Half year results 2026

30 July 2026

BAE SYSTEMS

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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 112,400[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. As at 30 June 2026 and including share of equity accounted investments.

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Agenda

Half year review	**Charles Woodburn**, CEO
US update	**Tom Arseneault**, President & CEO Inc.
Business update	**Charles Woodburn**, CEO
Financial review	**Brad Greve**, CFO
Closing comments and Q&A	**Charles Woodburn**, CEO

Our three key messages today

1. Strong operational and financial results
2. Geographic, domain and product mix position us well for global defence needs
3. Excellent visibility of long-term growth

2026 half year – another strong operational and financial performance

- Strong operational performance
- Strong sales and profit growth
- Increased capex and R&D to support future growth
- Disciplined capital allocation

Orders	Underlying EBIT
£16.4bn	£1.7bn
2025: £13.2bn	2025: £1.6bn

Sales	Free cash flow
£15.8bn	£1.8bn
2025: £14.6bn	2025: £(0.4)bn

Strong order intake
Record order backlog continues to grow

£84bn

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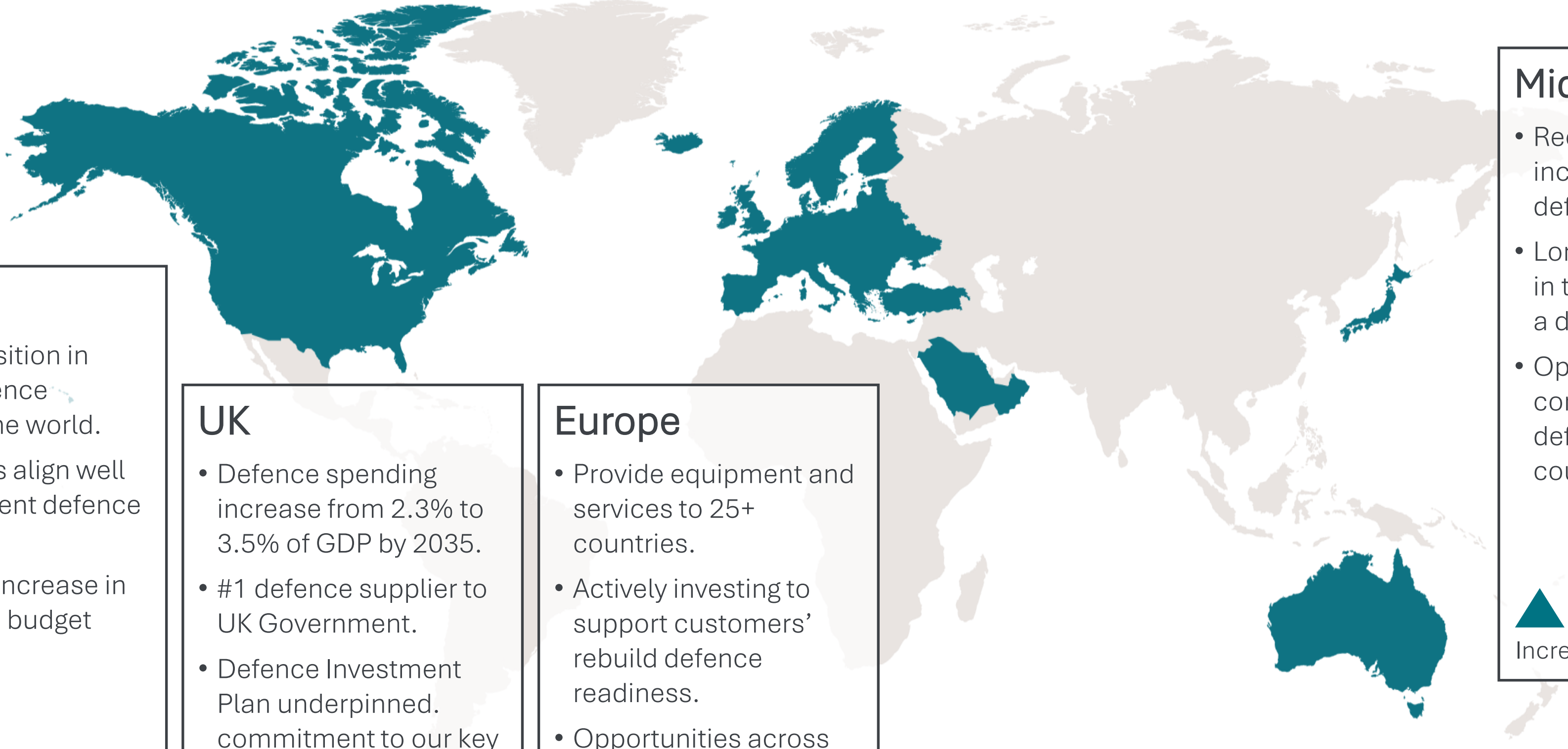
Global portfolio gives excellent breadth of opportunity



US

- Leading position in largest defence market in the world.
- Capabilities align well to government defence priorities.
- Significant increase in US defence budget proposed.

Canada

- Supporting through Arctic over-the-horizon radar, GCAP observer, River class destroyer.

▲ Increased defence spending

UK

- Defence spending increase from 2.3% to 3.5% of GDP by 2035.
- #1 defence supplier to UK Government.
- Defence Investment Plan underpinned. commitment to our key programmes and areas of expertise.

▲ Increased defence spending

Europe

- Provide equipment and services to 25+ countries.
- Actively investing to support customers' rebuild defence readiness.
- Opportunities across combat air, vehicles, missiles, munitions, drones.

▲ Increased defence spending

Middle East

- Recent conflict has increased focus on defence spending.
- Long term relationships in the region – a differentiator.
- Opportunities in combat air, missile defence, drone and counter drone.

▲ Increased defence spending

Asia Pacific

- Elevated threat environment.
- Japan defence budget to double by FY27; increased spending in Australia.
- Largest defence contractor in Australia.
- GCAP, AUKUS and other opportunities support long–term growth.

