BAE Systems plc
Half-yearly Report 2026

Charles Woodburn, Chief Executive, said *"Across the business, our outstanding teams have delivered another strong period of operational and financial performance, which gives us the confidence to upgrade our full year guidance.*

"Alongside our focus on meeting our customers' needs today, we continue to invest in our business to accelerate innovation, drive efficiencies and boost capacity, so we can get mission-critical capabilities into the hands of those who need them, faster. Examples include our new collaborative combat aircraft, designed to enable our customers to deploy a combined future force of crewed and uncrewed fighter jets, and investment in our facilities in Texas and New Hampshire to support the US Government's ambition to quadruple production of critical munitions.

"The global threat picture remains highly volatile and governments are responding with sustained increases in their defence budgets. The combination of our proven execution, diverse geographic footprint and continued investment in our technology and facilities, alongside our healthy order backlog and growing opportunities across our markets, positions us to keep delivering long-term growth."

Financial highlights

Financial performance measures as defined by the Group[1]	**Six months ended 30 June 2026**	Six months ended 30 June 2025	Variance[2]
Sales	**£15,772m**	£14,621m	+9%
Underlying earnings before interest and tax (EBIT)	**£1,701m**	£1,550m	+11%
Underlying earnings per share (EPS) - basic	**38.9p**	34.7p	+13%
Free cash flow	**£1,791m**	£(368)m	£2,159m
Order intake	**£16.4bn**	£13.2bn	£3.2bn

	As at 30 June 2026	As at 31 December 2025	Variance
Order backlog	**£84.0bn**	£83.6bn	£0.4bn

Financial performance measures as derived from IFRS	**Six months ended 30 June 2026**	Six months ended 30 June 2025	Variance[2]
Revenue	**£14,615m**	£13,571m	+8%
Operating profit	**£1,504m**	£1,327m	+13%
EPS - basic	**34.1p**	32.3p	+6%
Net cash flow from operating activities	**£2,243m**	£74m	£2,169m
Dividend per share	**15.0p**	13.5p	+11%

	As at 30 June 2026	As at 31 December 2025	Variance
Order book	**£62.7bn**	£63.1bn	£(0.4)bn

As defined by the Group

- Sales increased 9%[2], with all sectors contributing growth in the period.
- Underlying EBIT was up 11%[2], increasing the Group's return on sales for the period to 10.8% (2025 10.6%).
- Underlying EPS increased 13%[2] to 38.9p, after accounting for the Group's underlying net finance costs and tax.
- Free cash inflow of £1,791m reflected a high level of customer advances. No material advances were received in the comparative period.
- Order intake of £16.4bn remained high across all sectors and we closed the period with a record order backlog of £84.0bn.

As derived from IFRS

- The reported growth in revenue of 8%[2] reflected the same strong operational performance across the portfolio excluding the impact of our equity accounted investments.
- Operating profit increased 13%[2] as the Group incurred lower costs in relation to amortisation of acquired intangibles and adjusting items which are excluded from Underlying EBIT.
- Basic EPS was up 6%[2] to 34.1p after accounting for the Group's net finance costs and tax, with both higher finance costs and effective tax rate contributing to the reduction in growth compared to operating profit.
- Net cash flow from operating activities is also inclusive of movements in customer advances in the period, as well as timing of other working capital requirements.

1. We monitor the underlying financial performance of the Group using alternative performance measures (APMs). 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 38.
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 2025 to pounds sterling at the average exchange rate of such currencies for the period ended 30 June 2026). The comparatives have not been restated. All other growth rates and year-on-year movements are on a reported currency basis.

Delivering for our customers

Our focus on operational performance and contracting discipline enables us to consistently deliver critical capabilities and technologies for our customers. Our products and services remain in high demand and, in the first half of the year, we secured £16.4bn of orders while making good progress executing on our major long-term programmes.

Highlights since the beginning of the year included:

- Securing a contract from the UK Government to provide the Republic of Türkiye with training, support equipment and services to its 20 Typhoon aircraft ordered in October 2025. Manufacturing is already underway in the UK and across the Eurofighter partner nations, with first delivery scheduled for 2030.
- Successful APKWS® precision weapon test firing from a Eurofighter Typhoon, demonstrating an effective, affordable counter-drone solution. In rapid collaboration with the UK Royal Air Force (RAF), the system was moved from testing to operational deployment in the Middle East in under two months, significantly enhancing the RAF's ability to counter emerging threats in the region.
- Unveiling Brontanax™ at the Farnborough International Airshow in July, which will be the UK's first uncrewed autonomous Collaborative Combat Aircraft (CCA). The first-of-its class CCA, designed and built by engineers at our Warton site in the UK, is intended to provide electronic warfare and precision strike capabilities against airborne and ground targets.
- Edgewing secured its first international contracts for the Global Combat Air Programme (GCAP) with a combined value in excess of £5bn. This will enable completion of the advanced concept and assessment phase of the programme, together with further joint detailed design and development.
- Signing a landmark seven-year framework agreement with the US Department of War (DoW) to quadruple production and accelerate delivery of the infrared seeker for the Terminal High Altitude Area Defense (THAAD) interceptor missile in support of the DoW's Acquisition Transformation Strategy.
- Securing an additional award for M109A7 Paladin Self-Propelled Howitzer sets valued at $535m (£398m), building on the multi-year US Army contracts awarded in 2025 and providing advanced firepower and manoeuvrability to enable artillery units to rapidly deploy and engage targets with precision.
- Receiving a contract valued at over $200m (£149m) for ARCHER artillery systems and securing a $180m (£134m) contract for TRIDON Mk2 anti-aircraft and counter-UAS systems, both produced by our Bofors business in Sweden.
- Completing the Preliminary Design Review for the $1.2bn (£0.9bn) Epoch 2 missile warning and tracking satellite programme less than nine months from the US Space Force contract award, whilst also receiving incremental funding of $373m (£277m) in the first half.
- Supporting the A$2.5bn (£1.3bn) export agreement of Australia's High Frequency Surveillance capability system to establish an Arctic Over the Horizon Radar (A-OTHR) in Canada. The agreement, which is effective from 1 July 2026, will be Australia's largest ever defence export.
- Securing a new £5.9bn contract to fund critical work to progress the UK's Dreadnought Class nuclear deterrent submarines, which the Secretary of State for Defence will announce at our Barrow-in-Furness site in July.

Investing to support future growth

We continue to invest in our business to drive innovation, enhance efficiency and boost capacity, as we deliver on our programmes and rise to the emerging threats our government customers are facing:

- We continued to develop our drone and counter-drone portfolio to deliver additional frontline capabilities for our customers. The British Army and Royal Navy trialled our one-way effector, Nyan, and we plan to conduct initial trials of our BAE Systems Anti Threat System, using smart software, electronic warfare and kinetic measures to tackle drone threats in August.
- We completed the acquisition of Aston Harald Mekaniska Verkstad AB, a Swedish provider of precision machined, large, complex structures for aerospace, defence and commercial products, helping to enhance security of supply to our Bofors artillery business as it ramps up production capacity and delivery capability.
- We remain committed to ramping up our production capacity at our Hägglunds facility in Sweden and are on track to invest more than $300m (£223m) over a five-year period. Investments include building a new logistics centre and integration and inspection facility, as we continue to accelerate production to meet the rising demand for combat vehicles across Europe.
- We opened a new facility in Utah, US, which will serve as an extension of our presence in the area supporting Intercontinental Ballistic Missile sustainment and modernisation efforts, providing a state-of-the-art workspace for engineering, digital transformation and mission operations teams.
- We completed our 150,000 sq-ft expansion of our state-of-the-art Endicott campus in New York and announced a further $135m (£100m) investment for facility enhancements in Austin, Texas, and Hudson, New Hampshire, to boost our precision-guided munitions production capacity.
- We made good progress towards our target to recruit more than 1,100 apprentices and around 1,200 graduates and undergraduates in the UK by the end of 2026.
- We launched a new technology incubator programme, Launchpad, which aims to move defence technologies beyond prototype development by funding early-stage ventures or spinning them out into independent businesses. During the period, we created a start-up business focused on ultrasound technology enabling wireless transmission of data and power through solid barriers and committed €50m (£43m) to venture capital funds backing European defence-tech start-ups.

Capital distributions

- In the first six months of the year, we returned £933m to shareholders through dividends and our share buyback programme, a 10% increase compared to the £849m returned in the first half of 2025.
- The Board has declared an interim dividend of 15.0p in respect of the first six months of the year, which will be paid on 2 December 2026.

2026 Upgraded Group guidance[1]

Given the strong operational performance in the first half, we are upgrading guidance across all key financial performance measures for the full year, as shown in the table below. Our cumulative three-year free cash flow guidance for 2024 to 2026 has also been upgraded while the cumulative three-year free cash flow guidance for 2025 to 2027 and 2026 to 2028 remains unchanged.

Guidance is provided on a constant currency basis using an exchange rate of $1.32:£1, which is in line with the actual 2025 exchange rate.

Year ended 31 December 2026	Updated guidance	Previous guidance	Year ended 31 December 2025 Results
Sales	Increase in the range of 8% to 10%	Increase in the range of 7% to 9%	£30,662m
Underlying EBIT	Increase in the range of 10% to 12%	Increase in the range of 9% to 11%	£3,322m
Underlying EPS	Increase in the range of 11% to 13%	Increase in the range of 9% to 11%	75.2p
Free cash flow target	>£2.0bn	>£1.3bn	£2,158m
2024 to 2026 cumulative free cash flow	>£6.7bn	>£6.0bn	

– Underlying net finance costs c.£340m (previously c.£370m)

– Effective tax rate c.22%

– Non-controlling interests c.£80m

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 EPS by c.1.4p.

1. Whilst 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 38.

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Analyst and investor presentation

A presentation, for analysts and investors, of the Group's half year results for 2026 will be available via webcast at 08.00am BST today (30 July 2026).

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

About BAE Systems

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.

Shareholder information

Registered office

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London
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United Kingdom

Registered in England and Wales, No. 01470151

Legal Entity Identifier (LEI): 8SVCSVKSGDWMW2QHOH83

Interim management report

Half-year overview

Global security risks remain high, prompting governments to drive sustained increases in defence investment, as they seek to ensure armed forces are well equipped to defend their nations and deter future aggression.

Against this backdrop, we continue to execute our strategy, focusing relentlessly on programme execution and delivering mission-critical capabilities to customers worldwide, spanning conventional hardware to newer disruptive technologies.

In the first half of 2026, we built on our proven performance record over recent years, delivering key programme milestones and winning new orders, while maintaining our financial discipline.

Our record order backlog, anchored in long-term programmes with government customers, gives us clear visibility of demand and the confidence to plan for the future. We continue to invest in our business, accelerating innovation, driving efficiencies and boosting capacity. This enables us to scale up production, while becoming more agile and competitive to support our growth and ensure we can deliver the rapidly evolving capabilities armed forces need.

Delivering for our customers

We design, build and sustain cutting-edge defence and security capabilities to enable our customers to stay ahead of their adversaries. Our scale and expertise allow us to manage critical multi-decade programmes that form the backbone of national armed forces' enduring defence capabilities.

In the first half of the year, we advanced major warship and submarine programmes for the UK and Australia and continued to ramp up combat vehicle production for customers across Europe and the US. We delivered major units for Eurofighter Typhoon aircraft to multiple customers, while progressing capability enhancements for the UK fleet, supporting the aircraft's central role in European security for decades to come.

We also continued to build momentum in our military space business. Demand is growing rapidly for space capabilities and we are one of the leaders in this area, delivering critical national security programmes for the US Space Force. As part of its efforts to replenish stockpiles and further strengthen air defence systems, the US Government has identified 12 critical munition types where it will require significantly higher production capacity. We are a key supplier to the majority of these munition types and have already committed to quadruple production of the infrared seeker for the THAAD interceptor missile.

At the same time, we made good progress on GCAP, with our partners in Italy and Japan, securing the first international contract through our Edgewing joint venture, along with further national funding to support the UK's contribution to the programme. In July, we also welcomed Canada as the first observer nation to the programme.

Our 2026 half-year financial performance

We delivered a strong set of half-year results with increases across all of our key financial measures including sales, underlying EBIT and underlying EPS, as well as dividend per share. This underpins confidence in our upgraded guidance for the full year.

