

BAE Systems

2011 Half Year Results

28 July 2011



Introduction

Trading

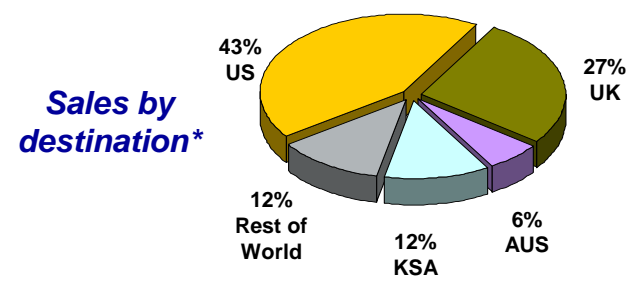
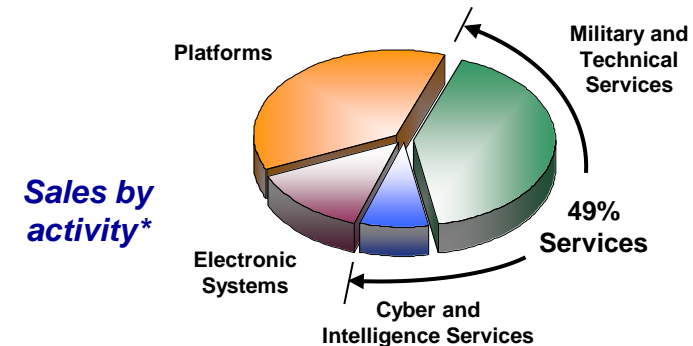
- Company performing well
- Budget pressures but:-
 - Aggressive cost reduction
 - Realistic planning assumptions

Strategy

- Focus on Services and growth fast lanes
 - Military and Technical Services
 - Cyber and Intelligence Services
 - Electronics
 - Sustain strong positions on key platforms
- New business
 - Developing home markets
 - Strong export potential

Capital allocation

- Dividend progression
- Share re-purchase



Affordability the overriding consideration - cost is key

* First Half 2011

Peter Lynas



Financial Highlights

• Sales - continuing	£9,229m
• Underlying EBITA* - continuing	£968m
• Underlying earnings per share** - continuing	19.2p
• Cash flow from operating activities	£176m
• Net debt	£(1,122)m
• Order book	£36.9bn
• Dividend per share	7.5p

* earnings before amortisation and impairment of intangible assets, finance costs and taxation expense (EBITA) and non-recurring items

** earnings excluding amortisation and impairment of intangible assets, non-cash finance movements and non-recurring items

Income Statement

<i>Continuing Operations:</i>	First Half 2011 Underlying	First Half 2010 Underlying	First Half 2011 Reported	First Half 2010 Reported
Sales	<u>9,229</u>	<u>10,582</u>	<u>9,229</u>	<u>10,582</u>
Underlying EBITA	968	1,097	968	1,097
Loss on disposal of businesses			(6)	-
Regulatory penalties			(49)	(18)
EBITA			<u>913</u>	<u>1,079</u>
Finance costs	(62)	(66)	(62)	(66)
exclude: pension interest / mark-to-market	(55)	(30)		
exclude: disposal related debt redemption	<u>41</u>	<u>-</u>		
Underlying finance costs	(76)	(96)		
Amortisation			(126)	(211)
Impairment			(22)	(8)
Tax	(233)	(298)	(203)	(242)
Minority interests	(6)	(7)	(6)	(7)
Profit after tax	<u>653</u>	<u>696</u>	<u>494</u>	<u>545</u>

£ millions

Balance Sheet

	30 Jun 11	31 Dec 10
Intangible fixed assets	11,514	11,216
Tangible fixed assets	2,646	2,848
Investments	844	798
Working capital	(5,901)	(6,641)
Pension deficit	(3,218)	(3,146)
Tax assets & liabilities	483	580
Financial assets & liabilities	(59)	(10)
Net debt	(1,122)	(242)
Assets held for sale	104	-
Net assets	5,291	5,403

£ millions

Pension Deficit (IAS 19)

