Babcock International Group PLC

Half year results for the six months ended 30 September 2026

This announcement contains inside information

19 November 2026

Strong foundations and growth momentum – full year expectations unchanged

Statutory results	30 September 2026	30 September 2025
Revenue	**£2,697.7m**	£2,538.6m
Operating profit	**£220.7m**	£234.3m
Basic earnings per share	**32.4p**	33.7p
Interim dividend per share	**2.8p**	2.5p
Cash generated from operations	**£294.0m**	£226.9m

Underlying results[1]	30 September 2026	30 September 2025
Contract backlog	**£8.9bn**	£9.9bn
Underlying operating profit	**£227.3m**	£201.1m
Underlying operating margin	**8.4%**	7.9%
Underlying basic earnings per share	**32.7p**	28.5p
Underlying free cash flow	**£185.8m**	£140.6m
Net debt	**£(267.4)m**	£(351.1)m
Net funds/(debt) excluding leases	**£34.7m**	£(55.8)m

Harry Holt, Chief Executive Officer, said:

"Babcock's strong first-half performance reflects the continued momentum across the Group. We remain focused on growing our established businesses profitably in the UK and internationally, underpinned by multi-year programmes that provide good medium term revenue visibility. Our critical defence, nuclear and associated infrastructure capabilities place us at the heart of allied defence readiness and national strategic resilience requirements. Recognising the critical role we play, especially in the delivery of UK Defence's highest priority – the Continuous At Sea Deterrent, our commitment to customer delivery remains unwavering.

"As customer requirements evolve, we are increasingly focused on delivering connected, technology-enabled and adaptable solutions that help allied forces maintain operational advantage. Alongside the UK and international growth of our core business, we are actively leveraging our capabilities to capture opportunities in two additional growth vectors: the hybrid nature of warfare and strengthening national strategic resilience.

"We are well positioned to deliver on our medium-term targets and the next phase of growth, with a clear strategy and significant opportunities ahead for long-term shareholder value creation."

Good progress in first half, full year expectations unchanged

- **Contract backlog**: £8.9 billion, reflecting long-term contract execution, significant H2 order intake expected
- **Revenue**: £2,698 million, up 5% organically led by Nuclear and Aviation. Defence revenues grew 8%
- **Underlying operating profit**: £227 million, up 13%, with strong performance in Nuclear and Aviation
- **Underlying operating margin**: 8.4%, up 50 basis points, demonstrating good progress towards our medium-term target of at least 9%
- **Underlying EPS**: up 15% to 32.7p
- **Underlying free cash flow**: £186 million, with underlying operating cash conversion of 93%
- **Net cash** excluding leases of £35 million, a £91 million year-on-year improvement, reflecting strong cash generation
- **Interim dividend** 2.8 pence per share, up 12%
- **Share buyback**: around 40% of FY27 £200 million buyback complete at 18 November
- **Outlook**: FY27 expectations unchanged, with around 90% expected FY27 revenue under contract at 1 October 2026. Medium-term guidance reconfirmed

Consistently executing our strategy to drive good, long duration growth

- Expect to sign FMSP nuclear submarine and naval base support successor contract, 'Gateway', in November
- Established multiple collaboration agreements with UK and international companies to accelerate capabilities and position for emerging growth opportunities for example in the new hybrid nature of warfare
- Secured six-year Canadian submarine support extension, with a total value of CAD$1.2 billion
- Awarded Red Air contract for French Armed Forces, a new operational training activity for Babcock
- Secured key role in the UK SMR rollout with Great British Energy-Nuclear. Mobilisation under way

Supportive markets and evolving strategy expanding our growth opportunity

- Supportive market dynamics: Increasing defence spending in the UK and internationally, and growing demand for secure, low-carbon nuclear energy, are expanding the opportunity across our established defence and nuclear capabilities
- CEO initial actions: Established new Growth, Transformation and Technology functions and reorganised internal structures to increase customer alignment, reduce complexity, improve execution and drive sustainable growth
- Strategy evolution: Continuing to grow and internationalise our core defence and nuclear businesses while leveraging our capabilities into two additional growth vectors – the new nature of warfare and national strategic resilience

Strong balance sheet, cash generation and disciplined capital allocation driving shareholder value

- Organic investment in infrastructure at Devonport and advanced manufacturing capabilities at our Rosyth facility
- New £200 million buyback launched in July. Expect to be complete by end of FY27 (around £80 million completed as at 18 November)
- 12% increase in the interim dividend to 2.8 pence per share
- Continue to assess pipeline of inorganic investment opportunities in line with our disciplined M&A strategy

Outlook

- For FY27, our expectations for another year of good progress are unchanged, supported by strong revenue visibility, with around 90% revenue under contract at 1 October 2026
- We reconfirm our medium-term guidance of average mid-single digit organic revenue growth, underlying operating margin of at least 9% and average underlying operating cash conversion of at least 80% across the period

See page 9 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 2026. The Group has defined and outlined the purpose of its APMs in the Financial Glossary on page 24.

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 19 November at 09:00 am (GMT). 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.

For further information:

Andrew Gollan, Director of Investor Relations	+44 (0)7936 039004
Karen Mitchell, Group Director of Communications and Marketing	+44 (0)7568 103242
James White, Managing Director, Strategic Communications, Sodali	+44 (0)7855 432699

CEO review

Introduction

We have delivered a strong start to the year, delivering continued growth in revenue, profit and cash generation. Revenue increased 5% organically, driven by strong growth in Nuclear and Aviation. Underlying operating profit grew 13% and margin improved 50 basis points to 8.4%, demonstrating good progress towards our medium-term target of at least 9%. Defence revenues increased 8% organically across the portfolio. These results demonstrate the enduring quality of our businesses and the continued focus on disciplined execution.

Since becoming Chief Executive, I have spent considerable time across the Group, meeting our people, customers and partners, reviewing our businesses and assessing the opportunities ahead. This work has reinforced my confidence in the fundamentals of the Group: deep customer relationships, differentiated engineering and technical capabilities, and strategically important positions supporting critical defence, nuclear and national strategic infrastructure.

We remain intensely focused on delivering for our customers, both in the UK and internationally, recognising the critical role we play especially in the delivery of UK Defence's highest priority – the Continuous At Sea Deterrent. By focusing on delivering for our customers, we will grow our core businesses profitably. These established businesses are underpinned by multi-year programmes that provide strong revenue visibility.

We are operating in an environment of increased geopolitical uncertainty, higher defence spending and rapid technological development which is changing the nature of warfare and increasing the importance of military readiness. Governments are placing greater emphasis on national resilience, sovereign industrial capacity, energy security and critical infrastructure. Together, these trends and demand drivers are expanding the addressable opportunity in markets where Babcock has proven capabilities and a clear ability to win.

We are therefore evolving our strategy to capture more of these growth opportunities. Alongside the continued growth we expect in our core Defence and Nuclear businesses, we are leveraging and developing our existing capabilities into two additional growth vectors: the new nature of warfare and national strategic resilience.

We will remain disciplined about where we compete and invest, focusing on opportunities where our capabilities and customer relationships provide a clear competitive advantage and can generate attractive sustainable returns. With good momentum across the Group, a strong balance sheet and opportunities ahead, we are positioned to deliver sustainable long-term growth and increasing shareholder value, giving me confidence to reconfirm our medium-term guidance of average mid-single digit organic revenue growth, underlying operating margin of at least 9% and average underlying operating cash conversion of at least 80% across the period.

HY27 performance

We drove a solid performance across the Group. The Nuclear sector delivered another strong period, with revenue up 13% at constant exchange rates, driven by 13% growth in both civil nuclear and submarine support, and underlying operating profit up 23%, taking the margin to 9.9%. Aviation revenue increased 26%, reflecting the mobilisation of Mentor 2 in France and increased activity across our international emergency services and UK defence businesses, with underlying operating profit increasing 53%. Land delivered modest revenue growth alongside further margin progression. Marine performance was lower, as a result of the expected phasing of Type 31 and anticipated lower LGE volumes following a record year.

Cash generation was good and additionally benefited from some short-term working capital timing. Underlying operating cash flow increased 28% to £213 million, representing cash conversion of 93%, compared with 83% in the prior period. This was achieved while continuing to invest in the business, particularly at Devonport and Rosyth. Underlying free cash flow increased to £186 million (HY26: £141 million). As a result, net debt reduced by £62 million during the half to £267 million and, excluding leases, we ended the period with net funds of £35 million.

Contract backlog at the half year was £8.9 billion, demonstrating consistent execution of our long-term programmes. The reduction from the prior period principally reflects trading on these programmes and, in Nuclear, the timing of the transition from Future Maritime Support Programme (FMSP) to its long-term successor contract, Gateway Agreement, which we are working to finalise prior to the end of the current extension period. A five-year Gateway order will result in a significant order intake in the second half. The scale and duration of our contracted programmes continue to provide strong visibility over future revenues.

Consistent execution across the Group

We continued to consolidate our position in critical global defence programmes with a number of contracts signed in the period, including agreeing the CAD$1.2 billion six-year extension of our work to deliver Victoria Class submarine in-service support for the Royal Canadian Navy, and the Royal Australian Navy's Anzac Class frigates five-year capability and availability contract, in partnership with Saab, for through-life engineering and supply chain support.

In September, we announced a further two-month extension of the FMSP bridging agreement with the UK Ministry of Defence (MOD), providing continuity of critical naval base and nuclear submarine fleet support services while the Gateway Agreement is finalised.

We also continue to provide critical support to the British Army. Our scope of work for the £1 billion, five-year DSG follow-on contract awarded in 2025 to provide maintenance, repair and asset management for more than 30,000 vehicles and equipment has expanded to include enhanced maintenance for 1,000 Land Rover vehicles as well as supporting the establishment of the Land Readiness Fleet.

In civil nuclear, we further expanded our relationships with modular reactor vendors, including providing technical support to X-energy's XE-100 Advanced Modular Reactor proposal for the UK. In a joint venture with Amentum, we also began mobilisation of the £300 million, 14-year Litmus Nuclear Owner's Engineer contract for Great British Energy – Nuclear's SMR programme, supporting deployment of the first SMRs in the UK.

Post period-end, we completed the sale of two Arrowhead frigate licences that Indonesia had ordered under the Maritime Partnership Programme. We were also awarded a new eight-year contract, in partnership with SDTS and Top Aces France, for the French Armed Forces Commissariat Service (SCA) to support the operational training of French Armed Forces combat units. This new activity marks a strategic step forward for Babcock as we expand our expertise into operational readiness and combat training support, whilst further growing our international business.

Early actions to capture our future potential

Following a comprehensive transition and my appointment as CEO on 31 July, a number of organisational and leadership changes have been implemented to further enable Babcock's sustainable, profitable growth and long-term performance. These have been focused on providing strategic clarity, increasing customer alignment and reducing complexity to drive profitable growth, while strengthening internal capability and accountability.

A new Transformation Office has been established to deliver enterprise-wide transformation and integration, enabling the business to scale more effectively, improve performance and deliver sustainable long-term profitable growth by modernising ways of working, standardising services and accelerating business integration.

In addition, a new Growth Office has been established to unify Babcock's growth capabilities and core international markets under a single enterprise-wide leadership structure. This change will improve alignment, sharpen execution and accelerate sustainable growth while enhancing support to customer warfighting readiness requirements.

A number of internal operating structures have also been changed in order to increase alignment between divisional capabilities and customer requirements.

We have also appointed a new Chief Technology Officer to lead the Group's approach to digital, data, AI and cyber resilience, helping to accelerate innovation, enhance customer outcomes and develop differentiated technology-enabled solutions for defence customers.

Increased global focus on readiness and resilience – a significant opportunity for Babcock

We are operating in a dynamic global context, with the pressures of geopolitical fragmentation, multipolar competition and regional conflicts coinciding with an era of intense technological change. This has resulted in greater emphasis from Governments around the world on national strategic resilience, critical infrastructure and industrial capacity, which in turn is driving structural changes in our markets. While governments continue to balance competing near-term priorities, the longer-term direction is clear, with increased defence spending, an enhanced focus on military readiness, rapid capability modernisation in response to evolving requirements and demand for sovereign capability, particularly in relation to domestic industrial capacity and energy production.

Effective warfighting in the modern era requires industry to be fully integrated into defence planning, with the capability, capacity and readiness to support national objectives before they are called upon. Recent conflicts have challenged longstanding assumptions, with the past expectation that future warfare would be short, decisive and technology-driven proving inaccurate. Instead, operations in Ukraine and elsewhere have demonstrated that warfare remains attritional and cumulative.

