

Interim Management Statement for the period from 1 January 2009 to 5 May 2009

BAE Systems plc today issues its interim management statement for the period from 1 January 2009 to 5 May 2009 in accordance with the requirements of the UK Listing Authority's Disclosure and Transparency Rules.

Trading for the period has been consistent with management expectations at the time of the 2008 Preliminary Results announcement on 19 February 2009.

In April 2009, proposals outlined by the US Defense Secretary included changes in priorities to a number of US defence programmes. Proposed programme revisions that, if adopted, would be expected to affect the Group include its participation in elements of the Future Combat System, which would be restructured, supply of subsystems for the F-22 aircraft, which would complete with 187 aircraft deliveries, and the proposed commitment to increase the rate of initial F-35 aircraft procurement. These proposed changes, as announced, to US budget priorities are not expected to have a material impact on trading.

The Group continues to anticipate a year of good growth despite a lower volume of land vehicle sales than in 2008. A significant proportion of the Group's sales and profit is derived in US\$ and translated into sterling at the average exchange rate for the period. When compared with 2008, the Group's trading results for 2009 would be expected to benefit from a continued weakness of sterling against the US dollar.

Operating cash outflows are planned for the first half year, reflecting the expected working capital utilisation in the Programmes & Support and International operating groups.

Further significant new business has been awarded in the period, including a £430m five-year contract from the UK Ministry of Defence for the initial support and maintenance of Typhoon aircraft, and a contract for the support, maintenance and enhanced capability provision for the Harrier aircraft valued at £574m.

Discussions continue between the four Eurofighter Typhoon partner nations towards an agreement on commitment to a quantity of Tranche 3 production aircraft. The contract is expected to have a value to the Group of approximately £2bn.

Following 2008's triennial revaluation of the Group's Main UK Pension Scheme, the Group agreed with the Trustees a continuation of the deficit funding plan for the balance of the eighteen years to run with an additional cash contribution in 2009 of £200m. The recovery plan to clear the deficit has been accepted by the UK Pensions Regulator. In addition, the Group has announced its intention to make a \$250m contribution to its US pension schemes in 2009.

In January 2009, VT Group plc (VT) announced that it had decided to exercise its put option to sell its interest in the BVT surface shipbuilding and naval support joint venture to BAE

Systems and that VT expects to be in a position to exercise that option by 1 July 2009. Negotiations with VT continue regarding a possible injection of capital by VT into the BVT business arising from the underperformance of two export contracts contributed to the joint venture by VT.

Following the acquisition of Tenix Defence in June 2008, discussions with the vendor relating to the performance of certain contracts continue as part of the completion accounting process.

In March 2009, BAE Systems announced an agreement to acquire Advanced Ceramics Research, Inc. for \$14.7m in cash. The Tucson, Arizona-based company is a producer of small unmanned aircraft systems.

Board of directors

Following consultation with members of the Board, the Nominations Committee led by the Senior Independent Director proposed that Mr Olver's term of office as a non-executive director and Chairman of the Board be extended until May 2013. The Board has agreed to such an extension and has asked that the Nominations Committee continues to develop succession plans for all directors, including the timely appointment of a suitable candidate to succeed Mr Olver on his retirement in 2013.

Half year results

BAE Systems will announce its financial results for the first half year ending 30 June 2009 on 30 July 2009.

Cautionary statement

All statements other than statements of historical fact included in this Interim Management Statement are forward-looking statements. Such forward-looking statements, which reflect management's assumptions made on the basis of information available to it at this time, involve known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of BAE Systems or the market and economies in which BAE Systems operates to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Nothing in this Interim Management Statement shall be regarded as a profit forecast. BAE Systems plc and its directors accept no liability to third parties in respect of this Interim Management Statement, save as would arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A of the Financial Services and Markets Act 2000.

Issued by:
BAE Systems plc
London