

2024 Half Year Results 1 August 2024

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2024 - Half year review

Charles Woodburn - CEO

Our 3 key messages today

1

Full year guidance upgraded on all key metrics -
Driven by strong operational and financial delivery

2

Significant strategic progress continues

3

Enhanced visibility in the long term outlook and our
value compounding model - Demand increasing



2024 – Half year review

Record order backlog of £74bn – Full year guidance upgraded on all key metrics

Positioned for good long-term growth



Orders
£15.1bn
(2023: £21.1bn)

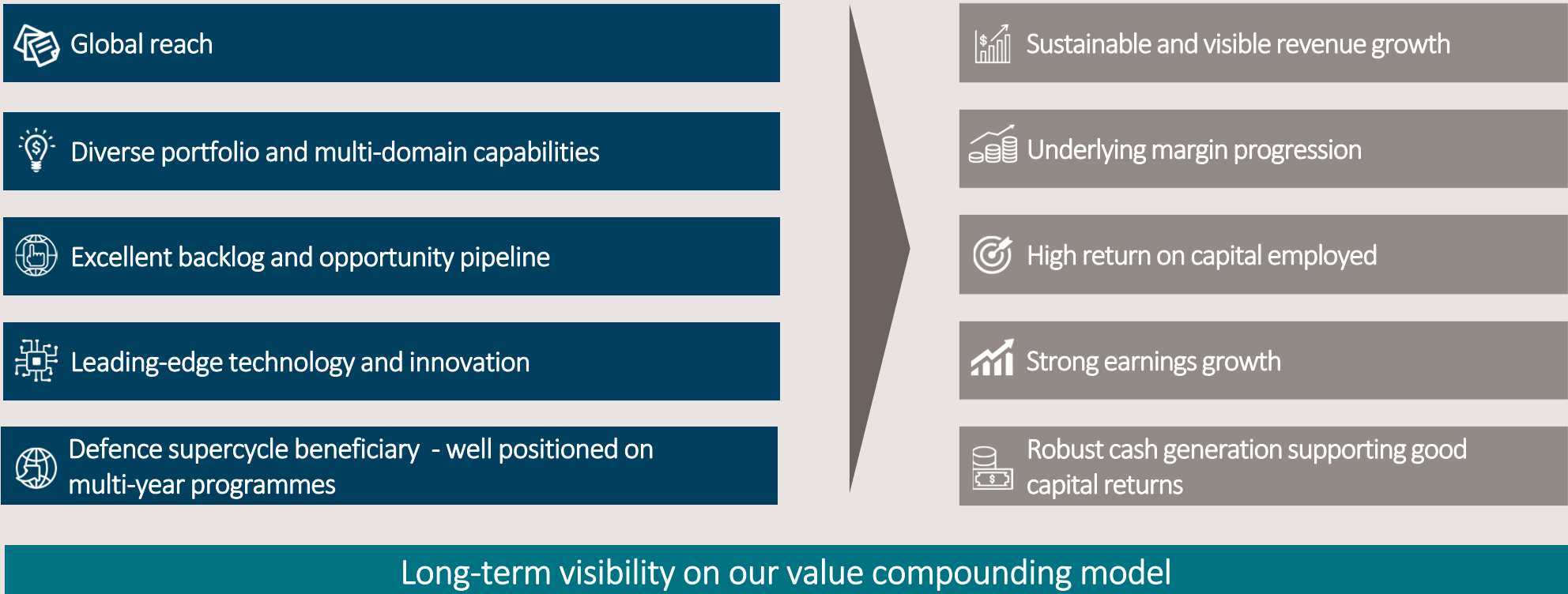
Sales
£13.4bn
(2023: £12.0bn)

Underlying EBIT
£1,393m
(2023: £1,258m)

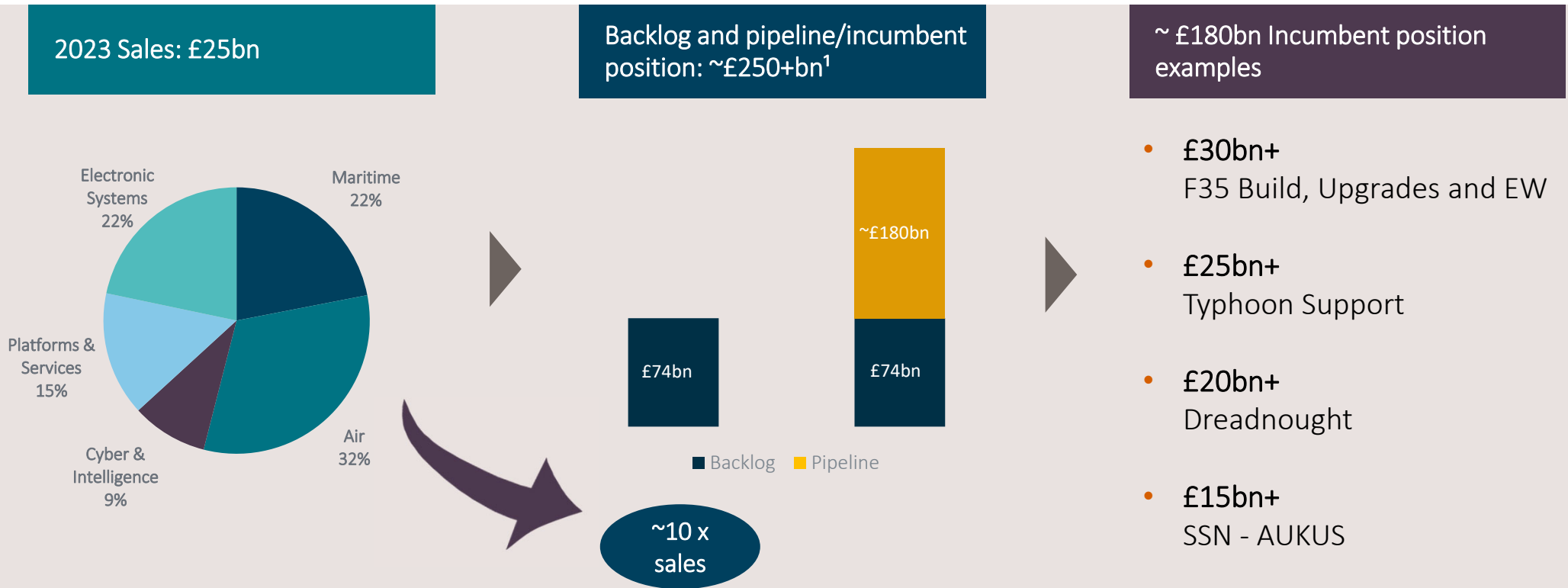
Free cash flow
£219m
(2023: £1,070m)

Continuing track record of strong and consistent operational and financial performance

BAE Systems positioned for significant long-term value creation



Significant backlog and pipeline supports sustainable and visible medium-term sales growth



1) Projections are based on internal management estimates and reflect management’s current assumptions, including assumed receipt of future orders over the medium term

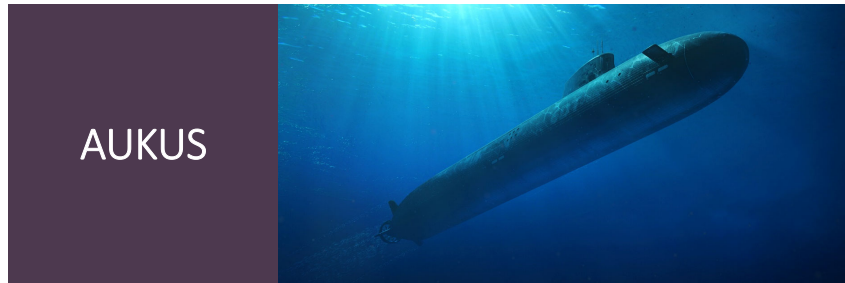
Significant growth drivers and opportunities over medium to long term



Supplemented by additional opportunities across all sectors

Electronic Systems	P&S	Air	Maritime	C&I
<ul style="list-style-type: none"> Precision munitions US FMS SMS synergies Electrification 	<ul style="list-style-type: none"> CV90, BvS10, ARCHER US FMS combat vehicles Munitions restocking 	<ul style="list-style-type: none"> Typhoon exports MBDA exports Autonomy/UAS 	<ul style="list-style-type: none"> Type 26 exports AUKUS pillar 1 & 2 UK munitions 	<ul style="list-style-type: none"> Synthetic training Higher cyber budgets UK space

Continued long-term strategic progress



Space & Mission Systems Tom Arseneault

A Space and Defence Technology Leader

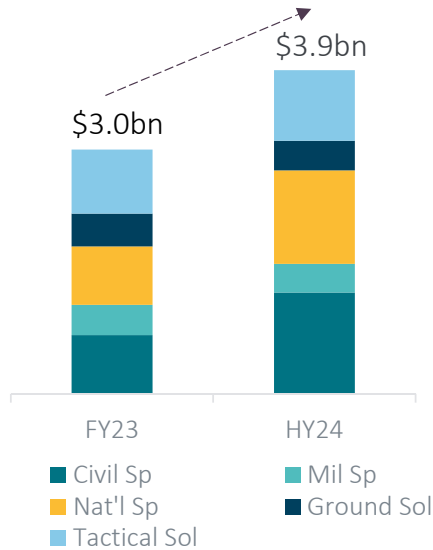


Space & Mission Systems Performance

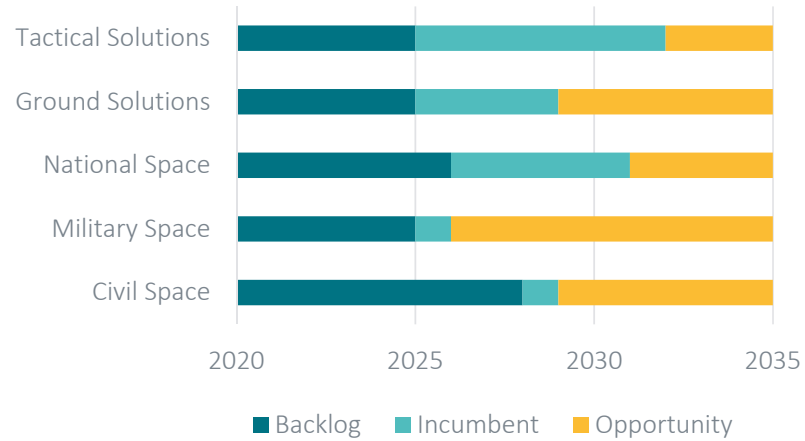
Key takeaways

- Sales stable H1 on H1 – strong H2 expected
- Margin at 11% ahead of acquisition case
- Cash generation in line with expectations

