

**This document is important and
requires your immediate attention.**

Notice of meeting

BAE Systems plc

Annual General Meeting 2007

The Queen Elizabeth II Conference Centre

London SW1P 3EE

9 May 2007 at 11.00 am

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Notice of meeting

Chairman's letter

Dear Shareholder

Annual General Meeting — 9 May 2007

I am delighted to invite you to attend BAE Systems plc's Annual General Meeting on 9 May 2007 at the Queen Elizabeth II Conference Centre, London.

This booklet includes the formal Notice of Meeting in which we have set out the resolutions that shareholders are being asked to consider and vote on. These resolutions are a very important part of the governance of the Company and I urge all shareholders to vote, whether they are able to attend the meeting or not. **The Board supports all of the resolutions to be put to the AGM.**

It is good practice for companies to take a poll on all resolutions put to shareholders. This allows all shareholders to have their votes recognised whether or not they are able to attend the meeting. We have used such polls for a number of years and have enclosed a Proxy/Poll card for you. How you use this depends on whether you are attending the meeting or not:

If you will be attending the AGM – bring the card with you and at the end of the meeting use it as a poll card to vote on the resolutions.

If you are unable to attend the meeting – you can cast your votes by proxy by completing and posting the card. As an alternative, you can vote electronically by logging onto www.sharevote.co.uk and using the Reference Number, Card ID and Account Number given on your Proxy/Poll Card. Full details on how to vote can be found on the card.

The results of the voting on the resolutions will be posted on the Company's website after the meeting.

You will also find enclosed a copy of the Annual Report or a summarised version of this, the Annual Review. Both of these documents can be found on our website, www.baesystems.com, where you can also find more information on the Company including our Corporate Responsibility Report.

I look forward to seeing many of you at the meeting in May.

Yours sincerely



Dick Oliver
Chairman
3 April 2007

Notice of Annual General Meeting

To BAE Systems plc Ordinary Shareholders and,
for information only, to holders of Convertible Preference Shares.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of BAE Systems plc will be held at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Wednesday 9 May 2007 at 11.00 am for the purpose of transacting the following business:

To consider, and if thought fit, to pass the following Resolutions which will be proposed as ORDINARY RESOLUTIONS:

RESOLUTION 1 – Receipt of the Report and Accounts

THAT the audited accounts of the Company for the year ended 31 December 2006 and the Directors' Reports and Auditors' Report thereon now laid before this meeting be and they are hereby received.

RESOLUTION 2 – Approval of the Directors' Remuneration Report

THAT the Directors' Remuneration Report for the year ended 31 December 2006 be and is hereby approved.

RESOLUTION 3 – Authorisation and payment of the final dividend

THAT the final dividend for the year ended 31 December 2006 of 6.9 pence per ordinary share be and is hereby declared payable on 1 June 2007 to Ordinary Shareholders whose names appeared on the Register of Members at the close of business on 20 April 2007.

RESOLUTION 4 – Re-election of Director

THAT Ulrich Cartellieri retiring pursuant to Article 85 be and is hereby re-elected a Director of the Company.

RESOLUTION 5 – Re-election of Director

THAT Michael Hartnall retiring pursuant to Article 85 be and is hereby re-elected a Director of the Company.

RESOLUTION 6 – Re-election of Director

THAT George Rose retiring pursuant to Article 85 be and is hereby re-elected a Director of the Company.

RESOLUTION 7 – Election of Director

THAT Walter Havenstein retiring pursuant to Article 91 be and is hereby elected a Director of the Company.

RESOLUTION 8 – Election of Director

THAT Ian King retiring pursuant to Article 91 be and is hereby elected a Director of the Company.

RESOLUTION 9 – Election of Director

THAT Sir Nigel Rudd retiring pursuant to Article 91 be and is hereby elected a Director of the Company.

RESOLUTION 10 – Reappointment of Auditors

THAT KPMG Audit Plc be and are hereby reappointed Auditors of the Company to hold office until the next General Meeting at which accounts are laid before the Company.

RESOLUTION 11 – Authority to agree Auditors' remuneration

THAT the Audit Committee of the Board of Directors be and is hereby authorised to agree the remuneration of the Auditors.

The following resolutions numbered 12-17 authorise the Company and certain of its subsidiaries to incur political expenditure up to specific limits.

