

BAE Systems plc



Half-yearly Report 2025

Charles Woodburn, Chief Executive, said "Our teams have delivered another strong operational and financial performance in the first half of the year, giving us the confidence to upgrade our guidance. In this heightened global threat environment, we continue to deliver mission critical capabilities to armed forces around the world and invest in our people, technologies and facilities to drive the improved efficiency, capacity and agility needed to meet the increasing demand for our highly relevant products and services. The breadth and depth of our geographic and product portfolio, together with our trusted track record of delivery, strengthen our confidence in the positive momentum of our business."

Financial highlights

Financial performance measures as defined by the Group ¹	Six months ended 30 June 2025	Six months ended 30 June 2024	Variance ²
Sales	£14,621m	£13,399m	+11%
Underlying earnings before interest and tax (EBIT)	£1,550m	£1,393m	+13%
Underlying earnings per share (EPS) - basic	34.7p	31.4p	+12%
Free cash flow	£(368)m	£219m	£(587)m
Order intake	£13.2bn	£15.1bn	£(1.9)bn

	As at 30 June 2025	As at 31 December 2024	Variance
Order backlog	£75.4bn	£77.8bn	£(2.4)bn

Financial performance measures as derived from IFRS	Six months ended 30 June 2025	Six months ended 30 June 2024	Variance ²
Revenue	£13,571m	£12,477m	+9%
Operating profit	£1,327m	£1,296m	+2%
EPS - basic	32.3p	31.4p	+3%
Net cash flow from operating activities	£74m	£757m	£(683)m
Dividend per share	13.5p	12.4p	+9%

	As at 30 June 2025	As at 31 December 2024	Variance
Order book	£57.0bn	£60.4bn	£(3.4)bn

As defined by the Group

- Sales increased 11%² in the period, with all sectors contributing growth. Organic growth was 9%².
- Underlying EBIT was up 13%², increasing the Group's return on sales for the period to 10.6%². Organic growth was 10%².
- Underlying EPS increased 12%² to 34.7p, after accounting for the Group's underlying net finance costs and tax.
- Free cash outflow of £368m is inclusive of movements on customer advances and is in line with expectations.
- Order intake of £13.2bn remained high across all sectors and we closed the period with an order backlog of £75.4bn.

As derived from IFRS

- The reported growth in revenue of 9%² reflects the same strong operational performance across the portfolio but excludes the impact of our equity accounted investments.
- Operating profit increased 2%² as the growth in underlying EBIT was offset by additional costs from the amortisation of acquired intangibles, reflecting the significant acquisitions in the prior year which included Ball Aerospace. The prior year also included a one-off profit on the disposal of our partial interest in Air Astana of £75m.
- Basic EPS was up 3%² to 32.3p, after accounting for net finance costs and tax.
- 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 2024 to pounds sterling at the average exchange rate of such currencies for the period ended 30 June 2024).

2025). 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 our consistent delivery of critical capabilities and technologies for our customers. In the first half of the year, we secured £13.2bn of orders and made good progress executing on our long-term major programmes.

Highlights in the period included the following:

- We laid the keel of HMS Dreadnought, the first of four Dreadnought Class submarines we are constructing for the Royal Navy, at our Barrow-in-Furness shipyard in the UK.
- Concept and assessment work on the Global Combat Air Programme (GCAP) continues with our international partners and we received a further £1.0bn of funding on the UK assessment phase contract in the first half of the year.
- We launched Edgewing, a joint venture with our international industry partners in Italy and Japan on GCAP, which will be accountable for the design and development of the next generation combat aircraft under the programme.
- We secured a 1.2bn (£0.9bn) contract to provide the US Space Force with space-based missile tracking capabilities as the prime contractor to design and build a constellation of satellites.
- Our Armored Multi-Purpose Vehicle (AMPV) celebrated its 500th delivery milestone and is on track, in full-rate production, to meet the US Army's plan to field nearly 3,000 AMPVs in its Armored Brigade Combat Team formations.
- We played a critical role in preparing Royal Navy ships for the UK Carrier Strike Group 2025 and the Royal Navy selected our all-electric Malloy T-150 uncrewed air systems (UAS) to transport vital supplies between the ships for the first time during its ongoing deployment to the Indo-Pacific.
- Her Royal Highness The Princess of Wales officially named HMS Glasgow, the first of eight Type 26 frigates we are building for the Royal Navy, at a ceremony in Glasgow, UK. Work continues on HMS Glasgow's sister ships - HMS Cardiff moved to our Scotstoun yard last year to begin outfitting whilst HMS Belfast, HMS Birmingham and HMS Sheffield are progressing at our Govan site.

Investing to support future growth

We continue to invest in our technologies, facilities and people to boost efficiency, capacity and innovation, deliver on our programmes and respond to the emerging threats our government customers are facing:

- We opened a new shiplift and land-level repair complex at our Jacksonville, Florida, shipyard. The 250m (£190m) investment significantly enhances the capabilities of the complex and increases capacity on the site to maintain and repair US Navy vessels and commercial ships.
- We officially opened the Janet Harvey Hall at our ship build site in Glasgow, UK. The hall has capacity for two Type 26 frigates to be constructed side-by-side, with HMS Belfast and HMS Birmingham currently under construction in the hall.
- Her Royal Highness The Princess Royal officially opened our Applied Shipbuilding Academy in Glasgow, UK. The £12m facility comprises a multi-purpose flexible learning hub and provides a high quality, hands-on training environment.
- Secretary of State for Defence, John Healey, opened our new £25m artillery factory in Sheffield, which is the first to restore critical gun barrel manufacturing capability in the UK and is on track to be operational before the end of the year.
- We have invested more than £8m to develop innovative new approaches in the production of energetics and propellants, which will support the ramp up of our critical munitions production and strengthen supply chain resilience for the UK and its allies.
- We made good progress against our target to recruit 2,400 graduates and apprentices in the UK this year. In South Australia, we welcomed our largest ever cohort of apprentices, which is part of a wider intake of more than 250 graduates, apprentices and interns in 2025.

Capital deployment

- The strength and outlook for the Group, alongside our disciplined capital allocation, means that, after investing in our people, technologies and capital expenditure, we have continued to make significant returns to shareholders. In the first six months of the year, we returned £849m to shareholders, a 5% increase compared to the £812m returned in the first half of 2024. This reflected paying £622m in respect of the 20.6p 2024 final dividend (2024 £562m in respect of the 18.5p 2023 final dividend) and repurchasing 15,038,662 (2024 19,403,928) ordinary shares at a total cost of £227m including transaction costs (2024 £250m) under our ongoing buyback programme.
- In addition, the Board has declared an interim dividend of 13.5p in respect of the first six months of the year, which will be paid □ on 3 December 2025.

2025 Upgraded Group guidance¹

Given the strong operational performance in the first half, we are upgrading our sales and underlying EBIT guidance for the full year by 100bps each. Sales are now expected to increase in the range of 8% to 10% whilst underlying EBIT is expected to increase in the range of 9% to 11%. The share price increase since the start of the year is expected to result in fewer shares being repurchased which, along with a marginally higher tax rate, means our guidance for EPS growth remains unchanged between 8% to 10%. Our free cash flow target remains >£1.1bn.

Guidance is provided on a constant currency basis using an exchange rate of 1.28:£1, which is in line with the actual 2024 exchange rate.

Year ended 31 December 2025	Updated guidance	Previous guidance	Year ended 31 December 2024 Results
Sales	Increase in the range of 8% to 10%	Increase in the range of 7% to 9%	£28,335m
Underlying EBIT	Increase in the range of 9% to 11%	Increase in the range of 8% to 10%	£3,015m
Underlying EPS	Increase in the range of 8% to 10%	Increase in the range of 8% to 10%	68.5p
Free cash flow target	>£1.1bn	>£1.1bn	£2,505m

- Underlying net finance costs c.£400m
- Effective tax rate c.20%
- Non-controlling interests c.£90m

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.£525m, underlying EBIT by c.£75m and underlying earnings per share 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 2025 will be available via webcast at 09.30am today (30 July 2025).

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 provide some of the world's most advanced, technology-led defence, aerospace and security solutions, helping customers stay ahead of evolving threats across land, sea, cyber and space. We are a skilled workforce of 109,700¹ people, working with customers and local partners in more than 40 countries to deliver military capability, protect national security and keep critical information and infrastructure secure.

1. As at 30 June 2025 and including share of equity accounted investments.

Shareholder information

Registered office

BAE Systems plc 6 Carlton Gardens London SW1Y 5AD United Kingdom

Registered in England and Wales, No. 01470151

Interim management report

Half-year overview

We delivered a strong set of half-year results, building on the performance of recent years. In the first half of 2025, we have:

- delivered increased sales and underlying EBIT compared to the first half of 2024;
- secured £13.2bn of orders;
- delivered mission critical capabilities to our customers;
- sustained strong operational performance;
- enhanced our product portfolio by integrating the advanced technologies and capabilities acquired through M&A activities in 2024; and
- increased our self-funded R&D and continued investment in capital expenditure at high levels.

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

Delivering for our customers

Our overall operational performance was strong across all sectors in the first half of the year, as our highly skilled employees continued to deliver mission critical capabilities to our customers to help them stay ahead of evolving threats.

Typhoon continues to play a visible and critical role in supporting defence and security objectives of our government customers. In the UK, in recent months, our teams have stepped up to support the Royal Air Force's heightened response posture and ensure aircraft availability. This readiness to respond enables us to work closely with our customers to understand and anticipate their critical needs in challenging times.

We delivered extensive warship support and simulated training to the Royal Navy in preparation for its eight-month Carrier Strike Group deployment to the Indo-Pacific. The Royal Navy selected our all-electric Malloy T-150 UAS to transport vital supplies between the ships during its ongoing deployment to the Indo-Pacific, marking the first time it has used drones in this way on such a deployment. Our teams are also embedded with armed forces personnel to provide ongoing support and training to the aircraft, ships and crews throughout this important mission.

Meanwhile, we continued to execute on complex, long-term programmes like Dreadnought and Astute Class submarines, Type 26 and Hunter Class frigates, Typhoon and F-35 jets, electronic warfare systems, combat vehicles and many other programmes across our business.

We also maintained momentum on key strategic international collaborations. Together with our industry partners in Italy and Japan, we launched

our new joint venture, Edgewing, to design and develop next-generation combat aircraft under GCAP.

Working alongside our partner, ASC Pty Ltd, we started initial mobilisation activities to support the delivery of the SSN-AUKUS fleet of conventionally armed, nuclear-powered submarines for the Royal Australian Navy.

Our 2025 half-year financial performance

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

On a constant currency basis, we grew sales by 11% and underlying EBIT by 13%, pushing the Group's return on sales to 10.6%. Underlying EPS, which reflects the Group's earnings after accounting for underlying net finance costs and tax in the period, increased 12% to 34.7p.

Our order intake for the period was £13.2bn and we closed the half year with an order backlog of £75.4bn. Further details of awards in the period are included in the segmental reviews from page 11.

Our free cash flow for the period was an outflow of £368m. 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 outflow as advances from customers flowed out to the supply chain against the absence of any new material advances received.

We ended the period with a strong balance sheet, featuring a cash position of £2,153m and net debt (excluding lease liabilities) of £5,566m, after increasing returns to shareholders in the period, through share buybacks and dividends, to £849m. 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 7.

