying hours. Support also continues for fast jet lead-in training for the Ukrainian Pilot Force as pilots prepare to fly F-16s.

Our contract to support the RAF fleet of 28 Hawk T2 jets continues to perform well. We welcomed our 10th cohort of aerospace apprentices to RAF Valley in the period, bringing the total number of apprentices who've been through the scheme to over 60. The scheme continues to strengthen technical capability and workforce resilience, while supporting regional economic growth.

Additionally, we have signed a MOU with Uplift360 to explore how composite materials from Typhoon aircraft can be broken down and repurposed, and how this process could be applied more widely across additional defence platforms.

International defence (27% of Aviation revenue)

In France, we have begun the ramp up phase of our 17-year contract to deliver military air training solutions for the French Air and Space Force, and Navy (Mentor 2). Recruitment and infrastructure expansion are underway, and our teams are already fully operational at the Salon-de-Provence Air Base, working in close collaboration with the École de l'Air to ensure a smooth and coordinated implementation of the program's initial components.

We continue to deliver the Mentor 1 and FOMEDEC contracts, with activity levels reaching over 7,400 flight hours and around 4,500 synthetic training hours over the period. We are proud to have achieved 70,000 flight hours on our PC-21 aircraft, alongside 45,000 hours of synthetic training. We supported airspace surveillance during both the Bastille Day military parade and the Paris Air Show, mobilizing 14 engineers to ensure seamless operational execution.

As part of our contract with the French MOD, the H160 helicopter fleet has now successfully completed over 300 rescue missions. In addition, we have carried out the world's first 900-hour periodic maintenance on an H160 helicopter at our dedicated facility in France.

In May, we were awarded a new 10-year contract to support the French Government's fleet of Airbus H145-D3 helicopters by the French Ministry of Armed Forces's Directorate of Aeronautical Maintenance. In parallel, under our existing 12-year contract with the Sécurité Civile and the French Gendarmerie Nationale, we have delivered major maintenance to four EC145-C2 helicopters, with three other maintenance visits underway. Babcock France is now supporting over 85 French Government helicopters every day.

In the period, we marked another milestone with the rental of a L-39 fighter jet to support the training of test pilots for the French Direction Générale de l'Armement, reinforcing our position in the pilot training market.

We have signed an MOU with French aircraft manufacturer AURA AERO, to jointly offer and promote INTEGRAL, the new-generation electric training aircraft with aerobatic capabilities, along with a complete packaged service.

In Australia, Babcock and US-based autonomous aircraft pioneer PteroDynamics Inc, delivered a demonstration to the Australian Defence Force of their vertical take-off and landing (VTOL) unmanned aerial system technology following a signed MOU in support of the military's growing pursuit of autonomous platforms.

In Poland, we signed a MOU with Airbus and CAE to offer a comprehensive package of military helicopters and associated training services to the Polish Air Force. The partnership of three world-class service providers will leverage their unique combined expertise on a proposal to provide Poland with powerful new defence capabilities as part of the ongoing modernisation of Polish helicopter aviation.

Civil

UK Civil (8% of Aviation revenue)

In September, we secured a four-year contract extension with Hampshire and Isle of Wight Air Ambulance, reinforcing our long-standing partnership and commitment to delivering life-saving services across the region.

We delivered Scotland's most advanced air ambulance as part of our 10-year contract with Scotland's Charity Air Ambulance in the period. The helicopter is equipped with state-of-the-art technology, including night vision imaging systems enabling the extension of flying hours.

We enabled Police Scotland's air support unit to be the first police force in the UK to operate with drop-in sustainable aviation fuel.

International Civil (27% of Aviation revenue)

In France, as part of the Helicopter Emergency Medical Services (HEMS) project, we expanded our Angers base to pilot a full 24/7 operational cycle and enhanced annual activity at La Roche-sur-Yon with a mixed fleet of H135 and EC145 helicopters. We continue to seek to integrate night vision imaging system capability into the Babcock fleet.

In Australia, we were awarded a new A 250 million 8-year contract with the Australian Border Force, continuing a 30-year partnership. The service provides multi-agency capability for a range of maritime security threats. As part of the contract Babcock has delivered two cutting-edge Airbus H145-D3 helicopters.

In April, we welcomed the second 'dragonfly' emergency helicopter for the new Lagaw Kuyup Rescue Service. We introduced three upgraded static winch trainers into our Victorian aviation operations to allow aircrew and paramedics to refine their winch rescue skills. This upgrade forms part of our five-year A 370 million contract extension with Ambulance Victoria.

In Canada, we continue to support delivery of rotary-wing air ambulance services in British Columbia as part of our 10-year contract with Ascent Helicopters Ltd. All five operating bases in British Columbia are now operational, as are all seven Leonardo AW169s provisioned by Babcock.

2025 saw Canada's second worst wildfire season on record. As a result, our teams logged over 850 flying hours in May, a 263% increase on the anticipated hours. Throughout this demanding season, we continued to successfully deliver aerial wildfire suppression services for the Government of Manitoba, achieving a consistent aircraft availability rate of 98%. We also completed an out-of-province deployment in Halifax, Nova Scotia.

Financial glossary - Alternative Performance Measures (APMs)

The Group provides alternative performance measures (APMs), including underlying operating profit, underlying margin, underlying earnings per share, underlying operating cash flow, underlying free cash flow, net debt and net debt excluding leases to enable users to have a more consistent view of the performance and earnings trends of the Group. These measures are considered to provide a consistent measure of business performance from year to year. They are used by management to assess operating performance and as a basis for forecasting and decision-making, as well as the planning and allocation of capital resources. They are also understood to be used by investors in analysing business performance.

The Group's APMs are not defined by IFRS and are therefore considered to be non-GAAP measures. The measures may not be comparable to similar measures used by other companies, and they are not intended to be a substitute for, or superior to, measures defined under IFRS. The Group's APMs are consistent with the year ended 31 March 2025. Measures, definitions and reconciliations to relevant IFRS measures are included below, where appropriate.

Organic revenue growth - Group KPI

Closest equivalent IFRS measure: Revenue growth year on year
Definition: Growth excluding the impact of foreign exchange (FX) and contribution from acquisitions and disposals in the year of, and following, completion.
Purpose: A good indicator of business growth.

	September 2025 £m	30 September 2024 £m
Prior period revenue	2,408.9	2,177.0
FX	(23.2)	(8.4)
(Disposals)	(2.5)	-
Prior year revenue adjusted for FX and disposals *(b)*	2,383.2	2,168.6
Revenue growth *(a)*	155.4	240.3
Current year revenue	2,538.6	2,408.9
Organic revenue growth (a)/(b)	7%	11%

Contract backlog

Closest equivalent IFRS measure: No direct equivalent
Definition: The remaining transaction price on contracts with customers that has been allocated to unsatisfied or partially satisfied performance obligations, excluding the impact of termination for convenience clauses and excluding orders not yet secured on framework agreements.
Purpose: Contract backlog is used to support future years' sales performance.

	30 September 2025 £m	30 September 2024 £m
Contract backlog	9,918	9,517

Underlying operating profit

Closest equivalent IFRS measure: Operating profit
Definition: Operating profit before the impact of specific adjusting items (see below).
Purpose: Underlying operating profit is a key measure of the Group's performance.

	30 September 2025 £m	30 September 2024 £m
Underlying operating profit	201.1	**168.8**
Specific adjusting items	33.2	15.0
Operating profit (note 2)	234.3	**183.8**

Specific adjusting items (note 2)

	30 September 2025 £m	30 September 2024 £m
Amortisation of acquired intangibles	(5.7)	(4.4)
Business acquisition, merger and divestment related items	8.5	-
Profit or loss from amendment, curtailment, settlement or equalisation of Group pension schemes	-	0.3
Fair value movement on derivatives	28.3	19.1
Exceptional items	2.1	-
Specific adjusting items impacting operating profit	33.2	**15.0**
Fair value movement on derivatives and related items	1.3	(0.1)
Specific adjusting items impacting profit before tax	34.5	14.9
Income tax expense		
Amortisation of acquired intangibles	1.7	1.3
Business acquisition, merger and divestment related items	(2.7)	
Profit/(loss) from amendment, curtailment, settlement or equalisation of Group pension schemes	-	(0.1)
Fair value movement on derivatives and related items	(7.5)	(4.8)
Specific adjusting items impacting income tax expense	(8.5)	**(3.6)**

Underlying operating margin - Group KPI

Closest equivalent IFRS measure: Operating margin
Definition: Underlying operating profit as a percentage of revenue.
Purpose: Provides a measure of operating profitability, excluding specific adjusting items and is an important indicator of operating efficiency across the Group.

	30 September 2025 £m	30 September 2024 £m
Revenue	2,538.6	2,408.9
Underlying operating profit	201.1	168.8
Underlying operating margin	7.9%	7.0%

Underlying net finance costs

Closest equivalent IFRS measure: Net finance costs
Definition: Net finance costs excluding specific adjusting items.
Purpose: To provide an alternative measure of finance costs excluding items such as fair value re-measurement of derivatives which are economically hedged.

	30 September 2025 £m	30 September 2024 £m
Underlying net finance costs	(13.5)	(16.8)
Add: specific adjusting items impacting finance costs (note 2)	1.3	(0.1)

Net finance costs (note 4)	**(12.2)**	(16.9)

Underlying profit before tax

Closest equivalent IFRS measure: Profit before tax
Definition: Profit before tax excluding all specific adjusting items.
Purpose: Provides a measure of profitability which includes finance costs.

	30 September 2025 £m	30 September 2024 £m
Underlying profit before tax	**191.8**	157.1
Specific adjusting items impacting profit before tax (note 2)	34.5	14.9
Profit before tax (note 2)	**226.3**	172.0

Underlying effective tax rate

Closest equivalent IFRS measure: Effective tax rate
Definition: Tax expense excluding the impact of specific adjusting items, as a percentage of underlying profit before tax excluding the share of post-tax income from joint ventures and associates.
Purpose: This provides an indication of the ongoing tax rate across the Group, excluding one-off items.

	Six months ended 30 September 2025			Six months ended 30 September 2024		
	Underlying £m	**Specific adjusting items £m**	**Statutory £m**	Underlying £m	Specific adjusting items £m	Statutory £m
Profit before tax (note 2)	**191.8**	**34.5**	**226.3**	157.1	14.9	172.0
Share of (profit) from JVs and associates*	(4.2)	-	(4.2)	(5.1)	-	(5.1)
Profit before tax excluding profit from joint ventures and associates (a)	187.6	34.5	222.1	152.0	14.9	166.9
Income tax expense (b)	(49.3)	(8.5)	(57.8)	(38.4)	(3.6)	(42.0)
Effective tax rate (b)/(a)	**26.3%**		**26.0%**	**25.3%**		**25.2%**

Underlying basic and diluted earnings per share

Closest equivalent IFRS measure: Basic earnings per share
Definition: The Group's underlying profit after tax less items attributable to non-controlling interest, being underlying net income attributable to shareholders, divided by the weighted average number of shares.
Purpose: A measure of the Group's underlying performance.