On a constant currency basis, we grew sales by 9% and underlying EBIT by 11%, pushing the Group's return on sales to 10.8%. Underlying EPS, which reflects the Group's earnings after accounting for underlying net finance costs and tax in the period, increased 13% to 38.9p.

Our order intake for the period was £16.4bn, and we closed the half year with a record order backlog of £84.0bn. Notable highlights include the c.£2.5bn contract to provide training, support equipment and services to Türkiye's recently ordered Typhoon aircraft as well as significant awards for our Space & Mission Systems (SMS) business.

Our free cash flow for the period was an inflow of £1,791m. Free cash flow reflects cash generated by the Group's operations, after servicing debt and tax obligations, and is inclusive of movements on customer advances. During the period, we saw a net free cash inflow as we received a number of material advances from customers in the period.

We ended the period with a strong balance sheet, featuring a cash position of £4,200m and net debt (excluding lease liabilities) of £3,173m, after increasing returns to shareholders in the period, through share buybacks and dividends, to £933m. The Group's pension position, on an IAS 19 basis, remains in an accounting surplus.

Further details of the Group's financial performance in the period can be found in the Group financial review on page 6.

Investing to support future growth

While we are confident in our performance and outlook for the Group, we are not complacent and will continue to invest in our business to ensure we are fit for the future.

Faced with rapidly evolving and escalating threats around the world, it is essential that the whole defence ecosystem accelerates the pace of innovation and delivery.

We are continuing to increase self-funded research and development focused on high growth areas. Partnering with customers, industry peers, SMEs and academia, we are turning early-stage concepts into customer-ready solutions at pace. For example, moving from testing APKWS® on Typhoon aircraft to operational deployment in the Middle East in under two months, significantly enhancing the UK RAF's ability to counter emerging threats in the region, including drones.

Capital investment remains elevated too, as we continue to invest in facilities across our key markets to boost production capacity and drive efficiencies. In Sweden, we continued to invest in our Hägglunds business. Over the five-year period culminating this year, we are on track to invest more than $300m (£223m) to support rising European demand for combat vehicles. In the US, we announced an additional $135m (£100m) investment to increase precision-guided munitions production capacity at our sites in Austin, Texas, and Hudson, New Hampshire.

As part of our efforts to improve, we have been reviewing how we are organised and how we operate. As a result, we are changing how we will combine our capabilities and will streamline our reporting segments from five to four, with Cyber & Intelligence being reported between Platforms & Services and Maritime in the future. We will begin reporting under the new structure from 1 January 2027.

Our market differentiation

The enduring strength of our business lies in our unique combination of highly innovative capabilities, diverse geographic footprint and multi-domain portfolio. We consistently invest in innovation across our portfolio, both upgrading existing products and services and developing new disruptive technologies. We believe our breadth and deep understanding of our customers' mission needs enable us to deliver tightly integrated software and hardware technologies that set us apart in the defence market.

Looking ahead, our key growth drivers are spread across major markets and include multi-national endeavours, like GCAP and AUKUS, which highlight the scale, global reach and longevity of our operations. Our alignment with our customers' enduring priorities, combined with our focus on faster-paced disruptive technologies and the seamless integration of these systems, make us well positioned to capture growth as defence budgets continue to expand over the years to come.

Outlook

We enter the second half of 2026 in a position of strength. We have a consistent track record of delivering financial returns for investors and are on track to translate robust global defence spending into continued sales and earnings growth. Our leading technologies, integrated solutions and strong balance sheet provide a solid platform to serve our customers and deliver shareholder value. With the support of our dedicated team, we will deliver on our commitments, while continuing to invest in our business to drive efficiencies, boost capacity and accelerate the pace of innovation to ensure we are fit for the future.

Group financial review

Group income statement

Six months ended 30 June 2026	Statutory – as derived from IFRS £m	Impact of equity accounted investments £m	Adjusting items £m	Net interest income on post-employment benefit obligations £m	Fair value and FX adjustments on financial instruments and investments £m	Amortisation of programme, customer-related and other intangible assets and impairment of intangibles £m	Underlying – as defined by the Group[1] £m
Revenue/Sales	**14,615**	**1,157**	**—**	**—**	**—**	**—**	**15,772**
Operating profit/Underlying EBIT	**1,504**	**10**	**1**	**—**	**—**	**186**	**1,701**
Finance income	**82**	**1**	**—**	**(29)**	**—**	**—**	**54**
Finance costs	**(303)**	**38**	**—**	**—**	**51**	**—**	**(214)**
Net finance costs	**(221)**	**39**	**—**	**(29)**	**51**	**—**	**(160)**
Profit before tax	**1,283**	**49**	**1**	**(29)**	**51**	**186**	**1,541**
Tax expense	**(229)**	**(49)**	**(1)**	**—**	**(19)**	**(46)**	**(344)**
Profit for the period[2]	**1,054**	**—**	**—**	**(29)**	**32**	**140**	**1,197**

Six months ended 30 June 2025	£m	£m	£m	£m	£m	£m	£m
Revenue/Sales	13,571	1,050	—	—	—	—	14,621
Operating profit/Underlying EBIT	1,327	13	14	—	—	196	1,550
Finance income	65	2	—	(28)	—	—	39
Finance costs	(203)	30	—	—	(69)	—	(242)
Net finance costs	(138)	32	—	(28)	(69)	—	(203)
Profit before tax	1,189	45	14	(28)	(69)	196	1,347
Tax expense	(178)	(45)	(3)	—	11	(49)	(264)
Profit for the period[2]	1,011	—	11	(28)	(58)	147	1,083

As defined by the Group

Sales for the period were £15.8bn (2025 £14.6bn) representing growth, on a constant currency basis[3], of 9%. All sectors delivered growth in the period as detailed below.

Electronic Systems recorded sales of £3.9bn (2025 £3.6bn), equating to growth of 11% on a constant currency basis. Our SMS business grew 29% on a constant currency basis, with increased activity across military and national space programmes and tactical solutions. The remainder of the Electronic Systems sector saw growth across all businesses as demand continued across key electronic warfare and precision-guided munition programmes, as well as in commercial avionics.

Our Platforms & Services sector posted sales of £2.7bn (2025 £2.5bn), with growth of 12% on a constant currency basis, as the sector continued to deliver on its significant order backlog. Our Bofors and Hägglunds businesses delivered growth of nearly 30% off the back of demand for combat vehicles in Europe, while our Combat Mission Systems business continued deliveries under its core programmes to the US military.

Our Air sector recorded sales of £4.9bn (2025 £4.3bn), representing growth of 11% on a constant currency basis. Typhoon production increased in the period, driven by progress on both major units for core European customers and the commencement of manufacturing for the Türkiye order awarded in 2025. Our Future Combat Air Systems (FCAS) programme continued with the design and development phase contributing further growth in the period.

Maritime recorded sales of £3.4bn (2025 £3.2bn), which was an increase of 4% on a constant currency basis, predominantly driven by our Australian business and the Dreadnought Class submarine programme, with advancing construction of all four boats underway.

Sales in the Cyber & Intelligence sector increased by 3%, on a constant currency basis, to £1.2bn (2025 £1.2bn) largely driven by the UK-based Digital Intelligence business.

Underlying EBIT was up 11% on a constant currency basis, to £1,701m (2025 £1,550m), resulting in an increased return on sales for the period of 10.8% (2025 10.6%).

Our Electronic Systems sector grew underlying EBIT to £600m (2025 £541m), an increase of 15% on a constant currency basis, and generated a return on sales of 15.5% (2025 15.0%). The growth in underlying EBIT reflected improved returns across the sector.

Platforms & Services reported underlying EBIT of £323m (2025 £292m), an increase of 11% on a constant currency basis, reflecting sales growth. Return on sales remained steady at 11.9% (2025 11.8%).

Our Air sector reported underlying EBIT of £580m (2025 £500m), an increase of 16% on a constant currency basis. The return on sales of 11.9% (2025 11.5%) reflected strong operational performance and risk retirements in the period.

The Maritime sector reported underlying EBIT of £208m (2025 £220m), a decrease of 7% on a constant currency basis. The return on sales of 6.1% (2025 6.8%) reflected the early-stage maturity of several first-in-class programmes which are trading at relatively low margins within the sector.

The Cyber & Intelligence sector reported underlying EBIT of £107m (2025 £96m), an increase of 14% on a constant currency basis. The return on sales was 9.0% (2025 8.1%). Growth in the sector was driven by the UK-based Digital Intelligence business with an increased contribution from Kirintec.

Adjusting items totalled a net cost of £1m (2025 £14m) of which £3m related to acquisition and integration-related costs, offset by £2m of adjustments from historical disposal transactions. The prior period cost of £14m primarily reflected the ongoing cost of the integration of Ball Aerospace, which was acquired in 2024.

Underlying net finance costs were £160m (2025 £203m) which comprised net costs of £199m (2025 £234m) related to the Group, offset by net income of £39m (2025 £31m) related to the Group's share of equity accounted investments. The Group's underlying net finance costs decreased as a result of higher interest received on cash deposits combined with lower interest costs on loans and other financial instruments following the US$750m 3.85% bond repayment in 2025.

As derived from IFRS

Revenue was £14.6bn (2025 £13.6bn). Growth during the period of 8%, on a reported currency basis, reflected the same drivers behind the increase in sales for the period excluding the impact of MBDA in the Air sector and our other equity accounted investments.

Operating profit increased 13%, to £1,504m (2025 £1,327m), on a reported currency basis. On an operating sector basis, this reflected the same drivers as underlying EBIT, however, operating profit also reflected costs from amortisation of programme, customer-related and other intangible assets and impairment of intangible assets which decreased by £10m to £186m in the six month period ended 30 June 2026. The comparative period also reflected a net expense from adjusting items of £14m (as detailed above) with the current period adjusting items being a net expense of £1m.

Net finance costs were £221m (2025 £138m), consisting of finance income of £82m (2025 £65m) and finance costs of £303m (2025 £203m). Finance costs encompasses the Group's gains and losses on foreign exchange transactions, which are offset by movements on derivatives and financial instruments designed to mitigate the Group's exposure. Although interest income in the period was higher, reflecting the cash position of the Group, this was offset by fair value and foreign exchange movements within finance costs.

1. The purpose and definition of all performance measures defined by the Group are provided in the Alternative performance measures section on page 38.
2. On a Group basis, £34m (2025 £42m) of profit for the period is attributable to non-controlling interests, with £1,163m (2025 £1,041m) attributable to equity shareholders. On an IFRS basis, £34m (2025 £42m) of profit for the period is attributable to non-controlling interests, with £1,020m (2025 £969m) attributable to equity shareholders.
3. Calculated by translating the results from entities in functional currencies other than pounds sterling for the period ended 30 June 2025 to pounds sterling at the average exchange rate of such currencies for the period ended 30 June 2026. The comparatives have not been restated.

Orders

As defined by the Group[1]	**Six months ended 30 June 2026** **£bn**	Six months ended 30 June 2025 £bn
Order intake[2]	**16.4**	13.2
	As at 30 June 2026 **£bn**	As at 31 December 2025 £bn
Order backlog[2]	**84.0**	83.6

As derived from IFRS	**As at 30 June 2026** **£bn**	As at 31 December 2025 £bn
Order book[3]	**62.7**	63.1

As defined by the Group

Order intake of £16.4bn remained high across all sectors:

- In Electronic Systems, the £4.8bn of order intake included £1.6bn of orders in SMS featuring incremental funding of $0.4bn (£0.3bn) under the $1.2bn (£0.9bn) Epoch 2 missile warning and tracking satellite programme, additional funding of nearly $0.5bn (£0.4bn) on a restricted national space programme and further accelerated funding across classified programmes. The remaining order intake arose from funding on core, established programmes across the remainder of the sector.
- In Platforms & Services, the £2.1bn of order intake primarily arose from awards secured in the US Combat Mission Systems business, although Bofors secured awards of £0.3bn from Sweden for both ARCHER artillery systems and TRIDON Mk2 anti-aircraft and counter-UAS systems as part of the country's initiative focused on territorial air defence.
- Our Air sector recorded £6.8bn of order intake for the period including c.£2bn in MBDA, c.£2.5bn to provide training and support equipment and services for the Republic of Türkiye's recently ordered Eurofighter Typhoon aircraft and c.£1bn of orders for F-35.
- The Maritime sector recorded £1.5bn of orders related to incremental funding mainly within the Submarine and Australian businesses.
- Cyber & Intelligence contributed £1.4bn in orders across the half year which included multiple re-competes in our US-based Intelligence & Security business.