▲ Increased defence spending

Europe – high growth and visibility underpinned by large backlog

European sales in HY 2026

£2.1bn

+ 30% year-on-year

European order intake

£4.8bn

30% of group

European order backlog

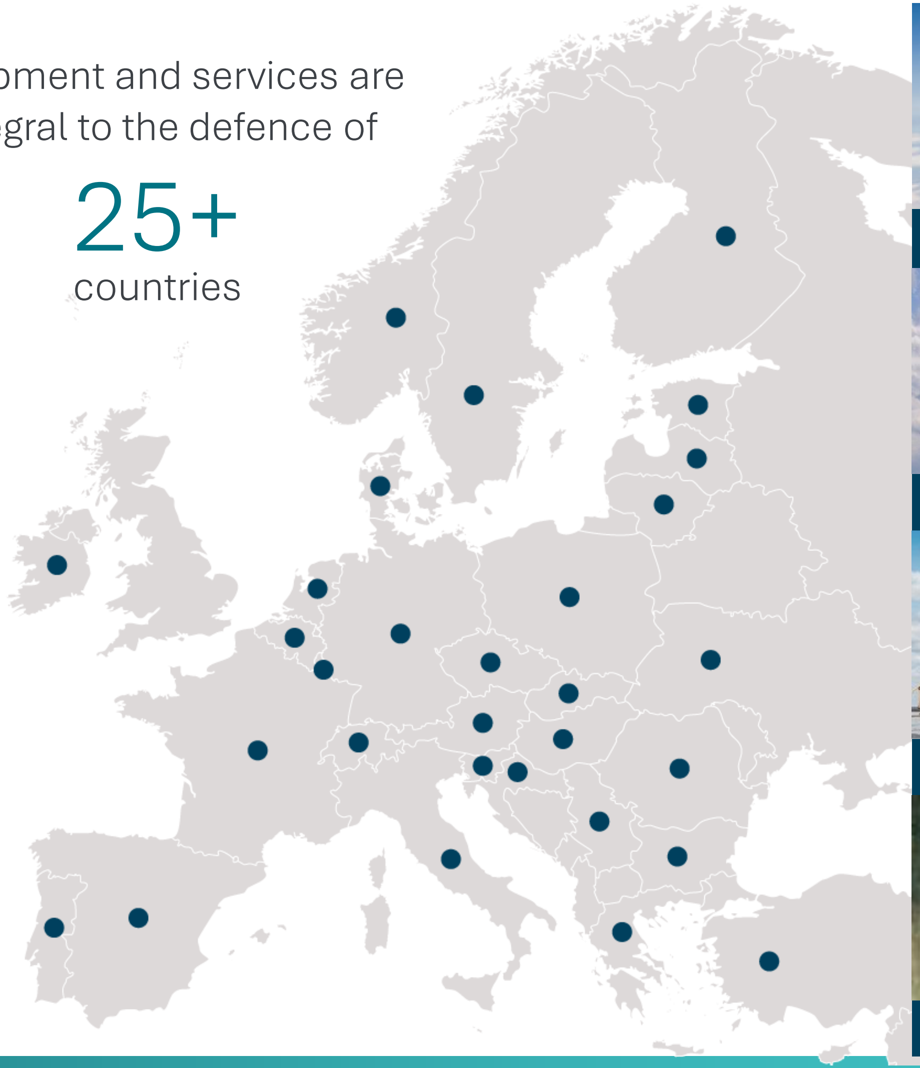
£28bn

Europe as a proportion of group

Equipment and services are integral to the defence of

25+

countries



Combat aircraft

Missile and air defence

Drones and counterdrones

Combat vehicles and artillery

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MBDA: Strong revenue growth outlook, supported by backlog and investment

Portfolio aligned to current needs

Air defence

Air dominance

Deep strike

Tactical strike & battlefield

Strong performance continued in HY 2026

Order intake

€6.5bn

2.3x book to bill

Order backlog

€48bn

New record level c.8x revenue

Revenue

€2.8bn

+8% year-on-year

Increasing investment to meet high demand

Investment increased to €5bn
2026 - 2030

- Sites & digitalisation
- Production capacity
- Supply chain
- Product & technology

1. Figures are for total MBDA. BAE Systems share is 37.5%, Airbus is 37.5%, Leonardo is 25%

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US update

Tom Arseneault, President & CEO Inc.

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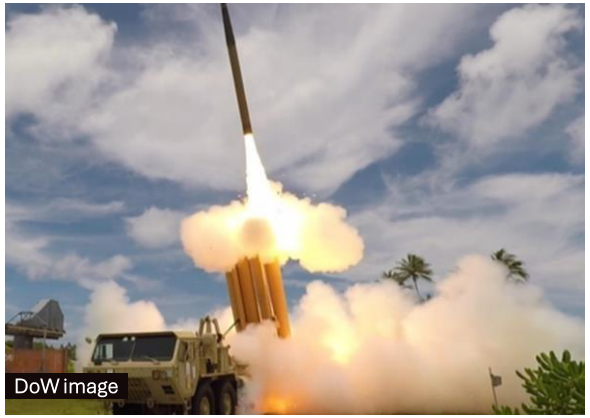
Aligned to the US Administration's key defense priorities

Munitions production	Drone/counter drone systems	Space-based capabilities	Golden Dome
			

We are developing systems and delivering products across the US Administration's priority areas and continue to invest in technology and production capacity to meet demand

Photo Credit: The appearance of US DoW visual information does not imply or constitute DoW endorsement.

Delivering on critical munitions production

- Investments support our position to meet critical demand, including 10 of 12 DoW priority munitions programmes.
- Advancing priority munitions through multi-year procurements, such as THAAD, and leveraging our expanding capacity.
- Continue to see strong demand for APKWS® laser-guided rockets, including US and international opportunities.
- Combined revenue across multi-year priority munition programmes represents a multi-billion dollar revenue opportunity.