RESOLUTION 12 – The Company

THAT the Company be and is hereby authorised:

- (i) to make Donations to EU Political Organisations; and
- (ii) to incur EU Political Expenditure,

Provided that:

- (a) the authority conferred by this resolution shall commence on the date on which it is passed and expire on 9 August 2008 or, if earlier, the day before the Company's Annual General Meeting in 2008, being the period determined by the Directors of the Company;
- (b) The aggregate amount of such donations and expenditure made by the Company and any other company authorised by a resolution of the shareholders of the Company to make such donations and expenditure shall not exceed £100,000; and
- (c) in this resolution the expressions "Donations", "EU Political Organisations" and "EU Political Expenditure" have the meanings set out in Part XA of the Companies Act 1985 (as amended by the Political Parties, Elections and Referendums Act 2000).

RESOLUTION 13 – BAE Systems Marine Limited

THAT BAE Systems Marine Limited be and is hereby authorised:

- (i) to make Donations to EU Political Organisations; and
- (ii) to incur EU Political Expenditure,

Provided that:

- (a) the authority conferred by this resolution shall commence on the date on which it is passed and expire on 9 August 2008 or, if earlier, the day before the Company's Annual General Meeting in 2008, being the period determined by the Directors of the Company;
- (b) the aggregate amount of such donations and expenditure made by BAE Systems Marine Limited and any other company authorised by a resolution of the shareholders of the Company to make such donations and expenditure shall not exceed £100,000; and
- (c) in this resolution the expressions "Donations", "EU Political Organisations" and "EU Political Expenditure" have the meanings set out in Part XA of the Companies Act 1985 (as amended by the Political Parties, Elections and Referendums Act 2000).

RESOLUTION 14 – BAE Systems (Operations) Limited

THAT BAE Systems (Operations) Limited be and is hereby authorised to make Donations to EU Political Organisations and to incur EU Political Expenditure on the terms set out in Resolution 13 in the Notice of the Annual General Meeting dated 3 April 2007, replacing the words "BAE Systems Marine Limited" with "BAE Systems (Operations) Limited".

RESOLUTION 15 – BAE Systems Land Systems (Munitions & Ordnance) Limited

THAT BAE Systems Land Systems (Munitions & Ordnance) Limited be and is hereby authorised to make Donations to EU Political Organisations and to incur EU Political Expenditure on the terms set out in Resolution 13 in the Notice of the Annual General Meeting dated 3 April 2007, replacing the words "BAE Systems Marine

Limited” with “BAE Systems Land Systems (Munitions & Ordnance) Limited”.

RESOLUTION 16 – BAE Systems Land Systems (Weapons & Vehicles) Limited

THAT BAE Systems Land Systems (Weapons & Vehicles) Limited be and is hereby authorised to make Donations to EU Political Organisations and to incur EU Political Expenditure on the terms set out in Resolution 13 in the Notice of the Annual General Meeting dated 3 April 2007, replacing the words “BAE Systems Marine Limited” with “BAE Systems Land Systems (Weapons & Vehicles) Limited”.

RESOLUTION 17 – BAE Systems Hägglunds AB

THAT BAE Systems Hägglunds AB be and is hereby authorised to make Donations to EU Political Organisations and to incur EU Political Expenditure on the terms set out in Resolution 13 in the Notice of the Annual General Meeting dated 3 April 2007, replacing the words “BAE Systems Marine Limited” with “BAE Systems Hägglunds AB”.

RESOLUTION 18 – Authority to allot new shares

THAT the authority conferred on the Directors by Article 12 (B)(i) of the Articles of Association of the Company be and is hereby renewed for the period ending on 8 August 2008 or, if earlier, on the day before the Company’s Annual General Meeting in 2008 and that for such period the Section 80 Amount shall be £26,664,742.

To consider, and if thought fit, to pass the following Resolutions which will be proposed as SPECIAL RESOLUTIONS:

RESOLUTION 19 – Disapplication of pre-emption rights

THAT the power conferred on the Directors by Articles 12(B) (ii) of the Articles of Association of the Company be and is hereby renewed for the period ending on 8 August 2008 or, if earlier, on the day before the Company’s Annual General Meeting in 2008 and that for the period the Section 89 Amount shall be £4,000,111.

RESOLUTION 20 – Authority to purchase own shares

THAT the Company be and is hereby unconditionally and generally authorised for the purposes of Section 166 of the Companies Act 1985 to make market purchases, as defined in Section 163 of that Act, of ordinary shares of 2.5p each in the capital of the Company provided that:

- (i) the maximum number of ordinary shares that may be purchased is 320,008,915;
- (ii) the minimum price which may be paid for each ordinary share is 2.5p;
- (iii) the maximum price that may be paid for each ordinary share is an amount equal to 105 per cent. of the average of the middle market quotations of the Company’s ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such ordinary share is contracted to be purchased; and
- (iv) this authority shall expire on the conclusion of the Annual General Meeting of the Company held in 2008 or, if earlier, 9 August 2008 (except in relation to the purchase of ordinary shares the contract for which was concluded before the expiry of such authority and which may be executed wholly or partly after such expiry) unless such authority is renewed prior to such time.

