Babcock

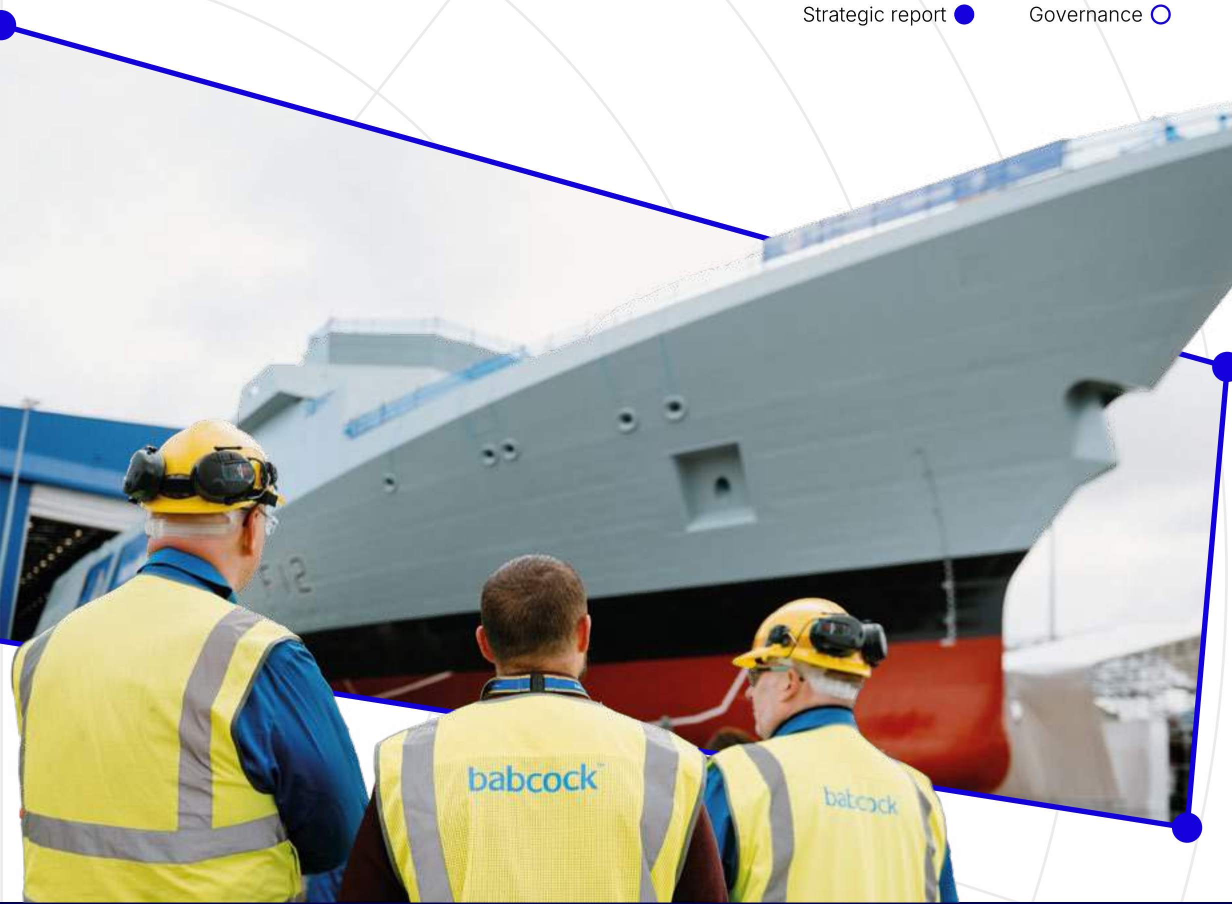
Annual Report and Financial Statements 2025

Introduction

Lifetime engineering

At Babcock, we believe the long game is the only game that matters. We set our sights across generations, not just quarters. That's why Babcock approaches everything with a broader perspective. Forging close and committed partnerships with customers. We deliver defence engineering that creates their big picture.

Contents



Financial highlights

Revenue
£4,831m
2024: £4,390m

Statutory cash generated from operations
£357m
2024: £374m

Statutory operating profit
£364m
2024: £242m

Underlying free cash flow*
£153m
2024: £160m

Underlying operating profit*
£363m
2024: £238m

Net debt (excluding leases)*
£(101)m
2024: £(211)m

* Underlying operating profit, underlying free cash flow and net debt (excluding leases) are defined as Alternative Performance Measures; see page 41 for more detail.

Operational highlights

- The first Type 31 frigate, HMS Venturer, entered the water and returned to Rosyth for fit-out in June 2025
- Devonport's 9 Dock open after a significant regeneration, and HMS Victorious docked
- First Astute Class submarine docked in Devonport's 15 Dock facility
- Awarded £114 million contract to support first nuclear submarine defueling operations in over 20 years
- Awarded sole-source five-year British Army strategic support partner contract extension 'Reframe' (formerly DSG) worth £1 billion
- Awarded Mentor 2 contract for military air training solutions for the French Navy, Air and Space Force, for up to 17 years
- Launched H&B Defence joint venture with HII in Australia to support AUKUS
- Signed an MOU with Patria to offer the UK the Patria 6x6 Armoured Personnel Carrier
- Expanded the General Logistics Vehicle offering through launch of a medium wheelbase, with plans for six-wheel variant
- Launched South West UK Hub for Nuclear Skills to support the delivery of the UK strategic plan for skills

Adjustments between statutory and underlying

The Group provides 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 2024. The Group has defined and outlined the purpose of its APMs in the Financial Glossary on page 41.

At a glance

Our business

Our Purpose is to create a safe and secure world, together.

Babcock is an international defence company providing support and product solutions to enhance our customers' defence capabilities and critical assets.

What we do

Deliver support on complex programmes

We provide through-life technical and engineering support for our customers' assets, delivering improvements in performance, availability and programme cost.

We deliver these critical services to defence and civil customers, including engineering support to naval, land, air and nuclear operations, frontline support, specialist training and asset management.

Product design, manufacture and integration

We design and manufacture a range of defence and specialist equipment, from naval ships and weapons handling systems to liquid gas handling systems. We also provide integrated, technology-enabled solutions to our defence customers in areas such as secure communications, electronic warfare and air defence.

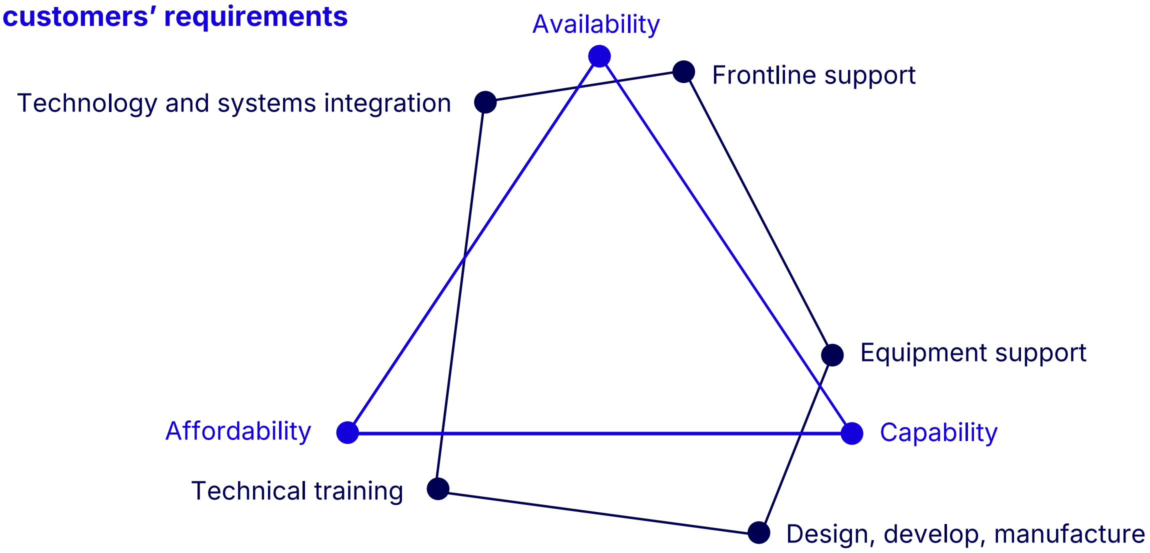
£4,831m
FY25 revenue

74%
Defence

c 27,700
Employees
as at 31 March 2025

£10.4bn
Contract backlog

Our capabilities
Our customers' requirements



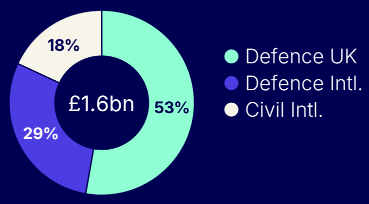
FY25 global revenue profile

Marine

Our c.7,300-strong workforce delivers:

- Design, build and through-life support of warships
- Submarine and equipment through-life support
- Design and manufacture of weapons handling and launch systems for ships and submarines
- Design, build and support of secure military communications systems
- World-leading commercial liquid gas equipment systems

FY25 revenue profile

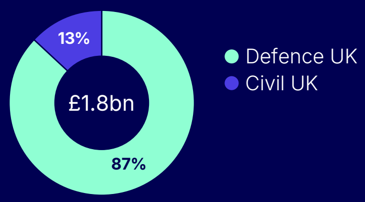


Nuclear

Our c. 10,000-strong workforce delivers:

- Through-life complex engineering support to the entire UK submarine fleet
- Through-life management of critical national defence infrastructure: own and manage Devonport dockyard
- End-to-end engineering integration support for AWE deterrent production
- UK civil nuclear new build, generation support and decommissioning projects
- Growing international nuclear services portfolio across defence and civil markets

FY25 revenue profile

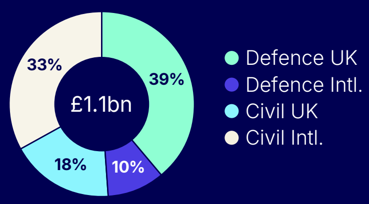


Land

Our c.6,300-strong workforce delivers:

- Strategic asset management and through-life engineering support for complex military equipment
- Defence and security vehicle build and systems integration
- Engineering services in power generation and transport networks, and through-life support of mining equipment
- Individual and collective training, delivering operational readiness for customers with critical missions

FY25 revenue profile

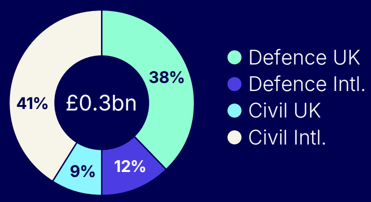


Aviation

Our c.2,600-strong workforce delivers:

- End-to-end military flying training for UK's Royal Airforce, French Airforce and French Navy
- Through-life support of operational military flying assets
- Through-life support of operational military infrastructure
- Critical air operations for government programmes, saving lives and protecting communities

FY25 revenue profile



Strategy and business model
See pages 8 and 12

Investment case
See page 6

Market review
See page 22

Sustainability strategy
See page 64

Chair's statement

A pivotal year

Dear fellow Shareholder

This has been a pivotal year for Babcock. Looking inwards, the strength of our performance in FY25 shows the progress that a disciplined, purpose-led Group can achieve. Looking outwards, the continuing evolution of the geopolitical security landscape brings the value we can deliver to all our stakeholders into ever sharper relief.

I was delighted to see that value reflected when Babcock rejoined the FTSE 100 index in March 2025 after an absence of more than seven years.

Last year I talked about the increased focus on defence in public discourse around the world. This has continued, with increasing political attention on defence capability driving uplifts in defence budgets in our target markets. There is greater demand for equipment modernisation, increased asset availability and supply chain resilience. Against this backdrop, our long experience of supporting NATO governments is a competitive advantage.

The energy transition and energy security are also driving greater and increasingly complex demands on the energy system. As a company which is active throughout the nuclear energy supply chain, we also have an important role to play here.

In the UK, where we are the second largest supplier to the Ministry of Defence, the Government is actively encouraging investment in our sector.

It recognises that sovereign defence companies like ours are not only essential to safeguard national security, but that the investment and skilled jobs we provide make us an engine for growth and prosperity. This year, research by the independent Oxford Economics global advisory firm showed that in FY24 Babcock contributed £4.3 billion to the UK's GDP (see page 96).

Financial strength

FY25 saw growth in revenue and underlying operating profit above expectations, and overall cash generation better than forecast at the beginning of the year. As a result, the balance sheet has further strengthened, resulting in a gearing ratio (net debt to EBITDA) of 0.3x.

The combination of balance sheet strength, increasing operating momentum and opportunities for sustainable growth have given the Board the confidence to increase the total dividend for the year by 30% to 6.5p per share and announce the intention to launch a £200 million share buyback programme to be completed over the next twelve months.

The continuing evolution of the geopolitical security landscape brings the value we can deliver to all our stakeholders into ever sharper relief.

Dame Ruth Cairnie

The Group's performance in FY25 demonstrates the efficacy of our enhanced focus on controls across the business.

We are committed to maintaining this focus as we move beyond the turnaround phase.

Improving processes

The Group's performance in FY25 demonstrates the efficacy of our enhanced focus on controls across the business, a key pillar of our multi-year turnaround. We are committed to maintaining this focus as we move beyond the turnaround phase.

Throughout FY25, the Board has overseen the continuing maturation of our programme governance and performance review processes which help to drive the consistency and effectiveness of delivery, and aim to ensure robust and proportionate challenge at all levels.

Building on these internal control improvements, we have worked to prepare the Company for the reforms introduced in the 2024 Corporate Governance Code, which will require the Board to monitor and review the Company's framework for all material controls (see more on page 147).

The Group monitors delivery across our most complex programmes via our watchlist review process. This ensures compliance to policy and process requirements for reviews, maintains the quality of evidence at reviews, facilitates appropriate challenge and directs interventions, such as independent deep dives, where required.

We continue to embed the programme of process improvements across our commercial function. We recognise that targeting contract risk identification and mitigation before we sign is a crucial way to protect our margins, so in FY25 we rolled out a series of commercial policies and guidance, including improved governance controls for bidding. These included a strengthened legal review process covering contract terms and conditions, which identifies how we prefer to contract.

We have aligned processes between our project management, engineering and commercial functions to facilitate smoother contract mobilisation. In addition, the increased adoption of core tools in support of our Global Business Management System will enable improved trend analysis across our portfolio, earlier problem detection, improved decision-making and continuous improvement.

We also published our first Supplier Assurance Handbook in FY25, enhancing transparency by detailing our sustainability considerations, risk management, supplier assessment, audit and development processes. This will further foster our collaboration and sustainable supply chain management in line with our commitment to excellence. We also implemented a new procurement risk governance process, effectively identifying and mitigating the most critical risks in our procurement function.

Improving technology

Technology will play an increasingly important part in our future. You can read more on our approach and our strategic technology themes on page 9. Internally we are also investing in technology to increase our efficiency.

Our investment in Athena, a next-generation replacement for our current IT operating model, delivers a suite of technical capabilities that will address the changing digital landscape in which we operate, and the evolving threats we face.

The introduction of Athena will support our work, including the use of Artificial Intelligence and effective global collaboration, within a modern security model. As we look to FY26, the programme will focus on large-scale migration across the business, supporting our governance of costs and efficiencies.

Investment in people

We continue to invest in the skills of our people, including a renewed focus on succession planning for key delivery roles and on training. For example, our commercial function has built on the training provided in 2024, on topics including negotiation skills, pricing methodology, risk management, business winning and commercial governance for bids, with a series of knowledge sessions delivered in conjunction with our legal team. Our engineering function has introduced a comprehensive training regime to support our maturing approach to product safety.

We are also continuing to invest in initiatives to address engineering skills shortages in the locations in which Babcock operates, including introducing an Engineering Role Framework supported by skills and competency training. This provides our engineers with clear, achievable career progression opportunities and improves our ability to move people across the business to meet customer needs.

We strengthened and deepened our talent pool, welcoming our largest-ever early careers intake of over 400 apprentices and 285 graduates in 2024. We continue to break down barriers to employment through our Production Support Operative scheme and our pre-apprenticeship programmes. Our investment in the Babcock Skills Academy programmes, our leadership role in the UK's National Nuclear Strategic Plan for Skills and our creation of apprenticeships in space systems and cyber security are all helping to create a talent pipeline that underpins our customers' future sovereign defence capabilities.

I would like to take this opportunity on behalf of the Board to thank all our colleagues in the business for their continued hard work and dedication, and their focus on ensuring we live up to our Purpose and principles.

Your Board believes that we will continue to capitalise on these strong foundations. We look forward to delivering sustainable growth and continuing to create value for our shareholders over the coming years.

Dame Ruth Cairnie
Chair

Investment case

Strong embedded position underpins sustainable growth

Strongly positioned

See page 18

Differentiated proposition

- Focused portfolio in growth markets: 74% defence and 5% civil nuclear
- Critical supplier to governments
- Own critical assets
- Highly differentiated proposition combining:
  - Engineering know-how
  - Product development capability
  - Customer intimacy
  - Operational asset knowledge
- Strong focus on sustainability

Complex programme delivery

- High barriers to entry
- End-to-end through-life support
- Proven track record
- Long lifecycle assets
- Capability transfer
- High incumbency on critical programmes
- Strategic partnerships
- Sustainability embedded in our strategic framework

Sustainable growth

See page 19

Growth drivers

- Growing global threat environment
- Defence budget growth in core markets
- Customers' need for military capability:
  - Equipment modernisation
  - Increased value for money
  - Demand for asset availability
- Energy transition driving nuclear
- Clear capital allocation framework
- Value enhancing model – increased military capability and asset availability at affordable price

Clear growth strategy

- £10.4 billion contract backlog
- Growing opportunity set across all sectors, addressed by:
  - Leveraging our technical capabilities to create incremental and adjacent opportunities
  - Developing our people and capabilities
  - New strategic partnerships and collaborations
  - Disciplined and targeted investment

Improving margins and cash flow

See page 28

Margin improvement

- Contract risk management
- Focus on operational improvement
- Improved programme delivery
- Growth of quality business
- Unwind of legacy contracts
- Upgrades to business systems ongoing

Cash flow improvement and balance sheet

- Programme execution
- Enhanced controls
- Improved bidding governance
- Focus on cash efficiency
- Strong balance sheet: investment-grade credit rating
- Clear capital allocation framework to maximise value for our stakeholders

Creating shareholder value

Strong focus on our updated medium-term targets

Average annual organic revenue growth	Underlying operating margin	Average underlying operating cash conversion
Mid-single digit	≥9%	≥80%

Underpinned by our capital allocation framework

Priority

1 **Organic investment**
Sustain investment to support business operations and enhance growth potential

2 **Financial strength**
Maintain strong balance sheet and investment-grade rating

3 **Ordinary dividend**
Pay an ordinary dividend

Further capital options

Pensions
Accelerate de-risking

M&A
Bolt-on opportunities

Shareholder returns
Further returns of surplus capital to our shareholders

Formula for growth

Strong embedded position and sustainable growth + **Clear financial targets** + **Disciplined capital allocation** = **Confidence in driving value**

Strategic framework

Creating a safe and secure world, together

Our Purpose

To create a safe and secure world, together

Our strategy

Leverage our technical capability

- Grow our UK business through optimising our existing position and entering selective new programmes
- Grow our international business through expanding activity in our focus countries, direct exports and strategic partnerships

Develop our people and capabilities

- Build a diverse and resilient workforce
- Grow our engineering and technical capabilities
- Develop skills through the Babcock Academy and national and industry initiatives
- Progress our early careers and returners programmes

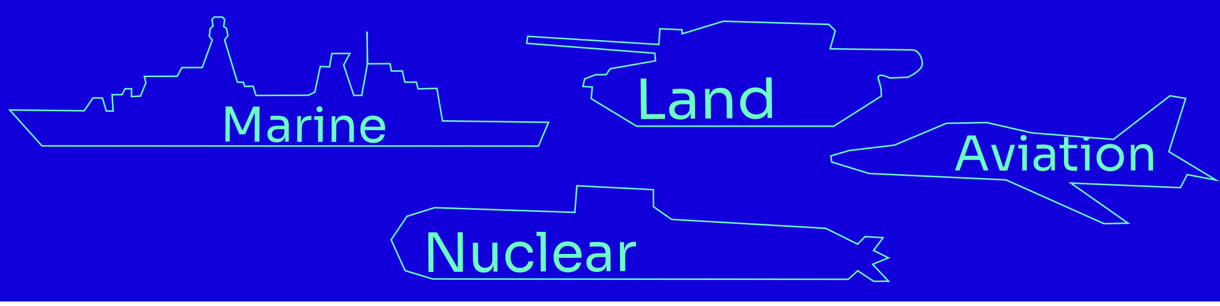
Build strategic partnerships

- Work with our customers to deliver critical solutions
- Develop innovative solutions to solve complex customer challenges
- Work with industry partners to enter new markets and programmes

Be a responsible corporate citizen

- Progress our six sustainability priorities
- Further develop sustainability capability within the business
- Ensure effective governance and oversight processes
- Communicate the vital role of defence and national security

Our capabilities span four key markets, with 74% of our business in defence



Focused on delivering value for all our stakeholders

Improved outcomes for our customers	A better place to work	Returns for our shareholders

Our growth strategy

UK

- Optimise position
- New programmes & markets

International

- Expansion in focus countries
- Direct exports
- Strategic partnerships

Underpinned by technology

Building on our intimate understanding of defence assets and their owners, we offer our customers deeply pragmatic answers to the problems they face.

We seek to provide integrated solutions, delivered in dynamic collaboration with the best in the industry: products informed by service and services informed by product.

That means we don't look to own the whole technology stack. Instead, we keep ourselves free to work with the right small & medium enterprises and industry partners, bringing together the best technology to deliver the outcomes our customers need, with the pace and agility they are looking for. And we all share in the value created.

Our own investments are focused on developing technology at the integration layer to access new markets, such as autonomy, with deliverable products, or on using enabling technology that equip us to deliver our existing work better.

We are organised across the Group to make sure that we are able to get the best value out of our focus on technology. In FY25, we refocused our technology team, establishing cross-sector and country working groups for each of our strategic technology capability themes (see the chart below for more detail).

These themes drive innovation, ensure our technology relevance and empower us to deliver cutting-edge, pragmatic solutions. Solutions that deliver the capability, availability and affordability our customers require.

Our new technology team is also playing a pivotal role in fostering collaboration and knowledge exchange across the Group. By sharing our ongoing initiatives and leveraging our collective expertise, we aim to maximise the return on our innovations whilst cultivating a learning environment for our people.

Key internal initiatives include: the internal publication of our first research and development stocktake for the Group, the release of quarterly horizon scanning reports, the showcasing of our subject-matter experts and the creation of dedicated knowledge-sharing forums. These efforts are strengthening our ability to exploit emerging technologies and make full use of the wealth of expertise across the Group.

In FY26, we will be building on these initiatives, with a particular focus on developing our understanding of technology partners in the autonomy space, and in developing our own IP.

Our strategic technology themes deliver a combination of growth and increased competitiveness

Autonomy
Building an autonomous capability covering scale assembly, systems integration, certification, launch and recovery, operation, training and through life-support of uncrewed systems.

C5ISR
Developing comprehensive capabilities in Command and Control, Computers, Communications, Cyber, Intelligence, Surveillance and Reconnaissance

Effectors and countermeasures
Enabling scalable defensive and offensive capabilities against a range of threats using the latest technology.

Green technologies
Expanding green technology solutions including energy generation, emissions capture and storage, alternative fuels and novel propulsion.

Human performance augmentation
Enhancing human capability through optimised training, biometric monitoring and augmentation.

Advanced manufacturing
Developing manufacturing capability to meet high-integrity, mass manufacture and repair demands.

Digital through-life support
Providing optimised, data-driven, through-life asset management, maintenance, repair and overhaul, and digital engineering services.

New products and services to generate growth

Enhancing existing products and services to increase competitiveness

Skills

Engineering the future

Our customers rely on us to deliver their vital defence and national security programmes. As the defence environment becomes ever more complex, we recognise the need to ensure that our people have the skills and know-how to deliver for decades to come.

We're growing and adapting our workforce to make sure we continue to do just that.

Taking a structured approach

We're investing in talent management across our people's careers, from recruitment to retirement. We've introduced a Global Competency Framework, which helps us set consistent standards for everyone across Babcock. This allows us to identify gaps in our skills so we can close them, and lets us see where we need to develop new capabilities to deliver for our customers today and in the future. It allows us to be agile and mobile across the Group, and for us to drive innovation through 'meta' competencies.

The common framework allows us to align our UK engineering skills with those of colleagues in Australia and Canada, so our engineers can move more freely to where the business need is. For example, the know-how needed for submarine support in the UK translates to the know-how needed to support submarines in Australia. We want to be able to mobilise our people to meet business requirements, whenever and wherever we're needed.

Right skills and right mindset? We'll do the rest

The complex and critical work we do means that the roles we need to fill are far from ordinary. We routinely hire for skills that are in short supply, so we've had to take an innovative approach to getting the right people for the job. We've gone beyond traditional routes, and as a result have opened up opportunities to a broader range of people.

New apprenticeships for new domains

With space and cyber becoming increasingly important elements of national security, these skills are in great demand. We've introduced new apprenticeship programmes to bolster our resilience for years to come.

Our space systems engineering apprenticeships will play an essential role in developing the skills needed to support programmes like Skynet, managing the UK's military satellite communications system. The apprentices will learn the skills needed to play a critical role in maintaining and modernising the UK's sovereign space communications capabilities.

Our cyber security engineering apprentices will work with our teams to ensure the confidentiality, integrity and availability of our customers' data is appropriately protected.

By investing in these programmes now, we're creating a talent pipeline that underpins the UK's future sovereign defence capability.

Increasing our defence skillset in Australia

We've opened a cutting-edge facility in Adelaide where over 100 engineers and technical experts will work across significant defence programmes, including future AUKUS endeavours. The move presents hands-on opportunities for engineers and graduates to perform detailed design work and apply their technical skills to create mechanical systems.

This new facility will enhance our ability to attract local, national and international talent, and support South Australia's growing defence manufacturing ambitions.

Bringing staff from different programmes together on a single, open plan floorplate will encourage knowledge sharing and the exchange of new ideas, plus create fresh avenues for career advancement.

Our business model

Delivering sustainable growth

We provide a range of products and service solutions to enhance our customers' defence capabilities and critical assets. Our business model is underpinned by a deep understanding of technology integration and engineering, infrastructure management and specialist training. We help our customers around the world to cost effectively improve the capability, reliability and availability of their most critical assets.

Strengths and resources

Our people

We rely on our people, and their experience and skills, to deliver for our customers and solve challenges every day. We aim to better support, train and empower our workforce.

Customer relationships

We are a trusted partner, critical to our customers' ability to solve complex problems. Through long-term programmes and contracts, we work collaboratively with our customers to understand their needs and identify solutions that add value.

Our assets

We own critical national infrastructure across the UK, including the Rosyth and Devonport Royal dockyards. We also operate a range of customer-owned critical assets such as naval and air force bases, complex engineering facilities and aircraft for the delivery of emergency services and military training.

Our technology and know-how

We use our technology and our highly specialised engineering know-how to solve customer challenges. We have a deep understanding of our customers' assets and are able to integrate technologies and capabilities to support their needs and provide services that add value.

Safety and regulatory compliance

This underpins all work. We and our customers operate in heavily regulated environments where the health, safety and wellbeing of all stakeholders is the number one priority.

How we operate

Our business model is focused on securing and executing long-term, high-value contracts for complex, integrated services, underpinned by rigorous commercial and technical risk frameworks.

1 Foundations

We work collaboratively with government departments, public bodies, highly regulated industries and blue chip companies, and are embedded on crucial long-term programmes. We focus on markets and customers with outsourcing models that require value-add engineering-based support and product development. Our five main markets are the UK, Australasia, France, Canada and South Africa, with operations in and exports to other countries.

2 Bidding and business development

We continually monitor opportunities across our markets, using strong reference cases and deep sector expertise to identify ways to solve new and existing customers' challenges and support their programmes. We have a multi-gate review process for contract bids to help ensure we only bid on value-creating work.

3 Contracting

A significant proportion of our business is carried out on a long-term contract or multi-year framework basis. Our contract backlog of £10.4 billion of contracted work provides a base level of revenue for the years ahead, supplemented by new business wins, framework orders, contract extensions and variations, and short-cycle work.

Revenue is recognised as we deliver on our contracts and performance obligations are satisfied. We have an established review process to manage contract risk. See page 104 for our principal risks.

4 **Sustainability**

Our sustainability strategy is a key component of how we deliver and increase the sustainability and growth of our business. Our business has a significant impact on society and the environment, and sustainability is an integral part of our corporate strategy and how we do business. See page 64 for our sustainability review.

5 **Technology-based solutions**

We apply technology-based solutions to solve complex customer problems. We invest in technologies that optimise asset utilisation, advance manufacturing, enhance support capabilities and add value to customers. Our data analytics, digital design and integration capabilities reduce costs and increase the customer's ability to adapt to technology developments.

6 **Partnerships and collaboration**

Partnering and collaboration are key to our success in bringing market-leading capabilities to our customers. We bring together organisations to deliver engineering and technology-based products and support solutions that add value to our customers and increase access to markets.

7 **Investment and capability**

The cash we generate funds selective reinvestment into the business, principally through capital expenditure to develop our unique infrastructure, equipment, IT systems and engineering talent. See page 7 for our capital allocation framework.

Creating stakeholder value

Customers

Delivering for our customers and partnering with them on the challenges they face.

Colleagues

Creating a better place to work where colleagues are valued and motivated at all times.

Investors

Creating shareholder value through growth, cash generation and the efficient allocation of capital. Delivering shareholder returns through dividends and increased share value.

Communities

Providing jobs and investment across the UK and internationally where we operate, and ensuring we act responsibly at all times in the interests of local communities around our sites.

Suppliers

Creating jobs and nurturing investment through collaboration with our supply chain.

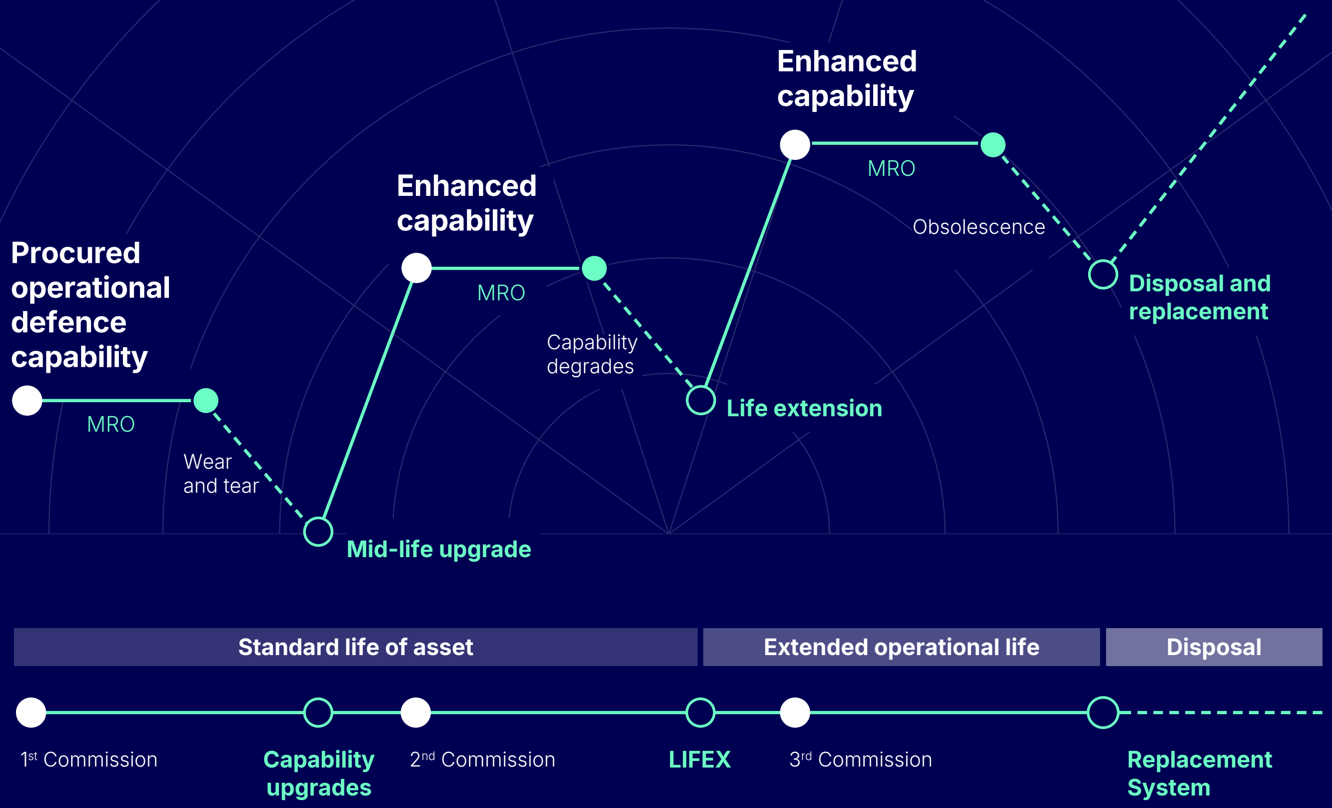
● See page 62 for more on our stakeholder engagement

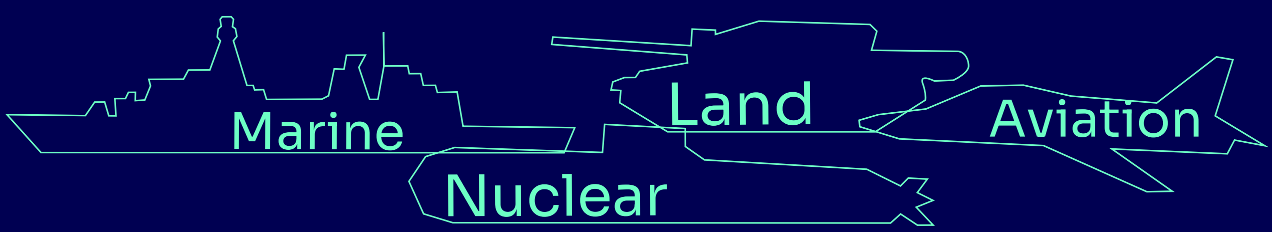
What sets us apart

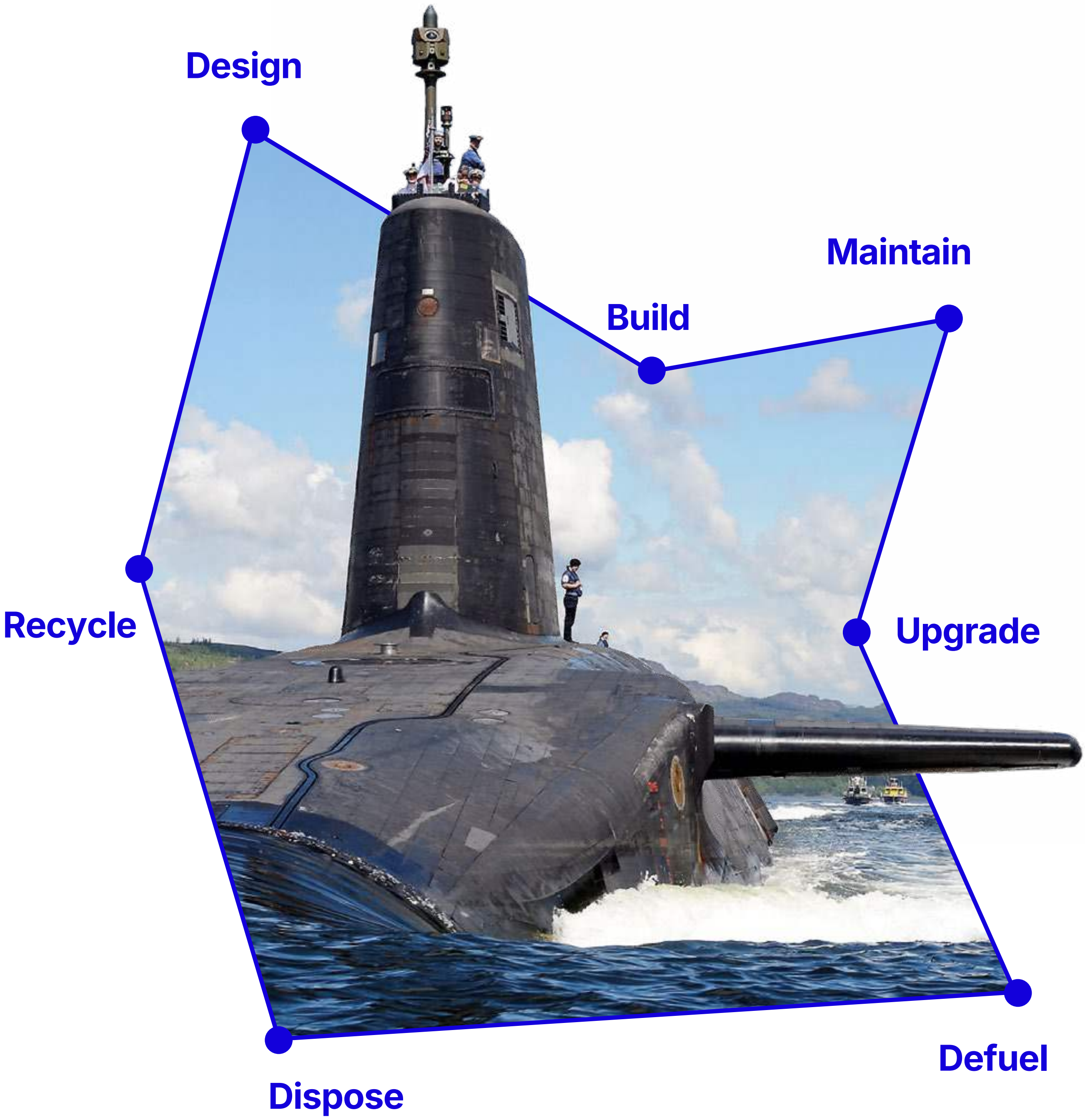
Delivering lifetime engineering

We offer customers deeply pragmatic and integrated solutions, delivered in dynamic collaboration through committed partnerships. Products informed by service and services informed by product, resulting in assets that work, and work hard, year after year.

Maximising asset value and utility, with **end-to-end vision**.







We set our sights across generations, not just quarters.

CEO review

Well-positioned for a new era of defence

Introduction

FY25 was a pivotal year for Babcock, demonstrating the strength of the business we have built over recent years. Financial performance was particularly strong with full year results ahead of our upgraded guidance, while a complex and rapidly changing global context for defence has highlighted the increasing relevance of our specialist capabilities.

Babcock is in a position of financial strength, with operational momentum across the business. We have a clear capital allocation framework which, in combination with our robust balance sheet, enables us to address both the growing international opportunity set to deliver sustained good growth, and to deliver improved returns for shareholders over the coming years. Our increased confidence in the potential for future value creation is underlined by today's upgrade to our medium-term guidance, in addition to a 30% increase in full year ordinary dividend and the announcement of the launch of a £200 million share buyback programme to be completed in FY26.

We are building a track record of growth, margin expansion, cash generation and investment that will sustain attractive growth and create shareholder value over the long term.

Our specialist capabilities are increasingly relevant and, with a growing set of opportunities before us, Babcock is committed to play its part in driving prosperity alongside its customers.

David Lockwood

2025

11%

Organic revenue growth, see page 29

2025

£10.4 bn

Contract backlog

Strong results

Performance in FY25 was strong, with growth in revenue and underlying operating profit[1] above our expectations at the beginning of the year, and overall cash generation better than forecast.

Revenue grew organically[1] by 11% to £4.8 billion, with particularly strong growth in Nuclear and Marine.

Underlying operating profit of £363 million is an increase of 17%, excluding the one-off items in FY24. On the same basis, underlying operating margin[1] of 7.5% represents a 50-basis points improvement, demonstrating significant progress towards our previous medium-term guidance of at least 8%. At the sector level, margins increased in Nuclear, Land and Aviation, while Marine declined as expected due to high margin AH140 licence sales in FY24.

Strong underlying operating cash conversion[1] of 82% despite ongoing investment in the business (capex to depreciation ratio 1.6x), resulted in underlying free cash flow[1] of £153.4 million (FY24: £160.4 million), which included an additional pension deficit repair payment of £40 million (FY24: £35 million).

We completed a long-term funding arrangement (LTFA) for the Rosyth Royal Dockyard Pension Scheme (discussed below). This is the last of three main schemes to reach an LTFA and demonstrates a significant de-risking of our pension liabilities over the last three years.

As a result, the balance sheet has further strengthened. Net debt excluding leases[1] reduced to £101.2 million (FY24: £210.9 million), resulting in a gearing ratio (net debt to EBITDA)[1] of 0.3x (FY24: 0.8x).

On a statutory basis, we delivered operating profit of £364 million, and generated cash from operations of £357 million.

Given the Group's strong performance, the Board has recommended a final dividend of 4.5 pence per share, taking the full year dividend to 6.5 pence per share, an increase of 30% compared to FY24.

Our contract backlog increased slightly to £10.4 billion (FY24: £10.3 billion), reflecting firm orders related to the five-year DSG contract extension (now called 'Reframe') and Mentor 2 contract in France, offset by revenue traded on the existing long-term contract portfolio.

The Group's largest programme, Future Maritime Support Programme (FMSP), enters its final year of trading in FY26 with Heads of Terms agreed and commercial discussions under way for the follow-on multi-year programme.

Continuing to prioritise delivery

We continue to make good operational progress and to deliver for our customers. Through the year we achieved several important milestones that position us well for future growth.

Following a significant upgrade to 9 Dock in our Devonport facility, the dry dock critical to the support of the Vanguard Class of nuclear deterrent submarine, HMS Victorious docked in January and was removed from the water. This is a key step in the multi-year £560 million HMS Victorious life extension programme and for the future support of the UK's deterrent fleet.

We also achieved the first docking of an Astute Class nuclear attack submarine, HMS Audacious, in February, paving the way to deliver the significant support requirement for the Astute fleet over the coming decades.

The five-ship UK Type 31 frigate programme made good progress through the year, with work starting on the third ship, HMS Formidable, using an enhanced build strategy to drive production efficiencies that will be realised through the rest of the build programme. After the year end, the first-in-class ship, HMS Venturer, marked the significant execution milestone of leaving the assembly hall and entering the water, before returning, as planned, to dry dock to continue work. Ship 2 is expected to float off in H2 FY26.

Separately, we secured a £65 million Capability Insertion Period (CIP) contract for the Type 31 fleet to deliver additional military capability for the vessels beyond the initial design and build contract. This contract, awarded on a sole-source basis, recognises that our differentiated capabilities will deliver enhanced value to this key Royal Navy programme.

In March, we finalised negotiations for 'Reframe', a five-year extension to the British Army land equipment support contract following successful execution and completion of the original contract, DSG. Worth around £1 billion, and awarded on a sole source basis, Reframe supports delivery of the UK Government's Defence Industrial Strategy and is a model for addressing complex equipment support opportunities, focused on delivering improved readiness, regeneration and asset management services. It will maximise the availability of critical army equipment whilst delivering increased value for money and better outcomes for both partners.

Our Cavendish Nuclear business is successfully delivering a significant ramp up in activity at Hinkley Point C, as the construction phase of the large gigawatt nuclear power plant project progresses. As a key partner in the Mechanical, Electrical and HVAC (MEH) Alliance, we have increased resources from 250 to over 600 people in the last year; we anticipate our team continuing to grow significantly in support of the overall project requirement.

CEO review *(continued)*

We continue to invest in systems and processes to improve operational efficiency. We made good progress on our ERP upgrade and consolidation strategy, with successful implementation of SAP in Devonport, our largest SAP investment in our largest trading entity, and in Land, to enable and support of the DSG contract extension negotiation.

Design and rollout of our next-generation digital platform (Athena) is on track, which will give us a more agile, secure and efficient foundation from which to deliver our customer solutions, increasing standardisation and process automation, and improving business control.

Increasing global market opportunity in defence and nuclear

A combination of continued global insecurity, rising global threats and rapidly evolving technology has led to a strengthening of stance on defence and security by governments across all our markets. There is clear recognition of the need for increased investment in defence capabilities and energy security, in particular nuclear power generation.

Nations are increasingly focused on securing national sovereignty and industrial resilience, prioritising equipment and infrastructure modernisation, evolving technologies and the need to work in partnership with industry. These trends are likely to drive significant defence spending and increased investment in the civil nuclear sector for the foreseeable future.

Positioned to deliver the UK's near and long-term goals

The dynamic in the UK has shifted significantly over the last six months. In its 2025 Spending Review, the new Government confirmed it will increase its commitment to defence spending to 2.6% of GDP by 2027 (from 2.3%) with cross-party support for an ambition for this to rise to 3% of GDP in the next Parliament. This will include £6 billion to upgrade nuclear submarine production and £4.5 billion spend on munitions. The Prime Minister also announced at the Nato Summit in June 2025, a commitment to spend 5% of GDP on national security with a target date of 2035.

