BAE Systems plc
Half-yearly Report 2024

BAE SYSTEMS

Charles Woodburn, Chief Executive, said: "*Thanks to the outstanding efforts of our employees around the world, we delivered a strong operational and financial performance in the first half of the year, giving us confidence to increase our year-end guidance across all our key metrics. Working closely with our customers, we have maintained momentum on key strategic activities, including AUKUS and the Global Combat Air Programme. We also continued evolving our technology portfolio through strategic acquisitions and the ongoing integration of our new Space & Mission Systems business.*

"Our order intake shows that demand for our products and services remains high and we are well positioned for sustained growth in the coming years. We will keep investing in new technologies, facilities and our people so that we can deliver on our record order backlog and help our government customers stay ahead in an uncertain world."

Financial highlights

Financial performance measures as defined by Group[1]	**Six months ended 30 June 2024**	Six months ended 30 June 2023	Variance[2]
Sales	**£13,399m**	£12,018m	+13%
Underlying EBIT	**£1,393m**	£1,258m	+13%
Underlying earnings per share – basic	**31.4p**	29.6p	+7%
Free cash flow	**£219m**	£1,070m	-£851m
Order intake	**£15.1bn**	£21.1bn	-£6.0bn
	As at 30 June 2024	As at 31 December 2023	Variance[3]
Order backlog	**£74.1bn**	£69.8bn	+£4.3bn

Financial performance measures as derived from IFRS	**Six months ended 30 June 2024**	Six months ended 30 June 2023	Variance
Revenue	**£12,477m**	£10,997m	+13%
Operating profit	**£1,296m**	£1,233m	+5%
Earnings per share – basic	**31.4p**	31.8p	-1%
Net cash flow from operating activities	**£757m**	£1,484m	-£727m
Dividend per share	**12.4p**	11.5p	+8%
	As at 30 June 2024	As at 31 December 2023	Variance
Order book	**£59.6bn**	£58.0bn	+£1.6bn

As defined by Group

- The 13%[2] growth in sales reflects the ongoing strong programme performance across the portfolio and the acquisition of the Space & Mission Systems (SMS) business in February.
- Underlying earnings before interest and tax (EBIT) has grown 13%[2], reflecting the increase in sales combined with strong programme execution and the ongoing efforts of our internal efficiency initiatives.
- Growth of 7%[2] in underlying earnings per share (EPS) is after the increase in underlying net finance costs, incurred primarily as a result of the $4.8bn (£3.8bn) debt finance raised in March, and the increased tax rate.
- Free cash flow was £219m, with the comparative period of £1,070m reflecting a high level of customer advances.

As derived from IFRS

- The growth in revenue of 13% reflects the same strong operational performance across the portfolio.
- Operating profit is up 5% as the growth in underlying EBIT is offset by the additional amortisation of intangible assets acquired with SMS.
- The reduction in basic earnings per share on the prior period reflects the increased interest cost and the amortisation of intangibles acquired with SMS.

1. We monitor the underlying financial performance of the Group using alternative performance measures. These measures are not defined in International Financial Reporting Standards (IFRS) and therefore are considered to be non-GAAP (Generally Accepted Accounting Principles) measures. The relevant IFRS measures are presented where appropriate. The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 46.
2. Growth rates for sales, underlying EBIT and underlying EPS are on a constant currency basis (i.e. calculated by translating the results from entities in functional currencies other than pounds sterling for the period ended 30 June 2023 to pounds sterling at the average exchange rate of such currencies for the period ended 30 June 2024). The comparatives have not been restated. All other growth rates and year-on-year movements are on a reported currency basis.
3. Order backlog includes £2.2bn acquired with the SMS business in February.

Strategic progress

Alongside strong operational delivery, we continued to invest in our people, research & development (R&D) and capital expenditure, which underpins our growth outlook. During the first half of the year, key areas of progress included the following:

- Under the AUKUS agreement, we were selected to build Australia's new fleet of nuclear-powered submarines, alongside ASC Pty Ltd.
- We signed a contract, worth £4.6bn, for the delivery of the first three Hunter Class frigates (Batch 1) in Australia, following which, we entered the construction phase and officially cut steel on the first ship at a ceremony at the Osborne Naval Shipyard in Adelaide, South Australia.
- We made progress against our 2024 target to recruit 2,700 graduates and apprentices in the UK.
- In February, we completed the acquisition of the US-based Ball Aerospace business from Ball Corporation and formed our new SMS business, which is reported within our Electronic Systems sector. Since the acquisition, the SMS business has secured orders of £0.7bn and we are progressing with the integration activities.
- In February, Air Astana completed an initial public offering (IPO) with a joint listing in London and Kazakhstan. Following the IPO, our shareholding reduced from 49% to 17% - with cash proceeds on disposal of £166m and a profit on disposal of £75m.
- We completed two further acquisitions in the uncrewed air systems (UAS) technology market, both of which form part of FalconWorks® in our Air sector.

Operational highlights

- The sixth Astute class submarine, Agamemnon, was officially named at our submarines site in Barrow-in-Furness, Cumbria.
- We delivered two further Typhoon aircraft to Qatar – a total of 20 are now in service with the Qatar Emiri Air Force.
- A new concept model of the next-generation combat aircraft, being developed by the Global Combat Air Programme (GCAP), was unveiled at the Farnborough International Airshow in July. This will be known as Tempest in the UK.
- We marked the launch of satellites that will bridge critical gaps in current space-based environmental monitoring capabilities for the US Space Force.
- Following the move to full-rate production, we are now delivering five variants of Armored Multi-Purpose Vehicles (AMPV) and, during the period, the US Marine Corps' fleet of Amphibious Combat Vehicles (ACV) completed its first successful operational deployment.
- Within our Hägglunds business, based in Sweden, we are expanding our production and delivery capabilities by investing more than £160m in advanced manufacturing capabilities and a new customer test and acceptance centre in the period.

Capital deployment

- We successfully raised \$4.8bn (£3.8bn) of debt finance, of which \$4.0bn (£3.2bn) was used to refinance the bridge loan facility associated with the Ball Aerospace acquisition.
- We completed the third and final tranche of the up to £1.5bn share buyback programme, announced in July 2022 (2022 share buyback programme) on 24 July 2024. In the six months ending 30 June 2024, we repurchased 19,403,928 ordinary shares under the 2022 share buyback programme at a total cost (including transaction fees) of £250m. The up to £1.5bn share buyback programme, which we announced in August 2023 (2023 share buyback programme), commenced on 25 July 2024.
- The directors have declared an interim dividend of 12.4p per share in respect of the half year ended 30 June 2024. This represents an increase of 8% compared to the interim dividend declared in respect of the half year ended 30 June 2023. This will be paid on 2 December 2024, in line with our usual dividend timetable.

2024 Upgraded Group guidance[1]

Sales guidance is increased by 200 bps to 12% to 14% reflecting continued strong operational performance across all sectors.

Underlying EBIT guidance is increased by 100 bps to 12% to 14% reflecting the sales profile and strong operational performance.

Underlying earnings per share guidance is increased by 100 bps to 7% to 9% aligned to underlying EBIT. In addition, we have refined our guidance on underlying net finance costs and the effective tax rate.

We have increased our in-year free cash guide by £200m to >£1.5bn and we expect to deliver over £6.0bn of free cash flow for the three year period ending 2024.

The Group guidance for 2024 incorporates the acquisition of Ball Aerospace[2] and the reduction in the Group's shareholding in Air Astana following its initial public offering, both of which completed in February 2024.

Guidance is provided on a constant currency basis using an exchange rate of $1.24:£1, which is in line with the actual 2023 exchange rate. Sensitivity to foreign exchange rates: the Group operates in a number of currencies, the most significant of which is the US dollar. As a guide, a 5 cent movement in the £/$ exchange rate will impact sales by c.£500m, underlying EBIT by c.£70m and underlying earnings per share by c.1.3p.

Year ended 31 December 2024	Updated Guidance	Previous Guidance	Year ended 31 December 2023 Results
Sales	Increase by 12% to 14%	Increase by 10% to 12%	£25,284m
Underlying EBIT	Increase by 12% to 14%	Increase by 11% to 13%	£2,682m
Underlying EPS	Increase by 7% to 9%	Increase by 6% to 8%	63.2p
Free cash flow target	>£1.5bn	>£1.3bn	£2,593m

- Underlying net finance costs c.£360m to c.£375m (previously c.£350m to c.£375m)
- Effective tax rate c.20% (previously c.21%)
- Non-controlling interests c.£80m

1. While the Group is subject to geopolitical and other uncertainties, the Group guidance is provided on current expected operational performance. 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 IFRS are provided in the Alternative performance measures section on page 46.
2. Guidance incorporates the acquisition of Ball Aerospace from 16 February 2024.

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Analyst and investor presentation

A presentation, for analysts and investors, of the Group's Half-yearly Results for 2024 will be available at 7.15am BST today (1 August 2024) on the investor website, followed by a Q&A at 9.00am BST.

Details can be found on **investors.baesystems.com**, together with presentation slides and a copy of this report. A recording of the Q&A webcast will be available for replay later in the day.

About BAE Systems

At BAE Systems, we provide some of the world's most advanced, technology-led defence, aerospace and security solutions. We are a workforce of around 100,000[1] highly skilled people in more than 40 countries. Working with our customers and local partners, we develop, engineer, manufacture and support products and systems that deliver military capability, protect national security, and keep critical information and infrastructure secure.

1. Including share of equity accounted investments.

Shareholder information

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Registered in England and Wales, No. 01470151

Cautionary statement:

All statements other than statements of historical fact included in this document, including, without limitation, those regarding the financial condition, results, operations and businesses of BAE Systems plc and its strategy, plans and objectives and the markets and economies in which it operates, are forward-looking statements. Such forward-looking statements, which reflect management's assumptions made on the basis of information available to it at this time, appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of BAE Systems plc concerning, amongst other things, its results in relation to operations, financial condition, liquidity, prospects, growth, commitments and targets (including environmental, social and governance commitments and targets), strategies and the industry in which it operates. Forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "intends", "will", "will continue", "should", "would be", "seeks", "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Forward-looking statements are not guarantees of future performance and the actual results of operations, financial condition and liquidity of BAE Systems plc, the development of the industry in which it operates and the ability of BAE Systems plc to meet its commitments and targets may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if results of operations, financial condition and liquidity of BAE Systems plc, the development of the industry in which it operates and/or performance against commitments and targets are consistent with the forward-looking statements contained in this document, those results, developments or performance may not be indicative of results, developments or performance in subsequent periods.

These forward-looking statements speak only as of the date of this document. Subject to the requirements of the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation or applicable law, BAE Systems plc explicitly disclaims any intention or obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of it. All subsequent written and oral forward-looking statements attributable to either BAE Systems plc or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to herein and contained elsewhere in this document.

BAE Systems plc and its directors accept no liability to third parties in respect of this document save as would arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with Schedule 10A of the Financial Services and Markets Act 2000. It should be noted that Schedule 10A and Section 463 of the Companies Act 2006 contain limits on the liability of the directors of BAE Systems plc so that their liability is solely to BAE Systems plc.

Interim management report

Half-year overview

We have continued our operational momentum and delivered a strong set of half-year results, building on the performance of recent years. In the first half of 2024, we have:

- continued to assist our customers in delivering urgent mission critical capability;
- sustained strong operational performance;
- enhanced our portfolio through acquisitions focused on high-end technologies;
- increased self-funded R&D and capital expenditure;
- secured £15.1bn of orders which, combined with £2.2bn of order backlog acquired with SMS, has set a record order backlog of £74.1bn; and
- delivered increased sales and underlying EBIT compared to the first half of 2023.

The order backlog and programme incumbencies underscore our confidence in our long-term, value-creating model. Our global presence and diverse portfolio of products and services provide high visibility for top-line growth and cash generation in the coming years.

Our markets

Defence spending is high across our key markets, which supports our existing programmes and provides a robust pipeline of opportunities across all our sectors, as we look to support our customers in addressing the rising threat environment.

In the US, we started the year operating under Continuing Resolutions until the fiscal year 2024 budget legislation was passed, authorising Department of Defense appropriations of $841.4bn. Bipartisan support continues for a strong defence posture and a National Security Supplemental of $95.3bn was passed in April, providing further funding for our combat vehicle and ammunition programmes predominantly for Ukraine and other international support.

Turning to 2025, per the Fiscal Responsibility Act budget caps, the President's 2025 Budget Request provides only 1% growth for defence spending at $849.8bn. Reaching consensus, prior to the fiscal year start on 1 October, will be challenged by its delayed release and the upcoming presidential and congressional elections in November. Whilst the top line is constrained, the budget is once again rooted in the US National Defense Strategy and US National Intelligence Strategy, and we remain well aligned to these strategic priorities to address the rising threats. This alignment is further enhanced with the addition of our SMS business this year.

In the UK, as expected, the new UK Government has announced a Strategic Defence Review (SDR), due to report in the first half of 2025. This review will consult widely and is intended to consider the current capabilities and resources of the UK Armed Forces against the threats the UK faces and to make recommendations on the future defence plan. The SDR will also consider when the UK might reach defence spending of 2.5% GDP. It is clear that the UK Government sees the defence industry as a key contributor to economic growth, calling it a "cornerstone of a new industrial strategy".

In our UK business, growth is grounded on key long-term contract programmes including Dreadnought, AUKUS, Type 26 frigates, Typhoon support and upgrade and our 15 year munitions partnering agreement.

In Europe, defence is increasing as a priority and government spending continues to rise in line with firm commitments. For NATO members, this has seen the majority of members' defence budgets rising in line with their pledge to achieve a minimum of 2% GDP to provide enough resources to restock and build back military capability.

Australia continues to spend c.2% of its GDP on defence with a significant commitment to fund equipment procurement. The "National Defence Strategy" sets out how Australia will focus on meeting the challenge posed by an expansionist China. It plans to do this by deepening security ties with its key partner, the US, its regional allies and the UK through strategically important programmes such as AUKUS, as one example. In order to grow resilience in its sovereign defence industry, the Commonwealth also published its "Defence Industry Development Plan". This sets out how government and industry will work more closely on co-development, co-production and co-sustainment of defence equipment and capability. The Plan further sets out how the Commonwealth will provide more support to defence exports and to grow the role of Australian suppliers in the global defence supply chain through an expanded "Global Supply Chain Program".