	Six months ended 30 September 2025			Six months ended 30 September 2024		
	Underlying £m	**Specific adjusting items £m**	**Statutory £m**	Underlying £m	Specific adjusting items £m	Statutory £m
Profit before tax (note 2)	**191.8**	**34.5**	**226.3**	**157.1**	**14.9**	**172.0**
Income tax (expense) (note 2)	(49.3)	(8.5)	(57.8)	(38.4)	(3.6)	(42.0)
Profit after tax for the year	**142.5**	**26.0**	**168.5**	**118.7**	**11.3**	**130.0**
Amount attributable to owners of the parent	143.3	26.0	169.3	118.0	11.3	129.3
Amount attributable to non-controlling interests	(0.8)	-	(0.8)	0.7	-	0.7
Weighted average number of shares (m)	503.0		503.0	502.4		502.4
Effect of dilutive securities (m)	9.6		9.6	10.9		10.9
Diluted weighted average number of shares (m)	512.6		512.6	513.3		513.3
Basic EPS	**28.5p**	**5.2p**	**33.7p**	**23.5p**	**2.2p**	**25.7p**
Diluted EPS	**28.0p**	**5.0p**	**33.0p**	**23.0p**	**2.2p**	**25.2p**

Net debt

Closest equivalent IFRS measure: No direct equivalent
Definition: Cash and cash equivalents, bank overdrafts, loans, including the interest rate and foreign exchange derivatives which hedge the loans, lease liabilities, lease receivables and loans to joint ventures and associates.
Purpose: Used as a measure of the Group's cash position and balance sheet strength.

	30 September 2025 £m	30 September 2024 £m
Cash and bank balances	704.8	618.3
Bank overdrafts	(0.1)	(4.4)
Cash, cash equivalents and bank overdrafts	**704.7**	613.9
Debt	(773.1)	(745.3)
Derivatives hedging debt	(4.7)	(15.4)
Lease liabilities	(297.0)	(243.6)
Liabilities from financing arrangements	**(1,074.8)**	(1,004.3)
Lease receivables	35.4	38.1
Loans to joint ventures and associates	3.3	3.7
Derivatives hedging interest on debt	(19.7)	(37.0)
Net debt	**(351.1)**	(385.6)

Net debt (excluding leases)

Closest equivalent IFRS measure: No direct equivalent

Closest equivalent IFRS measure: No direct equivalent
Definition: Net debt (defined above) excluding lease liabilities recognised under IFRS 16.
Purpose: Used by credit agencies as a measure of the Group's net cash position and balance sheet strength.

	30 September 2025 £m	30 September 2024 £m
Net debt	**(351.1)**	(385.6)
Leases	295.3	239.8
Net debt (excluding leases)	**(55.8)**	(145.8)

Net debt / EBITDA (covenant basis) - Group KPI

Closest equivalent IFRS measure: No direct equivalents
Definition: Net debt (excluding leases), before loans to joint ventures and associates and finance lease receivables, divided by EBITDA (as defined in our banking covenants - being underlying operating profit, defined on page 25, excluding depreciation and amortisation and including certain covenant adjustments) plus JV and associate dividends.
Purpose: A key measure of balance sheet strength used by analysts and credit agencies, and the basis of our debt covenant over the RCF (3.5x).
Commentary: The net debt/EBITDA gearing ratio (covenant basis) at 30 September 2025 reduced to 0.2x (HY25: 0.6x) due to positive net cash flow and higher underlying operating profit.

	30 September 2025 £m	30 September 2024 £m
Underlying operating profit	**395.3**	**252.2**
Depreciation and amortisation	82.8	71.9
Covenant adjustments[1]	0.6	(1.3)
EBITDA	**478.7**	**322.8**
JV and associate dividends	7.6	12.1
EBITDA + JV and associate dividends (covenant basis)	**486.3**	**334.9**
Net debt excluding lease liabilities	**(55.8)**	**(145.8)**
Covenant adjustments[2]	(42.9)	(44.7)
Net debt (covenant basis)	**(98.7)**	**(190.5)**
Net debt/EBITDA	**0.2x**	**0.6x**

1. Various adjustments made to EBITDA to reflect accounting standards at the time of inception of the original RCF agreement. The main adjustments are to the treatment of leases within operating profit and pension costs.
2. Removing loans to JVs, finance lease receivables and non-recourse debt.

Interest cover (covenant basis)

Closest equivalent IFRS measure: No direct equivalent
Definition: EBITDA (on a covenant basis), divided by net finance costs and various covenant adjustments made to reflect accounting standards at the time of inception of the RCF agreement, including lease and retirement benefit interest.
Purpose: Used in the covenant over our RCF facility with a covenant ratio of 4.0x.

	30 September 2025 £m	30 September 2024 £m
EBITDA + JV and associate dividends (covenant basis)	486.3	**334.9**
Net finance costs	(27.3)	(37.0)
Covenant adjustments[1]	18.4	12.8
Net finance costs (covenant basis)	**(8.9)**	**(24.2)**
Interest cover	**54.6x**	**13.8x**

1. Various adjustments made to reflect accounting standards at the time of inception of the original RCF agreement, including lease and retirement benefit interest.

Return on invested capital (pre-tax) (ROIC) - Group KPI

Closest equivalent IFRS measure: No direct equivalent
Definition: Underlying operating profit plus share of JV profit after tax, divided by the sum of net debt (excluding leases), shareholders' funds and retirement benefit deficit/(surplus).
Purpose: Used as a measure of profit earned by the Group generated by the debt and equity capital invested, to indicate the efficiency of allocated capital.

	30 September 2025 £m	30 September 2024 £m
Underlying operating profit	**395.3**	**252.2**
Underlying share of results of joint ventures and associates	7.5	9.3
Underlying operating profit plus results of JVs and associates	**402.8**	**261.5**
Net debt excluding leases	55.8	145.8
Leases	295.3	239.8
Shareholder funds - see balance sheet on page 37	740.6	540.0
Retirement (surplus)/deficit - note 13	(31.5)	52.6
Invested capital	**1,060.2**	**978.2**
ROIC	**38.0%**	**26.7%**

Net capital expenditure

Closest equivalent IFRS measure: Property, plant and equipment and intangible additions
Definition: Property, plant and equipment and intangible additions less proceeds on disposal of property, plant and

Definition: Property, plant and equipment and intangible additions less proceeds on disposal of property, plant and equipment and intangible assets.
Purpose: To understand net capital investment included in underlying operating cash flow.

	30 September 2025 £m	30 September 2024 £m
Purchases of property, plant and equipment (PP&E)	(73.4)	(45.1)
Purchases of intangible assets	(5.4)	(8.6)
Movements in unpaid capital expenditure	7.7	3.1
Gross capital expenditure	**(71.1)**	**(50.6)**
Proceeds on disposal of PP&E and intangible assets (statement of cash flows)	25.6	3.1
Net capital expenditure	**(45.5)**	**(47.5)**

Underlying operating cash flow

Closest equivalent IFRS measure: Net cash flow from operating activities
Definition: Cash flow from operating activities excluding net income tax, net interest paid, pension contributions in excess of the income statement charge and cash flows related to specific adjusting items and including net capital expenditure and lease principal payments.
Purpose: Provides a measure of operating cash generation on an equivalent basis to underlying operating profit.

	30 September 2025 £m	30 September 2024 £m
Underlying operating cash flow	**166.1**	134.9
Add: net capex	45.5	47.5
Add: capital element of lease payments	22.8	22.8
Less: pension contributions in excess of income statement	(7.4)	(23.9)
Non-operating cash items (excluded from underlying cash flow)	(0.1)	-
Cash generated from operations	**226.9**	181.3
Tax (paid)	(12.3)	(16.2)
Less: net interest paid	(12.8)	(11.9)
Net cash flow from operating activities	**201.8**	153.2

Underlying operating cash conversion - Group KPI

Closest equivalent IFRS measure: No direct equivalent
Definition: Underlying operating cash flow as a percentage of underlying operating profit.
Purpose: Used as a measure of the Group's efficiency in converting profits into cash.

	30 September 2025 £m	30 September 2024 £m
Underlying operating profit	201.1	168.8
Underlying operating cash flow	166.1	134.9
Operating cash conversion	**83%**	80%

Underlying free cash flow

Closest equivalent IFRS measure: No direct equivalent
Definition: Underlying free cash flow includes cash flows from pension deficit payments, interest, tax, JV dividends, specific adjusting items, in addition to underlying operating cash flow. See page 10.
Purpose: Provides a measure of cash generated which is available for use in line with the Group's capital allocation policy.

Going concern statement

The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the condensed consolidated half year financial statements.

In assessing the appropriateness of the going concern basis of accounting, the Directors have considered whether the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these consolidated half year financial statements. The Directors reviewed the resources available to the Group in the form of cash and committed facilities. As of 30 September 2025, the Group's committed facilities and bonds totalling £1.4 billion were the £600 million five-year multi-currency RCF, two tranches of bonds (£300 million 1.875% notes and €550 million 1.375% notes) and an overdraft facility of £50 million.

The £600 million RCF is the only facility containing financial covenants, which are applicable if the Group's Credit Rating is below BBB. If applicable, the key covenant ratios are (i) net debt to EBITDA (gearing ratio) and (ii) EBITDA to net interest (interest cover) with tests set to less than 3.5x and greater than 4.0x respectively and would be measured twice per year, on 30 September and 31 March. To assess the level of headroom within the available facilities, a reverse stress test was performed to assess the level of performance deterioration against the base case budget (in both EBITDA and net debt) required to challenge covenant levels. Of the remaining measurement points within the five-year period approved by the Board, the smallest required reduction in forecast EBITDA to hit the covenant level was 87% and the smallest net debt increase was 647%. Given the mitigating actions that are available and within management's control, such adverse movements are not considered plausible. There have been no breaches of debt covenants during the reporting period.

The Directors have also considered the Group's forecasts when assessing going concern, having considered the 18-month period from the date of signing the Group's condensed consolidated financial statements for the six months ended 30 September 2025.

On an annual basis, budgets are prepared using a bottom-up approach, aggregating the budgets for the individual business units into Sector budgets. The Sector budgets and the consolidated Group budget is then reviewed by the Board and used to monitor business performance. This annual process comprises the budget for the coming financial year and a 5-year plan.

Between annual budget cycles, the Group prepares rolling forecasts on a monthly basis covering an updated assessment of the remainder of the current financial year.

The impacts of current economic conditions, including inflation, are incorporated into the annual budget process and the rolling forecasts. Where changes in economic conditions are significant, these would also be incorporated into the 5-year plan for purposes of the going concern assessment.

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The Directors have performed sensitivity analyses on the latest Group rolling forecast for the duration of the assessment period. These involve a range of downside events both individually and in combination under a range of severe, but plausible downside scenarios. Such sensitivities include a reduction in bid pipeline closure (business winning), a deterioration in large programme performance across the Group (including further inflation cost increases, or related failures in supplier resilience, as per our principal risks), a deterioration in the Group's working capital position and a regulatory risk relating to a reduction in access to R&D tax incentive credits.