In addition, the UK Government set out its defence and security priorities in the Strategic Defence Review (SDR), announced on 2 June, which is strongly aligned with our capabilities (discussed below). At the meeting of NATO defence ministers, the UK committed to an ambitious new set of capability targets which will form the basis for a new defence investment plan.

With UK defence representing 62% of Group revenue in FY25, this backdrop provides a significant opportunity for sustained growth.

The SDR emphasised the contribution of defence to broader economic prosperity, the need to drive a new partnership with industry and to radically reform the current procurement system. As the second-largest supplier to the UK Ministry of Defence, contributing £4.3 billion of value to the country's GDP in FY24 (Oxford Economics report – March 2025), Babcock is a key part of delivering the UK Government's ambitions.

The SDR sets out five key principles:

- **NATO first:** Babcock supports several key NATO forces as well as working directly with NATO
- **Move to warfighting readiness:** Babcock supports all three UK Armed Forces, providing submarine design, systems and support, warship build, integration and support, advanced manufacturing, mission systems autonomy, mission systems and digital. land defence build and support, and technical training
- **Engine for growth:** Babcock is a critical UK-based supplier to the MOD, driving jobs and prosperity across the country, including a UK-first supply chain approach, and creating further growth through exports from the UK
- **UK innovation driven by lessons from Ukraine:** Babcock plays a significant role in Ukraine, supporting the UK MOD-gifted equipment and training
- **Whole of society approach:** In addition to its financial contribution to UK GDP, Babcock is a leading member of the National Nuclear Skills Taskforce, is investing in skills and training, and is the UK's largest employer of veterans.

The priorities outlined in the SDR align strongly with our capabilities and expertise, including our naval and civil nuclear capability, advanced manufacturing and mission systems expertise, and exports of warships, equipment, vehicles, autonomy and specialist training.

In particular, the UK Government has signalled it is focused on nuclear, both defence and civil. Nuclear is our biggest sector in revenue and profit terms and Babcock is the largest civil and defence nuclear services provider in the UK. We are the only company with the capability and critical assets to support the UK's nuclear-powered submarine fleet.

The Government's commitment to the nuclear deterrent, with the new fleet of Dreadnought Class submarines, and to increase in the nuclear attack submarine fleet from 7 to 12 through the AUKUS programme, will drive activity in our submarine support business for decades.

We are also involved in the intergovernmental AUKUS programme, both in the UK and Australia. We recently announced the first Australian AUKUS contract for H&B Defence, our joint venture with HII in Australia, to enhance Australia's supply chain capabilities in preparation for delivery of the first three nuclear-powered submarines under the AUKUS trilateral partnership. The SDR also outlined a £15 billion investment in a new sovereign nuclear warhead, supporting our role with the Atomic Weapons Establishment (AWE).

With the Government having set out its priorities in the SDR, it will take time for the practical aspects of implementation to be determined and fiscal constraints will likely remain a key determining factor. We expect further clarity with publication of the Defence Industrial Strategy expected Summer 2025.

Nevertheless, the importance of UK defence has undoubtedly increased significantly, and we are encouraged by the Government's strong intention to increase industrial collaboration. We are confident that significant opportunities will emerge, including investment, driving growth in both our UK and international businesses over the medium and long-term.

Positioned for UK civil nuclear renaissance

In civil nuclear, commitments by the UK Government earlier this month to a £14 billion investment in the Sizewell-C large gigawatt nuclear plant project and to develop the first three small modular reactor (SMR) power stations, represent significant opportunities for our Cavendish Nuclear business. Cavendish is also involved in the design of assets required for nuclear fuel manufacture, conversion and enrichment in support of developing a sovereign nuclear fuel capability.

Disciplined capital allocation

Our clear and consistent capital allocation framework is designed to be flexible and thereby allow us to maximise value creation. In FY25, supported by our strong balance sheet, we delivered on our capital allocation priorities with further investment in the business (capex to depreciation 1.6x (FY24: 1.7x)), accelerated pension deficit payments by £40 million as part of the strategy to materially de-risk the Group's pension liabilities and proposed a 30% increase in full year dividend.

With net cash generation of £105.3 million and our gearing ratio (net debt to EBITDA) down to 0.3x, we have the financial capacity to invest in the growing opportunity set and also return surplus capital to shareholders. Therefore today, we have announced our intention to launch a £200 million share buyback programme, to be executed over FY26. This demonstrates responsible capital allocation whilst retaining balance sheet strength for investment opportunities.

Investment for growth: In addition to ongoing capex, we see growing opportunity to invest for growth. It is too early to identify specific opportunities as governments determine their priorities and overall intended growth in spending. However, our investment considerations include, in Rosyth, advanced manufacturing capability and expansion of production capacity to address opportunities in domestic and international marine and nuclear markets, as well as SMR large scale modular manufacturing.

In addition, we will be investing in new growth contracts such as Mentor 2, which has an initial capital phase of aircraft acquisition.

To further enhance our ability to grow, both in the UK and internationally, and to attract the talent required to support that growth, we continue to focus on embedding our Purpose-led culture across the Group. To support this, in June 2025 we introduced a brand refresh, which will enable us to more clearly articulate our value to all of our stakeholders.

Our people are the foundation of Babcock's success and are critical to delivering sustained growth. We remain committed to investing in their development and to creating opportunities to support their long-term career goals. Our people strategy includes developing highly skilled jobs, training, and investment in early careers. In the UK, this fully aligns Babcock with the Government's aim to deliver the 'Defence Dividend'; namely for increased investment in the industry to generate growth and prosperity for the nation as a whole.

We continue to break down barriers to employment. In FY25 we delivered our third Skills-based Work Academy Programme at our Vehicle Engineering site in Walsall, building on successful initiatives at our Devonport site. Developed in partnership with local councils and the Department for Work and Pensions, this provides unemployed individuals with qualifications and skills. Earlier in the year, we welcomed our fifth intake of Production Support Operatives (PSOs) at our Rosyth facility.

As a key industrial partner on the UK's Nuclear Skills Taskforce, we are playing a leading role in securing the critical skills needed across the defence and civil nuclear sectors. In September, the UK Minister for Defence Procurement, Maria Eagle, officially opened the Babcock Engineering & Nuclear Skills building at City College Plymouth. This facility will support the development of complex submarine maintenance capabilities and marks the next phase of our Babcock Skills Academy — focused on building a pipeline of talent and upskilling our workforce to meet future nuclear programme demands. After the year end, we opened a new apprenticeship welding school in Bristol.

FY25 saw us welcome our largest-ever early careers intake in the UK, hiring apprentices and graduates across a wide range of high-demand disciplines, including space systems engineering. We expect to increase this programme in FY26.

As part of our commitment to retaining and rewarding our people, we are launching a free share award programme for all employees globally. This initiative allows eligible employees to share directly in Babcock's success, recognising their contributions and strengthening their connection to the Company's future.

Investing in partnerships: We continue to develop strategic partnerships with leading global players where we share investment and risk to influence, disrupt and shape a market.

In the Land domain, we are building our equipment production business through an increasing number of partnerships. During the year we received a contract for the manufacture of 53 Jackal 'Extenda' variants of the High Mobility Transporter for the British Army, in partnership with Supacat. The initial order for 70 Jackal 3 vehicles began production within the Devonport Freeport earlier this year.

We have also partnered with ST Engineering to offer the UK an integrated, end-to-end solution to enhance British mortar capability, as part of the MOD's 120mm mortar procurement. In line with the priorities set out in the UK SDR, we will deliver a sovereign solution that boosts British capability whilst driving economic and social benefit.

In January 2025, Babcock signed a memorandum of understanding with Finnish company Patria to offer the Patria 6x6 Armoured Personnel Carrier to meet the operational requirements of the British Army, in line with the UK's Defence Land Industrial Strategy. Under the agreement, Patria will lead on design and development of the system, while Babcock will lead on the manufacture, assembly, integration and testing.

We are exploring export potential through all of these partnerships.

CEO review *(continued)*

In the marine and naval nuclear sectors, Babcock and HII launched an Australian joint venture, H&B Defence, to accelerate the development of critical sovereign capability for the AUKUS conventionally armed, nuclear-powered submarine programme. In May 2025, the joint venture secured its first contract to deliver a two-year Australian Submarine Supplier Qualification Pilot Program which will accelerate the identification of Australian suppliers with the requisite skills and products to enable them to access the US Virginia Class submarine supply chain.

We continue to work in partnership with Saab, currently supporting design deliverables on the Swedish Navy's next generation Luleå Class surface combatant programme. We are working together to identify export markets for the Luleå Class.

In FY25, we built on our strategic partnerships in the Republic of Korea with two new agreements to support the growth of global opportunities: a Strategic Cooperation Agreement with Hanwha Ocean, to jointly address solutions for major global naval procurement projects, and a Memorandum of Understanding with Korea Aerospace Industries to jointly explore military flying training, air base support and engineering opportunities in Central, Eastern and Southern Europe.

After the year end, we signed an MOU with Safran, the world's second largest aircraft equipment manufacturer, to jointly pursue opportunities across multi-domain mission systems, aircraft engines, space systems, tactical and strategic communications and uncrewed airborne vehicles.

Inorganic investment: Our bolt-on M&A strategy is an important component of our capital allocation framework and supporting the Group's future growth potential and expansion of capability. We have a disciplined and structured approach to assessing opportunities, focusing on their fit with our core capabilities and our confidence that they will create shareholder value.

Whilst we have been active in reviewing opportunities through FY25, including two low triple-digit million targets, we ultimately decided against proceeding in each case, having determined through detailed due diligence that the balance of risk and value potential did not reach our value creation thresholds. We will continue to assess potential acquisition opportunities which meet our criteria.

Upgraded medium term guidance

Two years ago, having reset our financial baseline, we provided medium term guidance of average revenue growth in the mid-single digits, underlying margin of at least 8% and operating cash conversion of at least 80%. This reflected our confidence in the growth, profitability and cash generation potential of the business.

To date, we have met or exceeded guidance for both revenue growth and cash conversion and delivered a trajectory of margin improvement each year towards the earlier end of the guidance period. We now expect to meet our target underlying operating margin in FY26, at least one year earlier than we anticipated.

We are now refreshing our guidance and over the next medium-term period we expect to deliver:

- Average revenue growth of mid-single digit
- Underlying operating margin of at least 9%
- Average underlying operating cash conversion of at least 80%

Our new medium-term guidance is underpinned by the current outlook for our businesses and nearer-term pipeline.

The strengthening stance on defence and security by governments, and the clear recognition of the need for increased investment in defence capabilities and energy security, provides a positive backdrop for many of our addressable markets. Babcock is well-positioned for future opportunities that may arise in the longer-term.

David Lockwood
Chief Executive

Dividend

A dividend of 4.5 pence per ordinary share (FY24: 3.3 pence) is payable on Tuesday 30 September 2025 to shareholders whose names appear on the register at the close of business on Friday 22 August 2025. If approved by the Shareholders at the AGM on 25 September 2025 this will give a total dividend for the year of 6.5 pence (FY24: 5.0 pence). Shareholders may participate in the dividend re-investment plan and elections must be made by Tuesday 9 September 2025. Details of the dividend re-investment plan can be found, and shareholders can make elections, at www.babcock-shares.com

1. A defined Alternative Performance Measure (APM) as set out on page 1 and in the Financial Glossary on page 41.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Market review

Defence is a growing sector

Babcock is an international defence company providing support and product solutions to enhance our customers' defence capabilities and critical assets.

Geopolitical tensions are driving unprecedented growth in the global defence sector with spending reaching a record high of $2.46 trillion in 2024.[1] Nations around the world are increasing investment in military capabilities, at a time when technological advances are driving rapid changes in how capability is developed and deployed.

In the UK, defence is undergoing considerable change to enable the MOD to deal with this rapidly changing environment. The new structures will include a full-time National Armaments Director and Directorate, who will oversee all defence procurement and export, increasing the focus on procuring equipment and technology that can be sold to allies abroad.

What sets us apart

Babcock understands what it takes for assets to perform at their best for the longest. Our approach increases asset availability and reduces cost of ownership, maximising the value and utility of assets from beginning to end.

We offer customers deeply pragmatic and integrated solutions – products informed by service and services informed by product. Engineered with pragmatism and delivered through collaborative and committed partnerships, resulting in assets that 'work' in use and over time, achieving our key customer requirements of availability, affordability and capability.

Availability – Our customers require high utilisation of complex assets, from ships and submarines to military and emergency services aircraft and vehicles. Our fleet support and sustainment models are increasingly geared to higher value-add, availability-based solutions designed to optimise asset utilisation and reduce lifetime costs.

Affordability – Our customers are also demanding value for money on support programmes and new platforms. Our deep understanding of our customers' needs, and our ability to bring suppliers and technologies together to deliver an integrated solution, enable us to provide the affordability and flexibility they require.

Capability – Our customers operate in complex and ever-changing environments, which drives a continual need to adapt and enhance capability. We apply our understanding of technology integration, infrastructure management and specialist training to improve their capability, whether it be through product, support or training solutions.

UK: a changing environment for defence

Since the General Election in July 2024, the new UK Government has increasingly focused on defence, necessitated by rising geopolitical volatility.

In February 2024, Prime Minister Keir Starmer committed to increase in defence spending to 2.5% of GDP by 2027, with an ambition for this to rise to 3% of GDP in the next Parliament. This would represent the UK's largest sustained increase in defence spending since the end of the Cold War and signals a robust commitment to both national security and industrial growth.

In its 2025 Spending Review, the Government confirmed it will increased its commitment to defence spending to 2.6% of GDP by 2027 (from 2.3%). This will include £6 billion to upgrade nuclear submarine production and £4.5 billion on munitions.

Additionally, the UK Government actively encouraged investment in the UK defence sector through a multi-pronged strategy unveiled in March 2025. This included an additional £2.2 billion allocated for defence in the 2025–2026 fiscal year. It has repeatedly framed defence investment as a tool for broader economic development, aiming to create skilled jobs and stimulate advanced manufacturing across the UK, by encouraging increased private sector investment through initiatives such as the Defence and Economic Growth Taskforce. (See Babcock's contribution to UK GDP in FY24 on page 96)

The 2025 Strategic Defence Review marked a transformative moment for UK defence policy. It aims to re-orientate the Armed Forces towards warfighting readiness, with a strong emphasis on technological innovation and the sustainment of the Continuous-At-Sea Deterrent as the foundation of UK defence, in addition to seeking to use the UK's defence sector as a vehicle for economic growth.

The direction of travel set by the Review is expected to result in increased investment to strengthen the UK's defence posture and enhance its global competitiveness. This will create significant opportunities for UK defence firms like Babcock, due to the Government's desire to prioritise investment into British business to enhance national industrial resilience, as set out in the Defence Industrial Strategy statement of intent.

The recently agreed UK-EU Security and Defence Partnership is expected to increase access to collaborative projects and funding streams, such as the EU's SAFE initiative, while reinforcing the UK's role as a key security actor on the continent. This will enable companies like Babcock to further strengthen its partnerships in Europe.

1. The Military Balance 2025: Defence Spending and Procurement Trends.

Supportive market dynamics

The geopolitical environment continues to be unstable, resulting in a continued political focus on defence capability. This is driving increased defence budgets in our target markets, alongside greater demand for equipment modernisation, maximum asset availability, supply chain resilience and better value-add. Against this backdrop, our long experience of supporting all branches of the UK's Armed Forces is a competitive advantage, both as a supplier to government customers and as a partner to international defence companies. Net Zero and energy security are also driving greater and increasingly complex requirements around the energy transition.

UK	71% of FY25 revenue	Our defence capabilities	Opportunities
c.£64bn 2024 defence budget[1]	Our primary defence market is the UK, the third-largest defence budget in NATO, where we provide critical support to all the UK's armed forces. As part of the Strategic Partnering Programme, we are working with the UK Government and MOD across multiple critical programmes to ensure the increasingly complex needs of our armed forces are met.	• Submarine infrastructure • Submarine and systems support • Naval base management • Submarine defuel and dismantling • Submarine and systems design • Frigate design and build • Warship support • Space • Electronic warfare • High-frequency comms • Secure comms • Army vehicle build and support • Pilot training	• Next Generation Technical Training • UK Air Power Enablement programme • UK Land Mobility programme • AWE fissile support • 120mm GDAMS • AUKUS • Naval Support Integrated Global Network (NSIGN) • MRSS • T83 FADS
Asia Pacific	**13% of FY25 revenue**		
c.£73bn 2024 defence budgets[2]	We are a key defence company in Australasia, providing maritime sustainment and defence communications capability to the Australian and New Zealand Defence Forces, with product capability exports further afield.	• AUS, NZ warship asset management and sustainment • AUS submarine onboard systems support • AUS, NZ high-frequency comms – operation, maintenance and upgrade • ROK submarine systems • IDN frigate development	• AUKUS • AH140 General Purpose Frigate • Fleet support • Defence Search and Rescue • Pilot/Aircrew training • Theatre Logistics and Vehicle MRO • Battlefield communications • UaX operations and training • Strategic communications • Shipbuilding support services • Critical Infrastructure Management
Europe	**3% of FY25 revenue**		
c.£115bn 2024 defence budgets[3]	We have an established position in France while exporting selected capabilities to Poland, Ukraine and Spain in response to equipment modernisation, based on our strong track record in the UK.	• FRA pilot training • FRA aircraft support • FRA land support • POL frigate development • UKR warship support • UKR vehicle and equipment support • ESP submarine systems	• Flying training • RED Air • Vehicle maintenance, repair and overhaul • Marine support • AH140 frigates • General Logistics Vehicle (GLV) • Corvette design and build
North America	**4% of FY25 revenue**		
c.£770bn 2024 defence budgets[4]	We have a strong history of supporting the Canadian Navy and the US Department of Defense.	• CAN submarine support • US submarine components	• Canadian Patrol Submarine Project (CPSP) • Fleet support

Sources:

1. The International Institute For Strategic Studies (IISS) 2025.
2. IISS 2025: AUS, NZL, ROK, IDN.
3. IISS 2025: FRA, POL, UKR, BEL, ESP.
4. IISS 2025: US, CAN.

Community showcase

Part of the Community

What we do in the UK doesn't just help protect the country; our presence drives growth and prosperity.

We are an intrinsic part of the areas in which we operate. We create jobs, support local businesses and contribute to the wellbeing of the communities that we're proud to be a part of. Because we know that to go far, we must go together.

Babcock in South West England

Contributed
£1.3bn
to UK GDP

Paid
£290m
to suppliers, and just under £540m to workers in the region

Employed
12,000
staff

Sustained nearly
21,500
jobs

Figures relate to Babcock in South West England, from *The contribution of Babcock to the UK economy, An independent report by Oxford Economics*, March 2025

Babcock in Plymouth

We are proud to own and operate Devonport Royal Dockyard, the UK's sole licensed site for submarine maintenance, defueling, and refueling. As the largest employer in the South West outside the military, Babcock's Devonport base supports critical defence programmes and hosts two thirds of our UK workforce.

For over 50 years, we've backed the UK's Continuous-At-Sea Deterrent with the nation's largest nuclear-capable contractor workforce. Co-located with HMNB Devonport – the largest naval base in Western Europe – Devonport is vital to maintaining the UK's sovereign defence capabilities now and into the future.

Investment: In 2022, we began a £1 billion programme to develop advanced Royal Navy facilities. By September 2024, we reopened 9 Dock – the site's largest dry dock – and modernised 15 Dock. This investment aligns with a wider £4.4 billion Government defence commitment to Devonport over the next decade.

Skills: We're investing in skills development in the region, working with local partners, such as City College Plymouth and the University of Plymouth, to underpin apprentice and graduate programmes. We are also providing wider vocational opportunities and creating new career pathways.

Jobs: We're securing skilled jobs in the region. In September 2024, alongside Supacat, we won a contract to build 53 High Mobility Transporter Jackal 3s for the British Army, securing 100 jobs in the South West. Production will take place at our advanced Devonport facility within the Plymouth and South Devon Freeport.

Embedded in the local community

As a major employer in the region, we're deeply engaged with the local community in Devonport and the wider area of Plymouth, providing opportunities to a broad range of people and helping to foster a thriving community.

Our community support includes:

- Breaking down barriers to employment for Devonport's young people – changing how we assess our pre-apprenticeships, hiring candidates on characteristics and behaviours rather than just looking at their qualifications
- Supporting local charities through volunteering – our colleagues donate their time to a wide range of local causes, including the Plymouth Soup Run and working with Headway to transform its rehabilitation centre
- Sponsoring and attending key community events such as Plymouth Armed Forces Day, to inspire the next generation through STEM activities.

Partnering to support those who need it most

In 2023, we established a three-year community connection partnership with Plymouth Argyle Football Club, which includes supporting its Argyle Community Trust.

Every year the partnership delivers tailored physical, educational and social programmes to 15 primary schools and hosts the Babcock Community Cup, a football competition involving hundreds of children from across the city. At Christmas, we help create and deliver hampers to some of Plymouth's most vulnerable residents.

We're also proud to partner with the Community Hub at Foulston Park in the heart of Devonport, which opened its door to the community this year. The hub offers meeting places, a community gym, classrooms and a digital suite with the latest technology. It is an ideal location for a wide range of workshops and events to educate and inspire the engineers of the future.

Key performance indicators

How we measure progress

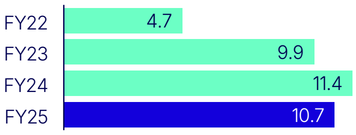
We have six financial and three non-financial key performance indicators (KPIs). The six financial metrics we use to monitor underlying performance are Alternative Performance Measures (APMs), which are not defined by International Financial Reporting Standards (IFRS) and are therefore considered to be non-GAAP (Generally Accepted Accounting Principles) measures.

The Group has defined and outlined the purpose of its APMs in the Financial Glossary starting on page 41.

2025 Financial performance

Organic revenue growth (%)

10.7%



Definition
The movement in revenue compared to that of the previous year excluding the impact of FX, contribution from acquisitions and disposals over the prior and current year.

See note 1 of the accounts for details of our revenue recognition policy.

Commentary
Organic revenue growth was 10.7%, driven by strong growth in Nuclear and Marine, and partly offset by the expected decline in Aviation.

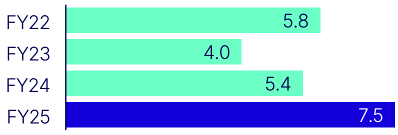
See our operational reviews on page 46

G Organic revenue growth

T Organic revenue growth

Underlying operating margin (%)

7.5%



Definition
Underlying operating profit, expressed as a percentage of revenue.

See page 31 for a reconciliation of statutory to underlying operating profit.

Commentary
Group margin was up 210 basis points year on year, due to the prior year loss on Type 31 and an out performance in Nuclear and Aviation.

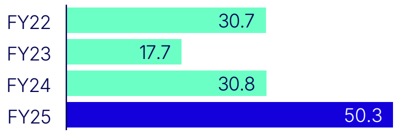
See our commentary on page 30

G Underlying operating profit
Underlying operating margin

T Underlying operating margin

Underlying EPS (p)

50.3p



Definition
Underlying earnings after tax divided by the weighted average number of ordinary shares.

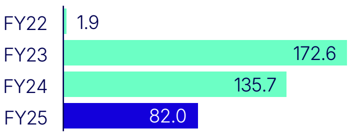
Commentary
Underlying earnings per share increased due to higher underlying operating profit for the year and lower underlying net finance costs. In FY24, excluding the impacts on earnings per share of the contract loss and the profit on disposal of property, underlying earnings per share was 40.8p. The increase on this basis was 23%.

See reconciliation on page 31

G Underlying basic earnings per share

Underlying operating cash conversion (%)

82%



Definition
Underlying operating cash conversion is defined as underlying operating cash flow after capital expenditure as a percentage of underlying operating profit.

Commentary
Underlying operating cash conversion of 82% reflects better-than-expected operational performance, expected unwind of working capital affording another year of accelerated £40 million pension deficit repair contribution and pension deal.

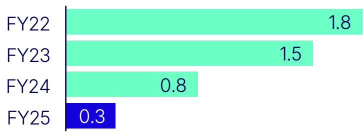
See calculation on page 32

G Underlying operating cash conversion
Underlying operating profit
Underlying operating cash flow

T Underlying operating cash conversion

Net debt/EBITDA (covenant basis)

0.3x



Definition
Net debt to EBITDA as measured in our banking covenants. This uses net debt (excluding leases) divided by underlying earnings before interest, tax, depreciation and amortisation plus JV dividends received. This definition makes a series of adjustments to both Group net debt and Group EBITDA; see page 35 for a reconciliation.

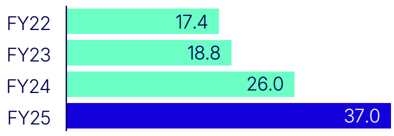
Commentary
Our net debt to EBITDA (covenant basis) decreased 0.5x to 0.3x. The decrease was driven by lower net debt due to high underlying operating cash flow and underlying free cash flow performance.

See reconciliation on page 35

G EBITDA
Net debt/EBITDA (covenant basis)

Underlying return on invested capital, pre-tax (ROIC) (%)

37%



Definition
Underlying return on invested capital is defined as underlying operating profit plus share of JV profit after tax, divided by the sum of net debt, shareholders' funds and retirement deficit or surpluses.

Commentary
The increase in underlying ROIC reflects a greater underlying operating profit compared to similar invested capital levels year on year. While net debt reduced, shareholder funds and leases increased.

See calculation on page 36

G Underlying return on invested capital

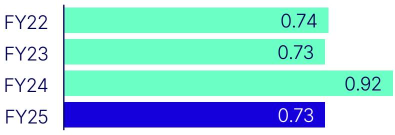
Appointment key

G Link to Glossary T Link to medium-term guidance

2025 Non-financial performance

Total recordable injuries rate

0.73



Definition
The Total Recordable Injury Rate (TRIR) is a 12-month rolling average that relates to the number, per 200,000 working hours (200,000 represents 100 employees working 40 hours for 50 weeks per year), of recordable work-related injuries and illnesses that require medical treatment beyond first aid. In any one year, further assessment of an injury/illness or information from an extended investigation may result in a restatement of prior year figures.

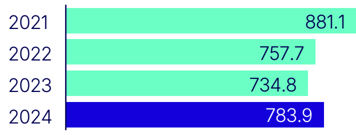
Commentary
We work in challenging environments and high-hazard industries and continuously improve our risk controls and develop our people, which has enabled us to significantly reduce the number and severity of work-related injuries and illnesses requiring medical treatment beyond first aid during FY25. Our Home Safe commitments ensure work is planned, risk-assessed and people are encouraged to stop work when things change.

Having made significant progress in reducing the number of accidents, we will continue our efforts and the focus will be to reduce absences through improvements in occupational health provision and individual case management, to support workers back to work safely. We have set ourselves the objective to reduce the number of days lost due to work-related injuries and occupational illnesses by 10% by 2030 and will use FY25 as the baseline. This will be reflected in our KPI from FY26.

● See page 83 for more information

CO_2e emissions (tCO_2e/£m)

783.9



Definition
Estimated tonnes of CO_2e emitted as a direct result of revenue-generating operations, reported as tonnes CO_2e / £m of revenue. The reporting period for our energy consumption and carbon emissions is the calendar year (1 January to 31 December).

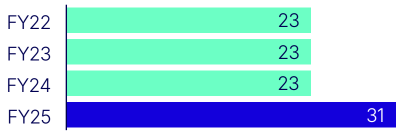
Commentary
Scope 1 and 2 emissions reduced (year-on-year) by 6.7%, however Scope 3 emissions increased (year-on-year) by 14.3% as Group revenue also increased through the period. This has resulted in an increase of 6.7% in the Group's carbon intensity.

In order to align with our emissions target which focuses on an absolute emissions reduction, from FY26 we will move to a new KPI "Total estimated tonnes of Scope 1 and 2 CO_2e emitted from operations and activities which fall under Babcock's 'Operational Control' ". Emissions are reported in line with requirements of the Greenhouse Gas Protocol Corporate Reporting Standard.

This KPI does not include Scope 3 emissions. This is due to the volatility of Scope 3 reporting arising from changes in methodology and because we will review our Scope 3 emissions target and pathways in FY26 in line with pending SBTi updates.

Senior management gender diversity (%)

31%



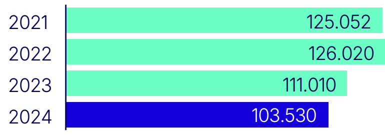
Definition
Senior managers are defined as employees (excluding Executive Directors) who have responsibility for planning, directing or controlling the activities of the Group (Executive Committee) or a strategically significant part of the Group (sector or functional leadership teams) and/or who are directors of subsidiary business units (business unit leadership). We also report the gender diversity of the Executive Committee and their direct reports in line with the UK Corporate Governance Code's requirement to report on 'senior management' (see page 87).

Commentary
This increase in female representation is a result of both organisational restructuring and our continued focus on inclusive hiring practices. It also reflects our broader gender balance strategy, including initiatives like Illuminate, flexible working, targeted STEM outreach and partnerships such as Women in Defence, which are strengthening our female talent pipeline and creating a culture where women are thriving.

At Babcock, we are committed to increasing the representation of women in our senior-level roles. We are also focusing on supporting women throughout our business. To reflect this commitment, we have set a Gender Balance Target of '30% women across our workforce'; our definition of 'workforce' includes global, permanent and agency. This new target will be reflected in our KPI from FY26.

Total Scope 1 & 2 tCO_2e emissions

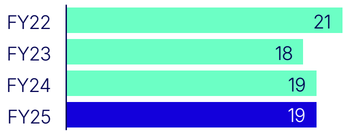
103.5



● See page 71 for more information

% women across total workforce

19%



● See page 87 for more information

Financial review

A year of strong financial performance

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 those for the year ended 31 March 2024. The Group has defined and outlined the purpose of its APMs in the Financial Glossary on page 41.

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

A strong set of results with revenue and profit growing well and ahead of our expectations. Cash flow was very strong alongside significant investment in the business, which when coupled with the pensions progress, further strengthened the balance sheet. We have also upgraded our medium-term guidance and announced a share buyback.

David Mellors

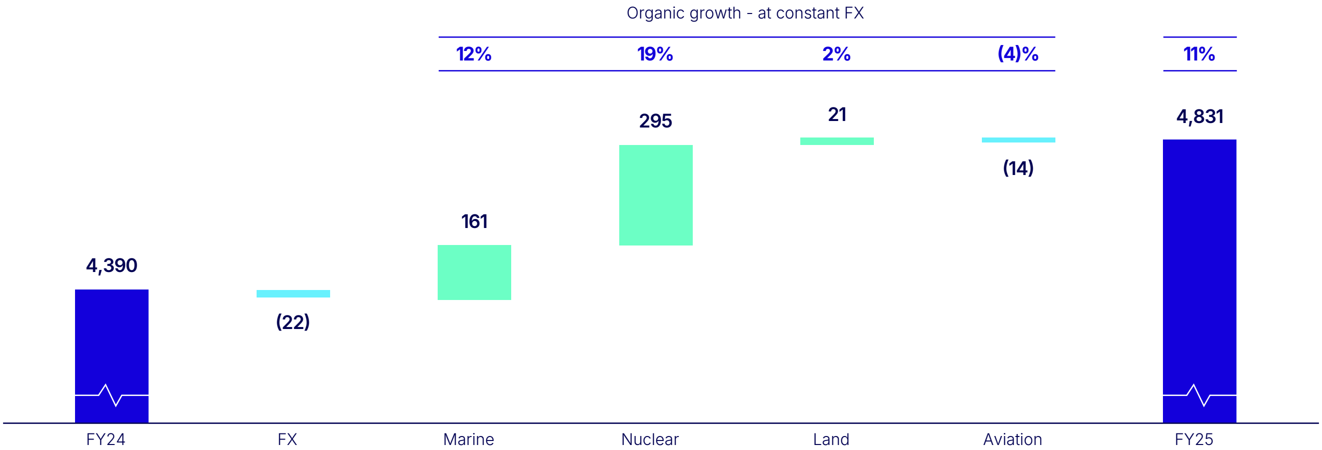
Income statement

	31 March 2025			31 March 2024		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Revenue	**4,831.3**	**–**	**4,831.3**	**4,390.1**	**–**	**4,390.1**
Operating profit	**362.9**	**1.0**	**363.9**	**237.8**	**3.8**	**241.6**
Operating margin	7.5%		7.5%	5.4%		5.5%
Share of results of joint ventures and associates	8.4	(11.1)	(2.7)	9.2	–	9.2
Net finance costs	(31.9)	(0.2)	(32.1)	(35.9)	1.8	(34.1)
Profit before tax	**339.4**	**(10.3)**	**329.1**	**211.1**	**5.6**	**216.7**
Income tax (expense)/benefit	(84.1)	3.9	(80.2)	(53.5)	5.0	(48.5)
Profit/(loss) after tax	**255.3**	**(6.4)**	**248.9**	**157.6**	**10.6**	**168.2**
Non-controlling interest	(1.8)	–	(1.8)	(2.5)	–	(2.5)
Profit/(loss) attributable to the owners of the parent	**253.5**	**(6.4)**	**247.1**	**155.1**	**10.6**	**165.7**
Basic EPS	**50.3p**		**49.1p**	**30.8p**		**32.9p**
Diluted EPS	**49.3p**		**48.0p**	**30.1p**		**32.2p**

A full statutory income statement can be found on page 195.

As described on page 28, statutory operating profit includes specific adjusting items (SAIs) that are not included in underlying operating profit, which is a key APM for the Group. A reconciliation of statutory operating profit to underlying operating profit is shown in the table below and in note 2 of the financial statements.

Organic revenue bridge
(£m)



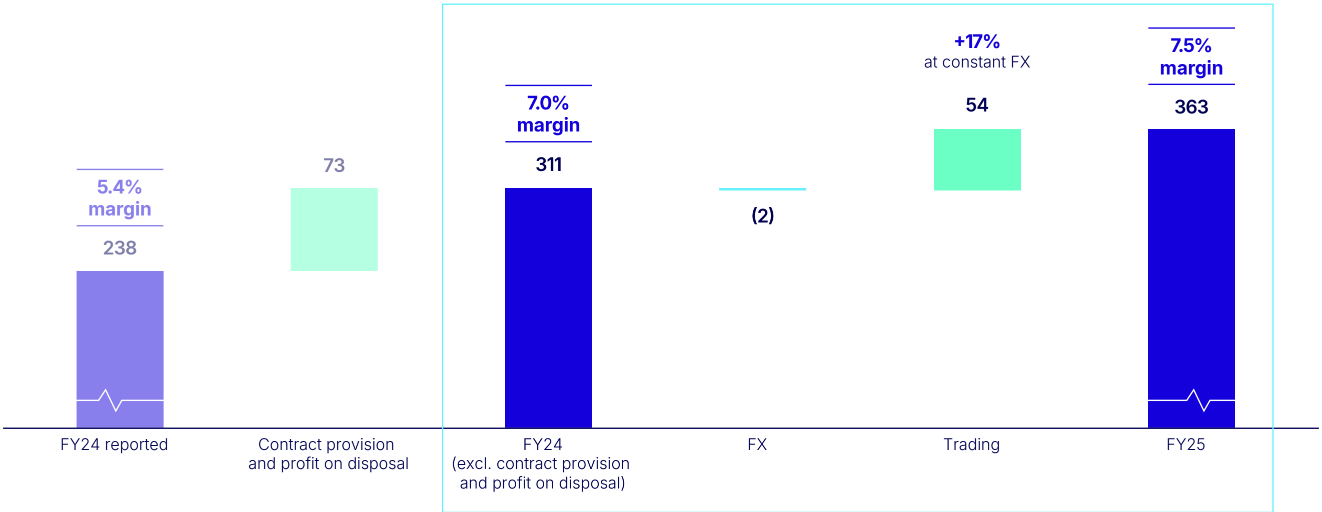
Revenue of £4,831.3 million was 11% higher than FY24 on an organic basis, driven by strong growth in Nuclear and Marine.

See segmental tables on page 40:

- **Marine** revenue increased 12% (at constant FX) to £1,576.4 million. Growth was led by a full year of trading on the Skynet programme and higher volumes in LGE, as well as increased naval support activity on our New Zealand and Canada programmes and ramp up of new contracts in Ukraine and Sweden. This was partly offset by the FY24 license sales in Poland not repeated in FY25 and lower support volumes in Australia.
- **Nuclear** revenue increased 19% (at constant FX) to £1,816.0 million led by strong growth in our Cavendish Nuclear business (+28%) driven by the expansion of new civil nuclear projects. In addition, submarine support activity grew strongly under the Future Maritime Support Programme (FMSP) and ramp up of the HMS Victorious Deep Maintenance Programme, in addition to further growth in Major Infrastructure Programme (MIP) revenue to £504 million (FY24: £459 million).
- **Land** revenue increased 2% (at constant FX) to £1,116.6 million comprising growth from a broad range of defence activities in both the UK and international markets, including DSG, Jackal production and Ukraine support, and an increase in our South Africa business. This was substantially offset by a reduction in our Rail business.
- **Aviation** revenue declined 4% as expected (at constant FX) to £322.3 million primarily due to completion of the aircraft delivery phase in the H160 French defence programme.

Financial review *(continued)*

Underlying operating profit bridge
(£m)



Underlying operating profit was up 53% to £363 million, in line with our post-close trading update. The prior year included two non-recurring items, a £90 million contract loss and a one-off £17 million profit on disposal of property. Excluding these, underlying operating profit increased 17%, driven by strong performance in Nuclear and Land.

Underlying operating margin increased to 7.5% (FY24: 5.4%). FY24 includes (2.0)% from the Type 31 loss and 0.4% from the profit on property disposal. Excluding these, underlying operating margin improved 50 basis points reflecting good performance in Nuclear, Land and Aviation, which more than offset the reduction in Marine margin due to the AH140 frigate licence income in FY24.

See segmental tables on page 40:

- **Marine** underlying operating profit increased to £96.5 million (FY24: £13.1 million), primarily reflecting non-repeat of the £90.0 million contract loss in FY24 as well as revenue growth outlined above, offset by the impact of licence contribution in FY24. As a result, underlying operating margin was 6.1% (FY24: 0.9%; FY24 excluding contract loss 6.9%).
- **Nuclear** underlying operating profit increased to £160.3 million (FY24: £109.2 million), driven by revenue growth in civil nuclear, submarine support and infrastructure, and project delivery improvements as well as some contract changes. As a result, underlying operating margin increased to 8.8% (FY24: 7.2%).
- **Land** underlying operating profit decreased 10% to £86.2 million (FY24: £96.3 million) as FY24 included a one-off £17.0 million profit on disposal of property. Excluding this, underlying operating profit increased 9% reflecting revenue growth outlined above net of the decrease in Rail, improvement in training margins and the final year of trading of the DSG contract. As a result, underlying operating margin was 7.7% (FY24: 8.8%; FY24 excluding property profit 7.2%).
- **Aviation** underlying operating profit increased 4% to £19.9 million (FY24: £19.2 million), despite lower revenue, reflecting improved project profitability, programme timing and contract renegotiations, including price. As a result, underlying operating margin increased to 6.2%. (FY24: 5.6%).

Further analysis of financial performance is included in each sector's operational review starting on page 46.

Statutory operating profit increased to £363.9 million (FY24: £241.6 million). FY24 was impacted by the two non-recurring items, the £90.0 million contract provision and the £17.0 million profit on disposal of property. Excluding these, the drivers of profit growth are the same as outlined above. The specific adjusting items between statutory and underlying operating profit are set out in the table below.

Statutory operating margin increased to 7.5% (FY24: 5.5%), reflecting the same drivers as for underlying operating margin.

Reconciliation of statutory to underlying operating profit

	31 March 2025 £m	31 March 2024 £m
Statutory operating profit	**363.9**	**241.6**
Amortisation of acquired intangibles	8.2	10.8
Business acquisition, merger and divestment related items	(1.5)	(8.2)
Curtailment gain on pension scheme closure	(1.2)	–
Fair value movement on derivatives	(6.5)	(6.4)
Specific adjusting items impacting operating profit	(1.0)	(3.8)
Underlying operating profit	**362.9**	**237.8**

Share of joint ventures and associates on a statutory basis was a £2.7 million loss including an £11.1m charge following a review by our Ascent flight training joint venture to align its accounting to IFRS principles. This resulted in a c.1% lower overall measure of contract completion than the revenue estimate previously applied under IFRS. This adjustment has no impact on dividends received within our underlying free cash flow and has been treated as a specific adjusting item to profit before tax. The underlying share of results from joint ventures and associates was £8.4 million (FY24: £9.2 million).

Net finance costs

- **Underlying net finance costs** decreased to £31.9 million (FY24: £35.9 million), reflecting reduced finance costs following termination of the £300 million RCF in October 2023 and higher interest income on surplus cash balances. This was partly offset by higher lease interest charges on aircraft in Australia and in Canada to support new Aviation programmes and a higher IAS 19 retirement benefit interest charge of £4.5 million (FY24: charge of £0.8 million).
- **Statutory net finance costs** decreased to £32.1 million (FY24: £34.1 million), reflecting the £4.0 million decrease in underlying net finance costs and a £2.0 million difference in fair value movement on derivative and related items.

Income tax expense

- **Underlying income tax expense** increased to £84.1 million (FY24: £53.5 million) reflecting higher underlying operating profits and geographical mix. This represents an effective underlying tax rate of 25.4% (FY24: 26.5%), calculated using underlying profit before tax excluding the share of income from joint ventures and associates (which is a post-tax number). The Group's effective underlying tax rate is expected to remain broadly stable over the medium term depending on country profit mix.
- **Statutory income tax expense** increased to £80.2 million (FY24: £48.5 million), lower than the underlying income tax expense due to the tax impact of the specific adjusting items outlined above and in note 2 of the financial statements.

Basic earnings per share

- **Underlying basic earnings per share** of 50.3 pence (FY24: 30.8 pence) increased due to higher underlying operating profit for the year and lower underlying net finance costs. In FY24, excluding the impacts on earnings per share of the contract loss and the profit on disposal of property, underlying earnings per share was 40.8p. The increase on this basis was 23%.
- **Basic earnings per share** on a statutory basis increased to 49.1 pence (FY24: 32.9 pence) reflecting the improvement in underlying earnings per share and the post tax impact of the specific adjusting items outlined above.

Reconciliation of statutory profit/(loss) and basic EPS to underlying profit and basic EPS

	31 March 2025		31 March 2024	
	£m	Basic EPS	£m	Basic EPS
Statutory profit after tax for the year	**248.9**	**49.1p**	**168.2**	**32.9p**
Specific adjusting items, net of tax	6.4	1.2p	(10.6)	(2.1)p
Underlying profit after tax for the year	**255.3**	**50.3p**	**157.6**	**30.8p**

Dividend per share

	31 March 2025 pence	31 March 2024 pence
Interim	2.0	1.7
Final	4.5	3.3
Total	**6.5**	5.0

The Board has recommended a final dividend of 4.5 pence per ordinary share for approval by shareholders at the 2025 Annual General Meeting, which will take the total dividend for FY25 to 6.5 pence (FY24: 5.0 pence), a 30% increase.

Financial review *(continued)*

Exchange rates

The translation impact of foreign currency movements resulted in a decrease in revenue of £22.4 million and a decrease in underlying operating profit of £1.9 million. The main currencies that have impacted our results are the Australian Dollar, Canadian Dollar, Euro, New Zealand Dollar and South African Rand. The currencies with the greatest potential to impact results are the South African Rand, the Australian Dollar, the Euro and the Canadian Dollar:

- A 10% movement in the South African Rand against Sterling would affect revenue by around £34 million and underlying operating profit by around £3 million per annum
- A 10% movement in the Australian Dollar against Sterling would affect revenue by around £25 million and underlying operating profit by around £1 million per annum
- A 10% movement in the Euro against Sterling would affect revenue by around £11 million and underlying operating profit by around £1 million per annum
- A 10% movement in the Canadian Dollar against Sterling would affect revenue by around £8 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.