Armed forces continue to invest in increasingly superior platforms. These systems are being deployed in environments where attrition is unavoidable and replacement is slow. Combat effectiveness is therefore also determined by the ability to repair, replace and then return to operation, as well as the quality of the platforms available. As a result, requirements from our customers are evolving, with platforms now requiring additional readiness, mass, increasing autonomy and AI and resilience, with crewed platforms moving from the centre of combat to being part of integrated multi-domain crewed and uncrewed operations.

Equally, conflict for the UK and allied nations has moved from being predominantly focused on global force projection capability to include large elements of domestic resilience, with infrastructure, energy, cyber and undersea networks being both strategic sovereign assets and potential targets for attack or disruption. Consequently, defence budgets are now being deployed to support national security and resilience aims.

Babcock sits at the intersection of these evolving requirements, combining our customer understanding and knowledge with our defence, nuclear, technology, infrastructure, integration experience and through-life support capabilities to enhance warfighting readiness and national strategic resilience.

Strategic clarity

Our business has strong foundations and differentiated capability. We have multi-year contracts that provide us with highly visible, long-duration workflows and revenues that mean we can plan for the long term.

As we evolve our strategy for the next stage of our growth our focus is on:

- Growing our core business; and
- Enhancing longer term growth through two additional growth vectors:
    1. Positioning Babcock at the heart of the new nature of warfare
    2. Strengthening national strategic resilience

Further details are set out below.

Growing our core business

Our first priority is to continue to drive growth by delivering on our existing contracts and commitments consistently, efficiently and profitably. This means maintaining a relentless focus on operational execution, improving delivery performance and productivity, and converting the strength of our backlog into sustainable earnings and cash flow. Across our established defence and civil nuclear businesses, we have long-term positions with our customers, including critical roles supporting the UK's strategic defence and nuclear infrastructure.

Alongside delivering the existing portfolio, we see potential to grow these core businesses. The market environment is increasingly aligned with Babcock's capabilities and established customer positions. In Defence, increased spending is driving the recapitalisation and modernisation in all domains, investment in infrastructure and technology, and greater requirements for training, readiness and through-life support. In civil nuclear, the UK is investing in additional power generation through gigawatt scale programmes, such as Hinkley Point C and Sizewell C, while international opportunities are also emerging.

Against this backdrop, we are concentrating investment and business development on areas where Babcock has established capabilities and deep customer relationships, including:

- Naval ship and submarine build
- Through-life support and sustainment
- Nuclear engineering
- Infrastructure management and support
- Aviation training and in-service support
- Land fleet support and systems integration
- Secure communications, weapons handling and mission systems
- Systems integration

These capabilities are closely aligned with the priorities set out in the UK Defence Investment Plan (DIP) which provides £298 billion of defence spending over the next four years. While £11 billion is expected to be delivered through MOD efficiencies, potentially affecting some budgets, Babcock's positions are predominantly critical, non-discretionary and long-term areas of defence expenditure.

This includes £64 billion for the UK's Defence Nuclear Enterprise to modernise and sustain the UK's Continuous At Sea Deterrent, as well as investment in autonomous systems, and £1.5 billion for the development of a hybrid navy, where our Arrowhead platform, ARMOR Force solution and through-life system support capabilities position us well to participate. The DIP also supports significant investment in naval infrastructure, including £7 billion at HMNB Devonport and the Dockyard and £15 billion at HMNB Clyde as part of the 10-year, £26 billion Project Royal Oak programme.

We are also leveraging our UK platform and expertise to expand our international footprint. We are continuing to progress opportunities in priority markets, including work on the Columbia Class and HII Virginia Class submarine programmes in the US, AUKUS in Australia, through our H&B joint venture with HII, the Maritime Partnership Programme in Indonesia and a number of frigate opportunities in key markets including Denmark, New Zealand and potentially the US.

Positioning Babcock at the heart of the new nature of warfare

Our first additional growth vector, the new nature of warfare, leverages our role as an agile systems integrator for crewed and uncrewed platforms. This is aligned to NATO's targeted increase in force lethality and the increasing role of three layers of platforms - attritable and consumable unmanned platforms alongside survivable crewed combatants - the defence capability ecosystem is evolving to support this. For Babcock, our capabilities surround and connect all three layers of platforms, providing an integrating layer across design, manufacturing, integration, training and through life support, with an attractive and growing market opportunity.

Our ARMOR Force offering demonstrates this opportunity, with our Arrowhead platform providing a Common Combat Vessel capability, enabling the control of a networked force of large autonomous uncrewed vessels and systems. In addition to our existing partnerships with HII and Arondite, we announced further partnerships with CUBEDIN, Exail, Hensoldt, Kraken Technology Group, SH Defence, Stormborn and Thales post period end, creating the first end-to-end ecosystem to deliver coherent hybrid navy capability at scale, with Babcock serving as a systems integrator, bringing together platforms, payloads, software and support services into one coherent capability, underpinned by common standards, assured integration and through-life support.

To capture this opportunity, we will increase our focus on future mission-critical capabilities to support both crewed and uncrewed combatants, targeting markets and expanding into international territories where Babcock has clear competitive advantage and growth potential, along with further expanding our collaboration and partnership model.

Strengthening national strategic resilience

The second additional growth vector for Babcock is the strengthening of national strategic resilience. Geopolitical volatility and supply chain vulnerabilities have elevated strategic resilience, with nations prioritising operational readiness over friction-free global trade assumptions. In the short term, nations are moving away from lean, just-in-time procurement models and transitioning toward continuous operational availability, robust reserve stockpiles and sovereign industrial capacity.

Governments are also fortifying energy grids, transport networks and digital infrastructure against growing physical and cyber threats. This creates significant opportunity for Babcock to expand its role in sovereign capability, critical infrastructure, energy security and allied readiness, as customers increasingly prioritise local supply chains and domestic industrial ecosystems to ensure operational independence and reduce reliance on fragile overseas logistics during crises.

The result is a heightened awareness of the need to work with trusted delivery partners capable of securing mission-critical operational endurance, providing us with a key opportunity to build on our work, critical to our customers.

For example, in energy security, the UK is targeting a four-fold increase in nuclear energy generation capacity by 2050. We are working in tandem with the UK Government; we are further progressing our position as a key partner in the SMR, AMR and deployable micro reactors space, as well as in nuclear fuels, both in the UK and internationally.

We already operate UK critical national infrastructure and support energy security such as the current UK civil nuclear generating fleet, the RAF operational sites through our HADES contract, Faslane, Devonport and Rosyth dockyards.

A further emerging opportunity under national strategic resilience is the physical protection of both civil and military critical national infrastructure. We are currently tracking programmes and live opportunities in France, Canada and the Middle east for Counter UAS protection.

Capital allocation

Our strong cash generation and balance sheet provide the flexibility to maintain investment in the business while delivering increasing returns to shareholders. We continue to prioritise organic investment in capabilities and capacity that support our long-term growth opportunities, including advanced manufacturing at Rosyth and critical infrastructure at Devonport.

Having completed the previous £200 million share buyback in April, we launched a further £200 million programme in July, which we expect to complete by the end of FY27. We have also announced a 12% increase in the interim dividend to 2.8 pence per share. Alongside this, we remain committed to assessing selective inorganic opportunities where they can accelerate our strategy and meet our disciplined investment criteria.

Outlook

We remain confident in the outlook for the Group and our expectations for FY27 are unchanged. Around 90% of expected FY27 revenue was under contract at 1 October, providing good visibility for the remainder of the year, while the margin progress achieved in the first half demonstrates continued momentum towards our medium-term guidance.

Our position in structurally growing domestic and international defence and nuclear markets, together with the opportunities created by our evolving strategy, gives us confidence in our ability to deliver sustainable growth and increasing shareholder value over the long term.

Harry Holt

Chief Executive

Other information

Dividend

An interim dividend of 2.8 pence per ordinary share (HY26: 2.5 pence per share) is payable on Friday, 15 January 2027 to shareholders whose names appear on the register at the close of business on Friday, 27 November 2026. Shareholders may participate in the dividend re-investment plan and elections must be made by Tuesday, 22 December 2026. 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 24.

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 2026			30 September 2025		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Revenue	**2,697.7**	**–**	**2,697.7**	**2,538.6**	**–**	**2,538.6**
Operating profit	**227.3**	**(6.6)**	**220.7**	**201.1**	**33.2**	**234.3**
Operating margin	*8.4%*		*8.2%*	*7.9%*		*9.2%*
Share of results of joint ventures and associates	5.7	–	5.7	4.2	–	4.2
Net finance costs	(14.5)	4.3	(10.2)	(13.5)	1.3	(12.2)
Profit before tax	**218.5**	**(2.3)**	**216.2**	**191.8**	**34.5**	**226.3**
Income tax (expense)	(56.6)	0.9	(55.7)	(49.3)	(8.5)	(57.8)
Profit after tax	**161.9**	**(1.4)**	**160.5**	**142.5**	**26.0**	**168.5**
Of which:						
Profit/(loss) attributable to non-controlling interest	0.7	–	0.7	(0.8)	–	(0.8)
Profit attributable to the owners of the parent	**161.2**	**(1.4)**	**159.8**	**143.3**	**26.0**	**169.3**
Basic EPS	**32.7p**	**(0.3)p**	**32.4p**	**28.5p**	**5.2p**	**33.7p**
Diluted EPS	**32.1p**	**(0.3)p**	**31.8p**	**28.0p**	**5.0p**	**33.0p**

A full statutory income statement can be found on page 34.

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 on page 10 and in note 2 of the interim financial statements.

Revenue of £2,698 million grew 5% organically at constant FX, driven by strong growth in Nuclear and Aviation. See segmental tables on page below.

- **Marine** revenue decreased 7% (at constant FX) to £769 million due to the phasing of the Type 31 build and the expected reduction in LGE volumes, following the record prior period. As a result, defence revenues decreased 4% and civil business revenues decreased 17%.
- **Nuclear** revenue increased 13% (at constant FX) to £1,115 million, with strong growth in both civil nuclear and submarine support under the FMSP programme. Major Infrastructure Programme (MIP) revenue also increased to £237 million (HY26: £215 million). As a result, defence and civil revenues both grew 13% in the period.
- **Land** revenue increased 2% (at constant FX) to £557 million as growth in UK and overseas military vehicle support and initial UK vehicle deliveries was partially offset by reductions in civil businesses, including lower Emergency Services training and vehicle support. As a result, defence revenues grew 6% and civil revenues declined 3%.
  Aviation revenue increased 26% (at constant FX) to £257 million due to the mobilisation of the Mentor 2 programme in France and increased activity in UK defence. As a result, defence revenues grew 50%, while civil revenues were broadly flat.

Underlying operating profit increased by 13% to £227.3 million driven by strong performance in Nuclear and Aviation. As a result, underlying operating margin increased to 8.4% (HY26: 7.9%).

- **Marine** underlying operating profit decreased 9% to £50.2 million principally due to the lower revenues. Underlying operating margin decreased slightly to 6.5% (HY26: 6.7%) as margin progress was offset by the LGE revenue decrease and lower margin on some Mission Systems projects.
- **Nuclear** underlying operating profit increased 23% to £110.2 million due to the higher revenues, and the final year of trading on FMSP. As a result, underlying operating margin increased to 9.9% (HY26: 9.1%).
- **Land** underlying operating profit increased 7%, or 3% on a constant currency basis, to £44.7 million due to the higher revenues. As a result, underlying operating margin increased slightly to 8.0% (HY26: 7.9%).
- **Aviation** underlying operating profit increased 53% to £22.2 million, reflecting higher revenues, primarily in the French defence businesses, and included a £2 million profit on disposal of aircraft. As a result, underlying operating margin increased to 8.6% (HY26: 7.2%).

Segmental analysis

30 September 2026	Marine £m	Nuclear £m	Land £m	Aviation £m	Total £m
Contract backlog	2,889	1,242	2,946	1,879	8,956
Revenue	768.9	1,115.2	556.8	256.8	2,697.7
Statutory operating profit	43.0	110.2	44.7	22.8	220.7
Statutory operating margin	5.6%	9.9%	8.0%	8.9%	8.2%
Underlying operating profit	50.2	110.2	44.7	22.2	227.3
Underlying operating margin	6.5%	9.9%	8.0%	8.6%	8.4%

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 profit 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%

Statutory operating profit decreased to £220.7 million (HY26: £234.3 million) due to gains in the prior period from the revaluation of derivatives (c.£28 million) and the final recovery of loan receivables originating from the disposal of the Civil Training business in FY23 (c.£8 million), partially offset by higher underlying operating profit. As a result, statutory operating margin decreased to 8.2% (HY26: 9.2%).