If such a severe downturn were to occur in the Group's performance, the Board would take mitigation measures to protect the Group in the short term as described in the going concern assessment on page 125 of the annual report and financial statements for the year ended 31 March 2025. Despite the severity of the combined severe, but plausible scenarios, these sensitivities did not give rise to any material uncertainties in relation to the Group's ability to continue as a going concern. Based on our review, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for at least 12 months from the date of these condensed consolidated half year financial statements. As such, these financial statements have been prepared on the going concern basis. The Directors do not believe there are any material uncertainties to disclose in relation to the Group's ability to continue as a going concern.

Risks and uncertainties

The principal risks and uncertainties affecting the Group are listed below and are set out in more detail in the Company's Annual Report and Financial Statements 2025, which should be read in conjunction with this announcement. This list is not a substitute for reading the Company's Annual Report and Financial Statements 2025 in full. The Group's principal risks and uncertainties are:

Contract and project performance: The Group executes large contracts and complex programmes, which often require us to price for the long term and for risk transfer. The Group's contracts can include fixed prices. Risk appetite: Medium. Contract and project performance risk appetite is classified as 'medium' due to the intricate nature of our work in defence and emergency services sectors. As a company, we are in the business of strategically accepting and managing risks that are in our control to mitigate effectively. While the Group's aim is to minimise risks to a manageable level, it is important to acknowledge that uncertainties are inherent in project delivery. The Group prioritises robust risk management to mitigate these uncertainties, where possible, and ensure successful outcomes. It is important to make clear that despite our vast efforts, some level of risk remains unavoidable. The key is to understand and accept risks which are the Group's to manage.

Market: The Group relies on winning and retaining large contracts in both existing and new markets often characterised by a relatively small number of major customers, which are owned or controlled by local or national governments. Risk appetite: Medium. This reflects that the successful pursuit and maintenance of a secure and assured pipeline is essential for continued growth, and the Group may therefore choose to accept the challenge of market risks that we can confidently and securely manage.

Cyber and information security: A key factor for the Group's customers is our ability to deliver secure IT and other information assurance systems to maintain the confidentiality of sensitive information. Risk appetite: Low. IT and information security are fundamental components in the Group's operations; we continually review the emergence of cyber threats, in an effort to eradicate and mitigate the risk as far as possible.

Defined benefit pensions: The Group has significant defined benefit pension schemes in the UK, which provide for a specified level of pension benefits to scheme members. Risk appetite: Low. The Group utilises engagement with the pension schemes' trustees and a balanced pension management approach that looks to mitigate and reduce the risks associated with pensions over the journey to settling the pension obligations.

Supply chain management: Supply chains today face a variety of risks that can disrupt operations. The global financial market has been marked by persistent inflation, economic uncertainty and shifting global tariff policies, leading to the risk of increased costs and operational challenges for suppliers. Geopolitical tensions, including conflicts and trade tensions, can disrupt supply chains by affecting trade routes, increasing transportation costs, and causing delays in the movement of goods. Extreme weather events can impact logistics and manufacturing processes.

Operational resilience and business interruption: The Group provides critical support to governments and commercial customers, requiring a high level of resilience in operational systems and processes. The Group operates in an increasingly volatile, uncertain and complex environment, where a diverse range of internal and external threats could disrupt our business, affecting our ability to operate safely, effectively and to the high standards expected by our customers, regulators and partners. To address these challenges, the Group continues to enhance its Operational Resilience programme, ensuring it remains capable, adaptable, and aligned to mitigate multiple forms of business interruption. Risk appetite: Low. Ineffective operational resilience arrangements can undermine safety, financial stability and regulatory compliance, as well as damage our reputation. Given the critical nature of our operations, Babcock seeks to eliminate risks where possible and applies stringent controls to mitigate remaining risks to as low as reasonably practicable (ALARP). Over the past year, the Group has made significant progress in strengthening its Operational Resilience programme. A new Operational Resilience Strategy and Framework has been developed to provide greater consistency, adaptability and capability across the organisation. This is supported by the launch of a new Operational Resilience Policy, ensuring a clear governance structure and accountability, as well as a Requirements and Guidance Manual to support Sectors/DRCs in implementing Operational Resilience elements within their respective areas and drive standardisation. Additionally, Key Control Indicators (KCIs) for Operational Resilience have been identified, enabling more effective monitoring and risk mitigation. To further drive these improvements, a dedicated Operational Resilience Working Group has been formed, supported by Operational Resilience Leads across Sectors and DRCs, ensuring a coordinated approach to resilience across the Group.

Financial resilience of the Group: The Group is exposed to a number of financial risks, some of which are of a macroeconomic nature (for example, foreign currency, interest rates) and some of which are more specific to the Group (for example, liquidity and credit risks). Risk appetite: Low. The Group recognises the adverse effects of the financial resilience risk on the balance sheet and actively manages the risk via its capital allocation policy, substantial committed debt facilities and maintaining an investment grade credit rating allowing access to debt capital markets. However, this risk cannot be eliminated and will aways require management.

Safety, health and environmental protection: The Group's operations entail the potential risk of significant harm to people and the planet, wherever we operate across the world. Risk appetite: Low. For moral, financial and reputational reasons we should keep the risk exposure as low as reasonably practicable.

Climate and environmental sustainability: Climate change is impacting every corner of the earth and poses an existential threat to global stability. Sustainability is an integral part of the Group's corporate strategy, and we are working hard to address the climate crisis and minimise the impacts of our operations. Risk appetite: Low. Across the Group's global operations, we are looking to continually improve our understanding of climate and environmental risks, and we are committed to mitigating risks, unlocking opportunities and reducing our environmental impacts.

Legacy IT and data architecture: Failure to modernise IT infrastructure and capabilities poses significant strategic, operational and compliance risks. Proactive investment and governance are essential to safeguard the Group's resilience, competitiveness and regulatory standing. Risk appetite: Low. Given the materially adverse nature of digital and data risks, the Group looks to recognise and eradicate the emergence of risks to operations where possible, hence risk appetite being set at low.

Resourcing, retention and skills: The Group operates in many specialised engineering and technical domains, which require appropriate skills and experience. Risk appetite: Medium. Avoidance of the risk would increase costs through significant wage inflation, which would have an industry-wide impact, and require over-resourcing and potential negative workforce engagement and retention. Some risk is accepted given the high cost of avoidance and the potential mitigations within the Group's control, such as sharing capability across our global business and compensating for skills shortages in particular areas through investment in training and early careers.

Compliance with legislation or other regulatory requirements: The Group's businesses are subject to the laws, regulations and restrictions of the many jurisdictions in which we operate. Risk appetite: Low. As a diverse global organisation, the Group operates in multiple highly regulated industries for customers with specialist requirements. The compliance landscape is vast and complex with many regulations, legal obligations, contractual and certification requirements in each area including export controls, data protection and site licences. The laws and regulations that the Group are subject to include anti-bribery laws, import and export controls, tax, procurement rules, human rights laws, and data protection regulations.

Acquisitions and divestments: The Group has built our core strengths organically and through acquisition. Decisions to acquire companies, as well as the process of their acquisition and integration, are complex, time-consuming, and expensive. If the Group believe that a business is not 'core,' we may decide to sell that business. Risk appetite: Medium. The Group will continue to review potential opportunities within the market in a considered and measured way; M&A activity continues to be inherently high risk. Future M&A activity will be undertaken only where it is possible to reduce inherent risk to an acceptable level when balanced against potential rewards and opportunity.

Engineering integrity, product technology disruption and product safety: The Group has a corporate and legal responsibility to ensure the technical products and services we develop and/or deliver to our customers and end-users are legally and contractually safe, compliant, secure and high quality. Risk appetite: Low. As a complex systems developer, integrator and provider of critical operations, in-service support and training across all defence sectors and civil emergency operations, the Group's customers and end-users must have confidence in the integrity of our technical products and services. The Group's technical risk management frameworks must be rigorous as well as adaptable. The Group work to develop our technical capabilities and secure access to advanced technologies, to position ourselves and our customers well for the future. The Group also actively identifies, understands and manages the risks and opportunities as a responsible developer and adopter of rapidly emerging advanced technologies.

The risks listed above, together with their potential impacts and mitigating actions taken in respect of them, are explained and described in detail in the 2025 Annual Report, available at www.babcockinternational.com.

Unaudited condensed consolidated financial statements

Group income statement

Unaudited condensed consolidated financial statements

Group income statement

or the six months ended 30 September	Note	2025 £m	2024 £m
Revenue	2,3	**2,538.6**	**2,408.9**
Operating costs		(2,304.3)	(2,225.1)
Operating profit		**234.3**	**183.8**
Share of results of joint ventures and associates	2,3	4.2	5.1
Finance income	4	15.2	14.9
Finance costs	4	(27.4)	(31.8)
Profit before tax		**226.3**	**172.0**
Income tax expense	5	(57.8)	(42.0)
Profit for the year		**168.5**	130.0
Attributable to:			
Owners of the parent		169.3	129.3
Non-controlling interest		(0.8)	0.7
		168.5	**130.0**
Earnings per share			
Basic	2	33.7p	25.7p
Diluted	2	33.0p	25.2p

Group statement of comprehensive income

For the six months ended 30 September	Note	2025 £m	2024 £m
Profit for the year		168.5	130.0
Other comprehensive income			
Items that may be subsequently reclassified to income statement			
Currency translation differences		3.3	1.1
Fair value adjustment of interest rate and foreign exchange hedges		8.1	(3.9)
Hedging (losses)/gains reclassified to profit or loss		(9.8)	6.1
Reclassification of cumulative currency translation reserve on de-designation of quasi-equity items		(2.1)	-
Share of other comprehensive income/(loss) of joint ventures and associates		-	(1.1)
Tax on items that may be subsequently reclassified to income statement		1.5	(0.6)
Items that will not be reclassified to income statement			
Remeasurement of retirement benefit obligations	13	32.5	34.9
Tax on remeasurement of retirement benefit obligations		(8.2)	(8.8)
Other comprehensive loss, net of tax		**25.3**	**27.7**
Total comprehensive income		**193.8**	**157.7**
Total comprehensive income attributable to:			
Owners of the parent		194.3	156.5
Non-controlling interest		(0.5)	1.2
Total comprehensive income		**193.8**	**157.7**

Group statement of changes in equity

	Note	Share capital £m	Share premium £m	Other reserve £m	Capital redemption £m	Retained earnings £m	Hedging reserve £m	Translation reserve £m	Total equity attributable to owners of the Company £m	Non-controlling interest £m	Total equity £m
At 1 April 2024		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

