

BAE Systems plc
Interim Management Statement
For the period from 1 July 2014 to 28 September 2014

29 September 2014

BAE Systems plc today issues its Interim Management Statement for the period from 1 July 2014 to 28 September 2014 in accordance with the requirements of the UK Listing Authority's Disclosure Rules and Transparency Rules.

Group order intake for the period from 1 January 2014 to 23 August 2014 was £7.9bn, including £2.6bn from non-UK/US markets.

In August, the Group was awarded a £348m contract by the UK Ministry of Defence to construct three new Offshore Patrol Vessels for the Royal Navy.

In July, BAE Systems agreed the proposed bolt-on acquisition of Signal Innovations Group, Inc., a provider of imaging technologies and analytics to the US intelligence community. The proposed acquisition, which is conditional upon receiving certain regulatory approvals, is expected to complete shortly.

In August, the Group announced an agreement for the proposed sale of its 75% holding in BAE Systems Land Systems South Africa Proprietary Limited to Denel (SOC) Limited for cash consideration of approximately 641 million Rand (£36m), subject to closing adjustments. The proposed disposal, which is conditional upon receiving certain regulatory and other approvals, is expected to complete within the next six months. A goodwill impairment charge of approximately £70m is expected to be taken during the year ending 31 December 2014 against the carrying value of the South African business.

In the US, some limited trading disruption is likely in the last quarter of the 2014 calendar year as the government operates under a Continuing Resolution from 1 October 2014 which keeps the federal government running at fiscal year 2014 spending levels.

As reported in the Group's half year results, £12m of charges were taken on commercial shipbuilding programmes in the US Support Solutions business. Recent reviews have shown a further exposure in the region of £30m net of tax. However, at this time, and in aggregate, the year's earnings outlook for the Group remains unchanged.

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 26 September 2014, the Group had purchased 114 million shares, for £473m, under the programme. In the period from 1 July 2014 to 26 September 2014, 6 million shares were bought for £26m.

Directors

In July, the Group announced that Paul Anderson, a non-executive director, would retire from the Board on 31 December 2014.

Full year results

BAE Systems will announce its financial results for the year ending 31 December 2014 on 19 February 2015.

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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