RESOLUTION 21 – Approval of electronic and website communications and consequential amendments to the Articles of Association

THAT

- (i) the Company be authorised, subject to and in accordance with the provisions of the Companies Act 2006, the Disclosure and Transparency Rules published by the Financial Services Authority and the Articles of Association, to send, convey or supply all types of notices, documents or information to the members by means of electronic equipment for the processing (including digital compression), storage and transmission of data, employing wires, radio optical technologies, or any other electromagnetic means, including, without limitation, by sending such notices, documents or information by electronic mail or by making such notices,

documents or information available on a website; and

- (ii) the Articles of Association of the Company be and are hereby amended as detailed in the Appendix accompanying this Notice of Annual General Meeting dated 3 April 2007 (a copy of which is presented to the meeting and signed by the Chairman for the purposes of identification) with effect from the end of this meeting.

By Order of the Board

David Parkes
Company Secretary

3 April 2007

6 Carlton Gardens
London SW1Y 5AD

Notice of Annual General Meeting

Proxies

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him or her. A proxy need not be a member of the Company. A form of proxy is enclosed. Subject to the provisions for proxies and corporate representatives, only registered holders of ordinary shares of the Company are entitled to attend and vote at the meeting.

The form of proxy should be completed, signed and returned to the Registrar, Lloyds TSB Registrars, in accordance with the instructions on the form of proxy so as to be received no later than 48 hours before the start of the meeting. Alternatively, the appointment of a proxy may be registered electronically by logging onto www.sharevote.co.uk and using the Reference Number, Card ID and Account Number stated on the form of proxy.

Electronic proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 9 May 2007 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether

it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take, or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appendix

Amendments to the Articles of Association

This is the appendix referred to in Resolution 21 of the Notice of Annual General Meeting dated 3 April 2007, and sets out amendments to be made to the Articles of Association of BAE Systems plc.

Article Amendment

- 2 In the definition of “The Statutes” following “affecting the Company”, at the end of the definition, insert “(including the Companies Act 2006)”.
- In the definition of “In writing” following “Written or produced by any substitute for writing”, insert “(including anything in electronic form)” and delete “including (but only to the extent that (a) the Directors so resolve, either generally or in relation to particular categories of documents, and (b) the recipient (if not the Company) has requested or agreed) electronic communication”.
- In the first paragraph following the definition of “Year” delete “, in relation to electronic communication” and “such communication” and replace “such communication” with “sending or receiving notices, documents or information by electronic means and/or by means of a website”.
- Between the third and fourth paragraphs following the definition of “Year” insert as two separate paragraphs:
- “The expression “Companies Acts” shall have the meaning given thereto by Section 2 of the Companies Act 2006 but shall only extend to provisions which are in force at the relevant date.
- The expression “Company Communications Provisions” shall have the same meaning as in the Companies Acts.”
- Amend the existing fourth paragraph following the definition of “Year” so that it states: “The expressions “hard copy form”, “electronic form” and “electronic means” shall have the same respective meanings as in the Company Communications Provisions.”
- 69(a) Delete “comply” and replace with “authenticated in accordance”.
- 69(b) Delete “comply” and replace with “authenticated in accordance”.
- 69 Amend the second paragraph so that it states: “Any signature on or authentication of such appointment need not be witnessed. Where an appointment of a proxy is signed or authenticated in accordance with Article 141 on behalf of the appointor by an attorney, the power of attorney or a copy thereof certified notarially or in some other way approved by the Directors must (failing previous registration with the Company) be submitted to the Company, failing which the appointment may be treated as invalid.”
- 89 Following “lodged at the Office notice in writing signed” insert “or authenticated in accordance with Article 141” and following “and also notice in writing signed” insert “(or sufficiently authenticated to the satisfaction of the Directors)”.
- 123 Following “effective only if such document is signed” insert “or authenticated in accordance with Article 141”.
- 132 Delete the last sentence, “To the extent permitted by Statute and agreed by the member, the documents referred to in this Article may be sent by electronic communication.”
- Heading Prior to Article 136 delete the heading “NOTICES” and replace with “COMMUNICATIONS WITH MEMBERS”.
- 136 Delete Article 136 and replace with:
- “136.
- (A) The Company may, subject to and in accordance with the Companies Acts and these Articles, send or supply all types of notices, documents or information to members by electronic means and/or by making such notices, documents or information available on a website.
- (B) The Company Communications Provisions have effect for the purposes of any provision of the Companies Acts or these Articles that authorises or requires notices, documents or information to be sent or supplied by or to the Company.
- (C) Any notice, document or information (including a share certificate) which is sent or supplied by the Company in hard copy form, or in electronic form but to be delivered other than by electronic means, and which is sent by pre-paid post and properly addressed shall be deemed to have been received by the intended recipient at the expiration of 24 hours (or, where first class mail is not employed, 48 hours) after the time it was posted, and in proving such receipt it shall be sufficient to show that such notice, document or information was properly addressed, pre-paid and posted.

