Melrose

Strong growth and positive momentum

Melrose Industries PLC Annual Report 2025

Melrose

Melrose is a technology-focused global aerospace and defence business, listed in the UK.

Our world-class Engines and Airframes divisions provide technology for more than 100,000 flights a day.

With strong customer relationships and embedded positions on all of today's high volume aircraft, we deliver long-term sustainable value for both our customers and our shareholders.

Engines Divisional Review
page 16

Airframes Divisional Review
page 20

OUR 2025 HIGHLIGHTS

We continued to build on our strong track record of generating outstanding returns for shareholders

Revenue

£3,589m

(2024: £3,468m)

Statutory operating profit/(loss)

£600m

(2024: £(4)m)

Adjusted operating profit

£647m

(2024: £540m)

Full year dividend

7.2p

(2024: 6.0p)

CAUTIONARY STATEMENT

The Strategic Report and certain other sections of this Annual Report and financial statements contain statements that are, or may be deemed to be "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "potential", "predicts", "expects", "intends", "may", "will", "can", "likely" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the business, results of operations, financial position, liquidity, prospects, growth and strategies of the Group. Forward-looking statements speak only as of the date they are made.

In light of these risks, uncertainties and assumptions, the events in the forward-looking statements may not occur or the Company's or the Group's actual results, performance or achievements of the Company might be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements contained in this Annual Report speak only as at the date of this Annual Report. The Company expressly disclaims any obligation or undertaking to update these forward-looking statements contained in this Annual Report to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the FCA or Regulation (EU) 596/2014 as it forms part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018. Some financial and other numerical data in this Annual Report and financial statements has been rounded and, as a result, the numerical figures shown as totals may vary slightly from the exact arithmetic aggregation of the figures that precede them.

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Find out more on our website
www.melroseplc.net

Note: Throughout this Annual Report, growth is calculated on a like-for-like basis at constant currency versus 2024 and, for revenue, excludes exited businesses.

AT A GLANCE

Melrose delivers advanced aerospace components and systems to all major OEMs across both civil and defence markets. We operate through two industry-leading divisions: Engines and Airframes.

TWO INDUSTRY-LEADING DIVISIONS

Engines

We are a trusted technology partner to global aircraft engine manufacturers. Our structural engine components feature on the world's leading civil and defence aircraft today, with long-term partnerships built on differentiated products, processes and intellectual property. We also hold the Military Type Certificate for the RM12 engine.

Customers

GE Aerospace, Pratt & Whitney, Rolls-Royce and other engine OEMs.

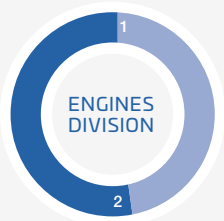
Product solutions

Engine mount structures; fan cases and turbine cases; shafts and rotating components; parts repair and aftermarket services.

Technology

Engineered metallic structure design and manufacture; advanced welding capability; industry-leading additive fabrication.

2025 Revenue



1	Original equipment	48%
2	Aftermarket	52%

Read more about our Engines division page 16

Airframes

We deliver cutting-edge airframe technology and electrical distribution systems from a global manufacturing footprint. We have embedded positions on all of today's major aircraft, and our design-led solutions are well placed for the next generation of aircraft across both the civil and defence markets.

Customers

Airbus, Boeing, Lockheed Martin and other airframe OEMs.

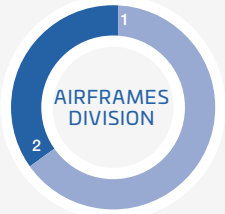
Product solutions

Wing structures, empennage, fuselage, electrical wiring interconnection systems ("EWIS"), advanced aircraft transparencies, landing gear and ice-protection systems.

Technology

Lightweight composite and metallic structure design and manufacture; EWIS design and components; proprietary coating solutions.

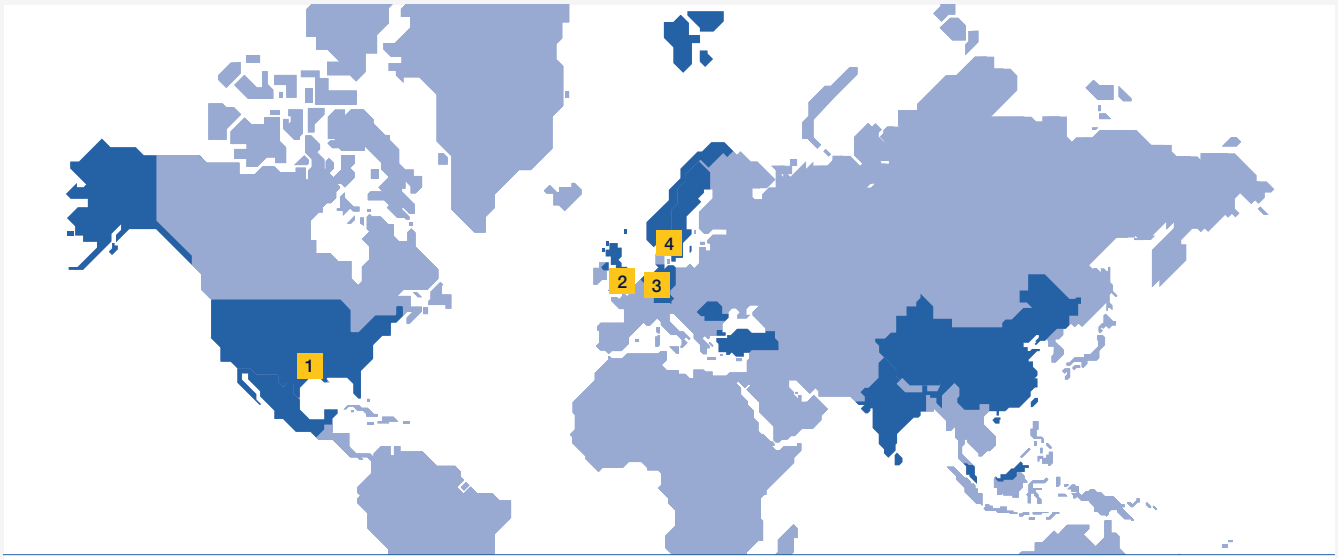
2025 Revenue



1	Civil	65%
2	Defence	35%

Read more about our Airframes division page 20

OUR GLOBAL PRESENCE



Key

- 1 Fort Worth, US
- 2 Bristol, UK
- 3 Hoogeveen, Netherlands
- 4 Trollhättan, Sweden
- Global technology & Innovation centres (4)
- Countries with manufacturing locations (12)

32
Manufacturing sites

12
Countries of operation

4
Technology & Innovation centres

3
Engine repair centres of excellence

INVESTMENT CASE

We have a compelling investment case delivering long-term value creation built on our embedded platform positions, differentiated technology and strong end market demand.

BUSINESS ATTRIBUTES

01

Well positioned in structurally growing civil and defence aerospace markets

The aerospace market is characterised by long-term structural growth, including record aircraft order books, increasing engine flight hours and rising defence spend. We continue to benefit both from the production ramp-up of new aircraft, as well as the strongly growing engine aftermarket.

>15,000
aircraft order backlog across Airbus and Boeing

02

Established presence on all of the world's leading aircraft and engines

We have embedded positions on today's leading commercial narrowbody and widebody aircraft, business jets, as well as the world's major defence platforms. We have technology on-board around 100,000 flights a day. We are well balanced across the major OEMs within the Engines and Airframes civil and defence markets, fulfilling original equipment and aftermarket activity.

>70%
revenue generated from sole source positions

03

Unique portfolio of 19 engine RRSPs giving entitlement to long-term aftermarket growth and cash

We have a uniquely broad portfolio of engine risk and revenue sharing partnerships ("RRSPs"). All 19 of these programmes are set to be cash positive in 2028, delivering substantial free cash inflow in the years ahead.

RRSP brochure
www.melroseplc.net/media/p23g1rby/melrose-rrsp-booklet-digital.pdf

$27bn
of cash to be generated by our RRSP portfolio over the life of the engine programmes

04

Proven track record of continuous business improvement

We drive continuous business improvement to ensure we remain a vibrant and trusted business for all stakeholders. We are focused on operational excellence and delivery for our global customers, and achieving progressive financial results.

£125m
of free cash flow generated in 2025, with a target to reach £600m by 2029

05

New growth opportunities from proprietary technology such as Engines' additive fabrication

We are a trusted design partner to our customers, delivering breakthrough technologies and creating high-quality, precision-engineered components. Our differentiated technology, including world-leading additive fabrication capability, enables us to strengthen our existing positions and take advantage of new opportunities.

Proprietary
additive fabrication technology in demand from all engine OEMs

06

Key partner for next generation aircraft; only player on both next generation engines

We are a partner on both future single-aisle engine technology programmes: the CFMI RISE and Pratt & Whitney's next generation GTF. We have also been a wing partner with Airbus for 25 years. Our design-led partnerships mean we are well placed to participate in the next generation of aircraft and engines.

Partner
on both next generation aircraft engine technology development programmes

SHAREHOLDER RETURNS

2029 TARGETS

Group revenue of

c.£5bn

(2025: £3,589m)

Margin of

24%+

(2025: 18.0%)

Adjusted operating profit of

c.£1.2bn+

(2025: £647m)

Earnings per share annual growth[1]

>20%

(2025: 20%)

Free cash flow of

£600m

after tax and interest (2025: £125m)

LONG-TERM

Ongoing sales and EPS growth with sustained increase in cash generation.

Cash returns for shareholders

(1) 2024-2029 CAGR

CHAIR'S STATEMENT

> 2025 was a year of **positive momentum** and **good performance** for Melrose."
>
> **Chris Grigg**
> Chair

Introduction

I am delighted to be making my first annual statement following my appointment as Chair of the Board in March 2025.

2025 was a year of positive momentum and good performance for Melrose, set against a dynamic and complex backdrop for the global aerospace and defence industry. Demand across both civil aerospace and defence remained strong, while the pace and predictability of industry ramp-up continued to test execution discipline across the supply chain.

Against this backdrop, the Board's focus throughout the year was on supporting management in delivering reliably to customers, maintaining strong financial discipline, and driving performance across the Group with a view to generating sustainable value for shareholders.

Since stepping into the role of Chair during the year, having joined the Board in October 2024, I have enjoyed meeting with our leaders across the Group and our shareholders. These interactions reinforced my confidence in the quality of our Engines and Airframes businesses, particularly the depth of engineering capability, long-standing customer relationships and the scale and resilience of GKN Aerospace.

With Melrose now a focused aerospace and defence technology business, the Board's priorities have increasingly centred on disciplined execution through the industry ramp-up, sustained cash generation, long-term capital allocation, and the highest standards of governance, safety and quality. My role as Chair is to ensure that the Board remains well equipped to support management, and to provide effective oversight and constructive challenge.

Wider industry context

During 2025, the Board spent a lot of time considering Melrose's strategic position within the wider industry context. The aerospace and defence industry is characterised by strong underlying demand, record order backlogs at OEM customers and increased defence expenditure, alongside continued supply chain constraints and operational complexity. Geopolitical developments during the year reinforced the strategic importance of supply chain resilience, and the need for robust governance, compliance and operational discipline.

Our portfolio spans both civil and defence programmes, and the Board is mindful of its responsibilities in both domains. With GKN Aerospace's unique commercial balance between top tier civil aerospace platforms and prime western defence platforms, the reliability, quality and integrity of our contributions as a Super-Tier 1 partner remain central to our licence to operate and to our long-term relationships with customers and governments.

Board evolution and succession

During the year, Justin Dowley and David Lis stepped down from the Board, and I would like to thank them for their contributions to the Company spanning a combined period of over two decades. As Melrose moves forward, the emphasis has shifted to long-term strategic delivery and governance within an aerospace and defence context, and the Board has been refreshed accordingly.

Throughout 2025, the Board deliberately evolved to reflect Melrose's position as a global aerospace and defence technology business, with a long-term stewardship mindset. This is central to ensuring that the Board's collective skills and experience remain aligned to the Company's strategy, and relevant in supporting management to drive performance across the Group.

The Board made several important Non-executive Director appointments designed to further strengthen its effectiveness and to deepen its collective experience in the aerospace and defence sectors. Alison Goligher, Guy Hachey and Mary Petryszyn[1] have joined the Board and bring substantial aerospace and defence experience, together with strong governance expertise within major publicly listed companies.

Alison Goligher was appointed as a Non-executive Director during the year and subsequently as Chair of the Remuneration Committee and Senior Independent Director. Alison's appointment has strengthened the Board's leadership in remuneration governance and shareholder engagement.

Guy Hachey and Mary Petryszyn bring particularly deep executive experience across the aerospace and defence sectors, including extensive executive exposure across key North American markets.

(1) Mary Petryszyn was appointed to the Board on 26 January 2026.

CHAIR'S STATEMENT | CONTINUED

Executive succession planning is a core Board responsibility. During the year, the Company announced that Matthew Gregory intends to retire as Chief Financial Officer and executive Director during 2026, and that Ross McCluskey will join Melrose and the Board as an executive Director and Chief Financial Officer in 2026. This transition reflects the Board's commitment to continuity and sustained financial discipline.

Shareholder engagement

The Board and I are committed to open and constructive engagement with shareholders. In the first half of the year, I met with shareholders representing over 40% of the Company's share register. These meetings were held on an open-agenda basis and covered strategy, governance, succession, remuneration and long-term value creation.

Feedback from these discussions was shared with the Board and, where appropriate, informed Board and Committee deliberations. I regard this ongoing dialogue as an important element of effective stewardship.

Following the significant vote against the 2024 Directors' Remuneration Report, the Chair of the Remuneration Committee and I undertook extensive engagement with shareholders and proxy agencies during the second half of 2025.

This engagement informed the Remuneration Committee's commitment to follow policy and market practice, transparent use of discretion, and advance consultation with shareholders on sensitive matters where appropriate. The Remuneration Committee is clear that shareholders expect discretion to be exercised in exceptional circumstances and in a manner consistent with policy.

Further detail on the engagement process, the feedback received, and the Remuneration Committee's response is set out in the 2025 Directors' Remuneration Report.

Board engagement with the business

To support effective oversight, the Board maintains close engagement with the business, including through a programme of site visits and operational deep dives. Since I joined the Board in October 2024, the Board has visited key operating sites across both the Engines and Airframes divisions, including Filton and Western Approach in the UK, Trollhättan in Sweden, and our Global Technology Centres in the UK and Sweden.

During 2025, the Board held deep dive reviews of each of the Engines and Airframes divisions, covering their operational performance and longer-term strategic plans. The Board also conducted dedicated reviews into material risk areas such as cyber security, and key progress areas including sustainability and organisational talent and development. These sessions allow the Board to test how strategy is being translated into execution and to focus its challenge on areas of high impact to the business.

The Board is satisfied that performance during 2025 was consistent with expectations and that the Group continued to strengthen its financial profile while maintaining a clear focus on customer delivery and quality. Further detail is set out in the Chief Executive Officer's Review and Chief Financial Officer's Review on pages 8 to 11 and 26 to 31 respectively.

People, culture and sustainability

Culture and behaviours are fundamental to long-term performance, particularly in safety-critical and highly regulated sectors such as aerospace and defence. Each year, the Board reviews how the Group's values and culture are embedded across the organisation, including through leadership behaviours, talent and development reviews, safety performance and quality standards.

Sustainability remains an important area of focus for the Board. During the year, Melrose met its existing sustainability targets ahead of schedule and has set out an upgraded set of targets in this Annual Report, reflecting the Group's evolving priorities and ambition. The Board oversaw this transition and the development of the new targets, which are described in more detail in the Sustainability Review. The Board will monitor progress against these upgraded targets as part of its ongoing oversight of long-term value creation.

Risk management and governance

The Board continued to review the Group's principal risks during the year. This included further focus on supply-chain resilience through the industry ramp-up, management and mitigation of trade and tariff complexity during the first half of the year, and deep dive reviews of cyber security, and the industrialisation of advanced manufacturing technologies.

Further details of the risk landscape that our businesses operate within are set out in the Principal Risks and Uncertainties section of this Annual Report on pages 35 to 39.

Dividend

Reflecting the Group's performance during the year and the Board's assessment of the current outlook, and in line with our growing dividend policy, the Board proposes to pay a final dividend of 4.8 pence per share for 2025, making a total dividend for the year of 7.2 pence per share. The final dividend will be paid on 5 May 2026 to those shareholders on the register at 20 March 2026. This proposal is consistent with the Board's disciplined approach to capital allocation, balancing investment in long-term capability with appropriate returns to shareholders.

Looking ahead

As Melrose moves into 2026, the Board has several priorities in supporting management to deliver. Our focus will be on monitoring delivery against the Group's long-term strategic targets; overseeing the material risks that may impact the Company's ability to deliver its strategy; ensuring appropriate mitigations and effective controls are in place; and ensuring that leadership, governance, culture, and incentives remain aligned with sustainable value creation.

I would like to thank colleagues across the business for their professionalism and commitment during another important year, and our shareholders for their continued support and constructive engagement.

Chris Grigg
Chair

27 February 2026

CHIEF EXECUTIVE OFFICER'S REVIEW

> We are well placed to deliver further profitable growth and a step change in cash generation in the years ahead."
>
> **Peter Dilnot**
> Chief Executive Officer

Overview

We are executing our plan with a focused strategy providing a clear path for significant value creation through the delivery of profitable growth and accelerating cash generation. We operate in attractive aerospace and defence markets with excellent fundamentals supported by record order backlogs and a strong aftermarket. Having repositioned Melrose as a design-led, Super-Tier 1 business with embedded technology on the world's leading aircraft, we are well placed to benefit from this growing structural demand.

2025 marked the end of an important phase in the Group's development, with the completion of our multi-year transformation programme, a key component in delivering operational and commercial excellence across the Group. We have optimised our global footprint through the exit of non-core businesses and site consolidations. We have focused our capital investment on capacity expansion to meet the production ramp-up and continued to invest in our four global technology centres, ensuring we remain at the forefront of innovation supporting our customers on next generation platforms. Finally, we have met our commercial targets, working closely with our customers to ensure our Defence business and other parts of the product portfolio are sustainably priced.

With the right foundations now in place, we have transitioned into the next phase in the Group's evolution, leveraging the repositioned business to deliver growth, further margin expansion and increased cash flow. This consists of delivering the OE and aftermarket ramp-up, driving productivity gains from the sites and ensuring that the commercial actions continue to read through. We are also focused on unlocking working capital, particularly through inventory reduction and embedding our 'Brilliant Basics' lean operating model.

We delivered another strong performance in 2025, our third year as a focused aerospace and defence company. Operating profit grew by 23% and we improved cash flow by c.£200 million, generating positive free cash flow of £125 million which is an important milestone for the Group. These strong results were delivered against the backdrop of additional complexity caused by US tariffs and ongoing constraints in the supply chain.

While the most significant contributor to future value is profitably capturing industry growth in OE production and the aftermarket, we are also making good progress through our ongoing expansion in attractive target opportunities, such as commercialising our breakthrough proprietary additive fabrication technology and developing uncrewed Defence air vehicles. Beyond these, we continue to position for the longer term with partnerships working on the next generation of single aisle engines and airframes, sixth generation fighters, and electric flight.

Across both civil and defence airframes, we have design-led capability across a broad range of critical components, including primary wing structures; empennages; landing gear; anti-icing systems; electrical distribution systems; and aircraft windows and canopies. To better reflect the breadth and competitive strengths of this product portfolio, from today we are renaming the Structures division as Airframes.

We have positive momentum, a clear strategy and excellent growth opportunities ahead.

Well-positioned in structural growth markets

Our revenue streams are broad-based, generating income from: Engines and Airframes; original equipment and aftermarket; and across both civil aerospace and defence markets. In 2025, civil aerospace and defence represented 71% and 29% of Group revenue respectively.

Within civil aerospace, we have content on large, regional and business jets and hold embedded positions on all leading commercial narrowbody and widebody aircraft, with a stronger weighting towards Airbus. In Engines, we lead the industry in the fabrication of advanced engine structures, cases and frames. We are RRSP partners on 19 different engine families, six of which will generate 90% of the value of the RRSP portfolio. In Airframes, we have strong embedded positions with over 70% of our content provided on a sole-sourced basis.

Within defence, we have airframes and engines content on all of the major global platforms, both fixed wing and rotorcraft, including the F-35, Gripen, Apache, Black Hawk, C-130 and Eurofighter.

Defence Aerospace

The most notable development during 2025 across our end markets was in defence, with global tensions and conflict driving a significant increase in military spending commitments. In June, NATO members announced a commitment to increase their defence spending target from 2% of gross domestic product to 3.5%. In Europe, the ReArm Europe Plan aims to mobilise €800 billion defence spending by 2029, and Security Action for Europe provides €150 billion in potential loans for joint procurement of military equipment. In the USA, while the defence budget request for 2026 of US$848 billion was flat on 2025, shortly after the period end, the US President announced a proposal to increase the defence budget for 2027 by over 50% to US$1.5 trillion.

Alongside this generational shift in defence spending, the nature of warfighting continues to evolve as demonstrated by the increased use of uncrewed vehicles. We are well placed to benefit from both of these long-term trends.

CHIEF EXECUTIVE OFFICER'S REVIEW | CONTINUED

First, growing budgets and higher spending will support continued demand for key defence platforms such as the F-35 and Gripen where we have established positions and significant content. Secondly, our differentiated technology is already creating new business opportunities, and we are actively participating in a number of new projects, particularly in relation to uncrewed vehicles, such as the ones announced in 2025 with the Swedish Defence Materiel Administration ("FMV") in Sweden and Anduril in the UK.

Civil Aerospace

The imposition of US tariffs in April added complexity and uncertainty in global supply chains. While we were able to largely mitigate the impact of these new trade restrictions, we saw some impact on deliveries in the second quarter, the majority of which was recovered in the second half. The UK/US and EU/US zero tariff agreements reached during 2025 covering civil aerospace have been welcomed by market participants, providing greater certainty for the industry. While deliveries of new aircraft increased in 2025, the supply chain remains fragile and is yet to recover to pre-covid levels, with the operational environment expected to remain complex and dynamic in 2026.

Despite this, the combination of strong underlying demand for new aircraft and a supply chain that continues to hold back OE build rates means order backlogs remain at record levels, stretching well into the 2030s. Pratt & Whitney's GTF engine family currently has one of the largest order books in the commercial-aviation market with total orders and commitments exceeding 12,000 engines from over 90 customers. Similarly, order books for new widebody engines such as GE Aerospace's GEnx that powers the Boeing 787 and Rolls-Royce's XWB that powers the Airbus A350 continued to grow in 2025.

In 2025, Airbus delivered a total of 793 commercial aircraft, 4% up on 2024, and in February 2026 announced a target to increase production rates on the A320 to 70-75 per month by the end of 2027. Boeing substantially increased its deliveries in the year growing 72% from 348 to 600 and obtained approval from the FAA to increase its monthly production of the 737MAX to 42 with a future goal of 47 plus. In the longer term, the substantial backlogs will support our expected future business growth.

Within our Engines portfolio, we have two RRSPs on Pratt & Whitney's Geared Turbo Fan ("GTF") engine which powers the A320, A220 and E2. The inspection programme to resolve powder metal issues on the GTF PW1100G engine (A320) remains on track with a substantial expansion in planned MRO capacity expected to increase engines returning to service in 2026. During 2025, the next generation of the engine, the GTF Advantage, obtained certification from both the FAA and EASA, with entry into service expected in the second half of this year.

Growth in air traffic continues to provide favourable conditions in the civil aftermarket. In 2025, total flight hours increased by 4.8%, and the outlook remains positive with forecast compound annual growth in total flight hours of over 6% between 2025 and 2030. Alongside this, the pricing environment in the aftermarket is expected to remain supportive at least in the short term, driven by high shop visit demand, low retirement rates of older aircraft and constrained OE production.

Full year results

Group revenue increased 8% on a LFL basis to £3,589 million. This comprised excellent Engines growth of 15% and Airframes growth of 3%. In Airframes, we saw a strong performance from Defence which was partially offset by Civil, where OEM build rates continue to constrain growth. The translational impact of major currencies within the Group against Sterling was to reduce revenue and adjusted operating profit by £59 million and £19 million respectively versus the comparative period.

Adjusted operating profit grew strongly by 23% to £647 million, with margins up 240bps to 18.0% driven by sales growth and business and operational improvements. We generated £125 million of free cash flow which represents a key inflection point for the Group. Our net debt position was in line with our expectations at £1,407 million, representing a leverage ratio of 1.8x, after funding growth, the finalisation of our business transformation programme and share buybacks.

Full year highlights

Melrose is a 'Super-Tier 1' partner with design-led solutions deeply embedded in our customers' aircraft and engines, often for the life of the programme. During the year, we made good progress in all areas of our growth strategy.

Engines

In Engines, we were awarded a contract by the FMV to develop a clean sheet uncrewed aerial vehicle demonstrator. The contract combines our leading structures and propulsion technologies from Sweden, the Netherlands and the UK, advancing system-level capabilities in uncrewed aviation. This strategic initiative builds on our long-standing partnership with FMV and the Swedish Air Force and reinforces its role as the licenced original equipment manufacturer of the RM12 engine powering the Saab Gripen fighter aircraft.

> As a result of our transformational multi-year restructuring programme, Melrose is increasingly focused on design-led technology where we have established proprietary or market-leading positions on the world's leading aircraft."
>
> **Peter Dilnot**
> Chief Executive Officer

We continued to make excellent progress with our breakthrough proprietary additive fabrication technology, where we strengthened our position with the announcement of a new dedicated production line at our Newington, Connecticut facility, as well as bolstering production capability in Kongsberg, Norway, and in Trollhättan, Sweden. This additional capacity will support the full-rate production of our breakthrough Fan Case Mount Ring ("FCMR") on the PW1500G engine, as well as enabling production of new additive components for our customers.

In engine repairs, we had a number of contract wins and extensions for fan blade repairs with key customers including Rolls-Royce, Pratt & Whitney and Boeing. Our San Diego repairs facility, which opened at the end of 2024, became fully operational. This expansion effectively doubles repairs capacity in the region. Equipped with the latest automation and robotics, the facility enhances product reliability, boosts efficiency, and reduces turnaround times for our global partners.

Airframes

In Defence, we signed multi-year continuation contracts with Lockheed Martin for C-130J nacelles and BAE Systems for Typhoon canopies. We also signed a new MoU with Airbus Helicopters, strengthening the long-term relationship between Airbus, GKN Aerospace and Dutch industry in defence. At the end of the year, we announced a collaboration with Anduril on next-generation uncrewed aerial vehicle solutions targeting the UK Government's Land Autonomous Collaborative Platform contract and the British Army's Project NYX.

Our Garden Grove facility in the USA achieved a number of production milestones as well as moving the project to double F-35 canopy production into the execution phase with additional capacity expected to come on stream in 2027. As announced at the half year, as a result of the work done by our commercial teams, we reached our goal of having 85% of our defence portfolio sustainably priced some six months ahead of schedule.

In June, we announced our collaboration with Archer on the manufacture and supply of key airframe components for the production ramp-up phase of the Midnight aircraft programme, with production taking place at our sites in the UK. This expands the scope of our existing relationship, which has focused on supplying Midnight's low voltage Electrical Wiring Interconnection Systems.

Operational highlights

Across the Group we made significant operational gains in 2025, reinforcing safety and quality as top priorities. On safety, our Total Injury Rate ("TIR") was 32% lower at 4.16 (2024: 6.15), while the cost of poor quality ("COPQ") improved by 19%. Quality improvements not only strengthened customer relationships but also drove a number of efficiency savings versus the comparative period. We also delivered further improvements in productivity which increased by three percentage points. These gains reflect the traction we are seeing with our lean operating model, 'Brilliant Basics', which is building a stronger culture of continuous improvement throughout the Group.

While this is encouraging, we have not yet been successful in reducing our inventory levels across the Group which remain high. While continuing volatility in OE demand has been a factor here, reducing inventory levels and unlocking working capital will remain a key focus area across the Group where we are deploying our 'Brilliant Basics' tools.

Differentiated technology

During 2025, we continued to apply our product design leadership capabilities to guide the development of our differentiated technologies aimed at improving the efficiency of our customers' aircraft and engines, as well as improving our efficiency in energy and material utilisation. Our solutions for both the civil and defence markets provide reductions in weight and improvements in performance critical to enabling the introduction of new aircraft concepts as well as the step change required to launch the next generation of major aircraft and engines.

CHIEF EXECUTIVE OFFICER'S REVIEW | CONTINUED

Our additive fabrication technologies continue to progress, following the successful certification and industrialisation of the world's first major structural component, the Fan Case Mount Ring component of the GTF PW1500G engine for Pratt & Whitney. This two metre diameter engine structure has already achieved a 40% material waste reduction per part compared to traditional manufacturing methods, with further opportunities identified. This marks the first of many planned technology insertions being developed with Pratt & Whitney, GE Aerospace and Rolls-Royce, as we combine our design leadership role with world leading additive capabilities.

Composite structures also remain a key priority for our business, with material and process developments focused on minimising weight whilst also enabling significant improvements in manufacturing efficiency, rate and cost. Following successful completion of major collaborative programmes such as ASCEND and Airbus' Wing of Tomorrow programme, we have launched a new R&D consortium (ASPIRE) aimed at greater structural optimisation on the next generation of composite wing structures and have further programmes targeting both airframe and engine structures due to launch in 2026.

Electrification of aircraft and propulsion systems offer an important opportunity to reduce aviation's inflight emissions. Building on our established Electrical Wiring and Interconnect System ("EWIS") business, we have been exploring higher power electrical solutions, supporting our advanced air mobility customers as well as cutting edge technology collaborations such as the EU-supported SWITCH consortium project in which we delivered the first high voltage electrical wire harnesses to advance hybrid-electric aircraft. Our hydrogen propulsion portfolio was rationalised to focus on the area of greatest impact and importance to our customer, electrical power distribution. Building on our learning from the H2Gear programme planned to complete in 2026, we launched the H2FLyGHT programme in the UK and the connected Airbus led 'ICEFLIGHT' programme in the Netherlands.

In our aftermarket services, the extension of our repairs contract with Pratt & Whitney, demonstrates our continued commitment to improving aircraft life cycle and circularity. We also expanded our repair technology portfolio, building on our additive fabrication technologies to enhance efficiency and repairability of engine structures.

Having delivered on our 2025 climate-related sustainability targets, we have now set updated targets to 2030, which continue to focus on enabling aviation's route to Net Zero, reducing our emissions as a business and reducing our consumption of natural resources.

Capital allocation

The delivery of our free cash flow target in 2025 represents the start of a sustained period of cash generation for the Group, with our leading positions and positive momentum providing confidence that we will deliver a significant increase in cash flow for many years ahead.

Against this backdrop, we have a clear capital allocation framework.

Our first priority is to invest in the business to drive organic growth through capacity expansions and automation to deliver the Civil and Defence ramp up and targeted expansion opportunities. In Engines, we are deploying capital in our unique additive fabrication technology. In Airframes, we are taking a more selective approach including customer funding where possible.

Our second priority is our commitment to grow the ordinary dividend and finally, we will look to return excess capital to shareholders through share buybacks.

Alongside these priorities, we will maintain a strong balance sheet with a target leverage ratio of between 1.5x to 2.0x, with investment grade metrics being targeted over time.

The Board has declared a final dividend for 2025 of 4.8 pence per share which will be paid on 5 May 2026 to shareholders on the register at the close of business on 20 March 2026. This takes the total annual dividend to 7.2 pence per share, representing growth of 20%.

At the end of 2025, we had completed £192 million of our £250 million 18-month share buyback programme and remain on track to complete the remainder by the end of March 2026. Today we are announcing a new share buyback programme of £175 million to be completed by the end of March 2027.

Outlook

Melrose is focused on design-led technology where we have established proprietary or market-leading positions on the world's leading aircraft. With structural demand from record order backlogs and increasing aftermarket requirements set to continue, we are well placed to deliver further profitable growth and increased cash generation in 2026 and the years ahead.

For 2026, we expect to deliver another year of growth in sales, operating profit and free cash flow. As usual we expect cash generation will be second half weighted. Our 2026 guidance assumes an average exchange rate of GBP £ = US$1.37 and does not factor any impact from any new trade restrictions or tariffs.

Income Statement	Updated (million)
Revenue:	
Engines	£1,700 – £1,800
Airframes	£2,050 – £2,150
Group	**£3,750 – £3,950**
Adjusted operating profit	
Engines	£565 – £595
Airframes	£170 – £190
PLC costs	c.£35
Group	£700 – £750
Free cash flow	£150 – £200

Last year we announced a series of five-year targets for the Group out to 2029: £5 billion of revenue, £1.2+ billion of adjusted operating profit and £600 million of free cash flow (stated at GBP £ = US$1.25). With strong momentum across the Group, we have a clear path to delivering these targets based on the expected ramp up in production rates to publicised levels and our positive trajectory. We are excited about the future prospects for Melrose and focused on delivering value for the benefit of all stakeholders in the years ahead.

Peter Dilnot
Chief Executive Officer

27 February 2026

MARKET TRENDS 2025

Record backlogs in civil and defence markets, with production ramping up

01

Steady civil ramp, record backlog

Global aircraft deliveries increased in 2025, with Airbus progressing in the face of supply chain issues and Boeing almost doubling their 2024 deliveries as their production continued to stabilise. With Boeing securing FAA approval to raise 737 MAX production rates and Airbus reiterating their commitment to produce 75 A320s a month, there is further confidence in the single-aisle ramp up ahead. The global backlog continued to rise with orders once again outstripping new aircraft supply. Elsewhere, the business jet market saw strong demand, underpinned by new models, while the Advanced Air Mobility ("AAM") sector continued to focus on aircraft certification and preparations for market entry.

RESPONSE

Melrose has a clear strategy to deliver growth from its existing platform positions and expand into targeted new opportunities. In 2025 it made significant strategic progress, completing its multi-year transformation plan to position for rate readiness, as well as securing new contracts across both Engines and Airframes, including with Archer and Pratt & Whitney. It also announced plans to expand its world-leading additive fabrication capacity, with new production lines at its Newington site, in Connecticut, USA, and in Kongsberg, Norway. These will support serial production of existing additive engine structures, as well as future new product wins.

02

Strong aftermarket

Global flight hours continued to rise in 2025 as demand for air travel grew. Narrowbody aircraft accounted for the majority of the increase, while widebody flight hours surpassed 2019 levels for the first time. Although new aircraft deliveries rose in the year, airlines also retained existing aircraft to meet their increasing fleet capacity needs, driving up demand for engine maintenance and repair. This trend was accentuated by the higher-than-usual number of aircraft on the ground, driven by ongoing engine availability and reliability challenges. Strong aftermarket demand, driven by continuing growth in air traffic and retirements remaining low, is expected to continue in the years ahead.

RESPONSE

Our unique portfolio of 19 risk and revenue sharing partnerships continued to mature in 2025, moving further into the cash generative aftermarket phase. Melrose continued to invest in its industry-leading engine repairs business, with its largest and most advanced centre of excellence now fully operational in San Diego, California, alongside existing facilities in Asia and Europe. During 2025 the Engines and Airframes divisions won multi-year contract extensions with key customers, including Pratt & Whitney to repair V2500 fan blades, Boeing for C-17 blade repairs and Rolls-Royce across multiple engines.

03

Defence growth, rising spending commitments

Geopolitical instability continued to drive up demand for key military platforms, with NATO defence spending and future commitments increasing substantially. All member nations met or exceeded the 2% GDP benchmark in 2025, with the alliance committed to a new 5% target by 2035 (3.5% for core defence requirements and 1.5% for critical infrastructure), signalling a long-term investment cycle. F-35 production continued at pace while sixth-generation fighter development also advanced in the year, with the USA's Next Generation Air Dominance ("NGAD") programme entering the engineering and manufacturing phase. Uncrewed platforms also achieved key milestones, supported by substantial funding aimed at enabling low-cost, high-volume mass deployment in the coming years.

RESPONSE

In 2025, the Airframes division exceeded its target of 85% of core defence work to be sustainably priced. The Group also secured multiple new commercial agreements, including a six-year follow-on contract with BAE for Typhoon canopies and a strategic partnership with Airbus Helicopters for the H225M Caracal. In the rapidly growing uncrewed aerial vehicle ("UAV") market, the business signed a teaming agreement with Anduril UK, while also securing a contract to deliver an all-new UAV demonstrator in Sweden. Defence accounts for around 30% of Melrose revenue today and the Group is well-placed for high-quality growth ahead.

04

Innovation and new technologies

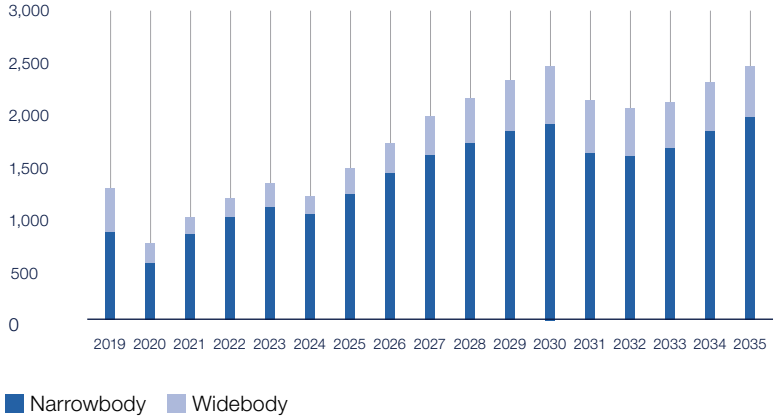
The requirement for new technologies to enable sustainable flight and to meet net zero targets continued to drive innovation across the civil aerospace sector in 2025. In addition, global conflicts have resulted in a generational uplift in defence spending commitments across NATO countries. This has fuelled the need for new platforms in defence, particularly UAVs, as well as the emergence of a number of new market entrants. Companies such as Anduril and Archer sought established design-and-build partners to enable rapid development and certification of new platforms. Existing airframe and engine OEMs, meanwhile, continued to explore new technology solutions to enable the next generation of more efficient and higher-rate aircraft production.

RESPONSE

Melrose made significant progress in technology and key customer partnerships during 2025. Within Airframes, Melrose launched the £12 million ASPIRE project to explore next-generation wing technology and delivered the first high voltage EWIS system for Clean Aviation's SWITCH programme, alongside Airbus, Pratt & Whitney, Collins and MTU. In Engines, it accelerated additive technology, reaching serial production rate of its GTF fan case mount ring, as well as maintaining its position as a partner in both ongoing single-aisle engine technology demonstrators: RISE and the next-generation GTF. On the defence side, the Group also won a contract to develop a clean-sheet UAV for Sweden's FMV in just 18 months.

MARKET TRENDS 2025 | CONTINUED

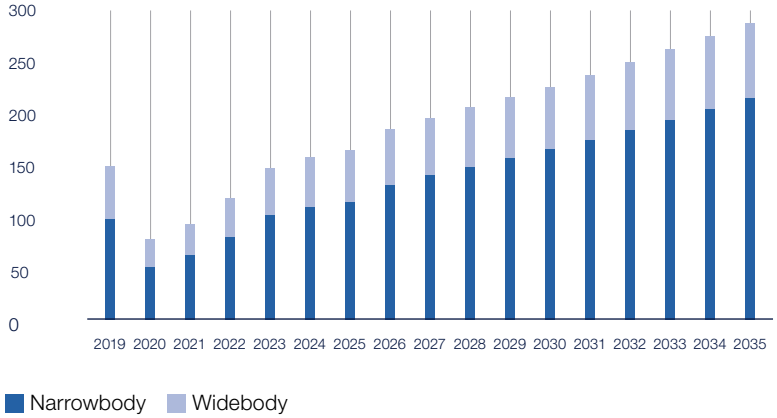
OEM deliveries



Source: History and forecast: Teal
2025: Aircraft manufacturers, AWIN

- Long-term backlog continued; a decade for single-aisle and around six years for widebodies.
- Airbus deliveries increased by 4% in 2025, with 793 new aircraft billed against 766 a year earlier.
- Boeing annual deliveries rose sharply, reaching 600 aircraft in 2025 versus 348 in 2024.
- Embraer also saw total deliveries increase (244 in 2025 versus 206 in 2024) as industry-wide deliveries returned to growth versus prior year.
- Supply chain started to ease in 2025; ongoing challenges to remain in some areas.

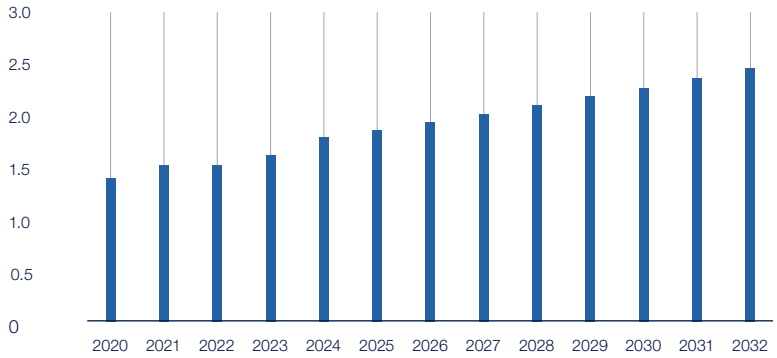
Engine flight hours (millions)



Source: AWIN

- Continued rise in passenger demand, with flight hours 4% above 2024 levels and passenger load factors remaining in the mid-80%s.
- Narrowbody aircraft continued to dominate, making up c.70% of flight hours globally.
- Widebody flight hours surpassed pre-COVID levels for the first time.
- Average fleet age rose above 15 years, compared to less than 14 years in the years leading up to 2024, driving up the need for maintenance, repairs and overhaul.
- Increasing flights helped drive global engine shop visits up c.12% in 2025 versus prior year.

NATO+ defence spend ($ trillions)



Source: NATO and Global Data
Chart relates to spending from NATO countries plus Australia, India, Israel, Japan, Saudi Arabia and South Korea

- NATO and allies defence spending increased 3.4% vs 2024 in continued response to ongoing conflicts.
- Strong future commitments, with NATO partners setting long-term targets of 5% of GDP by 2035.
- F-35 achieved a record year of deliveries, with 191 aircraft produced in 2025, surpassing the previous high of 141 jets.
- US uncrewed aerial vehicle market size was c.£12.5bn in 2024 and expected to increase at 14% CAGR to £35bn in 2032.
- US spends more on defence than the next nine largest countries combined.

OUR BUSINESS MODEL AND STRATEGY

Melrose **designs** and **delivers** advanced aerospace and defence components for the world's leading aircraft and military programmes, while pushing to continuously **improve** our business every day.

Deliver growth from existing platforms

Production ramp-up

Record civil order backlogs and significant rise in defence spending to drive strong growth, based on Melrose's embedded positions on all of today's major aircraft.

Increasing returns from RRSPs

Industry-leading portfolio of 19 engine risk and revenue sharing partnerships ("RRSPs"), which cover c.70% of all global flying hours, all set to be cash generative in 2028.

Engines parts repair expansion

Significant growth market as existing aircraft fly longer and maintenance demand rises, serviced by our expanding three-continent fan blade repair footprint.

Operational and Commercial excellence

Underpinned by commercial edge and global manufacturing capability, Melrose's relentless focus on continuous operational improvement ensures it delivers for customers and unlocks value for our stakeholders.

STRATEGY IN ACTION

Engines parts repair expansion

We doubled production rates at our Johor, Malaysia repair facility as well as commencing operations at our newest facility in San Diego in 2025. We also won multiple contracts including a five-year extension to repair V2500 engine fan blades, as well as a three-year extension with Boeing to provide fan blade repair services for the C-17 Globemaster.

STRATEGY IN ACTION

Operational and Commercial excellence

Continued investment in automation and digitalisation in 2025, coupled with the acceleration of our 'Brilliant Basics' approach to lean operations, drove further improvements in productivity and efficiency savings. Quality escapes reduced by 24% compared to 2024, with cost of poor quality down by 19%. Commercially, our Airframes division achieved its target of 85% of core work sustainably priced six months early.

Our strategy to 2029

Expand in targeted new opportunities

Engines additive fabrication

World-leading capability in-flight today, with significant customer pipeline ahead.

Advanced air mobility

Customer-funded contracts to support leading players in emerging markets.

Military uncrewed

Design-led demonstrator and production partnerships across multiple countries.

China growth

Well-positioned as China is set to become largest aerospace market by the 2040s.

STRATEGY IN ACTION

Additive fabrication

We announced plans for a new additive fabrication production line at our Newington, Connecticut facility, as well as expanding additive capacity in both Sweden and Norway. This will enable the full-rate production of the Engines division's ground-breaking Pratt & Whitney GTF engine Fan Case Mount Ring, as well as supporting all-new additive components for other global customers.

Participate in next generation aircraft

Next generation engines

Partner on both the RISE and next-generation GTF engine technology programmes.

Future single aisle

Design-led, decades-long partnerships with all leading engine and airframe OEMs.

Sixth generation fighters

Strong partnerships with all NATO next-generation fighter development programmes.

Hydrogen flight

Leading multiple ground-breaking projects to explore the future of zero-emission flight.

STRATEGY IN ACTION

Future single aisle

In 2025, our Airframes division launched ASPIRE, a £12 million collaborative UK research and development programme to explore lightweight and efficient composite wing structures. In parallel, it continued to partner with Airbus on electro-thermal de-icing and higher-voltage electrical wiring interconnection systems for the next generation of more electric aircraft.

2030+

Engines

A trusted technology partner to all global aircraft engine manufacturers.

HIGHLIGHTS

£1,632m

Revenue (2024: £1,459m)

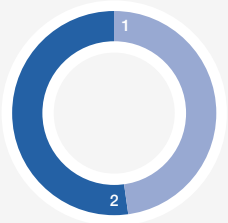
£520m

Operating profit (2024: £422m)

31.9%

Operating profit margin (2024: 28.9%)

2025 revenue



1	Original equipment	48%
2	Aftermarket	52%

Our industry-leading Engines division is a trusted technology partner to all global engine manufacturers, with differentiated products helping power around 90% of the world's major aircraft. It has significant diversification, across both civil and defence and original equipment ("OE") and aftermarket. Its technology leadership, especially in additive fabrication, has earned it a unique position on both next-generation engine development programmes. Engines' revenue is well balanced across four core business models: long-term risk and revenue sharing partnerships ("RRSPs"); non-RRSP commercial contracts; repair; and government partnerships.

The Engines division delivered excellent results in 2025 with revenue growth of 15% on a LFL basis to £1,632 million supported by favourable end market dynamics, with growth in OE and the aftermarket of 16% and 14%, respectively.

In OE, revenue from our RRSP portfolio grew 19%, driven by the ramp-up in new engine deliveries for both narrowbody and widebody aircraft, and a favourable mix impact from spare engine sales. We also saw good growth in non-RRSP commercial contracts including our military ducts business.

In the aftermarket, we saw strong revenue growth across our RRSP portfolio of 19%, primarily driven by the newer engines in service. After a flat first half, where the uncertainty created by US tariffs softened demand, our engine repairs business recovered strongly in the second half to deliver double-digit revenue growth for the full year driven by increasing shop visits and demand for spare parts. As expected, revenue in our governmental business was lower than the very strong 2024 comparator, although this part of the business also returned to growth in the second half. Variable consideration of £324 million was in line with our guidance, reflecting the ramp-up in new platforms powered by the GTF, XWB and GEnx engines.

Adjusted operating profit increased by 27% to £520 million, up from £422 million in the prior year. This resulted in an adjusted operating margin of 31.9%, 300bps above 2024 and in line with our guidance. The impact of foreign exchange translation was to reduce revenue and operating profit by £51 million and £17 million respectively compared to 2024.

> The division delivered excellent results in 2025 with revenue growth of 15% supported by favourable end market dynamics."

Pratt & Whitney's GTF Fleet Management Program ("FMP") on the PW1100G engine remains on track. The addition of substantial new shop visit capacity by global maintenance repair and overhaul ("MRO") partners is expected to accelerate progress on the FMP over the next two years. We continue to expect the total cash cost associated with the powder metal issue to be within the c.£200 million previously announced, with 2026 costs expected to be c.£50 million. The GTF Advantage was certified by both the FAA and EASA in 2025 and is expected to enter into service this year. This new variant of the GTF provides a number of benefits including additional thrust, better performance at short-field runways, improved payload and range and lower operating temperatures.

The Engines division made significant commercial progress in 2025. In engine repairs, we agreed a new contract with Rolls-Royce to be the sole external provider of fan blade repairs on the RB211-535, Trent 700 and Trent 800 engines. We agreed a five-year contract extension with Pratt & Whitney for critical fan blade repairs and also signed a new contract with Boeing for C-17 fan blades. Our new, state-of-the-art facility in San Diego increases engine repair capacity in the region, providing advanced repair solutions for both current and next generation engine components, including GE LEAP and Pratt & Whitney GTF models, alongside legacy platforms. Equipped with the latest automation and robotics, it will boost efficiency and reduce turnaround times for our global partners.

In defence, we continued to deepen our relationship with the FMV, including an agreement for us to become the type certificate holder for the RM16 engine at the heart of the latest generation of Gripen jets, the E-series. Once formalised, in 2026, this certification will maintain our support for Gripen engines for decades to come. We were also awarded a contract by the FMV to develop a clean sheet uncrewed aerial vehicle ("UAV") demonstrator, including a dedicated turbojet engine, within 18 months. With a contract value of c.£12 million, the project will combine our leading airframe and propulsion technologies from Sweden, the Netherlands and the UK, advancing system-level capabilities in uncrewed aviation and strengthens our position as a trusted partner in Sweden's national defence ecosystem. In 2025, following the successful completion of concept studies for future air combat propulsion systems, we were awarded a contract to explore and recommend options for Sweden's next generation of air combat systems.

CASE STUDY /

Accelerating additive fabrication

We strengthened our position as the industry leader in additive fabrication during 2025, announcing a new dedicated production line at our Newington, Connecticut facility, as well as bolstering production capability in Kongsberg, Norway, and in Trollhättan, Sweden. This additional capacity will support the full-rate production of our breakthrough Fan Case Mount Ring ("FCMR"), as well as enabling production of new additive components for our global customers.

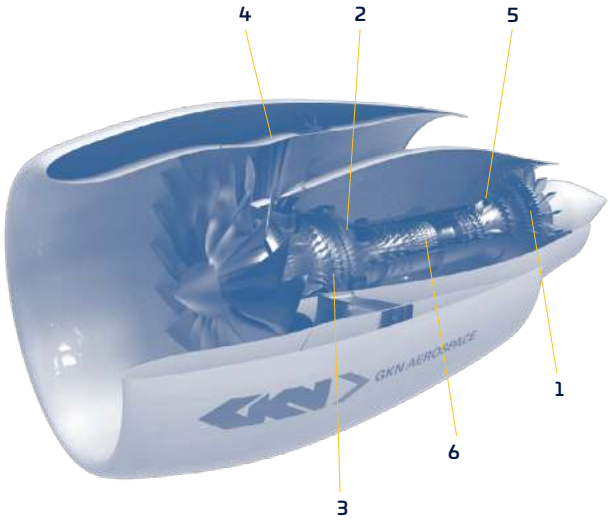
The FCMR is a key component for the Pratt & Whitney GTF engine powering Airbus' A220 and Embraer's E195-E2 aircraft. The 2m-diameter titanium structure is the largest additive component to achieve FAA certification and is the only load-bearing additively manufactured engine structure flying today. In 2025 it reached serial production, moving from 100 fabricated cases per year to 300.

During the year, we also signed a development agreement with GE Aerospace to introduce additive fabrication into future GE products. This is a significant milestone in our additive growth strategy.

Our proprietary additive fabrication processes reduce material consumption, shorten production lead times, and are on track to achieve more than 70% material savings. They can also help strengthen global supply chains, by offering an alternative production method.

TRUSTED TECHNOLOGY PARTNER

Our industry-leading Engines division is a trusted technology partner to leading global aircraft engine manufacturers, with differentiated products helping power around 90% of the world's major aircraft. With a unique portfolio of 19 risk and revenue sharing partnerships ("RRSPs"), it has significant diversification, across both civil and defence and original equipment and aftermarket. Its technology leadership, especially in additive fabrication, has earned it a position on both next generation engine development programmes. Engines' revenue is well balanced across four core markets: RRSPs, non-RRSP commercial contracts, repair, and government partnerships.



1. Rear engine mount structures
2. Forward engine mount structures
3. Rotating components
4. Fan cases
5. Turbine cases
6. Shafts

→ **RRSP booklet** www.melroseplc.net/media/p23g1rby/melrose-rrsp-booklet-digital.pdf

> Looking further ahead, Engines is a strategic partner on both future engine development programmes: the CFMI RISE and Pratt & Whitney's next generation GTF."

Operationally, 2025 was another year of good progress for Engines. Safety is our top priority, and we continue to maintain a strong track record in this area with one lost time accident recorded in 2025, which was the same as 2024. The deployment of our lean operating model, 'Brilliant Basics', is generating a number of benefits and efficiency savings and is helping embed a strong focus on quality and productivity, with the division delivering a five-percentage point improvement in productivity and a 35% improvement in the COPQ.

We are also applying differentiated technology to enhance our operational performance. In 2025, we made progress implementing Automated Visual Inspection Technology using AI and machine-vision systems for critical engine components. This significantly cuts inspection time, reduces the risk of missed defects and ensures the highest level of component safety. We are also developing fully automated technology for repairing fan blades used in commercial aircraft engines using robotics, advanced scanning, and intelligent process control to restore damaged blades with high precision and consistency. This breakthrough will significantly improve repair turnaround time and quality, helping airlines maximise aircraft in service for a longer period and time on wing at a lower cost.

It has been another important year of progress for our proprietary, additive fabrication technology, where we strengthened our position as the industry leader. In 2025, we announced the expansion of production capability at our sites in Norway and Sweden, and announced plans for a new line at our Newington, Connecticut facility. This will support further production growth of our FCMR and new additive components for our global customers.

The FCMR is a key component for the Pratt & Whitney GTF engine. The two metre diameter titanium structure is the largest additive component to achieve FAA certification and is the only load-bearing additive engine structure flying today. In 2025 it reached serial production, moving from 100 fabricated cases per year to 300. We also made progress with GE Aerospace applying additive fabrication on key insertion activities on the GEnx and GE9x including the production of a full-size demonstrator. Additive fabrication is already helping to reduce lead times, material waste and emissions in manufacture, and importantly, helping to strengthen supply chains.

Looking further ahead, Engines is a strategic partner on both future engine development programmes: the CFMI RISE and Pratt & Whitney's next generation GTF. Our work is focused on designing high performing load bearing structures utilising our additive fabrication capabilities. In 2025, we were successful in delivering our largest ever all-additive component: a large-scale, titanium engine case for the CFMI RISE technology demonstrator. Produced using fully automated direct energy deposition, the structure met casting-quality standards and demonstrated the full design and build potential of large-scale additive fabrication.

Outlook

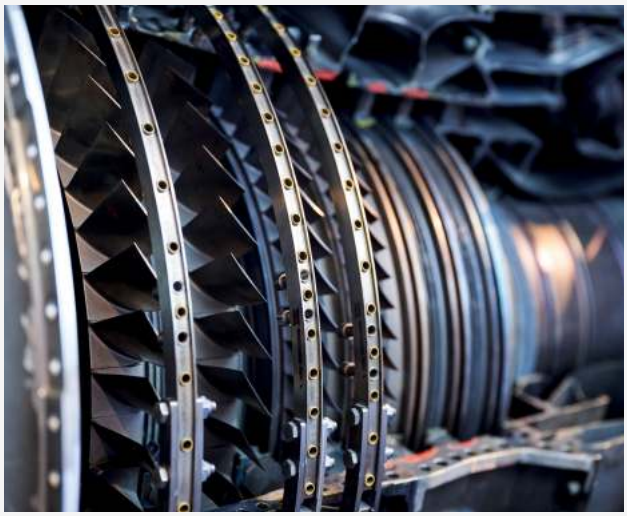
Our Engines division is well placed for continued growth, margin expansion and increasing cash flow. The division has an enviable combination of OEM level capability, proprietary technology positions, strategic partnerships with all major engine OEMs, and the most diverse RRSP portfolio in the industry. This provides the foundation for significant value creation in the years ahead.

In 2026, we expect the division to deliver revenue of £1,700 to £1,800 million and adjusted operating profit of £565 to £595 million (using an exchange rate of 1 GBP = US$1.37). In line with historical phasing, Engines margins are expected to be higher in the first half.

Our medium-term targets for the division out to 2029 are to deliver annual revenue growth of high single digits CAGR with an adjusted operating margin in the mid-to-high 30s percent.

CASE STUDY /

Strategic partnership with Swedish Ministry of Defence



Our Engines division has enjoyed an almost century-long partnership with the Swedish Defence Materiel Administration ("FMV"), dating back to 1930. Today, it holds the military type certificate for the RM12 engine powering the Saab JAS Gripen C/D aircraft.

Significant progress was made in 2025, including an agreement to become the type certificate holder for the RM16 engine at the heart of the latest generation of Gripen jets, the E-series. Once formalised in 2026, this certification would maintain our support for Gripen engines for decades to come. In the second half of the year, Saab and the Swedish Government also announced their intent for two major Gripen orders, with more than 100 jets for Ukraine and 17 for Colombia. These agreements have the potential to boost Engines' defence business for years to come.

In 2025, following the successful completion of concept studies for future fighter jet propulsion systems, we were also awarded a contract to explore and recommend options for Sweden's next generation of air combat systems.

> Significant progress was made in 2025, including an agreement to become the type certificate holder for the RM16 engine at the heart of the latest generation of Gripen jets."

Airframes

A Super-Tier-1 design-to-build partner on the world's most successful and highest volume aircraft.

HIGHLIGHTS

£1,957m

Revenue (2024: £2,009m)

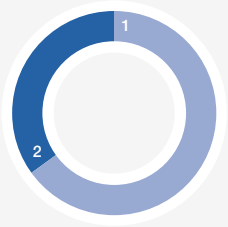
£156m

Operating profit (2024: £144m)

8.0%

Operating profit margin (2024: 7.2%)

2025 revenue



1	Civil	65%
2	Defence	35%

Our Airframes division is a Super-Tier 1 design-to-build partner on the world's most successful and highest volume civil and military aircraft. Through differentiated technology we are well positioned as partner of choice for next generation and emerging platforms. With strong underlying dynamics in both the civil and defence markets, our focus is on delivering production ramp-ups and driving margin expansion, quality of earnings and strong cash flow. The end market outlook remains very positive, underpinned by record backlog levels for new aircraft and the increase in global defence spending. Divisional revenue derived from civil and defence platforms in 2025 was 65% and 35% respectively.

While demand fundamentals are robust, during the year the division faced disruption caused by OE production rate variability, plus increased supply chain complexity following the imposition of US tariffs in the first half. Throughout the period, the business has worked closely with its customers and partners to mitigate the impact of these challenges with a focus on strong execution and meeting our commitments on delivery and quality.

While deliveries by the major OEMs increased in 2025, the overall operating environment is expected to remain complex in 2026 as strong demand continues to place pressure on what continues to be a fragile supply chain.

Airframes revenue of £1,957 million was 3% higher on a LFL basis. Defence growth was strong, with revenue up 15% on a LFL basis, reflecting programme ramp-ups and the work we have done to strengthen the business, including repricing the Defence portfolio, with over 90% achieved by the end of the year, exceeding our target. Within Defence, growth was driven by a number of platforms including the F-35, CH-47 and C130J. LFL revenue in Civil was 2% lower, with modest growth in our key narrowbody and widebody platforms, which are still impacted by continued supply chain issues affecting OEM production rates, offset by declines in business jets and other platforms.

Adjusted operating profit was up 10% at £156 million. Operating profit margin of 8.0% was 80bps above the comparative period, reflecting the positive impact of restructuring, portfolio rationalisation and business improvement actions. While we saw substantial margin improvement in Defence, progression was constrained in our Civil business reflecting a combination of lower sales volumes, product mix and lower productivity at one of our manufacturing sites in the Netherlands.

> Defence revenue was strong, with revenue up 15% reflecting programme ramp-ups and the work we have done to strengthen the business."

We have a clear and actionable plan to deliver a significant improvement at this site in 2026, including further supply chain management.

The impact of foreign exchange translation was to reduce revenue and operating profit by £8 million and £2 million respectively compared to 2024.

Airframes made good commercial progress during the year. In Civil, we expanded engagement with Archer on the 'Midnight' platform to cover both electrical systems and wing structures. The partnership supports Archer's production ramp-up phase and reinforces both companies' commitment to advancing sustainable aviation. The selection of the Midnight platform as the Official Air Taxi Provider for the 2028 Los Angeles Olympics endorses the strength of this technology and will provide a high-visibility demonstration of urban air mobility.

Our Defence business signed multi-year continuation contracts with Lockheed Martin for C-130J nacelles and BAE Systems for Typhoon canopies. We signed a new Memorandum of Understanding with Airbus Helicopters, strengthening the long-term strategic collaboration between Airbus, GKN Aerospace and the Dutch defence industry. The relationship will advance the development of critical systems for the Airbus H225M Caracal helicopter. In December, we announced an agreement with Anduril Industries to collaborate on next generation uncrewed aerial vehicle solutions. The partnership, which includes advanced composite aerostructures, Electrical Wiring Interconnection Systems ("EWIS") design and integration, a ground-based demonstrator, and advanced flight testing will initially target the UK Government's upcoming Land Autonomous Collaborative Platform contract and the British Army's Project NYX. We will be joined by Archer's eVTOL expertise to deliver this project.

Airframes continued to make good progress operationally, including steps taken to further enhance our manufacturing footprint. This included the establishment of EWIS capability at our Mexico facility which successfully progressed through first article approvals with Airbus with the full standalone facility planned to be operational in 2026. Inward investment continued in our machining and inspection capabilities for single aisle at our Filton site, to deliver incremental rate readiness and systemic productivity improvements. During the year, our Garden Grove facility achieved a number of milestones, including the delivery of the 2,500th F-35 canopy and 1,000th CH-53K transparency. The site also moved its F-35 canopy facility expansion project into full execution, with the goal to be fully operational in the second half of 2027.

CASE STUDY /

Strong progress in uncrewed military platforms

During 2025, we signed multiple customer agreements to expand within the rapidly growing uncrewed aerial vehicle ("UAV") market. As the nature of conflict changes, demand for these versatile, lower-cost platforms is set to rise significantly. Our combination of engines and airframes capabilities, and strong existing relationships with defence OEMs and Governmental customers, means we are exceptionally well positioned to act as an industrial partner in this growth sector.

In Sweden, we secured a £12 million contract to deliver a fully flight-tested UAV technology demonstrator for the Swedish Defence Ministry ("FMV"). This programme will go from clean-sheet design to testing within 18 months, proving our advanced system-level capabilities in uncrewed aircraft. It will incorporate our proprietary structures and electrical wiring technology from the Netherlands, as well as a platform-specific turbojet engine. In December, we also signed a partnership agreement with US technology leader Anduril to act as its UK airframe industrial partner for future Ministry of Defence contracts.

Both opportunities will enable us to expand our design-to-build capability in defence, embedding proprietary technologies, such as advanced composites and additive manufacturing, and operating as an integrated airframe and systems provider.

DIVISIONAL REVIEW | AIRFRAMES | CONTINUED

The deployment of our 'Brilliant Basics' lean operating model continued to drive operational improvements more broadly across Airframes. This, combined with our investment in automation and digitalisation helped a number of sites deliver significant improvements in productivity and efficiency savings during 2025. The division also made excellent progress in our top priority areas of safety and quality, delivering a substantial reduction in its TIR of 55% and an improvement in the COPQ of 8% respectively.

We have completed our multi-year transformation and restructuring programme. Through the exit of non-core and loss-making businesses, we have materially optimised and streamlined our global footprint. This, alongside the drop-through impact of additional volumes as OE build rates ramp-up, represents a key driver of further margin expansion over the next few years.

We made good progress developing our proprietary technology as part of our position as a key partner on next generation platforms. In Civil, we continued as a partner on Airbus' Aviation 2 project, the successor to the Wing of Tomorrow programme, to develop advanced, efficient spar and fixed trailing edge solutions. In parallel we launched the ASPIRE technology collaboration, to further explore composite structures for the next generation of wings with complex architecture. We are also collaborating with Airbus on the application of electro-thermal technology for future ice protection systems and on the adoption of more electrification and higher-voltage systems for the future generation of aircraft to replace legacy bleed and hydraulic systems. We also partnered with Airbus on the ICEFlight programme to develop the use of cryogenics for more sustainable aircraft.

In Defence, we secured contracts and customer funding for the development and delivery of an advanced canopy system utilising our latest generation canopy coatings. Shortly before the year end, we launched a US$8.5 million TITAN-AM programme with the US Air Force Research Laboratory to industrialise titanium additive manufacturing for large aerostructures.

Outlook

Airframes is a design-to-build partner on the world's highest volume platforms today and is a partner of choice for emerging and next generation aircraft. It is well-positioned to take advantage of the ongoing civil ramp up and defence market growth, as well as the shift to more sustainable aviation over time. With strong underlying dynamics in both markets, and our business improvement actions now substantially complete, we expect to deliver further profitable growth as production rates increase through the next five years.

In 2026, we expect the division to deliver revenue of £2,050 to £2,150 million and adjusted operating profit of £170 to £190 million (using an exchange rate of 1 GBP = US$1.37).

Our medium-term targets for the Airframes division out to 2029 are to deliver revenue growth of mid-single digit CAGR and expand operating margins to the low-teens level.

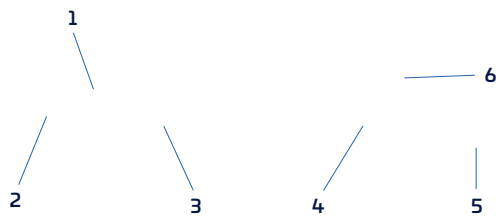
INDUSTRY-LEADING AIRFRAMES DIVISION

We are the leading Tier 1 airframe partner to global OEMs, with embedded positions on all the world's high-volume aircraft. Our customers across both civil and defence rely on our leading design and manufacturing capabilities to connect product requirements with differentiated technology solutions. In civil, our technology is on board all major platforms from business and regional jets to the largest civil aircraft, and in defence from unmanned aerial vehicles and rotorcraft to the latest generation fighters.

Our leading positions across aerostructures include major wing structures, such as fixed trailing edges and wing spars, as well as empennages and fuselage panels. We are also a global leader in multiple technologies that integrate with our aerostructures capabilities. This includes industry-leading electrical wiring interconnection systems ("EWIS"), as well as cabin and cockpit windows, military canopies, landing gear and ice-protection systems. These multi-technology capabilities come together within our Airframes division.

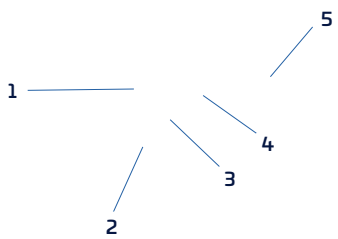
It is this breadth of capability and strong technology focus which differentiates our Airframes division, resulting in a design-to-build partner with system-level understanding of the aircraft. Combined with our market-leading Engines division, we hold a unique position within the aerospace industry today.

Civil aircraft



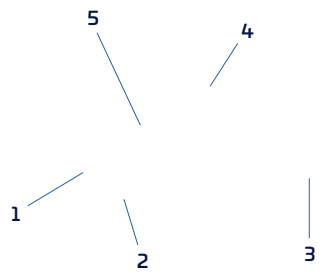
1. Electrical distribution
2. Cockpit and cabin windows
3. Fuselage
4. Primary wing structures
5. Winglets
6. Empennage

Fighter jet

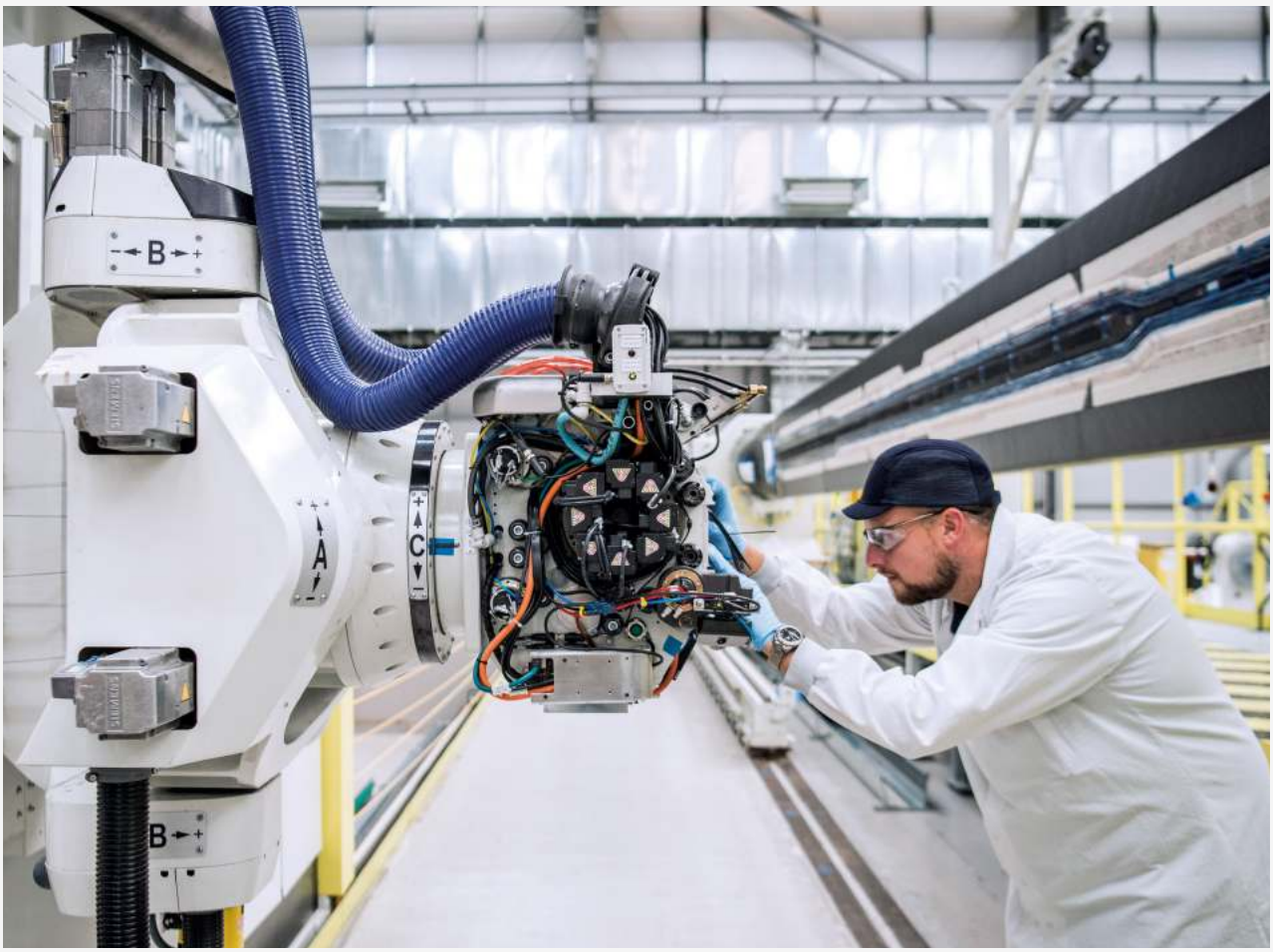


1. Transparency
2. Landing gear
3. Electrical distribution
4. Skins and doors
5. Flaperons

Rotorcraft



1. Electrical distribution
2. Landing gear
3. Empennage
4. Anti-icing systems
5. Doors and other major structures



CASE STUDY /

Next-generation single-aisle wing development

Building on decades of wing development leadership, we launched ASPIRE (Advanced Structural Product Integrated Airframe), a £12 million collaborative UK research and development programme to explore next-generation composite wing structures. The three-year programme will deliver three full-scale composite wingtip variants for technology validation and structural testing, with each wingtip variant representing a different structural philosophy and technology set.

ASPIRE will also develop a novel, high-rate and sustainable composite wing flap, with out-of-autoclave curing moulds and press-cured ribs set to drive down energy usage and costs. This expertise builds on our experience producing the A350 flap in Munich and will support future improvements for the next generation of single aisle aircraft.

The programme is co-funded by the Aerospace Technology Institute ("ATI"), with the consortium also including Carbon ThreeSixty, iCOMAT, Lineat, Pentaxia and the University of Bath.

"We launched the ASPIRE technology collaboration to further explore composite airframes for the next generation of wings with complex architecture."

KEY PERFORMANCE INDICATORS

Measuring our performance

In order to support the Group's strategy and to monitor performance, the Board uses a number of financial and non-financial key performance indicators ("KPIs").

Additional business-level KPIs are also used, which are relevant to their particular circumstances. Further detail on these KPIs is disclosed in the glossary to the financial statements and further information regarding the performance of the Group against its financial KPIs is included in the Chief Financial Officer's Review on pages 26 to 31.

Financial KPIs

		Method of calculation	Strategic objective
Revenue 2025 £3,589m 2024 £3,468m 2023 £3,350m	£3,589m	Revenue for the year ended 31 December 2025.	To capture structural growth in civil aerospace and defence markets.
Adjusted operating profit[1] 2025 £647m 2024 £540m 2023 £390m	£647m	Adjusted operating profit[1] for the year ended 31 December 2025.	To improve profitability of Group operations.
Adjusted operating profit margin[1] 2025 18.0% 2024 15.6% 2023 11.6%	18.0%	Adjusted operating profit[1] as a percentage of revenue, for the year ended 31 December 2025.	To improve profitability of Group operations.
Adjusted diluted earnings per share[1] 2025 32.1p 2024 26.4p 2023 18.7p	32.1p	Group adjusted profit after tax[1], attributable to owners of the parent, for the year ended 31 December 2025, divided by the weighted average number of diluted ordinary shares in issue.	To create long-term value for shareholders.
Total dividend per share[2] 2025 7.2p 2024 6.0p 2023 5.0p	7.2p	Total amount declared as payable by way of dividends in terms of pence per share.	To operate a growing dividend policy whenever the financial position of the Company, in the opinion of the Board, justifies the payment. For further information, please refer to the Chair's Statement on pages 6 and 7.
Free cash flow (after interest and tax)[1] 2025 £125m 2024 £(74)m 2023 £(12)m	£125m	Free cash flow (after interest and tax)[1] represents cash generated after all trading costs, including restructuring, pension contributions, tax and interest payments.	To ensure our businesses are suitably cash-generative in order to have adequate cash reserves for the effective running of the Group and for significant capital investment where required.
Leverage[1] 2025 1.8x 2024 1.9x 2023 1.1x	1.8x	Net debt[1] to adjusted EBITDA[3], being net debt at average exchange rates, divided by adjusted EBITDA at each balance sheet date. This updated measure of balance sheet strength reflects the approach taken by stakeholders.	To ensure the Group has suitable amounts of debt.

(1) Described in the glossary to the financial statements on pages 209 to 216.
(2) A final dividend for 2025 of 4.8 pence per share will be paid on 5 May 2026, following an interim dividend of 2.4 pence per share paid on 15 September 2025.
(3) Operating profit before depreciation of property, plant and equipment and amortisation of computer software and development costs.

Non-financial KPIs

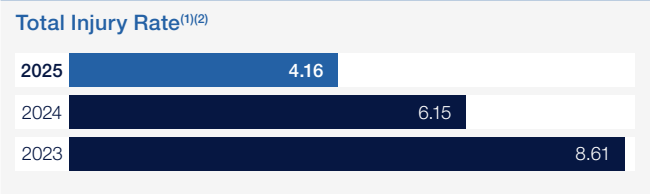
Health and safety

Method of calculation

Each division is responsible for implementing and maintaining health and safety excellence across their respective operations. The Board is provided with visibility and oversight of key health and safety KPIs throughout the year.

During 2025, to reflect Melrose's strategic shift to a steady state, long-term aerospace and defence technology business, the health and safety KPIs reported to the Board were updated to match the business's operational KPIs. Major Accident Frequency Rate, Lost Time Accident Frequency Rate and Accident Severity Rate, were replaced by the Total Injury Rate ("TIR"). Reporting data continued to cover the entire Group and all sites[1][2].

TIR[1] tracks the total number of recordable injuries, which includes Lost Time Accidents, Major Incidents and Medically Treated Injuries over a rolling 12-month period, relative to the average full-time equivalent headcount. As part of the Group's continuous improvement culture, the move to TIR provides the Board with a more comprehensive view of safety performance and allows the business to identify trends, and identify where additional focus may be required to mitigate safety incidents occurring.



In addition to TIR data, the Board receives qualitative analyses of key incidents or drivers behind performance, and any material improvement programmes that are taking place for their consideration and challenge. A variety of additional health and safety KPIs are used by the Group from time to time, which are specific to the exact nature of operations and associated risks. In the unfortunate event of a very serious incident, the Group's senior management team engage directly with the site and business line senior leadership to proactively manage the incident. Senior management develop and oversee the required actions taken, ensuring that appropriate measures are implemented to strengthen safety performance and prevent recurrence across the Group. These incidents are ultimately reported to the Board.

Strategic objective

The Group is committed to the goal of eliminating all preventable accidents. Our health and safety KPIs support our long-term ambition of zero harm, and reflect our continuous improvement philosophy, ensuring that both lagging and leading indicators are used to evaluate safety culture and drive consistent performance across sites.

Performance

The Group made significant progress in reducing the TIR in 2025 in comparison to the previous year. In 2025, particular focus was placed on strengthening our risk controls in contractor management, vehicle safety, and chemicals management, as well as laceration prevention and occupational health and surveillance. Each of these focus areas aligns with the Group's Golden Safety Rules, and serves as a fundamental pillar of our safety governance framework. Further information on the Group's health and safety initiatives can be found in the Sustainability Review on pages 48 to 83.

Environment

Method of calculation

Environmental data is reported across a consistent set of Group-wide key indicators, which cover energy consumption, greenhouse gas ("GHG") emissions, water withdrawal, waste generation and disposal, and recycling. This enables us to track progress, manage risks and identify opportunities for continuous improvement across our operations and value chain. The Group continues to make progress in delivering against its environmental targets and commitments. The Group has used the UK Government Environmental Reporting Guidelines, including the UK's Streamlined Energy and Carbon Reporting ("SECR") guidance (dated March 2019) and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition 2004)[3]. For more information on our environmental KPIs, please see the Sustainability Review on pages 48 to 83.

Strategic objective

GKN Aerospace's long standing mission is to be the most trusted and sustainable partner in the sky. This means working in close partnership with customers, suppliers and industry peers to deliver innovative aerospace solutions that combine performance, safety and sustainability. The Group is committed to driving continuous improvements in its environmental performance, accelerating progress toward Net Zero, and minimising the impact of our own operations on the environment. By embedding sustainability into how we design, manufacture and support our products, we aim to create long-term value for our stakeholders while contributing to a more sustainable future for aviation.

Performance

The Group continues to make progress in delivering against its environmental commitments. The Group has used the UK Government Environmental Reporting Guidelines, including the SECR guidance (March 2019) and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition 2004)[3] to disclose certain energy consumption data and its GHG emissions for the year ended 31 December 2025. These disclosures can be found within the Sustainability Review on page 67.

Other non-financial KPIs

In addition to environmental metrics, the Group monitors a broader set of non-financial KPIs that are integral to operational performance, risk management and long-term value creation. These include metrics on operations, product quality, commercial performance, and employee-related matters. As part of the preparations for the upcoming requirements under the Corporate Responsibility Sustainability Directive and associated standards, which include the Double Materiality Assessment, we are further strengthening how we measure the Group's performance across environmental, social and governance topics. This includes expanding our performance metrics to cover broader social and governance topics, including workforce wellbeing, responsible supply chain practices, and ethical business conduct, with a view to enhancing accountability and transparency in non-financial performance.

Further information on the Group's progress in these areas can be found within the Sustainability Review on pages 48 to 83.

(1) The TIR health and safety ("H&S") metric excludes data relating to contractors, and for the purposes of this report the definition of employees includes the following categories of employment: "Regular", "Temporary", "Apprentice", and "Intern/Co-op", and excludes "Agency" workers.
(2) All data across the above KPIs, including the H&S KPI, has been restated to only include Melrose and GKN Aerospace performance and excludes data relating to sites that have been sold. The 2023 and 2024 metrics have been restated to exclude data relating to sites sold during the year, in order to enable like-for-like comparison with the 2025 data.
(3) We note that the GHG Protocol Corporate Accounting and Reporting Standard (revised edition 2004) is currently under revision.

CHIEF FINANCIAL OFFICER'S REVIEW

> The year ended 31 December 2025 has been a strong year for the Group, with growth in revenue and operating profit. 2025 marked a key inflection point where the Group has become free cash flow positive."
>
> **Matthew Gregory**
> Chief Financial Officer

Melrose Group results

Statutory results:

The statutory IFRS results show revenue of £3,589 million (2024: £3,468 million), an operating profit of £600 million (2024: loss of £4 million) and a profit before tax of £468 million (2024: loss of £106 million). The diluted earnings per share ("EPS"), calculated using the diluted weighted average number of shares during the year of 1,276 million (2024: 1,324 million), were a profit of 29.0 pence (2024: loss of 3.7 pence).

Adjusted results:

The adjusted results exclude certain items which are significant in size or volatility or by nature are non-trading or non-recurring, or any net change in fair value items booked on an acquisition. It is the Group's accounting policy to exclude these items from the adjusted results, which are used as an Alternative Performance Measure ("APM") as described by the European Securities and Markets Authority ("ESMA"). APMs used by the Group are defined in the glossary to the Consolidated Financial Statements.

The Melrose Board considers the adjusted results to be an important measure used to monitor how the Group is performing as they achieve consistency and comparability between reporting periods when all subsidiaries are held for the complete reporting period.

The adjusted results for the year ended 31 December 2025 show revenue of £3,589 million (2024: £3,468 million), an operating profit of £647 million (2024: £540 million) and a profit before tax of £515 million (2024: £438 million). Adjusted diluted EPS, calculated using the diluted weighted average number of shares in the year of 1,276 million (2024: 1,324 million), were 32.1 pence (2024: 26.4 pence).

The following table shows the adjusted results for the year ended 31 December 2025 split by reporting segment:

	Engines £m	Airframes £m	Corporate £m	Total £m
Revenue	1,632	1,957	–	**3,589**
Operating profit/(loss)	520	156	(29)	**647**
Operating margin	31.9%	8.0%	n/a	**18.0%**

Revenue for Engines of £1,632 million (2024: £1,459 million) shows constant currency growth of 15% over 2024, with adjusted operating profit of £520 million (2024: £422 million) giving an operating margin of 31.9% (2024: 28.9%), an increase of 3.0 percentage points.

Revenue for Airframes of £1,957 million (2024: £2,009 million) shows like-for-like constant currency growth of 3% over 2024, with adjusted operating profit of £156 million (2024: £144 million) giving an operating margin of 8.0% (2024: 7.2%), an increase of 0.8 percentage points.

Corporate costs of £29 million (2024: £26 million) included £27 million (2024: £25 million) of operating costs and £2 million (2024: £1 million) of costs in respect of the Performance Share Plan for certain senior managers in the Group.

The performance of each reporting segment is discussed in the Chief Executive Officer's review.

Reconciliation of statutory results to adjusted results

The following table reconciles the Group statutory operating profit/(loss) to adjusted operating profit:

	2025 £m	2024 £m
Statutory operating profit/(loss)	**600**	**(4)**
Adjusting items:		
Amortisation of intangible assets acquired in business combinations	252	255
Restructuring costs	34	111
Impairment of assets	6	–
Melrose equity-settled compensation scheme charges	1	14
(Gains)/losses in derivatives and associated financial assets and liabilities	(232)	112
Acquisition and disposal related gains and losses	(11)	44
Net changes in fair value items	(3)	8
Adjustments to statutory operating profit/(loss)	**47**	**544**
Adjusted operating profit	**647**	**540**

CHIEF FINANCIAL OFFICER'S REVIEW | CONTINUED

Adjusting items to statutory operating profit/(loss) are consistent with prior years and include:

- The amortisation charge on intangible assets acquired in business combinations of £252 million (2024: £255 million), which is excluded from adjusted results due to its non-trading nature and to enable comparison with companies that grow organically. However, where intangible assets are trading in nature, such as computer software and development costs, the amortisation is not excluded from adjusted results.
- Costs associated with significant restructuring projects in the year which totalled £34 million (2024: £111 million). These are shown as adjusting items due to their size and non-trading nature and include a charge of £32 million (2024: £64 million) relating to the completion of significant restructuring projects across sites in the Engines and Airframes divisions in Europe and North America. This £32 million charge includes a charge of £8 million to create an onerous contract provision which is associated with our significant restructuring projects in Europe in our Airframes division. These projects are now complete after a cumulative charge since commencement of £313 million (31 December 2024: £281 million). As at 31 December 2025, £5 million is included in restructuring provisions in relation to these projects.
- An impairment of property, plant and equipment of £6 million (2024: £nil) in the Airframes division connected to our final significant European restructuring project. This is shown as an adjusting item due to its non-trading nature.
- A charge of £1 million (2024: £14 million) relating to the Melrose equity-settled Employee Share Plan which matured during 2024, representing a charge for employer's tax payable which was excluded from adjusted results due to its size and volatility.
- Movements in the fair value of derivative financial instruments (primarily forward foreign currency exchange contracts), where hedge accounting is not applied, along with foreign exchange movements on the associated financial assets and liabilities, entered into within the businesses to mitigate the potential volatility of future cash flows on long-term foreign currency customer and supplier contracts. This totalled a credit of £232 million (2024: charge of £112 million) in the year and is shown as an adjusting item because of its volatility and size.
- Acquisition and disposal related gains of £11 million (2024: net losses of £44 million) which relate to the release of provisions associated with legacy business disposals that are no longer required. The gains are recorded as an adjusting item due to their non-trading nature.
- The net changes in fair value items in the year which totalled a credit of £3 million (2024: charge of £8 million) and are shown as an adjusting item, due to their nature and volatility.

The following table shows the allocation of adjusting items, described above, by reporting segment:

	Engines £m	Airframes £m	Corporate £m	Total £m
Statutory operating profit/(loss)	367	(6)	239	**600**
Adjusting items	153	162	(268)	**47**
Adjusted operating profit/(loss)	520	156	(29)	**647**

Finance costs and income

Net finance costs for the year ended 31 December 2025 were £132 million (2024: £102 million), with no adjusting items in the current or prior year. These included net interest on external bank loans, bonds, overdrafts, factoring facilities and cash balances of £107 million (2024: £88 million).

Net finance costs also included: a £6 million (2024: £4 million) amortisation charge relating to the arrangement costs of raising the Group's current bank facilities; an interest charge on net pension liabilities of £3 million (2024: £4 million); a charge on lease obligations of £12 million (2024: £6 million); and a charge for the unwind of discounting on long-term liabilities of £4 million (2024: £nil).

Tax

The statutory results show a tax charge of £98 million (2024: credit of £57 million) which arises on a statutory profit before tax of £468 million (2024: loss of £106 million), resulting in a statutory tax rate of 20.9% (2024: 53.8%). The effective tax rate on adjusted profit before tax for the year ended 31 December 2025 was 20.4% (2024: 20.1%).

The statutory tax rate is higher than the adjusted tax rate because the intangible asset amortisation and other adjusting items generate adjusting tax credits and charges at rates higher than 20%, resulting in an overall tax credit effect.

The Group has £823 million (31 December 2024: £868 million) of deferred tax assets comprising: £530 million (31 December 2024: £522 million) on tax losses; and £293 million (31 December 2024: £346 million) on retirement benefit obligations and other temporary differences. These are offset by deferred tax liabilities on intangible assets of £347 million (31 December 2024: £423 million), temporary differences related to revenue recognition of £304 million (31 December 2024: £259 million) and other deferred tax liabilities of £77 million (31 December 2024: £52 million), totalling £728 million (31 December 2024: £734 million). In certain cases (typically where they arise in the same territory or tax group), deferred tax assets and liabilities must be offset, resulting in deferred tax assets of £659 million (31 December 2024: £651 million) and deferred tax liabilities of £564 million (31 December 2024: £517 million) being shown on the Balance Sheet at 31 December 2025. Most of the tax losses and other deferred tax assets will generate future cash tax savings. The deferred tax liabilities on intangible assets are not expected to give rise to cash tax payments.

Net cash tax paid in the year ended 31 December 2025 was £12 million (2024: £10 million), 2.3% (2024: 2.3%) of adjusted profit before tax. This is lower than the adjusted tax rate primarily due to the utilisation of tax losses and other timing differences between accounting and taxable profits.

Share buyback programmes and number of shares in issue

The Group commenced a £250 million share buyback programme on 1 October 2024 making market purchases of existing ordinary shares in the Company. During the year ended 31 December 2025, 31,515,908 ordinary shares were purchased at an average price per share of 551 pence and transferred to treasury. Additionally, 3,114,036 shares were issued out of treasury to a participant of the Melrose Employee Share Plan following the exercise of nil-cost options. The number of ordinary shares in issue, excluding treasury shares, has reduced by 2% from 1,286 million at 31 December 2024 to 1,258 million at 31 December 2025.

The weighted average number of shares used for basic earnings per share calculations in the year ended 31 December 2025 was 1,272 million (2024: 1,307 million), and when including the number of shares expected to be issued from the Melrose equity-settled share plans, the weighted average number of shares used for diluted earnings per share was 1,276 million (2024: 1,324 million).

Cash generation and management

Free cash flow was an inflow of £125 million (2024: outflow of £74 million). An analysis of free cash flow is shown in the table below:

	2025 £m	2024 £m
Adjusted operating profit	647	540
Depreciation and amortisation	138	142
Lease obligation payments	(31)	(32)
Positive non-cash impact from loss-making contracts	(11)	(23)
Working capital movements:		
Inventory	(32)	(71)
Receivables and payables	65	51
Unbilled work done	(324)	(274)
GTF PMI payments	(68)	(35)
Adjusted operating cash flow (pre-capex)	**384**	**298**
Capital expenditure	(94)	(123)
Defined benefit pension contributions	(22)	(20)
Restructuring	(31)	(126)
Net other	15	(6)
Free cash flow pre-interest and tax	**252**	**23**
Net interest and net tax paid	(127)	(97)
Free cash flow	**125**	**(74)**

Working capital movements excluding unbilled work done totalled an inflow of £33 million (2024: outflow of £20 million) for the year ended 31 December 2025 being an outflow of £32 million (2024: £71 million) in inventory offset by a £65 million inflow (2024: £51 million) from receivables and payables. Inventory increased during the year due to a combination of supporting customer build rates and supply chain issues. Inventory temporarily increased in the first half due to tariff related issues, but these eased in the second half contributing to a second half reduction.

