

BAE SYSTEMS PLC

15 October 2008

Interim Management Statement for the period from 1 July 2008 to 14 October 2008

BAE Systems plc today issues its interim management statement for the period from 1 July 2008 to 14 October 2008 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 half-year results announcement on 1 August 2008. As indicated at that time, the anticipated growth outlook for 2008 is benefiting from the high demand for armoured wheeled vehicles in the Group's Land & Armaments business. The Group anticipates a return to operating cash inflow in the second half year.

The completion of the BVT surface shipbuilding and naval support transaction on 1 July 2008 generated an accounting gain on the disposal of BAE Systems' interests in the businesses it contributed to the joint venture of £132m. A further gain of £56m resulted from the sale of the Group's interest in Flagship Training Limited to VT Group plc.

A significant proportion of the Group's profit is derived in US\$ and these profits are translated into sterling at the average exchange rate for the period. Whilst the Group's EBITA for the period is benefiting from the recent US\$/sterling exchange rate movements, the Group's net cash/debt has been adversely impacted by exchange movements on its US\$-denominated borrowings.

The Group's offer for Detica Group plc (Detica), which valued the business at approximately £545m including assumption of net debt, was declared wholly unconditional on 25 September 2008. Detica is a specialist business and technology consultancy with expertise in information exploitation, security and resilience, threat intelligence and customer insight. The acquisition is expected to achieve a return in excess of cost of capital in the third full year following completion. The transaction has been financed from existing cash resources.

As previously announced, Ian King succeeded Mike Turner as Chief Executive on 1 September 2008.

BAE Systems will announce the Group's preliminary results for the year ending 31 December 2008 on 19 February 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