Further details of awards in the period are covered in the segmental reviews starting on page 11.

1. The purpose and definition of all performance measures defined by the Group are provided in the Alternative performance measures section on page 38.
2. Including share of equity accounted investments.
3. Order book represents the transaction price allocated to unsatisfied and partially satisfied performance obligations as defined by IFRS 15 Revenue from Contracts with Customers.

Earnings per share (EPS)

As defined by the Group[1]	Six months ended 30 June 2026	Six months ended 30 June 2025
Underlying earnings for the period attributable to equity shareholders	**£1,163m**	£1,041m
Underlying EPS - basic	**38.9p**	34.7p

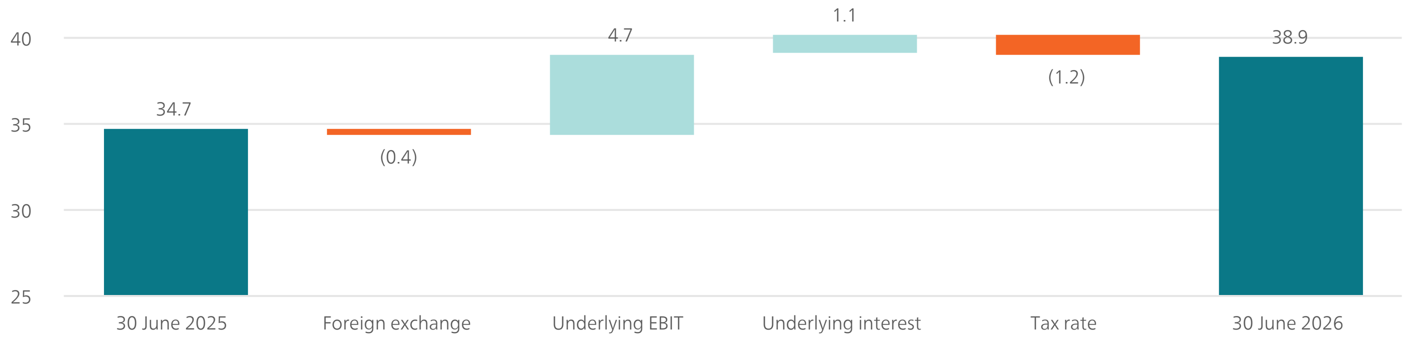
As derived from IFRS	Six months ended 30 June 2026	Six months ended 30 June 2025
Profit for the period attributable to equity shareholders	**£1,020m**	£969m
EPS - basic	**34.1p**	32.3p

1. The purpose and definition of all performance measures defined by the Group are provided in the Alternative performance measures section on page 38.

As defined by the Group

Underlying EPS increased to 38.9p (2025 34.7p), 13% on a constant currency basis. This is largely driven by the increase in the Group's profitability in the period, as shown in the graph below.

Movement in underlying EPS (pence)



As derived from IFRS

Basic EPS increased 6% on a reported currency basis, to 34.1p (2025 32.3p), after accounting for net finance costs and tax in the period which both saw an increase on the comparative period.

Net debt (excluding lease liabilities)

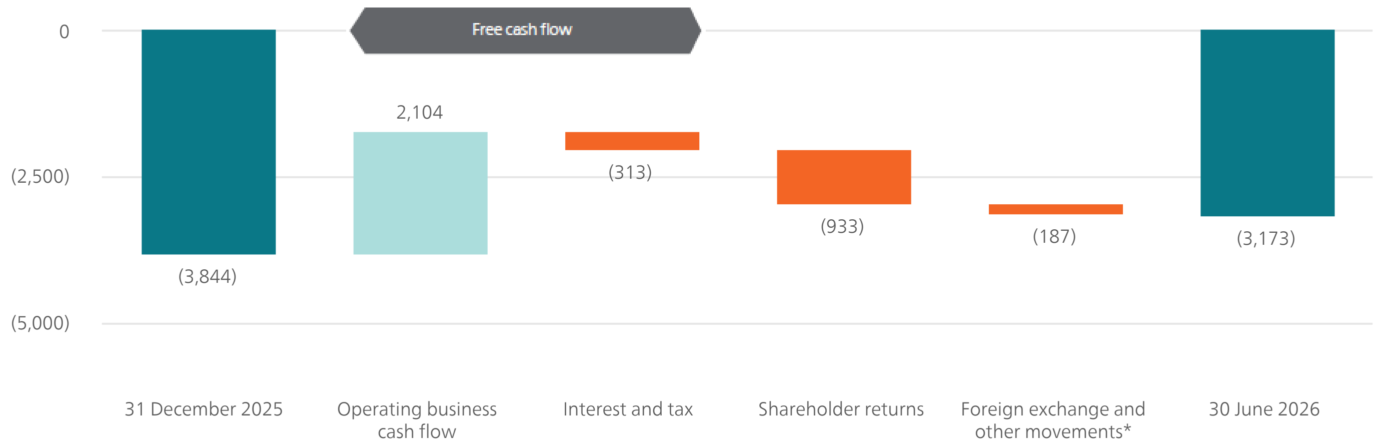
Components of net debt (excluding lease liabilities)[1]	As at 30 June 2026 £m	As at 31 December 2025 £m
Cash and cash equivalents	**4,200**	3,438
Debt-related derivative financial instruments (net)	**14**	3
Loans – non-current	**(6,686)**	(7,190)
Loans and overdrafts – current	**(701)**	(95)
Net debt (excluding lease liabilities)	**(3,173)**	(3,844)

1. The purpose and definition of all performance measures defined by the Group are provided in the Alternative performance measures section on page 38.

Cash and cash equivalents of £4,200m (31 December 2025 £3,438m) are held primarily for management of working capital as well as the repayment of debt securities, pension funding when required and committed shareholder returns. The increase in cash in the period reflected operational performance and timing of working capital, with the receipt of material customer advances in the first half. This was offset by the Group's financing activities which included payment of £933m (2025 £849m) to shareholders through dividends and share buybacks.

The Group's net debt (excluding lease liabilities) at 30 June was £3,173m (31 December 2025 £3,844m), a net decrease of £671m from the position at the start of the year, as shown in the graph below.

Movement in net debt (excluding lease liabilities) (£m)



*Other movements include a cash outflow of £75m in respect of M&A activities in the period.

Cash flow

As defined by the Group[1]	Six months ended 30 June 2026 £m	Six months ended 30 June 2025 £m
Free cash flow	**1,791**	(368)
Operating business cash flow	**2,104**	(8)

As derived from IFRS	Six months ended 30 June 2026 £m	Six months ended 30 June 2025 £m
Net cash flow from operating activities	**2,243**	74
Net cash flow from investing activities	**(195)**	(73)
Net cash flow from financing activities	**(1,310)**	(1,160)
Net increase/(decrease) in cash and cash equivalents	**738**	(1,159)
Cash and cash equivalents at 1 January	**3,438**	3,378
Effect of foreign exchange rate changes on cash and cash equivalents	**21**	(66)
Net cash and cash equivalents at 30 June	**4,197**	2,153
Comprising:		
Cash and cash equivalents	**4,200**	2,153
Overdrafts	**(3)**	—
Net cash and cash equivalents at 30 June	**4,197**	2,153

1. The purpose and definition of all performance measures defined by the Group are provided in the Alternative performance measures section on page 38.

As defined by the Group

Free cash flow was an inflow of £1,791m (2025 outflow of £368m). Free cash flow reflects cash generated by the Group's operations, after servicing debt and tax obligations.

Operating business cash flow was an inflow of £2,104m (2025 outflow of £8m) after investing a net £377m (2025 £400m) in capital expenditure in the period.

Both cash measures reflect working capital movements with the Group receiving material net cash advances from customers of £1.6bn, including MBDA, in the period. The comparative period saw a cash outflow in respect of working capital which reflected timing of programmes and the outflow of customer advances to the supply chain, with no material advances received in the period.

As derived from IFRS

Net cash flow from operating activities was an inflow of £2,243m (2025 £74m), an increase of £2,169m on the comparative period. The Group saw increased profitability in the six months ended 30 June 2026, combined with working capital movements and material net customer advances. No material customer advances were received in the comparative period, instead there was a working capital outflow reflecting a flow down of cash into the supply chain based on the stage of programme delivery on our contracts.

Net cash flow from investing activities was an outflow of £195m (2025 £73m) as net capital expenditure of £377m (2025 £400m) was partially offset by dividends received from the Group's equity accounted investments of £202m (2025 £287m). The Group invested a net £75m (2025 £4m) in M&A during the period.

Net cash flow from financing activities was an outflow of £1,310m (2025 £1,160m). Cash returns to shareholders, through dividends and share buybacks, accounted for £933m (2025 £849m), while interest paid on the Group's borrowings and other liabilities accounted for a further outflow of £239m (2025 £267m).

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

Exchange rates

	Average		Period end		Year end
	Six months ended 30 June 2026	Six months ended 30 June 2025	**30 June 2026**	30 June 2025	31 December 2025
£/$	**1.345**	1.298	**1.327**	1.370	1.345
£/€	**1.153**	1.187	**1.161**	1.167	1.145
£/A$	**1.915**	2.046	**1.916**	2.091	2.017

Segmental review

As defined by the Group[1]

Six months ended 30 June 2026	Sales £m	Underlying EBIT £m	Return on sales %	Operating business cash flow[2] £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[3]	33	(117)	—	(117)	—	—
Deduct: Intra-group	(319)	—	—	—	(0.2)	(0.9)
Total	**15,772**	**1,701**	**10.8%**	**2,104**	**16.4**	**84.0**

As derived from IFRS

Six months ended 30 June 2026	Revenue £m	Operating profit/ (loss) £m	Return on revenue %	Net cash flow from operating activities £m	Order book £bn
Electronic Systems	3,873	429	11.1%	682	10.2
Platforms & Services	2,718	326	12.0%	165	13.8
Air	3,831	570	14.9%	1,488	19.2
Maritime	3,275	201	6.1%	67	18.9
Cyber & Intelligence	1,194	96	8.0%	67	1.6
HQ[3]	33	(118)	—	(100)	—
Deduct: Intra-group	(309)	—	—	—	(1.0)
Deduct: Tax[4]	—	—	—	(126)	—
Total	**14,615**	**1,504**	**10.3%**	**2,243**	**62.7**

1. The purpose and definition of all performance measures defined by the Group are provided in the Alternative performance measures section on page 38.
2. At a Group level, the key cash flow metric is free cash flow (see the Alternative performance measures section on page 38). In the six month period to 30 June 2026, free cash flow was an inflow of £1,791m (2025 outflow of £368m).
3. HQ comprises the Group's head office activities.
4. Tax is managed on a Group-wide basis.

Segmental performance: Electronic Systems

Electronic Systems, with 23,300[1] employees, comprises the Group's US- and UK-based Electronic Systems business and our US-based Space & Mission Systems (SMS) business.

Financial performance

Financial performance measures defined by the Group[2]

	Six months ended 30 June 2026	Six months ended 30 June 2025	Variance[3]
Sales	**£3,866m**	£3,599m	+11%
Underlying EBIT	**£600m**	£541m	+15%
Return on sales	**15.5%**	15.0%	+50bps
Operating business cash flow	**£558m**	£298m	£260m
Order intake	**£4.8bn**	£3.8bn	£1.0bn

	As at 30 June 2026	As at 31 December 2025	Variance
Order backlog	**£14.4bn**	£13.6bn	£0.8bn

Financial performance measures derived from IFRS

	Six months ended 30 June 2026	Six months ended 30 June 2025	Variance[3]
Revenue	**£3,873m**	£3,592m	+8%
Operating profit	**£429m**	£357m	+20%
Return on revenue	**11.1%**	9.9%	+120bps
Net cash flow from operating activities	**£682m**	£374m	£308m

	As at 30 June 2026	As at 31 December 2025	Variance
Order book	**£10.2bn**	£9.1bn	£1.1bn

- Sales increased by 11%[3] in the period driven by growth of 29% in the SMS business and demand across key electronic warfare and precision-guided munition programmes, as well as in commercial avionics.
- The increase in underlying EBIT of 15%[3] reflected a return on sales of 15.5% with improved returns across the sector.
- Order intake for the period of £4.8bn included £1.6bn from SMS featuring incremental funding under the $1.2bn (£0.9bn) Epoch 2 missile warning and tracking satellite programme and additional funding across multiple restricted space programmes. For further details see section below.