Reconciliation of statutory to underlying operating profit

	30 September 2026 £m	30 September 2025 £m
Statutory operating profit	**220.7**	**234.3**
Amortisation of acquired intangibles	6.0	5.7
Business acquisition, merger and divestment related items	–	(8.5)
Exceptional items	(1.8)	(2.1)
Fair value movement on derivatives	2.4	(28.3)
Specific adjusting items impacting operating profit	**6.6**	**(33.2)**
Underlying operating profit	**227.3**	**201.1**

Share of joint ventures and associates on a statutory basis was a profit of £5.7 million (HY26: profit of £4.2 million).

Net finance costs

- **Underlying net finance costs** increased to £14.5 million (HY26: £13.5 million) due to the refinancing of the Group's £250 million bond partway through the period.
- **Statutory net finance costs** decreased to £10.2 million (HY26: £12.2 million), reflecting the fair value movement of derivatives which hedge interest cost, as well as the increase in underlying net finance costs.

Income tax expense

- **Underlying income tax expense** increased to £56.6 million (HY26: £49.3 million) due to higher underlying operating profit. This represents an effective underlying tax rate of 26.6% (HY26: 26.3%), 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** decreased to £55.7 million (HY26: £57.8 million), lower 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 15% to 32.7 pence (HY26: 28.5 pence), reflecting higher underlying operating profit.
- **Basic earnings per share** on a statutory basis decreased 4% to 32.4 pence (HY26: 33.7 pence) due to the improvement in underlying earnings per share offset by the gain in the prior period on specific adjusting items outlined above.

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

	30 September 2026		30 September 2025	
	£m	Basic EPS	£m	Basic EPS
Statutory profit after tax for the year	**160.5**	**32.4p**	**168.5**	**33.7p**
Specific adjusting items, net of tax	1.4	0.3p	(26.0)	(5.2p)
Underlying profit after tax for the year	**161.9**	**32.7p**	**142.5**	**28.5p**

Dividend per share

We have announced an interim dividend of 2.8 pence per ordinary share (HY26: 2.5 pence), a 12% increase.

Exchange rates

The translation impact of foreign currency movements resulted in an increase in revenue of £29.2 million and an increase in underlying operating profit of £2.1 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 £19 million and underlying operating profit by around £2 million per annum
- A 10% movement in the Australian Dollar against Sterling would affect revenue by around £16 million and underlying operating profit by around £1 million per annum
- A 10% movement in the Euro against Sterling would affect revenue by around £8 million and underlying operating profit by less than £1 million per annum
- A 10% movement in the Canadian Dollar against Sterling would affect revenue by around £9 million and underlying operating profit by around £1 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 2026 £m	30 September 2025 £m
Statutory operating profit	**220.7**	**234.3**
Add back: specific adjusting items (see table on page 43)	6.6	(33.2)
Underlying operating profit	**227.3**	**201.1**
Right of use asset depreciation & impairment	24.9	25.0
Other depreciation & amortization	43.9	39.2
Non-cash items	10.3	6.3
Working capital movements	18.2	(31.8)
Provisions	(23.6)	(5.4)
Net capital expenditure	(60.5)	(45.5)
Lease principal payments	(28.0)	(22.8)
Underlying operating cash flow	**212.5**	**166.1**
Underlying operating cash conversion (%)	*93%*	*83%*
Pension contributions in excess of income statement	(7.0)	(7.4)
Interest paid (net)	(11.3)	(12.8)
Tax paid	(15.0)	(12.4)
Dividends from joint ventures and associates	6.6	7.1
Underlying free cash flow	**185.8**	**140.6**
Net acquisitions and disposals of subsidiaries	–	8.5
Dividends paid (including non-controlling interests)	(24.6)	(23.0)
Purchase of own shares	(110.6)	(65.1)
Purchase of other investments	–	(2.1)
Lease principal payments	28.0	22.8
Net new lease arrangements	(13.6)	(55.4)
Other non-cash debt movements	(0.7)	(2.4)
Fair value movement in debt and related derivatives	(9.1)	5.6
Exchange movements	6.4	(7.3)
Movement in net debt	**61.6**	**22.2**
Opening net debt	(329.0)	(373.3)
Closing net debt	**(267.4)**	**(351.1)**
Add back: leases	302.1	295.3
Closing net funds/(debt) excluding leases	**34.7**	**(55.8)**

A full statutory cash flow statement can be found on page 37 and a reconciliation to net debt on page 27.

Underlying operating cash flow increased 28% to £212.5 million (HY26: £166.1 million) largely due to the increase in underlying operating profit. The conversion ratio of underlying operating cash to underlying operating profit was 93% (HY26: 83%), which included continued investment in our operations, particularly in Devonport and Rosyth, with net capex remaining ahead of depreciation. These impacts were partially offset by some short-term timing benefits in working capital, including indirect tax payment timing. Capital expenditure is reconciled in the financial glossary on page 29.

Underlying free cash flow increased to £185.8 million (HY26: £140.6 million), reflecting higher underlying operating cash flow. 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 in the prior period on the final settlement of loan receivables originating from the disposal of the Civil Training business in FY23. Cash flows from acquisitions and disposals 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, £13.6 million (HY26: £55.4 million) of net new lease arrangements were entered into in the period. The significant increase in the prior period related to aircraft to support new contracts in Canada and Australia. New lease arrangements are 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 2026 £m	30 September 2025 £m
Underlying operating cash flow	**212.5**	**166.1**
Add: net capital expenditure	60.5	45.5
Add: lease principal payments	28.0	22.8
Less: pension contributions in excess of income statement	(7.0)	(7.4)
Less: Non-operating cash items (excluded from underlying cash flow)	–	(0.1)
Cash generated from operations	**294.0**	**226.9**
Tax paid	(15.0)	(12.3)
Net interest paid	(11.3)	(12.8)
Net cash flows from operating activities	**267.7**	**201.8**

Statutory cash flow summary

	30 September 2026 £m	30 September 2025 £m
Net cash flow from operating activities	**267.7**	**201.8**
Net cash flow from investing activities	(54.0)	(31.7)
Net cash flow from financing activities	83.4	(113.6)
Net increase in cash, cash equivalents and bank overdrafts	**297.1**	**56.5**

Net cash flow from operating activities increased to £267.7 million (HY26: £201.8 million) due to higher underlying operating cash flow.

Net cash flow from investing activities was an outflow of £54.0 million (HY26: outflow of £31.7 million). The increase relates to higher capital expenditure and the final settlement of loan receivables originating from the disposal of the Civil Training business in the prior period.

Net cash flow from financing activities was an inflow of £83.4 million (HY26: outflow of £113.6 million). This reflects a £250.0 million inflow from the new bond issuance (HY26: £nil), offset by £28.0 million lease principal payments (HY26: £22.8 million), £24.6 million dividends paid (HY26: £23.0 million) and £110.6 million purchase of own shares (HY26: £65.1 million) from completion of the first £200 million buyback and commencement of the second £200 million buyback.

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

	30 September 2026 £m	30 September 2025 £m
Net increase in cash, cash equivalents and bank overdrafts	**297.1**	**56.5**
Cash flow from the increase in debt	(241.0)	(3.8)
Change in net funds resulting from cash flows	**56.1**	**52.7**
Additional lease obligations	(24.0)	(45.7)
New lease receivables granted	32.9	19.3
Other non-cash movements and changes in fair value	(9.8)	3.2
Foreign currency translation differences	6.4	(7.3)
Movement in net debt in the period	**61.6**	**22.2**
Opening net debt	(329.0)	(373.3)
Closing net debt	**(267.4)**	**(351.1)**

Net debt

Net debt at 30 September 2026 was £267.4 million, a reduction of £61.6 million in the period as £185.8 million underlying free cash flow was partially offset by dividend payments of £24.6 million and £110.6 million to purchase own shares. Excluding leases the net funding position was positive, with net funds of £34.7 million.

Components of net debt

	30 September 2026 £m	31 March 2026 £m
Cash and cash equivalents	1,019.4	723.6
Current liabilities – bank debt and other loans	(761.7)	(299.7)
Non-current liabilities – bank debt and other loans	(251.8)	(474.9)
Other debt instruments (includes loans to JVs)	(28.6)	(16.6)
Net finance leases	57.4	44.9
Closing net funds/(debt) excluding leases	**34.7**	**(22.7)**
Include leases	(302.1)	(306.3)
Closing net debt	**(267.4)**	**(329.0)**

At 30 September 2026, the Group reported cash and cash equivalents of £1,019 million and gross debt of £985 million, resulting in a net surplus position of £35 million. The period-end position reflected the proactive management of the Group's debt maturity profile, including the issuance of a £250 million bond in July 2026 at a fixed coupon of 5.125%. As the proceeds were raised in advance of the scheduled repayment of the Group's £300 million bond in October 2026, both the new and maturing debt instruments were outstanding at the reporting date. Consequently, the net debt position at the half year reflected a temporary overlap between refinancing proceeds and the repayment of the existing bond.

The Group remains committed to maintaining a prudent and diversified capital structure. In this context, preparations are underway for the refinancing of the Group's €550 million bond maturing in September 2027. Consistent with the Group's capital structure policy, a range of financing alternatives continues to be assessed, with public bond issuance currently expected to remain the principal source of long-term funding. The final structure of any refinancing, including the currency, size, tenor and timing of issuance, will be determined with reference to the Group's funding requirements and prevailing market conditions.

Summarised balance sheet

	30 September 2026 £m	31 March 2026 £m
Intangible assets	904.6	913.8
Property, plant and equipment and right of use assets	870.0	849.8
Investment in joint ventures, associates and other investments	43.2	44.2
Working capital	(730.9)	(704.3)
Provisions	(178.6)	(201.5)
Net retirement benefit surplus/(deficit)	22.5	(34.0)
Net tax assets	33.2	73.3
Net other financial assets and liabilities	17.2	17.0
Leases	(302.1)	(306.3)
Net funds/(debt) excluding leases	34.7	(22.7)
Net assets	**713.8**	**629.3**

Property, plant and equipment (PP&E) and right of use assets increased by £20.2 million due to investment in our operations, particularly in Devonport and Rosyth, which continues to exceed depreciation. Provisions reduced by £22.9 million primarily due to the utilisation of the Type 31 contract loss provision. Working capital decreased due to timing benefits, notably in relation to indirect tax cycles.

Funding and liquidity

As of 30 September 2026, the Group had access to a total of £1.7 billion of borrowings and facilities. These comprised:

- £600 million RCF, maturing on 17 July 2031 with one option year and accordion expansion facility for a further uncommitted £200 million for the duration of the agreement.
- £250 million bond maturing on 14 July 2031
- £300 million bond maturing on 5 October 2026 (repaid following the period end)
- €550 million bond, hedged at £493 million, maturing on 13 September 2027
- An overdraft facility of £50 million

At 30 September 2026, the Group's net cash (cash and cash equivalents less overdrafts) balance was £1,019.4 million. This, combined with the undrawn amounts under our committed RCFs and overdraft facilities, gave us liquidity of around £1.7 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 2026, the IAS 19 valuation for accounting purposes was a net surplus of £22.5 million (FY26: net deficit of £34.0 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 £2,717.6 million decreased by £86.8 million, driven by asset returns being lower than the IAS 19 expected return on plan assets. The present value of pension benefit obligations of £2,695.1 million decreased by £143.3 million driven by an increase in the net discount rate. The fair value of the assets and liabilities of the Group pension schemes at 30 September 2026 and the key assumptions used in the IAS 19 valuation of our schemes are set out in note 13 on page 53.

	30 September 2026 £m	31 March 2026 £m
Fair value of plan assets (note 13)	2,717.6	2,804.4
Present value of benefit obligations (note 13)	(2,695.1)	(2,838.4)
Net surplus / (deficit) at period end	**22.5**	**(34.0)**

Income statement charge

The charge included within underlying operating profit in HY26 for defined benefit pension schemes was £4.1 million (HY26: £4.2 million), of which £1.7 million related to service costs (HY26: £1.7 million) and £2.4 million to expenses (HY26: £2.5 million). The net interest charge was £0.5 million (HY26: £nil).

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 HY27 is approximately £70 million (FY26: c.£100 million). 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 2026 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 RRDPS as at 31 March 2024 was completed in FY25, the valuation of the BIGPS as at 31 March 2025 was completed in FY26 and work is currently ongoing on the valuation of the DRDPS at 31 March 2027.

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

Cash contributions

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

	30 September 2026 £m	30 September 2025 £m
Current service contributions	1.8	2.5
Deficit recovery	5.0	5.1
Longevity swap	0.9	0.9
Total cash contributions – employer	**7.7**	**8.5**

Operational reviews

MARINE

Our c.7,800 employees design, develop, build, manufacture and integrate specialist systems, and deliver technical through-life support for complex systems and platforms in the marine sector. Over 75% of Marine's revenue is derived from defence, with our technology-led Liquid Gas Equipment (LGE) business delivering civil revenue.