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Building on strong performance in our space business

- Space & Mission Systems sales grew nearly 30% in the first half of 2026 over the same period in 2025.
- Increasing demand for Elevation™ and Evolve spacecraft product lines, aligned with customer priorities for scalable, cost-effective solutions.
- Progressing Epoch 2 missile warning & tracking programme aligned to Golden Dome.
  - Achieved key Preliminary Design Review milestone within nine months of contract award.
  - Received $373m in incremental funding during the first half of 2026.

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Ramping our Sweden businesses to meet European demand

- Over $300m of investments in our Hägglunds business to support delivery of record order book.
- Hägglunds increasing production capacity by 400% to address customer demand across Europe.
- Bofors is increasing production capacity to meet strong demand for ARCHER, TRIDON Mk2 systems, and 3P medium-calibre ammunition.
- Completed acquisition of Aston Harald Mekaniska Verkstad AB to strengthen Bofors production capacity.

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Business update

Charles Woodburn, Chief Executive Officer

Developing the future of defence technology

Major programmes

Critical, complex capabilities and development of
next generation technology supports long term demand.
High barriers to entry and low risk of substitution.

+

Agile, iterative development

Smaller, simpler, innovative, affordable mass systems.
Combination of multi-domain knowledge and software capability
gives competitive advantage.
Continued investment will build on our strong positions.

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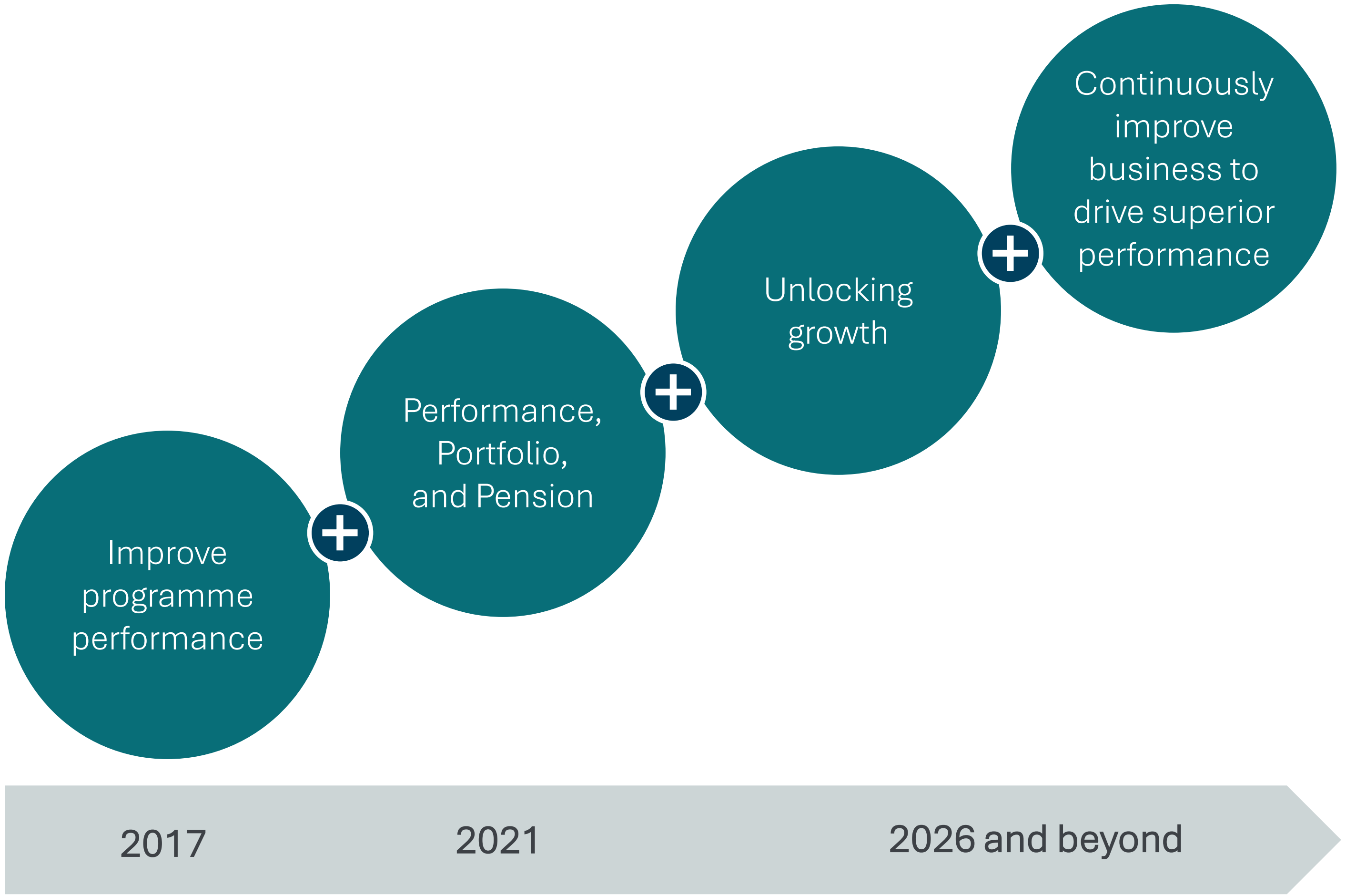
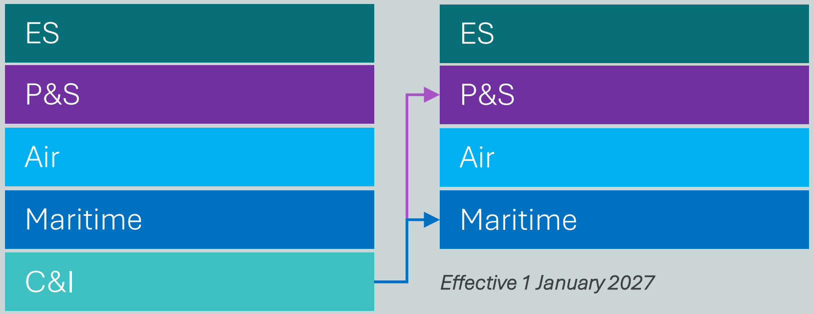
Continuously improving our business



