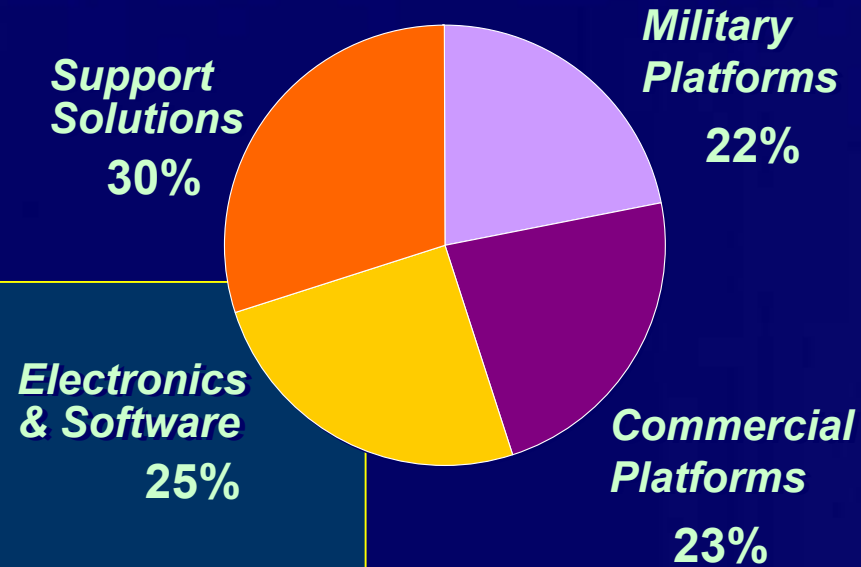


2004 Interim Results

9 September 2004

Mike Turner
Chief Executive

2004 - First Half



Based on sales

- **Good performances from**
 - North America
 - CS&S
 - Airbus
- **International Partnerships performance improving**
- **UK platform programmes stable**
- **Business strategy reviews**
 - Land sector position addressed through Alvis
 - Naval sector under review

2004 - Year to Date Summary

US

- **Naval Undersea Warfare Center contract award**
- **US Army next generation thermal sights contract**
- **FAA surveillance support contracts**
- **C-17 avionics / controls follow on**



US Acquisitions

- **STI Govt Systems**
 - hyperspectral imaging and sensor fusion
- **Boeing Commercial Electronics**
 - flight deck, control and monitoring systems
 - data and electrical distribution
- **Practical Imagineering**
 - digital signal processing

2004 - Year to Date Summary

Europe

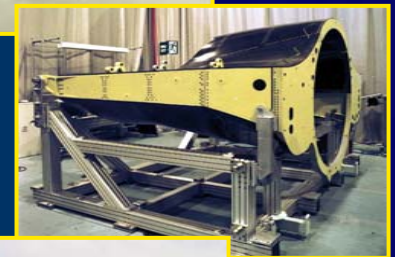
- **MBDA recovery**
 - outlook good and improving
- **Eurosystems progress**
 - due diligence underway
- **Gripen export successes**
- **Airbus**
 - strong performance
 - A380 development on track



2004 - Year to Date Summary

UK

- **Nimrod and Astute**
 - good progress to revised contracts
- **Hawk**
 - Indian contract signed and effective
- **JSF**
 - manufacturing underway in UK
- **Typhoon**
 - programme negotiations continue
 - successful service entry
- **Type 45**
 - steady progress



Alvis Transaction

- **Consistent with development of systems and support strategies**
 - establishes comprehensive Land sector support and upgrade capability
- **Complementary Alvis and RO Defence businesses**
 - coherent industrial support
- **FRES upside opportunity**
 - vehicle, turret and NEC capabilities
- **Builds on successful record in Air sector partnered support**
 - reduced cost of ownership
 - improved availability



UK Defence Decisions

- **UK Budget outlook improved - but still difficult**
- **Decisions on programme reductions largely anticipated**
 - **Type 45**
 - **Nimrod**
- **Typhoon confirmed as key programme**
 - **supported by good in-service performance**
- **DLO industrial support partnerships confirmed as key to savings**
- **Strong emphasis on NEC**

2004 - Top 10 Objectives

- 1 Deliver financial plan**
- 2 Continue to remove excessive contract risk**
- 3 Strengthen UK systems architecture position**
- 4 Continue to grow US position**
- 5 Establish US technology transfer agreements**
- 6 Support - develop DLO partnership**
- 7 Export - finalise Indian Hawk**
- 8 Pursue excellence in business processes**
- 9 Conclude Eurosystems negotiations**
- 10 Establish way ahead for Typhoon**

First half report

- Delivered - on track for H2**
- Successfully addressed**
- Progressing well**
- Three US acquisitions**
- JSF TAA 9 signed**
- Delivering savings and growth**
- Contract signed and effective**
- Advances demonstrated**
- Progressing slowly**
- Satisfactory progress**

George Rose
Group Finance Director

Financial Highlights

• Profit before interest*	£486m
• Fully diluted earnings per share*	8.8p
• Dividend per share	3.7p
• Operating cash flow	£119m
• Net debt	£1,070m
• Order book	£45.2bn

