

AGM Trading Statement

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BAE Systems plc - Annual General Meeting and Market Update

BAE Systems plc will hold its Annual General Meeting today at 11.30 a.m. in Farnborough, Hampshire, UK. At the meeting, Chairman, Sir Roger Carr, and Chief Executive, Charles Woodburn, will comment on the performance of the Group in 2022, as detailed in the results announcement published on 23 February 2023.

The results of voting at the Annual General Meeting will be announced later today.

Additionally, BAE Systems plc provides the following update on trading.

Charles Woodburn, BAE Systems Chief Executive, said:

"Trading so far this year has been in line with expectations with continued good operational performance.

"Order flow on new programmes, renewals and progress on our opportunity pipeline remains strong. In particular, the AUKUS announcement in March is significant for the company in the medium and long-term and we look forward to supporting our customers in this far reaching programme.

"In the current elevated global threat environment, we're continuing to deliver on mission critical requirements to our customers, and our global presence and diverse portfolio of products and services provide a high visibility for top line growth, margin expansion and cash generation in the coming years."

Guidance

The Group's full year 2023 guidance is unchanged from the Preliminary announcement on 23 February 2023.

- Sales +3 to +5% (2022: £23,256m)
- Underlying EBIT +4 to +6% (2022: £2,479m)
- Underlying EPS +5 to +7% (2022: 55.5p)
- 2023 Free Cash Flow (FCF) >£1.2bn
- Cumulative FCF 2023-2025 £4bn - £5bn

- Guidance is provided on the basis of an exchange rate of \$1.24:£1 for the year
- Sensitivity to EPS is around 1 pence for every 5 cent movement

Operational update

Overall programme execution has been good across all sectors in the year to date. Notable milestones achieved include:

- Steel cut on the fourth Type 26 - HMS Birmingham
- Construction commenced on the third Dreadnought class submarine
- Two further Typhoons delivered to Qatar
- Good levels of combat vehicle deliveries

Increasing exposure to structurally growing major defence markets

The AUKUS announcement in March is significant for the company. Together with the Global Combat Air Programme (GCAP) announcement in December with Japan and Italy, these multi national endeavours further highlight our global reach and the scale and longevity of our business. As always, we are working closely with our customers to deliver on their critical long-term programmes which are reflective of a structural upwards shift in defence spending in our addressable markets.

In the US, the President's 2024 Budget Request increased the defence budget by over 3% above FY 2023 base levels to \$842bn, and we remain well aligned to US National Defense Strategy priorities.

In the UK, the Integrated Defence Review refresh provided a further increase to defence spending, with the uplifts particularly focused on submarine and munitions, and an expectation to reach 2.25% of GDP by 2025.

In Europe, Finland joined NATO on 4 April and many countries continue to increase their annual and long-term defence spending plans as they look to enhance, recapitalise and replenish their capabilities to meet NATO commitments. We are well placed to continue to benefit through our position on Eurofighter Typhoon, our shareholding in MBDA, our BAE Systems Hägglunds and Bofors businesses in Sweden and through US Foreign Military Sales.

Order flow

Given the defence spending environment and order intake so far this year, we expect orders to once again exceed sales for the full year.

Notable new and strategically important awards received to date include:

- Tempest - £656m further technology, design and development funding
- F-35 - \$491m in contracts for Block 4 Electronic Warfare systems for F-35
- AMPV - \$246m undefinitised contract action for purchase of early order materials in support of a full rate production award expected in the second half 2023
- BvS10 - Following the joint procurement agreement among Sweden, Germany and the UK, Germany is investing c.\$400m for 227 additional BvS10 vehicles
- Naval Guns - \$219m contract to equip the Royal Navy's Type 26 frigates with five Mk45 Maritime Indirect Fire Systems
- Intelligence & Security is one of eight selected by the US Navy for the Consolidated Afloat Networks and Enterprise Services (CANES) programme, a ten-year indefinite delivery, indefinite quantity contract with a total value of \$4.1bn.

Evolving the business for long term growth

In support of our growth outlook and to help meet our customer aspirations we are investing in our people, facilities and technology through a combination of self and joint funding with our customers, as well as developing partnerships and collaborations.

Key progress points to date:

- Strategic agreement with Microsoft aimed at supporting faster and easier development, deployment and management of digital defence capabilities
- New shiplift investment commenced at our Jacksonville, Florida ship repair facility
- Site investments in the UK to support shipbuild and munitions capacity
- Expanding production capacity to support combat vehicle demand across our facilities in the US and Sweden
- Collaboration with Heart Aerospace on battery technology for electric planes
- Electronic Systems collaboration with Leonardo UK to develop an interoperable aircraft survivability suite for rotary and fixed wing fleets
- Increasing our 2023 UK apprentice and graduate hires by more than 40%

ESG Update

In 2023, we are progressing our four key pillars of focus: addressing climate risks; ideas, innovation and technology; creating opportunity for people and communities and success through partnering.

Summary investment points

As laid out in February and further reinforced in the year to date we see significant potential in the years ahead due to:

- Strong programme performance underpinned by a robust operating model
- Continued investment in the business to support future growth
- Large order backlog providing the foundation for growth over the medium term
- Leading technology solutions for our customers
- Strength of our geographic and capability diversity
- Our global opportunity pipeline to further enhance growth
- Scope to drive further margin expansion
- Our strong balance sheet with good cash generation, supporting value enhancing capital allocation

Board

As previously announced, Sir Roger Carr will step down as Chairman of the Board at today's AGM having served his full allowable term. He is succeeded by Cressida Hogg who has served as a non-executive director of the Company and chair designate since 1 November 2022.

Capital Allocation

The 2022 final dividend of 16.6 pence per share will be paid, subject to shareholder approval, on 1 June 2023. Our three-year buyback programme of up to £1.5bn, which commenced in July 2022, is also making good progress, now over 60% complete.

Investor engagement

In April, we hosted the first of our technology focused webinars, "The Thread" which focused on our synthetic training capabilities. The replay is available on the Investors website. Further topics to be covered this year will be on digital transformation, multi-domain integration and electrification of transport.

Additionally in June, we will host a capital markets event on our Land capabilities with a focus on our Swedish based Hägglunds business which is set for high sales growth.

2023 Interim results

BAE Systems will announce its interim results for the half year ending 30 June 2023 on 2 August 2023.

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