1. Including share of equity accounted investments.
2. The purpose and definition of all performance measures defined by the Group are provided in the Alternative performance measures section on page 38.
3. Growth rates for sales and underlying EBIT are on a constant currency basis. All other growth rates and year-on-year movements are on a reported currency basis.

Key operational highlights for the period

- The F-35 Lightning II programme has delivered 190 Block 4 electronic warfare suites to Lockheed Martin and the first Block 4 Drop 11 F-35 aircraft was sold by Lockheed Martin in March.
- Our APKWS® programme continues to execute production under an Indefinite Delivery, Indefinite Quantity contract, marking the delivery of our 100,000th APKWS® laser-guidance kit to provide US armed forces and allies with precision munitions to counter a range of threats. One recent example is the successful integration of APKWS® on Eurofighter Typhoon aircraft for counter-drone applications.
- We marked the completion of the 150,000 sq-ft state-of-the-art expansion of our Endicott, New York campus to support our innovative work in airborne and ground electrification through development of high-voltage energy storage systems. We also announced a further $135m (£100m) investment for facility enhancements in Austin, Texas, and Hudson, New Hampshire, to boost our precision-guided munitions production and strengthen the US defence industrial base.
- Our SMS team introduced multiple products in the period. Our Ascent™ spacecraft now augments our Elevation™ line of adaptable, high-performing spacecraft products designed to meet mission requirements and support space superiority and exploration.
- We also introduced Silver Link™, our new line of adaptable antennas to support air dominance programmes and deliver airborne-assured communications. Our Silver Link™ portfolio of conformal antennas can rapidly advance from prototype design to cost-effective integration across a wide range of platforms to meet customer requirements.
- We delivered our SMS sensor subassembly and sensor system controller components for the Next Generation Overhead Persistent Infrared Polar programme to the US Space Force to provide advanced missile warning, technical intelligence and battlespace characterisation mission capabilities.
- We are preparing to support multiple launches later this year: NASA's launch of the Nancy Grace Roman Space Telescope, equipped with our Wide Field Instrument Opto-Mechanical Assembly, and the upcoming US Space Force's Weather System Follow-on-Microwave (WSF-M) satellite. As the mission prime for WSF-M, we built the spacecraft bus and microwave imager and our team continues to perform mission operations to support critical space-based, time-sensitive data to enhance the safety and success of military mission planning and global operations.
- We are also building the spacecraft bus for the National Oceanic and Atmospheric Administration's (NOAA) upcoming Space Weather Next L1 Series mission under a $230m (£171m) contract to continue providing valuable data to NOAA's Space Weather Prediction Center.

Strategic and order highlights

- Our SMS team received $373m (£277m) in incremental funding and completed the Preliminary Design Review for the $1.2bn (£0.9bn) US Space Force Space Systems Command Resilient Missile Warning & Tracking – Medium Earth Orbit Epoch 2 missile warning and tracking programme. This milestone was achieved less than nine months from contract award and establishes the technical foundation for the satellite and ground command and control systems for the multi-satellite constellation.
- We signed an agreement to build high-resolution imaging satellite space vehicles for Vantor, a leading provider of unified spatial intelligence from space to ground. SMS will build 20 cm-class Vantor Vantage™ imaging satellites for use with national defence, commercial and intelligence programmes.

- We entered into a Heads of Agreement with the Office of the Secretary of War to set the framework for quadrupling production and accelerating delivery on the THAAD programme over the next seven years.
- We secured a contract from Boeing to deliver high-performance AN/ALQ-250 Eagle Passive Active Warning Survivability Systems for the Republic of Korea Air Force (ROKAF) F-15K Slam Eagle fighter jets. The advanced electronic warfare systems will provide critical situational awareness and self-defence capabilities, enabling ROKAF F-15K pilots to operate effectively in contested environments.
- We were selected as a contractor by the Defense Microelectronics Activity for the 10-year Advanced Technology Support Program V, which supports a faster and lower-cost contracting path for awarding government programme pursuits.

Looking forward

- Our Electronic Systems sector remains positioned for growth in the medium term through its diverse portfolio of defence and commercial products and innovative capabilities for US and international customers.
- Over the long term, we are poised to benefit from our technology strengths spanning precision weaponry, space resilience, hyper-velocity projectiles, autonomous platforms and the development of multi-domain capabilities. We are also expanding our engineering and manufacturing capacity to grow our position in the emerging market for energy storage and power management solutions to support aircraft electrification.
- In SMS, we continue to leverage synergies across sectors and identify areas where our businesses can partner to pursue and capture new and adjacent revenue opportunities for the US Intelligence Community, DoW and civilian space agencies. We are well positioned for future opportunities and to support growth based on demand for our apertures, spacecraft, components for critical munitions and our capabilities that align to the US Golden Dome missile defence architecture.

Segmental performance: Platforms & Services

Platforms & Services, with 12,600[1] employees and operations in the US, Sweden and the 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.

Financial performance

Financial performance measures defined by the Group[2]

	Six months ended 30 June 2026	Six months ended 30 June 2025	Variance[3]
Sales	**£2,728m**	£2,478m	+12%
Underlying EBIT	**£323m**	£292m	+11%
Return on sales	**11.9%**	11.8%	+10bps
Operating business cash flow	**£80m**	£(252)m	£332m
Order intake	**£2.1bn**	£2.4bn	£(0.3)bn
	As at 30 June 2026	As at 31 December 2025	Variance
Order backlog	**£14.2bn**	£15.0bn	£(0.8)bn

Financial performance measures derived from IFRS

	Six months ended 30 June 2026	Six months ended 30 June 2025	Variance[3]
Revenue	**£2,718m**	£2,470m	+10%
Operating profit	**£326m**	£292m	+12%
Return on revenue	**12.0%**	11.8%	+20bps
Net cash flow from operating activities	**£165m**	£(146)m	£311m
	As at 30 June 2026	As at 31 December 2025	Variance
Order book	**£13.8bn**	£14.6bn	£(0.8)bn

- Sales increased by 12%[3] as Bofors and Hägglunds delivered growth of nearly 30% off the back of demand for combat vehicles in Europe, while our Combat Mission Systems business continued deliveries under its core programmes to the US military.
- Underlying EBIT grew 11%[3], in line with sales. Return on sales remained steady at 11.9%.
- Operating business cash flow saw an inflow of £80m in the period which resulted from the timing of working capital, an increase from the comparative period, which reflected outflows of customer advances to our supply chain.
- Order intake of £2.1bn in the period primarily related to awards in the US Combat Mission Systems business as detailed below.

1. Including share of equity accounted investments.
2. The purpose and definition of all performance measures defined by the Group are provided in the Alternative performance measures section on page 38.
3. Growth rates for sales and underlying EBIT are on a constant currency basis. All other growth rates and year-on-year movements are on a reported currency basis.

Key operational highlights for the period

- In Sweden, our Hägglunds business is expanding its facilities and infrastructure to meet customer orders, in line with agreed schedules. Multiple years of investments totalling more than $300m (£223m) are supporting our ongoing ramp to include new assembly and welding lines, test and verification capability, as well as new office space.
- The CV9035 MkIV for the Armed Forces of the Slovak Republic was unveiled during a ceremonial rollout at our Hägglunds site and the team is progressing the assembly of the first of type vehicles and preparations for in-country production.
- On the Czech Republic programme, worth $2.2bn (£1.6bn), preparations are underway for the serial delivery production and in-country manufacturing of 246 CV90 vehicles across seven variants.
- Turning to lifecycle support, the CV90 midlife upgrade programmes in Sweden, Switzerland and the Netherlands continue to progress deliveries, while our work under the Finland contract for its CV90 upgrades is nearing completion.
- Production continues under the three-nation agreement to deliver BvS10 Articulated All-Terrain Vehicles to Sweden, Germany and the UK. In parallel, we are pursuing additional opportunities for BvS10 in Europe. Beowulf deliveries are also ongoing to the US under the Cold Weather All-Terrain Vehicle programme.
- Our Bofors business is experiencing strong demand from Sweden and other international customers with initiatives underway to adapt operations to significantly increase production capacity for ARCHER and TRIDON Mk2 systems, as well as 3P medium-calibre ammunition.
- At the same time, our Bofors team is enhancing its supplier base and insourcing critical components and materials. Aligned to these initiatives, the team completed the acquisition of Aston Harald Mekaniska Verkstad AB to strengthen our production capacity and capability in the European defence market and enhance our supply security in connection to ARCHER, TRIDON Mk2, Combat Vehicle 9040, and 40 Mk4 and 57 Mk3 naval gun deliveries for Sweden and partner nations.
- Our Weapon Systems UK facility is now fully operational, with production activities underway and M777 major structures progressing through the manufacturing route.
- In the US, our Combat Mission Systems team is focused on deliveries across its franchise vehicle programmes – Armored Multi-Purpose Vehicles (AMPV), M109 Paladins, Bradleys and Amphibious Combat Vehicles (ACVs) – with ongoing efforts aimed at accelerating delivery timelines. We invested in the prototyping and delivery of two AMPV 30 vehicles to the US Army's Transformation in Contact (TiC) unit at Fort Hood in May and TiC Gunnery testing began in June.
- We continue to support the US maritime industrial base, enhancing our manufacturing capabilities by upgrading welding, machining and heavy-lift capacity to support construction and component fabrication work for Virginia- and Columbia-class submarines.

Strategic and order highlights

- Building on the multi-year US Army contracts awarded in 2025, totalling more than $973m (£723m) for M109A7 Paladin Self-Propelled Howitzer sets, our Combat Mission Systems team secured an additional award in the first half valued at $535m (£398m) to continue production of M109A7 sets. This is a key capability in the Army's Armored Brigade Combat Team formation that provides advanced firepower and manoeuvrability, enabling artillery units to rapidly deploy and engage targets with precision.

- Our Combat Mission Systems business was also awarded a $146m (£109m) undefinitised contract to begin manufacturing M776 cannons at our Louisville, Kentucky, facility for the US Army's M777 Towed 155mm Howitzer. We have invested more than $60m (£45m) in the facility and our workforce in recent years to expand manufacturing capabilities at the site to pursue growth opportunities and strengthen the US defence industrial base.
- Maritime Solutions Norfolk secured a US Navy contract worth over $200m (£149m) to maintain and upgrade the USS Iwo Jima shipboard systems to accommodate Joint Strike Fighter flight operations, marking a second consecutive award for an amphibious assault ship and reflecting the Navy's confidence in the team.
- Building on 2025 awards, Bofors received a contract valued at over $200m (£149m) for ARCHER artillery systems from the Swedish Government in March. In April, the team secured a $180m (£134m) contract for TRIDON Mk2 anti-aircraft and counter-UAS systems as part of Sweden's initiative for a new territorial air defence.

Looking forward

- We continue to shape our business to deliver on strong demand from US and international customers for production and sustainment of combat systems. We are seeing ongoing strong and growing international interest in our M109A7, M88 and Mk45 systems due to their proven capabilities and abilities to address emerging mission challenges.
- In our maritime businesses, we are focused on sustaining our naval gun and missile launch positions, as well as US Navy ship repair, modernisation and growing submarine fabrication activities. Our Maritime Solutions team is closely monitoring Middle East operations and working with the US Navy to anticipate any potential impacts to previously expected awards.
- Across our Swedish businesses, we continue to build a growing pipeline of opportunities for the CV90, BvS10 and Beowulf from Hägglunds, as well as for artillery, naval and air defence systems and munitions from Bofors.