£bn

30 Jun 11 31 Dec 10 30 Jun 10

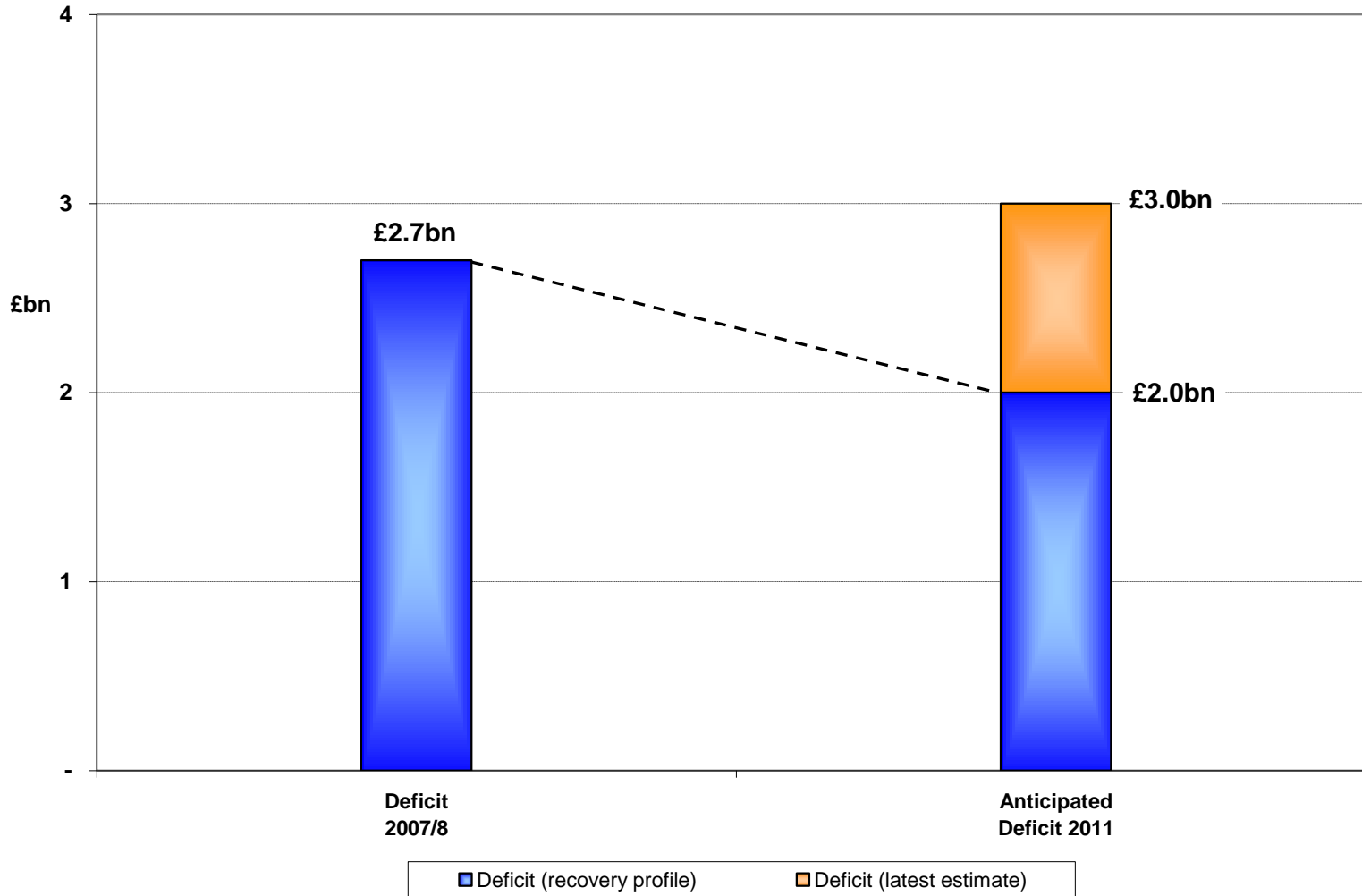
Pension assets	17.6	17.2	15.0
Pension liabilities	(21.9)	(21.3)	(21.3)
Pension deficit, net	<u>(4.3)</u>	<u>(4.1)</u>	<u>(6.3)</u>
Group share of deficit, pre-tax*	(3.2)	(3.1)	(4.9)
Group share of deficit, post-tax*	(2.2)	(2.1)	(3.4)