	31 March 2025 £m	31 March 2024 £m
Statutory operating profit	**363.9**	**241.6**
Add back: specific adjusting items (see table on page 31)	(1.0)	(3.8)
Underlying operating profit	**362.9**	**237.8**
Right of use asset depreciation & impairment	33.0	39.8
Other depreciation & amortisation	78.3	67.3
Non-cash items	11.0	(8.7)
Working capital movements	2.1	127.5
Provisions	(23.5)	20.4
Net capital expenditure	(122.2)	(111.8)
Lease principal payments	(45.4)	(49.6)
Underlying operating cash flow	**296.2**	**322.7**
Underlying operating cash conversion (%)	82%	136%
Pension contributions in excess of income statement	(89.1)	(107.6)
Interest paid (net)	(26.8)	(32.2)
Tax paid	(39.1)	(27.4)
Dividends from joint ventures and associates	12.2	7.1
Cash flows related to specific adjusting items	–	(2.2)
Underlying free cash flow	**153.4**	**160.4**
Net acquisitions and disposals of subsidiaries	(1.1)	(1.3)
Dividends paid (including non-controlling interests)	(28.0)	(10.3)
Purchase of own shares	(18.8)	(12.5)
Lease principal payments	45.4	49.6
Net new lease arrangements	(87.2)	(54.8)
Leases disposed of/(acquired) with subsidiaries	1.1	–
Other non-cash debt movements	(2.1)	(3.2)
Fair value movement in debt and related derivatives	0.5	0.5
Exchange movements	(1.1)	0.6
Movement in net debt	**62.1**	**129.0**
Opening net debt	(435.4)	(564.4)
Closing net debt	**(373.3)**	**(435.4)**
Add back: leases	272.1	224.5
Closing net debt excluding leases	**(101.2)**	**(210.9)**

A full statutory cash flow statement can be found on page 198 and a reconciliation to net debt on page 34.

Underlying operating cash flow decreased to £296.2 million (FY24: £322.7 million), which was slightly higher than expected due to working capital performance, predominantly the timing of contract milestones and customer advanced payments at the year end. Gross capex of £128.3 million (FY24 £142.4 million) remains well ahead of depreciation as we continue to invest across the portfolio, in our operations and systems, including the roll-out of SAP. Capital expenditure is reconciled in the financial glossary on page 41). Overall, the conversion ratio of operating cash to underlying operating profit was 82% (FY24: 136%).

Underlying free cash flow of £153.4 million (FY24: £160.4 million) includes an additional £40 million (FY24: £35 million) pension deficit repair contribution as part of finalising long-term funding arrangements for two of our three main schemes. As a result, we expect annual deficit repair payments to reduce from around £40 million per annum to around £20 million per annum for the next six years.

Acquisitions and disposals

The £1.1 million outflow arose from deconsolidation of cash relating to disposals in Oman. The outflow of £1.3 million in FY24 represents the final settlement in relation to the disposal of the European AES business in FY23.

New lease arrangements

In addition to net capital expenditure, and not included in underlying free cash flow, £87.2 million (FY24: £54.8 million) of net additional lease liabilities were entered into in the year. The increase includes aircraft leases to support new contracts in Australia and Canada. These are new lease obligations and are therefore included in net debt, but do not involve any cash outflows at inception.

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

	31 March 2025 £m	31 March 2024 £m
Underlying operating cash flow	**296.2**	**322.7**
Add: net capital expenditure	122.2	111.8
Add: lease principal payments	45.4	49.6
Less: pension contributions in excess of income statement	(89.1)	(107.6)
Less: Non-operating cash items (excluded from underlying cash flow)	(17.3)	(2.2)
Cash generated from operations	**357.4**	**374.3**
Tax paid	(21.8)	(27.4)
Net interest paid	(26.8)	(32.2)
Net cash flows from operating activities	**308.8**	314.7

Statutory cash flow summary

	31 March 2025 £m	31 March 2024 £m
Net cash flow from operating activities	**308.8**	314.7
Net cash flow from investing activities	(110.8)	(100.6)
Net cash flow from financing activities	(92.7)	(85.5)
Net increase in cash, cash equivalents and bank overdrafts	**105.3**	128.6

Net cash flow from operating activities was £308.8 million (FY24: £314.7). This reflects higher operating profit and lower pension deficit payments, offset by the working capital inflow in FY24.

Net cash flow from investing activities was an outflow of £110.8 million (FY24: outflow of £100.6 million), reflecting higher net capex.

Net cash flow from financing activities was an outflow of £92.7 million (FY24: outflow of £85.5 million), including £45.4 million lease payments (FY24: £49.6 million), £28.0 million dividends paid (FY24: £10.3 million) and £18.8 million purchase of own shares (FY24: £12.5 million).

Financial review *(continued)*

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

	31 March 2025 £m	31 March 2024 £m
Net increase in cash, cash equivalents and bank overdrafts	**105.3**	**128.6**
Cash flow from the decrease in debt	29.9	25.3
Change in net funds resulting from cash flows	**135.2**	**153.9**
Additional lease obligations	(96.2)	(55.2)
New lease receivables granted	24.7	32.4
Debt held by disposed subsidiaries	1.1	–
Other non-cash movements and changes in fair value	(1.6)	(2.7)
Foreign currency translation differences	(1.1)	0.6
Movement in net debt in the year	**62.1**	**129.0**
Opening net debt	(435.4)	(564.4)
Closing net debt	**(373.3)**	**(435.4)**

Net debt

Net debt at 31 March 2025 was £373.3 million, a reduction of £62.1 million driven by underlying free cash flow, offset by dividend payments of £28.0 million, £18.8 million to purchase own shares and net new leases (£87.2 million) in excess of lease principal payments (£45.4 million). Net debt excluding leases was £101.2 million, representing a reduction of £109.6 million.

Cash components of net debt

	31 March 2025 £m	31 March 2024 £m
Cash and cash equivalents	646.5	552.6
Current liabilities – bank debt and other loans	(0.5)	(2.4)
Non-current liabilities – bank debt and other loans	(750.7)	(747.1)
Other debt instruments (includes loans to JVs)	(38.6)	(43.5)
Net finance leases	42.1	29.5
Closing net debt excluding leases	**(101.2)**	**(210.9)**
Include leases	(272.1)	(224.5)
Closing net debt	**(373.3)**	**(435.4)**

Summarised balance sheet

	31 March 2025 £m	31 March 2024 £m
Intangible assets	920.6	928.9
Property, plant and equipment and right of use assets	787.7	692.7
Investment in joint ventures and associates	43.5	59.7
Working capital	(694.2)	(691.4)
Provisions	(138.3)	(158.2)
Net retirement benefit deficits	(8.4)	(109.7)
Net tax assets	76.1	119.9
Net other financial assets and liabilities	8.1	(0.4)
Leases	(272.1)	(224.5)
Net debt excluding leases	(101.2)	(210.9)
Net assets	621.8	406.1

Property, plant and equipment (PP&E) and right of use assets were £787.7 million, an increase of £95.0 million. PP&E increased by £41.8 million to £558.9 million reflecting gross capital expenditure of £105.3 million less depreciation of £59.0 million and currency adjustments. Right of use assets increased by £53.2 million to £228.8 million including new leases less disposals of £94.5 million less depreciation and impairment of £33.0 million and currency adjustments.

Working capital was £(694.2) million, broadly unchanged over the year. Working capital performance was slightly better than expected due to the timing of contract milestones and lower reversals of customer advance payments.

Funding and liquidity

As of 31 March 2025, the Group had access to a total of £1.6 billion of borrowings and facilities. These comprised:

- £775 million RCF, with £45 million maturing on 28 August 2025 and £730 million on 28 August 2026
- £300 million bond maturing on 5 October 2026
- €550 million bond, hedged at £493 million, maturing on 13 September 2027
- An overdraft facility of £50 million

At 31 March 2025, the Group's net cash (cash and cash equivalents less overdrafts) balance was £646.5 million. This, combined with the undrawn amounts under our committed RCFs and overdraft facilities, gave us liquidity of around £1.4 billion.

Net debt to EBITDA (covenant basis)

While there are several facets to balance sheet strength, a primary measurement relevant to Babcock is the net debt/EBITDA gearing ratio within our debt covenant of a maximum 3.5x. This measure is used in the covenant in our RCF and includes several adjustments from reported net debt and EBITDA. The net debt/EBITDA gearing ratio (covenant basis) at 31 March 2025 reduced to 0.3x (FY24: 0.8x) due to strong underlying free cash flow and higher underlying operating profit.

	31 March 2025 £m	31 March 2024 £m
Underlying operating profit	**362.9**	**237.8**
Depreciation and amortisation	78.3	67.3
Covenant adjustments[1]	(2.6)	(6.3)
EBITDA	**438.6**	**298.8**
JV and associate dividends	12.2	7.1
EBITDA + JV and associate dividends (covenant basis)	**450.8**	**305.9**
Net debt excluding lease liabilities	**(101.2)**	**(210.9)**
Covenant adjustments[2]	(51.9)	(41.8)
Net debt (covenant basis)	**(153.1)**	**(252.7)**
Net debt/EBITDA	**0.3x**	**0.8x**

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)

This measure is also used in the covenant in our RCF facility, with a covenant level of 4.0x.

	31 March 2025 £m	31 March 2024 £m
EBITDA + JV and associate dividends (covenant basis)	**450.8**	**305.9**
Net finance costs	(32.1)	(34.1)
Covenant adjustments[1]	18.0	9.6
Net finance costs (covenant basis)	**(14.1)**	**(24.5)**
Interest cover	**31.9x**	**12.5x**

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

Financial review *(continued)*

Return on invested capital, pre-tax (ROIC)

This measure is one of the Group's key performance indicators.

	31 March 2025 £m	31 March 2024 £m
Underlying operating profit	**362.9**	**237.8**
Underlying share of results of joint ventures and associates	8.4	9.2
Underlying operating profit plus results of JVs and associates	**371.3**	**247.0**
Net debt excluding leases	101.2	210.9
Leases – note 10, 15	272.1	224.5
Shareholder funds – see balance sheet on page 41	621.8	406.1
Retirement deficit – note 25	8.4	109.7
Invested capital	**1,003.5**	**951.2**
ROIC	**37.0%**	**26.0%**

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 Rosyth Royal Dockyard Pension Scheme (RRDPS) – the principal schemes.

IAS 19

At 31 March 2025, the IAS 19 valuation for accounting purposes was a net deficit of £8.4 million (FY24: net deficit of £109.7 million). The reduction in net accounting deficit is driven by employer contributions in excess of the income statement charge (£89.1 million). The fair value of plan assets of £2,831.0 million decreased by £253.3 million, driven by negative asset returns less contributions. The present value of pension benefit obligations of £2,839.4 million decreased by £354.6 million driven by an increase in the discount rate. The fair value of the assets and liabilities of the Group pension schemes at 31 March 2025 and the key assumptions used in the IAS 19 valuation of our schemes are set out in note 17 on page 64.

	31 March 2025 £m	31 March 2024 £m
Fair value of plan assets (note 17)	2,831.0	3,084.3
Present value of benefit obligations (note 17)	**(2,839.4)**	**(3,194.0)**
Net (deficit) at 31 March	**(8.4)**	**(109.7)**

Income statement charge

The charge included within underlying operating profit in FY25 was £17.9 million (FY24: £23.9 million), of which £11.1 million (FY24: £15.4 million) related to service costs and £6.8 million (FY24: £8.5 million) related to expenses. In addition to this, there was an interest charge of £4.5 million (FY24: charge of £0.8 million).

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 FY25 was approximately £125 million (FY24: c.£200 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 31 March 2025 for each of the Principal schemes.

Actuarial valuations are carried out every three years to determine the Group's cash contributions to the schemes. The valuation of the three largest schemes is set so only one scheme is undertaking its valuation in any one year, to spread the financial impact of market conditions. The valuation of the DRDPS as at 31 March 2023 was completed in FY24, the valuation of the RRDPS as at 31 March 2024 has been agreed in FY25, and work has commenced on the valuation of the BIGPS at 31 March 2025.

There has been significant progress in reducing the risk of pension scheme deficits during the year. We made additional pension deficit repair payments of c.£40 million. The BIGPS has around £840 million of pension liabilities (c.30% of the total Group pension liabilities) on a technical provisions basis. The BIGPS has now reached self-sufficiency and is not expected to require further deficit repair contributions from the Group ahead of reaching either buy-in or buy-out, expected by FY29. The BIGPS severed the link to salary and closed to future service accruals on 30 September 2024.

A long-term funding arrangement (LFTA) is now in place for DRDPS following completion of the 2023 triennial valuation. In addition, the DRDPS closed to future service accruals on 30 November 2024. In respect of their accrued benefits active members in DRDPS were given an option to either retain their salary link or break the salary link for a cash lump sum. The DRDPS has around £1,250 million of pension liabilities on a technical provisions basis (c.40% of the total Group pension liabilities).

The Group has also agreed a LFTA for RRDPS following completion of the 2024 triennial valuation. The RRDPS has around £665 million of pension liabilities on a technical provisions basis (c.20% of the total Group pension liabilities). Within the last 12 months, the Company has finalised LTFA's with all three main pension schemes with additional deficit repair lump sums. As a result, we expect annual deficit repair payments to reduce from c.£40 million to c.£20 million per annum for the next six years.

Cash contributions

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

	31 March 2025 £m	31 March 2024 £m
Future service contributions	14.6	17.2
Deficit recovery	52.7	82.8
Longevity swap	27.2	15.2
Total cash contributions – employer	**94.5**	**115.2**

Treasury

Treasury activities within the Group are managed in accordance with the parameters set out in the treasury policies and guidelines approved by the Board. A key principle within the treasury policy is that trading in financial instruments for the purpose of profit generation is prohibited, with all financial instruments being used solely for risk management purposes. The treasury team is only permitted to enter into financial instruments where it has a high level of confidence in the hedged item occurring. Both the treasury department and the sectors have responsibility for monitoring compliance within the Group to ensure adherence to the principal treasury policies and guidelines. The Group's treasury policies in respect of the management of debt, interest rates, liquidity and currency are outlined below. The Group's treasury policies are kept under close review, particularly given the ongoing economic and market uncertainty.

Debt

Objective

With debt as a key component of available financial capital, the Group seeks to ensure that there is an appropriate balance between continuity, flexibility and cost of debt funding through the use of borrowings, whilst also diversifying the sources of these borrowings with a range of maturities and rates of interest, to reflect the long-term nature of the Group's contracts, commitments and risk profile.

Policy

All the Group's material borrowings are arranged by the treasury department, and funds raised are lent onward to operating subsidiaries as required. It remains the Group's policy to ensure the business is prudently funded and that sufficient headroom is maintained on its facilities to fund its future growth.

Updates

The Group continues to keep its capital structure under review to ensure that the sources, tenor and availability of finance are sufficient to meet its stated objective.

The Group has an existing £775 million RCF, of which £45 million matures in August 2025, and the remaining £730 million matures in August 2026.

The Group's main corporate debt comprises a £300 million Sterling bond, maturing October 2026 and a €550 million bond, maturing September 2027. Together, these provide the Group with a total of around £1.6 billion of available facilities and bonds.

Financial review *(continued)*

Debt maturity profile
(£m)

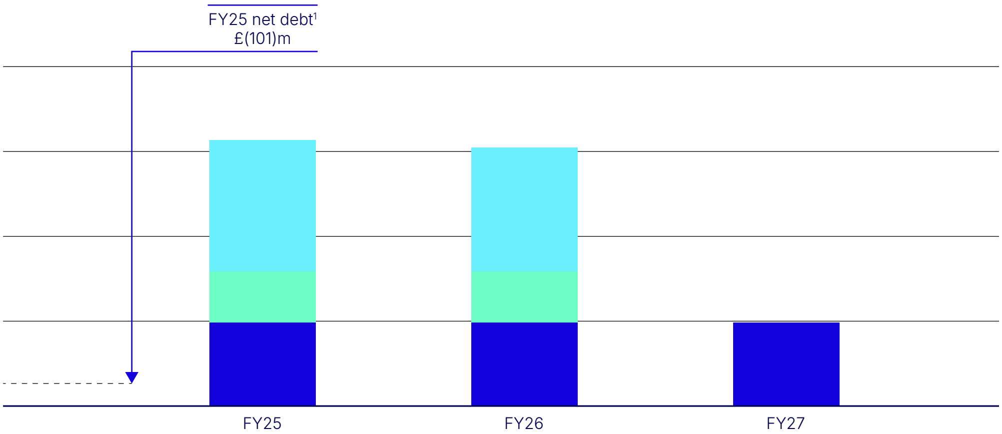


Chart shows notional value of the debt
1. Net debt shown excluding leases
2. £730m of £775m RCF extended to 2026, matures 28 August 2026
3. GBP bond 2026 £300m, matures 5 October 2026
4. Euro bond 2027 €550m, hedged at £493m, matures 13 September 2027

Interest rates

Objective

To manage exposure to interest rate fluctuations on borrowings by varying the proportion of fixed rate debt relative to floating rate debt to reflect the underlying nature of the Group's commitments and obligations. As a result, the Group does not maintain a specific set proportion of fixed versus floating debt but monitors the mix to ensure that it is compatible with its business requirements and capital structure.

Policy

Interest rate hedging and the monitoring of the mix between fixed and floating rates is the responsibility of the treasury department and is subject to the policy and guidelines set by the Board and updated from time to time.

Performance

As at 31 March 2025, the Group had 85% fixed rate debt (31 March 2024: 85%) and 15% floating rate debt (31 March 2024: 15%) based on gross debt of £793 million (31 March 2024: £793 million).

Liquidity

Objective

1. To maintain adequate undrawn committed borrowing facilities.
2. To monitor and manage bank credit risk, and credit capacity utilisation.
3. To diversify the sources of financing with a range of maturities and interest rates, to reflect the long-term nature of Group contracts, commitments and risk profile.

Policy

All the Group’s material borrowings are arranged by the treasury department and funds raised are lent onward to operating subsidiaries as required.

Each of the Group’s sectors provides regular cash forecasts for both management and liquidity purposes. These cash forecasts are used to monitor and identify the liquidity requirements of the Group and ensure that there is sufficient cash to meet operational needs while maintaining sufficient headroom on the Group’s committed borrowing facilities.

The Group adopts a conservative approach to the investment of its surplus cash. It is deposited with financial institutions only for a short duration, and the bank counter-party credit risk is monitored closely on a systematic and ongoing basis.

A credit limit is allocated to each institution taking account of its credit rating and market information.

Performance

The Group continues to keep under review its capital structure to ensure that the sources, tenor and availability of finance are sufficient to meet its stated objectives. The Group continues to monitor the liquidity position and will seek to extend or replace committed debt as the need arises. Surplus cash during the year was invested in short term deposits diversified across several well rated financial institutions in accordance with policy.

Foreign exchange

Objective

To reduce exposure to volatility in earnings and cash flows from movements in foreign currency exchange rates. The Group is exposed to a number of foreign currencies, the most significant being the Euro, US Dollar, South African Rand, Australian Dollar and Canadian Dollar.

Policy – Transaction risk

The Group is exposed to movements in foreign currency exchange rates in respect of foreign currency denominated transactions. To mitigate this risk, the Group’s policy is to hedge all material transactional exposures, using financial instruments where appropriate.

Policy – Translation risk

The Group is exposed to movements in foreign currency exchange rates in respect of the translation of net assets and income statements of foreign subsidiaries and equity accounted investments. It is not the Group’s policy to hedge through the use of derivatives the translation effect of exchange rate movements on the income statement or balance sheet of overseas subsidiaries and equity accounted investments it regards as long-term investments. However, where the Group has material assets denominated in a foreign currency, it will consider some matching of those aforementioned assets with foreign currency denominated debt.

Performance

There was a net foreign exchange gain of £0.4m million in the income statement for the year ending 31 March 2025 (31 March 2024: £3.0 million loss).

Financial review *(continued)*

Segmental analysis

The Group reports its performance through four reporting sectors.

31 March 2025	Marine £m	Nuclear £m	Land £m	Aviation £m	Total £m
Contract backlog	**3,026.5**	**1,983.9**	**3,466.1**	**1,939.7**	**10,416.2**
Revenue	**1,576.4**	**1,816.0**	**1,116.6**	**322.3**	**4,831.3**
Statutory operating profit	**99.3**	**161.4**	**86.3**	**16.9**	**363.9**
Statutory operating margin	**6.3%**	**8.9%**	**7.7%**	**5.2.%**	**7.5%**
Underlying operating profit	**96.5**	**160.3**	**86.2**	**19.9**	**362.9**
Underlying operating margin	**6.1%**	**8.8%**	**7.7%**	**6.2%**	**7.5%**

31 March 2024	Marine £m	Nuclear £m	Land £m	Aviation £m	Total £m
Contract backlog	2,992.7	3,104.8	2,593.7	1,641.4	10,332.6
Revenue	1,429.1	1,520.9	1,098.6	341.5	4,390.1
Statutory operating profit	11.0	109.2	96.1	25.3	241.6
Statutory operating profit margin	0.8%	7.2%	8.7%	7.4%	5.5%
Underlying operating profit	13.1	109.2	96.3	19.2	237.8
Underlying operating margin	0.9%	7.2%	8.8%	5.6%	5.4%

FY24 excluding non-recurring items

Revenue (£m)	Marine	Nuclear	Land	Aviation	Group
Revenue	1,429.1	1,520.9	1,098.6	341.5	4,390.1
Add: reversal of Type 31 revenue	66.3	-	-	-	66.3
Revenue excl. Type 31 loss	**1,495.4**	**1,520.9**	**1,098.6**	**341.5**	**4,456.4**

Underlying operating profit (£m)					
Underlying operating profit (UOP)	13.1	109.2	96.3	19.2	237.8
Add: Type 31 loss	90.0	-	-	-	90.0
UOP excluding Type 31 loss	103.1	109.2	96.3	19.2	327.8
Less: non-trading credits	-	-	(17.0)	-	(17.0)
UOP excl. Type 31 loss and non-trading credits	**103.1**	**109.2**	**79.3**	**19.2**	**310.8**

Underlying operating margin					
Underlying operating margin (UOM)	0.9%	7.2%	8.8%	5.6%	5.4%
UOM excl. Type 31 loss and non-trading credits	**6.9%**	**7.2%**	**7.2%**	**5.6%**	**7.0%**

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 prior year. 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.

	31 March 2025 £m	31 March 2024 £m
Prior year revenue	**4,390.1**	4,438.6
FX	**(22.4)**	(76.1)
(Disposals)	**(2.8)**	(421.6)
Prior year revenue adjusted for FX and disposals (b)	**4,364.9**	3,940.9
Revenue growth (a)	**466.4**	449.2
Current year revenue	**4,831.3**	4,390.1
Organic revenue growth (a)/(b)	**11%**	11%

Contract backlog

Closest equivalent IFRS measure: No direct equivalent

Definition: The remaining transaction price on contracts with customers that has been allocated to unsatisfied or partially satisfied performance obligations, excluding the impact of termination for convenience clauses and excluding orders not yet secured on framework agreements.

Purpose: Contract backlog is used to support future years' sales performance.

	31 March 2025 £m	31 March 2024 £m
Contract backlog	**10,416**	10,333

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.

	31 March 2025 £m	31 March 2024 £m
Underlying operating profit	**362.9**	237.8
Specific adjusting items	**1.0**	3.8
Operating profit (note 2)	**363.9**	241.6

Financial review *(continued)*

Specific adjusting items (note 2)

	31 March 2025 £m	31 March 2024 £m
Amortisation of acquired intangibles	(8.2)	(10.8)
Business acquisition, merger and divestment related items	1.5	8.2
Profit or loss from amendment, curtailment, settlement or equalisation of Group pension schemes	1.2	–
Fair value movement on derivatives	6.5	6.4
Specific adjusting items impacting operating profit	**1.0**	**3.8**
Non-recurring amounts in results from joint ventures and associates	(11.1)	–
Fair value movement on derivatives and related items	(0.2)	1.8
Specific adjusting items impacting profit before tax	**(10.3)**	**5.6**
Income tax expense		
Amortisation of acquired intangibles	2.2	3.9
Business acquisition, merger and divestment related items	–	(1.0)
Profit/(loss) from amendment, curtailment, settlement or equalisation of Group pension schemes	(0.3)	–
Fair value movement on derivatives and related items	(1.6)	(2.0)
Tax on Group reorganisation activities	–	4.7
Other tax items including rate change impact	3.6	(0.6)
Specific adjusting items impacting income tax expense	**3.9**	**5.0**

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.

	31 March 2025 £m	31 March 2024 £m
Revenue	**4,831.3**	**4,390.1**
Underlying operating profit	**362.9**	**237.8**
Underlying operating margin	7.5%	5.4%

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.

	31 March 2025 £m	31 March 2024 £m
Underlying net finance costs	**(31.9)**	**(35.9)**
Add: specific adjusting items impacting finance costs (note 2)	(0.2)	1.8
Net finance costs (note 5)	**(32.1)**	**(34.1)**

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.

	31 March 2025 £m	31 March 2024 £m
Underlying profit before tax	**339.4**	**211.1**
Specific adjusting items impacting profit before tax (note 2)	(10.3)	5.6
Profit before tax (note 2)	**329.1**	**216.7**

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.

	Year ended 31 March 2025			Year ended 31 March 2024		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Profit before tax (note 2)	**339.4**	**(10.3)**	**329.1**	**211.1**	**5.6**	**216.7**
Share of (profit) / loss from JVs and associates* (note 11)	(8.4)	11.1	2.7	(10.3)	–	(10.3)
Profit before tax excluding profit from joint ventures and associates (a)	331.0	0.8	331.8	200.8	5.6	206.4
Income tax expense (b)	(84.1)	3.9	(80.2)	(53.5)	5.0	(48.5)
Effective tax rate (b)/(a)	**25.4%**		**24.2%**	**26.6%**		**23.5%**

* FY24 Share of profit from joint ventures and associates excludes an impairment of £1.1 million, see note 11.

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.

	Year ended 31 March 2025			Year ended 31 March 2024		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Profit/(loss) before tax (note 2)	**339.4**	**(10.3)**	**329.1**	**211.1**	**5.6**	**216.7**
Income tax (expense)/benefit (note 2)	(84.1)	3.9	(80.2)	(53.5)	5.0	(48.5)
Profit/(loss) after tax for the year	**255.3**	**(6.4)**	**248.9**	**157.6**	**10.6**	**168.2**
Amount attributable to owners of the parent	253.5	(6.4)	247.1	155.1	10.6	165.7
Amount attributable to non-controlling interests	1.8	–	1.8	2.5	–	2.5
Weighted average number of shares (m)	503.6		503.6	503.5		503.5
Effect of dilutive securities (m)	10.8		10.8	11.8		11.8
Diluted weighted average number of shares (m)	514.4		514.4	515.3		515.3
Basic EPS (note 6)	**50.3p**		**49.1p**	**30.8p**		**32.9p**
Diluted EPS (note 6)	**49.3p**		**48.0p**	**30.1p**		**32.2p**

Financial review *(continued)*

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.

	31 March 2025 £m	31 March 2024 £m
Cash and bank balances	646.6	570.6
Bank overdrafts	(0.1)	(18.0)
Cash, cash equivalents and bank overdrafts	**646.5**	**552.6**
Debt	(751.2)	(749.5)
Derivatives hedging debt	(10.8)	(11.1)
Lease liabilities	(274.6)	(230.5)
Liabilities from financing arrangements	**(1,036.6)**	**(991.1)**
Lease receivables	44.6	35.5
Loans to joint ventures and associates	3.6	3.9
Derivatives hedging interest on debt	(31.4)	(36.3)
Net debt	**(373.3)**	**(435.4)**

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.

	31 March 2025 £m	31 March 2024 £m
Net debt	**(373.3)**	(435.4)
Leases	**272.1**	224.5
Net debt (excluding leases)	**(101.2)**	(210.9)

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 41, excluding depreciation and amortisation and including certain covenant adjustments) plus JV and associate dividends. See page 35.

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).

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. See page 35.

Purpose: Used in the covenant over our RCF facility with a covenant ratio of 4.0x.

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). See page 36.

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.

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.

	31 March 2025 £m	31 March 2024 £m
Purchases of property, plant and equipment (PP&E) (note 9)	(105.0)	(107.6)
Purchases of intangible assets (note 8)	(22.3)	(33.3)
Movements in unpaid capital expenditure	(1.0)	(1.5)
Gross capital expenditure	**(128.3)**	**(142.4)**
Proceeds on disposal of PP&E and intangible assets (statement of cash flows)	6.1	30.6
Net capital expenditure	**(122.2)**	**(111.8)**

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. See page 32.

Purpose: Provides a measure of operating cash generation on an equivalent basis to underlying operating profit.

	31 March 2025 £m	31 March 2024 £m
Underlying operating cash flow	**296.2**	**322.7**
Add: net capex	122.2	111.8
Add: capital element of lease payments	45.4	49.6
Less: pension contributions in excess of income statement	(89.1)	(107.6)
Non-operating cash items (excluded from underlying cash flow)	(17.3)	(2.2)
Cash generated from operations	**357.4**	**374.3**
Tax (paid)	(21.8)	(27.4)
Less: net interest paid	(26.8)	(32.2)
Net cash flow from operating activities	**308.8**	**314.7**

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.

	31 March 2025 £m	31 March 2024 £m
Underlying operating profit	362.9	237.8
Underlying operating cash flow	296.2	322.7
Operating cash conversion	**82%**	**136%**

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 32.

Purpose: Provides a measure of cash generated which is available for use in line with the Group's capital allocation policy.

Operational reviews

Marine

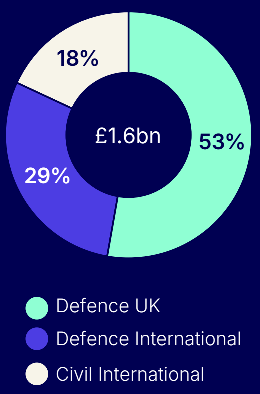
Our c.7,300 employees design, develop, build, manufacture and integrate specialist systems, and deliver technical through-life support for complex platforms in the marine sector. Over 80% of Marine's revenue is derived from defence, with the remainder primarily comprising our Liquid Gas Equipment (LGE) business.

Operational highlights

- In June 2025, we achieved a major milestone, as the first of five Type 31 Frigates, HMS Venturer, left the assembly hall and entered the water and returned to dry dock for fit out in Rosyth
- Awarded an additional c.£65 million Capability Insertion Period contract for Type 31 programme
- Secured a further c.£240 million contract for Missile Tube Assembly for US Columbia Class submarines programme
- Achieved record order intake in LGE of c.£430 million (up 43%), with more than 70 international contracts
- Successful first year of in-service delivery of the Skynet contract to manage the UK's military satellite and space operations

Marine – at a glance

FY25 revenue profile

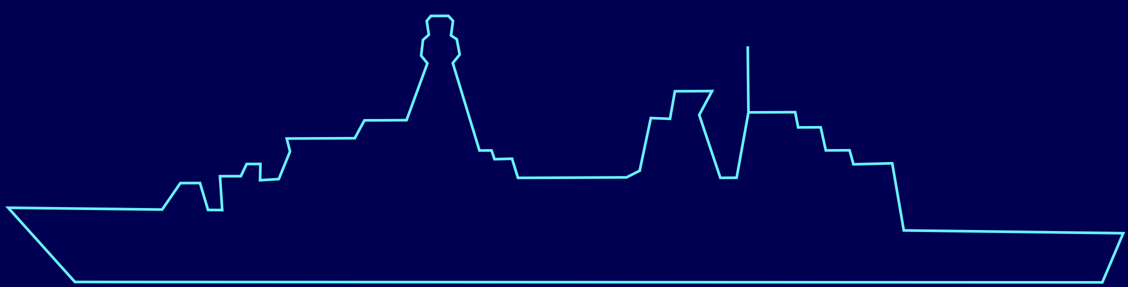


Revenue
£1.6bn

% of Group revenue
33%

Number of employees
c.7,300

Contract backlog
£3.0bn



Financial review

	31 March 2025 £m	31 March 2024 £m
Contract backlog*	**3,026.5**	2,992.7
Revenue	**1,576.4**	1,429.1
Underlying operating profit*	**96.5**	13.1
Underlying operating margin*	**6.1%**	0.9%

* Alternative Performance Measures are defined in the Financial Glossary on page 41.

Revenue increased 12% (at constant FX) to £1,576.4 million. Growth was led by a full year of trading on the Skynet programme and higher volumes in LGE, as well as increased naval support activity on our New Zealand and Canada programmes and ramp up of new contracts in Ukraine and Sweden. This was partly offset by the FY24 license sales in Poland not repeated in FY25 and lower support volumes in Australia.

Underlying operating profit increased to £96.5 million (FY24: £13.1 million), primarily reflecting non-repeat of the £90.0 million contract loss in FY24, as well as revenue growth outlined above, offset by the impact of licence contribution in FY24 and lower initial margin recognised on Skynet. As a result, underlying operating margin was 6.1% (FY24: 0.9%; FY24 excluding contract loss: 6.9%).

Contract backlog of £3,027 million (FY24: £2,993 million) was in line with the prior year. Record LGE order intake, the Type 31 Capability Insertion Programme and scope expansion of the Skynet contract was offset by revenue traded on long-term contracts.

Operational review

Defence

UK defence

The Type 31 Inspiration Class five-frigate programme being built for the Royal Navy at our facility in Rosyth has made significant progress. We cut steel on the third ship in the programme, HMS Formidable, in October 2024, and in June 2025 the first ship, HMS Venturer, left the assembly hall and entered the water (float-off), marking a major execution milestone. The ship has since returned, as planned, to dry dock to continue fit out. This has created space in our Venturer Hall facility for work on HMS Formidable, which has commenced using an enhanced build strategy. The superstructure and outfitting of the second ship, HMS Active, is progressing towards float-off in H2 FY26.

In April 2025, Babcock was awarded a c.£65 million, five-ship contract to deliver the Capability Insertion Period (CIP) for the frigates. The CIP adds further capabilities that will support the ships throughout their life and includes the insertion, testing and enhancement of upgrades that will enhance the Type 31's military capability.

We continue to deliver further missile tube assemblies for both the UK Dreadnought and US Columbia submarine Classes, in support of the common missile compartment programme. Our leading position in advanced manufacture of missile tube assemblies led to a further contract award of 36 missile tubes by General Dynamics Electric Boat, who is responsible for the design and the construction of the U.S. Naval Columbia submarines programme.

Similarly, we continue our work with the Royal Navy and industry partners to support requirements on both the Future Air Dominance Systems (FADS) and Multi-Role Strike Ship (MRSS) programmes.

During the period, Babcock successfully completed docking support periods for the aircraft carrier HMS Queen Elizabeth at our Rosyth dockyard, delivering the aircraft carrier back into service three weeks ahead of schedule.

In the first half of the year, we achieved a major milestone for the UK Royal Navy with HMS Sutherland's crew now able to live and work on board during the upgrade and modernisation programme. The ship is now preparing to undergo sea trials before returning to active service. The period also saw the start of maintenance work on HMS Kent, which will deliver significant capability updates and sustainment support, and the successful undocking of HMS Bulwark from Devonport after an extensive four-year maintenance programme.

Our Mission Systems business was awarded two significant contracts in FY25. These included a contract for Long Lead Items for the Astute replacement, Submersible Ship Nuclear AUKUS (SSNA), enabling us to place orders for the first elements of the Weapon Handling and Launch System, and an additional contract to supply Integrated Tube Hulls in support of the US Columbia Class programme. We also secured a contract to provide technical support to the in-service TLAM Tomahawk missile.

Delivery of the UK Royal Navy's next-generation Maritime Electronic Warfare Systems Integrated Capability (MEWSIC) continues to make progress, with testing of the next generation system commenced. The capabilities will be installed on current and future warships including the Queen Elizabeth Class aircraft carriers, Type 45 destroyers and the Type 26 and Type 31 frigates currently in build. We also celebrated our first full year of managing and operating Skynet, the UK MOD's military communication system, with contract growth to meet customer operational requirements.

Work to support the UK Royal Marines and Navy continues, with the delivery of the first two Maritime Interdiction Craft under our Hurracan contract, with 24 vessels expected to be delivered over the next two years, and the contract extension of the Gun System Automation to enable continued support to the Type 45 destroyers including electro-optical controls, sensor platforms and other onboard systems.

Marine *(continued)*

International defence

In Australia, we completed the first major maintenance period on ANZAC Class frigate, HMAS Stuart, through our new Regional Maintenance Provider West contract. This included replacement of the propulsion diesel engine which required removal of the vertical launch system.

We were awarded a $30 million lift and hoists contract to enhance operational capabilities on board the Royal Australian Navy's first three Hunter Class frigates. The three-ship agreement will see Babcock procure, modify and set to work separate lift and hoist systems as part of its partnership with BAE Systems Maritime Australia.

Our new contract to support the Amphibious Combat and Sealift Capability Life Cycle Management successfully began operations in July 2024, providing support to maintenance activities in Sydney's Garden Island facility as a part of the new Maritime Sustainment Model.

Babcock also joined the Australian Government's Global Supply Chain Program which is designed to develop a sustainable and resilient sovereign defence capability by integrating Australian solutions into international markets.

In New Zealand, we continue to provide support to the country's entire naval fleet via the New Zealand Maritime Fleet Sustainment Services (MFSS) contract. Following the grounding and sinking of HMNZS Manawanui in Samoan waters in October 2024, we have worked closely with the New Zealand Navy both in the immediate recovery efforts and in preparing for the regeneration of HMNZS Otago into the operational fleet. We continue to work closely with the Government and Ministry of Defence on its Fixed High Frequency Radio Refresh programme.

In Canada, our Victoria In-Service Support Contract (VISSC) sustainment work underwent significant customer budgetary fluctuations that resulted in workforce adjustments with additional funding made available late in 2024. We submitted an updated bid for HMCS Victoria's Extended Docking Work Period and have significantly improved on our industrial offset obligations. We continue to position for the VISSC I follow-on contract.

Canada continues its process to acquire the next generation of conventionally powered submarines. A contract to build up to twelve submarines is expected to be awarded by 2028, with the first platform delivered in 2035. Our focus is on provision of equipment solutions and long-term submarine sustainment, and we continue to build on partnerships with multiple OEMs.

In Poland, we signed a long-term contract extension with PGZ, the Polish Armaments Groups, to continue our support to Poland's Miecznik frigate programme until the completion of three ships, providing engineering services, supply chain support, transfer of knowledge and project management through the Programme Management Office. In May 2025, first steel was cut for ORTP Burza, (Ship 2) in Gdynia. Babcock continues to work closely with Polish stakeholders to grow opportunities in maintenance, repair and operations (MRO). The strength of the partnership was seen in the signing of an MOU with the Polish Naval Academy for a new programme of professional internships.

In Sweden, we continue to work in partnership with Saab, successfully supporting design deliverables on the Swedish Navy's next generation Luleå Class surface combatant programme. Babcock is providing front-end engineering, design and project management support during the initial design phase.

We have successfully delivered Phase 1 of the Luleå contract to schedule and cost and are progressing towards the next key design milestones, as well as working together to identify export markets for the Luleå Class.

In Ukraine, having completed the regeneration of UK Sandown Class Mine Counter Measure Vessels (MCMVs) before their sale to the Ukrainian Navy, we were awarded a three-year contract to maintain and support the vessels and have successful delivered the first support period.

In South Korea, Babcock signed a Strategic Cooperation Agreement with Hanwha Ocean in November 2024. The agreement outlines the joint aim to deepen the companies' cooperation in major global naval procurement projects including the Polish Orka submarine programme and the Canadian Patrol Submarine Project, with each organisation leveraging their respective strengths to provide tailored solutions for naval platforms from acquisition to operation. Babcock also signed an MOU with LIG Nex1, to grow opportunities in maintenance, repair and operations, training centre management and weapons systems technology markets. Our work on the Jangbogo submarines continues to meet all milestones, with delivery of Boat 3 in the first half of the period, and all the deliverables for Boat 4 completed on schedule.

In Indonesia, we entered into an MOU with PT Len Industri during the Indonesia presidential visit to the UK in November 2024. The MOU further formalises the commitment to provide the technologies and capabilities that Indonesia's Maritime Defence Capability will require.

Civil

Our LGE business saw record order intake of approximately £430 million over the year, with more than 70 international contracts driven by growing demand in China and South Korea. Sales continue to be strong through the period across our portfolio of products including the ecoSMRT® for LNG reliquefaction, ecoETHN® for Ethane Cargo Handling Systems and Ammonia Cargo Handling Systems. This is reflected in a robust end of year order book of 150 projects.

In December, we secured a contract to deliver six cargo handling and fuel gas supply systems for the world's largest Ultra Large Ethane Carriers. Achievements like this are supported by ongoing technology development which has seen the successful applications for three technology patents, with seven more pending, and 10 trademarks granted. Innovation in our LGE business was recognised with a King's Award for Enterprise this year, which follows previous awards for Innovation and International Trade.

We welcomed two of the UK's fleet of National Environmental Research Council (NERC) scientific research vessels for planned maintenance at Rosyth in the period and subsequently, marking the end of the initial contract, and delivered an engineering programme to support the future decarbonisation of NERCs fleet. All three vessels in the NERC fleet will have returned to Rosyth by the end of 2025.

Leaders in advanced systems

We have more than 50 years' experience as leaders in the design, manufacture and support of advanced Weapons Handling and Launch Systems (WHLS) for both submarines and surface vessels. Our expertise has been deployed from the UK to Canada, from Spain to South Korea and Australia.

Submarine and surface ship systems

Babcock is the Technical Authority for WHLS across all classes of UK submarines. Notably, the Astute Class submarines are equipped with Babcock's Weapon Launch System which incorporates our advanced Air Turbine Pump and Programmable Firing Valve technology.

Internationally, Babcock has supplied WHLS for several submarine classes including S-80 Class (Spain), Jangbogo-III Class (South Korea), Victoria Class (Canada) and the Collins Class (Australia).

Our expertise on surface vessels includes:

- The UK's Queen Elizabeth Class Aircraft Carriers – we developed the automated system that moves palletised munitions between magazines, hangars and the flight deck.
- The UK's Type 26 Global Combat Ship – we designed, and now supply, the Air Weapons Handling System which features modular stowage and automated handling.
- Australia's Hobart Class Air Warfare Destroyers – we supplied MK32 Mod 9 torpedo launchers, demonstrating our capability to deliver comprehensive solutions for complex naval platforms.

We have also been contracted to design and assemble the Weapons Handling System for Australia's new Hunter class frigates.

Innovation and support

We continue to develop and integrate cutting-edge technologies like the Air Turbine Pump and Programmable Firing Valve, reducing noise impact while providing compatibility with a wide range of torpedoes, mines and missiles.

We are a trusted partner delivering technology design, engineering build, systems integration and platform management. As such, we are actively pursuing product supply into numerous future surface ship and submarine programmes around the world, including as the Canadian Surface Combatant, AUKUS, Orka (Poland) and the Canadian Patrol Submarine Programme.

Operational reviews

Nuclear

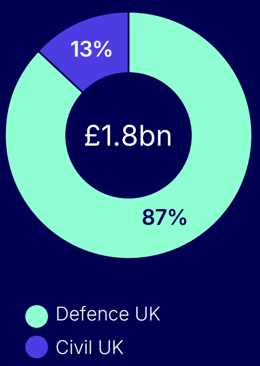
Our c.10,000 employees provide complex through-life engineering support to the entirety of the UK's nuclear submarine fleet. We own and manage critical national infrastructure and provide engineering integration support to AWE. We operate across UK civil nuclear, including new build, generation support and decommissioning.

Operational highlights

- Reopened Devonport's 9 Dock following significant regeneration work and successfully docked down HMS Victorious
- Docked down an Astute Class submarine for the first time in Devonport's 15 Dock facility
- Awarded first AUKUS contract through the H&B joint venture to strengthen AUKUS supply chain capabilities post year end
- Awarded £114 million three-year contract to support first nuclear submarine defueling operations in 20 years post year end
- Continued significant ramp up at Hinkley Point C to install mechanical and electrical services

Nuclear – at a glance

FY25 revenue profile



Revenue
£1.8bn

% of Group revenue
37%

Number of employees
c.10,000

Contract backlog
£2.0bn

Financial review

	31 March 2025 £m	31 March 2024 £m
Contract backlog*	**1,983.9**	3,104.8
Revenue	**1,816.0**	1,520.9
Underlying operating profit*	**160.3**	109.2
Underlying operating margin*	**8.8%**	7.2%

* Alternative Performance Measures are defined in the Financial Glossary on page 41.

Revenue increased 19% to £1,816.0 million, with growth across the portfolio. Our Cavendish nuclear business grew 28% driven by the ramp up of new civil nuclear projects, while submarine support activity also grew strongly under the Future Maritime Support Programme (FMSP) and ramp up of the HMS Victorious deep maintenance contract. In addition, Major Infrastructure Programme (MIP) revenue increased to £504 million (FY24: £459 million).

Underlying operating profit increased by 47% to £160.3 million (FY24: £109.2 million), driven by revenue growth in civil nuclear, submarine support and infrastructure, and project delivery improvements, as well as some contract changes. As a result, underlying operating margin improved 160 basis points to 8.8%.

Contract backlog decreased to £1,984 million (FY24: £3,105 million), primarily reflecting trading on our multi-year FMSP submarine support contract which has entered its final year (expected to be replaced by a new contract by the end of FY26) and the HMS Victorious Deep Maintenance Programme (£560 million recognised in backlog FY24), as well as MIP contract maturity (£750 million recognised in backlog in FY24).

