

Major Programme Status - 15th May 2019

- **F-35** - Ramp to 140 sets in 2019 progressing well
- **Qatar Typhoon and Hawk production** – programme fully mobilised
- **UK Typhoon support** – 3 years in, performing well
- **KSA support** – Managing German licence position
- **Dreadnought** – Under contract through 2020
- **Astute** – Boat 4 due to exit Barrow 2019
- **Type 26 UK** – First of class planned for mid 2020s
- **Australia Hunter class** – Design and productionisation on contract, mobilisation commenced
- **UK OPVs** – 2nd ship accepted, 3rd targeted around HY
- **QEC Carriers** – Prince of Wales sea trials commence in 2019
- **Paladin M109** – Gradual ramp towards achieving 8 vehicles per month by year end
- **AMPV** – LRIP award in February. Start up on track, 1st deliveries H1 2020
- **ACV** – LRIP on track, 1st deliveries Q3 2019
- **US Ship repair/commercial ships** – Final commercial ship constructed and delivered
- **US Ordnance** – On-going Radford sub contractor performance issue



IFRS 16

- Effective from 1st January 2019
- No re-statement of prior years
- No Impact to EPS or total cashflow
- Not treated as Debt but as lease liability and fixed asset
- Sector EBITA, Interest impact detailed in following slides
- Only reclassifications within the cashflow statement – per attached slide
- Please update models by HY reporting – any questions contact the IR team

Adoption of IFRS 16 Leases

(£m)	31 Dec 2018	IFRS 16	1 Jan 2019
Intangible fixed assets	10,658		10,658
Tangible fixed assets	2,017	1,300	3,317
Investments	442	(11)	431
Working capital	(3,288)	33	(3,255)
Pension deficit	(3,932)		(3,932)
Lease liabilities ⁽¹⁾		(1,416)	(1,416)
Tax assets & liabilities	449	2	451
Financial assets & liabilities	70		70
Net debt	(904)		(904)
Assets held for sale	106		106
Net Assets	5,618	(92)	5,526

(1) Net of finance lease receivable £70m

Estimated P&L impact in 2019

	£m
Electronic Systems	4
Cyber & Intelligence	3
Platforms & Services (US)	3
Air	19
Maritime	2
HQ	19
Underlying EBITA	50
Underlying Finance Costs	(50)

Adoption of IFRS 16 Leases

(£m)	Pre-IFRS 16	Post-IFRS 16	Impact
Income Statement*:			
Depreciation	-	(245)	
Rental expense	(295)	-	
EBITA	(295)	(245)	+50
Finance Costs	-	(50)	(50)
Profit before Tax	(295)	(295)	-
Cash Flow statement*:			
EBITA	(295)	(245)	
Add back depreciation	-	245	
Capital element of lease repayments	-	(245)	
Cash flow from operations	(295)	(245)	+50
Interest paid	-	(50)	(50)
Free Cash Flow	(295)	(295)	-

No impact on earnings or cash

2019 Guidance – Incorporating IFRS 16

	2018 Actual		2019 Guidance ⁽¹⁾	
	Sales (£m)	Margin (%)	Sales	Margin
Electronic Systems	3,965	15.3	mid-single digit	14% - 16%
Cyber & Intelligence	1,678	6.6	stable	c.7%
Platforms & Services (US)	3,005	7.0	mid to high single digit	8% - 9%
Air	6,712	12.8	+c.10%	11% - 13%
Maritime	2,975	7.0	stable	8% - 9%
Group	18,407	10.5		
HQ (EBITA) ⁽²⁾	(67)		Slightly lower	
Underlying Finance Costs ⁽²⁾	(215)		c.15% higher	
Tax rate	18%		c.20%	
Minority interest	(33)		c.£(50)m	
Earnings per Share	42.9p			

Targeting **mid-single digit** growth for 2019 underlying EPS

(1) Whilst the Group is subject to geopolitical uncertainties, the guidance is provided on current expected operational performance. Guidance for US Sectors in US dollars (£/\$ planning rate \$1.30).

(2) Consistent with 2018 Preliminary Announcement after incorporating impact of IFRS 16.