30% growth in order backlog



Pipeline supports medium-term sales growth



Key growth programmes

- High-end Munitions (JASSM, LRASM, etc)
- F-35
- Classified Space

Backlog growth supports confidence in mid-term sales growth

Integration and synergy capture proceeding at pace

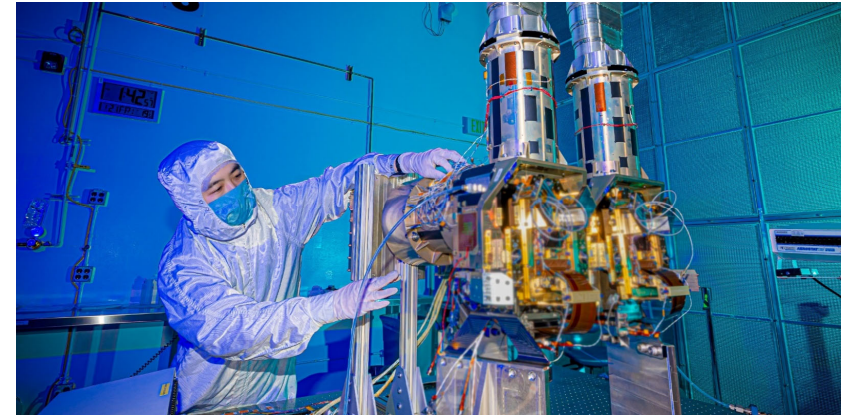
Integration

- Space & Mission Systems business established and contributing to our world-class portfolio
- Workforce and organisational integration making excellent progress, including:
 - Employee benefits
 - Digital finance system transition
 - Improved employee retention
 - Diversity hiring

Synergy

- **Cost synergies:** on track to achieve expected near-term \$30m in cost reductions
- **Revenue synergies:** near-term opportunities well aligned with acquisition expectations
 - Opportunities to leverage ES payloads in combination with SMS mission expertise
 - Established synergy capture process with multiple work streams identified in:
 - Space
 - EW
 - C4ISR systems
 - Support services

Started submitting joint bids for new work



Key milestones and strategic wins

MethaneSAT launched 4 March



Monitoring global methane emissions with orbit operations managed out of our Mission Operations Center

WSF – M launched 11 April



Weather System Follow-On – Microwave mission prime to deliver actionable environmental intelligence to support global military missions

Achieved SatCom production installation certification



Achieved STC (Supplemental Type Certification) for production installation; preparing for further commercial airline testing

Won ACX & OCX contracts on NOAA GeoXO program



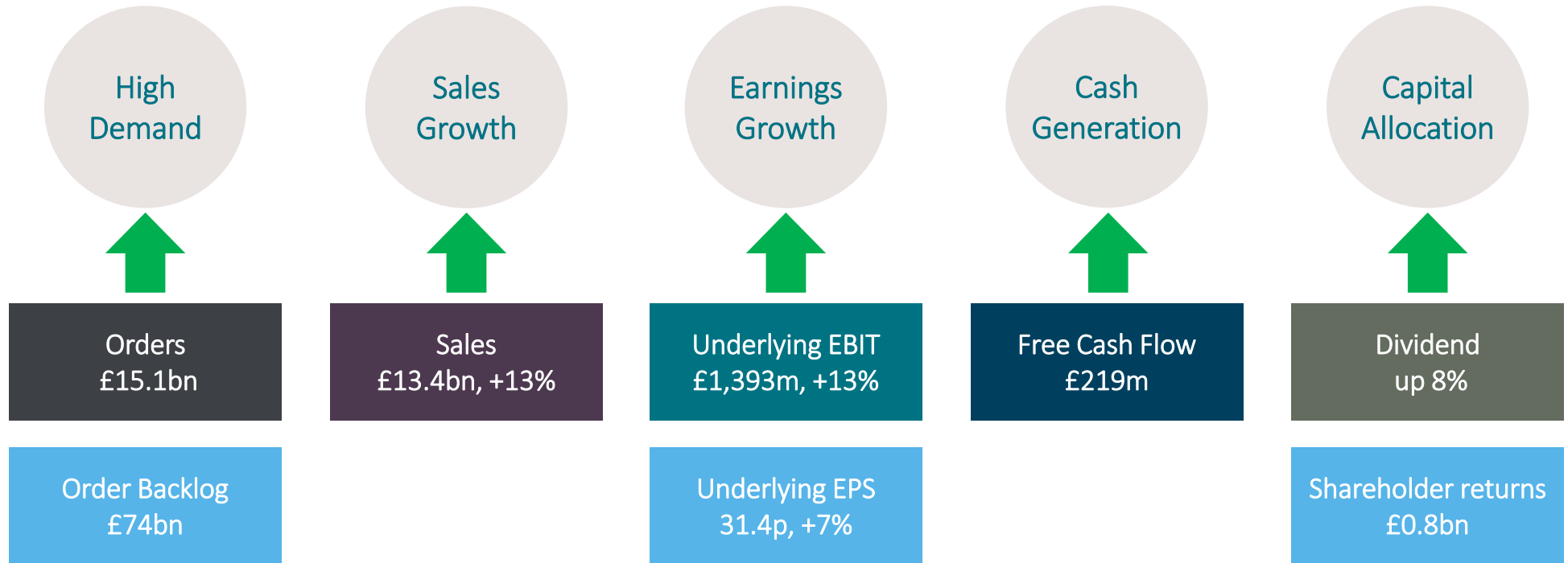
Won all 3 hyperspectral instrument contracts for Geostationary Extended Observations (GeoXO) satellite constellation mission for c.\$1.3bn

Financial Review

Brad Greve - CFO



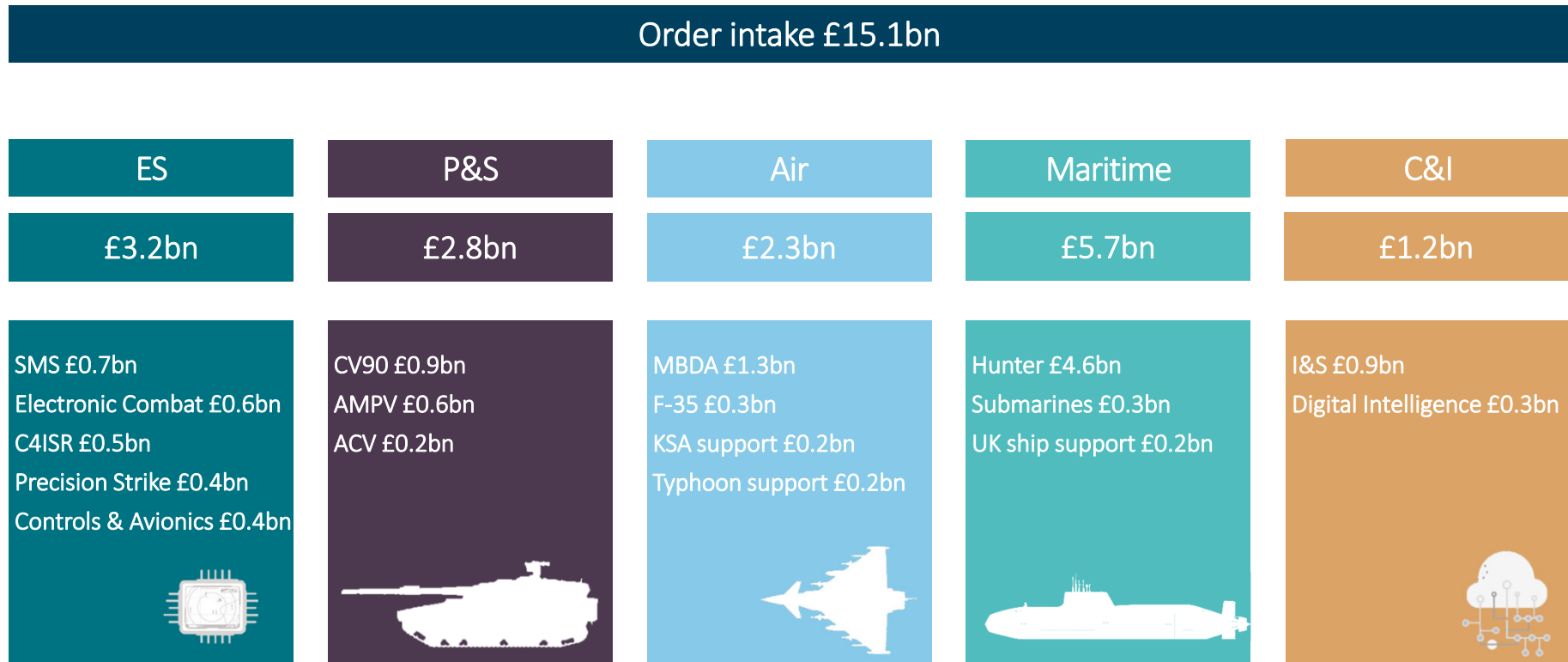
2024 half year financials



Record backlog, strong sales and earnings growth supports upgraded full year guidance