Segmental performance: Air

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

Financial performance

Financial performance measures defined by the Group[2]

	Six months ended 30 June 2026	Six months ended 30 June 2025	Variance[3]
Sales	**£4,863m**	£4,343m	+11%
Underlying EBIT	**£580m**	£500m	+16%
Return on sales	**11.9%**	11.5%	+40bps
Operating business cash flow	**£1,574m**	£214m	£1,360m
Order intake	**£6.8bn**	£3.8bn	£3.0bn

	As at 30 June 2026	As at 31 December 2025	Variance
Order backlog	**£34.3bn**	£32.6bn	£1.7bn

Financial performance measures derived from IFRS

	Six months ended 30 June 2026	Six months ended 30 June 2025	Variance[3]
Revenue	**£3,831m**	£3,470m	+10%
Operating profit	**£570m**	£487m	+17%
Return on revenue	**14.9%**	14.0%	+90bps
Net cash flow from operating activities	**£1,488m**	£37m	£1,451m

	As at 30 June 2026	As at 31 December 2025	Variance
Order book	**£19.2bn**	£18.5bn	£0.7bn

- Sales increased by 11%[3]. Typhoon production increased in the period, driven by progress on both major units for core European customers and the commencement of manufacturing for the Türkiye order awarded in 2025. FCAS also saw growth in the ongoing design and development phase of the programme.
- Underlying EBIT increased 16%[3] driven by an increased return on sales of 11.9% reflecting strong operational performance and risk retirements in the period.
- Operating business cash flow was £1,574m with material cash advances received in the period, including in MBDA.
- Order intake of £6.8bn featured c.£2.5bn to provide training and support equipment and services for Türkiye's recently ordered Eurofighter Typhoon aircraft alongside other awards, as detailed below.

1. Including share of equity accounted investments.
2. The purpose and definition of all performance measures defined by the Group are provided in the Alternative performance measures section on page 38.
3. Growth rates for sales and underlying EBIT are on a constant currency basis. All other growth rates and year-on-year movements are on a reported currency basis.

Key operational highlights for the period

- In the Kingdom of Saudi Arabia, we continue to deliver services under the five-year Saudi British Defence Co-operation and Salam programmes, including our support to the Royal Saudi Air Force's Tornado and Typhoon fleets and the Royal Saudi Naval Force's minehunter vessels.
- In the UK, we continue to deliver Typhoon major units in support of core European customer orders, with six deliveries completed in the first half, bringing the total deliveries on the latest production contracts to 27.
- We successfully completed test firing of the APKWS® low-cost, precision weapon from a Eurofighter Typhoon and, following this, supported the RAF move from testing to operational deployment in the Middle East in under two months, significantly enhancing the RAF's ability to counter emerging threats in the region, including drones.
- On F-35, 68 aft fuselages were completed in the period to 30 June. The current Production Lots 18/19 support the continuation of production deliveries at Samlesbury, UK, through to 2027.
- We continue to progress on the Combat Air Demonstrator, which is designed to accelerate the development of advanced aerospace technologies, mature engineering approaches and reduce technical risk for future combat air capabilities such as GCAP.
- Through FalconWorks®, we continue to invest in emerging and disruptive technologies internally and via a range of collaborations across industry and academia, including the development of uncrewed systems and autonomous capability. During the period, the British Army and Royal Navy trialled our one-way effector, Nyan, which is designed to provide precision strike capability for use in both maritime and land operations and is part of our expanding portfolio of uncrewed air systems.

Strategic and order highlights

- In March, the Republic of Türkiye and the UK Government signed a support contract associated with the Typhoon aircraft and weapons package awarded in 2025. As the prime contractor, we were awarded a c.£2.5bn contract to provide spares and repairs, training, technical support and other associated activity.
- We continued to secure orders of c.£1.0bn in support of Typhoon capability enhancement, F-35 production for Lots 20-22 and F-35 aircraft armament equipment orders in support of production.
- MBDA won significant orders in the first half of 2026, including Teseo E and further Aster missiles for the Italian Forces, Aster and VL MICA based Air Defence systems for Denmark, Air-Sol Nucleaire de 4eme Generation hypersonic nuclear missile development contract for the Rafale F5 multirole fighter and Mistral 3 missiles for multiple European nations.
- Edgewing secured its first international contracts for GCAP. Following the award of an initial international contract in April, which provided £0.7bn of funding, a second international contract worth £4.6bn was awarded in July. This will enable completion of the advanced concept and assessment phase of the programme, and further joint detailed design and development.

- Alongside this, we secured further contract extensions from the UK Ministry of Defence to progress the concept and development stage of next-generation combat air technologies for FCAS.
- In July, we unveiled Brontanax™ at the Farnborough International Airshow which will be the UK's first uncrewed autonomous CCA intended to provide electronic warfare and precision strike capabilities against airborne and ground targets.

Looking forward

- GCAP is a strategically important partnership that will not only drive innovation and technological advancement but also promote significant economic activity in the UK, Japan and Italy, with the aim of securing the future of their respective combat air industries for decades to come. In July, we welcomed Canada as the first observer nation to the programme.
- We are working with the UK Ministry of Defence to agree the successor contract for the current Typhoon support agreement, which concludes at the end of 2026.
- We will continue to focus on ensuring that we deliver Typhoon major units and support in line with customer expectations. Future Typhoon production and support sales are underpinned by existing contracts.
- We expect to sustain production of the rear fuselage assemblies for the F-35 at current levels of approximately 150 aft fuselages per year. Negotiations continue with Lockheed Martin to secure the full value of Lots 20-22, which will continue production to 2030.
- In the Kingdom of Saudi Arabia, the In-Kingdom Industrial Participation programme continues to make good progress, consistent with our long-term strategy, while supporting the Kingdom's National Transformation Plan and Vision 2030. We expect our Saudi in-Kingdom support business to remain stable, underpinned by long-standing contracts, while we continue to address the Kingdom's current and future combat air requirements. The current five-year cycle of our Saudi British Defence Co-operation Programme completes at the end of 2026 and the bid work for the renewal, which will run from 2027 to 2031, is underway.
- Our FalconWorks® organisation will continue to pursue organic and inorganic investment opportunities which enhance our capabilities, access to technologies and industrial resilience.
- Looking forward, MBDA is well placed to benefit from increased defence spending in Europe and internationally, and continues to invest, alongside its customers, in products, infrastructure, industrial capabilities, digitalisation and supply chain. The business has a strong order backlog and development programmes continue to enhance the long-term capabilities of the business in the air, land, sea and space domains.

Segmental performance: Maritime

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.

Financial performance

Financial performance measures defined by the Group[2]

	Six months ended 30 June 2026	Six months ended 30 June 2025	Variance[3]
Sales	**£3,407m**	£3,233m	+4%
Underlying EBIT	**£208m**	£220m	-7%
Return on sales	**6.1%**	6.8%	-70bps
Operating business cash flow	**£(23)m**	£(150)m	£127m
Order intake	**£1.5bn**	£2.0bn	£(0.5)bn
	As at 30 June 2026	As at 31 December 2025	Variance
Order backlog	**£19.7bn**	£21.3bn	£(1.6)bn

Financial performance measures derived from IFRS

	Six months ended 30 June 2026	Six months ended 30 June 2025	Variance[3]
Revenue	**£3,275m**	£3,132m	+5%
Operating profit	**£201m**	£218m	-8%
Return on revenue	**6.1%**	7.0%	-90bps
Net cash flow from operating activities	**£67m**	£(8)m	£75m
	As at 30 June 2026	As at 31 December 2025	Variance
Order book	**£18.9bn**	£20.5bn	£(1.6)bn

– Sales grew by 4%[3] predominantly driven by increased activities in our Australian business and in Submarines, with construction of all four boats of the Dreadnought Class submarine programme underway.

– Underlying EBIT fell by 7%[3], generating a return on sales of 6.1% for the period, which reflected the early-stage maturity of several first-in-class programmes which are trading at relatively low margins within the sector.

– The Maritime sector recorded £1.5bn of order intake related to incremental funding mainly within the Submarine and Australian businesses.

1. Including share of equity accounted investments.
2. The purpose and definition of all performance measures defined by the Group are provided in the Alternative performance measures section on page 38.
3. Growth rates for sales and underlying EBIT are on a constant currency basis. All other growth rates and year-on-year movements are on a reported currency basis.

Key operational highlights for the period

– With five of the seven Astute Class submarines delivered to the Royal Navy, work continues on the remaining two boats. Agamemnon continues to progress through its in-water phase, while we also continue construction on Achilles, the final vessel in the class.

– We continue to make progress on the four Dreadnought Class submarines, with advancing levels of construction underway across all four boats.

– We also continue to deliver our SSN-AUKUS contracts, progressing our UK design contract and the mobilisation phase of the programme in Australia to support the future build of the SSN-AUKUS submarines for the Royal Australian Navy.

– We are progressing the eight ship Type 26 frigate programme for the Royal Navy, with five ships already under construction and a focus on commissioning key systems in preparation for first-in-class sea trials.

– The design and build for the Canadian River Class destroyer programme with Irving Shipbuilding Inc. has continued to mature, progressing Critical Design Review, a key milestone in the design programme.

– In Australia, construction of the Hunter Class frigate is progressing with 56 of the 78 units of the first ship for the Royal Australian Navy in production.

– The engine upgrade programme for the Royal Australian Air Force's Hawk aircraft concluded with the installation of all 33 engines completed, delivering a more capable, cost-efficient training system for pilots.

– We completed the F-35 South Hanger expansion at Williamtown, Australia, providing an additional four maintenance bays, taking the total to six bays supporting sustainment activity for the Royal Australian Air Force. We are now focused on the expansion of facilities at the North Hanger.

– Our Warship Support teams stepped up once again to ensure that HMS Dragon was able to deploy in very short order when called upon due to tensions in the Middle East.

– In RBSL, the Boxer programme continued deliveries of vehicles from the RBSL Telford manufacturing line to the UK Ministry of Defence. The Challenger 3 programme delivered a total of seven prototype tanks, with another one in build. Trials have proven Challenger 3's basic firing capability, mechanical design and structural strength.

Strategic and order highlights

– The Australian and Canadian Governments signed an agreement, effective from 1 July 2026, confirming the export of JORN technology to support Canada's A-OTHR radar capability and recognised BAE Systems Australia as the industry partner to support this initiative.

– We continue to support Royal Navy global operations through our RECODE and Naval Combat Systems Integration Support Service contracts by sustaining high combat system availability for its surface fleet.

– We secured a contract with the UK Ministry of Defence to deliver a technologically advanced radar that is designed to mitigate the effects of radar anomalies created by wind farms, supporting the co-existence of air defence and offshore wind and enabling the UK Government to protect both national and energy security. The new radars will be installed from early 2029.

– In July, we secured a new £5.9bn contract to fund critical work to progress the UK's Dreadnought Class next-generation nuclear deterrent submarines towards entry into service.

Looking forward

- Our Submarines business is executing across three long-term programmes: Astute; Dreadnought; and SSN-AUKUS. Our focus remains on strengthening our workforce, supply chain and infrastructure to provide the capability, capacity and resilience required to deliver these long-term programmes.
- Preparations to start construction of the sixth Type 26 frigate for the Royal Navy are well underway, with long-lead equipment items already in progress. Across the five ships under construction, we will continue to focus on commissioning key systems in preparation for first-in-class sea trials.
- In Australia, we are a key partner to the Commonwealth in the delivery of its National Defence Strategy, which seeks a strategy of denial and an integrated, focused force. Nuclear-powered submarines, strategic surveillance and long-range strike are prioritised in the Commonwealth's Integrated Investment Plan, which supports this position.
- We will continue to work alongside ASC Pty Ltd to deliver mobilisation activities to support Australia's SSN-AUKUS future submarine build programme.

Segmental performance: Cyber & Intelligence

Cyber & Intelligence, with 10,400 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.

Financial performance

Financial performance measures defined by the Group[1]

	Six months ended 30 June 2026	Six months ended 30 June 2025	Variance[2]
Sales	**£1,194m**	£1,186m	+3%
Underlying EBIT	**£107m**	£96m	+14%
Return on sales	**9.0%**	8.1%	+90bps
Operating business cash flow	**£32m**	£(23)m	£55m
Order intake	**£1.4bn**	£1.4bn	—
	As at 30 June 2026	As at 31 December 2025	Variance
Order backlog	**£2.3bn**	£2.1bn	£0.2bn

Financial performance measures derived from IFRS

	Six months ended 30 June 2026	Six months ended 30 June 2025	Variance[2]
Revenue	**£1,194m**	£1,186m	+1%
Operating profit	**£96m**	£78m	+23%
Return on revenue	**8.0%**	6.6%	+140bps
Net cash flow from operating activities	**£67m**	£12m	£55m
	As at 30 June 2026	As at 31 December 2025	Variance
Order book	**£1.6bn**	£1.4bn	£0.2bn

- Sales saw modest growth of 3%[2] in the period largely driven by our Digital Intelligence business.
- Growth in underlying EBIT of 14%[2] reflected an increased return on sales of 9.0%. This was largely driven by our Digital Intelligence business with an increased contribution from Kirintec.
- Order intake of £1.4bn included multiple re-competes in the Intelligence & Security business.

