

Guidance for 2017

Group guidance

For the year ending 31 December 2017, we expect the Group's underlying earnings per share to be 5% to 10% higher than full-year underlying earnings per share in 2016 of 40.3p.*

The guidance is based on the measures used to monitor the underlying financial performance of the Group. Reconciliations from these measures to the financial performance measures defined in International Financial Reporting Standards for 2016 are provided in the Financial review on pages 24 to 30.

Segmental guidance



1 Electronic Systems

- Mid single-digit sales growth is expected in 2017 driven by a number of electronic warfare contracts, with 75% of projected sales in the 2016 closing order backlog.
- Margins¹ are expected to be at the top end of a 13% to 15% range.



2 Cyber & Intelligence

- Comprising the US Intelligence & Security sector (71% of Cyber & Intelligence sales in 2016) and Applied Intelligence:
- Low single-digit sales growth is expected in 2017, with stable sales in Intelligence & Security and double-digit growth in Applied Intelligence across each of its three divisions.
 - Margins¹ are expected to improve to within a 6% to 8% range, following the high level of product development investment in the Applied Intelligence business over the last two years.



3 Platforms & Services (US)

- Sales are expected to be stable, with the completion of CV90 deliveries to Norway being offset by the increasing volumes from the US vehicles and munition businesses. Of this sales guidance, 75% is within the 2016 closing order backlog.
- Another year of margin¹ improvement, to a range of 8% to 9%, is expected in 2017, absent further charges on the commercial shipbuilding contracts.



4 Platforms & Services (UK)

- Sales are expected to be 5% lower. On Typhoon, European and Saudi deliveries are largely complete and this is only partly offset by trading on the contracts to Oman and Kuwait, along with the increased F-35 volumes. Almost 95% of this sales guidance is within the 2016 closing order backlog.
- Margins¹ are expected to be at the lower end of a 10% to 12% range, having absorbed the impact of increased pension service costs.



5 Platforms & Services (International)

- Sales growth of around 5% is expected in 2017, with increased levels of support to the Salam Typhoon aircraft and higher delivery volumes from MBDA. Close to 90% of the sales guidance is within the 2016 closing order backlog.
- Margins¹ are expected to be at a similar level to those in 2016.



6 HQ

- HQ costs are expected to be similar to those in 2016.
- Underlying finance costs are expected to be slightly lower, absent the incremental net present value charges seen in 2016.
- The underlying effective tax rate for 2017 is expected to increase slightly from 21% to around 22%, with the final rate dependent on the geographical mix of profits.

*Assuming a US\$1.25 to sterling exchange rate.

1. Underlying EBITA as a percentage of sales.