Steps taken so far include investment in digital tools, increased production automation and improved site infrastructure

Segmental consolidation to simplify business



Actively pursuing further opportunities to improve the agility, productivity and efficiency of our business

Financial review

Brad Greve, Chief Financial Officer

2026 half year financials

High Demand	Sales Growth	Earnings Growth	Cash Flow	Capital Allocation
Orders £16.4bn	Sales £15.8bn +9%	Underlying EBIT £1,701m +11%	Free cash flow £1,791m	Dividend 15.0p +11%
Order backlog £84bn		Underlying EPS 38.9p +13%		Shareholder returns £0.9bn

Growth % stated on a constant currency basis (USD: June 2026 $1.34, June 2025 $1.30)

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Strong order intake across geographies and domains

£16.4bn

ES
£4.8bn

- SMS £1.6bn
- Electronic Combat £1.1bn
- C4ISR £0.6bn
- Precision Strike £0.5bn
- Controls & Avionics £0.5bn

P&S
£2.1bn

- US Navy support £0.5bn
- Bofors £0.5bn
- US combat vehicles £0.4bn
- US munitions £0.3bn

Air
£6.8bn

- Türkiye support £2.5bn
- MBDA £2.1bn
- F-35 £1.0bn
- FCAS £0.5bn
- Other Typhoon £0.4bn

Maritime
£1.5bn

- Australia £0.5bn
- Defence Solutions £0.5bn
- Submarines £0.4bn

C&I
£1.4bn

- I&S £0.7bn
- Digital Intelligence £0.7bn

Excludes HQ & intra-group eliminations

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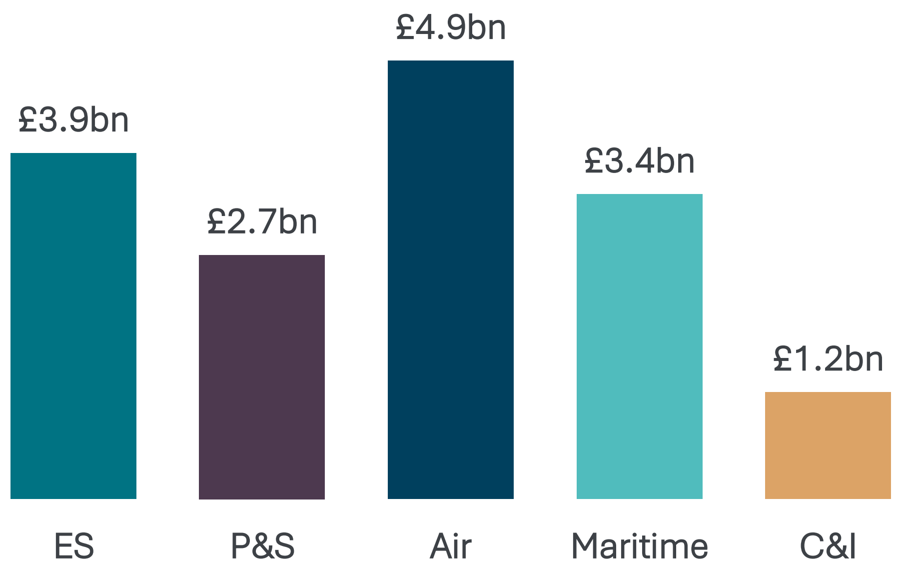
Sales

Group	By reporting segment

£15.8bn

+9%

constant currency



	Group	ES	P&S	Air	Maritime	C&I
Variance: constant currency	+9%	+11%	+12%	+11%	+4%	+3%
Variance: reported	+8%	+7%	+10%	+12%	+5%	+1%

Excludes HQ & eliminations

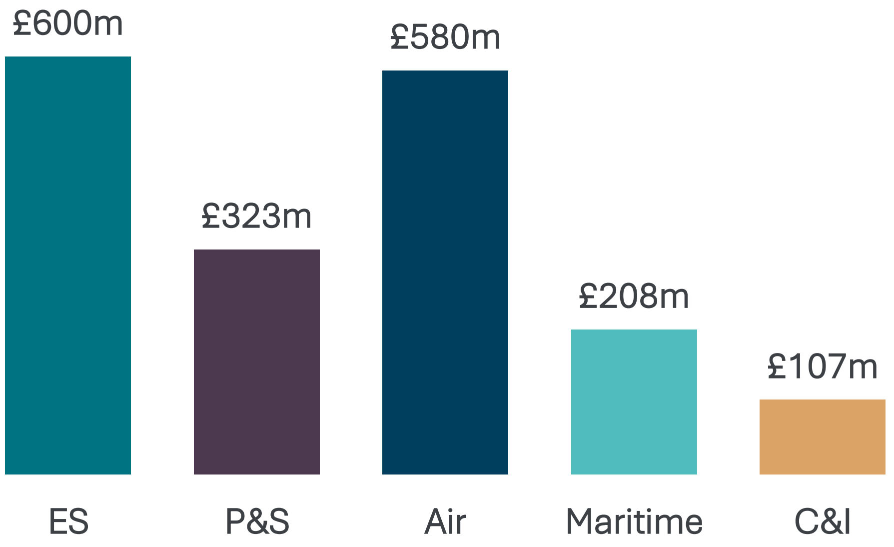
Underlying EBIT / RoS

	Group		By reporting segment				
			ES	P&S	Air	Maritime	C&I
Return on sales		10.8%	15.5%	11.9%	11.9%	6.1%	9.0%

£1,701m

+11%

constant currency



		ES	P&S	Air	Maritime	C&I
Variance: constant currency	+11%	+15%	+11%	+16%	-7%	+14%
Variance: reported	+10%	+11%	+11%	+16%	-5%	+11%