Strategic progress

The Australian Government's selection of BAE Systems and ASC Pty Ltd to build Australia's new fleet of nuclear powered submarines is the latest significant development in the AUKUS trilateral security pact between Australia, the UK and the US. Under the AUKUS agreement, Australia and the UK will operate a common submarine of the future, incorporating technology from all three nations, based on the UK's next-generation design. We will now combine our complementary skills, expertise and capabilities with ASC Pty Ltd under a collaborative arrangement in Australia, ultimately leading to the establishment of an incorporated joint venture.

We continue to make progress on GCAP following the treaty between the UK, Japan and Italy. As the UK's national lead on the programme, we have begun to establish a pathway for sharing knowledge and technology between the nations. This partnership will foster innovation and technological advancements, as well as safeguarding the future of our national combat air industry. A new concept model of the next-generation combat aircraft, being developed by GCAP, was unveiled at the Farnborough International Airshow in July. This will be known as Tempest in the UK.

On 16 February, we completed the acquisition of Ball Aerospace and renamed the business Space & Mission Systems (SMS). The SMS business is reported in our Electronic Systems sector. The integration programme is underway and the business has secured a number of key contracts in the first half of the year. There were successful launches of multiple satellites with BAE Systems-built instruments: MethaneSAT will provide reliable scientific data about the sources and scale of methane emissions globally to help drive reductions in the future; and the Weather System Follow-on – Microwave (WSF-M) satellite will bridge critical gaps in current space-based environmental monitoring capabilities for the US Space Force. We have established synergy work streams to identify the most promising areas for technology collaboration, new business partnerships and opportunities for collaboration on existing platforms. Whilst still early in the process, there are many long-term strategic opportunities to secure.

Operational performance

Overall operational performance was strong across all Sectors in the first half of the year. Some of the notable milestones achieved include:

- ramp up of CV90 production in our Swedish combat vehicle business;
- further deliveries of two Typhoon aircraft to Qatar - with 20 now in service;
- our Eagle Passive Active Warning Survivability System successfully completed initial operational test and evaluation;
- SMS saw the launch of MethaneSAT, a programme the team has been working on for many years;
- official naming of the Sixth Astute class submarine, Agamemnon; and
- Hunter Class Frigate Programme entered the construction phase with the official steel cut ceremony on the first ship.

Our government customers have provided a significant amount of BAE Systems produced equipment to Ukraine and we remain closely engaged with our customers to provide effective ongoing support, including through a new contract with the UK Ministry of Defence to maintain and repair gifted L119 Light Guns in Ukraine.

Evolving the business for long-term growth

Our focus on technology continues to be aligned with the national defence strategies of our major markets as our customers address the evolving global threat environment. We expect self-funded R&D to rise with investments in high-technology areas - including electronic warfare, autonomy, laser-guided weapons, counter UAS, synthetic training, electrification applications and space solutions.

In support of our growth outlook and to help meet our customer aspirations, we are investing in our people, facilities and technology. In the UK, we have made progress against our 2024 target to recruit 2,700 graduates and apprentices.

Capital expenditure is expected to rise compared to 2023 - focused on maritime, munitions and our Swedish combat vehicle production capacity and capabilities. These investments are all included within our rolling three-year cash guidance.

Alongside our organic technology investment strategy, we also continue to evolve our portfolio with a focus on high-end technologies which we believe will be highly relevant and will drive higher growth. In the first half of the year, we have:

- completed the acquisition of Ball Aerospace and formed our SMS business in the US, significantly enhancing our presence in the growing space market;
- completed the acquisitions of Malloy Aeronautics Ltd and Callen-Lenz Associates Ltd in the UK to significantly strengthen our capabilities in UAS. These two businesses will sit within FalconWorks®, our Air sector technology hub; and
- reduced our stake in Air Astana.

2024 half-year financial performance

We have delivered a strong set of half-year financial results which underpins confidence in our upgraded guidance for the full year.

On a constant currency basis, sales growth was 13% with all sectors delivering sales growth in the first half and including the benefit from the acquisition of the SMS business in February.

Revenue growth in the first half of the year was up 13% on a reported currency basis, reflective of the same drivers behind the increase in sales for the period, excluding the performance of MBDA and other equity accounted investments.

Underlying EBIT was up 13% to £1,393m, and underlying earnings per share was up 7% to 31.4p, both on a constant currency basis. This was driven by the acquisition of the SMS business alongside strong programme execution across the portfolio.

Operating profit increased 5% to £1,296m on a reported currency basis. The growth in underlying EBIT was offset by the increase in amortisation of acquired intangibles in the period.

Growth of 7%, on a constant currency basis, in underlying EPS is after the increase in underlying net finance costs, incurred primarily as a result of the $4.8bn (£3.8bn) debt finance raised in March, and the increased tax rate.

We closed the half-year with a strong balance sheet, featuring a cash position of £2.8bn, net debt (excluding lease liabilities) of £6.1bn, following the $4.8bn (£3.8bn) of debt financing raised in March, and a net pension position in an accounting surplus of £0.6bn.

We have a record order backlog of £74.1bn, after order intake of £15.1bn and the acquisition of £2.2bn of order backlog from the SMS business in the first half of the year. Details of other awards in the period are included in the segmental reviews on pages 14 to 24. Significant orders in the period included:

- a £4.6bn contract in Australia to deliver three frigates under Batch 1 of the Hunter Class Frigate Programme;
- combat vehicle orders for CV90 in excess of £0.8bn in our Hägglunds business, including a contract with the Swedish Government to provide new-build CV90s to replenish the Swedish Army's fleet; and
- multiple domestic and export orders in MBDA, including enhancements to Italian air defence systems.

Our Environmental, Social and Governance (ESG) agenda

Global events have demonstrated the need for strong defence and security in the face of aggression by nation states. At BAE Systems, we provide critical capabilities and support to our government customers and their allies to fulfil their primary obligations to keep citizens safe, as well as providing important economic and social contributions through the provision of sustainable high-quality jobs.

In 2024, we are driving sustainability actions to deliver on our business priorities and continue to monitor performance through benchmarking, regulatory screening and engagement. We are making good progress around our work stream of building climate resilience. In the UK, our renewable energy strategy is now in place to deliver 100% renewable electricity by 2030. In support of creating opportunities for our people and communities, we now have a record number of apprentices, graduates and undergraduates in the business.

Our business foundations are built on maintaining rigorous standards of governance and assurance and, in 2024, we have refreshed our Code of Conduct and further deployed our responsible supplier principles. These strong foundations of business conduct are vital to deliver the wider business objectives of continued success through partnering, collaboration and innovation with suppliers, customers and research institutes.

Outlook

We have strong visibility to deliver on our value compounding model and our half-year results underpin that confidence. We see significant potential in the years ahead due to:

- our continued focus on operational excellence underpinned by a robust operating model;
- continued investment in the business to support future growth;
- a large order backlog providing the foundation for growth over the medium term;
- leading technology solutions for our customers;
- the strength of our diversity across geographies and technology;
- our global opportunity pipeline to further enhance growth;
- scope to drive further margin expansion; and
- our strong balance sheet with good cash generation, supporting value-enhancing capital allocation.

Group financial review

Group income statement

As defined by Group[1]

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m
Sales	**13,399**	12,018
Return on sales	**10.4%**	10.5%
Underlying EBIT	**1,393**	1,258
Underlying net finance costs	**(180)**	(111)
Underlying tax expense	**(225)**	(206)
Underlying profit for the period	**988**	941
Attributable to:		
Equity shareholders	**948**	901
Non-controlling interests	**40**	40

As derived from IFRS

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m
Revenue	**12,477**	10,997
Return on revenue	**10.4%**	11.2%
Operating profit	**1,296**	1,233
Net finance costs	**(133)**	(35)
Tax expense	**(175)**	(193)
Profit for the period	**988**	1,005
Attributable to:		
Equity shareholders	**948**	965
Non-controlling interests	**40**	40

1. The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 46.
2. Current period compared with prior period translated at current period exchange rates. The comparatives have not been restated.

As defined by Group

Sales for the period were £13.4bn (2023 £12.0bn) representing growth, on a constant currency basis[2], of 13% with all sectors delivering growth in the period. The growth includes the effect of the SMS acquisition from February.

Electronic Systems recorded sales of £3.4bn (2023 £2.6bn), equating to growth of 34% on a constant currency basis. This was driven by the acquisition of the SMS business and organic growth of 11% in the underlying business, led by the precision strike & sensing and commercial avionics businesses.

Our Platforms & Services sector posted sales of £2.1bn (2023 £1.9bn), with growth of 13% on a constant currency basis, driven by increased vehicle production in our Hägglunds and Combat Mission Systems businesses.

Our Air sector recorded sales of £4.0bn (2023 £3.8bn), representing growth of 7% on a constant currency basis. The sector saw increased activity on support programmes and MBDA. This was offset by a reduced contribution from the Qatar Typhoon programme as deliveries complete.

Maritime recorded sales of £2.9bn (2023 £2.6bn), which was an increase of 14% on a constant currency basis, primarily due to increased activity on the Hunter Class Frigate Programme.

Sales in the Cyber & Intelligence sector increased by 4% on a constant currency basis, to £1.2bn (2023 £1.2bn).

Underlying EBIT was up 13%, on a constant currency basis, to £1,393m (2023 £1,258m).

Our Electronic Systems sector grew underlying EBIT to £473m (2023 £391m), an increase of 24% on a constant currency basis. The growth in underlying EBIT reflected the acquisition of SMS and organic growth in the underlying business. As anticipated, the lower return on sales of 14.0% (2023 15.1%) reflected the impact of the SMS acquisition and the anticipated absorption of lower pension recoveries (FAS/CAS).

Platforms & Services reported underlying EBIT of £216m (2023 £172m), an increase of 29% on a constant currency basis, with the return on sales increasing to 10.4% (2023 9.1%). The growth reflected the strong operational performance in our Hägglunds and Combat Mission Systems businesses.

Our Air sector reported underlying EBIT of £446m (2023 £454m), a return on sales of 11.1% (2023 12.0%). This reflected good operational performance, with the comparative period benefitting from risk retirement.

The Maritime sector reported underlying EBIT of £228m (2023 £193m) in line with the growth in sales, generating a return on sales of 7.8% (2023 7.4%).

Reconciliation of underlying EBIT to operating profit	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m
Underlying EBIT	**1,393**	1,258
Adjusting items	**46**	48
Amortisation of programme, customer-related and other intangible assets and impairment of intangibles	**(143)**	(56)
Net finance income of equity accounted investments	**26**	2
Tax expense of equity accounted investments	**(26)**	(19)
Operating profit	**1,296**	1,233

Adjusting items totalled a net gain of £46m (2023 £48m). During the period, the Group realised a profit on the sale of its partial shareholding in Air Astana of £75m and recognised a settlement gain of £13m on a US pension buy-out. This was offset by £42m of acquisition-related costs, primarily in relation to Ball Aerospace. The comparative period comprised a settlement gain on a US pension annuity buy-out of £51m, offset by charges relating to historical acquisitions and disposals of £3m.

Amortisation of programme, customer-related and other intangible assets and impairment of intangibles resulted in a charge of £143m (2023 £56m), with £86m relating to amortisation of intangibles acquired with the SMS business.

Underlying net finance costs were £180m (2023 £111m), an increase of £69m largely reflecting the additional interest expense on the $4.8bn (£3.8bn) of debt financing raised during the period, of which $4.0bn (£3.2bn) was used to fund the Ball Aerospace acquisition.

Underlying tax expense of £225m (2023 £206m) was an increase of £19m, reflecting the higher underlying pre-tax profits and a marginal increase in the underlying effective tax rate to 19% (2023 18%).

As derived from IFRS

Revenue was £12.5bn (2023 £11.0bn), with growth during the period of 13% on a reported currency basis, reflective of the same drivers behind the increase in sales for the period.

Operating profit increased 5% to £1,296m (2023 £1,233m), on a reported currency basis. On an operating sector basis, this reflected the same drivers as the growth in underlying EBIT. This growth was offset by adjusting items and amortisation of programme, customer-related and other intangible assets, details of which are provided in the sections above.

Net finance costs were £133m (2023 £35m), an increase of £98m also as a result of additional interest costs incurred from the $4.8bn (£3.8bn) of debt financing raised during the period.

Tax expense of £175m (2023 £193m) was a decrease of £18m and reflects an effective tax rate of 15% (2023 16%), which excludes the Group's share of tax expense in our equity accounted investments after which the effective tax rate was 17% (2023 17%).

Earnings per share (EPS)

As defined by Group[1]	**Six months ended 30 June 2024**	Six months ended 30 June 2023
Underlying profit for the period attributable to equity shareholders	**£948m**	£901m
Underlying EPS – basic	**31.4p**	29.6p

As derived from IFRS	**Six months ended 30 June 2024**	Six months ended 30 June 2023
Profit for the period attributable to equity shareholders	**£948m**	£965m
EPS - basic	**31.4p**	31.8p

1. The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 46.
2. Current period compared with prior period translated at current period exchange rates. The comparatives have not been restated.

As defined by Group

Underlying EPS - basic increased to 31.4p (2023 29.6p), 7% on a constant currency basis[2]. This is largely driven by the improved underlying profit for the period as a result of the strong operational performance across the portfolio and the acquisition of the SMS business in February.

As derived from IFRS

EPS - basic decreased 1% to 31.4p (2023 31.8p) with the gain in underlying profit being offset by amortisation on the intangibles acquired with SMS in the period.

Cash flow

As defined by Group[1]	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m
Free cash flow	**219**	1,070
Operating business cash flow	**474**	1,307

As derived from IFRS	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m
Net cash flow from operating activities	**757**	1,484
Net cash flow from investing activities	**(4,569)**	(129)
Net cash flow from financing activities	**2,583**	(1,200)
Net (decrease)/increase in cash and cash equivalents	**(1,229)**	155
Cash and cash equivalents at 1 January	**4,067**	3,107
Effect of foreign exchange rate changes on cash and cash equivalents	**(7)**	(58)
Cash and cash equivalents at 30 June	**2,831**	3,204

1. The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 46.

As defined by Group

Free cash flow of £219m (2023 £1,070m) was a decrease of £851m on the prior period.

Operating business cash flow of £474m (2023 £1,307m) was a decrease of £833m on the prior period.

Both reflect the decrease in customer advances as reflected in net cash flow from operating activities described below.

As derived from IFRS

Net cash flow from operating activities was an inflow of £757m (2023 £1,484m), a decrease of £727m on the prior period. Although the Group saw increased profitability in the six months to 30 June 2024, the comparative period included a high level of customer advances in the Air and Platforms & Services sectors, reflecting timing of orders and the significant order intake.