As anticipated, working capital inflows from receivables and payables were strong in the second half of the year reflecting the typical seasonality of the Group and customer settlements.

Unbilled work done has increased in the year ended 31 December 2025 by £324 million (2024: £274 million) in accordance with the development anticipated in our Risk and Revenue Sharing Partnership booklet. Payments of £68 million (2024: £35 million) have been made for obligations in connection with powder metal issues on the Pratt & Whitney PW1100G engine.

Capital expenditure in the year ended 31 December 2025 was £94 million (2024: £123 million). Capital expenditure represented 0.9x (2024: 1.1x) depreciation of owned assets.

Restructuring spend in the year reduced to £31 million (2024: £126 million) as our multi-year restructuring projects were completed.

Net other includes £28 million generated from the sale and leaseback of owned land and buildings at one Group facility, which was combined with an existing property lease at the same facility into a single, more efficient lease arrangement, offset by other movements including divisional management incentive scheme related payments of £7 million.

Net interest paid in the year was £115 million (2024: £87 million) comprising £103 million (2024: £81 million) of net interest paid on loans, bonds, overdrafts, factoring facilities and cash balances, and £12 million (2024: £6 million) of interest paid on lease obligations. In addition, net tax payments were £12 million (2024: £10 million) and ongoing contributions to defined benefit pension schemes were £22 million (2024: £20 million).

The movement in net debt is summarised as follows:

	£m
Opening net debt	**(1,321)**
Free cash flow	125
Amounts paid to shareholders including associated costs	(255)
Net cash flow from acquisitions and disposals	(16)
FX and other non-cash movements	68
Other	(8)
Net debt at 31 December 2025 at closing exchange rates	**(1,407)**

Group net debt at 31 December 2025, translated at closing exchange rates (being US $1.35 and €1.15), was £1,407 million (31 December 2024: £1,321 million), after a free cash inflow of £125 million, described above. Movements in Group net debt also included dividends paid to shareholders of £82 million, £173 million spent buying back shares in the market, £16 million net cash outflow from acquisitions and disposals of businesses and net favourable foreign exchange and other non-cash movements of £68 million.

Group leverage at 31 December 2025 was 1.8x EBITDA (31 December 2024: 1.9x EBITDA) and interest cover was 6.9x (31 December 2024: 7.4x).

Assets and liabilities and impairment review

The summarised Melrose Group assets and liabilities are shown below:

	2025 £m	2024 £m
Goodwill and intangible assets acquired with business combinations	2,503	2,878
Tangible fixed assets, computer software and development costs	1,051	1,037
Net working capital[1]	962	699
Net retirement benefit obligations	(27)	(59)
Provisions	(147)	(184)
Deferred tax and current tax	81	119
Lease obligations	(330)	(237)
Net other	141	(88)
Total	**4,234**	**4,165**

(1) Includes £1,308 million of unbilled work done (31 December 2024: £922 million)

Lease obligations increased as a number of leases were either entered into, renewed or extended and consequently the liabilities and associated right-of-use assets were remeasured.

CHIEF FINANCIAL OFFICER'S REVIEW | CONTINUED

Net other of £141 million primarily represents a net derivative financial asset which has moved from a net derivative financial liability as a result of exchange rate fluctuations during the year.

The Group's goodwill has been tested for impairment, and in accordance with IAS 36 Impairment of Assets the Board is comfortable that no impairment is required as at 31 December 2025.

The assets and liabilities shown above are funded by:

	2025 £m	2024 £m
Net debt	(1,407)	(1,321)
Equity	(2,827)	(2,844)
Total	**(4,234)**	**(4,165)**

Net debt shown in the table above is defined in the glossary to the Consolidated Financial Statements.

Provisions

Total provisions at 31 December 2025 were £147 million (31 December 2024: £184 million).

The following table details the movement in provisions in the year:

	£m
Provisions at 1 January 2025	**184**
Net charge in the year	26
Spend against provisions	(48)
Utilisation of loss-making contract provision	(11)
Exchange adjustments	(4)
Provisions at 31 December 2025	**147**

The net charge to the Income Statement in the year was £26 million, and included £23 million relating to restructuring activities, a £14 million loss-making contract provision charge offset by an £11 million provision release associated with legacy business disposals which is no longer required.

During the year, £11 million was utilised against loss-making contract provisions and £48 million of cash was spent against provisions with £31 million relating to restructuring activities.

Net provision movements relating to property, environmental, litigation and warranty were not material in the year.

Pensions and post-employment obligations

Melrose operates a number of defined benefit pension schemes and retiree medical plans across the Group, accounted for using IAS 19 Revised: Employee Benefits.

The values of the Group plans were updated at 31 December 2025 by independent actuaries to reflect the latest key assumptions and are summarised as follows:

	Assets £m	Liabilities £m	Accounting surplus/ (deficit) £m
GKN UK Group Pension Scheme – Number 1	579	(577)	2
Other Group pension schemes	–	(29)	(29)
Total Group pension schemes	579	(606)	(27)

At 31 December 2025, the total plan assets of Melrose Group's defined benefit pension plans were £579 million (31 December 2024: £986 million) and total plan liabilities were £606 million (31 December 2024: £1,045 million), a net deficit of £27 million (31 December 2024: £59 million).

The GKN UK Group Pension Scheme (Number 1) is the most significant pension plan in the Group, and is closed to new members and to the accrual of future benefits for current members.

At 31 December 2025, the GKN UK Group Pension Scheme (Number 1) had gross assets of £579 million (31 December 2024: £577 million), gross liabilities of £577 million (31 December 2024: £599 million), resulting in a net surplus of £2 million (31 December 2024: deficit of £22 million).

During the year ended 31 December 2025, the Group finalised processes to buy-out both the GKN UK Group Pension Scheme (Number 4) and the US Consolidated Pension Plan. The scheme assets and liabilities have left the Group and are no longer shown on the Group's Balance Sheet.

In total, contributions to the Group defined benefit pension plans and post-employment medical plans in the year ended 31 December 2025 were £22 million (2024: £20 million) and are expected to be approximately £20 million in 2026.

A summary of the assumptions used are shown in note 24 to the Consolidated Financial Statements.

Financial risk management

The Group continuously assesses its financial risks and implements policies to manage them effectively. The most significant financial risks are considered to relate to liquidity, finance costs, foreign exchange rates, contract and warranties and commodities, each of which is discussed below.

Liquidity risk management

The Group's net debt position at 31 December 2025 was £1,407 million (31 December 2024: £1,321 million). During the year, the Group arranged additional committed bank facilities of €355 million maturing in January 2027 and facilities totalling US$70 million and £50 million maturing in January 2026. In addition, bank facilities totalling US$29 million were cancelled.

The facilities outstanding as at 31 December 2025 totalled US$1,680 million, €755 million and £350 million. Within these amounts, US$1,610 million, €400 million and £300 million of facilities were due to mature in April 2026, but with the potential to be extended for two additional one-year periods at the Group's option. Subsequent to 31 December 2025, these facilities have been extended for an additional year to April 2027, with the second one-year extension option still available to the Group.

Subsequent to 31 December 2025, the £50 million facility maturing January 2026 was extended to January 2027, and for the €355 million facilities maturing in January 2027 the Group has arranged for the potential to extend the facilities for one year at the Group's option.

Details of the facilities and amounts borrowed as at 31 December 2025 are shown below:

	Local currency			£m
	Size	Drawn	Headroom	Headroom
Term loan:				
USD	549	549	–	–
EUR	415	280	135	118
Revolving credit facility:				
USD	1,131	975	156	116
GBP	350	184	166	166
EUR	340	2	338	294
Total (GBP)	**2,257**	**1,563**		**694**

CHIEF FINANCIAL OFFICER'S REVIEW | CONTINUED

In addition to the headroom of £694 million on committed facilities, there are a number of uncommitted overdraft, guarantee and borrowing facilities made available to the Group. As at 31 December 2025, there were cash and cash equivalents, net of overdrafts, totalling £154 million (31 December 2024: £80 million).

The committed bank funding has two financial covenants, being a net debt to adjusted EBITDA covenant (banking covenant leverage) and an interest cover covenant, both of which are tested half-yearly at 30 June and 31 December.

Both covenants have comfortable headroom with the banking covenant leverage test level set at 3.5x, and as at 31 December 2025 it was 1.9x. The interest cover test is set at 4.0x, and as at 31 December 2025 the Group interest cover was 6.9x.

A limited number of Group trade receivables are subject to non-recourse factoring and customer supply chain finance arrangements. As at 31 December 2025, these amounted to £396 million (31 December 2024: £338 million). No new schemes were added during the year and the increase in the amount factored represents year over year revenue growth on the associated programmes.

Finance cost risk management

The Group uses financial derivatives to fix a portion of the interest cost on its committed bank facilities.

The maximum weighted average rates, excluding the bank margin, the Group will pay on the fixed portions of its US dollar, Euro and Sterling bank debt are 3.7%, 2.6% and 3.9% respectively.

The margin on the bank facilities depends on the banking covenant leverage and were as follows:

	31 Dec 2025		31 Dec 2024	
Facility:	Margin	Range	Margin	Range
Term Loan	1.40% – 1.75%	0.90% – 2.40%	1.40%	1.00% – 2.30%
Revolving Credit Facilities	1.40% – 1.75%	1.00% – 2.40%	1.40% – 1.55%	1.00% – 2.40%

The Group's cost of drawn debt for the next 12 months is currently expected to be approximately 5.3%.

Exchange rate risk management

The Group trades in various countries around the world and is exposed to movements in a number of foreign currencies.

The Group carries exchange rate risk that can be categorised into two types: transaction and translation risk, as described in the paragraphs below. The Group's policy is designed to protect against the majority of the cash risks but not the non-cash risks.

The most common exchange rate risk is the transaction risk the Group takes when it invoices a customer or purchases from suppliers in a different currency to the underlying functional currency of the relevant business. The Group's policy is to review transactional foreign exchange exposures and place necessary hedging contracts on a rolling quarterly basis. To the extent the cash flows associated with a transactional foreign exchange risk are committed, the Group will hedge 100% at the time the cash flow becomes committed. For forecast and variable cash flows, the Group hedges a proportion of the expected cash flows, with the percentage being hedged lowering as the time horizon lengthens. The Group hedges on a sliding scale, typically hedging around 90% of foreign exchange exposures expected over the next 12 months, with the percentage decreasing by approximately 10 percentage points for each subsequent year. This policy does not eliminate the cash risk but does bring some certainty to it.

The translation rate risk is the effect on the Group results in the period due to the movement of exchange rates used to translate foreign results into Sterling from one period to the next. No specific exchange instruments are used to protect against the translation risk because it is a non-cash risk to the Group, until foreign currency is subsequently converted to Sterling. However, the Group utilises its multi-currency banking facilities, where relevant, to maintain an appropriate mix of debt in each currency. The hedge of having debt drawn in these currencies funding the trading units with US dollars or Euro functional currencies protects against some of the Balance Sheet and banking covenant translation risk.

Exchange rates for currencies most relevant to the Group in the year were:

	Average rate	Closing rate
US dollar		
2025	1.32	1.35
2024	1.28	1.25
Euro		
2025	1.17	1.15
2024	1.18	1.21

A 1 cent strengthening of the major currencies within the Group, if this were to happen in isolation against all other currencies, would have the following impact on the re-translation of adjusted operating profit into Sterling:

	USD	EUR
Increase in adjusted operating profit – £ million	5	1
% impact on adjusted operating profit	0.7%	0.1%

The impact from transactional foreign exchange exposures is not material in the short term due to hedge coverage being approximately 90%.

A 1 cent strengthening in either the US dollar or Euro would have the following impact on gross debt as at 31 December 2025:

	USD	EUR
Increase in gross debt – £ million	9	2
Increase in gross debt	1%	0%

Contract and warranty risk management

A suitable bid and contract management process exists in the businesses, which includes thorough reviews of contract terms and conditions, contract-specific risk assessments and clear delegation of authority for approvals. These processes aim to ensure effective management of risks associated with complex contracts. The financial risks connected with contracts and warranties include the consideration of commercial, legal and warranty terms and their duration, which are all considered carefully by the businesses and Group management before being entered into.

Commodity cost risk management

The cumulative expenditure on commodities is important to the Group and the risk of base commodity costs increasing is mitigated, wherever possible, by passing on the cost increases to customers, by the use of customer directed suppliers under common agreements, or by having suitable purchase agreements with suppliers which fix the price over a certain period. Where possible, these risks are also managed through sourcing policies, including the use of multiple suppliers and procurement contracts where prices are agreed in advance to limit exposure to price volatility. The Group selectively uses financial derivatives where changes in commodity costs cannot be passed on to customers or fixed with suppliers.

CHIEF FINANCIAL OFFICER'S REVIEW | CONTINUED

Going concern

As part of their consideration of going concern, the Directors have reviewed the Group's future cash forecasts and projections, which are based on both market and internal data and recent past experience.

The Directors recognise the challenges in the current economic environment, including challenges in supply chains and geopolitical risks. The Group is actively managing the associated impacts on trading through a sharp focus on pricing, productivity and costs. In addition, the Group's cash flow forecasts consider any impacts from further economic factors.

The Group has modelled a severe but plausible downside case against these future cash forecasts and throughout this scenario the Group would not breach any financial covenants and would not require any additional sources of financing.

The macroeconomic environment remains uncertain and volatile and the impacts of economic factors such as inflation, high interest rates, geopolitical conflict and challenges in supply chains could be more prolonged or severe than that which the Directors have considered in the Group's severe but plausible downside case.

Considering the Group's current committed bank facility headroom, its access to liquidity, and the level of bank covenants in place with lending banks, the Directors consider it appropriate that the Group can manage its business risks successfully and adopt a going concern basis in preparing these Consolidated Financial Statements.

Matthew Gregory
Chief Financial Officer

27 February 2026

RISK MANAGEMENT

The Board recognises that operating in a dynamic and rapidly evolving commercial environment requires a pragmatic, robust and responsive risk management framework comprising policies and controls that evolve with the business and provide management with a transparent and comprehensive view of the Group's risk profile at any given time, enabling risks to be identified, assessed, managed and mitigated where possible.

RISK MANAGEMENT FRAMEWORK

The Board is responsible for establishing and maintaining an effective risk management framework, and has taken a formalised but pragmatic approach in this regard.

BOARD
Overall responsibility for risk management

- Agrees the Group's risk management strategy and defines its risk appetite.
- Reviews the reports and recommendations from the senior management team and the Audit Committee on risk governance, and risk processes and controls.
- Determines the nature and extent of the Group's principal risks and regularly discusses and assesses them throughout the year with the senior management team to determine the likelihood of those risks materialising and how they should be managed or mitigated.
- Maintains oversight of principal risks, emerging risks and mitigation plans, including in respect of cyber security and fraud risk.

AUDIT COMMITTEE
Monitors the Group's internal financial control processes

- Reviews the effectiveness of, and monitors and oversees the Group's risk management processes (excluding cyber risk, which is retained by the Board), internal financial controls and internal management systems that identify, assess, manage and monitor financial risks and risk management systems.
- Supports the Board in monitoring risk exposure against risk appetite.

EXECUTIVE COMMITTEE

- Sets the risk management standards and reporting processes, and oversees material controls within the organisation.
- Agrees how the principal risks should be managed or mitigated to reduce the likelihood of their occurrence or impact.
- Considers actual and emerging risks.
- Oversees and challenges risk mitigation plans and supports the legal and compliance teams within the business.
- Promotes an appropriate risk management culture within the Group in order to maintain sound risk management and internal control systems.

OPERATIONAL MANAGERS AND SITE CONTROLLERS

- Identifies, assesses and monitors risk at a local level.
- Implements, reviews and continually monitors compliance with agreed risk mitigation plans and controls.
- Embeds risk awareness and culture throughout the business.

TOP-DOWN
Group level risk oversight and assessment

BOTTOM-UP
Business line and functional level risk exposure identification and assessment.

→ The Board's view of the Group's principal risks and uncertainties is detailed in the table on page 35.

RISK MANAGEMENT | CONTINUED

Risk management strategy and framework

The objectives of the Board and senior management include safeguarding and increasing the value of the business and assets of the Group for stakeholders as a whole. Achievement of these objectives requires the development of policies and appropriate internal control frameworks to ensure the Group's resources are managed properly, and for key risks to be identified and mitigated where possible.

The Board recognises that it is ultimately responsible for determining the nature and extent of the principal risks it is willing to take in the pursuit of the Group's strategic objectives. It also recognises the need to define a risk appetite for the Group, to maintain sound risk management, effective internal control systems, and to monitor its risk exposure and mitigation measures to ensure that the nature and extent of risks being taken by the Group are aligned with, and proportionate to, its strategic objectives.

Our organisational structure includes clear reporting procedures, lines of responsibility, delegated authority and risk management responsibilities as depicted in the diagram on the opposite page. Consistent with this, the Group operates a top-down, bottom-up approach to risk management, comprising Board and senior management oversight coupled with bottom-up risk management practices, which are embedded in the day-to-day activities of the business.

The Board confirms that there is an ongoing process for identifying, evaluating, managing and monitoring the principal risks faced by the Group and that these systems, which are subject to regular monitoring and review, have been in place for the year under review and up to the date of approval of this Annual Report and financial statements. A summary of this approach is illustrated below:

RISK MANAGEMENT APPROACH

IDENTIFICATION
Financial and non-financial risks recorded in controlled risk registers

EVALUATION
Risk exposure reviewed and risks prioritised

MITIGATION
Risk owners identified and action plans agreed and implemented

ANALYSIS
Risks analysed for impact and probability to determine net exposure after factoring in controls and mitigations

REVIEW AND MONITORING
Robust mitigation strategy subject to regular and rigorous review

The Audit Committee monitors, oversees and reviews the effectiveness of the risk management and internal control processes implemented across the Group, through regular updates and discussions with senior management and a review of the key findings presented by the external auditor and internal audit function. The Board is responsible for considering the Audit Committee's recommendations and ensuring implementation by senior management of the recommendations it deems appropriate for the business. A description of the Audit Committee's activities during the year on risk management can be found on page 106.

The Executive Committee, comprising functional and business line leaders, as informed by their operational, functional and site-level senior managers, is responsible for monitoring business-level risk and implementing and maintaining an effective risk and control environment as part of day-to-day operations. This is in line with the Group risk management framework and internal control systems. Risks are reported into senior management and are reviewed and assessed by the Executive Committee, with support from the legal function, the financial compliance and assurance team, and other members of senior management.

Following the Executive Committee's review and assessment, senior management provides the Audit Committee with biannual risk management reports that consider any changes in the nature of the Group's principal risks, as well as considering any emerging risks. These reports are also provided to the Board, and guide the Board and the Audit Committee on relevant updates relating to the development of the Group's principal risks (including in respect of risk trends and mitigation activities) as reported in the Principal Risks and Uncertainties section on pages 35 to 39. The reports also aid the Audit Committee's discussions with the Board on risk appetite, as detailed further below.

The Board also receives regular updates from the Executive Committee, and other members of the senior management team, on material items that arise relating to the principal Group risks. For example, the Chief Executive Officer regularly briefs the Board on Operations, Commercial and Geopolitical and Economic risks. Deep dive reviews are also held by the Board with senior management each year on certain of the Group's principal risks that benefit from further dedicated exploration. For example, during the year, the Board held deep dive sessions on Information Security and Cyber Threats risk, Climate Change risk, and Treasury risk.

Throughout the year, the Board continued to assess the Group's principal and emerging risks, and monitor and review the effectiveness of the Group's risk management and internal control systems. The Board concluded that the Group's risk management and internal control systems and processes were effective.

Risk appetite

In conjunction with the annual risk management review process undertaken in 2025, the Board conducted an exercise to consider its risk appetite across a number of key business risk areas by assessing its current and optimal level of risk appetite for each of the Group's principal risks. The results of this exercise indicated the relative appetite of the Board across the Group's principal risk areas at that point in time.

The results of the risk appetite review demonstrated that the Board has an open risk appetite regarding Commercial risk, and a cautious appetite regarding Operations, Geopolitical and Economic, Talent and Capabilities, Climate Change, and Treasury risks. The Board seeks to minimise Safety, Legal and Regulatory, and Information Security and Cyber Threats risks.

The results of the risk appetite review will support the Board's decision-making processes during 2026. The Board reviews its risk appetite at least annually.

Risk management actions

During 2025, the Board and Audit Committee continued to drive management to deliver on the key management priorities identified during the previous year, and iterate their collective assessment of the Group's risk profile in light of changing internal and external factors. Risk owners continued to take steps to mitigate the risk exposures identified across the Group, supported by specific actions undertaken to improve enterprise risk management across the Group during the year, as follows:

- reviewing the composition of the Group's principal risks in light of the Company's strategy and business model, including monitoring the Group's defined risk profile as compared to other aerospace and defence companies;
- reviewing and re-setting the Board's risk appetite based on the optimal and current risk appetite of the Board for each principal Group risk;
- monitoring the implementation of risk governance within the business, including the identification, evaluation, prioritisation, recording, review and reporting of risks and their management or mitigation throughout the Group;
- aligning the internal audit plan to the Group's principal risks bolstered by the transition from an externally resourced internal audit function to an in-house internal audit function; and
- continuing to review and improve the Group's processes for the identification and consolidation of, and trend analysis around, the Group's principal risks and the ongoing monitoring and reporting of the Group's risk management performance.

The Audit Committee has also overseen the preparations that are underway by senior management to ensure compliance with the requirements of provision 29 of the UK Corporate Governance Code for the financial year commencing on 1 January 2026 ("Provision 29"). Specifically, Provision 29 relates to the monitoring and review of the effectiveness of the Company's risk management and internal controls framework, and requires the Board to, at least annually, carry out a review of the Company's material controls, and to make a declaration in the Company's Annual Report in relation to their effectiveness. Further details on work done to prepare for the implementation of Provision 29 can be found in the Audit Committee Report on pages 102 to 108.

Assessment of principal risks

During the year, as informed by the Executive Committee and other members of senior management, the Board and Audit Committee reviewed and updated its assessment of the emerging and principal risks facing the Group and specifically, those that might threaten the delivery of its strategic business model, its future performance, solvency or liquidity. As part of this assessment, the Board recalibrated the Group's principal risk categories, and identified emerging risks with the support of the Executive Committee and other members of senior management.

As a result of this assessment:

- Health and Safety risk has been realigned to categorise the risk as Safety risk. This is to reflect that both people and product safety are fundamental principles of the business;
- Loss of Key Management and Capabilities risk has been realigned to categorise the risk as Talent and Capabilities risk. This is to reflect the importance of having the right talent and capabilities throughout the workforce; and
- Economic and Political risk is now referred to as Geopolitical and Economic risk to better reflect the macro nature of the risk.

Physical security has been identified by the Board and the Audit Committee as an emerging risk on the basis that geopolitical tensions intensified during the year, and the Group's operations within the defence sector, make it more susceptible to resulting physical security risks. However, the Board and Audit Committee have included physical security risk within Geopolitical and Economic risk as opposed to including it as a standalone principal risk. This will be kept under review by the Board and the Audit Committee.

A summary of the principal risks and uncertainties that could impact the Group's performance is shown on pages 35 to 39. Further information detailing the internal control and risk management policies and procedures operating within the Group is shown on pages 100 and 101 of the Corporate Governance Report.

Risk management priorities for 2026

While improvements were made to the Group's risk management processes during 2025, the Board recognises that risk management is a continuous process and that Melrose cannot be complacent. In particular, good progress was made in preparing for the implementation of Provision 29, and all planned internal milestones for 2025 were achieved.

Going into 2026, senior management is developing an assurance and testing matrix which will articulate how the levels of assurance for each material control are built, in order to evidence the effectiveness of each material control. It is intended that this will be used as the base framework in future annual assurance cycles, with modifications being made as the process matures. Senior management will continue to provide regular updates to the Audit Committee throughout 2026 on Provision 29 activities, with a view to ultimately supporting the Board in providing its inaugural effectiveness declaration in the 2026 Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES

Strategic risk profile

A risk management and internal controls framework is in place within the Group, which is continually reviewed and adapted where necessary to reflect the risk profile of the Group and to continue to ensure that such risks and uncertainties can be identified and appropriately managed.

Each business line and each Group function maintains a risk register which is aggregated into a Group-wide risk register to facilitate review by the Executive Committee, the Audit Committee, and the Board.

Strategic risk profile

Our updated view of the Group's strategic risk profile is shown opposite.

The residual risk scores have been calculated on a post-mitigation basis.

Risk trend

- ↑ Increase
- — No change
- ↓ Decrease
- + Realigned risk

No.	Risk title	Risk trend since last Annual Report		2023	2024	2025
1	Operations	No change	—	↑	—	—
2	Commercial	No change	—	—	—	—
3	Geopolitical and Economic	Increase	↑	↑	↑	↑
4	Talent and Capabilities	Realigned[1]	+	n/a	n/a	+
5	Safety	Realigned[1]	+	n/a	n/a	+
6	Legal and Regulatory	No change	—	—	—	—
7	Climate Change	No change	—	—	—	—
8	Information Security and Cyber Threats	Increase	↑	↑	↑	↑
9	Treasury	No change	—	+	↓	—

(1) The Risk Management section on pages 32 to 34 of this Annual Report provides details on the realignment of Safety risk and Talent and Capabilities risk, which were previously categorised as Health and Safety risk and Loss of Key Management and Capabilities risk respectively. For details of these risks prior to their realignment, please refer to page 37 of the Company's 2024 Annual Report and financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES | CONTINUED

Risk trend

- Increase
- No change
- Decrease
- Realigned risk

Business model

- Design
- Deliver
- Improve

Responsibility

The Executive Committee and senior management are responsible for our principal risks.

OPERATIONAL RISK

Risk	Controls and mitigating actions	Key changes during 2025
OPERATIONS		
Melrose is susceptible to industry specific issues that may arise from interdependencies within, and its reliance on, complex global supply chains. Major disruption within the Group's operations may adversely affect the financial performance of the Group. In particular, disruption to aerospace and defence supply chains may put a strain on the Group's operations, and could result in the Group failing to meet customer commitments. The Group is dependent on the timely delivery of materials and components by its direct and indirect suppliers and subcontractors, and is susceptible to sector specific demand dynamics, informed by a concentrated customer base and customer-determined adjustments to aircraft build rates. These factors, among others, can materially impact the Group's ability to forecast and manage efficient supplies, inventory and production capacity, and therefore its ability to manufacture and supply products, or to deliver them in a timely manner.	• The Group continues to focus on its supply chain by investing in equipment and capacity within its existing facilities, and identifying dual source suppliers and investing in alternative materials and production methods. • Weekly and monthly management reviews of supply chain and demand issues are undertaken in order to assess the Group's supplier order book, and OEM aircraft build rates, in addition to commitments over specified timeframes. • Contingency plans are developed with respect to potential shortages of key materials or production inputs. • The Group continues to engage with OEMs on a regular basis in respect of supply chain forecasting and stewardship, and build rates. • The senior management team of each business line continues to actively review supply contracts to assess the commercial terms with a view to mitigating operational risk to the Group and ensure that strategic decisions are taken where possible. • We have deployed our lean operating model, 'Brilliant Basics', which is creating a strong culture of continuous improvement throughout the Group, which in turn has assisted with mitigating Operations risks, including relating to reducing inventory levels.	Operational risks remained high throughout 2025 and, whilst supply chain constraints began to ease, inflationary pressures continued to increase. Melrose continues to seek to identify, and take advantage of, benefits from supply chain interdependencies. In particular, supply chain issues may result in legacy engines flying for longer, which is beneficial to the Group's aftermarket business. Furthermore, the Group continues to bolster its procurement and supply chain capabilities throughout the Group, and further embed its 'Brilliant Basics' lean operating model.
COMMERCIAL		
The Group operates in competitive markets throughout the world and is diversified across a variety of production and sales geographies. However, the widespread disruption caused by geopolitical events could heighten the Group's exposure to end-market commercial risk, which could adversely affect the Group's financial performance. Failure to innovate in line with customer needs, and the more general shift to new technologies and markets in the aerospace and defence sectors, could impact the Group's market share and its ability to remain competitive. Other commercial risk areas that may have an adverse impact on the Group from a business strategy, financial, and/or workforce retention perspective include those related to customer concentration and uncertainties related to future customer demand, onerous customer and supplier contracts, market disruption, the performance and management of programme partners, and product quality issues.	• A suitable bid and contract management process exists in the businesses, which include thorough reviews of contract terms and conditions, contract-specific risk assessments and clear delegation of authority for approval. • Management maintains a close focus on delivery management supported by its regular review of the Group's customer and supplier contracts in order to identify ways, including through contract renegotiations, to improve the Group's profitability. • Management continues to focus on managing costs closely to protect and enhance profit margins. • The Group has a diverse portfolio of risk and revenue sharing partnership ("RRSP") contracts across a number of leading global aircraft engine OEMs, retaining relatively small shares in any single programme. Melrose has mitigated against commercial risks associated with such arrangements by using conservative financial assumptions when accounting for all of its RRSP programmes. • The Group actively invests in research and development activities to retain commercial competitiveness, develop its platforms for future product expansion, drive quality improvements, enhance customer alignment and achieve further operational efficiencies. These activities are subject to lifecycle technical reviews on an annual basis. • Research and development activities are underpinned by a technology strategy, and the technology team regularly reviews the technical landscape.	Commercial risk remained broadly the same during the year, with macroeconomic events continuing to cause fluctuations in commodity pricing, in addition to wider inflationary pressures. The senior management team continues to actively and regularly track, monitor and support strategic planning activities and impact mitigation assessments in respect of ongoing commercial risks. Furthermore, strategic plans have also been put in place across the Group to ensure targeted development of current and future technological capabilities in order to position the Group to capitalise on technological advances in the aerospace and defence sector.

PRINCIPAL RISKS AND UNCERTAINTIES | CONTINUED

Risk	Controls and mitigating actions	Key changes during 2025
GEOPOLITICAL AND ECONOMIC		
Geopolitical and economic factors, such as conflicts, heightened geopolitical tensions, explicit trade protectionism, and inflationary pressures may result in strategic or financial loss to the Group due to potential reductions in the demand for our products, increased input costs, and a potential inability to execute our business strategy. Moreover, global economic and political events may cause sudden and unanticipated disruption to the Group's operations and supply chains. The Group is exposed to physical security threats as a result of rising geopolitical tensions due to the nature of its operations within the aerospace and defence sector. These threats are continuous and evolving, and are posed by individuals and organisations with varying intentions and capabilities, including protestors, organised criminals, and nation states. Failure to protect against physical security issues could lead to harm to our employees, property damage, and unauthorised access to the Group's and customers' protected information and personal data.	• The Group has a diversified global footprint, and operating within both the civil and defence markets helps to mitigate against geopolitical disruption. • Our businesses monitor future build rates order flows and other leading indicators to ensure that we can respond quickly to deteriorating market conditions and tariffs/trade barriers. • The Group fosters strong customer relationships which are often long-term partnerships and, where considered feasible and commercially beneficial, our sites are often in close proximity to customers. • The Group monitors its commercial terms and seeks to improve them where opportunities arise. This includes negotiating favourable International Commercial Terms (INCOTERMS) to mitigate the potential impact of tariff increases where possible. • We have a robust security framework in place, which includes employee awareness training of security risks, the monitoring of external databases for potential security threats, and threat vulnerability and risk assessments that are conducted on an annual basis.	Geopolitical and economic instability, and associated risks, continued to intensify throughout 2025, particularly in light of ongoing conflicts, rising geopolitical tensions, and trade protectionism, including tariffs. This risk remained a key focus of the Board and was considered as part of the annual strategy review, as well as the strategy reviews for our business lines. We carefully monitored changes to tariffs, tax and trade policy actions that had the possibility of presenting the highest impact to the Group, with mitigations and response plans developed and implemented accordingly.
TALENT AND CAPABILITIES		
Failure to attract, retain and develop the talent and capabilities required to deliver our strategic priorities could threaten our ability to remain competitive, innovate, and to meet customer demand. Competition for appropriately skilled, qualified and experienced personnel within the aerospace and defence sector is high and the Group may not be successful in attracting or retaining such personnel, particularly engineering professionals. Further, competition is intensified by nationality and regulatory restrictions (including those roles requiring security clearances), and can be impacted further by macroeconomic, industry and labour market conditions.	• Regular employee engagement surveys are undertaken and action plans developed for all teams. • Remuneration packages and incentive arrangements are reviewed regularly throughout the business to ensure competitiveness. • Talent development and succession plans are in place and are reviewed periodically for all of our key management personnel and critical roles. • Our business lines partner with colleges, universities and apprenticeship schemes to benefit the Group's future talent pipeline. • Our Global Skills Fund provides our employees with funding support to learn new skills, and to learn collaboratively across the business.	We continue to closely monitor employment trends across the Group and manage staffing levels, recruitment and retention initiatives. Focus has been placed on our early careers strategy to support knowledge transfer and address skills gaps, particularly in preparation for anticipated retirements. We also continue to promote and foster a culture of inclusion, diversity and belonging across the Group, and during the year, we incorporated an inclusion measure within our employee engagement survey; this is considered critical to helping retain diverse candidates.
SAFETY		
The nature of the Group's business means that employees are often involved in activities that can present potential physical risks, including those related to operating heavy duty machinery, chemical use, movement of parts such as lifting or transportation, as well as energy, such as electricity and pressurised systems. Failure to adequately protect our employees from harm could have a major impact on employees as well as their families, colleagues, and communities. Such a failure could also result in legal claims, reputational damage, and financial loss. We design, develop, manufacture and maintain specialised products which from time to time may suffer from issues or failures, including through design faults, production issues, poor maintenance and incorrect usage. Failure to provide safe products may result in harm to life, property damage, significant financial loss, material product liability and warranty claims, and reputational damage.	• We have a comprehensive health and safety programme across all sites, which is underpinned by our Golden Safety Rules. • Production tasks are risk assessed, and the business has invested in providing the appropriate personal protective equipment and safety equipment. • We have adopted globally recognised occupational health and safety and quality management systems, such as ISO 45001 (health and safety) and the AS9000 series of standards (international aerospace quality standard). • Any product non-conformance that escapes our systems triggers a structured investigation process to ensure containment, and to help prevent recurrence. • We maintain product safety assurance through established quality processes, including through assurance by external audits with certifying bodies, regulators and customers.	The Board is provided with visibility and oversight on people and product quality risks through regular Board reports. These reports consolidate Group performance for all sites based on management's key performance indicators. Our health and safety key performances indicator in respect of people safety can be found on page 25. Health and safety, both in terms of people and products, continues to be of fundamental importance to Melrose. We remain focused on our continuous improvement measures, and instilling the Golden Safety Rules across the Group. In line with regulatory requirements, we are progressively enhancing our safety management systems, have deployed consistent quality standards across our sites, and are actively working to develop our safety and quality culture. We have also strengthened our product safety oversight through improved monitoring of quality escapes.

PRINCIPAL RISKS AND UNCERTAINTIES | CONTINUED

Risk trend
- Increase
- No change
- Decrease
- Realigned risk

Business model
- Design
- Deliver
- Improve

Responsibility
The Executive Committee and senior management are responsible for our principal risks.

COMPLIANCE AND ETHICAL RISK

Risk	Controls and mitigating actions	Key changes during 2025
LEGAL AND REGULATORY		
Failure to comply with certain laws and regulations may result in significant financial penalties, debarment from government contracts and/or reputational damage, and may impact the Group's ability to pursue its business strategy. Furthermore, a serious breach of legislation or regulations relating to anti-corruption, sanctions, data privacy, human rights, competition rules, or other unethical business conduct within our operations or in our supply chain, could result in serious harm to people and could cause significant reputational, legal and financial damage.	• Regular monitoring of legal and regulatory matters takes place across the Group. Consultation with external advisors is also undertaken where necessary. • Group-wide standard and enhanced application to trade authorisation procedures are in place, in addition to electronic counterparty screening systems. • A robust control framework is in place, underpinned by comprehensive corporate governance and compliance policies and training of applicable employees on policies and procedures, with regular reviews of Group policies in light of legal and regulatory changes, as well as best practice. • Melrose operates a Group-wide whistleblowing platform in order to allow employees to raise concerns on possible wrongdoing in any aspect of the business.	As a result of the increased geopolitical tensions and associated sanctions and restrictions, the Group continued to proactively monitor the changing regulations surrounding export controls, sanctions and tariffs to ensure that the Group observes the relevant requirements and has the relevant licences needed in order to operate. A number of the Group's compliance policies and associated training modules were updated during the year to align with the Group's current risk profile and best practice.
CLIMATE CHANGE		
Extreme weather events, increased regulatory requirements and critical raw materials shortage may restrict revenue growth, introduce additional costs and require increased investment.	• The Group monitors its progress against its SBTi validated emissions reduction targets, the Transition Plan, and climate regulatory disclosure requirements. • The Group also conducts an assessment of transition climate risks and opportunities (regulatory, technology and market) and physical climate risks, which is reviewed annually and updated every three years. • Climate considerations are integrated into strategic and financial planning and Group policies. • The Group invests in operational improvements, including energy efficient equipment, renewable energy sourcing, sustainable production methods, and advanced manufacturing technologies with significantly lower energy consumption compared to traditional methods. • The Group invests in innovative decarbonisation technologies through research and development, and product innovations, which help reduce customer emissions and improve critical resource efficiency.	The evidence of climate change continued to be seen both through environmental data and severe weather events in 2025. At the same time, global political alignment on the importance of tackling climate change degraded, with a polarisation of perspectives on the need and urgency for governments, regulators, industrial bodies and consumers to prioritise credible responses. The Group remains committed to its mission, which maintains sustainability at its heart, as we strive to achieve our SBTi validated targets, supported by continued progress on energy efficiency and supply chain engagement. We continued to monitor transition and physical climate risks through our annual scenario analysis. During the year, we refreshed our innovation target for 75% of R&D expenditure to qualify as EU Taxonomy eligible by 2030[1].

(1) The Group aims for 75% of total research and development expenditure to qualify as eligible under the EU Taxonomy by 2030, supporting activities that have the potential to make a substantial contribution to one or more of the EU Taxonomy's environmental objectives.

PRINCIPAL RISKS AND UNCERTAINTIES | CONTINUED

Risk	Controls and mitigating actions	Key changes during 2025
INFORMATION SECURITY AND CYBER THREATS		
Failure to protect the availability and integrity of information technology systems and data from deliberate attempts to cause harm may result in disruption to our business operations and to our ability to service customers, as well as to loss of business and direct financial costs. The Group may also suffer business disruption as a result of such attacks occurring within the Group's wider supply chain. The Group is exposed to information security and cyber threats due to the nature of its operations within the aerospace and defence sector specifically, and generally due to its size and public facing nature. Given the nature of the industry in which the Group operates, it is also subject to compliance with more stringent security requirements in particular areas and failure to comply could result in reputational damage and could lead to the loss of existing business or failure to secure future business.	• We have a robust information security strategy and risk-based governance framework in place pursuant to which a multi-layered approach is taken to identifying and addressing information security risks. This focuses on people, processes and technology. • Our framework follows both the UK Government's National Cyber Security Centre recommended steps on cyber security and US NIST Cyber Security Framework, as well as incorporating Dutch MIVD and Swedish ISM controls. • Progress against our information security strategy is measured every quarter. Our review of this progress is supported by external cyber assurance reviews throughout the year at certain of our key strategic locations. We perform regular internal site assessments based on our mandatory controls framework. Regular penetration testing of our systems and networks serves to continually improve and tighten our controls. • The Group has worked to establish comprehensive and tested response plans in the event of a material threat to information security and/or a cyber threat more generally. • Employees receive training on cyber-related issues, and the Group undertakes cyber awareness initiatives to maintain employee vigilance.	Information security and cyber threats against commercial businesses, particularly those which operate in key sectors such as aerospace and defence, continue to increase as a result of heightened geopolitical tensions and pervasive cyber crime generally. Addressing such threats continues to be a key Board-level priority, and during the year the Board held a deep dive review of information technology and cyber security with the Chief Information Officer and Chief Information Security Officer. We have also taken a number of measures to bolster our protection against such threats, including implementing further tools to monitor the cyber resilience of third-party vendors and continually increasing cyber awareness for our staff.

FINANCIAL RISK

Risk	Controls and mitigating actions	Key changes during 2025
TREASURY		
Failure to have sufficient financial resources could impact on the liquidity of the Group and its ability to meet its bank financing covenants, as well as impacting on the Group's ability to fund its business strategy and meet its financial obligations. Foreign exchange movements could have a material impact on the Group's financial performance, particularly in respect of its income statement (transaction risk) and balance sheet (translation risk). Changes in discount rates, inflation, asset values or mortality assumptions of the Group's defined pension schemes could lead to a materially higher deficit. Further, there is a risk that the pension plans' assets, such as investments in equity and debt securities, will not be sufficient to cover the value of the retirement benefits due to be provided under the plans. The implications of a higher pension deficit include a direct impact on valuation, implied credit rating and potential additional funding requirements at subsequent triennial reviews.	• The Group operates a conservative approach to liquidity, maintaining headroom across its financial covenants, and conducting regular reviews of its cash forecast, which is designed to avoid the need for any unplanned refinancing. • The Group operates cash management controls, including cash pooling across the Group and the maintenance of revolving credit facilities and certain uncommitted facilities, to mitigate the risk of any liquidity issues. • The Group's policy is to mitigate transactional foreign exchange risk affecting cash by hedging such risks with financial instruments. • The Group utilises its multi-currency banking facilities and cross-currency swaps, where relevant, to maintain an appropriate mix of debt in US dollars, Euros and Sterling. • The GKN UK Group Pension Scheme (Number 1) is the most significant pension plan remaining in the Group and is closed to new members and to the accrual of future benefits for current members.	The Group continued to maintain strong cash controls and forecasting processes, and senior management has implemented measures to increase the accuracy of cash flow information and the robustness of cash controls. During the year, we secured additional committed multi-bank facilities with a select number of our existing lenders totalling approximately £400 million to provide additional flexibility and headroom. Furthermore, during the year, the Group finalised processes to buy-out both the GKN UK Group Pension Scheme (Number 4) and the US Consolidated Pension Plan. The scheme assets and liabilities have left the Group and are no longer shown on the Group's Balance Sheet. For further details on the Group's bank facilities, cash management and financial risk management, please refer to the Chief Financial Officer's Review on pages 26 to 31.

LONGER-TERM VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code, the Directors have assessed the longer-term prospects of the Group, taking into account its current position and a range of internal and external factors, including the Group's principal risks detailed on pages 35 to 39.

A period of three years is believed to be appropriate for this assessment since this is consistent with the Group's financing cycle, whereby on average the Group has refinanced debt in line with this timescale.

The Group's debt facilities consist of a multi-currency denominated term loan and multi-currency denominated revolving credit facilities that have been extended to mature in April 2027, with an option for the Group to extend for one additional year. In addition, and subsequent to 31 December 2025, the Group has extended its £50 million facility maturing in January 2026 to mature in January 2027, and for its €355 million facilities maturing in January 2027, the Group has arranged for the potential to extend the facilities for one year at the Group's option. This provides the Group with good visibility for when it is appropriate to refinance. The Group uses a period of five years for impairment testing of its two groups of cash generating units due to the long-term nature of cash flows within the aerospace and defence industry, but this is not necessarily reflective of the standard length of term of financing arrangements offered by lenders.

The Directors' assessment of the Group's viability is underpinned by a paper prepared by senior management. The paper is supported by comprehensive and detailed analysis and modelling. The models underpinning this statement are stress-tested and used by senior management when determining working capital requirements for contractual obligations, transactions and corporate restructuring.

In addition to the scenario-specific assumptions (detailed overleaf), the principal assumptions for this three-year viability assessment are as follows:

- the viability model is based on the Group as at the date of this statement, with no consideration of further acquisitions or future disposals of continuing businesses;
- foreign currency exchange rates of USD:GBP of 1.335:1 and Euro:GBP 1.15:1 throughout the three year assessment[1];
- an extension of the Group's current multi-currency term loan and revolving credit facilities to cover the three year forecasting period with interest rates reflecting the Group's current financial position and the wider economic environment;
- dividend payments in line with our growing dividend policy; and
- the previously announced £250 million share buyback programme completing in March 2026 and a further £175 million share buyback programme, commencing in April 2026 and lasting 12 months.

Consideration has been given to the magnitude of the risks which would have the most material impact on the Group's liquidity, and their potential impact, directly or indirectly, on the Group's future performance and position. The assessment included stress-testing of the Group's financial capacity to absorb the impact of such adverse events, either individually or in combination, along with the net risk position when considering mitigating actions the Group could take in order to protect its business.

The scenarios modelled have been linked to the Group's principal risks detailed on pages 35 to 39 as shown in the table overleaf. The Talent and Capabilities risk has not been specifically modelled as it is not expected to have a significant pervasive effect on the key financial metrics affecting the Group's viability in addition to those already included in the base model.

None of the scenarios modelled, including scenario 6 which is the more extreme and unlikely aggregated scenario, were found to impact the long-term viability of the Group over the assessment period.

Based on this detailed assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities, as they fall due, up to December 2028. The Directors' assessment has been made by reference to the Group's financial position as at 31 December 2025, its prospects, the Group's strategy, the Board's risk appetite and the Group's principal risks and their management, all of which are described in the Strategic Report.

(1) Sensitivity analysis detailing the impact of a 1 cent strengthening of the US Dollar and Euro is shown in the Chief Financial Officer's Review.

LONGER-TERM VIABILITY STATEMENT | CONTINUED

SCENARIOS MODELLED

Scenario	Link to principal risks
SCENARIO 1	
An economic shock (political unrest or biological hazard), leading to supply chain disruption, reduction in demand and a recession across global markets resulting in revenue and profit reductions and working capital build-up.	Operations Commercial Geopolitical and Economic
SCENARIO 2	
A significant quality issue involving products manufactured by the Group or in the case of the Engines division, one of its RRSP partners leading to product recalls, financial penalties and reputational damage.	Operations Commercial Safety
SCENARIO 3	
A significant business disruption, such as a major fire at a significant plant or climate-related event, rendering a facility unusable for a prolonged period of time causing severe disruption to production, refurbishment and repair costs and costs of beaching supply contracts.	Operations Climate change
SCENARIO 4	
A cyber attack affecting one of our largest geographies, resulting in loss and corruption of data leading to business disruption, compliance concerns due to the disclosure of confidential data, reputational damage and potential penalties from government bodies.	Operations Legal and Regulatory Information Security and Cyber Threats
SCENARIO 5	
Uncommitted funding in the form of working capital programmes or overdraft facilities being removed at a time where market conditions are unfavourable, meaning the ability to raise debt or refinance existing borrowings is impaired resulting in immediate cash outflows and increased finance costs.	Treasury
SCENARIO 6	
Combination of scenarios 2 and 5	Operations Commercial Treasury Safety

SECTION 172 STATEMENT

Board stakeholder engagement and decision-making

The Board is responsible for the long-term success of the Company, for setting and overseeing its culture, and for establishing the Company's purpose, strategy and values. The Board's understanding of the Company's stakeholders and their respective interests is central to these responsibilities and informs key aspects of its decision-making.

Section 172 statement

The Directors provide this statement describing how they have had regard to the matters set out in section 172(1) of the Companies Act 2006 ("Section 172") when performing their duty to promote the success of the Company.

Melrose's purpose, strategy and values

Melrose is a global aerospace and defence technology business focused on long-term value creation. Our positive trajectory is underpinned by our established position on all of the world's leading aircraft and engines, our differentiated proprietary technology, including our world-leading additive fabrication capability, and strong end market demand for our products, due to, amongst other things, increasing engine flight hours and rising defence spend.

Our purpose and strategy are grounded in our principles of integrity, transparency, and sustainable, high-performance operations.

The Board is accountable to the Company's shareholders for setting the Group's strategy, overseeing the Group's financial and operational performance in line with Melrose's strategic objectives, and taking into account the principal risks facing the Group. Implementation of the Group's strategic objectives, as determined and overseen by the Board, is delegated to the senior management team led by the Executive Committee, with operational implementation and management delegated to the divisional teams. A clear governance framework exists within the Group which ensures alignment with applicable legal and regulatory requirements and corporate governance best practices. The principles of Section 172 are considered at Board level and embedded throughout the Group's organisational structure, including within the governance framework and within our Group policies and procedures.

High standards of business conduct guide and assist the Board's decision-making, and in doing so, help promote the Company's long-term sustainable success, recognising, amongst other things, the likely consequences of any decision in the long term, in addition to wider stakeholder considerations.

Key stakeholder engagement in 2025

The Board cultivates strong relationships with the Group's key stakeholders so that it is well placed and sufficiently informed to take their considerations into account when making decisions, where appropriate, in order to discharge their duties under Section 172 and to pursue the Company's strategic objectives. Stakeholder engagement enables the Board to assess and monitor whether key stakeholder priorities have changed.

The following section contains details of our key stakeholders, how the Board engaged with them during the year, and the outcomes of these processes.

OUR KEY STAKEHOLDERS

Our approach	Engagement activities and consideration

OUR PEOPLE

We recognise that a capable, engaged and passionate workforce is central to the Group's long-term success. As a key stakeholder group, we promote a culture of open dialogue and effective engagement to ensure employees feel confident that their views are taken into consideration.

- An annual all-employee engagement survey is undertaken across the Group, with results and feedback shared with the Board to inform executive decision-making.
- The executive Directors regularly visit sites throughout the year, engaging directly with employees.
- The Board conducts site visits at least annually, comprising a Board meeting and business review held at an operating site.
- Melrose operates a Workforce Advisory Panel ("WAP") to help the Board understand the views of, promote effective engagement with, and encourage participation from, the workforce. The WAP met twice during 2025 and the outcomes, together with key workforce views, were fed back to the Board accordingly.
- The Chief Executive Officer hosts monthly interactive leadership update video conferences, and biennial in-person leadership conferences to engage directly with operational and functional leaders across the Group.
- The Chief Executive Officer champions our lean operating model, 'Brilliant Basics', which is creating a strong culture of continuous improvement throughout the Group.
- Employee Resource Groups provide our people with regular opportunities for collaboration and learning on a diverse range of topics.
- Employees may raise concerns confidentially and anonymously through the Group-wide whistleblowing platform.
- A large number of employees are covered by collective bargaining units, national collective agreements and union agreements. Engagement with employee representative bodies remains a focus, enabling discussion of ordinary course matters as well as specific events.

Sustainability Review
pages 48 to 83

SHAREHOLDERS

We provide a consistent and transparent flow of information to shareholders and to the wider investment community, taking a clear and open approach to investor relations and communications. We recognise the need for meaningful engagement and robust disclosures to inform shareholders, as well as analysts with their research and the information they provide to actual and potential investors. We also recognise that the wider investment community benefits from disclosure in line with regulatory requirements and on topics that are material to the Company to inform independent investment decisions.

- The executive Directors engaged with key investors in the UK, the USA and Canada as part of the regular investor roadshow programme.
- Melrose has an annual programme of key information publications and engagement activities including presentations following annual and interim results announcements, regular trading updates, open agenda meetings with key shareholders attended by the Chair and/or the Senior Independent Director with the Company Secretary, where requested, and a live Q&A forum for shareholders at the Company's Annual General Meeting.
- The executive Directors host and/or attend ad-hoc investor meetings and conferences. During the year, Melrose hosted a targeted investor event at its Western Approach site. Furthermore, the Chief Executive Officer was invited to present at investor conferences hosted by J.P. Morgan, Bank of America and Norges Bank.
- Prior to, and shortly after, taking the role of Chair in March 2025, the Chair met with shareholders representing over 40% of the Company's share register, to hold open agenda meetings focusing on the Chair's priorities for the year ahead.
- The Chair of the Board and Chair of the Remuneration Committee met with shareholders representing over 40% of the Company's share register to discuss their views and expectations following the limited shareholder support received for the Directors' Remuneration Report at the 2025 Annual General Meeting. This engagement included discussions on the renewal of the Directors' Remuneration Policy. They also met with representatives from ISS, Glass Lewis and PIRC to discuss their views on this topic.
- Melrose published a 'Half Year Aide Memoire' to help investors and analysts prepare for the Company's interim results announcement in July.

Directors' Remuneration Report
pages 113 to 129

OUR KEY STAKEHOLDERS

Our approach	Engagement activities and consideration

CUSTOMERS AND SUPPLIERS

Strong relationships with our customers and suppliers are fundamental to our long-term success.

We recognise the importance of these relationships and encourage our business lines to conduct regular and meaningful engagement. We continue to build and maintain open and collaborative business relationships.

- Directors and members of management attend major aerospace industry events, including the Paris Air Show, and the management teams of our business lines attend key shows specific to their strategic growth.
- The Chief Executive Officer holds regular meetings with key customers within their corporate head offices and at their sites.
- The Board holds business review meetings with the management teams of each business line. As part of these reviews, the Business Line Presidents share their and their senior teams' direct feedback on key customer and supplier initiatives and views from their continuous engagement activities.
- The Board receives regular business performance updates, and the executive Directors hold regular meetings with each business line to review, challenge and act upon feedback on key customer and supplier topics, interests and issues, such as supplier performance and supply chain challenges.
- The business continues to focus on helping customers deliver their own sustainability priorities by working with them to unlock and industrialise product and process innovation, to make products more sustainable. This included engaging directly with customers through strategic account reviews, and joint development projects.
- Coverage of the Group's supplier monitoring and engagement portal continued to expand, which in turn helped to enable the Group to better assess its suppliers' environmental footprint and allowed the Group to prioritise which suppliers to engage with. The first full cycle of this data was received in 2025 providing insight into the maturity of our suppliers and their alignment with Net Zero objectives.

→ **Divisional Reviews**
pages 16 to 23

ENVIRONMENT AND COMMUNITIES

The Board as a whole takes responsibility for sustainability and climate change. Sustainability remains a Board meeting agenda item, providing a platform for the Chief Executive Officer to update the Board on progress and targets.

- The Group worked with universities, knowledge institutions, suppliers, and customers, with a view to leading the industry in developing technologies that rapidly decarbonise aircraft, while innovating to help build the next generation of aircraft.
- Internally, and in line with the Group's near- and long-term emissions targets, the Group engaged with sites on localised plans for decarbonisation with seven sites generating renewable electricity on-site in 2025.
- Externally, the Group continued to engage with suppliers with a view to furthering its commitment to its Scope 3 SBTi-approved engagement target of encouraging 70% of GKN Aerospace suppliers by spend to set science-based targets by 2028.
- The Group continued to engage with sustainability ratings agencies. The Group was awarded a gold medal from EcoVadis following its second evaluation, scoring 78 out of 100 (2024: 70 out of 100). The Group's MSCI score was A in 2025, and received a B for both CDP Climate Change and Water Security.
- The Group recognises the importance of local communities to the effective operations of its business. Page 78 of our Sustainability Review provides more detail in respect of the actions the Group took in 2025 to engage with its local communities.

→ **Sustainability Review**
pages 48 to 83

OUR KEY STAKEHOLDERS

Our approach	Engagement activities and consideration
GOVERNMENT BODIES, REGULATORS AND INDEPENDENT BODIES	
We interact with government bodies and regulators in a number of jurisdictions, many of which are of strategic importance to the Group and our long-term success. We recognise the importance of maintaining open dialogue with such stakeholders to allow our business to operate effectively. We also engage closely with trade and industry bodies, corporate governance agencies, proxy advisors, independent reporting bodies and regulators regarding a variety of topics that we and our investors consider to be of long-term strategic importance.	• Dialogue is maintained with national governments, politicians, funding bodies, trade and industry associations, and other industrial organisations on a range of topics related to our business. This engagement enables the Group to anticipate regulatory change, and promote coordinated approaches to challenges, including those shared by companies operating within the aerospace and defence sector. • GKN Aerospace is a participant in a number of UK-based industry bodies, including the Jet Zero Taskforce (previously the Jet Zero Council), bringing together industry, academia and government to provide strategic leadership to support innovation, economic growth and the decarbonisation of the UK aviation industry. • GKN Aerospace is also a member of key international aerospace organisations, such as ASD, the voice of the European aerospace, security and defence industry. During the year, the Chief Executive Officer was invited to present at two ASD Conferences. • Melrose continued to engage with independent reporting bodies supported by the UK Government, including the FTSE Women Leaders Review and the Parker Review. • The Group engaged with various stakeholders on sustainability-related topics, which included sustainability analysts, reporting organisations and rating agencies such as MSCI, Sustainalytics, V.E., FTSE Russell, S&P Global CSA and CDP. Melrose also engaged with the Independent Anti-Slavery Commissioner's Officer in respect of modern slavery and related proposed regulatory changes. → **Sustainability Review** pages 48 to 83

KEY BOARD DECISIONS

Set out below is a summary of some of the Board's key decisions taken during 2025. In addition to considering the views of our key stakeholder groups when making these decisions, consideration was also given to how these decisions align with Melrose's business strategy.

Key Board decision	Outcome	Key Stakeholders considered	Alignment with Company strategy
BOARD CHANGES			
Succession planning was a key Board agenda item throughout 2025. In respect of Matthew Gregory's decision to retire from the Board in 2026, and succession planning for this role, a recruitment process was undertaken by the Board with support from the Nomination Committee, which resulted in Ross McCluskey being selected to succeed Matthew as executive Director and Chief Financial Officer. The Board and the Nomination Committee also continued to prioritise the enhancement of the skill set and expertise of the Board through the appointment of additional Non-executive Directors, with particular focus as part of the recruitment process on aerospace and defence expertise. The Board, upon recommendation from the Nomination Committee, was asked to approve each of the above Board changes.	The Board approved the appointment of Ross McCluskey as executive Director and incoming Chief Financial Officer. This appointment is set to take effect from 5 May 2026. Matthew Gregory will also retire from the Board on this date and will remain with the Company during 2026 in order to enable a seamless transition to Ross. The Board approved the appointment of Alison Goligher and Guy Hachey as Non-executive Directors on 19 May 2025 and 18 August 2025 respectively.	• Shareholders • Our people • Government bodies, regulators and independent bodies	Ross McCluskey has significant experience in senior finance and leadership roles, including with companies that operate in highly regulated and complex industries. The Board therefore believes that Ross has the requisite skill set and experience to deliver Melrose's strategy. The biographies for Alison Goligher and Guy Hachey, which detail their skills and experience, can be found on pages 89 to 91. Both appointments enhance the Board's aerospace and defence sector expertise complementing the existing skill set and experience of the Board. This in turn has contributed to the collective strength required of the Board to support and challenge the delivery of Melrose's strategy.
DIRECTORS' REMUNERATION			
Melrose is required to renew its Directors' Remuneration Policy in 2026 following the limited shareholder support received for the Directors' Remuneration Report at the 2025 Annual General Meeting (the "AGM"). A shareholder engagement exercise was undertaken related to the renewal of the Directors' Remuneration Policy, which included discussion with shareholders representing over 40% of the Company's share register, on the renewal of the Directors' Remuneration Policy. The Board, upon recommendation from the Remuneration Committee, was asked to approve the 2026 Directors' Remuneration Policy.	The Board and the Remuneration Committee approved the 2026 Directors' Remuneration Policy enclosed on pages 124 to 129. The 2026 Directors' Remuneration Policy will be put to a shareholder vote for approval at the 2026 AGM.	• Our people • Shareholders • Government bodies, regulators and independent bodies	The remuneration strategy contained within the 2026 Directors' Remuneration Policy supports the Company's shareholder value creation strategy, which is founded upon strong aerospace growth, strategic platform positions, and exceptional technology driving lasting operational and financial gains.
DIVIDEND			
Melrose has a policy to grow dividends. During 2025, the Board considered the final dividend for the financial year ended 31 December 2024, and the interim dividend for the financial year ending 31 December 2025.	The Board declared a final dividend of 4.0 pence per share for the financial year ended 31 December 2024, which was approved by shareholders at the 2025 AGM. This resulted in a total dividend for the year of 6.0 pence per share. The Board also approved an interim dividend for the financial year ending 31 December 2025 of 2.4 pence per share in line with Melrose's growing dividend policy.	• Shareholders	The dividends approved during 2025 align with Melrose's growing dividend policy and value creation strategy.

SECTION 172 STATEMENT | CONTINUED

KEY BOARD DECISIONS

Key Board decision	Outcome	Key Stakeholders considered	Alignment with Company strategy
STRATEGIC TARGETS			
The Board is responsible for setting Melrose's strategy and as part of that, it reviews and considers the Group's strategic plan and performance towards its strategic objectives each year. The Board approved the Company's new five-year targets out to 2029, which were built on Melrose's strategy to deliver organic growth, primarily from well-established positions on the world's leading aircraft and engines.	The Board approved a series of five-year targets for the Group out to 2029: £5 billion of revenue, £1.2+ billion of adjusted operating profit and £600 million of free cash flow (stated at GBP £ = US$1.25).	• Shareholders • Customers and suppliers	The five-year targets were underpinned by Melrose's clear growth strategy. With strong momentum across the Group, Melrose has a clear path to delivering these targets based on the expected ramp up in production rates to publicised levels and our positive trajectory.
SUSTAINABILITY TARGETS			
The Board retains ultimate responsibility for the Group's sustainability and climate-related initiatives. Following achievement of our 2025 sustainability targets, the Board considered the Company's 2030 sustainability targets. These were informed by the Group's strategic sustainability priorities, the results of its latest preparatory work to ensure alignment with evolving regulation, as well as the Group's performance to date.	The Board approved the Group's 2030 sustainability targets. Further details can be found on pages 48 to 83.	• Environment and communities • Our people • Shareholders • Government bodies, regulators and independent bodies • Customers and suppliers	The 2030 sustainability targets were developed in line with the Group's long-term sustainability strategy and the five-year business outlook, providing a clear roadmap for continued progress, resilience, and value creation, whilst addressing the most critical risks and opportunities facing the Group.

Sustainability Review

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SUSTAINABILITY REVIEW

Overview of 2025

Mission, strategy and sustainability in action

Our mission – to be the most trusted and sustainable partner in the sky – continues to shape the design and delivery of our products and the disciplined execution of our strategy. It drives our relentless focus on achieving our targets, the dedication of our people, and our commitment to our partnerships and innovation.

2025 was a year of good progress and momentum for the Group, culminating in the successful achievement of the sustainability targets we set in 2020. Through focused collaboration and innovation across priority areas of the business, we are pleased to report that all of our environmental targets have been achieved. This reflects our sustainability focus and leadership, demonstrated through active reduction of emissions, more efficient management of resources and disciplined, strategically targeted investments.

Environment and climate transition

The aerospace and defence sector is undergoing a dynamic phase of technological transformation, driven by the acceleration of innovation in materials, advances in digital engineering, automation and data-enabled manufacturing, and a heightened focus on aircraft emissions. These factors are transforming aerospace design, manufacturing and operations, enabling progress towards the global net zero ambition. Within this context, we maintained focus on reducing emissions across our own operations. We continued to prioritise innovation in lower-emission propulsion systems and lighter, more efficient structures in our support of the sector's transition to lower-carbon aviation and in strengthening our long-term competitiveness in a rapidly evolving market.

In parallel, work continued throughout 2025 to analyse and quantify the emissions footprint of our products, informing our investments in advanced manufacturing and material technologies, such as additive fabrication, resin transfer moulding, lightweight metallic and composite structures; and supporting customer demand for more efficient aircraft platforms. We also continued the expansion of our engine repair solutions, which seeks to improve in-flight efficiency and extend product life, reducing resource use and waste. Partnerships with customers, industry partners, academia and government, including through programmes such as SWITCH, RISE and ICEFlight, support the development of electric, hybrid and hydrogen propulsion systems, to increase the efficiency of future aircraft. Across our operations, sites delivered local improvements in energy and resource efficiency, including renewable energy installations, process electrification, logistics optimisation and waste reduction initiatives.

In 2025, we continued to improve data accuracy and analysis across the full breadth of ESG metrics, enabling greater focus on priority areas. Significant effort was put into strengthening responsible practices across our supply chain in support of our Science Based Target initiative ("SBTi") engagement target. This included the development of a five-year sustainable procurement strategy which introduces measurable performance indicators and shifts engagement priorities from spend-based to risk-based supplier assessments. The first round of supplier assessments, completed via our online supplier portal, provided clearer visibility of supplier alignment with our and the industry's net zero goals, and regulatory expectations.

Our people

Our people remain the driving force behind our progress. We continued to prioritise the health, safety, and wellbeing of our workforce and encourage meaningful engagement across the Group.

Our Global Skills Fund, a dedicated investment programme within the Group, provides targeted funding to build technical and leadership capabilities across our global workforce. The programme continues to support training in advanced manufacturing, engineering and digital skills, strengthening the capabilities required to develop the next generation of aerospace technologies.

Throughout 2025, programmes on inclusion, diversity and belonging[1], and on employee wellbeing continued, with our careful consideration and adaptation to local contexts and applicable regulations. Our 2025 annual employee engagement survey recorded a 92% response rate (2024: 84%), reflecting a strong culture of participation and accountability across the Group. Discipline in action planning and consistent follow-through have delivered measurable improvements in engagement outcomes, with overall performance now placing the Group in the top half of Gallup's global workgroup database.

Governance and oversight

During the year, as part of our preparation for the Corporate Sustainability Reporting Directive ("CSRD"), we continued to advance our Double Materiality Assessment ("DMA"), while also allowing time for the publication of the revised associated draft European Sustainability Reporting Standards ("ESRS") to inform its further development. As a result, we paused the scoping of our reporting framework aligned to the DMA but continued to strengthen the underlying analysis of our impacts, risks and opportunities. We also started reviewing the implications of the upcoming UK Sustainability Reporting Standards.

2025 was a milestone year for our sustainability agenda, with many targets reaching maturity and all environmental targets successfully achieved. This progress reflects the strength of our strategy and execution, and provided a platform for the development of a new set of medium-term targets to drive continued performance and impact. As the regulatory landscape continues to evolve, we expect to revisit and further enhance our approach to double materiality, to ensure alignment with the latest standards and forthcoming guidance. This may, in due course, inform future refinements to our sustainability priorities, targets and associated timelines.

We were again recognised by leading ESG rating agencies, reflecting strong improvements in governance, performance and quality of disclosures, and the contribution of our people across the business. Our most notable achievement was the EcoVadis Gold Rating awarded in August 2025.

Looking ahead to 2026 and beyond, sustainability remains a core part of our business strategy and a key driver of long-term value creation for our stakeholders. We will maintain our focus on delivering innovation that reduces environmental impact, supports operational resilience and contributes to a more efficient and sustainable future for aerospace.

(1) All inclusion, diversity, and belonging initiatives and activities referenced throughout this report are applicable only within the scope of legally permitted jurisdictions.

Sustainability performance

Performance against 2025 targets and commitments

Our sustainability targets and commitments provide a clear framework for delivering progress across our priority areas. They address the environmental and social challenges most material to our business, relevant across the aerospace and defence sector, and by aligning with the UN Sustainable Development Goals ("SDGs"), remain consistent with the global agenda for responsible growth.

Our 2025 sustainability targets established a strong foundation for embedding sustainability across our operations and advancing our approach. Building on this progress, we set a new generation of longer-term ambitions. Our 2030 targets reflect our evolving business outlook and refreshed sustainability priorities (see page 53 for details). The Group has achieved all of its 2025 environmental targets, covering Scope 1 and 2 emissions (absolute and intensity), water withdrawal intensity, and waste diverted from landfill.

Our progress towards achieving the SBTi-validated target for absolute Scope 1 and 2 emissions reduction remains on track in line with the Transition Plan, and currently ahead of the linear reduction pathway. This reflects continued progress in energy efficiency, targeted decarbonisation initiatives and operational optimisation, supported by strengthened environmental management practices at our sites, including an increased share of renewable electricity, improved waste segregation, resource efficiency and water stewardship measures. Our SBTi-validated Scope 3 emissions target remains a key focus as we implement our decarbonisation roadmap and progress towards our 2030 indirect emissions target. Absolute Scope 3 emissions decreased by 18% compared with 2022 (see page 66 for details). We continued to advance the actions, set out in the Transition Plan to improve data coverage and tracking, while working to reduce targeted emissions from transport and distribution, business travel and employee commuting.

In line with our Scope 3 supply chain engagement target, we continued to work with suppliers to encourage the adoption of science-based emissions targets. Our target is to encourage 70% of our supplier base by spend to have set their own science-based targets by 2028. As at 31 December 2025, 19% of our suppliers by spend had science-based targets in place (16% have SBTi-validated targets), from the 63% of suppliers (by spend) engaged to date. Engagement has been driven through structured divisional roadmaps and targeted training to improve response rates and strengthen visibility of supplier sustainability performance. In 2026, we will move towards more granular supplier segmentation, focusing support on suppliers who have the highest emissions footprint.

Across the business, health and safety performance remained strong, with Lost Time Accident ("LTA") Frequency Rate, our long-standing primary indicator, maintained well below 0.1 in 2025. To support a more comprehensive and forward-looking assessment of safety performance, the Group has transitioned to Total Injury Rate ("TIR") as its primary health and safety metric from 2026, enabling improved trend analysis and proactive risk management. In parallel, the Group continued to strengthen its approach to inclusion, diversity and belonging, and employee wellbeing, supporting fair working conditions, workforce engagement and long-term employability through programmes adapted to local contexts and applicable regulations.

Our sustainability targets are reviewed annually to ensure alignment with the Group's strategic priorities and evolving regulatory requirements. Where existing targets have been achieved or exceeded, new targets have been introduced to drive continued improvement and maintain alignment with our evolving strategic and sustainability priorities, and sustainability regulations. Our matured and retired targets remain part of our broader sustainability focus and undergo continued performance monitoring and tracking. Please see page 53 for the Group's new and ongoing targets. Performance against our matured short-term (up to end of 2025) and other medium-term sustainability targets and commitments is set out on page 51.

RECOGNITION – OUR CURRENT ESG SCORES

MSCI[1]

'A'

ESG Rating: A

ISS Corporate Score

C+

Prime with a decile ranking of 1 in Aerospace and Defence

EcoVadis Sustainability Rating

Gold

78 out of 100 (well above the 'Manufacture of air and spacecraft and related machinery' industry average of 52)[2]

CDP Climate Change

B

CDP Water Security

B

Sustainalytics[3]

ESG risk rating

23.5

Medium

Ranked 5th out of 112 Aerospace and Defence

57

(out of 100) in the 2025 S&P Global Corporate Sustainability Assessment ("CSA")

Ranked in the 95th percentile among Aerospace and Defence

(1) The use by Melrose Industries plc of any MSCI ESG Research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, does not constitute a sponsorship, endorsement, recommendation, or promotion of Melrose plc by MSCI. MSCI services and data are the property of MSCI or its information providers and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.
(2) Please see our EcoVadis medal recognition page here https://recognition.ecovadis.com/T1PwpPApdkCdsWF6-RU3jQ.
(3) As of February 2026, Melrose received an ESG Risk Rating of 23.5 from Morningstar Sustainalytics and was assessed to be at Medium risk of experiencing material financial impacts from ESG factors. In no event shall the ESG Risk Rating be construed as investment advice or expert opinion as defined by the applicable legislation.

Measure	Targets/ commitments	Baseline year	2025 performance[1]	Target maturity	Progress
UN SDGs					
Target 6.4: Improving water efficiency through our water withdrawal intensity target. Target 9.4: Advancing sustainable aviation through low-carbon technologies and products. Target 13.2: Integrating climate considerations into strategy, risk management and industry engagement.					
Sustainability principle: Respect and protect the environment					
Reduce Scope 1 and 2 GHG emissions intensity[2]	50%	2020	57%	2025	Achieved
% of global electricity sourced from renewable sources[3]	50%	2020	55%	2025	Achieved
% of our solid waste diverted from landfill[4]	95%	2020	96%	2025	Achieved
Reduce water withdrawal intensity[5]	40%	2021	41%	2025	Achieved
Reduce absolute Scope 1 and 2 GHG emissions[6]	50%	2020	33%	2030	On Track
Reduce absolute Scope 3 GHG emissions[7]	25%	2022	18%	2030	On Track
Encourage suppliers, covering purchased goods and services, to have science-based targets by 2028[8]	70%	2022	63%	2028	On Track
UN SDGs					
Target 7.3: Investing in energy efficiency, enabling solutions for climate change adaptation and mitigation. Target 9.5: Advancing aerospace innovation through climate-related research and development. Target 13.2: Integrating climate considerations into product development and commercial strategy.					
Sustainability principle: Continue to invest in, and support development of, products and services aligned with a net zero future					
% of total R&D expenditure on climate-related R&D annually	80%	2020	80%	2025	Achieved
% of new products which contribute to the decarbonisation of aerospace	100%	–	100%	2025	Achieved
UN SDGs					
Target 3.9: Reducing air pollution through lower-emission aerospace technologies and products. Target 5.5: Promoting inclusion and diversity across leadership and the wider workforce. Target 8.8: Strengthening health and safety standards, fair employment and skills development across our operations.					
Sustainability principle: Prioritise health and safety, promote diversity and nurture the wellbeing and skills development of employees, and support the communities that they are part of					
Protect our employees[9] from injury and maintain our LTA[10] frequency rate[11]	<0.1	2020	0.019	–	Achieved
Invest £5 million in skills development per year[12]	Commitment		£6.3 million		Achieved
Ensure that all employees receive regular (annual) performance reviews[12] [13]	Commitment		75%		On Track
% female Board membership	40%	–	40%	Maintain	Achieved
At least one member of an ethnic minority background on the Board	1	–	Yes	Maintain	Achieved
% of women in senior management[14] by 2025	40%	–	36%	2025	Not met
% ethnic minority representation in UK-based senior management[14] by 2027	13%	2024	6%	2027	On Track
UN SDG					
Target 8.7: Preventing forced labour and modern slavery through robust ethics, due diligence and supply chain controls. Target 8.8: Protecting labour rights and promoting safe and fair working conditions across our operations and supply chain.					
Sustainability principle: Exercise robust governance, risk management and compliance					
Ensure compliance of all employees, suppliers and contractors with our Code of Ethics, conducting business with integrity and in a responsible, ethical and sustainable manner	Commitment	2020			On Track

(1) All historical and current data exclude data from divested entities, and includes entities whose operations have ceased, in accordance with the Reporting Boundaries, Scope and Basis of Preparation section.
(2) The Group's chosen intensity ratio is emissions reported per £1,000 of revenue. The data has been standardised from the source units in which it was initially collected. The revenue figures used to calculate the intensity ratio include continuing operations under operational control only. Scope 1 and 2 emissions intensity in 2020 (recalculated in 2024) was 0.046.
(3) Where renewable electricity is commercially and reasonably available in the relevant jurisdiction.
(4) Excluding hazardous waste.
(5) The Group's chosen intensity ratio is water withdrawal reported per £1,000 of revenue. The data has been standardised from the source units in which it was initially collected. The revenue figures used to calculate the intensity ratio include continuing operations under operational control only. Water withdrawal intensity in 2021 (recalculated in 2024) was 0.275 m^3 per £1,000 of turnover.
(6) SBTi-validated Group target. Absolute 2020 baseline Scope 1 and 2 GHG emissions (recalculated in 2024) were 108,411 tCO_2e.
(7) SBTi-validated Group target. Target covers Scope 3 emissions from Category 3: Fuel- and energy-related activities, Category 4: Upstream transportation and distribution, Category 5: Waste generated in operations, Category 6: Business travel, and Category 7: Employee commuting. Absolute 2022 baseline Scope 3 GHG emissions (recalculated in 2024) were 1,152,330 tCO_2e. Scope 3 GHG emissions covered by our Scope 3 absolute SBTi-validated target in 2022 were 82,100 tCO_2e.
(8) SBTi-validated Group target. Target covers suppliers by spend, covering purchased goods and services. In 2025, 63% of suppliers were engaged, with 19% confirmed as already having science-based targets in place.
(9) Throughout this Sustainability Review the definition of employees includes the following categories of employment: "Regular", "Temporary", "Apprentice", and "Intern/Co-op", but excludes "Agency" workers. The target does not include contractors.
(10) A Lost Time Accident ("LTA") is a work-related incident that results in an injury or illness that prevents an employee from performing their normal duties for at least one day (or shift) beyond the day the incident occurred.
(11) The LTA target has been replaced with a new target based on Total Injury Rate ("TIR"), as detailed in the Strategic Sustainability Priorities section on page 53.
(12) The skills investment, performance reviews and compliance targets are not continuing as part of a broader review of our strategic priorities. As detailed in the Strategic Sustainability Priorities section on page 53, this review has led to a refreshed set of targets reflecting how our focus has evolved.
(13) Where permitted by local laws and employee representative bodies.
(14) Senior management defined as Executive Committee and its direct reports, excluding support staff.

2025 sustainability highlights

We are committed to strengthening our environmental performance by reducing emissions, improving resource efficiency and advancing circularity across our operations, while supporting the decarbonisation of the aerospace and defence sector and safeguarding natural resources for future generations.

In 2025, decarbonisation efforts continued across both our own operations and among our suppliers. We leveraged our deep technical expertise to identify in-flight emissions reduction opportunities. Partnerships remain core to our mission, enabling significant progress through investment and industry-wide collaboration.

The route to Net Zero demands coordinated action to improve the efficiency of existing aircraft, support the development of next-generation ultra-efficient platforms, scale sustainable aviation fuels and advance zero-emission technologies. During the year, we continued to build the technology, partnerships and supply chain capabilities required to support long-term decarbonisation.

To support our workforce and to contribute to broader societal goals, we place a strong emphasis on safety, wellbeing, engagement and inclusion, recognising these as essential to achieving operational excellence and employee retention. We are committed to upholding human rights and ethical standards, while fostering a skilled and capable workforce through continuous development and growth.

HIGHLIGHTS /

ACCELERATING AVIATION'S TRANSITION TO NET ZERO

Technology leadership

- Advanced next-generation engine demonstrator programmes, including CFM RISE and Pratt & Whitney GTF, to improve efficiency and reduce lifecycle emissions.
- Progressed hydrogen-electric propulsion through H2GEAR and H2FlyGHT, including integration of a 1MW system and advancement towards 2MW capability.
- Scaled additive fabrication with full-rate Fan Case Mount Ring production, the largest FAA-certified additively manufactured aerospace component.

Operational emissions reduction and energy efficiency

- Continued delivery of emissions-reduction and SBTi commitments through improved energy efficiency, optimisation of energy-intensive processes and installation of on-site renewable capacity.
- Developed a renewable power purchasing agreement ("PPA") strategy to support long-term operational decarbonisation.
- Implemented logistics optimisation programmes to reduce transport emissions.

Partnerships for innovation

- Worked with global engine and aircraft OEMs on efficiency improvements, including the GTF Advantage programme.
- Collaborated through the UK Aerospace Technology Institute ("ATI"), Clean Sky and Clean Aviation Europe to advance lightweight structures, aerodynamic efficiency and next-generation propulsion integration.
- Supported Advanced Air Mobility ("AAM") through structural and electrical integration expertise, enabling hydrogen-aviation opportunities and innovation start-ups, such as SORA Aviation.

Supply chain decarbonisation and circularity

- Expanded supplier engagement towards the target for 70% of suppliers (by spend) to set science-based targets by 2028.
- Strengthened responsible procurement through enhanced supplier monitoring and carbon-footprint assessments.
- Improved circularity through collaboration to increase recycled aluminium content and reduce embodied emissions.
- Continued waste-reduction and recycling initiatives, reducing landfill and promoting circular material use.

EMPOWERING PEOPLE TO DELIVER THE FUTURE OF AEROSPACE

We are committed to fostering a culture that supports innovation, safety and wellbeing, inclusion, and the continuous development and engagement of our global workforce. These priorities underpin operational excellence and long-term employee retention, while supporting our contribution to broader societal goals. Beyond our operations, we aim to inspire the next generation of engineers and create a positive impact in the communities where we live and work, ensuring we build the capabilities required to transform aerospace and defence.

- We continued to enhance our holistic approach to wellbeing, supporting our people's mental, physical, financial and social health within the Group through a range of targeted initiatives.
- Our global Health and Safety programme focused on strengthening risk prevention and standardising controls across all sites, with key initiatives in 2025 covering chemical safety management, vehicle and pedestrian safety, and contractor control.
- We advanced targeted programmes to reduce workplace injury risks and strengthen occupational health data collection and compliance, supporting long-term health, safety and wellbeing planning.
- Our annual engagement survey achieved a record-high response rate of 92%, with improved overall results, marking another year of consistent progress.
- Our Employee Resource Groups ("ERGs") continued to provide safe and inclusive spaces for connection and support.
- The Global Skills Fund remained a globally inclusive opportunity, supporting collaboration across the business and the development of critical capabilities, including digital skills, robot programming, safety assessment of aircraft systems, model-based systems engineering and composites training.
- Over the year, total annual spend on workforce training reached £6.3 million.
- Our commitment to developing early-career talent continued in 2025, with 33 graduates and 191 apprentices joining the business, alongside additional individuals through internships and work experience programmes.
- Sites undertook local community initiatives, including STEM outreach and charitable activities, as well as a range of impactful environmental projects, fostering collaboration with communities around us.
- ESG remained integrated into executive remuneration through the Melrose Performance Share Plan.

Sustainability framework

Strategic sustainability priorities and targets

In 2025, we advanced the assessment of sustainability matters which are material to our business. In parallel, we refreshed our strategic sustainability priorities which anchor our sustainability targets, policies, and actions, supporting our mission to be the most trusted and sustainable partner in the sky.

Our refreshed strategic priorities are:

- reducing our emissions;
- enabling aviation's route to Net Zero;
- conserving natural resources;
- keeping our people and business safe;
- investing in skills and development; and
- promoting inclusion, diversity and belonging.

Our 2030 targets were developed in conjunction with our long-term sustainability strategy and business outlook, providing a clear roadmap for continued progress, resilience and sustainable value creation, whilst addressing the most critical sustainability risks and opportunities facing the Group.

Materiality assessments continue to inform our sustainability strategy, ensuring that our chosen priorities and targets remain relevant to the Group's operations and stakeholders. The initial findings from our evolving Double Materiality Assessment have supported the refresh of our sustainability priorities and setting the 2030 targets.

Through the DMA, we started to assess impacts, risks and opportunities on a phased and iterative basis, strengthening the integration of sustainability considerations into business strategy, financial planning and enterprise risk management process.

Internal and external stakeholder engagement, industry benchmarking and regulatory developments continue to inform this evolving assessment. The Group considered the proposed amendments to the CSRD and the ESRS, informed by the EU Omnibus package, and additional guidance issued by the European Financial Reporting Advisory Group ("EFRAG") throughout 2025. The DMA remains under development and will be further refined as methodologies, data inputs and regulatory guidance evolve. Outcomes will be revisited and validated through the Group's governance structures, including engagement with senior leadership and the Board, prior to final confirmation of the Group's double materiality conclusions.

At this current stage, the DMA reflects an initial, data-informed assessment based on available performance data, stakeholder feedback and the evolving regulatory context, and remains subject to further review and refinement. The DMA will also be comprehensively reassessed in response to material business changes, shifts in regulatory requirements, emerging sustainability trends, or any other significant changes that may occur that could affect the conclusions of the materiality assessment conducted in previous reporting periods, to ensure its continued relevance and accuracy.

We have outlined below our strategic sustainability priorities alongside corresponding ESRS topics. While our strategic priorities define the Group's long-term focus areas, the DMA is intended to provide, once finalised, a more granular ESRS-aligned view of impacts, risks and opportunities, addressing both financial and impact materiality across the Group's operations and value chain.

Sustainability priorities	Measure	Target	Baseline year	Target maturity	UN SDGs	ESRS topics
Reducing our emissions	Reduction in absolute Scope 1 and 2 GHG emissions[1]	50%	2020	2030	7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production; 13 Climate action	E1: Climate Change E5: Circular Economy and Resource Use
Enabling aviation's route to Net Zero	Reduction in absolute Scope 3 GHG emissions[2]	25%	2022	2030		
	R&D that qualifies as eligible under the EU Taxonomy[3]	75%	2025	2030		
	Suppliers encouraged to set science-based targets[4]	70%	% of annual spend	2028		
Conserving natural resources	Absolute reduction of solid non-hazardous waste[5]	20%	2025	2030		
Keeping our people and business safe	Total Injury Rate[6]	3 (per 1,000 FTE)	annual	2030	3 Good health and well-being; 4 Quality education; 5 Gender equality; 8 Decent work and economic growth	S1: Own Workforce S2: Workers in the value chain S4: Consumers and End-users G1: Business conduct
Investing in skills and development	Annual employee engagement	Top Quartile	annual	2030		
Promoting inclusion, diversity and belonging	Female representation within senior management[7]	40%	2025	Continuous improvement target (annual trajectory disclosed)[8]		
	Ethnic minority representation within UK-based senior management	13%	2025	By the end of 2027		

(1) SBTi-validated Group target. Absolute 2020 baseline Scope 1 and 2 GHG emissions (recalculated in 2024) were 108,411 tCO_2e.
(2) Scope 3 SBTi-validated Group. Target covers Scope 3 emissions from Category 3: Fuel- and energy-related activities, Category 4: Upstream transportation and distribution, Category 5: Waste generated in operations, Category 6: Business travel, and Category 7: Employee commuting). Absolute 2022 baseline Scope 3 GHG emissions (recalculated in 2024) were 1,152,330 tCO_2e. Scope 3 GHG emissions covered by our absolute SBTi target in 2022 were 82,100 tCO_2e.
(3) The Group aims for 75% of total R&D expenditure to qualify as eligible under the EU Taxonomy by 2030, supporting activities that have the potential to make a substantial contribution to one or more of the EU Taxonomy's environmental objectives.
(4) SBTi-validated Group target. Target covers suppliers by spend, covering purchased goods and services.
(5) For the purposes of the waste target, reductions are measured based on decreases in the total quantity of solid non-hazardous waste generated, which includes both the prevention of waste generation at source and the diversion of waste from disposal through recovery operations such as recycling. Waste diverted from disposal is accounted for separately from waste directed to disposal and contributes to an overall reduction in reported waste volumes.
(6) Total Injury Rate ("TIR") measures the frequency of Lost Time Accidents, Major Incidents, and Medically Treated Injuries over a rolling 12-month period, relative to the average Full-Time Equivalent ("FTE") headcount.
(7) Senior management is defined as the Executive Committee and its direct reports, excluding support staff.
(8) The Nomination Committee monitors senior management diversity and receives biannual diversity reports to track Board and senior management diversity statistics, as well as to review the wider diversity initiatives that are in place within the Group.

Outlook for 2026 and beyond

Key focus areas

As the global aviation industry continues its transition towards Net Zero by 2050, we remain focused on driving efficiency, innovation, and sustainability across our operations and within our value chain. This approach combines engineering excellence with responsible business practices, strong governance, and the continued integration of sustainability considerations into strategy, decision-making and daily operations.

In 2026, our sustainability and business priorities will centre around the following focus areas:

- **Double Materiality Assessment and data assurance:** refine our DMA to reflect the latest CSRD requirements and enhance data assurability, ensuring better alignment with the overall reporting structure. Continue to improve data governance through testing and validating key ESG datasets, including GHG emissions.
- **2030 targets integration:** ensure our new sustainability targets are fully integrated within the Group's business strategy and governance, where appropriate, cascading through functions, business lines and sites to enable measurable progress.
- **Climate scenario and transition planning**: update our climate scenario analysis to ensure that our assessment and management of climate mitigation and adaptation activities remain relevant to current climate risks and opportunities; and refine our Transition Plan in line with evolving investor and other stakeholder expectations and emerging best practice to enhance quantified disclosure.
- **Decarbonisation**: advance the implementation of our decarbonisation roadmap, across our own operations and within our supply chain, informed by our science-based targets; and advance application of EU Taxonomy principles and assessments to our investment in decarbonisation programmes.
- **Supplier collaboration**: embed our five-year sustainable procurement strategy, expanding supplier assessments and developing tailored action plans across each of our business lines' direct and indirect suppliers.
- **Workforce and culture**: continue to promote inclusion, diversity and belonging, and wellbeing in line with local contexts and embed holistic wellbeing activities that support mental, physical, financial and social health.
- **Regulatory readiness**: monitor developments in upcoming legislation, including the CSRD and the IFRS Sustainability Disclosure Standards, aligning our reporting processes and activities to best practice.
- **Partnerships**: continue to deepen innovation and policy partnerships with customers, suppliers, academia and government to advance next-generation product solutions and manufacturing technologies, support the sector's transition to Net Zero, and help shape future industry standards.

Environmental impact

Strategic environmental priorities and targets

Our Group Environmental Policy sets out the Group's commitment to use sustainable production methods and infrastructure, and to minimise potentially negative impacts over the long term. It is approved by the Board and is applicable to all individuals working at all levels throughout the Group. The Policy is available on our website.

→ **Group Environmental Policy**
www.melroseplc.net/governance/documents-and-policies/

Reducing our emissions

Reducing operational carbon emissions remains a key strategic priority. We are committed to achieving a 50% reduction in absolute Scope 1 and 2 emissions by 2030 from a 2020 baseline. We have achieved significant energy reductions, driven by continuous improvements in energy efficiency, including operational optimisation, investment in energy-efficient equipment and insulation, increasing electrification, renewable energy, disciplined capital allocation at site level, and use of advanced manufacturing technologies to significantly reduce energy consumption compared to traditional methods.

Conserving natural resources

The responsible use of materials and natural resources underpins our approach to circularity and waste management. By 2030, we aim to reduce by 20% the quantity of solid non-hazardous waste that we generate and substantially increase the recovery rate through enhanced recycling and circular waste management practices. Site-specific water management plans are being implemented to mitigate pollution risks and ensure sustainable water use, while targeted chemical management strategies are implemented at sites using a risk-based approach, to prevent and control emissions of pollutants. These measures strengthen operational resilience and contribute to reducing the Group's environmental impact.

Enabling aviation's route to Net Zero

Our most immediate contribution as a business is delivering products that support the production of more efficient aircraft and engines, enabling the retirement of older, less efficient aircraft. A significant share of aviation's carbon footprint arises in aircraft operation. To help customers reduce aircraft emissions, we aim for 75% of the Group's R&D investment to qualify as EU Taxonomy eligible by 2030. This target supports our focus on additive manufacturing, hydrogen-electric propulsion, hybrid-electric systems and lightweight composite structures, alongside lower-impact production processes. We are also working on improving our understanding of emissions associated with the use of sold products, including our engine components and systems in service.