Real Discount Rates

UK	2.0%	2.1%	2.2%
US	2.4%	2.5%	2.5%

* includes assets contributed into Trust

Funding Deficit Main Scheme/2000 Plan



Operating Business Cash Flow

First Half
2011

Cash flow from operating activities

Capital expenditure (net)	
Dividends from equity accounted investments	
Contribution to Trust (re: pensions)	

Operating business cash flow

Electronics, Intelligence & Support	
Land & Armaments	
Programmes & Support	
International	
HQ & Other Businesses	
Discontinued Operations	

Operating business cash flow

176
(146)
6
(25)
<hr/>
11

226
28
56
(175)
(147)
23
<hr/>
11

£ millions

Movement in Net Debt

	First Half 2011
Net Debt 31 December 2010	(242)
Operating business cash flow	11
Interest and taxation	(209)
Equity dividends paid	(359)
Acquisitions and disposals	(382)
Foreign exchange and other movements	59
Net Debt 30 June 2011	(1,122)

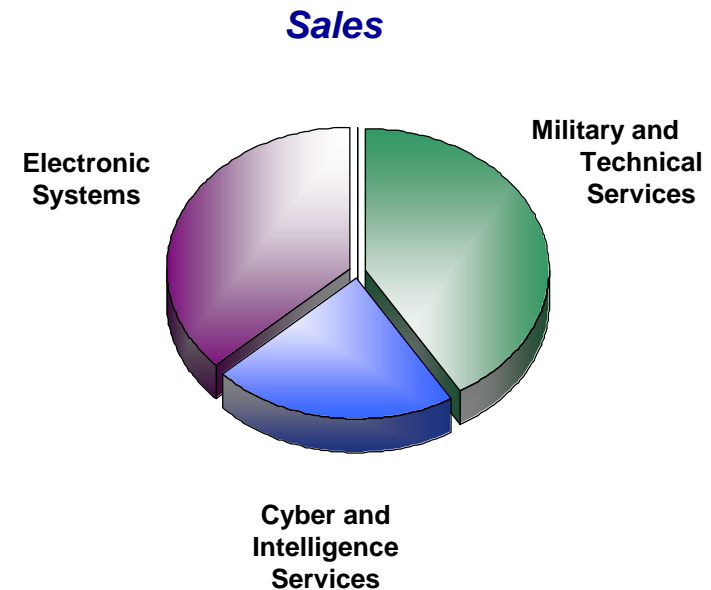
Capital Allocation

£bn	Gross Debt	Cash	Net Debt
31 December 2010	(3.0)	2.8	(0.2)
Cash Flow	(0.1)	(0.8)	(0.9)
Debt redemption	0.3	(0.3)	-
30 June 2011	(2.8)	1.7	(1.1)
Share buyback		0.5	
Pensions		0.2	
Interim dividend		0.3	

£2bn returned to shareholders over 2 years

Electronics, Intelligence & Support

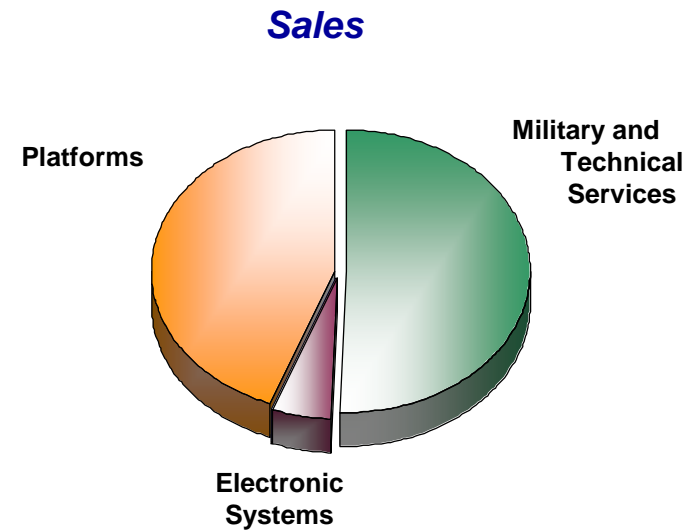
	First Half 2011	First Half 2010
Sales	\$4,161m	\$3,998m
Underlying EBITA	\$482m	\$451m
Margin	11.6%	11.3%
Order book	\$7.2bn	\$7.2bn
Order backlog*	\$12.1bn	\$10.2bn
Cash flow	\$365m	\$407m