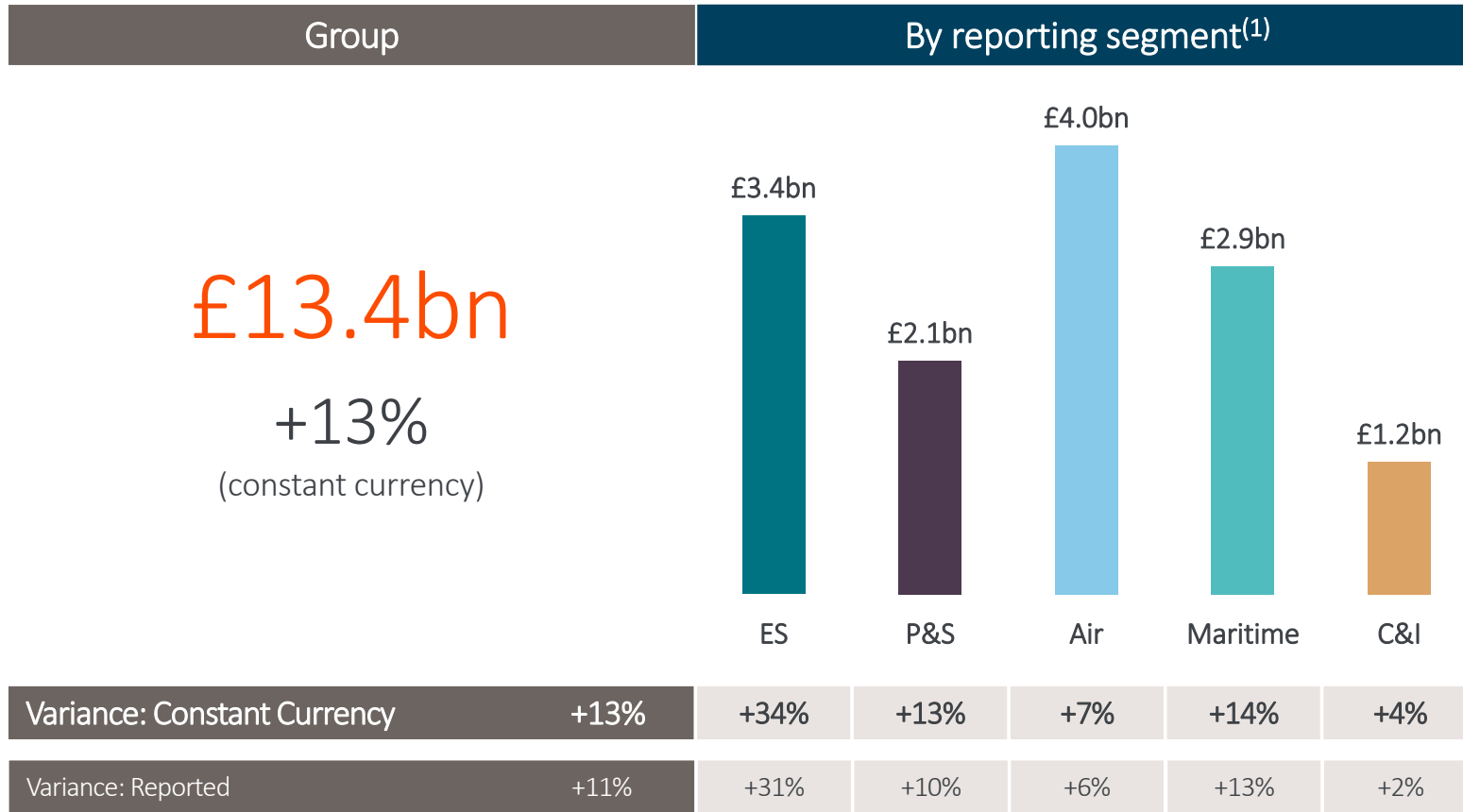
Growth %s stated on a constant currency basis (USD: June 2024 \$1.26, June 2023 \$1.23)

Order intake



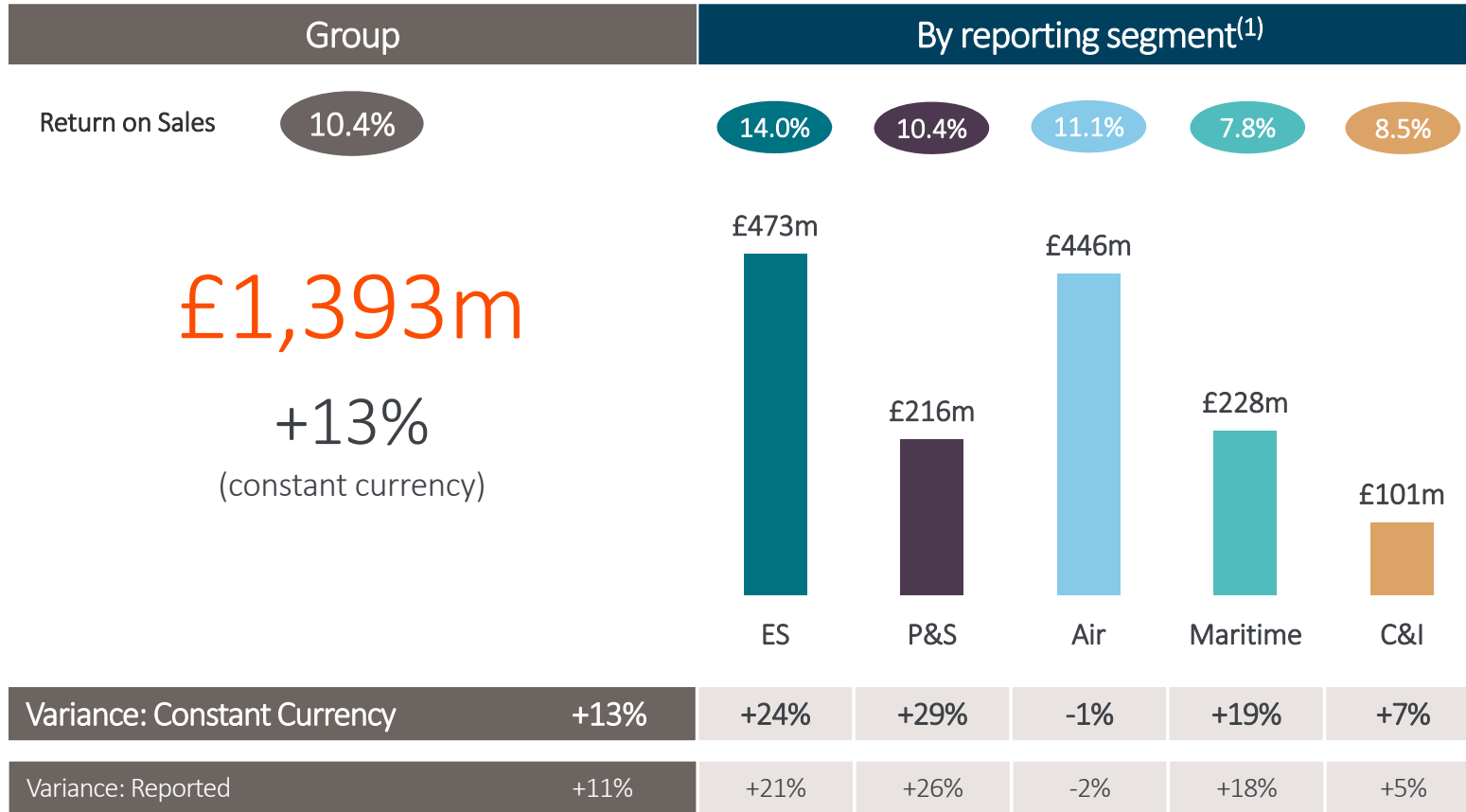
Excludes HQ & intra-group eliminations

Sales



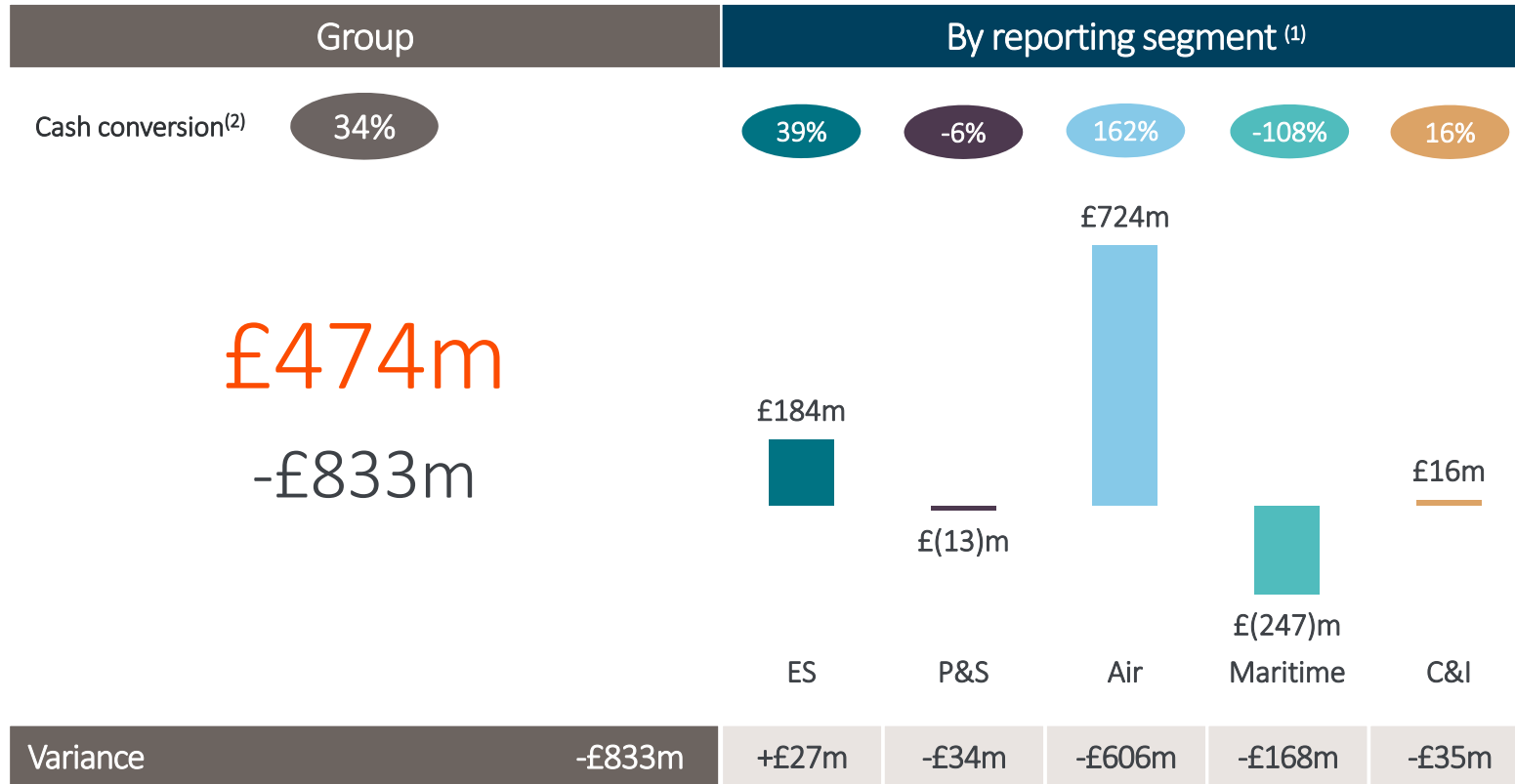
(1) excludes HQ £85m (variance -£129m following partial disposal of shareholding in Air Astana), & intra-group eliminations