At 1 April 2024		303.4	873.0	768.8	30.6	(1,523.9)	5.3	(68.3)	388.9	17.2	406.1
Profit for the year	2	-	-	-	-	129.3	-	-	129.3	0.7	130.0
Other comprehensive income		-	-	-	-	26.1	0.5	0.6	27.2	0.5	27.7
Total comprehensive income		**-**	**-**	**-**	**-**	**155.4**	**0.5**	**0.6**	**156.5**	**1.2**	**157.7**
Dividends		-	-	-	-	(16.6)	-	-	(16.6)	-	(16.6)
Purchase of own shares		-	-	-	-	(13.3)	-	-	(13.3)	-	(13.3)
Share-based payments		-	-	-	-	7.5	-	-	7.5	-	7.5
Tax on share-based payments		-	-	-	-	(1.4)	-	-	(1.4)	-	(1.4)
Net movement in equity		**-**	**-**	**-**	**-**	**131.6**	**0.5**	**0.6**	**132.7**	**1.2**	**133.9**
At 30 September 2024		**303.4**	**873.0**	**768.8**	**30.6**	**(1,392.3)**	**5.8**	**(67.7)**	**521.6**	**18.4**	**540.0**
At 1 April 2025		**303.4**	**873.0**	**768.8**	**30.6**	**(1,292.3)**	**6.3**	**(85.4)**	**604.4**	**17.4**	**621.8**
Profit for the year	2	-	-	-	-	169.3	-	-	169.3	(0.8)	168.5
Other comprehensive (loss)/income		-	-	-	-	24.3	(1.3)	2.0	25.0	0.3	25.3
Total comprehensive income		**-**	**-**	**-**	**-**	**193.6**	**(1.3)**	**2.0**	**194.3**	**(0.5)**	**193.8**
Dividends		-	-	-	-	(22.7)	-	-	(22.7)	(0.3)	(23.0)
Purchase of own shares		-	-	-	-	(66.2)	-	-	(66.2)	-	(66.2)
Share-based payments		-	-	-	-	7.8	-	-	7.8	-	7.8
Tax on share-based payments		-	-	-	-	6.4	-	-	6.4	-	6.4
Net movement in equity		**-**	**-**	**-**	**-**	**118.9**	**(1.3)**	**2.0**	**119.6**	**(0.8)**	**118.8**
At 30 September 2025		**303.4**	**873.0**	**768.8**	**30.6**	**(1,173.4)**	**5.0**	**(83.4)**	**724.0**	**16.6**	**740.6**

The other reserve relates to the rights issue of new ordinary shares on 7 May 2014 and the capital redemption reserve relates to the issue and redemption of redeemable 'B' preference shares in 2001.

Group statement of financial position

	Note	**30 September 2025 £m**	31 March 2025 £m
Assets			
Non-current assets			
Goodwill	6	778.5	778.2
Other intangible assets		137.9	142.4
Property, plant and equipment		575.5	558.9
Right of use assets		250.8	228.8
Investment in joint ventures and associates		41.1	43.5
Other investments		2.1	-
Loan to joint ventures and associates		3.3	3.6
Retirement benefits surpluses	13	106.0	98.8
Other financial assets		3.6	4.2
Lease receivables		18.6	26.2
Derivatives		14.5	5.1
Deferred tax asset		76.9	102.8
Trade and other receivables	8	15.6	18.1
		2,024.4	**2,010.6**
Current assets			
Inventories		179.7	162.2
Trade and other receivables	8	560.3	507.4
Contract assets	8	347.0	329.7
Income tax recoverable		7.5	4.8
Lease receivables		16.8	18.4
Other financial assets		1.1	1.2
Derivatives		17.3	9.3
Assets held for sale		3.0	-
Cash and cash equivalents	12	704.8	646.6
		1,837.5	1,679.6
Total assets		**3,861.9**	**3,690.2**
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		303.4	303.4
Share premium		873.0	873.0
Capital redemption and other reserves		721.0	720.3
Retained earnings		(1,173.4)	(1,292.3)
		724.0	604.4
Non-controlling interest		16.6	17.4
Total equity		**740.6**	**621.8**
Non-current liabilities			
Bank and other borrowings	12	473.7	750.7
Lease liabilities		247.4	227.4
Trade and other payables	9	5.1	4.2
Deferred tax liabilities		6.6	5.9
Derivatives		25.2	44.8
Retirement benefit deficits	13	74.5	107.2
Provisions for other liabilities, including other employee benefits	11	58.8	58.1
		891.3	**1,198.3**
Current liabilities			
Bank and other borrowings	12	299.5	0.6
Lease liabilities		49.6	47.2
Trade and other payables	9	1,001.6	948.0
Contract liabilities	9	753.2	759.4
Income tax payable		47.9	25.6
Derivatives		2.6	9.1
Provisions for other liabilities, including other employee benefits	11	75.6	80.2
		2,230.0	1,870.1
Total liabilities		**3,121.3**	**3,068.4**
Total equity and liabilities		**3,861.9**	**3,690.2**

Group cash flow statement

For the six months ended 30 September	Note	2025 £m	2024 £m
Cash flows from operating activities			
Profit for the year		**168.5**	130.0
Results from joint ventures and associates		(4.2)	(5.1)
Income tax expense	5	57.8	42.0
Finance income	4	(15.2)	(14.9)
Finance costs	4	27.4	31.8
Depreciation and impairment of property, plant and equipment		30.2	29.9
Depreciation and impairment of right of use assets		25.0	19.3
Amortisation and impairment of intangible assets		14.7	9.3
Equity share-based payments		7.8	7.5
Net derivative fair value and currency movement through profit or loss		(31.1)	(17.3)
Fair value movement on assets held at fair value through profit or loss		(8.5)	-
(Profit)/loss on disposal of property, plant and equipment		(1.6)	0.4
Loss on disposal of right of use assets		0.7	0.3
Loss on disposal of intangible assets		0.1	-
Cash generated from operations before movement in working capital and retirement benefit payments		**271.6**	**233.2**
(Increase)/decrease in inventories		(13.6)	28.9
Increase in receivables		(36.9)	(35.0)
Increase in contract assets		(15.2)	(6.8)
Increase/(decrease) in payables		43.4	(26.0)
(Decrease)/increase in contract liabilities		(9.6)	25.5
Decrease in provisions		(5.4)	(14.3)
Retirement benefit contributions in excess of current period expense		(7.4)	(24.2)
Cash generated from operations		**226.9**	**181.3**
Income tax paid		(12.3)	(16.2)
Interest paid		(27.7)	(26.5)
Interest received		14.9	14.6
Net cash flows from operating activities		**201.8**	**153.2**
Cash flows from investing activities			
Proceeds from business acquisition, merger and divestment related items		8.5	-
Dividends received from joint ventures and associates		7.1	11.8
Proceeds on disposal of property, plant and equipment		25.6	3.1
Purchases of other investments		(2.1)	-
Purchases of property, plant and equipment		(65.0)	(41.8)
Purchases of intangible assets		(6.1)	(8.8)
Loans repaid by joint ventures and associates		0.3	0.1
Net cash flows from investing activities		**(31.7)**	**(35.6)**
Cash flows from financing activities			
Lease principal payments		(22.8)	(22.8)
Bank loans repaid	12	(2.7)	(8.3)
Loans raised and facilities drawn down	12	-	8.0
Purchase of own shares		(65.1)	(13.3)
Dividends paid		(23.0)	(16.6)
Net cash flows from financing activities		**(113.6)**	**(53.0)**
Net increase in cash, cash equivalents and bank overdrafts		**56.5**	**64.6**
Cash, cash equivalents and bank overdrafts at beginning of year	12	**646.5**	**552.6**
Effects of exchange rate fluctuations	12	1.7	(3.3)
Cash, cash equivalents and bank overdrafts at end of year	12	**704.7**	**613.9**

1. Basis of preparation and significant accounting policies

Basis of preparation

These condensed consolidated half year financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and the Disclosures and Transparency Rules of the Financial Services Authority, the Listing Rules and UK adopted International Financial Reporting Standards (IFRS). They should be read in conjunction with the annual report and financial statements for the year ended 31 March 2025, which were prepared in accordance with IFRS and the applicable legal requirements of the Companies Act 2006. These condensed consolidated half year financial statements do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006. The annual report and financial statements for the year ended 31 March 2025 were reported upon by the Group's auditor and delivered to the registrar of companies. The report of the auditor on the annual report and financial statements for the year ended 31 March 2025 was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006. The accounting policies used and presentation of these condensed consolidated half year financial statements are consistent with the accounting policies applied by the Group in its consolidated annual report and financial statements as at, and for the year ended, 31 March 2025, and comply with amendments to IFRS effective since that date.

The half year report for the six months ended 30 September 2025 was approved by the directors on 20 November 2025.

New and amended standards adopted by the Group

There are no new standards, amendments or interpretations that are not yet effective that are expected to have a material impact on the Group's operations.

Basis of preparation

The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the condensed consolidated half year financial statements.

In assessing the appropriateness of the going concern basis of accounting, the Directors have considered whether the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these consolidated half year financial statements. The Directors reviewed the resources available to the Group in the form of cash and committed facilities. As of 30 September 2025, the Group's committed facilities and bonds totalling £1.4 billion were the £600 million five-year multi-currency RCF, two tranches of bonds (£300 million maturing 5 October 2026 and €550 million maturing 13 September 2027) and one overdraft facility totalling £50 million.

The £600 million RCF is the only facility containing financial covenants, which are applicable if the Group's Credit Rating is below BBB. If applicable, the key covenant ratios are (i) net debt to EBITDA (gearing ratio) and (ii) EBITDA to net interest (interest cover) with tests set to less than 3.5x and greater than 4.0x respectively and would be measured twice per year, on 30 September and 31 March. To assess the level of headroom within the available facilities, a reverse stress test was performed to assess the level of performance deterioration against the base case budget (in both EBITDA and net debt) required to challenge covenant levels. Of the remaining measurement points within the five-year period approved by the Board, the smallest required reduction in forecast EBITDA to hit the covenant level was 87% and the smallest net debt increase was 647%. Given the mitigating actions that are available and within management's control, such adverse movements are not considered plausible. There have been no breaches of debt covenants during the reporting period.

The Directors have also considered the Group's forecasts when assessing going concern, having considered the 18-month period from the date of signing the Group's condensed consolidated financial statements for the six months ended 30 September 2025.

On an annual basis, budgets are prepared using a bottom-up approach, aggregating the budgets for the individual business units into Sector budgets. The Sector budgets and the consolidated Group budget is then reviewed by the Board and used to monitor business performance. This annual process comprises the budget for the coming financial year and a 5-year plan.

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The impacts of current economic conditions, including inflation, are incorporated into the annual budget process and the rolling forecasts. Where changes in economic conditions are significant, these would also be incorporated into the 5-year plan for purposes of the going concern assessment.

The Directors have performed sensitivity analyses on the latest Group rolling forecast for the duration of the assessment period. These involve a range of downside events both individually and in combination under a range of severe, but plausible downside scenarios. Such sensitivities include a reduction in bid pipeline closure (business winning), a deterioration in large programme performance across the Group (including further inflation cost increases, or related failures in supplier resilience, as per our principal risks), a deterioration in the Group's working capital position and a regulatory risk relating to a reduction in access to R&D tax incentive credits.

If such a severe downturn were to occur in the Group's performance, the Board would take mitigation measures to protect the Group in the short term as described in the going concern assessment on page 125 of the annual report and financial statements for the year ended 31 March 2025. Despite the severity of the combined severe, but plausible scenarios, these sensitivities did not give rise to any material uncertainties in relation to the Group's ability to continue as a going concern.