1. The purpose and definition of all performance measures defined by the Group are provided in the Alternative performance measures section on page 38.
2. Growth rates for sales and underlying EBIT are on a constant currency basis. All other growth rates and year-on-year movements are on a reported currency basis.

Key operational highlights for the period

- Our US-based Intelligence & Security business continues to perform well on core programmes, while maintaining a strong focus on new business development. The team is investing in its A3 strategy — Automation, AI and Autonomy — to strengthen our customers' missions and our own operations.
- Our commercial defence technology business, BAE Systems OneArc, launched new products and solutions, including BattleLab™, Flowstate™ and Scenecast™, meeting strong market demand for mission rehearsal and simulating drone and counter-drone operations in synthetic environments for individual and collective training.
- In the US, we increased our footprint in Utah, opening a new state-of-the-art workspace for engineering, digital transformation and mission operations teams supporting key national security missions.
- Following the successful launch of our first low earth orbit satellite cluster, Azalea, in our Digital Intelligence business, we are now in the platform commissioning phase. This capability will provide sovereign space-based intelligence and reconnaissance to enhance decision making around today's threats.
- In Digital Intelligence, our National Security & Government division is focused on expanding our core UK business and securing international growth. Our Defence division continues to progress campaigns for key programmes and is continuing to advance product investment.
- In Kirintec, we continue to identify opportunities to exploit our electronic warfare and counter-drone products alongside other complementary capabilities within our Digital Intelligence business and the wider Group.

Strategic and order highlights

- Our Intelligence & Security team continues to drive growth in high-priority national security missions. The US Navy Strategic Systems Program maintained double-digit organic growth over the same period last year, reinforcing our commitment to the submarine nuclear deterrence mission.
- The business was also awarded multiple re-compete contracts in the first half of the year with a combined potential lifecycle value of more than $350m (£260m), with further re-competes projected to be awarded by year end.
- Through a strategic relationship with ScaleAI, Inc. we are accelerating the development and fielding of advanced AI capabilities for high-stakes mission environments and operational platforms.
- The US team also continues to provide lifecycle management, engineering, integration, and evaluation support for the US Air Force Integration Support Contract, ensuring the readiness, reliability and effectiveness of the Minuteman III and Sentinel Intercontinental Ballistic Missile fleet.

Looking forward

- The Intelligence & Security business remains focused on maintaining a multi-billion dollar pipeline in opportunities of varying size and complexity across a range of customers.
- Our OneArc team is on track to expand enterprise licensing agreements with key customers in the US and Europe to deliver synthetic environments to simulate the modern battlespace.
- To align with the shifting market demand for technology-enabled, outcome-based solutions, we are strategically evolving our services portfolio and expanding our capabilities to deliver fully-integrated mission solutions.

- In our Digital Intelligence business, we continue to progress our transformation roadmap to ensure we are well placed to take advantage of more favourable conditions in the medium to long term resulting from anticipated increases in defence spending across our existing and target markets.
- Investment in our product portfolio continues with good progress made on developing cross-domain products for the US and other international markets, low earth orbit satellites and multi-domain network solutions for the defence market.
- Through Kirintec, we continue to identify opportunities for our counter-drone products and complementary capabilities for military customers.

Principal risks and uncertainties

Having considered recent geopolitical and macroeconomic events, and other factors, 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 2025.

The Group's principal risks and uncertainties at 31 December 2025 were detailed on pages 65 to 72 of the Annual Report 2025 and related to the following areas: government customers, defence spending and terms of trade; contract risk, execution and supply chain; cyber security and other security risks; international markets; people; safety; acquisitions (including joint ventures); business interruption; legal risk; and climate transition and environmental factors.

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 their 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 22 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
29 July 2026

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
Jane Griffiths	Non-executive director
Ewan Kirk	Non-executive director
Stephen Pearce	Non-executive director
John Pettigrew	Non-executive director
Nicole Piasecki	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 2026 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 12.

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 2026 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.

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

29 July 2026

Condensed consolidated interim financial statements

Condensed consolidated income statement (unaudited)

	Note	**Six months ended 30 June 2026** £m	**Six months ended 30 June 2026** Total £m	Six months ended 30 June 2025 £m	Six months ended 30 June 2025 Total £m
Continuing operations					
Revenue	2		**14,615**		13,571
Operating costs			**(13,301)**		(12,425)
Other income			**71**		80
Share of results of equity accounted investments			**119**		101
Operating profit	2		**1,504**		1,327
Finance income		**82**		65	
Finance costs		**(303)**		(203)	
Net finance costs	3		**(221)**		(138)
Profit before tax			**1,283**		1,189
Tax expense	4		**(229)**		(178)
Profit for the period			**1,054**		1,011
Attributable to:					
Equity shareholders			**1,020**		969
Non-controlling interests			**34**		42
			1,054		1,011
Earnings per share	5				
Basic earnings per share			**34.1p**		32.3p
Diluted earnings per share			**33.8p**		32.0p

Condensed consolidated interim financial statements

Condensed consolidated statement of comprehensive income (unaudited)

	Six months ended 30 June 2026			Six months ended 30 June 2025		
	Other reserves	Retained earnings	Total	Other reserves	Retained earnings	Total
	£m	£m	£m	£m	£m	£m
Profit for the period	—	1,054	1,054	—	1,011	1,011
Other comprehensive income						
Items that will not be reclassified to the income statement:						
Consolidated:						
Remeasurements on post-employment benefit schemes	—	209	209	—	(174)	(174)
Remeasurements on other investments	—	89	89	—	5	5
Tax on items that will not be reclassified to the income statement	—	(17)	(17)	—	(3)	(3)
Share of the other comprehensive income/(expense) of associates and joint ventures accounted for using the equity method (net of tax)	—	7	7	—	(14)	(14)
Items that may be reclassified to the income statement:						
Consolidated:						
Currency translation on foreign currency net investments	118	—	118	(857)	—	(857)
Fair value gain arising on hedging instruments during the period	3	—	3	41	—	41
Cumulative fair value loss on hedging instruments reclassified to the income statement	13	—	13	27	—	27
Tax on items that may be reclassified to the income statement	(4)	—	(4)	(14)	—	(14)
Share of the other comprehensive income/(expense) of associates and joint ventures accounted for using the equity method (net of tax)	—	—	—	(1)	—	(1)
Total other comprehensive income/(expense) for the period (net of tax)	130	288	418	(804)	(186)	(990)
Total comprehensive income/(expense) for the period	130	1,342	1,472	(804)	825	21
Attributable to:						
Equity shareholders	128	1,308	1,436	(791)	782	(9)
Non-controlling interests	2	34	36	(13)	43	30
	130	1,342	1,472	(804)	825	21

Condensed consolidated interim financial statements

Condensed consolidated statement of changes in equity (unaudited)

	Attributable to equity holders of BAE Systems plc						
	Issued share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2026	79	1,253	5,881	4,571	11,784	153	11,937
Profit for the period	**—**	**—**	**—**	**1,020**	**1,020**	**34**	**1,054**
Total other comprehensive income for the period	**—**	**—**	**128**	**288**	**416**	**2**	**418**
Total comprehensive income for the period	**—**	**—**	**128**	**1,308**	**1,436**	**36**	**1,472**
Share-based payments (inclusive of tax)	**—**	**—**	**—**	**108**	**108**	**—**	**108**
Cumulative fair value gain on hedging instruments transferred to the balance sheet	**—**	**—**	**(16)**	**—**	**(16)**	**—**	**(16)**
Ordinary share dividends	**—**	**—**	**—**	**(686)**	**(686)**	**(17)**	**(703)**
Purchase of own shares	**—**	**—**	**—**	**(251)**	**(251)**	**—**	**(251)**
At 30 June 2026	**79**	**1,253**	**5,993**	**5,050**	**12,375**	**172**	**12,547**
Balance at 1 January 2025	80	1,253	6,447	3,836	11,616	161	11,777
Profit for the period	—	—	—	969	969	42	1,011
Total other comprehensive expense for the period	—	—	(791)	(187)	(978)	(12)	(990)
Total comprehensive (expense)/income for the period	—	—	(791)	782	(9)	30	21
Share-based payments (inclusive of tax)	—	—	—	101	101	—	101
Cumulative fair value gain on hedging instruments transferred to the balance sheet	—	—	(12)	—	(12)	—	(12)
Ordinary share dividends	—	—	—	(622)	(622)	(17)	(639)
Purchase of own shares	—	—	—	(236)	(236)	—	(236)
At 30 June 2025	80	1,253	5,644	3,861	10,838	174	11,012

Condensed consolidated interim financial statements

Condensed consolidated balance sheet (unaudited)

	Note	30 June 2026 £m	31 December 2025 £m
Non-current assets			
Goodwill		**12,893**	12,732
Other intangible assets		**2,458**	2,513
Property, plant and equipment		**5,316**	5,160
Right-of-use assets		**1,620**	1,638
Investment property		**40**	37
Equity accounted investments		**614**	698
Other investments		**190**	124
Contract receivables		**102**	117
Other receivables		**890**	859
Post-employment benefit surpluses	6	**1,478**	1,250
Other financial assets		**196**	232
Deferred tax assets		**139**	172
		25,936	25,532
Current assets			
Inventories		**1,536**	1,384
Contract receivables		**4,034**	3,834
Trade and other receivables		**3,875**	3,125
Current tax		**157**	183
Other financial assets		**155**	183
Cash and cash equivalents		**4,200**	3,438
		13,957	12,147
Total assets		**39,893**	37,679
Non-current liabilities			
Loans		**(6,686)**	(7,190)
Lease liabilities		**(1,573)**	(1,513)
Contract liabilities		**(2,351)**	(1,746)
Other payables		**(1,991)**	(1,921)
Post-employment benefit obligations	6	**(403)**	(406)
Other financial liabilities		**(218)**	(248)
Deferred tax liabilities		**(53)**	(26)
Provisions		**(398)**	(389)
		(13,673)	(13,439)
Current liabilities			
Loans and overdrafts		**(701)**	(95)
Lease liabilities		**(193)**	(253)
Contract liabilities		**(5,533)**	(4,820)
Trade and other payables		**(6,812)**	(6,686)
Other financial liabilities		**(208)**	(173)
Current tax		**(28)**	(44)
Provisions		**(198)**	(232)
		(13,673)	(12,303)
Total liabilities		**(27,346)**	(25,742)
Net assets		**12,547**	11,937
Capital and reserves			
Issued share capital		**79**	79
Share premium		**1,253**	1,253
Other reserves		**5,993**	5,881
Retained earnings		**5,050**	4,571
Total equity attributable to equity holders of BAE Systems plc		**12,375**	11,784
Non-controlling interests		**172**	153
Total equity		**12,547**	11,937

Approved by the Board of directors of BAE Systems plc on 29 July 2026 and signed on its behalf by:

C N Woodburn
Chief Executive

B M Greve
Chief Financial Officer

Condensed consolidated interim financial statements

Condensed consolidated cash flow statement (unaudited)