Underlying EBIT / Return on Sales



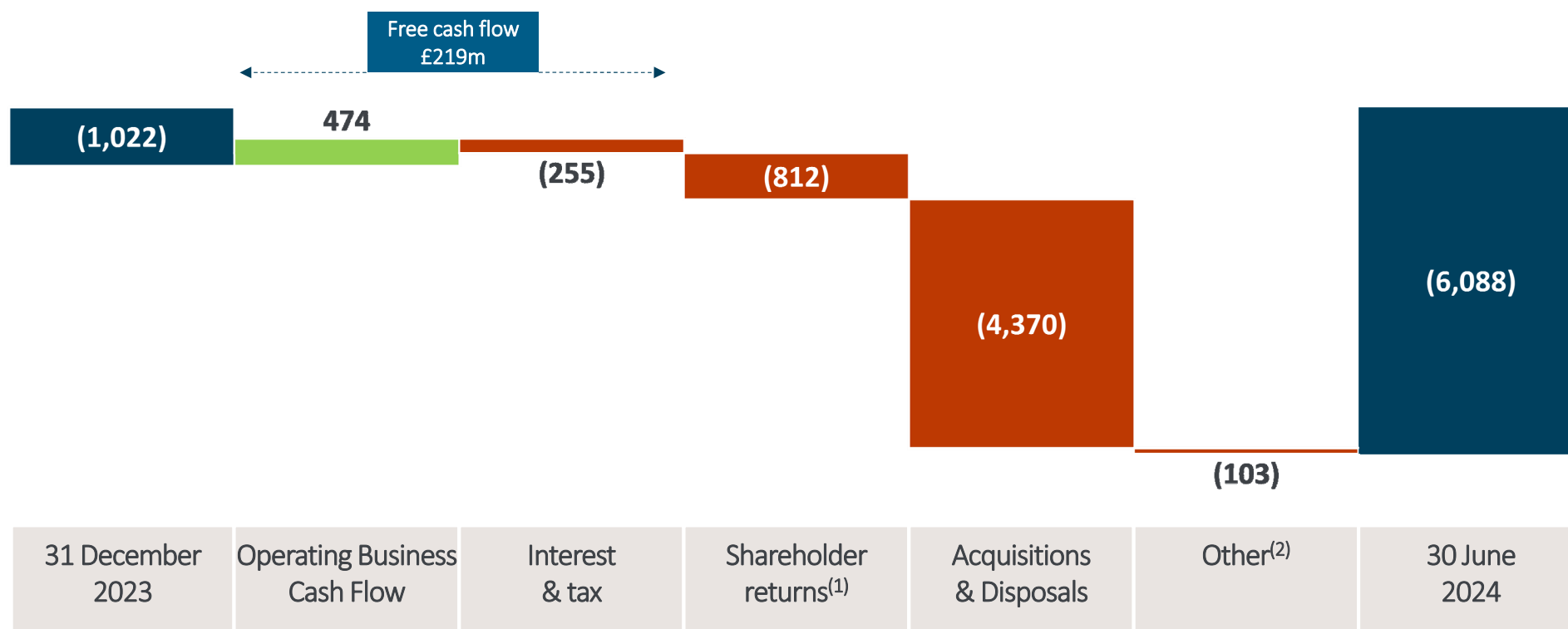
(1) excludes HQ £(71)m (variance -£23m)

Operating business cash flow



1) Excludes HQ £(190)m (variance -£17m)
 2) Defined as Operating business cash flow as a percentage of Underlying EBIT

Net Debt (£m, excluding lease liabilities)



(1) Dividends £562m & share buyback £250m

(2) Includes cash outflows in respect of dividends paid to non-controlling interests £6m and, FX & other non-cash movements

2024 Upgraded Group guidance⁽¹⁾

Guidance based on £1:\$1.24, including the acquisition of Ball Aerospace, & the reduction in the stake in Air Astana

Sales	Underlying EBIT	Underlying EPS	2024 Free Cash Flow
+12% to +14%	+12% to +14%	+7% to +9%	>£1.5bn
<i>Prev: +10% to +12%</i>	<i>Prev: +11% to +13%</i>	<i>Prev: +6% to +8%</i>	<i>Prev: > £1.3bn</i>
(2023: £25,284m)	(2023: £2,682m)	(2023: 63.2p)	(2023: £2,593m)

