

## Chief Executive's review



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**Charles Woodburn CBE**  
Chief Executive



### Overview

Around the world, threats to national security continue to grow. This is driving governments to increase defence spending, as they seek to ensure armed forces are equipped to protect their nations and deter future aggression.

For decades, governments have placed trust in us to deliver their defence and security capabilities. By focusing on operational excellence, innovation and developing our people, we have consistently delivered cutting-edge technologies, helping our customers stay ahead of evolving threats across land, sea, air, cyber and space.

This approach helped us achieve another year of strong operational and financial performance in 2025. Our highly relevant portfolio means we are well positioned to continue supporting our customers.

Higher defence spending commitments across NATO are leading to increased demand across most of our markets and domains. So, we are investing in our business to ensure we have the capacity and capability to meet our customers' evolving needs.

Our achievements in 2025 are a testament to the dedication of our people, whose focus on protecting those who protect us remains at the core of everything we do.

ORDER BACKLOG

**£83.6bn**

**2024 £77.8bn / 2023 £69.8bn**

### Delivering for our customers

We design, build and maintain cutting-edge defence and security capabilities for our customers.

Our relentless focus on operational excellence supports consistent delivery on critical long-term programmes like submarines, frigates, combat aircraft, combat vehicles and electronic warfare systems, which form the backbone of our customers' defence capabilities.

Notable achievements this year include the keel laying of HMS Dreadnought and supporting the Royal Navy's Carrier Strike Group deployment, as well as delivery of the final two Typhoon aircraft to the Qatar Emiri Air Force and the 500<sup>th</sup> AMPV to the US Army.



We made good progress on key strategic international collaborations. Together with our industry partners in Italy and Japan, we launched our new joint venture, Edgewing, to design and develop next-generation combat aircraft under the Global Combat Air Programme (GCAP). Working alongside ASC Pty Ltd, we also started initial mobilisation activities to support the delivery of the SSN-AUKUS fleet of conventionally armed, nuclear-powered submarines for the Royal Australian Navy.

### Our financial performance

We delivered a strong financial performance, exceeding the upgraded guidance we gave at the half year across our underlying EBIT, underlying EPS and free cash flow targets. Sales came in at the higher end of our guidance range.

On a constant currency basis, we grew sales by 10% to a record £30.7bn, while increasing underlying EBIT by 12%, generating a return on sales of 10.8%. We delivered £2,158m of free cash flow, taking our three-year cumulative free cash flow to more than £7bn, comfortably ahead of our three-year guidance of £6bn for the period from 2023 to 2025.

It was a very active year for discussions with customers to address their evolving defence needs. Order intake momentum was positive, with £36.8bn of work secured, lifting our order backlog to £83.6bn. This reflects strong

demand for the portfolio of cutting-edge technologies and services we offer and enhances the forward visibility of our business.

We ended 2025 with a strong balance sheet, with net debt (excluding lease liabilities) falling 22% to £3,844m, which equates to 0.9x underlying EBITDA.

We continue to invest in our business to support organic growth and capacity expansion for key programmes. Our strong financial position allows us to implement all parts of our capital allocation policy.

#### RETURNS TO SHAREHOLDERS

£1,529m

2024 £1,492m / 2023 £1,418m

### Investing in tomorrow

Investing in our people, technologies and facilities is essential to ensure we maintain the agility needed to anticipate and address the evolving threats our government customers face.

We grew our global workforce by 4,000, including more than 2,500 early careers employees in our key markets to sustain our talent pipeline.



### Type 26 frigate

In a significant development for European collaboration, Norway selected our Type 26 frigate in August for its future warship procurement programme.

The £10bn government-to-government agreement paves the way for the UK's largest ever warship export deal by value. Providing a major boost for UK shipbuilding, this landmark achievement will sustain thousands of jobs in Scotland and across the UK supply chain well into the next decade.

The agreement followed the official opening of the Janet Harvey Hall earlier in the year. Enabling the simultaneous construction of two Type 26 vessels side-by-side under cover, this state-of-the-art facility enhances production efficiency and enables us to deliver advanced warships at pace for the UK and its allies.

As announced, under the defence cooperation agreement, Norway will operate at least five Type 26 ships alongside the Royal Navy's eight vessels. Hailing the deepening of a long-term strategic relationship between the UK and Norway, the combined fleet of 13 anti-submarine warfare frigates will detect, classify, track and defeat hostile submarines – significantly reinforcing NATO's northern flank.

## Chief Executive's review *continued*

We increased our self-funded R&D to £407m and continue to collaborate with partners and academia to drive innovation that will keep our customers ahead of evolving threats. Key areas of focus include technologies like electronic warfare, uncrewed systems, counter drone systems, laser-guided weapons, synthetic training, electrification applications and space solutions. Highlights include developing a low-cost, drone-based strike capability using precision-guided munitions in just four months and deploying the same platform to transport vital supplies between UK carrier strike group ships, demonstrating its versatility.