Net cash flow from investing activities was an outflow of £4,569m (2023 £129m). The acquisition of subsidiaries, including Ball Aerospace, has accounted for a net cash outflow of £4,536m. This is offset by cash proceeds of £166m from the partial sale of the Group's shareholding in Air Astana. There was no significant M&A activity in the comparative period.

Net cash flow from financing activities was an inflow of £2,583m (2023 outflow of £1,200m). Cash returns to shareholders, through dividend and share repurchases, of £812m (2023 £884m) were offset by the net proceeds from debt financing raised in the period of £3,765m primarily to fund the Ball Aerospace acquisition (2023 £166m net cash inflow from a US private placement to fund the modern shiplift and land-level repair complex at our Jacksonville, Florida shipyard in the Platforms & Services sector).

The net cash outflow in respect of derivative financial instruments was £25m (2023 £182m), reflective of hedging against foreign exchange movements on the US dollar-denominated borrowings.

Foreign exchange translation primarily arises in respect of the Group's US dollar-denominated cash holdings.

Net debt (excluding lease liabilities)

Components of net debt (excluding lease liabilities)	**As at 30 June 2024 £m**	As at 31 December 2023 £m
Cash and cash equivalents	**2,831**	4,067
Debt-related derivative financial instruments (net)	**53**	22
Loans – non-current	**(8,234)**	(4,432)
Loans – current	**(738)**	(679)
Net debt (excluding lease liabilities)[1]	**(6,088)**	(1,022)

1. The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 46.

Cash and cash equivalents of £2,831m (2023 £4,067m) are held primarily for management of working capital as well as the repayment of debt securities, pension funding when required and committed shareholder returns. During the period, the Group cash-settled $1.5bn (£1.2bn) of the $5.5bn (£4.4bn) consideration for Ball Aerospace, with the balance funded from debt raised during the period.

The Group's net debt (excluding lease liabilities) at 30 June was £6,088m (31 December 2023 £1,022m), a net increase of £5,066m from the position at the start of the year. This was primarily as a result of additional debt raised during the period of £3,765m, the majority of which has been used to fund the Ball Aerospace acquisition.

Other movements in net debt (excluding lease liabilities) comprised the following:

Shareholder returns of £812m (2023 £884m) reflected dividends of £562m (2023 £508m) and share repurchases of £250m (2023 £376m). Dividends paid represented the 2023 final dividend (2023 represented the 2022 final dividend). During the period to 30 June 2024, we repurchased 19,403,928 shares under the 2022 share buyback programme (2023 40,460,554).

Other movements included foreign exchange on the Group's US dollar-denominated cash and borrowings, offset by their associated derivatives, and dividends paid to non-controlling interests.

Exchange rates

	Average		**Period end**		**Year end**
	Six months ended 30 June 2024	Six months ended 30 June 2023	**30 June 2024**	30 June 2023	31 December 2023
£/$	**1.265**	1.233	**1.264**	1.271	1.275
£/€	**1.170**	1.141	**1.180**	1.165	1.154
£/A$	**1.921**	1.826	**1.893**	1.910	1.868

Segmental review

The Group reports its performance through six reporting segments.

	As defined by Group[1]					
Six months ended 30 June 2024	Sales £m	Underlying EBIT £m	Return on sales %	Operating business cash flow[3] £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[2]	85	(71)	–	(190)	0.1	–
Deduct Intra-group	(274)	–	–	–	(0.2)	(1.0)
Total	**13,399**	**1,393**	**10.4%**	**474**	**15.1**	**74.1**

	As derived from IFRS				
Six months ended 30 June 2024	Revenue £m	Operating profit £m	Return on revenue %	Net cash flow from operating activities £m	Order book £bn
Electronic Systems	3,394	301	8.9%	264	8.2
Platforms & Services	2,061	215	10.4%	83	11.7
Air	3,252	456	14.0%	697	16.3
Maritime	2,845	226	7.9%	(91)	23.1
Cyber & Intelligence	1,182	97	8.2%	40	1.3
HQ[2]	5	1	–	(156)	–
Deduct Intra-group	(262)	–	–	–	(1.0)
Deduct Tax[4]	–	–	–	(80)	–
Total	**12,477**	**1,296**	**10.4%**	**757**	**59.6**

1. The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 46.
2. HQ comprises the Group's head office activities, together with a 17% interest in Air Astana as at 30 June 2024.
3. At a Group level, the key cash flow metric is free cash flow (see Alternative performance measures section on page 46). In 2024, free cash flow was £219m (2023 £1,070m).
4. Tax is managed on a Group-wide basis.

Segmental performance: Electronic Systems

Electronic Systems, with 22,600[1] employees, comprises the Group's US- and UK-based electronic solutions business 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, electric drive propulsion systems, as well as space electronics, spacecraft and ground systems.

Financial performance

Financial performance measures derived by Group[2]

	Six months ended 30 June 2024	Six months ended 30 June 2023
Sales	**£3,383m**	£2,583m
Underlying EBIT	**£473m**	£391m
Return on sales	**14.0%**	15.1%
Operating business cash flow	**£184m**	£157m
Order intake	**£3.2bn**	£3.1bn
	As at 30 June 2024	As at 31 December 2023
Order backlog	**£11.6bn**	£8.9bn

Financial performance measures derived from IFRS

	Six months ended 30 June 2024	Six months ended 30 June 2023
Revenue	**£3,394m**	£2,583m
Operating profit	**£301m**	£386m
Return on revenue	**8.9%**	14.9%
Cash flow from operating activities	**£264m**	£225m
	As at 30 June 2024	As at 31 December 2023
Order book	**£8.2bn**	£7.6bn

- Sales of £3.4bn reflected an increase of 34%[3], driven by the acquisition of the SMS business and organic growth of 11% in the underlying business which was led by the precision strike & sensing and commercial avionics businesses.
- Underlying EBIT grew 24%[3], generating a return on sales of 14.0%. The growth in underlying EBIT reflects the acquisition of SMS and the organic growth in the underlying business. As expected, the lower return on sales reflected the impact of the SMS acquisition and the anticipated absorption of lower pension recoveries during the period (FAS/CAS).
- Operating profit was down 22%, resulting in a return on revenue of 8.9%, as the growth in underlying EBIT from SMS was offset by acquisition-related costs and amortisation on the acquired intangibles.
- Order intake of £3.2bn includes orders of £0.7bn awarded to the SMS business during the period. Order backlog of £11.6bn includes £2.2bn of order book acquired with SMS in February.

1. Including share of equity accounted investments.
2. The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 46.
3. Constant currency basis.

Operational performance

We continued to experience strong demand across our customer base for Electronic Systems in the first half of the year as evidenced by our order generation. We supported existing customers on key electronic warfare and precision guided-munition programmes, while pursuing and maturing new opportunities.

On 16 February 2024, we completed the Ball Aerospace acquisition to form our SMS business, which delivers a range of products and differentiated technologies for civil, commercial, and defence applications, including world-class instruments, spacecraft, tactical hardware, ground systems, data exploitation solutions and mission-enabling technologies for the US Intelligence Community, Department of Defense, and civilian space markets. In SMS, the integration remains a top priority and is progressing at pace, as the team is on track to separate from the Transition Services Agreements with Ball Corporation before year-end.

In our commercial businesses, airline traffic has returned to pre-pandemic levels, generating stronger demand for aftermarket services. However, headwinds exist in Original Equipment Manufacturer demand schedules as airframe manufacturers address supply chain issues. Clean air regulations continue to drive the transportation industry towards alternative energy sources, like our propulsion solutions and energy storage and power management developments for more-electric and hybrid-electric aircraft.

Operational highlights

- We are under contract to deliver seven Network Tactical Common Datalink production systems to support US Navy requirements for real time intelligence, surveillance, reconnaissance, and command and control. After completing the development programme phase in 2023, we have successfully delivered our first system to the US Navy for installation on one of its aircraft carriers.
- The Compass Call programme is executing contracts, inclusive of international support. Valued at more than $1bn (£0.8bn) focused on the cross-decking of prime mission equipment to the new EA-37B aircraft, while sustaining and upgrading the existing EC-130H fleet. The next-generation system evolves the US Air Force's electromagnetic attack capabilities and is targeted to initially field in 2024.
- The F-35 Lightning II programme is delivering on Lot 16 electronic warfare (EW) systems and has delivered a cumulative total of over 1,400 EW systems.
- The Eagle Passive Active Warning Survivability System successfully completed initial operational test and evaluation in the first half of 2024.
- The APKWS® laser-guidance kit programme continues to execute production under an Indefinite Delivery, Indefinite Quantity contract with more than 7,300 units shipped in the first half of the year.
- Our SMS team marked the launches of satellites with our systems on board, including MethaneSAT that will provide reliable scientific data about the sources and scale of methane emissions globally, and the Weather System Follow-on – Microwave (WSF-M) satellite that will bridge critical gaps in current space-based environmental monitoring capabilities for the US Space Force.

Strategic and order highlights

- Our Dual Band Decoy team was selected by the US Navy to develop one of the most advanced radio frequency (RF) countermeasures in the world. The cutting-edge RF self-protection jammer will initially be fielded on the US Navy's F/A-18E/F Super Hornet.
- Following a rapid-response contract and demonstration in 2021 with the US Navy, our Advanced Survivability Pod team received an engineering and manufacturing development (EMD) contract from the US Navy worth $95m (£75m) for advanced countermeasure pods to protect the P-8A Poseidon Multi-Mission Maritime Aircraft from missiles and other threats. This award builds on our platform survivability portfolio that uses the full electromagnetic spectrum to detect, exploit, and counter advanced threats.
- We have signed a memorandum of understanding with Eaton to expand collaboration and deliver electric drive solutions for heavy-duty commercial vehicles. In addition, we signed a long-term partnership agreement with bus manufacturer, GILLIG, supplying our electric drive technology to power GILLIG's new hydrogen fuel cell transit buses, enabling emissions-free operations.
- After receiving two new contracts in May on the National Oceanic and Atmospheric Administration's (NOAA) Geostationary Extended Observations (GeoXO) satellite constellation, we are now contracted to build all three hyperspectral instruments for the mission, including the Ocean Color Instrument, the Atmospheric Composition Instrument, and the GeoXO Sounder awarded in September 2023. The three GeoXO contracts total approximately $1.3bn (£1.0bn) and are scheduled to launch in the early 2030s, as NOAA's current geostationary weather satellites near the end of their planned mission.

Looking forward

- Our Electronic Systems sector remains positioned for growth in the medium term. We maintain a diverse portfolio of defence and commercial products and capabilities for US and international customers and expect to benefit from applying innovative technology solutions to defence customers' existing and changing requirements, building on our significant roles on F-35 Lightning II, F-15 upgrades, M-Code GPS upgrades and classified programmes, as well as a number of precision weapon products.
- Over the long term, we are poised to build on our technology strengths in emerging areas of demand, including precision weaponry, space resilience, hyper-velocity projectiles, autonomous platforms, and the development of multi-domain capabilities.
- In our commercial portfolio, we continue to leverage our leading electric drive propulsion capabilities to address growing demand for low and zero emission solutions across an increasing number of civil platforms, with opportunities to migrate these technologies to defence applications.
- In SMS, we continue to secure new awards and grow our strong space portfolio in alignment with the priorities identified in the US National Defense Strategy and the US Intelligence Strategy. We are also taking steps to capture new opportunities and unlock synergies in collaboration with our other business segments.

Segmental performance: Platforms & Services

Platforms & Services, with 11,900[1] employees, with 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 ammunition plants.

Financial performance

Financial performance measures derived by Group[2]

	Six months ended 30 June 2024	Six months ended 30 June 2023
Sales	**£2,085m**	£1,891m
Underlying EBIT	**£216m**	£172m
Return on sales	**10.4%**	9.1%
Operating business cash flow	**£(13)m**	£21m
Order intake	**£2.8bn**	£4.1bn
	As at 30 June 2024	As at 31 December 2023
Order backlog	**£12.2bn**	£11.5bn

Financial performance measures derived from IFRS

	Six months ended 30 June 2024	Six months ended 30 June 2023
Revenue	**£2,061m**	£1,864m
Operating profit	**£215m**	£172m
Return on revenue	**10.4%**	9.2%
Cash flow from operating activities	**£83m**	£95m
	As at 30 June 2024	As at 31 December 2023
Order book	**£11.7bn**	£11.1bn

– Sales were £2.1bn, an increase of 13%[3] driven by increased vehicle production in our Hägglunds and Combat Mission Systems businesses.

– Underlying EBIT grew 29%[3], reflecting a return on sales of 10.4%, following a period of strong operational performance.

– Order intake was £2.8bn for the period, reflecting continued demand for AMPVs and CV90s. The comparative period saw significant demand for combat vehicles and included a number of large awards including the Czech Republic award for 246 CV90s worth $2.2bn (£1.8bn).

1. Including share of equity accounted investments.
2. The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 46.
3. Constant currency basis.

Operational performance

Our customers continue to prioritise defence spending to enhance and replenish capabilities and manage sustainment of their defence materiel as ongoing global uncertainty and conflicts continue. Our business remains focused on meeting growing customer demand for our products and services, including munitions, tracked combat vehicles, artillery systems and support services.

In the US, our Combat Mission Systems team continues to produce at heightened volumes across multiple combat vehicle and naval programmes. This work is carried out across our manufacturing network, with support from our engineering teams across the US. Our ongoing production expansion efforts continue, with investment in advanced manufacturing technologies to ensure we are able to deliver at the pace our customers need. This includes investment in robotic welding capability, test and integration, paint, and high-precision machining.

Our BAE Systems Hägglunds team is growing its order backlog with additional awards for our CV90 combat vehicles for Sweden and partner nations. Ongoing builds and upgrades continue for the current fleet of CV90s for a number of nations.

In our support services operations, modernisation and maintenance activities continue in our US shipyards for the US Navy's non-nuclear fleet. We are also working with the US Government to finalise its first significant order under a new 10-year contract for the US Army's Holston Army Ammunition Plant and we continue to operate and modernise the Radford Army Ammunition Plant under contract into 2026.