Climate change

Enabling sustainable transition

In line with our Transition Plan, we focus on decarbonising our operations, accelerating change across our supply chain, and enabling customers to reduce their climate impact. Continued investment in breakthrough technologies and world-class engineering supports the ongoing transformation of aviation, advances product efficiency and enables solutions that strengthen progress towards a more sustainable future. Our advanced design and production capabilities enable more efficient flight, reduce energy use and minimise waste. This ensures we provide competitive, sustainable solutions that support the low-carbon transition of the global aviation sector.

→ **Group Transition Plan**
https://www.melroseplc.net/sustainability/reports-and-data-centre/

Industry leadership

Balancing commercial viability and sustainability remains central to our success and that of our partners. We play an active role in industry taskforces and regulatory working groups within the aerospace and defence sector. We work closely with governments, funding bodies, trade associations and industry partners on manufacturing innovation, future skills and policy development.

The Group engages actively in industry and government-led initiatives, including the UK Jet Zero Taskforce, the Aerospace Technology Institute, the Hydrogen in Aviation Alliance and Aerospace Growth Partnership. We were also among the first signatories of the UK Defence Aviation Net Zero Strategy. During the year, we engaged with the UK Department for Business and Trade on policy-relevant matters relating to skills, competition and technology adaptation, providing factual input to inform public policy discussions on climate-aligned innovation, industrial competitiveness and long-term economic growth. We are also active in the International Aerospace Environmental Group ("IAEG") working groups on GHG management, lifecycle assessment, circular economy, materials declarations and REACH compliance. We contribute to the Aerospace, Security and Defence Industries Association of Europe ("ASD") and the Swedish Institute of Standards ("SIS"), supporting the development of best practice and the Clean Aviation programme under Horizon Europe.

CASE STUDY /

Additive fabrication technology and sustainability benefits

We have made great strides in advancing the manufacturing roadmap of next-generation aircraft engines through the deployment of additive fabrication ("AF") capabilities. This marks a step-change in how we industrialise complex, safety-critical structures at scale. In 2025, we expanded operations in the production of unique load bearing and non-load bearing structures, beyond our site in Trollhättan, Sweden to additional sites in Newington, USA and Kongsberg, Norway. This geographic expansion strengthens supply resilience and supports global production ramp-up. We reached 100% serial production of the additively manufactured version of the Fan Case Mount Ring ("FCMR"), an essential structural component of the Pratt and Whitney GTF engine on the Airbus A220 and Embraer E195 aircraft.

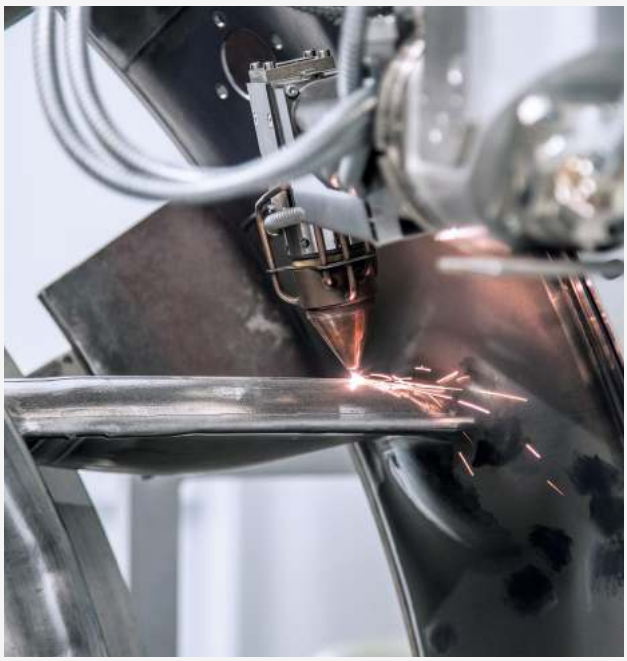
We are a long-standing strategic partner in the Ariane programme, supplying critical engine components for Ariane 6, including turbines and nozzle extensions for the Vulcain 2.1 and Vinci engines. We continue to advance our additive manufacturing work on the Ariane 6 rocket nozzle, where cost efficiency plays a pivotal role in the engine's operational economics. This is particularly important with the ramp-up of mission launches from Ariane 6's successful maiden flight in 2024 to four launches in 2025. AF processes have transformed our operations, reducing welding time by over 200 hours per product and lowering energy use and associated emissions.

Environmental impact

GKN Aerospace's proprietary AF process utilises materials more efficiently than conventional manufacturing processes. Material efficiency is a critical lever for reducing both cost and environmental impact in aerospace manufacturing. With this production method, we are achieving a buy-to-fly ratio of 7:1 for the FCMR (against a conventional buy-to-fly ratio of 11:1), with further potential optimisation over the coming years and additional benefits from reduced machining and associated energy consumption.

Leveraging the advanced Directed Energy Deposition ("DED") technique enhances our manufacturing processes while reducing environmental impacts through optimised material utilisation and reduced waste. We have been building minor features with DED for over 10 years, but the FCMR is unique in being the first load carry component with DED to be certified for flight.

Our implementation of AF in the FCMR is demonstrating significant improvements in material utilisation and energy consumption. Based on our assessments, approximately 43 tonnes of titanium were saved in 2025. Potential emissions were reduced by 500 tonnes of CO_2e, which is equivalent to removing over 100 passenger vehicles from the road for a year. This represents a meaningful emissions reduction, driven by structural material efficiency, rather than short-term operational optimisation.



Alignment with our environmental strategy

Additive manufacturing has optimised our manufacturing process, minimising material use and waste generation. This aligns with our environmental strategy and contributes to our roadmap for next-generation engines development to be lighter, more fuel-efficient, and deliver enhanced functionality.

Lifecycle assessment ("LCA") methodologies are integral to our decision-making process as we choose optimal applications of additive manufacturing processes. Specific LCAs on critical components, such as the FCMR, indicate that we have achieved approximately a 30% cradle-to-gate emissions reduction, alongside additional environmental benefits. The assessments suggest that further reductions are achievable as additive technology is fully optimised and scaled across platforms.

Social and economic benefits

The expansion of AF is poised to create increased employment opportunities, drive business growth and support the fostering of a culture of innovation. We place a strong emphasis on upskilling and training our workforce, ensuring our people are equipped with the specialist capabilities required to support the long-term adoption of advanced manufacturing technologies.

Ethical considerations

We prioritise ethical sourcing in our supply chain and employ tools like the Assent supplier collaboration and compliance portal for comprehensive risk assessments. The increasing availability of additive manufacturing materials beyond traditional casting houses supports a more competitive, resilient and transparent supply base.

TCFD and CFD disclosures

For clarity around consistency of the following information with the Task Force on Climate-related Financial Disclosures ("TCFD") framework, the TCFD All Sector Guidance[1] and the requirements arising from UK Listing Rule 6.6.6(8), we consider our disclosure to be consistent with all TCFD recommendations and recommended disclosures and with the climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations (CFD Regulations) 2022[2]. This is shown in the TCFD cross reference and disclosure consistency summary below. Please see our justification on why we do not currently report against Scope 3: Use of sold product emissions on page 66. The information in the report below contains all relevant information that supports our consistency with the TCFD. Where references have been made to external reports and documents, this is only in a complementary nature.

Recommendation	Recommended disclosures	Page reference	CA 414CB[2]
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the Board's oversight of climate-related risks and opportunities	Page 58	(a)
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 58	(a)
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Page 59	(d)
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Page 60	(e)
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Page 60	(f)
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate-related risks	Page 58	(b)
	b) Describe the organisation's processes for managing climate-related risks	Page 58	(b)
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Page 58	(c)
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Page 65	(h)
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks	Page 65	(h)
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Page 68	(g)

(1) assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf.
(2) Reference to consistency with The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Governance

Board oversight of climate change

The Board oversees the Group sustainability strategy (including climate change), approves targets, disclosures and reporting, and is supported in this role by the senior management team and the Sustainability function led by the Chief Technology Officer ("CTO"). The Board is informed of relevant climate change matters at least bi-annually, and more regularly, if required. As part of the Board's regular review of the Group's principal risks, the Board assesses climate risks and monitors performance against environmental targets. Climate-related opportunities, such as investments in significant projects and their return on investment are also presented to the Board where appropriate. In 2025, the Board nominated a Non-executive Director, Ian Barkshire, to act as its sustainability lead.

For information on Board's skills and experience, please see pages 89 to 91, and details on Board induction, training and support can be found on page 98. The Board and Audit Committee's approach to risk management is discussed in the Risk Management and Principal Risks and Uncertainties sections on pages 32 to 39. Climate Change has been identified as a Group principal risk and the details of how it is managed can be found on page 38. The Remuneration Committee implements the Directors' Remuneration Policy. An ESG metric related to the reduction in Scope 1 and 2 emissions intensity has been integrated, since 2024, into remuneration for the executive Directors (as well as other eligible members of the senior management team) as an element of the Performance Share Plan. Please see the Directors' Remuneration Report on pages 113 to 129 for more details.

Management oversight of climate change

The Group Sustainability function plays a central role in managing sustainability matters, including the identification, assessment and monitoring of climate-related risks and opportunities. It is responsible for ensuring appropriate controls, risk mitigation measures, and performance monitoring are consistently in place. The Group Sustainability function informs the Executive Committee and Board of any implications, thereby ensuring relevant climate risks and opportunities are reflected within the Board's agenda, governance framework, business strategy, and, where relevant, financial planning.

The Group Sustainability function is responsible for tracking performance against key metrics and targets such as energy consumption, emissions reduction and spend on R&D programmes focused on decarbonisation, in line with our Transition Plan. It also works with relevant members of the executive team, the Engines and Airframes divisions, and other Group functions to support strategic decision-making.

Climate-related risks and opportunities are tracked and discussed regularly between the Group Sustainability function and the Engines and Airframes divisions, supporting strategic decision making to mitigate risks or realise climate-related business opportunities. Where relevant, the Group senior management team engages directly with divisional leadership to review and guide strategy, including the approval of major capital expenditure.

For the Group's Sustainability and Climate Change governance framework
please see page 81

Risk management

Identification, assessment and integration of climate change risks

We apply a Group-wide approach to risk management which is discussed in detail in the Risk Management and Principal Risks and Uncertainties sections on pages 32 to 39. The details on how Climate Change is managed as a Group principal risk can be found on page 38.

The Climate Change principal risk comprises a combination of transition and physical risks (see pages 60 to 63), which are integrated into the overall risk management framework. Climate risks are evaluated in conjunction with climate opportunities, applying consistent assessment criteria across both.

The identification and assessment of specific transition climate risks and opportunities, and physical climate risks is delivered through a climate scenario analysis. The analysis is subject to an annual review, which considers changes to the current organisational make-up and revenue profile, and includes the reassessment of the impact and likelihood of specific transition and physical risks and opportunities. The climate scenario analysis is also renewed at least every three years (with the most recent analysis carried out in 2023), to ensure alignment with our business strategy, relevant external events and industry trends, regulatory requirements, best practice and latest science.

RISK AND OPPORTUNITY LIKELIHOOD AND IMPACT SCALE

	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain
Likelihood	Highly unlikely, but the risk event may occur in exceptional circumstances. The risk event could happen, but probably never will.	Not expected, but there's a slight possibility the risk event may occur at some time.	The risk event might occur at some time as there is a history of casual occurrence.	There is a strong possibility the risk event will occur as there is a history of frequent occurrence.	The risk event is expected to occur in most circumstances as there is a history of regular occurrence.
	1 Minimal	**2 Low**	**3 Medium**	**4 High**	**5 Very high**
Impact	Inconvenience, but no impact on ability to achieve objectives.	Disruption to activities but limited to the immediate term. No longer-term impact on ability to achieve objectives.	Considerable issue but short-term. Only relatively minor concern about longer-term business prospects.	Significant impact. Casts significant doubt on the ability to meet objectives and places the future of the business in peril.	Failure of the business. Unable to achieve corporate objectives.
	Regulator is aware, but no impact. Not in the public domain.	Small fines or written warnings. Customers aware.	Large fines and written judgements. Public awareness but limited long-term impact on reputation.	Significant adverse regulatory judgement and/or fines. National press coverage and significantly tarnished reputation.	Loss of licence or ability to operate. Very significant fines or criminal proceedings.

Our climate risks and opportunities are assessed on a five-point scale for both likelihood (the probability of the risk or opportunity occurring) and impact (the financial and reputational outcome of the risk or opportunity occurring), as described in the table above.

Likelihood and impact scores are multiplied together, resulting in a combined risk or opportunity exposure score of low, moderate or high for each time horizon and scenario as described below. The likelihood and impact criteria allow the materiality of risks to be determined, meaning that we can prioritise the most material of them. Material climate-related risks and opportunities are defined as those that have a likelihood and impact score of 15 or above.

The list of the identified and assessed climate transition risks and opportunities and physical risks is provided in the Strategy section on pages 60 to 63.

The Group Sustainability function is responsible for reviewing and considering climate-related risks on a regular basis, including their impact on business strategy and the effectiveness of management and mitigation controls. The decision to tolerate, transfer or treat a risk is partially determined by the risk impact and likelihood criteria. Risks with higher scores are managed appropriately to bring the risk exposure back in line with an appropriate risk appetite. Mitigation actions are developed for higher scoring risks which detail existing controls and descriptions of response actions needed to mitigate the risk.

Strategy

Our commitment to net zero emissions presents both risks and opportunities. The roadmap for achieving our targets through operational decarbonisation, products and services, and engagement with our value chain, and the approach for addressing our risks and opportunities, is detailed in our Transition Plan.

In line with regulatory guidance and prevailing market practice, we delivered an annual review of our scenario analysis in 2025, which concluded that it remained valid as there were no significant changes to the business. Such annual reviews ensure the continued relevance of our assessment of climate risks and opportunities (both transitional and physical) and our associated exposures, potential financial impacts and emerging opportunities identified under each scenario. This process supports strategic planning, capital allocation and target setting within our Transition Plan, ensuring our climate response remains aligned with evolving market, regulatory and technological developments. Key updates from the 2025 annual review of the climate scenario included:

- the **'Regulatory changes to flight time and routes'** risk is no longer considered a risk to manage as existing flight-time regulations have not had an impact on the Group. Future regulatory changes are also assessed to be minor, which is consistent with projected aviation sector growth. Relevance will be reconsidered as part of future annual reviews.
- the time horizon of the **'replacement of carbon-intensive machinery'** risk was reclassified from a long-term to a medium-term risk, reflecting our Transition Plan strategy to decarbonise carbon-intensive assets.
- risk exposure to storm-related events under the **'damage to Group assets from storm events'** risk decreased due to the proportion of sites at high risk falling from 17% of total sites in 2023 (first assessment year) to 9% of total sites in 2025.

Transition risks and opportunities

The speed at which the economy decarbonises will determine the severity and impact of climate transition risks, as well as the ability to capture the opportunities related to the transition to a low-carbon economy. The TCFD framework defines transition risks in four categories (Policy and Legal, Market, Technology, and Reputation) and transition opportunities in five categories (Resource Efficiency, Energy Source, Products and Services, Markets, and Resilience). As part of our transition climate scenario analysis, we considered risks and opportunities within these nine categories and ranked them by their likelihood and impact on the Group. Several other risks and opportunities were considered and analysed but only those with the greatest potential exposure have been disclosed. For the purpose of our transition-related scenario analysis, assessment of risks and opportunities was carried out at a gross level, meaning the impacts of the risks and opportunities assumed no mitigating actions are already in place.

To understand our business resilience to future climate scenarios, in line with the TCFD guidance, we used the International Energy Agency's ("IEA") Net Zero Emissions by 2050 Scenario ("NZE") and Stated Policies ("STEPS")[(1)(2)(3)] climate scenarios to model transition risks and opportunities, and the Intergovernmental Panel on Climate Change ("IPCC") framework recommended scenarios[(4)]. These scenarios have been used to help us guide our strategy and identify any potential new opportunities or risks climate may pose. The climate scenarios we use are kept under review to ensure they remain viable, plausible and stretching.

In our assessment, we considered the short-, medium-, and long-term impacts of climate change when examining the identified transition climate-related risks (and opportunities) and their actual and potential business impacts (including on strategy and financial planning). Three time horizons were used to identify and assess specific transitional climate-related issues. These time horizons allowed us to consider the lifespan of our assets and infrastructure, as well as any longer-term regulatory changes.

Time Horizons	Rationale
Short Term (ST): 2025 – 2027	In line with short-term specific business planning.
Medium Term (MT): 2027 – 2030	Encompasses the Group's near-term emissions targets.
Long Term (LT): 2030 – 2050	Encompasses the Group's and the UK Government's Net Zero by 2050 target and other long-term policy trends.

The following table details the identified and assessed climate transition and physical risks and transition opportunities as informed by our 2023 climate scenario analysis and reviewed in 2025.

(1) IEA (2025), World Energy Outlook, IEA, Paris www.iea.org/reports/world-energy-outlook-2025.
(2) NZE outlines a pathway for the global energy sector to achieve net zero CO_2 emissions by 2050, which limits the global temperature rises to 1.5°C by 2100, with 50% probability. This scenario is included as it informs decarbonisation pathways used by the SBTi.
(3) STEPS outlines a combination of physical and transition risk impacts as temperatures rise by 2.5°C by 2100, with 50% probability. This scenario is included as it represents a midway path with the trajectory implied by today's policy settings.
(4) IPCC, 2023, Sixth Assessment Report of the Intergovernmental Panel on Climate Change, IPCC, Geneva, Switzerland.

TRANSITION RISKS

Risk exposure key[1] ○ Low (0 to 5) ● Moderate (6 to 14) ● High (15 to 25)

Risk	Risk description	Potential impact on the business	Mitigation and adaptation[2]
EXPOSURE TO CARBON PRICING MECHANISMS			
Risk type Policy and Legal	**Market-based carbon pricing** Increased market-based exposure to carbon pricing mechanisms, such as the ReFuel EU, EU Emissions Trading System, and Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"). **Supply chain carbon pricing** Increased supply chain exposure to carbon pricing mechanisms such as the EU's Carbon Border Adjustment Mechanisms ("CBAM") applied through raw materials, such as aluminium, imported into our EU operations.	Reduced revenue from dampening of air traffic growth and higher costs of raw materials from suppliers.	• Delivering on our SBTi-validated supplier engagement target. • Delivering on the Transition Plan and emissions reduction targets. • Participating in industry body memberships to inform policy developments, e.g. International Aerospace Environmental Group ("IAEG").
	Metric Scope 1, 2 and 3 emissions.	**NZE scenario** ST ○ MT ● LT ●	**STEPS scenario** ST ○ MT ● LT ●
DECLINING DEMAND IN AIR TRAVEL DUE TO CONCERNS ABOUT CLIMATE CHANGE			
Risk type Market	Evolving consumer and investor expectations may temper growth in legacy aircraft platforms.	Decreased revenue from diminishing demand for current products.	• Engaging with industry and government associations such as UK Jet Zero Taskforce to deliver SAF strategies at scale. • Continuing to invest in R&D relating to low-carbon technologies.
	Metric Aviation market growth predictions.	**NZE scenario** ST ○ MT ● LT ●	**STEPS scenario** ST ○ MT ○ LT ●
RAW MATERIAL SCARCITY			
Risk type Technology	Global competition for critical raw materials may intensify as more sectors electrify. Supply concentration and geopolitical instability heighten procurement risk.	Increased costs of raw materials.	• Considering alternative supply sources where practical. • Increasing focus on resource efficiency through raw materials recycling. • Increasing investment in technologies, such as composite recycling, nesting and additive fabrication.
	Metric Market signals for the prices of critical raw materials.	**NZE scenario** ST ● MT ● LT ●	**STEPS scenario** ST ● MT ● LT ●
FAILURE TO ACHIEVE SUCCESSFUL ENTRY INTO SERVICE OF NEW TECHNOLOGY			
Risk type Technology	Delays in certifying new technologies, such as hydrogen and battery-electric propulsion, could hinder our ability to match the pace of growing production demand.	Reduced revenue from unsuccessful entry of lower-carbon technologies.	• Collaborating in research tests with regulators and certification bodies. • Working with customers, partners and academic bodies to optimise technology analysis, testing and certification processes.
	Metric Number of new products which contribute to aerospace decarbonisation.	**NZE scenario** ST ○ MT ○ LT ●	**STEPS scenario** ST ○ MT ○ LT ●
REPLACEMENT OF CARBON-INTENSIVE MACHINERY			
Risk type Technology	Upgrading carbon-intensive manufacturing processes and machinery to electric and energy-efficient alternatives will require increased capital investment. Currently, the existing technologies to electrify carbon-intensive processes either do not exist or are too expensive.	Increased costs from replacing carbon-intensive assets.	• Prioritising the most carbon-intensive assets for decarbonising. • Encouraging sites to consider energy efficiency factors when choosing new assets and equipment.
	Metric Spend on energy-efficient equipment.	**NZE scenario** ST ○ MT ● LT ●	**STEPS scenario** ST ○ MT ○ LT ●

(1) Our risks and opportunities were ranked on a five-point risk and opportunity likelihood and impact scale. Likelihood and impact scales were multiplied together, resulting in a combined risk or opportunity exposure score of low, moderate or high.
(2) Mitigation and adaptation measures include actions already embedded across the business, alongside others that are in advanced planning or development.

TRANSITION RISKS continued

Risk exposure key[1] ○ Low (0 to 5) ● Moderate (6 to 14) ● High (15 to 25)

Risk	Risk description	Potential impact on the business	Mitigation and adaptation
INABILITY TO MEET NET ZERO TARGETS			
Risk type Reputation	The ability to meet our net zero targets depends in part on third parties within our supply chain and on technologies that are yet to be developed. While achievement of our Scope 1 and 2 target is more certain, given the greater control we have over operational emissions and access to existing decarbonising technologies, reducing our Scope 3 emissions remains more challenging.	Lower profit margins through increased cost of capital and decreased revenue from reputational impact.	• Delivering on supplier engagement plan. • Driving emissions reduction initiatives across logistics. • Working with customers and peers to align decarbonisation objectives, drive actual emissions reduction and advance reporting transparency and consistency in our shared supply chains.

Metric Progress on our SBTi targets. **NZE scenario** ST ○ MT ● LT ● **STEPS scenario** ST ○ MT ○ LT ○

TRANSITION OPPORTUNITIES

Opportunity exposure key[1] ○ Low (0 to 5) ● Moderate (6 to 14) ● High (15 to 25)

Opportunity	Opportunity description	Potential impact on the business	Strategy to capitalise[2]
OPERATIONAL EFFICIENCY IN WATER, WASTE AND ENERGY			
Opportunity type Resource Efficiency	Modernising assets and implementing data-driven energy management reduces resource intensity and operational costs, while strengthening resilience to energy price volatility.	Reduced costs of resources.	• Targeted retrofit programmes at energy-intensive sites. • Delivering on Group waste targets. • Water management efficiencies across select sites. • Transition to additive fabrication processes.

Metric
- Energy consumption.
- Solid non-hazardous waste.
- Water withdrawal.

NZE scenario ST ○ MT ○ LT ○ **STEPS scenario** ST ○ MT ○ LT ○

MATERIAL EFFICIENCY INNOVATIONS			
Opportunity type Resource Efficiency	Increased recycling of raw materials (including metals) and investment in technologies, such as additive fabrication and nesting, ultimately helps reduce energy consumption, emissions and metallic waste. It also leads to shorter supply chains with a reduced reliance on certain sets of suppliers.	Reduced costs from raw materials.	• Investing in technologies such as composite recycling, nesting and additive fabrication. • Further improvements in recycling of raw materials such as aluminium and titanium.

Metric Solid non-hazardous metallic waste intensity[3]. **NZE scenario** ST ○ MT ● LT ● **STEPS scenario** ST ○ MT ○ LT ●

RENEWABLE ENERGY SOURCING AND GENERATION			
Opportunity type Energy Source	Transitioning to renewable electricity through renewable certificates and power purchasing agreements and on-site solar arrays mitigates carbon-pricing exposure and stabilises long-term energy costs.	Reduced energy costs.	• Short-term plan to purchase renewable energy certificates with the medium- and longer-term goal being the use of power purchasing agreements ("PPAs"). • Exploring options at several sites for installing solar arrays and other renewable self-generation opportunities.

Metric Percentage of renewable electricity. **NZE scenario** ST ○ MT ● LT ● **STEPS scenario** ST ○ MT ○ LT ●

(1) Our risks and opportunities were ranked on a five-point risk and opportunity likelihood and impact scale. Likelihood and impact scales were multiplied together, resulting in a combined risk or opportunity exposure score of low, moderate or high.
(2) Strategy to capitalise measures include actions already embedded across the business, alongside others that are in advanced planning or development.
(3) Tonnes of solid non-hazardous metallic waste per £1,000 of revenue.

TRANSITION OPPORTUNITIES continued

Opportunity exposure key[1] ○ Low (0 to 5) ● Moderate (6 to 14) ● High (15 to 25)

Opportunity	Opportunity description	Potential impact on the business	Strategy to capitalise[2]
NEXT-GENERATION PRODUCT EFFICIENCY			
Opportunity type Products and Services	Adoption of advanced materials, lightweight structures and aerodynamic improvements support Original Equipment Manufacturers ("OEMs") in meeting International Civil Aviation Organisation ("ICAO)" and International Air Transport Association ("IATA") efficiency targets.	Reduced costs from raw materials.	• Driving R&D in new design concepts, materials and manufacturing processes, such as additive fabrication, resin transfer moulding, metallic and composite bonding and electrification of systems.
Metric	Climate-related R&D expenditure.	**NZE scenario** ST ○ MT ○ LT ●	**STEPS scenario** ST ○ MT ○ LT ●
EXPANSION INTO LOW-CARBON AVIATION MARKETS			
Opportunity type Markets	Electrification, hydrogen propulsion and electric Vertical Take-Off and Landing ("eVTOL") platforms open new addressable markets in regional and urban air mobility. Electric technology has the potential to unlock commuter aircraft market and a range of regional routes. In parallel, the development of eVTOLs creates entirely new markets in urban mobility, offering lower-carbon, quieter and more cost-efficient alternatives to current modes of transport, adding to initiatives such as airspace modernisation in the UK which will further support the sector's transition. Hydrogen technologies provide further opportunities, both as an enabler of the next generation of low-impact, drop-in Sustainable Aviation Fuel ("SAF") and as a foundation for future low-carbon aviation solutions.	Increased revenue from new markets.	• Strategic partnerships with leading developers of next-generation flight technologies (e.g. Joby Aviation (eVTOL), Supernal (hydrogen-electric propulsion systems), and Eviation Aircraft (fully electric regional aircraft)). • Policy engagement to shape standards for low-carbon aviation. • Industry associations such as Aerospace Technology Institute, Aerospace, Security and Defence Industries in Europe (ASD) and Swedish Aerospace Industries.
Metric	Climate-related R&D expenditure.	**NZE scenario** ST ○ MT ○ LT ●	**STEPS scenario** ST ○ MT ○ LT ●
TECHNOLOGY LEADERSHIP IN CLIMATE SOLUTIONS			
Opportunity type Products and Services	**Improved engine efficiency** By focusing on efficient engine technologies, such as advanced materials, lightweight components, and innovative propulsion systems, we can help minimise fuel consumption and emissions, enhancing both operational sustainability and cost effectiveness for customers. **Battery-electric technology** Using batteries to power aircraft produces no in-flight emissions and offers fully net zero travel if renewable electricity is used. The Advanced Air Mobility market provides new product opportunities. **Hydrogen technology** Hydrogen technology has the potential to reduce aviation's impact on climate through green hydrogen for low-impact, drop-in SAF and the development of hydrogen-powered aircraft.	Increased revenue from new products and services.	• Participation in RISE engine demonstrator programme that facilitates the development of open rotor engines which can reduce fuel consumption by 20% compared to conventional gas turbine engines. • Global partnerships with electric aircraft manufacturers. • R&D investment in ultra-efficient power distribution systems targeted at hydrogen propulsion technologies. • Work within the UK Jet Zero Taskforce, the Aerospace Technology Institute and the Aerospace Growth Partnership to support the development of new low-carbon technologies.
Metric	Climate-related R&D expenditure.	**NZE scenario** ST ○ MT ○ LT ●	**STEPS scenario** ST ○ MT ○ LT ●

(1) Our risks and opportunities were ranked on a five-point risk and opportunity likelihood and impact scale. Likelihood and impact scales were multiplied together, resulting in a combined risk or opportunity exposure score of low, moderate or high.
(2) Strategy to capitalise measures include actions already embedded across the business, alongside others that are in advanced planning or development.

PHYSICAL RISKS

Consistent with our transitional risks, this year, we have reviewed the scenario analysis carried out in 2023 to account for changes in business structure. Physical risks, both acute and chronic, have been assessed at all Group sites including potential material risks such as drought stress, tornados, storms, sea-level rise and flooding events among other hazards, while heat stress and fire stress were considered but were not deemed material for our operations. The revenue and property value of each site was considered to determine the materiality of identified risks to specific sites. During the year, we had no insurance claims that were climate-related.

For the risks assessed we have chosen to use the best-case and worst-case scenarios as follows:

- **RCP 2.6 (approximately 1.8°C warming by 2100):** a scenario in line with the United Nations Climate Change Agreement of 2015. According to the IPCC, it requires that GHG emissions start to decline immediately and go to zero by 2100. This relies on global implementation of stringent climate policies.
- **RCP 8.5 (approximately 4.4°C warming by 2100)**: a 'business as usual' high-emissions scenario, assuming no major policy changes or industry moves take place to reduce emissions globally, leading to high atmospheric GHG concentrations.

We have considered three time horizons: 2030 (short-term ("ST")), 2050 (medium-term ("MT")) and 2100 (long-term ("LT")). This differs from our time horizons used for our transitional risk assessment as there are limited, predicted, material physical climate-related risks up to 2030 due to the delayed nature of modelled climate impacts.

Risk exposure key[1] ○ Low (0 to 5) ● Moderate (6 to 14) ● High (15 to 25)

Risk	Risk description	Potential impact on the business	Mitigation and adaptation actions[2]
DAMAGE TO GROUP ASSETS FROM FLOODING (STORM SURGE, RIVERINE AND FLASH FLOOD)			
Risk type Acute	Coastal and riverine flooding can damage site infrastructure, products and equipment or disrupt production, delay delivery schedules and disrupt logistics, particularly at low-lying facilities.	Increased repair and insurance costs and temporary output loss leading to decreased revenue.	• Collaboration with local environment agencies and councils on defences. • Property damage and business interruption insurance specific to natural hazards. • Site-level flood risk assessments and management plans to include the training of teams to deploy flood barriers and relocation of machinery.
Metric	% of sites deemed to be at high risk of flooding events.	RCP 2.6 ST ○ MT ○ LT ●	RCP 8.5 ST ○ MT ○ LT ●
DAMAGE TO GROUP ASSETS FROM STORM EVENTS			
Risk type Acute	Exposure to other extreme weather events, such as tornados, hailstorms and extra-tropical storms, could result in damage to sites, power outages and transport disruption affecting employee access and supply deliveries.	Increased repair and insurance costs and temporary output loss leading to decreased revenue.	• Site-specific emergency preparedness plans. • Use of semi-generators for storms that are anticipated to cause power outages of more than 24 hours. • Property damage and business interruption insurance specific to natural hazards.
Metric	% of sites deemed to be at high risk of storm events.	RCP 2.6 ST ○ MT ○ LT ●	RCP 8.5 ST ○ MT ○ LT ●
SUPPLIER DISRUPTION FROM EXTREME WEATHER			
Risk type Acute	Extreme weather events, including flooding and storms, may cause supply chain disruptions or temporary site shutdowns, affecting the availability of raw materials and essential services, leading to output interruptions and delayed production.	Supply chain delays, working-capital strain, loss of sales.	• Buffer stocks to protect manufacturing process from short interruptions. • Encouraging suppliers to have business continuity plans with provisions for specific climate risks.
Metric	Percentage of assessed suppliers that have processes in place to identify and assess physical climate risks.	RCP 2.6 ST ● MT ● LT ●	RCP 8.5 ST ● MT ● LT ●

(1) Our risks and opportunities were ranked on a five-point risk and opportunity likelihood and impact scale. Likelihood and impact scales were multiplied together, resulting in a combined risk or opportunity exposure score of low, moderate or high.
(2) Mitigation and adaptation measures include actions already embedded across the business, alongside others that are in advanced planning or development.

FINANCIAL QUANTIFICATION

To complement the previous qualitative scenario analysis carried out in 2023, we have undertaken high level quantitative assessments for our risks and opportunities. Risks and opportunities have been quantified where possible. The results are shown in the table below. These assessments show the gross impact before any action which the Group might take to respond. These quantifications do not represent any type of financial forecast and thus are not directly incorporated into any projections of long-term cash flows. Due to the nature of climate change and the uncertainties associated with some of the data, figures will be updated and improved yearly, as assumptions are improved. This may result in a difference between the potential impact on the business disclosed within the scenario analysis on pages 60 to 63 (where financial in nature), and the impact on adjusted operating profit within the financial quantification section disclosed below. Quantification is disclosed as percentage impact on adjusted operating profit, as defined in the glossary in the financial statements on page 209.

Financial quantification key (percentage impact on adjusted operating profit) ○ 0–1% ● 1–5% ● 5–10%

Risk/Opportunity	Impact on adjusted operating profit[1] ST	MT	LT	Scenario implications
Transition risks				
Exposure to carbon pricing mechanisms	○	○	●	NZE scenario predicts an increased number and ambition of carbon pricing mechanisms, meaning a higher exposure than in STEPS.
Declining demand in air travel due to concerns about climate change	N/A	○	○	NZE predicts a faster rollout of lower-carbon technologies meaning a greater exposure of risk than under STEPS.
Raw material scarcity	N/A	●	●	NZE sees a greater demand for REM and other materials associated with lower-carbon aviation, indicating a greater exposure of risk compared to STEPS.
Failure to achieve successful entry into service of new technology	N/A	●	●	Under NZE, the rate of new technology certification will need to be high and delays in certification could cause a bottle neck in production, causing a high risk exposure.
Replacement of carbon-intensive machinery[2]	N/A	●	●	NZE expects a faster decarbonisation pathway, meaning carbon-intensive assets will need to be replaced quicker.
Inability to meet net zero targets	N/A	○	●	Under STEPS scenario, a lower rate of technological development would hinder the achievements of our net zero targets.
Physical risks[3]				
Damage to Group assets from flooding (storm surge, riverine and flash flood)	●	●	●	RCP 8.5 scenario forecasts more severe extreme weather events than RCP 2.6.
Damage to Group assets from storm events	●	●	●	
Supplier disruption from extreme weather	○	○	●	
Transition opportunities[4]				
Operational efficiency in water, waste and energy	○	○	○	NZE sees greater progress on improving efficiencies than STEPS.
Material efficiency innovations	○	○	●	NZE sees greater focus and investment in lifecycle sustainability, meaning a greater exposure to technology that can improve material efficiency compared to STEPS.
Renewable energy sourcing and generation	○	○	N/A	NZE sees more rapid scaling of renewable energy and grid electrification compared to STEPS.
Next-generation product efficiency	N/A	○	●	Increased demand for these technologies and heightened expectations to reduce emissions associated with flying will increase the exposure of this opportunity under NZE compared to STEPS.
Expansion into low-carbon aviation markets				
Technology leadership in climate solutions				

(1) Where impact on adjusted operating profit is described as N/A, financial impact was considered negligible.
(2) Replacement of carbon-intensive machinery impact is presented as percentage of capital expenditure.
(3) Physical risks are assessed against longer-term time horizons of 2030, 2050 and 2100 as defined on page 63.
(4) The scenario implications and impact on adjusted operating profit for "Next-generation product efficiency," "Expansion into low-carbon aviation markets," and "Technology leadership in climate solutions" have been presented together, as these opportunities are interrelated and influenced by similar underlying assumptions. Each reflects a common driver of increased demand for low-emission aviation technologies and innovation in advanced propulsion and materials, making separate quantification less meaningful at this stage of modelling.

Impact on strategy, financial planning and resilience to climate change

Climate change influences the Group's business and product strategies, innovation pipeline and financial planning. Our ambition is to deliver sustainable long-term growth through continued investment in innovation and product quality across our engines and airframes solutions and products, underpinned by integrated emissions-reduction activities. In the short term, we do not anticipate material changes to operational and capital investment required to achieve our existing plans and targets.

Our greatest contribution to decarbonisation lies in product design, function and performance. Our second largest contribution lies in our supply chain, for which we explore solutions which reduce embodied carbon in materials or improve the 'buy to fly' ratio to reduce material consumption.

In 2025, we invested £73 million on climate-related R&D, primarily directed towards technologies that improve the efficiency of aircraft and engines. This continued investment supports the resilience of our business model and positions us to adapt to emerging lower-carbon technologies and opportunities. Finally, within our business, we focus on cutting operational emissions, optimising energy efficiency, minimising waste, maximising recycling, upgrading the manufacturing procedures and replacing energy inefficient equipment. These activities are embedded in our sustainability targets and form a core part of our operational and innovation strategies, and financial planning.

Looking ahead to 2030, resources to deliver our net zero commitment are built into capital expenditure and spending plans, where reasonably foreseeable. We expect that the costs and revenue impacts associated with short- and medium-term emissions reduction actions will remain consistent with those already reflected in our strategy and growth projections, supporting the resilience of the Group to climate-related risks.

Resilience of our strategy to climate change

Our scenario analysis concluded that our overall climate risk exposure is moderate, and our business is financially and operationally resilient to our climate-related risks. We are therefore well-positioned to manage these risks in the short to medium term within the bounds of our 'business as usual' operations, considering that many of the risks are already being addressed through existing or planned mitigation or adaptation activities. In addition, significant focus and investment, such as our R&D programmes, is ongoing to support realisation of a number of climate-related business opportunities.

Our scenario analysis posed key questions on how different climate scenarios would impact future revenue, production costs and the life of current assets.

The limitations of the scenario analysis we carried out are:

- scenarios often only provide high level global and regional forecasts;
- not all risks are easily subject to scenario analysis;
- scenario analysis requires analysis of specific factors and modelling them with fixed assumptions;
- impacts are to be considered in the context of the current financial performance and prices;
- gross impacts are assumed to occur without the Group responding with any mitigation actions, which would reduce the impact of risks;
- impacts are modelled to occur in a linear fashion, when in practice, dramatic climate-related impacts may occur suddenly after tipping points are breached; and
- the analysis considers each risk and scenario in isolation, when in practice, climate-related risks may occur in parallel as part of a wider set of potential global impacts.

Metrics and targets

Climate-related metrics

We disclose a range of metrics associated with climate change, including GHG emissions by type, decarbonisation-focused investment, energy and renewable electricity consumption, water withdrawal and waste generation. Specific metrics used to track each risk and opportunity are outlined below, and some of them may include supplier performance. Our energy consumption and emissions data, the statement of alignment with the GHG Protocol and statement on the Streamlined Energy and Carbon Reporting ("SECR") Regulation disclosures can be found on page 66.

	Metric	FY25 Performance
Transition risks and opportunities		
Exposure to carbon pricing mechanisms	Scope 1, 2 and 3 emissions (Market-based)	Scope 1 and 2: 72,869 tCO_2e
Inability to meet net zero targets		Scope 3: 1,188,967 tCO_2e
Declining demand in air travel due to concerns about climate change	Aviation market growth predictions	Internally monitored market trends and forecast
Raw material scarcity	Market signals for the prices of critical raw materials	Internally monitored market trends and forecast
Material efficiency innovations	Solid non-hazardous metallic waste intensity[1]	0.0019
Failure to achieve successful entry into service of new technology	Number of new products which contribute to aerospace decarbonisation	5
Replacement of carbon-intensive machinery	Spend on energy-efficient equipment	£0.7 million
Operational efficiency in energy, waste and water	Energy consumption	437,094 MWh
	Solid non-hazardous waste	13,456 tonnes
	Water withdrawal	601,286 m^3
Renewable energy sourcing and generation	Percentage of renewable electricity	55%
Expansion into low-carbon aviation markets	Climate-related R&D expenditure	£73 million
Technology leadership in climate solutions		
Next-generation product efficiency		
Physical risks		
Flooding and storm physical risks	Number of sites deemed to be at high risk of flooding events	5
	Number of sites deemed to be at high risk of storm events	4
Supplier disruption from extreme weather	Percentage of assessed suppliers that have processes in place to identify and assess physical climate risks	38.6%

(1) Tonnes of solid non-hazardous metallic waste per £1,000 of revenue.

Energy and emissions

Scope 1 emissions are emissions from sources that we own or control directly, and Scope 2 emissions are those that we cause indirectly as they come from where the energy we use is purchased and produced.

Scope 3 emissions refer to indirect GHG emissions that occur outside our direct operations but within our value chain. In accordance with the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard, we assess emissions across all 15 categories. However, we report and have targets on only those categories deemed relevant and material to our business[1]. Currently, emissions associated with the use of our products (Category 11) are being quantified and are not yet included in our reported footprint. During the Science Based Targets initiative validation process, it was confirmed that Category 11 emissions are not formally required within our target boundary. Nevertheless, through collaboration with the International Aerospace Environmental Group ("IAEG"), we continue to develop better processes and methodologies to enable accurate quantification. Over the past year, we have improved both the methodology and data quality for Category 11 calculations, and work is ongoing to refine these estimates. In line with SBTi requirements, we will review and update our validated targets if future results indicate a material change to our overall emissions profile.

The GHG emissions for the Group, broken down by Scope 1, Scope 2 and select Scope 3 emissions, for 2024 and 2025, are set out in the table below. In 2025, operational energy consumption decreased by 3.8% in absolute terms, and 10% in intensity ratio[2] terms compared to 2024. This is reflective of both revenue increasing and energy consumption decreasing, driven by energy efficiency measures in 2025. Scope 1 emissions reduced by 4.4% year-on-year, driven by fuel efficiency initiatives across our sites. For Scope 2 emissions, a decrease of 8.3% (location-based) and 10% (market-based) emissions is attributed to more of our sites procuring renewable electricity, as well as new renewable electricity installations going live at some sites. The underlying electricity consumption across the Group also decreased by 3.7% year-on-year.

Our reported Scope 3 emissions decreased 3.7% year-on-year, largely due to a decrease in Category 1 Purchased Goods and Services emissions as a result of lower expenditure on carbon-intensive materials such as aluminium and titanium. Category 4 Upstream Transportation and Distribution emissions have also decreased year-on-year due to a decreased volume of shipments in 2025. The Scope 3 categories covered by our SBTi-validated target[1] have decreased 16% year-on-year and 18% relative to the 2022 base year, highlighting we are on track to meet this target by 2030. The reduction from base year can partly be attributed to a decreased volume of shipments in 2025, but also reflects a continued focus on our energy and waste performance. We expect Scope 3 emissions to fluctuate in future years as the quality of our reporting improves.

This section has been prepared for the reporting period of 1 January 2025 to 31 December 2025. We report on all of the material emission sources in line with an operational control approach method, as required in Part 7 under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and under the UK's SECR requirements. These emission sources fall within our Consolidated Financial Statements. We do not have responsibility for any emission sources that are not included in our Consolidated Financial Statements.

Our energy consumption and emissions data is reported in accordance with the reporting requirements of the Greenhouse Gas Protocol, a Corporate Accounting and Reporting Standard, Revised Edition 2004 and the Environmental Reporting Guidelines 2019, including the SECR guidance dated March 2019. The GHG Protocol standard covers the accounting and reporting of seven Greenhouse gases covered by the Kyoto Protocol. We currently disclose Scope 1 and 2 and select Scope 3 GHG emissions, representing a breakdown of the Group's emissions by type and intensity measurement. We review our GHG inventory on an annual basis and will restate our data and/or recalculate our science-based targets when required, to reflect significant changes to the Company structure, methodology changes or errors.

Emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2024 (the Department for Energy Security and Net Zero ("DESNZ") factors) have been used to calculate Scope 1 emissions. Scope 2 emissions associated with the GHG Protocol 'Location Based' method have been calculated using International Energy Agency ("IEA") country specific emission factors. Scope 2 emissions associated with the GHG Protocol 'Market Based' method have been calculated using residual mix emission factors from the Association of Issuing Bodies 2024 where applicable. In the absence of residual mix emission factor availability, IEA country specific emissions factors have been used in line with the GHG Protocol guidance. If sites generate their own renewable electricity or purchase electricity backed by contractual instruments (such as Renewable Energy Guarantee Origin), this has been taken into consideration within the calculations. For Scope 3 emissions, we reported in accordance with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the GHG Protocol Technical Guidance.

Emissions factors from DESNZ and the IAEG Industry Tool for Calculating Scope 3 GHG emissions have been used to calculate Scope 3 emissions. A Scope 3 inventory was carried out, and the relevant categories were calculated using a combination of spend based and average data based methodologies. Due to recognised inherent uncertainties in calculating Scope 3, we have adopted a continuous improvement approach. We will continue to review our processes and disclose in a timely and transparent manner.

(1) The Group's Scope 3 emissions target includes Scope 3 emissions from Category 3: Fuel- and energy-related activities, Category 4: Upstream transportation and distribution, Category 5: Waste generated in operations, Category 6: Business travel, and Category 7: Employee commuting.

(2) The company's chosen intensity measurement is energy reported (standardised to MWh) reported per £1,000 revenue, which we believe remains the most appropriate intensity ratio for the Group. The data has been standardised from the source units in which it was initially collected. The revenue figures used to calculate the intensity ratio include continuing operations under operational control only.

SUSTAINABILITY REVIEW | ENVIRONMENTAL IMPACT | CONTINUED

Total energy consumption and GHG emissions for the period 1 January 2025 to 31 December 2025

Energy consumption (MWh)	UK	Global (excl. UK)	Total 2025	UK	Global (excl. UK)	Total 2024	Change (2025/24)
Total operational energy consumption	**74,967**	**362,127**	**437,094**	**78,504**	**375,744**	**454,248**	**-3.8%**
Total renewable energy consumption			**159,684**			**129,743**	**23.1%**
Share of renewable electricity in total electricity mix			**55%**			**43%**	**12p.p.**
Energy consumption intensity[1]			**0.119**			**0.131**	**-10%**
Fuels							
Total fuels consumption	**24,485**	**84,287**	**108,872**	**27,051**	**85,669**	**112,720**	**-3.5%**
Non-renewable fuels consumption	**24,485**	**84,287**	**108,872**	**27,051**	**85,669**	**112,720**	**-3.5%**
Renewable fuels consumption	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Electricity							
Total electricity consumption	**50,482**	**242,232**	**292,714**	**51,453**	**252,584**	**304,037**	**-3.7%**
Renewable electricity consumption (self-generated, purchased or acquired)	1,313	158,371	159,684	171	129,572	129,743	**23.1%**
Non-renewable electricity consumption (purchased or acquired)	49,169	83,861	133,030	51,282	123,012	174,294	**-23.7%**
Steam							
Steam consumption (purchased or acquired)	**0**	**35,608**	**35,608**	**0**	**37,490**	**37,490**	**-5.0%**

Emissions (tCO_2e)	UK	Global (excl. UK)	Total 2025	UK	Global (excl. UK)	Total 2024	Change (2025/24)
Operational emissions (tCO_2e)[2] [3]							
Scope 1: Direct GHG emission[4]	4,501	15,950	20,451	4,965	16,434	21,400	**-4.4%**
Scope 2: Indirect GHG emissions (Location-based)[5]	7,503	50,645	58,148	9,051	54,332	63,383	**-8.3%**
• Total purchased electricity	7,503	50,469	57,972	9,051	54,145	63,196	**-8.3%**
• Steam (purchased or acquired)	0	175	175	0	186	186	**-5.9%**
Scope 2: Indirect GHG emissions (Market-based)[5]	20,688	31,730	52,418	19,918	38,336	58,254	**-10.0%**
• Total purchased electricity	20,688	30,805	51,493	19,918	37,181	57,099	**-9.8%**
• Steam (purchased or acquired)	0	924	924	0	1,154	1,154	**-19.9%**
Total Scope 1 and Scope 2 emissions (Location-based)			**78,599**			**84,783**	**-7.3%**
Total Scope 1 and Scope 2 emissions (Market-based)			**72,869**			**79,654**	**-8.5%**
Emissions intensity[1] **(Market-based)**			**0.02**			**0.023**	**-13.0%**
Upstream Scope 3 emissions (tCO_2e)[2]							
Category 1: Purchased Goods and Services			1,086,982			1,122,941	**-3.2%**
Category 2: Capital Goods			34,724			31,854	**9.0%**
Category 3: Fuel & Energy Related Activities			21,923			21,151	**3.6%**
Category 4: Upstream Transportation and Distribution			24,906			31,279	**-20.4%**
Category 5: Waste Generated in Operations			781			1,364	**-42.7%**
Category 6: Business Travel			7,135			11,909	**-40.1%**
Category 7: Employee Commuting			12,516			14,166	**-11.6%**
Total Scope 3 emissions			**1,188,967**			**1,234,665**	**-3.7%**
Total emissions (tCO_2e)[2]							
Total Scope 1, Scope 2 (Location-based) and Scope 3 emissions			**1,267,566**			**1,319,447**	**-3.9%**
Total Scope 1, Scope 2 (Market-based) and Scope 3 emissions			**1,261,836**			**1,314,318**	**-4.0%**

(1) The Group's chosen intensity ratio is energy consumption and emissions reported megawatts usage ("MWh") and tonnes of CO_2e, per £1,000 of revenue. The data has been standardised from the source units in which it was initially collected. The revenue figures used to calculate the intensity ratio include continuing operations under operational control only.
(2) CO_2e – carbon dioxide equivalent, this figure includes GHGs in addition to carbon dioxide.
(3) We have restated our 2024 Scope 1 and 2 emissions figures, following a change in methodology to our emissions factors for Steam and Purchased Electricity.
(4) Scope 1 figures include emissions from fuel used on premises, transport emissions from owned or controlled vehicles, losses of refrigerant, and process and fugitive emission.
(5) Scope 2 figures include emissions from electricity and heat purchased.

Climate-related targets

The Group has set near- and long-term science-based emissions reduction targets which were validated by the SBTi in 2024.

The SBTi stipulates that targets shall be reviewed, and if necessary, recalculated and revalidated every five years at a minimum. Emissions data is reported quarterly as part of our internal system which enables us to monitor and assess performance against our targets.

Revisions of targets will be conducted as and when necessary and updates on progress towards achieving them will be reported on at least an annual basis within our Annual and Sustainability Reports.

Please see reference to our performance against existing targets on page 51

50%

Reduce absolute Scope 1 and 2 GHG emissions by 50% by 2030 from a 2020 base year

70%

Encourage 70% of suppliers by spend, covering purchased goods and services, to have science-based targets by 2028

25%

Reduce absolute Scope 3 GHG emissions by 25% by 2030 from a 2022 base year[1]

Net Zero

Reach net zero[2] GHG emissions across the value chain by 2050

Circular economy and resource use

Product lifecycle management and circular economy

Our technology selection, product development and supplier processes are regularly reviewed and updated where relevant to integrate sustainability considerations and ensure that lifecycle impacts are factored into decision-making. We evaluate products across their lifecycle, covering material sourcing and use, energy consumption, emissions, recycling and end-of-life treatment. We also contribute to industry-wide progress by participating in sector groups focused on advancing circularity, including the IAEG Working Group on Circular Economy and the RISE Circular Business Lab (Research Institute of Sweden).

By applying circular economy principles into product design and across manufacturing, we reduce environmental impacts while increasing operational value, by using fewer resources, reducing emissions and generating less waste to help us deliver products with greater repairability and longevity. For example, our additive fabrication capabilities help maximise material utilisation and reduce the amount of procured materials removed during production. Please see our case study on page 56 for further details.

We conduct comparative Lifecycle assessments ("LCAs") on future products to evaluate alternative materials, processes and technologies. This supports informed decision-making in design and manufacturing and guides the development and choice of new technologies with improved environmental performance. The assessments have already identified improvement actions, such as weight reduction, increased use of renewable energy, optimised logistics and preference for land and sea transportation, sourcing from local suppliers, enhanced material circulation and recycling, reduced waste, and substitution of solvent-based materials with water-based materials. Further opportunities include fewer process steps (e.g. drying) and embedding environmental considerations into wider process optimisation initiatives. LCAs provide quantified data that inform sustainable decision-making and offer a detailed view of the environmental impact of our products.

Aligned with circular economy principles, our maintenance, repair, and overhaul ("MRO") services are designed to extend product lifespans by keeping them in use for longer, reducing the need for new manufacturing and minimising resource consumption. Fan blades experience a range of damage and erosion during standard operation, and repairing them back to their original condition also delivers a quantifiable improvement in engine efficiency, reducing in-flight emissions by up to 1%. Our MRO facility in San Diego, California, was set up to repair both civil and military engine components for more than 400 customers and features state-of-the-art automation and robotics for reduced turnaround time and increased reliability, including for the industry-leading CFMI LEAP and Pratt & Whitney Geared Turbofan ("GTF") engines.

Circularity principles are thoughtfully integrated within our business, with sustainable design approaches informing product development and responsible material management practices applied throughout manufacturing. These efforts support resource efficiency and contribute to the transition towards a more circular economy. Our sites treat metal swarf as a valuable resource, not waste, and are investing to maximise its purity and recyclability for future aerospace use. Improvements include labelled collection bins to prevent cross-contamination, daily notifications so operators can prepare the correct bins in advance, and in-house testing of brickettes to better control moisture content and quality.

In addition, we continued to collaborate with key suppliers to explore operational efficiency improvements in resource use and logistics, contributing to the reduction of value chain emissions. At our Filton site in the UK, collaboration with OCS Services enabled the full transition of hard-service vehicles from diesel to electric alternatives, delivering operational efficiency gains and reducing emissions. We also worked with one of our suppliers Rubix, Europe's largest supplier of industrial MRO products and services, on energy efficiency measures, including the replacement of fluorescent lighting with more efficient alternatives and the identification of air leaks, resulting in energy savings within supplier-managed activities. Work with Quaker Houghton enabled the recycling of almost 200,000 litres of metalworking fluid year-to-date through the installation of a new Coolant Health Unit, improving resource efficiency and circular use of materials. At our site in Papendrecht, collaboration with logistics suppliers Meilink Borculo and Meilink Project Forwarding focused on optimising supplier-managed transportation of empennage shipments for one of our customers.

(1) Scope 3 emissions from Fuel and energy-related activities, transportation and distribution, waste in operations, business travel and employee commuting.
(2) We define Net Zero as per the SBTi guidelines which require companies to reduce their Scope 1, 2 and 3 GHG emissions by at least 90% by 2050, with the remaining emissions neutralised by carbon removals. Net zero by 2050 is also consistent with the Paris Agreement.

Packaging was redesigned to enable containerised transport in place of break-bulk freight, significantly reducing costs, packaging waste and transport-related emissions within the supply chain. Further savings and efficiency gains are being explored through expanded stacked deliveries and improved packaging solutions for associated components.

Operational waste management

In 2025, we continued to reduce the amount of waste generated and to divert solid waste from landfill, achieving our target to divert 95% of solid non-hazardous waste from landfill by the end of 2025. Our waste generation data for 2025 shows an overall decrease in the solid waste generated compared to 2024. There have also been reductions in the absolute landfill volumes and intensity.

We are committed to minimising waste generation and maximising resource efficiency across our operations. In support of this commitment, we have set a new target to reduce absolute solid non-hazardous waste by 20% by 2030[1]. This target builds on our long-standing focus on waste minimisation, landfill diversion and the increased adoption of circular practices across the organisation.

To support the delivery of our waste reduction target, many of our sites implemented recycling initiatives, focusing on segregating waste at source, while some sites are also making major operational changes to waste transportation, including the installation of waste compaction equipment, with a view to reduce the associated emissions. In addition, selected waste streams are being diverted to energy recovery or incineration, where appropriate, while our circular cutting tools partnership recycling project has reduced our use of virgin materials across the business.

Regular on-site waste audits are performed as part of the audit programme delivered by the Health, Safety and Environmental ("HSE") function, ensuring compliance with waste regulations and identifying further opportunities for improving waste management. Specific waste management, recycling and chemical waste management programmes are implemented at a site level and are complemented by hazardous material and waste management training provided to all site employees regularly.

96%

of solid non-hazardous waste diverted from landfill in 2025 (2024: 90%)

Waste generation data for the period 1 January 2025 to 31 December 2025

Tonnes	2025	2024	Change (2025/24)
Total solid waste	**15,762**	**17,146**	**-8.1%**
thereof non-hazardous waste	13,456	15,308	**-12.1%**
• thereof non-hazardous waste to landfill	511	1,559	**-67.2%**
• thereof non-hazardous waste for recycling/reused	9,827	11,042	**-11.0%**
• thereof non-hazardous waste incinerated	508	166	**206%**
• thereof non-hazardous waste incinerated with energy recovery	2,610	2,540	**2.8%**
thereof hazardous waste	2,306	1,838	**25.5%**
• thereof hazardous waste to landfill	788	803	**-1.9%**
• thereof hazardous waste for recycling/reused	666	456	**46.1%**
• thereof hazardous waste incinerated	272	162	**67.9%**
• thereof hazardous waste incinerated with energy recovery	580	417	**39.1%**
Solid waste to landfill (hazardous and non-hazardous)	**1,299**	**2,362**	**-45.0%**
Solid waste diverted from landfill (hazardous and non-hazardous)	**14,463**	**14,783**	**-2.2%**
Solid non-hazardous waste diverted from landfill	**12,945**	**13,748**	**-5.8%**
Solid non-hazardous waste diverted from landfill rate	**96%**	**90%**	**7.1%**
Company's chosen intensity measurement: Tonnes of solid non-hazardous waste per £1,000 revenue	**0.0037**	**0.0044**	**-15.9%**

(1) For the purposes of the waste target, reductions are measured based on decreases in the total quantity of solid non-hazardous waste generated which includes both the prevention of waste generation at source and the diversion of waste from disposal through recovery operations such as recycling. Waste diverted from disposal is accounted for separately from waste directed to disposal and contributes to an overall reduction in reported waste volumes.

Water

Our dependency on clean and fresh water remains relatively limited. Nonetheless, we recognise that water scarcity is a pressing global challenge and an important issue for our stakeholders. We therefore have a responsibility to manage our water practices, including the volumes of water withdrawn and consumed carefully and conscientiously. Our Water Policy is built around the following key principles of maintaining resilience to water-related risks, minimising potential impacts on water availability and quality and contributing positively to improved water management practices.

Group Water Policy
www.melroseplc.net/governance/documents-and-policies/

Our sites are advancing water efficiency practices through site-specific initiatives, including water recycling, preventive leak detection and maintenance, replacing fixtures with low-consumption alternatives, and proposals for rainwater harvesting. Several sites have introduced closed-loop systems, upgraded equipment, rolled out behavioural awareness programmes, and integrated monitoring to reduce water use. In Cowes, UK, a site-wide audit led to measures such as leak repairs, adjusted flush rates, and rainwater collection for landscaping.

Additionally, our target for a 40% reduction in water withdrawal intensity by the end of 2025 since the 2021 baseline, has been achieved. Total water withdrawal in 2025 decreased by 7.1% year-on-year. The majority of our withdrawal continues to take place in North America, where several reduction initiatives have been particularly successful. The overall decrease in water intensity is attributed to targeted water savings initiatives implemented across our sites.

Water withdrawal[1] data for the period 1 January 2025 to 31 December 2025

Cubic metres	2025	2024	Change (2025/24)
Water withdrawal (m^3) in operations	**601,286**	**647,192**	**-7.1%**
North America	249,626	301,193	**-17.1%**
Rest of Europe	193,816	194,634	**-0.4%**
UK	122,325	118,395	**+3.3%**
Asia	35,520	32,970	**+7.7%**
Company's chosen intensity measurement: **Water withdrawal (m^3) per £1,000 revenue**	**0.163**	**0.188**	**-13.3%**

Our day-to-day operations use water, primarily, for diluting coolants in machining, cleaning and chemical treatments, as well as for employee hydration and hygiene. To date, we have not experienced any operational disruption caused by water-related issues, but we acknowledge the potential risks presented by water shortages both in our own production and across the wider supply chain, and where necessary, we have established operational resilience plans and put contingency measures in place to monitor and address those risks.

We continue to monitor our sites that are located in water-stressed areas to better understand related risks and opportunities. The analysis, which uses the World Resources Institute ("WRI") Aqueduct Water Risk Atlas tool[2] to assess all manufacturing and office locations against the baseline water stress levels is conducted every three years, or when there is a notable change in the business. 9% of our sites were identified as being in areas of 'extremely high' water stress, with a further 22% in 'high' water stress areas[3][4]. Several sites already have response measures in place. For example, at our site in California, USA, the team is working on a wastewater and storm water reclamation project that will clean and re-use process water from the grind and polish machines.

Biodiversity and ecosystems

We recognise the fundamental importance of biodiversity to society and are committed to protecting and enhancing ecosystems so that future generations can continue to benefit from them. Our Biodiversity Policy sets out the guiding principles for promoting the natural world and safeguarding its ecosystems.

Group Biodiversity Policy
www.melroseplc.net/governance/documents-and-policies/

We have continued to deepen our understanding of biodiversity impacts and dependencies across the Group's operational locations. We undertake biodiversity assessments every three years using the World Wide Fund for Nature ("WWF") biodiversity risk filter[5] to identify and account for the physical risks associated with our operational sites, namely the ways in which our operations depend on and impact nature and surrounding ecosystems. The principles of the Taskforce on Nature-related Financial Disclosures ("TNFD") have informed our approach to identifying and assessing nature-related issues, impacts and dependencies, supporting a structured understanding of nature-related risks and opportunities across our operations. The last review, which took place in 2024, identified biodiversity risks across 29 of our industrial sites. Three of our sites recorded a high physical risk score, while 18 scored at medium risk.

Most of the Group's operational sites are located in industrial zones and operate under permits, exemptions or general binding rules. These regulatory requirements set a framework of limits and conditions that must be adhered to in order to safeguard local ecosystems. We conduct monitoring of our processes using standardised monitoring methods and provide data to regulators as and when required, to show adherence to applicable permits, exemptions or general binding rules. This ensures that our sites do not compromise ecological integrity, community wellbeing or natural functions, and show that they are committed to our 'no net loss' approach.

In line with ISO 14001, biodiversity-related matters are managed through our environmental management system. Risks are recorded in aspects and impacts registers, with mitigation measures integrated into change management processes, which include measures such as minimising land and water use, preventing harmful discharges, and implementing site-specific action plans. All HSE teams receive dedicated training, and biodiversity is incorporated into multi-function audits to ensure mitigation measures are integrated into change management plans. Our sites also use HSE scorecards to self-assess performance, ensuring continual improvement and alignment with ISO 14001's risk-based approach.

Beyond compliance, our sites also take steps to support local biodiversity. Examples of initiatives across our sites in 2025 include an innovative water-saving and biodiversity-boosting project in the UK to create havens for pollinators and insects, the renewal of a park in Sweden with perennial flowers and shrubs to support pollinators and birdlife, large-scale tree planting at Sireh Park in Malaysia, and improved green spaces across our sites.

(1) For these purposes, water withdrawal is defined as the sum of all water drawn into the boundaries of the organisation (or facility) from all sources or any use over the course of the reporting period.
(2) WRI Aqueduct tool, https://wri.org/aqueduct.
(3) As per 2024 assessment.
(4) According to WRI, 'extreme water stress' means a region is using at least 80% of its available supply. 'High water stress' means it is withdrawing 40% of its supply.
(5) WWF Biodiversity Risk tool, https://riskfilter.org/biodiversity/home.

Social impact

HIGHLIGHTS

92%

response rate to the annual employee engagement survey in 2025

£6.3m

invested in workforce training during 2025 (2024: £5.7m)

29 sites

within the Group were certified to the ISO 45001 as at 31 December 2025

Social priorities and targets

Keeping our people safe

The health, safety and wellbeing of our people remain a central priority, supported by Group-wide safety programmes built on accountability, prevention and continuous improvement, underpinned by robust health and safety, and quality management systems within the organisation. Ongoing initiatives throughout the business emphasise proactive risk management, visible leadership and continuous learning across all of our sites. Through transparent reporting, cross-site collaboration and regular engagement campaigns, we strive to ensure that every employee returns home safely each day. Our new Group-wide safety target is to achieve a Total Injury Rate of 3.0 per 1,000 Full-Time Equivalent ("FTE") by the end of 2030.

Investing in skills and development

Developing talent is essential to sustaining long-term competitiveness and innovation. Our ambition is to ensure that every eligible employee has an active personal development plan which is supported by ongoing training, skills development and career progression and is aligned with individual roles and the Group's business and sustainability priorities.

Promoting inclusion, diversity and belonging[1]

Building a diverse and inclusive workplace is fundamental to our culture. We remain committed to achieving 40% female representation within senior management[2] in line with the expectations of the FTSE Women Leaders' Review. We are also aiming to achieve 13% ethnic minority representation within the UK-based senior management team by the end of 2027 in accordance with the expectations of the Parker Review. To achieve this, we continue to invest in creating an inclusive culture, with a particular focus on increasing female representation in senior management positions and embedding belonging throughout the organisation.

Own workforce

Our sustainability priorities include keeping our people safe, investing in skills and development, and promoting inclusion, diversity and belonging. By embedding these priorities within our culture and governance structures, we seek to build and sustain an engaged, skilled and motivated workforce. With a combined workforce of 13,844 employees (3,238 in the UK), we have a strong global presence across major markets in Europe, North America, and Asia. Our workforce spans a diverse range of technical, operational and professional roles, driving innovation, operational excellence, and sustainable growth. Our organisational scale and reach bring both opportunities and responsibilities for our people, underpinning our commitment to create an inclusive and supportive environment for all, providing high-quality employment opportunities, and contributing to local economies.

Promoting inclusion, diversity and belonging, ensuring fair working conditions, prioritising employee wellbeing, investing in skills and development, and contributing to the communities in which we operate, are critical to our long-term sustainable success, and to delivering a positive impact across the areas in which we operate.

These commitments are embedded within our Code of Ethics and the suite of Group compliance policies which together set clear standards of conduct for all employees, partners and contractors, and serve as a core governance framework reinforcing our sustainability principles. The Code of Ethics provides clear expectations as to how business should be conducted by our people, and promotes consistent practices across the Group in relation to a range of topics including ethical conduct and decision-making, health and safety, human rights, and inclusion, diversity and belonging. The Code of Ethics is approved by the Board and was last updated in December 2025. In conjunction with our Group compliance policies, it also outlines the consequences of non-compliance.

→ **Code of Ethics**
www.melroseplc.net/governance/documents-and-policies

We are committed to creating a safe and inclusive working environment that prioritises the health, safety, and wellbeing of our employees, values diversity in its broadest sense[1], upholds fair and equitable working conditions, and empowers employees to grow, innovate and act with integrity.

(1) All inclusion, diversity and belonging initiatives and activities referenced throughout this report are applicable only within the scope of legally permitted jurisdictions.
(2) Senior management is defined as Executive Committee and its direct reports, excluding support staff.

Employee engagement

Engaging with our employees in a meaningful way includes supporting their professional development, ensuring fair and positive working conditions, and providing an inclusive and safe working environment. Regular consultations with employees are conducted to ensure that concerns are addressed constructively.

The annual EngageMe survey, conducted in partnership with Gallup, is our primary engagement measurement tool. Our engagement and internal communications efforts in 2025 resulted in a record 92% response rate (2024: 84%); the highest to date. Results are shared with the Board, the Executive Committee, site directors, HR teams and people leaders, and are further analysed at a team level. Action planning, year-round follow-through and the focus on persistent bottom-quartile teams has driven results, and now brings the business into the top half of the Gallup database with improvements reported in the majority of the responses to the survey questions. Strengthening employee engagement to improve our understanding of their expectations remains an opportunity for further improvement.

To strengthen follow-through, we continued to embed the Take Two initiative, which simplifies action planning and enables more effective team sessions. Participation in the June 2025 Pulse survey, which is part of the Take Two initiative, reached 87% (2024: 76%) and the October Pulse survey reached a record breaking 91% (2024: 86%). Results showed measurable improvement this year, with the Accountability Index achieving the Group's highest recorded score. One-third of sites improved their accountability scores, although making progress on goals remains an area of focus. To reinforce accountability, the Accountability Index was adopted as one of the Group's top 10 KPIs for 2025.

Alongside surveys, a range of mechanisms support employee engagement. These include monthly 'All Hands' briefings, global employee recognition awards and structured daily tiered meetings across all sites to cascade priorities and escalate issues. Engagement with employee representative bodies also remains a priority, and over half of our workforce (7,983 employees, 58%) are covered by collective bargaining and national agreements.

Participation in collective bargaining agreements and freedom of association are recognised as one of our employees' fundamental rights across the business. Workers are entitled to join, or form, trade unions of their own choosing and to bargain collectively where legally permissible within their jurisdiction. Employee representation groups are not discriminated against, and have access to carry out their representative functions in the workplace. Trade union membership can fluctuate year-on-year depending on collective bargaining agreements and the Group composition.

We are committed to safeguarding the contractual and statutory employment rights of our employees through the development of constructive relationships with employee representative bodies, including unions and works councils.

The Group operates a Workforce Advisory Panel ("WAP") which enables key views of the Group-wide workforce to be heard and considered at senior management level and fed into executive management decisions. The WAP is chaired by the Chief Human Resources Officer or equivalent, with other members comprising the Group General Counsel and Company Secretary, and members of the Group Company Secretariat and divisional Human Resource leadership teams. Each member of the WAP is in turn responsible for promoting workforce engagement, monitoring how the Company's culture is embedded within the Group, collating the voice of their workforce, and demonstrating how key workforce views are reflected into executive management decisions. They also ensure that outcomes are communicated back to employees so that the issues raised are addressed. The WAP meets at least twice per year, and an annual report is prepared by the Chair of the WAP for the Board which highlights workforce engagement, the implementation of company culture, and key views.

We operate a number of channels through which employees can raise reports or concerns. In particular, we have a multilingual whistleblowing platform, which is available 24/7, and allows employees to raise concerns confidentially and anonymously. Further details can be found on page 79.

Group employees as at 31 December 2025

	2025	2024
Permanent employees of which:	13,156	13,032
Full-time employees	12,459	12,291
Part-time employees	697	741
Temporary employees	347	396
Apprentices	294	272
Intern/Co-op	47	37
Total	13,844	13,737

As of 31 December 2025, the Group had 2,143 agency workers (2024: 1,962).

We continue to pay all our UK employees at least the national living wage, with the exception of apprentices, interns and year-in industry students, who are paid in accordance with the national minimum wage rates for their age group. All employees in the UK are offered the opportunity to work for at least 15 hours per week. In other jurisdictions, all employees receive at least a living wage or the locally applicable market-equivalent rate in line with regional employment standards.

Health and safety

We recognise both the challenges and the responsibilities inherent in our industry and remain steadfast in our commitment to ensuring the highest safety standards across all areas of our business, including employees, contractors and visitors. Over the past year, we continued to make meaningful progress in safeguarding our operations and protecting our workforce.

In 2025, we achieved our target of a Lost Time Accident ("LTA") Frequency Rate below 0.1. We continue to prioritise health and safety improvements throughout the organisation, reflecting our ambition to eliminate accidents through proactive risk identification, strong safety behaviours and hazard awareness. To strengthen our control and oversight of safety performance, in 2025, we introduced a new Group-level safety target of Total Injury Rate ("TIR") at 3.0 (or below) per 1,000 FTE by the end of 2030. This measure strengthens our focus on proactive risk management by capturing all recordable injuries which include 'Lost Time Accidents' and 'Medically Treated Injures' which do not result in lost time. This provides a more comprehensive view of safety performance and allowing the business to identify emerging patterns and trends, where additional focus may be required to mitigate safety incidents occurring, supporting early intervention and targeted proactive controls to mitigate foreseeable risks and injuries. By incorporating a broader range of incident types, TIR provides a more comprehensive and sensitive indicator of health and safety performance and is not isolated to 'one-off' events. This new target supports our long-term zero harm ambition by strengthening how we measure, monitor and manage safety risks and drive consistent performance.

Safety is embedded in our culture and management systems and underpinned by strong governance principles, clear policies and consistent controls across the Group. Continued investment in equipment, training and capability supports safe working practices, while a strong emphasis on incident prevention, near-miss reporting and hazard identification and awareness reinforces proactive risk management. Behaviour-based programmes and ongoing training and awareness campaigns remain central to strengthening safety performance.

SUSTAINABILITY REVIEW | SOCIAL IMPACT | CONTINUED

Our Group safety management system operates across the business with local health and safety systems subject to regular audits and oversight by the senior management team. Site controls are verified through internal audits, leadership safety tours and follow-up action plans, while incidents are investigated by business line directors, escalated as appropriate and addressed through corrective actions. Safety alerts, lessons learned and good practices are shared across the organisation to promote learning and continuous improvement.

At each Board meeting, the Board receives regular updates on health and safety performance against KPIs and details on any material incidents. Escalation is supported through site scorecards, compliance reviews and weekly Safety and Corporate Compliance focus meetings with monthly validation by HSE directors and outcomes embedded within business reviews.

Most of our manufacturing sites are expected to achieve, or be actively working towards, ISO 45001 certification. As at 31 December 2025, 29 sites out of 47 (62%) were certified to the ISO 45001:2018 international standard (2024: 29 sites, 63%), with further sites progressing towards certification. Third-party audits on a three-year cycle is complemented by annual surveillance audits. Health and safety training is delivered locally, including an annual Golden Safety Rule induction, supported by role-based training programmes, with accountability for completion held at site level.

Our approach to wellbeing is equally comprehensive, extending beyond physical safety to mental health, social wellbeing and the upholding of human rights. This is complemented by a positive workplace culture that helps us attract, retain and nurture talented people.

<0.1

LTA Frequency Rate maintained in 2025 (2024: <0.1)

4.16

Total Injury Rate in 2025

Talent and career management

Training and development

We are committed to supporting the professional growth and learning of our people. We take a proactive approach to anticipating both short- and long-term workforce needs and future skills, ensuring our employees remain at the forefront of innovation and best practice. Enhancing productivity is central to our performance strategy, underpinned by a strong focus on providing relevant training opportunities that are accessible and actively promoted across all career stages.

Leadership development plays a key role in keeping our workforce engaged and innovative. We invest in managerial and leadership development programmes, such as our Future Leaders Development Programme, Set4Success, Maximising Leadership Potential development programme for direct line managers and leaders of projects, Leadership Development Programme, Leadership for Organisational Improvement, and our in-house Procurement Academy training for senior employees. Annual talent reviews help us identify individuals with the ambition and potential to take on more challenging roles, while building a diverse pipeline of successors for key leadership positions.

We offer a broad range of flexible training opportunities through online and in-person programmes. In 2025, 85% of employees received training during the year. The average training time per employee was 28 hours, the total number of training hours was 449,414, while the average training spend per employee was £394.

In 2025, we expanded the roll-out of our 'Brilliant Basics' lean operating model and its three core elements of: Daily Management Systems; Delivering Breakthrough Initiatives; and Problem Solving, which aim to provide a clear structure for all teams and maximise the impact of lean practices. Existing lean knowledge and tools support this approach with success depending on consistent leadership behaviours and leading by example. We have rolled out 235 internal workshops, reaching over 2,000 employees, centred on key topics such as productivity, inventory, and enterprise projects, cascading the model across relevant functions, ensuring full business engagement. To date, over 80% of the events ran have already delivered on their expected outcomes with the remaining soon to follow. The approach is picking up speed and is now part of the way we drive accelerated business impact across the Group, striving for excellence in everything we do.

Skills development

The Global Skills Fund continued to extend training opportunities across all functions and locations within the organisation. In line with our commitment to invest in new skills development, we continued to deliver training focused on advanced technical and regulatory topics, including robot programming, additive manufacturing process development and simulation, safety assessment of aircraft systems, safety management systems regulatory requirements, model-based systems engineering, and composites training.

Apprenticeships, graduate and skills programmes

Apprenticeship and graduate programmes play a central role in developing the next generation of talent and ensuring that critical knowledge and expertise are retained within the business. In 2025, an additional 191 apprentices joined our business resulting in a total of 294 active apprentices across the business (2024: 272), offering participants a combination of on-the-job learning and classroom-based training. Our Global Graduate Programme is designed to develop and grow high-potential individuals, and to accelerate their progression into more advanced roles within the business over a two-year period. Graduates form an important part of our leadership succession plans and represent the future talent of the Group. In 2025, a further 33 graduates were enrolled in the programme (2024: 25), bringing the total number of graduates currently working within the organisation to 70.

£6.3m

total annual spend on workforce training in 2025 (2024: £5.7m)

The programme aims to create a continuous pipeline of future talent, delivering immediate value through placements and assignments, whilst also supporting long-term retention and the development of a cohort of skilled ambassadors for the business.

Alongside these initiatives, we also operate a range of internship and cooperative education programmes, giving students the opportunity to complement their studies with paid work placements. These programmes provide valuable industry experience, broaden skillsets and strengthen our pipeline of diverse, skilled recruits.

Reward and recognition

Our approach to recruitment, talent development and succession planning is underpinned by robust policies and protocols, structured training programmes and effective management practices. These ensure that employees have access to meaningful opportunities to progress their careers and develop their skills.

We actively promote internal mobility, encouraging employees to apply for open positions across the Group. In 2025, 21% of open positions were filled by internal candidates (2024: 17%), reflecting the strength of our internal talent pipeline.

Performance evaluations are conducted across the business, subject to local legal requirements and agreements with employee representative bodies. In 2025, 75% of eligible employees received a performance appraisal (2024: 75%), with remaining evaluations ongoing at the time of reporting.

To ensure fairness and consistency, annual salary reviews are aligned with performance evaluations where applicable. This approach supports our commitment to pay employees equitably and appropriately for the roles they hold.

Inclusion, diversity and belonging[1]

We believe that an inclusive culture is one of the foundations for long-term success. Fostering a diverse, inclusive and safe workplace is a priority, and we are committed to championing diversity in the broadest sense to build and sustain a high-calibre workforce.

Our work on inclusion, diversity and belonging reflects our local contexts and regulatory environments, and is adapted to the specific needs and circumstances of our global workforce. We recognise that colleagues may face different challenges and, in line with local laws, some may require additional support to ensure their voices are heard and their ideas are put into practice. To help address this, we have Employee Resource Groups ("ERGs"), which are open to all employees, where legally permissable, and provide support, networking and collaboration opportunities across six focus areas: Connected Women, Future GKN, LGBTQIA+, African Black Caribbean Professionals, Mastering Neurodiverse Strengths, and Veterans and Reservists. Our ERGs bring employees together, helping them to share experiences, raise awareness of challenges, and contribute ideas that strengthen inclusion and belonging across the organisation.

In 2025, we launched a refreshed Group Diversity, Inclusion and Belonging Policy setting out our approach to driving an open, fair and respectful workplace. The Policy sets out clear expectations for equal treatment, zero tolerance for discrimination or harassment (both sexual and non-sexual), and support for employee wellbeing and equal opportunities. With our focus on driving long-term business success, the Policy underpins our culture of belonging and reinforces the role of diversity in respectful alignment with regional context.

We also offer a robust inclusion, diversity and belonging learning curriculum, combining formal learning and communication to create the foundations for sustainable change. Our e-learning library continues to evolve, with new modules on a variety of inclusion, diversity and belonging topics, such as Approaching Mental Health as a Manager, Minding Your Assumptions, and Suicide Prevention Day, all designed to challenge bias and discrimination while enhancing the employee experience. In 2025, we delivered a variety of events and campaigns, including in support of 'World Mental Health Day', 'Disability Pride Month', and 'Spring Festival'. We also worked on localising content, ensuring relevance and improving accessibility of learning materials, as well as embedding lived experiences through employee communication and panel discussions, amplifying diverse voices and perspectives across the organisation.

Our Code of Ethics underscores the importance of inclusion and diversity and is supported by our Board of Directors Diversity Policy and our Group Diversity, Inclusion and Belonging Policy, both reviewed and approved annually by the Nomination Committee. Our inclusion and diversity commitments keep us focused on progress and are embedded across our people processes, from candidate sourcing and recruitment to career progression and succession planning, always in line with local legal requirements. Our aim is to ensure that every employee has the opportunity to fulfil their potential and achieve their aspirations.

Senior management diversity

A key area of focus is increasing the representation of women and individuals from ethnic minority backgrounds in senior management roles.

We note that the FTSE Women Leaders Review set a target for FTSE 350 companies to achieve 40% female representation in senior management by 2025. As at 31 December 2025, Melrose had 36% female representation at a senior management level, which represented an increase on the prior year (2024: 35%). We recognise though that Melrose has not met the FTSE Women Leaders Review target. Both the Board and the Nomination Committee remain committed to achieving 40% female representation.

We further note that in line with the expectations of the Parker Review, Melrose set a target in 2024 to achieve 13% ethnic minority representation within its UK-based senior management population by the end of 2027. The Company currently has 6% ethnic minority representation within this group, which represented a decrease on the prior year (2024: 8%). On the basis that the UK-based senior management population is small, any departures can have a notable impact on the percentages. The Nomination Committee has tasked senior management with reviewing the roadmap for achieving this target.

Melrose is required to report on gender diversity at a senior manager level in accordance with section 414C of the Companies Act 2006. Pursuant to this legislation, senior managers are required to include Group employees who are directors of Group undertakings, and exclude the Board of Melrose Industries PLC. We do not consider that including the employee directors of our undertakings provides an accurate reflection of the senior management at Melrose, nor its executive pipeline. As reflected in note 3 to the financial statements, Melrose has many undertakings, including dormant, non-trading and immaterial subsidiaries. Rather, we consider a more appropriate reflection of our gender diversity at senior management level to be those within our Executive Committee and their direct reports, the details of which are provided on page 76.

As a signatory of the Women in Aerospace and Aviation Charter, we remain committed to strengthening the pipeline of female leaders across the organisation. We continue to focus on sustaining and accelerating this progress.

Board diversity

The Board, with support from the Nomination Committee, has made significant progress in improving Board diversity over the past year. As at 31 December 2025, the Board consisted of 40% female representation (2024: 33%), which has since increased to 50% female representation following David Lis stepping down from, and Mary Petryszyn being appointed to, the Board. Furthermore, with the appointment of Alison Goligher to the role of Senior Independent Director in October 2025, Melrose now has female representation within a senior Board position. Melrose therefore meets the expectations of the FTSE Women Leaders Review, as well as the targets set out in the Financial Conduct Authority's Listing Rules (the "Listing Rules"), in relation to gender diversity at Board level. In addition, Melrose also continues to meet the expectations of the Parker Review, as well as the target set out in the Listing Rules, of having one director from an ethnic minority background.

(1) All inclusion, diversity, and belonging initiatives and activities referenced throughout this report are applicable only within the scope of legally permitted jurisdictions.

Diversity overview

Group permanent employee gender diversity at 31 December 2025

	Male	Female	Not specified	Total	Male (%)	Female (%)
Group permanent employees	9,536	3,535	85	**13,156**	72%	27%

Group senior manager gender diversity at 31 December 2025

Senior managers (section 414C of the Companies Act 2006)	Male	Female	Not specified	Total	Male (%)	Female (%)
Employees in senior management positions[1]	5	1	N/A	**6**	83%	17%
Directors of Group Undertakings, excluding the above	41	20	N/A	**61**	67%	33%
Total senior managers	46	21	N/A	**67**	69%	31%

Gender diversity as at 31 December 2025

	Number of Board members	Percentage of Board members	Number of senior positions on the Board	Number in executive management[2]	Percentage of executive management[2]
Men	6	60%	3	7	87%
Women	4	40%	1	1	13%
Not specified/prefer not to say	N/A	N/A	N/A	N/A	N/A

(1) In accordance with the Companies Act 2006 this excludes the executive Directors of the Company.
(2) Executive management as defined under the Listing Rules, means our Executive Committee, excluding support staff.

Ethnic diversity as at 31 December 2025

	Number of Board members	Percentage of Board members	Number in executive management[2]	Percentage of executive management[2]
White British or White (including Minority White Groups)	9	90%	5	62.5%
Ethnic Minority	1	10%	1	12.5%
Not specified/prefer not to say	N/A	N/A	2	25%

The tables above provide a breakdown of gender and ethnic diversity at a Board and executive management level as at 31 December 2025. Please refer to the Nomination Committee Report on pages 111 and 112 for further information on our diversity data. The data was obtained on a voluntary self-reported basis whereby the Board and employees were asked questions related to gender and ethnic diversity, as extracted from the Advisory, Conciliation and Arbitration Service ("ACAS") equality and diversity monitoring form.

Human rights, modern slavery and human trafficking

Human rights

We are committed to conducting business ethically, with integrity and transparency, and to maintaining effective systems and controls across the Group to prevent adverse human rights impacts.

Our commitment to respecting human rights and ethical business conduct is reinforced through our Code of Ethics, which was approved by the Melrose Board. Our culture of ethics is underpinned by the Human Rights Policy, which reflects the principles of the Universal Declaration of Human Rights.

Group Human Rights Policy
www.melroseplc.net/governance/documents-and-policies/

We implement proportionate measures to identify, assess, mitigate and prevent potential labour and human rights abuses across our operations and supply chains. These measures include an Anti-Slavery and Human Trafficking Policy and employee training. All policies and protocols are reviewed locally within each business line or site to ensure, at a minimum, compliance with local laws and regulations. We commit to working with suppliers to address adverse human rights impacts and expect suppliers to take appropriate steps to remedy any identified issues. For more information about how we manage the human rights topics in our supply chain, please refer to the Workers in the value chain section on page 77.

There have been no human rights violations in 2025 or in the previous two years.

Modern slavery and human trafficking

We maintain a zero-tolerance approach to all forms of modern slavery and human trafficking, as set out in the Group Anti-Slavery and Human Trafficking Policy, and remain fully committed to integrating respect for human rights across our operations and supply chains. Our approach ensures that senior managers, closest to day-to-day operations, are responsible for designing and implementing effective measures to prevent slavery and trafficking within operations and supply chains.

We deliver employee training on anti-slavery and human trafficking, providing employees with the knowledge to assess and manage the associated risks and to take appropriate action should they suspect modern slavery within the business or our supply chain. In line with the UK Modern Slavery Act 2015, Melrose and GKN Aerospace published a joint Modern Slavery Statement, approved by the Melrose Board which is available on our website.

Joint Modern Slavery Statement
www.melroseplc.net/media/j03p5mmb/modern-slavery-statement.pdf

Following the updated UK Government's modern slavery guidance issued in 2025, we continue to mature our human rights due diligence processes in alignment with this guidance, the UN Guiding Principles for Business and Human Rights and other internationally recognised standards. During 2025, we started to work on enhancing the robustness of our human rights risk assessment and management across our supply chain and increased transparency by strengthening our recording of identified issues and corresponding corrective actions.

In parallel, in 2025 the members of the Legal function engaged directly with the Independent Anti-Slavery Commissioner's ("IASC") Officer. This engagement focused on sharing perspectives on human rights due diligence and forced labour regulation, including the policy and legislative changes required to better protect workers, provide greater clarity for businesses seeking to eliminate forced labour from their value chains and do the right thing, and support economic growth free from exploitation. Our engagement contributed to the IASC's draft Forced Labour and Human Rights Bill, released in December 2025, which provides a blueprint for updated forced labour and human rights legislation in the UK.

The IASC's Strengthening the UK's Forced Labour and Human Rights Legislative Framework paper sets out the proposed policy and draft legislative changes for the UK Government to consider adopting in the next King's Speech, aimed at strengthening protections for victims of forced labour and modern slavery.

Anti-Slavery and Human Trafficking Policy
www.melroseplc.net/governance/documents-and-policies/

Workers in the value chain

Supply chain engagement

We operate responsibly and sustainably across our supply chains and look to mitigate risks from the outset by only sourcing raw materials from trusted and verified suppliers. We manage relationships with thousands of unique suppliers globally, making consistent management of suppliers a strategic priority. The qualification processes, including the completion of risk assessments, are used to identify and manage environmental and social risks upstream in our value chain. Through the requirement to comply with our Supply Chain Policy and our Supplier Code of Conduct, we communicate our expectations to all suppliers that they must uphold human rights and environmental standards. In 2025, we continued to operate our supplier collaboration and compliance portal to enhance due diligence and transparency of our suppliers' data. The portal allows for monitoring of key social impact areas, including human rights, child labour, and modern slavery.

We expect all suppliers to meet our stated standards of conduct by respecting human rights, providing safe and fair working conditions in a diverse and inclusive environment, upholding equality of opportunity and non-discrimination, treating their staff fairly and equally. Suppliers are also expected to operate in accordance with applicable laws and recognised international standards on business ethics, including the prevention of bribery, corruption, fraud and other forms of improper conduct, and respecting and protecting the environment in compliance with relevant legislation on energy, waste, emissions, water and resource use.

GKN Aerospace commits to working with suppliers to address adverse human rights impacts and expects suppliers to take appropriate steps to remedy any identified issues. Suppliers are also expected to comply with applicable wage laws, meeting or exceeding the minimum or prevailing industry standards, prevent excessive working hours, and maintain appropriate health and safety standards in the workplace. We require suppliers to maintain effective systems and controls to prevent modern slavery and human trafficking within their operations and supply chains. Due diligence and risk assessments are undertaken where appropriate, with corrective actions or disengagement taken in cases of non-compliance. For instance, the Company may reconsider its relationship with suppliers that do not meet its human rights expectations.