Underlying finance costs
c.£360m – c.£375m

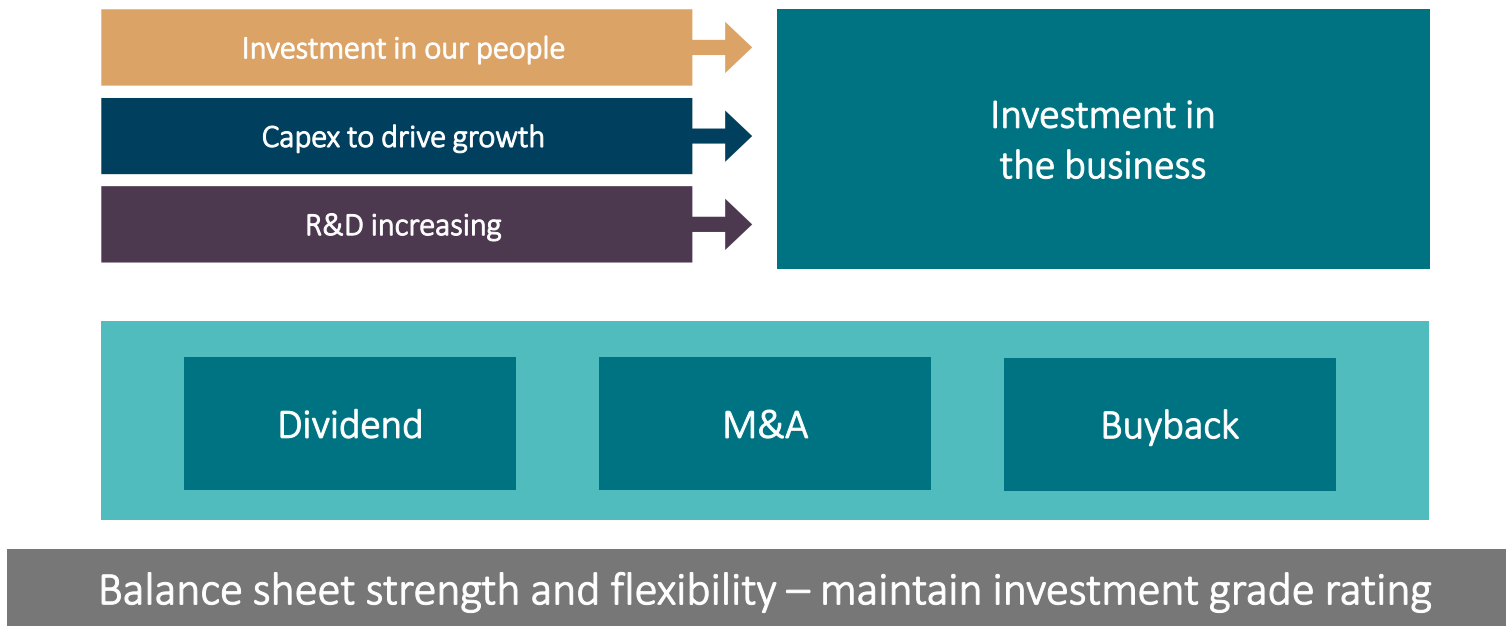
Effective tax rate
c.20%

Non-controlling interest
c.£80m

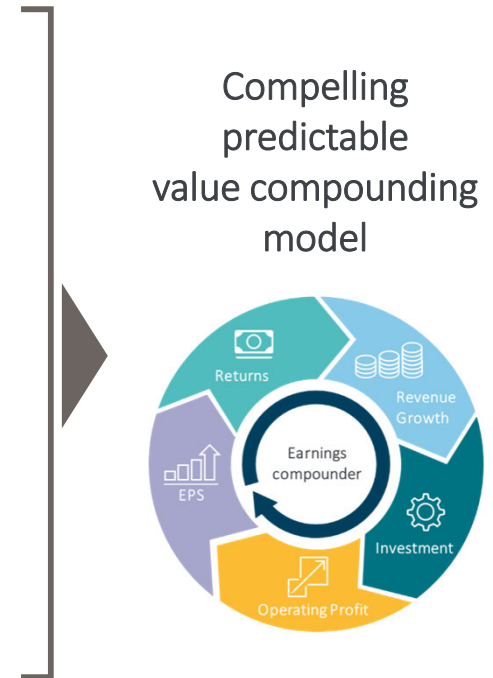
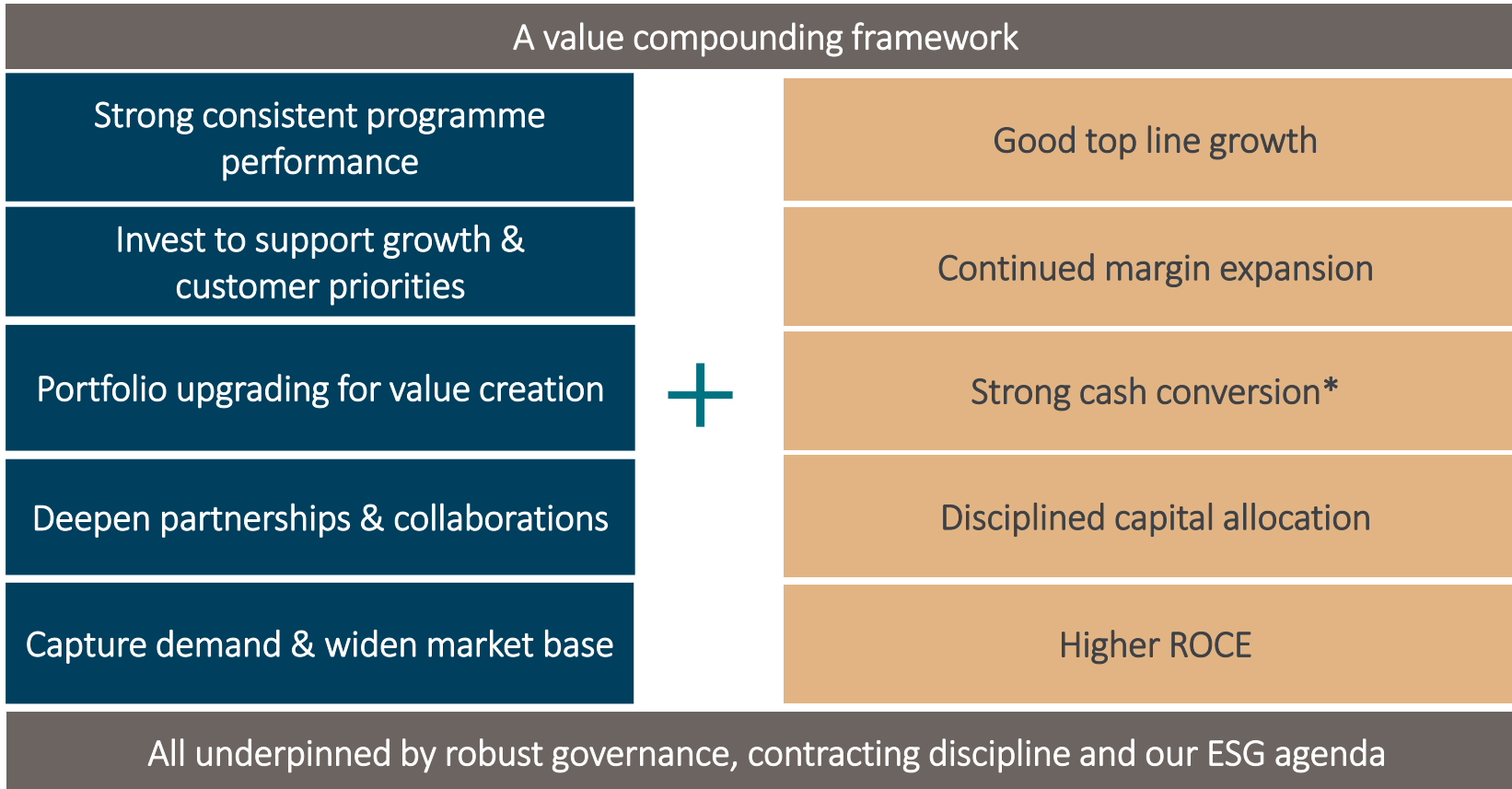
Guidance reinforces long-term value compounding model

- (1) Whilst the Group is subject to geopolitical and other uncertainties, the guidance is provided on current expected operational performance
- (2) Sensitivity to 5c movement: Sales c.£500m, Underlying EBIT c.£70m, Underlying EPS c.1.3p
- (3) 2024 guidance incorporates Ball Aerospace’s financial performance for 2024 reflecting a completion date of 16 February 2024
- (4) In addition to the Free Cash Flow above, the Group received £0.2bn from the reduction of its stake in Air Astana. The cash flow impact of business acquisitions & disposals is excluded from the Group’s definition of Free Cash Flow

Capital allocation



What we look to achieve in the 3 years 2024-26



* Conversion defined as Operating Cash Flow as a percentage of Underlying EBIT

Supplementary Information

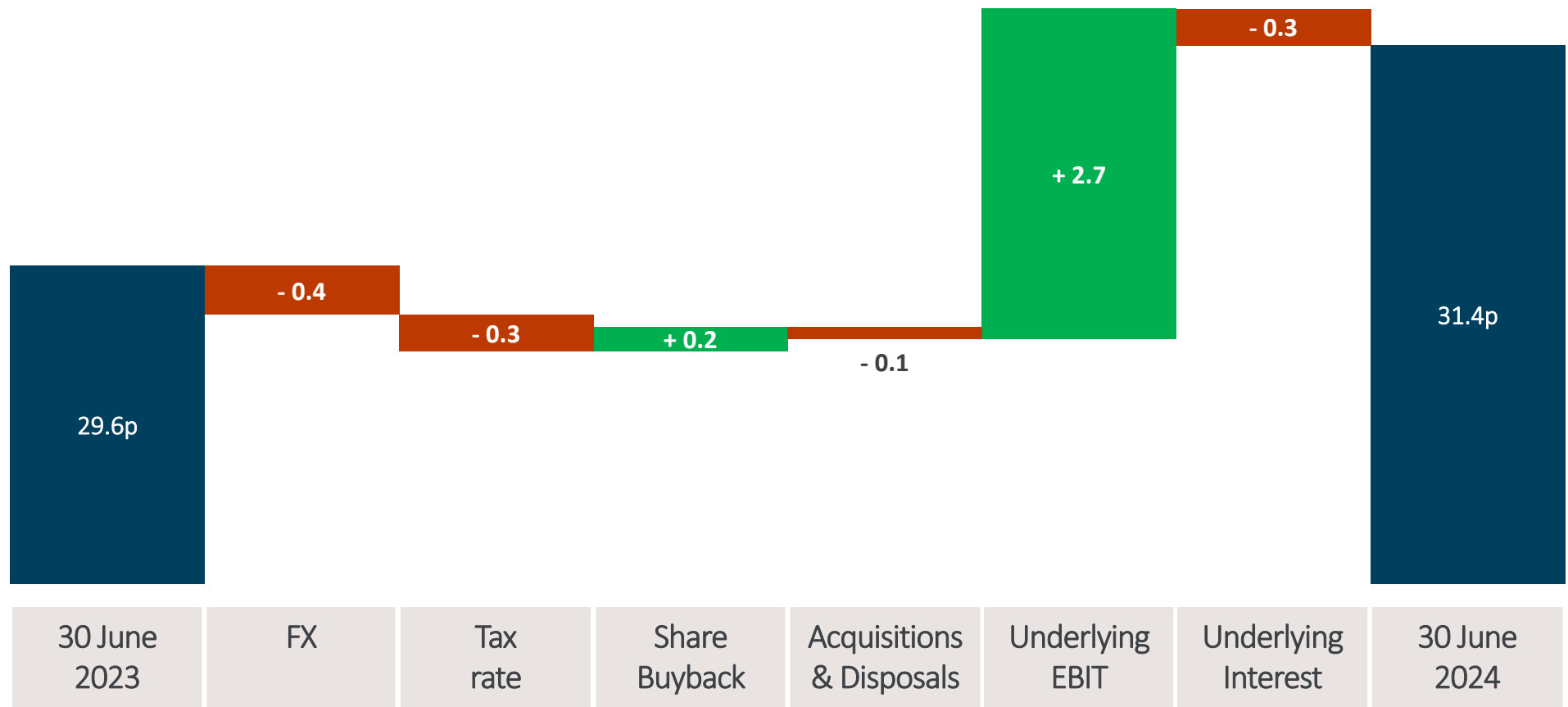
2024 half year summary financials

	Half Year 2024	Half Year 2023	Constant Currency	Reported
Order Intake	£15,115m	£21,129m		
Sales	£13,399m	£12,018m	+13%	+11%
Underlying EBIT ⁽¹⁾	£1,393m	£1,258m	+13%	+11%
Return on Sales	10.4%	10.5%	-10 bps	-10 bps
Underlying EPS ⁽²⁾	31.4p	29.6p	+7%	+6%
Underlying Tax Rate	19%	18%		
Operating Business Cash Flow ⁽³⁾	£474m	£1,307m		-£833m
Free Cash Flow ⁽³⁾	£219m	£1,070m		-£851m
Dividend per Share	12.4p	11.5p		+8%
		<i>Full Year 2023</i>		
Order Backlog	£74.1bn	£69.8bn		
Net Debt (excluding lease liabilities)	£(6,088)m	£(1,022)m		
Pension Surplus, net ⁽⁴⁾	£0.6bn	£0.2bn		

Average \$ rate: June 2024 \$1.26, June 2023 \$1.23

- 1 Operating profit excluding amortisation of programme, customer-related and other intangible assets, impairment of intangible assets, net finance costs & taxation expense of equity accounted investments and adjusting items
- 2 Basic Earnings per Share (EPS) excluding the post-tax impact of amortisation of programme, customer-related and other intangible assets, impairment of intangible assets, non-cash finance movements on pensions and financial derivatives and adjusting items attributable to shareholders
- 3 Free Cash Flow defined as Operating Business Cash Flow less interest paid (net) and taxation
- 4 The pension surplus is stated net of a 25% (Dec 2023 35%) withholding tax charge (£0.4bn, Dec 2023 £0.4bn) on a number of UK defined benefit pension schemes that are in an accounting surplus position.

Underlying earnings per share (pence)



Electronic Systems



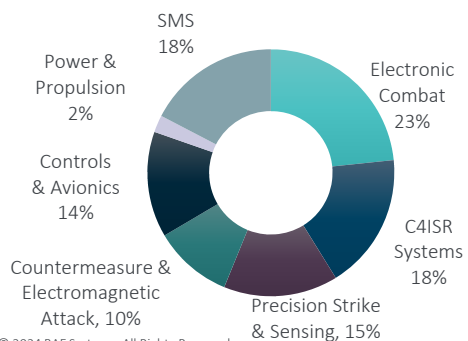
Business Description

Electronic Systems, with 22,600 employees, comprises the US- and UK-based electronics solutions and the US-based Space & Mission Systems business. The teams deliver electronic warfare systems, navigation systems, electro-optical sensors, military and commercial digital engine and flight controls, precision guidance and seeker solutions, next-generation military communications systems and data links, persistent surveillance capabilities, space electronics and electric drive propulsion systems, as well as space electronics, spacecraft and ground systems

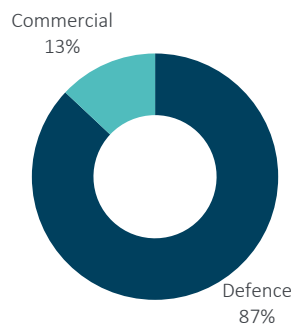
Financial Performance

Half Year	2024	2023
Sales	\$4,279m	\$3,186m
Underlying EBIT	\$598m	\$482m
Return on sales	14.0%	15.1%
Operating cash flow	\$233m	\$194m
Order intake	\$4.0bn	\$3.9bn
Order backlog ⁽¹⁾	\$14.7bn	\$11.4bn

HY24 Sales by Line of Business



HY24 Sales



- Sales up 34% on a constant currency basis, 11% on an organic basis
 - Growth in Precision Strike & Sensing, flight controls and electronic combat
 - SMS represents four month’s contribution
- Margin performance impacted by FAS/CAS
- Cash flow reflects usual business cycle
- Backlog includes c.\$3bn from acquired SMS business

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(1) Order backlog comparative as at 31 December 2023

Platforms & Services

Business Description

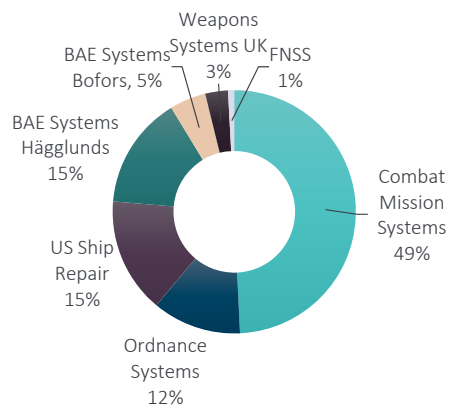
Platforms & Services, with 11,900 employees, has operations in the US, Sweden and UK, manufactures and upgrades combat vehicles, weapons and munitions, and delivers services and sustainment activities, including naval ship repair and the management and operation of two government-owned munitions facilities.