Market backdrop of increased defence spending

The regions where we operate are poised for higher defence spending. We expect this to provide significant opportunities across all our sectors.

In response to the increased global security challenges, at the NATO Summit in June, member countries committed to investing 5% of GDP in defence - including 3.5% on core defence requirements and 1.5% on defence- and security-related investments like infrastructure and industry. This represents a significant increase from the previous benchmark of 2% of GDP. We have a strong, established position in Europe and NATO and our range of products and services aligns well to the capability requirements of these nations. These include combat aircraft, combat vehicles, air defence, missile systems, artillery, munitions, drones, electronic warfare and sensor technology.

In June, the UK Government published its National Security Strategy (NSS), bringing together various strands of work that have been underway since the 2024 general election, including the Strategic Defence Review and the Industrial Strategy. The NSS states the UK is entering a period in which it is likely to face indirect and potentially direct confrontation with adversaries and the country must adapt its national security approach in response. The three pillars of the new strategic framework to address the increased threats - security at home, strength abroad and increased sovereignty and asymmetric capabilities - align well to our capabilities and provide commitment to our long-term programmes. In conjunction with the NSS, the Government pledged to meet the aforementioned NATO spending commitment and set a target date of 2035 for achieving the 5% level with an interim target of at least 4.1% expected to be spent in 2027.

The US Department of Defense has submitted its fiscal year 2026 budget request to Congress totalling 961bn. This includes a base request of 848bn and reconciliation funding of 113bn, representing a 13% increase from the enacted fiscal year 2025 budget. While details on the 2027 budget have not been disclosed, residual defence reconciliation funds will be available in 2027 to help bolster FY27 defence spending. The Administration has said it intends to ensure the United States has unmatched military strength for years to come. Our portfolio aligns with the key priorities of US and international defence and intelligence customers, focusing on capabilities such as electronic warfare, precision strike munitions, space systems, tactical missile systems, counter-UAS, critical submarine components and combat vehicles. Our expertise in space-based capabilities and electronic and sensor technologies mean we are well positioned to contribute to the US Government's Golden Dome project.

Our key markets in the Asia-Pacific and the Middle East are also expected to increase spending and we will continue to support our government customers in these regions with leading products and services.

Defence spending in the Kingdom of Saudi Arabia is around 7% of GDP per year and the 2025 military budget is expected to increase by 5%. Areas of longer-term focus for the Kingdom align well with our portfolio and include combat aircraft, missile defence systems, naval vessels and further increasing the localisation of its defence spend.

Australia's inaugural 2024 National Defence Strategy reintroduced the measure of defence spending as a percentage of GDP with a promise to increase defence investment from 1.9% to 2.4% by 2033 to 2034. The AUKUS security pact, which will provide Australia with conventionally-armed nuclear-powered submarines, is a key programme that is expected to see substantial increases in spending from 2027.

In 2022, in response to the increased threat environment, the Japanese Government made significant changes to its security strategy. It pledged to double defence spending from 1% of GDP, a cap first put in place in 1976, to 2% by 2027. Increased investment is expected across multiple areas as the country fundamentally reinforces its defence capabilities. We have partnered with Japan and Italy to design and develop next-generation fighter jets under GCAP, with the aircraft due to come into service in 2035. Through GCAP, we continue to deepen our links with Japan.

Investing to support future growth

We continue to invest in our technologies, facilities and people to drive efficiencies and ensure our business has the capacity and agility to deliver on our programmes, as well as anticipate and respond to higher defence spending and the emerging threats our government customers are facing.

In 2024, we invested a record amount in R&D and capital expenditure, and we continue to invest to support future growth. Our investment in self-

funded R&D is focused on key technology areas including electronic warfare, autonomy, laser-guided weapons, uncrewed systems, synthetic training, electrification applications and space solutions.

Through a combination of self-funded R&D and acquisitions, we have established ourselves as one of Europe's leading producers of drone capabilities and through research hubs embedded across our business, we continued to explore transformational technologies that will further advance our state-of-the-art capabilities in defence systems.

We are building on more than £1bn of capital expenditure in 2024, as we increase capacity for the future and develop and modernise our systems and facilities. This includes a new shipbuild assembly hall in Glasgow, UK, and a modern shiplift and land-level repair complex in Florida, US, both of which have already become operational. In the UK, a new artillery factory in Sheffield and explosives filling facility in South Wales are on track to become operational later in the year.

We continue to hire and train people to enable us to deliver for our customers. We have grown our global workforce by more than 20,000 people over the past five years and, in the UK alone, we intend to recruit more than 2,400 apprentice, undergraduate and graduate roles this year.

Our market differentiation

Our business has a unique combination of a diverse geographic footprint and multi-domain capabilities. We believe our technologies, deep domain expertise and global reach position BAE Systems as a leader in our industry and enable us to support our customers to meet the elevated threat environment of today and tomorrow. This breadth continues to be a real strength and a differentiator.

Looking ahead, our key growth drivers are spread across major markets and include huge multi-national endeavours, including GCAP and AUKUS, which are significant for the Group in the medium and long term and highlight the global reach, scale and longevity of our business.

Responsible business

We support our government customers to fulfil their primary obligation to keep their citizens safe, while contributing to the economic and social development of the communities and nations where we operate, helping to build a stronger and more secure future.

Our people are the heart of everything we do, and it is critical that we attract and retain the best talent so that we can support our customers' requirements and our own long-term growth. We are fully committed to fostering a workplace culture and environment where everyone feels they belong and can contribute fully to our mission, which includes investing in our people's skills development from early careers through to lifelong learning.

The safety, health and wellbeing of our people is an enduring priority. We are committed to strengthening our safety management programme to improve our performance in 2025 and beyond.

We continue to focus on resource efficiency, developing energy and infrastructure strategies to reduce our greenhouse gas emissions across our operations, while supporting our business growth.

We do all of this while maintaining a robust governance structure and high standards. This includes continuing to operate under tight regulation and complying fully with applicable trade controls and sanctions.

Outlook

We have a strong track record of delivering financial returns for investors and, through the careful long-term sustainable management and governance of our business, we are well placed to continue to generate good returns. This is supported by our seven key advantages:

1. We provide customers with world-class defence products and capabilities across multiple markets.
2. We undertake multi-decade programmes with long-term embedded value. Our contract order backlog provides a high level of sales visibility, driven by multi-year programmes.
3. We have a growing global opportunity pipeline. Our diverse geographic footprint supports us in pursuing excellent opportunities across all sectors as countries around the world face up to the multi-faceted threat environment.
4. We foster a high-performance, innovative culture and consistently invest in R&D to build on existing world-leading capabilities and generate new innovative and disruptive technologies.
5. We have an intense focus on operational excellence, with strong, consistent programme performance. We focus on creating value for our investors and customers.
6. Sustainability is embedded in our business - it forms part of our strategic framework and underpins our purpose.
7. We operate a value-compounding operating model, undertaking our core business activities with a clear, consistent and careful capital allocation.

Group financial review

Group income statement

	Underlying - □ as defined by the Group ¹		Statutory - as derived from IFRS	
	Six months ended 30 June 2025	Six months ended 30 June 2024	Six months ended 30 June 2025	Six months ended 30 June 2024
	£m	£m	£m	£m
Sales/Revenue	14,621	13,399	13,571	12,477

Underlying EBIT/Operating profit	1,550	1,393	1,327	1,296
Finance income	39	63	65	69
Finance costs	(242)	(243)	(203)	(202)
Net finance costs	(203)	(180)	(138)	(133)
Profit before tax	1,347	1,213	1,189	1,163
Tax expense	(264)	(225)	(178)	(175)
Profit for the period²	1,083	988	1,011	988
Return on Sales/Revenue	10.6 %	10.4 %	9.8 %	10.4 %

Reconciliation of underlying EBIT to operating profit

	Six months ended 30 June 2025	Six months ended 30 June 2024
	£m	£m
Underlying EBIT	1,550	1,393
Adjusting items	(14)	46
Amortisation of programme, customer-related and other intangible assets, and impairment of intangible assets	(196)	(143)
Net finance income and tax of equity accounted investments	(13)	-
Operating profit	1,327	1,296

As defined by the Group

Sales for the period were £14.6bn (2024 £13.4bn) representing growth, on a constant currency basis³, of 11%. On an organic basis, sales grew 9% on a constant currency basis. All sectors delivered growth in the period as detailed below.

Electronic Systems recorded sales of £3.6bn (2024 £3.4bn), equating to growth of 9% on a constant currency basis, which included the full six-month benefit of our Space & Mission Systems (SMS) business and increased demand in the Electronic Combat and Precision Strike & Sensing businesses.

Our Platforms & Services sector posted sales of £2.5bn (2024 £2.1bn), with growth of 21% on a constant currency basis, as the sector works to deliver on the recent increased demand for combat vehicles both in the US, through our Combat Mission Systems business which was up 27%, and, in Europe, through our Hägglunds and Bofors businesses which were up 25% and 39% respectively.

Our Air sector recorded sales of £4.3bn (2024 £4.0bn), representing growth of 9% on a constant currency basis. The period saw an increase in design and development activities on our Future Combat Air System programme, as well as 18% sales growth in MBDA. The acquisitions in FalconWorks® in the first half of 2024, which expanded our capabilities in UAS, also contributed additional sales in the period. The sector recorded organic growth of 8% on a constant currency basis.

Maritime recorded sales of £3.2bn (2024 £2.9bn), which was an increase of 12% on a constant currency basis, with increased activities across the sector. In Submarines, design work has continued on SSN-AUKUS and, in Naval Ships, construction continued across the Type 26 programme. In our UK Munitions business, sales have grown following additional investment to meet increased demand.

Sales in the Cyber & Intelligence sector increased by 2% on a constant currency basis, to £1.2bn (2024 £1.2bn), with growth from the prior year acquisitions in the Digital Intelligence business.

Underlying EBIT was up 13% on a constant currency basis, to £1,550m (2024 £1,393m), resulting in an increased return on sales for the period of 10.6% (2024 10.4%). On an organic basis, underlying EBIT grew 10% on a constant currency basis.

Our Electronic Systems sector grew underlying EBIT to £541m (2024 £473m), an increase of 17% on a constant currency basis, and generated a return on sales of 15.0% (2024 14.0%). The growth in underlying EBIT benefitted from both the sales growth in the period and a full six months of SMS. On an organic basis, the sector saw an increase in underlying EBIT of 12% on a constant currency basis.

Platforms & Services reported underlying EBIT of £292m (2024 £216m), an increase of 37% on a constant currency basis, with the return on sales increasing to 11.8% (2024 10.4%). The growth reflects the demand for combat vehicles as production ramps up to deliver increased volumes across Bradley, CV90 and AMPV, which is operating at full-rate production.

Our Air sector reported underlying EBIT of £500m (2024 £446m), an increase of 13% on a constant currency basis, with a strong return on sales of 11.5% (2024 11.1%) reflecting good operational performance.

The Maritime sector reported underlying EBIT of £220m (2024 £228m), a decrease of 2% on a constant currency basis. The return on sales of 6.8% (2024 7.8%) reflected the timing of milestones in our Submarines business and contract-related trade-ups posted on the Hunter Class programme in the prior year.