	Note	**Six months ended 30 June 2026 £m**	Six months ended 30 June 2025 £m
Profit for the period		**1,054**	1,011
Tax expense	4	**229**	178
Adjustment in respect of research and development expenditure credits		**(30)**	(25)
Share of results of equity accounted investments		**(119)**	(101)
Net finance costs	3	**221**	138
Depreciation, amortisation and impairment		**582**	578
Net gain on disposal of property, plant and equipment, and investment property		**—**	(1)
Gain in respect of historical business disposals		**(3)**	—
Cost of equity-settled employee share schemes		**83**	78
Movement in provisions		**(30)**	1
Difference between pension funding contributions paid and the pension charge		**5**	(10)
(Increase)/decrease in working capital:			
Inventories		**(134)**	(121)
Trade, contract and other receivables		**(891)**	(944)
Trade and other payables, and contract liabilities		**1,402**	(574)
Tax paid net of research and development expenditure credits received		**(126)**	(134)
Net cash flow from operating activities		**2,243**	74
Dividends received from equity accounted investments		**202**	287
Interest received		**52**	41
Principal element of finance lease receipts		**3**	3
Purchase of property, plant and equipment, and investment property		**(359)**	(376)
Purchase of intangible assets		**(124)**	(87)
Purchase of other investments		**—**	(2)
Proceeds from funding related to assets		**82**	56
Proceeds from sale of property, plant and equipment, investment property and intangible assets		**1**	9
Proceeds from sale of other investments		**23**	—
Purchase of subsidiary undertakings, net of cash and cash equivalents acquired		**(79)**	(4)
Cash flow in respect of business disposals		**4**	—
Net cash flow from investing activities		**(195)**	(73)
Interest paid		**(239)**	(267)
Equity dividends paid	7	**(686)**	(622)
Purchase of own shares		**(247)**	(227)
Dividends paid to non-controlling interests		**(17)**	(17)
Principal element of lease payments		**(93)**	(106)
Cash inflow from derivative financial instruments (excluding cash flow hedges)		**99**	230
Cash outflow from derivative financial instruments (excluding cash flow hedges)		**(127)**	(151)
Net cash flow from financing activities		**(1,310)**	(1,160)
Net increase/(decrease) in cash and cash equivalents		**738**	(1,159)
Cash and cash equivalents at 1 January		**3,438**	3,378
Effect of foreign exchange rate changes on cash and cash equivalents		**21**	(66)
Net cash and cash equivalents at 30 June		**4,197**	2,153
Comprising:			
Cash and cash equivalents		**4,200**	2,153
Overdrafts		**(3)**	—
Net cash and cash equivalents at 30 June		**4,197**	2,153

Notes to the Condensed consolidated interim 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 2025. The comparative figures for the year ended 31 December 2025 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 2026 are consistent with the accounting policies applied by the Group in its Consolidated financial statements as at, and for the year ended, 31 December 2025 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 amendments to existing standards became effective on 1 January 2026 and have not had a material impact on the Group:

- Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments, effective from 1 January 2026;
- Amendments to IFRS 9 and IFRS 7: Contracts Referencing Nature-dependent Electricity, effective from 1 January 2026; and
- Annual Improvements to IFRS Accounting Standards – Volume 11, effective from 1 January 2026.

The following new standard has been endorsed by the UK Endorsement Board and is expected to have a material impact to the presentation of the Consolidated financial statements:

- IFRS 18 Presentation and Disclosure in Financial Statements, effective from 1 January 2027. This is a presentational standard and the Group is working through the impact on disclosures, with the main changes expected to be:
  (a) the requirement to classify income and expenses included in the Consolidated income statement in one of five categories, along with the introduction of a defined mandatory subtotal for 'operating profit'. The new definition for 'operating profit' will require the Group to report the share of results from equity accounted investments outside of operating profit, within the investing category;
  (b) additional disaggregation requirements for operating income and costs. The Group intends to primarily disaggregate operating costs by function; and
  (c) the reporting of Management-defined Performance Measures in the notes to the Consolidated financial statements, which will include the Group's Underlying EBIT measure of profitability.

Critical accounting judgement and key 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 2025, the critical accounting judgements and key 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 2025.

During the six month period ended 30 June 2026, 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 2025 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. As a responsible defence business, sustainability is embedded in our strategic framework, with one of the Group's long-term objectives to advance and integrate our Environmental, Social and Governance 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 decarbonisation ambitions and activities. These are embedded in our financial reporting, forecasting and governance processes.

The more immediate financial impacts of climate transition and environmental factors, 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 as defined by IFRS 8 Operating Segments:

- Electronic Systems comprises the US- and UK-based electronic systems business and the US-based SMS business, which have been aggregated together due to the similarities of the services offered. Together the teams deliver electronic warfare systems, navigation systems, electro-optical sensors, military and commercial avionics, precision-guided solutions and communications systems, as well as space electronics, spacecraft, and ground and tactical systems.
- Platforms & Services, 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, contractor-operated ammunition plants.
- Air comprises the Group's UK-based operations which provides aircraft build and support activities to UK, European and international markets, as well as to US programmes, alongside development of FCAS and FalconWorks®, our business in the Kingdom of Saudi Arabia and interests in our joint ventures: Edgewing, Eurofighter and MBDA.
- Maritime comprises 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.
- Cyber & Intelligence comprises the US-based Intelligence & Security business and UK-headquartered Digital Intelligence business, which have been aggregated together due to the similarities of the services offered. Together, they cover the Group's cyber security activities for national security, central government and government enterprises.

The Board (the chief operating decision maker as defined by IFRS 8 Operating Segments) monitors the results of these reporting segments to assess performance and make decisions about the allocation of resources. Segmental performance is evaluated based on key performance indicators – sales[1] and underlying EBIT[2]. Net finance costs and tax expense are managed on a Group basis.

Revenue and sales[1] by reporting segment

	Revenue		Deduct: Sales to equity accounted investments		Add: Share of sales by equity accounted investments		Sales[1]	
	Six months ended 30 June 2026	Six months ended 30 June 2025	**Six months ended 30 June 2026**	Six months ended 30 June 2025	**Six months ended 30 June 2026**	Six months ended 30 June 2025	**Six months ended 30 June 2026**	Six months ended 30 June 2025
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Electronic Systems	**3,873**	3,592	**(126)**	(123)	**119**	130	**3,866**	3,599
Platforms & Services	**2,718**	2,470	**–**	–	**10**	8	**2,728**	2,478
Air	**3,831**	3,470	**(872)**	(655)	**1,904**	1,528	**4,863**	4,343
Maritime	**3,275**	3,132	**(3)**	(2)	**135**	103	**3,407**	3,233
Cyber & Intelligence	**1,194**	1,186	**–**	–	**–**	–	**1,194**	1,186
HQ	**33**	19	**–**	–	**–**	79	**33**	98
	14,924	13,869	**(1,001)**	(780)	**2,168**	1,848	**16,091**	14,937
Intra-group revenue/sales	**(309)**	(298)	**(10)**	(18)	**–**	–	**(319)**	(316)
	14,615	13,571	**(1,011)**	(798)	**2,168**	1,848	**15,772**	14,621

	Revenue from external customers		Intra-group revenue	
	Six months ended 30 June 2026	Six months ended 30 June 2025	**Six months ended 30 June 2026**	Six months ended 30 June 2025
	£m	£m	**£m**	£m
Electronic Systems	**3,780**	3,484	**93**	108
Platforms & Services	**2,689**	2,433	**29**	37
Air	**3,804**	3,445	**27**	25
Maritime	**3,236**	3,095	**39**	37
Cyber & Intelligence	**1,101**	1,110	**93**	76
HQ	**5**	4	**28**	15
	14,615	13,571	**309**	298

2. Segmental analysis and revenue recognition continued

Revenue and sales[1] by customer location

	Revenue		Sales[1]	
	Six months ended 30 June 2026 £m	Six months ended 30 June 2025 £m	**Six months ended 30 June 2026 £m**	Six months ended 30 June 2025 £m
UK	**3,690**	3,768	**4,077**	3,981
Europe (excluding UK)	**1,488**	937	**2,110**	1,564
US	**6,819**	6,447	**6,806**	6,447
Canada	**136**	81	**136**	81
Kingdom of Saudi Arabia	**1,417**	1,388	**1,424**	1,390
Qatar	**119**	117	**133**	158
Australia	**703**	597	**703**	601
Asia and Pacific (excluding Australia)	**181**	166	**240**	255
Other	**62**	70	**143**	144
	14,615	13,571	**15,772**	14,621

Operating profit/(loss) by reporting segment

	Operating profit/(loss)		Finance and tax expense of equity accounted investments		Amortisation of programme, customer-related and other intangible assets, and impairment of intangible assets		Adjusting Items		Underlying EBIT[2]	
	Six months ended 30 June 2026 £m	Six months ended 30 June 2025 £m	**Six months ended 30 June 2026 £m**	Six months ended 30 June 2025 £m	**Six months ended 30 June 2026 £m**	Six months ended 30 June 2025 £m	**Six months ended 30 June 2026 £m**	Six months ended 30 June 2025 £m	**Six months ended 30 June 2026 £m**	Six months ended 30 June 2025 £m
Electronic Systems	**429**	357	**–**	–	**165**	173	**6**	11	**600**	541
Platforms & Services	**326**	292	**–**	–	**–**	–	**(3)**	–	**323**	292
Air	**570**	487	**3**	5	**7**	8	**–**	–	**580**	500
Maritime	**201**	218	**7**	2	**–**	–	**–**	–	**208**	220
Cyber & Intelligence	**96**	78	**–**	–	**14**	15	**(3)**	3	**107**	96
HQ	**(118)**	(105)	**–**	6	**–**	–	**1**	–	**(117)**	(99)
Operating profit	**1,504**	1,327	**10**	13	**186**	196	**1**	14	**1,701**	1,550
Net finance costs	**(221)**	(138)								
Profit before tax	**1,283**	1,189								
Tax expense	**(229)**	(178)								
Profit for the period	**1,054**	1,011								

1. Sales is an alternative performance measure defined in the Alternative performance measures section on page 38. 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. Underlying EBIT is an alternative performance measure defined in the Alternative performance measures section on page 38. 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.

3. Net finance costs

	Six months ended 30 June 2026 £m	Six months ended 30 June 2025 £m
Interest income on cash and other financial instruments	**54**	39
Net interest income on post-employment benefit obligations	**28**	26
Finance income	**82**	65
Interest expense on loans and other financial instruments	**(206)**	(224)
Facility fees	**(2)**	(2)
Interest expense on lease liabilities	**(40)**	(38)
Net present value expenses on provisions and other payables	**(5)**	(9)
Loss on remeasurement of financial instruments at fair value through profit or loss[1,2]	**(96)**	(78)
Foreign exchange gains[2,3]	**46**	148
Finance costs	**(303)**	(203)
Net finance costs	**(221)**	(138)

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. Foreign exchange gains primarily reflects exchange rate movements on US dollar-denominated borrowings and balances with the Group's subsidiaries and equity accounted investments.

4. Tax expense

The Group's reported tax expense was £229m (2025 £178m). The underlying effective tax rate was 22% (2025 20%) 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

Movement in shares for the purpose of calculating earnings per share	Ordinary shares millions	Treasury shares millions	Contingently returnable shares held in trust millions	Outstanding shares for purpose of earnings per share millions	Weighted average share movement in the period millions
At 1 January 2026	**3,166**	**(165)**	**(13)**	**2,988**	
Ordinary shares repurchased in the period	**(13)**	**—**	**—**	**(13)**	**(5)**
Net shares issued in the period	**—**	**18**	**2**	**20**	**10**
At 30 June 2026	**3,153**	**(147)**	**(11)**	**2,995**	
At 1 January 2025	3,195	(184)	(15)	2,996	
Ordinary shares repurchased in the period	(14)	—	—	(14)	(7)
Net shares issued in the period	—	17	1	18	10
At 30 June 2025	3,181	(167)	(14)	3,000	

	Six months ended 30 June 2026 millions	Six months ended 30 June 2025 millions
Outstanding shares for purpose of earnings per share at 1 January	**2,988**	2,996
Average ordinary shares repurchased in the period	**(5)**	(7)
Average ordinary shares issued in the period (net)	**10**	10
Weighted average shares for the purpose of calculating basic earnings per share at 30 June	**2,993**	2,999
Incremental ordinary shares in respect of employee share schemes	**25**	29
Weighted average shares for the purpose of calculating diluted earnings per share at 30 June	**3,018**	3,028

	Six months ended 30 June 2026	Six months ended 30 June 2025
Profit for the period attributable to equity shareholders (£m)	**1,020**	969
Basic earnings per share (pence)	**34.1**	32.3
Diluted earnings per share (pence)	**33.8**	32.0

