

# Chief Executive's review

As you will see throughout this report, 2024 has been a year of real progress for the Group. We delivered strong operational and financial performance, grew our workforce by a net 7,600 employees and completed the acquisition of Ball Aerospace to enhance our space portfolio.



## Overview

In November 2024, BAE Systems celebrated the 25th anniversary of British Aerospace and Marconi Electronic Systems coming together to create the Company we are today.

Even as the world around us has changed dramatically, BAE Systems' deep commitment to collaboration and building long-term partnerships means that government customers have trusted us for decades to develop the next generation of defence and security capabilities.

Today, nations are facing increasingly varied and complex threats to security. These growing threats have reinforced the essential nature of our work and highlighted the need for continued global investment in defence.

By focusing on operational excellence, contracting discipline and growing our workforce, we are consistently delivering critical capabilities and technologies for our customers worldwide.

I am proud to report that the fundamentals of the business are strong and 2024 was another year of strong operational and financial performance, extending our track record of delivery.



ORDER BACKLOG

# £77.8bn

2023 £69.8bn / 2022 £58.9bn



By focusing on operational excellence we are consistently delivering critical capabilities and technologies for our customers worldwide.

Charles Woodburn CBE  
Chief Executive



We know that our success relies on our people, their unwavering focus on protecting those who protect us and our tireless commitment to responsible business practices. We continue to invest in our people and our business for the long term, which together with our broad geographic and product diversity, positions us well for more growth in the years ahead.

### Delivering for our customers

We made good operational progress in 2024, as our highly skilled employees continued to support our customers, helping them to stay ahead of evolving threats across land, sea, air, cyber and space.

Our focus on operational excellence continues to benefit our customers and shareholders, as we execute on complex, long-term programmes like Dreadnought, 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, which will define the next generation of capabilities and underpin our business for decades to come. Working with our industry partners in Italy and Japan, we reached agreement to form a joint venture, subject to regulatory approvals, to design and develop next-generation fighter jets under GCAP while, under the AUKUS announcements, we have been selected

to partner with the Australian submarine builder ASC Pty Ltd to deliver Australia's SSN-AUKUS programme.

### Our financial performance

We finished the year by delivering records across our key financial measures of order backlog, sales, underlying EBIT, underlying EPS and dividend per share.

On a constant currency basis, we grew sales and underlying EBIT by 14% and underlying EPS by 10%. We delivered £2.5bn of free cash flow, taking our three-year cumulative free cash flow to over £7.0bn.

Our order intake was £33.7bn which, combined with £3.0bn of order backlog in SMS, pushed our order backlog to a record £77.8bn.

We ended 2024 with a strong balance sheet, featuring a cash position of £3.4bn, after we returned a further £1.5bn to shareholders in the year. Our net debt (excluding lease liabilities) of £4.9bn is an increase of £3.9bn and primarily reflects M&A activity, including the \$5.5bn (£4.4bn) Ball Aerospace acquisition which was partially funded by debt raised during the year.

Our strong financial performance gives us the strategic flexibility to invest in the business to support its long-term strength and expected growth, whilst maintaining focused and disciplined capital allocation.

### Investing in tomorrow

Investing in our people, technologies and facilities is essential to achieving our ambitions and ensuring our business has the agility to anticipate and respond to the emerging threats our government customers face in a constantly changing world.

We grew our global workforce by 7,600, including employees within our SMS business, to 107,400 employees. Given the long-term nature of many of our programmes, we are particularly focused on early careers to sustain our talent pipeline, recruiting around 2,300 apprentices and graduates in the UK. We increased our self-funded R&D to £357m, in key technology areas including electronic warfare, autonomy, laser-guided weapons, UAS, synthetic training, electrification applications and space solutions.

We also increased capital expenditure, compared to 2023, taking it to over £1.0bn, as we continue to develop and modernise our systems and facilities to deliver an effective working environment and build greater capacity for the future, focused primarily on maritime, munitions, combat vehicles and electronics.

### Shaping the portfolio

Alongside our organic investment, we are evolving our portfolio with a focus on the advanced technologies we believe will be highly relevant as our customers address evolving global threats and which will help drive higher growth.

## Space & Mission Systems

After completing the acquisition of Ball Aerospace in February, we established cross-functional teams to focus on key integration steps to minimise disruptions and support employees, while maintaining our commitments to the SMS team's existing customers and contracts.