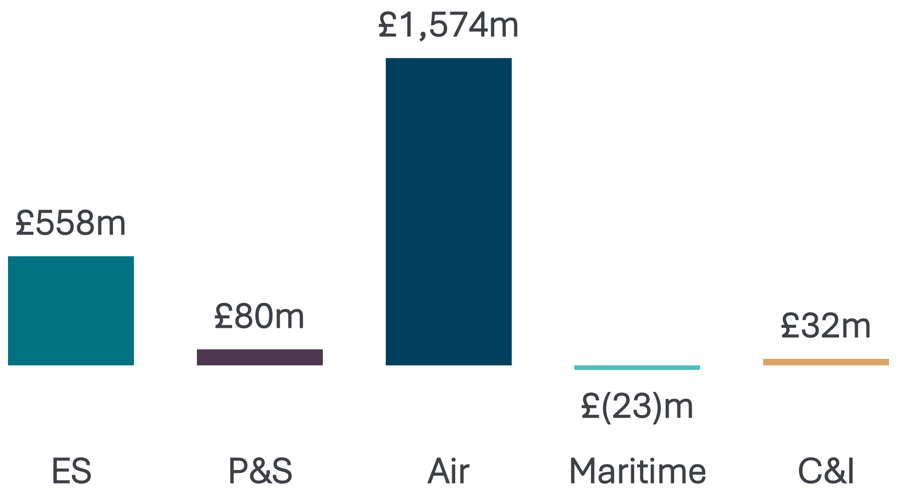
Excludes HQ £(117)m

Operating business cash flow

	Group	By reporting segment				
		ES	P&S	Air	Maritime	C&I
Cash conversion	124%	93%	25%	271%	-11%	30%

£2,104m

+£2,112m
variance



	Group	ES	P&S	Air	Maritime	C&I
Variance	+£2,112m	+£260m	+£332m	+£1,360m	+£127m	+£55m

Free cash flow £1,791m Net debt £(3,173)m

1. Excludes HQ £(117)m
2. Cash conversion defined as operating business cash flow as a percentage of underlying EBIT
3. Free cash flow defined as operating business cash flow after deducting interest & tax payments

Upgraded 2026 Group guidance reinforces our value compounding model

Guidance based on £1:$1.32

Sales	Underlying EBIT	Underlying EPS	Free cash flow in 2026
+8% to 10%	+10% to 12%	+11% to 13%	>£2bn
Prev: +7% to 9%	*Prev: +9% to 11%*	*Prev: +9% to 11%*	*Prev: >£1.3bn*
2025: £30,662m	2025: £3,322m	2025: 75.2p	2025: £2,158m

Underlying finance costs
c.£340m
Prev: c.£370m

Effective tax rate
c.22%

Non-controlling interest
c.£80m

While the Group is subject to geopolitical & other uncertainties, the guidance is provided on current expected operational performance
Sensitivity to 5c movement: Sales c.£500m, Underlying EBIT c.£70m, Underlying EPS c.1.4p

Three-year free cash flow guidance shows continued strong cash generation

	2024	2025	2026	2027	2028
2024 - 26: In excess of £6.7bn *(prev. in excess of £6.0bn)*	£4.7bn		>£2.0bn		
2025 - 27: In excess of £5.5bn		£2.2bn	>£2.0bn		
2026 - 28: In excess of £6bn			>£2.0bn		

While the Group is subject to geopolitical & other uncertainties, the guidance is provided on current expected operational performance

Consistent, value creating capital allocation

- Investment in our people
- Capex to drive growth
- R&D increasing

Investment in the business

Dividend	M&A	Buyback

Balance sheet strength and flexibility – maintain investment grade rating

Closing comments and Q&A

Charles Woodburn, Chief Executive Officer

Excellent visibility of long-term growth

c. 9x sales

Pipeline
£180bn

Programmes including	Value	Timeframe
F-35 – Build, EW & Support	c.£30bn+	2035+
Typhoon Support	c.£25bn+	
Dreadnought	c.£20bn+	
SSN – AUKUS	c.£15bn+	
GCAP	c.£20bn+	

Backlog
£84bn

Electronic Systems	Platforms & Services	Air	Maritime	Cyber & Intelligence
£14.4bn	£14.2bn	£34.3bn	£19.7bn	£2.3bn

Notes:
1. Projections are based on internal management estimates and reflect management's current assumptions, including assumed receipt of future orders over the medium term.
2. Backlog and pipeline excludes potential future awards for Typhoon production, AUKUS, GCAP production.
3. Group backlog of £84bn excludes £0.9bn of intra group eliminations.

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BAE Systems proposition for significant long-term value creation

- Established positions in some of the largest and most attractive defence markets globally
- Diverse portfolio and multi-domain capabilities
- Excellent backlog and opportunity pipeline
- Leading-edge technology and innovation
- Structural uplift in defence spending – well positioned on multi-year programmes

- Sustainable and visible revenue growth
- Underlying margin progression
- High return on capital employed
- Strong earnings growth
- Robust cash generation supporting good capital returns

Enhanced visibility on our value compounding model

Supplementary information

2026 half year summary financials

	Half year 2026	Half year 2025	Constant currency	Reported
Order intake	**£16,422m**	£13,171m		
Sales	**£15,772m**	£14,621m	+9%	+8%
Underlying EBIT[1]	**£1,701m**	£1,550m	+11%	+10%
Return on sales	**10.8%**	10.6%	+30bps	+20bps
Underlying EPS[2]	**38.9p**	34.7p	+13%	+12%
Underlying tax rate	**22%**	20%		
Operating business cash flow[3]	**£2,104m**	£(8)m		+£2,112m
Free cash flow[3]	**£1,791m**	£(368)m		+£2,159m
Dividend per share	**15.0p**	13.5p		+11%
		Full year 2025		
Order backlog	**£84.0bn**	£83.6bn		
Net debt (excluding lease liabilities)	**£(3,173)m**	£(3,844)m		
Pension surplus, net[4]	**£1.1bn**	£0.8bn		