Operational highlights

- Canadian submarine support extension awarded for Victoria Class In-Service Support valued at CAD$1.2 billion
- UK's flagship aircraft carrier, HMS Queen Elizabeth, docking delivered on time with 30% increased maintenance scope
- Babcock's ARMOR Force framework established with Babcock acting as single integrator for hybrid navies
- Launched new LGE product ecoAPEX and secured first increased-capacity eco SMRT contract.

Financial review

	30 September 2026 £m	30 September 2025 £m
Contract backlog*	**2,889**	2,820
Revenue	**768.9**	822.5
Underlying operating profit*	**50.2**	55.3
Underlying operating margin*	**6.5%**	6.7%

* Alternative Performance Measures are defined in the Financial Glossary on page 24.

Contract backlog increased to £2.9 billion (FY26: £2.8 billion, HY26: £2.8 billion), with revenue traded on existing contracts more than offset by new awards and scope increases. These included the six-year extension to the Canadian submarine support Victoria In-Service Support Contract, of which an initial c.CAD$0.2 billion is added to backlog, various LGE orders, and increased scope across UK and international defence programmes.

Marine revenue decreased 7% (at constant FX) to £769 million due to the phasing of the Type 31 build and the expected reduction in LGE volumes, following the record prior period. As a result, defence revenues decreased 4% and civil business revenues decreased 17%.

Marine underlying operating profit decreased 9% to £50.2 million principally due to the lower revenues. Underlying operating margin decreased slightly to 6.5% (HY26: 6.7%) as margin progress was offset by the LGE revenue decrease and lower margins on some Mission Systems projects.

Operational review

UK defence (46% of Marine revenue)

Type 31, the Inspiration Class frigates, continues to progress with four ships now in simultaneous build. Ship 1 and 2 are progressing through outfitting.

Babcock progressed its network of experts to enable ARMOR Force. Building on our existing partnerships with HII and Arondite, we have now signed framework agreements with CUBEDIN, Exail, Hensoldt, Kraken Technology Group, SH Defence, Stormborn and Thales. This creates an end-to-end ecosystem that integrates platforms, payloads, software and support services through common standards, assured integration and through-life support.

Advanced manufacturing at Rosyth continues to grow with operations now supporting the UK Dreadnought and both US Columbia and Virginia Class submarines. Additional Missile Tube contracts worth £25 million were secured over the last six months and mobilisation has begun on the initial submarine module contract with HII for the Virginia Class.

Delivery of support and maintenance programmes remained consistent across the UK Royal Navy portfolio with the aircraft carrier HMS Queen Elizabeth completing its docking period and ongoing support for Type 23 frigates. HMS Portland has been confirmed as the final Type 23 for upkeep and planning is now increasingly focused on supporting the transition to the Type 26 programme, field service engineering and future autonomous maritime capability. We successfully retained the support contract for the Royal Navy's Small Boats for a further seven-years. The retention and planning for Type 26 and Small Boats will utilise existing facilities and resource as we ramp down the Type 23 frigate programme.

Within our Missions Systems business there was further success in our provision of weapon handling with an Underwater Defensive Aids Suite contract award and an additional Typhoon Decoy Dispenser Unit contract secured. We also delivered the first Maritime Electronic Warfare System Integrated Capability (MEWSIC) programme to the UK MOD and continue to develop technologies for Counter-UAS (drone) missile launcher and Effector Agnostic Containerised Launcher System (EACLS).

We further demonstrated our systems integration expertise by securely transferring operational data using advanced encryption technology that protects sensitive information against future quantum-enabled cyber threats. The demonstration, delivered with cyber security specialist Arqit, also launched a strategic partnership to explore opportunities combining our expertise. We have also partnered with defence and security company Roke Manor Research to develop and deliver complex next-generation information, communications and sensing systems for UK defence and national security.

International defence (35% of Marine revenue)

We continue to deliver our international support programmes for the Royal Australian Navy, the Royal Canadian Navy and the New Zealand Defence Force. In the period, we sustained Australia's *Anzac Class* and surface ship support in Western Australia and New South Wales through the Regional Maintenance Provider – West (RMP-West). RMP-West delivered its largest ever volume of work during the year. The long-running Warship Asset Management Alliance (WAMA) programme will be phased out over the coming months. We also delivered Canada's HMCS Victoria submarine's docking period and the regeneration and reactivation of New Zealand's HMNZS Otago frigate.

We were awarded further international support contracts including the CAD$1.2 billion six-year extension to the Victoria In-Service Support Contract (VISSC) to support the Royal Canadian Navy's Victoria Class submarine fleet, of which c.CAD$0.2 billion is booked in contract backlog, and the Australian Frigate Capability Life Cycle Manager sustaining Anzac Class frigates valued at £62 million over five years.

We remain committed to our Arrowhead community with ORP Wicher, the first Polish Miecznik frigate, achieving float-off in August, demonstrating the success of Babcock's transfer-of-knowledge and technology model, and in Indonesia we continue to prepare for Arrowhead-related engineering services.

We are also working with Odense Maritime Technology (OMT) and the Danish naval consortium Danske Flådeskibe (DFS) on the Danish Arctic Patrol Ship Programme, providing ship design support to early design activities.

UK civil (LGE) (19% of Marine revenue)

LGE provides differentiated, technology-led solutions supporting more efficient and lower-carbon marine operations. During the period, the business delivered and commissioned systems for 30 vessels across LPG, ammonia, ethane, LNG and CO_2 markets. It also completed its first ever sales in China for higher-capacity ecoSMRT® LNG reliquefaction systems, a product which is expected to be increasingly in demand.

The LGE service business has developed and completed multiple technical dry-dock and onboard maintenance projects across Asia and Europe, including training, warranty and technical services. The product portfolio expanded in the period with the launch of ecoAPEX®, combining integrated energy management and higher-capacity compression to improve reliquefaction efficiency by up to 33% and reduce energy consumption by around 25%.

Nuclear

Our c.11,700 employees support warfighting readiness and strategic resilience across the UK nuclear enterprise, sustaining the entire submarine fleet and the supporting critical national infrastructure. Through Cavendish Nuclear, we are also positioned to support the emerging nuclear renaissance across new build, advanced reactors, operations and decommissioning.

Operational highlights

- Secured continuity of critical UK submarine and naval base support through a FMSP bridging agreement and extension in order to finalise the new long-term contract – expected to be signed in November 2026
- Awarded further Major Infrastructure Programme scope to progress Devonport's 10 dock and the Contingent Dock Facility in Rosyth
- Expanded AUKUS scope from UK submarine capabilities to programme supply chain integration
- Opened the Babcock Skills Centre to strengthen the UK nuclear skills pipeline

Financial review

	30 September 2026 £m	30 September 2025 £m
Contract backlog*	**1,242**	1,762
Revenue	**1,115.2**	989.1
Underlying operating profit*	**110.2**	89.7
Underlying operating margin*	**9.9%**	9.1%

* Alternative Performance Measures are defined in the Financial Glossary on page 24.

Contract backlog decreased to £1.2 billion (FY26: £1.8 billion, HY26: £1.8 billion), primarily reflecting revenue traded on our long-term FMSP submarine and naval base support contract and six-month bridging agreement. We expect significant order intake in H2 as we sign the new, long-term successor Gateway Agreement. During the first half, new awards and scope increases included the two-month FMSP bridging agreement extension and further activity across our Major Nuclear Capital Programmes, including 10 Dock and the Contingent Dock Facility in Rosyth.

Nuclear revenue increased 13% (at constant FX) to £1,115 million, with strong growth in both civil nuclear and submarine support under the FMSP programme. Major Infrastructure Programme (MIP) revenue also increased to £237 million (HY26: £215 million). Therefore, defence and civil revenues both grew 13% in the period.

Nuclear underlying operating profit increased 23% to £110.2 million due to the higher revenues, and the final year of trading on FMSP. As a result, underlying operating margin increased to 9.9% (HY26: 9.1%).

Operational review

UK defence (86% of Nuclear revenue)

During the period, our Major Nuclear Capital Programmes (MNCP), which supports the MIP, delivered facility upgrades across our docking facilities for both current and future submarine classes. The Submarine Refit Complex progresses to enable future class through-life support and defueling programmes. We are also developing a detailed design for a Contingent Docking Facility in Rosyth to enable further support for the future Dreadnought Class submarine.

Alongside MIP we are progressing our maintenance, support and life-extension programmes across the Vanguard and the Astute Class submarines under the FMSP contract in Devonport and Clyde. FMSP was extended for a further two months at the end of September, enabling continuity of critical submarine and naval base support, while the next generation long-term Gateway contract is finalised. The contract is strategically important as it underpins Babcock's long-term role in the UK Submarine Enterprise, aligning Babcock and the MOD behind improved submarine availability, operational resilience, the Royal Navy's move to warfighting readiness by 2029, and the successful transition between submarine classes.

In submarine defueling and dismantling programmes, preparations are underway in Devonport to deliver a Trafalgar Class defueling, as part of a £115 million contract for three submarines to be defueled, awarded by the UK MOD in 2025, with a further nine vessels require defueling. Additionally, at Rosyth, the Swiftsure Class Submarine Dismantling Project demonstrator remains on track for completion by the end of 2026, with infrastructure upgrades enabling the delivery of the wider dismantling programme.

International defence

AUKUS is extending Babcock's role from supporting sovereign UK capability to integrating the UK, Australian and US submarine industrial bases. Last year, the Australian Submarine Agency awarded H&B Defence, our joint venture with HII, a contract to deliver the Australian Submarine Supplier Qualification (AUSSQ) Programme, Australia's gateway into the US submarine supply chain. The programme has since expanded to assess Australian suppliers for Astute Class support ahead of UK deployment from 2027. The scope will help suppliers qualify to UK nuclear safety standards for potential future maintenance work on both UK and US classes in Australia.

Industrial collaboration also advanced during the period with UK colleagues mobilised to Australia to support deployed UK platforms. In addition, Babcock and Truflo Marine developed a pilot to combine Australian manufacturing with UK engineering assurance for future Astute Class sustainment.

UK civil (14% of Nuclear revenue)

At Hinkley Point C, we continue to provide critical programme and systems engineering through the Mechanical, Electrical and HVAC Alliance, with c.900 staff working on the programme. At Sizewell C we have advanced programme definition and a Professional Services Agreement with EDF Nuclear Generation which now provides a fast-track route to deploy expertise across more than 60 specialist disciplines at both sites,

Following the Litmus Nuclear joint venture's Owner's Engineer contract award in April that supports initial Small Modular Reactor (SMR) deployment, mobilisation has progressed via strategic relationships with reactor vendors. Our partnership with X-energy also advanced through engineering, manufacturing and fuel-strategy support for its Xe-100 reactor technology, helping mature the UK design, supply chain and regulatory approach to Advanced Modular Reactors (AMRs).

In decommissioning, we secured an eight-year contract renewal worth approximately £95 million to continue analytical laboratory services for Sellafield. We also secured a concept design contract with URENCO UK for a new legacy tails separation facility at Capenhurst, supporting the safe management and potential reuse of enrichment by-products and strengthening the UK's long-term nuclear fuel capability.

International civil

Internationally, we are applying UK-developed nuclear engineering and decommissioning expertise to new markets. In Japan, our work with Amentum on the Monju Prototype Fast Reactor has progressed towards construction of a sodium treatment facility at the Port of Workington. The facility will provide an innovative solution for the Japan Atomic Energy Agency, supporting long-term international growth while creating economic and supply-chain opportunities in the UK.

Land

Our c.6,000 employees enhance the readiness, resilience and operational effectiveness of defence and civil customers through three core capabilities: build, support and train. We integrate and sustain complex military vehicles, equipment and systems through life; deliver individual and collective training for critical missions; and provide specialist engineering support across power, transport and mining infrastructure.

Operational highlights

- Completed delivery of 123 Jackal 3 vehicles in collaboration with Supacat
- Down-selected for operational trials in the UK's c.£2 billion Light Mobility Vehicle programme
- Secured follow-on contracts in Ukraine supporting equipment availability and training
- Completed tri-service trials of the Defence High Frequency Communications System in Australia
- Secured follow-on through-life support for New Zealand's Fixed High Frequency Radio Refresh programme

Financial review

	30 September 2026 £m	30 September 2025 £m
Contract backlog*	**2,946**	3,321
Revenue	**556.8**	525.6
Underlying operating profit*	**44.7**	41.6
Underlying operating margin*	**8.0%**	7.9%

* Alternative Performance Measures are defined in the Financial Glossary on page 24.

Contract backlog decreased slightly to £2.9 billion (FY26: £3.1 billion, HY26: £3.3 billion), primarily reflecting revenue traded on the multi-year contracts, offset by new awards and scope increases across defence vehicle support and build, Rail and training, alongside further awards in our Africa business.