* comprises both the order book, which includes unexecuted, funded customer orders only, and unfunded customer orders

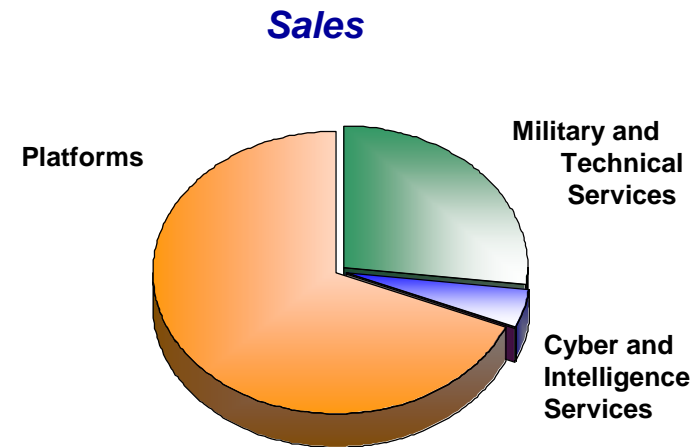
Land & Armaments

	First Half 2011	First Half 2010
Sales	\$2,985m	\$4,684m
Underlying EBITA	\$291m	\$481m
Margin	9.8%	10.3%
Order book	\$8.5bn	\$10.3bn
Cash flow	\$45m	\$708m



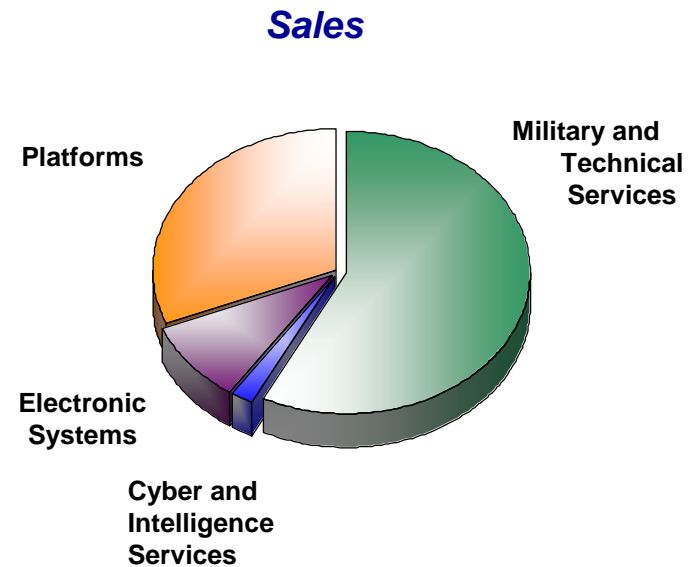
Programmes & Support

	First Half 2011	First Half 2010
Sales	£3,140m	£3,035m
Underlying EBITA	£285m	£316m
Margin	9.1%	10.4%
Order book	£20.1bn	£23.7bn
Cash flow	£56m	£(50)m

