

**BAE Systems plc**  
**Interim Management Statement**  
**for the period from 1 July 2013 to 9 October 2013**

**10 October 2013**

BAE Systems plc today issues its Interim Management Statement for the period from 1 July 2013 to 9 October 2013 in accordance with the requirements of the UK Listing Authority's Disclosure Rules 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 and the outlook remains unchanged.

In aggregate, including both the benefit from the share repurchase programme and downside arising from reductions to US defence budgets, double-digit growth in underlying earnings per share is anticipated for 2013.

The Group's guidance continues to anticipate a satisfactory completion to the Salam pricing negotiations this year. However, should negotiations extend beyond the year end, earnings per share for 2013 would be impacted by approximately 6 to 7 pence.

## **US**

US budget uncertainty continues with sequestration measures impacting government spending and procurement decisions. In addition, disagreements over the terms of a Continuing Resolution that would fund the federal government beyond the end of the US government's 2013 fiscal year have resulted in a partial government shutdown. Whilst the impact of this action has not yet been material to the Group's overall financial performance, some progressive impact to the Group's US operations would result from a protracted government shutdown. Since the 1 October shutdown, approximately 1,200 employees across the Intelligence & Security and Support Solutions businesses have been temporarily directed not to report to work.

In August, BAE Systems was awarded an eight year, \$534m (£331m) contract to maintain the readiness of Minuteman III intercontinental ballistic missiles in the US. The Group will provide systems engineering, integration, testing, logistics and other services to support the missile, ground and launch systems for 450 deployed missiles.

## **UK**

Discussions continue with the Ministry of Defence to balance naval surface shipbuilding capacity with future warship demand. Discussions are also underway regarding potential amendments to the contract for the Queen Elizabeth Class aircraft carriers to reflect the increased maturity of the programme.

BAE Systems Detica signed a framework contract with the Foreign & Commonwealth Office (FCO) in September to deliver service management integration services across the FCO's global IT estate. The contract is worth around £40m over a five-year period.

## **International**

International market activity remains vibrant with multiple opportunities being pursued, including prospects in the United Arab Emirates for the supply of Typhoon aircraft and other capabilities. £5bn of non-UK/US order intake has been achieved in the year to date.

## **Share buyback**

In February, the Group initiated a share repurchase programme of up to £1bn over three years, full implementation of which remains subject to satisfactory resolution of the Salam Typhoon price escalation negotiations. As at 9 October, BAE Systems had purchased 34 million shares, for £134m, under the programme.

Consistent with previous share buybacks, the Group has agreed with the trustees of its UK pension schemes to pay £340m of cash contributions into the schemes over the three-year period of the share repurchase programme. This represents an acceleration of contributions under the existing multi-year recovery plans.

## **Directors and management**

In August, the Group announced that Linda Hudson would retire as President and CEO of BAE Systems, Inc. and as an executive director of BAE Systems plc. While a search is conducted for her successor, she has agreed to remain in such posts until a date still to be determined, but no later than 31 March 2014. On such date, she will also step down from her membership of the Group's Executive Committee. She will remain on the BAE Systems, Inc. board as an outside director until April 2015.

Lee McIntire, a non-executive director, resigned from the Board of BAE Systems plc on 20 August.

Sir Roger Carr joined the Board as a non-executive director of BAE Systems plc and Chairman designate on 1 October and will succeed Sir Richard Olver as Chairman on 1 February 2014. Sir Richard will step down from the Board with effect from that date.

## **Full year results**

BAE Systems will announce its financial results for the year ending 31 December 2013 on 20 February 2014.

## **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. 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.

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