Article Amendment

- (D) Any notice, document or information which is sent or supplied by the Company by electronic means and/or by means of a website shall be deemed to have been received by the intended recipient at 9.00 am on the day following that on which it was transmitted, and in proving such receipt it shall be sufficient to show that such notice, document or information was properly addressed.
- (E) Any notice, document or information which is sent or supplied by the Company by means of a website shall be deemed to have been received when the material was first made available on the website or, if later, when the recipient received (or is deemed to have received) notice of the fact that the material was available on the website.
- (F) The accidental failure to send, or the non-receipt by any person entitled to, any notice of or other document or information relating to any meeting or other proceeding shall not invalidate the relevant meeting or proceeding.
- (G) The provisions of this Article shall have effect in place of the Company Communications Provisions relating to deemed delivery of notices, documents or information.”

Retain the left margin reference “Notices”, which applies to Article 136.

137 Delete Article 137 and replace with:

“137.

- (A) Anything which needs to be agreed or specified by the joint holders of a share shall for all purposes be taken to be agreed or specified by all the joint holders where it has been agreed or specified by the joint holder whose name stands first in the register in respect of the share.
- (B) Any notice, document or information which is authorised or required to be sent or supplied to joint holders of a share may be sent or supplied to the joint holder whose name stands first in the register in respect of the share, to the exclusion of the other joint holders. For such purpose, a joint holder having no registered address in the United Kingdom and not having supplied an address within the United Kingdom for the service of notices may, subject to the Statutes, be disregarded.
- (C) The provisions of this Article shall have effect in place of the Company Communications Provisions regarding joint holders of shares.”

Retain the left margin reference “Notices to joint holders”, which applies to Article 137.

138 Delete Article 138 and replace with:

“138.

- (A) A person who claims to be entitled to a share in consequence of the death or bankruptcy of a member or otherwise by operation of law shall supply to the Company:
 - (i) such evidence as the Directors may reasonably require to show his title to the share,
 - (ii) an address at which notices may be sent or supplied to such person,whereupon he shall be entitled to have sent or supplied to him at such address any notice, document or information to which the said member would have been entitled. Any notice, document or information shall for all purposes be deemed to be duly sent or supplied to all persons interested (whether jointly with or as claiming through or under him) in the share.
- (B) Save as provided by paragraph 138(A), any notice, document or information sent or supplied to the address of any member in pursuance of these Articles shall, notwithstanding that such member be then dead or bankrupt or in liquidation, and whether or not the Company has notice of his death or bankruptcy or liquidation, be deemed to have been duly sent or supplied in respect of any share registered in the name of such member as sole or first-named joint holder.
- (C) The provisions of this Article shall have effect in place of the Company Communications Provisions regarding the death or bankruptcy of a holder of shares in the Company.”

Retain the left margin reference “Notices to persons entitled to shares”, which applies to Article 138.

Article Amendment

- 139 Amend Article 139 so that it states “Subject to the Statutes, the Company shall not be required to send notices, documents or information to a member who (having no registered address within the United Kingdom) has not supplied to the Company an address within the United Kingdom for the service of notices.”
- 140 Amend Article 140 so that it states “If at any time by reason of the total suspension or curtailment of postal services within the United Kingdom the Company is unable to give notice by post in hard copy form of a General Meeting, such notice shall be deemed to have been given to all members entitled to receive such notice in hard copy form if such notice is advertised in at least two leading daily newspapers (at least one of which shall be a London newspaper) and such notice shall be deemed to have been given at noon on the day when the advertisement appears. In any such case, the Company shall (i) make such notice available on its website from the date of such advertisement until the conclusion of the meeting or any adjournment thereof and (ii) send confirmatory copies of the notice by post to such members if at least 48 hours prior to the meeting the posting of notices again becomes practicable.”
- Heading Prior to Article 141 amend the heading so that it states “SIGNATURE OR AUTHENTICATION OF DOCUMENTS SENT BY ELECTRONIC MEANS”.
- 141 Amend Article 141 so that it states “Where these Articles require a notice or other document to be signed or authenticated by a member or other person then any notice or other document sent or supplied in electronic form is sufficiently authenticated in any manner authorised by the Company Communications Provisions or in such other manner as may be approved by the Directors. The Directors may designate mechanisms for validating any such notice or other document, and any such notice or other document not so validated by such mechanisms shall be deemed not to have been received by the Company.”
- 142 Delete Article 142 and the heading “ELECTRONIC COMMUNICATIONS” and replace with:
- “142. Nothing in any of the preceding six Articles shall affect any provision of the Statutes that requires or permits any particular notice, document or information to be sent or supplied in any particular manner.”
- Insert in the left margin, as a reference to the contents of Article 142 “Statutory provisions as to notices”.