Operational highlights

- Our US Army customer continues to grow its fleet of AMPVs, which we are now delivering in five variants. In addition, the AMPV team designed and integrated a new universal top plate for the vehicle, which provides flexibility to quickly integrate new mission equipment based on an assigned role. The US Marine Corps is also growing its fleet of ACVs, which had its first successful operational deployment in the first half.
- Our Hägglunds team is expanding production and delivery capabilities by investing more than $200m (£160m) in advanced manufacturing capabilities, a new customer test and acceptance centre and office space.
- We continue to progress a modern shiplift and land-level repair complex at our Jacksonville, Florida, shipyard that is expected to be operational in early 2025. While recent developments show US Navy ship repair requirements are stabilising, we have continued to operate at a scaled-back level at our San Diego shipyard in response to reduced demand for Pacific-coast ship repair services.

Strategic and order highlights

- Our Hägglunds business received a new order for CV9035 MkIIIC vehicles, as well as associated integrated logistic support for the Swedish Army. In addition, the Swedish Government signed a framework agreement with Denmark to deliver new CV90s for the Danish Army and Sweden is procuring more new-build CV90 vehicles to expand Ukraine capabilities. The new contract will provide the opportunity for other nations to join in the procurement of CV90 MkIIICs.
- We secured a $754m (£596m) Year 2 order from the US Army for AMPV, as the programme entered into full-rate production.
- Our Combat Mission Systems team also secured a five-year contract, valued up to $318m (£251m), from the US Army to perform technical and sustainment support services for its fleet of M109A6 and A7 Self-Propelled Howitzers and their companion, M992A3 carrier, ammunition, tracked vehicles.
- The US Navy awarded our Norfolk Ship Repair yard an $87m (£69m) contract for repair work aboard the dock landing ship USS Carter Hall (LSD 50).
- In March, our Hägglunds business signed a framework agreement with the Danish Ministry of Defence Acquisition and Logistics Organisation to provide repair and maintenance services for the Danish Army's CV90s over a 15-year period, worth approximately $355m (£281m) including options. Hägglunds also received a contract from Denmark for the Mid-Life Upgrade of 44 CV9035 vehicles at a value of $300m (£237m).
- The UK Ministry of Defence has awarded a contract to our Weapon Systems UK business to provide Maintenance, Repair and Overhaul (MRO) services in Ukraine for the L119 gun through a partnership with a British maintenance specialist already delivering MRO services in the country.

Looking forward

- We continue to focus on increased long-term demand from US and international customers. We remain a critical provider of US Army combat vehicles with our current franchises of AMPV, M109A7, M88 and additional Bradley infantry fighting vehicles and are experiencing increased international interest in these products.
- In Sweden, we have an ongoing pipeline of future business opportunities for the CV90 and BvS10 from our Hägglunds business, as well as for artillery systems and munitions from our Bofors business.
- We continue to manage and operate the US Army's Radford and Holston ammunition plants and remain focused on key modernisation activities.
- We are maintaining our strong positions on naval guns, missile launch programmes and submarine programmes, as well as US Navy ship repair and modernisation activities where the business has invested in capitalised infrastructure and facilities in key home ports.

Segmental performance: Air

Air, with 26,700[1] employees, comprises the Group's UK-based air build and support activities for European and international markets, US programmes, development of our 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.

Financial performance

Financial performance measures derived by Group[2]	Six months ended 30 June 2024	Six months ended 30 June 2023	Financial performance measures derived from IFRS	Six months ended 30 June 2024	Six months ended 30 June 2023
Sales	**£4,009m**	£3,786m	Revenue	**£3,252m**	£3,054m
Underlying EBIT	**£446m**	£454m	Operating profit	**£456m**	£456m
Return on sales	**11.1%**	12.0%	Return on revenue	**14.0%**	14.9%
Operating business cash flow	**£724m**	£1,330m	Cash flow from operating activities	**£697m**	£1,307m
Order intake	**£2.3bn**	£8.4bn			
	As at 30 June 2024	As at 31 December 2023		**As at 30 June 2024**	As at 31 December 2023
Order backlog	**£25.4bn**	£27.2bn	Order book	**£16.3bn**	£18.5bn

– Sales were £4.0bn, an increase of 7%[3] reflecting increasing activity on support programmes and MBDA. This is offset by a reduced contribution from the Qatar Typhoon programme as deliveries complete.

– Return on sales of 11.1% reflected good operational performance, with the comparative period benefitting from risk retirement.

– Operating business cash flow was £0.7bn. The comparative period reflected customer advances and down payments from the significant level of awards in the first half of 2023 including agreement of a further five-year Salam Typhoon support contract, valued at £3.7bn, as well as multiple awards in MBDA across both the import and export markets.

1. Including share of equity accounted investments.
2. The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 46.
3. Constant currency basis.

Operational performance

We continue to work with our UK and international customers to support their existing platforms and provide new enhanced capabilities. We made further deliveries of Typhoon aircraft to Qatar. Our US Programmes division remains focused on delivery execution across all production lines. Our Future Combat Air and FalconWorks® organisations continue to invest in our people, facilities and cutting-edge technologies.

Operational highlights

- In the Kingdom of Saudi Arabia, we have continued to deliver services under the five-year Saudi British Defence Co-operation Programme and Salam Programme including our support to the Royal Saudi Air Force's Tornado and Typhoon fleets.
- Activity on our Qatar Typhoon and Hawk programmes continued with two further Typhoon deliveries in the first half of the year - a total of 20 Typhoon aircraft are now in service with the Qatar Emiri Air Force.
- In the first half, we continued to make good progress on discussions with our Japanese and Italian partners on GCAP. We also continued developing the UK flying combat air demonstrator, which will test next-generation skills, tools, processes and techniques needed to underpin GCAP and the entry into service of the core aircraft platform, which will be called Tempest in the UK, by 2035. At Farnborough International Airshow we unveiled a new concept model of the next-generation combat aircraft.
- Through FalconWorks®, our Air sector continues to invest in promising new and innovative technologies for the future, including the development of uncrewed systems in collaboration across industry.

Strategic and order highlights

- We have sustained production of the rear fuselage assemblies for the F-35 at full-rate levels at our Samlesbury site in the UK, with approximately 150 aft fuselages being completed annually. We have agreed pricing with Lockheed Martin for F-35 production lots 18/19, supporting the continuation of Major Unit production deliveries at Samlesbury into 2027.
- On GCAP, concept and assessment work continues with our international partners in all three nations under their respective national contracts.
- During the first half of 2024, we completed the acquisitions of Malloy Aeronautics Ltd and Callen-Lenz Associates Ltd, strengthening the position of the Group in the fixed wing and rotary UAS domains.
- MBDA secured significant orders in the first half of 2024, in particular in the Air Defence domain. These include production orders for ASTER missiles for the Italian Armed Forces, Patriot GEM-T missiles (under the European Sky Shield Initiative via the COMLOG Joint Venture) for the NATO Support and Procurement Agency and an expansion of Sea Ceptor with the Common Anti-Air Module Missile to include Polish, Swedish and Kingdom of Saudi Arabian navies.

Looking forward

- GCAP is a strategically important partnership that will foster innovation, technological advancements and safeguard long-term industrial capability to design, develop, manufacture and maintain combat aircraft and the wider systems within which they will operate in the UK.
- We will continue to focus on ensuring that deliveries of Typhoon aircraft and support are made in line with agreed customer milestones on our existing contracts. Current Typhoon production and support sales are underpinned by existing contracts and we continue to pursue a number of export opportunities in Europe and the Middle East to extend production beyond the latter part of this decade.
- We expect production of the rear fuselage assemblies for the F-35 to be sustained at current levels. The business plays a significant role in the F-35 sustainment programme in support of Lockheed Martin and support volumes should increase as the number of jets in service continues to rise.
- In the Kingdom of Saudi Arabia, the In-Kingdom Industrial Participation programme continues to make good progress consistent with our long-term strategy, whilst supporting the Kingdom's National Transformation Plan and Vision 2030. A demonstration of this long-term strategy and commitment took place at the World Defense Show in Riyadh in February 2024, at which the Royal Saudi Air Force conducted an official acceptance ceremony, attended by key personnel from our customer and stakeholder community, for the final in-Kingdom manufactured Hawk Aircraft.
- We expect our Saudi in-Kingdom support business to remain stable underpinned by long-standing contracts that are anticipated to be renewed every five years, while we continue to address the Kingdom's current and future combat air requirements.
- Our FalconWorks® organisation will continue to pursue internal and external investment opportunities which enhance our capabilities and technologies.
- MBDA has a strong order backlog and development programmes continue to improve the long-term capabilities of the business in air, land and sea domains. MBDA continues to be well placed to benefit from increased defence spending in Europe and internationally.

Segmental performance: Maritime

Maritime, with 28,500[1] 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.

Financial performance

Financial performance measures derived by Group[2]	Six months ended 30 June 2024	Six months ended 30 June 2023
Sales	**£2,929m**	£2,603m
Underlying EBIT	**£228m**	£193m
Return on sales	**7.8%**	7.4%
Operating business cash flow	**£(247)m**	£(79)m
Order intake	**£5.7bn**	£4.2bn
	As at 30 June 2024	As at 31 December 2023
Order backlog	**£24.0bn**	£21.3bn

Financial performance measures derived from IFRS	Six months ended 30 June 2024	Six months ended 30 June 2023
Revenue	**£2,845m**	£2,541m
Operating profit	**£226m**	£192m
Return on revenue	**7.9%**	7.6%
Cash flow from operating activities	**£(91)m**	£37m
	As at 30 June 2024	As at 31 December 2023
Order book	**£23.1bn**	£20.4bn

– Sales of £2.9bn were up 14%[3], primarily due to increased activity on the Hunter Class Frigate Programme (HCFP).

– Underlying EBIT was up 19%[3], in line with the growth in sales, generating a return on sales of 7.8% (2023 7.4%).

– Operating business cash outflow of £247m was due to the ongoing capital investment programmes across a number of sites including the Ship Build Assembly Hall in Glasgow and our munitions facilities in Glascoed, combined with timing of receipts and payments.

– Order intake of £5.7bn has pushed order backlog to £24.0bn, primarily driven by the award of £4.6bn for Batch 1 of the HCFP.

1. Including share of equity accounted investments.
2. The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 46.
3. Constant currency basis.

Operational performance

Our major Maritime platform programmes continue to progress, with construction of the first three Dreadnought Class submarines and the final two Astute Class submarines continuing at Barrow-in-Furness. Construction on the first four City Class Type 26 frigates is underway with the fifth ship currently forecast to commence construction later this year. In Australia, the HCFP has transitioned to the construction phase. We continue to support customer requirements in both Munitions and Maritime Services. Ongoing investments in our facilities and our people support this delivery and, with the future potential of the AUKUS trilateral programme, the sector is well positioned for growth.

Operational highlights

- We achieved a key milestone on the Astute programme with the official naming of the sixth boat, Agamemnon, in April. The next major step for Agamemnon is the launch which is expected later this year.
- The build of the first three of four Dreadnought Class submarines is also well underway at our Barrow-In-Furness site in Cumbria.
- Construction is underway on the first four City Class Type 26 frigates with a focus on skilled and experienced resource availability, including within the supply chain. The fifth ship, HMS Sheffield, is currently forecast to commence construction later this year. The first City Class Type 26, HMS Glasgow, is progressing through the key stages of outfit, test and commissioning, while the second ship, HMS Cardiff, is being prepared to enter the water for the first time later this year. HMS Belfast continues steelwork construction and unit consolidation ahead of benefiting from final consolidation in our new Ship Build Assembly Hall in Govan, Glasgow.

- In Australia, the HCFP has six schedule protection blocks in production and the programme successfully completed the Production Readiness Review. We entered the construction phase and officially cut steel on the first ship at a ceremony at the Osborne Naval Shipyard in Adelaide, South Australia in June.
- We have made good progress on the installation of Radar 1 as part of the JORN Phase 6 upgrade with the successful completion of Half Radar trials. The penultimate ship of the Anzac frigate upgrade programme, HMAS Ballarat, has returned to water.
- Our Maritime Services business has continued to support the Royal Navy, responding quickly to ensure HMS Prince of Wales was prepared and ready to deploy for NATO exercises in the Arctic. HMS Diamond was also activated to deploy from Gibraltar as part of Operation Kipion.
- Investment activity continues across our Munitions business to meet customer demand. This includes a new 155mm facility in Glascoed and an additional machining line in Washington, Tyne & Wear.
- In RBSL, the Challenger 3 programme has delivered the first two prototype series vehicles, with the first undergoing successful live firing trials. The RBSL Vehicle Support Services continue to support the UK Ministry of Defence and international customers.

Strategic and order highlights

- In Australia, the release of the Surface Combatant Review confirmed a commitment to the production of six Hunter Class frigates, with the contract for the first batch of three ships awarded in June. Following the cancellation of the TransCAP element of the Anzac frigate upgrade programme, we are working with the Commonwealth to determine the appropriate utilisation of our Henderson facility in Western Australia.
- Following the £3.95bn contract from the UK Ministry of Defence last year, we have made substantial progress on the SSN-AUKUS programme, reaching key design maturity milestones. In March, as part of the AUKUS trilateral security pact, the Australian Government announced it had selected BAE Systems and ASC Pty Ltd to build Australia's new future fleet of nuclear powered submarines.
- In March, former UK Prime Minister Rishi Sunak visited our Barrow-in-Furness site to announce the publication of the Government's Defence Nuclear Enterprise Command Paper, which sets out the critical role of the town and BAE Systems' skilled workforce in helping to deliver the national endeavour.
- The build of our new Ship Build Assembly Hall in Govan is maturing according to schedule and is expected to be fully operational in 2025. The build of our Applied Shipbuilding Academy in Scotstoun is on schedule and due to formally open later this year, providing world-class training and upskilling opportunities for our entire Naval Ships workforce.

Looking forward

- The outlook for our Maritime sector remains positive based on long-term contracted positions, with a number of UK, Australian and international opportunities.
- Our Submarines business is executing across three long-term programmes: Astute; Dreadnought; and SSN-AUKUS. Investment continues in the facilities at our Barrow-in-Furness shipyard in order to provide the capabilities to deliver these long-term programmes.
- In shipbuilding, sales are underpinned by the manufacture of Type 26 frigates. In warship support, the fleet time support, upkeeps and capability insertions across a number of vessel classes provide a sustainable business in technical services and upgrades.
- In Australia, we are a key partner to the Commonwealth in the delivery of its National Defence Strategy (NDS), which seeks a strategy of denial and an integrated, focused force. AUKUS nuclear powered submarines, an enhanced lethality surface fleet, strategic surveillance and long range strike are prioritised in the Integrated Investment Plan which supports the NDS.
- As the UK Ministry of Defence's long-term strategic partner for munitions supply, we continue to focus our operations in support of the UK Ministry of Defence and the UK's NATO allies, as well as other customers.