Operational review

Defence

UK defence

The UK is going through a phase of Class transition for nuclear submarines with the Astute Class currently replacing the Trafalgar Class, and the future Dreadnought Class to replace the Vanguard Class.

To ensure we continue to meet the current and future requirements of the UK MOD and Royal Navy, we have instituted a new Major Nuclear Capital Programmes (MNCP) business unit to expand our capability. MNCP will utilise our expertise to apply engineering know-how and the latest technology to deliver capable infrastructure in the most challenging environments. This will provide our customers with highly capable facilities that support the critical and complex work our people undertake and maximise the through-life availability of assets, enabling us to deliver platforms back to sea faster and more efficiently.

In our Devonport facility, our long-term Major Infrastructure Projects (MIP) portfolio is delivering substantial upgrades to existing critical infrastructure and developing state-of-the-art facilities to meet the Royal Navy's evolving needs, including increased capacity for submarine support over the long-term.

In September 2024, while work is ongoing, we reopened 9 Dock following one of the most significant packages of infrastructure works in 20 years. The maintenance, life extension and facility improvements support the UK's Vanguard Class submarines, which are critical in supporting the UK's Continuous at Sea Deterrent which secures the long-term defence of the nation.

Having successfully docked down this year in the upgraded facility, HMS Victorious will continue the next phase of the current £560 million programme to extend its operational life well into the 2030s.

The completion of extensive upgrades to 15 Dock have enabled an Astute Class submarine to successfully dock down in the facility for the first time, to continue the next phase of her base maintenance period. The modernisation of the dock will further support Astute Class submarines' maintenance cycles in the coming years and marks a critical step towards our commitment to increase the availability of attack submarines. We have a strong commitment to sustainability and environmental protection, and works have been completed with an impeccable safety and environmental record, with no recorded RIDDOR or environmental incidents throughout the project. Collaboration, innovation, and engineering know-how has driven the progress for this critical work package, which supports national security and a more resilient UK.

10 Dock continues its transformative journey to be able to deliver future submarine capability at Devonport. Following the signing of a £750 million contract with the UK's Submarine Delivery Agency (SDA) in FY24, with further scope growth in FY25, the redevelopment of 10 Dock is progressing well, and this year has seen a number of significant milestones reached, including completion of demolition of legacy facilities. In April 2025 we passed the landmark of 3 million hours without a 'Lost Time Incident'. The work will deliver a new dock, berth, logistics and production support facilities, primarily for the Deep Maintenance Period (DMP) for Astute Class submarines.

The installation of the first construction tower crane at Devonport for over two decades has also taken place. This new feature to Devonport's skyline is critical in supporting the construction of the new reinforced concrete caisson and marks a significant advancement in our construction capabilities.

Work is underway to provide a safe, environmentally responsible, secure, and cost-effective solution for fleet end-of-life support at Devonport, where we are readying 14 Dock as part of the ongoing development of defuel capability. In June 2025, we were awarded a three-year contract to carry out enabling works in preparation for the first nuclear defueling of a decommissioned Trafalgar Class submarine in over 20 years. The £114 million contract will see Babcock working collaboratively with the UK's Defence Nuclear Enterprise (DNE) and leading industry partners to prepare for the defuel of four decommissioned submarines. Defueling is a requirement for nuclear submarines to be safely dismantled and is a key enabler for the wider UK submarine dismantling programme, freeing up critical space on site to support in-service and future Royal Navy assets.

In parallel, we have reached the next significant milestone to fully dismantle a nuclear-powered submarine, Swiftsure, at our facility in Rosyth. As part of the UK's demonstrator project, we awarded the recycling contract to KDC Veolia Decommissioning Services UK Ltd in the first half of the year. This milestone builds on work already completed by our highly skilled teams to remove the submarine's reactor systems and low-level radioactive waste.

Nuclear *(continued)*

With safety and environmental protection at the centre of our operations, and using a specially designed in-dock facility, the waste has been processed for removal from site through Rosyth's state-of-the-art active waste management facility. The physical dismantling of the submarine, using a world's first methodology, is expected to be completed by the end of 2026. The innovative programme will enable around 90% of the structure and components to be reused or recycled, providing a proven approach for the recycling of the current UK decommissioned fleet of submarines.

Additionally, Rosyth Dockyard has been chosen by the MOD as a contingent docking facility to support the new HMS Dreadnought submarine, should a docking-dependant defect repair be required at the start of her time at sea.

This year, alongside the SDA and Navy Command, we opened a collaborative Submarine Availability Support Hub in Bristol. Our investment in the hub represents our commitment to supporting the UK MoD to improve Submarine Availability. The bespoke facility brings together partners from across the DNE including Babcock, the SDA and the UK's Royal Navy, and demonstrates how collaboration between industry and government is strengthening Britain's submarine enterprise as part of a critical national endeavour. The facility is also creating more than 100 jobs, as we further invest in supporting the development of nuclear skills and defence infrastructure in the South West of England.

Work continues on the design and early manufacture of complex plant and engineering equipment for AWE Aldermaston, as well as on further developing our partnership with AWE. We are strongly developing supply chain capability and capacity to meet future manufacturing demand in line with requirements.

In FY25 we formally marked the launch of the South West Regional Hub at an event in Exeter, bringing together industry across nuclear civil and defence, key economic stakeholders and learning and educational providers, to maximise the impact of key activities to address the region's specific skills challenges. We are a key industrial partner on the UK's Nuclear Skills Taskforce and lead the UK's South West Regional Hub for Nuclear Skills, which seeks to help secure the critical nuclear skills needed across the defence and civil nuclear enterprise. The UK Minister for Defence Procurement and Industry, Maria Eagle officially opened the Babcock Engineering & Nuclear Skills building at City College Plymouth in September 2024. The modern facility will enhance our growing workforce's capabilities by continuing to build a new pipeline of talent, while upskilling the existing workforce on the complex skills required to perform deep submarine maintenance.

International defence

In FY25 Babcock and HII launched a joint venture, H&B Defence to accelerate the development of critical sovereign capability for the once-in-a-generation AUKUS conventionally armed, nuclear-powered submarine program. H&B Defence will support all steps of Australia's optimal pathway to sovereign nuclear-powered submarines, including workforce, nuclear infrastructure design and build, submarine defueling and decommissioning, nuclear waste and future sustainment.

In May 2025, the joint venture secured its first contract to deliver a two-year Australian Submarine Supplier Qualification Pilot Program which will accelerate the identification and qualification of Australian suppliers and products who can access the US Virginia Class submarine supply chain

Civil

UK civil

We continue to support Sellafield with its decommissioning programme, and in FY25 we signed contracts for the provision of radiometric and environmental analysis support which secures our position as a critical service supplier to Sellafield over the next four years. We have also submitted proposals for two key lots of the 15-year Decommissioning and Nuclear Waste Partners (DNWP) programme.

We have diversified our customer portfolio in the UK, securing opportunities with both Westinghouse and Urenco in support of the Government's focus on security of the front-end fuel cycle. We have implemented a baseline programme for Westinghouse for the design and build of a facility to process uranium to enable its future enrichment and use as a nuclear fuel and have completed a multi-discipline design review of the tails management facility for Urenco which will convert depleted uranium hexafluoride to the lower hazard uranium oxide material for long term storage.

Following last year's £2.4 million funding award from the UK Government's Future Nuclear Enabling Fund (FNEF), we have now delivered our FNEF programme for our partner X-Energy's Advanced Modular Reactor (AMR). The funding award, which was matched by X-energy, has been used to develop UK-specific deployment plans, including an assessment of domestic manufacturing and supply chain opportunities, constructability, modularisation studies, and spent fuel management. We continue to position for deployment support for Small Modular Reactors (SMRs) and remain engaged with Great British Nuclear (GBN) for the next phases of the UK SMR competition.

We continue to support EDF with Large Gigawatt Reactor delivery at Hinkley Point C (HPC) and Sizewell C through the MEH Alliance, an unincorporated JV which works across the site. At HPC our team continues to grow, with over 600 people now working on the installation of mechanical and electrical services.

International civil

In Japan, work is progressing well to deliver a 10-year contract with Japan Atomic Energy Agency (JAEA), providing specialist capability in support of decommissioning and sodium treatment of the Monju Prototype Fast Reactor in Fukui Prefecture, Japan. The first phase of this project is due to complete in September 2025 and will be immediately followed by a second phase through to 2027 to construct and commission the facility in preparations for the start of operations in 2028.

In the US, we have begun transition work on our Portsmouth Decommissioning and Dismantling (D&D) Tier 1 contract, and we will receive the notice to proceed and move into formal contract later in 2025. We are positioning for other Tier 1 clean-up opportunities and site operation contracts, the next of which will be for management and operations of the Savannah River site which is expected to come to market in the first half of FY26.

Tackling the need for clean energy

Civil nuclear has a key role to play in tackling climate change, particularly given the growing demand for energy from new technologies such as AI and quantum computing.

At the same time, governments are becoming increasingly concerned to onshore energy generation and ensure the security of the fuel for those facilities.

From enrichment to storage

Babcock's Cavendish Nuclear business is involved in all aspects of the civil nuclear industry: from enrichment to fuel fabrication, electricity generation, and dealing with legacy assets and waste material storage.

With 2,600 skilled employees, and experience supporting all 36 of the UK's nuclear licensed sites, we are the country's largest civil and defence nuclear services provider.

We are involved in the design of new reactors, such as small modular reactors (SMRs) and large modular reactors. We provide operational support to the entire UK operating reactor fleet.

When those assets come to the end of their life, we support the decommission and cleanup of those redundant facilities, which involves the design and build of complex facilities to handle and process waste, and to store radioactive material.

We support the decommissioning and clean-up of those redundant facilities in the UK, and also in our international markets in the US and in Japan.

Future growth

We're designing new nuclear plants for Westinghouse at Springfields and Urenco at Capenhurst to support their fuel development aspirations. We're also helping to optimise the replication of Hinkley Point C (HPC) at Sizewell C. HPC is under construction and enabling works have commenced at Sizewell C, and they're procuring long-lead items.

We're a key alliance partner at HPC, where today we have 600 people integrating and installing 350 kilometres of pipework, 35,000 valves and 7,500 rooms. Over the next few years, we expect that team to more than double in size.

Potentially there could be two further gigawatt power stations in the UK, in addition to SMRs and AMRs. We expect the modular reactor opportunity to accelerate over the next few years, with real potential beyond this period.

Operational reviews

Land

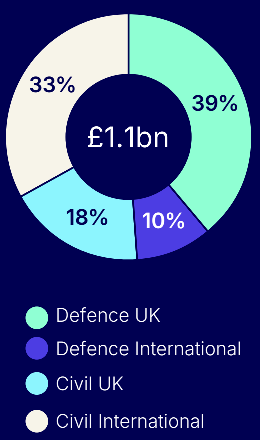
Our c.6,300 employees provide essential services to our customers through three core capabilities: build, support and train. We do this through the delivery of through-life engineering support and systems integration for military vehicles and equipment. We provide individual and collective training for customers with critical missions and deliver engineering services in power generation and transport networks and through-life support of mining equipment.

Operational highlights

- Awarded five-year British Army strategic support partner contract extension (‘Reframe’, formerly DSG) worth £1 billion
- Awarded additional contract to build 53 High Mobility Transporter Jackal 3 six-wheeled ‘Extendas’ for the British Army
- Signed an MOU with Patria to offer its 6x6 Armoured Personnel Carrier to the UK Armed Forces
- Launched 120mm Ground Deployed Advance Mortar System with ST Engineering with live firing demo for the UK
- Awarded first NATO training contract and several key UK training contract extensions
- Continued to provide critical support to Ukraine delivering defence support capability

Land – at a glance

FY25 revenue profile

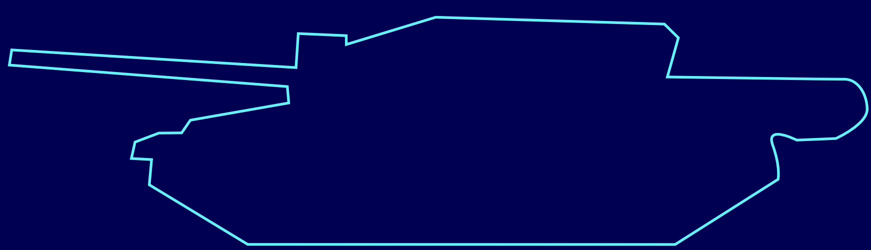


Revenue
£1.1bn

% of Group revenue
23%

Number of employees
c.6,300

Contract backlog
£3.5bn



Financial review

	31 March 2025 £m	31 March 2024 £m
Contract backlog*	**3,466.1**	2,593.7
Revenue	**1,116.6**	1,098.6
Underlying operating profit*	**86.2**	96.3
Underlying operating margin*	**7.7%**	8.8%

* Alternative Performance Measures are defined in the Financial Glossary on page 41.

Revenue increased 2% to £1,116.6 million comprising growth from a broad range of defence activities in both the UK and international markets, including DSG, Jackal production and Ukraine support, and an increase in our South Africa business. This was largely offset by a reduction our Rail business.

Underlying operating profit decreased 10% to £86.2 million as FY24 included a one-off £17.0 million profit on disposal of property. Excluding this, underlying operating profit increased 10% (at constant FX) reflecting revenue growth outlined above net of the decrease in Rail, improvement in training margins and the final year of trading of the DSG contract. As a result, underlying operating margin was 7.7% (FY24: 8.8%; FY24 excluding property profit 7.2%).

Contract backlog increased 34% to £3,466 million (FY24: £2,594 million) driven by a five-year extension, 'Reframe', (formerly DSG) worth c.£1 billion, defence contract extensions including UK training and Australia.

Operational review

Defence

UK defence

Following a period of strong operational performance on our contract for the maintenance, repair and asset management of the British Army vehicles and equipment (DSG), we were awarded a sole-source five-year extension worth around £1 billion, (now called 'Reframe') on terms that will result in better outcomes for all stakeholders.

We have commenced mobilisation of the contract extension which will deliver improved readiness, regeneration and asset management services underpinned by extensive engineering and supply chain expertise to maximise the availability of critical army equipment. This contract cements our position as strategic partner to the British Army, thereby setting the foundation for the army modernisation programme in the coming decades.

To enhance delivery of the contract extension, we launched our strategic asset management platform, Metis in partnership with Palantir Technologies. This capability includes the equipment support enterprise's digital footprint, from which the optimal balance of cost, risk and performance is derived to maximise the value of assets throughout their lifecycle.

We continue to support the UK in providing critical support to Ukraine's Armed Forces, delivering personnel training and refurbishment and renewal of equipment through our Project HECTOR contract. In January 2025, we secured a 15-month contract extension from the UK MOD to continue to support urgent operational requirements for Ukraine's military land assets. In addition, Babcock secured a multi-million-pound contract with the UK MOD to undertake in-country maintenance and repair of the Ukrainian owned Combat Vehicle Reconnaissance (Tracked) (CVR(T)) fleet, in collaboration with Ukrainian industry, and continue to support Operation Interflex, the British-led multinational military operation to train and support the Armed Forces of Ukraine. Finally, in March 2025, we won a proof-of-concept contract from the UK MOD which will enable Ukraine's armed forces to use innovative technology to 3D print military equipment, demonstrating our ability to deliver defence support capability whenever and wherever it is required.

We successfully delivered the first package of work for Project TAMPA, the MOD's accelerator programme focused on the use of additive manufacturing to increase material availability and tackle obsolescence. The project aims to reduce cost and improve the performance and availability of defence capabilities and critical assets.

Babcock, in partnership with Supacat, was awarded an additional contract to manufacture 53 Jackal 3 'Extenda' variants of the High Mobility Transporter for the British Army. The initial contract awarded for 70 Jackal 3 (HMT 400 series) vehicles which began production in our new production facility within the Devonport Freeport earlier this year.

We launched a new medium wheelbase variant of our General Logistics Vehicle in June 2024 and plan to unveil a six-wheeled variant at DSEi in September 2025. Initial focus has been on the British Army Land Rover fleet replacement, with c.7,000 vehicles required. With the military Land Rover no longer in production, we are pursuing a number of international opportunities.

We have partnered with ST Engineering, to offer the UK an integrated, end-to-end solution to enhance British mortar capability, as part of the MOD's 120mm mortar procurement. By bringing ST Engineering's Ground Deployed Advanced Mortar System (GDAMS) technology to the UK, we will deliver a sovereign solution that boosts British capability whilst driving economic and social benefit. In November 2024, we facilitated a successful live firing demonstration in South Africa with UK MOD, showcasing the breadth and depth of GDAMS' power and potential for UK and future export.

In January 2025, Babcock signed a MOU with Patria to offer the 6x6 Armoured Personnel Carrier to meet the operational requirements of the British Army. Under the agreement, Patria will lead on design and development of the system, while Babcock will lead on the manufacture, assembly, integration and testing.

Our Defence Training business has been awarded its first training contracts by NATO. These strategically important contract awards include a five-year contract to support military exercises by providing subject matter experts to fulfil play functions, and a one-year contract for the delivery of wargaming expertise to the Alliance's Joint Warfare Centre.

Land *(continued)*

The business was also awarded several key UK contract extensions, including the continuing delivery of training for Falcon, the battlefield communications system used by the British Army and Royal Air Force, and a one-year extension to the Electro-Mechanical Training contract for the British Army at MOD Lyneham. In April 2024, we successfully mobilised a new seven-year ARMCEN support contract, which will provide technical training for the British Army.

The Babcock Immersive Training Experience (BITE) was launched in the UK, Europe, USA and Canada. BITE is a best-in-class training capability solution for the defence and emergency services markets. It uses innovative and futureproof technology to replicate the physical, sensory and cognitive challenges of operating in a high stress environment.

Following a comprehensive evaluation of commercial terms, Babcock and its partners in Team Crucible made the decision to exit the bid to become the Strategic Training Partner for the Army Collective Training System.

International defence

In Australasia, we have embedded the first cohort of maintenance technicians at Royal Australian Air Force base Amberley to conduct maintenance of ground support equipment for the ADF. We delivered a A$14 million fleet of Squad Packable Utility Robots to the ADF which will be utilised across tri-service applications for intelligence, surveillance and reconnaissance activities to mitigate and deny the use of improvised explosive devices.

In Melbourne we opened a new A$3.5 million International Engineering and Technology Hub. The hub will support Babcock's global operations and provide a local base for key programmes.

In New Zealand, we continue to work closely with the NZ Ministry of Defence on the Fixed High Frequency Radio Refresh programme. Factory acceptance testing of the system was delivered in November 2024 and installation of the system in country began in 2025.

In France, we continued to strengthen our relationship with the French MOD as we successfully delivered the transition phases on our two Land contracts. Our Land military team in France continues to grow and we have recently opened a new central office in Bordeaux overseeing our in-country service delivery.

Civil

UK Civil

Our Emergency Services businesses performed well through the year however London Fire Brigade training and fleet support performance was offset by the end of the Metropolitan Police Service fleet support contract in FY24.

Our Rail business was down significantly year on year driven by reduced volumes across our Translink and Network rail Scotland alliance contracts due to phasing.

International Civil

In Africa, the Equipment business, which supplies mining industry vehicles, delivered strong growth. High machine demand was supported by a leading product offering, outstanding customer support and trusted relationships.

Delivering product solutions

We play a critical role in helping the Armed Forces rise to the challenge of an uncertain world. Through strategic partnerships and innovative engineering, Babcock's Land sector has contributed to the build, integration and support of several key platforms.

Supporting the British Army's capabilities

Last year, together with Devon-based SME Supacat, we began production of High Mobility Transporters (HMT 400 series) for the British Army. The initial order of 70 vehicles is well underway at our state-of-the-art production facility within the Devonport Freeport Zone. The award of a subsequent contract in September 2024 is testament to the close working relationship between the British Army, the Ministry of Defence, Babcock and Supacat.

Initially developed for Afghanistan, the British Army has made Jackal integral to its tactics and operations, with variants used for deep battlespace reconnaissance, rapid assault, fire support roles and convoy protection.

Transformational innovation and technology have been optimised throughout the production line at our advanced manufacturing site, including bespoke 'Pulse' software which maximises efficiency during vehicle assembly.

The programme is also delivering social value, securing 100 new jobs and helping people back into employment, through our Skills-based Work Academy Programme.

Our groundbreaking GLV series

Our series of General Logistics Vehicles (GLV) can fulfil a multitude of tasks across the world. This hugely reliable GLV family provides military and security forces with a complete value-for-money solution for light-utility vehicles, increasing the availability of these critical assets.

We have applied our deep understanding of the needs of the Armed Forces to our engineering, to offer the best possible vehicle for operational success. The GLV family includes the long wheelbase and the medium wheelbase variant, with the heavy-duty variant expected in FY26.

Partnering with Patria

Babcock and Patria are working together to offer the Patria 6x6 Armoured Personnel Carrier to the British Army, combining the highest-quality British and Finnish engineering to make sure the Army is ready for its next mission. Babcock will provide the sovereign build solution, and develop a platform support package that will maintain operational readiness of the vehicle throughout its life.

Operational reviews

Aviation

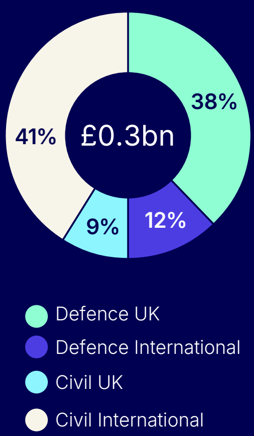
Our c.2,600 employees deliver military pilot training support for the two largest Air Forces in Europe (France and the UK), through-life support to operational military flying assets and critical air operations for government customers.

Operational highlights

- Awarded Mentor 2 contract, for up to 17-years, to deliver military air training solutions for French Air and Space Force, and Navy
- Awarded two-year HADES contract extension to provide technical airbase support services across the UK tri-forces
- Secured 12-year contract with Airbus to support 48 French defence and security EC145s across France and overseas
- Secured a £70 million contract to deliver new infrastructure facilities for Ascent UK Military Flying Training System
- Reached milestone of 60,000 flight training hours for the French Air and Space Force

Aviation – at a glance

FY25 revenue profile

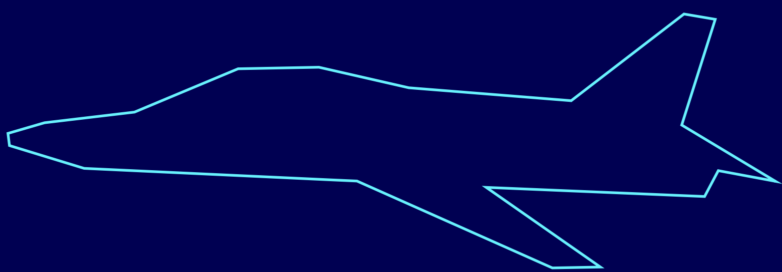


Revenue
£0.3bn

% of Group revenue
7%

Number of employees
c.2,600

Contract backlog
£1.9bn



Financial review

	31 March 2025 £m	31 March 2024 £m
Contract backlog*	**1,939.7**	1,641.4
Revenue	**322.3**	341.5
Underlying operating profit*	**19.9**	19.2
Underlying operating margin*	**6.2%**	5.6%

* Alternative Performance Measures are defined in the Financial Glossary on page 41.

Revenue decreased 4% as expected (at constant FX) to £322.3 million (FY24: £341.5 million) primarily due to completion of the aircraft delivery phase in the H160 French defence contract.

Underlying operating profit increased 3% (at constant FX) to £19.9 million (FY24: £19.2 million), despite lower revenue, reflecting improved project profitability, programme timing and contract renegotiations, including price. As a result, underlying operating margin increased to 6.2% (FY24: 5.6%).

Contract backlog increased to £1,940 million (FY24: £1,641 million) with the award of the Mentor 2 contract. Approximately £310 million has been recorded in the contract backlog so far for this contract.

Operational review

Defence

UK defence

Performance remains strong on the HADES contract to deliver essential critical services to the RAF, Joint Aviation Command and Strategic Command at 16 stations across the UK. We have successfully commenced work to deliver a two-year extension to the contract, which we were awarded in October 2024.

In May 2025, Babcock was awarded a £70 million contract to deliver new infrastructure facilities as part of a

£300 million military flying training contract secured by Ascent, our 50/50 joint venture with Lockheed Martin. Ascent will deliver the Future ISTAR (Intelligence, Surveillance, Target Acquisition and Reconnaissance) and Rear Crew Training System (FIRCTS) programmes.

Operations on the Royal Air Force Light Aircraft Flying Task (LAFT) contract are delivering high levels of availability. We continue to provide fast jet lead-in training for the Ukrainian Pilot Force, ensuring trainers and pilots have full aircraft availability as they prepare to fly F-16 jets.

We successfully completed ground and flight testing using synthetic fuel as part of Project MONET, a two-year research and development project with the RAF to explore the application of emerging technologies to minimise the environmental impact of LAFT.

We continue to partner with Uplift360, a company that develops chemical technologies to recycle advanced materials and are exploring solutions for the management and recycling of composite materials used in defence equipment. Research into the use of uncrewed air system technologies to support UK defence, security and government aviation is ongoing, with a focus on integrating autonomous and collaborative platforms.

Aviation *(continued)*

International defence

In France, in January, we were awarded Mentor 2, a new 17-year contract (including two year options), by the Direction Générale de l'Armement for the provision and support of military air training solutions for the French Air and Space Force (FASF) and the French Navy. The contract, worth up to €800 million including around €200 million of options, comprises the provision of aircraft, simulators and initial pilot training as well as the through-life support of the aircraft, and infrastructure. We expect c.£180 million of initial revenue relating to new infrastructure and delivery of assets over the three-year period FY26-FY28. The programme will then have transitioned to the long-term service. In FY26, the programme will require c.£30 million of working capital investment from Babcock, which we expect to recover in FY27. This agreement represents a significant expansion of our military activity in France. Babcock is now the sole contractor supporting FASF in its fighter training programmes.

We continue to deliver the Mentor 2 and FOMEDEC contracts in line with expectations, achieving over 14,600 flying hours and over 9,000 synthetic hours in FY25. We are now extremely proud to have reached a key milestone of 60,000 flight hours on our PC-21 aircraft. We also contributed to air surveillance during the 80th World War 2 anniversary in Normandy and the Olympic Games in France.

As part of our contract with the French MOD, the H160 helicopters fleet has now carried out more than 300 rescue missions with more than 95% of contractual availability in the Mediterranean Sea and across the Normandy and Brittany coasts. We have also completed the world's first 900-flying-hour periodic maintenance of an H160 helicopter at our workshop in France.

With Airbus Helicopters, we completed the first year of our 12-year contract to support the fleet of EC145C2 aircraft of the Direction Générale de la Sécurité Civile and the French Gendarmerie Nationale. We delivered two EC145C2 helicopters to the Sécurité Civile in the period, and three additional major maintenance inspections are currently underway.

Our partnership with Airbus Helicopters remains strong, and we were awarded an additional contract for the in-service support of the forthcoming nine Sécurité Civile H145D3 aircraft. We are preferred bidder on a contract to deliver in-service support services to the French Army's Gazelle Fleet.

We are currently in the final stage of bidding to provide Belgium fighter pilot training, and are progressing a bid for the French Air Force tactical and combat training contract.

In Australasia, in response to the evolving needs of the Australian and New Zealand defence forces we are exploring opportunities in Defence Search & Rescue, initial flight training and in service support and MRO contracts, leveraging Babcock's global expertise and experience in civil aviation.

Civil

UK civil

In the period we mobilised a 10-year contract with Midlands Air Ambulance. This continues a 33-year relationship with the charity, during which we have responded to over 75,000 lifesaving missions.

We won a further 10-year contract to continue as the aviation partner for Scotland's Charity Air Ambulance (SCAA), providing aviation support to the charity from bases in Perth and Aberdeen International Airport and bringing a new aircraft into service. We continue to provide flying operations, ground support and engineering services for a number of other air ambulance services in the UK, providing fleet technical availability in excess of 98%.

International civil

In France, we successfully delivered around 11,000 HEMS flight hours. We have expanded our Bordeaux and Bayonne bases to operate 24/7, strengthening our ability to support our customers and becoming a key asset in managing the surge in seasonal activity.

We are currently the leading operator of EC/H145 helicopters in France. In FY25, we expanded our fleet of versatile helicopters with the addition of two new aircraft, further reinforcing our partnership with Airbus Helicopters and Safran Helicopter Engines & Components.

In Australasia, we provided the Queensland Government with two AW139 helicopters, custom fitted with specialist medical equipment, in support of our new 12-year contract to provide aeromedical retrieval and search and rescue. The new aircraft allow for greater range and operational capability and include the latest aeromedical configuration including roll-on-roll-off stretchers for increased patient care.

As part of our South Australia (SA) State Helicopter Rescue Service contract, we delivered a new Airbus H145 helicopter to increase capability for law enforcement, and a new Bell 412 helicopter to SA Ambulance Service. Our bid for the new contract to deliver fixed and rotary wing emergency medical services to the South Australian Ambulance was not successful and therefore our current contract will conclude in FY28.

We have signed an MOU with US-based autonomous aircraft pioneer PteroDynamics to explore opportunities for unmanned aerial systems within defence and civil contracts across the region. We have also signed an MOU with Surf Life Saving New South Wales Partnership to pursue long-range drone technology and services to transform lifesaving operations into a broader national asset for disaster prevention, response and recovery.

In Canada, we successfully achieved initial operating capability for British Columbia's new 10-year aerial emergency services contract with a new fleet of AW169 aircraft. Initial operations are taking place from Ascent Helicopters' base at Parksville.

Our firefighting contract for the Province of Manitoba performed well in FY25, completing 475 missions during the 2024 wildfire season, with 98% aircraft availability.

Securing the skies

We play an important role in training military pilots for the demands of modern worldwide operating environments.

In the UK

In the UK, Ascent Flight Training, our 50/50 joint venture with Lockheed Martin, is responsible for delivering the UK Military Flying Training System (UKMFTS), in partnership with the MOD. UKMFTS delivers fast jet, rotary wing, fixed wing multi-engine and rear crew training across the Royal Air Force, Royal Navy and Army Air Corps.

In FY26, Babcock was awarded a contract to deliver new infrastructure facilities as part of a £300 million defence contract to deliver the Future ISTAR (Intelligence, Surveillance, Target Acquisition and Reconnaissance) and Rear Crew Training System.

We will manage the build of two state-of-the-art training facilities at RAF Cranwell in Lincolnshire and RNAS Culdrose in Cornwall that prepare RAF and Navy trainees for the demands of modern worldwide operating environments.

Supporting Ukraine

We also provide vital support to the Ukrainian Air Force. We supply the Grob Tutor aircraft, including all the technical and operational support functions, ensuring aircraft availability is 100%. Aircraft availability is crucial to military operations and our team is by the RAF's side, ensuring the UK's best flying instructors have everything they need to train Ukraine's next generation of fast-jet pilots.

In France

In France, we continue to support military fighter pilot training under the FOMEDEC and Mentor 1 contracts. Our world-class programme prepares future jet pilots and weapons systems officers to operate today's increasingly sophisticated aircraft. We are extremely proud to have reached a key milestone of 60,000 flight hours on our PC-21 fleet.

This year we expanded our activity in France with the award of Mentor 2, a new 17-year contract for the provision and support of military air training solutions for the French Air and Space Force, and the French Navy. We will provide aircraft, simulators and initial pilot training as well as the through-life support of the aircraft, and infrastructure.

We see more opportunities to expand our pilot training in mainland Europe, including an opportunity to provide Belgium fighter pilot training.

Stakeholder engagement

Building strong and lasting relationships with our global stakeholder groups is not only vital to our success, it's central to our Purpose: *to create a safe and secure world, together.*

We're not just here for the short term; delivering lifetime engineering means setting our sights across generations. That's why we're committed to forging close and committed partnerships with our stakeholders. Because we know that to go far, we must go together.

s172(1) statement

The Directors confirm that they, both individually and collectively, have acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the Company for the benefit of the shareholders as a whole, while having regard for all stakeholders. By considering key stakeholder groups and aligning our activities with our strategic plan, as well as the Company's culture and values, we aim to act fairly, transparently and in the best interests of the Company over the long term.

More information on how stakeholders are factored into our decision-making and the Board's engagement with stakeholders can be found in the Governance section in the Chair's introduction on page 126 and on page 136 to 138, which form part of this statement. Further information on how the Board addressed the different matters set out in s172(1) in performing its duties during the year can be found as follows:

s172(1) factor	Relevant disclosures
a. the likely consequences of any decision in the long term	• Driving sustainable growth (pages 6 and 16) • Sustainability strategy (page 64)
b. the interests of the Company's employees	• Investing in skills (pages 10 and 89) • Building an inclusive, diverse and resilient workforce (page 85)
c. the need to foster the Company's business relationships with suppliers, customers and others	• Stakeholder engagement (page 62) • Commercial integrity (page 97)
d. the impact of the Company's operations on the community and environment	• Supporting our communities (page 92) • Protecting the natural environment (page 82)
e. the desirability of the Company maintaining a reputation for high standards of business conduct	• Responsible business (page 96)
f. the need to act fairly between members of the Company	• Investors (page 63)

Customers

Our deep understanding of the needs of our customers and the challenges they face allows us to help them to succeed. We have long-term relationships with our customers, including as a Strategic Supplier to the UK Government. We seek to deliver deeply pragmatic and integrated solutions for our customers' critical programmes and services, working together for our mutual success.

What matters to them

- Health and safety
- Operational excellence
- Affordability, Availability, Capability
- Integrated solutions
- Innovation
- Collaboration

How we engaged

In the UK we reaffirmed our commitment to the Government's Strategic Partnering Programme (SPP) with a jointly signed Charter.

- Regular engagement with customers at all levels
- Held up as a strategic partnering role model by UK Cabinet Office
- Hosting UK Government's *One Government Day* in FY26
- Collaborating on joint initiatives
- Maintained Corporate Resolution Planning certification
- Implementing improved contracting models

Oxford Economics report

An independent report by Oxford Economics in March 2025 found the Group made a total contribution of £4.3 billion to UK GDP in FY24, positively impacting all of our stakeholders. This included a total contribution of £510 million in Scotland and £1.3 billion in the South West. Additionally, Babcock contributed AU$758 million to Australia's GDP.

Colleagues

Babcock's value, first and foremost, is in its people. Our collective know-how is the key to our success, both now and in the future. Our people deserve an environment in which they can thrive – one that requires an unwavering commitment to their health, safety and wellbeing, and a culture where talent is recognised, supported and developed through meaningful action so that everyone can reach their full potential.

What matters to them

- Fair pay and reward
- Opportunities for career development
- Health, safety and wellbeing
- An empowering, inclusive culture with strong leadership
- Collaboration

How we engaged

In 2024, our annual Global People Survey had its highest ever participation rate of 80%.

- Regular engagement with leaders at all levels
- Our designated Director for workforce engagement, Lord Parker, held 12 meetings with colleagues, including group-based forums
- Improving systems and processes
- Internal communication channels, including intranet and weekly senior management vlogs
- 'Safety Starts with Me' and Safety Stars programmes
- New colleague recognition Ignite Award scheme
- Regular training programmes
- Introduced 'Mentor Match' to support career development for women

Investors

The support of our equity and debt investors and continued access to capital is vital to the long-term success of the Company. We work hard to provide clear and transparent information to the market which enables informed decisions, delivered by our active Investor Relations and Treasury teams.

What matters to them

- Creation of shareholder value
- Clarity of communications
- Appropriate access to management
- Responsive Investor Relations
- Leadership
- Strategy and business development
- Capital allocation model
- Governance

How we engaged

Babcock won 'Best Investor Communications' at the prestigious UK PLC Awards in February 2025 and was promoted to the FTSE100 in March 2025.

- Improved transparency and consistency of formal communications
- Increased tempo of investor meetings
- Increased engagement with analyst community
- Developing programme of analyst 'teach-ins' for FY26
- Treasury team engagement with banks, noteholders and credit rating agencies
- Investor roadshows with management and IR team
- Chair and NED engagement with top shareholders

Communities

Babcock is a major employer, often operating in deprived areas. We have the power and responsibility to provide positive benefits to the places where we live and work, not only through employment but also by working with local suppliers, local community groups and charities, through volunteering and STEM outreach. We seek to work in partnerships with the communities we serve so that we can thrive together.

What matters to them

- Employment opportunities and economic contribution
- Health, safety and wellbeing
- Making a positive impact on the community, including through volunteering
- Engagement in local education and STEM activities
- Sustainability and protection of the local environment
- Support for indigenous people
- Support for the armed forces community
- Broad community engagement

How we engaged

Independent report by Oxford Economics conducted in March 2025.

- In December 2024, established a city-wide partnership with Plymouth City Council and the Royal Navy to focus on future growth
- Regular dialogue at our largest sites on matters of mutual interest
- Working with local SMEs to support local economies
- Colleague volunteering
- University and skills partnerships
- Sponsorship and donations
- STEM outreach
- Engagement with and support for local community programmes

Suppliers

Our sustainable growth requires an efficient and highly effective supply chain. This means we need to foster trusted and collaborative relationships with suppliers who share our appetite to drive operational improvement through innovation and best practice. These partnerships allow us to ensure continuity of supply, minimise risk and bring integrated solutions to our customers.

What matters to them

- Collaboration
- Fair treatment and respect
- Transparent communication
- Access to opportunities
- Prompt payment and predictable supplier cash flows

How we engaged

In FY24, we published a Supplier Assurance Handbook.

- Regular open and honest two-way communications
- Supplier Code of Conduct and Supplier's Guide
- Supplier conferences and workshops
- Supplier due diligence
- Implemented ESG ratings for our suppliers

Sustainability: our refreshed strategy

For our world to be safe and secure it must also be sustainable. Consequently, we see sustainability as a key enabler to achieving Babcock's Purpose.

Since outlining our ESG strategy in 2020 our ambition has grown, but the level and complexity of requirements placed on the business have also increased. Therefore, we have undertaken a full review and refresh of our sustainability strategy, to prepare us for the years ahead.

This new strategy is

- **Simpler** – giving clear guidance on our priorities.
- **More focused** – driving action in the areas where we can have the greatest impact.
- **Deliverable** – empowering the business to effectively allocate resources to build a more sustainable enterprise.

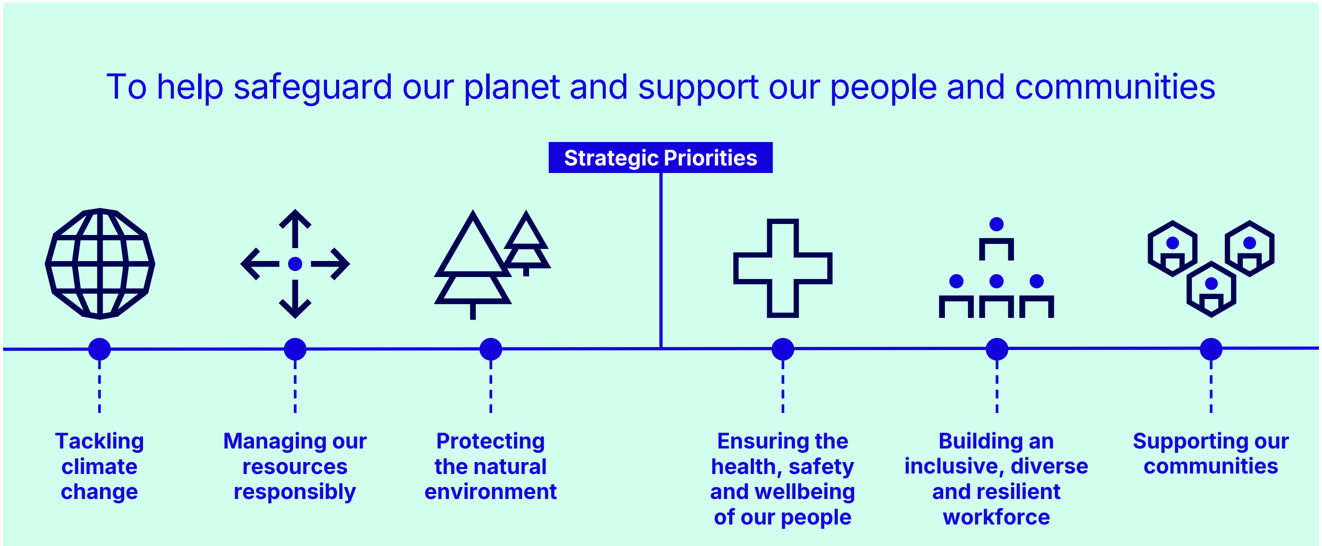
Our new sustainability strategy takes a twin track approach

First, we will focus our action on six strategic priorities where the business can have the greatest impact, ensuring compliance and business improvement (see graphic below). These are supported by six 2030 sustainability targets, each of which has associated delivery plans in place. Non-core sustainability targets will no longer be reported on, as explained in the following pages.

Second, we are building capability within the business to embed sustainability principles across Babcock for the long term, to ensure compliance with evolving regulations and to build a culture of continuous improvement.

Good governance is critical and remains core to the delivery of our whole business strategy, including sustainability.

The sustainability strategy is overseen by the Corporate Sustainability Committee, a new sub-committee of the Executive Committee, to ensure robust governance of its implementation. The Board also continues to play an active role in oversight of our sustainability strategy (see page 126).



Our view of sustainability

Just as the Purpose of Babcock is focused on people and planet, so too is our view of sustainability. Babcock plays a critical role in the communities in which we operate, as well as acting as stewards of the environment.

For this reason, our view of sustainability at Babcock is ***to help safeguard our planet and support our people and communities.***

Based on an updated materiality assessment which is outlined on the following page, we have identified six strategic priorities which are of the greatest importance to Babcock as a whole, three in the environmental sphere and three in the social sphere.

- **Tackling climate change** – We recognise Babcock's operations produce significant greenhouse gas emissions. Climate change also has the potential to significantly impact our business. This means that we not only have a responsibility to reduce our emissions but must also have a mature understanding of how we will respond to the impacts of climate change (see page 66)
- **Managing our resources responsibly** – Babcock is a significant consumer of natural resources through our supply chain and operations. We have a responsibility to work with our suppliers and on our own sites to ensure we use resources effectively and efficiently (see page 80)
- **Protecting the natural environment** – Many of Babcock's operations are in areas of environmental sensitivity. Not only is it important to comply with laws and regulations, but where possible we want to enhance the environments we operate in, providing both ecological and social benefits (see page 82)
- **Ensuring the health, safety and wellbeing of our people** – Our first duty as a business is to look after our own people. This is not just in relation to matters of safety, but also their physical and mental health. Doing so not only improves the quality of life of our workforce, but it makes us a more productive and successful business (see page 83)
- **Building an inclusive, diverse and resilient workforce** – Inclusion and diversity in Babcock not only benefits our communities, but it also enables us to build a stronger, more innovative business. We want to nurture and support talent throughout people's careers, regardless of background (see page 85)
- **Supporting our communities** – Babcock is a major employer, often operating in deprived areas. We provide positive benefits to the places in which we operate, not only through employment, but also by working with local suppliers, local community groups and charities, through volunteering and STEM outreach (see pages 92 and 96)

Double materiality

This year we conducted our first double materiality assessment examining the impact of our operations on environmental, social and governance factors, while also considering the financial risks and opportunities posed by these factors.

Based on an assessment of over 90 topics, we identified 19 sustainability and governance factors which are material to Babcock. Depending on sector or jurisdiction, each of these factors may have greater or lesser levels of importance; the matrix included here assesses the materiality of these factors to the business as a whole. The most material factors form the basis of the six strategic priorities outlined in our new sustainability strategy. See previous page.

This analysis was carried out based on the double materiality principle established by the Corporate Sustainability Reporting Directive (CSRD).