Notes on the resolutions

1. Notes on the Resolutions

1.1 Resolution 2 – Approval of the Directors' Remuneration Report

The Directors' Remuneration Report is required to be laid before the shareholders in general meeting and voted on. The report can be found on pages 51 to 65 of the Company's Annual Report 2006 and is summarised on pages 30 to 32 of the Annual Review 2006.

1.2 Resolutions 4, 5 and 6 – Directors standing for re-election

The Company's Articles of Association require that once every three years Directors seek re-election to the Board at an Annual General Meeting. The Chairman has confirmed that the individuals seeking re-election continue to be effective members of the Board and demonstrate commitment to their responsibilities. This is supported by the performance evaluation that the Board undertook recently. The biographies of those Directors retiring at the Annual General Meeting who wish to seek re-election are as follows:

Dr Ulrich Cartellieri

Ulrich Cartellieri, 69, was appointed to the Board as a non-executive director in 1999. He served as a member of the Managing and subsequently the Supervisory Board of Deutsche Bank AG for over 20 years until 2004. He was also a member of the International Advisory Committee of the Federal Reserve Bank of New York. He is currently a director of Robert Bosch GmbH and is a past chairman of Karstadt AG and a past deputy chairman of Siemens AG.

Dr Cartellieri is a member of the Audit Committee.

Dr Cartellieri will retire from the BAE Systems Board on 26 September 2007.

Michael Hartnall

Michael Hartnall, 64, was appointed to the Board in 2003 as a non-executive director. He was formerly finance director of Rexam plc, prior to which he held senior positions with a number of manufacturing companies. He is a non-executive director of Lonmin plc and a former non-executive director of Elementis plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr Hartnall chairs the Audit Committee.

George Rose

George Rose, 55, was appointed to the Board in 1998 as Group Finance Director having previously been Director of Finance and Treasury. He is a Fellow of the Institute of Management Accountants and a member of the Financial Reporting Review Panel. Prior to joining the Company in 1992 he held senior positions in the Rover Group and Leyland DAF.

Mr Rose is a non-executive director of Saab AB and National Grid Transco plc, and a former non-executive director of Orange plc.

Steve Mogford and Professor Sue Birley are retiring, pursuant to Article 85 of the Company's Articles of Association, at the conclusion of the 2007 Annual General Meeting and are not seeking re-election.

1.3 Resolutions 7, 8 and 9 – Election of Directors

Under the Combined Code on Corporate Governance the Board is required to set out the reasons for the election of non-executive directors. Sir Nigel Rudd was appointed to the Board in a non-executive capacity in the second half of 2006. The Board believes that Sir Nigel, as an accomplished executive with considerable operational and boardroom experience in manufacturing, banking and retail businesses, will further enhance the composition of the Board and that the Board will benefit from his advice and counsel.

The Company's Articles of Association require that all directors appointed to the Board seek election at the Annual General Meeting immediately following their appointment. Following the appointment of Sir Nigel Rudd to the Board in September 2006, and also the appointment to the Board of two new Chief Operating Officers, Walt Havenstein and Ian King, in January 2007, each of these three directors is required to seek election at this year's meeting.

The Board recommends that shareholders vote in favour of the election to the Board of Messrs Havenstein and King, and Sir Nigel Rudd.

Biographical details of these three directors are as follows:

Walter Havenstein

Walt Havenstein, 57, was appointed to the Board on 2 January 2007 as Chief Operating Officer, US. He was appointed President and CEO of BAE Systems, Inc. at the beginning of 2007 having previously been President of the Company's US based Electronics and Integrated Solutions business. He was President of the Sanders defence electronics business prior to it being acquired by the Company from Lockheed Martin in 2001. A graduate of the US Naval Academy, he served for 12 years in the US Marine Corps and for a further 18 years in the Marine Corps Reserve.