Segmental performance: Cyber & Intelligence

Cyber & Intelligence, with 11,000[1] employees, comprises the US-based Intelligence & Security business and UK-headquartered Digital Intelligence business, and covers the Group's cyber security activities for national security, central government and government enterprises.

Financial performance

Financial performance measures derived by Group[2]

	Six months ended 30 June 2024	Six months ended 30 June 2023
Sales	**£1,182m**	£1,157m
Underlying EBIT	**£101m**	£96m
Return on sales	**8.5%**	8.3%
Operating business cash flow	**£16m**	£51m
Order intake	**£1.2bn**	£1.4bn
	As at 30 June 2024	As at 31 December 2023
Order backlog	**£1.9bn**	£2.0bn

Financial performance measures derived from IFRS

	Six months ended 30 June 2024	Six months ended 30 June 2023
Revenue	**£1,182m**	£1,157m
Operating profit	**£97m**	£88m
Return on revenue	**8.2%**	7.6%
Cash flow from operating activities	**£40m**	£86m
	As at 30 June 2024	As at 31 December 2023
Order book	**£1.3bn**	£1.4bn

– Sales increased by 4%[3], to £1.2bn, with the US business seeing increased operations.

– Underlying EBIT was up 7%[3] delivering a return on sales of 8.5%.

– Order backlog has remained steady against the prior year, with a book-to-bill[4] ratio of 1.0.

1. Including share of equity accounted investments.
2. The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 46.
3. Constant currency basis.
4. Ratio of Order intake to Sales.

Operational performance

Our Intelligence & Security business has demonstrated strong performance, providing innovative solutions to government customers in the US Department of Defense, federal agencies and civilian organisations. Our focus remains on creating a robust pipeline of qualified business opportunities across our US-based business areas, including Air & Space Force Solutions, Integrated Defense Solutions and Intelligence Solutions.

In Digital Intelligence, we have continued to work collaboratively to collect, connect and understand complex data for governments, nation states, armed forces and commercial businesses in both the UK and international markets. Our services, solutions and products span customers in Law Enforcement, National Security, Central Government, Critical National Infrastructure, Telecommunications, Defence and Space.

Operational highlights

- As part of the Ball Aerospace acquisition in mid-February, we acquired Topaz Intelligence, which is now part of our Intelligence & Security business. This acquisition expands our Modelling & Simulation portfolio to provide data intelligence-as-a-service to drive agile decision making for customers.
- We successfully delivered a prototype constructive simulation solution with the goal of enhancing mission command, training and predictive analysis capabilities from the tactical to the operational level to the US Army Europe and Africa Command in support of its war planning exercise effort "Austere Challenge 2024" that was conducted in March.
- In Digital Intelligence, we have made good progress in advancing or securing positions on strategic programmes in National Security, Defence and the Middle East.
- During the period, in collaboration with University of Portsmouth, we launched the UK's first ever degree apprenticeship in Space Systems Engineering.

Strategic and order highlights

- Our Intelligence Solutions business was awarded multiple contracts with a total potential life cycle value of more than $600m (£474m).
- In February 2024, BAE Systems was notified that we were not selected for the ISC 2.0 contract, which followed corrective action taken by the US Air Force following an earlier sustained protest upheld by the Government Accountability Office (GAO). Subsequently, in March 2024, we filed a protest to this award and were notified in June 2024 that the GAO had sustained our protest and recommended the US Air Force take additional corrective action. The Air Force has not yet stated what corrective action it will take. Our current ISC 1.0 contract runs through January 2025.
- Our Integrated Defense Solutions business was awarded a five-year, $87m (£69m) contract to provide engineering and technical services for new and legacy Mobile Deployable C5ISR systems and platforms. Under this US Naval Air Systems Command contract, we will continue our support to a variety of C5ISR products including small craft, transportable systems, en-route communication systems, and intra-platform systems for US Navy, Special Operations Forces, Homeland Security and other Department of Defense agencies.
- We secured a spot on the Federal Bureau of Investigation's ITSSS-2 BPA – the largest IT contract vehicle ever established by the FBI with accessibility broadly within the Department of Justice and an estimated spend of $8bn (£6bn) over the next eight years. This award is crucial to defending and growing our work for this critical customer.
- In Digital Intelligence, we secured key renewals and extensions on existing contracts as well as seeing the emergence of new customers across the UK and international markets.
- In the space domain, our Digital Intelligence business has consolidated In-Space Missions with space expertise across the Digital Intelligence business to focus and expand capabilities in this area.

Looking forward

- Our Intelligence & Security business continues to maintain a promising pipeline of qualified business opportunities. Despite some delays in Department of Defense procurement decisions, we have observed an increase in demand driven by ongoing global security threats.
- The outlook for our US Government services in Intelligence & Security is strong, offering opportunities for mid-term growth. However, market conditions remain highly competitive and are subject to shifts in response to US Government priorities.
- We continue to actively expand our wargaming capabilities to new markets and customers both domestically and internationally, enhancing our potential for growth and diversification in the modelling, simulation and synthetic training environment through the strong positions held by both Bohemia Interactive Simulations and Pitch Technologies.
- In Digital Intelligence, we continue to ensure the business is optimally placed to take advantage of favourable market conditions. Going forward, we are looking to progress strategic engagements and campaigns with key customers and gain accreditation for cross-domain products for the US market.

Principal risks and uncertainties

Having considered recent geopolitical and macroeconomic events, the Group believes the principal risks and uncertainties we face for the remainder of the year are included in, and are therefore unchanged from, those reported in the Annual Report 2023.

The Group's principal risks and uncertainties at 31 December 2023 were detailed on pages 70 to 77 of the Annual Report 2023, and related to the following areas: government customers, defence spending and terms of trade; contract risk, execution and supply chain; international markets; cyber security; people; safety; acquisitions; climate change and the environment; laws and regulations; outbreak of contagious diseases; and pension funding.

Responsibility statement of the directors in respect of the half-yearly financial report

Each of the directors (as detailed below) confirms that to the best of his/her knowledge:

- The condensed set of financial statements has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 Interim Financial Reporting.
- The interim management report on pages 1 to 25 includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules (DTR), being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

  (b) DTR 4.2.8R of the DTR, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Company during that period; and any changes in the related party transactions described in the last annual report that could do so.

For and on behalf of the directors:

Cressida Hogg

Chair
31 July 2024

Directors

Cressida Hogg	Chair
Charles Woodburn	Chief Executive
Tom Arseneault	President and Chief Executive Officer of BAE Systems, Inc.
Brad Greve	Chief Financial Officer
Nick Anderson	Non-executive director
Crystal E. Ashby	Non-executive director
Angus Cockburn	Non-executive director
Dame Elizabeth Corley	Non-executive director
Jane Griffiths	Non-executive director
Ewan Kirk	Non-executive director
Stephen Pearce	Non-executive director
Nicole Piasecki	Non-executive director
Lord Mark Sedwill	Non-executive director

Independent review report to BAE Systems plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the Half-yearly Financial Report for the six months ended 30 June 2024 which comprises the Condensed consolidated income statement, the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of changes in equity, the Condensed consolidated balance sheet, the Condensed consolidated cash flow statement and related notes 1 to 13.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-yearly Financial Report for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this Half-yearly Financial Report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this Report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the Half-yearly Financial Report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the Half-yearly Financial Report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the Half-yearly Financial Report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the Half-yearly Financial Report. Our conclusion, including our conclusion relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the basis for conclusion paragraph of this report.

Independent review report to BAE Systems plc continued

Use of our report

This report is made solely to the Company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London
United Kingdom

31 July 2024

Condensed consolidated income statement (unaudited)

	Note	**Six months ended 30 June 2024** £m	**Total £m**	Six months ended 30 June 2023 £m	Total £m
Continuing operations					
Revenue	2		**12,477**		10,997
Operating costs			**(11,418)**		(9,926)
Other income			**159**		102
Share of results of equity accounted investments			**78**		60
Operating profit	2		**1,296**		1,233
Finance income		**69**		69	
Finance costs		**(202)**		(104)	
Net finance costs	3		**(133)**		(35)
Profit before tax			**1,163**		1,198
Tax expense	4		**(175)**		(193)
Profit for the period			**988**		1,005
Attributable to:					
Equity shareholders			**948**		965
Non-controlling interests			**40**		40
			988		1,005
Earnings per share	5				
Basic earnings per share			**31.4p**		31.8p
Diluted earnings per share			**31.0p**		31.4p

Condensed consolidated statement of comprehensive income (unaudited)

	Six months ended 30 June 2024			Six months ended 30 June 2023		
	Other reserves £m	**Retained earnings £m**	**Total £m**	Other reserves £m	Retained earnings £m	Total £m
Profit for the period	**–**	**988**	**988**	–	1,005	1,005
Other comprehensive income						
Items that will not be reclassified to the income statement:						
Consolidated:						
Remeasurements on post-employment benefit schemes and other investments	**–**	**415**	**415**	–	(157)	(157)
Tax on items that will not be reclassified to the income statement	**–**	**(24)**	**(24)**	–	(6)	(6)
Share of the other comprehensive income/(expense) of associates and joint ventures accounted for using the equity method (net of tax)	**–**	**14**	**14**	–	(9)	(9)
Items that may be reclassified to the income statement:						
Consolidated:						
Currency translation on foreign currency net investments	**16**	**–**	**16**	(589)	–	(589)
Reclassification of cumulative currency translation reserve on partial disposal of joint venture accounted for using the equity method	**35**	**–**	**35**	–	–	–
Fair value (loss)/gain arising on hedging instruments during the period	**(21)**	**–**	**(21)**	23	–	23
Cumulative fair value loss/(gain) on hedging instruments reclassified to the income statement	**61**	**–**	**61**	(20)	–	(20)
Tax on items that may be reclassified to the income statement	**(1)**	**–**	**(1)**	–	–	–
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method (net of tax)	**4**	**–**	**4**	6	–	6
Total other comprehensive income/(expense) for the period (net of tax)	**94**	**405**	**499**	(580)	(172)	(752)
Total comprehensive income/(expense) for the period	**94**	**1,393**	**1,487**	(580)	833	253
Attributable to:						
Equity shareholders	**94**	**1,349**	**1,443**	(570)	793	223
Non-controlling interests	**–**	**44**	**44**	(10)	40	30
	94	**1,393**	**1,487**	(580)	833	253

Condensed consolidated statement of changes in equity (unaudited)

	Attributable to equity holders of BAE Systems plc						
	Issued share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2024	81	1,253	6,403	2,822	10,559	164	10,723
Profit for the period	**–**	**–**	**–**	**948**	**948**	**40**	**988**
Total other comprehensive income for the period	**–**	**–**	**94**	**401**	**495**	**4**	**499**
Total comprehensive income for the period	**–**	**–**	**94**	**1,349**	**1,443**	**44**	**1,487**
Share-based payments (inclusive of tax)	**–**	**–**	**–**	**71**	**71**	**–**	**71**
Cumulative fair value gain on hedging instruments transferred to the balance sheet (net of tax)	**–**	**–**	**(2)**	**–**	**(2)**	**–**	**(2)**
Ordinary share dividends	**–**	**–**	**–**	**(562)**	**(562)**	**(6)**	**(568)**
Purchase of own shares	**(1)**	**–**	**1**	**(250)**	**(250)**	**–**	**(250)**
At 30 June 2024	**80**	**1,253**	**6,496**	**3,430**	**11,259**	**202**	**11,461**

Balance at 1 January 2023	82	1,252	6,951	2,930	11,215	185	11,400
Profit for the period	–	–	–	965	965	40	1,005
Total other comprehensive expense for the period	–	–	(570)	(172)	(742)	(10)	(752)
Total comprehensive (expense)/income for the period	–	–	(570)	793	223	30	253
Share-based payments (inclusive of tax)	–	–	–	50	50	–	50
Cumulative fair value loss on hedging instruments transferred to the balance sheet (net of tax)	–	–	9	–	9	–	9
Ordinary share dividends	–	–	–	(508)	(508)	(12)	(520)
Purchase of own shares	(1)	–	1	(371)	(371)	–	(371)
At 30 June 2023	81	1,252	6,391	2,894	10,618	203	10,821

Condensed consolidated balance sheet (unaudited)

	Note	30 June 2024 £m	31 December 2023 £m
Non-current assets			
Intangible assets		**16,045**	12,099
Property, plant and equipment		**4,502**	3,635
Right-of-use assets		**1,774**	1,311
Investment property		**57**	57
Equity accounted investments		**713**	832
Other investments		**76**	84
Contract and other receivables		**704**	633
Post-employment benefit surpluses	6	**1,197**	804
Other financial assets		**245**	227
Deferred tax assets		**375**	609
		25,688	20,291
Current assets			
Inventories		**1,355**	1,156
Trade, contract and other receivables		**7,090**	6,185
Current tax		**95**	160
Other financial assets		**159**	205
Cash and cash equivalents		**2,831**	4,067
		11,530	11,773
Total assets		**37,218**	32,064
Non-current liabilities			
Loans		**(8,234)**	(4,432)
Lease liabilities		**(1,614)**	(1,273)
Contract liabilities		**(1,750)**	(1,955)
Other payables		**(1,728)**	(1,594)
Post-employment benefit obligations	6	**(619)**	(575)
Other financial liabilities		**(210)**	(227)
Deferred tax liabilities		**(13)**	(10)
Provisions		**(396)**	(332)
		(14,564)	(10,398)
Current liabilities			
Loans		**(738)**	(679)
Lease liabilities		**(230)**	(147)
Contract liabilities		**(4,212)**	(3,865)
Trade and other payables		**(5,586)**	(5,436)
Other financial liabilities		**(220)**	(295)
Current tax		**(10)**	(285)
Provisions		**(197)**	(236)
		(11,193)	(10,943)
Total liabilities		**(25,757)**	(21,341)
Net assets		**11,461**	10,723
Capital and reserves			
Issued share capital		**80**	81
Share premium		**1,253**	1,253
Other reserves		**6,496**	6,403
Retained earnings		**3,430**	2,822
Total equity attributable to equity holders of BAE Systems plc		**11,259**	10,559
Non-controlling interests		**202**	164
Total equity		**11,461**	10,723

Approved by the Board of BAE Systems plc on 31 July 2024 and signed on its behalf by:

C N Woodburn
Chief Executive

B M Greve
Chief Financial Officer

Condensed consolidated cash flow statement (unaudited)