Process

Identify

- Framework, standards and regulatory requirements identified
- Key ESG issues for Babcock shortlisted

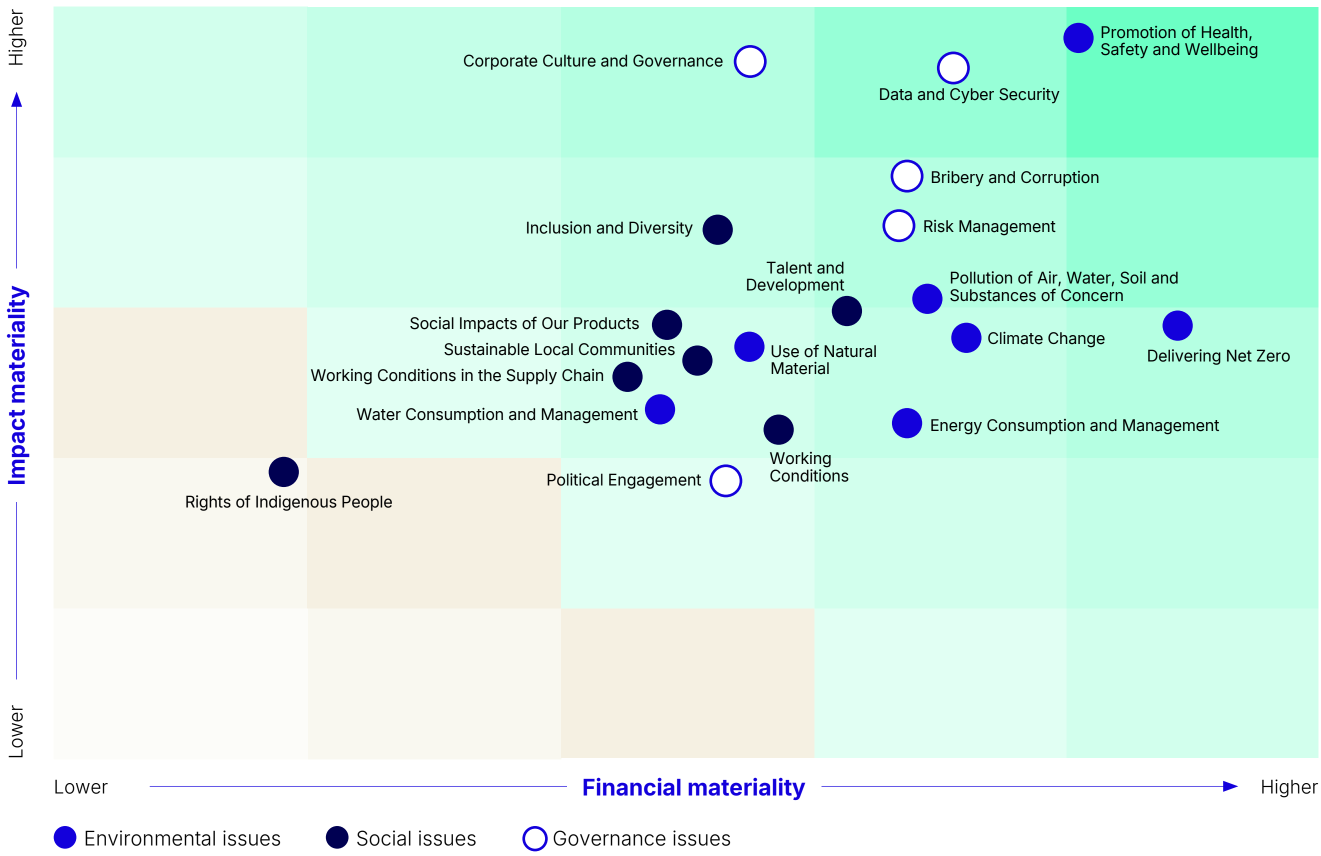
Consult

- Internal stakeholders consulted via survey
- Subject Matter Experts reviewed input to assess opportunities and risks

Analyse

- Corporate Sustainability Committee survey validated results

Our materiality issues relating to ESG



SDG framework

The work on our double materiality assessment has a natural progression to identify seven Sustainability Development Goals which Babcock most closely aligns with.

Full methodology and details of our double materiality assessment are available on our website

Sustainability *(continued)*

Tackling climate change

Climate change poses a significant global threat, with far-reaching consequences for the environment, society and economies. Babcock is committed to reducing its environmental impacts. We believe taking firm action and transitioning to a Net Zero and sustainable economy will deliver long-term value to our stakeholders.

In 2021, we launched our decarbonisation strategy, Plan Zero 40, where we committed to delivery of a 2030 Science Based Target in line with a 1.5-degree pathway, delivering Net Zero across our own operations (Scope 1 and 2) by 2040 and delivering total Net Zero (Scope 1, 2 and 3) by 2050. In 2024, we gained validation of our targets from the Science Based Targets initiative (SBTi).

As part of our new sustainability strategy, we are reaffirming our commitment to our long-term emission reduction targets which are:

- Reduce absolute Scope 1 and 2 greenhouse gas emissions (GHG) 90% by 2040 from a 2021 base year.
- Net Zero greenhouse gas emissions across the value chain by 2050.

We also remain committed to our short-term target.

A 42% reduction by 2030 in our Scope 1 and 2 emissions against a 2021 baseline.

This has been validated by SBTi and we are currently reviewing our short-term Scope 3 targets in line with the SBTi standard.

Our Net Zero journey

Plan Zero 40 launch BASELINE	New sustainability strategy	Science Based Target	Net Zero target (Scope 1 and 2)	Total Net Zero target (Scope 1, 2 and 3)
2021	2025	2030	2040	2050

Estate and assets

Babcock operates a complex estate across its global portfolio, including critical assets and infrastructure. Based on the nature of our land, air and sea operations, our estate portfolio is diverse, from dockyards and aircraft hangers to offices and manufacturing facilities. The emission profiles of our estate vary depending on site-specific operations.

Over the past few years, we have worked to develop comprehensive greenhouse gas inventories across our estate to understand our emission sources. Estate and asset-related emissions equate to 2.1% of our total footprint and arise from a variety of sources, including:

- Gas and electricity used across our sites
- Fuels (stationary combustion)
- Fugitive emissions
- Waste generated through our operations

Estate and assets emissions

Baseline emissions – 94,298 tCO_2e

FY25 emissions – 77,003 tCO_2e

Since our baseline, we have been working to deliver energy and carbon-saving improvements across our estate, including a range of ‘low hanging fruit' initiatives and renewable energy installations. We continue to investigate further opportunities to improve the efficiency of our operations.

Having a strong understanding of our emissions has allowed us to develop targeted decarbonisation plans which aim to address the most carbon-intensive parts of our operations. Our Carbon Reduction Plans cover over 95% of Babcock's related emissions.

Within our new sustainability strategy, we have taken the insights and intelligence gained from the comprehensive works carried out to date, and refined the strategy to focus and target the most significant emissions sources across our operations. Whilst we continue to deliver environmental improvements across all of our estate and integrate sustainability into our estate developments, we have identified six key ‘Enterprise Projects' which are critical to the decarbonisation of Babcock. The focused Enterprise Projects include initiatives related to estate management, energy demand, energy sources and energy infrastructure. Our dedicated teams are developing and implementing the delivery plans to meet our targets.

Woodville North facility in Australia

Babcock's state-of-the-art, carbon-neutral facility in South Australia opened in October 2024. The defence maintenance and manufacturing facility features a range of sustainable technologies such as solar array, ground water harvesting, electric vehicle charging stations, energy-saving lighting and intelligent controls.

Sustainability *(continued)*

Transport

Sustainable transport is key to our transition to Net Zero. Across the organisation, we operate a diverse range of vehicles from helicopters and fixed wing planes to delivery bikes, cars and trucks. Transport-related emissions equate to 2.1% of our total footprint and arise from a variety of sources, including:

- Aviation fuels
- Fleet vehicles
- Business travel
- Fuels used as part of distribution and logistics

Over the last 12 months we have made good progress in implementing sustainable transport solutions:

- Successfully rolled out six electric assisted vehicles (EAV) at Devonport Dockyard
- Increased the proportion of UK electric vehicles in the fleet to 31%
- Continued to harness the use of Sustainable Aviation Fuels (SAF)

Transport emissions

Baseline emissions – 64,780 tCO_2e

FY25 emissions – 75,463 tCO_2e

Since our baseline, we have delivered a range of improvements to reduce the impacts associated with transport. These include initiatives such as the introduction of an electric vehicle (EV) salary sacrifice scheme, transitioning the fleet to Ultra Low Emissions Vehicles (ULEV), the installation of electric vehicle chargers across parts of the estate, and providing colleagues with greater knowledge and awareness associated with the carbon impacts of their travel activities.

The emissions associated with our transport activities have increased since our baseline due to an increase in business travel activities and also an increase in product transportation and distribution activities.

Within our new sustainability strategy, we will focus our efforts on transitioning the Babcock fleet to ULEV and reducing business travel-related emissions.

Electric assisted vehicles at Devonport Dockyard

Following a successful trial period, Devonport Dockyard added six EAVs to its fleet. For further information on the EAVs and the launch event, please scan the QR code below.

The EAV launch at Devonport

Products and services

Babcock has a varied product portfolio. We understand the challenges posed by climate change and aim to support our customers to address their risks and unlock opportunities.

Products-and-service-related emissions equate to 74.2% of our total footprint and arise from a variety of sources, including:

- Use of sold products and services
- End-of-life treatment

We have matured our Scope 3 footprint capabilities over recent years and are continuing to refine our calculations.

Products and services emissions

Baseline emissions – 2,102,751 tCO_2e

FY25 emissions – 2,723,220 tCO_2e

Since our baseline we have been working to build a greater understanding of the carbon footprint and impacts of our products and services. This has included carbon footprinting and baselining activities, PhD research and investigations, investigating low-carbon products and funding opportunities with our customers, and providing climate awareness training to our workforce.

The emissions associated with our products and services have increased since our baseline due to growth across a number of key products, including shipbuilding production activities and sales within our LGE business.

For further information on our Scope 3 footprint and methodologies

Sustainable fuel trials

Babcock involvement in hydrogen trials

HM Naval Base Devonport in collaboration with UKSTRATCOM, Babcock and Geopura have been conducting hydrogen trials on site since October 2023. Phase 1 of the trial provided an off-grid EV charging capability that generates electricity via fuel cell technology from within a hydrogen power unit.

During Phase 2, two hydrogen-fuelled fleet vehicles were successfully trialled for a month, demonstrating how hydrogen power can be used at a complex and sensitive site. Further work is planned to investigate the wider use of hydrogen.

Value chain

Babcock has an extensive value chain across its global operations. We have thousands of suppliers providing essential products and services which allow us to deliver our operations. Supporting the decarbonisation of our value chain is essential to our sustainable transition and we are working to collaborate, influence and support the value chain.

Value chain-related emissions equate to 21.6% of our total footprint and arise from a variety of sources, including:

- Purchased goods and services
- Capital goods
- Leased assets
- Investments

We prioritise responsible sourcing and sustainability to maintain strong and ethical supply chains. Collaborating closely with our suppliers, we encourage sustainable practices to reduce environmental impact while achieving business objectives. Our efforts include promoting good labour practices, minimising carbon emissions, and conserving natural resources to create long-term value for all stakeholders.

We have published our Sustainable Procurement Policy, companion Sustainable Procurement Supplier Guidance and Supplier Code of Conduct, which align with ISO 20400 principles. These guidelines outline our sustainability expectations and emphasise reducing environmental impacts, promoting resource efficiency, and supporting ethical sourcing. They focus on reducing energy use and carbon emissions, using safer materials, ensuring workforce diversity, fair treatment and wellbeing. Additionally, they uphold high standards of business ethics, human rights, environmental protection, risk management and transparency, to create a resilient and ethical supply chain.

Sustainability considerations are integrated into our processes, from sourcing and onboarding to supplier assessments.

In 2024, we published our Supplier Assurance Handbook to enhance transparency by detailing our ESG considerations, risk management, supplier assessments, audits and development processes. This handbook aims to foster collaboration, responsible practices and sustainable supply chain management in line with ISO 44001 standards.

Reporting Scope 3 emissions is a key focus, as it represents a significant portion of our carbon footprint and offers substantial opportunity for reduction. By engaging suppliers in sustainability efforts, we enhance supply chain resilience, reduce overall emissions and contribute to global climate goals. Our new supplier sustainability assessment tool focuses specifically on measuring and reducing carbon emissions across our supply chain.

Value chain emissions

Baseline emissions – 613,501 tCO_2e

FY25 emissions – 794,595 tCO_2e

We utilise a hybrid Environmentally Extended Input-Output (EEIO) approach to calculate the emissions from our value chain. Our value chain emissions have increased since our baseline, predominantly as a result of an increase in our procurement spend, which due to the EEIO calculation approach results in a direct increase in emissions. We are investigating alternative emission calculation methodologies to address the challenges with the EEIO approach.

Climate management instruments

Climate management instruments are used within Babcock to identify risks and support the delivery of our climate-related targets. During the previous year, we implemented Internal Carbon Pricing to allow the organisation to better understand the financial implications of our carbon footprint and ensure climate considerations are embedded within our decision-making processes.

We have decided initially to utilise a shadow carbon price, and will assess whether to implement an Internal Carbon Fee over the coming years as our maturity develops.

In FY22, we aligned Babcock's Executive remuneration with the climate-related objectives of the organisation. We believe our approach showcases our commitment to delivering positive action, spearheaded by our executive leadership. We believe this instrument has supported us to foster and embed a culture of sustainability and accountability, driving positive behaviours and rewarding for sustainable decisions that deliver our climate objectives.

In FY26, the basis of the remuneration targets will be updated to reflect and align with the new sustainability strategy. Further details can be found on page 171.

Data management

Data is the cornerstone to Babcock's sustainability strategy and fundamental in allowing us to understand, monitor and report our impacts. Supported by a dedicated sustainability data team, in recent years we have made significant improvements to the accuracy and completeness of our data sets.

Having gained approval for our data management platform in FY24, over the last year we have progressed implementation of this system.

Our new system utilises an industry-leading advanced data management platform (Envizi) which has been tailored to meet Babcock's specific needs. The system includes the end-to-end processes to enable effective and efficient data collection, analysis and reporting.

Combined with a range of process and governance improvements, Envizi will deliver significant benefits to the organisation, ensuring we are able to make evidence-based decisions and allowing us to efficiently deliver our transition to Net Zero.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Babcock Group energy consumption and emissions

		2021	2022	2023	2024
UK					
Scope 1: Direct emissions from owned/controlled operations[1]	tCO_2e	42,079	40,268	28,574	**27,196**
Scope 2 location-based: Indirect emissions from the use of electricity and steam (for illustrative purposes only)	tCO_2e	34,101	36,423	39,356	**36,493**
Scope 2 market-based: Indirect emissions from the use of electricity and steam	tCO_2e	58,214	61,088	63,220	**57,477**
Total Scope 1 and 2 emissions market-based	tCO_2e	100,293	101,356	91,794	**84,673**
Underlying energy consumption	kWh	356,705,922	377,085,531	349,834,720	**333,153,659**
Global (excluding UK)					
Scope 1: Direct emissions from owned/controlled operations[1]	tCO_2e	21,099	21,296	15,937	**15,518**
Scope 2 location-based: Indirect emissions from the use of electricity and steam (for illustrative purposes only)	tCO_2e	3,659	3,241	3,279	**3,339**
Scope 2 market-based: Indirect emissions from the use of electricity and steam	tCO_2e	3,659	3,366	3,279	**3,339**
Total Scope 1 and 2 emissions market-based	tCO_2e	24,758	24,663	19,217	**18,857**
Underlying energy consumption	kWh	98,756,242	99,573,158	78,305,941	**76,302,062**
Babcock Group total[2] (UK and Global)					
Scope 1: Direct emissions from owned/controlled operations[1]	tCO_2e	63,179	61,565	44,511	**42,714**
Scope 2 market-based: Indirect emissions from the use of electricity and steam	tCO_2e	61,873	64,455	66,499	**60,816**
Total Scope 1 and 2 emissions	tCO_2e	125,052	126,020	111,010	**103,530**
Total Scope 3 emissions (excluding pensions)	tCO_2e	2,750,279	2,793,062	3,098,916	**3,566,750**
Total value chain emissions (excluding pensions)[3]	tCO_2e	2,875,331	2,919,081	3,209,926	**3,670,280**
Adjusted revenue[4]	£m	3,263	3,853	4,369	**4,682**
Intensity ratio[5]	tCO_2e/ £1m Revenue	881.1	757.7	734.8	**783.9**

Our emissions data is reported in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard under the 'Operational Control' approach. The reporting period for our energy consumption and GHG emissions is the calendar year (01 January to 31 December) due to availability of data to meet annual reporting timescales. Our base year is 2021, aligned to our approved science-based targets. Our reporting exceeds the Streamlined Energy and Carbon Reporting (SECR) requirements, including a full Scope 3 footprint. Scope 3 emissions have been calculated in line with the GHG Protocol Corporate Value Chain (Scope 3) Standard and include elements of future emissions from sold products. Total emissions are based on market-based Scope 2 emissions, since they are more representative of our energy supply contracts. Our market-based Scope 2 emissions are higher than location-based due to significant energy being provided by the energy from the waste plant at Devonport (Plymouth, UK) which has a high emission intensity. Figures for UK operations follow conversion factors published by the Department for Business, Energy and Industrial Strategy (except the supplier-provided energy from waste factors). Non-UK operations utilise emission factors applicable to the fuel source and location. Appropriate conversion factors have been used to calculate the underlying energy consumption figures. In line with our base year recalculation policy, emissions data for prior years have been adjusted in line with organisational changes and include corrected or additional data unavailable in previous Annual Reports. Emissions figures include an element of estimated data. Certain data, estimated to be immaterial to the Group's emissions, has been omitted as it has not been practical to obtain (including transport fuel in South Africa). Metering and monitoring improvements are being implemented to capture these datastreams. In line with SECR requirements, figures reported for the previous period must be stated as disclosed in the report in the preceding year, (despite these figures no longer being comparable with our current reporting period or our revised baseline): UK Scope 1 emissions – 32,458tCO_2e, UK Scope 2 emissions – 73,779tCO_2e, UK underlying energy consumption – 356,948,259kWh. Global (excluding UK) Scope 1 emissions – 21,676tCO_2e, Global (excluding UK) Scope 2 emissions – 5,700tCO_2e, Global (excluding UK) underlying energy consumption – 98,725,583kWh, Babcock Group total (UK and Global) Intensity Ratio – 563.4tCO_2e/£1m revenue. For the FY24 reporting period, we disclosed the following energy-efficiency improvements: "we delivered a number of improvement initiatives including 'low-hanging fruit' energy conservation measures, reduced use of diesel, reduced aviation operations and improvements to our energy management practices". In previous periods, we implemented a range of energy conservation measures such as LED lighting, boiler replacements, metering improvements and solar panel investigations. During FY25, the reporting period, we delivered a number of improvement initiatives including 'low-hanging fruit' energy conservation measures, switching from fossil diesel to biodiesel, and solar photovoltaic installations in South Africa. See also Middleburg case study on page 81.

1. Scope 1 emissions exclude biogenic emissions. Our Outside of Scopes emissions in 2024 were 7,148.
2. Figures are presented rounded to the nearest whole number, so may not sum precisely to totals (which are based on unrounded figures).
3. Category 15 emissions associated with pensions investments have been calculated, but we have elected not to include these in our total Scope 3 figures. Further detail is available on our website or can be viewed on the QR code below.
4. The revenue figures detailed have been adjusted for disposals and acquisitions so as to align with the recalculated emissions.
5. The intensity ratio is based on the recalculated total value chain emissions and adjusted revenue figures.

Find out more about our Scope 3 footprint and calculation methodologies

Sustainability *(continued)*

Climate-related Financial Disclosures

We are committed to decarbonising the organisation, addressing climate-related risks and unlocking climate-related opportunities. We have continued to work to improve our disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) requirements.

As per Listing Rule 6.6.6 (8), we provide disclosures against each of the TCFD's four pillars (governance, strategy, risk management, and metrics and targets) and confirm that these disclosures are consistent with 9 of the 11 TCFD recommendations and recommended disclosures, with the exception of the following matters.

Over the last 12 months we have worked to improve our consistency with the TCFD recommendations (including implementing an internal carbon price), however we do not yet provide sufficient disclosures to be fully consistent with Metrics and Targets part a, as we have not yet established metrics associated with capital deployment, transition risks, physical risks or climate-related opportunities. We also do not yet provide potential quantification of each key climate risk presented on specific financial performance metrics (revenues, costs), and therefore are not fully consistent with Strategy part b. Our teams are working to enhance our approach to climate risk management and address gaps in our TCFD disclosures, allowing us to disclose consistently with the TCFD recommendations. The following are our priorities over the coming year:

- Continue to mature our climate risk identification and assessment processes, to ensure that the Group quantifies the specific potential cost or revenue impact of risks and opportunities.
- Continue to develop our approach to Metrics and Targets.

Our climate-related financial disclosures comply with requirements (a-h) of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Additional climate-related disclosures can be found in the Risk management, Governance and Financial sections, see pages 120, 127 and 204.

Pillar (and TCFD recommendation)	Response
Governance	
Board oversight of climate-related risks and opportunities *a) Describe the Board's oversight of climate-related risks and opportunities.*	The Board has ultimate responsibility for the Company's strategy and risk management. Our Board oversees climate-related risks and opportunities, and discusses Group-wide sustainability matters as an integral part of Board strategic discussions, with a dedicated session once a year as a minimum. Climate and environmental sustainability is one of Babcock Group's principal risks (for more information please refer to page 120) and therefore climate-related risks are appropriately reviewed and considered when reviewing business strategy, the annual budget and five-year plan. During FY25, the Board or the Executive Committee had several reviews on Group-led sustainability workstreams including updates on the new sustainability strategy, decarbonisation, and Energy Saving Opportunities. The Executive Committee has direct oversight of climate-related risks and opportunities via the Risk Committee and Corporate Sustainability Committee. These matters are then in turn reported to the Board. See page 132 for further details on our organisational governance framework.
Management's role in assessing and managing climate-related risks and opportunities *b) Describe management's role in assessing and managing climate-related risks and opportunities.*	Babcock's management has direct ownership and accountability for sustainability matters across the organisation, including climate-related risks and opportunities, through the Risk Committee and the Corporate Sustainability Committee (CSC). Babcock's CSC is a Principal Management Sub-Committee to the Group Executive Committee. The CSC is responsible for Group-wide sustainability initiatives, the management of climate-related issues and driving the wider sustainability agenda. The CSC meets on a quarterly basis and is attended by Sector and Direct Reporting Country (DRC) CEOs along with other Executive Committee members. The CSC is chaired by Babcock's executive sponsor for sustainability, Land Chief Executive Officer, Tom Newman. Progress on TCFD compliance and our environmental targets is reported to the CSC. Actions required to further climate-related risk management activities are overseen by the Risk Committee in line with Babcock's Risk Management System (RMS). Babcock's approach to sustainability and climate risk management is directed and co-ordinated by the Group Sustainability Team, working closely with operational sustainability professionals throughout the business.

Pillar (and TCFD recommendation)	Response
Strategy	
How the Company is responding to short-, medium- and long-term risks and opportunities *a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term; and* *b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.*	We identify and model climate risks over the following horizons: short term (present to 2030), medium term (2030 to 2040) and long term (2040 to 2100). The horizons are aligned with our short-term 2030 science-based targets, medium-term 2040 decarbonisation targets and our longer-term 2050 Net Zero targets. Modelling risks over a long-term horizon allows us to identify and assess impacts which may materialise up to the end of the century, depending on the global climatic conditions. Babcock continues to operate a top-down, bottom-up approach to climate risk management, with the policy and strategy set at Group level, and responsibility for delivery within the sectors and direct reporting countries (DRCs). Sectors and regions consider the insight and outputs from the climate-related risk assessments, and identify the actions required to deliver corporate climate impact reduction commitments. Such risks and actions are considered in forecasts including in the annual budget and five-year strategic plan. In addition, consideration has been given to the climate risks and opportunities register as potential areas of material financial reporting impact on critical accounting judgements or key sources of estimation uncertainty, with no current perceived material impact on such judgements or estimates. While climate-related matters are not considered to have a material impact on the Group's critical accounting judgements or key sources of estimation uncertainty, the Group is working to implement an effective approach to identify, assess and respond to climate risks appropriately to ensure the continuing resilience of the business model. The climate risk identification and assessment approach is currently being updated to ensure that the Group quantifies the specific potential cost or revenue impact of risks and opportunities.
Scenario analysis that the Company considers to assess risks and inform strategy *c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.*	In line with the prior year, the Company considers two potential future climate scenarios which use economic constraints associated with the International Panel on Climate Change's (IPCC's) Shared Socioeconomic Pathway 2, middle-of-the-road scenario: a Paris-aligned 1.5°C for the best-case scenario and a business-as-usual 4°C scenario for the baseline scenario. The 1.5°C scenario simulates a potential future pathway of the world economy assuming a successful introduction of climate policies, thereby reducing the likelihood of severe climate-related weather events. The 4°C baseline, utilised and agreed by climate modelling experts within the IPCC, assumes the scenario in which no further intervention on climate change is taken, leading to a global-mean temperature rise of 4°C above pre-industrial levels by 2100 and an associated increased likelihood of climate change-related weather events. Climate risks are evaluated from physical and transition perspectives and are assessed over the two scenarios (1.5°C and 4°C). Physical risks: assessed against eight climate hazards. Acute physical risks were considered, which are event-driven, including increased frequency and severity of extreme weather events including: river flooding, forest fires, extreme wind, soil subsidence, surface water flooding and freeze-thaw effects. Two chronic physical risks were also considered which refer to longer-term shifts in climate patterns: extreme heat and coastal inundation. Transition risks: our assessment disaggregates these economic considerations to a market level, producing price and volume impacts on commodities and sectors across the global economy, against which our supply chain cost structure was assessed. As outlined in the climate risks and opportunities table on (page 76), we have assessed the impact of physical and transition climate change risks on the relevant parts of the business, and also outlined how identified climate-related issues are considered in our business decisions and how these may shape future strategy. As part of our risk management process, we have a process for identifying and assessing climate change risks and opportunities and responding appropriately to ensure resilience of the overall business strategy. A summary of our perceived exposure to climate risk and opportunities against the above scenarios is outlined in the climate risks and opportunities table on (page 76) and details of the control measures are also provided.

Sustainability *(continued)*

<table>
<tr><th>Pillar (and TCFD recommendation)</th><th>Response</th></tr>
<tr><td colspan="2">Risk management</td></tr>
<tr><td>Identification, assessment and management of climate-related risks

a) Describe the organisation's processes for identifying and assessing climate-related risks.

b) Describe the organisation's processes for managing climate-related risks.

c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.</td><td>Climate risk identification and assessment is integrated into our Enterprise Risk Management Framework for reporting, escalation and corporate oversight. On a quarterly basis, climate-related risks and opportunities are reported and reviewed by Group Risk and Group Sustainability teams to monitor individual and thematic risks and opportunities across the Group. Quarterly reporting and review include proposed control measures, and updates against prior control measures. Specific sector and country-identified climate risks are reviewed quarterly by the Risk Committee, as well as being reported into the Audit Committee quarterly and the Board annually.

Our Enterprise Risk Management Framework provides a consistent basis for assessing the severity of risks against different classes of risk impact, such as those relating to financial or people impacts. For more information on our Enterprise Risk Management Framework please refer to page 107.

We previously identified the maturity of climate risk management as low and our approach has not changed for the current assessment; however, our Climate Risk Working Group has been working with industry specialists over the past 12 months to refine and enhance our approach. Following investigations, we have refined our approach to the identification of physical and transitional climate-related risks and opportunities, and we shall continue to roll out this improved approach during 2025. These enhancements will allow us to be fully compliant with the 11 TCFD recommendations.</td></tr>
<tr><td colspan="2">Metrics and targets</td></tr>
<tr><td>Metrics and targets used to assess climate-related risks and opportunities

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</td><td>We monitor and report against the following cross-industry metrics:

Greenhouse gas emissions are reported externally in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. Throughout the year, we have matured the understanding of our Scope 3 footprint and we now have a detailed view of our entire value chain footprint. We are continuing to develop the maturity of our Scope 3 footprint calculations. For Scope 1, 2 and 3 greenhouse gas emissions and details on calculation methodology, please refer to page 71. Details of the target and our progress is detailed on page 66.

Electricity from renewable sources is an externally reported metric. In 2024, electricity from renewable sources equated to 30% across our global operations. This is an increase from 29% in 2023.

Executive remuneration – In FY26, the basis of the remuneration targets will be updated to reflect and align with the new sustainability strategy. Further details can be found on page 69. For further details on remuneration linked to sustainability-related targets, please refer to page 171.

Capital deployment is a metric used internally to assess progress against our Carbon Reduction Plans. In addition, Babcock's Net Zero targets and decarbonisation plans have now been validated by the SBTi.

Internal carbon price – During the previous year we introduced Internal Carbon Pricing into the organisation, initially opting to utilise a Shadow Carbon Price. We used a March 2025 spot price of the UK Emission Trading Scheme (UKETS) to set the shadow carbon price for FY25. The spot price of £43.51 per tonne was applied to the Group's Scope 1 and 2 emissions (103,653 tCO_2e) to calculate the FY25 shadow cost of carbon for the organisation, equating to £4.505 million.

We are working as part of our improvement plan to develop metrics associated with transition risks, physical risks and climate-related opportunities.

● Details on our environmental sustainability targets can be found on pages 66, 80, 82</td></tr>
</table>

Climate-related risks and opportunities

Physical risks

Physical risks are assessed against eight climate hazards. Acute physical risks were considered, which are event-driven, including increased frequency and severity of extreme weather events:

- Riverine flooding
- Forest fire
- Extreme wind
- Soil subsidence
- Surface water flooding
- Freeze-thaw

Two chronic physical risks were also considered which refer to longer-term shifts in climate patterns: extreme heat and coastal inundation.

Transitional risks

Economic analysis was used in FY23 to assess transition risks. The global economic model analysed the potential carbon emissions of economic activities and the consequential impact on macroeconomics of constraining these emissions, in order to achieve the target global-mean temperature at 2100. The economic model disaggregated these economic considerations to a market level, producing price and volume impacts on commodities and sectors across the global economy, against which our supply chain cost structure was assessed. Our approach has not changed since our previous assessment, however our climate risk working group is working to update our assessment during 2025.

Opportunities

Over the last few years, we have pushed to capitalise on opportunities which will support the development of a greener economy:

- Babcock's Liquid Gas Equipment (LGE) business has won a milestone contract from a ship owner in South Korea to deliver its first cutting-edge ecoCO_2® cargo handling system for two 22,000m³ liquefied CO_2 (LCO_2) carriers. In an exciting development for the business, the ecoCO_2® cargo handling system is the world's first cargo handling and reliquefaction system for a low-pressure cargo tank design. LGE is also investigating bulk marine transportation of hydrogen, in the form of ammonia (rather than pure liquid hydrogen), and the capture, transportation and storage of CO_2 from current emitters (ie end-to-end solutions for liquefied CO_2 carriers).
- Across our UK operations, we have identified energy-and-cost-saving opportunities as part of our Energy Saving Opportunity Scheme (ESOS) Phase 3 compliance works. We will work to deliver on our Energy Action Plans during 2025. We are continuing to develop Marine R&D programmes to capitalise on potential new markets, and our PhD student is conducting studies to identify sustainable maritime opportunities. Within our aviation business, we are working with the RAF to demonstrate how new technologies to minimise the environmental impact of flying training can be certified for wider use. Significant milestones have been maturing the aircraft design, production of the net carbon zero synthetic fuel that will power it, and completion of a Life Cycle Assessment of the environmental impact of producing light training aircraft. Early concept work on a hybrid powertrain has produced better-than-expected results, prompting the RAF to request further information on how this may be developed.
- Babcock's helicopter emergency services business is investigating the use and environmental impact of Sustainable Aviation Fuel with an air ambulance charity.
- Babcock UK Aviation is working with Defence to evaluate how to develop materials circularity in a circular economy model. Together with a UK SME we are aiming to demonstrate and assess the scalability of extracting critical materials from composite materials in defence equipment across sea, land and air. This will provide resilient material supply chains and reduce the environmental impact of current disposal methods.
- Across the organisation, we continue to work with a variety of customers to support their decarbonisation journeys which presents commercial opportunities for Babcock; however due to sensitivities, we are not able to disclose further information.

Sustainability *(continued)*

Climate risk and opportunity	Description	Affected sectors and regions	Impact horizon
People welfare **(Physical risk)** Disruption to operations	**Disruption to staff and operations due to weather conditions with difficult/unsafe working conditions.**	All (Global)	Short / medium
Cost of business **(Transition risk)** Supply chain disruption	**Increased climate-related regulation, such as taxes on fossil fuels, may affect Babcock's supply chain cost base or viability of supply chain companies.**	All (Global)	Short / medium
Business delivery and continuity **(Physical risk)** Asset damage and operational disruptions	**Dockyards owned/operated by Babcock may be flooded due to an increase in sea level and higher frequency of extreme weather, resulting in storm surges.**	Marine Nuclear (UK & Australasia)	Medium / long
Future services **(Transition and physical risks)** Global energy mix changes	**Demand impact to LGE, Civil Nuclear services and emergency services.**	All (Global)	Medium / long

	Findings	Control measures
	Site disruptions due to physical risks are dominated by flooding at Bristol Ashton Vale and forest fires in Manitoba. The likelihood of extreme heat increases at other sites. Although physical hazards represent a greater percentage of revenue in the 4°C scenario, we could experience greater overall growth in the 1.5°C scenario. Therefore, physical hazards could still result in high levels of lost revenue in both scenarios.	Our control measures are unchanged from the previous year. At our three sites exposed to extreme heat risk, occupational health assessments have identified those working in higher-risk scenarios such as field service mechanics and confined space maintenance operatives. Training, hazard notices and health guidance are installed at these sites to recognise early signs of temperature-related health conditions, such as heat stroke.
	Labour cost changes drive the risk within Babcock's supply chain. Direct carbon costs also increase significantly as a result of government pressure on decarbonisation. Variations in other costs are seen to be less significant up to 2050. Cost increases could be greater in the 1.5°C scenario because of larger labour and carbon cost increases as well as greater growth overall. Supply chain disruption because of the transition to a Net Zero economy is therefore considered a significant risk.	In 2024, we broadened our analysis to encompass 1,000 of Babcock's key suppliers. This comprehensive analysis allowed us to map the trajectories of six critical physical hazards and socioeconomic risks. Despite the extensive nature of our study, we did not identify any immediate significant impacts. To enhance our risk resilience, we have updated our tool to map our supply chain against vital climate change indicators. This proactive approach enables us to identify and address vulnerabilities effectively. In our continuous effort to improve our operations, we have implemented a new spend management platform. This platform standardises our sourcing and onboarding processes, ensuring a consistent approach across the majority of our operations. Furthermore, we have updated our Supplier Code of Conduct to incorporate sustainable practices as a standard requirement. This step reaffirms our commitment to sustainability and responsible business practices.
	Dockyard disruption due to coastal flooding has not been identified as a significant physical risk in terms of business interruption or value at risk. However, the scope of this desktop assessment does not consider all aspects of dockyard construction and further on-site analysis for key sites is recommended. Similar to the dynamics of "People welfare", sea level rise is greater in the 4°C scenario. However, potential greater demand for services in the 1.5°C scenario could result in higher levels of lost revenue from a coastal inundation event. Therefore, in both scenarios coastal inundation could cause similar levels of financial impact.	Across parts of our operations, we use natural external hazards assessments to consider the impact of low-probability risks, such as extreme weather events. Devonport mandates these assessments onsite as part of our requirement to ensure full through-life management of our nuclear facilities and to meet established nuclear safety standards, subject to both Defence and Civil Nuclear regulation. To then appraise the best environmental options for infrastructure designs, Devonport works with industry leads, our customers, and the local authority to conduct Defence-Related Environmental Assessment Methodology (DREAM) assessments and Best Available Technique (BAT) reviews where applicable. We are working to improve our understanding of physical risks as part of our Climate Risk Working Group.
	Demand for LGE's services in the 4°C scenario could see strong growth but significant reduction in the demand for gas in the 1.5°C scenario could result in reduced revenue. Demand for Civil Nuclear could fall in the 4°C scenario and grow in 1.5°C because of changes to the competitiveness of nuclear power. The transition to low-carbon fuels in the 1.5°C scenario may limit the global demand for gas, potentially reducing demand for LGE's services. Higher carbon taxes may also impact the competitiveness of nuclear power, increasing demand for Civil Nuclear services. In 2050, the combined impact of these changes in demand results in a significant difference between scenarios. In the medium term, there will likely be an increased demand for emergency services, search and rescue, and emergency firefighting activity in Canada due to extreme weather. Similarly, South Africa has also identified the long-term opportunity to enter the firefighting sector due to extreme weather. As a further result of extreme weather, Babcock Australia has identified the opportunity to provide Emergency Medical Support and aid to new geographies in Australia. Babcock Canada has identified the opportunities associated with infrastructure development, resource extraction, and marine access due to melting ice.	Our control measures are unchanged from the previous year. We aim to continue to develop our ammonia fuel gas supply system, as well as solutions for the transportation and storage of CO_2 in line with customer and legislative requirements. This will ensure that we are optimising efficiency while developing zero-carbon solutions and increasing business resilience against carbon pricing and its potential result of falling liquefied natural gas demand. To maximise these opportunities, the given sectors have identified the need to monitor any changes or surges in requirements, the need to conduct careful feasibility planning/assessment, and the need to respond rapidly and agilely to customer requirements, such as the redeployment of assets, in the medium to long term.

Sustainability *(continued)*

Climate risk	Description	Affected sectors and regions	Impact horizon
Increased regulation and demand for low-carbon solutions **(Transition risk)**	**Regulatory pressures and low-carbon requirements cause changes to customer contracts and business models, leading to demand reduction for Babcock services and rendering existing technology unable to meet requirements.**	All (Global)	Short / medium
Shifting energy generation markets **(Transition risk)**	**Shifting energy generation markets result in disruption to customer base and demand for Babcock services.** **Customers change business models because of regulatory/physical impacts on operations and demand reduces for Babcock services/ products.**	South Africa	Short / medium
Technology adaptation **(Transition risk)**	**Babcock may need to increase its spend on R&D and new technology activities to adapt to climate change.**	All (Global)	Short / medium
Failure to decarbonise Devonport **(Transition risk)**	**Low-carbon electricity will be required to deliver Babcock's decarbonisation targets.**	Marine Nuclear (UK)	Medium / long

Findings	Control measures
Under both scenarios, the air transport sector may grow, albeit at different rates. Falling carbon intensity of the air transport sector occurs under both scenarios with the greatest decarbonisation in the 1.5°C scenario. Failure to decarbonise in line with the increased rate and extent of decarbonisation within the aviation sector in the 1.5°C scenario could result in greater lost market share when compared with the 4°C scenario. We are working to identify risks of changes in stakeholder attitudes towards climate change which will likely be coupled with increased regulation. The Marine sector has identified increased regulation to be a risk in the short term, whilst on a similar timescale, both Marine and Land have identified the requirement to provide low-carbon solutions. In the medium term, South Africa has identified an increased demand for construction equipment and plant services for low-carbon energy developments because of changes in powerplant regulations, an increase in electricity production requirements, and the increase in mining of wider materials. In the medium term, Canada has identified likely new low-carbon fuel opportunities with existing and new clients associated with this transition.	We are investing to ensure regulatory compliance within new sustainable fuel and platform contracts, such as Project MONET, currently mobilised to investigate synthetic fuel application within Defence, specifically light aircraft for elementary flight training. Babcock Aviation is also continuing to work with industry leaders such as Vertical Aerospace, to look at the applications of Electric Vertical Take off and Landing (eVTOL) aircraft within our current and future capabilities. Marine has invested in the Engineering Concept and created the Clean Maritime Subject Matter Expert (SME) group. Land is pursuing both Zero Fuels and the electrification of emergency service vehicles / EV conversion capability, including delivery of a pilot project for electrifying Land Rovers, and has developed working relationships with leading electric propulsion technology partners. South Africa will continue to monitor the offering of new Original Equipment Manufacturer (OEM) technologies to customers as and when they become available. Canada is monitoring the realistic possibility of government funding and incentives to capitalise on low-carbon fuel opportunities, whilst the business continues to investigate synthetic fuel applications in Defence and eVTOL aircraft.
In Africa, electricity generating technologies may vary between the 1.5°C and 4°C scenarios. Babcock's established support services with steam-based energy generators is seen to be constrained in the 1.5°C scenario. The potential shift from thermal electrical generation to renewables in the 1.5°C scenario may result in reduced revenues for Babcock's South Africa engineering services when compared with the 4°C scenario. In the short term, the opportunity is identified to own and/or operate part of a 100MW power plant with the possibility of producing renewable energy in certain areas of the plant. It has also identified the opportunity for energy storage and green hydrogen storage deployment in the long term.	We currently undertake emissions abatement projects such as an enhancement strategy to maximise all opportunities within nitrogen oxides (NOx), sulphur oxides (SOx) and particulate matter (PM), and are working with technological partners to identify further abatement projects. Possible further opportunities are now being assessed such as the conversion of fossil fuel boilers to "Clean Coal Technologies" over the next 10 to 20 years, the repurposing of current coal-fired stations, and the next steps to evaluate the nuclear energy market regarding our entry levels and required qualifications. South Africa's market opportunity in power generation is being investigated through the engagement with local initiatives, forums, and the creation of a specific Customer Relationship Management system. Exploring the opportunity for energy storage and hydrogen storage is being managed with the early engagement of potential energy technology partners.
Under both scenarios the water transport sector may grow. However, growth will be greater under a 4°C scenario. Nonetheless, decarbonisation occurs under both scenarios with greater decarbonisation in the 1.5°C. Failure to decarbonise in line with the increased rate and extent of decarbonisation across the economy in the 1.5°C scenario could result in greater lost market share when compared with the 4°C scenario. Climate-related regulation, policy, and physical risks arising from climate change will require new technical approaches. The transition to a low-carbon economy is likely to introduce disruptive new low-carbon solutions. Babcock's R&D into low-carbon technologies and resilience measures against physical changes to the environment likely places Babcock in a leading position.	Through projects such as Neptune, Babcock Marine is building our market awareness of new marine-based technologies available. Our newly formed Clean Maritime SME Group is the knowledge focal point in marine engineering for new green technologies and low-emission fuels. The combination of our high-level engineering skill, with LGE and the Nuclear expertise, provides Babcock with the opportunity of being at the forefront of the green technology race, with potential capitalisation in IP and skills.
The Devonport site experiences significant cost increases under a 1.5°C scenario due to the impact of direct carbon prices. Energy and gas costs would increase, most notably following the expiry of the Energy from Waste contract in 2040 and a switch to the market mix. The introduction and increase in carbon taxes in the 1.5°C scenario could result in higher costs to Babcock when compared with the 4°C scenario. In the medium term, not achieving our decarbonisation targets could result in Babcock failing to meet customer expectations.	Across the organisation we are developing carbon reduction plans, which map out the decarbonisation activities required to deliver our emission reduction objectives. We have also identified opportunities for the installation of renewable energy assets across various sites which will drive operational efficiency.

Sustainability *(continued)*

Managing our resources responsibly

Babcock uses a wide range of resources across its global operations, and the consumption of materials and resources is a significant contributor to Babcock's environmental footprint. We understand our responsibility to minimise the impacts of our operations. Therefore, delivering responsible resource management is one of our sustainability priorities, yielding improved cost and efficiency benefits as well as reduced environmental impacts.

Our approach to resource management considers our use of materials and interaction with natural resources. We are working to ensure all aspects of responsible resource management are embedded throughout our product lifecycles and integrated into our business operations.

We previously communicated a range of issue-specific targets and commitments including:

- Preparing waste management plans across all significant sites by 2024 – 41% delivered
- Preparing water management plans across all significant sites by 2024 – 40% delivered
- Achieving zero controlled waste to landfill by 2025 – data on progress not available
- Eliminating the use of avoidable single-use plastic by 2027 – data on progress not available

Whilst these remain key enablers to our sustainable transition, moving forward we have decided to focus our external reporting on the six sustainability priorities and associated targets.

Within our new sustainability strategy, our Group-wide targets are initially focused on reducing the consumption of energy across our global operations.

We have set a 15% energy efficiency improvement target by 2030 against a 2024 baseline.

This new energy efficiency target is the equivalent of the Group achieving an energy intensity of 51kWh consumed per £1k revenue generated by 2030, down from the 2024 baseline of 60kWh per £1k revenue.

Over the coming 12 months, our focus is to deliver the Energy Action Plans across the organisation and to run an awareness-raising and behaviour change campaign to highlight opportunities to improve efficiency and eliminate energy leakage.

Innovating to deliver high levels of recycling – submarine dismantling project

Through collaboration with our supply chain, Babcock has applied a new and innovative methodology which will enable around 90% of the dismantled submarine structure and components to be reused or recycled.

Babcock's innovation will lead the way for the UK, providing a proven approach for recycling of the current UK decommissioned fleet of submarines.

IT re-use energy efficiency

We're proud to work with suppliers that align with our environmental priorities and support our mission to identify trends and opportunities to re-use and recycle our IT services where feasible.

Over the last year, we have saved the equivalent of 70 tonnes through the re-use and recycling of IT equipment alone. We have remained consistent with our previous year (71 tonnes) and we have achieved over a one-third increase in saved landfill from the previous year (from 306m^3 to 433m^3).

This was driven in part by refresh equipment initiatives, particularly for laptops, that enabled us to modernise our estate for the future, create increased opportunity for re-use of equipment and support our agile working environment.

Looking forward, we are identifying further opportunities to increase our use of re-useable, sustainable IT equipment that will support the functionality delivered to our users through our Athena programme.