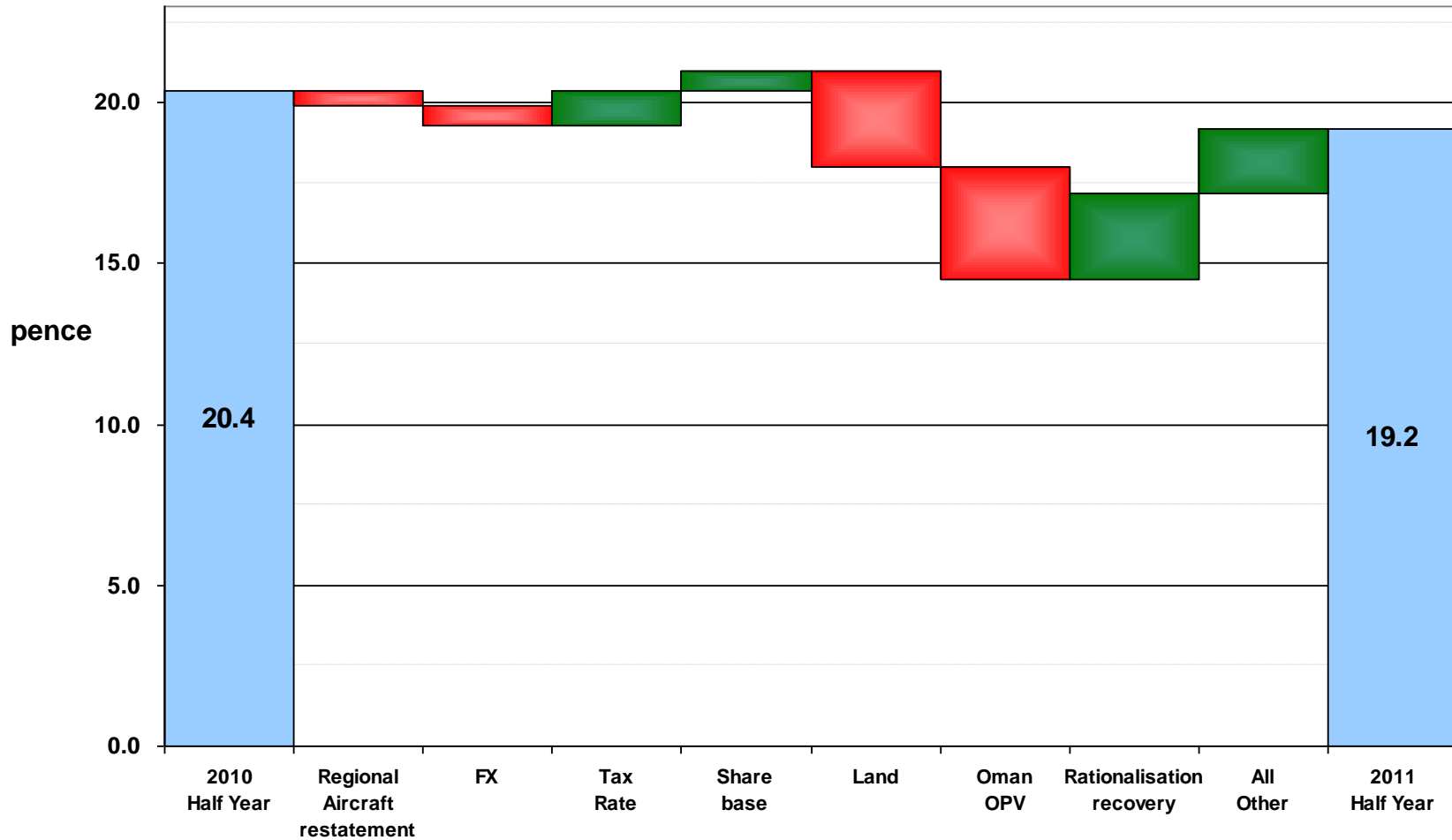


International

	First Half 2011	First Half 2010
Sales	£1,862m	£2,078m
Underlying EBITA	£221m	£218m
Margin	11.9%	10.5%
Order book	£8.4bn	£9.6bn
Cash flow	£(175)m	£(553)m



Underlying Earnings Per Share



Financial Summary

First Half 2011

£m	Sales	Underlying EBITA*	RoS	Cash flow
Electronics, Intelligence & Support	2,573	298	11.6%	226
Land & Armaments	1,846	180	9.8%	28
Programmes & Support	3,140	285	9.1%	56
International	1,862	221	11.9%	(175)
HQ & Other Businesses	78	(16)		(147)
Eliminations/Discontinued Operations	(270)	-		23
Total	9,229	968	10.5%	11