	Note	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m
Profit for the period		**988**	1,005
Tax expense	4	**175**	193
Adjustment in respect of research and development expenditure credits		**(22)**	(19)
Share of results of equity accounted investments		**(78)**	(60)
Net finance costs	3	**133**	35
Depreciation, amortisation and impairment		**501**	386
Net gain on disposal of property, plant and equipment and investment property		**(3)**	–
Gain in respect of partial disposal of equity accounted investment	11	**(75)**	–
Cost of equity-settled employee share schemes		**62**	52
Movements in provisions		**10**	(15)
Difference between pension funding contributions paid and the pension charge		**(61)**	(117)
(Increase)/decrease in working capital:			
Inventories		**(170)**	(114)
Trade, contract and other receivables		**(558)**	(468)
Trade and other payables, and contract liabilities		**(65)**	733
Tax paid net of research and development expenditure credits received		**(80)**	(127)
Net cash flow from operating activities		**757**	1,484
Dividends received from equity accounted investments		**145**	123
Interest received		**47**	49
Principal element of finance lease receipts		**5**	5
Purchase of property, plant and equipment and investment property		**(385)**	(332)
Purchase of intangible assets		**(78)**	(49)
Proceeds from funding related to assets		**62**	73
Proceeds from sale of property, plant and equipment, investment property and intangible assets		**5**	5
Purchase of subsidiary undertakings, net of cash and cash equivalents acquired	10	**(4,536)**	–
Cash flow in respect of partial disposal of equity accounted investment and other business disposals	11	**166**	(3)
Net cash flow from investing activities		**(4,569)**	(129)
Interest paid		**(222)**	(159)
Equity dividends paid	7	**(562)**	(508)
Purchase of own shares	7	**(250)**	(376)
Dividends paid to non-controlling interests		**(6)**	(12)
Principal element of lease payments		**(117)**	(129)
Cash inflow from derivative financial instruments (excluding cash flow hedges)		**49**	60
Cash outflow from derivative financial instruments (excluding cash flow hedges)		**(74)**	(242)
Cash inflow from draw down of bridge loan facility		**3,180**	–
Cash outflow from repayment of bridge loan facility		**(3,168)**	–
Cash inflow from bond finance/private placement		**3,753**	166
Net cash flow from financing activities		**2,583**	(1,200)
Net (decrease)/increase in cash and cash equivalents		**(1,229)**	155
Cash and cash equivalents at 1 January		**4,067**	3,107
Effect of foreign exchange rate changes on cash and cash equivalents		**(7)**	(58)
Cash and cash equivalents at 30 June		**2,831**	3,204

Notes to the Condensed consolidated financial statements

1. Preparation of the Condensed consolidated financial statements

Basis of preparation and statement of compliance

The annual financial statements of the Group will be prepared in accordance with UK-adopted International Accounting Standards (IAS), in conformity with the requirements of the Companies Act 2006. The Condensed consolidated set of financial statements included in this Half-yearly Report have been prepared in accordance with UK-adopted IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority. These Condensed consolidated financial statements do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006 and should be read in conjunction with the Annual Report 2023. The comparative figures for the year ended 31 December 2023 are not the Group's statutory accounts for that financial year. Those financial statements have been reported upon by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The accounting policies adopted in the preparation of these Condensed consolidated financial statements to 30 June 2024 are consistent with the accounting policies applied by the Group in its Consolidated financial statements as at, and for the year ended, 31 December 2023 as required by the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority.

The Condensed consolidated financial statements are presented in pounds sterling and, unless stated otherwise, rounded to the nearest million. They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments).

Going concern

The Group continues to conduct ongoing risk assessments in relation to its business operations and liquidity. Demand from the Group's key customers remains strong, underpinned by our order backlog, programme positions and pipeline of opportunities across all sectors. The Group also continues to work with, and support, its supply chain to actively address the risk of disruption.

The Group's liquidity and solvency has remained strong. Cash flow forecasting is performed by the businesses on a monthly basis. The Group also monitors a rolling forecast of its liquidity requirements to ensure that there is sufficient cash to meet operational needs and maintain adequate headroom.

After making due enquiries and having undertaken these assessments, the directors have a reasonable expectation that the Group has adequate resources and will be able to continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of this report. For this reason they continue to adopt the going concern basis in preparing the Group's Condensed consolidated financial statements.

New and amended standards adopted by the Group

The following standards, interpretations and amendments to existing standards became effective on 1 January 2024 and have not had a material impact on the Group:

– Amendments to IAS 1: Classification of Liabilities as Current or Non-current;

– Amendments to IAS 1: Non-current Liabilities with Covenants;

– Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements; and

– Amendments to IFRS 16: Lease Liability in a Sale and Leaseback.

No other new or amended standards, which became applicable for the period ending 30 June 2024, had a material impact on the Group or required the Group to change its accounting policies.

Critical accounting judgement and sources of estimation uncertainty

The determination of the Group's accounting policies requires judgement. The subsequent application of these policies requires estimates and the actual outcome may differ from that calculated. As at 31 December 2023, the key critical accounting judgements and sources of estimation uncertainty assessed as having a significant risk of causing material adjustments to the carrying amount of assets and liabilities are set out in note 1 to the Consolidated financial statements in the Annual Report 2023.

During the six month period ended 30 June 2024, the Group has re-assessed these key areas of critical accounting judgement and sources of estimation uncertainty and consider there have been no changes from those disclosed in the Group's 2023 audited financial statements.

Impact of climate ambitions on the Condensed consolidated financial statements

In preparing the Condensed consolidated financial statements management has considered the potential impact of climate change and the impact of climate-related risks and opportunities and the Group's net zero ambitions and decarbonisation activities on the Group's financial results.

As a responsible defence business, sustainability is embedded in our strategic framework, with one of the Group's long-term objectives being to advance and integrate our ESG agenda. The products and services we provide are complex, diverse and developed over extended periods of time. Sustainability and the impact of our operations is considered in the planning and ongoing production of our products and services, including incorporation of the impact of the Group's net zero ambitions and decarbonisation activities. These are embedded in our financial reporting, forecasting and governance processes.

Estimates and judgement are required in determining how the Group will pursue its net zero ambitions. These, as well as mitigating actions required from the detailed review of climate risks and opportunities, have been factored into the current and future plans of the Group through the Integrated Business Plan (IBP). The IBP is the Group's annual long-term strategy review and five-year plan for each segment, including the investment case to decarbonise.

The more immediate financial impacts of climate-related risks, and the actions being taken to address them, are reflected in the financial results of the Group for the period. These are not considered to have had a material impact.

2. Segmental analysis and revenue recognition

The Group has five sectors which, together with HQ, make its six reporting segments as defined by IFRS 8 Operating Segments.

The Space & Missions Systems (SMS) business, which was acquired in February 2024, has been reported within the pre-existing Electronic Systems reporting segment. SMS has been combined with the existing Electronic Systems business due to the similarities in services and products offered, being the provision of advanced defence electronic solutions such as tactical missile & munition subsystems, C4ISR, and civil and military space electronics.

Sales[1] and revenue by reporting segment

	Sales[1]		Deduct: Group's share of revenue of equity accounted investments		Add: Subsidiaries' revenue from equity accounted investments		Revenue	
	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m
Electronic Systems	**3,383**	2,583	**(128)**	(115)	**139**	115	**3,394**	2,583
Platforms & Services	**2,085**	1,891	**(24)**	(27)	**–**	–	**2,061**	1,864
Air	**4,009**	3,786	**(1,383)**	(1,391)	**626**	659	**3,252**	3,054
Maritime	**2,929**	2,603	**(86)**	(65)	**2**	3	**2,845**	2,541
Cyber & Intelligence	**1,182**	1,157	**–**	–	**–**	–	**1,182**	1,157
HQ	**85**	214	**(80)**	(209)	**–**	–	**5**	5
	13,673	12,234	**(1,701)**	(1,807)	**767**	777	**12,739**	11,204
Intra-group sales/revenue	**(274)**	(216)	**–**	–	**12**	9	**(262)**	(207)
	13,399	12,018	**(1,701)**	(1,807)	**779**	786	**12,477**	10,997

	Intra-group revenue		Revenue from external customers	
	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m
Electronic Systems	**90**	73	**3,304**	2,510
Platforms & Services	**33**	26	**2,028**	1,838
Air	**18**	17	**3,234**	3,037
Maritime	**43**	27	**2,802**	2,514
Cyber & Intelligence	**73**	59	**1,109**	1,098
HQ	**5**	5	**–**	–
	262	207	**12,477**	10,997

Sales[1] and revenue by customer location

	Sales[1]		Revenue	
	Six months ended 30 June 2024 £m	Six months ended 30 June 2023[2] £m	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023[2] £m
UK	**3,390**	3,118	**3,212**	2,921
Europe (excluding UK)	**1,403**	1,226	**844**	641
US	**5,961**	5,191	**5,983**	5,189
Canada	**79**	81	**79**	81
Kingdom of Saudi Arabia	**1,469**	1,223	**1,411**	1,220
Qatar	**199**	305	**125**	225
Australia	**594**	469	**591**	468
Asia and Pacific (excluding Australia)	**184**	207	**163**	113
Other	**120**	198	**69**	139
	13,399	12,018	**12,477**	10,997

1. Sales is an alternative performance measure defined in the Alternative performance measures section on page 46. Sales includes both revenue from the Group's own subsidiaries as well as recognising the strategic importance in its industry of its equity accounted investments. It is presented here as our internal measure of segmental performance and to provide additional information on performance to the user.
2. Sales and revenue figures for 2023 to UK and Rest of Europe have been re-presented to reflect the workshare on the Typhoon programme.

Operating profit/(loss) by reporting segment

	Underlying EBIT[3]		Adjusting items[4]		Amortisation of programme, customer-related and other intangible assets, and impairment of intangibles		Finance and tax (expense)/income of equity accounted investments		Operating profit/(loss)	
	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m
Electronic Systems	**473**	391	**(38)**	40	**(134)**	(45)	**–**	–	**301**	386
Platforms & Services	**216**	172	**6**	5	**–**	–	**(7)**	(5)	**215**	172
Air	**446**	454	**(2)**	–	**–**	–	**12**	2	**456**	456
Maritime	**228**	193	**–**	–	**–**	–	**(2)**	(1)	**226**	192
Cyber & Intelligence	**101**	96	**5**	3	**(9)**	(11)	**–**	–	**97**	88
HQ	**(71)**	(48)	**75**	–	**–**	–	**(3)**	(13)	**1**	(61)
	1,393	1,258	**46**	48	**(143)**	(56)	**–**	(17)	**1,296**	1,233
Net finance costs									**(133)**	(35)
Profit before tax									**1,163**	1,198
Tax expense									**(175)**	(193)
Profit for the period									**988**	1,005

3. Underlying EBIT is an alternative performance measure defined in the Alternative performance measures section on page 46. It provides a measure of operating profitability, excluding one-off events or adjusting items that are not considered to be part of the ongoing operational transactions of the business, to enable management to monitor the performance of recurring operations over time, and which is comparable across the Group. It is presented here as our internal measure of segmental performance and to provide additional information on performance to the user.
4. Adjusting items are items which have been determined by management as being material by their size or incidence and not relevant to an understanding of the Group's underlying business performance. A breakdown of adjusting items is included in the Alternative performance measures section on page 46.

3. Net finance costs

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m
Interest income on cash and other financial instruments	**63**	50
Net interest income on post-employment benefit obligations	**6**	19
Finance income	**69**	69
Interest expense on loans and other financial instruments	**(231)**	(133)
Facility fees	**(2)**	(3)
Interest expense on lease liabilities	**(33)**	(26)
Net present value expenses on provisions and other payables	**(4)**	(4)
Gain/(loss) on remeasurement of financial instruments at fair value through profit or loss[1,2]	**41**	(224)
Foreign exchange gains[2,3]	**27**	286
Finance costs	**(202)**	(104)
Net finance costs	**(133)**	(35)

1. Comprises gains and losses on derivative financial instruments, principally held to manage the Group's exposure to interest rate fluctuations on current and anticipated external borrowings and exchange rate fluctuations on balances with the Group's subsidiaries and equity accounted investments.
2. The net gain or loss on remeasurement of financial instruments at fair value through profit or loss and the net gain or loss on foreign exchange are presented within finance costs as the gains and losses relate to the same underlying transactions.
3. The foreign exchange gains/losses primarily reflects exchange rate movements on US dollar-denominated borrowings.

4. Tax expense

The Group's reported tax expense was £175m (2023 £193m). The underlying effective tax rate was 19% (2023 18%) and has been determined by calculating an estimated annual tax rate for each country or entity, and then applying those rates to half year profits or losses.

The Group's underlying effective tax rate is sensitive to the geographic mix of profits and is impacted by the UK's enactment of the Organisation for Economic Co-operation and Development's Global Anti-Base Erosion Model Rules (Global Minimum Tax) effective from 1 January 2024. The Group has applied the temporary exception issued by the International Accounting Standards Board from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Global Minimum Tax income taxes.

5. Earnings per share

	Six months ended 30 June 2024			Six months ended 30 June 2023		
	£m	**Basic pence per share**	**Diluted pence per share**	£m	Basic pence per share	Diluted pence per share
Profit for the period attributable to equity shareholders	**948**	**31.4**	**31.0**	965	31.8	31.4

Number of shares	**Six months ended 30 June 2024 Millions**	Six months ended 30 June 2023 Millions
Weighted average number of ordinary shares used in calculating basic earnings per share	**3,016**	3,039
Effect of dilutive potential ordinary shares:		
Incremental ordinary shares in respect of employee share schemes	**38**	37
Weighted average number of ordinary shares used in calculating diluted earnings per share	**3,054**	3,076

6. Post-employment benefits

Summary of movements in net post-employment benefit obligations

	UK £m	US and other £m	Total £m
Total net IAS 19 surplus/(deficit) at 1 January 2024 (net of withholding tax)	717	(420)	297
Add back: withholding tax on surpluses	441	–	441
Total net IAS 19 surplus/(deficit) at 1 January 2024	1,158	(420)	738
Actual return on assets excluding amounts included in net finance costs	(906)	(71)	(977)
Decrease in liabilities due to changes in financial assumptions	1,225	125	1,350
Decrease in liabilities due to changes in demographic assumptions	51	–	51
Experience (losses)/gains	(75)	47	(28)
Contributions in excess of/(less than) service cost	76	(4)	72
Settlements	–	13	13
Business acquisitions	–	(142)	(142)
Net interest income/(expense)	29	(9)	20
Total net IAS 19 surplus/(deficit) at 30 June 2024	**1,558**	**(461)**	**1,097**
Withholding tax on surpluses	(415)	–	(415)
Total net IAS 19 surplus/(deficit) at 30 June 2024 (net of withholding tax)	**1,143**	**(461)**	**682**
Allocated to equity accounted investments	(104)	–	(104)
Group's share of net IAS 19 surplus/(deficit) excluding Group's share of amounts allocated to equity accounted investments at 30 June 2024	**1,039**	**(461)**	**578**

	UK £m	US and other £m	Total £m
Represented by:			
Post-employment benefit surpluses	1,135	62	1,197
Post-employment benefit obligations	(96)	(523)	(619)
	1,039	**(461)**	**578**

Surplus recognition

A number of schemes are in an accounting surplus position. The surpluses have been recognised on the basis that the future economic benefits are unconditionally available to the Group, which is assumed to be via a refund. The Authorised Surplus Payments Charge (Variation of Rate) Order 2024 became effective from 6 April 2024 and reduced the withholding tax rate from 35% to 25% for authorised surplus payments and therefore the surplus has been recognised net of withholding tax of 25% as at 30 June 2024 (2023 35%). This tax would be levied prior to the future refunding of any surplus and therefore the surplus has been presented on a net basis as this is not deemed to be an income tax of the Group.