Data 06/04/2024 – 31/03/2025

A total of
2,346 trees
would be needed to offset the carbon emissions

The carbon emissions saving is equivalent to the yearly emissions of
112 cars

The energy saving is equivalent to the annual energy supplied to
136 homes

A total saving of
433m^3 landfill
space, avoiding a cost of **£45,010** in landfill tax

Babcock Africa's commitment to sustainable energy solutions

At our Middelburg site, one of our largest operational hubs, we invested in a solar power system that became fully operational in April 2024. The system consists of a 150-kilowatt hybrid inverter and 198 x 550-watt solar panels. Since its installation, it has generated 100,489 kWh of electricity, reducing our CO_2 emissions by 109.73 tonnes. This system not only reduces our reliance on the grid during the day but also integrates battery storage to ensure power availability at night and during power outages, effectively reducing the need for diesel-powered generators.

Further reinforcing our commitment to sustainability, Babcock Africa supported the installation of a solar energy solution at our Bedfordview head office. This system, featuring 106 × 525-watt solar panels, has generated 81,133 kWh to date, reducing CO_2 emissions by 82.3 tonnes. This initiative complements our broader efforts to transition to renewable energy, enhance operational resilience, and reduce carbon emissions across our operations.

Sustainability *(continued)*

Protecting the natural environment

Throughout our global operations, we interact with a diverse range of habitats. We recognise their value to society and the planet. Preserving and enhancing the biodiversity of the environments in which we operate is a priority that underpins our efforts to safeguard the environment.

Our efforts are guided by global drivers which introduce targets for businesses to assess their interactions with nature. We are actively exploring new disclosure regimes including the Taskforce on Nature-related Financial Disclosures (TNFD), applying the Locate, Evaluate, Assess and Prepare (LEAP) framework across our key estates and assets to better understand and address nature-related risks and opportunities.

As a member of the UK Business and Biodiversity Forum, we continue to engage with UK companies to understand new legal and voluntary requirements and to assess the value of biodiversity and nature for business. By drawing upon frameworks such as the TNFD, we aim to systematically manage our nature-related dependencies, while proactively identifying and mitigating risks, and unlocking opportunities that foster long-term sustainability.

We implement environmental management systems across our operations to minimise our impact on, and address risks around, the natural environment. As our awareness of nature-related impacts and dependencies evolves, and as new legislation comes into force, we continue to identify innovative opportunities to enhance natural habitats and integrate nature-based goals and objectives into our governance and operational frameworks.

We previously communicated a range of commitments and targets which include:

- Conduct biodiversity assessments across all significant sites by 2024 – 31% complete
- Deliver a 10% biodiversity increase across the estate by 2030 – data on progress not available

Our new sustainability strategy reinforces the Group-wide priority to protect and enhance the natural environment.

Our new natural environment target is to deliver a 10% biodiversity Net Gain across our most significant sites (where we have full operational control) by 2030

Building on our previous biodiversity assessments, our teams are developing evidence-based guidance and implementing plans to enhance the habitats across these key locations.

Progress against our nature targets will be reported in a qualitative manner whilst we develop our plans and mature our calculation methodologies.

As sustainability becomes ever more integral to our decision-making processes, we will continue to explore how nature-related priorities can align with a wider range of commitments including supporting mental health and wellbeing issues, addressing climate change, and enabling resource efficiency. Notably, our nature-based improvements are being developed in tandem with these wider objectives and commitments, ensuring an interconnected and holistic approach to sustainability.

Cavendish Nuclear partnership with The Eden Foundation

The Eden Foundation A Non-Profit Organisation

In FY25, Cavendish Nuclear set up a partnership with a social enterprise organisation, The Eden Foundation (previously called Eden Greenspace), in order to enable the opportunity for staff to support a range of UK-based environmental improvement projects. Three projects have been identified through the partnership:

1. Climate – peatland restoration, Scottish Lowlands
2. Nature – wildflower meadows, Wales
3. Pollution – marine plastic removal, Cornwall

Work will continue over FY26 to support these three projects. Furthermore, Babcock is increasingly establishing partnerships with local charities to put nature at the heart of action in key locations:

- Working with the Bristol Avon Rivers Trust, where over the past year volunteers have donated 315 hours in support of balsam bashing, river restoration and clearing.
- Volunteering with the South West Peatland Partnership on Dartmoor, to increase the water table and to provide conditions for new peat to generate.

Environmental protection

Babcock is committed to upholding the highest standards of environmental management across all operations.

We ensure the protection of the environment through the implementation of Environmental Management Systems (EMS) across our sites. Using EMS, Babcock is able to deliver a wide range of environmental improvements, such as:

- Reducing energy demand
- Restoring and enhancing biodiversity
- Improving waste management practices
- Managing water consumption
- Reducing pollution events

We are driving the adoption of ISO 14001-certified Environmental Management Systems across our business.

Currently, Babcock operates 24 ISO 14001-certified EMS that cover 66% of the business, with over 90% EMS coverage when factoring in non-certified EMS. This demonstrates our dedication to embedding robust practices that continually improve our environmental performance, while addressing risks and opportunities related to sustainability.

We have also introduced Group-wide Environmental Management Requirements that provide a clear framework to ensure consistency, accountability and progress across all our Environmental Management Systems. These requirements are reviewed annually along with our Group-wide programme of activities under the Environmental Protection Working Group.

Ensuring the health, safety and wellbeing of our people

Babcock's Purpose – to create a safe and secure world, together – includes our unwavering commitment to the health, safety and wellbeing of our people. We strive to achieve the highest standards in all areas to ensure everyone can go home safe every day.

Having made significant progress in reducing the number of accidents, we are now broadening our focus to reduce absences through improvements in occupational health provision and individual case management to support colleagues back to work safely.

Therefore, as part of the new sustainability strategy we have set ourselves the target:

Reduce the number of days lost due to work-related injuries and occupational illnesses by 10% by 2030 using FY25 as the baseline.

Governance and assurance

Working across the enterprise, we continue to collaborate across sectors, functions and throughout the value chain to embed consistent processes and share good practices that support safe operations. We have completed the baseline organisational assurance of all sectors and Direct Reporting Countries, transitioned to a single certifying body for ISO 9001, 45001 and 14001 accreditations across Babcock, and continue to expand the use of Synergi Life, our integrated management information system. We have conducted reviews across our working environments, including where we are co-located with customers and suppliers, and are working together to raise the workplace standards.

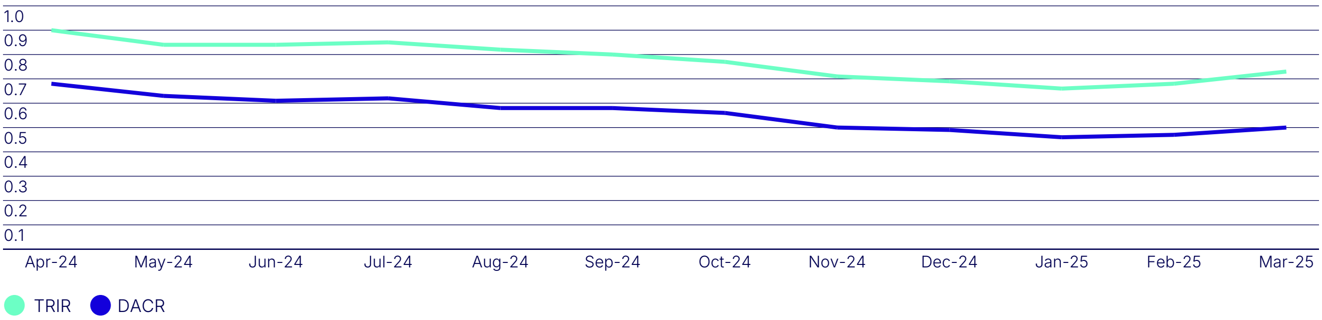
Setting Babcock expectations and embedding common approaches have strengthened our risk controls and brought multiple benefits.

Through building an assured risk picture across Babcock, we have identified areas for targeted interventions and shared lessons to enable continuous improvement.

Having introduced a consistent framework for operational resilience, we are identifying focus areas to improve resilience and responsiveness, including emergency response. We have developed and are delivering impactful Senior Leader safety and compliance training to our leaders from across the business, reinforcing the importance of including health and safety considerations in every decision and action.

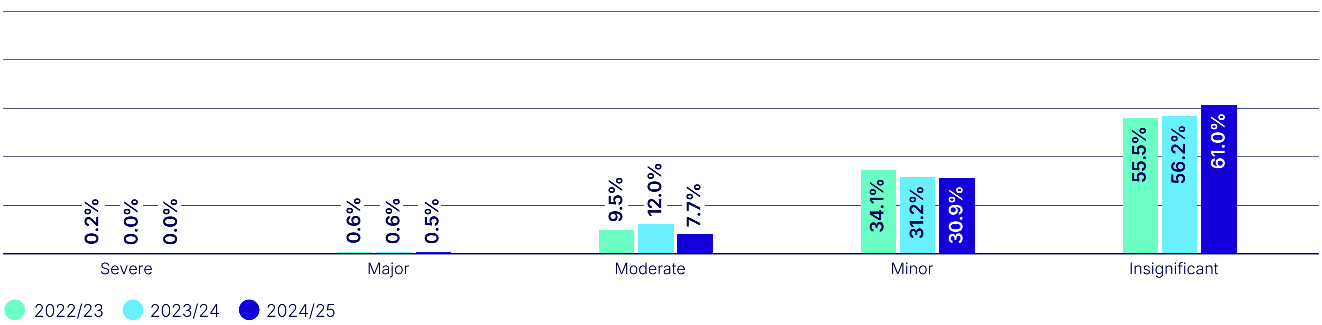
Maturing as a learning organisation, we learn from assurance, events and proactive observations. By taking actions to continuously improve we have successfully reduced the number of work-related injuries and illnesses, as evidenced by the significant reduction in TRIR, DACR and severity of injuries during the year.

Total Recordable Injury (TRIR) and Days Away Case (DACR) Rates



1. Number of recordable work-related injuries and illnesses multiplied by 200,000/total working hours (200,000 hours represents 100 employees working 40 hours for 50 weeks per year).
2. Number of recordable work-related injuries and illnesses resulting in one or more days away from work multiplied by 200,000/total working hours (200,000 hours represents 100 employees working 40 hours for 50 weeks per year).

Severity of reported injuries



Home Safe Every Day

Home Safe Commitments

Building upon the **Safety Starts with Me** behaviours programme, we set out on a campaign to engage everyone in **seven core safety behaviours,** and for every leader to create the right environment for those behaviours to thrive.

These behaviours are our Home Safe Commitments and they reinforce the personal safety behaviours that

'I always...'

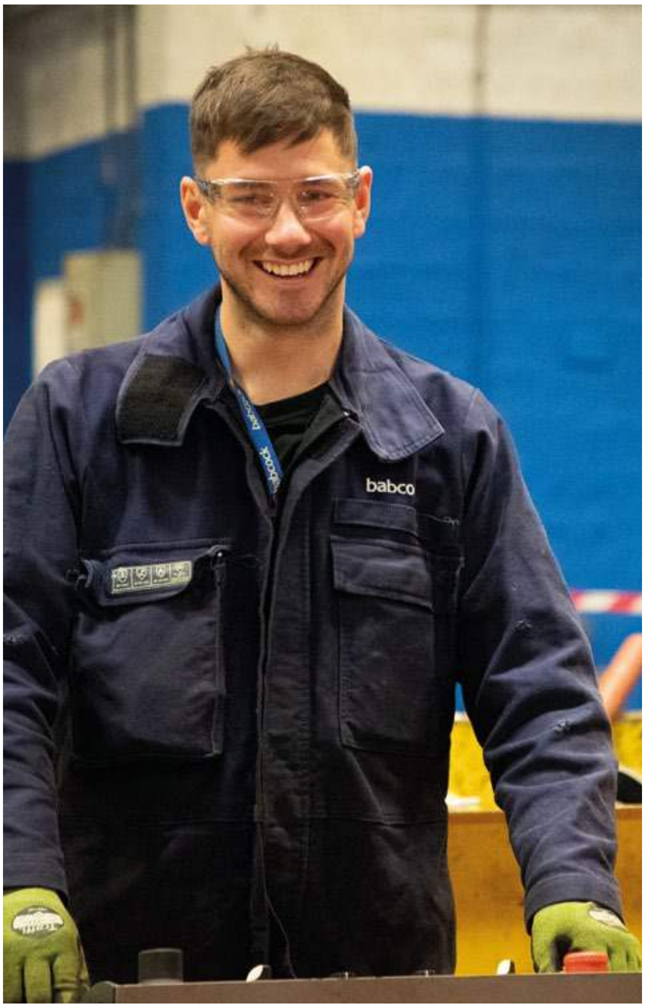
- **plan** work with safety in mind
- **protect** myself, others and the planet from safety, health and environmental hazards
- make sure I am **fit and trained** to safely carry out my work
- assess and control risks before I **set to work**
- use the correct and safest **tools and equipment** for the job
- **speak up** if I see something unsafe
- **pause or stop work** if things change, or I have a safety concern

We launched common Home Safe Awareness and Human Factors training for all, leaders held team discussions about each commitment, and the Home Safe Summit in November saw more than 3,500 people participate globally in interactive learning by applying the commitments in realistic scenarios.

We continued to celebrate positive safety behaviours through our Safety Stars recognition scheme with Stars across the globe.

The annual Safety Stand-down theme was 'looking after our health at work' and this started with a live-streamed Executive Committee Question and Answer session. We encouraged teams to discuss the potential impacts of physical and mental health hazards and how the commitments help to manage these. The Home Safe campaign was commended in the UK Safety and Health Excellence Awards.

In line with our new sustainability target on reducing days lost due to work-related injuries and illnesses, we will continue to develop our focus on health and wellbeing. We will validate our absence data from multiple sources to baseline and give insights for targeted plans for supporting our people back to work safely. Developing the Whole Person Approach, which recognises the interconnectedness of mental and physical health as well as internal and external factors that affect our people, we will continue to collaborate across the enterprise to drive improvements to our working environments.



Building an inclusive, diverse and resilient workforce

Our people are the foundation of our success. Our ability to deliver for our customers and stakeholders depends on the skills, resilience and diversity of our workforce. In a dynamic world, we are committed to fostering an inclusive, equitable and high-performing culture where every colleague can thrive.

As part of our ongoing commitment to building an engaging and rewarding colleague experience, we are excited to launch a free share award programme for all colleagues. This initiative will allow eligible colleagues to share directly in Babcock's success, recognising their contributions and strengthening their connection to the Company's future. By offering shares, we aim to foster a deeper sense of ownership, boost morale, and align colleague and shareholder interests. Over time, colleagues could benefit financially from the appreciation of Babcock shares, receive dividends, and enjoy associated tax advantages where applicable, helping them to build personal wealth while contributing to a culture of shared success.

Our strategy continues to prioritise inclusion and diversity (I&D), leadership and wider capability development, wellbeing and early careers, supported by robust governance and measurable goals. Through targeted initiatives, strategic partnerships and inclusive policies, we are creating a workplace where talent is recognised, supported and developed, reflecting the communities in which we operate.

Embedding lasting change

Diversity strengthens our business. It enables innovation, supports decision-making, and reflects the customers and communities we serve. We are embedding I&D across our operations by taking action throughout the colleague lifecycle, focusing on attraction, recruitment, career development, leadership and cultural change.

This year, we reinforced our commitment to I&D through a range of initiatives. We continued to grow our eight colleague networks, which include B4ME (Babcock for Minority Ethnics), the Gender Balance Network, the Disability & Carers Networks and Pride in Babcock, our colleague network that represents the LGBTQ+ community. All our networks play a vital role in amplifying colleague voices, shaping inclusive policy and fostering belonging.

Colleague wellbeing is embedded in our approach, with continued investment in initiatives such as our Employee Assistance Programme, mental health first aiders and proactive wellbeing support.

As part of our new sustainability strategy, a core priority remains increasing female representation. We are actively working towards our target of:

30% women in our workforce by 2030

In calendar year 2024, women represented 19.5% of our total workforce, up from 18% in 2023. While progress is evident, we recognise the need for continued focus to attract, retain and develop women at all levels of the organisation.

To support this, we launched tailored initiatives. This included our 'Mentor Match', a digital platform designed to inspire and support the professional growth of our people. We piloted 'Illuminate', a women's empowerment and development programme designed to enhance confidence, capability and career mobility. We also sponsored the Women in Manufacturing event in Bristol and supported multiple industry forums aimed at increasing female participation in STEM.

> "The mentoring scheme has been exceptional; I've learned some invaluable lessons; developed a great working relationship with my mentor; and achieved the goals I had set out for myself."

> "This has been extremely valuable for my growth and development over the past year. My mentor has enabled me to build my confidence, have an independent person to speak to outside my team with any concerns I had, and this has significantly helped me as someone new into Babcock. I do not think I would feel as I do now without the support and conversations of my mentor."

We continue to build inclusive recruitment processes, including the use of diverse interview panels and targeted outreach to underrepresented communities. Our commitment extends to veterans, early careers, and individuals with disabilities. In FY25, we welcomed over 727 veterans and service leavers, recognising the unique skills and perspectives they bring to Babcock.

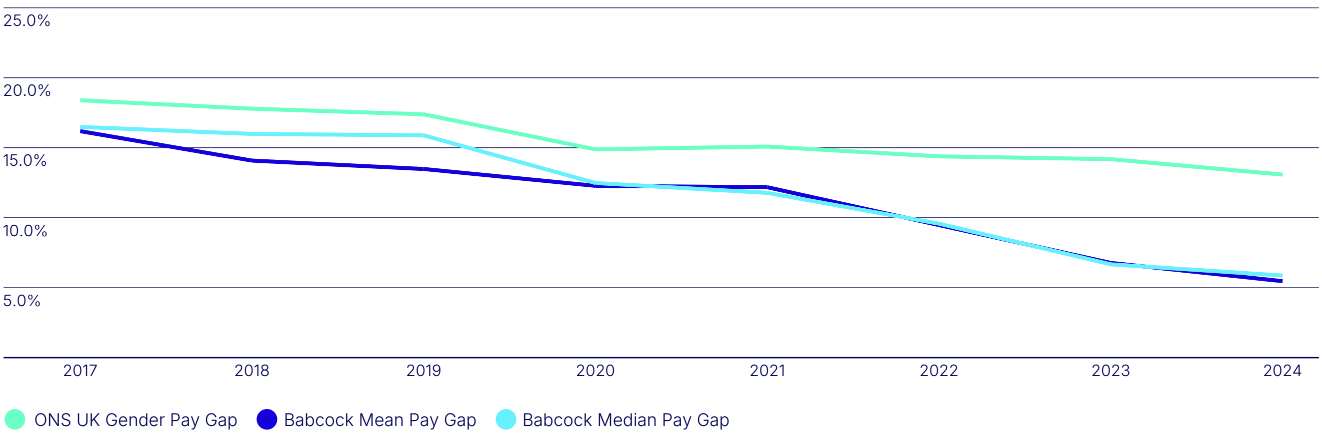
We achieved Level 2 accreditation in the UK Government's Disability Confident scheme and are working towards Level 3, demonstrating our commitment to attracting, recruiting, on-boarding and retaining disabled people and those with caring responsibilities, and supporting them in the workplace to achieve their full potential.

Sustainability *(continued)*

Gender Pay Gap report

Our 2024 Gender Pay Gap report reflects the ongoing work to address representation and progression. We are pleased to report our median gender pay gap has once again narrowed, down from 6.7% to 5.9% this year. This figure stands well below the UK national average of 13.1%, reflecting our ongoing efforts towards gender parity.

Gender Pay Gap (2017–2024)



Our commitment to change

We recognise that the gender pay gap is primarily an issue of representation rather than equal pay for equal work. Our efforts to improve gender balance therefore include:

- Expanding outreach programmes to encourage more women into STEM careers
- Strengthening career development initiatives to support women's progression
- Continuing our focus on inclusive hiring practices and leadership development
- Enhancing policies such as flexible working and inclusive leave

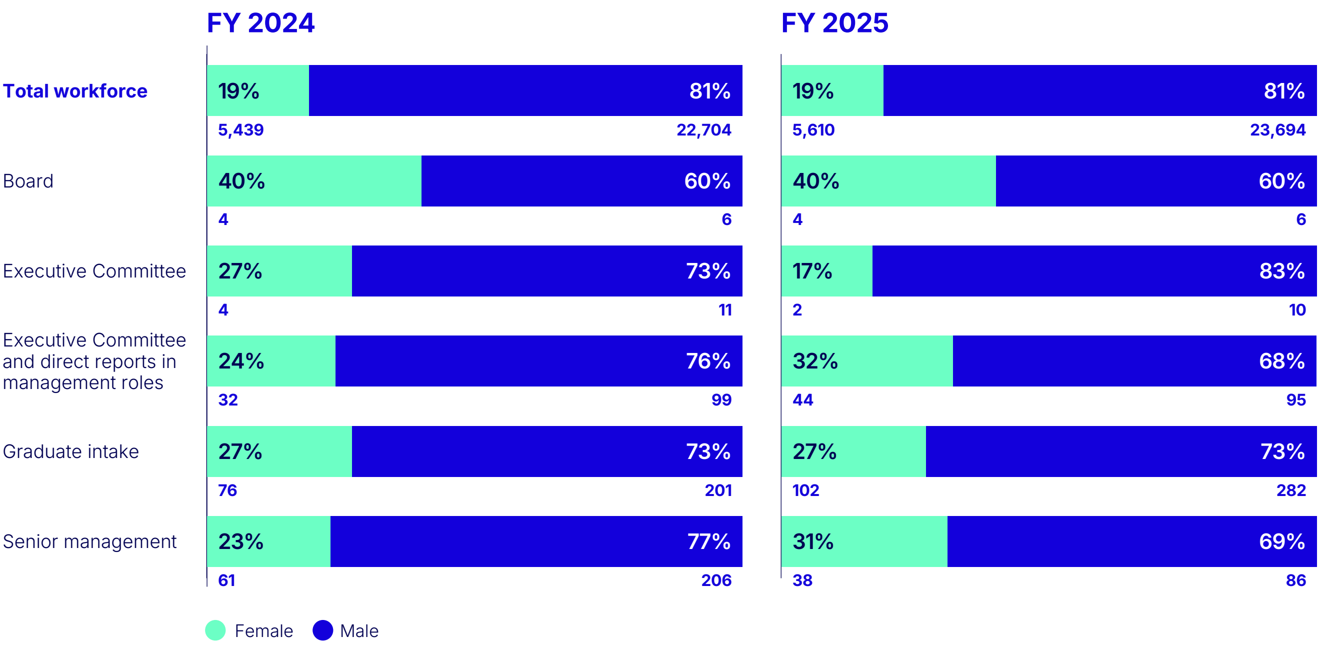
We are also committed to strengthening our pathways for career progression and ensuring gender balance through structured succession planning and leadership accountability.

Looking ahead

We remain committed to driving meaningful change and fostering a culture of inclusion where all colleagues can thrive. While progress continues, we acknowledge there is more work to do. Our focus remains on improving gender representation, creating pathways for career progression, and building an equitable workplace for all.

Please see our Gender Pay Gap report to learn more

Gender Balance



1. Our total workforce is 29,381, which includes 23,694 men, 5,610 women, 20 people identifying as non-binary, or 'I use another term', 20 who 'did not specify' and 37 who chose 'prefer not to say'. This figure includes both permanent staff and agency employees.
2. Executive Committee total is 12. This figure excludes Executive Committee members on the Board.
3. Executive Committee and direct reports in management roles total 139. This excludes Executive Committee members on the Board.
4. Senior management is defined as colleagues (excluding Executive Directors) who have responsibility for planning, directing and controlling the activities of the Group (Executive Committee) or a strategically significant part of the Group (sector/functional leadership teams) and/or who are directors of subsidiary business units (BU leadership).
5. Senior management total is 124.
6. Graduate intake is 388 (264 UK, 111 Australasia, 11 South Africa, 2 Poland).
7. Non-Executive Directors are only included in total headcount and Board figures.

We have redefined our senior leadership communities. In addition to our Senior Leadership Team (SLT), we are also focusing on increasing female representation across our broader leadership community, which currently stands at 28%. Our goal is to reach 30% female representation within this group.

Building an inclusive, diverse and resilient workforce is a priority. We are driving gender balance through targeted efforts in recruitment, succession planning, support, retention and celebration – ensuring all colleagues can thrive.

Illuminate has been more than a development programme – it has been a learning journey for participants and us as a business. It has shown what's possible when we back our people, create space for growth, and amplify potential.

And it connects directly to our wider ambition: to have 30% women in our business by 2030.

Illuminate is one of the ways we're making that happen – by supporting, investing in, and championing women at every level.

"I have been inspired and feel valued by the business for this!"

"Ultimately, the programme has been amazing. The time frame felt good – if anything, I'd say it was too short but that's just because I have loved it so much that I am sad it needs to end."

Ethnicity and Global Inclusion

In the UK, we are signatories of the Race at Work Charter and continue to promote diversity education and awareness through our B4ME network.

We have previously targeted 80% disclosure of diversity data by 2025. In line with the new sustainability strategy, we will stop reporting on this metric, focusing our efforts on promoting ethnic diversity.

Promoting inclusive leadership is essential to this, ensuring our managers are educated on diversity and equipped to address unacceptable behaviours, while our policies and processes remain inclusive and fair. Beyond our organisation, we are focused on sharing best practices with our customers, suppliers and industry peers. We also recognise the importance of supporting our local communities, engaging in initiatives across STEM, skills development and charity partnerships to foster greater inclusion.

The appointment of John Howie (Chief Corporate Affairs Officer) as the Executive Committee sponsor for the B4ME network marks an important step in strengthening inclusion and diversity at Babcock. His sponsorship elevates the visibility and impact of the work the network is doing, providing leadership support to accelerate our strategy. This demonstrates our commitment at every level of the organisation – from the workshop floor to the Executive Committee – ensuring that inclusion and diversity remain a priority (see page 133).

We recognise the importance of indigenous and historically disadvantaged communities within our global operations. Their diversity brings a richness of ideas and perspectives to the business and provides us with a unique competitive advantage.

These initiatives are just a few examples of our commitment to supporting and uplifting these communities:

South Africa

Corporate Social Responsibility (CSR) strategy: Our CSR initiatives align with Broad-Based Black Economic Empowerment (BBBEE) objectives, focusing on socio-economic transformation through inclusive education, enterprise development and community upliftment. These efforts enhance our BBBEE scorecard and sustainability agenda.

Community upliftment: Supporting local communities through school infrastructure development and economic investment, including the provision of over 700 chairs and tables for under-resourced schools, and direct business investment in small enterprises.

STEM education: Partnering with the Thandulwazi Trust to uplift women in leadership and engineering, sponsoring high-potential learners from disadvantaged backgrounds, and participating in the Eskom Science Expo to inspire future STEM leaders.

Supply chain development: Running the Entrepreneurial Development Programme to support small businesses within our supply chain, providing tools, training and mentorship for long-term success.

Our CSR strategy demonstrates our commitment to helping to build a more inclusive, equitable and sustainable South Africa, contributing to national transformation goals and strengthening our business resilience.

Australia

Babcock supports indigenous communities through long-term partnerships with Engineering Aid Australia (EAA) and Yalari, enabling access to engineering education and scholarships.

Engineering Aid Australia (EAA): EAA is a non-profit organisation dedicated to increasing the participation of First Nation young people in engineering and technology. It conducts week-long Indigenous Australian Engineering Schools (IAES) in Sydney and Perth, provides financial assistance for high school and university studies, and helps students find work experience and career opportunities. Babcock has sponsored EAA since 2018, supporting the IAES programme, which has benefited 1,000 students to date.

Yalari partnership: Yalari offers secondary education scholarships at leading boarding schools for indigenous children from regional, rural and remote communities. Babcock has supported Yalari since 2015, providing full scholarships and sponsoring its Gala Dinner. To date, Babcock has supported four indigenous students.

Sustainability governance: Babcock has established new internal sustainability governance structures, including Australian and Torres Strait Islander and Māori and Pasifika Working Groups, to engage staff and drive performance in these areas.

Canada

Indigenous people's engagement: Babcock strives to be inclusive, reflecting the communities it serves. In Canada, Babcock participates in the CCIB's Partnership Accreditation in Indigenous Relations (PAIR) programme, achieving Committed status in 2024 and working towards full certification.

Investment in indigenous skills and education: Babcock Canada supports indigenous youth in STEM education through multi-year sponsorship agreements with academic institutions, the Verna J Kirkness foundation, and by promoting STEM career awareness via co-op terms, internships and apprenticeships.

Supply chain commitment: Babcock Canada is expanding its supply chain, focusing on indigenous suppliers, particularly for the Emergency Health Services Rotary Wing Air Ambulance contract in British Columbia.

Across our global footprint, we are embedding inclusive practices and celebrating cultural diversity, ensuring our organisation reflects the communities we serve. We are working towards improved ethnicity data transparency. In 2024, we enhanced our HR systems to enable better tracking of ethnic representation across our workforce.

Looking ahead, we aim to improve our data disclosure rates working in partnership with our B4ME network.

Skills and Babcock Academy

In 2024, the UK Government, in partnership with industry, announced a £763 million investment in nuclear skills, jobs and education to help the sector fill 40,000 new jobs by the end of the decade. In collaboration across the UK enterprise, the Government and industry developed the 10-year National Nuclear Strategic Plan for Skills (NNSPS) which sets out how this will be achieved and identifies regional collaboration as a key enabler to delivering this successfully.

The Right Honourable Maria Eagle MP, Minister of State for Defence Procurement and Industry, opened the Babcock Engineering & Nuclear Skills building at City College Plymouth in September. As part of the Babcock Skills Academy, this modern facility enhances our growing workforce's capabilities in the UK's nuclear programmes by continuing to build a new pipeline of talent, while upskilling the existing workforce on the complex skills required to perform deep submarine maintenance.

The Jackal Skills-based Work Academy Programme (SWAP) was developed in conjunction with Plymouth City Council, On Course South West, and the local Department for Work and Pensions. The objective of SWAP is to help people back into employment, providing opportunities for individuals to gain qualifications and skills, with the potential for securing employment with Babcock after completion of the programme. Twenty seven individuals were welcomed across two programmes, with eleven finding opportunities to work on the Jackal Programme. With tranche two of the follow-on order for 53 Jackal 3 Extenda Variant, the contract continues to support those successful in securing a position following the SWAP. This model has also been replicated and successfully run within Babcock Vehicle Engineering, Walsall.

As part of our commitment to skills development and recruitment, we partnered with the Air and Space Institute (ASI) to provide industry work experience. This collaboration aimed to boost the educational journey of ASI students by providing practical experience and insight into working in the aviation industry within Babcock.

We supported two of the largest student engineering events in Europe by teaming up with the Institution of Mechanical Engineers on its Uncrewed Aerial Systems (UAS) challenge and Formula Student as its official AI partner. Thousands of undergraduate engineering students from all over the world took part in the competitions. Supporting events like these meant we could directly work with future talent and help them transition from university to the workplace, providing real-world experience.

We continue to align our learning and development strategy with business goals to deliver a modernised, fit-for-purpose skills strategy. Our goal is to grow capability, enhance our colleague experience and ensure we can deliver for our customers. Expanding and rebranding the Babcock Academy will make learning accessible and relevant for all across Babcock. **The Learning Hub**, our new learning platform launching in 2025, will offer personalised, interactive and modular training aligned with evolving customer and workforce needs. Improving our systems and processes will align best practices and reduce duplication.

Embedding our principles has been a focus this year, enabling leaders to role model them. During the period, principled leadership was launched through our performance management process. For senior leaders, a part of their annual incentive is now aligned with how effectively and frequently principled leadership is demonstrated in their habits and practices.

Working with our suppliers ensures we get value for money and improve the quality of the products we buy. Embedding learning into the flow of work supports individual growth through structured and informal development opportunities.

Early careers

We welcomed a record intake of early careers colleagues this year across the Group with large numbers forecast to join us within our nuclear sector, as part of our commitment to the Government's National Nuclear Endeavour.

We have continued to widen the entry pools for our early careers talent. In **Devonport**, we welcomed 18 people onto our new engineering pre-apprenticeship programme. Delivered in partnership with City College Plymouth, the programme is aimed at providing an alternative route into Babcock for a broader range of talented people that just need a little additional support to start their career. At the end of the year-long programme, those taking part are guaranteed a place on our apprenticeship programme in the following year, assuming they meet the requirements of the programme.

In addition to this, we are launching eight new apprenticeship programmes across Levels 2 – 6 as part of our 2025 campaign, which will attract a broader talent pool from the local area and beyond, and significantly raise our annual intake numbers.

This year at **HMNB Clyde**, Babcock has doubled its apprentice intake, and is recruiting additional roles for the 2025 programme. Alongside these opportunities, at Clyde this year we have welcomed 24 people onto our second year-long pre-apprenticeship programme. Delivered in partnership with West College Scotland, the pre-apprenticeship programme increases social mobility, diversity and access to a broader range of talented people. Last year, the programme saw 90% of those who completed the course successfully offered a modern apprenticeship with Babcock.

More than one hundred apprentices joined our Naval Marine business in **Rosyth** in 2024, and we will continue to recruit large numbers, including the expansion of the Graduate Apprenticeship Programme to include Commissioning. Babcock apprentices have also been gaining international experience through an exchange programme connecting Babcock's Rosyth site with academic institute CKZiU in Gdynia, Poland. The exchange runs alongside Babcock's support to the Miecznik frigate programme in Poland, following the successful agreement to export the Arrowhead 140 licence for three frigates, supporting the country's investment in defence.

We have continued to expand our Group-wide graduate development programme, welcoming a number of engineering disciplines to the Group programme, as well as more business-led disciplines.

The intent of the Group-wide programme is to encourage and support mobility.

Support for armed forces, veterans and reservists

Babcock remains a trusted partner to the armed forces community. In 2024, we received the 'Employer of the Year' award at the British Ex-Forces in Business Awards, and ranked third in the Top 50 Great British Employers of Veterans.

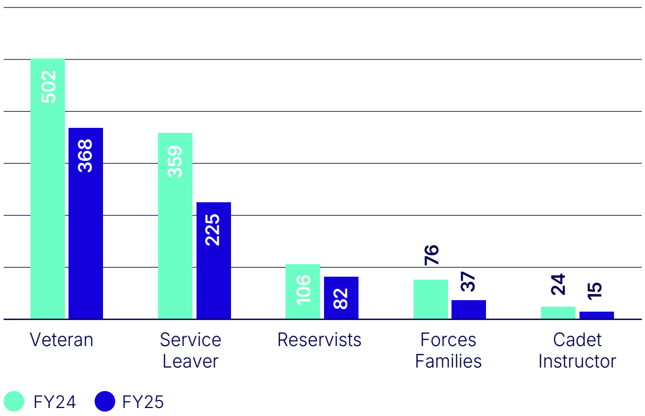
Since signing the Armed Forces Covenant in 2013, we have upheld our promise to support the armed forces community. Our Gold Award status in the Ministry of Defence's Armed Forces Covenant Employer Recognition Scheme, held since 2015, reflects our active role in championing defence support and encouraging similar commitments across other organisations.

To enable reservist colleagues to balance their military and civilian responsibilities, we offer up to 10 days of special paid leave annually for reservist duties. We also continue to expand our sponsorship of the Inter-Service Rugby Championship, now supporting the U23, Veterans, Men's and Women's categories – helping to develop emerging talent and strengthen bonds within the armed forces community.

Furthering our support, we have established a multi-year partnership with the Army Benevolent Fund (ABF) (see also pages 93 and 95).

Through these efforts, we remain committed to recognising, supporting and empowering those who have served in the armed forces.

Armed forces hires FY25



Colleague recognition and awards

Recognising and valuing our people is fundamental to our culture. In FY25, we introduced BRAVO – Babcock Recognition for Achievement, Value and Outstanding contribution – our new UK recognition platform. BRAVO was designed to enable peer-to-peer recognition and celebrate excellence through the lens of our principles, whether that's delivering a complex project or a simple act of kindness. We want to ensure that every contribution matters and that all colleagues feel seen and heard.

We also celebrated exceptional contributions through the 'Ignite' pilot, our Group-wide awards programme that highlights individuals and teams who go above and beyond to deliver outstanding results. The Ignite Awards showcase achievements across multiple categories, reflecting our principles as well as safety and a special CEO Award.

Ignite will be rolled out in FY26 to the whole of Babcock, giving every colleague a chance to nominate a colleague for exceptional work.

This focus on listening and recognition is also reflected in our Global People Survey, where we achieved an outstanding 80% participation rate with over 106,000 individual comments. Our positive engagement score demonstrates that our people are increasingly engaged and connected to our Purpose.

In addition to local recognition schemes across our markets, our colleagues and teams have received external honours that highlight their excellence and commitment. This year:

- Babcock was named 'Employer of the Year' at the British Ex-Forces in Business Awards
- We were ranked third in the Top 50 Great British Employers of Veterans
- Several colleagues were recognised in industry awards for their leadership, innovation and technical achievements.

These accolades reflect the extraordinary work our people deliver every day and the culture of excellence we are committed to cultivating.

Mental Wellbeing | Physical Wellbeing | Financial Wellbeing | Social Wellbeing

Taking a proactive approach to our people's wellbeing

We care about our people's wellbeing and want them to feel their absolute best. This helps improve business performance and encourages colleagues to make a long-term commitment to the Company.

This year, using insights from our Global People Survey and in collaboration with colleagues across the organisation, we have worked to enhance our provisions across our four wellbeing pillars (Mental, Physical, Financial, and Social). We promote a proactive approach to wellbeing wherever possible, whilst providing support to our people in those moments that matter. Examples include:

Enhancing our colleague benefits provisions:

- Introducing annual health assessments, online GP appointments and nutritional consultations to all UK colleagues.
- Launching a new recognition programme, encouraging peer-to-peer recognition for living up to our principles in our day-to-day work.

Delivering proactive and engaging wellbeing tools and events:

- Covering a range of topics from menopause to mindfulness to suicide prevention.
- Inspiring our people across the Group to be active through our global 'Move More' challenge.

Developing wellbeing conversation guides:

- Inspiring our managers to create a positive and supportive work environment for their teams.
- Introducing neonatal paid leave to support our colleagues during the challenging times when their newborns require neonatal care.

Continuing to invest and support our Mental Health First Aiders network:

- Ensuring they feel connected, confident and empowered to effectively support our people.
- Expanding our clinical mental health by rolling out our Colleague Assistance Programme and proactive wellbeing platform to colleagues in Australasia and France.

Creating a safe and secure world together

Collaborate | Own & deliver | Be courageous | Be curious | Think: outcomes | Be kind

Sustainability *(continued)*

Supporting our communities

As a major employer, we have the power to provide positive benefits in the communities in which we operate. Not only through employment but also by working with local suppliers, local groups and charities, through volunteering and education.

While the needs of the communities we operate in are varied, and therefore the type of actions we take are decided at a local level, we are proud of the culture of volunteering within Babcock which is common across the business.

Working with SMEs

Babcock continues to recognise the vital role of SMEs in building a sustainable and resilient supply chain. Partnering with SMEs can enhance our resilience through flexibility, innovation and cost efficiency, as these smaller enterprises can quickly adapt to changing market conditions and offer specialised expertise in areas such as advanced materials, cyber security, unmanned aerial systems, AI and additive manufacturing.

This collaboration fosters robust and prosperous relationships, ensuring high levels of customer service and reliability. Additionally, working with local SMEs supports job creation and economic growth within our communities, as money spent with these businesses tends to stay within the local economy.

This not only strengthens the regional economy but also promotes community development and sustainability, contributing to a more resilient and socially responsible supply chain.

In 2024, we have increased our engagement with SMEs, with our SME spend rising from 28% in FY24 to 31% in FY25.

Volunteering

We continue to emphasise the importance of volunteering, recognising the mutual benefits it brings to both our communities and our colleagues. Since launching our global volunteering policy, **Be Kind Day**, we have provided every colleague with one paid day per year to support a charity or community organisation of their choice.

Building on the success of Be Kind Day, we have seen growing engagement across the business and achieved key milestones, with 8,800 hours of volunteer time being requested in FY25.

This year, we are setting a new target of

50,000 hours of volunteering per year in our communities by 2030

to further embed a culture of giving back.

To increase participation, we are improving awareness, simplifying the process of getting involved, and tracking the impact more regularly.

Our colleagues used their Be Kind Day in partnership with Eat-Up, an Australian non-profit organisation that provides healthy and free lunches to vulnerable children.

By sharing stories of how our colleagues are making a difference, we aim to inspire even more people to take part.

Volunteering is an integral part of how we contribute to the communities where we live and work. As we continue to expand and evolve our approach, we remain committed to making a meaningful and lasting commitment.

Colleagues at Rosyth have the opportunity every month to use their Be Kind Day to support The Big House Multibank. Typical tasks include sifting and organising donations from the large deliveries, and creating tailored packages for those in the local community.

Devonport colleagues used their Be Kind Day to transform the facilities of Headway Plymouth, a charity to improve life after brain injuries. Watch this video for more information

Charity

Our donations and charitable sponsorship policy is designed to support our communities.

Babcock has always supported our armed services and it remains core to our values. We work with several charities which support both the serving and veteran community across all services, for example:

- **Soldiers', Sailors' and Airmen's Families Association (SSAFA)** – Babcock has been a sponsor of SSAFA since 2016, and became a Corporate Partner in 2025, providing funds for volunteer mentor training to support veterans transitioning to civilian life
- **Army Benevolent Fund (ABF)** – We sponsored two of its flagship fundraising events, the Cataren Yomp and Operation Bletchley
- **Royal Navy and Royal Marines Charity (RNRMC)** – Babcock has joined its Bridge Partnership scheme as a platinum partner, supporting it to work towards its vision of a world in which our sailors, marines, and their families are valued and supported, for life

But we recognise that serving personnel also have families who are another community that also need support, especially when the worst happens. Consequently, we also support:

- **Families' Activity Breaks (FAB)** – This is our second year helping the charity to provide fun and challenging activity camps around the UK for bereaved military families
- **Scotty's Little Soldiers** – We are entering our first year supporting the charity to provide long-term, holistic care for bereaved military children

We also support our local communities, partnering with charities operating where we have our sites and attract our employees from. For example:

- **Rapaid** – Actively enabling and participating in its roll out of life-saving pressure bandages in Plymouth taxis
- **Plymouth Argyle Community Trust** – We sponsored both the development of its new Foulston Park Community hub and integral Babcock Esports Arena, a fantastic community space for young people (see also page 24).

We are part of the global community and our international operations also support their communities, for example:

- **Thandulwazi Trust** – in South Africa, we have partnered with the trust to uplift women in leadership and engineering
- **Canadian Forces Base Esquimalt Military Families Resource Center** – in addition to a donation, Babcock Canada participated in a charity hockey game between colleagues and the Canadian Armed Forces

We also continue our long-standing support for:

- **The Vine Trust** – We converted a former UK Royal Navy patrol ship into a medical vessel which is expected to provide one million medical consultations over the next 20 years to remote island communities in Tanzania

STEM and future talent

Babcock is helping to address the UK's STEM skills shortage through strategic outreach.

Research has shown that not enough young people are studying the STEM subjects needed to pursue a STEM career. To help tackle this, Babcock has External Engagement Teams situated across the UK. They are responsible for collaborating with our volunteer STEM ambassadors, young people, parents and teachers to raise awareness, engagement and inspiration with the intent of sparking interest in STEM.

Our STEM strategy is based on three objectives:

1. Increase diversity and inclusion in STEM
2. Drive early careers applications through engagement
3. Build relationships with educational institutions in areas of high social deprivation

We use a 5E engagement model, developed with Plymouth City Council, to create age-appropriate and inclusive content, and have an objective of delivering over 300 targeted activities within the South West alone.

Our approach to STEM

EXPLORE

5–7 years

Growing skills
- School visit
- Workshop

ENCOURAGE

7–11 yrs

Growing skills
- School visit
- Workshops
- STEM Club (local competition)

Attracting local talent
- Site visit
- Teacher in place (industry placement)

EMPOWER

11–14 yrs

Growing skills
- School visit
- Workshops
- STEM Club (regional competition)

Attracting local talent
- Labour market information
- Workshops
- Careers advice
- Site visit
- Teacher in place (industry placement)

EQUIP

14–16 yrs

Growing skills
- Workshops
- STEM Club (regional competition)
- Careers fair
- Mock interviews

Attracting local talent
- Careers advice
- Work experience
- Industry taster day
- Site visit

EMPLOY

16+ yrs

Growing skills
- Careers fair
- Mock interviews

Attracting local talent
- Work experience
- Mentoring in the workplace
- Networking opportunities for students, teachers and carers

Festival of engineering

During FY25, Babcock delivered the Festival of Engineering across three major locations: Devonport, Bristol and Rosyth, welcoming approximately 900 eager schoolchildren from multiple local schools to immerse themselves in the two-day celebration. The Festival of Engineering was a powerful platform that allowed Babcock to challenge preconceptions that children might have held about the world of engineering. We do this through engaging and interactive experiences, with the aim of increasing their understanding of what STEM is and inspiring them to enter a STEM career path.