Mr Havenstein is a member of the Non-executive Directors' Fees Committee

Ian King

Ian King, 50, was appointed to the Board on 1 January 2007 as Chief Operating Officer, UK & Rest of the World. He was previously Group Managing Director of the Company's Customer Solutions and Support business and, before that, Group Strategy and Planning Director. Immediately prior to the BAe/MES merger he was Chief Executive of Alenia Marconi Systems, having previously served as Finance Director of Marconi Electronic Systems, and Finance Director of Marconi Defence Systems.

Mr King is a non-executive director of Rotork plc.

Sir Nigel Rudd

Sir Nigel Rudd, 60, was appointed to the Board on 10 September 2006 as a non-executive director. He founded Williams PLC in 1982 which went on to become one of the largest industrial holding companies in the UK until its demerger in 2000, creating Chubb plc and Kidde plc. He is currently chairman of Alliance Boots Group PLC and Pendragon plc, and deputy chairman of Barclays PLC. Until recently he was also chairman of Pilkington plc. He holds a number of other public appointments including chairman of the CBI's Boardroom Issues Group and is a Fellow of the Chartered Accountants of England and Wales.

Sir Nigel is a member of the Corporate Responsibility Committee and the Remuneration Committee.

1.4 Resolutions 12 to 17 – Authority to incur political expenditure

The Political Parties, Elections and Referendums Act 2000 (the Act), amongst other things, prohibits the Company and its subsidiaries making donations to EU Political Organisations (as defined in the Act) of more than £5,000 in any twelve month period unless they have been authorised to make donations by the Company's shareholders. The BAE Systems Group has no intention of making donations to political parties. However, the Act defines EU Political Organisations widely. It includes organisations which carry on activities which are capable of being reasonably regarded as intended to affect public support for a political party in any EU Member State or to influence voters in relation to any referendum in any EU Member State. As a result, it is possible that the definition may include bodies, such as those concerned with policy review and law reform or with the representation of the business community or sections of it, which the Group may see benefit in supporting.

The Directors believe that it is in the interests of shareholders for the Group to be permitted to support such organisations directly or indirectly. Accordingly, six resolutions relating to the Company and its principal EU subsidiaries are being put to shareholders for this purpose. The resolutions authorise donations and political expenditure up to an aggregate maximum of £100,000 in the period up to the Company's Annual General Meeting in 2008. As required by the Act, the resolutions are in general terms and do not purport to authorise particular donations or expenditure.

The Company did not make any political donations in 2006.

New legislation being introduced later in 2007 under the Companies Act 2006 will clarify a number of the areas of potential ambiguity in the current legislation and it is therefore anticipated that, once the new legislation is in place, the Company will not seek shareholder authorisation to make political donations or incur political expenditure in future years.

1.5 Resolutions 18 and 19 – Authority to issue shares

The Directors wish to renew the Company's authority to allot unissued shares in the

share capital of the Company. Although the Directors have no present intention of exercising this authority (other than for the conversion into ordinary shares of existing Convertible Preference Shares), it is considered prudent to maintain the flexibility that this authority provides. This resolution authorises the Directors to allot relevant securities up to an aggregate nominal value of £26,664,742 (the amount shown as the Section 80 Amount in Resolution 18) during the 15 months from the date of the Annual General Meeting. This amounts to 33.33 per cent. of the issued ordinary share capital of the Company (excluding treasury shares), and 18.39 per cent. of the total issued share capital (excluding treasury shares) as at 22 March 2007. As at 22 March 2007 the Company held 51,945,000 ordinary shares in treasury and this amounts to approximately 1.62 per cent. of the total ordinary share capital in issue (excluding treasury shares) as at that date.

It is also proposed to renew, for the same 15 month period, the authority of the Directors to allot for cash equity securities without first being required to offer such securities to existing shareholders (other than in connection with a rights issue). The authority relates to up to £4,000,111 of nominal capital (the amount shown as the section 89 Amount in Resolution 19), being approximately 4.92 per cent. of the issued ordinary share capital of the Company (including treasury shares) and 2.73 per cent. of the total issued share capital (including treasury shares), as at 22 March 2007. This authority will also apply to the sale of any shares held in treasury by the Company.