Adjusting items totalled a net cost of £14m (2024 net gain of £46m) of which £11m relates to the ongoing integration of Ball Aerospace, which was acquired in 2024, and the remaining £3m to other historic acquisitions. The prior period gain of £46m reflected a profit on the sale of a partial shareholding in Air Astana of £75m and a settlement gain of £13m on a US pension buy-out, offset by £42m of acquisition and integration-related costs, primarily in relation to Ball Aerospace.

Underlying net finance costs were £203m (2024 £180m) an increase of £23m. Of this, net costs of £234m (2024 £207m) related to the

underlying net finance costs increased from £25m (2024 £27m), an increase of 8%, to £33m (2024 £27m), relating to the Group and net income of £31m (2024 £27m) related to the Group's share of equity accounted investments. The Group's underlying net finance costs increased as interest income on cash and other financial instruments fell in the period from £63m to £39m.

As derived from IFRS

Revenue was £13.6bn (2024 £12.5bn). Growth during the period of 9%, 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 other equity accounted investments.

Operating profit increased 2%, to £1,327m (2024 £1,296m), on a reported currency basis. On an operating sector basis, this reflected the same drivers as underlying EBIT, however, operating profit was impacted by additional costs from amortisation of programme, customer-related and other intangible assets, and impairment of intangible assets which increased by £53m to £196m in the six month period ended 30 June 2025. The comparative period also reflected a net income from adjusting items of £46m (as detailed above) with the current period adjusting items being a cost of £14m as the Group continued integration activities from acquisitions in the prior year.

Net finance costs were £138m (2024 £133m), consisting of finance income of £65m (2024 £69m) and finance costs of £203m (2024 £202m).

- The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 38.
- On a Group basis, £42m (2024 £40m) of profit for the period is attributable to non-controlling interests, with £1,041m (2024 £948m) attributable to equity shareholders. On an IFRS basis, £42m (2024 £40m) of profit for the period is attributable to non-controlling interests, with £969m (2024 £948m) attributable to equity shareholders.
- Calculated by translating the results from entities in functional currencies other than pounds sterling for the period ended 30 June 2024 to pounds sterling at the average exchange rate of such currencies for the period ended 30 June 2025. The comparatives have not been restated.

Orders

	Six months ended 30 June 2025	Six months ended 30 June 2024
As defined by the Group ¹	£bn	£bn
Order intake ²	13.2	15.1
	As at 30 June 2025	As at 31 December 2024
	£bn	£bn
Order backlog ²	75.4	77.8
	As at 30 June 2025	As at 31 December 2024
As derived from IFRS	£bn	£bn
Order book ³	57.0	60.4

As defined by the Group

Order intake of £13.2bn remained high across all sectors:

- In Electronic Systems, the £3.8bn of order intake included significant orders in the Electronic Combat business, together with the missile warning and tracking system award to our space business in the US, a capability essential for the Golden Dome project.
- In Platforms & Services, the £2.4bn of order intake featured strong European contract awards in Bofors, as well as continued orders for our US combat vehicle programmes.
- Our Air sector recorded £3.8bn of order intake for the period including £1.4bn in MBDA, showing continued European growth, and a further £1.0bn of funding for the UK assessment phase of the sixth generation combat aircraft.
- The Maritime sector landed £2.0bn of orders for the next major phase of Canada's River Class destroyer programme, Australia's Hobart Class combat system upgrade and increased orders for the Royal Navy in our Submarines business.
- Cyber and Intelligence contributed £1.4bn in new orders across the half year.

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

- The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 38.
- Including share of equity accounted investments.
- 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 2025	Six months ended 30 June 2024
Underlying profit for the period attributable to equity shareholders	£1,041m	£948m
Underlying EPS - basic	34.7p	31.4p
As derived from IFRS	Six months ended 30 June 2025	Six months ended 30 June 2024
Profit for the period attributable to equity shareholders	£969m	£948m
EPS - basic	32.3p	31.4p

- The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 38.

As defined by the Group

Underlying EPS increased to 34.7p (2024 31.4p), 12% on a constant currency basis. This is largely driven by the increase in the Group's profitability in the period, as shown in the table below.

Movement in underlying EPS	pence
As at 30 June 2024	31.4
Foreign exchange	(0.4)
Underlying EBIT	4.7
Underlying net finance costs	(0.7)
Tax rate	(0.5)
Share buybacks	0.2
As at 30 June 2025	34.7

As derived from IFRS

Basic EPS increased 3% on a reported currency basis, to 32.3p (2024 31.4p), with the gain in underlying profit being offset by amortisation on the intangibles acquired in the six month period to 30 June 2024 and the prior period further benefitting from the one-off gain on the Group's partial disposal of Air Astana.

Net debt (excluding lease liabilities)

	As at 30 June 2025	As at 31 December 2024
	£m	£m
Components of net debt (excluding lease liabilities)¹		
Cash and cash equivalents	2,153	3,378
Debt-related derivative financial instruments (net)	(25)	89
Loans - non-current	(7,053)	(7,713)
Loans - current	(641)	(699)
Net debt (excluding lease liabilities)	(5,566)	(4,945)

1. The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 38.

Cash and cash equivalents of £2,153m (31 December 2024 £3,378m) are held primarily for management of working capital as well as the repayment of debt securities, pension funding when required and committed shareholder returns. During the period, the Group paid £849m (2024 £812m) to shareholders, through dividends and share buybacks, which accounted for the majority of the cash movement.

The Group's net debt (excluding lease liabilities) at 30 June was £5,566m (31 December 2024 £4,945m), a net increase of £621m from the position at the start of the year. During the period, there was a decrease in the carrying amount of the Group's outstanding loans of £718m reflective of foreign exchange movements on the Group's US Dollar denominated borrowings, offset by their associated derivatives. No loan repayments were made during the period.

Movement in net debt (excluding lease liabilities)	£m
As at 1 January	(4,945)
Operating business cash flow	(8)
Interest and tax	(360)
Free cash flow	(368)
Shareholder returns	(849)
Foreign exchange and other movements	596
As at 30 June	(5,566)

Cash flow

	Six months ended 30 June 2025	Six months ended 30 June 2024
	£m	£m
As defined by the Group¹		
Free cash flow	(368)	219
Operating business cash flow	(8)	474
As derived from IFRS		
Net cash flow from operating activities	74	757
Net cash flow from investing activities	(73)	(4,569)
Net cash flow from financing activities	(1,160)	2,583
Net decrease in cash and cash equivalents	(1,159)	(1,229)
Cash and cash equivalents at 1 January	3,378	4,067
Effect of foreign exchange rate changes on cash and cash equivalents	(66)	(7)

Cash and cash equivalents at 30 June	2,153	2,831
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1. The purposes and definitions of non-GAAP measures are provided in the Alternative performance measures section on page 38.

As defined by the Group

Free cash flow was an outflow of £368m (2024 inflow of £219m). Free cash flow reflects cash generated by the Group's operations, after servicing debt and tax obligations.

Operating business cash flow was an outflow of £8m (2024 inflow of £474m) after investing a net £400m (2024 £396m) in capital expenditure in the period.

Both cash measures reflect movements on customer advances which have now begun to flow to our supply chain as the Group works to deliver against these contracts. No material advances were received in the first half of the year.

As derived from IFRS

Net cash flow from operating activities was an inflow of £74m (2024 £757m), a decrease of £683m on the prior period. Although the Group saw increased profitability in the six months ended 30 June 2025, working capital movements in the period reflected timing of programmes and the outflow of customer advances to the supply chain. The comparative period included a number of large customer advances received immediately prior to the period end. No material advances were received in the first half of the year.

Net cash flow from investing activities was an outflow of £73m (2024 £4,569m) as net capital expenditure of £400m (2024 £396m) was partially offset by dividends received from the Group's equity accounted investments of £287m (2024 £145m). In the comparative period, the acquisition of subsidiaries, including Ball Aerospace, accounted for a net cash outflow of £4,536m. This was offset by cash proceeds of £166m from the partial sale of the Group's shareholding in Air Astana. There were no M&A transactions in the current period.

Net cash flow from financing activities was an outflow of £1,160m (2024 inflow of £2,583m). Cash returns to shareholders, through dividends and share buybacks, accounted for £849m (2024 £812m) of the outflow in the period combined with interest paid on the Group's borrowings and other liabilities of £267m (2024 £222m). The inflow in the prior period further reflected cash proceeds from debt financing raised of £3,765m primarily to fund the Ball Aerospace acquisition. The Group has not raised any cash from external debt funding in the current period.

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 2025	Six months ended 30 June 2024	30 June 2025	30 June 2024	31 December 2024
£/	1.298	1.265	1.370	1.264	1.253
£/€	1.187	1.170	1.167	1.180	1.210
£/A	2.046	1.921	2.091	1.893	2.023

Segmental review

As defined by the Group¹

	Sales £m	Underlying EBIT £m	Return on sales %	Operating business cash flow ² £m	Order intake £bn	Order backlog £bn
Six months ended 30 June 2025						
Electronic Systems	3,599	541	15.0 %	298	3.8	12.1
Platforms & Services	2,478	292	11.8 %	(252)	2.4	14.2
Air	4,343	500	11.5 %	214	3.8	26.5
Maritime	3,233	220	6.8 %	(150)	2.0	21.7
Cyber & Intelligence	1,186	96	8.1 %	(23)	1.4	1.8
HQ ³	98	(99)	-	(95)	0.1	-
Deduct: Intra-group	(316)	-	-	-	(0.3)	(0.9)
Total	14,621	1,550	10.6 %	(8)	13.2	75.4

As derived from IFRS

	Revenue £m	Operating profit/(loss) £m	Return on revenue %	Net cash flow from operating activities £m	Order book £bn
Six months ended 30 June 2025					
Electronic Systems	3,592	357	9.9 %	374	8.1
Platforms & Services	2,470	292	11.8 %	(146)	13.3
Air	3,470	487	14.0 %	37	14.5
Maritime	3,132	218	7.0 %	(8)	20.8
Cyber & Intelligence	1,186	78	6.6 %	12	1.4
Deduct: Intra-group	(316)	(105)	-	(61)	-
Total	14,621	1,550	10.6 %	(8)	75.4

HQ ³	19	(100)	-	(01)	-
Deduct: Intra-group	(298)	-	-	-	(1.1)
Deduct: Tax ⁴	-	-	-	(134)	-
Total	13,571	1,327	9.8 %	74	57.0

1. The purposes and definitions of non-GAAP measures 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 2025, free cash flow was an outflow of £368m (2024 inflow of £219m).
3. HQ comprises the Group's head office activities, together with a 17% interest in Air Astana.
4. Tax is managed on a Group-wide basis.

Segmental performance: Electronic Systems

Electronic Systems, with 22,600¹ employees, comprises the Group's US- and UK-based Electronic Systems business and the US-based □Space & Mission Systems (SMS) business.

Financial performance

Financial performance measures defined by the Group ²				Financial performance measures derived from IFRS			
	Six months ended 30 June 2025	Six months ended 30 June 2024	Variance ³		Six months ended 30 June 2025	Six months ended 30 June 2024	Variance ³
Sales	£3,599m	£3,383m	+9 %	Revenue	£3,592m	£3,394m	+6 %
Underlying EBIT	£541m	£473m	+17 %	Operating profit	£357m	£301m	+19 %
Return on sales	15.0 %	14.0 %	+100 bps	Return on revenue	9.9 %	8.9 %	+100 bps
Operating business cash flow	£298m	£184m	£114m	Net cash flow from operating activities	£374m	£264m	£110m
Order intake	£3.8bn	£3.2bn	£0.6bn				
	As at 30 June 2025	As at 31 December 2024	Variance		As at 30 June 2025	As at 31 December 2024	Variance
Order backlog	£12.1bn	£12.7bn	£(0.6)bn	Order book	£8.1bn	£8.6bn	£(0.5)bn

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

Operational performance

Demand was strong across our customer base in the first half of 2025, as evidenced by our order intake. We supported customers on key electronic warfare and precision-guided-munition programmes, while pursuing and maturing new opportunities.