Supply Chain Policy
www.melroseplc.net/governance/documents-and-policies

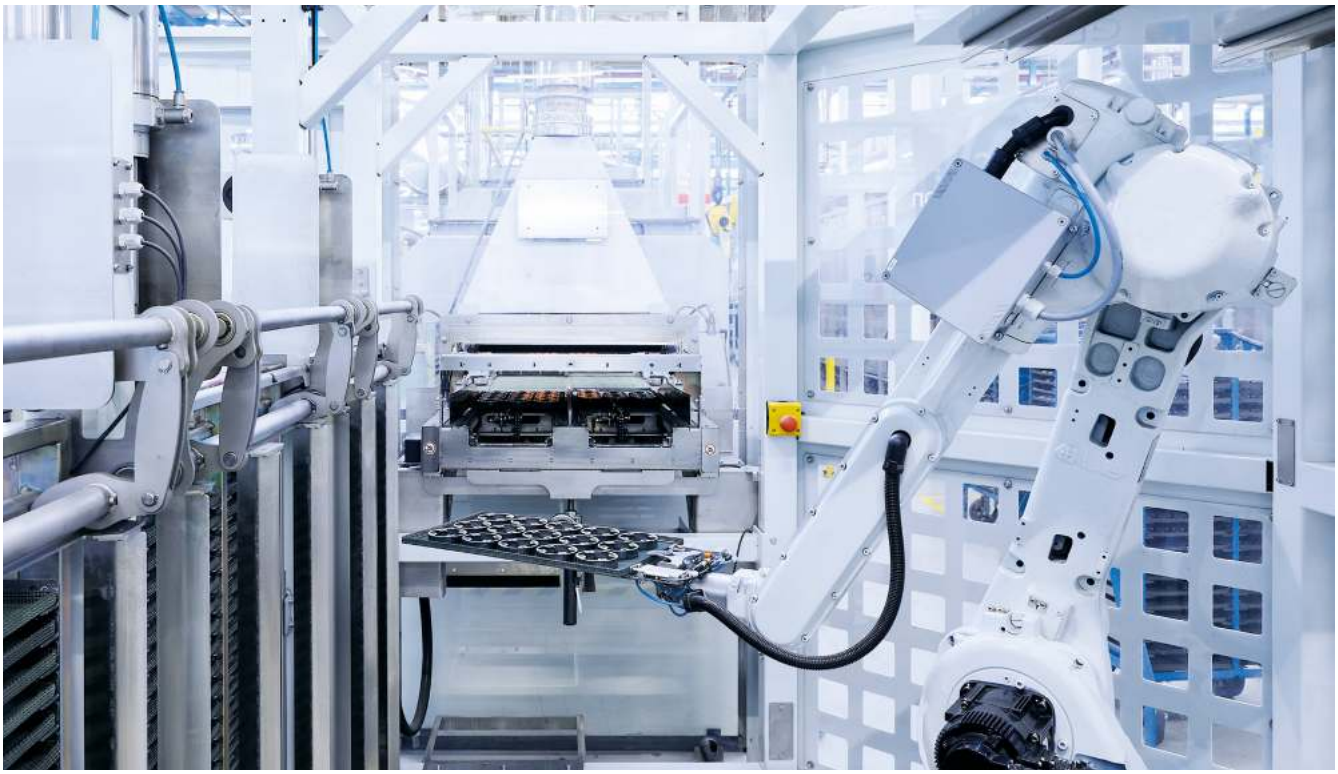
Conflict Minerals

In line with the Group Conflict Minerals Policy, we maintain strict procedures for sourcing products and raw materials containing tin, tungsten, tantalum and gold ('3TG') minerals. Our approach is designed to ensure, in accordance with legal requirements and customer expectations, that these minerals are responsibly sourced from conflict-free locations.

We have a structured process to work with suppliers in maintaining conflict-free supply chains. Risk assessments are conducted to identify potential exposure to conflict-affected or high-risk areas, while educational resources and guidance on conflict minerals compliance are made available to suppliers through the supplier collaboration and compliance portal. Suppliers are required to conduct due diligence to confirm that any 3TG minerals in their products are conflict-free and to complete the Responsible Minerals Initiative Conflict Minerals Reporting Template. We review and assess these submissions to evaluate the quality of responses and identify any smelter-related risks. Structured questionnaires are also issued through the portal to gather detailed information on supplier sourcing practices and due diligence procedures.

Each business line has its own raw material strategy to manage sourcing risks and promote responsible resource use. Mandatory conflict minerals training is provided to employees in roles where this knowledge is required, ensuring appropriate awareness of procedures and reinforcing accountability.

Group Conflict Minerals Policy
www.melroseplc.net/governance/documents-and-policies



Consumers and end users

Ensuring the highest standards of product quality and safety

We are committed to ensuring the highest standards of product quality, reliability and in-flight safety, recognising our responsibility to protect the safety and wellbeing of end users. Robust design and development processes are fundamental to delivering products that meet customer specifications. These same processes are also used to embed quality, safety and environmental performance improvements across the product life cycle. By embedding continuous improvement into design, development and assurance activities, we seek not only to achieve compliance but to enhance in-service performance, safety outcomes and environmental efficiency.

Every site maintains active plans and targets to minimise risks of non-conformance and reduce the cost of poor quality. We embed effective controls, follow industry safety and quality assurance standards, and apply crisis management procedures and processes including potential recall programmes where required.

In 2025, 98% of the Group's product portfolio by revenue (2024: 97%) was certified to the internationally recognised quality management standard of ISO 9001, or EN/AS9100. Certification audits are conducted annually by independent bodies, with full recertification every three years. In addition, several GKN Aerospace entities hold further approvals including, the European Union Aviation Safety Agency ("EASA"), the Federal Aviation Administration ("FAA") and the European Military Airworthiness Authorities Forum ("EMAR") covering design, production and repair. In 2025, we enhanced our Group safety management system to strengthen product safety, reinforce safety risk controls for flight-critical components, and continued to embed a proactive safety culture across the organisation. This included aligning organisational practices with EU and UK regulatory requirements in design, production and maintenance EASA Part 21 and Part 145.

Quality assurance is also supported through active supplier engagement across the value chain. This includes ongoing collaboration with suppliers, targeted training on quality assurance requirements, and regular quality reviews and audits to verify compliance with internal standards. We require suppliers across Tier 1, Tier 2 and Tier 3 to meet defined certification and quality criteria, including recognised industry accreditations where applicable. Tier 2 suppliers are typically certified to Nadcap or equivalent recognised certifying bodies, with audit status and results accessible through the OASIS database. In addition, all raw materials are required to be certified and sourced from approved laboratory sites, providing assurance over material integrity and traceability.

Affected communities

Community impact

We believe our responsibilities extend beyond our business operations. Supporting the communities in which we operate is an integral part of our corporate ethos. In 2025, we continued to invest in local initiatives through volunteering, donations and sponsorships, helping to create positive and lasting impacts in the communities we serve. In 2025, we contributed £229,000 (2024: £222,000) to charitable and community causes worldwide. This included £172,380 (2024: £161,000) in community investments, sponsorships and employee volunteering; and £56,620 (2024: £61,000) in direct cash donations to non-profit organisations.

Community investment is managed at site level and all initiatives are required to comply with the Group's Anti-Bribery and Corruption Policy.

Governance

Strategic Governance priority

Keeping our business safe

Strong governance is the foundation of a resilient and trusted business. Safeguarding our people, assets and information is integral to how we operate, underpinned by clear standards, robust controls and a culture of accountability.

Business conduct

Our strategy and values are underpinned by a resilient governance framework, a strong commitment to business ethics, and a culture of integrity. This framework is supported by effective financial and non-financial controls that are continually assessed, tested and reviewed. It supports our public disclosure and financial reporting requirements, external independent audits, public accountability and expectations set by the UK Corporate Governance Code, and regular engagement with shareholders, proxy advisors and wider stakeholders, to ensure that the Group's governance practices reflect evolving expectations.

Code of Ethics and Compliance Policies

Our Code of Ethics and suite of Group compliance policies set clear standards of conduct for all employees, partners and contractors. The Code of Ethics covers areas including anti-bribery and corruption, anti-money laundering, anti-fraud measures, prevention of tax evasion, competition law, trade compliance, conflict minerals, treasury and financial controls, data privacy, document retention, joint ventures, whistleblowing, inclusion, diversity and belonging, human rights, anti-slavery and human trafficking, supply chain management, biodiversity, water stewardship and environmental responsibility. Our Group compliance policies are reviewed regularly to ensure that they reflect good practice and are aligned with the Group's core principles.

The Code of Ethics and associated Group compliance policies are approved by the Board and implemented across the divisions. Implementation of the Code of Ethics and compliance policies is supported by risk assessments, audits and reviews and annual compliance certifications, whistleblowing, reporting mechanisms, delegated authorities, senior management engagement and management oversight, as well as the implementation of the Supplier Code of Conduct. These measures are backed by investment, resources and appropriate employee training.

Anti-bribery and corruption

We take a zero-tolerance approach to bribery, corruption and other unethical practices, and are committed to acting professionally, fairly and with integrity in all business dealings and relationships.

Our Anti-Bribery and Corruption Policy applies globally across all of the jurisdictions within which we operate and is supported by regular training and compliance monitoring.

→ **Group Anti-Bribery and Corruption Policy**
www.melroseplc.net/governance/documents-and-policies/

Although the policy prohibits party political donations, it does recognise that from time to time, business representatives within our Group may engage in policy debate and advocacy activities on subjects of legitimate concern to the aerospace and defence sector and key stakeholders, including their staff and the communities in which they operate.

There were no political donations made during the year ended 31 December 2025 (2024: nil).

Whistleblowing

We operate a Group-wide whistleblowing platform hosted by an independent third-party, whereby all employees have access to a multilingual online portal, together with local hotline telephone numbers, which are available 24/7. This provides our employees with a platform to raise concerns, confidentially and anonymously, about possible wrongdoing in any aspect of the business, including financial and non-financial matters, without fear of reprisal or retaliation. A range of actions are taken to raise employees' awareness of the whistleblowing platform, using both online and offline media as appropriate. Cases raised through the hotline are notified to the Legal function who then acknowledges receipt of the case, ensures that investigations are triaged to the right team (for example, day-to-day HR grievances are triaged to the HR function where appropriate to do so), and monitors both the prompt conduct of investigations, as well as their outcomes. Local grievances are tracked and monitored locally with central oversight. Quarterly whistleblowing reports are provided to the Audit Committee, and any notable trends are also discussed during the Workforce Advisory Panel meetings. Particularly serious allegations received through the hotline are promptly notified to the Chair of the Audit Committee. During 2025, 47 cases were reported (2024: 76).

Responsible tax

We are committed to paying tax responsibly, complying fully with applicable laws and engaging transparently with tax authorities. The Group's tax affairs and risks are reviewed periodically by the Board and the Audit Committee, and the Group Tax Strategy is reviewed, discussed and approved by the Board annually. The Group has specific measures in place to provide guidance on undertaking risk assessments and training to employees in relevant roles, in order to prevent the facilitation of tax evasion and does not pursue aggressive tax planning.

The Group does not operate in countries considered as partially compliant or non-compliant according to the Organisation for Economic Co-operation and Development ("OECD") Transparency and Exchange of Information on Request ("EOIR") compliance ratings as at 21 January 2026, or in any countries included on the EU list of non-cooperative jurisdictions for tax purposes, per the list released as at 17 February 2026.

→ **OECD tax transparency report**
https://www.oecd.org/en/networks/global-forum-tax-transparency/resources/exchange-of-information-on-request-ratings.html

Risk management

Sustainability risks are embedded within the Company's overall risk management framework which serves as the foundation of the Group's risk management process. Key elements of our Group risk management process include required compliance with the Code of Ethics and Group compliance policies, mandatory training, regular risk assessments, whistleblowing mechanisms, responsible delegated authorities, active senior management engagement and oversight, robust policies and procedures, internal audit, and adherence to the Supplier Code of Conduct. Further information on the structure and governance of our risk management process can be found in the Risk Management section on pages 32 to 34.

Internal controls, standards and reporting

The identification and oversight of material controls over ESG and sustainability data is the responsibility of the Group Sustainability function who review all ESG-related processes and data for robustness on a quarterly basis at minimum, in line with prominent international regulatory standards. Each site, business line and function has clearly identified data owners and data approvers, who together ensure that the data collected is fit for purpose and cleansed of any anomalies. Master data managers are available to support with best practice, standards and requirements, supported by a central business Intelligence team responsible for the reporting infrastructure. Finally, consolidated numbers are reviewed and approved by the Chief Technology Officer.

GKN Aerospace's HSE Policy is aligned with the International Organisation for Standardisation ("ISO") and sets out overarching and critical risk standards for health and safety to ISO 45001. These are reviewed annually and were fully revised to align with our Aerospace Policy Management System in 2025. Adherence is monitored through an audit programme, with Site Directors confirming compliance via the Internal Controls Certification process. A dedicated Environment Management Standard sets out minimum site-level requirements for compliance with laws and permits, annual regulatory reporting and environmental planning, and is updated annually to reflect best practice and regulatory change. As part of raising awareness of major environmental risks, GKN Aerospace has started to deliver additional Environmental Foundations training to all HSE teams.

As of 31 December 2025, 31 sites (66%) across our operating sites were certified to ISO 14001 standard (2024: 30 sites, 65%), 29 sites (62% of all sites or 90% of manufacturing sites) were certified to ISO 45001 (2024: 29 sites, 63%). Five sites (11%) had ISO 50001 certification (2024: five sites, 11%). ISO 14001 certification provides the framework for sites to maintain environmental compliance, and all manufacturing sites (servicing external customers) are required to achieve or be working towards certification. ISO 50001 certification or energy audits are also applied to meet the ESOS in the UK and Energy Efficiency Directive in the EU, while sites without certification are still required to adhere to the principles of the standards by identifying, assessing, and mitigating risks.

Sustainability governance

Our sustainability and climate change governance framework supports the delivery of the Group's key sustainability priorities by overseeing the implementation of the Group's material topics, the assessment and management of risks, impacts and opportunities, and setting appropriate targets under Board oversight and approval. The Audit Committee meets at least four times a year. It reviews and monitors the integrity of financial statements, and reviews the Group's risk management and internal control framework, which includes an assessment of the Group's principal risks, such as Climate Change risk. The Remuneration Committee meets at least twice a year, and determines and implements the Directors' Remuneration Policy, which can include the integration and monitoring of sustainability performance measures into the remuneration structure. The Nomination Committee meets at least twice a year, oversees Board membership and executive management succession planning, ensures that diversity is reflected in the process.

During 2025, matters considered by the Board included progress against the Group's sustainability targets and material sustainability priorities, Climate Change risks, and the introduction and approval of new 2030 sustainability targets. Additionally, the Board also appointed Ian Barkshire as the Board's Non-executive Sustainability Lead. Ian spent most of his career driving the development, commercialisation and delivery of innovative technologies and specialised products to the world's leading industrial companies, and during his time as Chief Executive Officer of Oxford Instruments Plc, he was responsible for initiating and leading its sustainability programme. Sustainability-related opportunities, such as investment in major projects are presented to and discussed by the Board for review and approval. Sustainability is discussed at Board meetings at least annually. Where required, the Board receives structured briefing materials as training and educational support, covering key sustainability themes and developments relevant to the Group.

The Chief Technology Officer leads the Group Sustainability function as a member of the Executive Committee. This function is responsible for the Group's sustainability strategy, materiality assessments, climate scenario analysis and transition planning, and is accountable for the Group's sustainability priorities, performance against targets, Group-wide non-financial sustainability reporting, external engagement, ESG ratings and external assurance. The function operates established reporting protocols to ensure delivery by the Engines and Airframes divisions, each of which drive progress across its specific operational footprint, technologies and customer base. The health, safety and environmental ("HSE") function oversees health and safety across the business, environmental compliance, and waste management at site level. The Group's HSE performance is monitored at site level, through scorecards, regular business reviews, audits, and leadership safety tours, with escalation processes in place to ensure concerns are addressed promptly. Oversight sits with the Senior Vice President of Safety and Corporate Compliance, who is supported by business line site directors and HSE directors. The Chief Financial Officer and Finance function oversee the Group's financial resilience and controls, TCFD financial risks, information security and IT energy efficiency. The Legal function oversees corporate governance. The Human Resources function oversees inclusion, diversity and belonging, as well as engagement, education, training and human rights matters. The Quality function oversees product safety, escape prevention, safety management systems, global standards and quality culture training. To strengthen our sustainable procurement activities and deliver on our targets, a dedicated sustainability procurement function supports the Group with strategy, processes and tools to enable responsible sourcing and due diligence.

SUSTAINABILITY AND CLIMATE CHANGE GOVERNANCE FRAMEWORK

BOARD OF DIRECTORS

Oversight of sustainability strategy, including climate risks and opportunities. The Board has nominated a Non-executive Director to act as its sustainability lead.

AUDIT COMMITTEE

Oversees risk management and the integrity of the Group financial statements, control systems and compliance controls, which over time may integrate sustainability-related financial information, including any related to climate change. Meets at least four times a year.

REMUNERATION COMMITTEE

Oversees executive remuneration, including integration of sustainability criteria into remuneration. Meets at least twice a year.

NOMINATION COMMITTEE

Oversees Board succession, as well as the development of a diverse pipeline for executive team succession. Meets at least twice a year.

SENIOR MANAGEMENT TEAM

- Cross-functional team comprising Group HR, finance, legal and sustainability.
- Responsible for executing the Board's overall sustainability strategy, including climate change considerations.
- Oversees quarterly divisional sustainability performance reporting against business KPIs and targets.
- Identifies and assesses climate risks and opportunities.
- Advises the Board and the Committees on governance and regulatory requirements, including on climate change.

COMPANY SECRETARIAT

WORKFORCE ADVISORY PANEL

Responsible for promoting the views and interests of the workforce

SUSTAINABILITY FUNCTION

- Cross-functional integration, coordination and governance of all ESG activities.
- Oversight and governance of ESG data, quarterly performance against targets, internal and external assurance and audit, and annual reporting and disclosures.
- Compliance with public company ESG obligations and requirements.
- Development and execution of Transition Plan.
- Delivery of materiality assessments, climate scenario analysis, and sustainability risk assessments.
- Formulation of key strategic ESG priorities for senior management and Board approval.
- Engagement with ESG ratings agencies on strategic and disclosure-related topics.
- Monitoring and integration of sustainability initiatives towards fulfilling sustainability targets and commitments.

CORPORATE FUNCTIONS

HSE
- Health and safety
- Waste management
- Environmental compliance (ISO, water, waste, air, etc.)
- HSE auditing
- Site energy efficiency best practice
- Biodiversity

Finance
- Financial resilience and controls
- TCFD financial risks
- Information security
- IT energy efficiency
- Data, systems and reporting

Legal
- Board and Committee oversight
- Ethics and corporate governance

HR
- Inclusion and diversity
- Employee engagement
- Education, training and skills
- Human rights
- Wellbeing
- Attrition/retention
- Community outreach
- Fair employment
- Trade union engagement

Quality
- Product safety: escape prevention
- Safety management system
- Global quality standards
- Quality culture training and awareness
- Assurance and compliance

Procurement
- Supplier engagement
- Supply chain due diligence
- Oversight of divisional procurement performance

DIVISIONS

Leadership teams:
- Keeping our people safe and delivery of safe products to our customers;
- performance of operational sites and suppliers including execution of plans, performance and reporting in line with ESG goals;
- execution and compliance with all regulatory, customer and internal standards and policies; and
- management of risk, including sustainability, and maintaining business continuity.

Divisional sustainability teams:
- Monitoring and delivery of operational ESG performance towards fulfilling sustainability targets and commitments in line with the divisional management and business plans and strategy;
- management, implementation and oversight of divisional sustainability strategy and climate-related risk assessment and implementing mitigation actions where necessary; and
- implementing actions for adapting to changing customer preferences, divisional markets' demands and regulatory requirements for sustainability and climate topics.

Supply chain

In 2025, we advanced our commitment to responsible supply chain management by deepening engagement with suppliers to enhance regulatory compliance and strengthen sustainability oversight. With our supplier engagement programme, we continued to focus on internal capability building, supplier analysis, and the creation and delivery of business line engagement roadmaps. These roadmaps outline a range of engagement strategies, from formal communications and notifications to dedicated sustainability reviews and, ultimately, the integration of sustainability into the standard business review process.

2025 marked the first full cycle of supplier surveying through the supplier collaboration and compliance portal, enabling more robust tracking of supplier alignment with net zero ambitions and other ESG criteria. Prioritising high-impact suppliers identified through our Double Materiality Assessment, the surveys assessed regulatory compliance, ESG practices, and alignment with international frameworks and legislation including Conflict Minerals (Dodd-Frank Act Section 1502), REACH, Federal Acquisition Regulation and Defence Federal Acquisition Regulation Supplement and our Supplier Code of Conduct. The insights informed a comprehensive supply chain risk heat map, improving visibility of risks and opportunities for emissions reduction and internal training.

In parallel, the procurement function continued to embed its supplier collaboration and compliance portal. The five-year sustainable procurement strategy, currently under approval, introduces measurable performance indicators and shifts engagement priorities from spend-based to risk-based supplier assessments. It will be integrated into the wider business strategy with tailored action plans cascaded for each business line, reflecting the varying levels of supplier maturity. In the first instance, it will focus on strengthening the quality of supplier assessment and compliance trends (such as compliance with the EU's REACH Regulation). To ensure robust governance, engagement is delivered by divisional procurement teams targeted supplier discussions, centralised tracking of emissions strategies, and surveys and guidance delivered via our compliance portal, while the procurement function coordinates and helps to determine strategy and roadmap.

Sustainability requirements are clearly communicated to all suppliers through our Supplier Code of Conduct, which forms an integral and mandatory part of the GKN Aerospace General Purchasing Conditions, and which are reflected in contractual agreements where relevant. The Supplier Code of Conduct outlines our expectations for ethical business practices and full compliance with all applicable laws and regulations. It serves as a foundational document to ensure that our suppliers uphold the standards we require in areas such as environmental responsibility, human rights, and corporate integrity.

Information security and data privacy

We place a high priority on privacy and information security, striving to minimise the collection of personal data, ensure secure storage, and protect against growing cyber threats. Given the Group's scale, reach, and the sensitivity of civil aerospace and defence data, cyber risk is reviewed by the Audit Committee and the Board at least twice per year, in addition to an annual IT/Cyber functional review. Further information can be found in the Principal Risks and Uncertainties section on pages 35 to 39.

Our information security strategy is aligned with UK, NL and US government recommendations and encompasses risk profiling, mitigation planning, and quarterly performance measurement. We conduct regular perimeter testing, including penetration testing, to support proactive threat monitoring. We also follow national and international accreditations and standards, such as UK Cyber Essentials, the UK National Cyber Security Strategy ("NCSS"), and industry-specific National Institute of Standards and Technology ("NIST") 800-171 controls. In 2025, 100% of operational sites met their specific requirements of the UK Cyber Essentials, NIST 800-171 standard, or similar international standards. A new cyber security training module was assigned as a mandatory requirement to all employees in addition to the multiple cyber security awareness training courses. The scenario-based eLearning module is designed to build practical cyber security awareness and decision-making skills. Through interactive, real-life scenarios, learners face time-critical dilemmas that mirror the threats they may encounter in the workplace or when working remotely.

We implement a multi-layered data security strategy that addresses people, processes, and technology. This includes employee and supplier checks, mandatory training, contractual safeguards, monitoring tools, and threat intelligence. Oversight is provided through a comprehensive Information Security Management System ("ISMS") that applies to all data, systems and assets. The ISMS is aligned with international standards and is reinforced by mandatory policies, regular risk assessments, audits, and continuous improvement processes to ensure effective governance and integration of information security objectives across the business.

For more information about Group's Information Security and Cyber Threats principal risk, please see page 39 in the Principal Risks and Uncertainties section of the Strategic Report.

About this sustainability review

Reporting standards

This section has been prepared with reference to the following frameworks, standards and guidelines:

- Group sustainability targets and commitments have been aligned to the United Nations Sustainable Development Goals ("UN SDGs").
- Additional disclosures on our sustainability performance have been prepared in line with the Sustainability Accounting Standards Board ("SASB") requirements for the aerospace and defence sector.
- With certain of our European sites in scope, the Group expects to adopt a consolidated Group-level approach to future reporting under the new EU Corporate Sustainability Reporting Directive ("CSRD") and the underlying European Sustainability Reporting Standards ("ESRS"). The timing and detailed requirements remain subject to adoption of the EU 'Omnibus' proposals. In preparation for this, the Group continued to work on its Double Materiality Assessment, with further refinement planned for 2026. This section has been prepared with reference to the CSRD and underlying ESRS, to the extent relevant and applicable.
- Energy and emissions reporting has been prepared in accordance with the principles and requirements of the Greenhouse Gas ("GHG") Protocol Revised Edition 2004, ISO 14064-1 Part 1 and the Environmental Reporting Guidelines, including the Streamlined Energy and Carbon Reporting guidance dated March 2019. The GHG Protocol standard covers the accounting and reporting of seven GHG covered by the Kyoto Protocol.

Reporting boundaries, scope and basis of preparation

Unless otherwise stated, our sustainability reporting, including data, covers the entire Group where Melrose Industries PLC has operational control. Data from entities disposed of during the reporting period are not accounted for in this section in respect of the FY 2025 data, target base years and most recent comparator year. Unless stated otherwise, the data incorporates newly acquired entities once the necessary processes and systems are in place to ensure consistent data collection and consolidation at the Group level.

In preparing this Sustainability Review, the Group continued to apply a Double Materiality Assessment to identify potential material sustainability impacts, risks and opportunities. The DMA remains under development and will be further refined as methodologies, data inputs and regulatory guidance evolve, with outcomes to be reviewed through the Group's governance processes prior to final confirmation. The topics discussed on pages 55 to 82 therefore reflect this interim, data-informed assessment, and further information on our approach to managing these matters — including governance arrangements, risk management processes, targets and key performance indicators — is provided throughout this Review. The structure and terminology reflect the ESRS drafts available at the time of writing.

Internal data controls

All reported figures represent the latest available internal data, unless otherwise specified. Some of the totals presented may reflect the rounding down or up of subtotals. Melrose has a central internal reporting system which captures and records the majority of ESG data alongside financial and operational metrics, used in this Annual Report. All data is subject to quarterly internal reviews by subject matter experts at business line and Group levels.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

In addition to the operational and financial progress delivered across the Group, we recognise our responsibility to enhance non-financial performance, focusing on long-term sustainable value creation for the Company and all of our stakeholders. Our approach to improving non-financial and sustainability performance, as set out in the Sustainability Review, focuses on improving environmental performance, supporting our people, upholding human rights, and maintaining robust governance, risk management and compliance standards.

The Group's sustainability approach is supported by strong governance structures, risk-management frameworks and clear lines of accountability within the business. We continue to engage with internal and external stakeholders to inform our decision-making and ensure that our actions remain aligned with evolving expectations, regulatory requirements, and the Group's long-term strategic objectives.

About this Non-financial and Sustainability Information Statement

This section of the Strategic Report constitutes the Group's Non-Financial and Sustainability Information Statement (the 'Statement') and incorporates requirements for non-financial and sustainability reporting for the purposes of sections 414CA and 414CB of the Companies Act 2006. Melrose's Sustainability Review can be found on pages 48 to 83.

The Group's climate-related financial disclosures, which have been prepared in accordance with the Financial Conduct Authority's UK Listing Rules 6.6.6R(8), which are consistent with the four recommendations and recommended disclosures of the Task Force on Climate-related Financial Disclosures ("TCFD") can be found on pages 57 to 68. The data and narratives in this Statement cover the Group's global operations, where it has operational control. Data from entities which were disposed of during the reporting period (i.e., disposed of before 31 December 2025) are not accounted for in this section in respect of the FY 2025 data, target base years and most recent comparator year. Unless stated otherwise, the data provided incorporates newly acquired entities once necessary processes and systems are in place to ensure consistent data collection and consolidation at a Group level, in line with the Reporting Boundaries, Scope and Basis of Preparation on page 83.

Materiality and structure

In preparing to give this Statement, a Double Materiality Assessment ("DMA") under the draft European Sustainability Reporting Standards ("ESRS") continued to be applied to identify potential material sustainability impacts, risks and opportunities. Our sustainability priorities, targets and key indicators to track performance, mapped to the relevant ESRS topics, as well as the associated governance and risk management mechanisms are reported in the Sustainability Review on pages 53 and 80. Our DMA will be refined further in 2026 in line with end of 2025 updates to the draft ESRSs.

The table below provides an overview of the non-financial reporting requirements and content needed to understand the Group's continued development and performance, together with the impact of our activities with regards to specified non-financial matters.

Our business model can be found on pages 14 to 15, the Section 172 Statement which identifies our stakeholder groups is available on pages 42 to 47, and our principal Group risks can be found on pages 35 to 39.

Reporting requirement	Policies and standards that govern our approach	Principal Group Risk	Where you can find more
Stakeholders and business model	Melrose is a publicly listed UK-headquartered global aerospace and defence technology business with a strong track record of delivering value for shareholders and customers. Our business model leverages our design, manufacturing, servicing and materials expertise to deliver advanced aerospace solutions while embedding sustainability into our value chain. Our Supply Chain Policy sets clear expectations for responsible business practices across our own operations and our supplier network, supporting high standards of environmental and social performance. The Board understands and takes into account the interests of different key stakeholders. Key disclosures can be found in the Section 172 Statement on pages 42 to 47, and the Sustainability Review on pages 48 to 83.	n/a	**2025 Annual Report** • Investment case • Sustainability Review • Our business model • Section 172 Statement
Environmental matters, including climate	The Sustainability Review sets out our approach in respect of environment and climate change and provides examples of the actions we are taking to contribute to the decarbonisation of the aerospace and defence sector, promote energy efficiency, decarbonise our operations and supply chain, and reduce waste and water consumption. This includes the application of our Environmental Policy, Biodiversity Policy, Water Policy and Conflict Minerals Policy, which together support responsible resource use, nature protection and ethical sourcing across our global operations and supply chain. For example, our total investment in climate-related R&D stood at £73 million in 2025. The Group's sustainability targets are supported by our six overarching sustainability principles. Please see page 53 of the Sustainability Review for further details. Information on the climate-related financial disclosures can be found throughout our TCFD and CFD Report, contained in the Sustainability Review, and are referenced in the table on page 57.	• Climate Change • Legal and Regulatory	**2025 Annual Report** • Sustainability Review • Section 172 Statement **Group Policies** • Conflict Minerals Policy • Environmental Policy • Biodiversity Policy • Water Policy • Supply Chain Policy
Employees	Ensuring safe and fair working conditions, promoting inclusion, diversity and belonging, prioritising employee wellbeing, fostering continuous skills development, and contributing to the communities in which we operate, are critical to the Company's long-term success and to delivering a positive impact across the areas in which we operate. Our Sustainability Review on pages 48 to 83 sets out our approach, targets and the policies that support them. Further details about the Group's safety standards, employee engagement, training and development, diversity and human rights, as well as the associated KPIs are provided within the 'Social Impact' section of the Sustainability Review on pages 71 to 78 and the Health and Safety subsection in the Non-Financial KPIs section on page 25.	• Safety • Talent and Capabilities • Legal and Regulatory	**2025 Annual Report** • Section 172 Statement • Sustainability Review • Nomination Committee Report • Non-financial KPIs **Group Policies** • Code of Ethics • Whistleblowing Policy • Anti-slavery and Human Trafficking Policy • Human Rights Policy • Melrose Board of Directors Diversity Policy • Group Diversity, Inclusion and Belonging Policy

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT | CONTINUED

Reporting requirement	Policies and standards that govern our approach	Principal Group Risk	Where you can find more
Respect for human rights	We are committed to acting in an ethical manner with integrity and transparency in all business dealings, and to creating effective systems and controls across the Group to safeguard against adverse human rights impacts. The Group upholds high standards of ethical conduct, which encompasses key human rights considerations. This is set out in our Human Rights Policy which drives the implementation of effective and proportionate measures to identify, assess and mitigate potential labour and human rights abuses across our operations and supply chain. The Group supports the principles set out in the UN Declaration of Human Rights. We maintain a zero-tolerance approach to any form of modern slavery or human trafficking and are committed to investing in effective systems and controls throughout the Group to safeguard against any form of modern slavery taking place within our operations or supply chains.	• Legal and Regulatory	**2025 Annual Report** • Sustainability Review **Group Policies** • Human Rights Policy • Whistleblowing Policy • Anti-slavery and Human Trafficking Policy • Supply Chain Policy • Conflict Minerals Policy
Social matters and communities	Melrose recognises that long-term business success depends on the communities in which we operate. Our approach to social impact focuses on supporting community development and helping people to access opportunities, particularly in education and skills, while fostering inclusive and supportive local environments. Our Sustainability Review details the policies, programmes and partnerships through which we deliver support to our local communities. These include volunteering, initiatives that strengthen STEM education, partnerships with educational and technical institutions, and targeted local charitable activities. We work to ensure that we establish context-appropriate community engagement, supported by governance processes that monitor effectiveness, measure impact and ensure that this engagement contributes meaningfully to local needs and expectations.	n/a	**2025 Annual Report** • Sustainability Review **Group Policies** • Code of Ethics • Anti-Bribery and Corruption Policy • Environmental Policy • Human Rights Policy • Biodiversity Policy • Water Policy
Anti-corruption and anti-bribery	We take a zero-tolerance approach to bribery, corruption and other unethical conduct or illegal practices, and are committed to acting professionally, fairly, and with integrity in all business dealings and relationships, within all jurisdictions in which we operate. Our Anti-Bribery and Corruption Policy, supported by our Code of Ethics, provides clear expectations for all employees and third parties. Melrose follows high governance standards to ensure that the Group conducts business responsibly, sustainably, and in the pursuit of long-term success for the collective benefit of our stakeholders. No political donations were made during the year.	• Legal and Regulatory	**2025 Annual Report** • Sustainability Review **Group Policies** • Code of Ethics • Anti-Bribery and Corruption Policy • Anti-facilitation of Tax Evasion Policy

All Group Policies referred to in the table above, as well as additional information in relation to the areas discussed above, are available on our website at www.melroseplc.net/governance/documents-and-policies/.

Additional information		Where you can find more
Description of principal Group risks and impact of business activity	Risk management Principal risks and uncertainties	Pages 32 to 34 Pages 35 to 39
Description of the business model	Our business model Investment case	Pages 14 and 15 Pages 4 and 5
Financial and non-financial KPIs	Key performance indicators	Pages 24 and 25

The Strategic Report, as set out on pages 2 to 85, has been approved by the Board.

On behalf of the Board:

Peter Dilnot
Chief Executive Officer

27 February 2026

Governance

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INTRODUCTION FROM THE CHAIR

> As a Board, we are committed to maintaining the high standards of corporate governance required to ensure that Melrose can continue to deliver on its strategic goals, and achieve long-term success for the benefit of our stakeholders."

Chris Grigg
Chair

Dear Shareholders,

I am pleased to introduce the Governance section of Melrose's 2025 Annual Report. As a Board, we are committed to maintaining the high standards of corporate governance required to ensure that Melrose can continue to deliver on its strategic goals, and achieve long-term success for the benefit of our stakeholders. As part of this approach, we have applied the principles and complied with the provisions of the UK Corporate Governance Code (the "Code").

Governance structure

We have clear frameworks and structures in place within the Group to provide the Board with oversight and assurance to enable them to assess the material issues facing the Group, and the effectiveness of our governance controls. This is particularly important for Melrose given the highly regulated industry within which our businesses operate. Page 88 provides an overview of our governance structure, and the key responsibilities of the Board.

Board evolution

The Board is two years into Melrose's transition to an aerospace and defence technology business. The Board comprises a breadth of expertise and experience, enabling it to support management in driving performance across the Group and delivering Melrose's strategy.

During the year, there were a number of changes to the Board's composition. I was appointed as Chair of the Board on 30 March 2025, and two important Non-executive Director appointments were made. Alison Goligher was appointed on 19 May 2025, and was subsequently appointed as Senior Independent Director on 1 October 2025. Guy Hachey was appointed on 18 August 2025. Both of these appointments have bolstered the Board's aerospace and defence sector experience, together with strong governance expertise within major publicly listed companies.

We also said goodbye to Justin Dowley and David Lis in 2025. On behalf of the Board, I would like to thank them for their contributions to Melrose spanning a combined period of over two decades.

Since the end of the year, we have also welcomed Mary Petryszyn to the Board, following her appointment as a Non-executive Director on 26 January 2026. Together with Guy, she brings particularly deep executive experience across the aerospace and defence sectors, including extensive exposure across key North American markets.

In 2026, we look forward to welcoming Ross McCluskey to the Board as an executive Director and our new Chief Financial Officer following Matthew Gregory's decision to retire from the Board. Ross is a seasoned leader with deep financial and operational expertise. He will join the Board and be appointed as Chief Financial Officer on 5 May 2026, and will therefore stand for election for the first time at the 2027 Annual General Meeting ("AGM"). Matthew, our current Chief Financial Officer, will step down from the Board on 5 May 2026 and will remain with the Company during 2026 in order to ensure a seamless transition to Ross.

Stakeholder engagement

The Board is committed to understanding the views of the Company's stakeholders to inform its decision-making process. I have engaged extensively with shareholders during the year, including through open agenda meetings that focused on the Board's key 2025 priorities. The executive Directors held regular shareholder meetings on a variety of different topics throughout the year. As a Board, we look forward to further dialogue with shareholders at our AGM on 29 April 2026.

Following the significant vote against the 2024 Directors' Remuneration Report at the 2025 AGM, the Chair of the Remuneration Committee and I met with shareholders representing over 40% of the Company's share register, and shareholder proxy advisors at ISS, Glass Lewis and PIRC. This provided shareholders and proxy advisors an opportunity to discuss with us their views and expectations. The feedback received was valuable and has helped to shape the proposed 2026 Directors' Remuneration Policy, which will be presented to shareholders for approval at the 2026 AGM.

The Board continued to operate a Workforce Advisory Panel, which provides an important link to the Board being informed of key workforce views and engagement activities. During the year, the Board also visited our Engines production site in Trollhättan, Sweden, to gain a deeper understanding of this significant part of our business, monitor company culture, engage with the site-based teams, and bring these learnings back into boardroom discussions.

INTRODUCTION FROM THE CHAIR | CONTINUED

Control effectiveness

Good progress has been made in preparing for the implementation of provision 29 of the Code, which applies to the Company from 1 January 2026 and requires the Board to make a declaration of the effectiveness of the Company's material controls. In 2024, the Company's senior management team had prepared a roadmap for the implementation of this provision, and all planned milestones scheduled to take place in 2025 were achieved. This will be kept under regular review by the Board and Audit Committee during 2026.

Board effectiveness

I believe that an effective and high-performing Board is critical to achieving Melrose's strategic goals and ensuring the long-term sustainable success of the business. At the end of 2025, the Board and its Committees conducted their annual internal performance reviews. These reviews confirmed that the Board and Committees are operating effectively with open debate and constructive challenge.

Looking ahead

2025 was a year of solid progress for the Company. The Board intends to support management in building on this progress in 2026, and to continue to maintain and strengthen our governance frameworks and structures. This will include: (i) continuing to review our risk management and internal control framework which will support our compliance with provision 29 of the Code; (ii) ensuring that leadership, governance, culture and incentives remain aligned with sustainable value creation; and (iii) ensuring effective implementation of key succession planning as we welcome our incoming Chief Financial Officer. In line with the Code, we will also undertake an externally facilitated review of the Board and its Committees.

Chris Grigg
Chair

27 February 2026

MAIN RESPONSIBILITIES OF THE BOARD

The main responsibilities of the Board are to:

- manage and control the Company effectively via a formal schedule of matters reserved for its decision;
- define the Group's purpose, determine and review Group strategy and policy to deliver that purpose, and provide strategic leadership to the Group;
- set the Group's values and behaviours that shape its culture and the way it conducts business, ensure that the Company's culture is aligned with those principles and review and monitor how the culture is embedded within the business;
- review financial and trading performance in line with the Group's strategic objectives;
- ensure that adequate funding and personnel are in place;
- engage with stakeholders and key shareholders on issues that are most important to the long-term success of the Company, and to understand their views on governance and performance against the Group's strategy;
- oversee the effective operation of the Workforce Advisory Panel ("WAP") in ensuring the views of the workforce are considered in its discussions and decision-making, and review their engagement with the WAP on a regular basis;
- report to shareholders and give consideration to all significant financial matters in order to present a fair, balanced and understandable assessment of the Group's position and prospects;
- agree Board succession plans in a way that promotes inclusion, diversity and equal opportunity in compliance with local laws, and consider the evaluation of the Board's performance over the preceding year;
- oversee and assess the Group's risk management and internal control systems, and review their effectiveness;
- determine the nature and extent of the risks the Group is willing to take, and conduct an assessment of the Group's emerging and principal risks;
- agree the Company's Governance Framework and approve Company compliance policies;
- monitor, assess and review cyber security and fraud risk for the Group;
- consider acquisitions, disposals and requests for major capital expenditure;
- delegate and oversee responsibility for entrepreneurial leadership and strategic management of the Group to the Group's senior executives;
- challenge, review and exercise robust managerial oversight across key decisions, actions and processes within the Group;
- promote the long-term success of the Group for the benefit of shareholders as a whole, having regard to a range of other key stakeholders and interests; and
- oversee and retain ultimate responsibility for the Group's enhanced sustainability and climate-related initiatives, disclosure and reporting in respect of improving the sustainability performance of its businesses with additional support and oversight, as may be required, from the designated Board sustainability lead.

GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
Audit Committee Report pages 102 to 108	**Nomination Committee Report** pages 109 to 112	**Directors' Remuneration Report** pages 113 to 129

BOARD OF DIRECTORS[1]

Chris Grigg

Chair

Year appointed
Appointed as Chair of the Board and Chair of the Nomination Committee on 30 March 2025, having served as a Non-executive Director since 1 October 2024.

Skills and experience
Chris has extensive senior executive experience as a former FTSE Chief Executive Officer, and also has extensive experience within the aerospace and defence sectors. Chris was a Non-executive Director of BAE Systems plc for 10 years until December 2023, latterly serving as its Senior Independent Director. During his executive career, Chris was Chief Executive Officer of British Land from January 2009 and stepped down from the board in December 2020. Earlier in his career, Chris was Chief Executive of Barclays Commercial Bank, and Treasurer of Barclays Bank plc. Prior to Barclays, Chris spent 20 years at Goldman Sachs, latterly as a partner.

Other significant appointments
- Chair of the National Wealth Fund (formerly known as the UK Infrastructure Bank)
- Chair of Evelyn Partners
- Member of the Industrial Strategy Advisory Council ("ISAC")

Committee membership
- Nomination (Chair)
- Remuneration

Independent	Yes
Tenure[2]	1 year

Peter Dilnot

Chief Executive Officer

Year appointed
Appointed as an executive Director on 1 January 2021, having served as Chief Operating Officer since April 2019. Peter was appointed as Chief Executive Officer on 6 March 2024.

Skills and experience
Peter has considerable public company and industrial business experience. He joined Melrose in April 2019, serving as an executive Director and Chief Operating Officer during that time, in addition to fulfilling the role of Chief Executive Officer of GKN Aerospace for periods during his tenure. In parallel, Peter served as a Non-executive Director at Rotork plc for seven years, including three years as Senior Independent Director until he left the Board in December 2023. Peter was previously the Chief Executive Officer of international recycling company Renewi PLC, and a senior executive at Danaher Corporation. He also spent seven years at the Boston Consulting Group, working primarily with industrial businesses. Peter has an engineering and aviation background, and started his career as a helicopter pilot in the British Armed Forces. Peter also holds a degree in Mechanical Engineering.

Other significant appointments
- Trustee of Autistica

Independent	Not applicable
Tenure[2]	Not applicable

Matthew Gregory

Chief Financial Officer

Year appointed
Appointed as an executive Director and Chief Financial Officer on 7 March 2024.

Skills and experience
Matthew has extensive knowledge of GKN Aerospace, having served as Chief Financial Officer of GKN Aerospace since September 2022. He is a seasoned Chief Financial Officer with considerable public company leadership experience, having served as both Chief Executive Officer and Chief Financial Officer of FirstGroup plc, and as Chief Financial Officer of Essentra plc. Matthew has strong strategic and operational expertise, including driving strategy and operational turnaround in complex multinational listed manufacturing and transportation companies, alongside international and corporate development experience. Matthew is a qualified chartered accountant.

Other significant appointments
- Trustee of Britten Pears Arts

Independent	Not applicable
Tenure[2]	Not applicable

Alison Goligher

Senior Independent Director

Year appointed
Appointed as Senior Independent Director on 1 October 2025, having served as a Non-executive Director and Chair of the Remuneration Committee since 19 May 2025. Alison will stand for election for the first time at the 2026 Annual General Meeting.

Skills and experience
Alison brings extensive non-executive experience, including within the aerospace sector. Alison served on the Board of Meggitt PLC, the leading global aerospace and defence business, from 2014 until 2022, where she was Chair of the Remuneration Committee and Senior Independent Director. In her executive career Alison held senior executive roles at Schlumberger, where she spent 17 years, and Royal Dutch Shell, where she spent 10 years, latterly serving as Executive Vice President within Shell's Exploration and Production Division. Alison holds degrees in Mathematical Physics and Petroleum Engineering, honorary doctorates from Dundee University (LLD) and Heriot-Watt Universities (DEng), and was awarded an OBE in 2005 for services to the UK oil and gas industry.

Other significant appointments
- Non-executive Director of United Utilities Group PLC
- Non-executive Director of United Utilities Water Limited
- Non-executive Director of Technip Energies NV

Committee membership
- Audit
- Nomination
- Remuneration (Chair)

Independent	Yes
Tenure[2]	0 years

(1) David Lis was a Non-executive Director of the Company and stepped down from the Board on 31 December 2025.
(2) Tenure runs from the date of appointment until 31 December 2025 and is based on full years only.

BOARD OF DIRECTORS | CONTINUED

Charlotte Twyning

Independent
Non-executive Director

Year appointed
Appointed as a Non-executive Director on 1 October 2018. She previously served as the Chair of the Nomination Committee from 1 January 2022 to 30 March 2025.

Skills and experience
Charlotte brings a diverse range of experience and commercial acumen to the Board. After a successful legal career in the City specialising in competition and M&A law, she held various senior positions across a number of sectors, most recently in aviation and transportation. Charlotte has proven executive leadership and operational skills in large, complex organisations and has consistently succeeded in driving performance, leading large-scale sustainable transformations and building the foundations for growth throughout her career.

Other significant appointments
- Governor of the Museum of London

Committee membership
- Audit
- Nomination
- Remuneration

Independent	Yes
Tenure[1]	7 years

Heather Lawrence

Independent
Non-executive Director

Year appointed
Appointed as a Non-executive Director on 1 June 2021, and Chair of the Audit Committee on 5 May 2022.

Skills and experience
Heather spent well over a decade working in senior roles within corporate finance and investment banking, and has extensive experience across the industrials and aviation sectors. Heather has significant non-executive experience, including in her previous roles as Non-executive Director of Wizz Air Holdings plc and FlyBe Group plc. Heather is a qualified chartered accountant.

Other significant appointments
- Non-executive Director of Antofagasta PLC

Committee membership
- Audit (Chair)
- Nomination
- Remuneration

Independent	Yes
Tenure[1]	4 years

Gillian Elcock

Independent
Non-executive Director

Year appointed
Appointed as a Non-executive Director on 21 June 2023.

Skills and experience
Gillian has extensive asset management and investment research experience, including covering the aerospace and defence sector. Gillian is the founder and former Managing Director of Denny Ellison, an independent investment research and training company. Prior to this, she worked as an equity research analyst for several years at Putnam Investments and Insight Investment. Gillian also brings insight gained from several Non-executive Director roles. She has two engineering degrees from MIT, and an MBA from Harvard Business School.

Other significant appointments
- Non-executive Director of International Biotechnology Trust Plc
- Non-executive Director of STS Global Income & Growth Trust plc
- Non-executive Director of Octopus Apollo VCT plc
- Non-executive Director of 25x25 Limited

Committee membership
- Audit
- Nomination
- Remuneration

Independent	Yes
Tenure[1]	2 years

Ian Barkshire

Independent
Non-executive Director

Year appointed
Appointed as a Non-executive Director on 1 October 2024.

Skills and experience
Ian brings a wealth of executive experience to the Board, having spent most of his career driving the development, commercialisation and delivery of innovative technologies and specialised products to the world's leading industrial companies. Ian was the Chief Executive Officer of Oxford Instruments plc between 2016 and 2023, spending over 20 years at the company in a number of leadership positions, including Chief Operating Officer, Group Technical Director and Divisional Head. Earlier in his career, Ian was a Senior Principal Scientist at GEC-Marconi Materials. Ian is a fellow of the Royal Academy of Engineering.

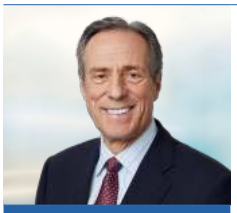
Other significant appointments
- Member of the Strategic Advisory Board of the UK National Quantum Technologies Programme
- Chair of Illumion Limited

Committee membership
- Audit
- Nomination
- Remuneration

Independent	Yes
Tenure[1]	1 year

(1) Tenure runs from the date of appointment until 31 December 2025 and is based on full years only.
(2) Ross McCluskey will stand for election for the first time at the 2027 Annual General Meeting.
(3) Ross McCluskey will step down from his current position as Executive Vice President, EMEA and Government and Trade Services at Intertek Group plc, prior to joining the Company.
(4) Board diversity data as at 31 December 2025. David Lis retired from the Board on 31 December 2025 and Mary Petryszyn was appointed to the Board on 26 January 2026, meaning that the Board now consists of 50% female representation and remains at 10% ethnic minority representation.
(5) Board skills data reflects the skills of the Board of Directors as at the date of this Annual Report.

BOARD OF DIRECTORS | CONTINUED



Guy Hachey

Independent
Non-executive Director

Year appointed
Appointed as a Non-executive Director on 18 August 2025. Guy will stand for election for the first time at the 2026 Annual General Meeting.

Skills and experience
Guy is a seasoned aerospace industry leader, with over 30 years of industrial operations, product development and corporate leadership experience at leading international aerospace, defence and industrial businesses. Guy spent seven years with Bombardier Aerospace, serving as President and latterly Chief Operating Officer. Guy also held senior executive leadership roles at Delphi Corporation, where he oversaw global manufacturing operations, as well as Advent International, where he served as operating partner. Guy served on the Board of Meggitt PLC, the leading global aerospace and defence business, from 2019 until 2022.

Other significant appointments
- Non-executive Director of Hexcel Corporation

Committee membership
- Audit
- Nomination
- Remuneration

Independent	Yes
Tenure[1]	0 years

Mary Petryszyn

Independent
Non-executive Director

Year appointed
Appointed as a Non-executive Director on 26 January 2026. Mary will stand for election for the first time at the 2026 Annual General Meeting.

Skills and experience
Mary is a distinguished leader within the aerospace and defence sector, with over 30 years of senior executive experience in defence systems technologies, operations, and profit and loss management. Between 2013 to 2023, Mary held a number of senior roles at Northrop Grumman, most recently as Corporate Vice President and President of Defence Systems. Prior to this, she held a number of senior executive roles at Singer-Link, Hughes Aircraft, and Raytheon. As a Non-executive Director, Mary has significant public company experience, as demonstrated in her current appointments. Mary holds a Master of Science in Computer Engineering from Syracuse University, and a Bachelor of Science in Electrical and Computer Engineering from Clarkson University.

Other significant appointments
- Non-executive Director of Karman Space & Defense
- Non-executive Director of Woodward, Inc.
- Non-executive Director of Ericsson Federal Technologies Group
- Non-executive Director of Saab, Inc.

Committee membership
- Nomination
- Remuneration

Independent	Yes
Tenure[1]	0 years

Ross McCluskey

Incoming Chief Financial Officer

Expected appointment start date[2]
Ross has been appointed as an executive Director and Chief Financial Officer, with effect from 5 May 2026. Ross will therefore stand for election for the first time at the 2027 Annual General Meeting.

Skills and experience
Ross has over a decade of experience in senior finance and leadership roles, with a proven track record of delivering financial, commercial and operational excellence across large, international companies operating in highly regulated and complex industries. Ross has spent the past nine years at Intertek Group plc, a FTSE 100 international testing and inspection business, where he is currently Executive Vice President, EMEA and Government and Trade Services. He previously served as Group Chief Financial Officer of Intertek Group plc from 2018 to 2021. Prior to Intertek, Ross spent five years at Inchcape plc where he held a number of senior finance roles including UK Finance Director and Australasia Finance Director. During his earlier career he worked for JP Morgan, Gleacher Shacklock and Greenhill & Co.

Other significant appointments
- None[3]

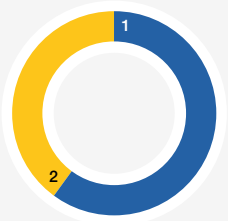
Committee membership
Not applicable

Independent
Not applicable

Tenure[1]
Not applicable

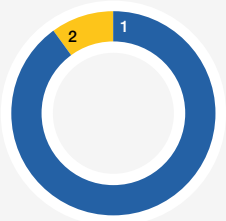
BOARD DIVERSITY AND SKILLS OVERVIEW

Board diversity[4]



Board gender diversity

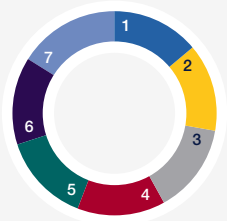
1	Male	60%
2	Female	40%



Board ethnic diversity

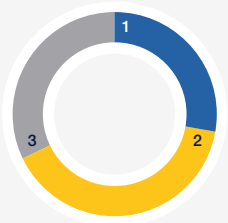
1	White	90%
2	Ethnically diverse	10%

Board skills[5]



Business experience

1	Financial & Accounting	7
2	Aerospace & Defence	7
3	Engineering & Technology	7
4	Legal & Regulatory	7
5	Climate & Sustainability	7
6	Company Leadership	7
7	Risk Management	8



International experience

1	Asia	7
2	Europe	10
3	North America	8

DIRECTORS' REPORT

The Directors of Melrose Industries PLC present the Annual Report and financial statements of the Group for the year ended 31 December 2025.

Incorporated information

The Corporate Governance Report set out on pages 96 to 101, the Chief Financial Officer's Review on pages 26 to 31, and the Sustainability Review on pages 48 to 83 are each incorporated by reference into this Directors' Report.

Disclosures elsewhere in this Annual Report are cross-referenced where appropriate. Taken together, they fulfil the combined requirements of the Companies Act 2006 (the "Act") and of the Disclosure Guidance and Transparency Rules and the Listing Rules of the Financial Conduct Authority (the "FCA").

AGM

The Annual General Meeting ("AGM") of the Company will be held at 12.00 pm on Wednesday 29 April 2026 at The Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ. A detailed explanation of each item of business to be considered at the AGM is included with the Notice of Annual General Meeting. The notice convening the meeting is shown on pages 217 to 224 and includes full details of the resolutions to be proposed, together with explanatory notes in relation to such resolutions (the "AGM Notice").

Directors

The Directors of the Company as at the date of this Annual Report, together with their biographies, can be found on pages 89 to 91.

Changes to the Board during the year are set out in the Corporate Governance Report on pages 96 to 101. Details of Directors' service contracts are set out in the Directors' Remuneration Report on pages 113 to 129.

The Statement of Directors' Responsibilities in relation to the consolidated financial statements is set out on page 130, which is incorporated into this Directors' Report by reference.

Appointment and removal of Directors and their powers

The Company's articles of association (the "Articles") give the Directors the power to appoint and replace other Directors. Under the Terms of Reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board.

Pursuant to the Articles and in line with the UK Corporate Governance Code (the "Code"), all of the Directors of the Company are required to stand for re-election on an annual basis. With the exception of Alison Goligher, Guy Hachey, and Mary Petryszyn, who are standing for election for the first time, all of the remaining Directors of the Company will be standing for re-election by shareholders at the forthcoming AGM, and in each case, an ordinary resolution will need to be passed to approve such (re-)election. This will include Matthew Gregory, who will retire from the Board on 5 May 2026. Ross McCluskey was appointed as an executive Director and Chief Financial Officer, with effect from 5 May 2026. Ross will therefore stand for election for the first time at the 2027 AGM.

The Directors are responsible for managing the business of the Company and exercise their powers in accordance with the Articles, directions given by special resolution, and any relevant statutes and regulations.

Insurance and indemnities

In accordance with the Articles and the indemnity provisions of the Act, the Directors have the benefit of an indemnity from the Company in respect of any liabilities incurred as a result of their office. This indemnity is provided both within the Articles and through a separate deed of indemnity between the Company and each of the Directors.

The Company has taken out an insurance policy in respect of those liabilities for which the Directors may not be indemnified. Neither the indemnities nor the insurance provide cover in the event that a Director is proved to have acted dishonestly or fraudulently.

Post balance sheet events

There are no post balance sheet events which require disclosure.

Capital structure

On 1 October 2024, the Company commenced a £250 million share buyback programme, which is expected to complete in March 2026, ahead of the 2026 AGM. In accordance with the Company's general authority to repurchase ordinary shares in the Company granted by its shareholders at the AGM held on 30 April 2025, the current share buyback programme is limited to 191,662,555 ordinary shares in the Company (as reduced by the Company's share repurchase activity since 30 April 2025), and was further limited to a maximum aggregate consideration payable by the Company of £250 million.

The Company intends to commence a share buyback programme from 1 April 2026, which is intended to be conducted over a period of 12 months, and will end no later than March 2027 (the "Buyback Programme"). The Buyback Programme is limited by the Company's general authority to repurchase ordinary shares in the Company granted by its shareholders at the AGM held on 30 April 2025 ("General Authority"), and is further limited to a maximum aggregate consideration payable by the Company of £175 million (the "Limit"). The continuation of the Buyback Programme beyond the conclusion of this year's AGM is subject to the Company obtaining approval for a new General Authority from shareholders at this year's AGM.

The ordinary shares in the Company repurchased as part of the share buyback programme are intended to be either held in treasury or cancelled. During 2025, the Company repurchased 31,515,908 ordinary shares, and cancelled 40,000,000 ordinary shares which were held in treasury.

As at 31 December 2025, the Company had 1,311,475,321 ordinary shares in issue, inclusive of the 53,456,713 shares held in treasury.

As set out in the Directors' Remuneration Report, Peter Dilnot, Chief Executive Officer, exercised certain Nil Cost Options pursuant to the 2020 Melrose Employee Share Plan. In order to settle these Nil Cost Options, 3,114,036 Ordinary Shares were transferred from treasury to Peter on 17 November 2025. Further details can be found on pages 113 to 123 of the Directors' Remuneration Report.

The table below shows details of the Company's issued share capital as at 31 December 2024, and as at 31 December 2025 (in each case, inclusive of treasury shares) following the implementation of the share buyback programme and cancellation of treasury shares.

Share class	31 December 2024	31 December 2025
Ordinary shares of £0.001 pence each	1,351,475,321	1,311,475,321

The Company's sole class of ordinary shares is admitted to the Equity Shares (Commercial Companies) segment of the official list.

Shareholders' voting rights

Subject to any special rights or restrictions as to voting attached to any class of shares by or in accordance with the Articles, at a general meeting of the Company, each member who holds ordinary shares in the Company and who is present (in person or by proxy) at such meeting is entitled to:

- on a show of hands, one vote; and
- on a poll, one vote for every ordinary share held by them.

There are currently no special rights or restrictions as to voting or control of the Company attached to any class of shares.

The Company is not aware of any agreements between shareholders that restrict voting rights attached to the ordinary shares in the Company.

Where any call or other amount due and payable in respect of an ordinary share remains unpaid, the holder of such shares shall not be entitled to vote at or attend any general meeting of the Company in respect of those shares. As at 27 February 2026, all ordinary shares issued by the Company are fully paid.

Details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the 2026 AGM are set out in the Notice of AGM on pages 217 to 224.

Shareholders whose combined shareholdings amount to at least 5% of the issued voting share capital (excluding treasury shares) may, pursuant to section 303 of the Act, request that the Directors call a general meeting of the Company. Shareholders whose combined shareholdings amount to at least 5% of the issued share capital entitled to vote can also request that the Company introduces a resolution to be voted on at an AGM.

Restrictions on transfer of securities

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company, aside from the usual restrictions applicable where shares are not fully paid up or shares on which the Company has a lien, if entitled to do so under the Uncertificated Securities Regulations 2001, where the transfer instrument does not comply with the requirements of the Articles or in exceptional circumstances approved by the relevant investment exchange, provided such refusal would not disturb the market in such shares. Restrictions may also be imposed by laws and regulations (such as insider trading and market abuse provisions). Directors and certain senior employees of the Group may also be subject to internal approvals before dealing in ordinary shares of the Company and minimum shareholding requirements. The Company does not have any anti-takeover devices in place, including devices that would limit share ownership.

The Company is not aware of any agreements between shareholders that restrict the transfer of ordinary shares in the Company.

Articles of association

The Articles may only be amended by a special resolution at a general meeting of the shareholders of the Company. There are no amendments proposed to be made to the Articles at the forthcoming AGM.

Substantial shareholdings

As at 31 December 2025, the following voting interests in the ordinary share capital of the Company, disclosable under Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules, had been notified to the Directors:

Shareholder	Shareholding[1]	% of ordinary share capital as at 31 December 2025[1]
The Capital Group Companies, Inc.	226,433,021	17.98%
BlackRock Inc	94,720,155	7.00%
Select Equity Group Inc	67,196,570	4.97%
Norges Bank	76,843,867	6.08%
Aviva plc	118,577,085	2.92%
Bank of America Corporation	131,232,533	3.24%
Permian Investment Partners, LP	38,393,862	2.98%

Between 1 January 2026 and 27 February 2026, the following voting interests in the ordinary share capital of the Company, disclosable under Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules, were notified to the Directors:

Shareholder	Shareholding[2]	% of ordinary share capital as at the date of disclosure[2]
Norges Bank	75,380,159	5.99%
The Capital Group Companies, Inc.	229,166,544	18.27%

Shareholder dividend

The Directors are pleased to recommend the payment of a final dividend of 4.8 pence per share (2024: final dividend of 4.0 pence per share) to be paid on 5 May 2026 to ordinary shareholders on the register of members of the Company at the close of trading on 20 March 2026. This dividend recommendation will be put to shareholders at the forthcoming AGM of the Company, to be held on 29 April 2026. Subject to shareholder approval being obtained at the 2026 AGM for the final dividend, this will mean a full year dividend of 7.2 pence per share (2024: 6.0 pence).

For discussion on the Board's intentions with regard to the Company's dividend policy, please see the Chair's Statement on pages 6 and 7, which is incorporated into this Directors' Report by reference.

The Company offers a Dividend Reinvestment Plan ("DRIP"), which gives shareholders the opportunity to use their dividend payments to purchase further ordinary shares in the Company. Further details about the DRIP and its terms and conditions can be found within the Investors section of the Company's website at www.melroseplc.net.

Historical dividends

Equiniti, the Company's registrar, administers the unclaimed dividends of the former GKN plc (now GKN Limited). Pursuant to law and its articles of association, GKN Limited is obliged to pay such unclaimed dividends for a period of 12 years from the date on which they were declared or became due for payment.

As at 31 December 2025, the total amount of dividends of GKN Limited remaining unclaimed for more than 12 years was £292,915.74. If the unclaimed dividends are not claimed by 30 June 2026, the Company will look to donate the funds to charity.

(1) The number of shares and percentage of ordinary share capital reflects information contained in notifications received by the Company on or prior to 31 December 2025. It has not been restated to reflect purchases of shares made by the Company since the relevant notification pursuant to the Company's share buyback programme, nor to reflect the share capital consolidation undertaken by the Company on 19 April 2023.

(2) Since the disclosure date, the shareholder's interest in the Company may have changed.

Ability to purchase own shares

Pursuant to sections 693 and 701 of the Act and a special resolution passed at the 2025 AGM, the Company is authorised to make market purchases of up to 191,662,555 of its ordinary shares, representing approximately 14.99% of the current issued ordinary share capital of the Company (excluding treasury shares). The Company has made purchases of its own shares pursuant to this authority. As described on page 92, the Company commenced the share buyback programme on 1 October 2024 which remains ongoing and is expected to complete in March 2026. As at 31 December 2025, 35,689,319 ordinary shares of the Company had been repurchased since 1 October 2024 pursuant to, and in compliance with, the buyback authorities granted at both the 2024 AGM and 2025 AGM, of which 31,515,908 were repurchased during 2025. The current buyback programme will have completed ahead of this year's AGM, and as described on page 92, the Company intends to commence a new share buyback programme from 1 April 2026.

At the 2026 AGM, the Company is seeking approval to make market purchases of up to approximately 14.99% of the issued ordinary share capital of the Company (excluding treasury shares) as at the latest practicable date prior to issuing the AGM Notice, thereby renewing the authority. The full text of the resolution, together with minimum and maximum price requirements, is set out in the Notice of AGM on pages 217 to 224.

Financial instruments

The disclosures required in relation to the use of financial instruments by the Company, including the financial risk management objectives and policies (including in relation to hedging) of the Company and the exposure of the Company to price risk, credit risk, liquidity risk, cash flow risk, exchange rate risk, contract and warranty risk and commodity cost risk, can be found in the Chief Financial Officer's Review on pages 26 to 31, the Principal Risks and Uncertainties section of the Strategic Report on pages 35 to 39, and in note 25 to the financial statements, which are incorporated by reference into this Directors' Report.

Research and development activities

The aerospace and defence industry is undergoing one of its most dynamic phases of long term technological development and transformation, driven by innovation and sustainability.

As detailed in the Sustainability Review on pages 48 to 83, which is incorporated by reference into this Directors' Report, the Group continues to invest in programmes, primarily directed towards developing technologies that improve the efficiency of our customers' aircraft and engines, and reducing greenhouse gas emissions compared with conventional alternatives. This continued investment supports the resilience of our business model and positions us to adapt to emerging lower-carbon technologies and opportunities.

In 2025, investment into research and development activities remained focused on lightweight composite and metallic structures, advanced manufacturing and circular material use, and next-generation propulsion technologies. GKN Aerospace played a leading role in certain international collaborations, including RISE, OFELIA, ICEFlight, and H2GEAR, supporting the development of hybrid-electric and hydrogen propulsion systems which are designed to reduce in-flight emissions. The Group also advanced its additive fabrication and resin transfer moulding technologies, to improve material efficiency, lower manufacturing emissions, and enable more sustainable production.

Business review and risks

A review of the Group's performance and the key principal risks and uncertainties facing the Group can be found in the Strategic Report on pages 2 to 85 of this Annual Report (including the Principal Risks and Uncertainties section on pages 35 to 39 and the Longer-term Viability Statement on pages 40 and 41), which are incorporated into this Directors' Report by reference.

Employee engagement

The Company operates a Workforce Advisory Panel (the "WAP"). The WAP is chaired by the Chief Human Resources Officer (or equivalent) with other members comprising the Group General Counsel and Company Secretary, and members of the Group Company Secretariat and divisional Human Resources leadership teams. The WAP meets at least twice per year.

The WAP is responsible for ensuring and enabling ongoing engagement with the views and interests of the workforce, as well as monitoring how the Company's culture is embedded within the Group. The WAP adheres to its own Terms of Reference which have been approved by the Board, and each member of the WAP is required to report at each meeting in respect of how they have engaged with the workforce and instilled Company culture, any recurring items identified during that engagement, and how the feedback from the workforce has been considered and applied.

Further details in relation to the WAP, employment policies, employee involvement, consultation and development, together with details of some of the human resource improvement initiatives implemented during 2025, are highlighted in the Sustainability Review on pages 48 to 83 and in the Section 172 Statement set out in the Strategic Report on pages 42 to 47, both of which are incorporated by reference into this Directors' Report.

The Company also operates an externally hosted whistleblowing platform which is readily available to all Group employees. This platform is supported by regularly updated policies, procedures, and awareness campaigns which all seek to create an environment in which the workforce feels it is safe to raise concerns in confidence without fear of retaliation, and to foster an ethical and supportive culture within the Group. The Audit Committee is provided with updates on material whistleblowing events as they are reported from time to time to the Group's senior management team, and the Audit Committee is provided with reports on whistleblowing activity on a quarterly basis as well as an annual report, each of which highlight whistleblowing activity across the Group, together with a summary of the whistleblowing processes and awareness activities undertaken during the year; this is then fed back to the Board.

Diversity policies[1]

The Company acknowledges that inclusion, diversity and belonging is a changing landscape. The Nomination Committee reviews and approves the Group's diversity policies on an annual basis. The policies, which can be viewed on the Company's website at www.melroseplc.net/governance/documents-and-policies, include a Board of Directors' Diversity Policy and a Group Diversity, Inclusion and Belonging Policy. The Board of Directors' Diversity Policy sets out the Committee's commitment to ensuring that Board membership and the pipeline for succession remains diverse, which is equally applicable to each of the Board's Committees. It also sets out the Company's diversity targets for the Board. The Group Diversity, Inclusion and Belonging Policy, which is applicable to all Group employees, sets out Melrose's position on inclusion, diversity and belonging across its workforce. We are committed to creating an inclusive workplace where all employees, including those with disabilities, can thrive. We give full and fair consideration to all job applications, promote career development and provide reasonable adjustments to enable employees to perform their roles effectively, while ensuring their safety and the safety of others. This includes those who acquire disabilities during their employment with us, providing appropriate support and training to enable them to continue working effectively.

(1) Applicable only within the scope of legally permitted jurisdictions.

Business relationships

Details of our business's customers and suppliers and how we work and engage with them are described in the Divisional Reviews on pages 16 to 23, in the Section 172 Statement on pages 42 to 47, and in the Sustainability Review on pages 48 to 83, each in the Strategic Report, and all of which are incorporated by reference into this Directors' Report.

Environmental

Details of the Group's sustainability initiatives, including the Group's energy use and efficiency measures, greenhouse gas emissions, waste and water management, are set out in the Sustainability Review on pages 48 to 83, which is incorporated by reference into this Directors' Report.

In 2025, the Company remained focused on delivering its near and long-term emission targets, which had been previously validated by the Science Based Targets Initiative, across Scopes 1, 2 and 3 as part of its pathway to Net Zero. The Company achieved the environmental targets set for completion by the end of 2025, and new targets have been established to guide the next phase of the Company's progress to 2030. The Company's new targets include a research and development EU Taxonomy eligible target of 75% and a 20% absolute reduction of solid non-hazardous waste by 2030. Performance against our sustainability targets can be found on page 53.

To prepare the Company for the new Corporate Sustainability Reporting Directive ("CSRD") reporting, the Group conducted a value chain mapping exercise, and a Double Materiality Assessment which will be further refined in 2026 in line with updated regulations.

The Group continued to collaborate with industry partners, academic institutions, and government bodies to advance sustainable technologies, including lightweight composite structures, additive manufacturing, and hydrogen-enabled propulsion, contributing to a more sustainable future. More information on these initiatives can be found in the Sustainability Review on pages 48 to 83.

Political donations

The Group's policy is not to make any political donations. There were no political donations made during the year ended 31 December 2025 (2024: nil).

Branches

The Group operates across various jurisdictions. The Group, through its various subsidiaries, has established branches in a number of different countries in which the business operates.

Disclosures required under UK Listing Rule 6.6R

GKN plc (now GKN Limited) had historically operated employee share option plan trusts to satisfy the vesting and exercise of awards of ordinary shares made under GKN's share-based incentive arrangements. On the acquisition of GKN plc these shares were converted into Melrose shares. A dividend waiver is in place on the shareholdings in respect of relevant trusts in part, or in full, in accordance with the provisions of the relevant trust deeds.

No further information is required to be disclosed by the Company in respect of UK Listing Rule 6.6R.

Significant agreements and change of control

With the exception of the Group's banking facilities and the Melrose Performance Share Plan, there are no other Company agreements that would take effect, alter or terminate, upon a change of control of Melrose Industries PLC as at 27 February 2026.

The Group's committed bank facilities were increased during the year, resulting in additional term loan facilities and multi-currency revolving credit facilities, with such facilities now totalling approximately £2,257 million in aggregate. The facilities are scheduled to mature in April 2026 but approximately £1,846 million of the facilities can be extended at the Company's option for two additional one-year periods, and approximately £310 million of facilities can be extended at the Company's option to 2027. Following the year-end date, facilities totalling approximately £2,206 million were formally extended into 2027 and the Company now has the option to be able to extend approximately £310 million of the facilities into 2028. Details of these facilities are provided in the Chief Financial Officer's Review, which can be found on pages 26 to 31, and note 20 to the financial statements.

In the event of a change of control of the Company, the Remuneration Committee may determine that awards granted under the Melrose Performance Share Plan may vest. If the change of control of the Company occurs during the vesting period, the vested number of ordinary shares will normally be determined by the Remuneration Committee pro-rata to the elapsed proportion of the normal vesting period (with the Remuneration Committee having discretion to partly or fully waive any pro-rating). Where relevant, the extent of vesting will also reflect the extent to which a performance condition has been (or is expected to be) satisfied.

Auditor

So far as each Director is aware, there is no relevant audit information (being information that is needed by the Company's auditor to prepare its report) of which the Company's auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director to make them aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Act.

On behalf of the Board, the Audit Committee has reviewed the effectiveness, performance, independence and objectivity of the existing external auditor, PricewaterhouseCoopers LLP ("PwC"), for the year ended 31 December 2025 and concluded that the external auditor was in all respects effective. PwC has expressed its willingness to continue in office as auditor of the Group. Accordingly, resolutions will be proposed at the 2026 AGM for the reappointment of PwC as auditor of the Group and to authorise the Audit Committee to determine its remuneration.

Approval

Approved by the Board and signed on its behalf by:

Warren Fernandez
Company Secretary

27 February 2026

CORPORATE GOVERNANCE REPORT

In line with the 2024 UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council (the "FRC"), and the UK Listing Rules issued by the Financial Conduct Authority ("FCA"), this section of the Annual Report and financial statements details the ways in which the Company has applied the principles and complied with the provisions of the Code applicable during the year ended 31 December 2025.

The Audit Committee Report, Nomination Committee Report, Directors' Remuneration Report, Statement of Directors' Responsibilities, Risk Management and Principal Risks and Uncertainties sections of the Strategic Report, together with the Sustainability Review and the Section 172 Statement, also form part of this Corporate Governance Report.

Statement of compliance

Throughout the year ended 31 December 2025, the Company has applied the principles and complied with the provisions of the Code.

1. PRINCIPLES A-E: BOARD LEADERSHIP AND COMPANY PURPOSE

Long-term sustainable success

The Board comprises individuals from a diverse range of backgrounds and with a breadth of knowledge, understanding and experience. The Chair is responsible for leadership of the Board. The division of responsibilities is described further in section 2 on page 97.

The Board's overarching objective is to generate value for the Company's shareholders in a way that is sustainable in the long-term and contributes to wider society. The Section 172 Statement on pages 42 to 47 sets out the ways in which the Board took shareholder and other stakeholder considerations into account in its decision-making in 2025.

Our purpose, strategy, culture and values

Melrose is a global aerospace and defence technology business focused on long-term value creation built on its embedded platform positions, differentiated technology and strong end market demand. Our positive trajectory is underpinned by the strong organic growth prospects within the aerospace and defence sectors, alongside attractive opportunities to further expand and differentiate our business through cutting-edge proprietary technology.

The Company has a clear purpose and strategy, which we deliver while acting with integrity, honesty, transparency and decisiveness. We believe in prioritising the safety of our people, ensuring the quality of our products, and delivering high productivity and sustainable business practices through a lean operating model. We see the decarbonisation of the aviation sector as a priority, and indeed the central tenet of GKN Aerospace's mission to be the most trusted and sustainable partner in the sky. Whilst the sector and our customers provide many opportunities for further progress towards cleaner air travel through our innovation and technology leadership, we see no reason why this priority cannot be achieved at the same time as generating superior financial returns for our shareholders.

The Board recognises that culture, values and standards are key contributors to how the Company creates and sustains value over the long term. The Group has five guiding culture principles: safety, innovation, openness and honesty, respect and care, and ownership. These principles are actively promoted and embedded across all businesses through leadership, communication, and everyday practices. The Workforce Advisory Panel provides an annual report to the Board on Company culture, and how it has been embedded within the Group.

Key Board decisions

As described in more detail in the Company's Section 172 Statement, the Board is accountable to the Company's shareholders for setting the Group's strategy, and overseeing the implementation of that strategy by the senior management team. The Board and senior management operate within a clear governance framework, which ensures alignment with applicable legal requirements and corporate governance best practice.

Details of key Board decisions made throughout 2025 can be found on pages 46 to 47 of the Company's Section 172 Statement.

Stakeholder engagement

In 2025, the Company continued to run engagement initiatives with key shareholders and governance bodies on key topics, including executive remuneration, and other Board-related matters. Members of the Board also made themselves available upon request to discuss other topics with investors and other key stakeholders.

The Company seeks to build on a mutual understanding of objectives with its shareholders and other stakeholders through regular presentations and meetings between the executive Directors, analysts and institutional shareholders, including those following the announcements of the Company's annual and interim results and trading updates.

In particular, the Company engaged with shareholders following the voting outcome of the 2025 Annual General Meeting ("AGM"), which saw the advisory vote in respect of the Directors' Remuneration Report receive limited support. The Chair of the Board and the Chair of the Remuneration Committee, met with shareholders representing over 40% of Melrose's share register to discuss their views and expectations, in addition to other shareholder representative groups. They also discussed with shareholders the renewal of the Directors' Remuneration Policy in 2026. The feedback received was valuable and helped to shape the 2026 Directors' Remuneration Policy enclosed on pages 124 to 129.

Ongoing engagement with shareholders, proxy advisors, employee bodies, ratings agencies (including those focused on sustainability) and other governance bodies, remains central to the Company's stakeholder engagement and governance strategy, and will continue prior to the 2026 AGM.

In order to promote effective engagement with, and encourage participation from, its workforce, Melrose operates a Workforce Advisory Panel (the "WAP"). The WAP is chaired by the Chief Human Resources Officer (or equivalent), with other members comprising the Group General Counsel and Company Secretary, and members of the Group Company Secretariat and divisional Human Resources leadership teams. Each member of the WAP is responsible for promoting workforce engagement, monitoring how the Company's culture is embedded within the Group and collating the voice of their workforce. They are also responsible for demonstrating how key workforce views are fed into executive management decisions, which may include executive remuneration, as well as ensuring that the workforce is aware of their impact on such executive management decisions. The WAP meets at least twice a year, and an annual report is prepared by the Chair of the WAP for the Board which highlights workforce engagement, how company culture has been embedded within the Group, and key workforce views.

Further details on the Company's engagement with stakeholders, including the material topics discussed with investors and corporate governance bodies, are contained in the Section 172 Statement on pages 42 to 47.

Workforce policies and practices

Melrose's reputation for acting responsibly plays a critical role in its success as a business. It maintains high standards of ethical conduct which are reflected in the Group compliance policies, which cover best practice with respect to anti-bribery and corruption, anti-money laundering, anti-facilitation of tax evasion, competition, conflict minerals, trade compliance, data privacy, whistleblowing, treasury and financial controls, anti-slavery and human trafficking, document retention, joint ventures, diversity, inclusion and belonging, environmental, human rights, supply chain, biodiversity and water.

The Company also operates an externally hosted whistleblowing portal which is readily available to all Group employees. Further details can be found in the Audit Committee Report on pages 102 to 108.

2. PRINCIPLES F-I: DIVISION OF RESPONSIBILITIES

The Board

Details of the structure of the Board and its key responsibilities are shown on page 88.

There were seven formally scheduled Board meetings held during the year and the attendance of each Director at these meetings is shown on page 98. Members of the Group's Executive Committee and other members of senior management are invited to attend and present at these meetings, providing the Directors with an opportunity to further strengthen the relationship with the senior management team as well as enabling detailed insight into the operation of the business. During the year, the Board held a number of annual functional deep dive reviews related to IT and cyber, sustainability, treasury and tax, which involved presentations from the relevant functional heads.

In addition, the Board held an Engines business review meeting and site visit in Trollhättan, Sweden, with the Engines senior management team. This visit provided the Directors with a deeper understanding of the current performance of, and the key issues affecting, the Engines business, and an opportunity to monitor and observe how the Company's desired culture has been embedded throughout the organisation. It is intended that the Board will hold an Airframes business review and site visit in 2026.

Detailed briefing papers containing financial and operational business summaries and an agenda are provided to the Directors in advance of each Board, Committee or (where relevant) business review meeting. The Directors are able to seek further clarification and information on any matter from any other Director, the Company Secretary or any employee of the Group whenever necessary.

Decisions are taken by the Board in conjunction with the recommendations of its Committees and advice from the Melrose senior management team, external consultants and advisors.

The Board has an encrypted electronic portal, enabling Board, Committee and business review papers to be delivered securely and efficiently to Directors. This facilitates a faster and more secure distribution of information, accessed using electronic devices, and reduced resource usage, which in turn helps to reduce paper waste.

The Company Secretary is responsible for advising and supporting the Chair and the Board on corporate governance matters as well as assisting the Chair in ensuring a smooth flow of information to enable effective decision-making. All Directors have access to the advice and services of the Company Secretary and, through him, have access to independent professional advice in respect of their duties, at the Company's expense. The Company Secretary, supported by the Assistant Company Secretary, acts as secretary to the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee.

In accordance with its articles of association (the "Articles"), and in compliance with the Companies Act 2006, the Company has granted a qualifying third-party indemnity to each Director. This indemnity is provided both within the Company's Articles and through a separate deed of indemnity between the Company and each of the Directors. The Company also maintains directors' and officers' liability insurance.

Chair and Chief Executive Officer

The roles of each of the Chair and the Chief Executive Officer of the Company are, and will remain, separate in accordance with the Code and Board policy.

The Chair is responsible for leadership of the Board. The Chair sets the Board agenda and ensures that adequate time is given to the review of matters in order to facilitate constructive discussions with effective contributions from the Non-executive Directors, particularly on those issues of a strategic nature. The Chair, with the support of the Company Secretary, also facilitates constructive Board relations by ensuring the timely provision of accurate and clear information. Responsibility for ensuring effective communications are made to shareholders rests with the Chair and the executive Directors.

The Chief Executive Officer is responsible for the strategic direction and decisions involving the day-to-day management of the Company.

Senior Independent Director

The Senior Independent Director's role is to provide a sounding board for the Chair, act as an intermediary for the Company's other Non-executive Directors where required, and to ensure that any significant matters not addressed by the Chair or executive management are appropriately raised and considered.

CORPORATE GOVERNANCE REPORT | CONTINUED

Non-executive Directors

The Company's Non-executive Directors are actively encouraged to, and do, scrutinise the performance of the executive Directors across all areas, including on strategy, risk and financial information. This oversight is exercised through their roles on the Company's Committees, at the Board's scheduled meetings and business review sessions, and on an ad-hoc basis. Drawing on their diverse professional backgrounds and specialist expertise, the Non-executive Directors provide valuable guidance and advice, whilst holding management to account.

As at the date of this Annual Report, the Board comprises of two executive Directors, seven Non-executive Directors (inclusive of the Senior Independent Director) and the Non-executive Chair. The Board is satisfied that there is, and will continue to be, sufficient challenge by Non-executive Directors of executive management in meetings of the Board, and that no individual or small group of individuals dominates its decision-making.

Together with the Chair, a majority of the Board's independent Non-executive Directors are members of the Nomination Committee and as such, they play a key role in appointing and removing executive Directors. As considered in section 3 on page 99, the Non-executive Directors are also key in evaluating the performance of the Directors.

Non-executive Director independence

In accordance with the provisions of the Code, consideration has been given to the independence of all Non-executive Directors. The Board considers all of the Non-executive Directors to be independent. Furthermore, upon Chris Grigg's appointment to the role of Chair of the Board, he was considered independent.

In accordance with the Code requirements, at least half of the Board, excluding the Chair, comprises Non-executive Directors determined by the Board to be independent.

The Non-executive Directors are not entitled to any cash bonus or shares under the Melrose Performance Share Plan or any other incentive plans, nor do they receive taxable benefits or pension contributions. The Board does not consider it appropriate to impose minimum shareholding requirements on the Non-executive Directors at this time.

Corporate governance framework and terms of reference

The Board has an overarching corporate governance framework to ensure continued alignment of the Board and Committee members' roles and division of responsibilities with the Code and the Group's top-down, bottom-up risk management approach. Each member of the Board is provided with a copy of the Company's corporate governance framework, which was last reviewed, updated and approved by the Board in December 2025.

Each Committee has its own written Terms of Reference. The Company Secretary supports the Committees in updating these Terms of Reference in order to comply with the Code and other good corporate practice. The Terms of Reference are more formally reviewed on an annual basis in the Committee meetings as well as on an ad-hoc basis where necessary. The Terms of Reference for each Committee are available via the Company's website at www.melroseplc.net/governance/documents-and-policies.

Board induction, training and support

An induction programme tailored to the needs of individual Directors is provided for new Directors joining the Board. The primary aim of the induction programme is to introduce new Directors to the Group's businesses, its technology, strategy, operations, finances and governance arrangements. Individual induction requirements are monitored by the Chair and the Company Secretary to ensure that new Directors gain sufficient knowledge to enable them to contribute to the Board's deliberations as quickly as possible.

Where required, the Board receives structured briefing materials as training and educational support, covering key sustainability themes and developments relevant to the Group.

Time commitments and attendance of Directors at meetings

When considering appointments to the Board, the Board, in conjunction with the Nomination Committee, reviews any other demands on a candidate's time. New Directors are required to disclose any directorships held and other business interests, and existing Directors are required to obtain the Chair's consent for additional external appointments. The ability of Directors to have sufficient time to meet their Board responsibilities is considered on an annual basis as part of the performance review process. Other than Peter Dilnot's position as a trustee of the charity Autistica, and Matthew Gregory's position as a trustee of Britten Pears Arts, which the Board has concluded do not affect their ability to meet their Board and executive responsibilities, the executive Directors do not hold any significant appointments, nor do they have any non-executive directorships in any FTSE 100 company.

The following table shows the attendance of each of the Directors at the scheduled meetings of the Board and its Committees held during the year. The quorum necessary for the transaction of business by the Board and each of its Committees is two.

ATTENDANCE OF DIRECTORS[1][2]

	Board	Audit	Nomination	Remuneration
Number of meetings[3]	7	4	2	2
Chris Grigg[4]	6	3	2	1
Peter Dilnot	7	–	–	–
Matthew Gregory	7	4[5]	–	–
Alison Goligher[6]	5	3	2	1
Charlotte Twyning	7	4	2	2
Heather Lawrence	7	4	2	2[7]
Gillian Elcock	7	4	2	2
Ian Barkshire	7	4	2	2
Guy Hachey[8]	3	1	1	1

(1) Justin Dowley stepped down as a member of the Remuneration Committee and Nomination Committee on 30 March 2025, and from the Board on 31 March 2025. Justin attended all Board and Committee meetings held during the year whilst he was a Director of the Company.
(2) David Lis stepped down as a member of all three of the Board's Committees on 24 September 2025, and subsequently stepped down from the Board on 31 December 2025. David attended all Committee meetings held during the year whilst he was a member of these Committees, and continued to attend all subsequent meetings for the remainder of the year by invitation. David attended all Board meetings held during the year.
(3) In addition to the above scheduled meetings, ad-hoc Board and Committee meetings are held from time to time which are attended by a quorum of Directors and are convened to deal with specific items of business.
(4) As these meetings fell during the first six months since his appointment to the Board, Chris Grigg was unable to attend the Board and Remuneration Committee meetings in March 2025 due to a pre-existing conflict. He was in any case fully briefed on these meetings. Chris attends Audit Committee meetings by invitation.
(5) Matthew Gregory attended by invitation.
(6) Alison Goligher was appointed as a Non-executive Director of the Company on 19 May 2025. She attended all Board and Committee meetings held following her appointment to the Board.
(7) Heather Lawrence was appointed as a member of the Remuneration Committee on 5 March 2025. She attended all Remuneration Committee meetings held following her appointment and prior to this attended the meetings by invitation.
(8) Guy Hachey was appointed as a Non-executive Director of the Company on 18 August 2025. Guy attended all Board and Committee meetings following his appointment to the Board.

3. PRINCIPLES J-L: COMPOSITION, SUCCESSION AND EVALUATION

Board composition

The Board considers that the Directors collectively bring a complementary blend of skills, experience, and knowledge which align with and support the Company's strategic objectives and operational activities. Biographies of the Directors can be found on pages 89 to 91. These biographies identify any other significant appointments held by the Directors.

As planned, Justin Dowley stepped down from his role as Chair of the Board on 30 March 2025, and subsequently stepped down from the Board on 31 March 2025, with Chris Grigg succeeding Justin as Chair of the Board. Additionally, with his tenure coming to an end, David Lis stepped down from his position as Non-executive Director on 31 December 2025.

During 2025, the Board, upon recommendation from the Nomination Committee, also appointed two additional Non-executive Directors. Alison Goligher was appointed to the Board on 19 May 2025, and also succeeded David Lis in his role as Chair of the Remuneration Committee on this date. On 1 October 2025, Alison was appointed to the role of Senior Independent Director in replacement of David. Alison has a wealth of senior non-executive experience, including within the aerospace and defence sector, as demonstrated through her former role as Non-executive Director of Meggitt PLC. She is also currently a Non-executive Director of United Utilities Group PLC and Technip Energies NV. Guy Hachey was appointed to the Board on 18 August 2025. Guy has senior executive and non-executive experience within the aerospace and defence sector, including in his former role as President and Chief Operating Officer of Bombardier Aerospace and as Non-executive Director of Meggitt PLC. He is currently a Non-executive Director of Hexcel Corporation.

Following Matthew Gregory's decision to retire from the Board, a recruitment process was undertaken at the end of 2025 by the Board, with support from the Nomination Committee, which resulted in the appointment of Ross McCluskey as successor to Matthew in the role of Chief Financial Officer and executive Director. Ross has significant experience in senior finance and leadership roles, including with companies that operate in highly regulated and complex industries. Ross will join the Board as an executive Director and as Chief Financial Officer on 5 May 2026. Matthew will also retire from the Board on this date and will remain with the Company during 2026 to ensure a smooth transition to Ross.

Since 31 December 2025, Mary Petryszyn was appointed as a Non-executive Director on 26 January 2026. Mary has significant aerospace and defence, operations, and profit and loss management expertise, including in her former role as Corporate Vice President and President of Defense Systems for Northrop Grumman. Mary is currently a Non-executive Director of Woodward, Inc., and Karman Space and Defense.

Alison, Guy, and Mary were appointed following a recruitment process conducted by Russell Reynolds Associates. Ross was appointed following a recruitment process undertaken by Heidrick & Struggles. Both of these external executive recruitment consultancy firms are unconnected with the Company and its Directors.

The Board, with support from the Nomination Committee, has also made significant progress in improving Board diversity over the past year. As at 31 December 2025, the Board consisted of 40% female representation (2024: 33%), which has since increased to 50% female representation following David Lis stepping down from the Board at the end of the year and Mary Petryszyn joining the Board on 26 January 2026. Furthermore, with the appointment of Alison Goligher to the role of Senior Independent Director in October 2025, Melrose now has female representation within a senior Board position. Melrose therefore meets the expectations of the FTSE Women Leaders Review, as well as the targets set out in the Financial Conduct Authority's Listing Rules (the "Listing Rules"), in relation to gender diversity at Board level.

Succession planning

Succession planning is coordinated via the Nomination Committee in conjunction with the Board and includes all Directors and the Executive Committee. It remained a core focus during the year, as explained in the Nomination Committee Report on pages 109 to 112.