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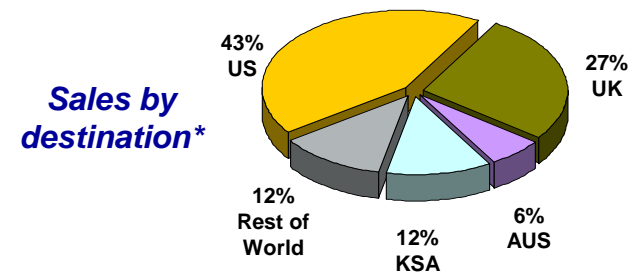
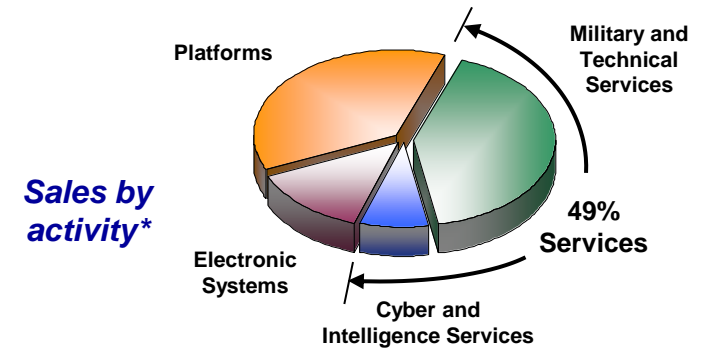
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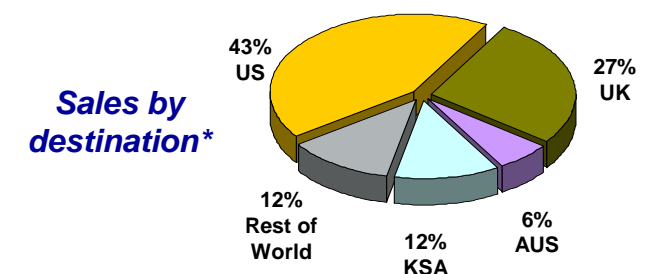
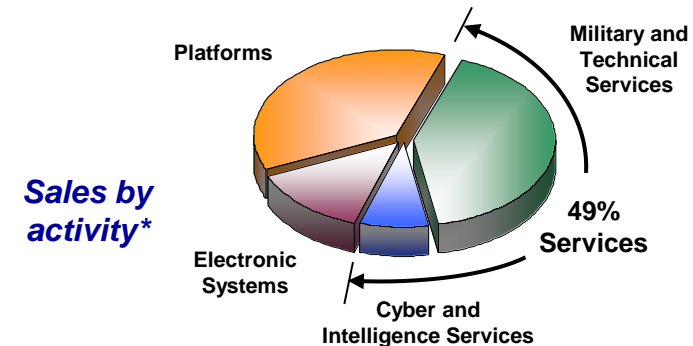
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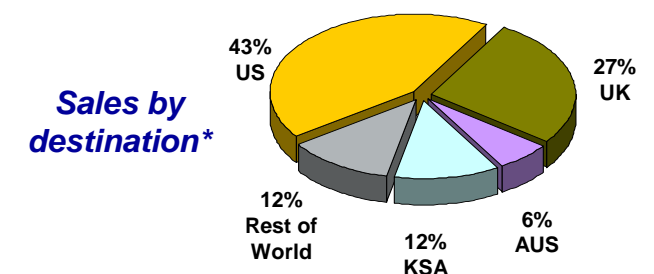
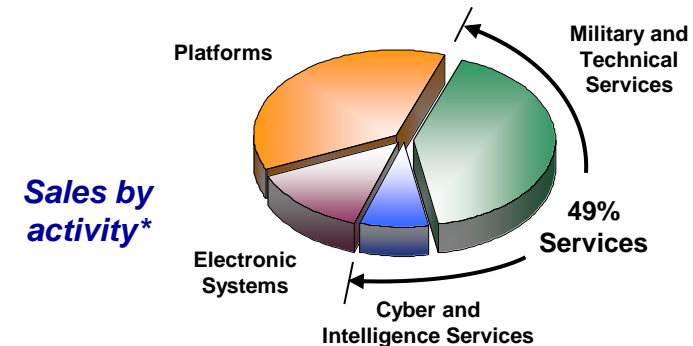
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