Average $ rate: June 2026 $1.34, June 2025 $1.30

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

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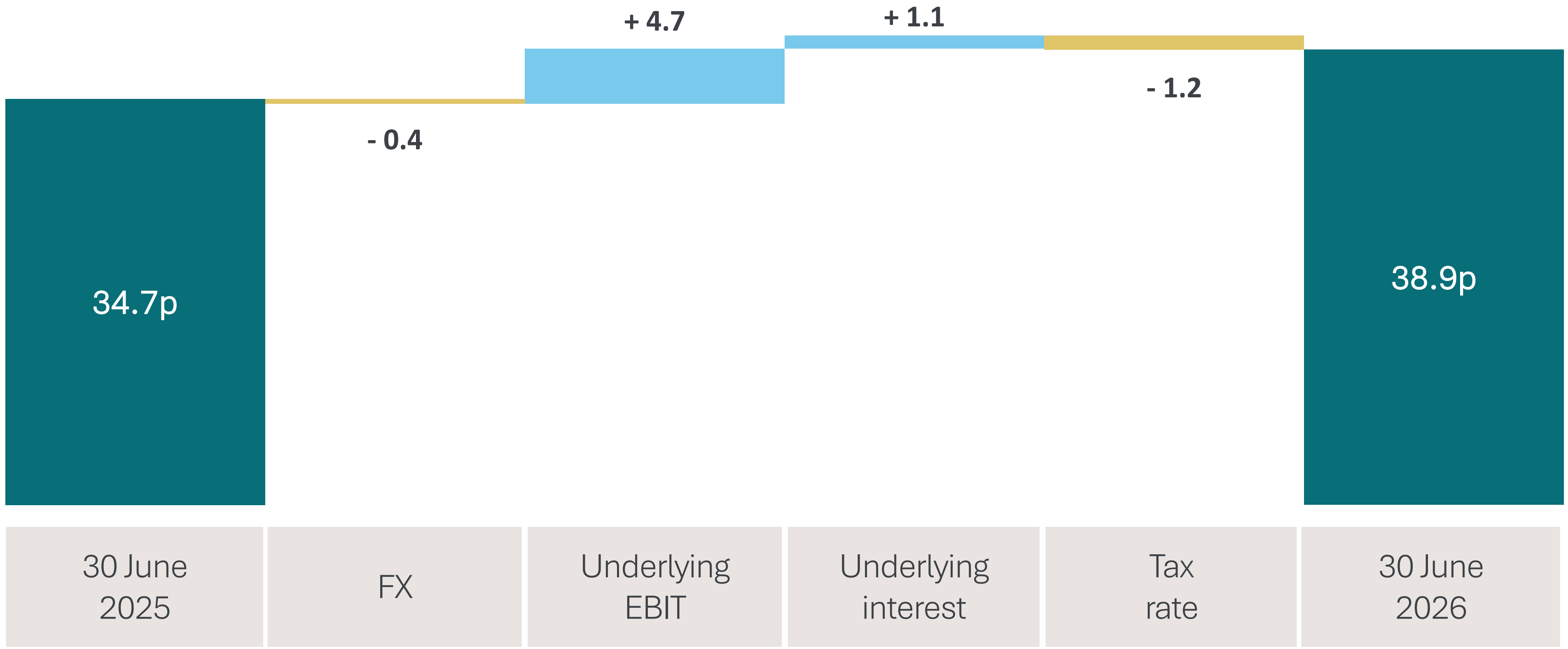
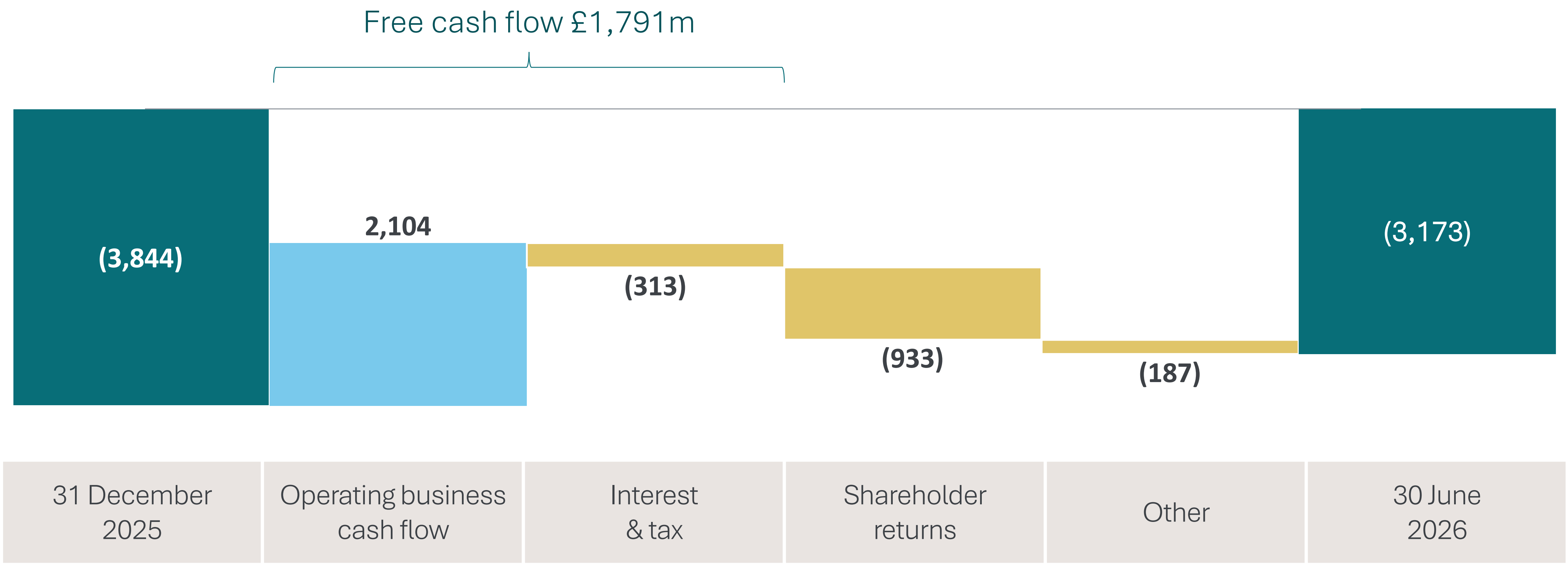
Underlying EPS