Partnerships and memberships

Collaboration is at the heart of our approach, enabling us to drive innovation, strengthen industry capabilities, and foster a more inclusive and diverse workforce. Through strategic partnerships and memberships, we work with leading organisations across defence, engineering, education and inclusion to create meaningful impact.

Our commitment to gender balance and inclusion is reflected in our partnerships with **Women in Defence UK**. As a signatory to the **Women in Defence Charter**, we are dedicated to improving gender representation at all levels in the sector. Our role as a **Pankhurst Partner** allows us to actively support initiatives like the **Critical Mass Summit 2024**, promoting diversity across the defence industry. Additionally, Babcock Australasia is a **Platinum Sponsor of the Women in Defence Association (WiDA)**, furthering gender equity through programmes and events across the region.

Beyond gender diversity, we work closely with educational institutions and industry bodies to advance innovation and develop future talent. Our strategic partnership with the **University of Strathclyde** focuses on cutting-edge research in nuclear, advanced manufacturing, space and security-related technologies. Similarly, our three-year partnership with **EngineeringUK** is designed to inspire young people to pursue STEM careers, engaging with students from primary school through to apprenticeships and graduate programmes.

We are also committed to supporting the wider armed forces community. As a **Platinum Partner of the Royal Navy & Royal Marines Charity (RNRMC)**, we help fund initiatives that improve the lives of Royal Navy and Royal Marines personnel and their families. Our participation in the **Armed Forces Covenant** reinforces our dedication to those who serve. Additionally, our work with the **Army Benevolent Fund (ABF)** ensures continued support for soldiers, veterans, and their families. See also pages 90 and 93.

Our engagement extends to the evolving space sector through our membership of the **Space Data Association (SDA)**, where we collaborate on the responsible use of space and the safety of satellite operations.

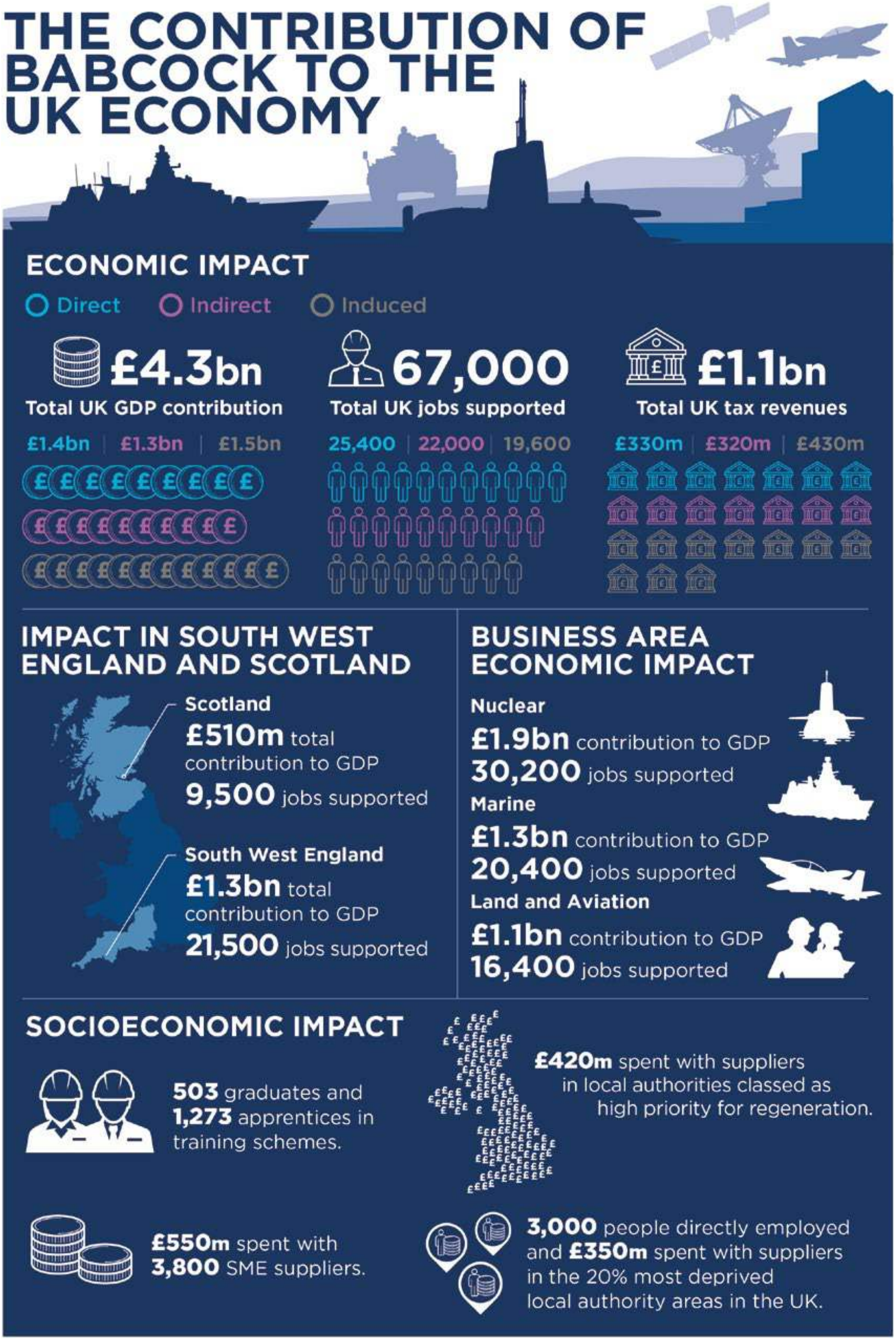
Further reflecting our commitment to responsible business practices, we are proud members of **The Valuable 500**, **The Prince's Responsible Network**, and **ADS (Aerospace, Defence, Security & Space)**, aligning ourselves with industry-leading organisations that share our values of sustainability, inclusion and innovation.

These partnerships and memberships are integral to our success, enhancing our ability to influence positive change across our industry, supply chain and communities.

Responsible business

Oxford Economics Impact Assessment

Published April 2025



Scan here to find out more about the Oxford Economics report

Results relate to the 2023 financial year which ran from 1 April 2023 to 31 March 2024.

Commercial integrity

We are committed to conducting business honestly, transparently and with integrity. It is the right and proper way to behave, ensuring we uphold high ethical standards across the Group. It also supports our long-term success. We understand our reputation and good name are amongst our greatest assets and could easily be lost by actual or suspected unprincipled behaviour.

Our policies

To support good governance and ethical behaviour across our Group, our actions and those of our colleagues, suppliers and partners are guided by a series of Group policies. These include our Code of Business Conduct and Ethics policy (see page 100) and Human Rights policy (see page 101), which are available on our website.

Our policies are periodically reviewed to ensure that they continue to meet current best practice principles and legislative needs. By establishing transparent policies and procedures, we can reduce risk to our business and to our customers. We treat breaches of our Codes or associated guidance seriously.

We implement appropriate training and procedures designed to ensure that we, and others working for us, understand what our Code of Business Conduct and our Suppliers' Code of Business Conduct (see also page 101 and our website) mean in practice.

This training includes mandatory completion of courses on an annual basis in all our geographies, translated where applicable, such as anti-bribery and corruption, security and data protection. Completion of these courses is monitored.

Whistleblowing

Colleagues can raise any concerns that our Code or its associated guidance is not being followed without fear of unfavourable consequences for themselves.

To ensure that anyone with a concern is able to access advice and support, our independent whistleblowing hotline, EthicsPoint (operated by NAVEX Global), allows for confidential and anonymous reporting and is available 24 hours a day, seven days a week, in all territories where we are based (see also page 102). Further details are available on our website.

Responsible business *(continued)*

Supply chain governance

Effective supply chain governance is key to Babcock's business strategy, promoting integrity as well as ethical, sustainable and transparent operations. In FY25, we published our Supplier Assurance Handbook to improve transparency. This handbook provides our suppliers with detailed insights into our assessments, audits and development processes, to help enhance collaboration and responsible practices across our supply chain.

We have also implemented ESG ratings for our suppliers, assessing their environmental impact, social responsibility and governance practices. These ratings provide suppliers with the guidance required to improve their scores, thereby strengthening our commitment to sustainability, enhancing supply chain resilience, reducing environmental impact, and contributing to global sustainability goals.

Our diverse portfolio of over 10,500 suppliers continues to be a key strength. Rigorous due diligence and continuous improvement efforts ensure compliance and risk management across our supply chain. This involves thorough supplier assessments, regular audits and continuous monitoring to ensure adherence to our standards.

Our AI-driven risk resilience solution that provides real-time monitoring of our supply chain is continually developed to provide the most up-to-date and relevant tracking of our supply chain, allowing us to proactively address potential disruptions.

Ethical practices are at the core of our supply chain governance. By adhering to our Supplier Code of Conduct, we ensure that our suppliers engage in fair labour practices, respect human rights and commit to environmental stewardship. This ethical foundation helps mitigate risks, safeguard our reputation and promote long-term value creation.

Combining ethical practices with on-time delivery, cost efficiency, compliance and quality is essential for Babcock's success. Reliable and timely delivery ensures that our projects stay on schedule, while cost efficiency helps us remain competitive. High-quality standards aim to assure that we deliver exceptional products and services to our customers.

See our Supplier Assurance handbook for more information

Cyber security

Babcock acknowledges the significant threat posed by cyber-attacks and the potential consequences, such as operational disruption, unlawful access or theft of information, and damage to its reputation. To mitigate and reduce cyber-related risks, Babcock has established a Cyber and Information Security Framework that provides governance, direction and assurance that the Company's security posture is both appropriate and effective.

Collaboration with both external stakeholders and the internal Group Executive Risk and Controls Committee ensures that cyber and information risk management is appropriately managed across all levels of the organisation. Our security risk appetite is underpinned by a set of unified security controls which can be implemented across our corporate technology stack. Processes and controls are pragmatic, replicable and auditable to protect Babcock and our customers' assets through their lifecycles, and adhere to the principles of secure-by-design.

Babcock adheres to all required international and government security standards for the secure installation and operation of information systems. Cyber security operations are in place to identify threats and protectively monitor risks to information, systems and networks.

Our core IT services maintain certification to ISO 27001 (Information Security) and ISO 22301 (Business Continuity) standards, as well as Cyber Essentials Plus, a requirement for UK Government work.

We engage with our internal and external customers and our supply chain to ensure that security principles are embedded within programmes of work. Security enables the effective and efficient delivery of projects and programmes, and provides our customer community with confidence in our security practices and capabilities.

Babcock informs and empowers our colleagues to be knowledgeable about information security risk and cyber threat both at work and at home, to better prepare them for an increasingly interconnected digital environment. Babcock actively seeks to address the challenges faced by the cyber industry to source suitably qualified experts through investment and development of its own workforce.

Fair operating practices

At Babcock, we are committed to fair operating practices throughout our supply chain, ensuring all business activities are ethical and comply with our Supplier Code of Conduct. This commitment maintains the integrity, transparency and sustainability of our operations, fostering trust and accountability among suppliers, customers and stakeholders.

We expect our supply chain to be ethical and compliant, which mitigates risks, safeguards reputations and promotes long-term value creation. Our suppliers are required to engage in fair labour practices, environmental stewardship, social responsibility and respect for human rights. We conduct thorough compliance checks during supplier onboarding and periodic revalidations to maintain these standards.

In the UK, we use the Joint Supply Chain Accreditation Register (JOSCAR) due diligence tool to maintain high standards of accountability and sustainability. In 2024, we also implemented JOSCAR in Australia, enhancing supply chain transparency and efficiency.

Babcock treats suppliers with fairness and respect, providing clear guidelines, timely payments and development support. This strengthens partnerships, enhances collaboration and contributes to a resilient and responsible supply chain.

Payments to suppliers

Babcock adheres to the UK Prompt Payment Code to demonstrate our commitment to ethical business practices and corporate responsibility. By processing timely payments to our suppliers, we build and maintain strong, trust-based relationships that are essential to maintain a stable and resilient supply chain. Timely payments ensure that our suppliers have the necessary cash flow to sustain their operations, invest in innovation and continue delivering high-quality products and services.

We continue to encourage our suppliers to adopt prompt payment throughout their supply chains, promoting financial stability and trust. In FY25, we achieved an average payment term of 16.3 days to our suppliers, which has remained consistent year to year.

Non-financial and sustainability information statement

Reporting on material yet non-financial measures is important in understanding the performance, opportunities and long-term sustainability of Babcock and our ability to generate value for all our stakeholders. We disclose non-financial information in the Sustainability report and throughout the Strategic report.

The following summarises where to find further information on each of the key areas of disclosure required by Sections 414CA and 414CB of the Companies Act. This includes the requirement to include Climate Financial Disclosures (CFD) within the Annual Report and Financial Statements. These have been incorporated throughout our TCFD disclosures. See page 72.

	Policy / Statement	Description
Environment	**Safety, Health and Environmental Protection policy**	Babcock aims to ensure the highest Safety, Health and Environmental Protection (SH&EP) standards, in all its activities, by meeting and exceeding global regulatory requirements associated with SH&EP and those additionally pertinent to Aviation and Nuclear. The SH&EP policy ensures we manage the risks of harm to people and the planet through organisational arrangements, and competent people working within an engaged safety culture. Our risk controls are assessed by routine and risk-based, internal and external assurance to verify compliance and identify areas of learning and improvement. ● Learn more on page 83
	Environmental statement	Our Group Environmental statement clarifies that Babcock will strive to achieve and maintain the highest standards in the management of environmental matters. We recognise the impact our operations may have on the environment and will seek to minimise or eliminate adverse effects. Accreditation to the appropriate standard will, wherever within Babcock's reasonable control, be obtained and maintained by each operation. The statement also clarifies that our Sectors and DRCs shall devise and implement procedures appropriate to their specific business and in line with this policy. ● Learn more on page 64
	Sustainable Procurement policy	Our supply chain is key to successfully delivering our sustainability plan. When selecting suppliers and subcontractors, we seek evidence of their ability to meet our requirements against 12 priorities for sustainable procurement. The effectiveness is assured through our Supplier Information Management process, where suppliers are required to agree to our sustainability standards. To further ensure adherence, we have incorporated sustainability criteria into our supplier audits and assessments, and maintain continuous engagement with our suppliers. ● Learn more on pages 69, 92 and 98
	CFD disclosures s414CB(2A)	See Climate-related Financial Disclosures. ● Learn more on page 72
Employees	**Code of Business Conduct**	The Code of Business Conduct states clearly that Babcock will conduct its business to the highest standards of honesty and integrity. It sets out the minimum expectations for the behaviour of our colleagues, business advisors and business partners. This includes treating others with respect, ensuring the safety of others at work, being honest in our dealings and complying with the law. The Code of Business Conduct must be displayed at all Babcock facilities and be included in all new colleagues' induction packs. See also Anti-Bribery and corruption below. ● Learn more on page 97
	Be Kind Day – volunteering policy	'Be Kind Day' is our way of encouraging and supporting our colleagues to volunteer their time and skills when they want, where they want. Our policy provides guidance for colleagues on how to use their 'Be Kind Day', enabling us to make a positive difference to our local communities. The usage of the policy is tracked on a quarterly basis by sectors and DRCs. This policy is also associated with social reporting requirements. ● Learn more on page 92
	Gender Pay Gap report	Our Gender Pay Gap report reflects our continued commitment to creating and maintaining a working environment that is inclusive, diverse and supportive and that provides opportunities for all our colleagues. This is assured by setting and implementing inclusive policies, supporting employee networks, promoting women's mentorship programmes and engaging in industry partnerships. ● Learn more on page 86

	Policy / Statement	Description
Human rights	**Supplier Code of Conduct**	This responsible sourcing policy outlines the principles and expectations we hold for our suppliers, reflecting our commitment to ethical, responsible and sustainable business practices. Aligned with global best practices, this details our shared responsibility in creating a transparent, inclusive and resilient supply chain. The effectiveness of our policy is assured through our Supplier Information Management process, where suppliers are required to agree to our policy or provide equivalent standards they will adhere to. To ensure further adherence, we conduct regular audits and maintain continuous engagement with our suppliers. ● Learn more on page 98
	Human Rights policy	We recognise our responsibility to conduct our dealings with the utmost integrity. We are committed to the protection of human rights, and we comply with all national laws in the jurisdictions in which we operate, in our operations across the world. Where national law and international human rights standards differ, we will where possible follow the higher standard; where they are in conflict, we will adhere to national law, while seeking ways to respect international human rights to the greatest extent possible. The effectiveness of our policy is assured by assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed.
	Modern Slavery Transparency statement	Our annual Modern Slavery Transparency statement sets out the approach taken to understand the potential modern slavery risks associated with our business, and explains the actions taken to prevent slavery and human trafficking within the Group's operations and supply chains. We continue to believe that our exposure to the risks of modern slavery is low within our own business and supply chain. This assessment is under continuous review so that we can determine if circumstances change that require us to take additional actions. Our strategic Risk Resilience tool enables real-time monitoring through AI and machine-learning technology. It enables us to map our supply chain ecosystem, monitor activities, and proactively identify hidden risks in our sub-tier supply chain, tracking and generating alerts for indicators such as unethical labour practices including modern slavery. Additionally, approximately 1,000 suppliers are monitored for their ESG scores, inclusive of individual attribute scores for forced and child labour as well as human rights, to identify any exposures in our supply chain. Our statement is available on our website or through the QR code at the end of this section.
Social	**Australasia Indigenous Peoples Engagement policy**	This policy outlines the overarching Indigenous Peoples Engagement commitments for the region. Babcock Australasia strives to improve social and economic outcomes for indigenous peoples within the region, to create a more equitable and fair future for all, and is committed to embedding opportunities for indigenous peoples and their businesses in our day-to-day business. We recognise that specific initiatives are required for the geographic areas in which Babcock Australasia operates. For the geographic area of Australia, this refers to Aboriginal and Torres Strait Islanders, and for New Zealand, Māori and Pasifika. ● Learn more on page 88
	Canada Indigenous People policy	As a corporate citizen doing business within Canada and working in areas that are protected and lived on by indigenous people, Babcock Canada is committed to strengthening relationships with indigenous people and their communities. Babcock Canada is recognised by the Canadian Council for Indigenous Business (CCIB) as achieving Partnership Accreditation in Indigenous Relations (PAIR) Committed Status. Aligned with those CCIB PAIR criteria, our policies and actions focus on corporate leadership action, indigenous workforce investment, business engagement with indigenous communities and community outreach to strengthen existing relationships. These are responsive to the spirit and intent of the reconciliation frameworks within the United Nations Call to Action 92 to Canada's corporate sector and leaders. Oversight of the operation of the Indigenous People policy is managed by the Indigenous Relations and Participation Governance Committee. It, along with the Canada EXCO, ensures that awareness training and functional strategies support the Company's continual improvement against the CCIB PAIR certification objectives. ● Learn more on page 88
	Charities policy	Babcock is committed to the communities in which we operate and the broader interests of the customers we serve. We want to make a positive impact on the communities in which we operate. Sectors and DRCs retain responsibility and management of their charitable donations / sponsorship from their own budget, to ensure it goes where it can serve the greatest need and be of most value to that community within our guidelines and criteria. Our Group Charities policy aligns with Babcock's corporate Purpose "To create a safe and secure world, together", permitting donations and charitable sponsorship under two broad criteria: military charities and events; and supporting our local communities. Oversight of the operation of the policy is managed by the Corporate Sustainability Committee. ● Learn more on page 93

Non-financial and sustainability information statement *(continued)*

	Policy / Statement	Description
Anti-bribery and Anti-corruption	**Anti-Bribery and Corruption / Ethics policy**	The intent of this policy is to ensure that Babcock at all times acts responsibly and ethically when pursuing and awarding business, and that we fulfil the principles expressed in our Code of Business Conduct relating to avoiding acts of bribery and corruption. The policy contains rules, procedures and guidelines that Babcock colleagues must follow in order to help ensure that we do not become involved, either directly or indirectly, in bribery or corruption and that we do what we reasonably can to reduce the risk of those we work with engaging in corrupt or unethical activities in connection with their dealings for us. It sets out the Group's zero tolerance policy in relation to bribery and corruption, including prohibitions on improper and facilitation payments, and penalties for breach of policy. The effectiveness of the Code of Business Conduct and Anti-Bribery and Corruption Policy is assured by the annual training of our staff and the monitoring of compliance through full-year and half-year letters of representation from all Sectors and Direct Reporting Countries. Whistleblowing lines are in place in all jurisdictions for reporting any wrongdoing. See also Code of Business Conduct above. ● **Learn more on page 97**
	Whistleblowing policy	Encourages colleagues to report any concerns they may have in relation to health and safety matters, the environment, or any other unethical, unfair, dangerous or illegal behaviour and sets out how to do so. The policy also confirms no action will be taken against a colleague who alerts management to these concerns if they turn out to be unfounded so long as the information and any allegations made were passed on in good faith; in the genuine belief that they were substantially true; with no intention of personal gain; and without malice. The effectiveness of our policy is assured by the availability and promotion of the whistleblowing lines throughout the business, ongoing review by the Group Company Secretary and regular reporting to the Board. During the year, our Whistleblowing policy and processes were subject to an Internal Audit. ● **Learn more on page 97**
	Data Protection policy	Babcock International Group PLC and its subsidiary undertakings need to collect and use certain information about individuals in order to run our businesses effectively. This information comes from colleagues, workers, job applicants, students, customers, suppliers, and other individuals with whom Babcock communicates and does business. Our Data Protection policy sets out Babcock's commitment to its colleagues, other personnel and individuals whose information Babcock processes, and the ways in which each colleague must process personal data to ensure that Babcock, and the colleagues themselves, do not breach their obligations under the data protection laws. In support of our policy, specialist staff have been appointed and colleagues are required to complete mandatory data protection training on an annual basis.
	Supply Chain Cyber Security policy	As part of the Babcock commitment to creating a safe and secure world, our supply chain security is vital. Any compromise of information poses a serious threat to the reputational and economic standing of Babcock and our customers. Our Supply Chain Cyber Security policy ensures that the cyber security arrangements among delivery partners, third-party suppliers and supply chains are appropriate to the requirements of the goods and services being procured. This includes appropriate governance and management arrangements to manage risk, monitor compliance, report and respond effectively to any security incidents. Babcock's approach to ensuring security in our supply chain includes through-life management. All purchases of goods and services must follow the appropriate Babcock process, ensuring due diligence is carried out and managed throughout the supplier's relationship with Babcock in accordance with policy requirements. The effectiveness of our policy is assured by external certification audit (ISO27001). ● **Learn more on page 98**

	Policy / Statement	Description
Description of principal risks and impact on business activity	**Group Risk Management policy**	See "Our principal risks and management controls" ● Learn more on page 104
Description of our business model		See "Our business model" ● Learn more on page 12
Non-financial KPIs		See "Key Performance Indicators" ● Learn more on page 27

Please see our Modern Slavery Transparency statement.

Principal risks and management controls

Our principal risks and management controls

"FY25 has been a further year of advanced risk maturity to aid our delivery and overall resilience, with a focus on the enhancement of our internal control's structure".

David Lockwood
Chief Executive Officer

Risk and internal control enhancement highlights in the year

- Continued enhancement of the Group, Sector, Direct Reporting Countries (DRCs) and Function Risk Registers including context and evidence to support control effectiveness and controls prioritisation
- Further enhancement of the outputs of the Risk Leads community, leading to more granular risk data shared to inform risk-based decisions
- Investment in Fraud Risk Management Framework, facilitated through the Risk Leads community
- Training delivered to aid understanding of the new Economic Crime and Corporate Transparency Act (ECCTA) with enhanced understanding of fraud categorisation
- A programme of risk workshops to support Sectors, DRCs and functions in understanding their risk maturity journey, and defining current and target position
- Initial identification of material controls in advance of the revised UK Corporate Governance Code
- Review and update to the controls contained within the Document of Controls
- Addition of controls as a competency across all management layers within the Global Competency Framework (GCF)
- Exercise to review Governance Risk Compliance (GRC) tool options which resulted in partnership with a global GRC platform provider

Heightened risk control to support risk resilience

The Risk Management Framework exists to manage the risk and opportunities inherent within the Group's strategy. As explained at our 2024 Capital Markets Day, risk management is at the core of the Group's management practice and an integral part of all our activities, helping us to deliver our commitments to customers, colleagues and communities.

FY25 saw further valuable enhancements in the quality of the Group's Risk Registers and heightened understanding of the importance of effective risk mitigation. There has been an enhanced understanding of the benefits of Enterprise Risk Management (ERM) across the Group's senior leadership team. The Risk and Controls Committee has continued to develop ERM practice with a healthy level of cross-functional challenge around principal risks and their collective mitigation.

Effective risk management starts with the right conversations, to enable better risk-based decision-making. The Group's Risk Management Framework considers management of risk in the round, top-down and bottom-up correlated through a series of risk conversations with the members of the Group Executive Committee and critical risk influencers.

Risk is considered regularly at Board level. As part of its business planning and annual strategy review process, the Board conducted a robust assessment of principal and emerging risks.

FRC revisions to Corporate Governance Code

The Financial Reporting Council (FRC) has published the 2024 UK Corporate Governance Code and associated guidance. Provision 29 of the new Code relating to risk management and internal control comes into effect for the Group for the year ending 31 March 2027. The Audit, Risk and Internal Controls section of the updated Code now includes the requirement for a declaration on the effectiveness of the material controls at the balance sheet date, a requirement effective for the March 2027 Annual Report. The Group continues to proactively assess current maturity and develop plans to specifically address requirements under Provision 29 for Board declaration of effectiveness of risk management and internal controls.

Risk Management Framework

The Risk Management Framework (below) is used consistently across the Group, clarifying ownership and the differing levels of assurance. The risk framework includes a Risk and Controls Committee where all principal risks are comprehensively challenged throughout the year, providing leadership and oversight of the Group's risk profile. The Group have invested in continuous improvement of the Global Risk Management policy and User Requirements manual, which are embedded via tailored training and awareness sessions across the Group.

The Board sets the Group's strategy on page 8. To help deliver this strategy, the Board has in place procedures for identifying, evaluating and managing the inherent risks in our strategy, alongside the emerging risk landscape. As part of those procedures, the Board reviews and approves the principal risks on an annual basis. It makes this determination using a consistently applied risk-rating matrix, which assesses the likelihood and impact of each risk occurring and its target state, after taking into consideration the controls and mitigations in place. Work has continued on clearly detailing the path to reaching effective controls within articulated timescales.

Co-ordinated by a network of Global Risk Leads, the Group builds the hierarchy of risk by bringing together the Risk Registers of our Sectors, DRCs and functions. These Risk Registers include principal, strategic, operational and emerging risks and are compiled using the Global ERM Framework for consistency in approach. The framework requires the risks to be described along with the measures in place to control or manage each risk and an assessment of their effectiveness. The Group Risk function consolidates the Risk Registers to prepare the Group's Risk Register. The Risk Registers show the inherent and current rating of each risk as well as the target state. Risks are monitored for adherence to risk tolerance ratings and those that fall outside of this are managed back to tolerance with oversight from Group Risk. Risk ratings measure risks for likelihood and impact, using a five-by-five matrix. Please see the following graphic for definitions.

Likelihood		Impact	
	Very likely More than 90% chance		**Severe**
	Likely 60–90% chance		**Major**
	Possible 30–60% chance		**Moderate**
	Unlikely 10–30% chance		**Minor**
	Very unlikely Less than 10% chance		**Insignificant**

Group Risk engages with Sectors, DRCs and functions at least quarterly, providing guidance and ensuring a common approach as to how to measure likelihood and impact. The Group has included the current rating for each principal risk alongside its description on page 111.

On an annual basis, the Risk and Controls Committee reviews the scoring matrix. Following the Risk and Controls Committee evaluation, the Board, on an annual basis, considers the matrix and reviews the Group's principal and emerging risks. The review includes a description of the risk, as well as the mitigating controls and the associated risk appetite. In addition to the review of the risk-rating matrix, the Board also undertakes 'deep dives' bi-annually on specific risks.

Our internal control environment

In FY25, the Group has continued to make progress in its internal control environment which aims to protect the Group's assets and to check the reliability and integrity of the Group's information, thereby providing assurance that the Group appropriately manages the risks in our business model and the delivery of our strategy.

Internally published policies set the framework for the Group's internal controls. These policies cover a range of matters intended to mitigate risk, such as health and safety, project management, information security, trade controls, contracting requirements, financial transactions and financial reporting.

The Document of Controls continues to be the cornerstone of internal control systems over financial, reporting and compliance controls operating as the risk and control matrix for the Group, defining the risk, control design and control owners. Internal audit performed a review of the Document of Controls process during the year and work is ongoing to respond to those findings. The key areas of focus have involved a reduction in the number of controls, clarification of the control descriptions and review of the control owners.

The Blueprint Fundamentals – 15 key contract review, bid review and financial reporting controls – were designed and implemented in late FY23 and have continued to operate throughout the year as part of the Document of Controls. The standardisation of the contract review process has been rolled out across all contracts during FY25 and further enhancements are planned for FY26. A central repository and dashboard monitoring process has been established for all Group and Sector watchlist reviews.

During the year, IT general controls have continued to be enhanced through the migration of operational areas onto the central Neptune estate, and by the review and strengthening of controls around segregation of duties.

Following the publishing by the FRC of the 2024 UK Corporate Governance Code and associated guidance in January 2024, the Group has continued to develop its response to the Code. An initial assessment of material controls has been performed and shared with the Audit Committee together with a roadmap to ensure compliance with Provision 29 at 31 March 2027. The key areas planned for FY26 relate to the enhancement and development of the material controls and development of the proposed assurance plan.

In addition, the Group has enhanced its Fraud Risk Management Framework following an external assessment in response to the publication of the Economic Crime and Corporate Transparency Act 2023. The key activities undertaken as part of this review involve Sector, DRC and Function submissions of material fraud risks via the quarterly risk returns, conducting fraud risk training to Sector, DRC and Function Risk Leads, formalising a Fraud Risk Management Policy (including a definition of fraud), completing a Group led fraud risk assessment exercise linking specific controls to each of the identified fraud risks and updating relevant training materials.

In FY25, the newly insourced internal audit function continued to operate as an independent third line of assurance. The status of the internal audit work programme and the results of each audit are presented at every Audit Committee meeting.

Principal risks and management controls *(continued)*

Risk assurance

The Group use the three lines model to assure ourselves about the management of the risks that we face. The first line is management control, policies and procedures, together with management oversight. The second line is internal assurance activities including Group risk management and compliance teams who deliver functional oversight. The third line is independent assurance activities, such as internal audits.

Risk management and internal control annual review

To provide assurance, the Audit Committee performs an annual review of our risk management and internal control systems to assess their effectiveness. After this year's review, the Committee concluded the Company has implemented several control improvements and has a structured plan to implement further control enhancements covering lessons learnt and progressively meeting the 2024 UK Corporate Governance Code requirements. The Board, following robust assessment, concluded that the risk management process within the Group provides effective management of the principal, emerging and underlying risks. This assessment allows the Board to monitor and review the effectiveness of these processes in adherence to the UK Corporate Governance Code.

Group Executive Risk and Controls Committee

The Risk and Controls Committee provides executive management leadership and oversight of the Group's ERM Framework, acting as an interface between the Audit Committee and the business. This Committee has developed from the Risk Committee to become the Risk and Controls Committee in acknowledgement of the Committee's heightened focus on controls design and effectiveness, driven in part by the new requirements listed in provision 29 of the UK Corporate Governance Code. The Committee has as its principal deliverable the review and challenge of the mitigation and control of the principal risks. All principal risks have an allocated Committee member owner and are presented and discussed on a rolling annual basis. Discussion includes the risk, risk appetite, mitigating controls and their associated effectiveness. The Committee also has standing agenda items, considering Corporate Governance Code requirements and a review of significant operational risks as articulated in the bottom-up risk register process.

The Committee undertook a dedicated thought leadership session with an external specialist on AI ethics entitled "Why AI Ethics matter for effective risk oversight", to reduce the likelihood of unintended consequences.

The Committee also commissions 'deep dives' in relation to the businesses' Risk Registers submitted within the Group's quarterly reviews, commissions externally focused emerging risk reports (produced by the Group Risk team) and reviews the Group's approach to high-impact, low-likelihood, black swan, and grey rhino events.

A 'black swan' event refers to an unforeseen and unlikely occurrence that typically has extreme consequences. A 'grey rhino' event is a slowly emerging, highly probable and high-impact threat that is ignored.

Risk appetite

Low – Avoidance of risk and uncertainty with low appetite for risk that is likely to have adverse consequences and aim to eliminate or substantially reduce such risks.

Medium – A degree of risk is tolerated with some appetite for risk and a balance of mitigation effects, with a view of the potential rewards and opportunities.

High – Open to opportunities that may result in a higher residual risk where we have the capability and capacity to manage that risk.

Forward-looking risk and control priorities – FY26

- Enhancement and development of material controls
- Development of the proposed assurance plan to underpin the declaration of effectiveness
- Continued review and refinement of the Document of Controls
- Further refinement of the Fraud Risk Management Framework and its operational effectiveness under the 2024 UK Corporate Governance Code
- Embedding of the GRC ERM and Internal Audit platform
- Further investment in the risk maturity journey to support stakeholders in achieving target risk maturity level

Our ERM framework and internal control environment

Board

- Overall responsibility for the Group's strategy and risk management.
- Reviews and approves the Group's risk-rating matrix and principal risks on an annual basis to ensure alignment with the Group's strategy.
- Reviews the Group's financial reports, including annual budget and five-year plan, to monitor financial performance and identify potential issues/emerging risks.

Audit Committee

- Reviews and monitors the adequacy and effectiveness of the Group's Risk Management Framework and internal control environment.
- Approves the Annual Audit Plan for the external and internal audits.
- Authorised to provide the internal audit function with the appropriate authority, role and responsibilities, and ensure adequate funding and headcount.

External audit

Provides external assurance: its aim is to detect material errors and material irregularities in our financial statements.

Internal audit

Provides independent and objective assurance on governance, risk management and internal control to the Board and the Group.

Sectors, Direct Reporting Countries and Functions

- Global Risk Leads Forum for sharing risk, feedback from governance meetings, reviewing the effectiveness of the Risk Management Framework and process, sharing of good practice and development of risk visualisation reporting tools, reviewing central policies and processes to consider specialist and regional applications and organisational learning.
- Projects, programmes, portfolio and operational risks are managed and escalated to their Sectors, DRCs and Function then escalated as appropriate to Group Risk and Controls Committee.
- Strategic and Business Unit Risk Registers are reported to Group Risk on a quarterly basis.

Group Executive Committee

- Provides consistent, visible and positive tone from the top and ensures risk management is integrated into all Babcock's activities.

Group Executive Risk and Controls Committee

- The Risk and Controls Committee provides executive management leadership and oversight of the Group's Risk Management Framework, risk profile, risk appetite, emerging risks, the UK Corporate Governance Code, and other legislative requirements relating to risk, and acts as an interface between the Audit Committee and the business.
- Operational risk is formally considered quarterly through the Sectors, DRCs and functions Risk Register submission prepared by the Group Risk function and also summarises the Group's principal and emerging risks.
- Committee members sponsor and own the principal risks.
- Annual risk workshop to produce the recommended strategic principal risks for submission to the Board.

Our risk assurance – Three Lines Model

First line – management

The Group has written policies covering a range of matters to mitigate risk, such as health and safety, information security, contracting requirements and accounting policies. The Group underpins these policies with a comprehensive scheme of delegated authorities, which the Board annually reviews and approves. Twice a year, the Sectors and DRCs complete a letter of representation to provide confirmation of compliance with the Group's policies.

Management reports up from the Group's business units through the Sectors and DRCs to the Board on operational and financial performance.

Second line – internal assurance

The Board and the Group Executive Committee review the Group's financial and operational performance on a regular basis through the monthly reporting packs, which include monthly management accounts, and can compare that performance against the Group's budget, which the Board approves on an annual basis.

Group reviews the Sectors' and DRCs' letters of representation and Document of Control compliance submissions to identify any control weaknesses.

Group functions and specific committees monitor certain risks, such as health and safety, finance, tax and treasury.

The Group maintains a comprehensive international insurance programme. The Group Director of Internal Audit, Risk Assurance & Insurance reports to the Board annually on the strategic approach to that programme.

Third line – independent assurance

The Internal Audit function, which reports to the Audit Committee, provides assurance of the effectiveness of the Group's control environment.

The Audit Committee agrees both the external and internal audit plans on an annual basis.

A number of external regulators and other bodies, such as national Civil Aviation Authorities, the UK Office of Nuclear Regulation, and the International Office for Standardisation, regularly inspect parts of the Group.

All colleagues have access to a whistleblowing line to allow them to report any concerns that they may have. The Board receives all the reports to the line along with an explanation of how the Group is investigating them and the outcome of the investigation.

Principal risks and management controls *(continued)*

The Risk Leads case study

Furthering of enterprise risk management

Enterprise Risk Management is delivered throughout the Group supported by a network of Risk Leads representing Sectors, DRCs and principal functions such as HR and IT. The Risk Leads network was established in early 2023 with a mandate to embed a solid risk culture within the Group and drive consistency of approach, to better enable risk data to support our risk-based decision-making. The Risk Leads meet six times a year with meetings chaired by the Group Director of Internal Audit, Risk Assurance & Insurance.

The Risk Leads are the ambassadors for the promotion of effective enterprise risk management practices, the eyes and ears on the ground for an embedded risk culture. They have as a key output the collation of their operational and strategic risk registers on a quarterly basis. They support Executive Committee members to deliver their target risk maturity action plans and maintenance of principal risks, ensuring consistency of quality and format — they are the risk 'go to' for their Senior Leadership Team.

Training and knowledge sharing

Key to the success of the network is a programme of training and knowledge sharing from both internal subject matter experts and external specialists, examples of which include:

- Cyber risk (incident and response) organisational learning and costing model
- Security risk management and assurance process
- Trade controls
- Climate risk
- Group Project Management Framework
- Global engineering
- Operational resilience and crisis management
- Fraud risk framework
- Material controls

Open and transparent sharing of relevant risk information from all governance committees such as the Audit Committee and the Risk and Controls Committee is included as a standard agenda item for Risk Lead meetings to ensure that they are apprised of current risk matters. Sharing of knowledge and lessons learnt is also a standard agenda item. An example of this is sharing of lessons learnt from a recent successful major SAP implementation, with the project lead sharing outputs from on-site learning from experience events, and importance of devised non negotiables, ongoing training and business engagement.

The Risk Leads are engaged in key decisions for risk practice, ensuring that the risk frameworks and policies we operate to are best in class and operating effectively. They were a key component of the final decision on our choice of Governance Risk and Compliance (GRC) tool.

“Embracing the role of a risk champion empowers me to proactively identify, assess, and mitigate risks. This not only sharpens my personal risk management skills but also fosters a culture of resilience and strategic foresight within my sector and function. By leading by example, I inspire others to prioritise risk management, ultimately driving better outcomes and sustainable success.”

Wayne Read
IT Security and Compliance Risk Lead

“As a DRC Risk Lead, I champion the embedding of effective and consistent risk management practices. The Risk Leads forum provides a space for us to share knowledge and practices, support the development and embedding of better practice frameworks across the organisation and provide assurance that the Group’s risks are owned, better understood, and proactively managed.”

Suzanne James
Australasia Risk Lead

Principal risks and management controls *(continued)*

Our principal and emerging risks

The Risk Management Framework is described on page 107. Using this framework, the Board has identified on pages 112 to 123 the principal risks that it currently believes to be of greatest significance to the Group, as they have the potential to undermine our ability to achieve our strategic goals and to have a detrimental effect on our financial performance. As part of the Group's ongoing risk analysis, two emerging risks have been identified which are kept under review by the Risk and Controls Committee.

Emerging risks are considered by the Risk and Controls Committee, Risk Leads and through the Group's ERM Framework formally on a bi-annual basis by Group Risk and bi-monthly through the Risk Leads Forum. Identification and reporting of emerging risk themes or issues is encouraged across Babcock with the process detailed in the ERM Group Manual including the tools to support emerging risk identification. Last year's emerging risks were geopolitical tension, supply chain global sanctions circumvention, artificial intelligence, and personal security, all of which remain on the Groups risk radar; however, the following two risks are demanding particular focus.

Emerging risk	Description and management
Geopolitical tension	We mostly operate in, or export to, stable and peaceful democracies, closely allied with the UK through NATO or other structures. Nevertheless, the international geopolitical situation is constantly evolving, so we keep abreast of developments globally, working with governments and independent advisors. For new territories, this due diligence includes country risk reports and a formal approval process requiring Board-level authorisation to proceed. In the short to medium term, there are many factors causing volatility within domestic and global markets. These include, but are not limited to, the ongoing wars in Ukraine and the Middle East, growing instability in the Euro-Atlantic and Indo-Pacific, and changes to the foreign and trade policy of the new US Administration. This volatility could increase commodity prices, disrupt supply chains and increase cyber threats from state actors. The changing threat environment is driving a significant increase in expenditure on defence globally, although some markets, including the EU, are also adopting a more protectionist approach to defence procurement. The changing nature of warfare may also see a reprioritisation of budgets away from traditional large, complex platforms to smaller, uncrewed platforms and cyber.
Speed of technology advancement including AI	The speed of technology evolution across multiple domains, including AI, is unprecedented and this brings with it unprecedented levels of risk and opportunity. Opportunities can include productivity gains, new and enhanced capabilities, and speed to market, among others. However, if adequate time is not given to identifying, understanding and managing the potential risks to within acceptable levels, the benefits of new technology will be offset by potentially significant negative unintended consequences arising from privacy, ethical, sustainability, data and information security, technical integrity, product safety, cost and compliance issues. The Group is adopting a proactive and responsible approach to development and adoption of advanced technologies through appropriate technical governance and assurance processes, and a 'responsible-by-design' approach where potential risks are identified and mitigated early in the engineering and technology lifecycle.

Changes to the principal risks

Last year's principal risks and uncertainties remain valid. Of last year's thirteen principal risks, three have decreased in risk score as follows:

- Contract and project performance likelihood has decreased with the enhanced review and gating processes, ensuring alignment with the Group's capabilities and risk appetite.
- Defined benefits pension likelihood has decreased due to closure of the Devonport and Babcock International Group PLC defined benefit schemes to future service accruals.
- Corporate technology disruption impact has decreased due to the advancement of the mitigation programme in place, including the delivery of the Group's cyber and information security strategies.

One principal risk has increased in risk score as follows:

- Supply chain management likelihood has increased due to the volatile geopolitical climate, which has introduced new challenges and heightened risks. Despite targeted controls and enhanced governance, continuous monitoring and adaptive strategies are necessary to mitigate potential disruptions.

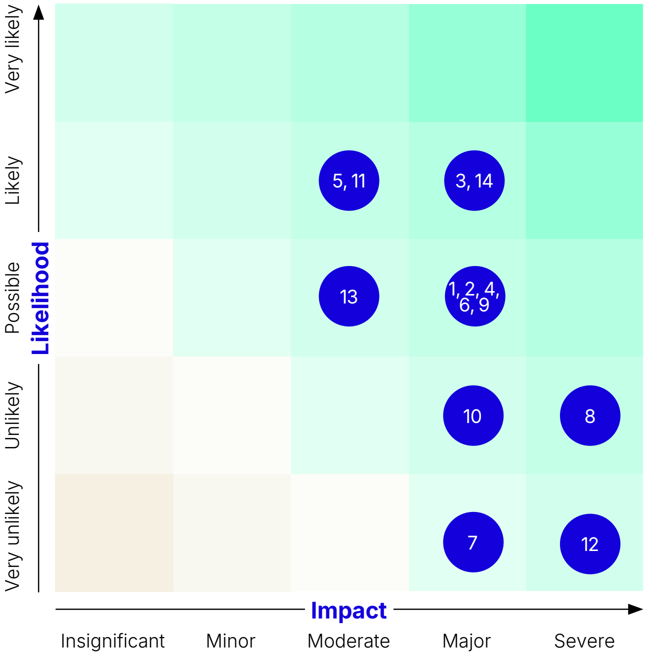
One new principal risk has been identified:

- Engineering integrity, product technology disruption and product safety principal risk reflects a re-grouping of product safety and product technology disruption risk together with an explicit articulation of engineering integrity risk. While the engineering integrity risk, resulting from our engineering and technical risk management approach, has always been present, the Group's increasing focus on Systems Integration Programmes, such as Arrowhead, Type 31 Frigates and C5ISR Programmes, which have inherently high levels of technical complexity and risk, has increased the Company's risk exposure in this area, with both an increased likelihood of the risks being encountered, and increased consequence if the risks are realised. The product safety risk and product technology disruption risks had previously been incorporated into the health, safety and environment risk and technology disruption risk respectively, but since the root causes of these risks, and the types of controls and mitigations required to manage these risks, are synonymous with those for the Engineering integrity risk, and different from the HSE and IT technology disruption risks, the decision was made to combine these three technical risks into a single principal risk, which allows a coordinated and consistent risk management approach to be applied to effectively to manage these three risk elements.