After record capital expenditure in 2024, we maintained our high levels of investment and spent around £1.0bn in the year to improve our systems and facilities to enhance efficiency and capacity to meet the elevated global demand. Notable investments included our new shiplift and land-level repair complex at our shipyard in Jacksonville, Florida, our new

ship build assembly hall in Glasgow and a new artillery factory in Sheffield, all of which became operational in the year.

We recognise there is always more that can be done and we are continuing to focus on boosting production capacity, while driving productivity improvements and cost efficiencies, to ensure we deliver for our customers now and into the future.

### Our capital distribution

Our disciplined approach to capital allocation, underpinned by the Group's strong performance and positive outlook, has enabled us to continue delivering returns to shareholders. After investments in our people, technologies and capital expenditure, we returned £1,529m to shareholders during the year. The Board has proposed a final dividend of 22.8p, subject to shareholder approval at the 2026 Annual General Meeting (AGM), bringing the total dividend for 2025 to 36.3p — an increase of 10% over the prior year.

### Our market differentiation

Our business has a unique combination of highly innovative capabilities, a diverse geographic footprint and a multi-domain portfolio. We believe our advanced technologies, deep domain expertise and global reach position us as an industry leader, enabling us to support customers in addressing the heightened threat environment today and into the future. This breadth remains a core strength and a differentiator for our business.

Looking ahead, our key growth drivers are spread across major markets and include multi-national endeavours, such as GCAP and AUKUS, which highlight the scale, global reach and longevity of our operations. Combined with our focus on faster-paced disruptive technologies and the seamless integration of these systems, we are well positioned for growth for many years to come.



### Typhoon

In October, the Typhoon programme reinforced its standing as one of the UK's most successful defence exports when Türkiye announced it would become the aircraft's tenth operator.

The deal, anticipated to be worth £4.6bn to BAE Systems, marks a new chapter in our longstanding relationship with this important NATO ally.

Ensuring UK Typhoon production continues into the 2030s, the contract provides a vital bridge towards production of Tempest, the UK's next-generation fighter jet, which we are developing with our GCAP partners.

Under the agreement with the UK Government, Türkiye will acquire 20 Typhoon aircraft, boosting NATO

interoperability as it joins the UK, Germany, Spain, Italy, Austria, Oman, Qatar, Kuwait and the Kingdom of Saudi Arabia as an operator of this world-class aircraft.

Typhoon production sustains more than 20,000 jobs across the UK and delivers substantial economic returns, with the original £12bn government investment, having already generated more than £30bn for the UK economy.



### US missile defence priority

Space superiority has emerged as a critical component in global defence strategies, prompting decision-makers to focus on the rapid development of advanced space-based capabilities to deter and counter evolving threats. The US Government has prioritised the deployment of a next-generation missile defence shield to achieve a strategic advantage in space and maintain national security.

In May, we secured a \$1.2bn (£0.9bn) prime contract for the US Space Forces' Resilient Missile Warning and Tracking Medium Earth Orbit Epoch 2 programme. Under this landmark award, we will deliver a constellation of satellites to provide comprehensive, space-based missile warning and tracking capabilities around the world to empower swift and effective decisions in high-stakes scenarios.

By using the Trek variant of our Elevation™ product line, the satellites can be produced more affordably and at scale with high-performance manoeuvrability and onboard data processing. By developing the spacecraft bus and payloads, and managing ground support, operations and sustainment, we are leveraging our capabilities to deliver end-to-end mission solutions for the military space market.

### Responsible business

We support our government customers in their primary responsibility to keep citizens safe, while contributing to the economic and social development of the communities where we operate.

Our people are central to everything we do, making it essential that we attract and retain top talent to meet our customers' needs and support our long-term growth. We invest in the development of our people's skills at every stage of their careers and relentlessly focus on their safety, health and wellbeing.

Across all our operations, maintaining the highest standards of conduct is at the core of how we do business, enabling us to operate in a highly regulated environment with strict regulations and applicable trade controls.

### Summary

As you will see throughout this report, we delivered strong operational and financial performance in 2025, achieving significant milestones in advancing cutting-edge defence and security solutions.

Throughout the year, we remained focused on supporting our customers and the communities we serve, while navigating a rapidly changing global landscape.

Our commitment to innovation, collaboration and delivering value to our stakeholders has never been stronger.

I want to thank our talented teams around the world, along with our partners, suppliers and trade unions, for their dedication to delivering for our customers. These efforts ensure we remain at the forefront of technological advancements that protect and empower nations.

I also thank our shareholders for your continued support of the Group. We look forward to another productive year in 2026.

As we reflect on our achievements, we look ahead to 2026 with confidence, ready to embrace future opportunities and challenges, while remaining focused on our mission to protect those who protect us.

**Charles Woodburn CBE**  
Chief Executive