Based on our review, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for at least 12 months from the date of these condensed consolidated half year financial statements. As such, these financial statements have been prepared on the going concern basis. The Directors do not believe there are any material uncertainties to disclose in relation to the Group's ability to continue as a going concern.

Critical accounting estimates and judgements

In the course of preparation of the financial statements, judgements and estimates have been made in applying the Group's accounting policies that have had a material effect on the amounts recognised in the financial statements. The application of the Group's accounting policies requires the use of estimates and the inherent uncertainty in certain forward-looking estimates may result in a material adjustment to the carrying amounts of assets and liabilities in future financial periods. Critical accounting estimates are subject to continuing evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in light of known circumstances. Critical accounting estimates and judgements in relation to these half year financial statements are considered below:

(a) Critical accounting judgements

Critical accounting judgements, apart from those involving estimations, that are applied in the preparation of the consolidated financial statements are discussed below. Detail of the Group's key judgements involving estimates are included in the Key sources of estimation uncertainty section.

(i) Acting as principal or agent

A number of the Group's contracts include promises in relation to procurement activity undertaken on behalf of customers at low or nil margin, sub-contractor arrangements, and other pass-through costs. Management is required to exercise judgement on these revenue streams in considering whether the Group is acting as principal or agent. This is based on an assessment as to whether the Group controls the relevant goods or services under the performance obligations prior to transfer to customers. Factors that influence this judgement include the level of responsibility the Group has under the contract for the provision of the goods or services, the extent to which the Group is incentivised to fulfil orders on time and within budget, either through gain share arrangements or KPI deductions in relation to the other performance obligations within the contract, and the extent to which the Group exercises responsibility in determining the selling price of the goods and services. Taking all factors into consideration, the Group then comes to a judgement as to whether it acts as principal or agent on a performance obligation-by-performance obligation basis with both principal and agent conclusions being reached across the Group's portfolio of revenue arrangements. Any changes in this judgement would not have a material impact on profit, although there may be a material impact to revenue and operating costs.

(ii) Determining the groups of cash generating units to which goodwill is allocated

IFRS 8 requires that, for the purpose of subsequent impairment testing, goodwill acquired in business combinations be allocated to cash generating units ('CGUs') or groups of CGUs expected to benefit from the synergies of the combination. Such CGUs or groups of CGUs shall represent the lowest level at which goodwill is monitored for internal management purposes and shall not be larger than an operating segment.

This determination is generally straightforward and factual, however in some cases judgement is required.

The Group has identified four operating segments - Aviation, Land, Marine and Nuclear - and in the case of Aviation, Marine and Nuclear, goodwill is allocated and monitored at the operating segment level (with these three operating segments each also comprising a group of CGUs).

Although Land is considered a single operating segment, goodwill is separately allocated and monitored between the Africa business (as one group of CGUs) and the remainder of Land (as a second group of CGUs). This distinction exists due to historic assessments of the Group's operating segments and the fact that previous Africa business combinations were only anticipated to provide synergies and benefits across the Africa CGUs.

Other territories may represent separate CGUs or groups of CGUs but are neither separate operating segments nor is goodwill separately allocated or monitored at these territory levels.

Over time management reviews the basis upon which goodwill is allocated to ensure it remains appropriate as businesses are acquired and divested and reporting structures change, including how information is reported to the Chief Operating Decision Maker. If there was a change in this judgement this could result in a material adjustment to goodwill.

(iii) Additional work expected under the Type 31 contract

There is judgement in determining whether the Type 31 onerous contract provision should reflect the benefit of the expected continuation of the programme. IAS 37.10 states that "a contract is onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it." Judgement is required in determining whether additional work is treated as a benefit expected to be received under the Type 31 contract, reducing the onerous contract provision. The key factors considered in making this judgement are the additional work expected at contract inception and the economic linkage with the pricing and other terms of the Type 31 contract. Having carefully considered the available evidence against the evidential bar required to recognise future benefits, it was concluded that the expected continuation of the programme should not be treated as a benefit expected under the Type 31 contract.

(b) Key sources of estimation uncertainty

The key sources of estimation uncertainty at the reporting period end that may result in significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year are set out below:

(i) Revenue and profit recognition

The following represent the notable assumptions impacting upon revenue and profit recognition as a result of the Group's contracts with customers:

- **Stage of completion & costs to complete** - The Group's revenue recognition policies require management to make an estimate of the cost to complete for long-term contracts. Management estimates outturn costs on a contract-by-contract basis and estimates are carried out by suitably qualified and experienced personnel. Estimates of cost to complete include assessment of contract contingencies arising out of technical, commercial, operational and other risks. The assessments of all significant contract outturns are subject to review and challenge, and judgements and estimates are reviewed regularly throughout the contract life based on latest available information with adjustments made where necessary. As contracts near completion, often less judgement is required to determine the expected outturn. The most significant estimate of contract outturn relates to the Type 31 programme as outlined below.

- **Variable consideration** - the Group's contracts are often subject to variable consideration including performance-based penalties and incentives, gain/pain share arrangements and other items. Variable consideration is added to the transaction price only to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised once the underlying uncertainty is resolved.

- **Inflation** - The level to which the Group's revenue and cost for each contract will be impacted by inflation is a key accounting estimate, as this could cause the revenue and cost of contract delivery to be greater than was expected at the time of contracting. The Group's contracts are exposed to inflation due to rising employment costs, as well as increased costs of raw materials. The Group endeavours to include cost recovery mechanisms or index-linked pricing within its contracts with customers in order to mitigate any inflation risk arising from increasing employment and raw material costs.

Type 31 contract estimates

The contract to produce 5 Type 31 frigates was won under competitive tender in 2019, based on Babcock's Arrowhead 140 design. The contract is important in providing access to an expected pipeline of Type 31 work and developing our Arrowhead 140 design for opportunities overseas. Although the contract contained certain escalation clauses, it provided limited protection from the macroeconomic changes of recent years relating to Brexit, Covid, raw material prices and UK labour shortages, which have significantly increased our costs. This has resulted in the contract being loss-making, together with increases in estimated costs due to the maturing of the design and the forecast cost of labour.

Determining the contract outturn, and therefore revenue and onerous contract provision recognised, requires assumptions and complex judgements to be made about the future performance of the contract. The level of uncertainty in the estimates made in assessing the outturn is linked to the complexity of the underlying contract.

The estimates made in assessing the outturn are set out below, along with the related estimation methods, data sources and management actions to offset the increases in the year.

a) **The number of production hours** - which requires estimation of a standard level of hours for manufacturing, structural and outfitting activities, determined with reference to previous experience of comparable programmes and industry data where available. The estimation of the time taken to improve to this standard level is also relevant, based on a detailed enablement plan which is a key output of the operational improvement programme. The volume of activities is based on a detailed assessment of the Bill of Materials, supported by dedicated engineering software

b) **The ability to improve operational performance through process efficiencies, quality and engineering improvements over the five ships** - which requires actions to reduce re-work, optimise the location in which outfitting is performed, deliver specific productivity initiatives and make engineering changes to reduce the cost of manufacture, structural assembly and outfitting

c) **The cost of labour** - which is dependent on our ability to recruit, the mix of the workforce between permanent and contingent workers from the UK and overseas, the utilisation of semi-skilled and apprentice workers and shift patterns and premiums. A detailed resourcing plan is used to support this estimate with actions required to achieve an efficient labour mix

d) **The cost of bought-in parts and services through suppliers and sub-contractors** - which includes the outcome of procurement tenders, finalisation of other areas of unagreed pricing and the agreement of discounts and incentive arrangements

e) **The number of hours required by support functions** - primarily in engineering which requires effective management of production support and change requests. A detailed engineering scope review has been performed to support this estimate

f) **The determination of non-incremental costs which relate directly to fulfilling the contract and are therefore partially allocated to the contract to determine the loss provision** - including facility and overhead costs

g) **The impact of inflation on the contract price and costs to fulfil the contract** - particularly in relation to labour which may be impacted by changes in the local, UK and overseas labour markets, competitor activity and government policy

h) **The achievement of the build schedule to completion and final acceptance** - including the satisfaction of all contractual performance criteria. The schedule analysis is based on detailed modelling and the performance of multiple scenario analysis

The cost estimation process has involved a number of key elements:

- Regular governance at the Group level to monitor progress and enable support as required
- Bottom-up costing at the activity level performed by individual business areas
- Reassessment of risk based on the updated cost estimates, considering ranges of outcomes and probabilities
- Input from functional specialists from across the Group
- Development of financial models based on cost drivers, using actual data and other evidence to inform the forecast outturn
- Detailed documentation of estimates made, including process followed, sources of evidence and basis for conclusions
- Review and challenge at the Programme, Sector and Group levels, culminating in a number of dedicated reviews with the Audit Committee

The range of possible future outcomes in respect of assumptions made to determine the contract outturn could result in a material increase or decrease in revenue and the value of the onerous contract provision, and hence on the Group's profitability, in the next financial year. The estimates described above are by their nature inter-related for this programme and are unlikely to change with everything else constant. However, for illustrative purposes, we have provided sensitivities to certain isolated changes in key estimates on the basis that all other factors remain constant:

- **Production hours** - which are impacted by production norms, rate of improvement, process efficiencies and quality/engineering improvements (see a) and b) above). A 10% increase/decrease in production hours would increase/decrease the loss by £29 million
- **Labour rate** - which is impacted by our ability to recruit permanent staff, the mix of the workforce, ancillary costs and inflation (see c) and g) above). A 10% increase/decrease in the average labour rate would increase/decrease the loss by £33 million
- **Supply chain costs (see c) above)** - which are impacted by the agreement of remaining pricing, discounts and incentive arrangements. A 10% increase/decrease in supply chain costs would increase/decrease the loss by £20 million
- **Schedule (see e), f) and h) above)** - which are impacted by the build schedule. A 6-month delay beyond the current planning assumption would increase the loss by £22 million

Overall, with c.£700bn of estimated costs to go over the life of the contract, if actual costs were to differ from those assumed by 10%, the potential impact on the contract outturn could be c.£70 million. Any increase in loss would cause a commensurate deterioration in the balance sheet through a combination of an increase to the onerous loss provision (note 11), reductions in contract assets (note 8) or increases in contract liabilities (note 9).

To mitigate this, comparisons of actual contract performance and previous forecasts used to assess the contract outturn are performed regularly, with consideration given to whether any revisions to assumptions are required. The uncertainty over the contract outturn will reduce in the next financial year but there will be substantial activity and risk over the remaining years. In a major ship build programme of this nature, it is inherently possible that there may be changes in circumstances which cannot reasonably be foreseen at the present time.

(ii) Defined benefit pension schemes obligations

The Group's defined benefit pension schemes are assessed each half year in accordance with IAS 19 and the valuation of the defined benefit pension obligations is sensitive to the inflation, discount rate, actuarial and life expectancy assumptions used. There is a range of possible values for the assumptions and small changes to the assumptions may have a significant impact on the valuation of the defined benefit pension obligations. In addition to the inflation, discount rate and life expectancy estimates, management is required to make an accounting judgement relating to the expected availability of future accounting surpluses under IFRIC 14. Further information on the key assumptions, sensitivities and judgements is included in note 13.