1.6 Resolution 20 – Purchase of shares

The Directors are committed to managing the Company's capital effectively and consider that the purchase by the Company of its ordinary shares may in certain circumstances be advantageous to shareholders. They believe that, in common with many other listed companies, the Company should obtain from shareholders a general authority to make market purchases on the London Stock Exchange. The authority should be on the basis that, in accordance with the UK Listing Authority's requirements, the maximum price for ordinary shares purchased in the market shall not exceed an amount equal to 105 per cent. of the average of the middle market quotations taken from the London Stock Exchange Daily Official List for the five

business days before the announcement is made. The minimum price per ordinary share shall not be less than 2.5p, being the par value of an ordinary share. The number of ordinary shares which may be acquired pursuant to the authority is up to an aggregate of 320,008,915 ordinary shares, this being approximately 10 per cent. of the issued ordinary share capital of the Company (excluding treasury shares) as at 22 March 2007. As at 22 March 2007 there were 60,279,624 options to subscribe for ordinary shares outstanding, representing approximately 1.88 per cent. of the Company's issued ordinary share capital (excluding treasury shares) at that date. If the authority was exercised in full, the options would represent approximately 2.09 per cent. of the Company's issued ordinary share capital (excluding treasury shares) as at 22 March 2007.

In connection with the disposal of its interest in Airbus, the Company stated its intention to return up to £500 million to ordinary shareholders by way of on-market purchases of ordinary shares using authorities granted at the 2006 AGM and to hold the purchased shares initially in treasury. The Company commenced this buyback programme on 26 October 2006 and as at 22 March 2007 had purchased 51,945,000 ordinary shares, amounting to a return to shareholders of approximately £218 million. Subject to the renewal of this authority at the 2007 AGM, the Directors currently intend to continue with this buyback programme and to hold the purchased shares in treasury.

1.7 Resolution 21 – Approval of electronic and website communications and amendments to the Articles of Association

This resolution seeks general authority from shareholders to send or supply documents or information to shareholders in electronic form (e.g. by email) or by means of a website, so taking advantage of new company legislation regarding electronic communications with shareholders, which became effective on 20 January 2007. The resolution also seeks authority to make various changes to the Articles of Association to reflect the new legislation on electronic communications.

Existing company legislation permits the Company to communicate with shareholders electronically (e.g. by fax, email or by means of a website) in respect of certain types of information and a number of shareholders

have already signed up for this means of communication. However, the new legislation makes two important changes:

- all company notices, documents and other information (“shareholder information”) can now be provided to shareholders electronically, provided that they agree to this and provide an appropriate (e.g. email) address; and
- if shareholders are invited to agree that the Company may send or supply shareholder information by means of a website, those who do not respond within 28 days are deemed to have agreed to the Company communicating shareholder information to them by means of a website.

Where shareholders agree (or are deemed to have agreed) to communication of shareholder information by means of a website, shareholders must be notified of the availability of the relevant document or information on the website, the address of the website, the place on the website where it may be accessed and how to access the document or information. This information will be provided to shareholders by post or by email (if they have provided the Company with an email address for this purpose).

The Directors would like to take advantage of the new legislation at some point in the future. Increased use of electronic communications will deliver significant savings to the Company in terms of administration, printing and postage costs. It will also speed up the communication of information to shareholders in a convenient form, whilst at the same time delivering environmental benefits through reduced use of paper and of the energy required for its production and distribution. Accordingly, this resolution is being proposed to confer the necessary authority on the Company.

If this resolution is approved at the AGM, in due course the Company will send individual shareholders a personalised invitation to take advantage of the new legislation and use electronic means for the communication to them of shareholder information.

Shareholders should note that they will at all times continue to be entitled to ask the Company to provide a hard copy of any information which it has provided by email or by publication on a website.

2. Documents for inspection

The amendments to the Articles of Association, the Register of Directors’ Interests in the share capital of the Company, copies of the executive Directors’ service contracts, the non-executive Directors’ letters of appointment, and the Directors’ Indemnities will be available for inspection during the normal business hours at the Company’s registered office from the date of the Notice of the Meeting to the close of the meeting and at the place of the meeting from 15 minutes prior to its commencement until its conclusion.

The amendments to the Articles of Association will also be available for inspection at the offices of Linklaters at One Silk Street, London EC2Y 8HQ from the date of the Notice of Meeting to the close of the meeting.