Land revenue increased 2% (at constant FX) to £557 million as growth in UK and overseas military vehicle support and initial UK vehicle deliveries was partially offset by reductions in civil businesses, including lower Emergency Services training and vehicle support. As a result, defence revenues grew 6% and civil revenues declined 3%.

Land underlying operating profit increased 7%, or 3% at constant currency, to £44.7 million due to the higher revenues. As a result, underlying operating margin increased slightly to 8.0% (HY26: 7.9%).

Operational review

UK defence (42% of Land revenue)

We continue to provide critical support to the British Army. Our scope of work for the £1 billion, five-year DSG follow-on contract awarded in 2025 to provide maintenance, repair and asset management for more than 30,000 vehicles and equipment has expanded to include additional through-life support for the Army's Land Rover fleet, with 1,000 vehicles under inspection to identify renewal requirements.

In build, we completed delivery of 123 Jackal 3 and Jackal 3 Extenda vehicles for the British Army. These were delivered in partnership with UK defence engineering SME Supacat. We are also on track with the delivery of 270 Toyota Hilux-based vehicles to the British Army, having mobilised at pace, we have already provided the first tranche, with the second tranche in production.

Our General Logistics Vehicle (GLV), developed in partnership with Toyota, has been down-selected to operational trials with seven others, for the UK's £2 billion, Light Mobility Vehicle (LMV) competition (Land Rover replacement). The GLV is designed for multiple warfighting and support roles, improving interoperability, flexibility and operational effectiveness.

International defence (9% of Land revenue)

Internationally we are supporting several customers with their vehicle programmes. In Ukraine, we secured Hector 2, a follow-on support contract, helping to keep gifted military vehicles, including Challenger II tanks, operational on the front line. We are also pursuing international vehicle opportunities such as France's Module Simulation for Cavalry (MSCAV) competition to deliver up to 160 training vehicles, which would replicate the internal technology, weapons systems and spatial environment of JAGUAR armoured vehicles to support crews preparing for tactical operations.

In the communications space, we continue to work closely with the New Zealand Ministry of Defence on the Fixed High Frequency Radio Refresh programme as part of a follow-on, five-year through-life support contract. As well as completing tri-service trials of the Defence High Frequency Communications System to support digitally enabled communications for the Australian Defence Force.

Also in Australia, we continued to deliver advanced capabilities to counter evolving chemical, biological, radiological, nuclear and explosive (C-CBRNE) threats, under the three-year contract extension announced in January 2026 to provide equipment acquisition, engineering support, maintenance and repair, strengthening Australia's sovereign resilience.

UK civil (16% of Land revenue)

Our Rail business returned to growth, supported by continued performance in the Rail Systems Alliance Scotland, consistent delivery for Network Rail and higher volumes through the Translink signalling framework. We also secured the first small projects under the new Translink track framework, with delivery expected to begin in the second half.

We continued to shape and deliver the London Fire Brigade's fleet decarbonisation strategy, reducing emissions while maintaining frontline operational capability. The first batch of electric light vehicles is now operational, with work progressing on subsequent fleets. During a period of record wildfire callouts, we maintained the availability of specialist vehicles and equipment, ensuring critical assets remained ready to respond.

International civil (33% of Land revenue)

In South Africa, constrained commodity markets and elevated electricity costs, which led to the temporary closure of several mining smelters last year, reduced first-half demand in our Equipment business.

Aviation

Our c.2,600 employees deliver outcomes that matter for national security and critical public services: training military pilots, sustaining operational aircraft and providing specialist air operations for government customers. Across two of Europe's largest air forces, France and the UK, we help customers increase readiness, strengthen resilience and retain sovereign aviation capability.

Operational highlights

- Extended HADES by 14 months, worth c.£50 million, sustaining technical support to the RAF across UK bases
- Completed the provision of infrastructure, enabling training delivery on 17-year Mentor 2 military air training contract in France
- In partnership with SDTS and Top Aces France, we were awarded an eight-year French Air Force operational combat training contract, expanding our role in strengthening warfighting readiness

Financial review

	30 September 2026 £m	30 September 2025 £m
Contract backlog*	**1,879**	2,015
Revenue	**256.8**	201.4
Underlying operating profit*	**22.2**	14.5
Underlying operating margin*	**8.6%**	7.2%

* Alternative Performance Measures are defined in the Financial Glossary on page 24.

Contract backlog decreased to £1.9 billion (FY26: £2.1 billion, HY27: £2.0 billion), reflecting revenue traded on long-term contracts, partly offset by new awards and scope increases. During the first half, additions included increased scope on UK and French defence contracts.

Aviation revenue increased 26% (at constant FX) to £257 million due to the mobilisation of the Mentor 2 programme in France and increased activity in UK defence. As a result, defence revenues grew 50%, while civil revenues were broadly flat.

Aviation underlying operating profit increased 53% to £22.2 million, reflecting higher revenues, primarily in the French defence businesses, and included a £2 million profit on disposal of aircraft. As a result, underlying operating margin increased to 8.6% (HY26: 7.2%).

Operational review

UK defence (31% of Aviation revenue)

During the period, we secured a 14-month extension to HADES worth around £50 million, to sustain critical technical support to the Royal Air Force, Joint Aviation Command and Strategic Command across UK stations, supporting operational readiness and resilience across the UK's defence aviation enterprise. We also continue to support the RAF's fleet of fast-jet training aircraft, including the Red Arrows at RAF Valley with both operational readiness and training.

We secured a four-year extension to the RAF Light Aircraft Flying Task, to deliver pilot instruction, asset management, technical support, fire and rescue services, air traffic control, and aircraft fleet supply for locations in the UK.

We remain on track to deliver c.£70 million of new infrastructure under the wider £300 million Military Flying Training System contract secured by Ascent, our 50/50 joint venture with Lockheed Martin. Facilities at RAF Cranwell were completed to schedule and are ready for training. Work at RNAS Culdrose is also progressing to support future ISTAR and rear crew training capability.

International defence (32% of Aviation revenue)

In France, in partnership with SDTS and Top Aces France, we were awarded an eight-year French Air Force operational combat training contract, our first combat flight training contract. It will deploy Babcock's upgraded L-39 jet trainer fleet, providing a modern, flexible capability designed to strengthen operational readiness.

More broadly in France we continue progressing the up to 17-year Mentor 2 contract, which began in 2025 and have completed two hangars, a simulator facility and an administrative building at Salon-de-Provence Air Base, creating the infrastructure needed to support military air training for the French Air and Space Force and French Navy.

Our established Mentor 1 and FOMEDEC programmes also continue to deliver, reaching milestones of 80,000 flight hours on our PC-21 aircraft and50,000 hours of synthetic training, demonstrating the scale of operations delivered and the extensive experience being gained across these programmes.

We began ramping up our seven-year contract supporting the H145 fleets of the Direction Générale de la Sécurité Civile and French Gendarmerie Nationale. Covering in-service support for 46 new Airbus H145 helicopters across mainland and overseas France, the contract increases the number of French state helicopters supported by Babcock to around 75.

The Ariane2 contract is now operational at Cognac and Salon-de-Provence, where the programme is building the pipeline of French Air and Space Force and French Navy student pilots, Weapons Systems Officers and simulator instructor trainees.

UK civil (6% of Aviation revenue)

UK civil operations continued to deliver strongly. Police Scotland extended its aerial surveillance contract, building on a 13-year partnership through which our pilots, engineering support and maintenance help sustain a critical public safety capability.

The National Police Air Service also extended its pilot training contract. Our instructors and specialist training expertise help maintain the skilled crews required to sustain critical airborne policing capability across the UK.

Our Helicopter Emergency Medical Services operations maintained high fleet availability, enabling customers to provide critical, life-saving care to communities across the UK.

International civil (31% of Aviation revenue)

We continue to support emergency services internationally. In France there were increased flying hours across our HEMS operations as we helped meet demand for emergency medical air services, reinforcing our role as a trusted partner to the French healthcare system. We also provided support for Ascent Helicopters in delivering rotary-wing air ambulance services to Canada's British Columbia Emergency Health Services under a 10-year contract and deliver critical aerial wildfire suppression services for the Government of Manitoba, supporting nearly 300 fire missions and 1,200 flying hours while achieving aircraft availability above 99%. In addition to this, we secured work with the Province of Saskatchewan to maintain its Canadair water bomber fleet, extending our established specialist aviation capability.

As part of our international infrastructure programme, construction began on a purpose-built hangar to expand capacity and enable on-site heavy maintenance at Horn Island in Australia under our A$250 million, eight-year Australian Border Force contract.

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 2026. 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.

	30 September 2026 £m	30 September 2025 £m
Prior period revenue	**2,538.6**	**2,408.9**
FX	29.2	(23.2)
(Disposals)	–	(2.5)
Prior year revenue adjusted for FX and disposals *(b)*	**2,567.8**	**2,383.2**
Revenue growth *(a)*	129.9	155.4
Current year revenue	2,697.7	2,538.6
Organic revenue growth (a)/(b)	**5%**	**7%**

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 2026 £m	30 September 2025 £m
Contract backlog	**8,956**	9,918

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 2026 £m	30 September 2025 £m
Underlying operating profit	**227.3**	**201.1**
Specific adjusting items	(6.6)	33.2
Operating profit (note 2)	**220.7**	**234.3**

Specific adjusting items (note 2)

	30 September 2026 £m	30 September 2025 £m
Amortisation of acquired intangibles	(6.0)	(5.7)
Business acquisition, merger and divestment related items	–	8.5
Fair value movement on derivatives	(2.4)	28.3
Exceptional items	1.8	2.1
Specific adjusting items impacting operating profit	**(6.6)**	**33.2**
Fair value movement on derivatives and related items	4.3	1.3
Specific adjusting items impacting profit before tax	**(2.3)**	**34.5**
Income tax expense		
Amortisation of acquired intangibles	1.8	1.7
Business acquisition, merger and divestment related items	–	(2.7)
Fair value movement on derivatives and related items	(0.5)	(7.5)
Exceptional items	(0.4)	–
Specific adjusting items impacting income tax expense	**0.9**	**(8.5)**

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 2026 £m	30 September 2025 £m
Revenue	**2,697.7**	**2,538.6**
Underlying operating profit	**227.3**	**201.1**
Underlying operating margin	8.4%	7.9%

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 2026 £m	30 September 2025 £m
Underlying net finance costs	**(14.5)**	**(13.5)**
Add: specific adjusting items impacting finance costs (note 2)	4.3	1.3
Net finance costs (note 4)	**(10.2)**	**(12.2)**

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 2026 £m	30 September 2025 £m
Underlying profit before tax	**218.5**	**191.8**
Specific adjusting items impacting profit before tax (note 2)	(2.3)	34.5
Profit before tax (note 2)	**216.2**	**226.3**

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 2026			Six months ended 30 September 2025		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Profit before tax (note 2)	**218.5**	**(2.3)**	**216.2**	**191.8**	**34.5**	**226.3**
Share of (profit) from JVs and associates*	(5.7)	–	(5.7)	(4.2)	-	(4.2)
Profit before tax excluding profit from joint ventures and associates (a)	212.8	–	210.5	187.6	34.5	222.1
Income tax expense (b)	(56.6)	0.9	(55.7)	(49.3)	(8.5)	(57.8)
Effective tax rate (b)/(a)	**26.6%**		**26.5%**	**26.3%**		**26.0%**

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 2026			Six months ended 30 September 2025		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Profit before tax (note 2)	**218.5**	**(2.3)**	**216.2**	**191.8**	**34.5**	**226.3**
Income tax (expense) (note 2)	(56.6)	0.9	(55.7)	(49.3)	(8.5)	(57.8)
Profit after tax for the year	**161.9**	**(1.4)**	**160.5**	**142.5**	**26.0**	**168.5**
Amount attributable to owners of the parent	161.2	(1.4)	159.8	143.3	26.0	169.3
Amount attributable to non-controlling interests	0.7	–	0.7	(0.8)	–	(0.8)
Weighted average number of shares (m)	493.2		493.2	503.0		503.0
Effect of dilutive securities (m)	8.6		8.6	9.6		9.6
Diluted weighted average number of shares (m)	501.8		501.8	512.6		512.6
Basic EPS	**32.7p**	**(0.3)p**	**32.4p**	**28.5p**	**5.2p**	**33.7p**
Diluted EPS	**32.1p**	**(0.3)p**	**31.8p**	**28.0p**	**5.0p**	**33.0p**

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 2026 £m	30 September 2025 £m
Cash and bank balances	1,019.5	704.8
Bank overdrafts	(0.1)	(0.1)
Cash, cash equivalents and bank overdrafts	**1,019.4**	**704.7**
Debt	(1,013.5)	(773.1)
Derivatives hedging debt	(11.0)	(4.7)
Lease liabilities	(302.1)	(297.0)
Liabilities from financing arrangements	**(1,326.6)**	**(1,074.8)**
Lease receivables	57.4	35.4
Loans to joint ventures and associates	3.3	3.3
Derivatives hedging interest on debt	(20.9)	(19.7)
Net debt	**(267.4)**	**(351.1)**

Net debt (excluding leases)

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 2026 £m	30 September 2025 £m
Net debt	**(267.4)**	**(351.1)**
Leases	302.1	295.3
Net funds/(debt) excluding leases	**34.7**	**(55.8)**

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 24, 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 2026 reduced to 0.1x (HY26: 0.2x) due to positive net cash flow reducing net debt.