Succession planning arrangements for the Board as a whole were reviewed by the Nomination Committee and the Board. This included reviewing the skill set, tenure, diversity and independence of the Board. The Nomination Committee and the Board also reviewed talent management and succession plans relating to the Group's Executive Committee, to ensure the continued development of a diverse pipeline for succession.

Board performance review

Evaluation approach and process

The Code requires that FTSE 350 companies undertake an externally facilitated Board and Committee evaluation once every three years. The last external Melrose Board and Committee review was in 2023, for which the Company engaged Lintstock Ltd. Lintstock Ltd is a specialist corporate governance consultancy company and, other than in respect of the Board and Committee reviews, has no other connection with the Company or its Directors.

The Company is required to undertake another externally facilitated Board and Committee evaluation in 2026. During 2025 the Company continued its ongoing internal review of the Board and its Committees, both internally within each of those bodies and with the Chair of the Board and the Chair of each Committee respectively. These reviews were conducted and facilitated by the completion of questionnaires, and discussions at the applicable Board and Committee meetings, with follow-up actions taking place where relevant. Each Director was also invited to discuss any relevant matters they wished to raise as part of the ongoing review with the Chair of the Board. The outcomes of the review were presented and discussed at the December Board meeting. As usual, the Senior Independent Director also held a meeting in respect of the review of the Chair of the Board, which was conducted without the Chair being present. The outcome of this review was presented by the Senior Independent Director at the February 2026 Board meeting.

A range of topics were discussed as part of the review, including the composition and skill set of the Board, succession planning and diversity, and risk management.

Outputs of the evaluation and Board focus for 2026

The review concluded that the Board and its Committees, the Chair of the Board, the Senior Independent Director and the Chair of each Committee continue to be highly effective with good levels of satisfaction among the Board and Committee members.

In order to further enhance the Board's effectiveness, the following areas have been designated as the subject of focus for the Board and management during 2026:

- continuing to assess and challenge the cash profiles of the businesses to drive cash performance;
- continuing to ensure a disciplined approach to capital allocation, informed by review and challenge of the commerciality of future technologies, expected new aircraft programmes, and emerging sectoral trends;
- continuing to monitor Board and senior management succession to ensure effective management at all levels and ensure the successful integration of Ross McCluskey as incoming Chief Financial Officer; and
- continued oversight and scrutiny of the impact of principal risks on the divisions, and continuing to monitor and enhance the Group's management of its risk and internal control environment.

Annual (re-)election of Directors

Pursuant to the Company's Articles and in accordance with the provisions of the Code, other than Justin Dowley who stepped down from the Board as outlined in section 3, all of the Directors stood for re-election (or where applicable election) at the 2025 AGM. With the exception of Alison Goligher, Guy Hachey, and Mary Petryszyn, who are each standing for election for the first time, all of the remaining Directors of the Company will be standing for re-election at the forthcoming AGM. This will include Matthew Gregory, who will retire from the Board on 5 May 2026. In each case an ordinary resolution will need to be passed to approve such (re-)elections. Ross McCluskey, as successor to Matthew, will join the Board and be appointed as Chief Financial Officer on 5 May 2026, and will therefore stand for election for the first time at the 2027 AGM.

In considering whether each Director should stand for re-election, the Nomination Committee, in consultation with the Board, considers whether the Board has the appropriate balance of skills, experience, independence and diversity to enable the Board to carry out its duties and responsibilities effectively. The time commitments of each Director are also reviewed as part of this assessment, and Directors are required to disclose any directorships held and other business interests. The annual performance review referred to above assists with determining whether each Director should stand for re-election.

Following performance reviews of each of the Directors, and having considered in turn the individual skills, relevant experience, contributions and time commitment of the Directors to the long-term sustainable success of the Company, the Chair of the Board is of the opinion that each Director's performance continues to be effective and demonstrates commitment to the role.

Biographies of each of the Directors can be found on pages 89 to 91.

4. PRINCIPLES M-O: AUDIT, RISK AND INTERNAL CONTROL

Objectives and policy

A key responsibility of the Board and the senior management team is to safeguard and increase the value of the businesses and assets of the Group for the benefit of its shareholders. Achievement of these objectives requires the development of policies and appropriate internal control frameworks and maintaining such policies and frameworks to ensure that the Group's resources are managed properly and that any key risks are identified and mitigated where possible.

The Board is ultimately responsible for the development of the Group's overall risk management and internal control frameworks, and for reviewing and maintaining their respective effectiveness.

In assisting the Board with these responsibilities, the Audit Committee reviews the effectiveness of, monitors, and oversees, the Group's risk management, internal financial control systems and processes, and compliance controls, and provides both feedback and recommendations to the Board. The role of the senior management team is to implement these risk management and internal control policies and frameworks across the Group's business operations. The Directors recognise that the systems and processes established by the Board are designed to manage, rather than eliminate, the risk of failing to achieve business objectives and cannot provide absolute assurance against material financial misstatement or loss.

The Board is responsible for establishing and maintaining an effective risk management framework, and has taken a formalised but pragmatic approach in this regard. This includes determining the nature and extent of the principal risks it is willing to take to achieve its strategic objectives (its 'risk appetite') and ensuring an appropriate risk culture has been embedded throughout the organisation. The Audit Committee supports the Board in monitoring risk exposure against risk appetite, whilst the Board remains responsible for reaching its own conclusions regarding the recommendations it receives as well as forming its own views on the effectiveness of risk management and internal controls.

The risk management and internal control framework is complemented by ongoing monitoring and review, to ensure that the Company is able to adapt to an evolving risk environment.

Throughout 2025, the Company continued to review its risk management and internal control framework in preparation for the implementation of provision 29 of the Code, which takes effect for the financial year commencing on 1 January 2026. Further details can be found in the Audit Committee Report on pages 106 and 107.

Managing and controlling risk

The Group's approach to risk management is regularly reviewed and enhanced. The Board is responsible for determining the nature and extent of the principal risks the Group is willing to take in order for the Group to meet its long-term strategic objectives. The systems, processes, and controls in place to manage risk, accord with the Code which enable the Board to undertake a robust assessment of the Company's emerging and principal risks. The Board confirms that such an assessment has been completed. Further details on the Group's risk management strategy are set out on pages 32 to 34.

Further information regarding the Group's financial risk objectives and policies can be found in the Chief Financial Officer's Review on pages 26 to 31. A summary of the principal risks and uncertainties that could impact upon the Group's performance is set out on pages 35 to 39.

Internal financial controls and reporting

The Group has a comprehensive system for assessing the effectiveness of the Group's internal controls, including strategic business planning and regular monitoring and reporting of financial performance. A detailed annual budget is prepared by senior management and thereafter is reviewed and formally adopted by the Board.

The budget and other targets are regularly updated via a rolling forecast process and regular business review meetings are held with senior management to assess performance. The results of these reviews are in turn reported to, and discussed by, the Board at each meeting. The Board also holds business review meetings with senior management to review the performance of each business line and each key business function.

As discussed in the Audit Committee Report on pages 102 to 108, in 2024 the Committee had approved the transition from an externally resourced internal audit function to an in-house internal audit function. This process was successfully completed in the second half of 2025. As part of the internal audit programme, internal audit site visits were conducted across a total of 15 sites in 2025 (2024: 17).

Observations from 2025 signal a maturing financial control environment, with generally good adoption of the Group financial framework, with further opportunities identified to improve its enforcement.

The Audit Committee also monitors the effectiveness of the internal control process implemented across the Group through a review of the key findings presented by the internal audit function and the external auditors. Management is responsible for ensuring that the Audit Committee's recommendations in respect of internal controls and risk management are implemented.

Ethics and compliance

The Company takes very seriously its responsibilities under the laws and regulations in the countries and jurisdictions in which the Group operates, and has in place appropriate measures to ensure compliance. A compliance framework is in place comprising a suite of Group-wide policies relating to anti-bribery and corruption, anti-money laundering, anti-facilitation of tax evasion, competition, conflict minerals, trade compliance, data privacy, whistleblowing, treasury and financial controls, anti-slavery and human trafficking, document retention, joint ventures, diversity, inclusion and belonging, environmental, human rights, supply chain, biodiversity and water. Other than in respect of certain policies where it would not be appropriate for them to have such a broad reach, these policies generally apply to all Directors, employees (whether permanent, fixed-term, or temporary), pension trustees, consultants and other business advisors, contractors, trainees, volunteers, business agents, distributors, joint venture partners or any other person working for or performing a service on behalf of the Company, its subsidiaries and/or associated companies in which the Company or any of its subsidiaries has a majority interest.

Online compliance training continued to be conducted within the business, covering topics such as anti-trust, trade compliance and export controls, data privacy, anti-bribery and corruption, and anti-money laundering, to enhance and supplement the existing compliance regime.

The Company's Modern Slavery Statement is approved by the Board annually. In June 2025, the Company and its relevant UK subsidiary published a combined Group Modern Slavery Statement for the year ending 31 December 2024, which is available on both the Company's website at www.melroseplc.net and GKN Aerospace's website at www.gknaerospace.com. The joint statement has been published in accordance with the requirements under the Modern Slavery Act 2015. To support the Company's belief in the importance of this matter, it has a Group-wide policy on the prevention of modern slavery and human trafficking, which has been rolled out to all Group employees, along with an online compliance training module.

Please also refer to the Audit Committee Report on page 107 for details of the Group's whistleblowing policies and procedures.

5. PRINCIPLES P-R: EXECUTIVE REMUNERATION

Policies and practices

Melrose's remuneration philosophy is that executive remuneration should be simple, transparent, support the delivery of value creation, and pay only for performance. The Company's remuneration strategy supports the Company's shareholder value creation strategy, outlined in section 1.

As noted in section 1, the Directors' Remuneration Policy will be renewed in 2026. The Remuneration Committee reviewed the current 2024 Directors' Remuneration Policy taking into account feedback from direct engagement meetings with shareholders representing over 40% of Melrose's share register as well as representatives from proxy agencies hosted by the Chair of the Board and the Chair of the Remuneration Committee. Following its review of the 2024 Directors' Remuneration Policy, the Remuneration Committee implemented minor wording changes to improve clarity in certain areas. These changes did not alter the substance of the 2024 Directors' Remuneration Policy, and the Remuneration Committee continues to believe that the 2024 Directors' Remuneration Policy was, and remains, appropriate and supportive of the Company's long-term growth strategy. Further details can be found in the Directors' Remuneration Report on pages 113 to 129.

Development of policies

The Remuneration Committee has a formal and transparent procedure for developing the Company's policy on executive remuneration and for determining Director and senior management remuneration. Shareholders are consulted to seek their views, and the Remuneration Committee takes those views into account when formulating proposals on executive remuneration. The Remuneration Committee obtains advice from external remuneration advisors, and undertakes benchmarking exercises as needed with respect to executive pay to ensure that the executive remuneration structure remains appropriate. Shareholders have the opportunity to vote on executive remuneration through their binding vote at least every three years on the Directors' Remuneration Policy and their advisory vote annually on the Directors' Remuneration Report. No Director is involved in deciding their own remuneration outcome.

Independent judgement and discretion

The Remuneration Committee exercises independent judgement and discretion when authorising remuneration outcomes, taking account of both Company and individual performance, and wider circumstances. As mentioned above, the Remuneration Committee obtains regular advice from external remuneration advisors in order to ensure that proposals are in line with the Code, and benchmarked against the Company's peers. The current Directors' Remuneration Policy provides the Remuneration Committee with the ability to exercise discretion to override formulaic outcomes and, if approved, the proposed 2026 Directors' Remuneration Policy will provide the same ability for the Remuneration Committee to exercise discretion.

The Remuneration Committee did not exercise any discretion during 2025. There were no deviations from the current Directors' Remuneration Policy in respect of 2025, and the Remuneration Committee did not apply discretion to alter the 2025 remuneration outcomes for the financial year ended 31 December 2025 resulting from the application of the performance conditions.

Details regarding Directors' remuneration, both generally and in relation to the requirements of the Code, are set out in the Directors' Remuneration Report on pages 113 to 129, which is presented in the following three sections:

- the annual statement from the Chair of the Remuneration Committee, which can be found on pages 113 and 114;
- the Annual Report on Remuneration, which can be found on pages 115 to 123; and
- the proposed 2026 Directors' Remuneration Policy, which can be found on pages 124 to 129.

The current Directors' Remuneration Policy, which was approved by shareholders at the 2024 AGM, is available on the Company's website[1]. The proposed 2026 Directors' Remuneration Policy is subject to shareholder approval at the 2026 AGM and is intended to take effect from the conclusion of this AGM.

(1) The full details of the 2024 Directors' Remuneration Policy approved at the 2024 AGM can be found on pages 145 to 152 of the 2023 Annual Report (www.melroseplc.net/investors/results-reports-and-presentations/).

AUDIT COMMITTEE REPORT

The responsibilities of the Audit Committee (the "Committee") include overseeing the Company's financial reporting and its risk management and internal control framework.

Heather Lawrence / Audit Committee Chair

2025 MEMBERSHIP AND ATTENDANCE

	No. of meetings[1][2]
Heather Lawrence (Chair)*	(4/4)
Charlotte Twyning	(4/4)
Gillian Elcock*	(4/4)
Ian Barkshire	(4/4)
Alison Goligher[3]	(3/3)
Guy Hachey*[4]	(1/1)

(1) Reflects regularly scheduled meetings of the Committee.
(2) David Lis stepped down as a member of the Committee on 24 September 2025 and subsequently stepped down from the Board on 31 December 2025. David attended all Committee meetings held during the year whilst he was a member of the Committee, and continued to attend all subsequent meetings for the remainder of the year by invitation.
(3) Alison Goligher was appointed to the Committee on 19 May 2025. She attended all Committee meetings that were held during the year from the date of her appointment to the Committee.
(4) Guy Hachey was appointed to the Committee on 18 August 2025. He attended all Committee meetings that were held during the year from the date of his appointment to the Committee.
* Indicates Committee members with financial/accounting expertise. In total, 50% of the Committee has recent and relevant financial/accounting expertise.

Dear Shareholders,

On behalf of the Committee, I am pleased to present the 2025 Audit Committee Report.

The Committee believes it has carried out its duties effectively and to a high standard throughout the year and has provided independent oversight. The Committee has received good support from the Group finance team, the internal audit function, the external auditor and the Group Company Secretariat.

During the year, the Committee oversaw the Company's transition from an externally resourced internal audit function to an in-house internal audit function. This transition successfully completed in the second half of the year.

The Committee also continued to play a key role in supporting the Board to fulfil its responsibilities in relation to the integrity of the Group's financial reporting, as well as reviewing the Company's risk management and internal control framework. In particular, the Committee focused on the Company's preparations for the implementation of provision 29 of the UK Corporate Governance Code for the financial year commencing on 1 January 2026. All planned milestones for 2025 were achieved, and the Committee will continue to support the Board with the Company's provision 29 activities during 2026.

The purpose of this report is to outline the role of the Committee, provide an insight into its activities, and demonstrate how we have discharged our responsibilities effectively during 2025. In this report, particular focus has been placed on the significant issues that are relevant to the Group's financial reporting, and how the Committee considered such issues in relation to the Group's financial statements. In considering these matters, the Committee holds robust discussions with management and the external auditor, to ensure that management are subjected to appropriate challenge, and to also satisfy the Committee that the judgements taken and the disclosures made are appropriate to the Group.

I hope to meet as many of you as possible at our 2026 Annual General Meeting, and will be available to answer any questions you may have on this report or the Committee's activities.

Heather Lawrence
Chair, Audit Committee

27 February 2026

AUDIT COMMITTEE REPORT | CONTINUED

Role and responsibilities

The Committee's role and responsibilities are set out in its Terms of Reference. These were last reviewed in November 2025 in line with best practice and are available on the Company's website at www.melroseplc.net/governance/board-committees/audit-committee/ and at the Company's registered office.

In discharging its duties, the Committee embraces its role of protecting the interests of all stakeholders with respect to the integrity of the financial information published by the Company and the effectiveness of the Company's internal and external audit. The responsibilities of the Committee include:

- reviewing and monitoring the integrity of the financial statements of the Group, including the Annual Report and financial statements and interim financial statements, and reviewing and reporting to the Board on the significant financial reporting issues and judgements which they contain;
- keeping under review the effectiveness of the Group's financial reporting;
- reviewing and, where necessary, challenging the consistency of accounting policies, the methods used to account for significant or unusual transactions, and compliance with accounting standards;
- reviewing and considering the Annual Report and financial statements to ensure that they are fair, balanced and understandable and advising the Board on whether it can state that this is the case;
- reviewing, challenging and reporting to the Board on the going concern assumption and the assessment forming the basis of the longer-term viability statement;
- reviewing the effectiveness of, and monitoring and overseeing, the Group's risk management processes (excluding cyber risk, for which responsibility is retained by the Board), internal financial controls and internal control and risk management systems that identify, assess, manage and monitor financial risks and risk management systems;
- overseeing the adequacy of the Company's arrangements for its employees to raise concerns in confidence in accordance with the Group's whistleblowing policy, including about possible wrongdoing in financial reporting or other matters;
- reviewing the Company's procedures, systems and controls for the prevention and detection of fraud and bribery;
- monitoring and evaluating the independence and effectiveness of the external audit function, taking into account relevant UK laws, regulations, the Ethical Standards and other professional requirements, and the relationship with the Company's external auditor as a whole, and approving the external audit plan and fee;
- reviewing and, where necessary, challenging the provision of non-audit services by the external auditor;
- developing and overseeing the selection process for the appointment of the external auditor and in respect of an external audit tender, making a recommendation to the Board on the appointment of the external auditor following on from such a tender process; and
- monitoring and evaluating the independence and effectiveness of the internal audit function, including ensuring the internal audit function has the unrestricted scope and resources necessary to enable it to fulfil its mandate and approving the internal audit plan and fee.

Composition and skills

In accordance with the UK Corporate Governance Code ("Code"), all members of the Committee are independent Non-executive Directors, and Heather Lawrence (the Committee's Chair), Gillian Elcock and Guy Hachey have recent and relevant financial experience. Furthermore, the Board remains confident that the Committee's members have the appropriate knowledge, skills and experience to effectively discharge the duties of the Committee. In particular, the Committee has a strong balance of financial and accounting, risk management, and legal and regulatory skills. Details of the relevant experience of each member of the Committee are set out in the Directors' biographies on pages 89 to 91.

Summary of meetings in the year

The Committee met four times in 2025, with meetings scheduled to align with the Company's financial reporting timetable. This enabled the Committee to review the Annual Report and financial statements, the interim financial statements and the audit plan in advance of the year-end audit, and to maintain a view of the Company's internal financial controls and processes throughout the year. Individual member attendance at these meetings can be found on page 102.

To enable the Committee to provide robust challenge of the reports submitted to it, the Committee invited the Chief Financial Officer, the Group Financial Controller, the Head of Internal Audit (upon appointment), the Group General Counsel and Company Secretary, the Head of Legal (Corporate) and Assistant Company Secretary, and senior representatives of the Company's external auditor and (as applicable) internal auditor, to attend all Committee meetings. The Chair of the Board was also invited to, and attended the majority of, the Committee's scheduled meetings. In addition, the Committee holds private sessions with representatives from each of senior management, the external auditor, and the internal audit function, at least once per year.

Significant activities related to the 2025 financial statements

As part of its duties the Committee undertook the following recurring activities that receive annual scrutiny:

- review of the 2025 Annual Report and financial statements and the interim financial statements, including the going concern assumption for the Group and the assessment forming the basis of the longer-term viability statement. As part of this review, the Committee received reports from the external auditor on their audit of the 2025 Annual Report and financial statements and their review of the interim financial statements, as well as papers prepared by management in respect of going concern, longer-term viability and significant accounting and control matters;
- consideration of the 2025 Annual Report and financial statements in the context of being fair, balanced and understandable and a review of the content of papers prepared by management in relation to the 2025 Annual Report and financial statements. The Committee advised the Board that, in its view, the 2025 Annual Report and financial statements when taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- review of the effectiveness of the Group's internal financial controls and internal control and risk management systems and disclosures made in the 2025 Annual Report and financial statements on this matter;
- review of the effectiveness of the Group's internal and external auditors; and
- review of, and agreement to, the scope of work to be undertaken in respect of the 2025 financial statements by the external auditor and the scope of work to be undertaken in 2026 by the internal audit function.

AUDIT COMMITTEE REPORT | CONTINUED

In addition to these matters, the Committee considered the following significant issues in relation to the financial statements during the year:

SIGNIFICANT ISSUE CONSIDERED BY THE AUDIT COMMITTEE	HOW THE ISSUE WAS ADDRESSED BY THE AUDIT COMMITTEE
Accounting for revenue under IFRS 15 A high proportion of the Group's revenue relates to the sale of products and services where invoices are raised and revenue recognised when control of the goods is transferred to the customer. However, the Group has one major revenue stream which includes recognition of variable consideration – unbilled work done, relating to certain risk and revenue sharing partnerships ("RRSPs") in a small number of aerospace businesses. As required, management continues to review the key assumptions that have a significant impact on the allocation of overall transaction prices for impacted aerospace engine components. It is particularly important to reassess the operational progress and status of engine programmes. Specifically, in relation to variable consideration for certain RRSPs, revenue is significantly constrained until there is better visibility over the outcome of the programme to comply with the requirement that amounts are only recognised when it is highly probable that they will not reverse in the future. The unbilled work done contract asset will be utilised in line with expected future cash receipts. Following continued positive commercial and operational progress on certain affected engine programmes during the year, it was concluded that an update to assumptions was appropriate, and in line with an agreed framework. The changes have had an impact on 2025 results (£114 million (2024: £91 million), including a retrospective catch up of £80 million (2024: £50 million)) and they will impact future results too. The amount of variable consideration recognised in the year is £324 million (2024: £274 million). The increase during the year is due to a ramp-up in volumes and operational benefits as well as implications of the aforementioned changes in assumptions. There remains a significant level of constraint in the unbilled work done contract asset. *(Refer to notes 3, 4 and 17 of the financial statements)*	The Committee received an update prepared by management and discussed the implications of IFRS 15, which included an assessment of estimates used in calculating variable consideration and the unbilled work done contract asset for certain RRSPs. The support for changes in estimates, impacting both the amount and timing of revenue recognition, was considered and this was deemed to follow commercial progress on specific programmes. The impact of changes will be more significant in the future. The Committee discussed the audit work performed by PricewaterhouseCoopers LLP ("PwC") to assess whether the proposed revenue to be recognised, together with the associated disclosures, was appropriate. Considering management's support and PwC's views, the Committee was satisfied that the approach and assumptions used are both reasonable and appropriate. Specifically, the significant levels of constraint in the unbilled work done contract asset are monitored closely. It is understood that it remains reasonably possible that assumptions may change which could lead to the recognition of further unbilled work done in the next year.
Classification of adjusting items and use of Alternative Performance Measures ("APMs") The reporting, classification and consistency of adjusting items continues to be an area of focus for the Committee, in particular, given the guidance on APMs provided by the Financial Reporting Council ("FRC") and European Securities and Markets Authority ("ESMA"). The identification and presentation of adjusted results to the Consolidated Income Statement requires management to apply judgement in identifying and appropriately disclosing these items. In particular, these measures should be calculated on a consistent and transparent basis over time and given no more prominence than related statutory measures. The Committee considers this a key consideration when reviewing if the financial statements are fair, balanced and understandable. *(Refer to notes 3 and 6 of the financial statements)*	The Committee considered disclosure of the Group's APMs with respect to applicable guidelines and noted that these are set out in detail in the glossary to the financial statements. Reconciliations of adjusted performance measures to statutory results are set out in note 6 to the financial statements. The Committee has reviewed the nature, classification and consistency of adjusted results, whilst considering the guidance provided by the FRC and ESMA. These items are defined and discussed in the Chief Financial Officer's Review on pages 26 to 31, and detailed in note 6 to the financial statements. The Committee found the disclosures to be clear and transparent, assisting shareholders in measuring the operating performance of the Group. The Committee therefore concluded that adjusting items were appropriately captured and disclosed.

SIGNIFICANT ISSUE CONSIDERED BY THE AUDIT COMMITTEE	HOW THE ISSUE WAS ADDRESSED BY THE AUDIT COMMITTEE
Impairment testing of goodwill The Group has £932 million (2024: £970 million) of goodwill arising from acquisitions. Impairment testing is inherently subjective as it includes assumptions in the calculation of the recoverable amount for each of the groups of cash-generating units ("CGUs") being tested. Assumptions include future cash flows of the relevant groups of CGUs, discount rates that reflect the appropriate risk and long-term growth rates which are consistent with the industry and geography of operations. No impairment of goodwill has been recorded in the Group financial statements for 2025, which is consistent with the strong performance seen during the year and expectations for the future. *(Refer to note 11 of the financial statements)*	The Committee challenged the outcome of the impairment testing in respect of both groups of CGUs. In doing so, the Committee considered a paper prepared by management and the appropriateness of the disclosures in the financial statements in respect of the impairment testing performed. The Committee discussed with PwC the audit work performed by them and their conclusion regarding the disclosures presented. Considering all of the above, as well as management responses and PwC's views, the Committee was satisfied that the assumptions used and impairment conclusions, together with disclosures, were appropriately presented.
Deferred tax asset ("DTA") in the UK The Group has significant DTAs on its balance sheet, particularly relating to the UK. These have arisen from tax losses and other temporary differences on, for example, property, plant and equipment and retirement benefit obligations. DTAs are recognised only to the extent it is probable that future taxable profits will be available against which the assets can be utilised. A recoverability assessment has been undertaken using the Group's latest approved profit forecasts which reflect industry growth rates and supply and demand factors. The assessment takes both positive and negative evidence into account, and sensitivity analysis has been undertaken which considers the impact of lower growth rates and levels of operating profit. At 31 December 2025, the Group has a net UK DTA of £275 million (31 December 2024: £277 million). The business is long-term in nature, with typical Airframes programme life cycles of 25 to 35 years, and the period in which the UK DTA is forecast to be utilised is consistent with this. *(Refer to notes 3 and 22 of the financial statements)*	The Committee challenged the assessment performed by management. In doing so, the Committee considered a paper prepared by management and the appropriateness of the disclosures in the financial statements in respect of the estimates used. The Committee also discussed with PwC the audit work performed by them and their conclusion regarding the disclosures presented. After discussion and challenge, the Committee was satisfied that the assumptions used and conclusions reached, together with disclosures, were supportable.
Going concern and viability The Committee is required to assess the going concern assumption for the Group and the basis of the longer-term viability statement before making a recommendation to the Board. The assessment of going concern uses the same forecast data as in many other areas of estimation within the financial statements and considers the banking covenant tests. *(Refer to note 2 of the financial statements)* The longer-term viability assessment uses similar forecast data and scenario analysis has been performed with reference to the Group's principal risks. Consideration has been given to the magnitude of the risks which would have the most material impact on the Group's liquidity, and their potential impact, directly or indirectly, on the Group's future performance and position. *(Refer to pages 40 and 41)*	The Committee reviewed and approved management's recommendation to prepare the financial statements on a going concern basis. The key principles debated were the level of committed facility headroom on bank covenants and the flexibility of liquidity arrangements to meet obligations. In addition to base case modelling, which uses approved financial forecasts, a severe but plausible downside scenario was also considered. The Committee considered a paper and financial models prepared by management in respect of the longer-term viability statement to be included in the Annual Report and financial statements as well as analysis conducted by the external auditor. The Committee challenged the scenarios modelled, along with the assumptions and judgements made by management before concluding that the longer-term viability statement was appropriate.

FRC review

During the year, the UK Financial Reporting Council ("FRC") performed a review of the Company's 2024 Annual Report and financial statements. No significant questions or queries were raised, and senior management, together with the Committee, took into consideration the FRC's recommendations when preparing and reviewing the 2025 Annual Report and financial statements. The Committee notes that the FRC's review does not provide assurance that the Company's Annual Report and financial statements are correct in all material respects as the FRC's role is not to verify information provided, but to consider compliance with reporting requirements.

Risk management and internal control

One of the key roles of the Committee is to review and monitor the Group's risk management, internal financial control systems and processes, and compliance controls.

During 2025, the Committee continued to monitor and review the (i) Company's internal financial controls systems that identify, assess, manage and monitor financial risks and other internal control and risk management systems, including compliance controls, and (ii) effectiveness of the Group's risk management system. This was achieved through regular reports from management regarding their assessment of control and risk management (including twice-yearly risk management reports), as well as updates and reporting from the Group's internal and external auditors. The scope, mandate and review schedule of the Group's internal audit programme was reviewed and approved in advance by the Committee.

The Executive Committee, with support from the legal function and the financial compliance and assurance function, oversees the Group-wide risk review and reporting process for the benefit of the Committee, Board, and the Group as a whole. The top-down, bottom-up risk review process involves multiple rounds of direct engagement with all members of the Group's Executive Committee, as well as other key senior risk owners, which supports the Committee's oversight of emerging and existing risk areas, mitigations, controls and trends.

The Committee reviewed and challenged the Group's risk management processes and also reviewed and challenged the interim and annual risk management reports prepared for the Committee by senior management relating to the Group's principal risks profile. These reports guided the Committee on relevant updates relating to the development of the Group's principal risks as well as consideration of emerging risks as reported in the Principal Risks and Uncertainties section on pages 35 to 39. They also aided the Committee's discussions with the Board on risk appetite, as detailed further on page 33.

Management also reported on the Group's internal control systems supported by the internal audit review.

The Group's risk management and internal financial control systems were reviewed and the Committee confirmed their effectiveness to the Board. No significant weaknesses were identified.

Effectiveness of material controls

The Committee has overseen the preparations that are underway to ensure compliance with the requirements of provision 29 of the UK Corporate Governance Code for the financial year commencing on 1 January 2026 ("Provision 29").

Senior management has established steering and working groups, which consist of senior members of the finance, legal and internal audit functions, and a roadmap has been developed with review and oversight from the Committee. The work done in preparation for the implementation of Provision 29 has leveraged the existing risk management, control and internal assurance frameworks that are already in place within the Group in order to develop a comprehensive roadmap for achieving compliance.

Throughout 2025, senior management has provided regular updates to the Committee on the Company's preparations for the implementation of Provision 29. Good progress has been made in preparing for Provision 29, and the Committee notes that all milestones which were planned for 2025, and which were detailed in the Company's roadmap, have been achieved.

As a first step, the Company's key risks and material controls were identified by senior management. This process involved a review of the Group's principal risks, in addition to the central and divisional risk registers, with discussions being held with risk owners, which informed the identification of key risks for the purposes of Provision 29. Once the key risks were identified, discussions were held with each key risk owner and senior management, to understand what controls were in place to manage the relevant risks, in order to confirm the applicable material controls.

Following identification of all key risks and as part of our ongoing preparatory work, deep dive sessions with individual risk owners have also been held for those key risks which were considered the most material to the Group as identified by senior management. Materiality was informed by, amongst other things, the Board's risk appetite in the context of the Company's principal risks. To date, these deep dive sessions have been focused on key risks associated with product quality, health and safety, and cyber risk, for which the Board has a low risk appetite. It is intended that these sessions will be expanded to cover the Company's key risks in future periods. For further information on the Company's principal risks and the Board's risk appetite, please refer to the Risk Management and Principal Risks and Uncertainties sections on pages 32 to 34 and 35 to 39 respectively.

Once the key risks and material controls were identified, senior management undertook a 'dry run' to assess the effectiveness of the identified material controls. This involved a targeted assessment of the Company's materials controls to confirm that the proposed assurance processes were effective and efficient from an operational perspective, and to identify any opportunities for enhancement across the Company's existing control environment. In particular, key risk and material control owners provided supporting materials which assisted senior management in their targeted review of the material controls and enabled them to conclude that the proposed assurance processes were practical, and that the proposed assurance testing programme could be conducted in an effective and efficient manner. Follow-up discussions were also held with key risk owners where opportunities were identified to enhance the operation of certain controls, and the implementation of these follow-up actions are being tracked by senior management, with updates provided to the Committee.

Going into 2026, senior management is developing an assurance and testing matrix which will articulate how each level of assurance is built in order to evidence the effectiveness of each material control. It is intended that this will be used as the base framework in future annual assurance cycles, with modifications being made as the process matures.

The Committee is satisfied that appropriate processes are in place and that the Company is on track to meet the full Provision 29 reporting requirements in the required timeframe.

Senior management will continue to provide regular updates to the Committee throughout 2026.

Whistleblowing

The Committee is required to oversee the adequacy of the Company's arrangements for its employees to raise concerns in confidence in accordance with the Group's Whistleblowing Policy, including about possible wrongdoing in financial reporting or other matters. The Company runs a well-established Group-wide whistleblowing platform, which is overseen by the Committee and supported by the Group's senior management team and ultimately reported to the Board.

All employees have access to a multi-lingual online portal, together with local hotline numbers that are available 24/7, in order to raise concerns, confidentially and (if desired) anonymously, about possible wrongdoing in any aspect of the business, including financial and non-financial matters. The most material whistleblowing cases are notified to the Chair of the Committee promptly, and quarterly whistleblowing reports are prepared by senior management for discussion at each Committee meeting on particularly serious cases. The Committee is also provided with an annual whistleblowing report, which considers key themes and trends across all whistleblowing cases received, as well as follow up and remedial actions.

External audit

External audit plan

PwC, the Company's external auditor, presented its audit plan to the Committee, providing its assessment of the key audit risks and the proposed scope of audit work. Reflecting on findings from PwC's review of the Company's interim results, and the developments in the Group, the approach and scope of work to be undertaken was agreed. Key risks and the audit approach taken in respect of these risks are discussed in the Independent Auditor's Report. Please refer to a copy of the Independent Auditor's Report on pages 132 to 141.

As part of their reporting of Melrose's interim and annual financial statements, PwC reported on their assessment of the Group's judgements and estimates in respect of these risks and the adequacy of the reporting. Where effective to do so, PwC also reported on its assessment of the Group's controls.

During 2025, the Company complied with the relevant provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Assessment of effectiveness of incumbent external auditor

The Committee reviews and makes recommendations with regard to the reappointment of the external auditor. In making these recommendations, the Committee considers auditor effectiveness and independence, partner rotation and any other factors which may impact the external auditor's reappointment.

The Committee has reviewed the performance and effectiveness of the incumbent external auditor, PwC. For 2025, a series of questions covering key areas of the audit process that the Committee is expected to have an opinion on were considered by the Committee, including:

- the calibre, experience, resources, leadership and technical and industry knowledge of the engagement partner and of the wider external audit team;
- the planning and execution of the audit process;
- the quality and timeliness of communications from the external auditor; and
- the quality of support provided to the Committee by the external audit partner.

Committee members, together with the Group finance team led by the Chief Financial Officer, were requested to provide detailed feedback on the effectiveness of the external auditor. The Chair of the Committee also sought feedback from the Head of Internal Audit. The Committee subsequently reviewed a paper which summarised the responses. The Committee concluded that the quality of the external audit team was appropriate, the external audit process was operating effectively, and PwC had proved effective in its role as external auditor. In particular, the Committee concluded that there had been appropriate focus and challenge by PwC on the primary areas of the audit and that they had applied robust challenge and appropriate scepticism throughout the audit.

Non-audit services

The Committee oversees the process for approving all non-audit work provided by the external auditor to safeguard the objectivity and independence of the auditor, and to comply with regulatory and ethical guidance. In line with regulation, the Group is required to cap the level of non-audit fees paid to its external auditor at 70% of the average audit fees paid in the previous three consecutive financial years. PwC were appointed as external auditor in 2024 and as such there are no fees for 2023. In any case, the Committee is satisfied that the level of permissible non-audit services is below 70% of the average audit fees for the previous two years. The 2025 non-audit fees paid by the Company to PwC of £0.8 million represents 15% of the average audit fees for the previous two years.

The Group has a formal policy regarding its use of audit firms for non-audit services. The Committee, in addition to being responsible for the oversight of the external auditor on behalf of the Board, also has the responsibility for monitoring the amount of non-audit work undertaken by the external auditor, and reviewing the Non-Audit Services Policy on an annual basis. The policy outlines which non-audit services are pre-approved (being those which are routine in nature, with a fee that is not significant in the context of the audit or audit-related services), which services require the prior approval of the Committee, and which services the auditor is excluded from providing. The general principle is that the audit firm should not be requested to carry out non-audit services on any activity of the Company where the audit firm may, in the future, be required to give an audit opinion.

An analysis of the fees earned by the external auditor for audit and non-audit services can be found in note 7 to the consolidated financial statements.

Auditor objectivity and independence

The Committee carries out regular reviews to ensure that auditor objectivity and independence are maintained at all times. As in previous years, the Committee specifically considered the potential implications that each limited non-audit engagement may present to the objectivity and independence of the external auditor. In each case, the Committee was satisfied with the safeguards in place to ensure that the external auditor remained independent from the Company and its objectivity was not, and is not, compromised. No fees were paid to PwC on a contingent basis.

At each year end, the external auditor submits a letter setting out how it believes its independence and objectivity have been maintained. The external auditor is also required to rotate the audit partner responsible for the Group audit every five years and significant subsidiary audits every five years.

Based on these strict procedures, the Committee remains confident that auditor objectivity and independence have been maintained. In particular, the Committee has reviewed the non-audit services provided and is satisfied that they do not impair the independence of PwC.

Internal audit

As discussed in the 2024 Annual Report, the Committee had approved the transition from an externally resourced internal audit function to an in-house function. The Committee Chair, alongside the Chief Financial Officer, was involved in the recruitment of the Head of Internal Audit, which included assessing the independence of candidates. More generally, the Committee oversaw the transition to the in-house internal audit function, which successfully completed in the second half of the year.

During the first half of 2025, BM Howarth, an external firm, continued to provide internal audit services to the Group in accordance with an annually agreed Internal Audit Charter and Internal Audit Plan. In order to ensure a smooth transition from BM Howarth to the in-house Group internal audit function, EY were instructed to work closely with BM Howarth to commence the transition of the internal audit services, including participating in on-site shadowing of BM Howarth audits. With BM Howarth's engagement coming to an end during the year, EY's support has been instrumental to the onboarding of the Head of Internal Audit and facilitating the change. The Head of Internal Audit has developed the function's strategy and has recruited the team. EY will continue to work with the Head of Internal Audit whilst the Group in-house internal audit function is further onboarded in 2026.

The internal audit programme operates on a rotational basis whereby every site will have an internal audit at least once every three years, with the larger sites being reviewed at least once every two years. This programme also allows local management's actions and responses to be followed up on a timely basis. The internal audit programme of planned visits for the forthcoming year is discussed and agreed with the Committee during each year.

The Group internal audit function's remit includes assessment of the effectiveness of internal financial control systems, compliance with the Group's Policies and Procedures Manual and a review of relevant risks. A report of key findings and recommendations is presented to the Chief Financial Officer, followed by a meeting to discuss these key findings and to agree on resulting actions. Those actions are monitored to completion and those with higher risks may be revisited to validate their effectiveness. Group internal audit site visits were conducted across a total of 15 sites in 2025 (2024: 17). The observations from 2025 are signalling a maturing financial control environment, with generally good adoption of the Group financial framework with further opportunities to improve its enforcement.

The Committee is provided with a Group internal audit report at each Committee meeting which summarises significant findings identified as part of the internal audits that have taken place, as well as any remediation recommendations which are subject to follow-up discussions at subsequent Committee meetings. During the year, the Committee also reviewed and approved the revised Group Internal Audit Charter and 2026 Internal Audit Plan. This plan, in light of the new internal audit strategy, has been developed to closely align with the Group's principal risks, focusing on business continuity planning, taking account of how the internal audit programme can assist with Provision 29 preparations through assurance modelling, and adopting a risk-based approach to support the identification of potential issues.

Committee performance review

The Code requires that FTSE 350 companies undertake a formal and rigorous annual review of the performance of the Board, its committees, the Chair of the Board and individual Directors. In particular, FTSE 350 companies should undertake an externally facilitated Board and committee evaluation once every three years. The last external Melrose Board and committee review was undertaken by Lintstock Ltd in 2023 and as such, the Company is required to undertake its next externally facilitated Committee evaluation in 2026. During the year, the Company continued its ongoing internal review of the Committee and collected feedback from Committee members with a similar range of focal topics as featured in the 2023 external review. Alongside such formal feedback, the Committee continued to facilitate direct ongoing contact between its members and the Chair of the Committee about any relevant matters that the members wished to raise as part of the ongoing review.

NOMINATION COMMITTEE REPORT

The Nomination Committee (the "Committee") has overall responsibility for making recommendations to the Board on all new Board appointments and for ensuring that the Board and its committees have the appropriate balance of skills, experience, independence, diversity and knowledge to enable them to discharge their respective duties and responsibilities effectively.

Chris Grigg / Nomination Committee Chair

2025 MEMBERSHIP AND ATTENDANCE

	No. of meetings[1][2]
Chris Grigg (Chair)	(2/2)
Charlotte Twyning[3]	(2/2)
Heather Lawrence	(2/2)
Gillian Elcock	(2/2)
Ian Barkshire	(2/2)
Alison Goligher[4]	(2/2)
Guy Hachey[5]	(1/1)

(1) Reflects regularly scheduled meetings of the Committee. The Committee also held ad-hoc meetings during the year where required.
(2) Justin Dowley stepped down as a member of the Committee on 30 March 2025, and stepped down from the Board on 31 March 2025. There were no scheduled Committee meetings that took place between 1 January 2025 and 30 March 2025. David Lis stepped down as a member of the Committee on 24 September 2025 and subsequently stepped down from the Board on 31 December 2025. David attended all Committee meetings held during the year whilst he was a member of the Committee, and continued to attend all subsequent meetings for the remainder of the year by invitation.
(3) Charlotte Twyning was Chair of the Committee until 30 March 2025. Chris Grigg succeeded her in this role.
(4) Alison Goligher was appointed to the Committee on 19 May 2025. She attended all Committee meetings that were held during the year from the date of her appointment to the Committee.
(5) Guy Hachey was appointed to the Committee on 18 August 2025. He attended all Committee meetings that were held during the year from the date of his appointment to the Committee.

Dear Shareholders,

On behalf of the Committee, I am pleased to present the 2025 Nomination Committee Report. This is also my first report as Chair of the Committee following my appointment to the role in March 2025, which coincided with my appointment as Chair of the Board.

During the year, the Committee looked carefully at the composition, skills and experience of the Board. As mentioned in this Nomination Committee Report, particular focus was applied to developing the aerospace and defence experience on the Board, in addition to strengthening the Board's leadership in remuneration governance. This process enabled the appointment of two Non-executive Directors, Alison Goligher and Guy Hachey, who will be standing for election for the first time at the 2026 Annual General Meeting. With David Lis's tenure coming to an end at the end of the year, Alison was also appointed to the role of Senior Independent Director with effect from 1 October 2025.

During the year, Matthew Gregory, Chief Financial Officer, informed the Board of his intention to retire. The Board, with support from the Committee, worked with Heidrick & Struggles to find a successor Chief Financial Officer. The Committee set rigorous criteria for the role, both in terms of technical capabilities and leadership attributes. Following a thorough selection process, the Committee made the unanimous decision to recommend to the Board the appointment of Ross McCluskey as an executive Director and our next Chief Financial Officer. Ross is a seasoned leader with deep financial and operational expertise, as explained in this Nomination Committee Report. Ross will join the Board and be appointed as Chief Financial Officer on 5 May 2026, and will therefore stand for election for the first time at the 2027 Annual General Meeting. Matthew will step down from the Board on 5 May 2026 and will remain with the Company during 2026 in order to ensure a seamless transition to Ross.

Since the end of the year, we have also appointed Mary Petryszyn as a Non-executive Director. Mary will stand for election for the first time at the 2026 Annual General Meeting. Together with Guy, she brings particularly deep executive experience across the aerospace and defence sectors, including extensive exposure across key North American markets.

The Committee considers that the Board's current size and its collective experience is effective for aiding the delivery of the Company's strategy.

Diversity has also been a key focus of the Committee, and we are pleased to have made significant progress in improving Board diversity over the past year. As at 31 December 2025, the Board comprised 40% female representation, which has since increased to 50% following David's departure from, and Mary's appointment to, the Board. Whilst we had increased gender diversity at a senior management level to 36% in 2025, the Committee will be overseeing the Company's aim to achieving 40% female representation at this level.

This report provides an overview of how the Committee has fulfilled its responsibilities during 2025, as well as its key activities.

Chris Grigg
Chair, Nomination Committee

27 February 2026

Discharge of responsibilities

The Committee discharges its responsibilities through:

- regularly reviewing the size, structure and composition of the Board, including by means of overseeing the annual performance review processes of the Board and its committees, and providing recommendations to the Board of any adjustments that may be necessary from time to time;
- giving full consideration to succession planning in order to ensure an optimum balance of executive and Non-executive Directors in terms of skills, experience and diversity, and in particular formulating plans for the succession of the key roles of Chair of the Board, Chief Executive Officer and Chief Financial Officer;
- reviewing the career planning and talent management programme related to senior executives of the Company to ensure that it meets the needs of the business;
- managing the Board recruitment process and evaluating the skills, knowledge, diversity and experience of potential Board candidates in order to make appropriate nominations to the Board;
- reviewing and approving the Board of Directors' Diversity Policy and the Group Diversity, Inclusion and Belonging Policy; and
- keeping up to date and fully informed on strategic issues and commercial changes affecting the Company and the markets in which it operates.

The Committee's Terms of Reference, which were last reviewed and updated by the Committee in December 2025, are available to view on the Company's website, www.melroseplc.net/governance/board-committees/nomination-committee/, and from the Company Secretary at Melrose's registered office.

Committee membership and attendance

The Committee comprises a majority of the Board's independent Non-executive Directors, including the Chair of Board.

During the year, the Committee held two scheduled meetings. The Committee also held ad-hoc meetings to discuss the various Board changes that have taken place throughout the year. This included meetings to discuss the retirement of Matthew Gregory, and the appointment of Ross McCluskey, the incoming new Chief Financial Officer, as Matthew's successor. The attendance of its members at the scheduled Committee meetings is shown in the table on page 109.

The Company Secretary acts as secretary to the Committee. The Committee invites the Chief Executive Officer to attend discussions where his input is required, including in relation to senior management talent review and succession planning.

Board composition and succession planning

The Committee keeps the membership of the Board under review, including its size and composition, and makes recommendations to the Board on any adjustments it thinks are necessary. The Committee recognises the value in attracting Board members from a diverse range of backgrounds who can contribute the required depth and breadth of knowledge, understanding and experience to the Company. The Committee works with the Board in order to ensure these matters are taken into account to aid effective succession planning across the short, medium and long term. The Committee also reviews succession planning and talent development at a senior management level to ensure plans are in place for orderly succession to senior management positions as further described below.

Succession planning arrangements for the Board as a whole were reviewed by the Committee in 2025 including in the context of bolstering the aerospace and defence sector experience on the Board, as well as reviewing the tenure, diversity and independence of the Board.

As planned, Justin Dowley stepped down from his role as Chair of the Board on 30 March 2025, and subsequently from the Board on 31 March 2025. Chris Grigg succeeded Justin as Chair of the Board. Additionally, with his tenure coming to an end, David Lis stepped down from his position as Non-executive Director on 31 December 2025.

During the year, the Board, with support from the Committee, also appointed two additional Non-executive Directors. Alison Goligher was appointed to the Board on 19 May 2025, and also succeeded David Lis in his role as Chair of the Remuneration Committee. On 1 October 2025, Alison was appointed to the role of Senior Independent Director in replacement of David. Alison has significant experience as a senior Non-executive Director, including within the aerospace and defence sector in her former role as Senior Independent Director of Meggitt PLC. Her appointment has also strengthened the Board's leadership in remuneration governance. Guy Hachey was appointed to the Board on 18 August 2025. Guy has senior executive and non-executive experience within the aerospace and defence sector, and extensive experience across key North American markets, including in his former role as Chief Operating Officer of Bombardier Aerospace.

With the intended retirement of Matthew Gregory from his position as Chief Financial Officer, the Board, with the support of the Committee, also approved the appointment of Ross McCluskey as an executive Director and Chief Financial Officer, which will take effect from 5 May 2026. Ross brings to the Board significant senior finance and leadership experience at international companies that operate in highly regulated and complex industries, including in his most recent role at Intertek Group plc. Matthew will retire from the Board on this date and will remain with the Company during 2026 in order to ensure a seamless transition to Ross.

Since the end of the year, the Board, with support from the Committee, appointed Mary Petryszyn with effect from 26 January 2026. Mary has significant aerospace and defence expertise, including in her former role as Corporate Vice President and President of Defense Systems for Northrop Grumman.

Alison, Guy, and Mary were appointed following a recruitment process conducted by Russell Reynolds Associates. Ross was appointed following a recruitment process undertaken by Heidrick & Struggles. Both of these external executive recruitment consultancy firms are unconnected with the Company and its Directors. Each of the Directors' biographies can be found on pages 89 to 91.

Board skills and experience

The Board possesses a wide range of knowledge and both executive and non-executive experience. In order to ensure the maximum effectiveness of the Board, the Committee continues to review the balance of skills and experience of Board members. During the year, the Committee reviewed the Board's skills and experience based on a review of the sector and markets within which the Group operates, in addition to having regard to the Group's principal risks. The Board's skills and experience have therefore been revised across the following eight areas, which the Committee considers to be key to delivering the Company's strategy: finance and accounting, aerospace and defence, engineering and technology, legal and regulatory, climate and sustainability, company leadership, risk management and international experience. Details of the current Directors' skills and experience across these eight areas are set out on page 91.

NOMINATION COMMITTEE REPORT | CONTINUED

The Committee considers that the current Directors, including the Non-executive Directors, have a diverse range of skills and experience that is necessary both to discharge their duties as Directors of the Company, and to create a culture of collaborative and constructive discussion, which enables the Board to contribute effectively to the delivery of the Company's strategy.

Re-election and election of Directors

The effectiveness and commitment of each of the Directors is reviewed annually as part of the Board performance review upon recommendation from the Committee. The Committee reviewed each Director in turn to satisfy itself as to their individual skills, relevant experience, contributions and time commitments, ensuring they can effectively support and contribute to the long-term sustainable success of the Company. The Committee and the Board have each satisfied themselves that each of the Directors should stand for re-election or election (as applicable) at the 2026 Annual General Meeting. This will include Matthew Gregory, who will remain on the Board until 5 May 2026. Biographies of each Director standing for re-election or election (as applicable) can be found on pages 89 to 91. It is the view of the Committee and the Board that the skills, competence and experience noted in these biographies illustrates why each Directors' contribution is, and continues to be, important to the long-term sustainable success of the Company.

Due to Ross McCluskey joining as an executive Director on 5 May 2026, he will stand for election for the first time at the 2027 Annual General Meeting.

Wider succession planning

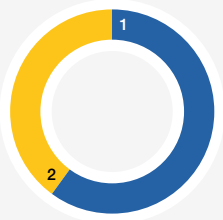
The Committee does not have direct responsibility for the succession planning arrangements below Board level, with responsibility for the succession planning arrangements regarding the senior management team resting with the Chief Executive Officer. In any case, the Committee takes an active interest in discussing and reviewing succession planning arrangements for the Executive Committee, including the career planning and talent management programmes currently in operation for them. The Committee also invites the Chief Executive Officer to attend Committee meetings in order to discuss and review those programmes. This allows the Committee to ensure that the right balance of skills, experience and diversity are reflected and being developed in the senior management team. The Committee is satisfied as to the Company's current Board and senior management succession planning arrangements and will continue to keep these under review and discussion in 2026.

The Board also has access to key individuals within the Executive Committee and wider senior management team through a combination of site visits, business reviews, and Board and Committee meetings.

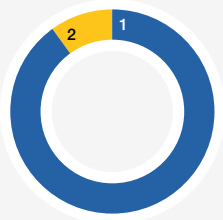
Inclusion, diversity and belonging[1]

Melrose is a meritocracy and individual performance is the key determinant in any appointment, irrespective of ethnicity, gender or other characteristic, trait or orientation. However, the Board and the Committee also recognise the importance of diversity, and the Committee keeps its approach to diversity under regular review, including ensuring the development of a diverse Board and reviewing its diversity policies on an annual basis. Melrose encourages diversity at all levels within the Group.

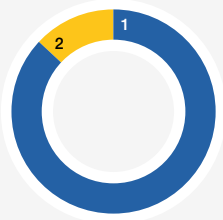
DIVERSITY OVERVIEW[2]



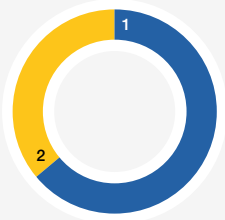
Board gender diversity	
1 Male	60%
2 Female	40%



Board ethnic diversity	
1 White	90%
2 Ethnically diverse	10%



Executive Committee	
1 Male	87%
2 Female	13%



Senior management[3]	
1 Male	64%
2 Female	36%

(1) All Inclusion, Diversity and Belonging initiatives and activities referenced throughout this report are applicable only within the scope of legally permitted jurisdictions.
(2) Diversity data as at 31 December 2025. Since this date, female representation has increased to (i) 50% at Board level, and (ii) 22% within the Executive Committee. It is noted that there had been 22% female representation at an Executive Committee level during 2025, but the Chief Human Resources Officer had left and the new permanent replacement did not join until January 2026.
(3) Defined as the Executive Committee and its direct reports, but excluding support staff.

NOMINATION COMMITTEE REPORT | CONTINUED

Board diversity

The Board, with support from the Committee, has made significant progress in improving Board diversity over the past year. As at 31 December 2025, the Board consisted of 40% female representation (2024: 33%), which has since increased to 50% female representation following David Lis stepping down from, and Mary Petryszyn being appointed to, the Board. Furthermore, with the appointment of Alison Goligher to the role of Senior Independent Director in October 2025, Melrose now has female representation within a senior Board position. Melrose therefore meets the expectations of the FTSE Women Leaders Review, as well as the targets set out in the Financial Conduct Authority's Listing Rules (the "Listing Rules"), in relation to gender diversity at Board level.

In addition, Melrose also continues to meet the expectations of the Parker Review, as well as the target set out in the Listing Rules, of having one director from an ethnic minority background.

As noted above, the Committee currently takes into account a variety of factors before recommending any new appointments to the Board, including relevant skills required to perform the role, experience and knowledge needed to ensure a rounded Board, and the benefits a candidate could bring to the overall composition of the Board. The Committee also takes into account race, ethnicity, country of origin, nationality, cultural background and gender in the selection process to ensure a diverse Board and it also encourages executives to adopt the same approach when making appointments to the Executive Committee and the wider senior management team. The Committee's key priority is to ensure that the best candidate is selected.

Senior management diversity

The Committee notes that the FTSE Women Leaders Review set a target for FTSE 350 companies to achieve 40% female representation at senior management level by 2025. As at 31 December 2025, Melrose had 36% female representation at a senior management level, which represented an increase on the prior year (2024: 35%). The Committee recognises though that the Company has not met the FTSE Women Leaders Review target, and the Board and the Committee remain committed to achieving 40% female representation.

The Committee further notes that in line with the expectations of the Parker Review, the Company set a target in 2024 to achieve 13% ethnic minority representation within its UK-based senior management population by the end of 2027. The Company currently has 6% ethnic minority representation within this group, which represents a decrease on the prior year (2024: 8%). On the basis that the UK-based senior management population is small, any departures can have a notable impact on the percentages. The Committee has tasked senior management with reviewing the roadmap for achieving this target.

Diversity policies

The Committee acknowledges that inclusion, diversity and belonging is a changing landscape. The Committee reviews the Group's diversity policies on an annual basis, with any recommendations for amendments being approved by the Board. The policies, which can be viewed on the Company's website at www.melroseplc.net/governance/documents-and-policies, include a Board of Directors' Diversity Policy and a Group Diversity, Inclusion and Belonging Policy. The Board of Directors' Diversity Policy sets out the Committee's commitment to ensuring that Board membership and the pipeline for succession remains diverse, which is equally applicable to each of the committees. It also sets out the Company's diversity targets for the Board, the details of which are noted above. The Group Diversity, Inclusion and Belonging Policy, which is applicable to all Group employees, sets out Melrose's position on diversity, inclusion and belonging across its workforce. Melrose is actively engaged in supporting initiatives within the Group to increase the diversity of its workforce, and to improve gender, socio-economic and ethnic diversity within the engineering sector as a whole. The principles of the policy apply throughout the Group, and our divisions are encouraged to promote diversity.

Further details of Melrose's commitment to diversity and the various diversity initiatives undertaken within the Group can be found in the Sustainability Review on pages 48 to 83.

Committee performance review

The Code requires that FTSE 350 companies undertake a formal and rigorous annual review of the performance of the Board, its committees, the Chair of the Board, and individual Directors. The last external Melrose review was conducted in 2023, for which the Company engaged Lintstock Limited. The Company is not required to undertake another externally facilitated review until 2026.

During 2025 the Company continued its ongoing internal review, with the Board and each committee, and with the Chair of the Board and the Chair of each committee respectively. These reviews were conducted and facilitated by the completion of questionnaires, and discussions at the applicable Board and committee meetings, with follow-up actions taking place where relevant. Each Director was also invited to discuss any relevant matters they wished to raise as part of the ongoing review with the Chair of the Board. The outcomes of the review were presented and discussed at the December Board meeting. The Senior Independent Director also held a meeting in respect of the review of the Chair of the Board (who is also the Chair of the Committee), which was conducted without the Chair being present. The outcome of this review was presented by the Senior Independent Director at the February 2026 Board meeting. Alongside such formal feedback, the Committee continued to facilitate direct ongoing contact between its members and the Chair of the Committee about any relevant matters that the members wished to raise as part of the ongoing review of the Committee's performance.

DIRECTORS' REMUNERATION REPORT

The Remuneration Committee (the "Committee") is responsible for overseeing the Company's remuneration framework, including remuneration policy for the Chair, executive Directors, and senior management. The Committee ensures that pay arrangements support the Company's strategy, promote long-term performance, and align with shareholder and stakeholder interests.

Alison Goligher / Remuneration Committee Chair

2025 MEMBERSHIP AND ATTENDANCE

	No. of meetings[1][2][3]
Alison Goligher[4] (Chair)	(1/1)
Chris Grigg[5]	(1/2)
Charlotte Twyning	(2/2)
Gillian Elcock	(2/2)
Ian Barkshire	(2/2)
Heather Lawrence[6]	(2/2)
Guy Hachey[7]	(1/1)

(1) Reflects regularly scheduled meetings of the Committee. The Committee also held ad-hoc meetings during the year where required.
(2) Justin Dowley stepped down as a member of the Committee on 30 March 2025, and stepped down from the Board on 31 March 2025. Justin attended all Committee meetings held during the year whilst he was a member of the Committee. David Lis stepped down as a member of the Committee on 24 September 2025 and subsequently stepped down from the Board on 31 December 2025. David attended all Committee meetings held during the year whilst he was a member of the Committee, and continued to attend all subsequent meetings for the remainder of the year by invitation.
(3) In the past year, the Committee engaged with the Chair of the Board, the Chief Executive Officer and the Chief Financial Officer, for insights and advice. Notably, none participated in discussions about their own remuneration. The Company Secretary acts as secretary to the Committee.
(4) Alison Goligher was appointed to the Committee on 19 May 2025. She attended all Committee meetings held following her appointment to the Committee.
(5) Chris Grigg was unable to attend the Committee meeting held in March 2025, which fell during the first six months since being appointed to the Board, due to a pre-existing conflict. He was in any case fully briefed on this meeting.
(6) Heather Lawrence was appointed as a member of the Committee on 5 March 2025. She attended the Committee meetings held following her appointment and prior to this attended the meetings by invitation.
(7) Guy Hachey was appointed to the Committee on 18 August 2025. He attended all Committee meetings held following his appointment to the Committee.

Dear Shareholders,

This is my first report as Chair of the Committee. I joined the Board and was appointed Chair of the Committee on 19 May 2025, succeeding David Lis following the conclusion of his tenure. David subsequently stepped down from the Board on 31 December 2025. I would like to thank David and the rest of the Committee for their support.

On behalf of the Committee, I am pleased to present our report on Director remuneration for the year ended 31 December 2025 which is split into three sections:

- this statement by myself as Chair of the Committee;
- the Directors' remuneration report (the "Annual Report on Remuneration") that discloses how the current Directors' Remuneration Policy (the "2024 Policy") was implemented during 2025, which includes a summary of how the Committee intends to implement the new Directors' Remuneration Policy (the "2026 Policy") in 2026; and
- the 2026 Policy which is being put forward for approval by the shareholders at the 2026 Annual General Meeting (the "2026 AGM").

2025 Annual General Meeting

The resolution to approve the 2024 Directors Remuneration Report was only supported by 34.37% of the shareholders that voted. In response, the Chair of the Board and I, in my capacity as Chair of the Committee, met with shareholders representing more than 40% of the share register to understand their perspectives and expectations, and met with shareholder representative organisations and proxy advisors.

The feedback indicated that the limited support for the Directors' Remuneration Report arose from concerns about the Committee's approach to not pro-rating the final year annual bonuses to resigning executive Directors and the accelerated vesting of crystallised entitlements under the Company's 2020 Melrose Executive Share Plan (the "2020 MESP").

Specifically, whilst most shareholders we consulted with agreed that the award of annual bonuses to the resigning executive Directors and the crystallisation of the 2020 MESP were an appropriate reflection of the Company's performance, some shareholders would have preferred that their annual bonuses were pro-rated to reflect their partial year of service, and that the vesting of their 2020 MESP nil cost options was not accelerated.

Discussions with shareholders were not limited to the response to the vote. We also discussed the renewal of the 2024 Policy and the inclusion of a cash measure in the Melrose Performance Share Plan (the "MPSP"). The feedback received to date has been valuable and has helped to shape the enclosed 2026 Policy and the way that the Committee intends to implement it, which is subject to shareholder approval at the 2026 AGM. See page 124 for further details.

2026 Policy

Following its review of the 2024 Policy, the Committee implemented minor wording changes to improve clarity in certain areas. These changes did not alter the substance of the 2024 Policy, and the Committee continues to believe that the 2024 Policy was, and remains, appropriate and supportive of the Company's long-term growth strategy.

DIRECTORS' REMUNERATION REPORT | CONTINUED

Our remuneration strategy continues to be based around four key principles – namely, that executive remuneration is simple, transparent, supports the delivery of the value creation strategy, and pays only for performance.

The remuneration strategy contained within the 2026 Policy supports the Company's shareholder value creation strategy which is underpinned by leading positions on all the world's major aircraft platforms, strong organic growth prospects within the aerospace sector, and attractive opportunities to differentiate our business through cutting-edge proprietary technology.

The Committee considers the use of external performance measures to be appropriate as they provide an objective assessment of the Company's performance relative to the market and support alignment between executive remuneration outcomes and long-term shareholder experience.

Business performance in 2025

During the year, the Company delivered revenue growth of 8%, on a like-for-like basis, adjusted operating profit growth of 23%, and an improvement in adjusted operating margin of 2.4 percentage points. Over the year, the Company defined a clear strategic framework and five-year long-term targets, marking an important step in Melrose's development as a focused aerospace and defence technology business.

Operation of the 2024 Policy during 2025

Consistent with the Company's financial performance, the annual bonus outcomes for the Chief Executive Officer and the Chief Financial Officer were 83% of their respective maximum opportunities.

No grants under the MPSP were due to vest to executive Directors in 2025 as the first award was granted in 2024.

During the year, both the Chief Executive Officer and the Chief Financial Officer received grants under the MPSP of 300% and 200% of salary respectively. The awards are subject to a mixture of financial and strategic objectives over a three-year performance period (with a further two-year post vesting holding period).

The Committee did not exercise discretion during 2025. There were no deviations from the 2024 Policy in respect of 2025, and the Committee did not apply discretion to vary the 2025 remuneration outcomes for the financial year ended in 31 December 2025 resulting from the application of the performance conditions. Full details are set out in the Annual Report on Remuneration on pages 115 to 123. The Committee is satisfied that the remuneration outcomes for the financial year ended 31 December 2025 are fair and reasonable, in light of the Company's performance during the year, and are in the best interests of the Company and shareholders.

Changes to the Board

There were a number of notable changes to the Board during the year, as outlined below. However, no changes were made to the fee rates payable to the Non-executive Directors as a result of those changes and no compensation for loss of office was paid to the Non-executive Directors that stepped down during the year.

Justin Dowley stepped down from his role as Chair of the Board on 30 March 2025, and subsequently from the Board on 31 March 2025. Chris Grigg succeeded Justin as Chair of the Board. Following a review by the Committee, the Company Chair fee was maintained at £434,500.

Additionally, with his tenure coming to an end, David Lis stepped down from his position as Non-executive Director on 31 December 2025.

I was appointed to the Board on 19 May 2025, and succeeded David Lis in his role as Chair of the Committee. On 1 October 2025, I was also appointed to the role of Senior Independent Director in replacement of David. Guy Hachey was appointed to the Board on 18 August 2025.

Since the end of the year, the Board appointed Mary Petryszyn with effect from 26 January 2026. Mary has significant aerospace and defence expertise, including in her former role as Corporate Vice President and President of Defence Systems for Northrop Grumman.

On 1 December 2025, the Company announced that Matthew Gregory, Chief Financial Officer, intended to retire and will step down from his position in 2026. Following a thorough selection process, the Board appointed Ross McCluskey to succeed Matthew. Ross will join the Company as Chief Financial Officer and an executive Director of the Board on 5 May 2026. Matthew will remain with Melrose during 2026 to ensure a seamless transition and to support the Company as needed.

During the year, the Committee considered the remuneration arrangements for the Chief Financial Officer in the context of his planned retirement in 2026 and his decision to step down from the Board on 5 May 2026.

The Chief Financial Officer will receive a salary increase of 3% for 2026, consistent with the wider UK workforce. All other contractual benefits will remain unchanged until his contractual notice period ends on 30 November 2026.

The Committee also reviewed the treatment of the Chief Financial Officer's annual bonus arrangements. Consistent with the 2024 Policy, and Matthew's retirement with the agreement of the Company qualifying for good-leaver treatment, he will remain eligible for a bonus in respect the financial year ended 31 December 2026. Any such payment will be determined by reference to the applicable performance measures and will be prorated to reflect the period of active service, which is anticipated to end on or around 31 July 2026 following completion of transitional responsibilities to his successor and the release of the Company's interim results.

The Committee determined that Matthew will not be granted an award under the Melrose Performance Share Plan (the "MPSP") in 2026. His 2024 and 2025 MPSP awards will continue to be governed by the 2024 Policy, the applicable plan rules and good-leaver provisions. In accordance with those provisions, pro-ration will be applied to these awards to 30 November 2026 (being the end of Matthew's contractual notice period), with any portion remaining subject to the original performance conditions and vesting only at the end of the relevant performance periods.

The Committee considers the above approach to be appropriate and consistent with the 2024 Policy.

The Committee approved the remuneration arrangements for the appointment of Ross McCluskey. In determining the overall package, the Committee was mindful of market practice, internal relativities and the need to recruit a candidate of the appropriate calibre. As part of the appointment, the Committee agreed compensation in respect of incentives forfeited on leaving his previous employer, structured so far as possible on a like-for-like basis, and aligned to the Company's 2024 Policy and the intended 2026 Policy, including their performance conditions, vesting horizons and shareholding requirements. No elements were provided that were unrelated to forfeited awards. Further details regarding his remuneration can be found on page 122.

Conclusion

As outlined above, the Committee continues to take an active interest in shareholders' views and looks forward to maintaining an open and transparent dialogue in the future.

The Directors' Remuneration Report will be put to an advisory vote, and the 2026 Policy will be put to a binding vote, at the 2026 AGM. We encourage you to provide your support for both resolutions at the 2026 AGM.

Alison Goligher
Chair, Remuneration Committee

27 February 2026

Annual Report on Remuneration

The Directors' Remuneration Report will be subject to an advisory vote at the 2026 Annual General Meeting ("2026 AGM").

Committee membership and attendance at meetings

All members of the Remuneration Committee (the "Committee") are independent Non-executive Directors within the definition of the Code. None of the Committee members have any personal financial interest (other than as shareholders in the Company) in matters to be decided, nor do they have any conflicts of interest from cross-directorships or any day-to-day involvement in running the business.

KEY ACTIVITIES

The Board has delegated to the Committee responsibility for overseeing the remuneration of the Chair of the Board and the executive Directors.

The Committee responsibilities include:

- establishing and maintaining an executive Directors' Remuneration Policy that is appropriate, consistent and reflective of Melrose's remuneration philosophy;
- determining the remuneration policy for the executive Directors;
- setting remuneration for the Chair of the Board, the executive Directors, and the next level of senior management in accordance with the Directors' Remuneration Policy; and
- operating the Company's long-term incentive arrangements.

As described above, the Committee is responsible for making recommendations to the Board on the framework or broad policy for the Remuneration of the Chair of the Board and the executive Directors. Additionally reviewing workforce remuneration and related policies, and the alignment of incentives and rewards with culture, taking these into account when setting the Directors' Remuneration Policy. The Chief Executive Officer is responsible for setting the senior management team's remuneration (upon approval from the Committee), and the senior management team is responsible for engaging with the wider workforce in relation to remuneration. Responsibility for determining the remuneration of the Non-executive Directors (other than the Chair of the Board) sits with the Board. No Director plays a part in any decision about his or her own remuneration.

The Committee's Terms of Reference, which were last reviewed by the Committee in November 2025, are available on our website, www.melroseplc.net/governance/documents-and-policies, and from the Company Secretary at Melrose's registered office.

Remuneration at a glance

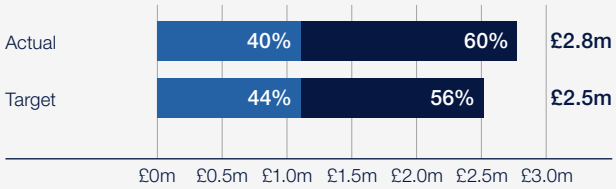
The Company's remuneration strategy is simple, transparent, performance-linked, and supports value creation, and is fully aligned to the Company's growth strategy.

These principles fully reflect the 2024 UK Corporate Governance Code (the "Code") and guided the implementation of the Directors' Remuneration Policy and its application to executive Directors in 2025.

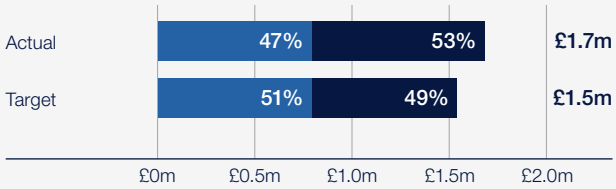
The following pages show how we have applied our 2024 Directors' Remuneration Policy (the "2024 Policy") during 2025 and disclose all elements of remuneration received by our executive Directors.

2025 Total remuneration

Peter Dilnot

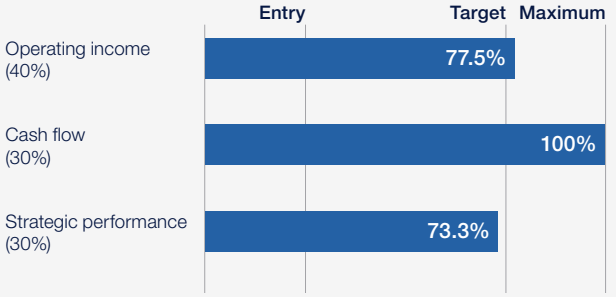


Matthew Gregory



- Fixed pay – salary, benefits and pension allowance
- Performance pay – annual bonus and Melrose Performance Share Plan (the "MPSP")

2025 Annual bonus 83%



Long Term Incentive

There were no long-term incentive awards that were due to vest in 2025. The Melrose Automotive Share Plan which was approved by shareholders on 30 March 2023, expired on 31 May 2025 with no value payable to its participants. The first MPSP vesting is due to take place in 2027.

Single total figure of remuneration for the Directors for the 2025 financial year (audited)

The following chart summarises the single figure of remuneration for 2025 in comparison with 2024 for executive and Non-executive Directors.

Executive Director	Period	Total salary and fees £000[1]	Taxable benefits £000[2]	Bonus £000[3]	Long Term Incentive £000	Pension £000[2]	Total £000[4]	Total Fixed £000[4]	Total Variable £000[4]
Peter Dilnot[5]	2025	1,004	3	1,667	–	100	**2,774**	**1,107**	**1,667**
	2024	890	3	1,467	42,963[6]	94	**45,416**	**986**	**44,430**
Matthew Gregory[7]	2025	716	3	891	–	72	**1,681**	**790**	**891**
	2024	567	2	740	–	57	**1,366**	**626**	**740**
Non-executive Director									
Chris Grigg[8]	2025	362	–	–	–	–	**362**	**362**	–
	2024	23	–	–	–	–	**23**	**23**	–
Alison Goligher[9]	2025	75	–	–	–	–	**75**	**75**	–
	2024	–	–	–	–	–	–	–	–
Charlotte Twyning[10]	2025	97	–	–	–	–	**97**	**97**	–
	2024	116	–	–	–	–	**116**	**116**	–
Gillian Elcock	2025	93	–	–	–	–	**93**	**93**	–
	2024	91	–	–	–	–	**91**	**91**	–
Ian Barkshire[11]	2025	93	–	–	–	–	**93**	**93**	–
	2024	23	–	–	–	–	**23**	**23**	–
Heather Lawrence	2025	123	–	–	–	–	**123**	**123**	–
	2024	121	–	–	–	–	**121**	**121**	–
Guy Hachey[12]	2025	43	–	–	–	–	**43**	**43**	–
	2024	–	–	–	–	–	–	–	–
David Lis[13]	2025	116	–	–	–	–	**116**	**116**	–
	2024	131	–	–	–	–	**131**	**131**	–
Justin Dowley[14]	2025	109	–	–	–	–	**109**	**109**	–
	2024	422	–	–	–	–	**422**	**422**	–

(1) Salary and fees shown above are inclusive of additional fees for holding the Chairmanship of the Audit Committee, the Remuneration Committee and the Nomination Committee, and for holding the position of the Senior Independent Director. There are no additional fees payable for membership of a committee. All of our Non-executive Directors are members of at least one committee.
(2) All amounts attributable to pension contributions were paid as a supplement of 10% of base salary in lieu of pension arrangements except for £10,000 per annum in respect of Matthew Gregory which is paid into his pension scheme. Additionally executive Directors are provided with the following benefits: Group income protection; private medical insurance with family level cover; life assurance cover of four to eight times basic salary.
(3) If an executive Director does not satisfy the minimum shareholding requirement, up to 50% of any bonus award after tax will be used to acquire shares to the extent necessary to enable the executive Director to meet his or her minimum shareholding requirement.
(4) The 'Total' figures in the above table may not add up to the sum of the component parts due to rounding.
(5) Peter Dilnot was appointed as Chief Executive Officer on 6 March 2024, prior to which he served on the Board as Chief Operating Officer. Figures in the above table reflect his combined remuneration in respect of 2024 in both roles, including in respect of annual bonus which was governed by the bonus scheme applying to Peter's role as Chief Operating Officer for the period from 1 January 2024 to 5 March 2024 and by the bonus scheme applying to Peter's role as Chief Executive Officer for the period from 6 March 2024 to 31 December 2024.
(6) The 2020 Melrose Executive Share Plan (the "2020 MESP") crystallised on 31 May 2024. The value included in the above table is calculated in accordance with the applicable regulations based on a closing share price of 615.8p on the crystallisation date. These amounts were paid in shares and nil cost options over shares exercisable in 2025 and 2026, except for an amount of cash equal to Peter Dilnot's tax liabilities on the transfer or exercise of nil cost options which was withheld by the Company to satisfy those liabilities. Of Peter's total entitlement, approximately 24% was satisfied in shares, approximately 21% was settled in cash to satisfy tax liabilities, and the balance of approximately 55% was satisfied by the grant of nil cost options. Further details in relation to the crystallisation of the 2020 MESP are set out on pages 142 and 143 of the Company's 2024 Annual Report and Financial Statements.
(7) Matthew Gregory was appointed as an executive Director on 7 March 2024. The amounts included in the single figure of remuneration for 2024 for Matthew relate to the period following his appointment. He did not participate in the 2020 MESP.
(8) Chris Grigg was appointed as a Non-executive Director of the Company on 1 October 2024 and as Chair of the Board and Chair of the Nomination Committee on 30 March 2025. The fees referred to above for 2024 reflect fees for the period 1 October 2024 to 31 December 2024 and the fees referred to above for 2025 additionally reflect fees as Chair of the Board and Chair of the Nomination Committee from 30 March 2025 to 31 December 2025.
(9) Alison Goligher was appointed to the Board on 19 May 2025, and also succeeded David Lis in his role as Chair of the Remuneration Committee. On 1 October 2025, Alison was appointed to the role of Senior Independent Director in replacement of David. The fees referred to above for 2025 reflect fees for the period 19 May 2025 to 31 December 2025.
(10) Charlotte Twyning stepped down as Chair of the Nomination Committee on 30 March 2025. During 2024, she also received a one-off fee of £10,000 for additional services provided in her role as Chair of the Nomination Committee as further described on page 138 of the Company's 2024 Annual Report and financial statements.
(11) Ian Barkshire was appointed as a Non-executive Director of the Company on 1 October 2024 and the fees referred to above for 2024 reflect fees for the period 1 October 2024 to 31 December 2024.
(12) Guy Hachey was appointed to the Board on 18 August 2025 and the fees referred to above for 2025 reflect fees for the period 18 August 2025 to 31 December 2025.
(13) David Lis stepped down as Chair of the Remuneration Committee on 19 May 2025, Senior Independent Director on 1 October 2025, and stepped down from the Board on 31 December 2025.
(14) Justin Dowley stepped down as Chair of the Board on 30 March 2025 and stepped down from the Board on 31 March 2025.

Chief Executive Officer pay ratio

This marks the seventh year of publishing our Chief Executive Officer pay ratio. We have opted for Option A in the regulations, utilising full-time equivalent pay and benefits for all UK employees in 2025. This choice ensures a more accurate portrayal of the Chief Executive Officer's compensation relative to the broader UK workforce.

Financial year	25th percentile	50th percentile	75th percentile
Salary and wages	£39,000	£47,000	£56,000
Total pay and benefits	£42,358	£53,329	£65,068
Year ended 31 December 2025	65:1	52:1	43:1
Year ended 31 December 2024[1]	1,403:1	1,112:1	907:1
Year ended 31 December 2024 excluding 2020 MESP	60:1	47:1	39:1
Year ended 31 December 2023	32:1	25:1	21:1
Year ended 31 December 2022	32:1	26:1	20:1
Year ended 31 December 2021	34:1	29:1	23:1
Year ended 31 December 2020	20:1	16:1	13:1
Year ended 31 December 2019	30:1	24:1	19:1

(1) The significant increase in the ratio for 2024 results from the crystallisation of the 2020 MESP, details of which are set out on pages 142 and 143 of the Company's 2024 Annual Report and financial statements.

DIRECTORS' REMUNERATION REPORT | CONTINUED

The salaries for employees at specified percentiles represent typical compensation for operational roles, including Fabricator, Commodity Buyer, and Inspector. Primarily fixed, these roles have minimal performance-linked components. Ratios are calculated using the Chief Executive Officer's total remuneration for 2025, outlined in the single figure table. The Committee keeps the pay ratio under regular review and considers it alongside wider workforce pay data as part of its ongoing oversight of remuneration outcomes. The decrease in the Chief Executive Officer pay ratio in 2025 compared with the prior year primarily reflects no vesting of a long-term incentive programme in 2025, rather than changes in UK employee pay levels or the Company's employment model.

31 December 2025 was set as the effective date for determining the three percentile employees. The Committee considers that the median pay ratio is consistent with the relative role and responsibilities of the Chief Executive Officer and the identified employees. Base salaries of all employees, including our executive Directors, are set with reference to a range of factors, including market practice, experience and performance in role.

Annual bonus (audited)

The 2025 annual bonus structure has operated on a consistent basis to last year for executive Directors, and in accordance with the 2024 Policy. The Committee awarded the Chief Executive Officer and the Chief Financial Officer a bonus of 83% of their maximum bonus opportunity based on 2025 performance. The 2024 Policy has been applied such that the maximum annual bonus opportunity was 200% of base salary for the Chief Executive Officer and 150% of base salary for the Chief Financial Officer. In accordance with the terms of the 2024 Policy, 50% of the 2025 bonus (post-tax) payment to Matthew Gregory will be required to be deferred into shares. Such shares will be subject to leaver and clawback conditions. No further performance conditions will apply.

The full breakdown of the award calculation is set out below.

Financial Objectives	Weighting	Threshold	Target	Maximum	Actual Performance	% of overall bonus payable
Operating profit (as a % of target)[1]	40%	90%	100%	105%	101%	31%
Cash generated after interest and tax (as a % of target)[1]	30%	90%	100%	105%	105%	30%
% of element that is payable		25%	70%	100%		
Financial Objectives sub-total outturn:						61%

(1) Targets and actual performance adjusted to reflect the impact of disposals made during the year, removing post disposal actual and budgeted profit and cashflow in each case.

The balance of the performance measures for the 2025 annual bonus were intended to align with the Melrose growth strategy. In particular, the metrics were designed to provide a balanced alignment with our goals of generating sustainable, profitable growth and strong cash generation. The Committee did not seek to exercise any discretion to alter this.

With respect to the strategic element (representing 30% of total opportunity), having given detailed and thorough consideration to each of the strategic objectives and management's performance against them during 2025, the Committee determined that not all the strategic objectives had been fully met during 2025 and therefore that the strategic elements should be awarded at 22% of the total bonus opportunity. Full disclosure of the strategic objectives and the Committee's determination in respect of performance against them is provided below.

Strategic Objectives (30%)		Percentage of maximum bonus earned
Build a world-class aerospace leadership team	Successful progress has been made in building a world-class aerospace leadership team, with solid advancements in succession and development planning, strong levels of employee engagement, and progress in female representation, while recognising that continued focus will further strengthen outcomes.	4% of 5%
Drive improved operational efficiencies and performance	Productivity improved, albeit slightly below target, while supply chain challenges adversely impacted inventory performance, with days inventory outstanding increasing slightly and not meeting the threshold.	1.5% of 5%
Continue to promote and embed the new Melrose equity case internally and among the wider investor base	Great progress has been made in promoting and embedding the Melrose equity case, including the launch of new strategic targets, completion of the aerospace capital markets transition, and notable growth of the US-investor base with new long-term and blue chip US holders on the share register.	4% of 5%
Complete restructuring and portfolio improvements	Substantial progress has been achieved in completing restructuring and portfolio initiatives, implementation of civil and defence cost reductions, and execution of key site level improvements, with remaining activities continuing to progress.	4% of 5%
Deliver targeted growth opportunities	Significant progress has been made in delivering customer-funded contracts to support growth in emerging market sectors, including military uncrewed systems, together with major developments in additive fabrication. This includes the installation of a new production line within the Engines division at the Newington, Connecticut facility and the expansion of additive manufacturing capacity in both Sweden and Norway.	5% of 5%
Deliver IT/cyber improvements and risk mitigation actions	Good progress has been made in strengthening core systems and controls, and the implementation of the planned Enterprise Resource Planning ("ERP") upgrade remains on track. A robust cyber security framework was maintained during the year, including enhanced penetration testing and employee training, although further work is required to strengthen reactive and crisis response plans.	3.5% of 5%
Strategic Objectives sub-total		22% of 30%
Total annual bonus for 2025		**83%**

In aggregate, the awards made in respect of the financial and strategic elements equalled 83% of the total bonus opportunity for the year. The Committee considers that the payout is consistent with the wider stakeholder experience, including employees.

In determining the 2025 annual bonus award, the Committee was mindful of the macroeconomic environment impacting the global economy, and aware of the guidance published by the Investment Association setting out the issues that remuneration committees should consider as they assess 2025 remuneration outcomes and set remuneration for 2026. In light of the Company's performance during 2025, the Committee believes that the annual bonus awarded for 2025 is appropriate and in line with that guidance.

Long-term incentive arrangements vested in 2025 (audited)

There were no long-term incentive grants that were due to vest in 2025.

Long-term incentive arrangements granted in 2025 (audited)

The following nil cost options were granted under the Melrose Performance Share Plan ("MPSP") to executive Directors on 21 March 2025:

	Grant date	Nature of interest	Number of shares at 31 December 2025	Subject to performance conditions	Value on grant date £000[1]	Performance period end	Vesting date	End of holding period
Peter Dilnot	21-Mar-25	Nil cost option	567,059	567,059	3,012	31-Dec-27	21-Mar-28	21-Mar-30
Matthew Gregory	21-Mar-25	Nil cost option	269,479	269,479	1,431	31-Dec-27	21-Mar-28	21-Mar-30

(1) For these purposes, the value of a nil cost option granted under the 2025 MPSP is 531.32 pence, being the average closing price over the five dealing days preceding grant in accordance with the MPSP rules for determining the number of nil cost options granted.

2025 MPSP Conditions	% of total	Threshold	Target	Stretch
Percentage of part of award that vests		**25%**	**70%[1]**	**100%**
Growth in adjusted EPS vs 2024 (CAGR)	45%	13.3%	17.3%	20.3%
Relative total shareholder return performance measured against the constituents of the FTSE 100 Index (excluding investment trusts) over the period from 2025 to 2027	45%	Median	n/a	Upper quartile
Strategic objectives – reduction in quality escapes over 2025 to 2027 vs 2024 baseline results	5%	20% reduction	n/a	35% reduction
Strategic objectives – reduction in Scope 1 & 2 Emissions Intensity over 2025 to 2027 vs 2024 reported emissions	5%	28% reduction	n/a	35% reduction

(1) Where a target level of performance is specified, 70% of that part of the award will vest with straight line vesting between threshold and target and target and stretch. In other cases, vesting occurs on a straight line basis between threshold and stretch.

Directors' shareholdings (audited)

The beneficial interests of the current Directors in office and their connected persons at the end of the year, in the issued ordinary share capital of the Company were as follows:

	Shares beneficially held on 31 Dec 2024	Shares beneficially held on 31 Dec 2025	Options subject to performance conditions[1]	Deferred into shares[2]	2020 MESP Nil Cost Options[3]	Current shareholding as a % of salary[4]	Shareholding requirement
Executive Directors							
Peter Dilnot	1,708,848	3,374,362[5]	839,692	n/a	775,191	2,029%	300%
Matthew Gregory	26,410	63,279[2]	399,038	36,869	n/a	53%	300%
Non-executive Directors							
Chris Grigg	n/a	45,736	n/a	n/a	n/a	n/a	n/a
Alison Goligher	n/a	20,000	n/a	n/a	n/a	n/a	n/a
Heather Lawrence	7,500	7,500	n/a	n/a	n/a	n/a	n/a
Charlotte Twyning	42,986	42,896	n/a	n/a	n/a	n/a	n/a
Gillian Elcock	3,680	3,680	n/a	n/a	n/a	n/a	n/a
Ian Barkshire	17,000	17,000	n/a	n/a	n/a	n/a	n/a
Guy Hachey	n/a	27,000	n/a	n/a	n/a	n/a	n/a
David Lis[6]	70,000	n/a	n/a	n/a	n/a	n/a	n/a
Justin Dowley[7]	519,215	n/a	n/a	n/a	n/a	n/a	n/a

Note: The interests of each Director listed in the table includes any ordinary shares held by a person closely associated with that Director within the meaning of the EU Market Abuse Regulation, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

(1) Relates to the 2024 and 2025 MPSP grants.
(2) 50% of Matthew Gregory's 2024 annual bonus (post-tax) was used to purchase 36,869 ordinary shares in the Company, on 24 March 2025 at a share price of 528.44 pence per share, with a total face value of £194,830.54. These form part of the 63,279 shares beneficially held which are subject to continued service and are required to be held for three years, however are not performance related, but will be counted towards the post-employment shareholding requirements.
(3) Vested and unexercised options in respect of the 2020 Melrose Executive Share Plan (the "2020 MESP").
(4) Share price used to calculate current shareholdings as a % of salary is the closing average of the last three months of 2025, being 603.73 pence.
(5) Includes 3,114,036 shares related to the vested 2020 MESP exercised on 14 November 2025 at 621.2 pence per share.
(6) David Lis stepped down from the Board on 31 December 2025.
(7) Justin Dowley stepped down from the Board on 31 March 2025.

Executive Directors are required to build up a shareholding worth 300% of salary, within five years of serving as an executive Director. Salary is the prevailing annual salary for the year ended 31 December 2025. No executive Director may dispose of any ordinary shares without the consent of the Chair of the Board, which will not normally be withheld unless prohibited under applicable law or regulation and provided the executive Director will continue to hold at least the 'minimum number' of ordinary shares referred to in the table above following any such disposal.

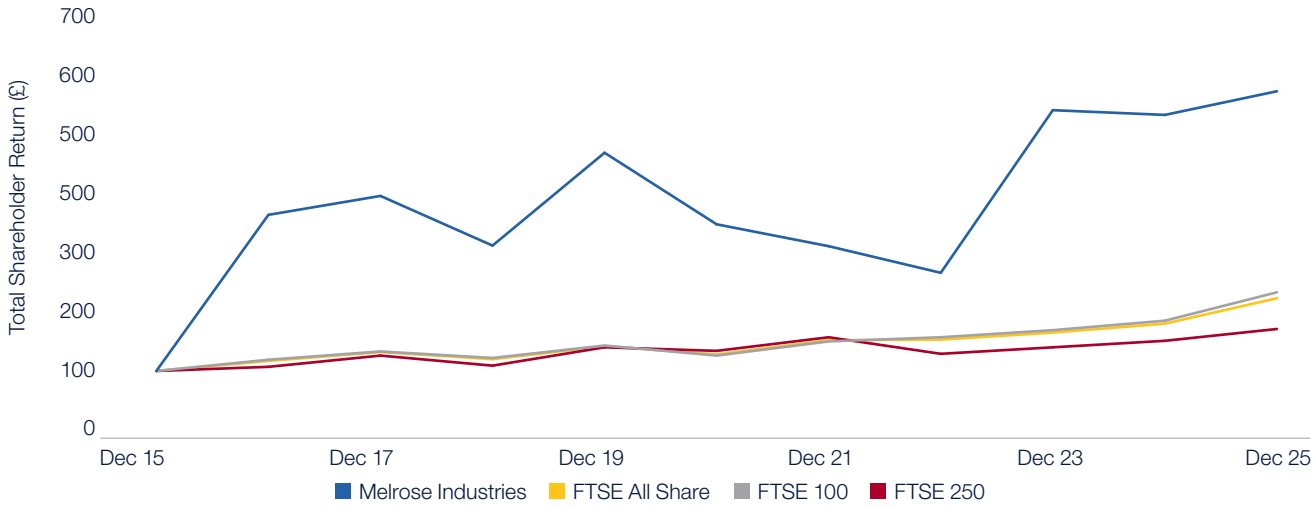
The Company operates a formal post-employment shareholding policy, under which executive Directors are required to retain a specified level of Company shares for a defined period following cessation of employment, reinforcing alignment with shareholders beyond the end of executive service (see page 125 for further details).