With the integration of our SMS business essentially complete, we continue to realise benefits from focused cross-segment collaboration, identifying new opportunities to unlock synergies and deliver growth. SMScore programmes in defence remain aligned with US Government key priorities, and we are also leveraging our proven capabilities in tactical systems to diversify our market presence.

In our commercial businesses, airline traffic has exceeded pre-pandemic levels and is growing globally, resulting in stronger demand for our original equipment manufacturer deliveries and aftermarket services.

Key operational points for the period

- We celebrated the successful launch of NASA's Spectro-Photometer for the History of the Universe, Epoch of Reionization and Ices Explorer (SPHEREx) Observatory, equipped with the BAE Systems built spacecraft bus, telescope and RAD750® single board computer and prepared □by our leading observatory integration and environmental testing.
- We introduced our new ElevationTM spacecraft product line designed for multi-launch or rideshare missions, featuring common system components and defined configurations for enhanced affordability and rapid deployment.
- The US Space Force formally operationally accepted the Weather System Follow-on-Microwave (WSF-M) satellite. As the mission prime, □we built the spacecraft bus and microwave imager. We continue to perform mission operations to support WSF-M's critical space-based, □time-sensitive data to enhance the safety and success of military mission planning and operations around the globe.
- Under the Future Operationally Resilient Ground Evolution Command and Control contract, worth 151m (£116m), we are developing □a next-generation ground system for US Space Force missile-warning satellites.
- We are building the spacecraft bus for National Oceanic and Atmospheric Administration's (NOAA) upcoming Space Weather Next L1 Series mission under a 230m (£177m) contract to continue providing valuable data to NOAA's Space Weather Prediction Center.
- We are under contract to deliver 13 Network Tactical Common Data Link production systems to support US Navy requirements for real-time intelligence, surveillance, reconnaissance and command and control and have begun deliveries.
- Our Controls & Avionics team remains focused on supporting Boeing's aircraft deliveries and is progressing the development of the integrated flight control electronics and remote electronic units for the new Boeing 777X aircraft, with the flight control system performing as expected during flight-testing.
- Our EA-37B programme team is executing contracts, including international support, valued at more than 1.3bn (£1.0bn). We are focused □on cross-decking the prime mission equipment as part of Baseline 3 and have delivered five aircraft for formal testing and training, while continuing to sustain the EC-130H. Future baselines are in development to continually evolve the electromagnetic attack capability for the □US Air Force.
- The Eagle Passive Active Warning Survivability System (EPAWSS) was successfully fielded in the first quarter of 2025, with two F-15Es

delivered to RAF Lakenheath in the UK, and we are under contract through full-rate production (FRP) Lot 5.

- The F-35 Lightning II programme is on track to deliver around 200 electronic warfare suites to Lockheed Martin in 2025, including 70 of the new Block 4 configuration.
- Production continues on the APKWS® laser-guidance kit programme under an Indefinite Delivery, Indefinite Quantity contract. We continue to demonstrate counter-UAS capability, recently in conjunction with the Group's Malloy platforms.

Strategic and order highlights

- Our SMS team was awarded a 1.2bn (£0.9bn) US Space Systems Command contract for the Resilient Missile Warning & Tracking - Medium Earth Orbit Epoch 2 (RMWT-MEO E2) programme to build the next-generation RMWT satellite system for the Department of Defense. As the prime contractor for the mission, we will develop and integrate multiple satellite buses and payloads, as well as be responsible for ground command and control and mission operations.
- Our Navigation & Sensor Systems team continues development on the next generation M-code technologies under the Space Force Miniature Serial Interface Increment 2 programme.
- We secured a low-rate initial production contract worth 41m (£32m) from the US Navy's Naval Air Systems Command for the production of three units of the Advanced Survivability Pod for the P-8 Poseidon aircraft.
- The Air Force Research Laboratory awarded the Force Optimization through Rapid-prototyping, Gear Enhancements & Innovative Technology (FORGE-IT) contract worth 34m (£26m) to continue development and deployment of the Battlefield Assisted Trauma Distributed Operations Kit (BATDOK). Together, BATDOK and FORGE-IT will improve and modernise service members' capabilities to provide medical care on the battlefield and during transition to other facilities.
- We are taking a leadership position in the emerging market for energy storage and power management solutions to support more-electric and hybrid-electric aircraft and announced a state-of-the-art facility expansion in Endicott, New York, to enhance energy storage systems production, engineering and manufacturing capacity for aircraft electrification.

Looking forward

- Our Electronic Systems sector remains positioned for growth in the medium term. We maintain a diverse portfolio of defence and commercial products and capabilities for US and international customers. We expect to benefit from applying innovative technology solutions to defence customers' existing and changing requirements, building on our significant roles on F-35 Lightning II, F-15 upgrades, EA-37B, M-Code GPS upgrades and classified programmes, as well as a number of precision weapon products.
- Over the long term, we are poised to build on our technology strengths in emerging areas of demand, including precision weaponry, space resilience, hyper-velocity projectiles, autonomous platforms and the development of multi-domain capabilities.
- In our commercial portfolio, we continue to leverage our electric drive power capabilities to address growing demand for low- and zero-emission solutions across an increasing number of civil platforms, with opportunities to migrate these technologies to defence applications.
- In SMS, we continue to drive future growth by leveraging synergies across sectors and identifying areas where our businesses can partner
 - to pursue and capture new and adjacent revenue opportunities for the US Intelligence Community, Department of Defense and civilian
 - space agencies.

Segmental performance: Platforms & Services

Platforms & Services, with 11,800¹ 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				Financial performance measures derived from IFRS			
	Six months ended 30 June 2025	Six months ended 30 June 2024	Variance ³		Six months ended 30 June 2025	Six months ended 30 June 2024	Variance ³
Sales	£2,478m	£2,085m	+21 %	Revenue	£2,470m	£2,061m	+20 %
Underlying EBIT	£292m	£216m	+37 %	Operating profit	£292m	£215m	+36 %
Return on sales	11.8 %	10.4 %	+140 bps	Return on revenue	11.8 %	10.4 %	+140 bps
Operating business cash flow	£(252)m	£(13)m	£(239)m	Net cash flow from operating activities	£(146)m	£83m	£(229)m
Order intake	£2.4bn	£2.8bn	£(0.4)bn				
	As at 30 June 2025	As at 31 December 2024	Variance		As at 30 June 2025	As at 31 December 2024	Variance
Order backlog	£14.2bn	£14.3bn	£(0.1)bn	Order book	£13.3bn	£13.6bn	£(0.3)bn

1. Including share of equity accounted investments.

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

Operational performance

Across our Platforms & Services sector, we remain focused on delivering on our commitments while diversifying and growing our portfolio in the US and international markets across combat vehicles, munitions, artillery systems and submarines. These actions position us to address our customers' priorities for modernisation and advanced technologies, including missile defence and autonomous weapons.

As the US vehicle market evolves, our Combat Mission Systems team continues to work closely with military services to remain a trusted partner to deliver our leading combat vehicles and other capabilities, while pursuing international opportunities.

We continue to support the broader defence industrial base to ensure we have the technology and capacity needed to equip our armed forces customers. We have upgraded our welding, machining and heavy-lift capacity to further support building submarines and continued to invest in infrastructure to support customer needs, such as our Sterling Heights, Michigan, next-generation technology hub called the Virtual Proving Ground where we can collaborate with customers and industry partners using digital engineering. In Sweden, we are expanding our operations to further enhance our capabilities to meet the needs of international customers. In the UK, we began work on a new facility in Sheffield to expand capacity for our artillery and defence capabilities.

We are also monitoring Europe's increased defence spending and working to understand and anticipate NATO's capability gaps, recognising our strengths as a leading provider of proven combat vehicles and air-defence solutions to enhance the region's readiness for the future.

Key operational points for the period

- Our AMPV celebrated its 500th delivery milestone and is on track, in full-rate production, to meet the US Army's plan to field nearly 3,000 AMPVs in its Armored Brigade Combat Team formations.
- Our Hägglunds business is further expanding its production capacity with a new production hall and test and verification facilities, while also securing production partnerships in customer nations to accommodate the significant vehicle orders received.
- Our Ordnance Systems Inc. business is in the final stages of completing a new nitrocellulose facility in Radford, Virginia, which will provide significantly enhanced capacity, quality and levels of automation to reduce risk in the process.
- Our Combat Mission Systems has entered into an agreement with Wojskowe Zakłady Motoryzacyjne S.A. to support the Polish Land Forces' M88 Armored Recovery Vehicle fleet operational readiness.
- At our Jacksonville, Florida, shipyard we continued fabrication work under an order from a prime US contractor in relation to Virginia- and Columbia-class submarines. In June, the shipyard also commenced operations of its 250m (£190m) shiplift and land-level repair facility. This investment has increased the shipyard's repair capacity by 300%.

Strategic and order highlights

- Our UK Weapon Systems business was awarded a contract worth over 81m (£62m) by the UK Ministry of Defence to deliver 150 artillery barrels. The team was also awarded a 162m (£125m) contract from the US Army for new M777 structures, the first of which will be produced at our new multi-million-pound artillery development and production facility in Sheffield, UK, as well as within the US supply chain.
- We received a 357m (£275m) order to procure long-lead material for additional AMPVs for the US Army, continuing the programme's full-rate production. The business also received a 214m (£165m) award for the US Army's M109A7 Paladin Self-Propelled Howitzer programme.
- Our Combat Mission Systems business was awarded a 70m (£54m) contract from General Dynamics for the production of Virginia Payload Module missile tubes for Block VI Virginia-class submarines.
- The Swedish Government announced a support package worth nearly 300m (£231m) in total, including 18 ARCHERs, further TRIDON Mk2 Ground Based Air Defence systems and additional medium calibre ammunition.
- The US Marine Corps placed two orders for Amphibious Combat Vehicles (ACVs) totalling more than 360m (£277m) for full-rate production of 60 ACV-30mm vehicles, which includes fielding support, spares and test equipment. The contract includes a series of options to produce up to 150 vehicles.
- In May, our Ship Repair business secured a nearly 109m (£84m) contract from the US Navy for the dry-docking maintenance of the guided missile destroyer, USS The Sullivans, with work scheduled to begin in the second half of the year.

Looking forward

- We continue to shape our business to deliver on increased demand from US and international customers for production and sustainment of combat vehicles and artillery systems. We have seen renewed interest in the M777 artillery capability. We are also maintaining our position as a key supplier of US Army combat vehicles through our AMPV, M109A7 and M88 franchises. In addition, following the performance of Bradley Fighting Vehicles in Ukraine, we are working with the US Army to develop the most advanced Bradley configurations to date, the M2A4 and the M2A4E1, which both feature enhanced defence capabilities. We are seeing increased international interest in these products.
- Across our Swedish businesses, we continue to build a growing pipeline of business opportunities for the CV90, BvS10 and Beowulf from our Hägglunds business, as well as for artillery, naval and air defence systems and munitions from our Bofors business.
- We are maintaining our strong positions on naval guns, missile launch and submarine programmes, as well as US Navy ship repair and modernisation activities where the business has invested in infrastructure and facilities in key home ports.