	30 September 2026 £m	30 September 2025 £m
Underlying operating profit	**319.4**	**395.3**
Depreciation and amortisation	89.8	82.8
Covenant adjustments[1]	(6.3)	0.6
EBITDA	**402.9**	**478.7**
JV and associate dividends	10.6	7.6
EBITDA + JV and associate dividends (covenant basis)	**413.5**	**486.3**
Net funds/(debt) excluding lease liabilities	**34.7**	**(55.8)**
Covenant adjustments[2]	(66.1)	(42.9)
Net debt (covenant basis)	**(31.4)**	**(98.7)**
Net debt/EBITDA	**0.1x**	**0.2x**

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 2026 £m	30 September 2025 £m
EBITDA + JV and associate dividends (covenant basis)	**413.5**	**486.3**
Net finance costs	(26.9)	(27.3)
Covenant adjustments[1]	16.8	18.4
Net finance costs (covenant basis)	**(10.1)**	**(8.9)**
Interest cover	**40.9x**	**54.6x**

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 2026 £m	30 September 2025 £m
Underlying operating profit	**319.4**	**395.3**
Underlying share of results of joint ventures and associates	9.1	7.5
Underlying operating profit plus results of JVs and associates	**328.5**	**402.8**
Net (funds)/debt excluding leases	(34.7)	55.8
Leases	302.1	295.3
Shareholder funds – see balance sheet on page 36	713.8	740.6
Retirement (surplus)/deficit – note 13	(22.5)	(31.5)
Invested capital	**958.7**	**1,060.2**
ROIC	**34.3%**	**38.0%**

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 equipment and intangible assets.
Purpose: To understand net capital investment included in underlying operating cash flow.

	30 September 2026 £m	30 September 2025 £m
Purchases of property, plant and equipment (PP&E)	(68.8)	(73.4)
Purchases of intangible assets	(5.2)	(5.4)
Movements in unpaid capital expenditure	(1.8)	7.7
Gross capital expenditure	**(75.8)**	**(71.1)**
Proceeds on disposal of PP&E and intangible assets (statement of cash flows)	15.3	25.6
Net capital expenditure	**(60.5)**	**(45.5)**

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 2026 £m	30 September 2025 £m
Underlying operating cash flow	**212.5**	**166.1**
Add: net capex	60.5	45.5
Add: capital element of lease payments	28.0	22.8
Less: pension contributions in excess of income statement	(7.0)	(7.4)
Non-operating cash items (excluded from underlying cash flow)	–	(0.1)
Cash generated from operations	**294.0**	**226.9**
Tax (paid)	(15.0)	(12.3)
Less: net interest paid	(11.3)	(12.8)
Net cash flow from operating activities	**267.7**	**201.8**

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 2026 £m	30 September 2025 £m
Underlying operating profit	227.3	201.1
Underlying operating cash flow	212.5	166.1
Operating cash conversion	**93%**	**83%**

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 11.
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 2026, the Group's committed facilities and bonds totalling £1.7 billion were the £600 million five-year multi-currency RCF, three tranches of bonds (£300 million 1.875% notes, €550 million 1.375% notes and £250 million 5.125% notes) and an overdraft facility of £50 million. The £300m note was repaid in October 2026 with committed facilities and bonds totalling £1.4 billion at the date of approval of these half year financial statements.

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 93% and the smallest net debt increase was circa £1.9 billion. 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 2026.

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.

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 130 of the annual report and financial statements for the year ended 31 March 2026. 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 2026, 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 2026 in full. The Group's principal risks and uncertainties are:

Safety, health and environmental protection: The Group's operations around the world involve the potential risk of significant harm to people and the planet. *Risk appetite: Low. For moral, financial, and reputational reasons, the risk of harm should be kept as low as reasonably practicable.*

Cyber and information security: A key factor for the Group's customers, suppliers and employees is the ability to deliver secure IT and other information assurance systems to maintain the confidentiality of sensitive information. *Risk appetite: Low. Given the nature of the information the Group holds, the potential consequences associated with any breach could be very significant.*

Engineering integrity, product technology disruption and product safety: It is important the Group, customers and shareholders have confidence that the Group's technical products (goods and services) have high levels of technical integrity and safety. This means they are safe to own, operate, maintain, store and dispose of over their life, perform as they are intended to, are secure from physical and cyber threats and are of high quality. *Risk appetite: Low. The realisation of the risk could have significant consequences for the Group, including physical harm and customers and end users losing confidence in the integrity of the Group's technical products and services.*

Compliance with legislation or other regulatory requirements: 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 and contractual and certification requirements. *Risk appetite: Low. The impact of a legal or regulatory issue could be very significant and wide ranging.*

Contract and project performance: The Group's business model revolves around securing and executing long-term, high-value contracts for complex, integrated programmes. These contracts often require long term pricing and can involve fixed prices. *Risk appetite: Medium. The Group strategically accepts and manages a level of risk that is within its control to mitigate, in order to achieve an appropriate level of margin.*

Market risk: 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 with a regulated environment. *Risk appetite: Medium. The successful pursuit and maintenance of a secure and assured pipeline is essential for continued growth, and therefore certain market risks that can be confidently and securely managed may be accepted.*

Operational resilience and business interruption: The Group provides critical support to governments and commercial customers, operating in an increasingly volatile, uncertain and complex environment, where a diverse range of internal and external threats could disrupt the business, affecting the Group's ability to operate safely, effectively and to the high standards expected by customers, regulators and partners. *Risk appetite: Low. Ineffective operational resilience arrangements can undermine safety, financial stability and regulatory compliance, as well as damaging the Group's reputation.*

Climate and environmental sustainability: Climate-related risks have the potential to cause significant harm and disruption on a global scale. Risks are typically described as either physical risks (damage and disruption as a result of the increased exposure to hazards driven by climate change eg coastal flooding, wildfires and heat stress) or transition risks (risks associated with the transition to a low carbon economy including policy and legal changes). *Risk appetite: Low. Climate change has the potential to cause profound consequences and have a significant impact on the Group's operations.*

Supply chain management: The Group is dependent on the timely and satisfactory delivery of services and materials by its supply chain partners, in order to successfully deliver its contracts. Supply chain disruption could occur through volatile economic conditions, ongoing global conflicts and geopolitical tensions, external events and natural disasters and cybersecurity. *Risk appetite: Low. Supply chain risk could have significant consequences on the Group's ability to deliver its contractual commitments.*

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 has significant defined benefit pension schemes, which, if not managed appropriately could have a significant financial impact on the Group.*

IT and data architecture: The way in which the Group's IT and data architecture is managed and evolves potentially exposes various risks including not responding quickly enough to digital change and the ability to manage and manipulate data. *Risk appetite: Low. The risk associated with an IT or data issue could have a very significant impact on the Group*

Resourcing, retention and skills: The Group's business delivery and future growth depend on its ability to recruit, develop and retain an experienced, highly skilled and diverse leadership team and workforce across a broad range of disciplines. A number of the competencies and skills relied on are deeply specialist and in scarce supply in the territories in which the Group operates. *Risk appetite: Medium. Some risk is accepted given the increased cost associated with avoidance and the potential mitigations within the Group's control, such as sharing capability across the global business and compensating for skills shortages in particular areas through investment in training and early careers*.

Acquisitions and divestments: The Group has built its business 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 believes that a business is not 'core', the decision may be taken to sell that business. *Risk appetite: Medium. Whilst acquisition activity continues to be inherently high risk, some risk will be accepted, to the extent it can be appropriately managed and is balanced against the potential rewards and opportunity*.

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 and interest rates) and some of which are more specific to the Group (for example, liquidity risk, credit risk and weakening operational performance) all of which could undermine the financial resilience of the Group. *Risk appetite: Low. A lack of financial resilience and the potential inability to raise finance could have a very significant impact on the business*.

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 2026 Annual Report, which is available at www.babcockinternational.com.

Unaudited condensed consolidated financial statements
Group income statement

For the six months ended 30 September	Note	2026 £m	2025 £m
Revenue	2,3	**2,697.7**	2,538.6
Operating costs		(2,477.0)	(2,304.3)
Operating profit		**220.7**	234.3
Share of results of joint ventures and associates	2,3	5.7	4.2
Finance income	4	15.6	15.2
Finance costs	4	(25.8)	(27.4)
Profit before tax		**216.2**	226.3
Income tax expense	5	(55.7)	(57.8)
Profit for the year		**160.5**	168.5
Attributable to:			
Owners of the parent		159.8	169.3
Non-controlling interest		0.7	(0.8)
		160.5	168.5
Earnings per share			
Basic	2	32.4p	33.7p
Diluted	2	31.8p	33.0p

Group statement of comprehensive income

For the six months ended 30 September	Note	2026 £m	2025 £m
Profit for the year		160.5	168.5
Other comprehensive income			
Items that may be subsequently reclassified to income statement			
Currency translation differences		0.9	3.3
Fair value adjustment of interest rate and foreign exchange hedges		(7.5)	8.1
Hedging (losses)/gains reclassified to profit or loss		5.5	(9.8)
Reclassification of cumulative currency translation reserve on de-designation of quasi-equity items and disposal of foreign operations		(1.8)	(2.1)
Tax on items that may be subsequently reclassified to income statement		0.8	1.5
Items that will not be reclassified to income statement			
Remeasurement of retirement benefit obligations	13	50.0	32.5
Tax on remeasurement of retirement benefit obligations		(12.6)	(8.2)
Other comprehensive loss, net of tax		**35.3**	25.3
Total comprehensive income		**195.8**	**193.8**
Total comprehensive income attributable to:			
Owners of the parent		194.8	194.3
Non-controlling interest		1.0	(0.5)
Total comprehensive income		**195.8**	**193.8**

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 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 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**
At 1 April 2026		**303.4**	**873.0**	**768.8**	**30.6**	**(1,297.7)**	**4.6**	**(68.7)**	**614.0**	**15.3**	**629.3**
Profit for the year	2	–	–	–	–	159.8	–	–	159.8	0.7	160.5
Other comprehensive (loss)/income		–	–	–	–	37.4	(1.2)	(1.2)	35.0	0.3	35.3
Total comprehensive income		–	–	–	–	**197.2**	**(1.2)**	**(1.2)**	**194.8**	**1.0**	**195.8**
Dividends		–	–	–	–	(24.6)	–	–	(24.6)	(0.5)	(25.1)
Purchase of own shares		–	–	–	–	(98.7)	–	–	(98.7)	–	(98.7)
Share-based payments		–	–	–	–	11.4	–	–	11.4	–	11.4
Tax on share-based payments		–	–	–	–	1.1	–	–	1.1	–	1.1
Net movement in equity		–	–	–	–	**86.4**	**(1.2)**	**(1.2)**	**84.0**	**0.5**	**84.5**
At 30 September 2026		**303.4**	**873.0**	**768.8**	**30.6**	**(1,211.3)**	**3.4**	**(69.9)**	**698.0**	**15.8**	**713.8**