There have been no changes in the Directors' interests between 31 December 2025 and the date of this Directors' Remuneration Report.

Total Shareholder Return

The total shareholder return graph below shows the value as at 31 December 2025 of £100 invested in the Company on 31 December 2015 compared with £100 invested in the FTSE 100 Index, the FTSE 250 Index and the FTSE All-Share Index. This shows a TSR of 473% (compared to the FTSE 100 Index TSR of 133%) and demonstrates very clearly the long-term performance of the Company.

The Committee considers the FTSE 100 Index, the FTSE 250 Index and the FTSE All-Share Index to be appropriate indices for the year ended 31 December 2025 for the purposes of this comparison because of the comparable size of the companies which comprise the FTSE 100 Index and the FTSE 250 Index and the broad nature of companies which comprise the FTSE All-Share Index. The data shown below assumes that all cash returns to shareholders made by the Company during this period are reinvested in ordinary shares.



Chief Executive Officer remuneration table

Financial year	Chief Executive Officer	Non-LTIP £000	LTIP £000	Total remuneration £000	Annual bonus as a percentage of maximum opportunity	Long-term incentives as a percentage of maximum opportunity
Year ended 31 December 2025	Peter Dilnot	2,774	–	2,774	83%	–
Year ended 31 December 2024[1]	Peter Dilnot	2,454	42,963[2]	45,416	86%	n/a[3]
	Simon Peckham	249	57,283[2]	57,533	100%	n/a[3]
Year ended 31 December 2023	Simon Peckham	1,256	–	1,256	95%	–
Year ended 31 December 2022	Simon Peckham	1,221	–	1,221	100%	–
Year ended 31 December 2021	Simon Peckham	1,186	–	1,186	100%	–
Year ended 31 December 2020	Simon Peckham	680	–[4]	680	20%	n/a[5]
Year ended 31 December 2019	Simon Peckham	976	–	976	72%	–
Year ended 31 December 2018	Simon Peckham	1,049	–	1,049	95%	–
Year ended 31 December 2017	Simon Peckham	994	41,770[6]	42,764	90%	n/a[7]
Year ended 31 December 2016	Simon Peckham	988	–	988	95%	–

(1) In the year ended 31 December 2024, Simon Peckham was Chief Executive Officer for the period from 1 January 2024 until 6 March 2024 and stepped down as an executive Director on 7 March 2024. Peter Dilnot was Chief Executive Officer for the period from 6 March 2024 onwards. In the table above, the 'total remuneration' figure shows Simon's total remuneration in respect of his service in the period from 1 January 2024 to 7 March 2024 and for Peter, his total remuneration in respect of his service in the period from 6 March 2024 to 31 December 2024 and as such there is an overlap on 6 and 7 March 2024. Included in the table above for each of Simon and Peter is the total value of the long-term incentives vesting in the year on crystallisation of the 2020 MESP.

(2) The values derived in 2024 from the 2020 MESP represent the relevant executive Director's share, determined in accordance with the terms of the plan, of the shareholder value created over a period of four years. These amounts were paid in shares and nil cost options over shares, not cash, except for an amount of cash equal to the relevant executive Director's tax liabilities which was withheld by the Company to satisfy those liabilities. Of Peter's total entitlement, approximately 24% was satisfied in shares, approximately 21% was settled in cash to satisfy tax liabilities, and the balance of approximately 55% was satisfied by the grant of nil cost options.

(3) On the crystallisation of the 2020 MESP on 31 May 2024, participants as a whole were entitled to 7.5% of the increase in invested capital above a 5% annual charge (and subject to adjustment for returns to shareholders during the performance period), measured at the end of a four-year performance period. Because the value derived on the crystallisation of the 2020 MESP depended upon the shareholder value created over the relevant period, it is not possible to express the value derived as a percentage of the maximum opportunity.

(4) The 2017 Incentive Plan crystallised in May 2020 for no value.

(5) Although the 2017 Incentive Plan crystallised in May 2020 for no value, because the value that would have been derived on the crystallisation of the 2017 Incentive Plan and options depended upon the shareholder value created over a three-year performance period, it would not have been possible to express the value derived as a percentage of the maximum opportunity.

(6) The value derived in 2017 from the 2012 Incentive Plan represents the Chief Executive Officer's shares, determined in accordance with the terms of those shares, of the shareholder value created over a period of approximately five years. This amount was paid in shares, not cash, except for an amount of cash equal to the relevant executive Director's tax liabilities which was withheld by the Company to satisfy those liabilities.

(7) On the crystallisation of the 2012 Incentive Plan in May 2017, participants as a whole were entitled to 7.5% of the increase in shareholder value from 22 March 2012 to 31 May 2017. Because the value derived on the crystallisation of the 2012 Incentive Plan depended upon the shareholder value created over the relevant period, it is not possible to express the value derived as a percentage of the maximum opportunity.

DIRECTORS' REMUNERATION REPORT | CONTINUED

Year-on-year change in pay for Directors compared to the average of employees

The table below shows the percentage change in Directors' remuneration and average remuneration of employees from the year ended 31 December 2020 to the year ended 31 December 2025.

	2025 vs 2024			2024 vs 2023			2023 vs 2022			2022 vs 2021			2021 vs 2020		
Element of remuneration	Basic salary/fee percentage change[1]	Benefits percentage change/ amount £000[2]	Annual bonus percentage change[3]	Basic salary/fee percentage change[1]	Benefits percentage change/ amount £000[2]	Annual bonus percentage change[3]	Basic salary/fee percentage change[1]	Benefits percentage change/ amount £000[2]	Annual bonus percentage change[3]	Basic salary/fee percentage change[1]	Benefits percentage change/ amount £000[2]	Annual bonus percentage change[3]	Basic salary/fee percentage change[1]	Benefits percentage change/ amount £000[2]	Annual bonus percentage change[3]
Executive Directors															
Peter Dilnot[4]	12%	(13)% / 2	13%	83%	17% / 3	217%	5%	22% / 2	0%	3%	(88)% / 2	3%	–	– / 15	–
Matthew Gregory	26%	29% / 2	20%	n/a	n/a / 2	n/a	–	–	–	–	–	–	–	–	–
Christopher Miller[5]	–	–	–	(80)%	(80)% / 0	n/a	5%	33% / 2	n/a	3%	15% / 2	n/a	12%	(30)% / 2	n/a
Simon Peckham[5]	–	–	–	(80)%	(80)% / 1	(80)%	5%	263% / 4	0%	3%	(45)% / 1	3%	12%	(26)% / 2	415%
Geoffrey Martin[5]	–	–	–	(80)%	(80)% / 2	(80)%	5%	18% / 14	0%	3%	31% / 12	3%	14%	(6)% / 9	422%
Non-executive Directors															
Chris Grigg[6]	1,472%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Justin Dowley[7]	(74)%	n/a	n/a	5%	n/a	n/a	5%	n/a	n/a	3%	n/a	n/a	12%	n/a	n/a
David Lis[8]	(11)%	n/a	n/a	3%	n/a	n/a	5%	n/a	n/a	16%	n/a	n/a	10%	n/a	n/a
Charlotte Twyning[9]	(16)%	n/a	n/a	14%	n/a	n/a	4%	n/a	n/a	22%	n/a	n/a	12%	n/a	n/a
Heather Lawrence[10]	2%	n/a	n/a	4%	n/a	n/a	14%	n/a	n/a	119%	n/a	n/a	–	–	–
Gillian Elcock[11]	2%	n/a	n/a	110%	n/a	n/a	–	–	–	–	–	–	–	–	–
Ian Barkshire[12]	305%	n/a	n/a	–	–	–	–	–	–	–	–	–	–	–	–
Alison Goligher[13]	–	n/a	n/a	–	–	–	–	–	–	–	–	–	–	–	–
Guy Hachey[13]	–	n/a	n/a	–	–	–	–	–	–	–	–	–	–	–	–
Senior employees[14]	**9%**	**35%**	**13%**	**11%**	**11%**	**(21)%**	**8%**	**10%**	**8%**	**4%**	**2%**	**2%**	**6%**	**92%**	**167%**

(1) The annual percentage change is required to be calculated by reference to actual basic salary or fees (as applicable) paid for the financial year compared to that paid for the prior financial year. For the Non-executive Directors, this fee includes both their basic fee and any additional fee received for holding the position of Senior Independent Director, and/or the Chair of the Audit Committee, the Remuneration Committee and/or the Nomination Committee.

(2) Benefits data is calculated on the same basis as the benefits data in the single total figure table. It does not include any pension allowances. Given that executive Director benefits are minimal, a small change to the amount of those benefits (for example, an annual increase to the premium charged for private medical insurance) will necessarily result in a large increase. To provide comfort that these are not large increases in quantum, the benefits data as provided in the single total figure table is included, for context.

(3) The annual percentage change in bonus is calculated by reference to the bonus payable in respect of the financial year compared to the prior financial year, in each case for the applicable executive Directors and senior employees. None of the Non-executive Directors are eligible to receive an annual bonus.

(4) Peter Dilnot was appointed as Chief Executive Officer on 6 March 2024, prior to which he served as Chief Operating Officer and accordingly the comparison between 2024 and 2023 is in respect of different roles, so is not a meaningful comparison.

(5) Christopher Miller, Simon Peckham and Geoffrey Martin resigned from the Board on 7 March 2024 and received salary and benefits in their capacity as Directors in respect of part of the year only. As such, comparisons between 2024 and 2023 are not meaningful.

(6) Chris Grigg was appointed as a Non-executive Director of the Company on 1 October 2024 and as Chair of the Board and Chair of the Nomination Committee on 30 March 2025. The fees referred to above for 2024 reflect fees for the period 1 October 2024 to 31 December 2024. The fees referred to above for 2025 additionally reflects fees as Chair of the Board and Chair of the Nomination Committee from 30 March 2025 to 31 December 2025.

(7) Justin Dowley stepped down as Chair of the Board on 30 March 2025 and subsequently stepped down from the Board on 31 March 2025.

(8) David Lis was appointed as Senior Independent Director on 5 May 2022. The increase in his basic fee from 2021 to 2022 reflects the additional fee received in respect of being appointed to this role for the period 5 May 2022 to 31 December 2022 which was not applicable to 2021, so is not a meaningful comparison. David was succeeded by Alison Goligher, as Chair of the Remuneration Committee, on 19 May 2025. He ceased to be Senior Independent Director on 1 October 2025.

(9) Charlotte Twyning received an additional payment of £10,000 in 2024 for services provided in addition to her regular activities as a Non-executive Director and Chair of the Nomination Committee. As such, the comparison between 2024 and 2023 is not like-for-like. Charlotte was appointed as Chair of the Nomination Committee on 1 January 2022. The increase in her basic fee from 2021 to 2022 reflects the additional fee received in respect of being appointed to this role for 2022 which was not applicable to 2021, so is not a meaningful comparison. Subsequently she stepped down as Nomination Committee Chair on 30 March 2025.

(10) Heather Lawrence was appointed to the Board on 1 June 2021, and as Chair of the Audit Committee on 5 May 2022. The increase in her basic fee from 2021 to 2022 reflects the fee actually received for the pro-rated period of directorship in 2021 for the period 1 June 2021 to 31 December 2021 vs a full year for 2022, and reflects the additional fee received in respect of being appointed to the role of Chair of the Audit Committee for the period 5 May 2022 to 31 December 2022 which was not applicable to 2021, so is not a meaningful comparison.

(11) Gillian Elcock was appointed to the Board on 21 June 2023 and therefore received a pro-rated fee for 2023 reflecting part-year service only; accordingly, a comparison between 2024 and 2023 is not meaningful.

(12) Ian Barkshire was appointed to the Board on 1 October 2024. The increase is reflective of having worked a full year in 2025 vs part year in 2024.

(13) Alison Goligher and Guy Hachey were appointed to the Board on 19 May 2025 and 18 August 2025 respectively, and as such no prior-year comparison is available.

(14) Senior employees comprises members of the Company's Executive Committee and their direct reports, excluding the Chief Executive Officer and support staff.

Relative importance of spend on pay

The following table sets out the percentage change in dividends and the overall expenditure on pay (as a whole across the Group):

Expenditure	Year ended 31 December 2024 £ million	Year ended 31 December 2025 £ million	Percentage change
Remuneration paid to all employees[1]	1,013	961	-5.0%
Distributions to shareholders by way of dividend and share buyback	498[2]	254[3]	-49.0%

(1) The figure is the total staff costs as stated in note 7 to the financial statements.
(2) The figure for the year ended 31 December 2024 includes the amount returned to shareholders by way of share buyback in 2024.
(3) The figure for the year ended 31 December 2025 includes the amount returned to shareholders by way of share buyback in 2025.

Payments for loss of office (audited) and Payments to past Directors (audited)

David Lis received total remuneration of £116,000 in respect of fees for the period prior to his departure from the Board. Justin Dowley received total remuneration of £109,000, comprising fees payable for the period up to the cessation of his directorship. No other payments of remuneration were paid to either individual during the year.

There have been no payments for loss of office made to any past Directors.

Executive Director contracts and Non-executive Director letters of appointment

The executive Directors have open-ended contracts containing 12 months' notice periods with their reappointment being confirmed annually at the AGM. The Chair of the Board and Non-executive Directors do not have service contracts, instead they have letters of appointment for an initial period of three years which may be terminated upon one to six months' notice. The executive Directors' service contracts and the Non-executive Directors' letters of appointment are available for inspection at the Company's registered office during normal business hours.

Implementation of policy for the year ending 31 December 2026

For the year ending 31 December 2026, the Company will implement the 2026 Directors' Remuneration Policy (the "2026 Policy") subject to approval by shareholders at the 2026 Annual General Meeting (the "2026 AGM"). Executive Directors' remuneration will continue to comprise a combination of fixed pay and performance-related variable remuneration, with performance measures and outcomes aligned to the Company's strategic priorities and long-term shareholder interests. The Committee will operate the 2026 Policy in accordance with its stated principles, including the application of malus and clawback, discretion where appropriate, and compliance with relevant regulatory and governance requirements.

Salary

Basic salary for each executive Director is determined by the Committee, taking into account the role, responsibilities, performance, experience of the individual, and market movement. Any salary change is effective in April each year going forward. We are awarding the Chief Executive Officer and Chief Financial Officer a 3% increase, in line with the wider UK workforce.

	Peter Dilnot	Matthew Gregory
Annual salary effective from 1 April 2026	£1,034,429	£737,377

Benefits

Executive Directors are provided with the following benefits: group income protection; private medical insurance with family level cover; life assurance cover of four to eight times basic salary.

Pension

In line with best practice, the executive Directors' pension contributions are aligned with the wider workforce at 10% of salary from appointment.

2026 Annual bonus

Under the terms of the annual bonus arrangements for 2026, the Chief Executive Officer and Chief Financial Officer are potentially entitled to a maximum bonus of up to 200% and 150% of basic salary, respectively. The metrics used in the 2026 annual bonus (table below) are intended to align with the Company's strategy. In particular, the metrics are designed to provide a balanced alignment with our goals of generating sustainable, profitable growth and strong cash generation.

Measures	2025 Weighting	2026 Weighting
Operating profit	40%	40%
Cash generated after interest and tax	30%	30%
Strategic Objectives	30%	30%

For achieving target operating profit and cash generated after interest and tax, 70% of the relevant portion of the bonus will be payable.

Targets are considered to be commercially sensitive so will be disclosed retrospectively in next year's Directors' Remuneration Report.

If an executive Director does not satisfy the 300% of base salary minimum shareholding requirement, up to 50% of any bonus award after tax will be used to acquire shares to the extent necessary to enable the executive Director to meet his or her minimum shareholding requirement (as further described on page 124).

As noted on page 114 Matthew Gregory is retiring with the agreement of the Company, qualifying for good leaver status, and will therefore remain eligible for a bonus in respect of the financial year ending 31 December 2026, which will be pro-rated to reflect his period of active service which is anticipated to end on or around 31 July 2026.

Consistent with the 2024 Policy and, if approved, the 2026 Policy, malus and clawback provisions apply to the annual bonus for a period of up to two years following payment. The Committee considers this period to be appropriate as it aligns with the long-term time horizon over which performance outcomes, risk management failures and material misstatements may reasonably be identified, and ensures accountability for decisions taken during the performance period.

The malus and clawback provisions may be applied in circumstances including material misstatement of results, gross misconduct, serious reputational damage, corporate failure or an error in the calculation of performance outcomes, as set out in the 2024 Policy.

The Committee did not exercise malus or clawback during the year ended 31 December 2025.

2026 MPSP

The Chief Executive Officer and Chief Financial Officer typically receive an annual MPSP award, with a face value of 300% and 200% of base salary, respectively. Shares will vest three years after the grant date, subject to five independent performance metrics.

As noted on page 114 the Committee determined that no MPSP award will be granted for Matthew Gregory financial year ending 31 December 2026.

At the date of this report, the targets for the performance conditions for the 2026 MPSP award have not yet been finalised. Details of the performance conditions, including targets, will be disclosed once they are approved, in line with Companies Act 2006. The exception to this is the Cumulative Free Cash Flow target, which will be disclosed retrospectively after the end of the relevant performance period, due to its commercially sensitive nature.

2026 Performance Conditions	% of total	Vesting at threshold	Vesting at target	Vesting at stretch
Growth in adjusted EPS vs 2025 (CAGR)[1]	30%	25%	70%	100%
Cumulative Free Cash Flow for 2026 to 2028 as a percentage of target[2]	30%	25%	70%	100%
Relative TSR performance vs the constituents of the FTSE 100 (excluding investment trusts) for 2026 to 2028	30%	25%	n/a	100%
Strategic objectives – reduction in quality escapes over 2026 to 2028 vs 2025 baseline results	5%	25%	n/a	100%
Strategic objectives – reduction in Scope 1 & 2 Emissions Intensity over 2026 to 2028 vs 2025 reported emissions	5%	25%	n/a	100%

(1) Where a target level of performance is specified, 70% of that part of the award will vest with straight line vesting between threshold and target and target and stretch. In other cases, vesting occurs on a straight line basis between threshold and stretch.
(2) In light of shareholder feedback regarding the overall balance of MPSP performance objectives and their alignment with the Company's strategy, this performance condition has been added to the MPSP.

Consistent with the 2024 Policy and, if approved, the 2026 Policy, malus and clawback provisions apply to the MPSP for a period of up to three years following grant. The Committee considers this period to be appropriate as it aligns with the long-term time horizon over which performance outcomes, risk management failures and material misstatements may reasonably be identified, and ensures accountability for decisions taken during the performance period.

Remuneration arrangements for Ross McCluskey

The Committee considered the remuneration arrangements that would be appropriate to enable the Company to recruit and retain an experienced Chief Financial Officer within the criteria for the role in the Company's 2024 and refreshed 2026 Policy.

Given Ross McCluskey's depth of experience in senior finance and leadership roles, including as former Chief Financial Officer of Intertek Group plc, it was agreed that his remuneration should be set in line with that of Matthew Gregory, as follows:

Remuneration Elements	Max	Notes
Salary	£720,000	
Annual bonus	up to 150% of base salary	
Grant of long-term incentives	up to 200% of base salary	Under the MPSP from 2027 onwards
Share ownership requirement	300% of base salary	This is in line with the 2026 Policy
Pension	10% of base salary	Pension arrangements are in line with those of the wider UK workforce
Benefits		Benefits will be in line with Melrose policy and arrangements for other executives to support them in undertaking their role, and are aligned with the current Chief Financial Officer

Compensation for forfeited remuneration arrangements

In accordance with the 2024 Policy, and the proposed 2026 Policy, the Committee may make awards on hiring an external candidate to buyout remuneration arrangements forfeited on leaving a previous employer. The Committee therefore sought to ensure that Ross McCluskey was compensated on a like-for-like basis as far as possible when concluding his buyout payments, whilst ensuring that the value awarded to him would be no higher than the expected value of the forfeited arrangements. The compensation provided to Ross is set out below:

- Cash compensation of £975,000, payable in respect of a deferred 2025 bonus forfeited on leaving his previous employer.
- Compensation in respect of forfeited deferred bonus awards with a value of £915,000, delivered as a combination of cash and share-based awards, comprising: (i) a cash payment of up to £457,500; and (ii) buyout awards with an aggregate value of £457,500, structured as MPSP awards, subject to the performance conditions as outlined above, replacing the forfeited long-term incentive awards.
- Cash compensation of £600,000, payable in respect of a deferred bonus forfeited under his previous employer's long-term incentive arrangement, with the Committee requiring that £300,000 of this cash compensation be used to acquire Company shares.
- A buyout award under the MPSP with a maximum value equal to 300% of base salary granted in 2026, also subject to the performance conditions as outlined above, to compensate for the loss of long-term incentive awards relating to the 2024 and 2025 performance periods under his former employer's arrangements.

Conditions applying to all payments and buyout awards

All payments and grants are subject to applicable income tax, national insurance contributions and any other statutory deductions. Share-based grants are governed by the relevant share plan rules and are subject to performance conditions and vesting requirements.

In line with the UK Corporate Governance Code and the 2024 Policy, all payments and awards are subject to malus and clawback provisions and remain conditional on continued employment and appropriate conduct. The Committee retains discretion to reduce, withhold or recover payments or awards in circumstances including, but not limited to, a material breach of post-termination restrictions, misconduct, material misstatement of results or any other event triggering the application of malus or clawback under the 2024 Policy.

The Committee has also taken steps to ensure that the structure of these arrangements does not result in double recovery. Accordingly, where any value is subsequently recovered from the executive Directors' former employer, in respect of the same forfeited awards, the Company may reduce or recover amounts paid.

Non-executive Director fees

The fees for the Chair of the Board are set by the Committee, whilst fees for the Non-executive Directors are determined by the executive Directors and Chair of the Board. Fee reviews take into account a range of relevant factors, including time commitment and responsibilities for individual Non-executive Director roles and relevant market data. The Company fee for the Chair of the Board will increase by 3% from £434,500 to £447,535 effective 1 April 2026 and the basic Non-executive Director fee will increase by 3% from £93,215 to £96,012. There will not be any changes to the Committee Chair fees.

Annual fee effective	Chair	Non-executive Director	Additional fee for Senior Independent Director	Additional fee for Audit Chair	Additional fee for the Remuneration Chair	Additional fee for the Nomination Chair
From 1 April 2026	£447,535	£96,012	£20,000	£30,000	£20,000	£15,000

Statement of shareholder voting

The results of shareholder voting in relation to the approval of the 2024 Policy at the 2024 Annual General Meeting (the "AGM") and the 2024 Directors' Remuneration Report at the 2025 AGM, respectively, were as follows:

	Annual Report on Directors Remuneration excluding the Policy (2025 AGM)		Remuneration Policy Report (2024 AGM)	
	No. of votes	%	No. of votes	%
Votes cast in favour	317,489,188	34.37%	1,032,602,887	96.84%
Votes cast against	606,304,819	65.63%[1]	33,671,103	3.16%
Total votes cast	923,794,007	72.44%	1,066,273,990	81.45%
Abstentions	180,209,900	–	–	–

(1) Details regarding the votes cast against the 2024 Directors' Remuneration Report can be found on page 113.

Independent advisors

The Committee consistently oversees the Company's relationships with independent advisors. Independent advice was sought from Alvarez & Marsal, a member of the Remuneration Consultants Group. Alvarez & Marsal adhered to the Risk and Corporate Governance Code of Conduct, provided counsel on executive and senior staff remuneration and are not connected to the Company or its Directors.

The Committee reviewed Alvarez & Marsal's performance as part of the November Committee meeting and remains satisfied with their continuing appointment on the basis of their expertise and experience in executive remuneration. The fees for the year for advice to the Committee amounted to £125,932, charged based on time and expenses.

Committee performance review

The Code requires that FTSE 350 companies undertake a formal and rigorous annual review of the performance of the Board, its committees, the Chair of the Board and individual Directors. In particular, FTSE 350 companies should undertake an externally facilitated Board and committee evaluation once every three years. The last external Melrose Board and committee review was undertaken by Lintstock Ltd in 2023 and as such, the Company is required to undertake its next externally facilitated Committee evaluation in 2026. During the year, the Company continued its ongoing internal review of the Committee and collected feedback from Committee members with a similar range of focal topics as featured in the 2023 external review. Alongside such formal feedback, the Committee continued to facilitate direct ongoing contact between its members and the Chair of the Committee about any relevant matters that the members wished to raise as part of the ongoing review.

2026 Directors' Remuneration Policy

This Directors' Remuneration Policy (the "2026 Policy") shall, subject to shareholder approval at the 2026 Annual General Meeting ("AGM"), take binding effect from the conclusion of that meeting. The Company's current Directors' Remuneration Policy (the "2024 Policy") was approved by 96.84% of shareholders at the Company's AGM on 2 May 2024. A copy of the 2024 Policy can be found in the Company's 2023 Annual Report and financial statements, a copy of which can be downloaded from the Company's website (www.melroseplc.net).

The main differences between the 2024 Policy and the 2026 Policy are minor updates to ensure the 2026 Policy reflects current terminology, governance practices and remuneration structures as at the date of publishing, together with one substantive change to the Melrose Performance Share Plan (the "MPSP"), which removes references to specific performance metrics (such as EPS or emissions) to provide the Remuneration Committee (the "Committee") with flexibility to determine the most appropriate measures in future cycles while maintaining a clear link to the Company's strategic objectives.

The 2026 Policy seeks to enable the Company to attract, retain and motivate the right talent for the business, helping to ensure continued success and growth and allowing for flexibility in order to remain competitive. Except where expressly stated to apply to Non-executive Directors, the 2026 Policy applies to executive Directors of the Company, and aims to align the interests of executive Directors with the long term interests of shareholders, incentivising and rewarding the achievement of sustainable returns for shareholders by ensuring executive Directors' remuneration is simple, transparent, supports value creation and pays only for performance. The details are set out below.

Policy Table

BASE SALARY

Purpose and link to strategy

Core element of fixed remuneration, reflecting the size and scope of the role, designed to attract and retain executive Directors of the calibre required for the Group.

Operation

Normally reviewed annually and fixed for 12 months effective from 1 April, although salaries may be reviewed more frequently or at different times of the year if the Committee determines this to be appropriate. The individual's contribution and overall performance are the key considerations in determining the level of any salary increase.

Salaries are paid in cash and levels are determined by the Committee taking into account a range of factors including: role, experience and performance; prevailing market conditions; external benchmarks for similar roles at comparable companies; and salary increases awarded for other employees in the Group.

Opportunity

No maximum salary has been set under the 2026 Policy.

Salary increases will normally take into account the average increase awarded to other Melrose employees and the wider workforce within the relevant geographic area, however, increases beyond those of the wider workforce within the relevant geographic area may be made to salary levels in certain circumstances as required, for example to reflect:

- an increase in scope of role or responsibility;
- a material sustained change in the size and/or complexity of the Group;
- performance in role; and
- where salary was initially set at a discount to the market rate on appointment.

ANNUAL BONUS

Purpose and link to strategy

Rewards performance against annual objectives which support the strategic direction of the Company.

Operation

Objectives are set annually at the beginning of the relevant year and payout is determined by the Committee after the year-end based on performance against those objectives. The Committee has discretion to vary the bonus payout (upwards or downwards) should any formulaic output not produce a fair result for either the individual executive Director or the Company, taking account of overall business performance.

If an executive Director does not satisfy the minimum shareholding requirement (see below), up to 50% of any bonus award after tax will be used to acquire shares ("deferred share awards") to the extent necessary to enable the executive Director to meet his or her minimum shareholding requirement. The deferred share awards will be required to be retained and will remain subject to the risk of forfeiture on cessation of employment until the earlier of the executive Director meeting his or her minimum shareholding requirement and two years after the relevant bonus award.

Annual bonus awards are discretionary and are subject to malus and clawback provisions.

Opportunity

Maximum opportunity is 200% of base salary.

Performance measures

The Committee will have regard to various performance metrics (which will be determined by the Committee) measured over the relevant financial year, when determining bonuses. At least 50% of the award will be based on financial measures, which may include cash flow and operating profit and the balance will be based on strategic measures, which may include personal objectives and the integration of appropriate Environmental, Social and Governance ("ESG") measures to align with the Company's strategic objectives, in each case as determined by the Committee.

- Financial metrics: The bonus will be subject to one or more financial metrics with the amount payable for achieving threshold performance (below which no bonus is payable) being 25% of maximum, the amount payable for achieving target performance being up to 70% of maximum with straight line vesting between threshold and target and target and maximum performance.
- Strategic element: The strategic element of an award will be determined to the extent assessed by the Committee between 0% and 100% based on the Committee's assessment of a range of strategic measures.

Stretching performance targets are set each year for the annual bonus, to reflect the key financial and strategic objectives of the Company and to reward for delivery against these targets. When setting the targets, the Committee will take into account a number of different reference points, including the Company's plans and strategy and the market environment.

RETIREMENT BENEFITS

Purpose and link to strategy

Provides market competitive post-employment benefits (or cash equivalent) to recruit and retain executive Directors of the calibre required for the Group.

Operation

The executive Directors may elect to receive a Company contribution to a personal defined contribution pension arrangement or to receive a supplement to base salary in lieu of a pension arrangement.

Opportunity

10% of base salary, being a percentage of salary that is consistent with the rate payable to the Group's wider UK workforce, thereby providing alignment with the wider UK workforce.

OTHER BENEFITS

Purpose and link to strategy

Ensures the overall package is competitive to enable the Company to recruit and retain executive Directors of the calibre required for the Group.

Operation

Executive Directors receive benefits consistent with other Melrose employees and market practice, which may include private medical insurance, life insurance and group income protection. Other benefits may be provided based on individual circumstances.

Opportunity

Whilst the Committee has not set an absolute maximum on the level of benefits that executive Directors may receive, the value of benefits is set at a level that the Committee considers appropriate against the market and to support the ongoing strategy of the Company.

LONG-TERM INCENTIVE ARRANGEMENTS – MELROSE PERFORMANCE SHARE PLAN (THE "MPSP")

Purpose and link to strategy

Incentivises, retains and motivates executive Directors to achieve long-term sustainable returns for shareholders. Retention of key, high calibre employees over three-year performance periods and encouraging long-term shareholding, through the post-vesting holding requirement, and commitment to the Company.

Operation

Annual grant in the form of conditional share awards or nil or nominal cost options under the MPSP previously approved by shareholders at the 2024 AGM.

MPSP Awards normally vest after a performance period of at least three years, subject to the satisfaction of the performance conditions and continued employment and will normally be settled in shares. An additional two-year post-vesting holding period applies to MPSP Awards made to executive Directors.

Dividend equivalents may be payable in respect of dividends which accrue during the vesting period and, for unexercised options during the holding period, and will be paid in shares or cash.

Malus and Clawback provisions apply to the MPSP Awards (see notes to this table).

The Committee will operate the MPSP in accordance with the rules of the MPSP.

Opportunity

The maximum MPSP Award in respect of a financial year is 300% of salary.

Performance measures

Vesting of MPSP Awards is determined by the Committee by reference to a period of at least three years, based on performance measures that the Committee considers to be challenging and aligned with the delivery of the Group's strategy and the creation of long-term shareholder value.

The performance measures are determined annually by the Committee and may include internal financial measures, TSR or non-financial measures such as ESG or other strategic targets.

Unless performance of a participant during the performance period is sufficient to earn 25% of the relevant maximum opportunity, none of the MPSP Awards granted to that participant will vest, with 100% of the MPSP Awards granted to a participant vesting if maximum performance is achieved.

The Committee may adjust upwards or downwards (including to zero) the extent to which a MPSP Award shall vest if it considers that the extent to which the MPSP Award would otherwise vest is not a fair reflection of the performance of the Company or the executive Director's performance, taking account of overall business performance.

Shareholding obligations

Executive Directors are subject to minimum and post-cessation shareholding requirements as set out below. They are also subject to holding periods under the terms of the Melrose Executive Share Plan and the Melrose Performance Share Plan.

Component of remuneration	Purpose and link to strategy	Operation	Opportunity	Performance measures
Minimum shareholding requirements	To align the interests of executive Directors with shareholders.	There is a minimum shareholding requirement for executive Directors of 300% of salary. New executive Directors will be given a period of five years from appointment to build up this shareholding.	Not applicable	Not applicable
Post-cessation minimum shareholding requirements	To ensure alignment of interests following the departure of an executive Director.	The executive Directors are required to retain a shareholding equal to 300% of base salary, or their actual shareholding at the date of departure, if lower, for a period of two years after cessation of employment.	Not applicable	Not applicable

Non-executive Directors

Non-executive Director fees are set out as follows:

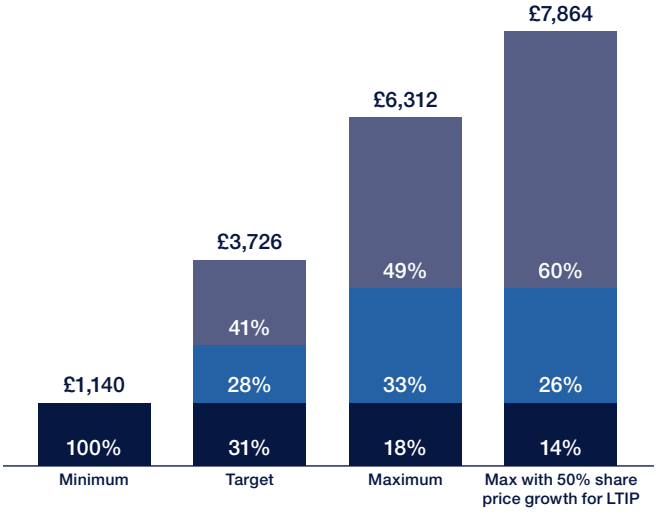
Purpose and link to strategy	Operation	Opportunity	Performance measures
Set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and expertise	Fees are reviewed periodically and amended to reflect market positioning and any change in responsibilities. Fees for Non-executive Directors are determined by the Board.	Fees are based on the level of fees paid to Non-executive Directors serving on boards of similar-sized UK-listed companies and the time commitment and contribution expected for the role. Non-executive Directors receive a basic fee and a further fee for the Chair of a Board Committee or for holding the office of Senior Independent Director or to reflect any additional responsibilities or duties that they are required to carry out by the Board. Non-executive Directors may be eligible to receive benefits such as use of secretarial support, reimbursement of travel costs and other benefits that may be appropriate. This may include the settlement by the Group of any associated tax liabilities in relation to these expenses.	Not applicable

Illustration of the application of the 2026 Policy

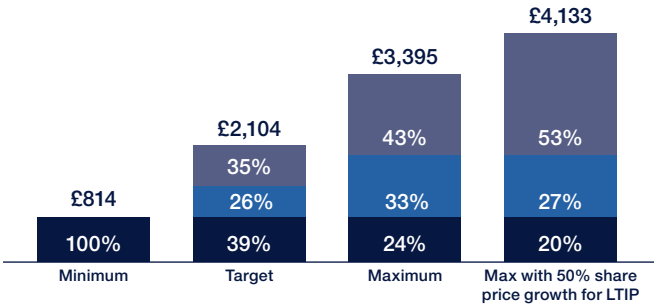
In illustrating the potential reward under the 2026 Policy, the following assumptions have been made:

- Chief Executive Officer data is for Peter Dilnot and Chief Financial Officer data is proforma data for Matthew Gregory on the assumption that he remained Chief Financial Officer throughout the year on the basis that this disclosure for the Chief Financial Officer provides a better illustration of future remuneration for the Chief Financial Officer than if the actual pro-rated remuneration arrangements for Matthew Gregory were used or the actual pro-rated remuneration arrangements for the incoming Chief Financial Officer, Ross McCluskey, were used.
- Minimum performance: fixed elements of remuneration only (base salary), benefits, and a pension contribution of 10% of base salary.
- Performance in line with expectations: fixed elements of remuneration as above, plus bonus of 50% of maximum bonus available (such maximum being 200% of salary for the Chief Executive Officer and 150% of salary for Chief Financial Officer), and a MPSP Award at 50% of the maximum MPSP Award available (such maximum being 300% of salary for the Chief Executive Officer and 200% of salary for the Chief Financial Officer).
- Maximum performance: fixed elements of remuneration as above, plus maximum bonus and maximum MPSP Award.
- Maximum performance +50% share price growth: as for Maximum performance but with a 50% increase in the share price.

Chief Executive Officer (£'000)



Chief Financial Officer (£'000)



Notes to the Remuneration Policy table

Operation of the annual bonus plan and the MPSP

The Committee will operate the annual bonus plan and the MPSP in accordance with their respective rules and in accordance with the Financial Conduct Authority's Listing Rules and HMRC requirements where relevant.

Within these rules, the Committee retains a number of discretions to ensure an effective operation and administration of these plans. These discretions are consistent with standard market practice and, in respect of the executive Directors include (but are not limited to):

- when awards are granted and/or paid;
- the size of an award and/or a payment (subject to the limits stated in the policy table above);
- how to determine the level of vesting;
- how to deal with a change of control or restructuring of the Group;
- how to determine a good/bad leaver for incentive plan purposes and whether to accelerate vesting and/or waive in part or in full any pro-rating and/or any holding period;
- how to determine whether or not adjustments are required in certain circumstances (e.g. rights issues, corporate restructuring, events and special dividends); and
- reviewing the performance conditions (range of targets, measures and weightings) for the annual bonus plan and MPSP from year to year.

If certain events occur, such as a material acquisition or the divestment of a Group business, the original performance conditions may no longer be appropriate. Therefore, the Committee retains the discretion to make adjustments to the targets and/or set different measures and alter weightings as they deem necessary to ensure the conditions achieve their original purpose, are appropriate in the revised circumstances and, in any event, are not materially less difficult to satisfy.

Any discretion would, where relevant, be explained in the Directors' Remuneration Report.

The Committee may adjust upwards or downwards (including to zero) the extent to which annual bonus shall be paid and/or MPSP Award shall vest if it considers that the extent to which the annual bonus would be paid and/or the MPSP Award would otherwise vest is not a fair reflection of the performance of the Company or the executive Director's performance, taking account of overall business performance.

Malus and clawback provisions

Annual bonus

The Committee may apply the malus or clawback provisions in the event of: (1) material misstatement of financial results that, in the reasonable opinion of the Committee, has a material negative effect; (2) in the case of clawback only, material miscalculation of any performance measure on which the bonus earned was calculated; (3) gross misconduct by the relevant executive Director; (4) events or behaviour of an executive Director that have led to the censure of the Company by a significant regulatory authority or have had a significant detrimental impact on the reputation of the Company, provided that the Committee is satisfied that the relevant executive Director was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to them; and/or (5) the Company becoming insolvent or otherwise suffering a corporate failure so that the bonus earned is materially reduced, provided that the Committee determines, following an appropriate review of accountability, that the executive Director should be held responsible (in whole or in part) for that insolvency or corporate failure at any time up until the second year following payment of the bonus.

MPSP

In the event of: (1) material misstatement of financial results that, in the reasonable opinion of the Committee, has a material negative effect; (2) gross misconduct by the relevant executive Director; (3) events or behaviour of an executive Director that have led to the censure of the Company by a significant regulatory authority or have had a significant detrimental impact on the reputation of the Company, provided that the Committee is satisfied that the relevant executive Director was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to them; and/or (4) the Company becoming insolvent or otherwise suffering a corporate failure so that the value of the Company's shares is materially reduced, provided that the Committee determines, following an appropriate review of accountability, that the executive Director should be held responsible (in whole or in part) for that insolvency or corporate failure prior to the relevant vesting date, the MPSP Awards held by the executive Director may be cancelled in whole or in part for nil consideration.

In the event of: (1) material misstatement of financial results that, in the reasonable opinion of the Committee, has a material negative effect; (2) material miscalculation of any performance measure on which the vesting of the MPSP Awards was based; (3) gross misconduct by the relevant executive Director; (4) events or behaviour of an executive Director that have led to the censure of the Company by a significant regulatory authority or have had a significant detrimental impact on the reputation of the Company, provided that the Committee is satisfied that the relevant executive Director was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to them; and/or (5) the Company becoming insolvent or otherwise suffering a corporate failure so that the value of the Company's shares is materially reduced, provided that the Committee determines, following an appropriate review of accountability, that the executive Director should be held responsible (in whole or in part) for that insolvency or corporate failure, following the relevant vesting date but prior to the date falling three years after the relevant vesting date, the executive Director may be required to transfer (for nil consideration) the number of Ordinary Shares arising from the vesting of the relevant MPSP Award, less the number of shares sold to fund the tax liability arising from the vesting of the relevant MPSP Award and/or to pay to the Company the amount of any cash received (whether in lieu of the issue of shares, or as a result of the sale of any such shares) on or following the vesting of the relevant MPSP Award less the amount of any tax arising from the vesting of the relevant MPSP Award.

Balance between fixed and variable pay

The performance-related elements of remuneration are dependent upon the achievement of outcomes that are important drivers of sustainable growth for the business and therefore the creation of value for shareholders.

Choice of performance metrics

The annual bonus performance measures are selected each year to reflect the financial and strategic performance measures which the Committee considers to be aligned with the delivery of the strategic priorities and which directly reinforce the short to medium-term performance framework. The MPSP performance measures are selected to provide a balance between external and internal measures of performance, reflect the Group's long-term strategic key performance indicators, as well as measure absolute and relative performance.

Targets applying to the bonus and MPSP are set annually, based on a number of internal and external reference points. Bonus targets are set by reference to the annual targets agreed by the Board. MPSP targets reflect prevailing industry context, expectations of what will constitute appropriately challenging performance levels and factors specific to the Company.

Recruitment remuneration policy

When agreeing a remuneration package for the appointment of a new executive Director, the Committee will apply the following principles:

- the package will be sufficient to attract the calibre of executive Director required to deliver the Company's strategy; and
- the Committee will seek to ensure that no more is paid than is necessary.

DIRECTORS' REMUNERATION REPORT | CONTINUED

In this regard, elements that the Committee may consider for the purposes of a remuneration package for the recruitment of a new executive Director include but are not limited to the following:

Element	Approach
Base salary	Salary levels will be set based on the experience, knowledge and skills of the individual and in the context of market rates for equivalent roles in companies of a similar size and complexity. The Committee would also consider Group relativities when setting base salary levels. The Committee may set initial base salaries below the perceived market rate with the aim to make multi-year staged increases (or a one-off increase) to achieve the desired market position over time. Where necessary these increases may be above those of the wider workforce within the relevant geographic area, but would be subject to continued development in the role.
Incentive remuneration opportunity	The Committee's intention is that a new executive Director's incentive remuneration opportunity will consist of: • an annual bonus opportunity which can be set up to a maximum of 200% of base salary (i.e. no more than the maximum opportunity under the policy); and • awards under the MPSP which can be set up to a maximum of 300% of base salary (i.e. no more than the maximum opportunity under the policy).
Compensation for forfeited remuneration arrangements	The Committee may make awards on hiring an external candidate to buy out remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will have regard to relevant factors, including any performance conditions attached to such arrangements, the form of those awards (e.g. cash or shares) and the time frame of such awards. The Committee's intention is that the value awarded (as determined by the Committee on a fair and reasonable basis) would be no higher than the expected value of the forfeited arrangements. Where considered appropriate, buyout awards will be subject to forfeiture or clawback on early departure.
Notice period	The notice period will be the same as the Company's ordinary policy of 12 months.
Relocation costs	Where necessary, the Company will pay appropriate relocation costs. The Committee will seek to ensure that no more is paid than is necessary.
Retirement benefits	The maximum contribution of 10% of salary referred to on page 125 will apply to any new executive Director. This is consistent with the contribution level provided to the Group's wider UK workforce.

Incentive awards and 'buyout' awards may be granted under the MPSP or under arrangements as permitted under the Listing Rules, which allow for the grant of awards to facilitate the recruitment of a Director. Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue in accordance with their subsisting terms.

The remuneration package for a newly appointed Non-executive Director would normally be in line with the structure set out in the policy table for Non-executive Directors.

Service contracts and policy on payments for cessation of employment

The Company's policy is for executive Directors to be employed on the terms of service agreements, which may be terminated by either the executive Director or the Company on the giving of 12 months' written notice (subject to certain exceptions).

The principles on which the determination of payments for cessation of employment will be approached are summarised below and on page 129.

Certain treatment is dependent on whether an executive Director is classified as a 'Good Leaver' on cessation of employment, which will occur if that executive Director ceases employment in the following circumstances: death; permanent ill-health; disability; retirement with the agreement of the Company; resignation in connection with a change of control; or otherwise at the discretion of the Committee. An executive Director will be a 'Bad Leaver' if they cease employment other than as a Good Leaver.

Payment in lieu of notice

If the Company terminates an executive Director's employment with immediate effect, a payment in lieu of notice may be made. This may include base salary, pension contributions and benefits.

Annual bonus

Bonus in year of cessation

Performance conditions will be measured at the normal bonus measurement date for Good Leavers only, with the bonus normally to be pro-rated for the period worked during the financial year and paid in cash. No bonus will be payable to any executive Director other than a Good Leaver for the year of cessation.

Deferred share awards

Good Leavers will be entitled to retain deferred share awards. For an executive Director other than a Good Leaver, any deferred share awards which have not yet vested will be forfeited.

Discretion

The Committee has the following elements of discretion with respect to the annual bonus and deferred share awards in the event of cessation of employment:

- to determine whether to pro-rate a cash bonus for time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to be able to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders; and
- to vest any deferred share award at the end of the original deferral period or at the date of cessation.

MPSP

If an executive Director ceases to be employed by the Company before the relevant vesting date, the treatment of the MPSP Awards held by such executive Director will be determined depending on their classification as a 'Good Leaver' or a 'Bad Leaver' as defined and summarised below.

Good Leavers

If an executive Director holding MPSP Awards ceases employment in circumstances where the executive Director is a Good Leaver before the relevant vesting date, unless the Committee decides otherwise, the MPSP Award shall continue and vest on the original vesting date and the MPSP Award normally will be reduced on a pro-rata basis to reflect the number of whole days from the start of the Performance Period to the date of termination of employment as a proportion of the total number of days in the Performance Period although the Committee will have discretion to accelerate vesting to the date of cessation and/or to waive in part or in full any pro-rating.

Bad Leavers

If an executive Director holding MPSP Awards ceases employment in circumstances where the executive Director is a Bad Leaver before the vesting date, all of their unvested MPSP Awards will lapse as of the date on which their employment terminates.

If an executive Director ceases to be employed by the Company after vesting date for whatever reason, they shall be entitled to retain any outstanding vested MPSP Awards held by them pursuant to the MPSP Rules.

Other payments

The overall amount of any payment made in respect of a loss of office will not normally exceed the aggregate of any payment in lieu of notice and any payment made in respect of annual bonus, as referred to on page 128.

However, the Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of an executive Director's employment. In appropriate circumstances, payments may also be made in respect of legal fees.

Entitlements in respect of the MPSP will be dealt with in accordance with the MPSP Rules and, were the Company to make an award on recruitment of an executive Director to buy out remuneration arrangements forfeited on leaving a previous employer, the leaver provisions for that award would be determined at the time of grant.

Other elements

The 2026 Policy aims to align the interests of the executive Directors with the long-term interests of shareholders, incentivising and rewarding long-term sustainable growth of the Company.

The Committee retains discretion to make any remuneration payments and payments for termination of employment outside this policy:

- where the terms of the payment were agreed before the policy came into effect;
- where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company; and/or
- to satisfy contractual commitments under legacy remuneration arrangements, including pursuant to the 2020 MESP.

For these purposes, "payments" includes the satisfaction of awards of variable remuneration and, in relation to an award or option over shares, the terms of the payment are "agreed" at the time the award or option is granted, as subsequently varied in accordance with the 2023 Directors' Remuneration Policy or the 2024 Policy prior to the 2026 Policy coming into force. Any such payment shall include (i) the satisfaction of the exercise of any 2020 MESP under the 2020 MESP Rules (or the settlement of any 2020 MESP in exchange for a cash payment, as described in the 2020 MESP Rules); and (ii) the exercise of any 2020 MESP nil cost options in accordance with the 2020 MESP Rules.

For the purposes of limbs (i) and (ii) of the immediately preceding paragraph, capitalised terms have the meaning ascribed in the 2024 Directors' Remuneration Policy.

Differences between the Company's policy on Directors' remuneration and its policy on remuneration for other employees

Remuneration arrangements throughout the Group are determined based on the same principle that rewards should be sufficient as is necessary to attract and retain high calibre talent, without paying more than is necessary and should be achieved for delivery of the Company's strategy.

The Company has operations in various countries, with Group employees of differing levels of seniority. Accordingly, though based on the over-arching principle above, reward policies vary to take account of these factors.

Statement of consideration of employment conditions elsewhere in the Company

Salary, benefits and performance-related awards provided to employees are taken into account when setting policy for executive Directors' remuneration. Although there is no direct consultation by the Committee with employees on Directors' remuneration, the Chief Executive Officer and his delegates (as applicable) is responsible for engaging with the workforce in relation to remuneration, and does so throughout the year. However, the pay and employment conditions of the wider workforce were taken into consideration by the Committee when making decisions on executive Directors' remuneration in 2025, which will continue to be the case for the periods governed by the 2026 Policy.

Statement of consideration of shareholder views

The Company is committed to regular and ongoing engagement and seeks the views of key shareholders and other stakeholders on the application of the 2024 Policy and in advance of amending its 2026 Policy. The Chair's Annual Statement at page 113 sets out how this was done in practice for the 2026 Policy, which is set to reflect the Company's commercial strategy.

This report was approved by the Board and signed on its behalf by:

Alison Goligher
Chair, Remuneration Committee

27 February 2026

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards. The Group financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under UK company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- select and apply accounting policies in accordance with International Accounting Standard 8 and ensure that they have been applied consistently across the Group;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern and to disclose any uncertainties related to this assessment.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 27 February 2026 and is signed on its behalf by:

Matthew Gregory
Chief Financial Officer

27 February 2026

Peter Dilnot
Chief Executive Officer

27 February 2026

Financial statements

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MELROSE INDUSTRIES PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Melrose Industries PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2025 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Consolidated Balance Sheet as at 31 December 2025;
- the Company Balance Sheet as at 31 December 2025;
- the Consolidated Income Statement for the year then ended;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the Group, in addition to applying UK-adopted international accounting standards, has also applied international financial reporting standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Following our assessment of the risks of material misstatement of the financial statements we subjected 10 individual components to full scope audits for Group reporting purposes. In addition, for 4 individual components we completed the audit of one or more FSLI's and for 2 individual components we performed specified audit procedures.
- The Group engagement team audited the Company and other centralised functions, including those covering the Group treasury and tax operations, and goodwill impairment assessments. The Group engagement team performed audit procedures over the Group consolidation and financial statement disclosures and performed risk assessment analytics over balances out of scope for non-significant components.
- Taken together, the components at which audit work was performed accounted for approximately 90% of the Group's revenue. Our scoping provided sufficient coverage over each significant financial statement line item of the Group financial statements and, provided us with the evidence we needed for our opinion on the Group financial statements taken as a whole.
- As part of the Group audit supervision process, the Group engagement team met with and discussed the approach and results of audit procedures with component teams and reviewed their audit files and final deliverables. In person site visits to components in the UK, Norway, Sweden, Netherlands and US were also performed.

Key audit matters

- Variable consideration in respect of certain risk and revenue sharing partnerships ('RRSPs') (Group)
- Classification of adjusting items (Group)
- UK deferred tax asset recognition and recoverability (Group)
- Recoverability of the Company's investments in subsidiary undertakings (Company)

Materiality

- Overall Group materiality: £22.3 million (2024: £21.0 million) based on approximately 0.6% of revenue.
- Overall Company materiality: £113.0 million (2024: £111.0 million) based on approximately 1% of total assets.
- Performance materiality: £16.7 million (2024: £15.8 million) (Group) and £84.7 million (2024: £83.3 million) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MELROSE INDUSTRIES PLC | CONTINUED

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Variable consideration in respect of certain risk and revenue sharing partnerships ('RRSPs') (Group)	
Refer to note 2 – summary of material accounting policies – revenue, note 3 – critical accounting judgements and key sources of estimation uncertainty – estimates of future revenues and costs of long-term contractual arrangements, note 4 – revenue, and note 17 – trade and other receivables. A key source of estimation uncertainty for the Group involves the recognition of variable consideration related to certain Risk and Revenue Sharing Partnerships ('RRSPs') in the Engines segment principally in respect of spare part sales. The total variable consideration recognised in the year respect of these certain RRSPs is £324 million (2024: £274 million). In respect of certain RRSPs, the Group: • Has an irrevocable right to the aftermarket having substantially completed their work at the manufacturing stage; and • The cash received for the delivery of their OE components is not representative of the full amount due to the Group as an RRSP partner. For the RRSPs where this is the case, the Group are required to record variable consideration in accordance with IFRS 15 and therefore an assessment of the future income from each RRSP is made. This considers the expected fleet size, flight hours and cycles, frequency of shop visits and the expected profitability over the life of an engine. In line with IFRS 15, this variable consideration is then constrained, in accordance with the Group's framework, to ensure that revenue is only recognised to the extent it is highly probably it will not reverse. The constraints reflect the significant length of the programmes and the complexity of the engines which can develop technical issues requiring additional shop visits, as well as time on wing estimates. Small adjustments in assumptions can have a significant impact on the results of any individual financial year and these changes to forecasts and constraints can result in revisions to revenue previously recognised, either as a result of changes to assumptions or the unwind of risk constraints as future cash flows become more certain. The key assumptions impacting the models are engine life and an assessment of the aftermarket income over that period, and the associated forecast margin. During the year, £80 million (2024: £50 million) of revenue has been recognised in respect of released constraints as risks have reduced due to the passage of time and £36 million (2024: £41 million) of revenue has been recognised as a result of changes in assumptions. As a result of the above judgements and estimates we have assessed this as a key audit matter.	We focused our work on a number of contracts where we consider there to be the highest degree of management judgement or estimation and designed specific procedures over recognition of variable consideration. The audit procedures performed included: • We performed walkthrough procedures to evaluate the design and implementation of the relevant controls relating to judgements and areas of estimation uncertainty in preparing the variable consideration models for RRSPs; • We read the RRSP contracts to understand the key terms including performance obligations, pricing structures, programme share and the existence of termination clauses; • We attended meetings with programme controllers to understand the operational matters impacting the performance of specific contracts and any amendments to contractual arrangements that could have an impact on performance; • We obtained correspondence with the customer and discussed with the programme controllers the status of the relationship with the customer, looking for indications of disputes of possible claims; • We assessed how management has forecast the size of the aftermarket consideration for recognition as variable consideration, comparing the key assumptions to industry data and by reconciling the models back to data provided by the engine manufacturers; • We compared the previously forecast results of a sample of contracts with the actual results to assess the performance of the contract and the historical accuracy of forecasting; • We considered the timeframe over which spares revenue will be generated and consider appropriateness of the anticipated engine life utilised in the model; • We agreed expected shipset OE sales to sales/volume forecasts used within the business, as well as comparison to third party sources; • We obtained and documented an understanding of the latest cost position on each contract; • We used a spreadsheet interrogation tool to identify whether the programme models are operating appropriately. This included reperforming key calculations; • We read and challenged management's accounting papers over the positions taken in respect of its key contract judgements; • We assessed the reasonableness of the constraints applied against the revenue recognised over the contract to date and whether this was being unwound in line with management's framework; • For relevant contracts, we assessed the recoverability of balances as at 31 December 2025; • We considered whether there are indicators of management override of controls or bias in arriving at their reporting net position; and • We also assessed the adequacy of disclosure within the financial statements. Based on the work performed, we consider that managements estimation of variable consideration recognised in the year is materially appropriate, in the context of the financial statements taken as a whole.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MELROSE INDUSTRIES PLC | CONTINUED

Key audit matter	How our audit addressed the key audit matter
Classification of adjusting items (Group)	
Refer to note 2 – summary of material accounting policies – alternative performance measures, note 3 – critical accounting judgements and key sources of estimation uncertainty – adjusting items, note 5 – segment information, and note 6 – reconciliation of adjusted profit measures. In addition to the performance measures prescribed by International Financial Reporting Standards, the Group also presents its results on an adjusted basis. The Directors consider the adjusted results important to understand the underlying results on a consistent and comparable basis. The two key adjusted results used by the directors are Adjusted operating profit and Adjusted profit before tax. The adjusted results differ significantly from the statutory ones. When consistently calculated and properly presented, alternative performance measures offer investors additional insights into the Group's performance. Judgement is required in deciding which items to exclude from adjusted profit. The adjustments between statutory and adjusted results are: • Amortisation of intangible assets acquired in business combinations (£252 million); • Gain in derivatives and associated financial assets and liabilities (£232 million gain); • Restructuring costs (£34 million); • Acquisition and disposal related gains (£11 million gain); • Impairment of assets (£6 million); • Net changes in fair value items (£3 million credit); and • Melrose equity-settled legacy compensation scheme charges (£1 million). We identified a key audit matter regarding the classification of adjusting items, due to the significant adjustments and risk that costs, or income may be misclassified, potentially distorting adjusted profit inappropriately.	We have gained a comprehensive understanding of the relevant controls concerning the classification of adjusting items and have evaluated the design and implementation of these controls. We have considered the judgments made by management to determine what should be classified as an adjusting item and obtained corroborative evidence for a sample of these items. As part of our procedures, we challenged management's rationale for designating certain items as adjusting. We assessed these items against the Group's accounting policy, considering their nature and value. In auditing management's disclosure, our challenge focused on areas requiring significant judgment, such as restructuring costs. We evaluated the appropriateness and completeness of disclosures regarding the impact of adjusting items, particularly in notes 2 and 6 of the consolidated financial statements and found them to be suitable. This included assessing the narrative on reconciling items between adjusted and statutory performance. Overall, we found that the classification judgements made by management were in line with its policy for adjusted results, have been consistently applied, and there are no material uncorrected misstatements resulting from our testing.
UK deferred tax asset recognition and recoverability (Group)	
Refer to note 2 – summary of material accounting policies – taxation, note 3 – critical accounting judgements and key sources of estimation uncertainty – measurement of deferred tax assets in the UK, and note 22 – deferred tax. The recognition and recoverability of UK deferred tax asset in the Group, where there have been significant taxable losses in the past, is based on a number of significant estimates. Deferred tax assets can be recognised in relation to these losses to the extent it is probable that there will be sufficient future taxable profits to utilise them. The Group has recognised a significant deferred tax asset based on anticipated future profitability. This requires several assumptions about future UK profitability, including short to medium term forecasts and the long-term growth rate. At 31 December 2025, the Group recognised a £275 million (2024: £277 million) deferred tax asset in the UK which is expected to be utilised over a 25 to 35 year period. Given the length of forecasts required to recover the deferred tax asset, this presents a heightened risk that the deferred tax asset previously recognised may not be recoverable. Given the inherent uncertainty in long-term forecasts, management has performed sensitivities over key estimates, concluding that a reasonable change in key assumptions does not result in the deferred tax asset being irrecoverable. As a result of the above judgements and estimates we have assessed this as a key audit matter.	We have obtained an understanding of the relevant controls for the assessment of the recognition and recoverability of the deferred tax asset and evaluated the design and implementation of these controls. We evaluated management's methodology for assessing the recognition and recoverability of the deferred tax asset supported by the availability of sufficient taxable profits in future periods, against which brought forward tax losses can be utilised. Our evaluation of these future profits also considered both the business model and applicable UK tax legislation. We assessed the future profit forecasts of the UK tax Group and tested that the key assumptions around revenue growth, margin improvements and cost base, including the forecasts for periods beyond the normal five-year forecasting horizon, were reasonable. In doing this, we verified that the forecasts did not include taxable profit growth that could not be demonstrated as probable. We have also challenged whether the forecasts are consistent with the Group's assessment of the impact of climate change. Where applicable we assessed the consistency of the forecasts used to justify the recognition of the deferred tax asset to those used elsewhere in the business, including for impairment reviews, for the going concern assessment and longer term viability statement. We also assessed the adequacy of disclosures over this area. Overall we found management's assessment to be supportable and the recovery period over which the asset has been considered is in line with comparable Groups.
Recoverability of the Company's investments in subsidiary undertakings (Company)	
In the notes to the Company Balance Sheet for Melrose Industries PLC, refer to note 1 – material accounting policies – impairment of assets, and note 3 – investments. Investments in subsidiary undertakings of £10,594 million (2024: £10,593 million) are accounted for at cost less provision for impairment. The Company has net intercompany payables with these subsidiaries of £5,784 million. Investments are tested for impairment if indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. A review of potential indicators of impairment was performed by management focusing on the developments in the year, concluding that no such indicators were present and therefore that the investments' carrying values remain recoverable.	We evaluated management's assessment of whether any potential indicators of impairment existed at 31 December 2025. In doing this, we considered the market capitalisation of the Company at 31 December 2025, which exceeded the carrying value of investments in subsidiary undertakings net of intercompany balances. We also considered the latest expected performance of the Group by comparing the cash flow forecasts audited as part of other key audit matters to those estimated in the prior year by management, as well as the performance in the year. Overall, we found that management's judgement that there has been no indicator of impairment to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group operates in many countries across the world and the size of operations within each territory varies. We define a component as a single reporting unit which feeds into the Group consolidation.

In selecting the components that are in scope each year and establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or component auditors within PwC UK and other PwC network firms operating under our instruction, to ensure that we had sufficient coverage from our audit work over each significant line of the Group financial statements. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work in these territories to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

As a result of our risk assessment procedures and the detailed scoping exercise performed at the planning stage of our audit, we identified 16 components across 5 countries at which we determined we need to perform audit work. Taken together, these components accounted for approximately 90% of the Group's revenue. The in-scope components were audited by 5 component teams.

Out of the 16 components, we identified 1 component which required a full scope audit of its complete financial information due to its size and risk characteristics.

We subjected 9 non-significant components to full scope audits, 2 to specified audit procedures in relation to tax and for the remaining 4 components, we performed audit procedures on a specific line item or line items within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements because of the size of these accounts.

The Group engagement team audited the Company and other centralised functions, including those covering the Group treasury and tax operations, and goodwill impairment assessments. The Group engagement team also performed audit procedures over the Group consolidation and financial statement disclosures and performed risk assessment analytics over balances out of scope for non-significant components.

In November 2025 we held a meeting with the key partners and senior staff from the PwC member firms involved in the audit. At this meeting we considered developments specific to the Group, key audit matters and discussed our approach to the Group audit.

We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with the component auditors throughout the audit cycle. These interactions included attending certain component clearance meetings and holding regular conference calls, as well as reviewing and assessing any matters reported. The Group engagement team also reviewed selected audit working papers for certain component teams to evaluate the sufficiency of audit evidence obtained and to fully understand the matters arising from the component audits.

In addition, senior members of the Group engagement team have visited component teams across all major components in the UK, Norway, Sweden, Netherlands and US. These visits were in-person for these locations. They included meetings with the component auditor and with local management. In addition, we attended Business Line close meetings as part of the interim and year end audits.

The impact of climate risk on our audit

In planning and executing our audit, we also considered the potential impact of climate change on the Group's business and the financial statements. The Director's continue to develop their assessment of the potential impacts of climate change as explained in detail within the Sustainability Report.

As a part of our audit we made enquiries of management to understand the extent of the potential impact of the physical and transitional climate change risk on the financial statements. We also discussed the climate change initiatives and commitments from managements plans, and the impact these have on the Group, including on future cash flow forecasts.

Management considers that the impact of climate change does not give rise to a material financial statement impact. We evaluated management's risk assessment and understood the Group's governance processes.

Using our knowledge of the Group, we assessed that the key areas in the financial statements which are more likely to be materially impacted by climate change are those areas that are based on future cash flows. As a result, we particularly considered how climate change risks and the impact of climate commitments made by the Group would impact the assumptions made in the forecasts prepared by management that are used in the Group's impairment reviews, for going concern purposes and assessment of the recognition and recoverability of deferred tax assets.

Based on our procedures, we have not identified any material error in the assessment of the impact of climate on the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£22.3 million (2024: £21.0 million).	£113.0 million (2024: £111.0 million).
How we determined it	approximately 0.6% of revenue	approximately 1% of total assets
Rationale for benchmark applied	Using our professional judgement, we have considered a range of potential benchmarks in determining materiality (specifically revenue and certain profit based benchmarks), given that using 5% of current year profit before tax would have resulted in using a lower level of materiality than in prior years, despite the Group's revenue and adjusted operating profit increasing year-on-year. We have selected a level of materiality that has taken into consideration a range of outcomes suggested by these alternative benchmarks. The materiality selected is equivalent to approximately 0.6% of revenue for the current year, which is consistent with last year.	We determined our materiality based on total assets, which is more applicable than a performance-related measure as the Company is an investment holding Company for the Group. The higher Company materiality level was used for the purposes of testing balances not relevant to the Group audit, such as investments in subsidiary undertakings and intercompany balances.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MELROSE INDUSTRIES PLC | CONTINUED

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £3.4 million to £20.0 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £16.7 million (2024: £15.8 million) for the Group financial statements and £84.7 million (2024: £83.3 million) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.1 million (Group audit) (2024: £1.0 million) and £5.6 million (Company audit) (2024: £5.55 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Testing the appropriateness of the underlying cash flow forecasts and performing a retrospective review of actual performance to the prior year model;
- Reviewing the debt agreements to confirm the terms and conditions, including covenants. The covenants were consistent with those used in management's going concern assessment;
- Corroborating to the primary debt agreements that management has the option to extend the facilities for additional one-year period;
- Agreeing borrowings currently in place to third-party confirmations and considering the Group's available financing and maturity profile. This supported the Directors' conclusion that sufficient liquidity headroom remained throughout the assessment period;
- Testing the mathematical accuracy of the covenant calculations, including confirming that the adjustments recorded to determine adjusted EBITDA were appropriate;
- Reviewing management's base case and severe but plausible downside scenario, ensuring the directors have considered all appropriate factors, including the cash flows, the liquidity position of the Group, available borrowing facilities, the timing of contractual debt repayments and the relevant financial and non-financial covenants;
- Performing sensitivity analysis to assess the impact of movements in significant assumptions on the overall liquidity headroom and banking covenants; and
- Assessing the adequacy of disclosures included in the going concern statement included within the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MELROSE INDUSTRIES PLC | CONTINUED

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to export controls, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Listing Rules of the UK Financial Conduct Authority, the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, either in the underlying books and records or as part of the consolidation process and management bias in accounting estimates and judgements. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions throughout the year with management, internal audit, Group and Business Line legal counsel, and the head of export control, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading the minutes of Board meetings to identify any inconsistencies with other information provided by management;
- Reviewing legal expense accounts to identify significant legal spend that may be indicative of non-compliance with laws and regulations;
- Challenging and auditing the significant estimates and judgements made by management given the potential risk of management bias;
- Identifying and testing unusual journal entries, in particular journal entries posted with unusual account combinations, and testing all material consolidation journals;
- Incorporating an element of unpredictability into our procedures, aligned to the fraud risk in the Group; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MELROSE INDUSTRIES PLC | CONTINUED

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the Company for the financial year ended 31 December 2024. Our uninterrupted engagement covers two financial years.

Other matter

The Company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Christopher Richmond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 February 2026

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Revenue	4, 5	**3,589**	3,468
Cost of sales		**(2,635)**	(2,646)
Gross profit		**954**	822
Operating expenses		**(354)**	(826)
Operating profit/(loss)	5, 6	**600**	(4)
Finance costs	7	**(132)**	(105)
Finance income	7	**–**	3
Profit/(loss) before tax		**468**	(106)
Tax	8	**(98)**	57
Profit/(loss) after tax for the year attributable to owners of the parent		**370**	(49)
Earnings per share			
– Basic	10	**29.1p**	(3.7)p
– Diluted	10	**29.0p**	(3.7)p
Adjusted[1] results			
Adjusted operating profit	5, 6	**647**	540
Adjusted profit before tax	6	**515**	438
Adjusted profit after tax	6	**410**	350
Adjusted basic earnings per share	10	**32.2p**	26.8p
Adjusted diluted earnings per share	10	**32.1p**	26.4p

(1) Defined in the summary of material accounting policies (see note 2).

All results arise from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Profit/(loss) after tax for the year		**370**	(49)
Items that will not be reclassified subsequently to the Income Statement:			
Net remeasurement gain on retirement benefit obligations	24	**16**	27
Fair value loss on investments in equity instruments	12	**–**	(47)
Income tax credit/(charge) relating to items that will not be reclassified	8	**3**	(4)
		19	(24)
Items that may be reclassified subsequently to the Income Statement:			
Currency translation on investments, net of investment hedging		**(125)**	17
Transfer to Income Statement from equity of cumulative translation differences on disposal of foreign operations		**–**	(6)
Derivative (losses)/gains on hedge relationships	25	**(12)**	3
Income tax credit/(charge) relating to items that may be reclassified	8	**6**	(1)
		(131)	13
Other comprehensive expense for the year		**(112)**	(11)
Total comprehensive income/(expense) for the year attributable to owners of the parent		**258**	(60)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Operating activities			
Net cash from/(used in) operating activities	27	**214**	(121)
Investing activities			
Disposal of businesses, net of cash disposed	13	**(20)**	55
Purchase of property, plant and equipment		**(86)**	(108)
Proceeds from disposal of property, plant and equipment		**29**	–
Purchase of computer software and capitalised development costs		**(9)**	(15)
Acquisition of subsidiaries, net of cash acquired		**(5)**	–
Disposal of investments	12	**9**	–
Equity accounted investment additions	15	**–**	(3)
Interest received		**–**	3
Net cash used in investing activities		**(82)**	(68)
Financing activities			
Repayment of borrowings		**–**	(10)
Drawings on borrowing facilities		**229**	767
Costs of raising debt finance	20	**(1)**	(3)
Payment of principal under lease obligations	28	**(31)**	(32)
Purchase of own shares, including associated costs	9	**(173)**	(431)
Dividends paid to owners of the parent	9	**(82)**	(72)
Net cash (used in)/from financing activities		**(58)**	219
Net increase in cash and cash equivalents, net of bank overdrafts		**74**	30
Cash and cash equivalents, net of bank overdrafts at the beginning of the year	27	**80**	57
Effect of foreign exchange rate changes	27	**–**	(7)
Cash and cash equivalents, net of bank overdrafts at the end of the year	27	**154**	80

As at 31 December 2025, the Group had net debt of £1,407 million (31 December 2024: £1,321 million). A definition and reconciliation of the movement in net debt is shown in note 27.

CONSOLIDATED BALANCE SHEET

	Notes	31 December 2025 £m	31 December 2024 £m
Non-current assets			
Goodwill and other intangible assets	11	**2,690**	3,094
Property, plant and equipment	14	**864**	821
Investments	12	**56**	69
Interests in equity accounted investments	15	**6**	8
Deferred tax assets	22	**659**	651
Derivative financial assets	25	**84**	12
Other receivables	17	**1,526**	1,201
Retirement benefit surplus	24	**2**	–
		5,887	5,856
Current assets			
Inventories	16	**542**	528
Trade and other receivables	17	**971**	949
Derivative financial assets	25	**29**	10
Current tax assets		**1**	5
Cash and cash equivalents	18	**166**	88
		1,709	1,580
Total assets	5	**7,596**	7,436
Current liabilities			
Trade and other payables	19	**1,544**	1,510
Interest-bearing loans and borrowings	20	**60**	8
Lease obligations	28	**31**	33
Derivative financial liabilities	25	**23**	72
Current tax liabilities		**15**	20
Provisions	21	**64**	108
		1,737	1,751
Net current liabilities		**(28)**	(171)
Non-current liabilities			
Other payables	19	**533**	469
Interest-bearing loans and borrowings	20	**1,513**	1,401
Lease obligations	28	**299**	204
Derivative financial liabilities	25	**11**	115
Deferred tax liabilities	22	**564**	517
Retirement benefit obligations	24	**29**	59
Provisions	21	**83**	76
		3,032	2,841
Total liabilities	5	**4,769**	4,592
Net assets		**2,827**	2,844
Equity			
Issued share capital	26	**1**	1
Share premium account		**1,000**	1,000
Merger reserve		**109**	109
Capital redemption reserve		**–**	–
Other reserves		**(2,330)**	(2,330)
Translation and hedging reserve	26	**155**	286
Retained earnings		**3,892**	3,778
Total equity attributable to owners of the parent		**2,827**	2,844

The Financial Statements on pages 142 to 197 were approved and authorised for issue by the Board of Directors on 27 February 2026 and were signed on its behalf by:

Matthew Gregory

Chief Financial Officer
27 February 2026

Peter Dilnot

Chief Executive Officer
27 February 2026

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Other reserves £m	Translation and hedging reserve £m	Retained earnings £m	**Total equity attributable to owners of the parent £m**
At 1 January 2024	309	3,271	109	753	(2,330)	273	1,182	**3,567**
Loss for the year	–	–	–	–	–	–	(49)	**(49)**
Other comprehensive income/(expense)	–	–	–	–	–	13	(24)	**(11)**
Total comprehensive income/(expense)	–	–	–	–	–	13	(73)	**(60)**
Purchase of own shares[1]	–	–	–	–	–	–	(449)	**(449)**
Dividends paid (note 9)	–	–	–	–	–	–	(72)	**(72)**
Capital reduction[1]	(308)	(2,271)	–	(753)	–	–	3,332	**–**
Equity-settled incentive scheme related[1]	–	–	–	–	–	–	(157)	**(157)**
Equity-settled share-based payments (note 23)	–	–	–	–	–	–	1	**1**
Deferred tax on equity-settled share-based payments (note 8)	–	–	–	–	–	–	14	**14**
At 31 December 2024	1	1,000	109	–	(2,330)	286	3,778	**2,844**
Profit for the year	–	–	–	–	–	–	370	**370**
Other comprehensive (expense)/income	–	–	–	–	–	(131)	19	**(112)**
Total comprehensive (expense)/income	–	–	–	–	–	(131)	389	**258**
Purchase of own shares[1]	–	–	–	–	–	–	(193)	**(193)**
Dividends paid (note 9)	–	–	–	–	–	–	(82)	**(82)**
Equity-settled share-based payments (note 23)	–	–	–	–	–	–	2	**2**
Deferred tax on equity-settled share-based payments (note 8)	–	–	–	–	–	–	(2)	**(2)**
At 31 December 2025	**1**	**1,000**	**109**	**–**	**(2,330)**	**155**	**3,892**	**2,827**

(1) Further information is set out in note 1.

Further information on issued share capital and reserves is set out in note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Melrose Industries PLC ("the Company") is a public company limited by shares. The Company is incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on the back cover. The nature of the Company and its subsidiaries' (together "the Group") principal activities by operating segment are set out in note 5 and in the Divisional reviews on pages 16 to 23. The Consolidated Financial Statements of the Group for the year ended 31 December 2025 were authorised in accordance with a resolution of the Directors of Melrose Industries PLC on 27 February 2026.

These Financial Statements are presented in pounds Sterling which is the currency of the primary economic environment in which the Company is based. Foreign operations are included in accordance with the policies set out in note 2.

Corporate structure

Capital structure

On 1 October 2024, the Group commenced a £250 million share buyback programme which is expected to complete by the end of March 2026. During the year ended 31 December 2025, 31,515,908 shares (2024: 4,173,411 shares) were purchased at an average price of 551 pence (2024: 484 pence) per share for total consideration of £173 million (2024: £20 million), inclusive of costs of £1 million (2024: £nil). These are held as treasury shares. A liability of £38 million (31 December 2024: £18 million) has also been recognised in respect of the shares expected to be purchased under the share buyback programme during the close period, as there was an irrevocable instruction to contracted financial institutions to complete purchases at 31 December 2025. The total costs of the purchase of £193 million recognised during the year ended 31 December 2025 have been recorded in retained earnings.

In the prior year, the Group completed a £500 million share buyback programme which commenced in 2023. During the year ended 31 December 2024, 70,967,661 shares were purchased at an average price of 571 pence per share with cash spent of £411 million, inclusive of costs of £5 million. The total costs of the purchase were recognised in retained earnings.

In the prior year, the Melrose Employee Share Plan ("MESP") crystallised. Of the 54,346,536 shares awarded, 25,498,465 were withheld by the Company in exchange for a cash payment sufficient to allow holders to meet their income tax and employee national insurance liabilities in respect of the MESP. In accordance with IFRS 2: Share-based Payment, £157 million was recognised in retained earnings. In addition, the Group undertook a capital reduction. This reduced share capital by £308 million, the share premium account by £2,271 million and the capital redemption reserve by £753 million.

Acquisitions

On 13 January 2025, the Group acquired the entire share capital of TPC Components AB, a company specialising in precision cast products based in Sweden, for consideration of £5 million.

Disposals

In the prior year, the Group disposed of its Fuel Systems business, its St. Louis operation and its Orangeburg operation. The results of the three businesses disposed were not classified within discontinued operations as they did not meet the criteria of being a major separate line of business.

See note 13 for further detail.

1.1 New Standards, Amendments and Interpretations affecting amounts, presentation or disclosure reported in the current year

In the current financial year, the Group has adopted the following new and revised Standards, Amendments and Interpretations. Its adoption has not had a significant impact on the amounts reported in these Financial Statements:

- Amendments to IAS 21: Lack of Exchangeability

1.2 New Standards, Amendments and Interpretations in issue but not yet effective

At 31 December 2025, the following Standards, Amendments and Interpretations were in issue but not yet effective:

- Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments
- IFRS 18: Presentation and Disclosure in Financial Statements
- IFRS 19: Subsidiaries without Public Accountability – disclosures

Other than IFRS 18, the Directors do not expect that the adoption of the above Standards, Amendments and Interpretations will have a material impact on the Financial Statements of the Group in future periods. With respect to IFRS 18, management is currently assessing the detailed implications of applying the new Standard on the Group's Consolidated Financial Statements, with a focus on the structure of the Income Statement and required disclosures within the Financial Statements for Alternative Performance Measures.

The Group will apply the new Standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18.

2. Summary of material accounting policies

Basis of accounting

The Consolidated Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and UK adopted International Financial Reporting Standards ("IFRSs") as issued by the IASB. The Consolidated Financial Statements have been prepared on an historical cost basis, except for the revaluation of certain financial instruments and investments which are recognised at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Alternative Performance Measures

The Group presents Alternative Performance Measures ("APMs") in addition to the statutory results of the Group. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority ("ESMA").

APMs used by the Group are set out in the glossary to these Financial Statements and the reconciling items between statutory and adjusted results are listed below and described in more detail in note 6.

Adjusted profit measures exclude items which are significant in size or volatility or by nature are non-trading or non-recurring or any net change in fair value items booked on an acquisition.

On this basis, the following are the principal items included within adjusting items impacting operating profit:

- Amortisation of intangible assets that are acquired in a business combination, excluding computer software and development costs;
- Significant restructuring project costs and other associated costs, including losses incurred following the announcement of closure for identified businesses, arising from significant strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- Acquisition and disposal related gains and losses;
- Impairment charges that are considered to be significant to the trading performance of the business;
- Movement in derivative financial instruments not designated in hedging relationships, including revaluation of associated financial assets and liabilities;
- The charge for the previous Melrose equity-settled compensation scheme, including its associated employer's tax charge; and
- The net change in fair value items booked on acquisitions.

Further to the adjusting items above, adjusting items impacting profit before tax include:

- Acceleration of unamortised debt issue costs written off as a consequence of Group refinancing; and
- Significant settlement gains and losses associated with debt instruments including interest rate swaps following acquisition or disposal related activity or non-trading transactions, which are not considered by the Group to be part of normal financing costs.

In addition to the items above, adjusting items impacting profit after tax include:

- The net effect on tax of significant restructuring from strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- The net effect of significant new tax legislation; and
- The tax effects of adjustments to profit before tax, described above.

The Board considers the adjusted results to be an important measure used to monitor how the Group is performing, as this provides a meaningful reflection of how the Group is managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods, when all subsidiaries are held for a complete reporting period.

The adjusted measures are used to partly determine the variable element of remuneration of senior management throughout the Group and are also in alignment with performance measures used by certain external stakeholders.

Adjusted profit is not a defined term under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measures. All APMs relate to the current year results and comparative periods where provided.

Basis of consolidation

The Group's Financial Statements include the results of the parent undertaking and all of its subsidiary undertakings. In addition, the Group's share of the results and equity of joint ventures and associated undertakings (together "equity accounted investments") is included. The results of businesses acquired during the period are included from the effective date of acquisition and, for those sold during the period, to the effective date of disposal. Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full.

2. Summary of material accounting policies continued

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders is initially measured at the non-controlling interests' proportion of the share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Going concern

The Consolidated Financial Statements have been prepared on a going concern basis as the Directors consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future, being 12 months from the date of this report (the relevant period).

The Group's liquidity and funding arrangements are described in the Chief Financial Officer's Review. There is significant liquidity headroom of £0.7 billion at 31 December 2025 and sufficient headroom throughout the going concern forecast period. Forecast covenant compliance is considered further below.

Covenants

The Group's banking facility has two financial covenants being a net debt to adjusted EBITDA covenant and an interest cover covenant, both of which are tested half-yearly at 30 June and 31 December. Covenant calculations are detailed in the glossary to these Consolidated Financial Statements.

The financial covenants during the period of assessment for going concern are as follows:

	31 December 2025	30 June 2026	31 December 2026
Net debt to adjusted EBITDA (banking covenant leverage)	**3.5x**	3.5x	3.5x
Interest cover	**4.0x**	4.0x	4.0x

Testing

The Group has modelled two scenarios in its assessment of going concern, a base case and a severe but plausible downside case.

The base case takes into account end markets and operational factors, including supply chain challenges, throughout the going concern period and has been monitored against the actual results and cash generation in the period since 1 January 2026. Climate scenario analysis was used to model the impact of climate change on the Group's cash flow position. Climate change is deemed to not have a material impact over the period of 12 months for the assessment of going concern.

The severe but plausible downside case models more conservative revenue assumptions for 2026 and the first half of 2027. The sensitised assumptions are specific to each business taking into account their markets, but on average represent a c.10% reduction to the Group's forecast revenue in 2026, and a c.5% reduction in the first half of 2027. The sensitised revenues have had a consequential impact on profit and cash flow, along with a further downside sensitivity applied to increase working capital by approximately 2% of revenue. Given that there is liquidity headroom of £0.7 billion and the Group's banking covenant leverage was 1.9x, comfortably below the covenant test at 31 December 2025, no further sensitivity detail is provided.

Under the severe but plausible downside case no covenant is breached at 30 June 2026 nor, based on the continuation of existing financing arrangements with the Group having the option to extend the majority of its facilities through to April 2028, at 31 December 2026 or 30 June 2027.

Business combinations and goodwill

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is measured at the fair value of assets transferred, the liabilities incurred or assumed at the date of exchange of control and equity instruments issued by the Group in exchange for control of the acquiree. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Costs directly attributable to business combinations are recognised as an expense in the Income Statement as incurred.

The acquired identifiable assets and liabilities are measured at their fair value at the date of acquisition except those where specific guidance is provided by IFRSs. Non-current assets and directly attributable liabilities that are classified as held for sale in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, are recognised and measured at fair value less costs to sell. Also, deferred tax assets and liabilities are recognised and measured in accordance with IAS 12: Income Taxes, liabilities and assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 (revised): Employee Benefits and liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payments awards are measured in accordance with IFRS 2. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts where appropriate. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

2. Summary of material accounting policies continued

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

Goodwill on acquisition is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

As at the acquisition date, any goodwill acquired is allocated to the cash-generating units acquired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Income Statement and is not subsequently reversed. When there is a disposal of a cash-generating unit, goodwill relating to the operation disposed of is taken into account in determining the gain or loss on disposal of that operation. The amount of goodwill allocated to a partial disposal is measured on the basis of the relative values of the operation disposed of and the operation retained.

Equity accounted investments

A joint venture is an entity which is not a subsidiary undertaking but where the interest of the Group is that of a partner in a business over which the Group exercises joint control with its partners over the financial and operating policies. In all cases voting rights are 50% or lower.

Associated undertakings are entities that are neither a subsidiary nor a joint venture, but where the Group has a significant influence. The results, assets and liabilities of equity accounted investments are accounted for using the equity method of accounting. The Group's share of equity includes goodwill arising on acquisition.

When a Group entity transacts with an equity accounted investment of the Group, profits and losses resulting from the transactions with the equity accounted investments are recognised in the Group's Consolidated Financial Statements only to the extent of interests in equity accounted investments that are not related to the Group.

Revenue

Revenues are recognised either at the point of transfer of control of goods and services, or recognised over time on an activity basis using the costs incurred as the measure of the activity. Costs are recognised as they are incurred.

The nature of agreements into which the Group enters means that certain of the Group's arrangements with its customers have multiple elements that can include any combination of:

- Sale of products and services;
- Risk and revenue sharing partnerships ("RRSPs");
- Design and build; and
- Construction contracts.

Contracts are reviewed to identify each performance obligation relating to a distinct good or service and the associated consideration. The Group allocates revenue to multiple element arrangements based on the identified performance obligations within the contracts in line with the policies below. A performance obligation is identified if the customer can benefit from the good or service on its own or together with other readily available resources, and it can be separately identified within the contract. This review is performed by reference to the specific contract terms.

Sale of products and services

Invoices for goods and services are raised and revenue is recognised when control of the goods is transferred to the customer. Dependent upon contractual terms this may be at the point of despatch, acceptance by the customer or certification by the customer. The revenue recognised is the transaction price as it is the observable selling price per product.

Cash discounts, volume rebates and other customer incentive programmes are based on certain percentages agreed with the Group's customers, which are typically earned by the customer over an annual period. These are allocated to performance obligations and are recorded as a reduction in revenue at the point of sale based on the estimated future outcome. Due to the nature of these arrangements an estimate is made based on historical results to date, estimated future results across the contract period and the contractual provisions of the customer agreement.

2. Summary of material accounting policies continued

Risk and revenue sharing partnerships ("RRSPs")

This revenue stream, whilst material, affects a small number of businesses and is exclusively in the Engines segment. Revenue is recognised under RRSPs for both the sale of product as detailed above and sales of services, which are recognised by reference to the stage of completion based on the performance obligations in the contract. In most RRSP contracts, there are two separate phases where the Group earns revenue; sale of products principally to engine manufacturers and aftermarket support. Further information on the revenue recognised from RRSPs is shown in note 4.

The assessment of the stage of completion is dependent on the nature of the contract and the performance obligations within it.

The value of revenue is based on the standalone selling price for each element of the contract.

Revenue is recognised at the point control passes to the customer. For products and services, this has been identified as the point of acceptance or certification by the customer. Where the amount of revenue recognised is not yet due for collection under the terms of the contract, it will be recognised as variable consideration within the unbilled work done contract asset ("unbilled work done") detailed in note 17. Revenue is not recognised where recovery is not highly probable due to potential reversals in the future. This can be affected by assessment of future volumes including aftermarket expectations which are impacted by matters such as technology development, fuel price and competition. For aftermarket support with stand ready obligations, revenue is recognised over time as performance obligations are satisfied.

Participation fees are payments made to engine manufacturers and original equipment manufacturers relating to RRSPs and long-term agreements and are detailed in note 17. They are recognised as contract assets to the extent they can be recovered from future sales. Where participation fees have been paid under the RRSP, the amortisation is recognised as a revenue reduction under IFRS 15: Revenue from Contracts with Customers, as performance obligations are satisfied.

Generally, during the design and development phase of a typical RRSP contract, the Group performs contractually agreed-upon tasks for a customer. It is usual for the Intellectual Property Rights ("IPRs") that underpin technology advancement or know-how to remain with the Group such that the customer cannot benefit from the IPRs either on their own or together with other resources that are readily available to the customer. Where IPRs are transferred to the customer, the Group has generally determined this is not separately identifiable from other promises in the contract due to an exclusivity clause for the supply of product. Accordingly, it has been determined that generally the Group's promise to transfer goods to its customer is a performance obligation that is separately identifiable and this uses development and know-how as an input.

Design and build

Generally, revenue is only recognised on the sale of product as detailed above, however, on occasions cash is received in advance of work performed to compensate the Group for costs incurred in design and development activities. The Group performs an assessment of its performance obligations to identify if there are multiple elements. Where it is determined there is only one type of performance obligation, being the delivery of product, any cash advance is factored into the revenue allocated across the deliveries required under the contract.

Where the performance obligation has not been satisfied amounts received are recognised as a contract liability. If there is more than one performance obligation, revenue is allocated to each one based on a standalone selling price for each element of the contract.

Due to the nature of design and build contracts, there can be significant 'learning curves' while the Group optimises its production processes. During the early phase of these contracts, all costs including any start-up losses are taken directly to the Income Statement, as they do not meet the criteria for fulfilment costs.

Construction contracts

Where multiple performance obligations are identified, revenue is recognised as each performance obligation is met. This requires an assessment of total revenue to identify the allocation across the performance obligations, based on the standalone selling price for each obligation.

In cases where one of the following criteria is met, revenue is recognised over time:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

Due to the nature of the criteria above, only certain contracts in the Group qualify for over time recognition. On this basis revenue is recognised using the input method, which uses costs incurred and the assessed margin across the contract. The input method is used to measure progress as it best depicts the transfer of control to the customer. The margin and associated revenue are calculated based on the estimated transaction price and expected total costs, with considerations made for the associated contract risks.

If none of the above criteria are met, revenue is recognised at a point in time when control transfers to the customer which, in line with the sale of goods and services above, is the point of delivery or customer acceptance dependent on the terms of the contract.

2. Summary of material accounting policies continued

Unbilled work done addresses contract matters, such as price or scope amendments, which are included based on the most likely amount. A constraint is included unless it is highly probable that the revenue will not reverse in the future. This constraint is calculated based on a cautious expectation of the life of certain RRSPs. Variations in contract work, claims and incentive payments are included in revenue from construction contracts based on an estimate of the expected value the Group expects to receive. Variations are included when the customer has agreed to the variation or acknowledged liability for the variation in principle. Claims are included when negotiations with the customer have reached an advanced stage such that it is virtually certain that the customer will accept the claim.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bring the asset into operation, and any material borrowing costs on qualifying assets. Qualifying assets are defined as an asset or programme where the period of capitalisation is more than 12 months. Purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Where assets are in the course of construction at the balance sheet date, they are classified as capital work in progress. Transfers are made to other asset categories when they are available for use, at which point depreciation commences.