Segmental performance: Air

Air, with 29,100¹ employees, comprises the Group's UK based air build and support activities for European and international markets, US programmes, development of our Future Combat Air System (FCAS) and FalconWorks®, alongside our business in the Kingdom of Saudi Arabia and interests in our European joint ventures: Eurofighter and MBDA.

Financial performance

Financial performance measures defined by the Group ²				Financial performance measures derived from IFRS			
	Six months ended 30 June 2025	Six months ended 30 June 2024	Variance ³		Six months ended 30 June 2025	Six months ended 30 June 2024	Variance ³
Sales	£4.343m	£4.009m	+9 %	Revenue	£3.470m	£3.252m	+7 %

Underlying EBIT	£500m	£446m	+13 %	Operating profit	£487m	£456m	+7 %
Return on sales	11.5 %	11.1 %	+40 bps	Return on revenue	14.0 %	14.0 %	- bps
Operating business cash flow	£214m	£724m	£(510)m	Net cash flow from operating activities	£37m	£697m	£(660)m
Order intake	£3.8bn	£2.3bn	£1.5bn				
	As at 30 June 2025	As at 31 December 2024	Variance		As at 30 June 2025	As at 31 December 2024	Variance
Order backlog	£26.5bn	£26.8bn	£(0.3)bn	Order book	£14.5bn	£15.6bn	£(1.1)bn

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

Operational performance

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

Key operational points for the period

- In the Kingdom of Saudi Arabia, we continued 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 Hunter mine warfare vessels.
- Activity on our Qatar Typhoon and Hawk programmes continues, with 22 of the 24 Typhoon aircraft in service to date with the Qatar Emiri Air Force.
- We continue to deliver Typhoon major units in support of core European customer orders, with five delivered in the first half of the year.
- We continue to progress construction of the UK's Flying Combat Air Demonstrator, which will test next-generation skills, tools, processes and techniques needed to underpin GCAP and the entry into service of the core aircraft platform, which will be called Tempest in the UK, by 2035. In July, alongside our industry partners and the Ministry of Defence, we revealed the design as the aircraft reached a major milestone, with two thirds of its structural weight now in manufacturing.
- Our US Programmes business completed 74 F-35 aft fuselages in the first half of the year. The current Production Lots 18/19 support the continuation of production deliveries at Samlesbury, UK, through to Q1 2027. Negotiations are ongoing with Lockheed Martin for Lots 20-22 which will continue production to 2030.
- The Royal Navy selected our all-electric Malloy T-150 UAS to transport vital supplies between UK Carrier Strike Group ships for the first time during its ongoing deployment to the Indo-Pacific this year.

Strategic and order highlights

- We launched Edgewing, a joint venture with our international partners, Leonardo (Italy) and Japan Aircraft Industrial Enhancement Co. Ltd. (Japan), on GCAP. The new company, based in Reading, UK, will be accountable for the design and development of the next generation combat aircraft and will remain the design authority for the life of the product, which is expected to go out beyond 2070.
- Concept and assessment work on GCAP continues with our international industry partners in all three nations under their respective national contracts. We received a further £1.0bn of funding on the UK assessment phase contract in the first half of the year.
- We secured a further £97m of funding for the phase 4 enhancements programme to continue the development of Typhoon capability. In addition, we achieved £205m of funding in support of the mobilisation of the Radar Mk2 production contract.
- In July, the Republic of Türkiye and the UK Government signed a Memorandum of Understanding relating to the potential purchase of Typhoon aircraft and we are working closely with the two governments to formalise an agreement for procurement of the aircraft and associated supplies.
- MBDA has continued to secure significant orders in the first half of 2025. Orders received include: French Air Force, Italian Air Force and Army and UK Royal Navy further production orders for ASTER 15 & 30 Block 1 missile; Indian Navy Rafale weapon package order for the Meteor Beyond Visual Range Air-to-Air Missile (BVRAAM), MICA, SCALP and Exocet AM39; and, a South Korean production order for the Meteor BVRAAM which will enable the Air Force to benefit from a common stockpile for both KF-21 and F-35.

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.
- We will continue to focus on ensuring that deliveries of Typhoon aircraft and support are made in line with customer expectations. Future Typhoon production and support sales are underpinned by existing contracts. We continue to pursue future sales of Typhoon in Europe and the Middle East.
- We expect production of the rear fuselage assemblies for the F-35 to be sustained at current levels of approximately 150 aft fuselages. We continue to play a significant role in the F-35 sustainment programme in support of Lockheed Martin.
- 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.

- Our FalconWorks® organisation will continue to pursue internal and external investment opportunities which enhance our capabilities and technologies.
- MBDA is well placed to benefit from increased defence spending in Europe and internationally. The business has a strong order backlog and development programmes continue to enhance the long-term capabilities of the business in air, land and sea domains.

Segmental performance: Maritime

Maritime, with 30,800¹ 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.

Financial performance

Financial performance measures defined by the Group ²				Financial performance measures derived from IFRS			
	Six months ended 30 June 2025	Six months ended 30 June 2024	Variance ³		Six months ended 30 June 2025	Six months ended 30 June 2024	Variance ³
Sales	£3,233m	£2,929m	+12 %	Revenue	£3,132m	£2,845m	+10 %
Underlying EBIT	£220m	£228m	-2 %	Operating profit	£218m	£226m	-4 %
Return on sales	6.8 %	7.8 %	-100 bps	Return on revenue	7.0 %	7.9 %	-90 bps
Operating business cash flow	£(150)m	£(247)m	£97m	Net cash flow from operating activities	£(8)m	£(91)m	£83m
Order intake	£2.0bn	£5.7bn	£(3.7)bn				
	As at 30 June 2025	As at 31 December 2024	Variance		As at 30 June 2025	As at 31 December 2024	Variance
Order backlog	£21.7bn	£23.2bn	£(1.5)bn	Order book	£20.8bn	£22.3bn	£(1.5)bn

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

Operational performance

Our major Maritime platforms continue to progress through their long-term programmes. We have delivered five of the seven Astute Class submarines to the Royal Navy and continue construction on the first three of four Dreadnought Class submarines. Construction of the initial five UK Type 26 frigates and the first Australian Hunter Class frigate are also underway. We also continue to deliver on customer requirements in both munitions and services. Ongoing investments in our facilities and our people support our current and future delivery. Our investment and high levels of customer demand mean the sector is well positioned for growth.

Key operational points for the period

- The sixth Astute Class submarine, Agamemnon, is in its in-water phase, whilst we continue construction on the final vessel in the class.
- We continue to make progress on the four Dreadnought Class submarines, with advancing levels of construction underway on the first three submarines in the class, at our site in Barrow-in-Furness, UK.
- The Devonshire Dock Hall at Barrow-in-Furness, UK, has been working at full operational capacity during the period, following the fire in 2024.
- In the UK, the Type 26 frigate programme of eight ships is progressing. Investment continues both internally and through the supply chain to support delivery, with the transition from design to production an ongoing area of focus. We have five ships in build during 2025; HMS Glasgow and HMS Cardiff have both entered the water and are progressing through final outfit at our Scotstoun shipyard, with HMS Glasgow undergoing system testing and commissioning. Unit construction and block integration of HMS Belfast, HMS Birmingham and HMS Sheffield continues at our Govan shipyard.
- In Australia, construction of the Hunter Class frigate is progressing with 32 of the 78 units of the first ship in production.
- Alongside this, the final Anzac Class frigate, HMAS Parramatta, was returned to water at the Henderson shipyard, with completion of the upgrade programme expected before the end of the year.
- The upgrade programme for the Royal Australian Air Force's Hawk Aircraft is approaching finalisation with installation of 28 of the 33 engines completed.
- Our specialist teams have played a critical role in the national endeavour to generate, support and sustain the Portsmouth-based ships which deployed as part of the UK's Carrier Strike Group 2025.
- Our investment in munitions continues at pace, including a new explosive filling facility at Glascoed, UK, enabling a sixteen-fold increase in production capacity of 155mm artillery shells.
- In RBSL, the Challenger 3 programme has delivered a total of four prototype tanks, with another four in build, marking significant progress. The Boxer programme is expected to move to full-rate production in 2025. To date, a total of five UK-built vehicles have been delivered and are currently undergoing planned reliability trials.

Strategic and order highlights

- It was announced that the Canadian Government will be working with Australia to establish an Arctic Over The Horizon Radar (A-OTHR) capability. As the enterprise partner for Australia's over the horizon radar system, JORN, we will support the government in this important agreement.
- We secured an order of £284m for the Combat System upgrade of the first of the three Hobart Class Air Warfare Destroyers.
- Following the cancellation of the TransCAP element of the Anzac Class frigate upgrade programme, we have continued to work with the

Commonwealth of Australia to determine the appropriate use of our Henderson facility in Western Australia.

- The initial mobilisation phase of the SSN-AUKUS programme in Australia has commenced to support the delivery of the SSN-AUKUS fleet of conventionally armed, nuclear-powered submarines for the Royal Australian Navy.
- We signed a contract with Canada's Irving Shipbuilding Inc., marking the start of the next major phase on the River Class destroyer programme. The ship is based on the Type 26 platform with specified design changes to meet the Royal Canadian Navy's requirements. Under this new contract, we will provide support and consultancy services throughout the build phase.
- The formal naming of HMS Glasgow by her Sponsor, Her Royal Highness The Princess of Wales, took place in May.
- In the UK, Her Royal Highness The Princess Royal officially opened our Applied Shipbuilding Academy in Glasgow and our new Ship Build Assembly Hall was officially named as the Janet Harvey Hall and opened by the Lord Provost of Glasgow at an event at our Govan shipyard.

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 programmes.
- We will continue to work alongside ASC Pty Ltd to deliver initial mobilisation activities to support Australia's SSN-AUKUS programme.
- Preparations for the commencement of the construction of the sixth Type 26 frigate, HMS Newcastle, are well underway with long-lead equipment items already in progress.
- 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. AUKUS nuclear-powered submarines, an enhanced lethality surface fleet, strategic surveillance and long-range strike are prioritised in the Integrated Investment Plan which supports this.
- Our Defence Solutions business has exported the second Commander SL radar to an international customer. We have a number of exciting technology programmes in development, including our Next Generation Explosives, fusing and adaptable ammunition.

Segmental performance: Cyber & Intelligence

Cyber & Intelligence, with 10,800¹ 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 ²				Financial performance measures derived from IFRS			
	Six months ended 30 June 2025	Six months ended 30 June 2024	Variance ³		Six months ended 30 June 2025	Six months ended 30 June 2024	Variance ³
Sales	£1,186m	£1,182m	+2 %	Revenue	£1,186m	£1,182m	- %
Underlying EBIT	£96m	£101m	-3 %	Operating profit	£78m	£97m	-20 %
Return on sales	8.1 %	8.5 %	-40 bps	Return on revenue	6.6 %	8.2 %	-160 bps
Operating business cash flow	£(23)m	£16m	£(39)m	Net cash flow from operating activities	£12m	£40m	£(28)m
Order intake	£1.4bn	£1.2bn	£0.2bn				
	As at 30 June 2025	As at 31 December 2024	Variance		As at 30 June 2025	As at 31 December 2024	Variance
Order backlog	£1.8bn	£1.8bn	£- bn	Order book	£1.4bn	£1.3bn	£0.1bn

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

Operational performance

Intelligence & Security demonstrated solid performance despite revenue headwinds due to shifting US Government priorities and delays in new solicitations and awards. We continue to work on maintaining a strong pipeline of qualified opportunities to deliver mission-critical integration capabilities aligned with evolving customer needs and national security priorities. Our Intelligence & Security business continues to strategically position itself in key technology domains critical to driving faster, more impactful outcomes for our customers, including automation, artificial intelligence and autonomy.