Settlement gain

In June 2024, $145m (£114m) of the US defined benefit obligation liabilities were settled via payment of a lump sum to participants. The premium of $128m (£101m) created a one-off accounting gain of $17m (£13m). This gain has been recognised as an Adjusting item in the income statement.

Principal actuarial assumptions

The assumptions used are estimates chosen from a range of possible actuarial assumptions which, due to the long-term nature of the obligation covered, may not necessarily occur in practice.

	UK		US	
	30 June 2024	31 December 2023	**30 June 2024**	31 December 2023
Financial assumptions				
Discount rate – past service (%)	**5.1**	4.5	**5.3**	4.8
Discount rate – future service (%)	**5.2**	4.6	**5.3**	4.8
Retail Prices Index (RPI) inflation (%)	**2.9**	2.8	**n/a**	n/a
Rate of increase in salaries (%)	**2.9**	2.8	**n/a**	n/a
Rate of increase in deferred pensions (CPI/RPI) (%)	**2.2/2.9**	2.1/2.8	**n/a**	n/a
Rate of increase in pensions in payment (%)	**1.7 – 3.6**	1.6 – 3.6	**n/a**	n/a
Demographic assumptions				
Life expectancy of a male currently aged 65 (years)	**85 – 88**	85 – 89	**88**	88
Life expectancy of a female currently aged 65 (years)	**88 – 90**	88 – 89	**89**	89
Life expectancy of a male currently aged 45 (years)	**86 – 89**	86 – 89	**87**	87
Life expectancy of a female currently aged 45 (years)	**89 – 91**	89 – 90	**89**	89

Life expectancy
For its UK pension schemes, the Group has used the Self-Administered Pension Schemes S3 mortality tables based on year of birth (as published by the Institute and Faculty of Actuaries) for both pensioner and non-pensioner members, in conjunction with the results of an investigation into the actual mortality experience of scheme members and information on the demographic profile of the scheme's membership.

In addition, to allow for future improvements in longevity, the Continuous Mortality Investigation 2023 tables (published by the Institute and Faculty of Actuaries) have been used (at the 2023 year end, the Continuous Mortality Investigation 2022 tables were used), with an assumed long-term rate of mortality improvements of 1.0% per annum (2023 1.0%), an initial rate adjustment parameter ('A') of 0.2% (2023 0.2%), a smoothing parameter ('Sk') of 7 (2023 7) and the following weighting ('W') parameters: W2023 35% (2023 n/a), W2022 35% (2023 35%), W2021 0% (2023 0%) and W2020 0% (2023 0%).

For the majority of the US schemes, the mortality tables used at 30 June 2024 are a blend of the fully generational PRI-2012 White Collar table and the PRI-2012 Blue Collar table, both projected using Scale MP-2021.

Sensitivity analysis
The sensitivity information has been derived using scenario analysis from the actuarial assumptions as at 30 June 2024 and keeping all other assumptions as set out above.

Financial assumptions
The estimated impact of changes in the discount rate and inflation assumptions on the defined benefit pension obligation, together with the estimated impact on scheme assets, is shown in the table below. The estimated impact on scheme assets takes into account the Group's risk management activities in respect of interest rate and inflation risk. The sensitivity analysis on the defined benefit obligation is measured on an IAS 19 accounting basis.

	Decrease/(increase) in pension obligation[1] £bn	(Decrease)/increase in scheme assets[1] £bn
Discount rate:		
0.5 percentage point increase/decrease	1.2/(1.3)	(1.2)/1.4
1.0 percentage point increase/decrease	2.3/(2.8)	(2.4)/2.9
2.0 percentage point increase/decrease	4.1/(6.2)	(4.3)/6.4
3.0 percentage point increase/decrease	5.7/(10.5)	(6.0)/10.8
	(Increase)/decrease in pension obligation[1] £bn	Increase/(decrease) in scheme assets[1] £bn
Inflation:		
0.1 percentage point increase/decrease	(0.1)/0.1	0.2/(0.1)
0.5 percentage point increase/decrease	(0.6)/0.6	0.8/(0.7)
1.0 percentage point increase/decrease	(1.2)/1.2	1.6/(1.4)

Demographic assumptions
Changes in the life expectancy assumption, including the benefit of longevity swap arrangements, would have the following effect on the total net IAS 19 surplus:

	(Decrease)/increase in net surplus[1] £bn
Life expectancy:	
One-year increase/decrease	(0.7)/0.7

1. Before allocation to equity accounted investments and deduction of withholding tax.

Virgin Media case
The Company is aware that the Court of Appeal have recently upheld the High Court's ruling in relation to Section 37 of the Pension Schemes Act 1993. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 6 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. Rejection of the appeal now confirms that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required. The potential impact of this, if any, has not yet been confirmed and, in light of the recent ruling, the Company will continue to assess this in the second half of the year.

7. Capital distributions

Equity dividends

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m
Prior year final 18.5p dividend per ordinary share paid in the period (2023 16.6p)	**562**	508

The directors have declared an interim dividend of 12.4p per ordinary share in respect of the period ended 30 June 2024, totalling approximately £375m. This will be paid on 2 December 2024 to shareholders registered on 25 October 2024. The ex-dividend date is 24 October 2024. This is in line with our usual dividend timetable.

Shareholders who do not at present participate in the Company's Dividend Reinvestment Plan and wish to receive the interim dividend in shares rather than cash should complete a mandate form for the Dividend Reinvestment Plan and return it to the registrars for receipt no later than 8 November 2024.

Capital

The Group funds its operations through a mixture of equity funding and debt financing, including bank and capital market borrowings. The capital structure of the Group reflects the judgement of the directors of an appropriate balance of funding required. Our policy is to maintain the Group's investment grade credit rating and ensure operating flexibility, whilst:

- meeting its pension obligations;
- investing in research and technology and pursuing other organic investment opportunities;
- paying dividends in line with the Group's policy of long-term sustainable cover of around two times underlying earnings;
- making accelerated returns of capital to shareholders when the balance sheet allows and when the return from doing so is in excess of the Group's weighted average cost of capital; and
- investing in value-enhancing acquisitions, where market conditions are right and where they deliver on the Group's strategy.

Purchase of own shares

In July 2022, the directors approved a share buyback programme of up to £1.5bn (the 2022 share buyback programme). The 2022 share buyback programme was completed on 24 July 2024. In total, 163,907,003 ordinary shares were repurchased under the 2022 share buyback programme for a total cost (including transaction costs) of £1,508m.

In August 2023, the directors approved a further share buyback programme of up to £1.5bn (the 2023 share buyback programme). The 2023 share buyback programme commenced on 25 July 2024. The 2023 share buyback programme is expected to complete within three years of its commencement.

In the six months ended 30 June 2023, 40,460,554 ordinary shares were repurchased under the 2022 share buyback programme for a total cost (including transaction costs) of £371m.

In the six months ended 30 June 2024, 19,403,928 ordinary shares were repurchased under the 2022 share buyback programme at a total cost (including transaction costs) of £250m.

All ordinary shares acquired have been subsequently cancelled, with the nominal value of ordinary shares cancelled deducted from share capital against the capital redemption reserve.

As part of the 2022 buyback programme, it was agreed that should a better alternative use for the Company's cash reserves be identified, the share buyback programmes would be ceased and the money instead used for the alternative purpose. Therefore, when the Company issued a mandate to the brokers to purchase shares on their behalf, the mandate was structured such that it could be revoked at any point. As such, no financial liability has been recognised for shares not yet purchased under the 2022 programme at 30 June.

As the mandate for the first tranche of the 2023 share buyback programme can be revoked at any time, no financial liability has been recognised for shares not yet purchased under the first tranche of the 2023 share buyback programme.

8. Fair value measurement

Fair value of financial instruments
Certain of the Group's financial instruments are held at fair value.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date.

The fair values of financial instruments held at fair value have been determined based on available market information at the balance sheet date, and the valuation methodologies listed below:

– the fair values of forward foreign exchange contracts are calculated by discounting the contracted forward values and translating at the appropriate balance sheet rates;
– the fair values of both interest rate and cross-currency swaps are calculated by discounting expected future principal and interest cash flows and translating at the appropriate balance sheet rates; and
– the fair values of money market funds are calculated by multiplying the net asset value per share by the investment held at the balance sheet date.

The derivative fair values are based on reputable third party forecast data, and then adjusted for credit risk, including the Group's own credit risk, and market risk. Due to the variability of the valuation factors, the fair values presented at 30 June may not be indicative of the amounts the Group will realise in the future.

Fair value hierarchy
The fair value measurement hierarchy is as follows:

– Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
– Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
– Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Carrying amounts and fair values of certain financial instruments

	30 June 2024		31 December 2023	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m
Financial instruments measured at fair value:				
Non-current				
Other investments at fair value through other comprehensive income	**76**	**76**	84	84
Other financial assets	**245**	**245**	227	227
Contingent consideration in business combination (note 10)	**(41)**	**(41)**	–	–
Other financial liabilities	**(210)**	**(210)**	(227)	(227)
Current				
Other financial assets	**159**	**159**	205	205
Money market funds	**944**	**944**	1,375	1,375
Contingent consideration in business combination (note 10)	**(20)**	**(20)**	–	–
Other financial liabilities	**(220)**	**(220)**	(295)	(295)
Financial instruments not measured at fair value:				
Non-current				
Loans	**(8,234)**	**(7,735)**	(4,432)	(4,045)
Current				
Loans	**(738)**	**(735)**	(679)	(672)

All of the financial assets and liabilities measured at fair value are classified as level 2 using the fair value hierarchy, except for money market funds, which are classified as level 1; other investments, which are at a combination of level 1 and level 3; and the contingent consideration liability which is measured at level 3. The fair value of the contingent consideration has been valued based on the discounted expected cash flows. The total value of investments classified as level 3 is immaterial. There were no transfers between levels during the period. Alternative valuation techniques would not materially change the valuations presented.

Financial assets and liabilities in the Group's Condensed consolidated balance sheet are either held at fair value or at amortised cost. With the exception of loans, the carrying value of financial instruments measured at amortised cost approximates their fair value. For the bonds included within loans, the fair value of loans presented in the table above is derived from market prices as of 30 June, classified as level 1 using the fair value hierarchy.

9. Related party transactions

The Group has a related party relationship with its equity accounted investments and pension schemes. Transactions with related parties occur in the normal course of business, are priced on an arm's-length basis and settled on normal trade terms. The more significant transactions are disclosed below:

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m
Sales to related parties	**779**	786
Purchases from related parties	**184**	287
Management recharges	**2**	4

	30 June 2024 £m	31 December 2023 £m
Amounts owed by related parties	**126**	79
Amounts owed to related parties	**1,834**	1,746

10. Acquisitions

Businesses acquired during 2024

Ball Aerospace

On 16 February 2024, the Group acquired 100% of the share capital of the Ball Aerospace division (now BAE Systems Space & Mission Systems) for consideration of $5.5bn (£4.4bn), of which c.$0.75bn is expected to be recoverable under a tax benefit associated with the acquisition. Upon completion, the Group drew down $4.0bn (£3.2bn) under a bridge finance facility and paid $1.5bn (£1.2bn) in cash from the Group's existing cash resources, in settlement of the transaction. Following bond finance raised in March of $4.8bn (£3.8bn), the Group subsequently repaid the bridge finance facility.

Space and Mission Systems is a leading provider of spacecraft, mission payloads, optical systems, and antenna systems. Headquartered in Colorado, with more than 5,200 employees, it has existing customer relationships among the Intelligence Community, US Department of Defense, and civilian space agencies. It is well positioned across several markets: military and civil space, C4ISR, and missile and munitions. The space market exposure extends across positions in defence, intelligence, and scientific missions. The Tactical Solutions business is well positioned to capture expected increases in demand for missiles and munitions.

The acquisition enhances our portfolio of advanced defence electronic solutions and is reported as part of our Electronic Systems sector.

Other acquisitions

On 31 January 2024, the Group acquired 100% of the share capital of Malloy Aeronautics Ltd and, on 2 May 2024, the Group acquired 100% of the share capital of Callen-Lenz Associates Ltd. Both entities operate in the UAS technology market and form part of FalconWorks®, the research and development business within the Air sector.

Total consideration of £291m includes £61m of contingent consideration. The value of contingent consideration is dependent on a number of factors, including the financial and operational performance of the acquired businesses.

The results and financial position of all three acquired businesses have been consolidated from the date of each acquisition under the requirements of IFRS 3 Business Combinations. The fair values acquired are provisional figures, being the best estimates currently available, as the Group continues to finalise the valuation of intangibles acquired due to the complexity and nature of the acquisitions.