Net debt (£m, excluding lease liabilities)



Shareholder returns consists of dividends £686m & share buyback £247m

Other movements includes M&A £(75)m, dividends paid to minority shareholders and FX-related movements

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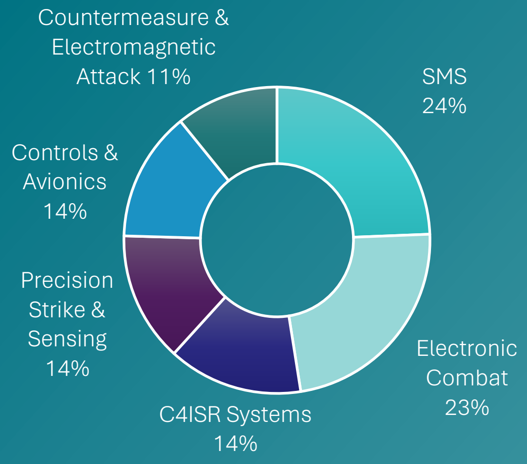
Electronic Systems

Business description

Electronic Systems, with 23,300[1] employees, comprises the US- and UK-based Electronic Systems and the US-based Space & Mission Systems businesses. Key capabilities span electronic warfare systems, navigation systems, electro-optical sensors, military and commercial avionics, precision guidance solutions and communication systems, as well as space electronics, spacecraft, ground and tactical systems

HY26 sales by business:



Financial performance

Half year	2026	2025
Sales	**$5,199m**	$4,672m
Underlying EBIT	**$806m**	$703m
Return on sales	**15.5%**	15.0%
Operating cash flow	**$751m**	$386m
Order intake	**$6.5bn**	$5.0bn
Order backlog[2]	**$19.1bn**	$18.3bn

- Sales up 11% on a constant currency basis, with growth in the SMS, Electronic Combat and Countermeasure & Electromagnetic Attack businesses.
- Margin performance reflects strong operational delivery.
- Cash flow reflects timing of receipts from customers.

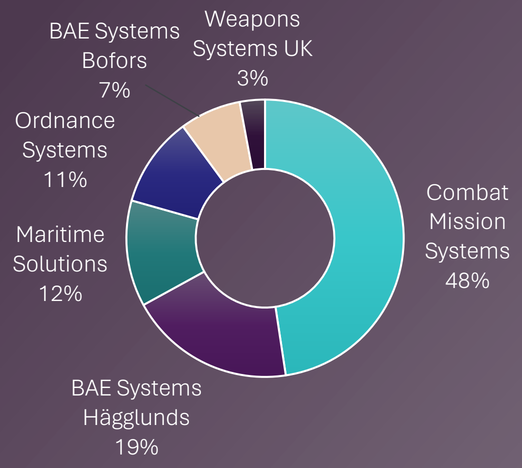
1. Including share of equity accounted investments
2. Order backlog comparative as at 31 December 2025

Platforms & Services

Business description

Platforms & Services, with 12,600[1] employees and operations in the US, Sweden and UK, manufactures and upgrades combat vehicles, weapons and munitions, and delivers services and sustainment activities, including US naval ship repair and the management and operation of two government-owned, contractor-operated ammunition plants

HY26 sales by business:



Financial performance

Half year	2026	2025
Sales	$3,669m	$3,217m
Underlying EBIT	$435m	$379m
Return on sales	11.9%	11.8%
Operating cash flow	$108m	$(327)m
Order intake	$2.8bn	$3.1bn
Order backlog[2]	$18.9bn	$20.2bn

- Sales up 12% on a constant currency basis, including nearly 30% growth in the Hägglunds & Bofors businesses.
- Margin performance in line with full year guidance.
- Cash performance reflects timing of working capital and ongoing capital investment.
- Order intake includes artillery awards in Bofors, US combat vehicles & munitions.

1. Including share of equity accounted investments
2. Order backlog comparative as at 31 December 2025

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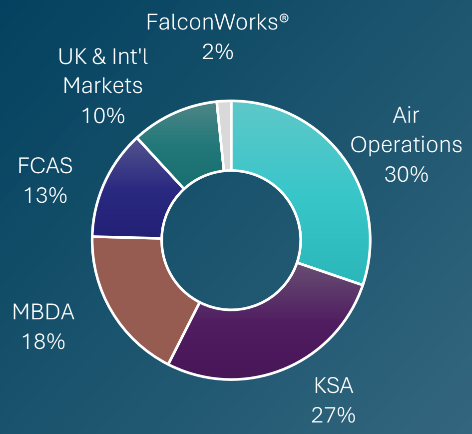
Air

Business description

Air, with 30,200[1] employees, comprises the Group's UK-based operations which provide aircraft build and support activities to European and international markets, as well as to US programmes, alongside development of our Future Combat Air Systems and FalconWorks®, our business in the Kingdom of Saudi Arabia and interests in our joint ventures Edgewing, Eurofighter and MBDA

HY26 sales by business:



Financial performance

Half year	2026	2025
Sales	£4,863m	£4,343m
Underlying EBIT	£580m	£500m
Return on sales	11.9%	11.5%
Operating cash flow	£1,574m	£214m
Order intake	£6.8bn	£3.8bn
Order backlog[2]	£34.3bn	£32.6bn

- Sales up 11% on a constant currency basis, driven by ramp up of Eurofighter & F-35 production, & FCAS activity.
- Continued strong margin performance, driven by risk retirements.
- Cash flow largely reflects net receipt of customer advances.
- Order intake includes Türkiye Typhoon support award, F-35 workshare awards, strong MBDA order flow & GCAP activity.

