

23 January 2026

Third quarter trading update - strong financial and operational delivery underpins confidence in full year expectations

Babcock International Group ("Babcock" or "the Group") provides an update on trading for the nine months of the financial year ending 31 March 2026.

Trading update to 31 December 2025

Performance through the third quarter has seen a continuation of the strong performance reported at the half year, with the Group delivering good organic revenue growth and underlying operating margin progression. With the vast majority of forecast revenue for the year now contracted, we are confident in delivering on the Board's expectations for FY26 trading, including meeting the FY26 margin target of 8%. Should the Indonesian Arrowhead licenses (see below) be delivered in year, this should provide upside to current expectations.

Strong H1 growth continued into Q3 in Nuclear, driven by new build clean energy projects and submarine support activities. Growth was also strong in Aviation, primarily due to the ongoing ramp-up of the French Mentor 2 contract. Marine also reported good growth, reflecting higher LGE volumes and growth of the Skynet programme. These factors more than offset the expected lower revenue in Land, due to continuing lower activity in Rail.

Continued strategic and operational momentum support future growth ambitions

Babcock's business momentum and operational performance have continued through the period with consistent delivery of our unique and critical capabilities for our customers around the world. The strategic progress we have made and our expectation of significant opportunities across all of our business into the medium term support our future growth ambitions. Notable achievements in the period included:

- Indonesia Maritime Partnership Programme (MPP):** In November, Babcock was selected as the prime industrial partner for Indonesia's £4 billion Maritime Partnership Programme. This initiative will see the UK and Indonesia jointly develop maritime capabilities for Indonesia's navy and fishing fleets, strengthening food security in the process. On 20th January 2026, we signed a Letter of Intent covering the aims of the whole MPP and an agreement for the sale of two further Arrowhead 140 licences to be delivered in the next few months.
- Arrowhead programmes:** In December, we passed another milestone on the T31 programme, laying the keel on ship 3, HMS Formidable, in our Rosyth facility in Scotland. The second ship, HMS Active, is on track for roll out and steel cut on ship 4, HMS Bulldog, are both expected in the coming weeks. We continue to progress discussions on our other international naval ship programme opportunities.
- US Virginia Class submarine build:** We expanded our strategic partnership with HII to support the US Virginia Class nuclear submarine programme in Rosyth. The contract will build resiliency within HII's submarine supply base by authorising Babcock to manufacture and build complex submarine assemblies at Rosyth for Virginia-class Block VI fast-attack submarines, a critical component of the AUKUS trilateral partnership between Australia, the UK and the US.
- ARMOR Force - positioning for UK Royal Navy (RN) autonomous transformation:** We further enhanced our partnership with HII, and defence technology company Arondite, to launch the Autonomous and Remote, Maritime Operational Response - Force, (ARMOR Force) to drive the delivery of a hybrid navy through the combined use of autonomous and crewed systems in the maritime domain.¹ The intention is to create a Type 31 Common Command Vessel capability enabling the RN's latest frigates to control a networked force of large autonomous vessels and systems to deliver resilient anti-submarine, air defence and strike capabilities.
- UK Land programmes progression:** Ramp up of the £1 billion five-year DSG follow-on contract continued through the third quarter. Also in the period, the first of 53 six-wheeled high mobility Jackal 3 "Extenda" vehicles for the British Army rolled off our production line in Devonport.
- FMSP follow on contract:** We remain fully engaged with our customer regarding 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.

Capital allocation

We couple our operational performance with disciplined capital allocation to drive shareholder value creation. Of the £200 million share buyback programme we commenced in Q2, we have returned £90 million to date and intend to complete the programme around the March year end.

CEO retirement and succession

Today we also announce the decision of David Lockwood, Group Chief Executive, to retire by the end of this calendar year. Following an extensive internal and external search process, the Board has chosen Harry Holt, the current CEO of Babcock's Nuclear sector, as his successor. Please see the full RNS issued today.

¹ As at 23 January 2026, the average of analysts' forecasts, compiled by Modular Finance, for FY26 revenue was £5,082 million, (with a range of £5,026 million to £5,130 million) and for underlying operating profit, £409 million (with a range of £403 million to £416 million). Consensus can be found on our website at: www.babcockinternational.com/investors/consensus/

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