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 2026 £m	31 March 2026 £m
Non-current assets			
Goodwill	6	779.9	779.8
Other intangible assets		124.7	134.0
Property, plant and equipment		624.4	601.3
Right of use assets		245.6	248.5
Investment in joint ventures and associates		39.3	40.3
Other investments		3.9	3.9
Loan to joint ventures and associates	12	3.3	3.3
Retirement benefits surpluses	13	77.6	77.3
Other financial assets		2.2	2.9
Lease receivables		35.5	31.4
Derivatives		16.9	9.9
Deferred tax asset		55.6	96.2
Trade and other receivables	8	15.9	17.7
		2,024.8	**2,046.5**
Current assets			
Inventories		179.1	206.9
Trade and other receivables	8	544.3	552.1
Contract assets	8	394.5	352.8
Income tax recoverable		4.3	7.3
Lease receivables		21.9	14.5
Other financial assets		1.3	1.3
Derivatives		5.9	8.8
Cash and cash equivalents	12	1,019.5	739.9
		2,170.8	**1,883.6**
Total assets		**4,195.6**	**3,930.1**
Equity attributable to owners of the parent			
Share capital		303.4	303.4
Share premium		873.0	873.0
Capital redemption and other reserves		732.9	735.3
Retained earnings		(1,211.3)	(1,297.7)
		698.0	**614.0**
Non-controlling interest		15.8	15.3
Total equity		**713.8**	**629.3**
Non-current liabilities			
Bank and other borrowings	12	251.8	474.9
Lease liabilities	12	247.0	254.2
Trade and other payables	9	6.1	6.1
Deferred tax liabilities		5.3	5.1
Derivatives		3.0	21.9
Retirement benefit deficits	13	55.1	111.3
Provisions for other liabilities, including other employee benefits	11	70.5	81.8
		638.8	**955.3**
Current liabilities			
Bank and other borrowings	12	761.8	316.0
Lease liabilities	12	55.1	53.1
Trade and other payables	9	1,052.2	1,041.5
Contract liabilities	9	806.4	786.2
Income tax payable		21.4	25.1
Derivatives		36.3	2.9
Other financial liabilities		1.7	1.0
Provisions for other liabilities, including other employee benefits	11	108.1	119.7
		2,843.0	**2,345.5**
Total liabilities		**3,481.8**	**3,300.8**
Total equity and liabilities		**4,195.6**	**3,930.1**

Group cash flow statement

For the six months ended 30 September	Note	2026 £m	2025 £m
Cash flows from operating activities			
Profit for the year		**160.5**	**168.5**
Results from joint ventures and associates		(5.7)	(4.2)
Income tax expense	5	55.7	57.8
Finance income	4	(15.6)	(15.2)
Finance costs	4	25.8	27.4
Depreciation and impairment of property, plant and equipment		34.9	30.2
Depreciation and impairment of right of use assets		24.9	25.0
Amortisation and impairment of intangible assets		15.0	14.7
Equity share-based payments		11.4	7.8
Net derivative fair value and currency movement through profit or loss		1.2	(31.1)
Fair value movement on assets held at fair value through profit or loss		–	(8.5)
Profit on disposal of property, plant and equipment		(2.3)	(1.6)
Loss on disposal of right of use assets		0.5	0.7
Loss on disposal of intangible assets		0.1	0.1
Cash generated from operations before movement in working capital and retirement benefit payments		**306.4**	**271.6**
Decrease/(increase) in inventories		30.2	(13.6)
Increase in receivables		(12.0)	(36.9)
Increase in contract assets		(43.0)	(15.2)
Increase in payables		21.8	43.4
Increase/(decrease) in contract liabilities		21.2	(9.6)
Decrease in provisions		(23.6)	(5.4)
Retirement benefit contributions in excess of current period expense		(7.0)	(7.4)
Cash generated from operations		**294.0**	226.9
Income tax paid		(15.0)	(12.3)
Interest paid		(24.4)	(27.7)
Interest received		13.1	14.9
Net cash flows from operating activities		**267.7**	**201.8**
Cash flows from investing activities			
Proceeds from business acquisition, merger and divestment related items		–	8.5
Dividends received from joint ventures and associates		6.6	7.1
Proceeds on disposal of property, plant and equipment		15.3	25.6
Purchases of other investments		–	(2.1)
Purchases of property, plant and equipment		(70.2)	(65.0)
Purchases of intangible assets		(5.6)	(6.1)
Loans (issued to)/repaid by joint ventures and associates		(0.1)	0.3
Net cash flows from investing activities		**(54.0)**	**(31.7)**
Cash flows from financing activities			
Lease principal payments	12	(28.0)	(22.8)
Bank loans repaid	12	(3.4)	(2.7)
Loans raised and facilities drawn down	12	250.0	–
Purchase of own shares		(110.6)	(65.1)
Dividends paid		(24.6)	(23.0)
Net cash flows from financing activities		**83.4**	**(113.6)**
Net increase in cash, cash equivalents and bank overdrafts		**297.1**	**56.5**
Cash, cash equivalents and bank overdrafts at beginning of year	12	**723.6**	**646.5**
Effects of exchange rate fluctuations	12	(1.3)	1.7
Cash, cash equivalents and bank overdrafts at end of year	12	**1,019.4**	**704.7**

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 2026, 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 2026 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 2026 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 2026, and comply with amendments to IFRS effective since that date.

The half year report for the six months ended 30 September 2026 was approved by the directors on 18 November 2026.

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 2026, the Group's committed facilities and bonds totalling £1.7 billion were the £600 million five-year multi-currency RCF, three tranches of bonds (£300 million 1.875% notes, €550 million 1.375% notes and £250 million 5.125% notes) and an overdraft facility of £50 million. The £300m note was repaid in October 2026 with committed facilities and bonds totalling £1.4 billion at the date of approval of these half year financial statements.

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 93% and the smallest net debt increase was circa £1.9 billion. 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 2026.

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.

1. Basis of preparation and significant accounting policies *(continued)*

Basis of preparation *(continued)*

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 130 of the annual report and financial statements for the year ended 31 March 2026. 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.

1. Basis of preparation and significant accounting policies *(continued)*

(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.

(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.

1. Basis of preparation and significant accounting policies (continued)

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 operational improvement programme and evidence from pilot work . 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, particularly arising from engineering change
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 and the utilisation of semi-skilled and apprentice workers. A detailed resourcing plan is used to support this estimate
d) **The cost of bought-in parts and services through suppliers and sub-contractors** – which includes the outcome of remaining procurement activity, 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 maturity review has been performed to support this estimate
f) **The determination of non-incremental costs -** which relate directly to fulfilling the contract and are allocated based on total production costs at Rosyth each year, including facility and overhead costs. Total production hours include those from expected ship build programme wins during the remaining period of the Type 31 build
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:

1. Basis of preparation and significant accounting policies *(continued)*

- **Production hours** – which are impacted by production norms, rate of improvement and quality/engineering improvements (see a) and b) above). A 10% increase/decrease in production hours would increase/decrease the loss by £28 million
- **Labour rate** – which is impacted by our ability to recruit permanent staff, the mix of the workforce, costs allocated based on production hours at Rosyth and inflation (see c) and g) above). A 10% increase/decrease in the average labour rate would increase/decrease the loss by £34 million
- **Schedule (see e), f) and h) above)** – which is impacted by various factors above. A 6-month delay beyond the current planning assumption would increase the loss by £15 million

Overall, with c.£0.7 billion 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 £71m remaining loss provision (FY26: £89m – see note 11) and an increase in the £267m contract liabilities (FY26: £231m – see 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 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 2026.

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.

2. Adjustments between statutory and underlying information *(continued)*

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 2026			Six months ended 30 September 2025		
	Note	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Revenue	3	**2,697.7**	**–**	**2,697.7**	2,538.6	–	2,538.6
Operating profit	3	**227.3**	**(6.6)**	**220.7**	201.1	33.2	234.3
Operating margin %		**8.4%**		**8.2%**	7.9%		9.2%
Results from joint ventures and associates		5.7	–	5.7	4.2	–	4.2
Net finance costs	4	(14.5)	4.3	(10.2)	(13.5)	1.3	(12.2)
Profit before tax		**218.5**	**(2.3)**	**216.2**	191.8	34.5	226.3
Income tax expense	5	(56.6)	0.9	(55.7)	(49.3)	(8.5)	(57.8)
Profit after tax for the period		**161.9**	**(1.4)**	**160.5**	142.5	26.0	168.5

Earnings per share including underlying measures

	Six months ended 30 September 2026			Six months ended 30 September 2025		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Profit after tax for the period	**161.9**	**(1.4)**	**160.5**	142.5	26.0	168.5
Amount attributable to owners of the parent	161.2	(1.4)	159.8	143.3	26.0	169.3
Amount attributable to non-controlling interests	0.7	–	0.7	(0.8)	–	(0.8)
Weighted average number of shares (m)	493.2		493.2	503.0		503.0
Effect of dilutive securities (m)	8.6		8.6	9.6		9.6
Diluted weighted average number of shares (m)	501.8		501.8	512.6		512.6
Basic EPS	**32.7p**	**(0.3p)**	**32.4p**	28.5p	5.2p	33.7p
Diluted EPS	**32.1p**	**(0.3p)**	**31.8p**	28.0p	5.0p	33.0p

2. Adjustments between statutory and underlying information *(continued)*

Details of specific adjusting items

The impact of specific adjusting items is set out below:

	Six months ended 30 September 2026 £m	Six months ended 30 September 2025 £m
Amortisation of acquired intangibles	(6.0)	(5.7)
Business acquisition, merger and divestment related items	–	8.5
Fair value movement on derivatives and related items	(2.4)	28.3
Exceptional items	1.8	2.1
Adjusting items impacting operating profit	**(6.6)**	**33.2**
Fair value movement on derivatives and related items	4.3	1.3
Adjusting items impacting profit before tax	**(2.3)**	**34.5**
Specific Adjusting items impacting income tax expense		
Amortisation of acquired intangibles	1.8	1.7
Business acquisition, merger and divestment related items	–	(2.7)
Fair value movement on derivatives and related items	(0.5)	(7.5)
Exceptional items	(0.4)	–
Income tax effect of adjusting items impacting profit before tax	**0.9**	**(8.5)**
Specific Adjusting items impacting profit after tax	**(1.4)**	**26.0**

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 £nil (HY26: £8.5 million). The profit for the prior period related 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 and interest rate contracts, taken out in the ordinary course of business to manage foreign currency and interest 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.

2. Adjustments between statutory and underlying information *(continued)*

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.

Exceptional items

Exceptional items in the period relate to the recycling of foreign currency translation reserves in respect of non-GBP denominated holding companies subject to entity rationalisation in the period. Exceptional items in the prior period related to foreign exchange gains recognised on the de-designation of quasi-equity inter-company balances further to group reorganisation activity in that period.

Tax

There are no specific adjusting items in respect of tax during the period (HY26: £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 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.

3. Segmental information *(continued)*

Six months ended 30 September 2026	Marine £m	Nuclear £m	Land £m	Aviation £m	Unallocated £m	Total £m
Revenue	**768.9**	**1,115.2**	**556.8**	**256.8**	**–**	**2,697.7**
Underlying operating profit	50.2	110.2	44.7	22.2	–	227.3
Specific Adjusting Items (note 2)						
Amortisation of acquired intangibles	(5.0)	–	–	(1.0)	–	(6.0)
Fair value gain/(loss) on forward rate contracts to be settled in future periods	(2.2)	–	–	(0.2)	–	(2.4)
Exceptional items	–	–	–	1.8	–	1.8
Operating profit	**43.0**	**110.2**	**44.7**	**22.8**	**–**	**220.7**
Results from joint ventures and associates	0.6	0.3	–	4.8	–	5.7
IFRIC 12 investment income	–	–	0.2	–	–	0.2
Other net finance costs*	–	–	–	–	(10.4)	(10.4)
Profit/(loss) before tax	**43.6**	**110.5**	**44.9**	**27.6**	**(10.4)**	**216.2**

Six months ended 30 September 2025	Marine £m	Nuclear £m	Land £m	Aviation £m	Unallocated £m	Total £m[1]
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

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

Revenues of £1.6 billion (2025: £1.5 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 2026 and 30 September 2025 is as follows:

	Revenue	
Geographic analysis	Six months ended 30 September 2026 £m	Six months ended 30 September 2025 £m
United Kingdom	1,885.5	1,777.2
Rest of Europe	137.6	94.3
Africa	177.1	176.5
North America	143.6	115.2
Australasia	198.7	192.6
Rest of World	155.2	182.8
Group total	**2,697.7**	**2,538.6**

4. Net finance costs

	Six months ended 30 September 2026 £m	Six months ended 30 September 2025 £m
Finance costs		
Loans, overdrafts and associated interest rate hedges	14.7	18.2
Lease interest and foreign exchange movements on lease liabilities	10.2	7.3
Amortisation of issue costs of bank loan	0.7	2.4
Other	1.0	2.3
Retirement benefit interest expenses	2.4	–
Capitalised borrowing costs	(3.2)	(2.8)
Total finance costs	**25.8**	**27.4**
Finance income		
Bank deposits, loans and leases	13.5	15.0
IFRIC 12 Investment income	0.2	0.2
Retirement benefit interest income	1.9	–
Total finance income	**15.6**	**15.2**
Net finance costs	**10.2**	**12.2**

5. Taxation

Income tax expense

	Six months ended 30 September 2026 £m	Six months ended 30 September 2025 £m
Income tax expense	**(55.7)**	(57.8)
Calculation of underlying effective tax rate		
Profit before tax	216.2	226.3
Deduct: Share of results of joint ventures and associates (note 2)	(5.7)	(4.2)
Add back specific adjusting items (note 2)	2.3	(34.5)
Adjusted profit before tax	**212.8**	**187.6**
Tax charge	55.7	57.8
Exclude specific adjusting items impacting income tax (note 2)	0.9	(8.5)
Adjusted tax charge	**56.6**	**49.3**
Underlying effective tax rate	**26.6%**	**26.3%**

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 2027 to the half-year pre-tax profit in each jurisdiction in which it operates.