* before goodwill amortisation and impairment, and exceptional items

Profit and Loss Account

	First half 2004	First half 2003
Sales (including share of JV sales)	6,125	5,682
Profit before interest *	486	465
Interest	(94)	(132)
Profit before tax*	392	333
Exceptional items	-	(3)

* before goodwill amortisation and impairment, and exceptional items

£ millions

Balance Sheet

	30/6/04	31/12/03
Fixed assets	8,607	9,409
Working capital	(1,772)	(2,033)
Net debt	(1,070)	(870)
Provisions	(833)	(900)
Net assets	4,932	5,606
Minority interest	(13)	(15)
Shareholders' funds	4,919	5,591

£ millions

FRS 17 - Pensions

Deficit in UK and US pension schemes at 1 Jan 2004	(3,032)
Actual return on assets less than expected return	(192)
Increase in liabilities	(534)
Other movements	56
Deficit in UK and US pension schemes at 30 June 2004	(3,702)
Net (after tax) pension liability at 30 June 2004	(2,596)
Net (after tax) pension liability at 30 June 2003	(2,510)

£ millions

Operating Cash Flow

	First half 2004
Profit before interest*	486
Less JVs	(148)
Add depreciation	95
Profit on disposal of fixed assets	(8)
Impairment of fixed asset investment	5
Mvt in liability provisions	(108)
Mvt in stocks	(138)
Mvt in debtors	79
Mvt in creditors	77
Mvt in customer stage payments	(221)
Operating cash flow (FRS 1)	119

* before goodwill amortisation and impairment, and exceptional items

£ millions

Sector Cash Flow

	First half 2004
Operating cash flow (FRS 1)	119
Capital expenditure (net) & financial investment	(30)
JV dividends	44
Sector cash flow	133
Programmes	(105)
Customer Solutions & Support	290
International Partnerships	(62)
Avionics	(30)
North America	127
Commercial Aerospace	(32)
HQ and other businesses	(55)
Sector cash flow	133

£ millions

Free Cash Flow

	First half 2004
Operating cash flow	119
Capital expenditure (net) & financial investment	(30)
JV dividends	44
Interest and preference dividend	(56)
Taxation	(23)
Free cash flow	<hr/> 54

£ millions

Movement in Net Debt

	First half 2004
Opening net debt	(870)
Free cash flow	54
Equity dividends paid	(168)
Acquisitions and disposals	(14)
Exchange Property	(85)
Foreign currency translation	32
Movement in cash on customers' account	(19)
Closing net debt	(1,070)

£ millions

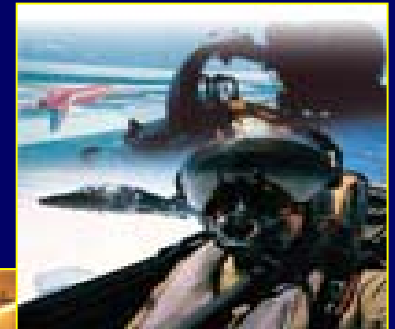
Programmes

	First half 2004	First half 2003
Sales	£1,214m	£976m
PBIT	£31m	£18m
Margin	2.6%	1.8%
Order book	£12.0bn	£11.7bn
Cash flow	£(105)m	£(35)m



Customer Solutions & Support

	First half 2004	First half 2003
Sales	£1,102m	£1,018m
PBIT	£214m	£210m
Margin	19.4%	20.6%
Order book	£2.4bn	£2.1bn
Cash flow	£290m	£302m



International Partnerships

	First half 2004	First half 2003
Sales	£755m	£650m
PBIT	£33m	£8m
Margin	4.4%	1.2%
Order book	£6.7bn	£6.1bn
Cash flow	£(62)m	£41m

MBDA (37.5%)



Saab (35%)



AMS (50%)



Atlas Elektronik (100%)

Avionics

	First half 2004	First half 2003
Sales	£487m	£488m
PBIT	£10m	£4m
Margin	2.1%	0.8%
Order book	£2.2bn	£2.5bn
Cash flow	£(30)m	£(51)m



North America

	First half 2004	First half 2003
Sales	£1,340m	£1,365m
PBIT	£107m	£122m
Margin	8.0%	8.9%
Order book	£2.6bn	£2.5bn
Cash flow	£127m	£143m



North America

	First half 2004	First half 2003
Sales	\$2,441m	\$2,202m
PBIT	\$195m	\$197m
Margin	8.0%	8.9%
Order book	\$4.6bn	\$4.1bn
Cash flow	\$232m	\$230m



Commercial Aerospace

	First half 2004	First half 2003
Sales	£1,419m	£1,341m
PBIT	£108m	£88m
Margin	7.6%	6.6%
Order book	£19.9bn	£22.9bn
Cash flow	£(32)m	£(154)m



Financial Summary

• Profit before interest *	£486m
• Margin	7.9%
• Net debt	£1,070m
• Operating cash flow	£119m
• Fully diluted earnings per share*	8.8p
• Dividend per share	3.7p
• Order book	£45.2bn

* before goodwill amortisation and impairment, and exceptional items

Mike Turner Summary

Summary

- **Results delivered to plan**
- **Further development of business in US**
 - performing well
 - acquisitions in defence science
- **Successfully addressing support opportunities**
- **Good progress on key UK issues**
 - programmes responding well
 - improved contract terms
 - improved project performance