Right-of-use assets arise under IFRS 16: Leases and are depreciated over the shorter of the estimated life of the asset and the lease term.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Freehold land	nil
Freehold buildings and long leasehold property	over expected economic life not exceeding 50 years
Short leasehold property	over the term of the lease
Plant and equipment	3-15 years

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying values of property, plant and equipment are reviewed annually for indicators of impairment, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. If such indication exists an impairment test is performed and, where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, estimated future cash flows, considering the implications of climate change (see note 11 for further detail), are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds or costs and the carrying amount of the item) is included in the Income Statement in the period that the item is derecognised.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

On acquisition of businesses, separately identifiable intangible assets are initially recorded at their fair value at the acquisition date.

Access to the use of brands and intellectual property are valued using a ‘relief from royalty’ method which determines the net present value of future additional cash flows arising from the use of the intangible asset.

Customer relationships and contracts are valued on the basis of the net present value of the future additional cash flows arising from customer relationships with appropriate allowance for attrition of customers.

Technology assets are valued using a replacement cost approach, or a ‘relief from royalty’ method.

Amortisation of intangible assets is recorded in operating expenses in the Income Statement and is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

Customer relationships and contracts	20 years or less
Brands and intellectual property	20 years or less
Technology	20 years or less
Computer software	5 years or less
Development costs	20 years or less

2. Summary of material accounting policies continued

Where computer software is not integral to an item of property, plant or equipment, its costs are capitalised and categorised as intangible assets. Computer software is initially recorded at cost. Where these assets have been acquired through a business combination, this will be the fair value allocated in the acquisition accounting. Where these have been acquired other than through a business combination, the initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets (other than computer software and development costs) are tested for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Computer software and development costs are reviewed annually for indicators of impairment or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. This is consistent with the approach to property, plant and equipment. Impairment losses are measured on a similar basis to property, plant and equipment. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

Costs relating to clearly defined and identifiable development projects are capitalised when there is a technical degree of exploitation, adequacy of resources and a potential market or development possibility in the undertaking that are recognisable; and where it is the intention to produce, market or execute the project. A correlation must also exist between the costs incurred and future benefits and those costs can be measured reliably. Capitalised costs are expensed on a straight-line basis over their useful lives of 20 years or less. Costs not meeting such criteria are expensed as incurred.

Inventories

Inventories are valued at the lower of cost and net realisable value and are measured using a first in, first out or weighted average cost basis. Cost includes all direct expenditure and appropriate production overhead expenditure incurred in bringing goods to their current state under normal operating conditions. Net realisable value is based on estimated selling price less costs expected to be incurred to completion and disposal. Provisions are made for obsolescence or other expected losses where necessary.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with banks and similar institutions, and short-term deposits which are readily convertible to cash and are subject to insignificant risks of changes in value.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received net of issue costs associated with the borrowings.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the Income Statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Government refundable advances

Government refundable advances are reported in trade and other payables in the Balance Sheet. Refundable advances include amounts advanced by a government, accrued interest and directly attributable costs. Refundable advances are provided to the Group to part-finance expenditures on specific development programmes. The advances are provided on a risk sharing basis, i.e. repayment levels are determined subject to the success of the related programme. Balances are held at amortised cost and interest is calculated using the effective interest rate method.

Leases

Where a lease arrangement is identified, a liability to the lessor is included in the Balance Sheet as a lease obligation calculated at the present value of minimum lease payments. A corresponding right-of-use asset is recorded in property, plant and equipment. The discount rate used to calculate the lease obligation is the Group's incremental borrowing rate, unless there is a rate implicit in the lease. The incremental borrowing rate is used for the majority of leases. Incremental borrowing rates are based on the term, currency, country and start date of the lease and reflect the rate the Group would pay for a loan with similar terms and security.

Following initial recognition, the lease obligation is measured at amortised cost using the effective interest rate method. Where there is a change in future lease payments due to a rent review, change in index or rate, or a change in the Group's assessment of whether it is reasonably certain to exercise a purchase, extension or break option, the lease obligation is remeasured. A corresponding adjustment is made to the associated right-of-use asset.

Right-of-use assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments are apportioned between finance costs and a reduction in the lease obligation so as to reflect the interest on the remaining balance of the obligation. Finance charges are recorded in the Income Statement within finance costs.

2. Summary of material accounting policies continued

When the Group enters into a sale and leaseback transaction as the seller-lessee, the Group first makes an assessment of whether the initial transfer of the asset qualifies as a sale. In assessing whether a sale has taken place, the Group applies the requirements for determining whether a performance obligation is satisfied under IFRS 15.

Where the transfer of the asset is a sale, the Group derecognises the transferred asset and recognises a right-of-use asset at the proportion of the previous asset's carrying amount that relates to rights retained by the Group. Any gain or loss is limited to the rights transferred to the buyer-lessor and is recognised in the Income Statement. A lease obligation for the present value of the lease payments is also recognised on the Balance Sheet.

Where the transfer of the asset is not a sale, the Group continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The financial liability is then accounted for applying IFRS 9: Financial Instruments.

Leases with a term of 12 months or less and leases for low value are not recorded on the Balance Sheet and lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term. Expenses relating to variable lease payments which are not included in the lease obligation, due to being based on a variable other than an index or rate, are recognised as an expense in the Income Statement.

Financial instruments – assets

Classification and measurement

All financial assets are classified as either those which are measured at fair value, through profit or loss or other comprehensive income, and those measured at amortised cost.

Financial assets are initially recognised at fair value. For those which are not subsequently measured at fair value through profit or loss, this includes directly attributable transaction costs. Trade and other receivables, contract assets and amounts due from equity accounted investments are subsequently measured at amortised cost.

Recognition and derecognition of financial assets

Financial assets are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Impairment of financial assets

For trade receivables and contract assets, the simplified approach permitted under IFRS 9 is applied. The simplified approach requires that at the point of initial recognition the expected credit loss across the life of the receivable must be recognised. As these balances do not contain a significant financing element, the simplified approach relating to expected lifetime losses is applicable under IFRS 9. Cash and cash equivalents and other receivables are also subject to impairment requirements.

Finance income

Finance income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Finance income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

Investments

The Group has investments in listed shares and unlisted shares, that are not traded in an active market, which are classified as financial assets, measured at fair value. Fair value for listed shares is calculated by reference to quoted market price. Fair value for unlisted shares is determined by assessment of expected future dividends discounted to net present value. Any changes in fair value are recognised in other comprehensive income and accumulated in retained earnings. Dividends from investments are recognised in the Income Statement when the Group's right to receive the dividend is established.

Trade and other receivables

Trade and other receivables are measured and carried at amortised cost using the effective interest method, less any impairment. For trade receivables, the carrying amount is reduced by an allowance for expected lifetime losses. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the Income Statement.

2. Summary of material accounting policies continued

Trade receivables that are assessed not to be impaired individually are also assessed for impairment on a collective basis. In measuring the expected credit losses, the Group considers all reasonable and supportable information such as the Group's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward-looking information such as forecasts of future economic decisions.

Other receivables are also considered for impairment and if required the carrying amount is reduced by any loss arising which is recorded in the Income Statement.

Financial instruments – liabilities

Recognition and derecognition of financial liabilities

Financial liabilities are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instruments and are initially measured at fair value, net of transaction costs. The Group derecognises financial liabilities when the Group's obligations are discharged, significantly modified, cancelled or they expire.

Classification and measurement

Non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest rate basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that discounts estimated future cash payments throughout the expected life of the financial liability, or, where appropriate, a shorter period to the gross carrying amount of the financial liability.

Derivative financial instruments and hedging

The Group uses derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and commodity risks, arising from operating and financing activities. The Group does not hold or issue derivative financial instruments for speculative trading purposes. Details of derivative financial instruments are disclosed in note 25 of the Financial Statements.

Derivative financial instruments are recognised and stated at fair value in the Group's Balance Sheet. Their fair value is recalculated at each reporting date. The accounting treatment for the resulting gain or loss will depend on whether the derivative meets the criteria to qualify for hedge accounting and is designated as such.

Where derivatives do not meet the criteria to qualify for hedge accounting, any gains or losses on the revaluation to fair value at the period end are recognised immediately in the Income Statement. Where derivatives do meet the criteria to qualify for hedge accounting, recognition of any resulting gain or loss on revaluation depends on the nature of the hedge relationship and the item being hedged.

Derivative financial instruments with maturity dates of less than one year from the period end date are classified as current in the Balance Sheet. Derivatives embedded in non-derivative host contracts are recognised at their fair value in the Group's Balance Sheet when the nature, characteristics and risks of the derivative are not closely related to the host contract. Gains and losses arising on the remeasurement of these embedded derivatives at each balance sheet date are recognised in the Income Statement.

Hedge accounting

Hedge accounting is performed in accordance with IFRS 9. In order to qualify for hedge accounting, the Group is required to document from inception the relationship between the item being hedged and the hedging instrument, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents that the hedge will be highly effective, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

The Group designates certain hedging instruments as either cash flow hedges or hedges of net investments in foreign operations.

Cash flow hedge

Derivative financial instruments are classified as cash flow hedges when they hedge the Group's exposure to the variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted cash flow.

The Group designates the full change in the fair value of a foreign exchange forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving foreign exchange forward contracts.

The effective portion of any gain or loss from revaluing the derivative financial instrument is recognised in the Statement of Comprehensive Income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts previously recognised in the Statement of Comprehensive Income and accumulated in equity are recycled to the Income Statement in the periods when the hedged item is recognised in the Income Statement or when the forecast transaction is no longer expected to occur.

2. Summary of material accounting policies continued

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedges of net investments in foreign operations

Derivative financial instruments and certain loan instruments are classified as net investment hedges when they hedge the Group's net investment in foreign operations. The effective element of any foreign exchange gain or loss from revaluing the hedging instruments at a reporting period end is recognised in the Statement of Comprehensive Income. Any ineffective element is recognised immediately in the Income Statement.

Gains and losses accumulated in equity are recognised immediately in the Income Statement when the foreign operation is disposed.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.
Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised.

Pensions and other retirement benefits

The Group operates defined benefit pension plans and defined contribution plans, some of which require contributions to be made to administered funds separate from the Group.

For the defined benefit pension and retirement benefit plans, plan assets are measured at fair value and plan liabilities are measured on an actuarial basis and discounted at an interest rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the plan liabilities. Any assets resulting from this calculation are limited to past service cost plus the present value of available refunds and reductions in future contributions to the plan. The present value of the defined benefit obligation, and the related current service cost and past service cost, are measured using the projected unit credit method.

The service cost of providing pension and other retirement benefits to employees for the period is charged to the Income Statement.

Net interest expense on net defined benefit obligations is determined by applying discount rates used to measure defined benefit obligations at the beginning of the year to net defined benefit obligations at the beginning of the year. The net interest expense is recognised within finance costs.

Remeasurement gains and losses comprise actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest). Remeasurement gains and losses, and taxation thereon, are recognised in full in the Statement of Comprehensive Income in the period in which they occur and are not subsequently recycled.

Actuarial gains and losses may result from differences between the actuarial assumptions underlying the plan obligations and actual experience during the period or changes in the actuarial assumptions used in the valuation of the plan obligations.

For defined contribution plans, contributions payable are charged to the Income Statement as an operating expense when employees have rendered services entitling them to the contributions.

Foreign currencies

The individual Financial Statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group company are expressed in pounds Sterling, which is the functional currency of the Company, and the presentation currency for the Consolidated Financial Statements.

In preparing the Financial Statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Income Statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the Income Statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

2. Summary of material accounting policies continued

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in the Statement of Comprehensive Income and accumulated in equity (attributed to non-controlling interests as appropriate). Such translation differences are recognised as income or as expenses in the period in which the related operation is disposed of. Any exchange differences that have previously been attributed to non-controlling interests are derecognised but they are not reclassified to the Income Statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate prevailing at the balance sheet date.

Taxation

The tax expense is based on the taxable profits for the year and represents the sum of the tax paid or currently payable and deferred tax.

Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

A tax provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent advice.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where:

- the deferred tax liability arises on the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which a) is not a business combination, b) at the time of the transaction affects neither the accounting profit nor taxable profit or loss, and c) at the time of the transaction, does not give rise to equal taxable and deductible temporary differences; and
- the timing of the reversal of the temporary differences associated with investments in subsidiaries and interests in equity accounted investments can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and at the time of the transaction, does not give rise to equal and opposite temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carry-forward of unused tax assets and unused tax losses can be utilised except where:

- the deferred tax asset arises from the initial recognition of an asset or liability in a transaction which a) is not a business combination, b) at the time of the transaction affects neither the accounting profit nor taxable profit or loss, and c) at the time of the transaction, does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in equity accounted investments, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised; and at the time of transaction, does not give rise to equal and opposite temporary differences.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the relevant balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tax relating to items recognised directly in other comprehensive income is recognised in the Statement of Comprehensive Income and not in the Income Statement. Tax relating to items recognised directly in equity is recognised in the Statement of Changes in Equity.

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

2. Summary of material accounting policies continued

Share-based payments

The Group has applied the requirements of IFRS 2. The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instrument excluding the effect of non-market based vesting conditions at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and is reviewed at the end of each reporting period with the charge being adjusted to reflect actual and estimated levels of vesting.

Fair value is measured by use of option pricing models. The expected life used in the model has been adjusted, based on the Directors' best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Non-current assets and disposal groups

Non-current assets and businesses classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and businesses are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as having been met only when the sale is highly probable and the asset or business is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Government grants

Government grants are not recognised in the Income Statement until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants are recognised in the Income Statement on a systematic basis over the periods in which the Group recognises the related costs for which the grants are intended to compensate.

Specifically, government grants where the primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred government grants in the Balance Sheet and transferred to the Income Statement on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the Income Statement in the period in which they become receivable.

Climate change

In preparing the Consolidated Financial Statements, the Directors have considered the impact of climate change with specific regard to the risks identified in the Task Force on Climate-related Financial Disclosures ("TCFD") report on page 57 as well as the Group's Transition Plan including emission targets.

The Directors have considered the impact of climate change in respect to the following areas and have determined that there is no material impact on the financial reporting judgements and estimates:

- Group's going concern assessment (note 2);
- Estimated future cash flows used in impairment assessments, where applicable, of the carrying value of non-current assets (such as goodwill) (note 11);
- Inventory valuation with respect to climate-related shift in demand (note 16);
- Recoverability of trade receivables and contract assets related to unbilled work done on risk and revenue sharing partnerships, which consider the future expectations of airframe and engine manufacturers as well as airline customer behaviours (note 17); and
- Forecasts of future profitability to assess the recoverability of deferred tax assets in the UK, the Netherlands and the US (note 22).

The Group's Transition Plan sets out the actions the Directors intend to take in the transition to a net zero economy, how they plan to execute on the interim and long-term emissions reduction targets, and how they plan to achieve Net Zero by 2050. The Transition Plan also sets out how climate considerations are integrated into strategic thinking and future planning, such as major capital expenditure, acquisitions, and disposals. The main short-term and medium-term objectives to meet this target are:

- A 50% reduction in absolute Scope 1 and 2 emissions by 2030 from a 2020 baseline. This will be met by continuing to source at least 50% of the Group's electricity from renewable sources and increasing this figure where possible (where renewable energy is commercially and reasonably available in the relevant jurisdiction), through either continued investment in on-site renewable energy as well as procurement of power purchase agreements and renewable energy certificates. The Group will also continue to invest in energy efficiency measures to reduce overall energy consumption. The estimated investment needed to meet these scope 1 and 2 emission improvements is incorporated into current financial planning and forecasting.
- To achieve 75% of research and development ("R&D") expenditure classified as EU Taxonomy eligible. The Group is uniquely positioned at the early stages of an aircraft life cycle to play a role in eradicating emissions for the entire sector and ultimately unlocking its potential to positively contribute to a low carbon economy. In 2025, the Group achieved its target of having 80% of total R&D expenditure be climate-related, with £73 million spent on climate-related R&D during the year. This will now be carried forward with a new, more stringent, target to achieve 75% of R&D expenditure classified as EU Taxonomy eligible, demonstrating the continued emphasis the Group places on developing innovative and breakthrough technologies such as battery electric and hydrogen propulsion. Future investments required to meet these targets are incorporated into the Group's financial forecasts.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Critical judgements

In the course of preparing the Financial Statements, critical judgements within the scope of paragraph 122 of IAS 1: Presentation of Financial Statements have been made during the process of applying the Group's accounting policies.

a) Adjusting items

Judgements are required as to whether items are disclosed as adjusting, with consideration given to both quantitative and qualitative factors. Further information about the determination of adjusting items is included in note 2.

There are no other critical judgements, other than those involving estimates, that have had a significant effect on the amounts recognised in the Financial Statements. Those involving estimates are set out below.

Key sources of estimation uncertainty

Assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

b) Assumptions used to determine the carrying amount of the Group's net retirement benefit obligations

The Group's pension plans are significant in size. The defined benefit obligations in respect of the plans are discounted at rates set by reference to market yields on high quality corporate bonds. Significant estimation is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds to include are the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. In addition, assumptions are made in determining mortality and inflation rates to be used when valuing the plan's defined benefit obligations. At 31 December 2025, the retirement benefit obligation was a net deficit of £27 million (31 December 2024: £59 million).

Further details of the assumptions applied, which are determined with independent actuarial advice, and a sensitivity analysis on the principal assumptions used to determine the defined benefit liabilities of the Group's obligations are shown in note 24. Whilst actual movements might be different to sensitivities shown, these are a reasonably possible change that could occur.

c) Estimates of future revenues and costs of long-term contractual arrangements

The Group has certain large, complex contracts where significant judgements and estimates are required in order to allocate total associated consideration.

A key judgement is the measurement of unbilled work done, in particular relating to certain risk and revenue sharing partnerships ("RRSPs"). A detailed review of the Group's RRSP contracts determined where terms and conditions result in unbilled work done and this is further set out in note 17. Distinguishing between a contractual right and the economic compulsion of partners with regard to the sale of original equipment ("OE") components and aftermarket activities relies on an interpretation of complex legal agreements. This specific point governs whether unbilled work done is recognised on the sale of OE components and this can significantly impact the level of profitability from one period to the next. Further disclosure is set out in note 4.

The forecast revenues and costs in respect of RRSP contracts are inherently imprecise and significant estimates are required to assess the pattern of future maintenance activity, the costs to be incurred and escalation of revenue and costs. The estimates take account of the uncertainties, constraining the expected level of revenue as appropriate. Measurement of unbilled work done is driven by forecasting aftermarket revenue per delivered engine which is in turn contingent on overall programme success, levels of discounting that might be offered by the engine manufacturers (the Group's customers), engineering requirements needed for optimal performance of the engine and the allocation of revenue to individual units. In addition, where programmes are at an early stage the wider implications of any competing engines as well as complications outside of the Group can be difficult to assess. Any of these inputs could change in the next year as programmes evolve and due to the size and scale of these contracts, almost any modification could result in material changes in future periods.

The unbilled work done contract asset calculated is the best estimate of revenue allocated to completed performance obligations using input assumptions and constraints as detailed further in note 17. As the impacted RRSP contracts mature, there are reasonably possible changes to assumptions acknowledging the wide range of programme risks, which include the length of an engine's life, potential programme cost pressures, and the cost of any additional development work. Any changes could lead to the unbilled work done contract asset on the Balance Sheet of £1,308 million (31 December 2024: £922 million) increasing to between £1,378 million and £1,418 million which would lead to recognition of additional revenue and profit in the next year of between £70 million and £110 million.

3. Critical accounting judgements and key sources of estimation uncertainty continued

d) Measurement of deferred tax assets in the UK

The Group has significant deferred tax assets, arising mainly from tax losses and other deductible temporary differences, in the UK. Significant judgements and estimates are required to assess whether it is probable that sufficient taxable profits will arise in the UK to utilise the deferred tax assets recognised.

In evaluating the ability to recover deferred tax assets in the UK, the Group considers both positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income and results of recent operations. Sensitivity analysis is undertaken to assess the impact of factors such as a reduction in long-term growth rate or operating profit on the forecast future taxable profit. This analysis indicates that there would not be a significant change in the following year.

In projecting future taxable income, the Group uses projections prepared for internal forecasting to estimate future forecast UK taxable profits. The assumptions about future taxable income require the use of estimates and are consistent with the plans the Group uses to manage the underlying businesses, and to test for impairment of goodwill as discussed in note 11.

4. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 31 December 2025 £m	Year ended 31 December 2024[1] £m
Revenue recognised at a point in time	**2,247**	2,139
Revenue recognised over time	**1,342**	1,329
Revenue	**3,589**	3,468

(1) For the year ended 31 December 2024, £313 million of revenue has been re-presented as revenue recognised over time, with a corresponding decrease in revenue recognised at a point in time, with no change to total revenue.

The Group has three customers, which each contribute more than 10% of Group revenue, with revenue of £662 million and £461 million in the Airframes segment and £921 million in the Engines segment.

As set out in the accounting policies in note 2, the Group has four primary revenue streams. There is little judgement or estimation in the revenue recognition of three of these areas: (i) sale of products and services; (ii) design and build; and (iii) construction contracts. However, in the fourth area, as disclosed in note 3c, there is estimation involved in accounting for certain RRSP contracts. RRSP contracts generally include the sale of products and services as well as certain aspects of design and build arrangements. Further details are set out below.

Risk and revenue sharing partnerships

The Group has approximately US$25 billion (31 December 2024: US$25 billion) in respect of contractual transaction prices including a constrained estimate of unbilled work done, on five (2024: five) engine programmes, out of a wider population of such programmes, which has been allocated to contracted performance obligations not satisfied at 31 December 2025. These performance obligations will be satisfied and revenue will be recognised over a period of up to 30 years (2024: 30 years).

The amount of revenue recognised from RRSP contracts during the year was £996 million (2024: £859 million), which included an increase in the unbilled work done contract asset of £324 million (2024: £274 million). Within this, there is revenue from the delivery of product which is recognised at a point in time of £930 million (2024: £802 million) and revenue from provision of service which is recognised over time of £66 million (2024: £57 million). Due to the nature of certain of these RRSP arrangements, there is an associated unbilled work done contract asset which is disclosed in note 17, along with its movements during the year.

The nature of products and services delivered in RRSP contracts varies depending on the individual terms. Typically, they include a design and development phase (which has been determined not to be a distinct performance obligation and so no revenue is recognised) and two other phases where the Group does have performance obligations and earns revenue:

i) Sale of structural OE engine components, such as turbine cases, principally to engine manufacturers, where revenue is recognised at a point in time; and

ii) Aftermarket support which can include: sale of spare parts where revenue is recognised at a point in time; and stand ready services for life of engine obligations to maintain permanent technical, and other programme related, support functions where revenue is recognised over time. Obligations can occur at any time during the engine life and include: engineering and technical support for engine configuration changes; and provision of aftermarket inventory support solutions.

4. Revenue continued

RRSP revenue recognised over time

The nature of these RRSP contracts on long-term engine programmes means that, as a partner, the Engines segment can share revenue earned from maintenance, repair and overhaul services which are provided by the engine manufacturers (the Group's customers) or their sub-contractors, but not by the Group itself. The Group has a stand ready obligation to contribute to certain of the partnerships which typically results in the provision of services such as technical and other programme support activities over the whole life of the engine. These services occur over the life of the engine and due to the nature of compensation from customer arrangements, which is often flight hour based, as well as costs which are less predictable, revenue is recognised over time using the engine manufacturer's actual overhaul costs relative to total estimated costs at completion as an input method. The Group also performs an annual risk assessment associated with expected income from stand ready obligations and, where required, a provision is recognised within contract liabilities. This method is considered appropriate as it best reflects the customers' receipt and consumption of benefit from the Group's stand ready performance obligation.

The total contract revenue includes amounts from: expected sales of OE engine components, expected sales of spare parts and aftermarket revenue per delivered engine for stand ready services for the life of engine obligations. The total contract revenue is allocated to all of the performance obligations.

During the year, £80 million (2024: £50 million) of revenue has been recognised relating to performance obligations satisfied by the Group in previous years as risks have reduced and the constraint reassessed. There has been a further £36 million (2024: £41 million) of revenue recognised from changes in assumptions which will also impact the revenue allocation between future years. Assumption changes were made following operational progress by engine manufacturers with their customers, providing more certainty over future costs and volumes for the RRSP partners.

5. Segment information

Segment information is presented in accordance with IFRS 8: Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reported to the Group's Chief Operating Decision Maker ("CODM"), which has been deemed to be the Group's Board, in order to allocate resources to the segments and assess their performance. During the year, the Structures segment was renamed Airframes.

The operating segments are as follows:

Engines – An industry leading global tier one supplier to the aerospace engines market, including structural engineered components; parts repair; commercial and aftermarket contracts.

Airframes – A multi-technology global tier one supplier of both civil and defence airframes, including lightweight composite and metallic structures; electrical distribution systems and components.

In addition, there is a corporate cost centre which is also reported to the Board containing the Group's head office costs.

Reportable segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis in a manner similar to transactions with third parties.

The Group's geographical segments are determined by the location of the Group's non-current assets and, for revenue, the location of external customers. Inter-segment sales are not material and have not been disclosed.

The following tables present the results and certain asset and liability information regarding the Group's operating segments and corporate cost centre for the year ended 31 December 2025.

a) Segment revenues

The Group derives its revenue from the transfer of goods and services over time and at a point in time. The Group has assessed that the disaggregation of revenue recognised from contracts with customers by operating segment is appropriate as this is the information regularly reviewed by the CODM in evaluating financial performance. The Group also believes that presenting this disaggregation of revenue based on the timing of transfer of goods or services provides useful information as to the nature and timing of revenue from contracts with customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

5. Segment information continued

Year ended 31 December 2025	Engines £m	Airframes £m	Total £m
Timing of revenue recognition			
At a point in time	1,110	1,137	2,247
Over time	522	820	1,342
Revenue	**1,632**	**1,957**	**3,589**

Year ended 31 December 2024[1]	Engines £m	Airframes £m	Total £m
Timing of revenue recognition			
At a point in time	949	1,190	2,139
Over time	510	819	1,329
Revenue	**1,459**	**2,009**	**3,468**

(1) For the year ended 31 December 2024, £313 million of revenue (Engines: £187 million, Airframes: £126 million) has been re-presented as revenue recognised over time, with a corresponding decrease in revenue recognised at a point in time, with no change to total revenue.

b) Segment operating profit

Year ended 31 December 2025	Engines £m	Airframes £m	Corporate[1] £m	Total £m
Adjusted operating profit/(loss)	**520**	**156**	**(29)**	**647**
Items not included in adjusted operating profit[2]:				
Amortisation of intangible assets acquired in business combinations	(128)	(124)	–	(252)
Restructuring costs	(5)	(29)	–	(34)
Impairment of assets	–	(6)	–	(6)
Melrose equity-settled compensation scheme charges	–	–	(1)	(1)
(Losses)/gains in derivatives and associated financial assets and liabilities	(20)	(6)	258	232
Acquisition and disposal related gains and losses	–	–	11	11
Net changes in fair value items	–	3	–	3
Operating profit/(loss)	**367**	**(6)**	**239**	**600**
Finance costs				(132)
Finance income				–
Profit before tax				**468**
Tax				(98)
Profit after tax for the year				**370**

Year ended 31 December 2024	Engines £m	Airframes £m	Corporate[1] £m	Total £m
Adjusted operating profit/(loss)	**422**	**144**	**(26)**	**540**
Items not included in adjusted operating profit[2]:				
Amortisation of intangible assets acquired in business combinations	(131)	(124)	–	(255)
Gains/(losses) in derivatives and associated financial assets and liabilities	7	–	(119)	(112)
Restructuring costs	(15)	(75)	(21)	(111)
Acquisition and disposal related gains and losses	–	(43)	(1)	(44)
Melrose equity-settled compensation scheme charges	–	–	(14)	(14)
Net changes in fair value items	–	(8)	–	(8)
Operating profit/(loss)	**283**	**(106)**	**(181)**	**(4)**
Finance costs				(105)
Finance income				3
Loss before tax				**(106)**
Tax				57
Loss after tax for the year				**(49)**

(1) Corporate adjusted operating loss of £29 million (2024: £26 million), includes a charge of £2 million (2024: £1 million) in respect of the Performance Share Plan for certain senior managers in the Group.
(2) Further details on adjusting items are discussed in note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

5. Segment information continued

c) Segment total assets and liabilities

	Total assets		Total liabilities	
	31 December 2025 £m	31 December 2024 £m	**31 December 2025 £m**	31 December 2024 £m
Engines	**4,689**	4,595	**1,903**	1,757
Airframes	**2,189**	2,284	**1,156**	1,134
Corporate	**718**	557	**1,710**	1,701
Total	**7,596**	7,436	**4,769**	4,592

d) Segment capital expenditure and depreciation

	Capital expenditure[1]		Depreciation of owned assets[1]		Depreciation of leased assets	
	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m	**Year ended 31 December 2025 £m**	Year ended 31 December 2024 £m	**Year ended 31 December 2025 £m**	Year ended 31 December 2024 £m
Engines	**56**	63	**41**	43	**11**	7
Airframes	**39**	54	**66**	74	**19**	17
Corporate	**–**	1	**–**	–	**1**	1
Total	**95**	118	**107**	117	**31**	25

(1) Including computer software and development costs. Capital expenditure excludes lease additions.

e) Geographical information

The Group operates in various geographical areas around the world. The parent company's country of domicile is the UK and the Group's revenues and non-current assets in the rest of Europe and North America are also considered to be material.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding deferred tax assets, non-current derivative financial assets, non-current other receivables and non-current retirement benefit surplus) by geographical location are detailed below:

	Revenue[1] from external customers		Segment assets	
	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m	**31 December 2025 £m**	31 December 2024 £m
UK	**574**	569	**676**	739
Rest of Europe	**564**	567	**1,884**	2,061
North America	**2,349**	2,232	**1,017**	1,145
Other	**102**	100	**39**	47
Total	**3,589**	3,468	**3,616**	3,992

(1) Revenue is presented by destination.

6. Reconciliation of adjusted profit measures

As described in note 2, adjusted profit measures are an alternative performance measure used by the Board to monitor the operating performance of the Group.

a) Operating profit

	Notes	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Operating profit/(loss)		**600**	(4)
Amortisation of intangible assets acquired in business combinations	a	**252**	255
Restructuring costs	b	**34**	111
Impairment of assets	c	**6**	–
Melrose equity-settled compensation scheme charges	d	**1**	14
(Gains)/losses in derivatives and associated financial assets and liabilities	e	**(232)**	112
Acquisition and disposal related gains and losses	f	**(11)**	44
Net changes in fair value items	g	**(3)**	8
Total adjustments to operating profit/(loss)		**47**	544
Adjusted operating profit		**647**	540

a. The amortisation charge on intangible assets acquired in business combinations of £252 million (2024: £255 million) is excluded from adjusted results due to its non-trading nature and to enable comparison with companies that grow organically. However, where intangible assets are trading in nature, such as computer software and development costs, the amortisation is not excluded from adjusted results.

b. Restructuring and other associated costs in the year totalled £34 million (2024: £111 million). These are shown as adjusting items due to their size and non-trading nature and include a charge of £32 million (2024: £64 million) relating to the completion of significant restructuring projects across sites in the Engines and Airframes divisions in Europe and North America. This £32 million charge includes a charge of £8 million to create an onerous contract provision which is associated with our significant restructuring projects in Europe in our Airframes division. These projects are now complete after a cumulative charge since commencement of £313 million (31 December 2024: £281 million). As at 31 December 2025, £5 million is included in restructuring provisions in relation to these projects.

c. An impairment of property, plant and equipment of £6 million (2024: £nil) in the Airframes division is connected to our final significant European restructuring project. This is shown as an adjusting item due to its non-trading nature.

d. The Melrose equity-settled Employee Share Plan matured during 2024. The charge of £1 million (2024: £14 million) represents a charge for employer's tax payable and was excluded from adjusted results due to its size and volatility.

e. Movements in the fair value of derivative financial instruments (primarily forward foreign currency exchange contracts where hedge accounting is not applied) entered into to mitigate the potential volatility of future cash flows, on long-term foreign currency customer and supplier contracts, including foreign exchange movements on the associated financial assets and liabilities are shown as an adjusting item because of volatility and size. This totalled a credit of £232 million (2024: charge of £112 million) in the year.

f. Acquisition and disposal related gains of £11 million (2024: net losses of £44 million) relate to the release of provisions associated with legacy business disposals that are no longer required. The gain is recorded as an adjusting item due to its non-trading nature.

g. The net changes in fair value items in the year totalled a credit of £3 million (2024: charge of £8 million) and are shown as an adjusting item due to their nature and volatility.

The adjustments to operating profit/(loss) identified above resulted in a net cash spend of £59 million (2024: £113 million) in the year, being cash costs associated with restructuring programmes of £31 million (2024: £126 million), £5 million (2024: £nil) of cash costs associated with legacy Melrose operations, a cash outflow on acquisition and disposal related gains and losses of £20 million (2024: inflow of £54 million), and cash costs of the Melrose equity-settled compensation scheme of £3 million (2024: £41 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

6. Reconciliation of adjusted profit measures continued

b) Profit before tax

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Profit/(loss) before tax	**468**	(106)
Adjustments to operating profit/(loss) as above	**47**	544
Adjusted profit before tax	**515**	438

c) Profit after tax

	Note	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Profit/(loss) after tax		**370**	(49)
Adjustments to profit/(loss) before tax as above		**47**	544
Tax effect of adjustments to profit/(loss) before tax	8	**(7)**	(128)
Tax effect of significant restructuring	8	**–**	(17)
Total adjustments to profit/(loss) after tax		**40**	399
Adjusted profit after tax		**410**	350

7. Expenses

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Operating profit/(loss) is stated after charging/(crediting):		
Amortisation of intangible assets acquired in business combinations	**252**	255
Depreciation and impairment of property, plant and equipment	**110**	104
Amortisation of computer software and development costs	**34**	41
Lease expense[1]	**–**	1
Staff costs	**961**	1,013
Research and development costs[2]	**80**	69
Loss on disposal of property, plant and equipment	**–**	4
Expense of writing down inventory to net realisable value	**38**	12
Impairment recognised on trade receivables	**2**	1
Impairment reversed on trade receivables	**(1)**	(2)

(1) Represents low value leases.
(2) Shown net of government and customer funding and includes staff costs totalling £37 million (2024: £33 million).

The analysis of auditor's remuneration is as follows:

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**5.1**	5.1
Fees payable to the Company's auditor and their associates for other audit services to the Group:		
The audit of the Company's subsidiaries	**0.4**	0.2
Total audit fees	**5.5**	5.3
Audit-related assurance services:		
Review of the half year interim statement	**0.5**	0.5
Other assurance services	**0.3**	–
Total audit-related assurance services	**0.8**	0.5
Total audit and non-audit fees	**6.3**	5.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

7. Expenses continued

Details of the Company's policy on the use of the auditors for non-audit services and how auditor's independence and objectivity were safeguarded are set out in the Audit Committee report on pages 102 to 108. No services were provided pursuant to contingent fee arrangements.

An analysis of staff costs and employee numbers is as follows:

	Year ended 31 December 2025 £m	Year ended 31 December 2024[1] £m
Staff costs during the year (including executive Directors)		
Wages and salaries	**793**	836
Social security costs[2]	**109**	116
Pension costs (note 24)		
– defined contribution plans	**57**	60
Share-based compensation expense	**2**	1
Total staff costs	**961**	1,013

(1) For the year ended 31 December 2024, total staff costs have been re-presented to include staff costs relating to restructuring projects recorded within adjusting items. Total staff costs have increased by £48 million.
(2) Includes an employer's tax charge of £1 million (2024: £14 million) on the change in value of the Melrose Employee Share Plan, shown as an adjusting item (see note 6).

	Year ended 31 December 2025 Number	Year ended 31 December 2024 Number
Average monthly number of persons employed (including executive Directors)		
Engines	**4,373**	4,228
Airframes	**9,247**	9,668
Corporate	**27**	26
Total average number of persons employed	**13,647**	13,922

An analysis of finance costs and income is as follows:

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Finance costs		
Interest on bank loans and overdrafts	**(90)**	(75)
Interest on factoring facilities	**(17)**	(16)
Amortisation of costs of raising finance	**(6)**	(4)
Net interest cost on pensions	**(3)**	(4)
Lease interest	**(12)**	(6)
Unwind of discount on long-term liabilities	**(4)**	–
Total finance costs	**(132)**	(105)
Finance income		
Interest receivable	**–**	3
Total finance income	**–**	3
Total net finance costs	**(132)**	(102)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

8. Tax

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Analysis of tax charge/(credit) in the year:		
Current tax		
Current year tax charge	**17**	15
Adjustments in respect of prior years	**2**	–
Total current tax charge	**19**	15
Deferred tax		
Origination and reversal of temporary differences	**11**	(32)
Adjustments in respect of prior years	**4**	(9)
Tax on the change in value of derivative financial instruments	**62**	(30)
Adjustments to deferred tax attributable to changes in tax rates	**–**	–
Temporary differences not recognised in deferred tax	**2**	2
Recognition of previously unrecognised deferred tax	**–**	(3)
Total deferred tax charge/(credit)	**79**	(72)
Total tax charge/(credit) for the year	**98**	(57)

Analysis of tax charge/(credit) for the year:	£m	£m
Tax charge in respect of adjusted profit before tax	**105**	88
Tax effect of adjustments to profit/(loss) before tax:		
Amortisation of intangible assets acquired in business combinations	**(59)**	(59)
Restructuring costs	**(9)**	(28)
Gains/losses in derivatives and associated financial assets and liabilities	**62**	(30)
Net changes in fair value items	**1**	(2)
Impairment of assets	**(2)**	–
Acquisition and disposal related gains and losses	**–**	(4)
Melrose equity-settled compensation scheme charges	**–**	(5)
	(7)	(128)
Tax effect of significant restructuring	**–**	(17)
Total tax charge/(credit) for the year	**98**	(57)

The tax charge of £105 million (2024: £88 million) arising on adjusted profit before tax of £515 million (2024: £438 million) results in an effective tax rate of 20.4% (2024: 20.1%).

8. Tax continued

The tax charge/(credit) for the year can be reconciled to the profit/(loss) before tax per the Income Statement as follows:

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Profit/(loss) before tax	**468**	(106)
Tax charge/(credit) on profit/(loss) before tax at 24.5% (2024: 25.0%)	**115**	(27)
Tax effect of:		
Disallowable expenses and other permanent differences within adjusted profit[1]	**(15)**	8
Disallowable expenses and other permanent differences included within adjusting items[1]	**(14)**	8
Temporary differences not recognised in deferred tax	**2**	2
Recognition of previously unrecognised deferred tax	**–**	(3)
Tax credits and withholding taxes	**4**	2
Adjustments in respect of prior years	**6**	(9)
Tax charge classified within adjusting items	**–**	(20)
Effect of changes in tax rates	**–**	–
Effect of rate differences between UK and overseas rates	**–**	(18)
Total tax charge/(credit) for the year	**98**	(57)

(1) Included within permanent differences is the effect of foreign exchange differences arising as a result of certain entities having a different reporting functional currency to that required to be used for local statutory accounts and tax returns.

The reconciliation has been performed at a tax rate of 24.5% (2024: 25.0%). The reconciliation rate represents the weighted average of the tax rates applying to profits and losses in the jurisdictions in which those results arose in the year. However, for 2024 this rate was not representative due to offsetting profits and losses in the relevant jurisdictions and as such the UK corporation tax rate was used.

Tax (credits)/charges included in other comprehensive income are as follows:

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Deferred tax movements on retirement benefit obligations	**(3)**	4
Deferred tax movements on hedge relationship gains and losses	**(6)**	1
Total (credit)/charge for the year	**(9)**	5

There is also a tax charge of £2 million (2024: credit of £14 million) recognised directly in the Statement of Changes in Equity in respect of deferred tax on equity-settled share-based payments.

Global Minimum Tax rules and Franked Investment Income – litigation

The Group is within the scope of the OECD Global Minimum Tax ("Pillar 2") rules which came into effect from 1 January 2024. The current tax charge includes a tax charge of £2 million (2024: less than £1 million) arising as a result of the Pillar 2 rules. For the years ending 31 December 2025 and 31 December 2024, the Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 taxes.

Since 2003, certain entities in the Group have been involved in litigation with HMRC in respect of various advance corporate tax payments and corporate tax paid on certain foreign dividends which, in the Group's view, were levied by HMRC in breach of the Group's EU community law rights. On 8 October 2025, the Court of Appeal handed down the latest decision relating to time limits for valid claims. This decision is positive for the Group and on 27 January 2026, HMRC were denied permission to appeal this judgment concerning time limits. On 10 November 2025, the Court of Appeal handed down its separate decision in the Evonik UK Holdings Ltd v HMRC case (one of the test claimants in the litigation) considering computational issues. This was also broadly positive for the Group. HMRC have also sought leave to appeal the judgment on computational issues and a decision on permission is awaited. The continuing complexity of the case and uncertainty over the issues raised means that it is not possible to predict the final outcome of the litigation with any reasonable degree of certainty.

9. Dividends

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Interim dividend for the year ended 31 December 2025 of 2.4p	31	–
Final dividend for the year ended 31 December 2024 of 4.0p	51	–
Interim dividend for the year ended 31 December 2024 of 2.0p	–	26
Final dividend for the year ended 31 December 2023 of 3.5p	–	46
	82	72

A final dividend for the year ended 31 December 2025 of 4.8p per share totalling an expected £60 million is declared by the Board on 27 February 2026 and in accordance with IAS 10: Events after the Reporting Period, has not been included as a liability in the Consolidated Financial Statements.

On 1 October 2024, the Group commenced a £250 million share buyback programme which is expected to complete by the end of March 2026. During the year ended 31 December 2025, 31,515,908 shares (2024: 4,173,411 shares) were purchased at an average price of 551 pence (2024: 484 pence) per share for total consideration of £173 million (2024: £20 million), inclusive of costs of £1 million (2024: £nil).

During the prior year, the Group completed a £500 million share buyback programme, which commenced on 2 October 2023, with £411 million of cash spent in 2024, inclusive of costs of £5 million.

10. Earnings per share

Earnings attributable to owners of the parent	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Earnings for basis of earnings per share	370	(49)

	Year ended 31 December 2025 Number	Year ended 31 December 2024 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share (million)	1,272	1,307
Further shares for the purposes of diluted earnings per share (million)	4	17
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million)	1,276	1,324

Details of changes to the number of ordinary shares in issue are described in note 26.

Earnings per share	Year ended 31 December 2025 pence	Year ended 31 December 2024 pence
Basic earnings per share	29.1	(3.7)
Diluted earnings per share	29.0	(3.7)

Adjusted earnings	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Adjusted earnings for the basis of adjusted earnings per share	410	350

Adjusted earnings per share

Adjusted earnings per share	Year ended 31 December 2025 pence	Year ended 31 December 2024 pence
Adjusted basic earnings per share	32.2	26.8
Adjusted diluted earnings per share	32.1	26.4

11. Goodwill and other intangible assets

	Goodwill £m	Customer relationships and contracts £m	Brands and intellectual property £m	Other[1] £m	Computer software £m	Development costs £m	Total £m
Cost							
At 1 January 2024	961	2,767	207	631	23	464	5,053
Additions	–	–	–	–	2	13	15
Reclassification from property, plant and equipment[2]	–	–	–	–	–	2	2
Disposals	–	–	–	–	–	(10)	(10)
Disposal of businesses[3]	–	–	–	–	(1)	–	(1)
Exchange adjustments	9	32	(4)	(2)	–	(1)	34
At 31 December 2024	970	2,799	203	629	24	468	5,093
Additions	–	–	–	–	2	7	9
Acquisition of businesses[4]	3	1	–	–	–	–	4
Reclassification from property, plant and equipment[2]	–	–	–	–	–	4	4
Disposals	–	–	–	–	–	(1)	(1)
Exchange adjustments	(41)	(138)	4	(9)	–	(8)	(192)
At 31 December 2025	**932**	**2,662**	**207**	**620**	**26**	**470**	**4,917**
Accumulated amortisation and impairment							
At 1 January 2024	–	(1,079)	(59)	(322)	(19)	(223)	(1,702)
Charge for the year:							
Adjusted operating profit	–	–	–	–	(3)	(38)	(41)
Adjusting items	–	(188)	(10)	(57)	–	–	(255)
Disposals	–	–	–	–	–	5	5
Disposal of businesses[3]	–	–	–	–	1	–	1
Exchange adjustments	–	(11)	1	2	–	1	(7)
At 31 December 2024	–	(1,278)	(68)	(377)	(21)	(255)	(1,999)
Charge for the year:							
Adjusted operating profit	–	–	–	–	(2)	(32)	(34)
Adjusting items	–	(186)	(10)	(56)	–	–	(252)
Exchange adjustments	–	56	(2)	3	–	1	58
At 31 December 2025	**–**	**(1,408)**	**(80)**	**(430)**	**(23)**	**(286)**	**(2,227)**
Net book value							
At 31 December 2025	**932**	**1,254**	**127**	**190**	**3**	**184**	**2,690**
At 31 December 2024	970	1,521	135	252	3	213	3,094

(1) Other includes technology and order backlog intangible assets recognised on acquisitions.
(2) Reclassification from property, plant and equipment for depreciation capitalised as development costs (see note 14).
(3) Disposal of businesses in 2024 related to the sale of non-core businesses in the Airframes segment.
(4) Acquisition of businesses in 2025 relates to TPC Components AB within the Engines segment (see note 1).

The goodwill generated as a result of major acquisitions represents the premium paid in excess of the fair value of all net assets, including intangible assets, identified at the point of acquisition. The carrying value of goodwill includes a premium, paid in order to secure shareholder agreement to the business combination, that is less than the value that the Directors believed could be added to the acquired businesses.

The goodwill arising on bolt-on acquisitions is attributable to the anticipated profitability and cash flows arising from the businesses acquired, synergies as a result of the complementary nature of the business with existing Melrose businesses, the assembled workforce, technical expertise, knowhow, market share and geographical advantages afforded to the Group.

The future improvements applied to the acquired businesses, achieved through a combination of revised strategic direction, operational improvements and investment, are expected to result in improved profitability. The combined value achieved from these improvements is expected to be in excess of the value of goodwill acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

11. Goodwill and other intangible assets continued

Goodwill	31 December 2025 £m	31 December 2024 £m
Engines	**582**	620
Airframes	**350**	350
Total	**932**	970

Impairment testing

The Group tests goodwill annually or more frequently if there are indications that goodwill might be impaired. The effective date of the annual impairment test is 31 October, aligned with internal forecasting and review processes. In accordance with IAS 36: Impairment of Assets, the Group assesses goodwill based on the recoverable amount, being the higher of the value in use basis and the fair value less costs to sell basis.

Value in use calculations have been used to determine the recoverable amount of goodwill and other relevant net assets allocated to the Engines and Airframes groups of CGUs for the year ended 31 December 2025 and the year ended 31 December 2024. The calculation uses the latest approved forecasts extrapolated into perpetuity with growth rates shown below, which do not exceed the long-term growth rate for the relevant market.

Based on the impairment testing completed, no impairment was identified in respect of either of the groups of CGUs. No sensitivity analysis has been provided as there is no reasonably possible change in key assumptions that could result in an impairment in either the Engines or Airframes groups of CGUs.

The key assumptions used are set out in the tables below:

	31 December 2025		
Groups of CGUs	Pre-tax discount rates	Long-term growth rates	Years in forecast
Engines	**10.50%**	**3.2%**	**5**
Airframes	**10.75%**	**3.2%**	**5**

	31 December 2024		
Groups of CGUs	Pre-tax discount rates	Long-term growth rates	Years in forecast
Engines	10.25%	3.3%	5
Airframes	10.50%	3.3%	5

Risk adjusted discount rates

Cash flows within the Engines and Airframes groups of CGUs are discounted using a pre-tax discount rate specific to each group of CGUs. Discount rates reflect the current market assessments of the time value of money and the territories in which the group of CGUs operates. In determining the cost of equity, the Capital Asset Pricing Model ("CAPM") has been used. Under CAPM, the cost of equity is determined by adding a risk premium, based on an industry adjustment ("Beta"), to the expected return of the equity market above the risk-free return. The relative risk adjustment reflects the risk inherent in each group of CGUs relative to all other sectors and geographies on average.

The cost of debt is determined using a risk-free rate based on the cost of government bonds, and an interest rate premium equivalent to a corporate bond with a similar credit rating to the Group.

Assumptions applied in financial forecasts

The Group prepares cash flow forecasts derived from financial budgets and medium-term forecasts. Each forecast has been prepared using a five-year cash flow period. The key assumptions used in forecasting cash flows relate to future budgeted revenue and operating margins likely to be achieved and the expected rates of long-term growth by sector. Underlying factors in determining the values assigned to each key assumption are shown below.

Impairment testing has considered the impact of climate scenarios used by the Group to assess climate-related risks and opportunities. Demand for the Group's products may be impacted by the different scenarios over the medium to long-term. Whilst recognising these scenarios contain major assumptions, the modelling indicates no material impact on existing revenue assumptions, with any potential reduction in Melrose's existing products being offset by the Group's transition plan into lower-carbon products under existing financial planning. The potential of transition risks such as the transitioning of carbon intensive machinery to more carbon efficient or electric models also did not indicate a material impact on the existing financial cost in the short to medium-term forecasting. The impairment testing also considers the potential costs from climate-related risks under physical scenarios RCP 2.6 and 8.5. Risks such as flooding and storm events were predicted to not have a material impact on cost within the financial forecasting horizon.

11. Goodwill and other intangible assets continued

Revenue growth and operating margins

Revenue growth assumptions in the forecast period are based on financial budgets and five-year term forecasts by management, taking into account industry growth rates and management's historical experience in the context of wider industry and economic conditions. Projected revenue is built up with reference to markets and product categories. They incorporate past performance, historical growth rates, projections of developments in key markets, secured orders and orders forecast to be achieved in the short to medium-term given trends in the relevant market sector. Revenue assumptions are made using external market data, where available.

Operating margins have been forecast based on historical levels achieved considering the likely impact of changing economic environments and competitive landscapes on volumes and revenues and the impact of management actions on costs. Forecasts for operating costs are based on inflation forecasts and supply and demand factors, which take account of climate change implications for affected markets. Impairment testing includes short to medium-term planning (five years) for both of the groups of CGUs, which will address known risks from climate change and other environmental factors impacting forecast costs as well as the opportunities in associated markets as they prepare for changes which impact revenues.

The key drivers for growth in revenue and operating margins are global demand for commercial and military aircraft. Consumer spending, passenger load factors, raw material input costs, market expectations for aircraft production requirements, technological advancements, and other macro-economic factors influence demand for these products.

Long-term growth rates

Long-term growth rates are determined using long-term growth rate forecasts that take into account the international presence and the markets in which each business operates.

Allocation of significant intangible assets

The allocation of significant customer relationships and contracts, brands, intellectual property and other is as follows:

	Customer relationships and contracts				Brands, intellectual property and other			
	Remaining amortisation period		Net book value		Remaining amortisation period		Net book value	
	31 December 2025 years	31 December 2024 years	**31 December 2025 £m**	31 December 2024 £m	**31 December 2025 years**	31 December 2024 years	**31 December 2025 £m**	31 December 2024 £m
Engines	**13**	14	**1,059**	1,259	**13**	14	**121**	138
Airframes	**3**	4	**195**	262	**13**	14	**196**	249
Total			**1,254**	1,521			**317**	387

12. Investments

Investments, carried at fair value	**31 December 2025 £m**	31 December 2024 £m
Shares	**56**	69

The Group holds a 2% equity share in HiiROC Limited, a hydrogen technology company and a 4% investment in PW1100G-JM Engine Leasing LLC, an engine leasing business.

There was no gain or loss on remeasurement to fair value (2024: loss of £47 million) and a foreign exchange translation loss of £4 million (2024: gain of £2 million). Dividends of £12 million (2024: £5 million) were received during the year which were recorded within operating profit.

During the year, the Group disposed of its 1% investment in Dowlais Group plc for consideration of £9 million.

Certain of the investments are measured as a level 3 fair value under the IFRS 13 fair value hierarchy. To calculate the value at 31 December 2025, the expected dividend flow was discounted to net present value using a discount rate of 10.0% (31 December 2024: 10.5%). If the discount rate reduced by 100bps, the fair value would increase by £7 million (31 December 2024: £7 million).

13. Disposals

In the prior year, the Group disposed of its Fuel Systems business, its St. Louis operation and its Orangeburg operation. The results of the three businesses disposed were not classified within discontinued operations as they did not meet the criteria of being a major separate line of business.

A cash payment of £20 million was made during the year in respect of deferred consideration relating to the prior year disposal of the St. Louis operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

14. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2024	523	1,027	1,550
Additions	83	90	173
Right-of-use asset reassessments	8	–	8
Disposals	(3)	(35)	(38)
Disposal of businesses[1]	(36)	(54)	(90)
Exchange adjustments	3	8	11
At 31 December 2024	578	1,036	1,614
Additions	134	69	203
Acquisition of businesses[2]	–	1	1
Right-of-use asset reassessments	11	–	11
Disposals	(72)	(20)	(92)
Exchange adjustments	(17)	(39)	(56)
At 31 December 2025	**634**	**1,047**	**1,681**
Accumulated depreciation and impairment			
At 1 January 2024	(230)	(543)	(773)
Charge for the year	(33)	(68)	(101)
Disposals	3	31	34
Disposal of businesses[1]	17	41	58
Reclassification to intangible assets[3]	–	(2)	(2)
Impairments[4]	(3)	–	(3)
Exchange adjustments	(1)	(5)	(6)
At 31 December 2024	(247)	(546)	(793)
Charge for the year	(36)	(68)	(104)
Disposals	46	18	64
Reclassification to intangible assets[3]	–	(4)	(4)
Impairments[4]	–	(6)	(6)
Exchange adjustments	6	20	26
At 31 December 2025	**(231)**	**(586)**	**(817)**
Net book value			
At 31 December 2025	**403**	**461**	**864**
At 31 December 2024	331	490	821

(1) Disposal of businesses in 2024 related to the sale of non-core businesses in the Airframes segment.
(2) Acquisition of businesses relates to the acquisition of TPC Components AB (see note 1).
(3) Depreciation charge reclassified to development costs within intangible assets (see note 11).
(4) Impairments are shown as an adjusting item (see note 6).

Assets under the course of construction at 31 December 2025 totalled £139 million (31 December 2024: £145 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

14. Property, plant and equipment continued

Property, plant and equipment includes the net book value of right-of-use assets as follows:

Right-of-use assets	Land and buildings £m	Plant and equipment £m	Total £m
At 1 January 2024	140	19	159
Additions	65	5	70
Right-of-use asset reassessments	8	–	8
Depreciation	(20)	(5)	(25)
Disposal of businesses[1]	(1)	–	(1)
Impairments[2]	(3)	–	(3)
Exchange adjustments	(1)	–	(1)
At 31 December 2024	188	19	207
Additions[3]	111	6	117
Right-of-use asset reassessments	11	–	11
Depreciation	(25)	(6)	(31)
Disposals	(12)	–	(12)
Exchange adjustments	(6)	(1)	(7)
At 31 December 2025	**267**	**18**	**285**

(1) Disposal of businesses in 2024 related to the sale of non-core businesses in the Airframes segment.
(2) Impairments in 2024 are shown as an adjusting item (see note 6).
(3) Includes additions of £26 million (2024: £nil) relating to sale and leaseback arrangements.

15. Equity accounted investments

	31 December 2025 £m	31 December 2024 £m
Aggregated amounts relating to equity accounted investments:		
Share of current assets	**10**	4
Share of non-current assets	**12**	11
Share of current liabilities	**(14)**	(5)
Share of non-current liabilities	**(2)**	(2)
Interests in equity accounted investments	**6**	8

Group share of equity accounted investments	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
At 1 January	**8**	7
Share of results of equity accounted investments	**(2)**	(2)
Additions	**–**	3
Exchange adjustments	**–**	–
At 31 December	**6**	8

16. Inventories

	31 December 2025 £m	31 December 2024 £m
Raw materials	**255**	249
Work in progress	**221**	209
Finished goods	**66**	70
	542	528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

16. Inventories continued

In 2025, the write down of inventories to net realisable value amounted to £38 million (2024: £12 million). Write downs in both years relate to ongoing assessments of inventory obsolescence, excess inventory holding and inventory resale values across the Group.

Climate change may impact the demand from customers for certain products, however given the speed of inventory turnover the Directors consider that there is no material impact and inventories are appropriately valued.

The Directors consider that there is no material difference between the net book value of inventories and their replacement cost.

17. Trade and other receivables

Current	31 December 2025 £m	31 December 2024 £m
Trade receivables	**486**	407
Allowance for expected credit loss	**(8)**	(7)
Other receivables	**219**	255
Prepayments	**32**	33
Contract assets	**242**	261
	971	949

Trade receivables are non interest-bearing. Credit terms offered to customers vary upon the country of operation but are generally between 30 and 90 days.

Non-current	31 December 2025 £m	31 December 2024 £m
Other receivables	**36**	8
Contract assets	**1,490**	1,193
	1,526	1,201

As described in note 25, certain businesses participate in receivables working capital programmes and have the ability to choose whether to receive payment earlier than the normal due date, for specific customers on a non-recourse basis. As at 31 December 2025, eligible receivables under these programmes have been factored and derecognised in line with the derecognition criteria of IFRS 9. All receivables are solely payments of principal and interest and are held to collect.

An allowance has been made for expected lifetime credit losses with reference to past default experience and management's assessment of credit worthiness over trade receivables, an analysis of which is as follows:

	Engines £m	Airframes £m	Total £m
At 1 January 2024	3	7	10
Income Statement charge/(credit)	2	(3)	(1)
Utilised	(2)	–	(2)
Exchange adjustments	–	–	–
At 31 December 2024	3	4	7
Income Statement (credit)/charge	(1)	2	1
Exchange adjustments	–	–	–
At 31 December 2025	**2**	**6**	**8**

Credit control procedures are implemented to ensure that sales are only made to organisations that are willing and able to pay for them. Such procedures include the establishment and review of customer credit limits and terms. The Group's customers are typically large, reputable businesses within the aerospace and defence industry many of which have strong credit profiles, which mitigates a significant level of credit risk. The Group does not hold any collateral or any other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

17. Trade and other receivables continued

The ageing of impaired trade receivables past due is as follows:

	31 December 2025 £m	31 December 2024 £m
0 – 30 days	–	–
31 – 60 days	–	2
60+ days	8	5
	8	7

Included in the Group's trade receivables balance are overdue trade receivables with a gross carrying amount of £22 million (31 December 2024: £17 million) against which a provision of £8 million (31 December 2024: £7 million) is held.

There are no amounts provided against balances that are not overdue as these are deemed recoverable, following an assessment for impairment in accordance with policies described in note 2.

The ageing of the balance deemed recoverable of £14 million (31 December 2024: £10 million) is as follows:

	31 December 2025 £m	31 December 2024 £m
0 – 30 days	13	10
31 – 60 days	1	–
60+ days	–	–
	14	10

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The Group's contract assets comprise the following:

	Participation fees £m	Unbilled receivables £m	Unbilled work done £m	Other £m	Total £m
At 1 January 2024	176	206	595	61	1,038
Additions	8	1,016	298	5	1,327
Utilised	(11)	(935)	(24)	(1)	(971)
Settlements[1]	–	–	35	–	35
Exchange adjustments	3	4	18	–	25
At 31 December 2024	176	291	922	65	1,454
Reclassifications[2]	–	–	143	–	143
Additions	–	1,048	352	3	1,403
Utilised	(11)	(1,101)	(28)	(15)	(1,155)
Exchange adjustments	(12)	(16)	(81)	(4)	(113)
At 31 December 2025	**153**	**222**	**1,308**	**49**	**1,732**

(1) Settlements principally relate to the utilisation of provision balances held as commercial matters are resolved.
(2) Reclassification of the specific liability relating to the PW1100G powder metal issue ("PMI") to contract liabilities (see note 19).

An assessment for impairment of contract assets has been performed in accordance with policies described in note 2. No such impairment has been recorded.

Climate change and the effect on customers' ability to pay is considered in the allowance for expected credit losses. Climate-related considerations have been taken into account in the forecasting of revenues and costs in respect of RRSP contracts in a similar manner to those described in the impairment testing section (note 11). The Directors have concluded that climate change related impacts are not material in the recoverability of trade receivables and contract assets related to unbilled work done on risk and revenue sharing partnerships.

Participation fees
Participation fees are described in the accounting policies (note 2) and are considered to be a reduction in revenue for the related customer contract. Amounts are capitalised and 'amortised' to match to the related performance obligation.

Unbilled receivables for over time recognition
Unbilled receivables for over time recognition represent work completed with associated margins where contracts contain a legal right to compensation for work completed, including a margin, and there is no alternative use for the customer's asset.

17. Trade and other receivables continued

Unbilled work done

Unbilled work done only has a material impact on one entity in the Group, exclusively relating to certain RRSP arrangements in the Engines segment. During the year ended 31 December 2025, the net impact of additions and amounts utilised of £324 million (2024: £274 million) was recorded in revenue.

Where the Group has a contractual right to aftermarket revenue, IFRS 15 requires that the total contract revenue is allocated to the performance obligations. The principal contractual term that determines the existence of unbilled work done is the absence of a termination clause that the customer can unilaterally exercise which results in future purchases being considered optional. Where there is such a termination clause and the Group commercially relies on economic compulsion of the contracting parties, the two phases of activity are treated as distinct and no unbilled work done contract asset is recognised. In the absence of such a term, there is a contractual link between the sale of OE components and aftermarket, which results in unbilled work done, and the total contract revenue is allocated to the distinct performance obligations.

Unbilled work done is measured based on the most likely amount, taking account of an estimate of the standalone selling price for individual performance obligations and is recognised when control of the OE component passes to the customer (the engine manufacturer). Due to the long-term nature of agreements, calculation of the total programme revenues is inherently imprecise and as set out in note 3c requires significant estimates, including an assessment of the aftermarket revenue per engine which reflects the pattern of future maintenance activity and associated costs to be incurred. In order to address the future uncertainties, risk adjustments as well as constraints have been applied to the expected level of revenue as appropriate and these are reviewed annually. This approach best represents the value of goods and services supplied taking account of the performance obligations, risk and overall contract revenues.

As a consequence of allocating additional revenue to the sale of OE components, an unbilled work done contract asset has been recognised which will be satisfied through cash receipts during the aftermarket phase. The constraints applied to unbilled work done are reassessed at each period end, and will unwind as risks reduce and when uncertainties are resolved. This is expected to lead to additional revenue recognition in future periods in relation to items sold in the current and preceding periods. Further information is provided in note 4.

18. Cash and cash equivalents

	31 December 2025 £m	31 December 2024 £m
Cash and cash equivalents	**166**	88

Cash and cash equivalents comprises cash at bank and in hand which earns interest at floating rates based on daily bank deposit rates and short-term deposits which are made for varying periods of between one day and one month. The carrying amount of these assets is considered to be equal to their fair value.

19. Trade and other payables

Current	31 December 2025 £m	31 December 2024 £m
Trade payables	**627**	580
Other payables	**94**	81
Customer advances and contract liabilities	**460**	509
Other taxes and social security	**60**	51
Government refundable advances	**6**	6
Funded development costs	**64**	80
Accruals	**220**	190
Deferred government grants	**13**	13
	1,544	1,510

As at 31 December 2025, and as described in note 25, included within trade payables were drawings on supplier finance facilities of £84 million (31 December 2024: £80 million). Trade payables are non-interest-bearing. Normal settlement terms vary by country and the average credit period taken for trade and other payables is 79 days (31 December 2024: 73 days).

19. Trade and other payables continued

Non-current	31 December 2025 £m	31 December 2024 £m
Other payables	**44**	51
Customer advances and contract liabilities	**376**	316
Other taxes and social security	**–**	2
Government refundable advances	**40**	45
Funded development costs	**45**	17
Accruals	**11**	18
Deferred government grants	**17**	20
	533	469

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Funded development costs
When the Group is awarded design and development work as part of a related serial production of components contract, management assesses whether the two phases of work are distinct under IFRS 15.

Where it is considered there is only one performance obligation under the contract, being the delivery of manufactured product, any cash received from customers which contributes to 'funding' the up-front design and development expenditure incurred, is deferred on the Balance Sheet as an obligation and released to revenue in the Income Statement based on satisfaction of performance obligations, being the delivery of product.

Customer advances and contract liabilities
Customer advances and contract liabilities include cash receipts from customers in advance of the Group completing its performance obligations and are generally utilised as product is delivered. Non-current amounts in respect of customer advances and contract liabilities will be utilised as follows: one to two years £118 million, two to five years £137 million and over five years £121 million (31 December 2024: one to two years £101 million, two to five years £122 million and over five years £93 million). During the year, revenue of £337 million (2024: £218 million) was recognised which was included in customer advances and contract liabilities at the beginning of the year.

The Group's customer advances and contract liabilities comprise the following:

	31 December 2025 £m	31 December 2024 £m
Customer cash advances	**281**	211
Material rights given	**12**	23
RRSP related obligations	**543**	591
	836	825

Customer cash advances
There are a discrete number of contracts with customers, where commercial terms lead to customer advances relating to serial production of components. Where cash is received in advance of performance, this usually addresses non-standard commercial impacts on the Group such as long lead times on inventory.

Customer cash advances, received before the Group delivers product, are deferred on the Balance Sheet as an obligation and released to revenue based on satisfaction of performance obligations.

Material rights given
Where the Group has agreed contracts with customers that contain any unusual pricing features, these are assessed to determine if material rights have been transferred to the customer. A material right could occur when there is a material step down in price or if contracts are modified with lump sum cash receipts offset by a reduction in future pricing.

If a material right has transferred to the customer, any cash received in advance of the Group performing its obligations under a contract is deferred on the Balance Sheet and released to revenue in the Income Statement based on the terms of the contract.

19. Trade and other payables continued

RRSP related obligations

As detailed in the accounting policies (note 2), significant estimates disclosure (note 3), revenue disclosures (note 4) and contract asset disclosure (note 17), the Group has certain RRSP arrangements, with more complex revenue recognition considerations. Whilst the Group has an unbilled work done contract asset of £1,308 million (31 December 2024: £922 million), detailed in note 17, which represents the Group having completed certain of its performance obligations in advance of cash receipt, it also has contract liabilities.

These include:

- Cash received for a stand ready obligation (described in note 4) of £174 million (31 December 2024: £158 million) to contribute to aftermarket activities of certain RRSPs, which typically results in the provision of services such as technical and other programme support activities over the whole life of the engine. This will be recognised over time in line with the engine manufacturer's actual maintenance, repair and overhaul costs.
- A liability that was initially recognised in 2023 for the Group's share of one-time costs connected with the PW1100G powder metal issue ("PMI"). The specific liability replaced an existing risk provision which had been built up through the highly constrained recognition of revenue. The PMI liability was previously recognised within unbilled work done, a contract asset category, but has been reclassified to contract liabilities in the year. At 31 December 2025, the amount included within RRSP related obligations has a value of £66 million (31 December 2024: £143 million, recorded within unbilled work done); the movement includes settlements in the year of £68 million (2024: £35 million).
- A pricing rebate provision for estimated discounts provided by engine manufacturers on the sale of OE of £57 million (31 December 2024: £72 million).
- Cash received to compensate where the production cost incurred on an RRSP contract is in excess of the Group's share of the programme, totalling £17 million (31 December 2024: £29 million). This will be released to the Income Statement when the Group has satisfied its performance obligations.
- Cash received in respect of RRSP contract amendments of £84 million (31 December 2024: £94 million). This will be released over the life of the contract in accordance with the original terms of the contract.
- A provision for engineering and warranty commitments in respect of RRSP contracts of £29 million (31 December 2024: £35 million). This is expected to be utilised over the warranty terms of the contracts.
- Other contract liabilities of £116 million (31 December 2024: £203 million).

20. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. Details of the Group's exposure to credit, liquidity, interest rate and foreign currency risk are included in note 25.

	Current		Non-current		Total	
	31 December 2025 £m	31 December 2024 £m	**31 December 2025 £m**	31 December 2024 £m	**31 December 2025 £m**	31 December 2024 £m
Floating rate obligations						
Bank borrowings – US dollar loan	**–**	–	**1,267**	1,131	**1,267**	1,131
Bank borrowings – Sterling loan	**50**	–	**–**	16	**50**	16
Bank borrowings – Euro loan	**–**	–	**244**	261	**244**	261
Other loans	**–**	–	**2**	–	**2**	–
Bank overdrafts	**12**	8	**–**	–	**12**	8
	62	8	**1,513**	1,408	**1,575**	1,416
Unamortised finance costs	**(2)**	–	**–**	(7)	**(2)**	(7)
Total interest-bearing loans and borrowings	**60**	8	**1,513**	1,401	**1,573**	1,409

The Group's net debt position at 31 December 2025 was £1,407 million (31 December 2024: £1,321 million).

As at 31 December 2024, the Group had committed facilities of US$1,639 million, €400 million and £300 million, including multi-currency revolving credit facilities. During the year, the Group arranged additional committed bank facilities of €355 million maturing in January 2027 and facilities totalling US$70 million and £50 million maturing in January 2026. In addition, bank facilities totalling US$29 million were cancelled.

The facilities available as at 31 December 2025 totalled US$1,680 million, €755 million and £350 million. Within these amounts, US$1,610 million, €400 million and £300 million of facilities were due to mature in April 2026, but with the potential to be extended for two additional one-year periods at the Group's option. Amounts drawn under these facilities are therefore classified as non-current. Subsequent to 31 December 2025, these facilities have been extended for an additional year to April 2027, with the second one-year extension option still available to the Group. In addition and subsequent to 31 December 2025, the £50 million facility maturing January 2026 was extended to January 2027; and for the €355 million facilities maturing in January 2027, the Group has arranged for the potential to extend the facilities for one year at the Group's option.

20. Interest-bearing loans and borrowings continued

At 31 December 2025, drawings under the facilities were US$1,524 million, €282 million and £184 million. The £184 million was borrowed under the £350 million multi-currency revolving credit facilities in amounts of £50 million and US$180 million. Applying the exchange rates at 31 December 2025, the headroom equated to £694 million. There are also a number of uncommitted overdraft, guarantee and borrowing facilities made available to the Group.

Costs of financing of £1 million (2024: £3 million) were capitalised during the year and £6 million (2024: £4 million) of finance cost amortisation was charged to the Income Statement.

Throughout the year, the Group remained compliant with all covenants under the facilities disclosed above. A number of Group companies are guarantors under the bank facilities. Further details on covenant compliance for the year ended 31 December 2025 are contained in note 25.

The bank margins on the bank facility depend on the Group leverage and were as follows:

	31 December 2025		31 December 2024	
	Margin	**Range**	Margin	Range
Facility:				
Term loan	**1.40% – 1.75%**	**0.90% – 2.40%**	1.40%	1.00% – 2.30%
Revolving credit facilities	**1.40% – 1.75%**	**1.00% – 2.40%**	1.40% – 1.55%	1.00% – 2.40%

Maturity of financial liabilities (excluding currency contracts and lease obligations)

The table below shows the maturity profile of anticipated future cash flows, including interest, on an undiscounted basis in relation to the Group's financial liabilities (other than those associated with currency risk, which are shown in note 25, and lease obligations which are shown in note 28). The amounts shown therefore differ from the carrying value and fair value of the Group's financial liabilities.

	Interest-bearing loans and borrowings £m	Interest rate derivative financial liabilities £m	Government refundable advances[1] £m	Other financial liabilities[1] £m	Total financial liabilities £m
Within one year	135	2	6	941	1,084
In one to two years	1,535	4	5	11	1,555
In two to five years	–	1	10	13	24
After five years	–	–	66	45	111
Effect of financing rates	(97)	–	(41)	(14)	(152)
31 December 2025	**1,573**	**7**	**46**	**996**	**2,622**
Within one year	82	1	6	851	940
In one to two years	1,432	1	6	41	1,480
In two to five years	–	–	10	9	19
After five years	–	–	75	37	112
Effect of financing rates	(105)	–	(46)	(18)	(169)
31 December 2024	1,409	2	51	920	2,382

(1) Government refundable advances have been disclosed separately to other financial liabilities. In addition, the maturity analysis of government refundable advances as at 31 December 2024 has been re-presented to include the effect of financing rates. There is no change to total financial liabilities as at 31 December 2024.

21. Provisions

	Loss-making contracts £m	Property related costs £m	Environmental and litigation £m	Warranty related costs £m	Restructuring £m	Other £m	Total £m
At 1 January 2025	28	25	50	24	27	30	184
Utilised	(11)	–	(6)	(2)	(36)	(4)	(59)
Charge to operating profit[1]	17	10	10	2	24	3	66
Release to operating profit[2]	(3)	(4)	(10)	(4)	(1)	(18)	(40)
Exchange adjustments	–	(1)	(1)	(1)	–	(1)	(4)
At 31 December 2025	**31**	**30**	**43**	**19**	**14**	**10**	**147**
Current	14	4	24	6	12	4	64
Non-current	17	26	19	13	2	6	83
	31	**30**	**43**	**19**	**14**	**10**	**147**

(1) Includes £46 million of adjusting items and £20 million recognised in adjusted operating profit.
(2) Includes £20 million of adjusting items and £20 million recognised in adjusted operating profit.

21. Provisions continued

Loss-making contracts

Provisions for loss-making contracts are considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received under it. This obligation has been discounted and will be utilised over the period of the respective contracts, which is up to 15 years.

Calculation of loss-making contract provisions is based on contract documentation and delivery expectations, along with an estimate of directly attributable costs and represents management's best estimate of the unavoidable costs of fulfilling the contract.

Utilisation during the year of £11 million (2024: £23 million) has benefitted adjusted operating profit. In addition, £14 million (2024: £12 million) has been charged on a net basis, of which £16 million (2024: £10 million) is shown as an adjusting item.

Property related costs

The provision for property related costs represents dilapidation costs for ongoing leases and is expected to result in cash expenditure over the next 15 years. Calculations of dilapidation obligations are based on lease agreements with landlords and external quotes, or in the absence of specific documentation, management's best estimate of the costs required to fulfil obligations.

Environmental and litigation

There are environmental provisions amounting to £11 million (31 December 2024: £8 million) relating to the estimated remediation costs of pollution, soil and groundwater contamination at certain sites and estimated future costs and settlements in relation to legal claims and associated insurance obligations amounting to £32 million (31 December 2024: £42 million). Liabilities for environmental costs are recognised when environmental assessments are probable and the associated costs can be reasonably estimated.

The Group has on occasion been required to take legal or other actions to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, considering professional advice received. This represents management's best estimate of the likely outcome. The timing of utilisation of these provisions is uncertain, reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent management's best estimate of the cost of settling future obligations and reflect management's assessment of the likely settlement method, which may change over time. However, no provision is made for proceedings which have been, or might be, brought by other parties against Group companies unless management, considering professional advice received, assess that it is more likely than not that such proceedings may be successful.

Warranty related costs

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products and subsequently updated for changes in estimates as necessary. The provision for warranty related costs represents the best estimate of the expenditure required to settle the Group's obligations, based on past experience, recent claims and current estimates of costs relating to specific claims. Warranty terms are, on average, between one and five years.

Restructuring

Restructuring provisions relate to committed costs in respect of restructuring programmes, as described in note 6, usually resulting in cash spend within one to two years. A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by either starting to implement the plan or by announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are necessarily entailed by the restructuring programmes.

Other

Other provisions include indemnities and the employer tax on equity-settled incentive schemes which are expected to result in cash expenditure during the next three years.

Where appropriate, provisions have been discounted using discount rates between 0% and 4% (31 December 2024: 0% and 5%) depending on the territory in which the provision resides and the length of its expected utilisation.

22. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior year.

	Deferred tax assets			Deferred tax liabilities				
	Tax losses £m	Other assets £m	Total deferred tax assets (gross) £m	Intangible assets £m	Temporary differences related to revenue recognition £m	Other liabilities £m	Total deferred tax liabilities (gross) £m	Total net deferred tax £m
At 1 January 2024	446	300	746	(479)	(158)	(64)	(701)	45
Income Statement credit/(charge)	76	19	95	59	(95)	13	(23)	72
Net credit to equity[1]	3	6	9	–	–	–	–	9
Disposal of businesses[2]	–	21	21	–	–	–	–	21
Exchange adjustments	(3)	–	(3)	(3)	(6)	(1)	(10)	(13)
At 31 December 2024	522	346	868	(423)	(259)	(52)	(734)	134
Income Statement credit/(charge)	11	(57)	(46)	59	(64)	(28)	(33)	(79)
Net credit to equity[1]	–	7	7	–	–	–	–	7
Exchange adjustments	(3)	(3)	(6)	17	19	3	39	33
At 31 December 2025	**530**	**293**	**823**	**(347)**	**(304)**	**(77)**	**(728)**	**95**

(1) Includes a tax charge of £2 million (2024: credit of £14 million) recognised directly in equity in respect of equity-settled share-based payments and a credit of £9 million (2024: charge of £5 million) recognised within other comprehensive income.
(2) Disposal of businesses in 2024 related to the sale of non-core businesses in the Airframes segment.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. This results in an offsetting of £164 million (31 December 2024: £217 million) with the resultant net Balance Sheet position as shown below:

	31 December 2025			31 December 2024		
	Deferred tax assets £m	Deferred tax liabilities £m	Net deferred tax assets £m	Deferred tax assets £m	Deferred tax liabilities £m	Net deferred tax assets £m
Gross deferred tax assets/(liabilities)	823	(728)	95	868	(734)	134
Set off of tax assets and liabilities	(164)	164	–	(217)	217	–
Net deferred tax assets/(liabilities)	**659**	**(564)**	**95**	**651**	**(517)**	**134**

As at 31 December 2025, the Group had gross unused corporate income tax losses of £2,351 million (31 December 2024: £2,327 million) available for offset against future profits. A deferred tax asset of £530 million (31 December 2024: £522 million) has been recognised in respect of £2,186 million (31 December 2024: £2,160 million) of these gross losses. No asset has been recognised in respect of the remaining losses due to the divisional and geographic split of anticipated future profit streams. Most of these losses may be carried forward indefinitely subject to certain continuity of business requirements. Where losses are subject to time expiry, a deferred tax asset is recognised to the extent that sufficient future profits are anticipated to utilise these losses.

Other deferred tax assets of £293 million (31 December 2024: £346 million) have also been recognised: on other temporary differences relating to fixed assets of £77 million (31 December 2024: £61 million); on future tax deductions arising from previous restructuring of £50 million (31 December 2024: £55 million); in respect of creditors of £42 million (31 December 2024: £64 million); in relation to the deferral of relief for interest expenses of £41 million (31 December 2024: £32 million); on tax credits (primarily US) and US state tax losses of £40 million (31 December 2024: £38 million); and on other timing differences in respect of future tax deductions of £43 million (31 December 2024: £96 million). The gross deferred tax assets therefore amount to £823 million (31 December 2024: £868 million).

Deferred tax liabilities have been recognised on intangible assets of £347 million (31 December 2024: £423 million) and temporary differences relating to revenue recognition of £304 million (31 December 2024: £259 million). Other deferred tax liabilities include fixed asset temporary differences of £29 million (31 December 2024: £31 million) and other temporary differences of £48 million (31 December 2024: £21 million). The gross deferred tax liabilities therefore amount to £728 million (31 December 2024: £734 million).

The total net deferred tax asset of £95 million (31 December 2024: £134 million), after offset of deferred tax liabilities in relation to other intangible assets, includes £275 million (31 December 2024: £277 million) relating to the UK. This is primarily made up of tax losses and fixed asset temporary differences. Deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which the assets can be utilised. A recoverability assessment has been undertaken using the Group's latest profit forecasts to assess the level of future taxable profits. These profit forecasts reflect industry growth rates and supply and demand factors, which take account of climate change implications for affected markets, as discussed in note 11.

22. Deferred tax continued

The assessment takes both positive and negative evidence into account, and sensitivity analysis has been undertaken assessing the impact of lower growth rates and levels of operating profit. The assessment reflects the fact that, under UK tax law, the amount of both UK capital allowances (tax depreciation) that can be claimed, and brought forward tax losses that can be utilised are restricted; use of tax losses is restricted to broadly 50% of current year taxable profits. It is noted that there are UK tax losses pre-dating 1 April 2017 that are not recognised as the utilisation of these is further limited under UK tax law.

Based on work performed, positive evidence outweighs the negative evidence and so continued recognition is supported as it is probable that the UK business will generate taxable income and tax liabilities in the future against which these losses and other tax assets can be utilised. The business is long-term in nature, with typical Airframes programme life-cycles of 25 to 35 years, and the period over which the deferred tax asset will be utilised is consistent with this.

Any future changes in tax law or the structure of the Group could impact the use of losses and other deductible temporary differences, including the period over which they can be used. In view of this, and the significant estimation involved, management continually monitors the position (see note 3d).

Other significant deferred tax assets, after offset of deferred tax liabilities in relation to other intangible assets, relate to the Netherlands, £166 million (31 December 2024: £158 million), and the US, £197 million (31 December 2024: £193 million). These assets also arise primarily from tax losses, and similar assessments have been undertaken in relation to future forecast profits being generated in these territories. Using similar forecasting considerations to those discussed in note 11, climate change is deemed not to have a material impact on the future taxable profits of the Group and its ability to utilise unused tax losses and deductible temporary differences.

There are no material unrecognised deferred tax assets at either 31 December 2025 or 31 December 2024, other than the losses referred to above. No deferred tax is recognised on the unremitted earnings of overseas subsidiaries except where the distribution of such profits is planned. If these earnings were remitted in full, tax of £2 million (31 December 2024: £1 million) would be payable.

23. Share-based payments

The Melrose 2020 Employee Share Plan ("the MESP")

The MESP crystallised in 2024. 775,191 (2024: 3,875,954) nil cost options, held by an Executive Director, remain outstanding as at 31 December 2025 and are exercisable in 2026. During the year, the Group recognised a charge of £1 million (2024: £14 million) relating to employer's national insurance, recognised in adjusting items (see note 6).

Melrose Performance Share Plan ("the PSP")

During 2024, shareholders approved the creation of the PSP. During the year, 1,580,781 (2024: 798,965) options were granted to eligible participants under the terms of the PSP. The options issued in 2024 will vest on 11 June 2027, and the options issued in 2025 will vest on 3 April 2028, subject to the achievement of a number of vesting conditions, with each vested option converting into one Ordinary share of the Company. Further details are set out in the Directors' Remuneration Report on page 118.

During the year, the Group recognised a charge of £2 million (2024: £1 million) which is recognised within adjusted operating profit. A summary of the movements of the Group's PSP share-based payment plans during the year is shown below:

	Number of options
Outstanding at 1 January 2025	798,965
Granted during the year	1,580,781
Forfeited during the year	(81,771)
Exercised during the year	–
Outstanding at 31 December 2025	**2,297,975**

All outstanding options have an exercise price of nil pence.

24. Retirement benefit obligations

Defined contribution plans

The Group operates defined contribution plans for qualifying employees across several jurisdictions. The assets of the plans are held separately from those of the Group in funds under the control of Trustees.

The total costs charged during the year of £57 million (2024: £60 million) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

Defined benefit plans

The Group sponsors defined benefit plans for qualifying employees of certain subsidiaries. The funded defined benefit plans are administered by separate funds that are legally separated from the Group. The Trustees of the funds are required by law to act in the interest of the fund and of all relevant stakeholders in the plans. The Trustees of the pension funds are responsible for the investment policy with regard to the assets of the fund.

During the year ended 31 December 2025, the Group finalised the buy-outs of both the GKN Group Pension Scheme (Number 4) and the GKN US Consolidated Pension Plan. The associated scheme assets and liabilities have now left the Group and are no longer shown on the Group's Balance Sheet.

The most significant defined benefit pension plan in the Group at 31 December 2025 was the GKN Group Pension Scheme (Number 1), which is a funded plan closed to new members and it was closed to future accrual in 2017. The valuation of the plan was based on a full actuarial valuation as of 5 April 2022, updated to 31 December 2025 by independent actuaries.

In June 2023, the UK High Court ruled that certain historical amendments for contracted-out defined benefit pension schemes were invalid if they were not accompanied by the correct actuarial confirmation. The ruling was subject to appeal with a judgment upheld on 25 July 2024. The Group is in the process of evaluating the impact with the Trustees and is monitoring developments in relation to this matter.

The cost of the Group's defined benefit plans is determined in accordance with IAS 19 (revised): Employee Benefits using the advice of independent professionally qualified actuaries on the basis of formal actuarial valuations and using the projected unit credit method. In line with normal practice, these valuations are undertaken triennially in the UK.

Contributions

The Group contributed £22 million (2024: £20 million) to defined benefit pension plans and post-employment plans in the year ended 31 December 2025. The Group expects to contribute approximately £20 million in 2026.

Actuarial assumptions

The major assumptions used by the actuaries in calculating the Group's pension liabilities are as set out below:

	Rate of increase of pensions in payment % per annum	Discount rate %	Price inflation (RPI/CPI) %
31 December 2025			
GKN Group Pension Scheme (Number 1)	**2.5**	**5.6**	**2.8/2.4**
31 December 2024			
GKN Group Pension Schemes (Numbers 1 and 4)	2.7	5.5	3.0/2.6
GKN US plans	n/a	5.5	n/a

Mortality

GKN Group Pension Scheme (Number 1)

The GKN Group Pension Scheme (Number 1) uses the Self Administered Pension Scheme ("SAPS") 'S4PA' base tables (standard for males, middle for females) with scheme-specific adjustments. The base table mortality assumption for this plan reflects best estimate results from the most recent mortality experience analysis for the scheme.

Future improvements for this plan are in line with the 2024 Continuous Mortality Investigation ("CMI") core projection model (Sk = 7.0, H = 1.0, A = 0%) with a long-term rate of improvement of 1.25% p.a. for both males and females.

24. Retirement benefit obligations continued

The following table shows the future life expectancy of individuals age 65 at the year end and the future life expectancy of individuals aged 65 in 20 years' time:

	GKN Group Pension Scheme (Number 1) years
Male today	21.0
Female today	23.1
Male in 20 years' time	22.3
Female in 20 years' time	24.6

Balance Sheet disclosures

The amounts recognised in the Consolidated Balance Sheet in respect of defined benefit plans were as follows:

	31 December 2025 £m	31 December 2024 £m
Present value of funded defined benefit obligations	**(577)**	(1,022)
Fair value of plan assets	**579**	986
Funded status	**2**	(36)
Present value of unfunded defined benefit obligations	**(29)**	(23)
Net liabilities	**(27)**	(59)
Analysed as:		
Retirement benefit surplus	**2**	–
Retirement benefit obligations	**(29)**	(59)
Net liabilities	**(27)**	(59)

The plan assets and liabilities at 31 December 2025 were as follows:

	UK Plans[1] £m	Other Plans £m	**Total £m**
Plan assets	579	–	**579**
Plan liabilities	(583)	(23)	**(606)**
Net liabilities	(4)	(23)	**(27)**

(1) Includes a liability in respect of the GKN post-employment medical plans of £6 million and a surplus in respect of the GKN Group Pension Scheme (Number 1) of £2 million.

The major categories and fair values of plan assets at the end of the year for each category were as follows:

	31 December 2025			31 December 2024		
	Quoted £m	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Government bonds	**234**	**–**	**234**	276	–	276
Corporate bonds	**–**	**135**	**135**	25	34	59
Property	**–**	**3**	**3**	–	5	5
Insurance contracts	**–**	**1**	**1**	–	378	378
Multi-strategy/Diversified growth funds	**–**	**157**	**157**	1	201	202
Private equity	**–**	**12**	**12**	–	13	13
Other[1]	**37**	**–**	**37**	53	–	53
Total	**271**	**308**	**579**	355	631	986

(1) Primarily consists of cash collateral and liability driven investments.

As at 31 December 2025, plan assets were well diversified. All government bonds were issued by reputable governments and were generally AA-rated or higher. Interest rate and inflation rate swaps were also employed to complement the role of fixed and index-linked bond holdings for liability risk management.

The Trustees continually review whether the chosen investment strategy is appropriate with a view to providing the pension benefits and to ensure appropriate matching of risk and return profiles. The main strategic policies included maintaining an appropriate asset mix, managing interest rate sensitivity and maintaining an appropriate equity buffer. Investment results are regularly reviewed.

24. Retirement benefit obligations continued

Movements in the present value of defined benefit obligations during the year:

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
At 1 January	**1,045**	1,217
Interest cost on obligations	**50**	53
Remeasurement gains – demographic	**(13)**	(12)
Remeasurement gains – financial	**(23)**	(132)
Remeasurement losses – experience	**9**	2
Benefits paid out of plan assets	**(61)**	(70)
Benefits paid out of Group assets for unfunded plans	**(3)**	(3)
Settlements	**(393)**	(12)
Exchange adjustments	**(5)**	2
At 31 December	**606**	1,045

The defined benefit plan liabilities were 17% (31 December 2024: 11%) in respect of active plan participants, 18% (31 December 2024: 26%) in respect of deferred plan participants and 65% (31 December 2024: 63%) in respect of pensioners.

The weighted average duration of the defined benefit plan liabilities at 31 December 2025 was 12.0 years (31 December 2024: 12.4 years).

Movements in the fair value of plan assets during the year:

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
At 1 January	**986**	1,118
Interest income on plan assets	**47**	49
Return on plan assets, excluding interest income	**(11)**	(115)
Contributions	**19**	17
Benefits paid out of plan assets	**(61)**	(70)
Plan administrative costs	**(3)**	(2)
Settlements	**(394)**	(13)
Exchange adjustments	**(4)**	2
At 31 December	**579**	986

The actual return on plan assets was a gain of £36 million (2024: loss of £66 million).

Income Statement disclosures

Amounts recognised in the Consolidated Income Statement in respect of these defined benefit plans were as follows:

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Included within operating profit/(loss):		
– plan administrative costs	**3**	2
– settlement loss	**1**	1
Included within net finance costs:		
– interest cost on defined benefit obligations	**50**	53
– interest income on plan assets	**(47)**	(49)

24. Retirement benefit obligations continued

Statement of Comprehensive Income disclosures

Amounts recognised in the Consolidated Statement of Comprehensive Income in respect of these defined benefit plans were as follows:

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Return on plan assets, excluding interest income	**(11)**	(115)
Remeasurement gains arising from changes in demographic assumptions	**13**	12
Remeasurement gains arising from changes in financial assumptions	**23**	132
Remeasurement losses arising from experience adjustments	**(9)**	(2)
Net remeasurement gain on retirement benefit obligations	**16**	27

Risks and sensitivities

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, inflation risk, interest rate risk and market (investment) risk. The Group is not exposed to any unusual, entity specific or plan specific risks.

