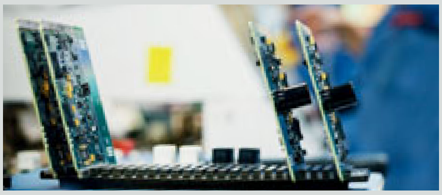
Guidance for 2016

Group guidance

In 2016, the Group's underlying earnings[1] per share are expected to be approximately 5% to 10% higher than the adjusted underlying earnings[1] per share of 36.6p* in 2015.

*Reported underlying earnings[1] per share of 40.2p excluding the previously announced 2.6p per share earnings benefit from an overseas tax provision release and an additional 1.7p per share earnings benefit from a UK tax provision release, and adjusting for a 0.7p per share benefit to an assumed US$1.45 to sterling translation rate.

Segmental guidance



Electronic Systems

– Low single-digit sales[2,3] growth is expected in 2016 with margins around the middle of an increased 13% to 15% guidance range.

Cyber & Intelligence

Comprising the US Intelligence & Security sector (70%[3] of Cyber & Intelligence sales in 2015) and Applied Intelligence:

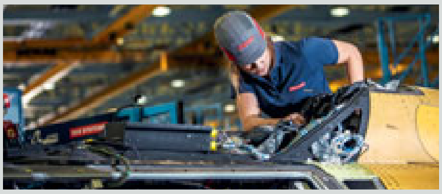
– Low single-digit sales[2] growth is expected in 2016 with stable sales in Intelligence & Security and good double-digit growth in Applied Intelligence.

– Margins are expected to improve to within a 7% to 9% range, following the high product development investment in the Applied Intelligence business in 2015.

Platforms & Services (US)

– Sales[2] are expected to be some 10% lower, including a reduction in naval ship repair activity as the pivot of the fleet to the West coast takes place.

– Another year of margin improvement, to a range of 7% to 8%, is expected in 2016, absent further charges on commercial shipbuilding contracts.



Platforms & Services (UK)

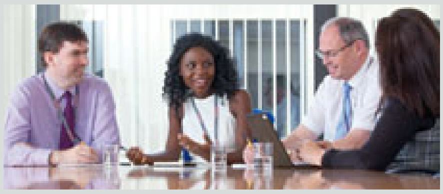
– Sales[2] are expected to be slightly lower in line with planned lower Typhoon deliveries. Increased submarine programme activity is expected to offset reducing aircraft carrier sales.

– Margins are expected to be at the lower end of a 10% to 12% range.

Platforms & Services (International)

– Sales[2] are expected to grow around 5% in 2016 with increased Typhoon aircraft support.

– Margins are expected to be at the lower end of a 10% to 12% range.



HQ

– HQ costs are expected to be similar to those in 2015. Underlying finance costs are expected to increase by £35m in 2016. The underlying effective tax rate remains dependent on the geographical mix of profits, but is expected to increase slightly to around 22%.

1. Earnings excluding amortisation and impairment of intangible assets, non-cash finance movements on pensions and financial derivatives, non-recurring items and, in 2014, a credit in respect of the re-assessment of existing tax provisions (see note 7 to the Group accounts).
2. Including share of equity accounted investments.
3. Adjusted for the transfer of the GEOINT-ISR (Geospatial Intelligence – Intelligence, Surveillance and Reconnaissance) business to Electronic Systems.

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