In our Digital Intelligence business, we continue to work collaboratively to collect, connect and understand complex data for governments, nation states, armed forces and commercial businesses in both the UK and international markets. Our services, solutions and products span customers in Law Enforcement, National Security, Central Government, Critical National Infrastructure, Telecommunications, Defence and Space. In the first half of 2025, the integration of Kirintec, which was acquired in 2024, and demand in the security market and rigorous cost control is helping to compensate for delays in the defence business.

Key operational points for the period

- We established an Innovation & Strategy organisation that will leverage the collective technological strengths, partnerships and expertise, enabling the Intelligence & Security business to effectively adapt to the rapidly evolving defence and security landscape.
- To capitalise on a growing US border security budget, our Intelligence & Security business participated in the Customs and Border Protection Border Security Expo where we displayed our view of an integrated digital border, which included an autonomous vehicle with counter-UAS technology and an integrated sensor package.
- To continue to address the growing operational planning and rehearsal market, we have grown our software development workforce and

made internal investments to enhance our Bohemia Interactive Simulations products on prime contracts and to fund advancements in artificial intelligence capabilities.

- In Digital Intelligence, our space business continues to focus on the readiness of our low earth orbit satellite, Azalea, for launch later this year, to deliver high quality information and intelligence in real time. In National Security and Government, we are focused on transitioning our work to new frameworks secured in 2024. Our Defence business continues to progress campaigns for key programmes.
- Following the acquisition of Kirintec, we have continued the integration programme. Kirintec provides electronic warfare capabilities within our Digital Intelligence business and specialises in cyber and electromagnetic activities alongside the production of counter-improvised explosive devices and counter-UAS products for military customers.

Strategic and order highlights

- In January 2025, our Air and Space Force Solutions business secured a contract for 799m (£616m) to extend our Integration Support Contract services to the US Air Force with options through to July 2027.
- Our Intelligence Solutions business won two additional task orders on the National Geospatial-Intelligence Agency GEO-SPI B Indefinite Duration Indefinite Quantity (IDIQ) contract. Since its initial award in 2023, the business has secured a total of 11 task orders on this IDIQ with a combined value of more than 500m (£385m).
- Our Integrated Defense Solutions business was awarded multiple re-compete contracts in the first half of the year with a combined total potential lifecycle value of more than 250m (£193m).
- We secured a 149m (£115m) prime contract from a restricted customer. This award represents the continuation of programme management and financial intelligence support for an intelligence community customer.

Looking forward

- Our Intelligence & Security business maintains a strong pipeline of qualified business opportunities. Although the US Department of Defense has experienced procurement decision delays, we are observing a notable demand for capabilities aligned to the current administration's priorities, particularly in areas such as border security and nuclear deterrence.
- The US defence services market remains competitive and our Intelligence & Security business is focused on adapting to evolving customer requirements to ensure we continue to deliver mission-critical solutions.
- In our Digital Intelligence business, we continue to progress the transformation roadmap to ensure we are well placed to take advantage of favourable market conditions over the medium and long term. We are continuing to drive operational efficiencies, through system integration and the simplified organisational structure embedded at the beginning of the year.
- 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.

Principal risks and uncertainties

Having considered recent geopolitical and macroeconomic events, the Group believes the principal risks and uncertainties we face for the remainder of the year are included in, and are therefore unchanged from, those reported in the Annual Report 2024.

The Group's principal risks and uncertainties at 31 December 2024 were detailed on pages 58 to 65 of the Annual Report 2024 and related to the following areas: government customers, defence spending and terms of trade; contract risk, execution and supply chain; security (including cyber security); international markets; people; safety; acquisitions; business interruption; climate transition and environmental factors; and legal risk.

Responsibility statement of the directors in respect of the Half-yearly Financial Report

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

- (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 2025

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
Anna Cookburn	Non-executive director

Angus Cookson	Non-executive director
Dame Elizabeth Corley	Non-executive director
Jane Griffiths	Non-executive director
Ewan Kirk	Non-executive director
Stephen Pearce	Non-executive director
Nicole Piasecki	Non-executive director

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 2025 which comprises the Condensed consolidated income statement, the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of changes in equity, the Condensed consolidated balance sheet, the Condensed consolidated cash flow statement and related notes 1 to 13.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-yearly Financial Report for the six months ended 30 June 2025 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.

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 2025

Condensed consolidated income statement (unaudited)

	Note	Six months ended 30 June 2025	Six months ended 30 June 2024
		Total £m	Total £m
Continuing operations			
Revenue	2	13,571	12,477

Operating costs		(12,425)	(11,418)
Other income		80	159
Share of results of equity accounted investments		101	78
Operating profit	2	1,327	1,296
Finance income		65	69
Finance costs		(203)	(202)
Net finance costs	3	(138)	(133)
Profit before tax		1,189	1,163
Tax expense	4	(178)	(175)
Profit for the period		1,011	988
Attributable to:			
Equity shareholders		969	948
Non-controlling interests		42	40
		1,011	988
Earnings per share	5		
Basic earnings per share		32.3p	31.4p
Diluted earnings per share		32.0p	31.0p

Condensed consolidated statement of comprehensive income (unaudited)

	Six months ended 30 June 2025			Six months ended 30 June 2024		
	Other reserves £m	Retained earnings £m	Total £m	Other reserves £m	Retained earnings £m	Total £m
Profit for the period	-	1,011	1,011	-	988	988
Other comprehensive income						
Items that will not be reclassified to the income statement:						
Consolidated:						
Remeasurements on post-employment benefit schemes	-	(174)	(174)	-	424	424
Remeasurements on other investments	-	5	5	-	(9)	(9)
Tax on items that will not be reclassified to the income statement	-	(3)	(3)	-	(24)	(24)
Share of the other comprehensive (expense)/income of associates and joint ventures accounted for using the equity method (net of tax)	-	(14)	(14)	-	14	14
Items that may be reclassified to the income statement:						
Consolidated:						
Currency translation on foreign currency net investments	(857)	-	(857)	16	-	16
Reclassification of cumulative currency translation reserve on disposal of interest in joint venture accounted for using the equity method	-	-	-	35	-	35
Fair value gain/(loss) arising on hedging instruments during the period	41	-	41	(21)	-	(21)
Cumulative fair value loss on hedging instruments reclassified to the income statement	27	-	27	61	-	61
Tax on items that may be reclassified to the income statement	(14)	-	(14)	(1)	-	(1)
Share of the other comprehensive (expense)/income of associates and joint ventures accounted for using the equity method (net of tax)	(1)	-	(1)	4	-	4
Total other comprehensive (expense)/income for the period (net of tax)	(804)	(186)	(990)	94	405	499
Total comprehensive (expense)/income for the period	(804)	825	21	94	1,393	1,487
Attributable to:						
Equity shareholders	(791)	782	(9)	94	1,349	1,443
Non-controlling interests	(13)	43	30	-	44	44
	(804)	825	21	94	1,393	1,487

Condensed consolidated statement of changes in equity (unaudited)

	Attributable to equity holders of BAE Systems plc				Non-controlling interests	Total equity
	Issued share capital	Share premium	Other reserves	Retained earnings		
	£m	£m	£m	£m	£m	£m

Balance at 1 January 2025	80	1,253	6,447	3,836	11,616	161	11,777
<i>Profit for the period</i>	-	-	-	969	969	42	1,011
<i>Total other comprehensive expense for the period</i>	-	-	(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

Balance at 1 January 2024	81	1,253	6,403	2,822	10,559	164	10,723
<i>Profit for the period</i>	-	-	-	948	948	40	988
<i>Total other comprehensive income for the period</i>	-	-	94	401	495	4	499
Total comprehensive income for the period	-	-	94	1,349	1,443	44	1,487
Share-based payments (inclusive of tax)	-	-	-	71	71	-	71
Cumulative fair value gain on hedging instruments transferred to the balance sheet	-	-	(2)	-	(2)	-	(2)
Ordinary share dividends	-	-	-	(562)	(562)	(6)	(568)
Purchase of own shares	(1)	-	1	(250)	(250)	-	(250)
At 30 June 2024	80	1,253	6,496	3,430	11,259	202	11,461

Condensed consolidated balance sheet (unaudited)

		30 June 2025	31 December 2024
	Note	£m	£m
Non-current assets			
Goodwill		12,568	13,297
Other intangible assets		2,629	2,965
Property, plant and equipment		4,804	4,843
Right-of-use assets		1,633	1,755
Investment property		44	38
Equity accounted investments		634	823
Other investments		84	83
Contract receivables		83	108
Other receivables		656	626
Post-employment benefit surpluses	6	1,128	1,271
Other financial assets		281	265
Deferred tax assets		299	315
		24,843	26,389
Current assets			
Inventories		1,371	1,324
Contract receivables		4,013	3,749
Trade and other receivables		3,155	2,914
Current tax		175	176
Other financial assets		291	212
Cash and cash equivalents		2,153	3,378
		11,158	11,753
Total assets		36,001	38,142
Non-current liabilities			
Loans		(7,053)	(7,713)
Lease liabilities		(1,561)	(1,658)
Contract liabilities		(1,695)	(1,720)
Other payables		(1,863)	(1,859)
Post-employment benefit obligations	6	(480)	(503)
Other financial liabilities		(302)	(193)
Deferred tax liabilities		(23)	(14)
Provisions		(378)	(363)

	(13,355)	(14,023)
Current liabilities		
Loans	(641)	(699)
Lease liabilities	(173)	(183)
Contract liabilities	(4,135)	(4,504)
Trade and other payables	(6,103)	(6,383)
Other financial liabilities	(323)	(264)
Current tax	(40)	(55)
Provisions	(219)	(254)
	(11,634)	(12,342)
Total liabilities	(24,989)	(26,365)
Net assets	11,012	11,777
Capital and reserves		
Issued share capital	80	80
Share premium	1,253	1,253
Other reserves	5,644	6,447
Retained earnings	3,861	3,836
Total equity attributable to equity holders of BAE Systems plc	10,838	11,616
Non-controlling interests	174	161
Total equity	11,012	11,777

Approved by the Board of directors of BAE Systems plc on 29 July 2025 and signed on its behalf by:

C N Woodburn
Chief Executive

B M Greve
Chief Financial Officer

Condensed consolidated cash flow statement (unaudited)