6. Goodwill

	30 September 2026 £m	31 March 2026 £m
Cost		
At 1 April	**1,821.7**	**1,820.1**
Exchange adjustments	0.1	1.6
At 31 March	**1,821.8**	**1,821.7**
Accumulated impairment		
At opening and closing dates	**1,041.9**	**1,041.9**
Net book value at 30 September / 31 March	**779.9**	**779.8**

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

	30 September 2026 £m	31 March 2026 £m
Marine	295.3	295.2
Nuclear	233.1	233.1
Land (excluding Africa)	217.8	217.8
Aviation	32.0	32.0
Africa	1.7	1.7
	779.9	**779.8**

Goodwill is stated at cost less any provision for impairment. The recoverable value of each CGU was assessed at 31 March 2026 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 4.7%. There have been no changes to the Group's key assumptions in the six months ended 30 September 2026 since the published annual report and financial statements for the year ending 31 March 2026. 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 2026 the Group made the following significant additions to non-current assets:

- £68.8 million of additions to property, plant and equipment, including £10.9 million of site improvements at Rosyth Royal Dockyard including the multi-purpose build hall and £19.7 million of infrastructure improvements in Nuclear at Devonport Royal Dockyard;
- £5.2 million of additions to intangible assets; and
- £29.7 million of additions to right of use assets, principally lease renewals in Africa and of Corporate back-office facilities.

8. Trade and other receivables and contract assets

	30 September 2026 £m	31 March 2026 £m
Non-current assets		
Costs to obtain a contract	0.5	0.1
Costs to fulfil a contract	14.5	16.0
Other debtors	0.9	1.6
Non-current trade and other receivables	**15.9**	**17.7**
Current assets		
Trade receivables	317.0	316.1
Less: provision for impairment of receivables	(8.7)	(9.1)
Trade receivables – net	**308.3**	307.0
Retentions	4.2	5.1
Amounts due from related parties (note 14)	2.3	5.8
Other debtors[1]	17.0	18.1
Other taxes and social security receivables	82.4	94.6
Prepayments	116.5	107.6
Costs to obtain a contract	0.1	–
Costs to fulfil a contract	13.5	13.9
Current trade and other receivables	**544.3**	**552.1**
Contract assets	**394.5**	**352.8**
Current trade and other receivables and contract assets	**938.8**	**904.9**

[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 2026 £m	31 March 2026 £m
Current liabilities		
Contract liabilities	**806.4**	**786.2**
Trade creditors	283.5	274.3
Amounts due to related parties (note 14)	0.1	–
Other creditors	21.5	18.9
Defined contribution pension creditor	7.1	6.7
Other taxes and social security	132.1	100.5
Accruals	607.9	641.1
Trade and other payables	**1,052.2**	**1,041.5**
Trade and other payables and contract liabilities	**1,858.6**	**1,827.7**
Non-current liabilities		
Non-current accruals	6.0	5.9
Other creditors	0.1	0.2
	6.1	**6.1**

Included in creditors is £17.2 million (March 2026: £19.0 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 2026 (£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 *	–	0.9	–	–	0.9	0.9
Other financial assets	–	2.2	–	–	2.2	2.2
Derivatives	16.9	–	–	–	16.9	16.9
Lease receivables	–	35.5	–	–	35.5	35.5
Current financial assets						
Trade and other receivables *	–	322.2	–	–	322.2	322.2
Other financial assets	–	1.3	–	–	1.3	1.3
Derivatives	5.9	–	–	–	5.9	5.9
Lease receivables	–	21.9	–	–	21.9	21.9
Cash and cash equivalents	–	1,019.5	–	–	1,019.5	1,019.5
Non-current financial liabilities						
Bank and other borrowings	–	–	–	(251.8)	(251.8)	(245.2)
Trade and other payables *	–	–	–	(0.1)	(0.1)	(0.1)
Derivatives	–	–	(3.0)	–	(3.0)	(3.0)
Current financial liabilities						
Bank and other borrowings	–	–	–	(761.8)	(761.8)	(752.9)
Trade and other payables *	–	–	–	(882.4)	(882.4)	(882.4)
Derivatives	–	–	(36.3)	–	(36.3)	(36.3)
Net financial assets / (financial liabilities)	**22.8**	**1,406.8**	**(39.3)**	**(1,896.1)**	**(505.8)**	**(490.3)**

10. Financial Instruments *(continued)*

31 March 2026 (£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 *	–	0.6	–	–	0.6	0.6
Other financial assets	–	2.9	–	–	2.9	2.9
Derivatives	9.9	–	–	–	9.9	9.9
Lease receivables	–	31.4	–	–	31.4	31.4
Current financial assets						
Trade and other receivables *	–	325.1	–	–	325.1	325.1
Other financial assets	–	1.3	–	–	1.3	1.3
Lease receivables	–	14.5	–	–	14.5	14.5
Derivatives	8.8	–	–	–	8.8	8.8
Cash and cash equivalents	–	739.9	–	–	739.9	739.9
Non-current financial liabilities						
Bank and other borrowings	–	–	–	(474.9)	(474.9)	(458.0)
Lease liabilities	–	–	–	(254.2)	(254.2)	(254.2)
Derivatives	–	–	(21.9)	–	(21.9)	(21.9)
Current financial liabilities						
Bank and other borrowings	–	–	–	(316.0)	(316.0)	(316.0)
Trade and other payables *	–	–	–	(908.5)	(908.5)	(908.5)
Lease liabilities	–	–	–	(53.1)	(53.1)	(53.1)
Other financial liabilities	–	–	–	(1.0)	(1.0)	(1.0)
Derivatives	–	–	(2.9)	–	(2.9)	(2.9)
Net financial assets / (financial liabilities)	18.7	1,119.0	(24.8)	(2,007.7)	(894.8)	(877.9)

* 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	Legal (d) £m	Other (e) £m	Total provisions £m
At 1 April 2026	**126.8**	**14.3**	**20.5**	**31.0**	**8.9**	**201.5**
Charge to income statement	10.8	4.3	0.2	4.0	0.4	19.7
Release to the income statement	(9.9)	(2.3)	(1.9)	(2.4)	(2.2)	(18.7)
Utilised in year	(21.8)	(3.1)	–	(0.7)	(0.4)	(26.0)
Unwinding of discount	1.9	0.1	0.1	–	–	2.1
Foreign exchange	–	–	–	–	–	–
At 30 September 2026	**107.8**	**13.3**	**18.9**	**31.9**	**6.7**	**178.6**
Current						108.1
Non-current						70.5

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

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) Legal provisions relate to ongoing legal matters. The increase in legal provisions from September 2025 to September 2026 reflects an unexpected court judgement in a legacy overseas legal case in H2 FY26. The timing and extent of cash flows in regards to legal provisions is uncertain pending any appeal process and associated outcome.

e) 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 £7.1 million (September 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 2026 £m	Cash flow £m	Lease interest £m	Additional leases £m	Other non-cash movement [1] £m	Changes in fair value £m	Exchange movement £m	30 September 2026 £m
Cash and bank balances	739.9	280.9	–	–	–	–	(1.3)	1,019.5
Bank overdrafts	(16.3)	16.2	–	–	–	–	–	(0.1)
Cash, cash equivalents and bank overdrafts	**723.6**	**297.1**	**–**	**–**	**–**	**–**	**(1.3)**	**1,019.4**
Debt	(774.6)	(246.6)	–	–	(0.7)	2.9	5.5	(1,013.5)
Derivatives hedging Group debt	(3.1)	–	–	–	–	(7.9)	–	(11.0)
Lease liabilities	(307.3)	37.0	(9.0)	(24.0)	–	–	1.2	(302.1)
Changes in liabilities from financing arrangements	**(1,085.0)**	**(209.6)**	**(9.0)**	**(24.0)**	**(0.7)**	**(5.0)**	**6.7**	**(1,326.6)**
Lease receivables	45.9	(24.7)	2.2	32.9	–	–	1.1	57.4
Loans to joint ventures and associates	3.3	0.1	–	–	–	–	(0.1)	3.3
Derivatives hedging interest on Group debt	(16.8)	–	–	–	–	(4.1)	–	(20.9)
Net debt	**(329.0)**	**62.9**	**(6.8)**	**8.9**	**(0.7)**	**(9.1)**	**6.4**	**(267.4)**

1. Other non-cash movements predominantly relate to amortisation of loan fees.

13. Retirement benefits and liabilities

The fair value of the assets and the present value of the liabilities of the Group pension schemes at 30 September 2026 and 31 March 2026 were as follows:

	30 September 2026 £m	31 March 2026 £m
Fair value of plan assets		
Growth assets		
Equities	172.4	175.6
Property funds	149.2	149.3
High yield bonds/emerging market debt	5.1	6.0
Absolute return and multi-strategy funds	162.0	157.6
Low-risk assets		
Bonds	1,083.4	1,187.3
Matching assets*	1,375.9	1,381.3
Longevity swaps	(226.4)	(249.6)
Fair value of assets before impact of asset ceiling	**2,721.6**	**2,807.5**
Impact of IFRIC 14 asset ceiling	(4.0)	(3.1)
Fair value of assets	**2,717.6**	**2,804.4**
Present value of defined benefit obligations		
Active members	93.9	99.4
Deferred pensioners	779.5	878.7
Pensioners	1,821.7	1,860.3
Total defined benefit obligations	**2,695.1**	**2,838.4**
Net assets/(liabilities) recognised in the statement of financial position	**22.5**	**(34.0)**

* 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.

13. Retirement benefits and liabilities *(continued)*

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

	30 September 2026 £m	31 March 2026 £m
Fair value of plan assets (including reimbursement rights)		
At 1 April	**2,807.5**	**2,831.0**
Interest on assets	81.7	156.9
Actuarial loss on assets	(73.8)	(11.8)
Employer contributions	11.1	31.7
Benefits paid	(104.9)	(200.3)
As at period end (before IFRIC 14 asset ceiling)	**2,721.6**	**2,807.5**
Impact of asset ceiling	(4.0)	(3.1)
As at period end (after IFRIC 14 asset ceiling)	**2,717.6**	**2,804.4**
Present value of benefit obligations		
At 1 April	**2,838.4**	**2,839.4**
Service cost	1.7	3.4
Incurred expenses	2.4	4.9
Interest cost	82.2	156.5
Experience losses	2.0	29.0
Actuarial loss – demographics	3.8	37.0
Actuarial gain – financial	(130.5)	(31.5)
Benefits paid	(104.9)	(200.3)
As at period end	**2,695.1**	**2,838.4**
Net asset / (liability) at period end	**22.5**	**(34.0)**

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

	30 September 2026 £m	30 September 2025 £m
Current service cost	1.7	1.7
Incurred expenses	2.4	2.5
Total included within operating profit	**4.1**	**4.2**
Net interest cost/(credit) – note 4	0.5	–
Total included within income statement	**4.6**	**4.2**

As at 30 September 2026 the key assumptions used in valuing pension liabilities were:

Discount rate	5.95% - 6.35% (30 September 2025: 5.70%-6.05%)
Inflation rate (RPI)	3.25% - 3.35% (30 September 2025: 2.95%-3.00%)
Inflation rate (CPI)	2.65% - 3.00% (30 September 2025: 2.45%-2.70%)

14. Related party transactions

30 September 2026	Revenue to (£m)	Purchases from (£m)	Period end receivables balance (£m)	Period end payables balance (£m)
Alert Communications Limited	–	–	0.8	–
AirTanker Services Limited	7.2	–	0.9	–
Advanced Jet Training Limited	1.1	–	0.3	–
Rear Crew Training Limited	0.6	–	–	–
Ascent Flight Training (Management) Limited	1.8	–	0.1	–
Fixed Wing Training Limited	3.6	–	–	–
Rotary Wing Training Limited	2.6	–	–	–
Alkali Metal Processing Limited	2.8	1.3	–	–
H&B Defence Pty Limited	–	–	0.2	–
Fusion Business Solutions (UK) Limited	–	0.7	–	0.1
	19.7	**2.0**	**2.3**	**0.1**

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	–	–
First Swietelsky Operation and Maintenance	–	–	–	–
	21.7	**3.2**	**1.7**	–

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.

16. Events after the reporting period

During October 2026, the Group repaid the £300 million 1.875% bond facility as outlined in the going concern assessment in Note 1.

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 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:

Harry Holt
Chief Executive

David Mellors
Chief Financial Officer

18 November 2026