6. Post-employment benefits

Summary of movements in post-employment benefit obligations

	UK defined benefit pension schemes	US and other pension schemes	US healthcare schemes	Kingdom of Saudi Arabia end of service benefit	Total
	£m	£m	£m	£m	£m
Surplus/(deficit) at 1 January 2026	1,125	(119)	33	(195)	844
Actual return on assets excluding amounts included in net finance costs	(252)	(12)	—	—	(264)
Decrease in liabilities due to changes in financial assumptions	558	47	2	3	610
Increase in liabilities due to changes in demographic assumptions	(100)	—	—	—	(100)
Experience gains/(losses)	48	(15)	(2)	(3)	28
Contributions in excess of/(less than) service cost	4	(2)	(1)	(5)	(4)
Net interest income/(expense)	45	(3)	1	(5)	38
Foreign exchange adjustments	—	1	(1)	(1)	(1)
Movement in withholding tax on surpluses	(76)	—	—	—	(76)
Surplus/(deficit) at 30 June 2026	**1,352**	**(103)**	**32**	**(206)**	**1,075**
Represented by:					
Post-employment benefit surpluses	1,441	5	32	—	1,478
Post-employment benefit obligations	(89)	(108)	—	(206)	(403)
Surplus/(deficit) at 30 June 2026	**1,352**	**(103)**	**32**	**(206)**	**1,075**

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 2026	31 December 2025	**30 June 2026**	31 December 2025
Financial assumptions				
Discount rate – past service (%)	**5.9**	5.5	**5.5**	5.2
Discount rate – future service (%)	**6.3**	5.8	**5.5**	5.2
Discount rate – US Healthcare schemes (%)	**n/a**	n/a	**5.4**	5.2
Retail Prices Index (RPI) inflation (%)	**2.7**	2.5	**n/a**	n/a
Rate of increase in salaries (%)	**2.7**	2.5	**2.8**	2.8
Rate of increase in deferred pensions (CPI/RPI) (%)	**2.2/2.7**	2.0/2.5	**n/a**	n/a
Rate of increase in pensions in payment (%)	**1.7 – 3.5**	1.6 – 3.5	**n/a**	n/a
Demographic assumptions				
Life expectancy of a male currently aged 65 (years)	**86 – 89**	86 – 89	**88**	88
Life expectancy of a female currently aged 65 (years)	**88 – 91**	88 – 91	**89**	89
Life expectancy of a male currently aged 45 (years)	**87 – 90**	87 – 90	**87**	87
Life expectancy of a female currently aged 45 (years)	**89 – 92**	89 – 92	**89**	89

7. Capital distributions

Equity dividends

	Six months ended 30 June 2026	Six months ended 30 June 2025
	£m	£m
Prior year final 22.8p (2025 20.6p) dividend per ordinary share paid in the period	**686**	622

The directors have declared an interim dividend of 15.0p per ordinary share in respect of the period ended 30 June 2026, totalling approximately £450m. This will be paid on 2 December 2026 to shareholders registered on 23 October 2026. The ex-dividend date is 22 October 2026.

A Dividend Reinvestment Plan ("DRIP") is provided by Equiniti Financial Services Limited. The DRIP enables the Company's shareholders to elect to have their cash dividend payments used to purchase the Company's shares. The last date to receive elections to join the DRIP is 11 November 2026. More information can be found at https://shareview.co.uk/shareholderservices/dividendreinvestments/.

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 August 2023, the directors approved a 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 period ended 30 June 2026, 12,322,468 (2025 15,038,662) ordinary shares were repurchased under the 2023 share buyback programme at a total cost (including transaction costs) of £251m (2025 £236m).

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 2023 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 2023 programme at 30 June.

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 2026		31 December 2025	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£m	**£m**	£m	£m
Financial instruments measured at fair value:				
Non-current				
Other investments at fair value through other comprehensive income	**190**	**190**	124	124
Other financial assets	**196**	**196**	232	232
Contingent consideration in business combinations	**(15)**	**(15)**	(40)	(40)
Other financial liabilities	**(218)**	**(218)**	(248)	(248)
Current				
Other financial assets	**155**	**155**	183	183
Money market funds	**1,430**	**1,430**	1,169	1,169
Contingent consideration in business combinations	**(50)**	**(50)**	(18)	(18)
Other financial liabilities	**(208)**	**(208)**	(173)	(173)
Financial instruments not measured at fair value:				
Non-current				
Loans	**(6,686)**	**(6,307)**	(7,190)	(6,991)
Current				
Loans and overdrafts	**(701)**	**(692)**	(95)	(95)

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. The fair value of the private placement included within loans has been valued based on the interest yield on an equivalent observable bond, applied to the private placement cash flows, and has been classified as level 2 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 2026 £m	Six months ended 30 June 2025 £m
Sales to related parties	**1,011**	798
Purchases from related parties	**164**	217
Management recharges	**2**	2

	30 June 2026 £m	31 December 2025 £m
Amounts owed by related parties	**109**	96
Amounts owed to related parties	**2,697**	2,414

10. Acquisitions

On 20 May 2026, the Group acquired 100% of the share capital of Aston Harald Mekaniska Verkstad AB which provides precision mechanics and advanced component machining for products within the defence and aerospace sectors, and is reported within the Platforms & Services sector. Consideration for the acquisition was £72m including cash consideration of £59m. The results and financial position of the acquired business have been consolidated from the date of acquisition under the requirements of IFRS 3 Business Combinations.

11. 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.

12. 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 APMs. These measures are not defined in IFRS and, therefore, are considered to be non-GAAP (Generally Accepted Accounting Principles) 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.

The purpose, definition, breakdown and reconciliation 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 as 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 2026 £m	Six months ended 30 June 2025 £m
Sales	**15,772**	14,621
Deduct: Group's share of revenue by equity accounted investments	**(2,168)**	(1,848)
Add: Group's revenue to equity accounted investments	**1,011**	798
Revenue	**14,615**	13,571

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 equity accounted investments and intangible assets, net finance income/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 this is through organic growth or acquisitions.

Reconciliation of underlying EBIT to operating profit

	Six months ended 30 June 2026 £m	Six months ended 30 June 2025 £m
Underlying EBIT	**1,701**	1,550
Adjustments:		
Adjusting items	**(1)**	(14)
Amortisation of programme, customer-related and other intangible assets, and impairment of intangible assets	**(186)**	(196)
Net finance income of equity accounted investments	**39**	32
Tax expense of equity accounted investments	**(49)**	(45)
Operating profit	**1,504**	1,327

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 2026 £m	Six months ended 30 June 2025 £m
Sales	**15,772**	14,621
Underlying EBIT	**1,701**	1,550
Return on sales	**10.8%**	10.6%

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 equity accounted investments and 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 earnings to profit attributable to equity shareholders

	Six months ended 30 June 2026 £m	Six months ended 30 June 2025 £m
Underlying earnings for the period attributable to equity shareholders	**1,163**	1,041
Adjustments:		
Adjusting items	**(1)**	(14)
Amortisation of programme, customer-related and other intangible assets, and impairment of intangible assets	**(186)**	(196)
Net interest income on post-employment benefit obligations	**29**	28
Fair value and foreign exchange adjustments on financial instruments and investments	**(51)**	69
Tax impact of adjustments	**66**	41
Profit for the period attributable to equity shareholders	**1,020**	969

Reconciliation of underlying EBIT to underlying earnings

	Six months ended 30 June 2026 £m	Six months ended 30 June 2025 £m
Underlying EBIT	**1,701**	1,550
Group and equity accounted investments' underlying net finance costs (see reconciliation on page 40)	**(160)**	(203)
Underlying tax expense (see reconciliation on page 41)	**(344)**	(264)
Underlying profit for the period	**1,197**	1,083
Deduct: Non-controlling interests	**(34)**	(42)
Underlying earnings for the period attributable to equity shareholders	**1,163**	1,041
Weighted average number of ordinary shares used in calculating basic EPS	**2,993**	2,999
Underlying EPS – basic	**38.9p**	34.7p
Weighted average number of ordinary shares used in calculating diluted EPS	**3,018**	3,028
Underlying EPS – diluted	**38.5p**	34.4p

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 2026 £m	Six months ended 30 June 2025 £m
Acquisition and integration-related costs	**(3)**	(14)
Other	**2**	—
Adjusting items	**(1)**	(14)

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 2026 £m	Six months ended 30 June 2025 £m
Net finance costs – Group	**(221)**	(138)
(Deduct)/add back:		
Net interest income on post-employment benefit obligations	**(28)**	(26)
Fair value and foreign exchange adjustments on financial instruments	**50**	(70)
Underlying net finance costs – Group	**(199)**	(234)
Net finance income – equity accounted investments	**39**	32
(Deduct)/add back:		
Net interest income on post-employment benefit obligations	**(1)**	(2)
Fair value and foreign exchange adjustments on financial instruments	**1**	1
Underlying net finance income – equity accounted investments	**39**	31
Total of Group and equity accounted investments' underlying net finance costs	**(160)**	(203)

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 2026	Six months ended 30 June 2025
	£m	£m
Underlying EBIT (see reconciliation on page 38)	**1,701**	1,550
Group and equity accounted investments' underlying net finance costs (see reconciliation on page 40)	**(160)**	(203)
Underlying profit before tax	**1,541**	1,347
Group tax expense	**(229)**	(178)
Tax expense of equity accounted investments	**(49)**	(45)
Exclude:		
Tax effect of taxable adjusting items	**(1)**	(3)
Tax effect of other items excluded from underlying profit	**(65)**	(38)
Underlying tax expense	**(344)**	(264)
Underlying effective tax rate	**22%**	20%

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 2026	Six months ended 30 June 2025
	£m	£m
Free cash flow	**1,791**	(368)
Add back:		
Interest paid, net of interest received	**187**	226
Net capital expenditure and financial investment	**377**	400
Principal element of lease payments and receipts	**90**	103
Deduct:		
Dividends received from equity accounted investments	**(202)**	(287)
Net cash flow from operating activities	**2,243**	74

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 2026	Six months ended 30 June 2025
	£m	£m
Operating business cash flow	**2,104**	(8)
Add back:		
Net capital expenditure and financial investment	**377**	400
Principal element of lease payments and receipts	**90**	103
Deduct:		
Dividends received from equity accounted investments	**(202)**	(287)
Tax paid net of research and development expenditure credits received	**(126)**	(134)
Net cash flow from operating activities	**2,243**	74

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 and financial investment, and lease principal amounts		Net cash flow from operating activities	
	Six months ended 30 June 2026	Six months ended 30 June 2025	**Six months ended 30 June 2026**	Six months ended 30 June 2025	**Six months ended 30 June 2026**	Six months ended 30 June 2025	**Six months ended 30 June 2026**	Six months ended 30 June 2025
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Electronic Systems	**558**	298	**(9)**	(5)	**133**	81	**682**	374
Platforms & Services	**80**	(252)	**–**	–	**85**	106	**165**	(146)
Air	**1,574**	214	**(182)**	(276)	**96**	99	**1,488**	37
Maritime	**(23)**	(150)	**(11)**	(6)	**101**	148	**67**	(8)
Cyber & Intelligence	**32**	(23)	**–**	–	**35**	35	**67**	12
HQ	**(117)**	(95)	**–**	–	**17**	34	**(100)**	(61)
	2,104	(8)	**(202)**	(287)	**467**	503	**2,369**	208
Tax paid net of research and development expenditure credits received							**(126)**	(134)
Net cash flow from operating activities							**2,243**	74

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 and overdrafts (including debt-related derivative financial instruments). Net debt does not include lease liabilities.

Components of net debt (excluding lease liabilities)

	30 June 2026	31 December 2025
	£m	£m
Cash and cash equivalents	**4,200**	3,438
Debt-related derivative financial instruments (net)	**14**	3
Loans – non-current	**(6,686)**	(7,190)
Loans and overdrafts – current	**(701)**	(95)
Net debt (excluding lease liabilities)	**(3,173)**	(3,844)

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 2026 £bn	Six months ended 30 June 2025 £bn
Order intake	**16.4**	13.2

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 the Group, to order book[1]

	30 June 2026 £bn	31 December 2025 £bn
Order backlog, as defined by the Group	**84.0**	83.6
Deduct:		
Unfunded order backlog	**(5.4)**	(5.6)
Share of order backlog of equity accounted investments	**(21.1)**	(20.5)
Add back: Order backlog in respect of orders from equity accounted investments	**5.2**	5.6
Order book[1]	**62.7**	63.1

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.

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Website references

None of the websites referred to in this document (including where a link is provided), and none of the information contained on such websites, are incorporated by reference into this document.