2. Adjustments between statutory and underlying information

Definition of underlying measures and specific adjusting items

The Group provides alternative performance measures, including underlying operating profit, underlying earnings per share and net debt, to enable users to have a more consistent view of the performance and earnings trends of the Group. These measures are considered to provide a consistent measure of business performance from year to year. They are used by management to assess operating performance and as a basis for forecasting and decision-making, as well as the planning and allocation of capital resources. They are also understood to be used by investors in analysing business performance.

The Group's alternative performance measures are not defined by IFRS and are therefore considered to be non-GAAP measures. The

The Group's alternative performance measures are not defined by IFRS and are therefore considered to be non-GAAP measures. The measures may not be comparable to similar measures used by other companies, and they are not intended to be a substitute for, or superior to, measures defined under IFRS. The Group's alternative performance measures are consistent with those used for the year ended 31 March 2025.

Underlying operating profit

In any given period the statutory measure of operating profit includes a number of items which the Group considers to either be one-off in nature or otherwise not reflective of underlying performance. Underlying operating profit therefore adjusts statutory operating profit to provide readers with a measure of business performance which the Group considers more consistently analyses the underlying performance of the Group by removing these one-off and other items not reflective of underlying performance that otherwise add volatility to performance.

Underlying operating profit eliminates potential differences in performance caused by purchase price allocations on business combinations in prior periods (amortisation of acquired intangibles), business acquisition, merger and divestment related items, large, infrequent restructuring programmes and fair value movements on derivatives. Transactions such as these may happen regularly and could significantly impact the statutory result in any given period. Adjustments to underlying operating profit may include both income and expenditure items.

Specific adjusting items include:

- Amortisation of acquired intangibles;
- Business acquisition, merger and divestment related items (being amounts related to corporate transactions and gains or losses on disposal of assets or businesses);
- Gains, losses and costs directly arising from the Group's withdrawal from a specific market or geography, including closure costs, severance costs, the disposal of assets and termination of leases;
- The costs of large restructuring programmes that significantly exceed the minor restructuring which occurs in most years as part of normal operations. Restructuring costs incurred as a result of normal operations are included in operating costs and are not excluded from underlying operating profit;
- Profit or loss from amendment, curtailment, settlement or equalisation of Group pension schemes;
- Fair value gain/(loss) on forward rate contracts that are open during the period; and
- Exceptional items that are significant, non-recurring and outside of the normal operating practice. These items are described as exceptional in order to appropriately represent the Group's underlying business performance.

Income statement including underlying results

		Six months ended 30 September 2025			Six months ended 30 September 2024		
	Note	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Revenue	3	**2,538.6**	**-**	**2,538.6**	**2,408.9**	**-**	**2,408.9**
Operating profit	3	**201.1**	**33.2**	**234.3**	**168.8**	**15.0**	**183.8**
Operating margin %		**7.9%**		**9.2%**	**7.0%**		**7.6%**
Results from joint ventures and associates		4.2	-	4.2	5.1	-	5.1
Net finance costs	4	(13.5)	1.3	(12.2)	(16.8)	(0.1)	(16.9)
Profit before tax		**191.8**	**34.5**	**226.3**	**157.1**	**14.9**	**172.0**
Income tax expense	5	(49.3)	(8.5)	(57.8)	(38.4)	(3.6)	(42.0)
Profit after tax for the period		**142.5**	**26.0**	**168.5**	**118.7**	**11.3**	**130.0**

Earnings per share including underlying measures

	Six months ended 30 September 2025			Six months ended 30 September 2024		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Profit after tax for the period	**142.5**	**26.0**	**168.5**	**118.7**	**11.3**	**130.0**
Amount attributable to owners of the parent	143.3	26.0	169.3	118.0	11.3	129.3
Amount attributable to non-controlling interests	(0.8)	-	(0.8)	0.7	-	0.7
Weighted average number of shares (m)	503.0		503.0	502.4		502.4
Effect of dilutive securities (m)	9.6		9.6	10.9		10.9
Diluted weighted average number of shares (m)	512.6		512.6	513.3		513.3
Basic EPS	**28.5p**	**5.2p**	**33.7p**	23.5p	2.2p	25.7p
Diluted EPS	**28.0p**	**5.0p**	**33.0p**	23.0p	2.2p	25.2p

Details of specific adjusting items

The impact of specific adjusting items is set out below:

	Six months ended 30 September 2025 £m	Six months ended 30 September 2024 £m
Amortisation of acquired intangibles	(5.7)	(4.4)
Business acquisition, merger and divestment related items	8.5	-
Amendment, curtailment, settlement or equalisation of Group pension schemes	-	0.3
Fair value movement on derivatives and related items	28.3	19.1
Exceptional items	2.1	-
Adjusting items impacting operating profit	**33.2**	**15.0**
Fair value movement on derivatives and related items	1.3	(0.1)
Adjusting items impacting profit before tax	**34.5**	**14.9**
Specific Adjusting items impacting income tax expense		
Amortisation of acquired intangibles	1.7	1.3
Amendment, curtailment, settlement or equalisation of Group pension schemes	-	(0.1)
Business acquisition, merger and divestment related items	(2.7)	-
Fair value movement on derivatives and related items	(7.5)	(4.8)
Income tax effect of adjusting items impacting profit before tax	**(8.5)**	**(3.6)**
Specific Adjusting items impacting profit after tax	**26.0**	**11.3**

Specific Adjusting items impacting profit after tax	26.0	11.3

Explanation of specific adjusting items

Amortisation of acquired intangibles

Underlying operating profit excludes the amortisation of acquired intangibles. This item is excluded from underlying results as it arises as a result of purchase price allocations on business combinations and is a non-cash item which does not change each year dependent on the performance of the business. It is therefore not considered to represent the underlying activity of the Group and is removed to aid comparability with peers who have grown organically as opposed to through acquisition. Intangible assets arising as a result of the purchase price allocation on business combinations include customer lists, technology-based assets, order book and trade names. Amortisation of internally generated intangible assets is included within underlying operating profit.

Business acquisition, merger and divestment related items

Transaction related costs and gains or losses on acquisitions, mergers and divestments of businesses are excluded from underlying operating profit as business combinations and divestments are not considered to result from underlying business performance.

The total net profit relating to business acquisition, merger and divestment related items for the period was £8.5 million (2024: £nil). The profit for the period relates to fair value gains on final settlement of loans originally arising on the disposal of the Civil Training business in February 2023.

Fair value movement on derivatives and related items

These are open forward currency contracts, taken out in the ordinary course of business to manage foreign currency exposures, where the transaction will occur in future periods. Hedge accounting under IFRS is not applied, however these do represent economic hedges. On maturity the currency contract will be closed and recognised in full within underlying operating profit at the same time as the hedged sale or purchase. The net result, at that time, will then more appropriately reflect the related sales price or supplier cost being hedged (which is fixed to ensure ultimately profitable outcomes).

Hedge ineffectiveness on debt and debt-related derivatives that are designated in a hedge relationship are also presented as a specific adjusting item in finance costs. This is presented as a specific adjusting item as this ineffectiveness is caused by a historic off-market designation, the transactions are considered by the Group to represent an economic hedge.

The fair value movement on lease-related derivatives and foreign exchange movements on lease liabilities are also presented as a specific adjusting item in finance costs, as hedge accounting under IFRS is also not applied to these transactions but are also considered by the Group to represent an economic hedge.

Amendment, curtailment, settlement or equalisation of Group pension schemes

Relates to amendments made to the Babcock International Group Pension Scheme ('BIGPS') following finalisation of the planned closure of the scheme to future accrual from 30 September 2024.

Exceptional items

Relates to foreign exchange gains recognised on the de-designation of quasi-equity inter-company balances further to group reorganisation activity in the period.

Tax

There are no specific adjusting items in respect of tax during the period (HY25: £nil). The tax impact of other specific adjusting items is outlined in the table above.

3. Segmental information

The Group has four reportable segments, determined by reference to the goods and services they provide and the markets they serve.

Marine - through-life support of naval ships, equipment and marine infrastructure in the UK and internationally.

Nuclear - through-life support of submarines and complex engineering services in support of major decommissioning programmes and projects, training and operation support, new build programme management and design and installation in the UK.

Land - large-scale critical vehicle fleet management, equipment support and training for military and civil customers.

Aviation - critical engineering services to defence and civil customers worldwide, including pilot training, equipment support, airbase management and operation of aviation fleets delivering emergency services.

The executive members of the Board, the chief operating decision maker as defined by IFRS 8, monitor the results of these reportable segments and makes decisions about the allocation of resources. The Group's business in Africa meets the definition of an operating segment, as defined by IFRS 8. In accordance with IFRS 8, the Africa operating segment is included in the Land reportable segment.

The table below presents the underlying results for each reportable segment in accordance with the definition of underlying operating profit, as set out in note 2, and reconciles the underlying operating profit/(loss) to the statutory profit/(loss) before tax.

Six months ended 30 September 2025	Marine £m	Nuclear £m	Land £m	Aviation £m	Unallocated £m	Total £m
Revenue	**822.5**	**989.1**	**525.6**	**201.4**	**-**	**2,538.6**
Underlying operating profit	55.3	89.7	41.6	14.5	-	201.1
Specific Adjusting Items (note 2)						
Amortisation of acquired intangibles	(4.6)	-	-	(1.1)	-	(5.7)
Business acquisition, merger and divestment related items	-	-	8.5	-	-	8.5
Fair value gain/(loss) on forward rate contracts to be settled in future periods	26.3	-	-	2.0	-	28.3
Exceptional items	-	-	-	2.1	-	2.1
Operating profit	**77.0**	**89.7**	**50.1**	**17.5**	**-**	**234.3**
Results from joint ventures and associates	(0.1)	(0.1)	-	4.4	-	4.2
IFRIC 12 investment income	-	-	0.2	-	-	0.2
Other net finance costs*	-	-	-	-	(12.4)	(12.4)
Profit/(loss) before tax	**76.9**	**89.6**	**50.3**	**21.9**	**(12.4)**	**226.3**

Six months ended 30 September 2024	Marine £m	Nuclear £m	Land £m	Aviation £m	Unallocated £m	Total £m[i]
Revenue	**789.8**	**865.7**	**591.3**	**162.1**	**-**	**2,408.9**
Underlying operating profit	40.0	75.7	45.4	7.7	-	168.8
Specific Adjusting Items (note 2)						
Amortisation of acquired intangibles	(3.1)	-	-	(1.3)	-	(4.4)
Business acquisition, merger and divestment related items	0.1	0.1	0.1	-	-	0.3
Fair value gain/(loss) on forward rate contracts to be settled in future periods	19.5	-	-	(0.4)	-	19.1
Operating profit	**56.5**	**75.8**	**45.5**	**6.0**	**-**	**183.8**
Results from joint ventures and associates	(0.2)	0.2	-	5.1	-	5.1
IFRIC 12 investment income	-	-	0.2	-	-	0.2
Other net finance costs*	-	-	-	-	(17.1)	(17.1)
Profit/(loss) before tax	**56.3**	**76.0**	**45.7**	**11.1**	**(17.1)**	**172.0**

* Other net finance costs are not allocated to a specific sector.