Acquisition consideration and provisional fair value of net assets acquired

	Ball Aerospace £m	Other £m	Total £m
Intangible assets	2,271	106	2,377
Property, plant and equipment	694	–	694
Right-of-use assets	77	–	77
Receivables	309	14	323
Deferred tax assets	43	–	43
Inventories	17	6	23
Lease liabilities	(61)	–	(61)
Post-employment benefit obligations	(142)	–	(142)
Contract liabilities	(175)	(16)	(191)
Payables	(160)	(14)	(174)
Provisions	(11)	–	(11)
Current tax	1	–	1
Cash and cash equivalents	7	39	46
Net identifiable assets acquired	2,870	135	3,005
Goodwill	1,482	156	1,638
Net assets acquired	**4,352**	**291**	**4,643**
Satisfied by:			
Cash consideration	4,352	230	4,582
Contingent consideration	–	61	61
Total consideration	**4,352**	**291**	**4,643**

The net outflows of cash in respect of the acquisitions are as follows:

	£m	£m	£m
Cash consideration	4,352	230	4,582
Less: Cash and cash equivalents acquired	(7)	(39)	(46)
Net cash outflows in respect of the acquisition of businesses	**4,345**	**191**	**4,536**

The goodwill recognised is primarily attributable to expected synergies from the products and services being provided and the enhancement of capabilities in new and emerging areas of technology. Goodwill of £1,482m is expected to be deductible for tax purposes. No impairment losses have been recognised in respect of goodwill in the period ended 30 June 2024.

The acquisitions contributed £590m to the Group's revenue and £65m to the Group's underlying EBIT[1] between the date of acquisition and 30 June 2024. If the acquisitions had completed on 1 January 2024, the Group's revenue would have been £12,720m and the Group's underlying EBIT[1] would have been £1,419m for the period ended 30 June 2024.

Contractual cash flows on trade, other and contract receivables are recognised net of expected credit losses. The amount of gross trade receivables acquired was £335m, of which £14m relates to other acquisitions. Management's best estimate at the acquisition date of contractual cash flows not expected to be collected was £12m in relation to Ball Aerospace. The fair value of trade receivables at acquisition date is shown in the table above.

No contingent liabilities have been recognised or require disclosure in respect of these acquisitions.

Acquisition-related costs of £42m have been included as an adjusting item in operating costs in the Condensed consolidated income statement for the period ending 30 June 2024.

1. Underlying EBIT is an alternative performance measure defined in the Alternative performance measures section on page 46. It is presented here as our internal measure of segmental performance, to provide additional information on performance to the user.

11. Disposals

Disposal of partial share of equity accounted investment

On 12 January 2024, Air Astana announced its intention to proceed with a joint initial public offering (IPO) on the London Stock Exchange, the Astana International Exchange in Kazakhstan, and the Kazakhstan Stock Exchange. On 9 February 2024, the IPO was launched. As a result of the IPO, the total shareholding held by BAE Systems in Air Astana reduced from 49% to 17%. The Group's 49% shareholding in Air Astana had a carrying value of £84m at 31 December 2023. The profit on disposal of the share of the Group's equity accounted investment is shown below. The Group has continued to equity account for the remaining investment.

	£m
Total cash proceeds on disposal of partial shareholding in equity accounted investment	166
Less: Carrying amount of share of equity accounted investment disposed	(56)
Profit on disposal before tax and reclassification of foreign currency translation reserve	110
Reclassification of foreign currency reserve	(35)
Profit on disposal before tax	75

12. Contingent liabilities

The Group believes that any significant liability in respect of its guarantees and performance bond arrangements, and legal actions and claims not already provided for, is remote.

13. Events after the reporting period

There were no events after the reporting period which would materially impact the balances reported in this Report.

Alternative performance measures

We monitor the underlying financial performance of the Group using alternative performance measures (APMs). These measures are not defined in IFRS and, therefore, are considered to be non-GAAP measures. Accordingly, the relevant IFRS measures are also presented where appropriate.

The Group uses these APMs as a mechanism to support year-on-year business performance and cash generation comparisons, and to enhance management's planning and decision-making on the allocation of resources. The APMs are also used to provide information in line with the expectations of investors, and when setting guidance on expected future business performance. The Group presents these measures to the users to enhance their understanding of how the business has performed within the year, and does not consider them to be more important than, or superior to, their equivalent IFRS measures. As each APM is defined by the Group, they may not be directly comparable with equivalently-named measures in other companies.

Purpose, definitions, breakdowns and reconciliations to the relevant statutory measure, where appropriate, are included below.

Sales

Purpose
Enables management to monitor the revenue of both the Group's own subsidiaries as well recognising the strategic importance in its industry of its equity accounted investments, to ensure programme performance is understood and in line with expectations.

Definition
Revenue plus the Group's share of revenue of equity accounted investments, excluding subsidiaries' revenue from equity accounted investments.

Reconciliation of sales to revenue	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m
Sales	**13,399**	12,018
Deduct: Group's share of revenue of equity accounted investments	**(1,701)**	(1,807)
Add: Subsidiaries' revenue from equity accounted investments	**779**	786
Revenue	**12,477**	10,997

Underlying EBIT

Purpose
Provides a measure of operating profitability, excluding one-off events or adjusting items that are not considered to be part of the ongoing operational transactions of the business, to enable management to monitor the performance of recurring operations over time, and which is comparable across the Group.

Definition
Operating profit excluding amortisation of programme, customer-related and other intangible assets, impairment of intangible assets, net finance costs and tax expense of equity accounted investments (EBIT) and adjusting items. The exclusion of amortisation of acquisition-related intangible assets is to allow consistent comparability internally and externally between our businesses, regardless of whether they have been grown organically or via acquisition.

Reconciliation of underlying EBIT to operating profit	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m
Underlying EBIT	**1,393**	1,258
Adjusting items	**46**	48
Amortisation of programme, customer-related and other intangible assets, and impairment of intangibles	**(143)**	(56)
Net finance income of equity accounted investments	**26**	2
Tax expense of equity accounted investments	**(26)**	(19)
Operating profit	**1,296**	1,233

Return on sales

Purpose
Provides a measure of operating profitability, excluding one-off events, to enable management to monitor the performance of recurring operations over time, and which is comparable across the Group.

Definition
Underlying EBIT as a percentage of sales - also referred to as margin.

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m
Sales	**13,399**	12,018
Underlying EBIT	**1,393**	1,258
Return on sales	**10.4%**	10.5%

Underlying earnings per share (EPS)

Purpose
Provides a measure of the Group's underlying performance, which enables management to compare the profitability of the Group's recurring operations over time.

Definition
Profit for the period attributable to shareholders, excluding 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, being underlying earnings, divided by number of shares as defined for Basic EPS in accordance with IAS 33 Earnings per Share.

Reconciliation of underlying profit attributable to equity shareholders	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m
Underlying profit for the period attributable to equity shareholders	**948**	901
Adjustments:		
Adjusting items	**46**	48
Amortisation of programme, customer-related and other intangible assets and impairment of intangibles	**(143)**	(56)
Net interest income on post-employment benefit obligations	**7**	20
Fair value and foreign exchange adjustments on financial instruments and investments	**66**	58
Tax impact of adjustments	**24**	(6)
Profit for the period attributable to equity shareholders	**948**	965

Reconciliation of underlying EBIT to underlying profit for the period attributable to equity shareholders	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m
Underlying EBIT	**1,393**	1,258
Group and equity accounted investments underlying net finance costs (see reconciliation page 48)	**(180)**	(111)
Underlying tax expense (see reconciliation page 49)	**(225)**	(206)
Underlying profit for the period	**988**	941
Deduct: Non-controlling interests	**(40)**	(40)
Underlying profit for the period attributable to equity shareholders	**948**	901

Weighted average number of ordinary shares used in calculating basic earnings per share	**3,016**	3,039
Underlying EPS – basic	**31.4p**	29.6p
Weighted average number of ordinary shares used in calculating diluted earnings per share	**3,054**	3,076
Underlying EPS – diluted	**31.0p**	29.3p

Adjusting items

Purpose

To adjust items of financial performance from the reported underlying results which have been determined by management as being material by their size or incidence and not relevant to an understanding of the Group's underlying business performance.

Definition

Adjusting items include profit or loss on business transactions, the impact of substantively enacted tax rate changes, and costs incurred which are one-off in nature, for example; non-routine costs or income relating to post-retirement benefit schemes and other items which management has determined as not being relevant to an understanding of the Group's underlying business performance.

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m
Profit on disposal of equity accounted investments	**75**	–
Acquisition-related costs	**(42)**	(3)
Gain related to settlement on US pension buy-out	**13**	51
Adjusting items	**46**	48

Underlying net finance costs

Purpose

Provides a measure of net finance costs associated with the operational borrowings of the Group that is comparable over time.

Definition

Net finance costs for the Group and its share of equity accounted investments, excluding net interest income/expense on post-employment benefit obligations and fair value and foreign exchange adjustments on financial instruments.

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m
Net finance costs – Group	**(133)**	(35)
Deduct:		
Net interest income on post-employment benefit obligations	**(6)**	(19)
Fair value and foreign exchange adjustments on financial instruments	**(68)**	(62)
Underlying net finance costs – Group	**(207)**	(116)
Net finance income – equity accounted investments	**26**	2
(Deduct)/add back:		
Net interest income on post-employment benefit obligations	**(1)**	(1)
Fair value and foreign exchange adjustments on financial instruments	**2**	4
Underlying net finance income – equity accounted investments	**27**	5
Total of Group and equity accounted investments' underlying net finance costs	**(180)**	(111)

Underlying effective tax rate

Purpose
Provides a measure of tax expense for the Group, excluding one-off items, that is comparable over time.

Definition
Tax expense for the Group and its share of equity accounted investments, excluding any one-off tax benefit/expense related to adjusting items and other items excluded from underlying EBIT, as a percentage of underlying profit before tax.

Calculation of the underlying effective tax rate

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m
Underlying EBIT (see reconciliation on page 46)	**1,393**	1,258
Group and equity accounted investments' underlying net finance costs (see reconciliation on page 48)	**(180)**	(111)
Underlying profit before tax	**1,213**	1,147
Group tax expense	**(175)**	(193)
Tax expense of equity accounted investments	**(26)**	(19)
Exclude:		
Tax (income)/expense in respect of taxable adjusting items	**(4)**	2
Tax (income)/expense in respect of other items excluded from underlying profit	**(20)**	4
Underlying tax expense	**(225)**	(206)
Underlying effective tax rate	**19%**	18%

Free cash flow

Purpose
Provides a measure of cash generated by the Group's operations after servicing debt and tax obligations, available for use in line with the Group's capital allocation policy.

Definition
Net cash flow from operating activities, including dividends received from equity accounted investments, interest paid, net of interest received, net capital expenditure and financial investments, and principal elements of lease payments and receipts.

Reconciliation from free cash flow to net cash flow from operating activities

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m
Free cash flow	**219**	1,070
Add back:		
Interest paid, net of interest received	**175**	110
Net capital expenditure and financial investment	**396**	303
Principal element of lease payments and receipts	**112**	124
Deduct:		
Dividends received from equity accounted investments	**(145)**	(123)
Net cash flow from operating activities	**757**	1,484

Operating business cash flow

Purpose

Provides a measure of cash generated by the Group's operations, which is comparable across the Group, to service debt and meet tax obligations, and in turn available for use in line with the Group's capital allocation policy.

Definition

Net cash flow from operating activities excluding tax paid net of research and development expenditure credits received and including net capital expenditure (net of proceeds from funding of assets) and lease principal amounts, financial investment and dividends from equity accounted investments.

Reconciliation from operating business cash flow to net cash flow from operating activities	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m
Operating business cash flow	**474**	1,307
Add back:		
Net capital expenditure and financial investment	**396**	303
Principal element of lease payments and receipts	**112**	124
Deduct:		
Dividends received from equity accounted investments	**(145)**	(123)
Tax paid net of research and development expenditure credits received	**(80)**	(127)
Net cash flow from operating activities	**757**	1,484

Reconciliation of operating business cash flow to net cash flow from operating activities by reporting segment

	Operating business cash flow		Deduct: Dividends received from equity accounted investments		Add back: Net capital expenditure, lease principal amounts and financial investment		Net cash flow from operating activities	
	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m	**Six months ended 30 June 2024 £m**	Six months ended 30 June 2023 £m
Electronic Systems	**184**	157	**(6)**	(4)	**86**	72	**264**	225
Platforms & Services	**(13)**	21	**–**	–	**96**	74	**83**	95
Air	**724**	1,330	**(135)**	(110)	**108**	87	**697**	1,307
Maritime	**(247)**	(79)	**(4)**	(3)	**160**	119	**(91)**	37
Cyber & Intelligence	**16**	51	**–**	–	**24**	35	**40**	86
HQ	**(190)**	(173)	**–**	(6)	**34**	40	**(156)**	(139)
	474	1,307	**(145)**	(123)	**508**	427	**837**	1,611
Tax paid net of research and development expenditure credits received							**(80)**	(127)
Net cash flow from operating activities							**757**	1,484

Net debt (excluding lease liabilities)

Purpose
Allows management to monitor indebtedness of the Group, to ensure the Group's capital structure is appropriate and capital allocation policy decisions are suitably informed.

Definition
Cash and cash equivalents, less loans (including debt-related derivative financial instruments). Net debt does not include lease liabilities.

Components of net debt (excluding lease liabilities)	30 June 2024 £m	31 December 2023 £m
Cash and cash equivalents	**2,831**	4,067
Debt-related derivative financial instruments (net)	**53**	22
Loans – non-current	**(8,234)**	(4,432)
Loans – current	**(738)**	(679)
Net debt (excluding lease liabilities)	**(6,088)**	(1,022)

Order intake

Purpose

Allows management to monitor the order intake of the Group together with its equity accounted investments, providing insight into future periods' sales performance.

Definition
Funded orders received from customers including the Group's share of order intake of equity accounted investments.

	Six months ended 30 June 2024 £bn	Six months ended 30 June 2023 £bn
Order intake	**15.1**	21.1

Order backlog

Purpose
Supports future years' sales performance of the Group together with its equity accounted investments.

Definition
Funded and unfunded unexecuted customer orders including the Group's share of order backlog of equity accounted investments. Unfunded orders include the elements of US multi-year contracts for which funding has not been authorised by the customer.

Reconciliation of order backlog, as defined by Group, to order book[1]	30 June 2024 £bn	31 December 2023 £bn
Order backlog, as defined by Group	**74.1**	69.8
Deduct:		
Unfunded order backlog	**(4.5)**	(2.3)
Share of order backlog of equity accounted investments	**(13.6)**	(13.5)
Add back: Order backlog in respect of orders from equity accounted investments	**3.6**	4.0
Order book[1]	**59.6**	58.0

1. Order book represents the transaction price allocated to unsatisfied and partially satisfied performance obligations as defined by IFRS 15 Revenue from Contracts with Customers.