		Six months ended 30 June 2025	Six months ended 30 June 2024
	Note	£m	£m
Profit for the period		1,011	988
Tax expense	4	178	175
Adjustment in respect of research and development expenditure credits		(25)	(22)
Share of results of equity accounted investments		(101)	(78)
Net finance costs	3	138	133
Depreciation, amortisation and impairment		578	501
Net gain on disposal of property, plant and equipment, and investment property		(1)	(3)
Gain in respect of divestment of interest in equity accounted investment	11	-	(75)
Cost of equity-settled employee share schemes		78	62
Movement in provisions		1	10
Difference between pension funding contributions paid and the pension charge		(10)	(61)
Increase in working capital:			
Inventories		(121)	(170)
Trade, contract and other receivables		(944)	(558)
Trade and other payables, and contract liabilities		(574)	(65)
Tax paid net of research and development expenditure credits received		(134)	(80)
Net cash flow from operating activities		74	757
Dividends received from equity accounted investments		287	145
Interest received		41	47
Principal element of finance lease receipts		3	5
Purchase of property, plant and equipment, and investment property		(376)	(385)
Purchase of intangible assets		(87)	(78)
Purchase of other investments		(2)	-
Proceeds from funding related to assets		56	62
Proceeds from sale of property, plant and equipment, investment property and intangible assets		9	5
Purchase of subsidiary undertakings, net of cash and cash equivalents acquired		(4)	(4,536)

Proceeds from divestment of interest in equity accounted investment	11	-	166
Net cash flow from investing activities		(73)	(4,569)
Interest paid		(267)	(222)
Equity dividends paid	7	(622)	(562)
Purchase of own shares		(227)	(250)
Dividends paid to non-controlling interests		(17)	(6)
Principal element of lease payments		(106)	(117)
Cash inflow from derivative financial instruments (excluding cash flow hedges)		230	49
Cash outflow from derivative financial instruments (excluding cash flow hedges)		(151)	(74)
Cash inflow from draw-down of bridge loan facility		-	3,180
Cash outflow from repayment of bridge loan facility		-	(3,168)
Cash inflow from bond finance		-	3,753
Net cash flow from financing activities		(1,160)	2,583
Net decrease in cash and cash equivalents		(1,159)	(1,229)
Cash and cash equivalents at 1 January		3,378	4,067
Effect of foreign exchange rate changes on cash and cash equivalents		(66)	(7)
Cash and cash equivalents at 30 June		2,153	2,831

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 2024. The comparative figures for the year ended 31 December 2024 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 2025 are consistent with the accounting policies applied by the Group in its Consolidated financial statements as at, and for the year ended, 31 December 2024 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 2025 and have not had a material impact on the Group:

- Amendments to IAS 21: Lack of Exchangeability.

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 2024, 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 2024.

During the six month period ended 30 June 2025, 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 2024 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 sustainability 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.

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

The more immediate financial impacts of climate 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 which, together with HQ, make its six reporting segments as defined by IFRS 8 Operating Segments:

- Electronic Systems comprises the US- and UK-based electronics solutions business and the US-based SMS business, which have been aggregated together due to the similarities of the services offered. The teams deliver electronic warfare systems, navigation systems, electro-optical sensors, military and commercial digital engine and flight controls, precision guidance and seeker solutions, next-generation military communications systems and data links, persistent surveillance capabilities, electric drive propulsion systems as well as space electronics, spacecraft and ground systems.
- 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 air build and support activities for European and international markets, US programmes, development of our Future Combat Air System and FalconWorks®, alongside our business in the Kingdom of Saudi Arabia and interests in our European joint ventures: Eurofighter and MBDA.
- Maritime 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.
- 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.
- HQ comprises the Group's head office and UK-based shared services activities.

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

- sales¹ and underlying EBIT². Net finance costs and tax expense are managed on a Group basis.

Revenue and sales¹ 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 2025	Six months ended 30 June 2024	Six months ended 30 June 2025	Six months ended 30 June 2024	Six months ended 30 June 2025	Six months ended 30 June 2024	Six months ended 30 June 2025	Six months ended 30 June 2024
	£m	£m	£m	£m	£m	£m	£m	£m
Electronic Systems	3,592	3,394	(123)	(139)	130	128	3,599	3,383
Platforms & Services	2,470	2,061	-	-	8	24	2,478	2,085
Air	3,470	3,252	(655)	(626)	1,528	1,383	4,343	4,009
Maritime	3,132	2,845	(2)	(2)	103	86	3,233	2,929
Cyber & Intelligence	1,186	1,182	-	-	-	-	1,186	1,182
HQ	19	5	-	-	79	80	98	85
	13,869	12,739	(780)	(767)	1,848	1,701	14,937	13,673
Intra-group revenue/sales	(298)	(262)	(18)	(12)	-	-	(316)	(274)
	13,571	12,477	(798)	(779)	1,848	1,701	14,621	13,399

Revenue from external customers		Intra-group revenue	
Six months ended 30 June 2025	Six months ended 30 June 2024	Six months ended 30 June 2025	Six months ended 30 June 2024

	2025	2024	2025	2024
	£m	£m	£m	£m
Electronic Systems	3,484	3,304	108	90
Platforms & Services	2,433	2,028	37	33
Air	3,445	3,234	25	18
Maritime	3,095	2,802	37	43
Cyber & Intelligence	1,110	1,109	76	73
HQ	4	-	15	5
	13,571	12,477	298	262

2. Segmental analysis and revenue recognition continued

Revenue and sales¹ by customer location

	Revenue		Sales ¹	
	Six months ended 30 June 2025	Six months ended 30 June 2024	Six months ended 30 June 2025	Six months ended 30 June 2024
	£m	£m	£m	£m
UK	3,768	3,212	3,981	3,390
Europe (excluding UK)	937	844	1,564	1,403
US	6,447	5,983	6,447	5,961
Canada	81	79	81	79
Kingdom of Saudi Arabia	1,388	1,411	1,390	1,469
Qatar	117	125	158	199
Australia	597	591	601	594
Asia and Pacific (excluding Australia)	166	163	255	184
Other	70	69	144	120
	13,571	12,477	14,621	13,399

Operating profit/(loss) by reporting segment

	Operating profit/(loss)		Finance and tax expense/(income) 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 2025	Six months ended 30 June 2024	Six months ended 30 June 2025	Six months ended 30 June 2024	Six months ended 30 June 2025	Six months ended 30 June 2024	Six months ended 30 June 2025	Six months ended 30 June 2024	Six months ended 30 June 2025	Six months ended 30 June 2024
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Electronic Systems	357	301	-	-	173	134	11	38	541	473
Platforms & Services	292	215	-	7	-	-	-	(6)	292	216
Air	487	456	5	(12)	8	-	-	2	500	446
Maritime	218	226	2	2	-	-	-	-	220	228
Cyber & Intelligence	78	97	-	-	15	9	3	(5)	96	101
HQ	(105)	1	6	3	-	-	-	(75)	(99)	(71)
Operating profit	1,327	1,296	13	-	196	143	14	(46)	1,550	1,393
Net finance costs	(138)	(133)								
Profit before tax	1,189	1,163								
Tax expense	(178)	(175)								
Profit for the period	1,011	988								

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 2025	Six months ended 30 June 2024
	£m	£m
Interest income on cash and other financial instruments	39	63

Net interest income on post-employment benefit obligations	26	0
Finance income	65	69
Interest expense on loans and other financial instruments	(224)	(231)
Facility fees	(2)	(2)
Interest expense on lease liabilities	(38)	(33)
Net present value expenses on provisions and other payables	(9)	(4)
(Loss)/gain on remeasurement of financial instruments at fair value through profit or loss ^{1,2}	(78)	41
Foreign exchange gains ^{2,3}	148	27
Finance costs	(203)	(202)
Net finance costs	(138)	(133)

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 £178m (2024 £175m). The underlying effective tax rate was 20% (2024 19%) 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 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	
At 1 January 2024	3,239	(204)	(20)	3,015	
Ordinary shares repurchased in the period	(20)	-	-	(20)	(10)
Net shares issued in the period	-	17	4	21	11
At 30 June 2024	3,219	(187)	(16)	3,016	
				Six months ended 30 June 2025 millions	Six months ended 30 June 2024 millions
Outstanding shares for purpose of earnings per share at 1 January				2,996	3,015
Average ordinary shares repurchased in the period				(7)	(10)
Average ordinary shares issued in the period (net)				10	11
Weighted average shares for the purpose of calculating basic earnings per share at 30 June				2,999	3,016
Incremental ordinary shares in respect of employee share schemes				29	38
Weighted average shares for the purpose of calculating diluted earnings per share at 30 June				3,028	3,054
				Six months ended 30 June 2025	Six months ended 30 June 2024
Profit for the period attributable to equity shareholders (£m)				969	948
Basic earnings per share (pence)				32.3	31.4
Diluted earnings per share (pence)				32.0	31.0

6. Post-employment benefits

Summary of movements in post-employment benefit obligations

	UK defined benefit pension schemes £m	US and other pension schemes £m	US healthcare schemes £m	Kingdom of Saudi Arabia end of service benefit £m	Total £m
Surplus/(deficit) at 1 January 2025	1,105	(230)	71	(178)	768
Actual return on assets excluding amounts included in net finance costs	(510)	71	-	-	(439)
Decrease/(increase) in liabilities due to changes in financial assumptions	359	(41)	(1)	(2)	315
Decrease in liabilities due to changes in demographic assumptions	23	-	-	-	23
Experience (losses)/gains	(130)	(4)	1	-	(133)
Contributions in excess of/(less than) service cost	36	(15)	(1)	(5)	15
Past service cost - plan amendments	-	-	(2)	-	(2)
Net interest income/(expense)	44	(5)	2	(5)	36
Foreign exchange adjustments	-	12	(6)	14	20
Movement in withholding tax on surpluses	45	-	-	-	45
Surplus/(deficit) at 30 June 2025	972	(212)	64	(176)	648
Represented by:					
Post-employment benefit surpluses	1,062	2	64	-	1,128
Post-employment benefit obligations	(90)	(214)	-	(176)	(480)
	972	(212)	64	(176)	648

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 2025	31 December 2024	30 June 2025	31 December 2024
Financial assumptions				
Discount rate - past service (%)	5.6	5.5	5.4	5.5
Discount rate - future service (%)	5.8	5.6	5.4	5.5
Retail Prices Index (RPI) inflation (%)	2.6	2.9	n/a	n/a
Rate of increase in salaries (%)	2.6	2.9	2.8	2.8
Rate of increase in deferred pensions (CPI/RPI) (%)	2.1/2.6	2.3/2.9	n/a	n/a
Rate of increase in pensions in payment (%)	1.6 - 3.5	1.7 - 3.6	n/a	n/a
Demographic assumptions				
Life expectancy of a male currently aged 65 (years)	85 - 88	85 - 88	88	88
Life expectancy of a female currently aged 65 (years)	88 - 90	88 - 91	89	89
Life expectancy of a male currently aged 45 (years)	86 - 89	86 - 89	87	87
Life expectancy of a female currently aged 45 (years)	89 - 92	89 - 92	89	89

Life expectancy

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

In addition, to allow for future improvements in longevity, the Continuous Mortality Investigation 2023 tables (published by the Institute and Faculty of Actuaries) have been used (at the 2024 year end, the Continuous Mortality Investigation 2023 tables were used), with an assumed long-term rate of mortality improvements of 1.0% per annum (2024 1.0%), an initial rate adjustment parameter ('A') of 0.2% (2024 0.2%), a smoothing parameter ('Sk') of 7 (2024 7) and the following weighting ('W') parameters: W2023 35% (2024 35%), W2022 35% (2024 35%), W2021 0% (2024 0%) and W2020 0% (2024 0%).