Principal risk trend

The Group operates in a complex global environment and is exposed to a wide range of risks that may undermine our ability to execute our strategy.

Enterprise Risk Management is an evolving and dynamic process; therefore, the Group might identify new risks, or better understand the significance of existing risks, or identify a change in a risk. This means that the risks identified on pages 112 to 123, which are listed as per the table below, are not and cannot be an exhaustive list of all principal risks that could affect the Group. Risks are plotted on a net basis including current mitigations.



	2024 Principal risks	2025 Principal risks	Overall annual risk score trend
1	Contract and project performance	Contract and project performance	↓
2	Market	Market	↔
3	IT and cyber security	Cyber and information security	↔
4	Defined benefit pensions	Defined benefit pensions	↓
5	Supply chain management	Supply chain management	↑
6	Operational resilience and business interruption	Operational resilience and business interruption	↔
7	Financial resilience of the Group	Financial resilience of the Group	↔
8	Safety, health, and environmental protection including product safety	Safety, health, and environmental protection	↔
9	Climate and environmental sustainability	Climate and environmental sustainability	↔
10	Corporate technology disruption	Corporate technology disruption	↓
11	Resourcing, retention and skills	Resourcing, retention and skills	↔
12	Compliance with legislation or other regulatory requirements	Compliance with legislation or other regulatory requirements	↔
13	Acquisitions and divestments	Acquisitions and divestments	↔
14	N/A	Engineering integrity, product technology disruption and product safety	N

Key
↑ Increased
↓ Decreased
↔ No movement
N New

Principal risks and management controls *(continued)*

Principal risks, their impact and mitigation

1. Contract and project performance

Likelihood: **Possible** Impact: **Major**

The Group executes large contracts and complex programmes, which often require us to price for the long term and for risk transfer. The Group's contracts can include fixed prices.

Risk appetite: **Medium**

Contract and project performance risk appetite is classified as 'medium' due to the intricate nature of our work in the defence and emergency services sectors. As a Company, we are in the business of strategically accepting and managing risks that are within our control to mitigate effectively. While the Group's aim is to minimise risks to a manageable level, it is important to acknowledge that uncertainties are inherent in project delivery. The Group prioritises robust risk management to mitigate these uncertainties, where possible, and ensure successful outcomes. It is important to make clear that despite our vast efforts, some level of risk remains unavoidable. The key is to understand and accept risks which are the Group's to manage.

Potential impact

The Group's business model revolves around securing and executing long-term, high-value contracts for complex, integrated programmes. These contracts often involve outcome-based agreements, and our medium risk appetite is rewarded with appropriate margins.

Contract terms from the Group's customer base can be stringent, with strict conditions and clauses. Underestimating or under-pricing risk exposure, unforeseen costs or supply chain disruptions can impact our contract delivery costs. Fixed-price contracts can exacerbate this, especially if actual costs exceed projections due to factors like inflation or extended programme durations.

The nature of the complex work the Group performs and the terms under which industry contracts with government departments (and the sometimes onerous terms and conditions that apply) mean there is a residual risk. Additionally, as we drive to move up the integration value chain, this will require the Group to accept, manage and mitigate more complex risks.

The Group's projects and extensive supply chains expose the Group to risks such as shortages in raw materials or electronic components, which can lead to increased costs or missed deadlines. Furthermore, long-term contracts often undergo changes in scope or emergent work, requiring diligent change management to avoid additional costs and maximise contract opportunities. If key risks materialise, they can escalate the Group's delivery costs, trigger penalties or damage our reputation, jeopardising current and future contracts.

International conflicts and geopolitical changes are driving increased management of supply chain risks which, if left unmanaged, could significantly influence contract and performance risks in defence. Such conflicts often escalate costs due to heightened security measures, leading to uncertainties in project planning and execution. Sub-contractors may face challenges in interpreting and fulfilling contractual obligations amidst legal uncertainties and reputational risks.

Mitigation

To mitigate these risks, the Group has significantly enhanced our review and gating processes, ensuring alignment with our capabilities and risk appetite. The Group conducts thorough reviews at contract, business unit, sector and (where appropriate) Group executive level, continuously managing risks and opportunities throughout contract lifecycles.

The Group closely monitors contractual performance at various levels of the organisation, identifying high-risk contracts for special attention and implementing remediation plans when performance falls short.

To further enhance the Group's business controls and active risk management, we have been actively embedding deep dives, conducted by resources independent of the business area, in order to challenge assumptions and maintain best practices.

In summary, navigating the complexities of the defence and emergency services sectors requires a proactive approach to risk management, thorough contract evaluation, and continuous performance monitoring to ensure successful project delivery. Whilst residual risk remains in complex contracts and programmes, our controls and drive for awareness and knowledge share are having a positive effect throughout the organisation. This is critical to successfully deliver the objective to move up the value chain and accept more integration risks within the Group's future contracts.

2. Market risk

Likelihood: **Possible** Impact: **Major**

The Group relies on winning and retaining large contracts in both existing and new markets, often characterised by a relatively small number of major customers, which are owned or controlled by local or national governments.

Risk appetite: **Medium**

This reflects that the successful pursuit and maintenance of a secure and assured pipeline is essential for continued growth, and the Group may therefore choose to accept the challenge of market risks that we can confidently and securely manage.

Potential impact

Major customers, particularly those government-owned or with government backing, have significant bargaining power and can exert pressure to change, amend or even cancel programmes and contracts. As governments own, fund or are many of our major customers, political and public spending decisions may have a significant impact on our contracts and pipeline. For example, the UK Government's national security and international policy objectives control the budget of the MOD.

Whilst changes in customer policy or budgets can potentially offer more opportunities, they can also present risks in terms of spending which may include:

- Reductions in the number, frequency, size, scope, profitability and/or duration of future contract opportunities
- In the case of existing contracts, early termination, non-extension or non-renewal or lower contract spend than anticipated and pressure to renegotiate contract terms in the customer's favour
- Favouring small or medium-sized suppliers or adopting a more transactional rather than a cooperative, partnering approach to customer/supplier relationships
- Favouring overseas competitors, potentially benefitting from lower production costs and state ownership or subsidies
- Imposing new or extra eligibility requirements as a condition of doing business with the customer that we may not be able readily to comply with, or that might involve significant extra costs, thereby affecting the profitability of doing business with them

All defence contracts have regulations covering contract terms and pricing. A number of the Group's contracts with the MOD are subject to the Single Source Contract Regulations (SSCR), which the Single Source Regulations Office (SSRO) administers. The SSRO sets the baseline profit rate for single source contracts let by the MOD on an annual basis. These regulations and their implementation are subject to review by the UK Government, which could lead to lower returns for industry.

The Group may face challenges in securing contracts in new markets. These include the risk of failing to ensure the required level of market understanding or customer intimacy to anticipate and shape future market requirements; failure to align approaches with customer expectations; and a preference for, or state funding of, domestic suppliers. The delivery of contracts may be further challenged by commercial, legal and licensing issues which have the potential to impact bidding success, operations, recruiting, etc.

Factors which may affect existing and new markets equally, some of which have been evident in recent years, include:

- Unforeseen regional or global economic developments
- International conflict and subsequent impacts on global and regional economy, trade and defence requirements
- Changes in governments resulting in changing political priorities, geostrategic relationships and defence posture
- Change in competitor landscapes

Mitigation

The Group's focus on defence, aerospace and security markets, together with our geographical presence, provides a degree of portfolio diversification and potential up-side to changing market dynamics. The Group pursues ongoing dialogue with key customers to understand their requirements, objectives and constraints, so that we can develop the necessary customer intimacy and remain as aligned to them as possible. The Group monitors expenditure changes in our markets to allow us to make the appropriate adjustments. In the UK, we maintain a public listing, as we believe it is an important factor in winning contracts and retaining our business position, particularly with government customers.

The Group has a clear business strategy to maintain a substantial bid pipeline, both in the UK and, increasingly, internationally. The Group bids for contracts we consider are aligned to the Group strategy and where we believe we stand a realistic chance of success due to our market offering, customer intimacy and value proposition. As appropriate, the Group invests in the development of our capabilities, innovation and people, to ensure our products and services are competitive, and meet global market and customer requirements.

The Group maintains consistent engagement with our current and prospective customers in our markets. Nearly all of the Group's customers are governments in established, stable democracies. They face regular elections, which often lead to changes in leadership, policy and spending priorities. In our principal markets, we use in-house and external advisors to monitor developments from across the political spectrum. Instability in the Euro-Atlantic region, the Indo-Pacific and the Middle East will continue to create volatility within domestic and global markets, and we keep abreast of developments globally, working with governments and independent advisors. When seeking business in new territories, our due diligence includes country risk reports and a formal approval process requiring Board-level authorisation to proceed.

3. Cyber and information security

Likelihood: **Likely** Impact: **Major**

A key factor for the Group's customers is our ability to deliver secure IT and other information assurance systems to maintain the confidentiality of sensitive information.

Risk appetite: **Low**

IT and information security are fundamental components in the Group's operations; we continually review the emergence of cyber threats, in an effort to eradicate and mitigate the risk as far as possible.

Potential impact

The impact of an IT or cyber security breach or compromise may be loss of reputation, loss of business advantage, disruptions in business operations or inability to meet contractual obligations.

The nature of the Group's operations and the requirement to hold and process sensitive and confidential information on behalf of our customers makes the Group a target for cyber attackers. Despite controls designed to protect such information, there can be no guarantee that security measures will be sufficient to prevent security attacks being successful in their attempts to breach or compromise IT systems and misappropriate sensitive and confidential information, or otherwise cause destructive or disruptive harm to the Group.

The Group may be seen as a threat target for attack by 'state actors' from overseas countries because of the nature of the Group's activities for its government customers. In addition, failure to invest in our IT infrastructure, for example in replacing legacy systems or introducing new technologies, could create vulnerabilities that may lead to a breach.

The risk of loss of information or data by other means (such as physical loss) is also a risk that we cannot entirely eliminate. Significant data breaches or losses could lead to litigation and fines for breach of applicable regulations such as data protection laws. This could have an adverse effect on the Group's operations and its ability to win future contracts, which may affect our overall financial condition.

Mitigation

The Group continues to build on the historical investments made to enhance our IT security, and work has also been undertaken in boosting the security awareness to further increase our cyber resilience. Work on the next-generation security platform is underway and this will be correlated directly to future business needs for secure collaboration and sharing of resource and knowledge, in support of the international growth strategy.

The Group seeks to assure our data security through a multi-layered approach that provides a hardened environment, including robust physical security arrangements and data resilience strategies. We have formal security and information assurance governance structures in place to oversee and manage IT, cyber and information security-related risks. We employ specialists in threat intelligence and conduct comprehensive internal and external testing and remediation of potential vulnerabilities. To maintain organisational awareness around cyber security, the Group provides cyber security education to our staff, which includes awareness of social engineering and insider threat. The Group maintains business continuity plans that cover a range of scenarios (including loss of IT availability) and we regularly test the plans that relate to IT and cyber security.

4. Defined benefit pensions

Likelihood: **Possible** Impact: **Major**

The Group has significant defined benefit pension schemes in the UK, which provide for a specified level of pension benefits to scheme members.

Risk appetite: **Low**

The Group utilises engagement with the pensions schemes' trustees and a balanced pension management approach that looks to mitigate and reduce the risks associated with pensions over the journey to settling the pension obligations.

Potential impact

Member and employer contributions paid into pension scheme funds and the investment returns made in those funds over time have to meet the cost of the defined benefit obligations.

Various assumptions underpin the level of our contributions. These assumptions are subject to change, such as life expectancy of members, gilt yields, investment returns, inflation, and regulatory changes. Based on the assumptions used at any time, there is always a risk of a significant shortfall in the schemes' assets below the calculated cost of the pension obligations. For example, pension liabilities can increase due to rising life expectancy, higher-than-expected inflation rates in the future and lower interest rates.

If the pension trustees believe that the assets in the pension schemes are insufficient to meet pension liabilities or if the Group's balance sheet strength does not meet the pension trustees' expectations, they may require us to make increased contributions and/or lump sum cash payments into the schemes or provide additional security from the Group. The toughening stance of the UK Pensions Regulator may influence our pension trustees' perspectives. Increased contributions or lump sum cash payments may reduce the cash available to meet our other obligations or business needs and may restrict our future growth.

Accounting standard rules governing the measurement of pension liabilities can lead to significant accounting volatility from year to year, due to the need to take account of macroeconomic circumstances beyond the control of the company. Companies, including Babcock, do not calculate actuarial valuations used for funding on the same basis as IFRS accounting standards. This means the future cash contributions are difficult to derive from the Group's IFRS balance sheet.

When accounting for the Group's defined benefit schemes, corporate bond-related discount rates are used to value the pension liabilities. Variations in bond yields and inflationary expectations can materially affect the pensions charge in our income statement from year to year, as well as the value of the net difference between the pension assets and liabilities shown on our balance sheet.

There is a risk that future accounting, regulatory and legislative changes may also adversely impact pension valuations, both accounting and funding, and, hence, costs and cash for the Group.

Mitigation

The Group's senior management undertakes continuous strategic monitoring and evaluation of the assets and liabilities of the pension scheme. Management aims to increase its engagement with the scheme trustee chairs and with the UK Pensions Regulator.

The pension scheme mitigates the risk of liability increases by having investment strategies that hedge against interest rate and inflation risk, by using longevity swaps to limit exposure to increasing life expectancy. The Trustees also use professional advisors to assist in the hedging of risks.

Principal risks and management controls *(continued)*

5. Supply chain management

Likelihood: **Likely** ↑ Impact: **Moderate** ↔

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

Risk appetite: ●○○ **Low**

Avoidance of risk and uncertainty, with low appetite for risk that is likely to have adverse consequences, and aim to eliminate or substantially reduce such risks.

Potential impact

Potential impacts include inflation, geopolitical tensions, supply chain disruptions, cybersecurity threats and parts obsolescence, all of which can affect industry growth, productivity and operational stability.

Persistent inflation poses risks to industry growth and productivity. Tight labour markets with ongoing wage inflation, fluctuating energy prices, constrained global supply chains and heightened demand contribute to economic uncertainties. Global tariff adjustments and perceived "trade wars" are increasing input costs and adding complexity to cross-border procurement. These conditions can also stress suppliers, impacting their ability to meet contractual obligations and maintain operational stability.

Ongoing global conflicts and rising tensions in regions such as the Middle East, Eastern Europe and the Taiwan Strait pose significant risks to the global economic outlook. The evolving landscape of global trade, marked by reciprocal tariffs and trade wars, adds further uncertainty to international relations. The United States' influence on the geopolitical landscape remains uncertain as it navigates these complex challenges. These disruptions impact oil markets and commodities, potentially introducing additional inflationary pressures.

Supply chain disruptions can arise from various factors including natural disasters like earthquakes, hurricanes or floods that damage infrastructure and cause transportation delays. Industrial actions, such as strikes, can severely disrupt business operations. Additionally, global supply constraints can jeopardise the ability to secure supplies within agreed lead times, potentially resulting in missed delivery schedules.

Cybersecurity threats present notable risks to supply chains, as increasingly sophisticated attacks, such as ransomware and AI-powered cybercrime can disrupt operations and compromise sensitive data. Weak security protocols, reliance on sub-tier suppliers and outdated technologies can also increase these vulnerabilities.

Maintaining older customer assets presents challenges when key parts become unobtainable due to high costs or extended lead times, impacting the ability to ensure timely repairs and continued functionality.

Mitigation

Effective controls are essential for reducing strategic procurement risks, ensuring compliance, safeguarding assets and enhancing operational efficiency. The Group's identified risks are managed through the Supply Chain management risk register and governance process.

To minimise the impact of market volatility, inflation and global tariff charges, the Group aims to negotiate flexible contract terms, monitor supplier performance and strengthen our supplier relationships. The Group conducts ongoing surveillance of financial alerts within the supply chain using risk resilience and credit monitoring tools.

To moderate geopolitical risks, including those arising from global trade wars and tariff adjustments, the Group monitors supplier business alerts and geopolitical developments using risk resilience tools. The Group also conducts supplier information management and due diligence, including verification of new suppliers and periodic revalidation to review commitments to ethical behaviour and compliance with international regulations.

To alleviate interruptions caused by natural disasters, logistics issues and economic disruptions, we employ several controls. These include continuous monitoring of supplier disruption alerts utilising risk resilience tools and conducting supplier quality assurance processes, including audits and assessments of supplier business maturity and resilience.

Controls include continuous monitoring of cyber alerts within the supply chain using risk resilience tools, tracking incidents in collaboration with the Group's Security Operations Centre and maintaining a dedicated supplier cyber incident hotline for self-reporting cyber incidents. These measures help identify and mitigate cybersecurity vulnerabilities, such as malware and ransomware attacks, and facilitate timely responses to potential threats.

The Group manages parts for older assets through obsolescence management terms in contracts, our risk management process and supplier performance monitoring.

6. Operational resilience and business interruption

Likelihood: **Possible** Impact: **Major**

The Group provides critical support to governments and commercial customers, requiring a high level of resilience in operational systems and processes. The Group operates in an increasingly volatile, uncertain and complex environment, where a diverse range of internal and external threats could disrupt our business, affecting our ability to operate safely, effectively and to the high standards expected by our customers, regulators and partners. To address these challenges, the Group continues to enhance its Operational Resilience programme, ensuring it remains capable, adaptable, and aligned to mitigate multiple forms of business interruption.

Risk appetite: **Low**

Ineffective operational resilience arrangements can undermine safety, financial stability and regulatory compliance, as well as damage our reputation. Given the critical nature of our operations, Babcock seeks to eliminate risks where possible and applies stringent controls to mitigate remaining risks to as low as reasonably practicable (ALARP).

Over the past year, the Group has made significant progress in strengthening its Operational Resilience programme. A new Operational Resilience Strategy and Framework has been developed to provide greater consistency, adaptability and capability across the organisation. This is supported by the launch of a new Operational Resilience Policy, ensuring a clear governance structure and accountability, as well as a Requirements and Guidance Manual to support Sectors/DRCs in implementing Operational Resilience elements within their respective areas and drive standardisation.

Additionally, Key Control Indicators (KCIs) for Operational Resilience have been identified, enabling more effective monitoring and risk mitigation. To further drive these improvements, a dedicated Operational Resilience Working Group has been formed, supported by Operational Resilience Leads across Sectors and DRCs, ensuring a coordinated approach to resilience across the Group.

Potential impact

Operations can be disrupted by the loss of key dependencies, including people, infrastructure, utilities, information, technology and supply chain provisions. In highly regulated domains, approvals to operate are critical dependencies, requiring robust resilience measures to maintain compliance.

Following any safety or operational incident, the Group's ability to respond and recover effectively is vital to minimising operational, financial and reputational consequences. Ineffective response and recovery measures can amplify business disruption, leading to increased costs, regulatory scrutiny and potential penalties.

Without strong resilience arrangements, financial and regulatory repercussions could be severe. Business interruptions can result in significant revenue losses, regulatory non-compliance and reputational harm, impacting long-term brand value, market position and future business opportunities.

Mitigation

The Group recognises the importance of an integrated and robust Operational Resilience programme. The Group maintains established resilience disciplines – including Business Continuity, Emergency Response, and Crisis Management – to protect its operations. Across Sectors, DRCs and sites, various emergency response and business continuity plans are in place, aligned to the specific risks and regulatory requirements of each operational area.

With the introduction of the new Operational Resilience Strategy and Framework, The Group is focused on increasing standardisation, alignment and proactive resilience activities across the Group. The identification of Key Control Indicators (KCIs) provides clear metrics to measure and enhance resilience performance. The formation of the Operational Resilience Working Group and Leads across the business ensures stronger governance, collaboration and accountability for resilience initiatives.

The Group's IT services continue to provide secure technology and access to information, supported by a range of IT Disaster Recovery Plans accredited to the ISO 22301 standard, ensuring critical systems and data can be restored within agreed recovery time objectives.

To mitigate reputational risks, the Group's crisis communication protocols remain embedded within the organisation. These protocols define clear processes for internal and external communications, ensuring information is shared accurately, transparently and in a timely manner with stakeholders, customers and regulatory bodies.

Additionally, operational resilience plans and procedures continue to be tested through regular exercises and drills, conducted in collaboration with key stakeholders and relevant authorities. These exercises ensure that resilience capabilities remain effective, well-practised and continuously improved.

7. Financial resilience of the Group

Likelihood: **Very unlikely** Impact: **Major**

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 and credit risks).

Risk appetite: **Low**

The Group recognises the adverse effects of the financial resilience risk on the balance sheet, and actively manages the risk via the capital allocation policy, substantial committed debt facilities and maintaining an investment-grade credit rating, allowing access to debt capital markets. However, this risk cannot be eliminated and will always require management.

Potential impact

A lack of financial resilience may hinder us in raising debt funding to invest in existing or future business. The weakness also may cause our existing banks to increase the cost of our funding. If our debt is denominated in a currency other than Sterling, movements in exchange rates may make that debt more costly when we repay it.

Customers and/or suppliers may question our long-term sustainability if we have a weak balance sheet. This may tighten the terms of business on which they are prepared to contract with us or, in the extreme, cause them to not award work to Babcock due to their perception of risk. Credit rating agencies may downgrade our rating, which could increase our cost of borrowing.

The lack of financial resilience may trigger certain pension scheme financial thresholds, requiring us to allocate further resource to the schemes.

The Group could face capital allocation constraints and consequently have reduced capital to invest in the business to meet all our obligations or to pay a dividend.

In addition, if companies working in the defence or nuclear sectors were deemed not suitable for investment by certain investment funds (eg due to extremely strict ESG policies) the cost and/or availability of capital to the Group could be adversely affected.

Mitigation

The rationalisation of the Group's portfolio, raising proceeds from disposals, and ongoing improvement in trading performance has strengthened our balance sheet, resulting in the only material debt of the Group being long-term Eurobonds, which are uneconomic to repay.

In respect of immediate liquidity, the Group has a committed bank revolving credit facility of £775 million which was not drawn as of 31 March 2025.

The Group is proactive in its dealings with credit rating agencies and lenders. The Board reviews the financial position of the Group on a monthly basis against the Board-approved three-year plan.

The Group has a very proactive ESG agenda and regularly communicates Group activities to assist in more-informed investment decisions by providers of capital.

8. Safety, health and environmental protection

Likelihood: **Unlikely** Impact: **Severe**

The Group's operations entail the potential risk of significant harm to people and the planet, wherever we operate across the world.

Risk appetite: **Low**

For moral, financial and reputational reasons we should keep the risk exposure as low as reasonably practicable.

Potential impact

Many parts of the Group's business involve colleagues and contractors working in potentially hazardous environments, including work with hazardous materials, high-energy systems and in challenging locations. Furthermore, many of the activities that we undertake are in high-hazard industries with inherent risk of harm, such as aerial emergency services and heavy industrial production including shipbuilding. The risks associated with the Group's activities and workplace can cause harm to our people, those affected by our operations and the environment; we work to minimise the risk exposure to as low as reasonably practicable.

The Group has moral, regulatory and legal obligations to prevent harm to people and the planet, and there could be significant impacts if we fail to reach the standards and mandated requirements to adequately mitigate safety, health and environmental risks. Accidents and debilitating health conditions can have major, long-term impacts on the lives of those directly affected, and on their families, friends, colleagues and community. Releases of harmful chemicals and emissions can have significant effects on our local environments and wildlife. The Group may face criminal and civil prosecution, which could result in substantial penalties and fines (some of which are uninsurable); and there may also be serious damage to our reputation with both the public and with our customers (whether justified or not). The Group could be prevented from operating due to colleagues being unavailable for work, workplaces being unusable, investigations being conducted, or if regulatory approval, permits and certification are withdrawn. These could potentially lead to contractual penalties due to loss of productivity or inability to deliver the contract, which could lead to a loss of business or future opportunities.

These impacts could occur if we cause or contribute to an incident due to a failing on our part; or it is found that we have failed to meet the requirements to adequately mitigate these risks, even if an incident did not occur. These could be caused by failing to prevent critical equipment failure; inadequate information and communication; poor training and supervision; or the inadequate management of change and learning from previous events.

Mitigation

Harm to individuals and the environment may arise from issues with the working environment, the tools and equipment in use, people's behaviours or the organisation and its processes. Many situations have elements of all of these, so our mitigations strive to work across these areas to reduce the probability of occurrence and the severity of the impact. Safety, health and environmental protection is our priority with a low tolerance for risk of harm. It has oversight by the Babcock Board and Executive Committee through monthly review of events and monitoring of leading and lagging performance indicators, and a quarterly Executive Safety Committee where performance and improvement actions are reviewed in-depth. The function is centrally led, with teams in each Sector and DRC working under the direction of the Group Director and the Corporate Safety Leadership Team to support operations to implement improvements in safety, health and environmental protection performance through both central and local improvement plans. Induction and task-specific training builds competency of personnel, health surveillance and support programmes assist workers to protect themselves in the short and long term, whilst at home, on sites and working away. The Group's Home Safe commitments can be applied across all activities to support our people to protect themselves, one another and the environment, and our communications and behaviours programmes are developing an engaged culture of openness and fairness.

The Group's global management system enables reporting and investigation of all events, near misses, observations and findings to identify and address issues and causes, and to share lessons. The development of standardised processes and ways of working provide continuous improvements and greater consistency and quality across the Group.

These mitigations are integral to our management systems, which are delivered and certified to international standards, and assured through a programme of internal and external assurance activities. These mitigations enable everyone to go 'Home Safe Every Day'.

Principal risks and management controls *(continued)*

9. Climate and environmental sustainability

Likelihood: **Possible** Impact: **Major**

Climate change is impacting every corner of the earth and poses an existential threat to global stability. Sustainability is an integral part of the Group's corporate strategy and we are working hard to address the climate crisis and minimise the impacts of our operations.

Risk appetite: **Low**

Across the Group's global operations we are working to continually improve our understanding of climate and environmental risks, and we are committed to mitigating risks, unlocking opportunities and reducing our environmental impacts.

Potential impact

Climate-related risks may materialise and cause a wide range of adverse impacts to the Group over the short, medium and long term. Unmitigated risks are forecast to deliver financial, commercial, reputational and operational impacts. The severity of the impacts varies depending on the climate scenario and a range of local and macro factors. Climate and environmental sustainability risks to the organisation have been categorised into physical and transition risks.

Physical risks related to climate change can be considered as shocks and stresses:

- Shocks are generally short-term impacts from extreme weather events such as extreme heat, flooding, wildfires, hurricanes etc
- Stresses are generally longer-term risks such as sea level rise, global rise in temperatures and biodiversity loss.

Transition risks relate to risks associated with the transition to a low-carbon economy, including policy and legal changes, technological advancements and market movements to address mitigation and adaptation requirements. Transition risks are commonly broken down into four aspects:

- Policy and legal risks are associated with climate policies, carbon pricing and regulations that restrict negative contributors to climate change
- Technology risks are driven by the development of new technology to support a low-carbon economy
- Market risks are driven by economic and social changes that impact supply and demand, such as changing consumer preferences around supporting fossil fuels
- Reputational risk refers to the impact of negative public perceptions of high-emissions sectors or organisations which are not deemed to be supporting the Net Zero transition.

Mitigation

Within each of our international entities, The Group is regulated by, and adheres to, increasing levels of national and international climate-related legislation, as well as strict disclosure requirements pertaining to key sustainability themes such as environmental protection, employee safety, community engagement, commercial integrity and responsible procurement. The Group's workforce is protected by the required insurance and standards, and it will continue to be fundamental for us to provide a safe environment for all the Group's employees and future generations. Climate and environmental sustainability risks are recorded by the business on a quarterly basis, with mitigation plans developed to mitigate risks.

Whilst the Group's approach to climate risk management is currently at a lower level of maturity, our Climate Risk Working Group has been working with industry specialists over the past 12 months to refine and enhance our approach. Following investigations, we have refined our approach to the identification of physical and transitional climate-related risks and opportunities, and we shall continue to embed this approach into our Enterprise Risk Management system during FY26.

The Group's new Sustainability Strategy provides clear direction to the organisation, ensures we have the resource in place to deliver on our sustainability targets, and positions Babcock to effectively address risks, unlock opportunities and deliver the Net Zero transition.

10. Corporate technology disruption

Likelihood: **Unlikely** Impact: **Major**

The Group has identified three main attributes to potential technological disruption: the digital change agenda, both within our customers and internal to the Group; our approach to data management; and finally the disruption of new technology offerings.

Risk appetite: **Low**

Given the materially adverse nature of digital and data risks, the Group looks to recognise and eradicate the emergence of risks to operations where possible, hence the risk appetite being set at low. Exploiting new technology in an appropriate manner can open new markets. However, the Group surveys the market for new technology to develop into new opportunities. These are assessed for benefit individually and, if deemed of interest, integrated into the Group's research and development programme and managed with project management.

Potential impact

Failure to respond to developing trends may reduce opportunities to augment existing contracts or build new commercial offerings. Digital change is our response to the advancement of modern IT and solutions. The Group's ability to be responsive to these developments, in a commercially sensitive way, has a material impact on our ability to unlock new business and enhance existing contracts. The Group's products/services will lag behind competitors and customer requirements if we are unable to incorporate appropriate data and technology-enabled capabilities. If the Group lags behind in our ability to embrace change and exploit a range of new products and capabilities, then staff retention may also be an issue, exacerbating the risk of losing important knowledge.

Mitigation

Focus is retained on developing key programmes to increase the resilience and effectiveness of our corporate IT solutions, information management and data analytics. The Group is also continuing to work in partnership with our key suppliers to understand the potential of new technologies on the market, and to develop and maintain roadmaps for our key products and platforms. This includes understanding how best to safely exploit relevant emerging technologies such as machine learning, automation and artificial intelligence.

11. Resourcing, retention and skills

Likelihood: **Likely** Impact: **Moderate**

The Group operates in many specialised engineering and technical domains, which require appropriate skills and experience.

Risk appetite: **Medium**

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

Potential impact

The Group's business delivery and future growth depend on our 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 we rely on are deeply specialist and in scarce supply in the territories we operate in.

This is exacerbated by the additional restrictions related to our sector including security and nationality. Changes to visa requirements have also impacted our ability to easily transfer people from EU nations and to deploy our people internationally. If the Group has insufficient qualified and experienced employees, this could impair our service delivery to customers or our ability to pursue new business, with consequent risks to our financial results, growth, strategy and reputation, and the risk of contract claims. Industry salary benchmarks are increasing due to both scarcity of supply and increased demand, which could impact contract profitability.

Mitigation

The Group has a People Strategy, which is being delivered through our people programme, led by the Group's Chief People Officer. This programme is informed by workforce planning and includes the upskilling of our workforce to meet future requirements; reinforcing of leadership capability; enhancing our ability to attract talent; investment in early careers; engagement and reward strategies to improve retention; and building better career development opportunities for our colleagues.

The Group has a number of specific targeted programmes running to drive attraction and retention of a more diverse pool of talent, and to deliver accelerated development to our people to enable them to progress their careers and add more value to the Company and our communities.

Principal risks and management controls *(continued)*

12. Compliance with legislation or other regulatory requirements

Likelihood: **Very unlikely** Impact: **Severe**

The Group's businesses are subject to the laws, regulations and restrictions of the many jurisdictions in which we operate.

Risk appetite: **Low**

As a diverse global organisation, the Group operates in multiple highly regulated industries for customers with specialist requirements. The compliance landscape is vast and complex with many regulations, legal obligations, contractual and certification requirements in each area including export controls, data protection and site licences. The laws and regulations that the Group is subject to include anti-bribery laws, import and export controls, tax, procurement rules, human rights laws, and data protection regulations.

Potential impact

The laws and regulations that we are subject to include, but are not limited to, anti-bribery laws, import and export controls, tax, procurement rules, human rights laws, and data protection regulations. Failure to maintain compliance with applicable requirements could result in fines and criminal prosecution; the removal of a licence to operate; reputational damage; cost of rectification; debarment from bidding; loss of access to markets; loss of substantial business streams; possible damages claims; and opportunities for future business. If an applicable law or regulation changes, it may cause the Group substantial expenditure to comply, which may not be recoverable (either fully or at all) under customer contracts.

Compliance with some regulatory requirements is a precondition for being able to carry on a business activity at all, for example in our Nuclear business and our Aviation business. Given the nature of the Group's customers and the markets in which we operate, as well as the services that we provide, the Group believes that our reputation, not only in terms of delivery but also in terms of behaviour, is a fundamental business asset.

Failings or misconduct (perceived or real) in dealing with a customer or in providing services to them or on their behalf could substantially damage our reputation with that customer or more generally.

Mitigation

The Group maintains internal policies and procedures to ensure compliance with all applicable laws and regulations. The Group has suitably qualified and experienced colleagues and expert external advisors to assist on regulatory compliance. The Group's management systems comprise competent personnel with clear accountabilities for operational regulatory compliance.

Senior management at Group and sector level are keenly aware of reputational risks, which can come from many sources. The Group's Code of Conduct, together with our Ethics policy, sets out the clear expectations that we have of our employees. We seek to reinforce these values with all employees through a number of different processes, for example our training. We encourage all our employees to use our whistleblowing reporting lines if they see evidence of behaviour which is not in keeping with our values.

The Group holds indemnities from the UK Nuclear Decommissioning Authority and the UK MOD for nuclear risks to protect against liability for injury or damage caused by nuclear contamination or incidents.

The Board monitors and reviews all reports and their investigations.

13. Acquisitions and divestments

Likelihood: **Possible** Impact: **Moderate**

The Group has built its core strengths organically and through acquisition. Decisions to acquire companies, as well as the process of their acquisition and integration, are complex, time-consuming and expensive. If the Group believes that a business is not 'core', we may decide to sell that business.

Risk appetite: **Medium**

The Group will continue to review potential opportunities within the market in a considered and measured way; M&A activity continues to be inherently high risk. Future M&A activity will be undertaken only where it is possible to reduce inherent risk to an acceptable level when balanced against potential rewards and opportunity.

Potential impact

If the Group acquires companies, we may not realise the financial benefits of the acquisition as expected, due to poor integration execution or to acquisition business cases relying on market conditions or other business assumptions that subsequently do not materialise, challenging the logic of the acquisition decision. Those companies that the Group considers to be non-core, and therefore disposal candidates, may become distracted or demotivated or lose key employees, which may lead to poor performance whilst also undermining their value to their customers and a potential buyer.

Mitigation

While the Group's focus remains primarily on operational execution, we continue to review potential acquisition opportunities that align with our strategy. We will work to enhance our acquisition and integration capability so that we are ready at the appropriate time in the future.

14. Engineering integrity, product technology disruption and product safety

Likelihood: **Likely** N

Impact: **Major** N

The Group has a corporate and legal responsibility to ensure the technical products and services we develop and/or deliver to our customers and end-users are legally and contractually safe, compliant, secure and high quality.

Risk appetite: ●○○ **Low**

As a complex systems developer, integrator and provider of critical operations, in-service support and training across all defence sectors and civil emergency operations, the Group's customers and end-users must have confidence in the integrity of our technical products and services. The Group's technical risk management frameworks must be rigorous as well as adaptable. The Group works to develop our technical capabilities and secure access to advanced technologies, to position ourselves and our customers well for the future. The Group also actively identifies, understands and manages the risks and opportunities as a responsible developer and adopter of rapidly emerging advanced technologies.

Potential impact

It is important that the Group, our customers and shareholders have confidence that all our technical products (goods and services) have high levels of technical integrity, meaning that they are safe for our customers and end-users 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 high quality to ensure that they perform to expectations. Without that confidence, we expose ourselves and others to potentially significant safety, compliance, financial, reputational and legal risk.

Safety risks can materialise if our technical products cause harm to people or the environment. Financial risks can result from re-work and product recalls as well as from non-compliance. Legal risks, including to our licence to operate in regulated areas, can arise from Product Safety issues or contractual issues associated with a non-compliant product. Reputational issues can arise from any of these, or from poor quality and/or poor performance of products, for example, if our products do not meet customer expectations and requirements around capability, reliability or availability (among others).

The nature of the complex technical work the Group undertakes also means that we need to be embedded in the forefront of advanced technology deployment. However we must do this in a responsible way. This means identifying, understanding and managing the uncertainties and potential risks and opportunities associated with rapidly evolving technologies. These considerations include areas such as privacy, ethics, sustainability, data and information security, technical integrity, product safety, cost and compliance.

Mitigation

To mitigate the risks and successfully deliver our projects and technical products, the Group requires a network of suitably qualified and experienced people, within our teams and across our extensive network of partners and supply chains, working with access to the appropriate processes, materials, tools and systems, and within enabling organisations with appropriate accountabilities and technical governance and assurance systems in place.

Accordingly, the Group is implementing a rigorous Technical Risk Management framework consisting of the following elements:

1. The Group's Technical Governance & Assurance (TG&A) Framework ensures we are identifying, understanding and managing technical risk to within acceptable levels through independent technical assurance management systems, with a focus on Product Safety, Product Security, Product Quality and Responsible AI Use, and reporting across a range of technical performance metrics to enhance our understanding of the technical risk profile across our Company, and to inform and prioritise controls and mitigations.
2. The Group has an increased focus on the development of our engineering people, processes and tools, including a global set of engineering policies and processes, common enterprise and engineering digital tools and a tailored capabilities and skills matrix supported by capability-building initiatives across critical skills needs such as systems engineering.
3. The Group is putting an increased focus on ensuring projects and contracts have the required resources and organisational capacity/capability through an Independent Technical Authority network, designing effective engineering organisations and operating models, and managing engineering resources effectively and efficiently across the organisation including through technical Strategic Workforce Planning (SWP).
4. To ensure the Group understands and can access relevant advanced technologies, our Technology function has been strengthened, including through the implementation of a Technology Horizon Scan activity; strengthened and focused engagement with academia, research establishments and SMEs, and expanding our reach back into our global footprint, to develop our advanced technology capability in a coordinated way that draws on best practice globally.

Going concern and viability statement

Overview

The Directors have undertaken reviews of the business financial forecasts, in order to assess whether the Group has adequate resources to continue in operational existence for the foreseeable future and as such can continue to adopt the going concern basis of accounting.

The Directors have also looked further out to consider the viability of the business, to test whether they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due.

For assessing going concern, the Board considered the 12 month period from the date of signing the Group's financial statements for the year ended 31 March 2025. For viability, the Board looked at a five-year view as this is the period over which the Group prepares its strategic plan forecasts.

The use of a five-year period provides a planning tool against which long-term decisions can be made concerning strategic priorities, addressing the Group's stated Net Zero target and climate-related risks and opportunities, funding requirements (including commitments to Group pension schemes), returns made to shareholders, capital expenditure and resource planning.

The annually prepared budgets and forecasts are compiled using a bottom-up process, aggregating those from the individual business units into sector-level budgets and forecasts. Those sector submissions and the consolidated Group budget and forecasts are then reviewed by the Board and used to monitor business performance.

The Board considered the budgets alongside the Group's available finances, strategy, business model, market outlook and principal risks. The process for identifying and managing the principal risks of the Group is set out in the Principal risks and management controls section on page 104. The Board also considered the mitigation measures being put in place and potential for further mitigation.

The Board considers that the long-term prospects of the Group underpin its conclusions on viability. As outlined in our strategy, business model and markets summaries on pages 8, 12 and 22 of this report, our prospects are supported by:

- a diverse portfolio of businesses based on well-established market positions, focused on naval engineering, support and systems, and on critical services in our core defence and civil markets. In FY25, 74% of Group sales were defence-related and 26% civil;
- a geographically diverse business with a high proportion of sales to governments and other major prime defence contractors. In FY25, 71% of sales were to defence and civil customers in the UK, and 29% were international;
- long-term visibility of sales and future sale prospects through an order backlog of £10.4 billion as at 31 March 2025, including incumbent positions on major defence programmes; and
- market positions underpinned by a highly skilled workforce, intellectual property assets and proprietary know-how, which are safeguarded and developed for the future by customer and Group-funded investment.

Available financing

As at 31 March 2025, net debt excluding operating leases was £(101.2) million and the Group therefore had liquidity headroom of £1.4 billion, including net cash of £0.6 billion and undrawn facilities of £0.8 billion. These facilities are considered more than adequate to meet current and other liabilities as they fall due, and support the Group's negative working capital position largely arising from securing customer advances ahead of contract work starting. All of the Group's facilities mature during the viability period, and therefore, in assessing liquidity in future periods, we have assumed that it will be possible to re-finance the Group's facilities at current market rates.

As of June 2025, the Group's facilities and bonds totalling £1.6 billion were as follows:

- £775 million revolving credit facility (RCF), of which £45 million matures on 28 August 2025 and £730 million matures 28 August 2026
- £300 million bond maturing 5 October 2026
- €550 million bond, hedged at £493 million, maturing 13 September 2027
- One overdraft facility totalling £50 million

The RCF is the only facility with covenants attached. The key covenant ratios are (i) net debt to EBITDA (gearing ratio) of 3.5x (ii) and EBITDA to net interest (interest cover) of 4.0x. These are measured twice per year – on 30 September and 31 March.

The RCF lenders are fully committed to advance funds under the RCF to the Group, provided that the Group has satisfied the usual ongoing undertakings, and the creditworthiness of the Group's relationship banks is closely monitored. Based on their credit ratings, we have no credit concerns with our relationship banks. Given the importance of the RCF to the Group's liquidity position, our assessments of going concern and viability have tested the Group's gearing ratio, interest cover and liquidity headroom throughout the period under review up to their current maturity dates and to the end of the five-year plan, assuming renewal of the RCF with consistent covenants to those currently applied.

Base case scenario

The base case budgets and forecasts show significant levels of headroom against both financial covenants, and liquidity headroom based on the current committed facilities outlined above. That base case largely assumes we maintain our incumbent programme positions if re-let during the five-year period, with margin recovery if they are currently below the Group average. Many opportunities available to the Group, where we do not yet have high conviction of securing the work, have been excluded from the base case to maintain a degree of caution.

The base case assumes no further reshaping of the business portfolio, so it is not dependent upon any future cash proceeds from divestments. It also reflects pension deficit contributions in excess of income statement charges of around £20 million in each period of the model.

Reverse stress testing of the base case

To assess the level of headroom within the available facilities, a reverse stress test was performed to see what level of performance deterioration against the base case budgets and forecasts (in both EBITDA and net debt) was required to challenge covenant levels.

Of the remaining measurement points within the available facility period, the lowest required reduction in forecast EBITDA to hit the gearing covenant level was £397 million and the lowest net debt increase was 920%. The lowest required reduction in forecast EBITDA to hit the interest cover covenant was £363 million. Given the mitigating actions that are available and within management's control, such movements are not considered plausible.

Severe but plausible downside scenarios

The Directors also considered a series of severe but plausible downside scenarios which are sensitivities run against the base case budget and forecasts for the duration of the assessment period. These sensitivities include – separately – a reduction in bid pipeline closure (business winning), a deterioration in large programme performance across the Group, a deterioration in the Group's working capital position, and a regulator-imposed cessation in flying two of the largest aircraft fleets in the Group. All of these separate scenarios showed compliance with the financial covenants throughout the period.

As with any company or group, it would be possible, however unlikely, to model individual risks or combinations of risks that would threaten the financial viability of the Group. The Board has not sought to model events where it considers the likelihood of such events not to be plausible. In preparing a combined severe but plausible (SBP) downside case, the Board considered the feed of individual risks from the sectors covering the above sensitivities. Overall there were c.90 profit and cash flow risks identified.

A simple aggregation of all of these risks is not considered plausible as the Group operates businesses and contracts which run largely independently of each other, albeit with a relatively small number of customers within each geography.

These identified risks were seen as 'sector independent' (ie there is no direct read across from one sector to another). The Board decided to reduce the aggregation of the risks by 25% to reflect the implausibility of all such risks fully crystallising within the same period.

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. Such profit and cash mitigation measures that are deemed entirely within the control of the Group and identified as part of the sector budgeting exercise have been included in the SBP scenario (eg cancelling pay rises and bonus awards, curtailing uncommitted capital expenditure and operational spend including R&D and other investment).

Despite the severity of the above combined SBP scenario, the Group maintained a sufficient amount of headroom against the financial covenants within its borrowing facilities, and sufficient liquidity when compared against existing facilities (both before and after mitigation measures).

Going concern assessment and viability conclusion

Based on our review, the Directors have concluded that the Group has adequate resources to continue as a going concern for at least 12 months from the date of these financial statements. The Directors have not identified any material uncertainties concerning the Group's ability to continue as a going concern.

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.

In concluding on the financial viability of the Group, having considered the scenarios outlined above, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all its liabilities as they fall due up to March 2030.