Financial Performance

Half Year	2024	2023
Sales	\$2,638m	\$2,333m
Underlying EBIT	\$273m	\$212m
Return on sales	10.4%	9.1%
Operating cash flow	\$(16)m	\$26m
Order intake	\$3.6bn	\$5.1bn
Order backlog ⁽¹⁾	\$15.5bn	\$14.6bn

HY24 Sales by Line of Business



- Sales up 13%, on a constant currency basis, largely driven by combat vehicle volumes
- Margin benefitted from:
 - AMPV full-rate production commencing
 - Strong growth in Hägglunds
- Cash performance reflects facilities investment, and the consumption of advances from prior years
- Order intake driven by CV90 for Denmark & Sweden, and AMPV

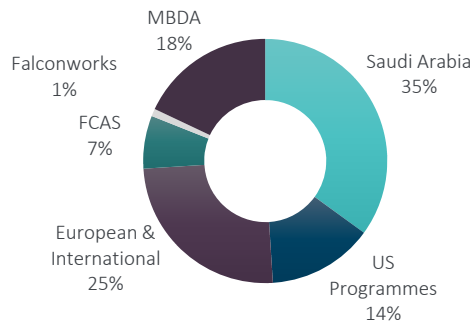
(1) Order backlog comparative as at 31 December 2023

Air

Business Description

Air, with 26,700 employees, comprises the Group’s UK-based air build and support activities for European and international markets, US programmes, development of Future Combat Air Systems and FalconWorks®, alongside our business in the Kingdom of Saudi Arabia and interests in our European joint ventures Eurofighter and MBDA.

HY24 Sales by Line of Business



Financial Performance

Half Year	2024	2023
Sales	£4,009m	£3,786m
Underlying EBIT	£446m	£454m
Return on sales	11.1%	12.0%
Operating cash flow	£724m	£1,330m
Order intake	£2.3bn	£8.4bn
Order backlog ⁽¹⁾	£25.4bn	£27.2bn

- Sales up 7% on a constant currency basis
 - Higher support activity
 - MBDA c.9% higher
- Margin performance in line with expectation - prior year benefitting from timing of risk retirements
- Good cash flow performance – prior year driven by significant advances on MBDA and support contracts
- Order intake reflects strong MBDA order flow

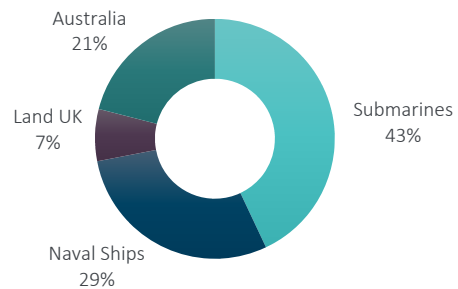
(1) Order backlog comparative as at 31 December 2023

Maritime

Business Description

Maritime, with 28,500 employees, comprises the Group’s UK-based maritime and land activities, including major submarine, ship build and support programmes, as well as our Australian business.

HY24 Sales by Line of Business



Financial Performance

Half Year	2024	2023
Sales	£2,929m	£2,603m
Underlying EBIT	£228m	£193m
Return on sales	7.8%	7.4%
Operating cash flow	£(247)m	£(79)m
Order intake	£5.7bn	£4.2bn
Order backlog ⁽¹⁾	£24.0bn	£21.3bn

- Sales growth at 14% on a constant currency basis
 - continued growth on the Dreadnought programme
 - Global Combat Ship: higher Type 26 & Hunter Class activity
- Cash performance reflects investment in UK ship build facilities
- Orders driven by Hunter Class Frigates award in Australia

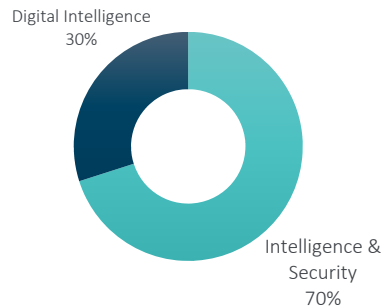
(1) Order backlog comparative as at 31 December 2023

Cyber & Intelligence

Business Description

Cyber & Intelligence, with 11,000 employees, comprises the US-based Intelligence & Security and UK-headquartered Digital Intelligence business, and covers the Group’s cyber security activities for national security, central government and government enterprises.

HY24 Sales by Business



Financial Performance

Half Year	2024	2023
Sales	\$1,496m	\$1,427m
Underlying EBIT	\$127m	\$118m
Return on sales	8.5%	8.3%
Operating cash flow	\$21m	\$63m
Order intake	\$1.5bn	\$1.7bn
Order backlog ⁽¹⁾	\$2.4bn	\$2.5bn

- Sales up 4% on a constant currency basis
- Margin performance in line with expectations & reflects investments in space, multi-domain networking & normalised utilisation levels
- Cash performance reflects timing of working capital
- Order backlog:
 - I&S book-to-bill 1.0x ; DI 1.0x

(1) Order backlog comparative as at 31 December 2023

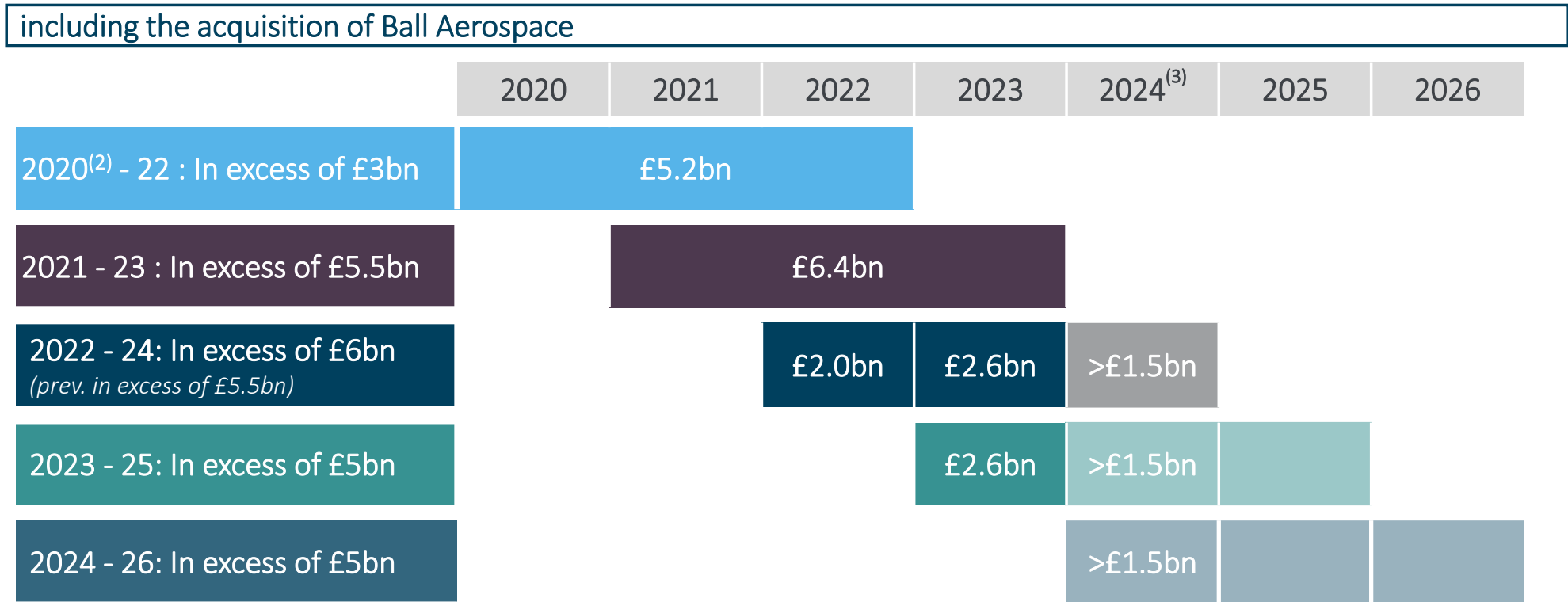
2024 half year summary by reporting segment⁽¹⁾

	Sales £m	Underlying EBIT £m	Return on Sales %	Free Cash Flow ⁽²⁾ £m	Order Intake £bn	Order Backlog £bn
Electronic Systems	3,383	473	14.0	184	3.2	11.6
Platforms & Services	2,085	216	10.4	(13)	2.8	12.2
Air	4,009	446	11.1	724	2.3	25.4
Maritime	2,929	228	7.8	(247)	5.7	24.0
Cyber & Intelligence	1,182	101	8.5	16	1.2	1.9
HQ	85	(71)	-	(190)	0.1	-
Eliminations	(274)	-	-	-	(0.2)	(1.0)
Interest & tax paid	-	-	-	(255)	-	-
Group	13,399	1,393	10.4	219	15.1	74.1

(1) USD FX rate of \$1.26 (backlog @ \$1.26)

(2) Free Cash Flow applies to Group; Reporting Segments reflect operating business cash flow