3. Uncertificated Securities Regulations

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the Register of Members of the Company as at 6.00 pm on 7 May 2007 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries in the Register after 6.00 pm on 7 May 2007 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

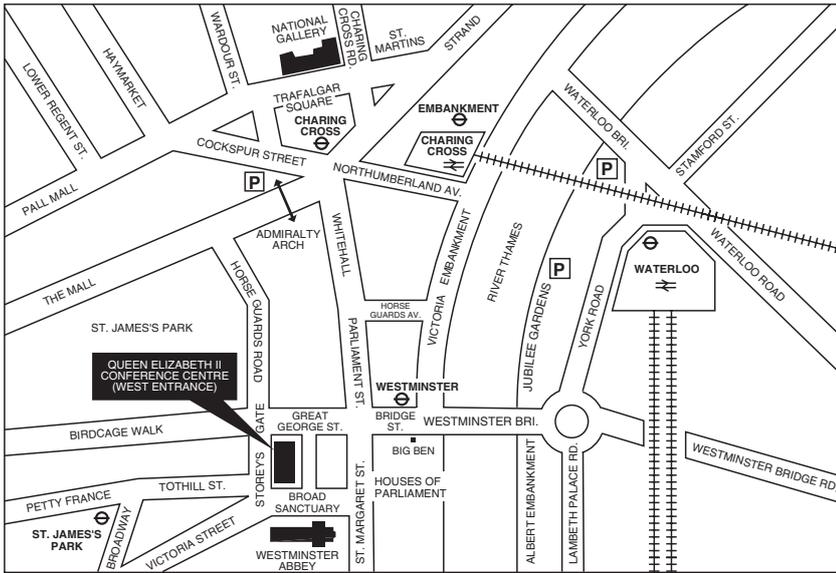
4. Excluded items

Certain items will not be permitted in the Annual General Meeting. These include bags, cameras, recording equipment, items of any nature with potential to cause disorder and such other items as the Chairman of the Meeting may specify.

Recommendation

Your Directors consider that each of the proposals detailed in the Notice of Meeting will be of benefit to and in the best interests of the Company and the shareholders as a whole. The Directors intend to vote in favour of all Resolutions in respect of their own beneficial holdings of ordinary shares in the Company and unanimously recommend other shareholders to do likewise.

How to get there



Nearest underground station: Westminster
(Circle, District and Jubilee lines)

Notice of meeting

Shareholder information

Registrars

Lloyds TSB Registrars (0140)
The Causeway, Worthing
West Sussex, BN99 6DA
United Kingdom
Telephone: 0870 600 3982
(+44 121 415 7058 from outside the UK)

If you have any queries regarding your shareholding, please contact the registrars.



Shareview service

The Shareview service from our registrar, Lloyds TSB Registrars, gives shareholders:

- direct access to data held on their behalf on the share register including recent share movements and dividend details;
- the ability to change their address or dividend payment instructions on-line.

To sign up for Shareview you need the 'shareholder reference' printed on your proxy form or dividend stationery. There is no charge to register.

When you register with the site, you can register your preferred format (post or e-mail) for shareholder communications. If you select 'e-mail' as your mailing preference, you will be sent shareholder communications, such as proxy forms and annual/interim results, by e-mail instead of post, as long as this option is available.

If you have your dividends paid straight to your bank account, and you have selected 'e-mail' as your mailing preference, you can also collect your tax voucher electronically. Instead of receiving the paper tax voucher, you will be notified by e-mail with details of how to download your electronic version.

However, if you choose 'post' as your preference, you will be sent paper documents as usual.

Visit the site for more details: www.shareview.co.uk. Details of software and equipment are given on the website.

Shareholder dealing service

Hoare Govett Limited offers a low cost postal dealing service enabling UK resident shareholders to buy or sell BAE Systems plc shares. Basic commission is 1%, subject to a minimum charge of £15.00. If you require further information please contact:

Hoare Govett Limited
Telephone: +44 (0)20 7678 8300

This notice has been approved by Hoare Govett Limited which is authorised and regulated by the Financial Services Authority.

ShareGift

The Orr Mackintosh Foundation operates a charity donation scheme for shareholders with small parcels of shares which may be uneconomic to sell. Details of the scheme are available from ShareGift at www.sharegift.org or by telephone on 020 7828 1151.

Dividend reinvestment plan

The Company offers holders of its ordinary shares the option to elect to have their dividend reinvested in shares purchased in the market instead of cash. If you would like to make this election, please request a dividend reinvestment plan mandate from our registrars whose contact details are given above.

Financial calendar

Financial year end	31 December
Annual General Meeting	9 May 2007
Preference shares conversion date (final opportunity)	31 May 2007
2006 final ordinary dividend payable	1 June 2007
2007 half yearly preference dividend payable	2 July 2007
2007 interim results announcement	9 August 2007
2007 interim ordinary dividend payable	30 November 2007
2007 full year results – preliminary announcement	February 2008
– report and accounts	April 2008
2007 final ordinary dividend payable	June 2008

BAE Systems plc

6 Carlton Gardens

London SW1Y 5AD

United Kingdom

Telephone +44 (0)1252 373232

Registered in England and Wales No. 1470151

Website details

www.baesystems.com
