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Company BAE SYSTEMS PLC
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BAE Systems plc Interim Management Statement For the period from 1 January 2014 to 6 May 2014

7 May 2014

Ahead of its Annual General Meeting, BAE Systems plc today issues its Interim Management Statement for the period from 1 January 2014 to 6 May 2014 in accordance with the requirements of the UK Listing Authority's Disclosure Rules and Transparency Rules. The Annual General Meeting of BAE Systems plc will be held today in Farnborough, Hampshire, UK.

As announced on 19 February 2014, the governments of the UK and the Kingdom of Saudi Arabia agreed price escalation terms relating to the Typhoon aircraft under the Salam programme. These agreed terms have been reflected in contractual arrangements between the UK government and BAE Systems.

Other than for exchange translation, trading for the period has been consistent with management expectations at the time of the 2013 results announcement on 20 February 2014 and the Group's outlook remains unchanged.

Ian King, Chief Executive, BAE Systems plc, said: "Our business continues to trade in line with our expectations. In the US, the announced defence budget, while not yet finally agreed in detail, indicates spending reductions much as we had anticipated and points to a more predictable outlook than we have seen in recent years. In the UK, our business continues to benefit from long-term, stable contracts in the maritime and military air sectors. Our robust year end order backlog of £42.7bn, which benefited from the £9.3bn of international business won last year, provides good visibility and performance in our international activities continues in line with plan. We continue to focus on programme execution and on enhancing efficiency and affordability to ensure the Group is best positioned for the future."

Balance sheet and cash flow

The Group's balance sheet continues to be managed conservatively, consistent with the policy to retain an investment grade credit rating and to ensure operating flexibility.

In February 2013, BAE Systems initiated a share repurchase programme of up to £1bn over three years and, as at 6 May 2014, the Group had purchased 104 million shares, for £429m, under the programme. In the period since 1 January 2014, share repurchases under the programme totalled £217m with an average purchase price of £4.15 per share.

In the period, BAE Systems completed the sale and leaseback of two properties in Saudi Arabia generating approximately £441m in cash.

Directors

Sir Roger Carr joined the Board as a non-executive director of BAE Systems plc and Chairman designate on 1 October 2013 and succeeded Sir Richard Olver as Chairman on 1 February 2014. Sir Richard stepped down from the Board on that date.

On 1 February 2014, Linda Hudson retired as President and Chief Executive Officer of BAE Systems, Inc. and as an executive director of BAE Systems plc. On the same date, Jerry DeMuro was appointed as

President and Chief Executive Officer of BAE Systems, Inc. and as an executive director of BAE Systems plc. He will also serve on BAE Systems' Executive Committee.

Half-year results

BAE Systems will announce its financial results for the half year ending 30 June 2014 on 31 July 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 markets 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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