Upgraded three year free cash flow guidance⁽¹⁾



Strong free cash flow supports capital returns to shareholders

(1) Whilst the Group is subject to geopolitical and other uncertainties, the guidance is provided on current expected operational performance

(2) Excluding the £1bn one-off UK pension contribution

(3) 2024 in year cash guidance updated from >1.3bn to >1.5bn at 2024 half year results

Summarised balance sheet (£m)

	30 June 2024	31 December 2023
Intangible fixed assets	16,045	12,099
Tangible fixed assets	6,333	5,003
Investments	789	916
Working capital	(4,739)	(5,468)
Pension surplus	578	229
Lease liabilities	(1,825)	(1,396)
Tax assets & liabilities	447	474
Financial assets & liabilities	(79)	(112)
Net debt	(6,088)	(1,022)
Net Assets	11,461	10,723

USD FX

\$1.26

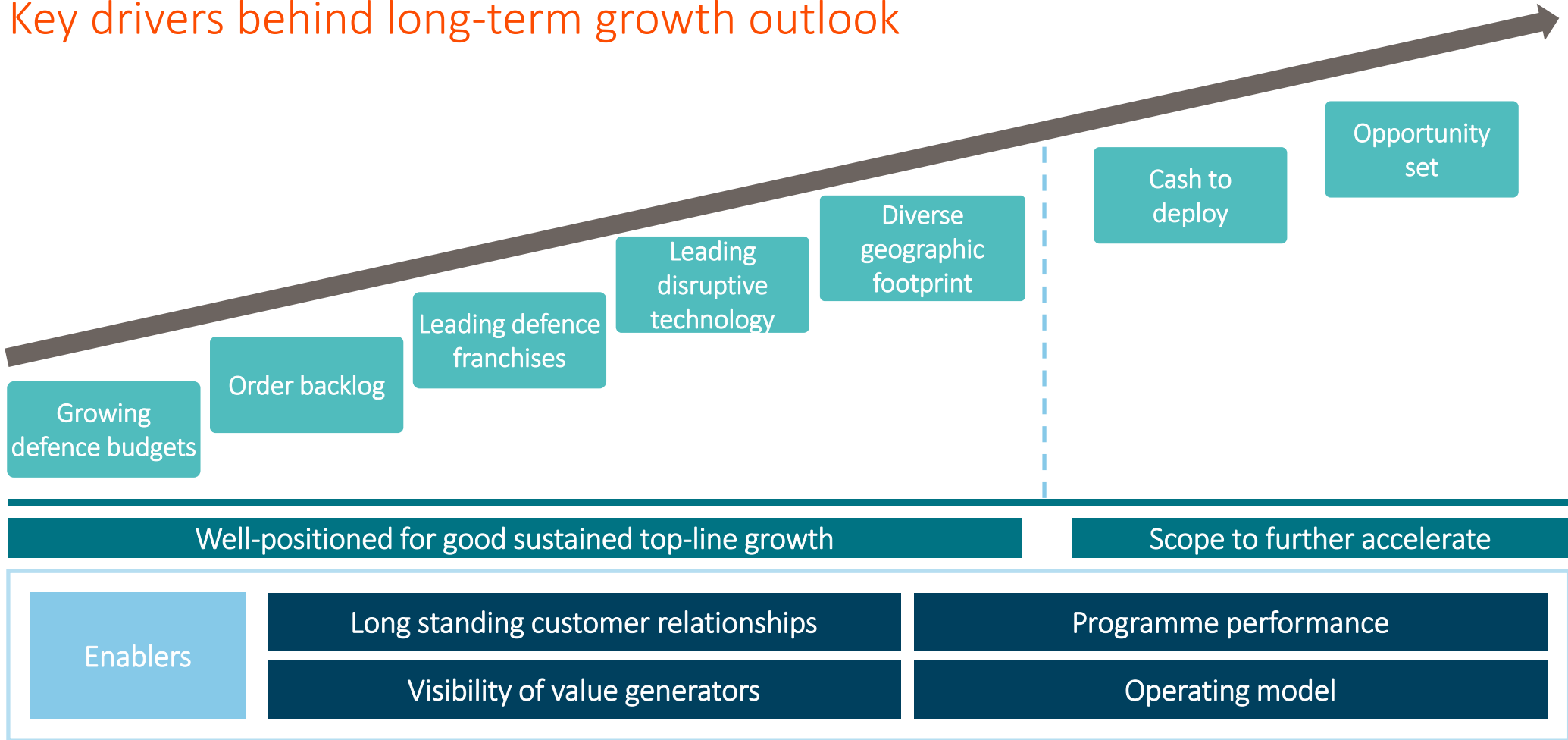
\$1.27

Reconciliation of earnings

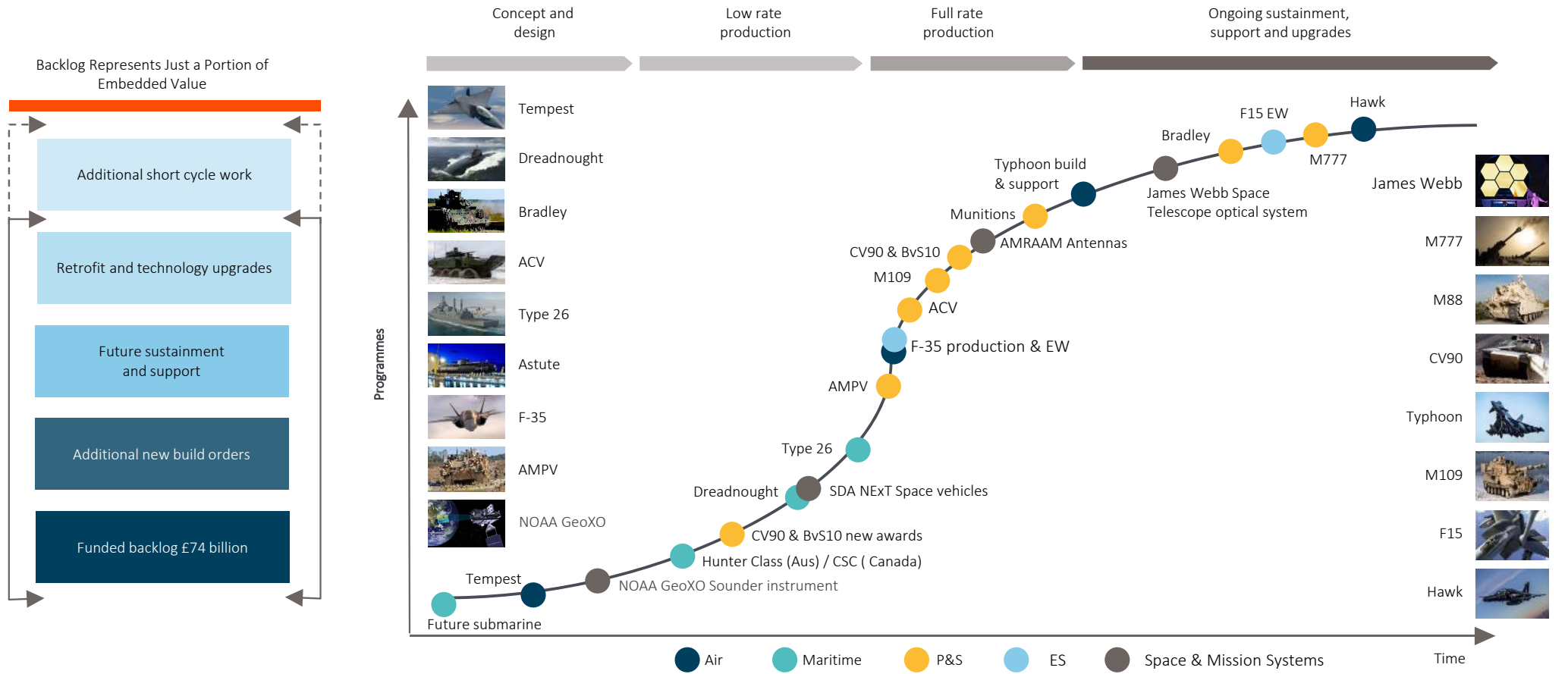
(£m / pence EPS)

	Half Year 2024				Half Year 2023			
	Income Statement	Reclass. EAI interest & tax	Reclass. Other	"Reported"	Income Statement	Reclass. EAI interest & tax	Reclass. Other	"Reported"
Operating Profit / Underlying EBIT	1,296	-	97	1,393	1,233	17	8	1,258
Other Intangible amortisation/impairment			(143)	(143)			(56)	(56)
Adjusting items			46	46			48	48
Finance Costs - <i>Underlying</i>	(207)	27	-	(180)	(116)	5	-	(111)
- <i>Fair Value</i>	74	(1)	-	73	81	(3)	-	78
	(133)	26	-	(107)	(35)	2	-	(33)
Profit before tax	1,163	26	-	1,189	1,198	19	-	1,217
Tax - <i>Underlying</i>				(225)				(206)
- <i>Other</i>				24				(6)
	(175)	(26)	-	(201)	(193)	(19)	-	(212)
Non-controlling interest	(40)	-	-	(40)	(40)	-	-	(40)
Earnings	948	-	-	948	965	-	-	965
Weighted average number of shares				3,016				3,039
Earnings per Share:								
- Underlying				31.4p				29.6p
- Basic				31.4p				31.8p