1. Including share of equity accounted investments
2. Order backlog comparative as at 31 December 2025

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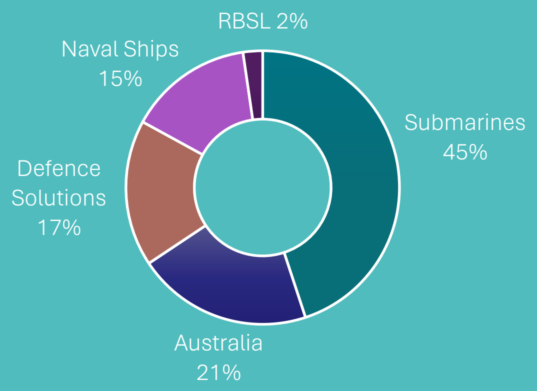
Maritime

Business description

Maritime, with 32,000[1] employees, comprises the Group's UK-based maritime and land activities, including ship build and support activities, major submarine build programmes, as well as our Australian business and interest in our RBSL joint venture

HY26 sales by business:



Financial performance

Half year	2026	2025
Sales	£3,407m	£3,233m
Underlying EBIT	£208m	£220m
Return on sales	6.1%	6.8%
Operating cash flow	£(23)m	£(150)m
Order intake	£1.5bn	£2.0bn
Order backlog[2]	£19.7bn	£21.3bn

- Sales growth at 4% on a constant currency basis, driven by growth on the submarine programmes and good growth in the Australian business.
- Margin performance reflects early-stage maturity of the portfolio with several first-in-class programmes trading at relatively low margins.
- Cash performance reflects timing of customer receipts.

1. Including share of equity accounted investments
2. Order backlog comparative as at 31 December 2025

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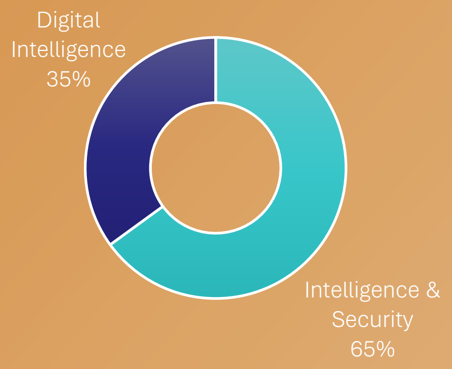
Cyber & Intelligence

Business description

Cyber & Intelligence, with 10,300 employees, comprises the US-based Intelligence & Security business and UK-headquartered Digital Intelligence business, which covers the Group's cyber security activities for national security, central government and government enterprises

HY26 sales by business:



Financial performance

Half year	2026	2025
Sales	$1,606m	$1,540m
Underlying EBIT	$144m	$125m
Return on sales	9.0%	8.1%
Operating cash flow	$43m	$(37)m
Order intake	$1.9bn	$1.8bn
Order backlog[1]	$2.9bn	$2.8bn

- Sales up 3% on a constant currency basis, with growth in the UK Digital Intelligence business.
- Margin performance in line with full year expectations.
- Cash performance reflects timing of working capital and capital investments.

1. Order backlog comparative as at 31 December 2025

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June 2026 summary by reporting segment

USD FX rate of $1.34 (backlog @ $1.33)

	Sales £m	Underlying EBIT £m	Return on sales %	Free cash flow £m	Order intake £bn	Order backlog £bn
Electronic Systems	3,866	600	15.5	558	4.8	14.4
Platforms & Services	2,728	323	11.9	80	2.1	14.2
Air	4,863	580	11.9	1,574	6.8	34.3
Maritime	3,407	208	6.1	(23)	1.5	19.7
Cyber & Intelligence	1,194	107	9.0	32	1.4	2.3
HQ	33	(117)		(117)	-	-
Eliminations	(319)				(0.2)	(0.9)
Interest & tax paid				(313)		
Group	**15,772**	**1,701**	**10.8**	**1,791**	**16.4**	**84.0**

Free cash flow applies to Group; reporting segments reflect operating business cash flow`

BAE SYSTEMS

Summarised balance sheet (£m)

	30 June 2026	31 December 2025
Intangible fixed assets	15,351	15,245
Tangible fixed assets	6,976	6,835
Investments	804	822
Working capital	(6,864)	(6,499)
Pension surplus	1,075	844
Lease liabilities	(1,748)	(1,742)
Tax assets & liabilities	215	285
Financial assets & liabilities	(89)	(9)
Net debt	(3,173)	(3,844)
Net assets	**12,547**	**11,937**
USD FX	$1.33	$1.34

BAE SYSTEMS

Reconciliation to underlying earnings (£m)

	June 2026					June 2025				
	Income statement (published)	Reclass: EAI interest & tax	Reclass: other[1]	Reported	Underlying	Income statement (published)	Reclass: EAI interest & tax	Reclass: other[1]	Reported	Underlying
Operating Profit / Underlying EBIT	1,504	10	187	1,701	1,701	1,327	13	210	1,550	1,550
Other intangible amortisation/impairment			(186)	(186)				(196)	(196)	
Adjusting items			(1)	(1)				(14)	(14)	
- underlying	*(199)*	*39*	-	*(160)*	(160)	*(234)*	*31*	-	*(203)*	(203)
- fair value	*(22)*	-	-	*(22)*		*96*	*1*	-	*97*	
Finance costs	(221)	39	-	(182)		(138)	32	-	(106)	
Profit before tax	1,283	49	-	1,332		1,189	45	-	1,234	
- underlying				*(344)*	(344)				*(264)*	(264)
- other				*66*					*41*	
Tax	(229)	(49)	-	(278)		(178)	(45)	-	(223)	
Non-controlling interests	(34)	-	-	(34)	(34)	(42)	-	-	(42)	(42)
Earnings – basic / underlying	1,020	-	-	1,020	1,163	969	-	-	969	1,041
Weighted average number of shares (m)				2,993	2,993				2,999	2,999
EPS – basic / underlying				34.1p	38.9p				32.3p	34.7p

1. Other includes amortisation of programme, customer-related and other intangible assets, impairment of intangible assets and equity accounted investments, and adjusting items