As we proceeded through integration, we migrated the SMS employees to our business processes, systems and policies and sought best practices from both sides of the transaction to further streamline and enhance our operational efficiencies and effectiveness. To pursue future growth, we also launched a synergy framework composed of a delivery council, executive symposium and recurring workshops. These ongoing meetings seek to actively discover revenue synergy opportunities in key priority areas of space, electronic warfare, C4ISR systems, support services and more. We have already identified opportunities to leverage Electronic Systems payloads in combination with SMS mission expertise. Going forward, we will continue to focus on building a pipeline of adjacent and transformational prospects to offer new and enhanced solutions to our customers.



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# Chief Executive's review continued

## AUKUS

In March, the Australian Government announced that we had been selected to partner with ASC Pty Ltd to deliver Australia's SSN-AUKUS Programme, which includes the build of nuclear-powered submarines in Australia as part of the AUKUS trilateral security pact between the US, the UK and Australia. SSN-AUKUS will be a state-of-the-art conventionally-armed, nuclear-powered submarine (SSN) designed to leverage the best of submarine technology from all three nations and dominate the undersea battlespace. This will build upon the UK's next-generation SSN design and is expected to combine the strengths and innovations of each AUKUS partner into a highly capable platform. In November, we entered into a mobilisation arrangement together with ASC SSN-AUKUS Pty Ltd and the Australian Submarine Agency to work together to develop detailed plans, schedules and workforce initiatives for the Australian build programme of the SSN-AUKUS submarines. These arrangements follow on from the £3.95bn we secured from the UK Ministry of Defence in 2023 to progress the detailed design of the SSN-AUKUS submarines, as well as to procure long-lead items and make significant infrastructure investments at our Barrow-in-Furness, UK, site to support the programme.



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### ■ RETURNS TO SHAREHOLDERS

£1,492m

2023 £1,418m / 2022 £1,590m

### ■ THREE-YEAR CUMULATIVE FREE CASH FLOW

>£7.0bn

Notably, we completed the largest acquisition in the Company's history: the acquisition of Ball Aerospace in the US, forming our new SMS business and significantly enhancing our presence in the growing space market. We also made a number of smaller acquisitions in the UK, which further strengthen our UAS and counter UAS capabilities, and divested certain non-core business areas.

### Our capital distribution

The strength and outlook for the Group, alongside our disciplined capital allocation, means that after increasing investments in our people, technologies and capital expenditure, we were able to increase returns to shareholders. During the year, the Company repurchased £555m worth of shares and paid £937m in dividends, returning £1,492m to shareholders. The Board has recommended a 20.6p final dividend for approval by shareholders

at the 2025 AGM, which will take the total dividend in respect of 2024 to 33.0p – an increase of 10% on last year.

### Our market differentiation

Our business has a unique combination of a diverse geographic footprint and multi-domain capabilities. We believe our technologies, 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

The work we do is vital. We support our government customers to fulfil their primary obligation to keep their citizens safe, whilst contributing to the economic and social development of the communities and nations in which 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 very best talent so that we can support our customers' requirements and our own long-term growth. We remain fully committed to fostering a workplace culture and environment where everyone feels they belong and can thrive, 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. Despite our focused efforts, our safety performance deteriorated in 2024 and, as a leadership team, we are committed to strengthening our safety management programme to improve our performance in 2025 and beyond.

We continue to focus on resource efficiency, ensuring that our energy and infrastructure strategies 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.

## Summary

As you will see throughout this report, 2024 has been a year of real progress for the Group. We delivered strong operational and financial performance, increased self-funded R&D and capital expenditure, grew our workforce by a net 7,600 employees and completed the acquisition of Ball Aerospace to significantly enhance our space portfolio.

Our order backlog, positions on major programmes and our continued focus on operational excellence and financial discipline, provide a high level of visibility

for our shareholders on sales growth, cash generation and capital returns in the years to come.

I want to thank my colleagues – as well as our partners, suppliers and trades unions – for all the hard work and commitment they deliver every day to achieve these results.

Together, we are well positioned for another productive year, ensuring we deliver the capabilities our customers need. As we move forward, we will continue to leverage our technological strengths, build on our strategic partnerships and remain focused on our mission.

Thank you to our shareholders for your support of the Group and our strategy for value creation. We look forward to another productive and rewarding year in 2025.

**Charles Woodburn CBE**  
Chief Executive



## GCAP

In December, we reached an agreement with our international partners, Leonardo SpA and Japan Aircraft Industrial Enhancement Co Ltd (JAIEC), to form a new joint venture company for GCAP, subject to regulatory approvals. Each partner will hold a one-third shareholding in the new joint venture, which will be accountable for the design, development and delivery of the next-generation combat aircraft and will remain the design authority for GCAP for the life of the product, expected to go out beyond 2070. The agreement builds on the strong trilateral government, defence and industrial cooperation between the UK, Japan and Italy on GCAP since it was established in December 2022.

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