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

Virgin Media case

The Group is aware of the 'Virgin Media v NTL Pension Trustees Ltd and others' case and continues to monitor developments in this area of the law with the help of its advisors. The Group was satisfied that it remained appropriate to make no adjustment to the financial statements following the Court of Appeal's decision to uphold the ruling of the High Court against Virgin Media, as any resulting change in pension obligations, if any, were not anticipated to be material to the Company. On 5 June 2025, the Government announced that it will introduce legislation that would enable such confirmation to be obtained retrospectively. Whilst the detail of that legislation is not yet known, the Group remains of the view no adjustments to the financial statements are needed.

7. Capital distributions

Equity dividends

	Six months ended 30 June 2025 £m	Six months ended 30 June 2024 £m
Prior year final 20.6p dividend per ordinary share paid in the period (2024 2023 final dividend of 18.5p)	622	562

The directors have declared an interim dividend of 13.5p per ordinary share in respect of the period ended 30 June 2025, totalling approximately £407m. This will be paid on 3 December 2025 to shareholders registered on 24 October 2025. The ex-dividend date is 23 October 2025.

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 12 November 2025. More information can be found at www.shareview.co.uk/info/drip.

Capital

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

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

Purchase of own shares

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

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

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

In the six months ended 30 June 2025, 15,038,662 ordinary shares were repurchased under the 2023 share buyback programme at a total cost (including transaction costs) of £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:

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 2025		31 December 2024	
	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	84	84	83	83
Other financial assets	281	281	265	265
Contingent consideration in business combinations	(64)	(64)	(65)	(65)
Other financial liabilities	(302)	(302)	(193)	(193)
Current				
Other financial assets	291	291	212	212
Money market funds	787	787	1,227	1,227
Contingent consideration in business combinations	(9)	(9)	(6)	(6)
Other financial liabilities	(323)	(323)	(264)	(264)
Financial instruments not measured at fair value:				
Non-current				
Loans	(7,053)	(6,766)	(7,713)	(7,261)
Current				
Loans	(641)	(640)	(699)	(695)

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 2025	Six months ended 30 June 2024
	£m	£m
Sales to related parties	798	779
Purchases from related parties	217	184
Management recharges	2	2
	30 June 2025	31 December 2024
	£m	£m
Amounts owed by related parties	75	54
Amounts owed to related parties	2,106	2,192

10. Acquisitions

Businesses acquired during 2024

Ball Aerospace

On 16 February 2024, the Group acquired 100% of the share capital of Ball Aerospace (now BAE Systems Space & Mission Systems) for consideration of 5.5bn (£4.4bn). The net assets acquired, including intangible assets identified, were valued at £2,845m resulting in goodwill of £1,507m.

Kirintec

On 3 September 2024, the Group acquired 100% of the share capital of Kirintec Ltd for total consideration of £282m, including £30m of contingent consideration. The net assets acquired, including intangible assets identified, were provisionally valued at £161m resulting in provisional goodwill of £121m. The purchase price allocation for the acquisition was finalised within the current period with no significant changes. The final goodwill arising on acquisition was valued at £122m.

Other acquisitions

On 31 January 2024, the Group acquired 100% of the share capital of Malloy Aeronautics Ltd and, on 2 May 2024, the Group acquired 100% of the share capital of Callen-Lenz Associates Ltd. Total consideration was £292m including £61m of contingent consideration. The net assets acquired, including intangible assets identified, were valued at £108m resulting in goodwill of £184m at 31 December 2024. Since the year end, the Group has adjusted the net assets acquired with Callen-Lenz Associates Ltd by £16m, which has resulted in an increase to goodwill. As a result, total goodwill of £200m has been recognised in respect of these acquisitions.

11. Disposals

Businesses disposals during 2025

There were no business disposals during the six month period ended 30 June 2025.

Disposal of interest in equity accounted investment during the six month period ended 30 June 2024

Air Astana

On 9 February 2024, Air Astana launched a joint initial public offering (IPO). As a result of the IPO, the total shareholding held by BAE Systems in Air Astana reduced from 49% to 17%. The Group received cash proceeds of £166m and realised a profit on the disposal of £75m, after accounting for the carrying value of the investment and currency reserve reclassifications.

12. Contingent liabilities

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

13. Events after the reporting period

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

Alternative performance measures

We monitor the underlying financial performance of the Group using 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.

	Six months ended 30 June 2025 £m	Six months ended 30 June 2024 £m
Reconciliation of sales to revenue		
Sales	14,621	13,399
Deduct: Group's share of revenue of equity accounted investments	(1,848)	(1,701)
Add: Subsidiaries' revenue from equity accounted investments	798	779
Revenue	13,571	12,477

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.

	Six months ended 30 June 2025 £m	Six months ended 30 June 2024 £m
Reconciliation of underlying EBIT to operating profit		
Underlying EBIT	1,550	1,393
Adjusting items	(14)	46
Amortisation of programme, customer-related and other intangible assets, and impairment of intangible assets	(196)	(143)
Net finance income of equity accounted investments	32	26
Tax expense of equity accounted investments	(45)	(26)
Operating profit	1,327	1,296

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 2025 £m	Six months ended 30 June 2024 £m
Sales	14,621	13,399
Underlying EBIT	1,550	1,393
Return on sales	10.6 %	10.4 %

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.

	Six months ended 30 June 2025 £m	Six months ended 30 June 2024 £m
Reconciliation of underlying earnings to profit attributable to equity shareholders		
Underlying profit for the period attributable to equity shareholders	1,041	948
Adjustments:		
Adjusting items	(14)	46
Amortisation of programme, customer-related and other intangible assets, and impairment of intangible assets	(196)	(143)
Net interest income on post-employment benefit obligations	28	7
Fair value and foreign exchange adjustments on financial instruments and investments	69	66
Tax impact of adjustments	41	24
Profit for the period attributable to equity shareholders	969	948
Reconciliation of underlying EBIT to underlying earnings		
Underlying EBIT	1,550	1,393
Group and equity accounted investments' underlying net finance costs (see reconciliation on page 40)	(203)	(180)
Underlying tax expense (see reconciliation on page 41)	(264)	(225)
	1,083	988

Underlying profit for the period	1,083	700
Deduct: Non-controlling interests	(42)	(40)
Underlying earnings for the period attributable to equity shareholders	1,041	948
Weighted average number of ordinary shares used in calculating basic EPS	2,999	3,016
Underlying EPS - basic	34.7p	31.4p
Weighted average number of ordinary shares used in calculating diluted EPS	3,028	3,054
Underlying EPS - diluted	34.4p	31.0p

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 2025 £m	Six months ended 30 June 2024 £m
Profit on disposal of interest in equity accounted investment	-	75
Acquisition and integration-related costs	(14)	(42)
Gain related to settlements on the pension schemes	-	13
Adjusting items	(14)	46

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 2025 £m	Six months ended 30 June 2024 £m
Net finance costs - Group	(138)	(133)
Deduct:		
Net interest income on post-employment benefit obligations	(26)	(6)
Fair value and foreign exchange adjustments on financial instruments	(70)	(68)
Underlying net finance costs - Group	(234)	(207)
Net finance income - equity accounted investments	32	26
(Deduct)/add back:		
Net interest income on post-employment benefit obligations	(2)	(1)
Fair value and foreign exchange adjustments on financial instruments	1	2
Underlying net finance income - equity accounted investments	31	27
Total of Group and equity accounted investments' underlying net finance costs	(203)	(180)

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.

	Six months ended 30 June 2025 £m	Six months ended 30 June 2024 £m
Calculation of the underlying effective tax rate		
Underlying EBIT (see reconciliation on page 38)	1,550	1,393

Group and equity accounted investments' underlying net finance costs (see reconciliation on page 40)	(203)	(180)
Underlying profit before tax	1,347	1,213
Group tax expense	(178)	(175)
Tax expense of equity accounted investments	(45)	(26)
Exclude:		
Tax effect of taxable adjusting items	(3)	(4)
Tax effect of other items excluded from underlying profit	(38)	(20)
Underlying tax expense	(264)	(225)
Underlying effective tax rate	20 %	19 %

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.

	Six months ended 30 June 2025	Six months ended 30 June 2024
	£m	£m
Reconciliation from free cash flow to net cash flow from operating activities		
Free cash flow	(368)	219
Add back:		
Interest paid, net of interest received	226	175
Net capital expenditure and financial investment	400	396
Principal element of lease payments and receipts	103	112
Deduct:		
Dividends received from equity accounted investments	(287)	(145)
Net cash flow from operating activities	74	757

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.

	Six months ended 30 June 2025	Six months ended 30 June 2024
	£m	£m
Reconciliation from operating business cash flow to net cash flow from operating activities		
Operating business cash flow	(8)	474
Add back:		
Net capital expenditure and financial investment	400	396
Principal element of lease payments and receipts	103	112
Deduct:		
Dividends received from equity accounted investments	(287)	(145)
Tax paid net of research and development expenditure credits received	(134)	(80)
Net cash flow from operating activities	74	757

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

	Operating business cash flow		Deduct: Dividends received from equity accounted investments		Add back: Net capital expenditure, lease principal amounts and financial investment		Net cash flow from operating activities	
	Six months ended 30 June 2025	Six months ended 30 June 2024	Six months ended 30 June 2025	Six months ended 30 June 2024	Six months ended 30 June 2025	Six months ended 30 June 2024	Six months ended 30 June 2025	Six months ended 30 June 2024
	£m	£m	£m	£m	£m	£m	£m	£m
Electronic Systems	298	184	(5)	(6)	81	86	374	264
Platforms & Services	(252)	(13)	-	-	106	96	(146)	83

Air	214	724	(276)	(135)	99	108	37	697
Maritime	(150)	(247)	(6)	(4)	148	160	(8)	(91)
Cyber & Intelligence	(23)	16	-	-	35	24	12	40
HQ	(95)	(190)	-	-	34	34	(61)	(156)
	(8)	474	(287)	(145)	503	508	208	837
Tax paid net of research and development expenditure credits received							(134)	(80)
Net cash flow from operating activities							74	757

Net debt (excluding lease liabilities)

Purpose

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

Definition

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

	30 June 2025	31 December 2024
	£m	£m
Components of net debt (excluding lease liabilities)		
Cash and cash equivalents	2,153	3,378
Debt-related derivative financial instruments (net)	(25)	89
Loans - non-current	(7,053)	(7,713)
Loans - current	(641)	(699)
Net debt (excluding lease liabilities)	(5,566)	(4,945)

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 2025	Six months ended 30 June 2024
	£bn	£bn
Order intake	13.2	15.1

Order backlog

Purpose

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

Definition

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

	30 June 2025	31 December 2024
	£bn	£bn
Reconciliation of order backlog, as defined by the Group, to order book¹		
Order backlog, as defined by the Group	75.4	77.8
Deduct:		
Unfunded order backlog	(5.4)	(5.3)
Share of order backlog of equity accounted investments	(17.4)	(16.6)
Add back: Order backlog in respect of orders from equity accounted investments	4.4	4.5
Order book¹	57.0	60.4

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.

Cautionary statement:

All statements other than statements of historical fact included in this document, including, without limitation, those regarding the financial condition, results, operations and businesses of BAE Systems plc and its strategy, plans and objectives and the markets and economies in which it operates, are forward-looking statements. Such forward-looking statements, which reflect management's assumptions made on the basis of information available to it at this time, appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of BAE Systems plc concerning, amongst other things, its results in relation to operations, financial condition,

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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.

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