Revenues of £1.5 billion (2024: £1.4 billion) are derived from a single external customer. These revenues are attributable across all reportable segments.

Geographic analysis of revenue

The geographic analysis of revenue by origin of customer for the periods ended 30 September 2025 and 30 September 2024 is as follows:

	Revenue	
Geographic analysis	Six months ended 30 September 2025 £m	Six months ended 30 September 2024 £m
United Kingdom	1,777.2	1,704.9
Rest of Europe	94.3	81.3
Africa	176.5	188.1
North America	115.2	101.5
Australasia	192.6	203.8
Rest of World	182.8	129.3
Group total	**2,538.6**	**2,408.9**

4. Net finance costs

	Six months ended 30 September 2025 £m	Six months ended 30 September 2024 £m
Finance costs		
Loans, overdrafts and associated interest rate hedges	18.2	20.5
Lease interest and foreign exchange movements on lease liabilities	7.3	5.8
Amortisation of issue costs of bank loan	2.4	1.1
Other	2.3	4.7
Retirement benefit interest expenses	-	2.0
Capitalised borrowing costs	(2.8)	(2.3)
Total finance costs	**27.4**	**31.8**
Finance income		
Bank deposits, loans and leases	15.0	14.7
IFRIC 12 Investment income	0.2	0.2
Total finance income	**15.2**	**14.9**
Net finance costs	**12.2**	**16.9**

5. Taxation

Income tax expense

	Six months ended 30 September 2025 £m	Six months ended 30 September 2024 £m
Income tax expense	**(57.8)**	**(42.0)**
Calculation of underlying effective tax rate		
Profit before tax	226.3	172.0
Deduct: Share of results of joint ventures and associates (note 2)	(4.2)	(5.1)
Add back specific adjusting items (note 2)	(34.5)	(14.9)
Adjusted profit before tax	**187.6**	**152.0**
Tax charge	57.8	42.0
Exclude specific adjusting items impacting income tax (note 2)	(8.5)	(3.6)
Adjusted tax charge	**49.3**	**38.4**
Underlying effective tax rate	**26.3%**	**25.3%**

The tax charge has been calculated by applying the effective rate of tax which the Group expects to incur for the year to 31 March 2026 to the half-year pre-tax profit in each jurisdiction in which it operates.

6. Goodwill

	30 September 2025 £m	31 March 2025 £m
Cost		
At 1 April	**1,820.1**	**1,822.0**
On disposal of business	-	(0.5)
Exchange adjustments	0.3	(1.4)
At 31 March	**1,820.4**	**1,820.1**
Accumulated impairment		
At opening and closing dates	**1,041.9**	**1,041.9**
Net book value at 30 September / 31 March	**778.5**	**778.2**

Goodwill is allocated to groups of cash generating units ('CGUs') as set out in the table below:

	30 September 2025 £m	31 March 2025 £m
Marine	293.9	293.6
Nuclear	233.1	233.1
Land (excluding Africa)	217.8	217.8
Aviation	32.0	32.0
Africa	1.7	1.7
	778.5	**778.2**

Goodwill is stated at cost less any provision for impairment. The recoverable value of each CGU was assessed at 31 March 2025 by reference to value-in-use calculations. The value-in-use calculations were derived from risk-adjusted cash flows from the Group's five-year plan and an estimated long-term country-specific growth rate between 2.0% and 4.6%. There have been no changes to the Group's key assumptions in the six months ended 30 September 2025 since the published annual report and financial statements for the year ending 31 March 2025. The key assumptions can be found in note 10 of that report. The process by which the Group's budget is prepared, reviewed and approved benefits from historical experience, visibility of long-term work programmes in relation to work undertaken for the UK Government, available government spending information (both UK and overseas), the Group's contract backlog, bid pipeline and the Group's tracking pipeline which monitors opportunities prior to release of tenders. The budget process includes consideration of risks and opportunities at contract and business level and considered matters such as climate change and inflation.

Goodwill is required to be tested for impairment at least once every financial year, irrespective of whether there is any indication of impairment. The Group's annual impairment review typically occurs at year end. However, if indicators of impairment are present, an earlier review is also required. The Group has assessed the goodwill balance for both internal and external impairment indicators and no impairment indicators were identified. Management will prepare a full goodwill impairment assessment at the year end.

7. Non-current assets

In the six months ended 30 September 2025 the Group made the following significant additions to non-current assets:

- £73.4 million of additions to property, plant and equipment, including £27.0 million of site improvements at Devonport Royal Dockyard;
- £5.4 million of additions to intangible assets; and
- £47.9 million of additions to right of use assets, including new aircraft of £18.7 million, and property lease arrangements of £19.1 million

8. Trade and other receivables and contract assets

	30 September 2025 £m	31 March 2025 £m
Non-current assets		
Costs to obtain a contract	0.1	0.1
Costs to fulfil a contract	7.6	8.6
Other debtors	7.9	9.4
Non-current trade and other receivables	**15.6**	**18.1**
Current assets		
Trade receivables	311.0	303.4
Less: provision for impairment of receivables	(8.7)	(8.4)
Trade receivables - net	**302.3**	295.0
Retentions	6.0	8.8
Amounts due from related parties (note 14)	1.7	3.3
Other debtors[1]	18.9	22.1
Other taxes and social security receivables	96.0	63.2
Prepayments	115.0	96.8
Costs to obtain a contract	-	0.1
Costs to fulfil a contract	20.4	18.1
Current trade and other receivables	**560.3**	**507.4**
Contract assets	**347.0**	**329.7**
Current trade and other receivables and contract assets	**907.3**	**837.1**

[1] Included in other debtors are rebates receivable and other sundry receivables. No individual balance within other debtors is material.

Trade and other receivables are stated at amortised cost.

The Group recognises that there is an inherent element of estimation uncertainty and judgement involved in assessing contract profitability, as disclosed in note 1. Management has taken a best estimate view of contract outcomes based on the information currently available, after allowing for contingencies, and have applied a constraint to the variable consideration within revenue resulting in a revenue estimate that is suitably cautious under IFRS 15.

9. Trade and other payables and contract liabilities

	30 September 2025 £m	31 March 2025 £m
Current liabilities		
Contract liabilities	**753.2**	**759.4**
Trade creditors	279.1	229.2
Amounts due to related parties (note 14)	-	3.3
Other creditors	17.4	12.2
Defined contribution pension creditor	5.8	8.2
Other taxes and social security	107.6	84.6
Accruals	591.7	610.5
Trade and other payables	**1,001.6**	**948.0**
Trade and other payables and contract liabilities	**1,754.8**	**1,707.4**
Non-current liabilities		
Non-current accruals	4.8	3.8
Other creditors	0.3	0.4
	5.1	4.2

Included in creditors is £18.1 million (March 2025: £10.4 million) relating to capital expenditure which has therefore not been included in working capital movements within the cash flow statement.

10. Financial Instruments

The following table presents the Group's assets and liabilities:

30 September 2025 (£m)	Financial assets at fair value	Financial assets at amortised cost	Financial liabilities at fair value	Financial liabilities at amortised cost	Total carrying amount	Fair value
Non-current financial assets						

Loans to joint ventures and associates	-	3.3	-	-	3.3	3.3
Trade and other receivables *	-	6.2	-	-	6.2	6.2
Other financial assets	-	3.6	-	-	3.6	3.6
Derivatives	14.5	-	-	-	14.5	14.5
Lease receivables	-	18.6	-	-	18.6	18.6
Current financial assets						
Trade and other receivables *	-	319.6	-	-	319.6	319.6
Other financial assets	-	1.1	-	-	1.1	1.1
Derivatives	17.3	-	-	-	17.3	17.3
Lease receivables	-	16.8	-	-	16.8	16.8
Cash and cash equivalents	-	704.8	-	-	704.8	704.8
Non-current financial liabilities						
Bank and other borrowings	-	-	-	(473.7)	(473.7)	(462.8)
Trade and other payables *	-	-	-	(0.3)	(0.3)	(0.3)
Derivatives	-	-	(25.2)	-	(25.2)	(25.2)
Current financial liabilities						
Bank and other borrowings	-	-	-	(299.5)	(299.5)	(291.7)
Trade and other payables *	-	-	-	(864.4)	(864.4)	(864.4)
Derivatives	-	-	(2.6)	-	(2.6)	(2.6)
Net financial assets / (financial liabilities)	**31.8**	**1,074.0**	**(27.8)**	**(1,637.9)**	**(559.9)**	**(541.2)**

31 March 2025 (£m)	Financial assets at fair value	Financial assets at amortised cost	Financial liabilities at fair value	Financial liabilities at amortised cost	Total carrying amount	**Fair value**
Non-current financial assets						
Loans to joint ventures and associates	-	3.6	-	-	3.6	3.6
Trade and other receivables *	2.4	5.7	-	-	8.1	8.1
Other financial assets	-	4.2	-	-	4.2	4.2
Derivatives	5.1	-	-	-	5.1	5.1
Lease receivables	-	26.2	-	-	26.2	26.2
Current financial assets						
Trade and other receivables *	-	317.1	-	-	317.1	317.1
Other financial assets	-	1.2	-	-	1.2	1.2
Lease receivables	-	18.4	-	-	18.4	18.4
Derivatives	9.3	-	-	-	9.3	9.3
Cash and cash equivalents	-	646.6	-	-	646.6	646.6
Non-current financial liabilities						
Bank and other borrowings	-	-	-	(750.7)	(750.7)	(721.8)
Trade and other payables *	-	-	-	(4.8)	(4.8)	(4.8)
Derivatives	-	-	(44.8)	-	(44.8)	(44.8)
Current financial liabilities						
Bank and other borrowings	-	-	-	(0.6)	(0.6)	(0.6)
Trade and other payables *	-	-	-	(830.6)	(830.6)	(830.6)
Derivatives	-	-	(9.1)	-	(9.1)	(9.1)
Net financial assets / (financial liabilities)	16.8	1,023.0	(53.9)	(1,586.7)	(600.8)	(571.9)

* Trade and other receivables and trade and other payables only include balances which meet the definition of a financial instrument.

The fair values of financial instruments held at fair value have been determined based on available market information at the period end date, and the valuation methodologies listed below:

- The fair values of forward foreign exchange contracts are calculated by discounting the contracted forward values and translating at the appropriate period end rates; and
- The fair values of cross-currency interest rate swaps are calculated by discounting expected future principal and interest cash flows and translating at the appropriate period end rates.