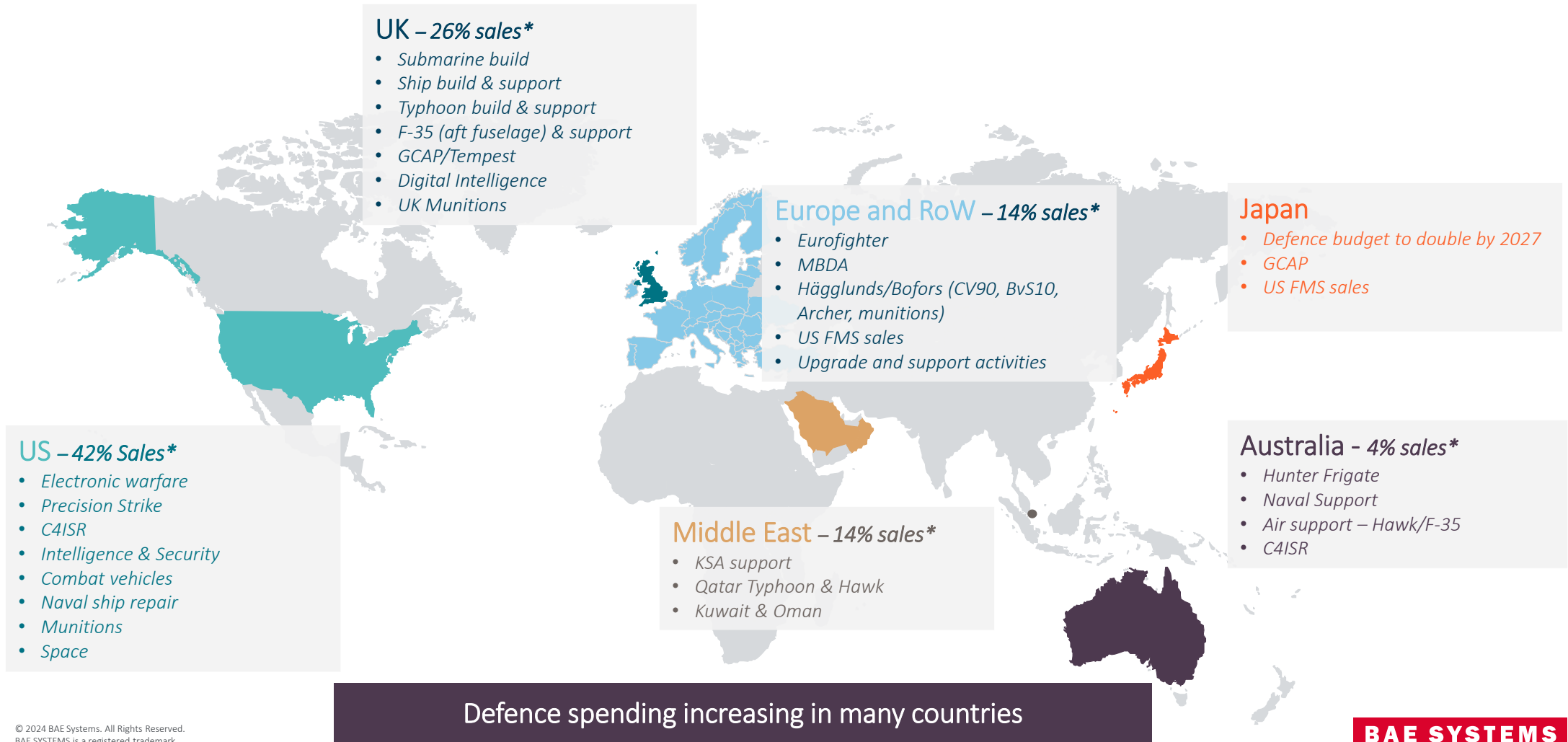
Key drivers behind long-term growth outlook



Multi-decade programmes with long-term embedded value - illustrative



Geographic diversity - a strength now and into the future



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* based on 2023 sales

Defence spending increasing in many countries

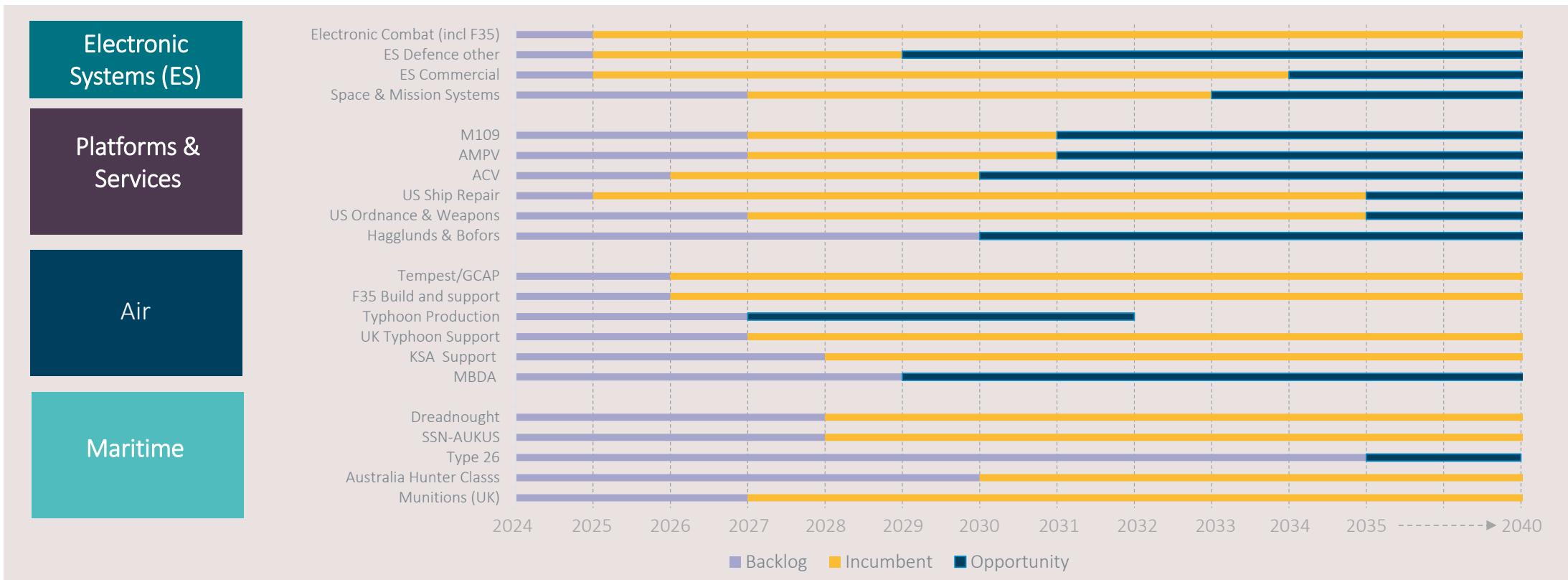
Multi year programme visibility underpinned by a £74bn backlog

	2024 HY Sector Backlog	Sector sales outlook	Major Programme/Franchise	Sales outlook ₍₁₎
ES	\$14.7bn	↑	Electronic Combat Solutions	↑
			ES Defence other	↑
			ES Commercial	↑
			Space & Mission Systems	↑
P&S	\$15.5bn	↑	Combat Mission Systems	↑
			Hägglunds & Bofors	↑
			US Ordnance	↑
Air	£25.4bn	↑	F-35 (AIR)	↑
			Typhoon Support & Upgrade	↑
			Typhoon Production & Tempest Development	↑
			KSA Support*	↑
			MBDA	↑
Maritime	£24.0bn	↑	Submarine Design and Build	↑
			Global Combat Ship	↑
C&I	\$2.4bn	↑	Intelligence & Security	↑
			Digital Intelligence	↑
Reported orderbook - a subset of true programme visibility				

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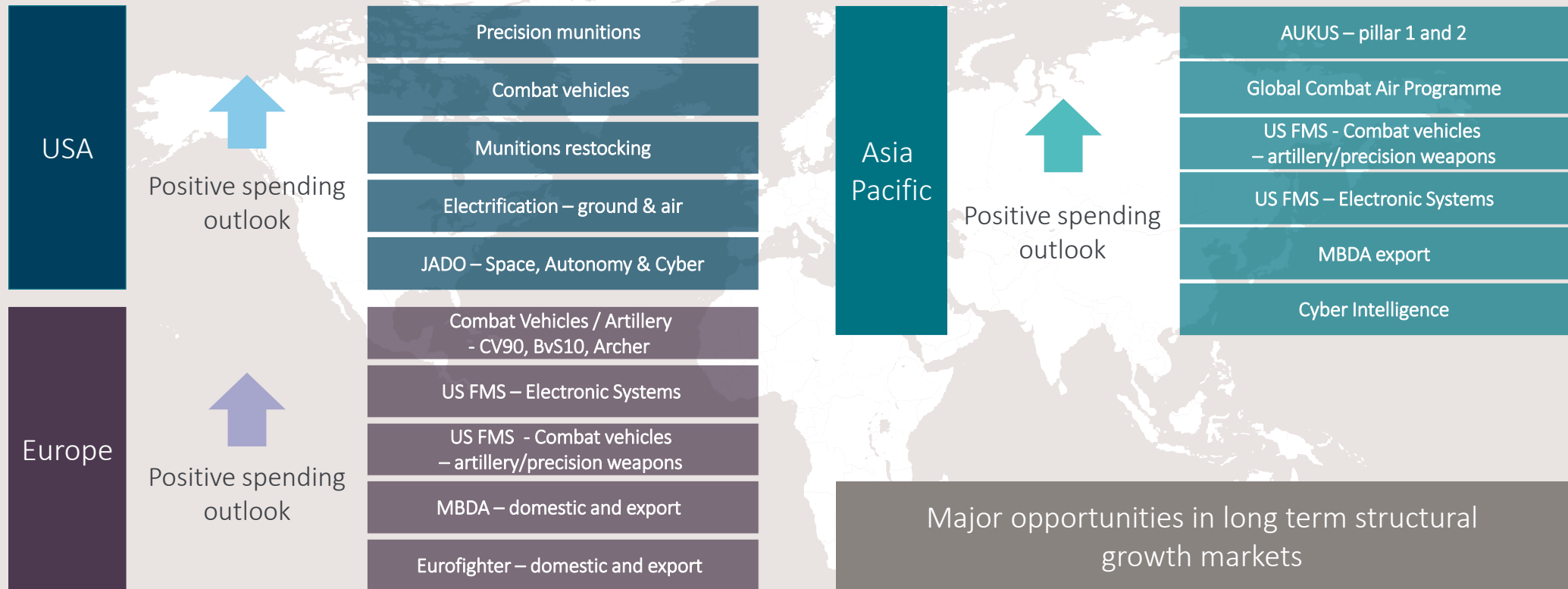
Projections are based on internal management estimates and reflect management’s current assumptions, including assumed receipt of future orders over the medium term
KSA Support excludes KSA Typhoon support which is included in “Typhoon Support and Upgrade”

£74bn backlog + pipeline supports medium to long-term growth



* Image is for illustrative purposes and does not include an exhaustive list of all programmes in the Group

Portfolio uniquely placed to address current and future threat environment



ESG Agenda evolving and progressing

‘We serve, supply and protect those who serve and protect us, in a corporate culture that is performance driven and values led’



MSCI AA leader class rating