A sensitivity analysis on the principal assumptions used to measure the plan liabilities at the year end was as follows:

	Change in assumption	Decrease/(increase) to plan liabilities £m	(Decrease)/increase to profit before tax £m
Discount rate	Increase by 0.5 ppts	32	(2)
	Decrease by 0.5 ppts	(35)	2
Inflation assumption[1]	Increase by 0.5 ppts	(24)	n/a
	Decrease by 0.5 ppts	23	n/a
Assumed life expectancy at age 65 (rate of mortality)	Increase by 1 year	(26)	n/a
	Decrease by 1 year	27	n/a

(1) The inflation sensitivity encompasses the impact on pension increases, where applicable.

The sensitivity analysis above was determined based on reasonably possible changes to the respective assumptions, while holding all other assumptions constant. There has been no change in the methods or assumptions used in preparing the sensitivity analysis from prior years. Sensitivities are based on the relevant assumptions and membership profile as at 31 December 2025 and are applied to obligations at the end of the reporting period. Whilst the analysis does not take account of the full distribution of cash flows expected, it does provide an approximation to the sensitivity of assumptions shown. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate and the sensitivity analysis presented may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

25. Financial instruments and risk management

The table below sets out the Group's accounting classification of each category of financial assets and liabilities and their carrying values at 31 December 2025 and 31 December 2024:

	Current £m	Non-current £m	Total £m
31 December 2025			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	**166**	**–**	**166**
Net trade receivables	**478**	**–**	**478**
Classified as fair value:			
Investments	**–**	**56**	**56**
Derivative financial assets			
Foreign currency forward contracts	**27**	**84**	**111**
Embedded derivatives[1]	**2**	**–**	**2**
Financial liabilities			
Classified as amortised cost:			
Interest-bearing loans and borrowings	**(60)**	**(1,513)**	**(1,573)**
Government refundable advances	**(6)**	**(40)**	**(46)**
Lease obligations	**(31)**	**(299)**	**(330)**
Other financial liabilities	**(941)**	**(55)**	**(996)**
Classified as fair value:			
Derivative financial liabilities			
Foreign currency forward contracts	**(22)**	**(4)**	**(26)**
Interest rate derivatives	**–**	**(7)**	**(7)**
Embedded derivatives[1]	**(1)**	**–**	**(1)**
31 December 2024			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	88	–	88
Net trade receivables	400	–	400
Classified as fair value:			
Investments	–	69	69
Derivative financial assets			
Foreign currency forward contracts	7	1	8
Interest rate derivatives	–	8	8
Embedded derivatives[1]	3	3	6
Financial liabilities			
Classified as amortised cost:			
Interest-bearing loans and borrowings	(8)	(1,401)	(1,409)
Government refundable advances	(6)	(45)	(51)
Lease obligations	(33)	(204)	(237)
Other financial liabilities	(851)	(69)	(920)
Classified as fair value:			
Derivative financial liabilities			
Foreign currency forward contracts	(71)	(111)	(182)
Interest rate derivatives	–	(2)	(2)
Embedded derivatives[1]	(1)	(2)	(3)

(1) Embedded derivatives are measured as a level 3 fair value under the IFRS 13 fair value hierarchy.

25. Financial instruments and risk management continued

Reconciliation of liabilities arising from financing activities

A reconciliation of liabilities arising from financing activities, as defined by IAS 7: Statement of Cash Flows, is shown below:

	External debt (excluding bank overdrafts) £m	Lease obligations £m	Total £m
At 1 January 2024	629	192	821
Cash movements:			
Net drawdown on external debt	757	–	757
Payment of principal	–	(32)	(32)
Payment of interest	–	(6)	(6)
Non-cash movements:			
Other non-cash movements	1	84	85
Foreign exchange	14	(1)	13
At 31 December 2024	1,401	237	1,638
Cash movements:			
Net drawdown on external debt	229	–	229
Cost of raising debt finance	(1)	–	(1)
Payment of principal	–	(31)	(31)
Payment of interest	–	(12)	(12)
Non-cash movements:			
Other non-cash movements	6	139	145
Foreign exchange	(74)	(3)	(77)
At 31 December 2025	**1,561**	**330**	**1,891**

Fair values

The Directors consider that the carrying amount of financial assets and liabilities approximate to their fair values.

Credit risk

The Group's principal financial assets were cash and cash equivalents, trade receivables and derivative financial assets which represented the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk on cash and cash equivalents and derivative financial assets was limited because the counterparties were banks with strong credit ratings assigned by international credit rating agencies (investment grade). Exposure is managed on the basis of risk rating and counterparty limits. The value of credit risk in derivative assets has been modelled using publicly available inputs as part of their fair value.

The Group's credit risk was therefore primarily attributable to its trade receivables. The amounts presented in the Consolidated Balance Sheet were net of allowance for expected credit loss, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Note 17 provides further details regarding the recoverability of trade receivables.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

31 December 2025	Gross amounts of recognised financial assets/(liabilities) £m	Gross amounts of recognised financial assets/(liabilities) set off in the Balance Sheet £m	Net amounts of financial assets/(liabilities) presented in the Balance Sheet £m	Related amounts of financial instruments not set off in the Balance Sheet £m	Net amount £m
Cash and cash equivalents	166	–	166	(132)	**34**
Derivative financial assets	113	–	113	(111)	**2**
Financial assets subject to master netting arrangements	**279**	**–**	**279**	**(243)**	**36**
Interest-bearing loans and borrowings	(1,573)	–	(1,573)	210	**(1,363)**
Derivative financial liabilities	(34)	–	(34)	33	**(1)**
Financial liabilities subject to master netting arrangements	**(1,607)**	**–**	**(1,607)**	**243**	**(1,364)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

25. Financial instruments and risk management continued

31 December 2024	Gross amounts of recognised financial assets/(liabilities) £m	Gross amounts of recognised financial assets/(liabilities) set off in the Balance Sheet £m	Net amounts of financial assets/(liabilities) presented in the Balance Sheet £m	Related amounts of financial instruments not set off in the Balance Sheet £m	Net amount £m
Cash and cash equivalents	88	–	88	(35)	53
Derivative financial assets	22	–	22	(16)	6
Financial assets subject to master netting arrangements	110	–	110	(51)	59
Interest-bearing loans and borrowings	(1,409)	–	(1,409)	(133)	(1,542)
Derivative financial liabilities	(187)	–	(187)	184	(3)
Financial liabilities subject to master netting arrangements	(1,596)	–	(1,596)	51	(1,545)

Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The Group's capital structure is explained in the Directors' Report on page 92. The capital allocation strategy has remained consistent and its application in the year is explained on page 11.

The capital structure of the Group as at 31 December 2025 consists of net debt, as disclosed in note 27, and equity attributable to the owners of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

Liquidity risk management

Overview of banking facilities

The Group's facilities consist of multi-currency term loans and revolving credit facilities (together, the "Banking Facilities"), as detailed in note 20.

In addition to the amounts borrowed under the Banking Facilities, the Group had cash, deposits and marketable securities, net of overdrafts, of £154 million at 31 December 2025 (31 December 2024: £80 million). These amounts offset against borrowings to arrive at the Group's net debt position of £1,407 million (31 December 2024: £1,321 million). The combination of this cash and the available headroom on the Banking Facilities allows the Directors to consider that the Group has sufficient access to liquidity for its current needs. The Board takes careful consideration of counterparty risk with banks when deciding where to place cash on deposit.

Covenants

The Banking Facilities contain two financial covenants, being a net debt to adjusted EBITDA covenant and an interest cover covenant, both of which are tested half-yearly at 30 June and 31 December. The net debt to adjusted EBITDA covenant test level is 3.5x and the interest cover covenant is set at 4.0x.

At 31 December 2025, the Group net debt to adjusted EBITDA covenant ratio was 1.9x and interest cover was 6.9x.

Working capital

The Group has a small number of uncommitted working capital programmes that provide favourable financing terms on eligible customer receipts and competitive financing terms to suppliers on eligible supplier payments.

Businesses which participate in these customer related finance programmes have the ability to choose whether to receive payment earlier than the normal due date, for specific customers on a non-recourse basis. As at 31 December 2025, the drawings on these facilities amounted to £396 million (31 December 2024: £338 million), and the interest on factoring facilities amounted to £17 million (2024: £16 million). The increase in the amount factored represents year-over-year revenue growth on the associated programmes.

In addition, some suppliers have access to utilise the Group's supplier finance programmes to accelerate the payment of their invoices. The programmes are provided by a small number of the Group's banks, with any financing cost incurred for early payment borne by the supplier. The Group continues to pay the invoice on its original due date and no security is provided under the terms of these programmes. The range of payment due dates for those liabilities that are part of these arrangements is 90 to 210 days after the invoice date, with the range of payment due dates for comparable trade payables that are not part of these arrangements being 0 to 180 days. If the Group exited these arrangements there could be a potential impact of up to £46 million (31 December 2024: £43 million) on the Group's cash flow. The amounts owed to the banks are presented in trade payables on the Balance Sheet and the cash flows are presented in cash flows from operating activities. As at 31 December 2025, total facilities were £154 million (31 December 2024: £173 million) with drawings of £84 million (31 December 2024: £80 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | CONTINUED

25. Financial instruments and risk management continued

Hedge of net investments in foreign entities using loans and derivatives

Interest-bearing loans and borrowings are designated as hedges of net investments in most of the Group's subsidiaries in the US and Europe to reduce the exposure to the related foreign exchange risks.

The value of interest-bearing loans and borrowings designated as hedges of net investments are as follows:

	31 December 2025 £m	31 December 2024 £m
Local borrowing currency:		
US dollar	**1,267**	1,131
Euro	**244**	261

The foreign exchange movement on the local currency borrowings, which is recorded in currency translation on net investments within other comprehensive income, was a gain of £74 million (2024: loss of £14 million). As at 31 December 2025, the cumulative gain in the foreign currency translation reserve for continuing hedges on net investments using borrowings was £35 million (31 December 2024: loss of £39 million).

Finance cost risk management

The bank margin on the bank facility depends on the Group leverage, see note 20 for details.

The Group uses interest rate derivatives to fix a proportion of the floating rate exposures of the Group's borrowings.

The interest rate derivatives are designated as cash flow hedges and were highly effective throughout 2025. The fair value of the contracts as at 31 December 2025 was a net liability of £7 million (31 December 2024: asset of £6 million). The movement of £13 million for the year ended 31 December 2025 (2024: £3 million) comprised a charge of £12 million (2024: credit of £3 million) booked to derivative (losses)/gains on hedge relationships within other comprehensive income, and a £1 million (2024: £nil) reduction in the interest liability.

Interest rate sensitivity analysis

Assuming the net debt, inclusive of interest rate derivatives, held as at the balance sheet date was outstanding for the whole year, a one percentage point rise in market interest rates for all currencies would (decrease)/increase profit before tax by the following amounts:

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Sterling	**–**	–
US dollar	**(2)**	(3)
Euro	**1**	–

On the basis of the floating-to-fixed interest rate derivatives in place at the balance sheet date, a one percentage point fall in market interest rates for all currencies would decrease Group equity by £26 million at 31 December 2025 (31 December 2024: £26 million).

Exchange rate risk management

The Group trades in various countries around the world and is exposed to movements in a number of foreign currencies.

The Group therefore carries exchange rate risk that can be categorised into two types: transaction and translation risk, as described in the paragraphs below. The Group's policy is designed to protect against the majority of the cash risks but not the non-cash risks.

The most common exchange rate risk is the transaction risk the Group takes when it invoices a customer or purchases from suppliers in a different currency to the underlying functional currency of the relevant business. The Group's policy is to review transactional foreign exchange exposures, and place necessary hedging contracts, quarterly on a rolling basis. To the extent the cash flows associated with a transactional foreign exchange risk are committed, the Group will hedge 100% at the time the cash flow becomes committed. For forecast and variable cash flows, the Group hedges a proportion of the expected cash flows, with the percentage being hedged lowering as the time horizon lengthens. The Group hedges on a sliding scale, typically hedging around 90% of foreign exchange exposures expected over the next 12 months, with the percentage decreasing by approximately 10 percentage points for each subsequent year. This policy does not eliminate the cash risk but does bring some certainty to it.

The translation rate risk is the effect on the Group results in the year due to the movement of exchange rates used to translate foreign results into Sterling from one year to the next. No specific exchange instruments are used to protect against the translation risk because it is a non-cash risk to the Group, until foreign currency is subsequently converted to Sterling. However, the Group utilises its multi-currency banking facilities, where relevant, to maintain an appropriate mix of debt in each currency. The hedge of having debt drawn in these currencies funding the trading units with US dollar or Euro functional currencies protects against some of the Balance Sheet and banking covenant translation risk.

25. Financial instruments and risk management continued

As at 31 December 2025, the Group held foreign exchange forward contracts to mitigate expected exchange rate fluctuations on future cash flows from sales to customers and purchases from suppliers. The fair value of all foreign exchange forward contracts across the Group was a net asset at 31 December 2025 of £85 million (31 December 2024: liability of £174 million). There were no foreign exchange contracts where hedge accounting was applied as at 31 December 2025 or 31 December 2024.

The following table shows the maturity profile of undiscounted contracted gross cash outflows of derivative financial liabilities used to manage currency risk, being foreign exchange forward contracts used to manage transaction exchange rate risk:

	0–1 year £m	1–2 years £m	2–5 years £m	5+ years £m	Total £m
Year ended 31 December 2025					
Foreign exchange forward contracts	**295**	**–**	**194**	**63**	**552**
Year ended 31 December 2024					
Foreign exchange forward contracts	912	618	1,287	138	2,955

Foreign currency sensitivity analysis

Currency risks are defined by IFRS 7: Financial Instruments: Disclosures as the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in foreign exchange rates.

The following table details the transactional impact of hypothetical changes in foreign exchange rates on financial assets and liabilities at the balance sheet date, illustrating the (decrease)/increase in Group operating profit caused by a 10% strengthening of the US dollar and Euro against Sterling compared to the year-end spot rate. The analysis assumes that all other variables, in particular other foreign currency exchange rates, remain constant. The Group operates in a range of different currencies, and those with a notable impact are shown below:

Impact on operating profit	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
US dollar	**(13)**	(20)
Euro	**6**	2

The following table details the impact of hypothetical changes in foreign exchange rates on financial assets and liabilities at the balance sheet date, illustrating the (decrease)/increase in Group equity caused by a 10% strengthening of the US dollar and Euro against Sterling. The analysis assumes that all other variables, in particular other foreign currency exchange rates, remain constant.

Impact on Group equity	31 December 2025 £m	31 December 2024 £m
US dollar	**(6)**	(5)
Euro	**2**	(2)

In addition, the change in equity due to a 10% strengthening of the US dollar against Sterling for the translation of net investment hedging instruments would be a decrease of £127 million (31 December 2024: £113 million) and for the Euro, a decrease of £25 million (31 December 2024: £25 million). However, there would be no overall effect on equity because there would be an offset in the currency translation of the foreign operation.

Fair value measurements recognised in the Balance Sheet

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contracts.

Interest rate swap contracts are measured using yield curves derived from quoted interest and foreign exchange rates.

25. Financial instruments and risk management continued

Hedge accounted derivatives

The following table sets out details of the Group's material hedging instruments where hedge accounting is applied at the balance sheet date:

	Average fixed rate		Notional principal		Fair value of net assets	
Hedging instruments	31 December 2025 %	31 December 2024 %	31 December 2025 £m	31 December 2024 £m	31 December 2025 £m	31 December 2024 £m
Pay fixed, receive floating interest rate derivatives						
Within one year	**3.46%**	3.51%	**1,155**	1,062	**–**	–
In one to two years	**3.44%**	3.55%	**855**	820	**(2)**	2
In two to five years	**3.40%**	3.51%	**370**	438	**(5)**	4
Total					**(7)**	6

During the year, the Group entered into pay fixed, receive floating interest rate derivatives totalling US$360 million, €50 million and £50 million, which were outstanding as at 31 December 2025. Pay fixed, receive floating derivatives, which totalled US$1,065 million and €255 million, that were outstanding at 31 December 2024 were still outstanding as at 31 December 2025.

Derivative financial assets and liabilities are presented within the Balance Sheet as:

	31 December 2025 £m	31 December 2024 £m
Non-current assets	**84**	12
Current assets	**29**	10
Current liabilities	**(23)**	(72)
Non-current liabilities	**(11)**	(115)

All hedging instruments are booked in the Balance Sheet as derivative financial assets or derivative financial liabilities.

The fair value of derivative financial instruments is derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and they are therefore categorised within level 2 of the fair value hierarchy set out in IFRS 13: Fair Value Measurement. The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer to occur. There have been no transfers between levels in the year.

The following table sets out details of the Group's material hedged items at the balance sheet date where hedge accounting is applied:

	Change in fair value for calculating ineffectiveness		Balance in translation and hedging reserve for continuing hedges	
	31 December 2025 £m	31 December 2024 £m	31 December 2025 £m	31 December 2024 £m
Hedged items				
Floating rate borrowings – interest risk	**12**	(3)	**7**	(5)

There is no balance held in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied. There is no balance held in the cash flow hedge reserve for discontinued hedges.

26. Issued share capital and reserves

Share capital	31 December 2025 £m	31 December 2024 £m
Allotted, called-up and fully paid		
1,311,475,321 (31 December 2024: 1,351,475,321) Ordinary Shares of 0.1 pence each	**1**	1
	1	1

On 1 October 2024, the Group commenced a £250 million share buyback programme which is expected to complete by the end of March 2026. During the year ended 31 December 2025, 31,515,908 shares (2024: 4,173,411 shares) were purchased. These are held as treasury shares and the total costs of the purchase have been recognised in retained earnings. A liability of £38 million (31 December 2024: £18 million) has also been recognised in respect of the shares expected to be purchased under the share buyback programme during the close period, as there was an irrevocable instruction to contracted financial institutions to complete purchases at 31 December 2025.

On 21 March 2025, 40,000,000 shares held in treasury were cancelled.

26. Issued share capital and reserves continued

On 17 November 2025, 3,114,036 nil cost options held in respect of the crystallisation of the 2020 Melrose Employee Share Plan were exercised. This resulted in the issue of 3,114,036 shares out of treasury.

The total number of shares held in treasury at 31 December 2025 is 53,456,713 (31 December 2024: 65,054,841).

The rights associated with each class of share are described in the Directors' Report.

Merger reserve and Other reserves

The Merger reserve represents the excess of fair value over nominal value of shares issued in consideration for the acquisition of subsidiaries. Other reserves comprise accumulated adjustments in respect of Group reconstructions.

Translation and hedging reserve

In order to provide useful information about the Group's hedging arrangements, the translation reserve and hedging reserve are combined. Including the different components of hedging in one place enables a clearer explanation of the two components of hedging. These components are disaggregated with movements within other comprehensive income during the year shown below and further explanation provided in note 25.

	Cash flow hedge reserve £m	Foreign currency translation reserve £m	Translation and hedging reserve £m
At 1 January 2024	1	272	273
Movements within other comprehensive income:			
Retranslation of net assets	–	31	31
Associated deferred tax	–	–	–
Foreign exchange differences on borrowings hedging net assets	–	(14)	(14)
Associated deferred tax	–	–	–
Change in fair value of derivatives designated in cash flow hedges	3	–	3
Associated deferred tax	(1)	–	(1)
Amounts reclassified to the Income Statement	–	(6)	(6)
At 31 December 2024	3	283	286
Movements within other comprehensive income:			
Retranslation of net assets	–	(199)	(199)
Associated deferred tax	–	3	3
Foreign exchange differences on borrowings hedging net assets	–	74	74
Associated deferred tax	–	–	–
Change in fair value of derivatives designated in cash flow hedges	(12)	–	(12)
Associated deferred tax	3	–	3
At 31 December 2025	**(6)**	**161**	**155**

The cash flow hedge reserve represents the cumulative fair value gains and losses on derivatives for which cash flow hedge accounting has been applied. Movements and balances on derivatives designated in net investment hedges are shown as part of the foreign currency translation reserve.

The foreign currency translation reserve contains exchange differences on the translation of subsidiaries with a functional currency other than Sterling, together with gains and losses on the translation of liabilities and cumulative fair value gains and losses on derivatives that hedge the Group's net investment in foreign subsidiaries.

Amounts reclassified to the Income Statement during the year includes a credit of £nil (2024: £6 million) following the disposal of businesses.

27. Cash flow statement

	Notes	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Reconciliation of operating profit/(loss) to net cash from/(used in) operating activities			
Operating profit/(loss)		**600**	(4)
Adjusting items[1]	6	**47**	544
Adjusted operating profit	6	**647**	540
Adjustments for:			
Depreciation of property, plant and equipment		**104**	101
Amortisation of computer software and development costs		**34**	41
Restructuring costs paid and movements in provisions		**(53)**	(135)
Defined benefit pension contributions paid		**(22)**	(20)
Change in inventories		**(32)**	(71)
Change in receivables[2]		**(347)**	(449)
Change in payables		**20**	191
Tax paid		**(12)**	(10)
Interest paid on loans and borrowings		**(103)**	(84)
Interest paid on lease obligations		**(12)**	(6)
Acquisition and disposal costs		**–**	(1)
Divisional management incentive scheme related payments		**(7)**	(20)
Melrose equity-settled compensation scheme related payments		**(3)**	(198)
Net cash from/(used in) operating activities		**214**	(121)

(1) The cash impact of adjusting items is detailed in note 6.
(2) Change in receivables includes increases to unbilled work done contract assets of £324 million (2024: £309 million).

Reconciliation of cash and cash equivalents, net of bank overdrafts	31 December 2025 £m	31 December 2024 £m
Cash and cash equivalents per Balance Sheet	**166**	88
Bank overdrafts included within current interest-bearing loans and borrowings (note 20)	**(12)**	(8)
Cash and cash equivalents, net of bank overdrafts per Statement of Cash Flows	**154**	80

Net debt reconciliation

Net debt consists of interest-bearing loans and borrowings and cash and cash equivalents.

Net debt is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of interest-bearing loans and borrowings (current and non-current) and cash and cash equivalents. A reconciliation from the most directly comparable IFRS measure to net debt, used as a basis for banking covenant calculations, is given below:

	31 December 2025 £m	31 December 2024 £m
Interest-bearing loans and borrowings – due within one year	**(60)**	(8)
Interest-bearing loans and borrowings – due after one year	**(1,513)**	(1,401)
External debt	**(1,573)**	(1,409)
Less:		
Cash and cash equivalents	**166**	88
Net debt	**(1,407)**	(1,321)

27. Cash flow statement continued

The table below shows the key components of the movement in net debt:

	At 1 January 2025 £m	Cash flow £m	Acquisitions and disposals £m	Other non-cash movements £m	Effect of foreign exchange £m	At 31 December 2025 £m
External debt (excluding bank overdrafts and unamortised finance costs)	(1,408)	(229)	–	–	74	**(1,563)**
Unamortised finance costs	7	1	–	(6)	–	**2**
External debt (excluding bank overdrafts)	(1,401)	(228)	–	(6)	74	**(1,561)**
Cash and cash equivalents, net of bank overdrafts	80	90	(16)	–	–	**154**
Net debt	(1,321)	(138)	(16)	(6)	74	**(1,407)**

28. Commitments

Amounts payable under lease obligations:

Minimum lease payments	31 December 2025 £m	31 December 2024 £m
Amounts payable:		
Within one year	**43**	39
After one year but within five years	**142**	120
Over five years	**265**	146
Effect of financing rates	**(120)**	(68)
Present value of lease obligations	**330**	237
Analysed as:		
Amount due for settlement within one year	**31**	33
Amount due for settlement after one year	**299**	204
Present value of lease obligations	**330**	237

It is the Group's policy to lease certain of its property, plant and equipment. The average lease term is 13 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under lease arrangements are secured by the lessors' rights over the leased assets.

Certain leases within the Group contain extension or termination options to allow for flexibility within these lease agreements. Where these options are not reasonably certain to be exercised, they are not included in the lease obligation. The value of these associated undiscounted cash flows at 31 December 2025 is £77 million (31 December 2024: £43 million).

28. Commitments continued

The table below shows the key components in the movement in lease obligations.

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
At 1 January	**237**	192
Additions	**128**	70
Interest charge	**12**	6
Reassessment of lease obligation	**11**	8
Payment of principal	**(31)**	(32)
Payment of interest	**(12)**	(6)
Disposals	**(12)**	–
Exchange adjustments	**(3)**	(1)
At 31 December	**330**	237

Capital commitments

At 31 December 2025, there were commitments of £58 million (31 December 2024: £74 million) relating to the acquisition of new property, plant and equipment and computer software and development costs.

29. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Sales to and purchases from Group companies are priced on an arm's length basis and generally are settled on 30 day terms.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24: Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on page 116.

	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Short-term employee benefits	**6**	5
Share-based payments	**1**	1
Termination benefits	**–**	2
	7	8

30. Contingent liabilities

As a result of acquisitions made by the Group, certain contingent legal and warranty liabilities were identified as part of the fair value review of these acquisition balance sheets. Whilst it is difficult to reasonably estimate the timing and ultimate outcome of these claims, the Directors' best estimate has been included in the Balance Sheet where they existed at the time of acquisition and hence were recognised in accordance with IFRS 3: Business Combinations. Where a provision has been recognised, information regarding the different categories of such liabilities and the amount and timing of outflows is included within note 21.

Given the nature of the Group's business many of the Group's products have a large installed base, and any reworks related to such products could be particularly costly. The costs of product reworks are not always covered by insurance. Reworks may have a material adverse effect on the Group's financial condition, results of operations and cash flows.

The Group has contingent liabilities representing guarantees and contract bonds given in the ordinary course of business on behalf of trading subsidiaries. No losses are anticipated to arise on these contingent liabilities. The Group does not have any other significant contingent liabilities.

COMPANY BALANCE SHEET FOR MELROSE INDUSTRIES PLC

	Notes	31 December 2025 £m	31 December 2024 £m
Fixed assets			
Investments	3	**10,594**	10,602
Current assets			
Debtors:			
Amounts falling due within one year	4	**149**	–
Amounts falling due after one year	4	**592**	569
Current liabilities			
Creditors:			
Amounts falling due within one year	5	**(6,365)**	(5,840)
Net current liabilities		**(5,624)**	(5,271)
Total assets less current liabilities		**4,970**	5,331
Provisions	6	**(1)**	(4)
Net assets		**4,969**	5,327
Capital and reserves			
Issued share capital	7	**1**	1
Share premium account		**1,000**	1,000
Merger reserve		**109**	109
Capital redemption reserve		**–**	–
Retained earnings		**3,859**	4,217
Shareholders' funds		**4,969**	5,327

The Company reported a loss for the financial year ended 31 December 2025 of £83 million (2024: £246 million).

The financial statements on pages 198 to 208 were approved by the Board of Directors on 27 February 2026 and were signed on its behalf by:

Matthew Gregory

Chief Financial Officer
27 February 2026

Peter Dilnot

Chief Executive Officer
27 February 2026

Registered number: 09800044

COMPANY STATEMENT OF CHANGES IN EQUITY

	Issued share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Retained earnings £m	Shareholders' funds £m
At 1 January 2024	309	3,271	109	753	1,800	6,242
Loss for the year (note 2)	–	–	–	–	(246)	(246)
Other comprehensive expense	–	–	–	–	(6)	(6)
Total comprehensive expense	–	–	–	–	(252)	(252)
Capital reduction[1]	(308)	(2,271)	–	(753)	3,332	–
Purchase of own shares[1]	–	–	–	–	(449)	(449)
Dividends paid	–	–	–	–	(72)	(72)
Equity-settled incentive scheme related[1]	–	–	–	–	(157)	(157)
Equity-settled share-based payments	–	–	–	–	1	1
Deferred tax on equity-settled share-based payments	–	–	–	–	14	14
At 31 December 2024	1	1,000	109	–	4,217	5,327
Loss for the year (note 2)	–	–	–	–	(83)	(83)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive expense	–	–	–	–	(83)	(83)
Purchase of own shares[1]	–	–	–	–	(193)	(193)
Dividends paid	–	–	–	–	(82)	(82)
Equity-settled share-based payments	–	–	–	–	2	2
Deferred tax on equity-settled share-based payments	–	–	–	–	(2)	(2)
At 31 December 2025	**1**	**1,000**	**109**	**–**	**3,859**	**4,969**

(1) Further information is set out in note 1.

Refer to the Section 172 statement in the Strategic Report on pages 42 to 47 for further details on the Company's Distribution Policy.

NOTES TO THE COMPANY BALANCE SHEET

1. Material accounting policies

Basis of accounting

Melrose Industries PLC ("the Company") is a public company limited by shares. The Company is incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on the back cover. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 85.

The Financial Statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The functional currency of Melrose Industries PLC is considered to be pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

Capital structure

On 1 October 2024, the Company commenced a £250 million share buyback programme which is expected to complete by the end of March 2026. During the year ended 31 December 2025, 31,515,908 shares (2024: 4,173,411 shares) were purchased at an average price of 551 pence (2024: 484 pence) per share for total consideration of £173 million (2024: £20 million), inclusive of costs of £1 million (2024: £nil). These are held as treasury shares. A liability of £38 million (31 December 2024: £18 million) has also been recognised in respect of the shares expected to be purchased under the share buyback programme during the close period, as there was an irrevocable instruction to contracted financial institutions to complete purchases at 31 December 2025. The total costs of the purchase of £193 million recognised during the year ended 31 December 2025 have been recorded in retained earnings.

In the prior year, the Company completed a £500 million share buyback programme which commenced in 2023. During the year ended 31 December 2024, 70,967,661 shares were purchased at an average price of 571 pence per share with cash spent of £411 million, inclusive of costs of £5 million. The total costs of the purchase were recognised in retained earnings.

In the prior year, the Melrose Employee Share Plan ("MESP") crystallised. Of the 54,346,536 shares awarded, 25,498,465 were withheld by the Company in exchange for a cash payment sufficient to allow holders to meet their income tax and employee national insurance liabilities in respect of the MESP. In accordance with FRS 102.26: Share-based Payment, £157 million was recognised in retained earnings. In addition, the Company undertook a capital reduction. This reduced share capital by £308 million, the share premium account by £2,271 million and the capital redemption reserve by £753 million.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate Financial Statements. The Company is consolidated in its Group Financial Statements. Exemptions have been taken in these separate Company Financial Statements in relation to share-based payments, presentation of a cash flow statement, the remuneration of key management personnel and financial instruments.

The principal accounting policies are consistent with the prior year and are summarised below.

Going concern

The Financial Statements have been prepared on a going concern basis as the Directors consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future, being 12 months from the date of this report (the relevant period).

The Company is a guarantor of the Group's committed multi-currency term loans and revolving credit facilities and at 31 December 2025 these totalled; US$1,680 million, €755 million and £350 million. The Group's liquidity and funding arrangements are described in the Chief Financial Officer's Review. There is significant liquidity headroom of £0.7 billion at 31 December 2025 and sufficient headroom throughout the going concern forecast period. Forecast covenant compliance is considered further below.

Covenants

The Group's banking facility has two financial covenants being a net debt to adjusted EBITDA covenant and an interest cover covenant, both of which are tested half-yearly at 30 June and 31 December. Covenant calculations are detailed in the glossary to these Consolidated Financial Statements.

The financial covenants during the period of assessment for going concern are as follows:

	31 December 2025	30 June 2026	31 December 2026
Net debt to adjusted EBITDA (banking covenant leverage)	**3.5x**	3.5x	3.5x
Interest cover	**4.0x**	4.0x	4.0x

NOTES TO THE COMPANY BALANCE SHEET | CONTINUED

1. Material accounting policies continued

Testing

The Group has modelled two scenarios in its assessment of going concern, a base case and a severe but plausible downside case.

The base case takes into account end markets and operational factors, including supply chain challenges, throughout the going concern period and has been monitored against the actual results and cash generation in the period since 1 January 2026. Climate scenario analysis was used to model the impact of climate change on the Group's cash flow position. Climate change is deemed to not have a material impact over the period of 12 months for the assessment of going concern.

The severe but plausible downside case models more conservative revenue assumptions for 2026 and the first half of 2027. The sensitised assumptions are specific to each business taking into account their markets, but on average represent a c.10% reduction to the Group's forecast revenue in 2026, and a c.5% reduction in the first half of 2027. The sensitised revenues have had a consequential impact on profit and cash flow, along with a further downside sensitivity applied to increase working capital by approximately 2% of revenue. Given that there is liquidity headroom of £0.7 billion and the Group's banking covenant leverage was 1.9x, comfortably below the covenant test at 31 December 2025, no further sensitivity detail is provided.

Under the severe but plausible downside case no covenant is breached at 30 June 2026 nor, based on the continuation of existing financing arrangements with the Group having the option to extend the majority of its facilities through to April 2028, at 31 December 2026 or 30 June 2027.

Investments

Investments in subsidiaries are measured at cost less impairment.

For investments in subsidiaries acquired for consideration, including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

The Company had an investment in listed shares, which was disposed during the year and was classified as a financial asset, measured at fair value. Fair value is by reference to quoted market price. Any changes to fair value are recognised in other comprehensive income and accumulated in retained earnings. Dividends received from investments are recognised in the Income Statement when the Company's right to receive the dividend is established.

Impairment of assets

Assets, other than those held at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

For amounts owed by Group undertakings, the Company recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to one year's expected credit losses.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Financial assets and liabilities

All financial assets and liabilities are initially measured at fair value, which is the transaction price (including transaction costs). After initial recognition, amounts owed to/from Group undertakings are subsequently measured at amortised cost using the effective interest rate method.

Financial assets and liabilities are only offset in the Balance Sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when, and only when, a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expired.

NOTES TO THE COMPANY BALANCE SHEET | CONTINUED

1. Material accounting policies continued

Share-based payments

The Company issues equity-settled share-based payments to certain employees. The required disclosures are included in the Group Consolidated Financial Statements.

Equity-settled share-based payments are measured at fair value of the equity instrument excluding the effect of non-market based vesting conditions at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and is reviewed at the end of each reporting period with the charge being adjusted to reflect actual and estimated levels of vesting.

Fair value is measured by use of option pricing models. The expected life used in the model has been adjusted, based on the Directors' best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Where equity-settled share-based payments are made available to employees of the Company's subsidiaries, these are treated as increases in equity over the vesting period of the award with a corresponding increase in the Company's investment in subsidiaries.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Critical accounting judgements and key sources of estimation uncertainty

There were no critical accounting judgements that would have a significant effect on the amounts recognised in the Company's Financial Statements or key sources of estimation uncertainty at the balance sheet date that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. Result for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own Profit and Loss Account for the year. Melrose Industries PLC reported a loss for the financial year ended 31 December 2025 of £83 million (2024: £246 million).

The auditor's remuneration for audit services to the Company is disclosed in note 7 to the Group Consolidated Financial Statements.

Directors' remuneration is disclosed in the Directors' Remuneration Report on pages 113 to 129. There were no other employees of the Company in the year (2024: none).

NOTES TO THE COMPANY BALANCE SHEET | CONTINUED

3. Investments

	External investments £m	Investments in subsidiaries £m	Total £m
At 1 January 2025	9	10,593	10,602
Additions	–	1	1
Disposals	(9)	–	(9)
At 31 December 2025	**–**	**10,594**	**10,594**

During the year, the Company disposed of its 1% investment in Dowlais Group plc for consideration of £9 million.

A £1 million investment from equity-settled share-based payments for subsidiaries is included as an addition to investments in subsidiaries in the year.

The Company evaluates its investments in subsidiary undertakings annually for any indicators of impairment. The Company considers the relationship between its market capitalisation and the carrying value of its investments, among other factors, when reviewing for indicators of impairment. As at 31 December 2025, the market capitalisation of the Company of £7,402 million was in excess of the carrying value of its investments (£10,594 million) net of intercompany positions (£5,784 million).

The recoverable amount of the investments in subsidiaries has been determined using the information set out in note 11 to the Group Consolidated Financial Statements and is in excess of its carrying value, therefore no impairment has been recognised.

The following subsidiaries and significant holdings were owned by the Company as at 31 December 2025:

	Equity interest %	Class of share held
Canada		
600-1134 Grande Allée Ouest, Quebec, G1S 1E5		
Fokker Elmo Canada Inc.	100	Ordinary
China		
No 71 Xiangyun Road, Langfang Economic & Technical Development Zone, Langfang		
Fokker Elmo (Langfang) Electrical Systems Co. Ltd	100	Registered investment
1 Xinwang Road, Jingjiang Economic and Technic Development Zone, Jingjiang, Jiangsu		
GKN Aerospace (Jingjiang) Co., Ltd	100	Registered investment
Unit 03, Floor 7, Block B, No.899 Yaohua Road, Pudong New District, Shanghai		
GKN Aerospace (Shanghai) Co., Ltd	100	Ordinary
No. 3, Wanfugang Road, Jingjiang Economic and Technological Development Zone, Jingjiang City, Jiangsu Province		
Kaifei Aerospace Manufacturing Co., Ltd	40	Ordinary
France		
Boulevard De L Europe, BP 177 91006 Evry-Courcouronnes CEDEX		
Arianespace Participation S.A.	1.632	Ordinary
765 rue Albert Einstein, CS 70402, 13591 Aix-en-Provence Cedex 3		
NH Industries SAS	5.5	Ordinary
20 rue Lavoisier, 95300 Pontoise		
GKN Aerospace France SARL	100	Ordinary
Germany		
Brunhamstr. 21, 81249, Munich		
GKN Aerospace Deutschland GmbH	100	Ordinary
India		
Shop No. 002, Lumkad Sky Vista, S. No. 230/AViman Naga/3/2, Viman Nagar, Pune, Maharashtra, 411014		
GKN Fokker Elmo India Private Limited[1]	100	Ordinary
135, 2nd Floor, RMZ Titanium, Old Airport Road, Bengaluru, 560 017		
GKN Aerospace Engine Systems India Private Limited[1]	100	Ordinary
Jersey		
JTC House, 28 The Esplanade, St. Helier, JE2 3QA		
GKN Finance Limited	100	Ordinary

NOTES TO THE COMPANY BALANCE SHEET | CONTINUED

3. Investments continued

	Equity interest %	Class of share held
Malaysia		
10th Floor, Menara Hap Seng, No.1 & 3, Jalan P. Ramless, 50250 Kuala Lumpur		
GKN Engine Systems Component Repair Sdn Bhd	100	Ordinary
Mexico		
Ave. Washington 3701 Ed. 18, Parque Industrial Las Americas, Chihuahua, 31200		
FAE Aerostructures SA de CV	100	Ordinary
The Netherlands		
Markt 22, 3351 PB, Papendrecht		
Fabriek Slobbengors Beheer B.V.	49	Ordinary
Fabriek Slobbengors C.V.	49	Ordinary[2]
Hoofdkantoor Slobbengors Beheer B.V.	49	Ordinary
Kantoor Industrieweg C.V.	49	Ordinary[2]
Anthony Fokkerweg 4, 3351 NL, Papendrecht		
Fokker Elmo B.V.	100	Ordinary
Fokker Elmo Holding B.V.	100	Ordinary
Fokker Technologies Group B.V.	100	Ordinary
GKN Aerospace Netherlands B.V.	100	Ordinary
GKN Fokker Aerospace B.V.	100	Ordinary
Hoogeveen Property Holding B.V.	100	Ordinary
Norway		
Kirkegårdsveien 45, 3616 Kongsberg		
GKN Aerospace Norway AS	100	Ordinary
Kongsberg Technology Training Centre AS	33.33	Ordinary
Romania		
Hermes Business Campus, Dimitrie Pompeiu Blvd 5-7, Building 2, 3rd Floor, 2nd District, Bucharest, 020335		
Fokker Engineering Romania S.R.L.	100	Ordinary
Sweden		
SE – 461 81, Trollhättan		
GKN Aerospace Sweden AB	100	Ordinary
GKN Engines Holdings AB	100	Ordinary
Kryptongatan 11, 431 53 Mölndal		
Permanova Lasersystem AB	100	Ordinary
Brånstaleden 2, SE-734 32 Hallstahammar		
GKN Aerospace Investment Casting AB	100	Ordinary
Thailand		
9/21 Moo 5, Phaholyothin Road Klong 1, Klong Luang, Patumthanee, 12120		
GKN Aerospace Transparency Systems (Thailand) Limited	100	Ordinary
Turkey		
Ege Serbest Bölgesi, SADI Sok. No:10, 35410 Gaziemir, Izmir		
Fokker Elmo Havacilik Sanayi Ve Ticaret Limited Sirketi	100	Ordinary

NOTES TO THE COMPANY BALANCE SHEET | CONTINUED

3. Investments continued

	Equity interest %	Class of share held
United Kingdom		
11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT		
Alcester Capricorn	100	Ordinary
Alcester EP1 Limited	100	Ordinary
Alcester Number 1 Limited	100	Ordinary
Alder Miles Druce Limited	100	Ordinary
Birfield Limited	100	Ordinary
British Hovercraft Corporation Limited	100	Ordinary
Brush Holdings Limited	100	Ordinary
Colmore Lifting Limited	100	Ordinary
Colmore Overseas Holdings Limited	100	Ordinary
Eachairn Aerospace Holdings Limited	100	Ordinary
Falcon Works Property Limited	100	Ordinary
Firth Cleveland Limited	100	Ordinary
GKN Aerospace Civil Services Holdings Limited	100	Ordinary
GKN Aerospace Civil Services Limited	100	Ordinary
GKN Aerospace (FFT) Limited	100	Ordinary
GKN Aerospace Services Limited	100	Ordinary
GKN Aerospace Holdings Limited	100	Ordinary
GKN Aerospace Transparency Systems (Kings Norton) Limited	100	Ordinary
GKN Aerospace Transparency Systems (Luton) Limited	100	Ordinary
GKN Bound Brook Limited	100	Ordinary
GKN Building Services Europe Limited	100	Ordinary
GKN CEDU Limited	100	Ordinary
GKN Composites Limited	100	Ordinary
GKN Computer Services Limited	100	Ordinary
GKN Defence Holdings Limited	100	Ordinary
GKN Defence Limited	100	Ordinary
GKN Enterprise Limited	100	Ordinary
GKN Export Services Limited	100	Ordinary
GKN Fasteners Limited	100	Ordinary
GKN Finance (UK) Limited	100	Ordinary
GKN Hardy Spicer Limited	100	Ordinary
GKN Holdings Limited	100	Ordinary and deferred
GKN Limited	100	Ordinary
GKN Pistons Limited	100	Ordinary
GKN Quest Trustee Limited	100	Ordinary
GKN Sankey Finance Limited	100	Ordinary and deferred[3]
GKN SEK Investments Limited	100	Ordinary
GKN Technology Limited	100	Ordinary
GKN Trading Limited	100	Ordinary
GKN Westland Aerospace (Avonmouth) Limited	100	Ordinary
GKN Westland Aerospace Advanced Materials Limited	100	Ordinary and convertible preference
GKN Westland Aerospace Aviation Support Limited	100	Ordinary
GKN Westland Aerospace Holdings Limited	100	Ordinary
GKN Westland Design Services Limited	100	Ordinary
GKN Westland Limited	100	Ordinary
GKN Westland Overseas Holdings Limited	100	Ordinary
GKN Westland Services Limited	100	Ordinary
GKN 1 Trustee 2018 Limited	100	Ordinary
GKN 4 Trustee 2018 Limited	100	Ordinary
Guest, Keen and Nettlefolds, Limited	100	Ordinary
Laycock Engineering Limited	100	Ordinary
McKechnie 2005 Pension Scheme Trustee Limited	100	Ordinary
Melrose Aerospace Limited	100	Ordinary
Melrose Euro Investments Limited	100	Ordinary
Melrose GBP Investments Limited	100	Ordinary
Melrose Intermediate Limited	100	Ordinary
Melrose NOK Investments Limited	100	Ordinary

NOTES TO THE COMPANY BALANCE SHEET | CONTINUED

3. Investments continued

	Equity interest %	Class of share held
United Kingdom continued		
11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT continued		
Melrose PLC	100	Ordinary
Melrose USD 1 Limited	100	Ordinary
Nevada UK Holding Limited	100	Ordinary
P.F.D. Limited	100	Ordinary
Raingear Limited	100	Ordinary
Rigby Metal Components Limited	100	Ordinary
Rzeppa Limited	100	Ordinary
Sageford UK Limited	100	Ordinary
Sheepbridge Stokes Limited	100	Ordinary and redeemable preference
Westland Group PLC	100	Ordinary
Westland Group Services Limited	100	Ordinary
Westland System Assessment Limited	100	Ordinary
Capital Square, 58 Morrison Street, Edinburgh, Scotland, EH3 8BP		
A. P. Newall & Company Limited	100	Ordinary
GKN Investments II GP Limited	100	Ordinary
GKN Investments II LP (this partnership is controlled by, and its results are consolidated by, the Group and as such advantage has been taken of the exemption set out in regulation 7 of the Partnerships (Accounts) Regulations 2008)	100	Membership interest
Number 22 Mount Ephraim, Tunbridge Wells, England, TN4 8AS		
HiiROC Limited	1.57	Ordinary
USA		
2 Sun Court, Suite 400, Peachtree Corners, GA, 30092		
Fokker Elmo Inc.	100	Common stock
1209 Orange Street, Wilmington, Delaware, 19801		
Melrose North America, Inc	100	Common
PW1100G-JM Engine Leasing, LLC	4	Class C unit
2710 Gateway Oaks Drive, Suite 150 N, Sacramento, CA, 95833		
GENIL, Inc.	100	Ordinary
GKN Aerospace Camarillo, Inc.	100	Ordinary
GKN Aerospace Chem-tronics Inc.	100	Ordinary
GKN Aerospace Transparency Systems, Inc	100	Common stock
251 Little Falls Drive, Wilmington, Delaware, 19808		
GKN Aerospace Aerostructures, Inc	100	Common
GKN Aerospace GTC LLC	100	Membership interest
GKN Aerospace Florida LLC	100	Membership interest
GKN Aerospace, Inc.	100	Common stock
GKN Aerospace New England, Inc.	100	Ordinary
GKN Aerospace Newington LLC	100	Membership interest
GKN Aerospace St. Louis LLC	100	Membership interest
GKN Aerospace Precision Machining, Inc.	100	Ordinary
GKN Aerospace Services Structures LLC	100	Membership interest
GKN Aerospace South Carolina, Inc.	100	Common stock
GKN Aerospace US Holdings LLC	100	Membership interest
GKN Westland Aerospace, Inc.	100	Common stock
80 State Street, Albany, New York, 12207		
GKN Aerospace Monitor, Inc.	100	Common
135 North Pennsylvania Street, Suite 1610, Indianapolis, Indiana, 46204		
GKN Aerospace Muncie, Inc.	100	Common

Each of the subsidiaries and significant holdings listed are included in the Consolidated Financial Statements of the Company and are held in each case by a subsidiary undertaking, except for Melrose Aerospace Limited and GKN Limited, for which the applicable share interests are held directly by Melrose Industries PLC.

Notes
(1) This subsidiary prepares its financial statements with a year ended 31 March, different to the Company and other subsidiaries in the Group.
(2) The Group owns 49% directly with a total effective ownership of 49.98% in the company.
(3) The Group has a direct interest in 100% of the issued ordinary share capital. The deferred shares are held by third parties.

NOTES TO THE COMPANY BALANCE SHEET | CONTINUED

4. Debtors

	31 December 2025 £m	31 December 2024 £m
Amounts falling due within one year:		
Current tax	**149**	–
	149	–
Amounts falling due after one year:		
Amounts owed by Group undertakings	**539**	505
Deferred tax	**53**	64
	592	569

Amounts owed by Group undertakings are either interest-bearing or non interest-bearing depending on the type and duration of the receivable relationship. They are unsecured, accumulate interest in a range between 0% and 6%, are due to mature in April 2028 and are repayable on demand. At 31 December 2025, the amount receivable of £539 million (31 December 2024: £505 million) has been classified as an amount falling due after one year in accordance with the expectations of management that it will not be settled within the next year.

The Directors consider that amounts owed by Group undertakings approximate to their fair value.

The deferred tax included in the Balance Sheet is as follows:

	31 December 2025 £m	31 December 2024 £m
Tax losses available for carry forward	**51**	57
Other timing differences	**2**	7
	53	64

The tax losses may be carried forward indefinitely. Further details in relation to the recoverability of the deferred tax assets are disclosed in note 22 of the Group Consolidated Financial Statements.

5. Creditors

	31 December 2025 £m	31 December 2024 £m
Amounts falling due within one year:		
Amounts owed to Group undertakings	**6,323**	5,819
Accruals and other creditors	**42**	21
	6,365	5,840

Amounts owed to Group undertakings are unsecured, accumulate interest in a range between 0% and 4%, are due to mature in April 2028 and are repayable on demand.

The Directors consider that amounts owed to Group undertakings approximate to their fair value.

6. Provisions

	Incentive plan related £m
At 1 January 2025	4
Charge to profit and loss account	1
Utilised	(4)
At 31 December 2025	**1**

The incentive plan related provision is expected to be utilised within three years.

NOTES TO THE COMPANY BALANCE SHEET | CONTINUED

7. Issued share capital

Share capital	31 December 2025 £m	31 December 2024 £m
Allotted, called-up and fully paid		
1,311,475,321 (31 December 2024: 1,351,475,321) Ordinary Shares of 0.1 pence each	**1**	1
	1	1

On 1 October 2024, the Company commenced a £250 million share buyback programme which is expected to complete by the end of March 2026. During the year ended 31 December 2025, 31,515,908 shares (2024: 4,173,411 shares) were purchased. These are held as treasury shares and the total costs of the purchase have been recognised in retained earnings. A liability of £38 million (31 December 2024: £18 million) has also been recognised in respect of the shares expected to be purchased under the share buyback programme during the close period, as there was an irrevocable instruction to contracted financial institutions to complete purchases at 31 December 2025.

On 21 March 2025, 40,000,000 shares held in treasury were cancelled.

On 17 November 2025, 3,114,036 nil cost options held in respect of the crystallisation of the 2020 Melrose Employee Share Plan were exercised. This resulted in the issue of 3,114,036 shares out of treasury.

The total number of shares held in treasury at 31 December 2025 is 53,456,713 (31 December 2024: 65,054,841).

The rights associated with each class of share are described in the Directors' Report.

8. Related party transactions

The Company has taken the exemption in FRS 102.33: Related party information not to disclose intercompany balances and transactions in the year with fully owned subsidiary undertakings.

GLOSSARY

Alternative Performance Measures ("APMs")

In accordance with the Guidelines on APMs issued by the European Securities and Markets Authority ("ESMA"), additional information is provided on the APMs used by the Group below.

In the reporting of financial information, the Group uses certain measures that are not required under IFRS. These additional measures (commonly referred to as APMs) provide additional information on the performance of the business and trends to stakeholders. These measures are consistent with those used internally, and are considered important to understanding the financial performance and financial health of the Group. APMs are considered to be an important measure to monitor how the Group is performing because this provides a meaningful comparison of how the Group is managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods.

These APMs may not be directly comparable with similarly titled measures reported by other companies and they are not intended to be a substitute for, or superior to, IFRS measures. All results arise from continuing operations.

Income Statement measures

APM
Adjusting items

Closest equivalent statutory measure
None

Reconciling items to statutory measure
Adjusting items (note 6)

Definition and purpose
Those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance.

These include items which are significant in size or volatility, or by nature are non-trading or non-recurring or the net change in fair value items booked on an acquisition.

This provides a meaningful comparison of how the business is managed and measured on a day-to-day basis and provides consistency and comparability between reporting periods.

APM
Adjusted operating profit

Closest equivalent statutory measure
Operating profit/(loss)[1]

Reconciling items to statutory measure
Adjusting items (note 6)

Definition and purpose
The Group uses adjusted profit measures to provide a useful and more comparable measure of the ongoing performance of the Group. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in note 6.

Adjusted operating profit	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Operating profit/(loss)	**600**	(4)
Adjusting items to operating profit/(loss) (note 6)	**47**	544
Adjusted operating profit	**647**	540

APM
Adjusted operating margin

Closest equivalent statutory measure
Operating margin[2]

Reconciling items to statutory measure
Adjusting items (note 6)

Definition and purpose
Adjusted operating margin represents Adjusted operating profit as a percentage of revenue. The Group uses adjusted profit measures to provide a useful and more comparable measure of the ongoing performance of the Group.

GLOSSARY | CONTINUED

APM
Adjusted profit before tax

Closest equivalent statutory measure
Profit/(loss) before tax

Reconciling items to statutory measure
Adjusting items (note 6)

Definition and purpose
Profit/(loss) before the impact of adjusting items and tax. As discussed above, adjusted profit measures are used to provide a useful and more comparable measure of the ongoing performance of the Group. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in note 6.

Adjusted profit before tax	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Profit/(loss) before tax	468	(106)
Adjusting items to profit/(loss) before tax (note 6)	47	544
Adjusted profit before tax	**515**	438

APM
Adjusted profit after tax

Closest equivalent statutory measure
Profit/(loss) after tax

Reconciling items to statutory measure
Adjusting items (note 6)

Definition and purpose
Profit/(loss) after tax but before the impact of adjusting items. As discussed above, adjusted profit measures are used to provide a useful and more comparable measure of the ongoing performance of the Group. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in note 6.

Adjusted profit after tax	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Profit/(loss) after tax	370	(49)
Adjusting items to profit/(loss) after tax (note 6)	40	399
Adjusted profit after tax	**410**	350

APM
Constant currency

Closest equivalent statutory measure
Income Statement, which is reported using actual average foreign exchange rates

Reconciling items to statutory measure
Constant currency foreign exchange rates

Definition and purpose
The Group uses Sterling based constant currency models to measure performance. These are calculated by applying 2025 average exchange rates to local currency reported results for the current and prior year. This gives a Sterling denominated Income Statement which excludes any variances attributable to foreign exchange rate movements.

GLOSSARY | CONTINUED

APM
Adjusted EBITDA and Adjusted EBITDA for banking covenant leverage purposes

Closest equivalent statutory measure
Operating profit/(loss)[1]

Reconciling items to statutory measure
Adjusting items (note 6), depreciation of property, plant and equipment and amortisation of computer software and development costs. Adjusted EBITDA for banking covenant leverage purposes also includes an imputed lease charge and other adjustments required for banking covenant leverage purposes[3]

Definition and purpose
Adjusted operating profit for 12 months prior to the reporting date, before depreciation of property, plant and equipment and before the amortisation of computer software and development costs.

Adjusted EBITDA and Adjusted EBITDA for banking covenant leverage purposes are measures used by external stakeholders to measure performance.

Adjusted EBITDA and Adjusted EBITDA for banking covenant leverage purposes	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Adjusted operating profit	647	540
Depreciation of property, plant and equipment and amortisation of computer software and development costs	138	142
Adjusted EBITDA	**785**	682
Imputed lease charge	(43)	(38)
Other adjustments required for banking covenant leverage purposes[3]	–	(15)
Adjusted EBITDA for banking covenant leverage purposes	**742**	629

APM
Adjusted tax rate

Closest equivalent statutory measure
Effective tax rate

Reconciling items to statutory measure
Adjusting items, adjusting tax items and the tax impact of adjusting items (note 6 and note 8)

Definition and purpose
The income tax charge for the Group excluding adjusting tax items, and the tax impact of adjusting items, divided by adjusted profit before tax.

This measure is a useful indicator of the ongoing tax rate for the Group.

Adjusted tax rate	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Tax (charge)/credit per Income Statement	(98)	57
Adjusted for:		
Tax impact of adjusting items (note 6)	(7)	(128)
Tax impact of significant restructuring	–	(17)
Adjusted tax charge	**(105)**	(88)
Adjusted profit before tax	**515**	438
Adjusted tax rate	**20.4%**	20.1%

APM
Adjusted basic earnings per share

Closest equivalent statutory measure
Basic earnings per share

Reconciling items to statutory measure
Adjusting items (note 6 and note 10)

Definition and purpose
Profit/(loss) after tax attributable to owners of the parent before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year.

The Board considers this to be a key measure of performance when all businesses are held for the complete reporting period.

GLOSSARY | CONTINUED

APM
Adjusted diluted earnings per share

Closest equivalent statutory measure
Diluted earnings per share

Reconciling items to statutory measure
Adjusting items (note 6 and note 10)

Definition and purpose
Profit/(loss) after tax attributable to owners of the parent before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of any potentially dilutive options.

The Board considers this to be a key measure of performance when all businesses are held for the complete reporting period.

APM
Interest cover

Closest equivalent statutory measure
None

Reconciling items to statutory measure
Not applicable

Definition and purpose
Adjusted EBITDA calculated for banking covenant leverage purposes (including adjusted EBITDA from businesses disposed) as a multiple of net interest payable on bank loans and overdrafts and factoring facilities.

This measure is used for bank covenant testing.

Interest cover	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Adjusted EBITDA for banking covenant leverage purposes	**742**	629
Adjusted EBITDA from businesses disposed in the year	**–**	20
Adjusted EBITDA for interest cover	**742**	649
Interest on bank loans and overdrafts	**90**	75
Interest on factoring facilities	**17**	16
Finance income	**–**	(3)
Net finance charges for covenant purposes	**107**	88
Interest cover	**6.9x**	7.4x

Balance Sheet measures

APM
Working capital

Closest equivalent statutory measure
Inventories, trade and other receivables less trade and other payables

Reconciling items to statutory measure
Not applicable

Definition and purpose
Working capital comprises inventories, current trade and other receivables, non-current other receivables, current trade and other payables and non-current other payables.

This measure provides additional information in respect of working capital management.

APM
Net debt

Closest equivalent statutory measure
Cash and cash equivalents less interest-bearing loans and borrowings

Reconciling items to statutory measure
Reconciliation of net debt (note 27)

Definition and purpose
Net debt comprises cash and cash equivalents and interest-bearing loans and borrowings.

Net debt is one measure that could be used to indicate the strength of the Group's Balance Sheet position and is a useful measure of the indebtedness of the Group.

GLOSSARY | CONTINUED

APM
Bank covenant definition of net debt at average rates and banking covenant leverage

Closest equivalent statutory measure
Cash and cash equivalents less interest-bearing loans and borrowings

Reconciling items to statutory measure
Impact of foreign exchange

Definition and purpose
Net debt (as above) is presented in the Balance Sheet translated at year end exchange rates.

For bank covenant testing purposes net debt is converted using average exchange rates for the previous 12 months.

Banking covenant leverage is calculated as the bank covenant definition of net debt divided by adjusted EBITDA for banking covenant leverage purposes. This measure is used for bank covenant testing.

Bank covenant definition of net debt at average rates and banking covenant leverage	31 December 2025 £m	31 December 2024 £m
Net debt at closing rates (note 27)	**1,407**	1,321
Impact of foreign exchange	**22**	(16)
Bank covenant definition of net debt at average rates	**1,429**	1,305
Banking covenant leverage	**1.9x**	2.1x

APM
Leverage

Closest equivalent statutory measure
None

Reconciling items to statutory measure
None

Definition and purpose
Leverage is calculated as the bank covenant definition of net debt at average rates (as above) divided by adjusted EBITDA.

This measure is used by external stakeholders to assess the financial stability of the Group.

Leverage	31 December 2025 £m	31 December 2024 £m
Leverage	**1.8x**	1.9x

GLOSSARY | CONTINUED

Cash Flow measures

APM
Adjusted operating cash flow (pre-capex)

Closest equivalent statutory measure
Net cash from/(used in) operating activities

Reconciling items to statutory measure
Non-working capital items (note 27) and the payment of principal under lease obligations (note 28)

Definition and purpose
Adjusted operating cash flow (pre-capex) is calculated as net cash from operating activities before restructuring costs paid and movements in provisions, defined benefit pension contributions paid, tax paid, interest paid on loans and borrowings, interest paid on lease obligations, acquisition and disposal costs, divisional management incentive scheme related payments, Melrose equity-settled compensation scheme related payments and the payment of principal under lease obligations.

This measure provides additional useful information in respect of cash generation and is consistent with how business performance is measured internally.

Adjusted operating cash flow (pre-capex)	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Net cash from/(used in) operating activities	**214**	(121)
Operating activities:		
Restructuring costs paid and movements in provisions[4]	**42**	112
Defined benefit pension contributions paid	**22**	20
Tax paid	**12**	10
Interest paid on loans and borrowings	**103**	84
Interest paid on lease obligations	**12**	6
Acquisition and disposal costs	**–**	1
Divisional management incentive scheme related payments	**7**	20
Melrose equity-settled compensation scheme related payments	**3**	198
Debt related:		
Payment of principal under lease obligations	**(31)**	(32)
Adjusted operating cash flow (pre-capex)	**384**	298

GLOSSARY | CONTINUED

APM
Free cash flow

Closest equivalent statutory measure
Net increase in cash and cash equivalents (net of bank overdrafts)

Reconciling items to statutory measure
Acquisition and disposal related cash flows, dividends paid to owners of the parent, transactions in own shares, payments made in respect of equity-settled compensation schemes and movements on borrowing facilities

Definition and purpose
Free cash flow represents cash generated after all trading costs including restructuring, pension contributions, tax and interest payments.

This measure provides additional useful information in respect of cash generation and is consistent with how business performance is measured internally.

Free cash flow	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Net increase in cash and cash equivalents (net of bank overdrafts)	74	30
Debt related:		
Repayment of borrowings	–	10
Drawings on borrowing facilities	(229)	(767)
Costs of raising debt finance	1	3
Equity related:		
Dividends paid to owners of the parent	82	72
Purchase of own shares, including associated costs	173	431
Melrose equity-settled compensation scheme related payments	3	198
Acquisition and disposal related:		
Disposal of businesses, net of cash disposed	20	(55)
Acquisition of subsidiaries, net of cash acquired	5	–
Equity accounted investment additions	–	3
Disposal of investments	(9)	–
Acquisition and disposal costs	–	1
Other	5	–
Free cash flow	125	(74)

GLOSSARY | CONTINUED

APM
Free cash flow pre-interest and tax

Closest equivalent statutory measure
Net increase in cash and cash equivalents (net of bank overdrafts)

Reconciling items to statutory measure
Free cash flow, as defined above, adjusted for interest and tax cash flows

Definition and purpose
Free cash flow pre-interest and tax represents free cash flow adjusted for interest and tax.

This measure provides additional useful information in respect of cash generation and is consistent with how business performance is measured internally.

Free cash flow pre-interest and tax	Year ended 31 December 2025 £m	Year ended 31 December 2024 £m
Free cash flow	**125**	(74)
Tax paid	**12**	10
Interest paid on loans and borrowings	**103**	84
Interest paid on lease obligations	**12**	6
Interest received	**–**	(3)
Free cash flow pre-interest and tax	**252**	23

APM
Capital expenditure (capex)

Closest equivalent statutory measure
None

Reconciling items to statutory measure
Not applicable

Definition and purpose
Calculated as the purchase of owned property, plant and equipment and computer software and expenditure on capitalised development costs during the year, excluding any assets acquired as part of a business combination.

APM
Capital expenditure to depreciation ratio

Closest equivalent statutory measure
None

Reconciling items to statutory measure
Not applicable

Definition and purpose
Capital expenditure divided by depreciation of owned property, plant and equipment and amortisation of computer software and development costs.

APM
Dividend per share

Closest equivalent statutory measure
Dividend per share

Reconciling items to statutory measure
Not applicable

Definition and purpose
Amounts payable by way of dividends in terms of pence per share.

(1) Operating profit/(loss) is not defined within IFRS but is a widely accepted profit measure being profit/(loss) before finance costs, finance income and tax.
(2) Operating margin is not defined within IFRS but is a widely accepted profit measure being derived from operating profit/(loss)[1] divided by revenue.
(3) Included within other adjustments required for banking covenant leverage purposes in the year ended 31 December 2025 are unrealised annual savings from spend incurred in the year on restructuring projects of £nil (2024: £5 million) offset by the elimination of EBITDA from sites disposed in the year of £nil (2024: £20 million).
(4) Excludes non-cash utilisation of loss-making contract provisions of £11 million (2024: £23 million).

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Melrose Industries PLC (the "Company") will be held at 12.00 pm on Wednesday 29 April 2026 at The Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ.

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank, solicitor, accountant, fund manager or other independent financial advisor authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial advisor.

If you have sold or otherwise transferred or sell or otherwise transfer all of your shares in the Company, please send this document, together with the accompanying form of proxy, as soon as possible to the purchaser or transferee or to the agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

Notice is given that the Annual General Meeting of the Company will be held at The Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ at 12.00 pm on Wednesday 29 April 2026 for the purposes set out below. Resolutions 1 to 17 (inclusive) will be proposed as ordinary resolutions and resolutions 18 to 21 (inclusive) as special resolutions.

Ordinary resolutions

1. To receive the Company's audited financial statements for the financial year ended 31 December 2025, together with the Directors' Report, the Strategic Report and the Auditor's Report on those financial statements.

2. To approve the Directors' Remuneration Report for the year ended 31 December 2025, as set out on pages 113 to 129 of the Company's 2025 Annual Report.

3. To approve the 2026 Directors' Remuneration Policy, as set out on pages 124 to 129 of the Company's 2025 Annual Report.

4. To approve a final dividend of 4.8 pence per ordinary share for the year ended 31 December 2025.

5. To re-elect Peter Dilnot as a Director of the Company.

6. To re-elect Matthew Gregory as a Director of the Company.

7. To re-elect Chris Grigg as a Director of the Company.

8. To re-elect Charlotte Twyning as a Director of the Company.

9. To re-elect Heather Lawrence as a Director of the Company.

10. To re-elect Gillian Elcock as a Director of the Company.

11. To re-elect Ian Barkshire as a Director of the Company.

12. To elect Alison Goligher as a Director of the Company.

13. To elect Guy Hachey as a Director of the Company.

14. To elect Mary Petryszyn as a Director of the Company.

15. To re-appoint PricewaterhouseCoopers LLP as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at which accounts are laid.

16. To authorise the Audit Committee to determine the remuneration of the auditor of the Company.

17. That, in accordance with section 551 of the Companies Act 2006 (the "Act"), the directors of the Company (the "Directors") be and are generally and unconditionally authorised to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company ("Rights"):

    (A) up to an aggregate nominal amount of £416,621; and

    (B) comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £833,242 (such amount to be reduced by the aggregate nominal amount of any allotments or grants made under paragraph (A) of this resolution) in connection with a fully pre-emptive offer:

        (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

        (ii) to holders of other equity securities as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

    and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to expire at the conclusion of the Company's next Annual General Meeting after this resolution is passed or, if earlier, at the close of business on 30 June 2027, but, in each case, so that the Company may make offers or agreements before the authority expires which would or might require shares to be allotted or Rights to be granted after the authority expires, and so that the Directors may allot shares or grant Rights in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Special resolutions

18. That, subject to the passing of resolution 17, the Directors be and are generally empowered to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authorities granted by resolution 17 and/or to sell ordinary shares held by the Company as treasury shares for cash, in each case as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited:

    (A) to the allotment of equity securities in connection with an offer of equity securities (but in the case of an allotment pursuant to the authority granted under paragraph (B) of resolution 17, such power shall be limited to the allotment of equity securities in connection with a fully pre-emptive offer):

        (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

        (ii) to holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;

    (B) to the allotment (otherwise than in circumstances set out in paragraph (A) of this resolution) of equity securities pursuant to the authority granted by paragraph (A) of this resolution or sale of treasury shares up to an aggregate nominal amount of £62,493; and

    (C) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) or paragraph (B) of this resolution) up to an aggregate nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph (B) above, such authority to be used only for the purposes of making a follow-on offer which the Directors determine to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

    such powers to expire at the conclusion of the Company's next Annual General Meeting after this resolution is passed or, if earlier, at the close of business on 30 June 2027, but, in each case, so that the Company may make offers or agreements before the power expires which would or might require equity securities to be allotted (and/or treasury shares sold) after the power expires and so that the Directors may allot equity securities (and/or sell treasury shares) in pursuance of any such offer or agreement notwithstanding that the power conferred by this authority has expired.

19. That, subject to the passing of resolution 17 and in addition to any power granted under resolution 18, the Directors be and are generally empowered to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authorities granted by resolution 17 and/or to sell ordinary shares held by the Company as treasury shares for cash, in each case as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be:

    (A) limited to the allotment of equity securities pursuant to the authority granted by paragraph (A) of resolution 17 or sale of treasury shares up to a nominal amount of £62,493 such authority to be used only for the purposes of financing (or refinancing, if the authority is to be used within 12 months of the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and

    (B) limited to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) of this resolution) up to an aggregate nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph (A) above, such authority to be used only for the purposes of making a follow-on offer which the Directors determine to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

    such powers to expire at the conclusion of the Company's next Annual General Meeting after this resolution is passed or, if earlier, at the close of business on 30 June 2027, but, in each case, so that the Company may make offers or agreements before the power expires which would or might require equity securities to be allotted (and/or treasury shares sold) after the power expires and so that the Directors may allot equity securities (and/or sell treasury shares) in pursuance of any such offer or agreement notwithstanding that the power conferred by this authority has expired.

NOTICE OF ANNUAL GENERAL MEETING | CONTINUED

20. That the Company be and is generally and unconditionally authorised for the purpose of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares in the capital of the Company provided that:

    (A) the maximum aggregate number of ordinary shares authorised to be purchased is 187,354,605;

    (B) the minimum price which may be paid for an ordinary share is the nominal value of an ordinary share at the time of such purchase;

    (C) the maximum price which may be paid for an ordinary share is not more than the higher of:

        (i) 105% of the average of the middle-market quotation for an ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the ordinary share is purchased; and

        (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out, in each case, exclusive of expenses;

    (D) this authority shall expire at the conclusion of the Company's next Annual General Meeting after this resolution is passed or, if earlier, at the close of business on 30 June 2027;

    (E) the Company may make a contract of purchase of ordinary shares under this authority which would or might be executed wholly or partly after the expiry of this authority, and may make a purchase of ordinary shares in pursuance of any such contract; and

    (F) any ordinary shares purchased pursuant to this authority may either be held as treasury shares or cancelled by the Company, depending on which course of action is considered by the Directors to be in the best interests of shareholders at the time.

21. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

Recommendation

The Board believes that each of the resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors unanimously recommend that ordinary shareholders vote in favour of all of the resolutions proposed, as the Directors intend to do in respect of their own beneficial holdings.

By order of the Board:

Warren Fernandez
Company Secretary

23 March 2026

Registered Office:
11th Floor, The Colmore Building
20 Colmore Circus Queensway
Birmingham
West Midlands
B4 6AT

Explanatory notes to the proposed resolutions

Resolutions 1 to 17 (inclusive) are proposed as ordinary resolutions, which means that for each of those resolutions to be passed, more than half the votes cast must be cast in favour of the resolution. Resolutions 18 to 21 (inclusive) are proposed as special resolutions, which means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be cast in favour of the resolution.

Resolution 1 – Receipt of 2025 Annual Report and Financial Statements

The Directors are required to lay the Company's financial statements, the Strategic Report and the Directors' and Auditor's Reports on those financial statements (collectively, the "2025 Annual Report") before shareholders each year at the Annual General Meeting ("AGM").

Resolution 2 – Approval of Directors' Remuneration Report

The Directors' remuneration report (the "Directors' Remuneration Report") is presented in three sections:

- the Annual Statement from the Chair of the Remuneration Committee;
- the Annual Report on Remuneration; and
- the new Directors' Remuneration Policy, which is the subject of resolution 3.

The Annual Statement from the Chair of the Remuneration Committee, set out on pages 113 and 114 (inclusive) of the 2025 Annual Report, summarises, for the year ended 31 December 2025, the major decisions taken on Directors' remuneration, any substantial changes relating to Directors' remuneration made during the year, and the context in which those changes occurred and decisions have been taken.

The Annual Report on Remuneration, set out on pages 115 to 123 (inclusive) of the 2025 Annual Report, provides details of the remuneration paid to Directors in respect of the year ended 31 December 2025, including base salary, taxable benefits, short-term incentives, long-term incentives vested in the year, pension-related benefits, any other items in the nature of remuneration and any sum(s) recovered or withheld during the year in respect of amounts paid in earlier years.

The Company's auditors for the financial year ended 31 December 2025, PricewaterhouseCoopers LLP ("PwC"), have audited those parts of the Directors' Remuneration Report which are required to be audited and their report may be found on pages 132 to 141 of the 2025 Annual Report.

The Directors' Remuneration Report is subject to an annual advisory shareholder vote by way of an ordinary resolution. Resolution 2 is to approve the Directors' Remuneration Report and will not affect the way in which the Directors' Remuneration Policy has been implemented.

Resolution 3 – Approval of 2026 Directors' Remuneration Policy

The new Directors' remuneration policy (the "2026 Directors' Remuneration Policy") is set out in full on pages 124 to 129 (inclusive) of the 2025 Annual Report. The Annual Statement from the Chair of the Remuneration Committee, set out on pages 113 to 114 (inclusive) of the 2025 Annual Report, explains in more detail the background and rationale for the 2026 Directors' Remuneration Policy.

The 2026 Directors' Remuneration Policy will take effect immediately after the close of the AGM on 29 April 2026, subject to approval by shareholders. Payments will continue to be made to Directors and former Directors in line with existing arrangements until this date. Once the 2026 Directors' Remuneration Policy has taken effect, all payments by the Company to the Directors and any former Directors must be made in accordance with the 2026 Directors' Remuneration Policy (unless a payment has been separately approved by a shareholder resolution).

If the 2026 Directors' Remuneration Policy is approved and remains unchanged, it will be valid for three years without further shareholder approval. If the Company wishes to change the 2026 Directors' Remuneration Policy, it will need to put the revised policy to a vote again before it can be implemented. The Directors expect that the Company will next propose a resolution to approve a new Directors' Remuneration Policy at the Annual General Meeting to be held in 2029.

If the 2026 Directors' Remuneration Policy is not approved, the Company will, if and to the extent permitted by the Act, continue to make payments to Directors in accordance with existing arrangements and will seek shareholder approval for a revised policy as soon as is practicable.

Resolution 4 – Declaration of final dividend

The Board is recommending, and shareholders are being asked to approve, the declaration of a final dividend of 4.8 pence per ordinary share for the year ended 31 December 2025. The final dividend will, subject to shareholder approval, be paid on 5 May 2026 to the holders of ordinary shares whose names are recorded on the register of members of the Company at the close of business on 20 March 2026.

Resolutions 5 to 14 (inclusive) – Re-election and election of Directors

All of the Directors of the Company are required to retire and offer themselves for re-election at each AGM. In accordance with this requirement, Peter Dilnot, Matthew Gregory, Chris Grigg, Charlotte Twyning, Heather Lawrence, Gillian Elcock and Ian Barkshire will retire and offer themselves for re-election. Alison Goligher, Guy Hachey and Mary Petryszyn will stand for election as a Director at this year's AGM, following their appointments to the Board on 19 May 2025, 18 August 2025 and 26 January 2026 respectively.

Biographical details of each Director standing for re-election or election (as applicable) can be found on pages 89 to 91 (inclusive) of the 2025 Annual Report. It is the view of the Board that the skills, competence and experience noted in these biographies illustrate why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success.

The Board has reviewed the independence of its Non-executive Directors and has determined that each of them remains independent. The Chair is not subject to the Code's independence test other than on appointment. Chris Grigg met the Code's independence criteria upon his appointment as Chair.

Resolution 15 – Re-appointment of auditor

The Company is required to appoint an auditor at each general meeting at which accounts are laid before shareholders, to hold office until the next such meeting.

The Audit Committee has reviewed the effectiveness, performance, independence and objectivity of the existing external auditor, PwC, on behalf of the Board, and concluded that the external auditor was in all respects effective.

This resolution proposes the re-appointment of PwC until the conclusion of the next AGM of the Company at which accounts are laid.

Resolution 16 – Authority to agree auditor's remuneration

This resolution seeks authority for the Audit Committee to determine the level of the auditor's remuneration.

Resolution 17 – Authority to allot shares

This resolution seeks shareholder approval to grant the Directors the authority to allot shares in the Company, or to grant rights to subscribe for or convert any securities into shares in the Company ("Rights"), pursuant to section 551 of the Act (the "Section 551 authority"). The authority contained in paragraph (A) of the resolution will be limited to an aggregate nominal amount of £416,621, being approximately one-third of the Company's issued ordinary share capital (excluding treasury shares) as at 11 March 2026 (being the latest practicable date prior to the publication of this notice).

In line with guidance issued by the Investment Association, paragraph (B) of this resolution would give the Directors authority to allot shares in the Company or grant Rights in connection with a fully pre-emptive offer up to an aggregate nominal amount of £833,242, representing approximately two-thirds of the Company's issued ordinary share capital (excluding treasury shares) as at 11 March 2026 (being the latest practicable date prior to the publication of this notice). This resolution provides that such amount shall be reduced by the aggregate nominal amount of any allotments or grants under paragraph (A) of this resolution.

As at 11 March 2026 (being the last practicable date prior to the publication of this notice), the Company held 61,611,372 ordinary shares in treasury, representing approximately 4.93% of the Company's issued ordinary share capital (excluding treasury shares) as at such date.

If approved, the Section 551 authority shall, unless renewed, revoked or varied by the Company, expire at the end of the Company's next AGM after the resolution is passed or, if earlier, at the close of business on 30 June 2027. The exception to this is that the Directors may allot shares or grant Rights after the authority has expired in connection with an offer or agreement made or entered into before the authority expired. The Directors have no present intention to exercise the Section 551 authority.

Resolutions 18 to 19 – Partial disapplication of pre-emption rights

If the Directors wish to allot new shares or other equity securities or sell treasury shares for cash (other than in connection with an executive or employee share scheme), company law requires that these shares are offered first to shareholders in proportion to their existing holdings. The statutory pre-emption rights may be disapplied by shareholders.

The purpose of resolution 18 is to authorise the Directors to allot new shares and other equity securities of the Company or sell shares held in treasury for cash: (a) in connection with a fully pre-emptive offer, subject to any arrangements that the Directors consider appropriate to deal with fractions and overseas requirements; (b) otherwise than pursuant to (a) up to an aggregate nominal value of £62,493, without first making an offer under company law to existing shareholders in proportion to their existing holdings; and (c) otherwise than pursuant to (a) and (b), 20% of the amount referred to in (b) for the purposes of making a follow-on offer which the Directors determine to be of a kind contemplated by paragraph 3 of Part 2B of the Pre-emption Group's Statement of Principles (the "Pre-Emption Group Principles"). The limit of £62,493 is equivalent to 5% of the total issued ordinary share capital of the Company (excluding treasury shares) as at 11 March 2026, being the latest practicable date prior to publication of this notice.

Resolution 19 is being proposed as a separate resolution to authorise the Directors to allot additional shares and other equity securities or sell shares held in treasury for cash up to a maximum nominal value of £62,493 (representing a further 5% of the issued ordinary share capital of the Company (excluding treasury shares) as at 11 March 2026, being the latest practicable date prior to publication of this notice) otherwise than in connection with a pre-emptive offer to existing shareholders (the "Acquisition/SCI Disapplication"). This authority is limited to allotments and sales for the purposes of financing acquisitions or specified capital investments contemplated by the Pre-Emption Group Principles (or refinancing any such acquisition or investment within 12 months after the original transaction). The Directors intend to use this authority only in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue or which has taken place in the preceding 12-month period and is disclosed in the announcement of the issue. The resolution also disapplies pre-emption rights in relation to a further 20% of the amount subject to the Acquisition/SCI Disapplication for the purposes of making a follow-on offer which the Directors determine to be of a kind contemplated by paragraph 3 of Part 2B of the Pre-Emption Group Principles.

The Board acknowledges the provisions of the Pre-Emption Group Principles and confirms that it will follow the general principles set out therein. Having taking into consideration shareholder feedback, the Board has opted for a limit of 5% of the issued ordinary share capital of the Company (excluding treasury shares) in resolutions 18 and 19, rather than the limit of 10% set out in the Pre-Emption Group Principles, in order to seek alignment with shareholder preferences, balanced with the Board's belief that the 5% limit provides sufficient flexibility to the Company at this time. The Directors believe that it is appropriate to seek these authorities to give the Company the flexibility to raise further equity funding and to pursue acquisition opportunities as and when they arise, and to seek authority to make the follow-on offers so as to ensure that pre-emption is respected.

If approved, these powers shall apply until the end of the Company's next AGM after the resolutions are passed or, if earlier, until the close of business on 30 June 2027. The exception to this is that the Directors may allot equity securities after the power has expired in connection with an offer or agreement made or entered into before the power expired. The Directors have no present intention to exercise these powers and if ever used, the Directors intend to follow the shareholder protections and approach to follow-on offers as set out in paragraphs 1 and 3, respectively, of Part 2B of the Pre-Emption Group Principles.

Resolution 20 – Authority to purchase own shares

This resolution seeks shareholder approval to grant the Company the authority to purchase its own shares pursuant to sections 693 and 701 of the Act.

This authority is limited to an aggregate maximum number of 187,354,605 ordinary shares, representing approximately 14.99% of the Company's issued ordinary share capital (excluding treasury shares) as at 11 March 2026 (being the latest practicable date prior to the publication of this notice).

The maximum price which may be paid for an ordinary share will be an amount which is not more than the higher of: (i) 5% above the average of the middle market quotation for an ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the ordinary share is purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out (in each case, exclusive of expenses).

If approved, the authority shall, unless varied, revoked or renewed, expire at the end of the Company's next AGM after the resolution is passed or, if earlier, at the close of business on 30 June 2027. The Directors intend to exercise their authority to continue the share buyback programme commenced by the Company at the beginning of April 2026.

Any shares purchased in the market under this authority may be either cancelled or held as treasury shares. No dividends are paid on shares while they are in treasury and no voting rights attach to treasury shares.

The Company does not have any outstanding share warrants.

Resolution 21 – Notice period for general meetings other than AGMs

This resolution seeks shareholder approval to allow the Company to continue to call general meetings (other than AGMs) on 14 clear days' notice. In accordance with the Act, as amended by the Companies (Shareholders' Rights) Regulations 2009, the notice period required for general meetings of the Company is 21 clear days unless shareholders approve a shorter notice period (subject to a minimum period of 14 clear days). In accordance with the Act, the Company must make a means of electronic voting available to all shareholders for that meeting in order to be able to call a general meeting on less than 21 clear days' notice.

The Company intends to only use the shorter notice period where this flexibility is merited by the purpose of the meeting and is considered to be in the interests of shareholders generally, and not as a matter of routine. AGMs will continue to be held on at least 21 clear days' notice.

The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

Explanatory notes as to the proxy, voting and attendance procedures at the AGM

1. The holders of ordinary shares in the Company are entitled to attend the AGM and are entitled to vote. A member entitled to attend, speak and vote at the AGM is also entitled to appoint a proxy to exercise all or any of his/her rights to attend, speak and vote (both on a show of hands and a poll) at the AGM in his/her place. Such a member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. When two or more valid but different appointments of proxy are delivered or received for the same share for us at the AGM, the one which is last validly delivered or received (regardless of its date or the date of execution) shall be treated as replacing or revoking the other or others as regards that share). If the Company is unable to determine which appointment was last validly delivered or received, none of them shall be treated as valid in respect of that share. A proxy need not be a member of the Company.

2. A form of proxy which may be used to appoint and give proxy instructions for use at the AGM is enclosed with this notice. To be effective, a form of proxy must be completed and returned, together with any power of attorney or authority under which it is completed or a certified copy of such power or authority, so that it is received by the Company's registrar at the address specified on the form of proxy not less than 48 hours (excluding any part of a day that is not a working day) before the stated time for holding the meeting (or, in the event of an adjournment, not less than 48 hours before the stated time of the adjourned meeting (excluding any part of a day which is not a working day)). Returning a completed form of proxy will not preclude a member from attending the meeting and voting in person.

3. In the case of joint registered holders, the signature of one holder will be accepted and the vote of the senior who tenders a vote, whether in person or proxy, shall be accepted to the exclusion of the votes of the other joint holder or holders. For this purpose, seniority shall be determined by the order in which the names stand in the register.

NOTICE OF ANNUAL GENERAL MEETING | CONTINUED

4. Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of shareholders in relation to the appointment of proxies in notes 1 and 2 above does not apply to Nominated Persons. The rights described in notes 1 and 2 can only be exercised by the holders of ordinary shares in the Company.

5. To be entitled to attend and vote at the AGM (and for the purposes of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 6.30 pm (BST) on 27 April 2026 (or, in the event of an adjournment, on the date which is two days, excluding any day which is not a working day, before the time of the adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

6. As at 11 March 2026 (being the latest practicable date prior to the publication of this notice), the Company's issued ordinary share capital consists of 1,249,863,949 ordinary shares of £0.001 pence each (excluding treasury shares), carrying the right to one vote each. Therefore, the total number of voting rights in the Company on 11 March 2026 was 1,249,863,949.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available at www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 12.00 pm (BST) on 27 April 2026. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

9. CREST members and, where applicable, their CREST sponsors, or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member, or sponsored member, or has appointed a voting service provider, to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

11. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Company's registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12.00 pm (BST) on 27 April 2026 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

13. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.

NOTICE OF ANNUAL GENERAL MEETING | CONTINUED

14. Any member holding ordinary shares attending the meeting has the right to ask questions. The Company must answer any such questions relating to the business being dealt with at the meeting but no such answer need be given if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; and/or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

15. Voting at the AGM will be by poll. The Chair of the AGM will invite each shareholder, corporate representative and proxy present at the meeting to complete a poll card indicating how they wish to cast their votes in respect of each resolution. In addition, the Chair of the AGM will cast the votes for which he has been appointed as proxy. Poll cards will be collected during the meeting. Once the results have been verified by the Company's registrar, Equiniti, they will be notified to the Financial Conduct Authority, announced through a Regulatory Information Service and will be available to view on the Company's website.

16. A copy of this notice, and other information required by section 311A of the Act, can be found at www.melroseplc.net/investors/shareholder-meetings.

17. You may not use an electronic address provided in either this notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

18. The following documents will be available for inspection upon request at the Company's registered office during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice up to and including the date of the AGM and at the place of the AGM for 15 minutes prior to and during the meeting:

    (A) copies of all service agreements under which Directors of the Company are employed by the Company or any subsidiaries; and

    (B) a copy of the terms of appointment of the Non-executive Directors of the Company.

19. You may register your vote online by visiting Equiniti's website at www.shareview.co.uk. In order to register your vote online, you will need to create an online portfolio using your Shareholder Reference Number which is set out on the enclosed form of proxy. Once signed up and logged in simply click "View" on the "My Investments" page and follow the on-screen instructions. The return of the form of proxy by post or registering your vote online will not prevent you from attending the AGM and voting in person, should you wish. Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk using your usual user ID and password. Once logged in simply click "View" on the "My Investments" page, click on the link to vote then follow the on-screen instructions. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 12.00 pm (BST) on 27 April 2026.

COMPANY AND SHAREHOLDER INFORMATION

As at 31 December 2025, there were 13,986 holders of ordinary shares of £0.001 pence each in the Company. An analysis of these shareholdings as at 31 December 2025 is set out in the table below.[1]

Shareholder analysis

Balance Ranges	Total number of holdings	Percentage of holders	Total number of shares	Percentage issued capital
1–5,000	12,665	90.55%	8,090,485	0.62%
5,001–50,000	768	5.49%	10,828,024	0.82%
50,001–500,000	349	2.50%	61,457,028	4.69%
Over 500,000	204	1.46%	1,231,099,784	93.87%
Total	**13,986**	**100.00%**	**1,311,475,321**	**100.00%**

Held by				
Individuals	12,788	91.43%	11,975,680	0.91%
Institutions	1,198	8.57%	1,299,499,641	99.09%
Total	**13,986**	**100.00%**	**1,311,475,321**	**100.00%**

Financial calendar	
Ex-dividend date for final dividend	19 March 2026
Record date for final dividend	20 March 2026
Annual General Meeting	29 April 2026
Payment date of final dividend	05 May 2026
Announcement of interim results	31 July 2026
Intended payment of interim dividend	September 2026
Expected preliminary announcement of 2026 results	February 2027

Registrar

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West Sussex BN99 6DA

If you require any help or need to contact Equiniti, please visit www.shareview.co.uk.

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2 King Edward Street
London EC1A 1HQ

J.P. Morgan Cazenove
25 Bank Street
London E14 5JP

Investec
30 Gresham Street
London EC2V 7QN

Legal Advisors

Simpson Thacher & Bartlett LLP
CityPoint
One Ropemaker Street
London EC2Y 9HU

Bankers

Banco Santander S.A., London Branch

Bank of America Europe Designated Activity Company

Bank of China Limited, London Branch

Barclays Bank plc

BNP Paribas Fortis SA/NV

Citibank, N.A., London Branch

Commerzbank Aktiengesellschaft, London Branch

Coöperatieve Rabobank U.A.

Crédit Agricole Corporate and Investment Bank

Crédit Industriel et Commercial

Deutsche Bank Luxembourg S.A.

HSBC Bank plc

Industrial and Commercial Bank of China Limited, London Branch

ING Bank N.V., London Branch

J.P. Morgan Chase Bank N.A., London Branch

MUFG Bank, Ltd.

Royal Bank of Canada

Skandinaviska Enskilda Banken AB (publ)

UniCredit Bank AG

Wells Fargo Bank, N.A., London Branch

A range of shareholder information is available at Equiniti's online portfolio service www.shareview.co.uk, where you can register for a Shareview Portfolio to access information about your holding and undertake a number of activities, including appointing a proxy, changing a dividend mandate and updating your address. To register, you will need your 11-digit Shareholder Reference Number ("SRN"), which can be found on your proxy form or dividend voucher.

Gifting your shares

If you have a small number of shares and the dealing costs or minimum fee make it uneconomical to sell them, you may like to donate them to benefit charities through ShareGift, a registered charity. Further information is available on the ShareGift website at www.sharegift.org or call +44 (0)20 7930 3737.

Share fraud warning

Many companies have become aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. For more detailed information on this kind of activity or to report a scam, please call the Financial Conduct Authority's Consumer Helpline on +44 (0)800 111 6768 or visit www.fca.org.uk/consumers/scams.

(1) Based on the total number of ordinary shares in issue as at 31 December 2025, inclusive of treasury shares.

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