11. Provisions for other liabilities

	Contract/ warranty (a) £m	Employee related and business reorganisation costs (b) £m	Property (c) £m	Other (d) £m	Total provisions £m
At 1 April 2025	**97.0**	**15.2**	**17.6**	**8.5**	**138.3**
Charge to income statement	11.0	1.7	2.3	2.1	17.1
Release to the income statement	(6.4)	(2.2)	(1.8)	(0.2)	(10.6)
Utilised in year	(7.9)	(2.9)	(0.3)	(0.8)	(11.9)
Unwinding of discount	1.0	0.1	-	-	1.1
Foreign exchange	0.3	-	0.1	-	0.4
At 30 September 2025	**95.0**	**11.9**	**17.9**	**9.6**	**134.4**
Current					75.6
Non-current					58.8
At 1 April 2024	117.8	12.4	23.5	4.5	158.2
Charge to income statement	12.4	2.2	0.7	0.1	15.4
Release to the income statement	(5.1)	(1.1)	(2.9)	(0.7)	(9.8)
Utilised in year	(17.3)	(1.8)	(0.5)	(0.3)	(19.9)
Unwinding of discount	1.4	-	-	-	1.4
At 30 September 2024	109.2	11.7	20.8	3.6	145.3
Current					74.8
Non-current					70.5

a) Contract/warranty provisions relate to onerous contracts and warranty obligations on completed contracts and disposals. Warranty provisions are provided in the normal course of business and recognised when the underlying products and services are sold. The provision is based on an assessment of future claims with reference to historical warranty data and a weighting of possible outcomes. Onerous contracts relate to expected future losses on contracts with customers - notably Type 31 as outlined in note 1.

b) Employee related and business reorganisation costs relate to business restructuring activities including announced redundancies in addition to employee related provisions other than employee benefits.

c) Property and other provisions primarily relate to dilapidation costs and contractual obligations in respect of infrastructure.

d) Other provisions include provisions for insurance claims arising within the Group's captive insurance company, Chepstow Insurance Limited. They relate to specific claims assessed in accordance with the advice of independent actuaries.

Included within provisions is £6.9 million (March 2025: £7.0 million) expected to be utilised over approximately 10 years. Other than these provisions the Group's non-current provisions are expected to be utilised within two to five years.

12. Changes in net debt including loans to joint ventures and associates and lease receivables

	31 March 2025 £m	Cash flow £m	Additional leases £m	Other non-cash movement [1] £m	Changes in fair value £m	Exchange movement £m	30 September 2025 £m
Cash and bank balances	646.6	56.5	-	-	-	1.7	704.8
Bank overdrafts	(0.1)	-	-	-	-	-	(0.1)
Cash, cash equivalents and bank overdrafts	**646.5**	**56.5**	**-**	**-**	**-**	**1.7**	**704.7**
Debt	(751.2)	2.7	-	(2.4)	(12.2)	(10.0)	(773.1)
Derivatives hedging Group debt	(10.8)	-	-	-	6.1	-	(4.7)
Lease liabilities	(274.6)	22.8	(45.7)	-	-	0.5	(297.0)
Changes in liabilities from financing arrangements	**(1,036.6)**	**25.5**	**(45.7)**	**(2.4)**	**(6.1)**	**(9.5)**	**(1,074.8)**
Lease receivables	44.6	(29.0)	19.3	-	-	0.5	35.4
Loans to joint ventures and associates	3.6	(0.3)	-	-	-	-	3.3
Derivatives hedging interest on Group debt	(31.4)	-	-	-	11.7	-	(19.7)
Net debt	**(373.3)**	**52.7**	**(26.4)**	**(2.4)**	**5.6**	**(7.3)**	**(351.1)**

13. Retirement benefits and liabilities

The fair value of the assets and the present value of the liabilities of the Group pension schemes at 31 March were as follows:

	30 September 2025 £m	31 March 2025 £m
Fair value of plan assets		
Growth assets		
Equities	173.3	93.1
Property funds	177.7	152.9
High yield bonds/emerging market debt	6.4	0.4
Absolute return and multi-strategy funds	161.3	143.1
Low-risk assets		
Bonds	1,053.5	1,055.8
Matching assets*	1,475.8	1,630.4
Longevity swaps	(227.7)	(244.7)
Fair value of assets before impact of asset ceiling	**2,820.3**	**2,831.0**
Impact of IFRIC 14 asset ceiling	(4.6)	-
Fair value of assets	**2,815.7**	**2,831.0**
Percentage of assets quoted	84%	74%
Percentage of assets unquoted	16%	26%
Present value of defined benefit obligations		
Active members	96.9	99.3
Deferred pensioners	872.0	903.9
Pensioners	1,815.3	1,836.2
Total defined benefit obligations	**2,784.2**	**2,839.4**
Net assets/(liabilities) recognised in the statement of financial position	**31.5**	**(8.4)**

* Matching assets primarily comprise a "Liability Driven Investment" portfolio, which invests in gilts, Network Rail bonds, gilt repurchase agreements, interest rate and inflation swaps, asset swaps and cash, on a segregated basis. For certain schemes, there are also investments in investment grade credit, via both segregated portfolios and pooled investment vehicles. The various segregated portfolios and pooled investment vehicle each utilise derivative contracts. The Trustee has authorised the use of derivatives by the investment managers for efficient portfolio management purposes including to reduce certain investment risks such as interest rate risk and inflation risk. The principal investment in derivatives is gilt repurchase agreements, interest rate and inflation swaps in the matching portfolios and total return swaps in the return seeking portfolios. These derivatives are included within the matching assets and equities classifications. Repurchase agreements are entered into with counterparties to better offset the scheme's exposures to interest and inflation rates, whilst remaining invested in assets of a similar risk profile.

An analysis of the movement in the Group statement of financial position is set out below.

	30 September 2025 £m	31 March 2025 £m
Fair value of plan assets (including reimbursement rights)		
At 1 April	**2,831.0**	**3,084.3**
Interest on assets	78.5	142.1
Actuarial loss on assets	(5.5)	(292.6)
Employer contributions	11.6	107.0
Benefits paid	(99.9)	(209.8)
As at period end	**2,815.7**	**2,831.0**
Present value of benefit obligations		
At 1 April	**2,839.4**	**3,194.0**
Service cost	1.7	11.1
Incurred expenses	2.5	6.8
Past service cost	-	(1.2)
Interest cost	78.5	146.6
Experience losses/(gains)	11.6	11.8
Actuarial gain - demographics	-	(4.7)
Actuarial gain - financial	(49.6)	(315.2)
Benefits paid	(99.9)	(209.8)
As at period end	**2,784.2**	**2,839.4**
Net asset / (liability) at period end	**31.5**	**(8.4)**

Net asset / (liability) at period end	[illegible]	[illegible]

The amounts recognised in the Group income statement are as follows:

	30 September 2025 £m	30 September 2024 £m
Current service cost	1.7	7.1
Past service cost - plan amendments	-	(0.3)
Incurred expenses	2.5	3.4
Total included within operating profit	**4.2**	**10.2**
Net interest cost/(credit) - note 4	-	2.0
Total included within income statement	**4.2**	**12.2**

As at 30 September 2025 the key assumptions used in valuing pension liabilities were:

Discount rate	5.7% - 6.05% (31 March 2025: 5.7%)
Inflation rate (RPI)	2.95% - 3.00% (31 March 2025: 3.1%)
Inflation rate (CPI)	2.45% - 2.7% (31 March 2025: 2.7%)

14. Related party transactions

30 September 2025	Revenue to (£m)	Purchases from (£m)	Period end receivables balance (£m)	Period end payables balance (£m)
Alert Communications Limited	3.1	-	1.0	-
AirTanker Services Limited	7.0	-	0.2	-
Advanced Jet Training Limited	1.6	-	0.3	-
Rear Crew Training Limited	0.6	-	-	-
Ascent Flight Training (Management) Limited	2.3	-	0.2	-
Fixed Wing Training Limited	3.5	-	-	-
Rotary Wing Training Limited	3.3	-	-	-
Alkali Metal Processing Limited	0.3	3.2	-	-
	21.7	**3.2**	**1.7**	-

30 September 2024	Revenue to (£m)	Purchases from (£m)	Period end receivables balance (£m)	Period end payables balance (£m)
Alert Communications Limited	3.1	-	1.1	-
AirTanker Services Limited	6.4	-	0.1	-
Advanced Jet Training Limited	1.4	-	0.2	-
Rear Crew Training Limited	0.6	-	-	-
Ascent Flight Training (Management) Limited	0.7	-	-	-
Fixed Wing Training Limited	3.2	-	-	-
Rotary Wing Training Limited	4.4	-	-	-
Alkali Metal Processing Limited	0.7	1.6	0.1	-
First Swietelsky Operation and Maintenance	5.1	-	-	(0.1)
	25.6	**1.6**	**1.5**	**(0.1)**

15. Contingent liabilities

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control, or a present obligation that is not recognised because it is not probable that an outflow of economic benefits will occur, or the value of such outflow cannot be measured reliably. The Group does not recognise contingent liabilities. There are a number of contingent liabilities that arise in the normal course of business, including:

a) The nature of the Group's long-term contracts means that there are reasonably frequent contractual issues, variations and renegotiations that arise in the ordinary course of business, including liabilities that arise on completion of contracts and on conclusion of relationships with joint ventures and associates. The Group takes account of the advice of experts, both internal and external, in making judgements on contractual issues and whether the outcome of negotiations will result in an obligation to the Group. The Directors do not believe that the outcome of these matters will result in any material adverse change in the Group's financial position.

b) As a large contracting organisation, the Group has a significant number of contracts with customers to deliver services and products, as well as with its supply chain, where the Group cannot deliver all those services and products itself. The Group is involved in disputes and litigation, which have arisen in the course of its normal trading in connection with these contracts. Whilst the Directors do not believe that the outcome of these matters will result in any material adverse change in the Group's financial position, it is possible that, if any of these disputes come to court, the court may take a different view to the Group.

c) The Group is subject to corporate and other tax rules in the jurisdictions in which it operates. Changes in tax rates, tax reliefs and tax laws, or interpretation of the law, by the relevant tax authorities may result in financial and reputational damage to the Group. This may affect the Group's financial condition and performance.

d) The Group has given certain indemnities and warranties in the course of disposing of businesses and companies and in completing contracts. The Group believes that any liability in respect of these is unlikely to have a material effect on the Group's financial position.

e) Corporate rules in those jurisdictions may also extend to compensatory trade agreements, or economic offset rules, where we may have to commit to use local content in delivering programmes of work. Delivery of offset is also subject to interpretations of law and agreement with local authorities, which we monitor closely but may give rise to financial and reputational damage to the Group if not undertaken appropriately.

Statement of Directors' responsibilities

This half year report is the responsibility of the Directors who each confirms that, to the best of their knowledge:

- this condensed set of financial statements has been prepared in accordance with United Kingdom adopted IAS 34 (Interim Financial Reporting); and
- the interim management report herein includes a fair review of the information required by:
    - Rule 4.2.7 of the Disclosure & Transparency Rules (indication of the important events during the first six months, and their impact on the condensed set of financial statements, and a description of principal risks and uncertainties for the remaining six months of the year); and
    - Rule 4.2.8. of the Disclosure & Transparency Rules (disclosure of related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the entity during that period; and any changes in the related parties transactions described in the last annual report that could have a material effect on the financial

parties transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year).

Approved by the Board and signed on behalf of the Directors by:

David Lockwood
Chief Executive

David Mellors
Chief Financial Officer

20 November 2025

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