

Notice of Annual General Meeting

AGM 2009

This year's Annual General Meeting will be held at 11:00am on 6 May 2009 at The Queen Elizabeth II Conference Centre, London SW1P 3EE

This document includes the Notice of Meeting which sets 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 all shareholders are urged 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.

You can vote on the resolutions put to shareholders either online or by post as follows:

- Online – if you have accessed this notice electronically, you simply need to click on the electronic voting icon on the Shareholder Reporting website at www.baesystems.com/reporting/.
- By post – if you received the 2008 Report & Accounts, or a notification that this is available to be viewed on our website, you will also have received a proxy card. Instructions on voting can be found on the proxy card.

It is good practice for companies to take a poll on all resolutions put to shareholders and the Company has used such polls for a number of years. This allows all shareholders to have their votes recognised whether or not they are able to attend the meeting.

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

If you are unable to attend the meeting, but have any questions on the business to be discussed at the AGM, we would like to hear from you ahead of the meeting. Whilst we cannot answer questions individually, we will provide responses to the topics most frequently raised and post these on our website as well as making them available at the AGM. If you have received a paper copy of this notice, you will have received a card you can use to ask such a question. Shareholders reading this online will be able to submit a question via the Shareholder Reporting website.

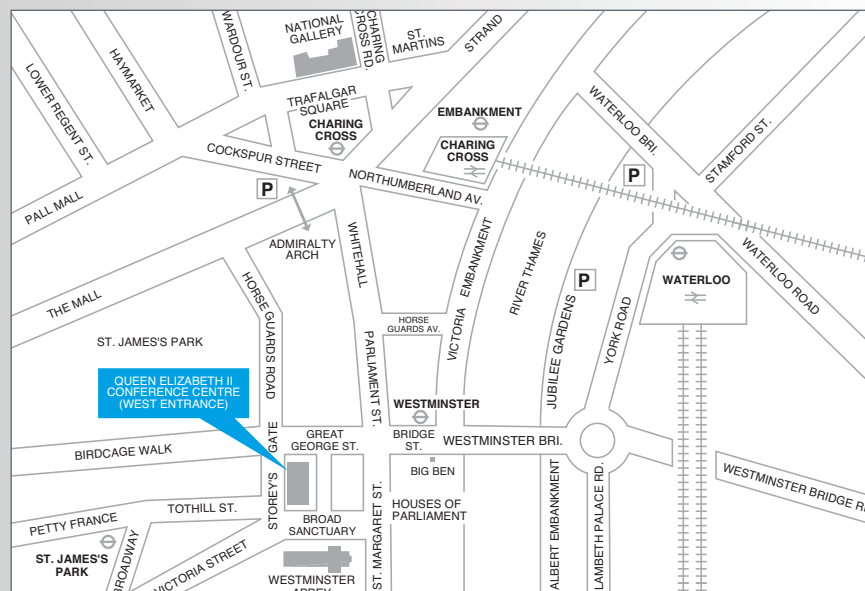
Important

This document is important and requires your immediate attention

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your shares, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

How to get to the AGM



BAE SYSTEMS

REAL PERFORMANCE. REAL ADVANTAGE.

Notice of Annual General Meeting

To BAE Systems plc Ordinary Shareholders

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 6 May 2009 at 11.00am for the purpose of transacting the following business:

To consider, and if thought fit, to pass the following Resolutions 1-13, 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 2008 and the Directors' Report 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 2008 be and is hereby approved.

RESOLUTION 3 – Authorisation of the payment of the final dividend

THAT the final dividend for the year ended 31 December 2008 of 8.7 pence per ordinary share be and is hereby declared payable on 1 June 2009 to Ordinary Shareholders whose names appeared on the Register of Members at the close of business on 24 April 2009.

RESOLUTION 4 – Re-election of director

THAT Philip Carroll retiring pursuant to Article 84 be and is hereby re-elected a Director of the Company.

RESOLUTION 5 – Re-election of director

THAT Ian King retiring pursuant to Article 84 be and is hereby re-elected a Director of the Company.

RESOLUTION 6 – Re-election of director

THAT Roberto Quarta retiring pursuant to Article 84 be and is hereby re-elected a Director of the Company.

RESOLUTION 7 – Re-election of director

THAT George Rose retiring pursuant to Article 84 be and is hereby re-elected a Director of the Company.

RESOLUTION 8 – Election of director

THAT Carl Symon retiring pursuant to Article 90 be and is hereby elected a Director of the Company.

RESOLUTION 9 – Reappointment of the 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 10 – 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.

RESOLUTION 11 – Political Donations

THAT

(a) the Company and those companies which are subsidiaries of the Company at any time during the period for which this resolution has effect be authorised for the purposes of Part 14 of the Companies Act 2006 during the period from the date of the passing of this resolution to the earlier of the conclusion of the Company's Annual General Meeting in 2010 or 30 June 2010:

- (i) to make political donations to political parties, and/or independent election candidates;
- (ii) to make political donations to political organisations other than political parties; and
- (iii) to incur political expenditure,

up to an aggregate amount of £100,000, and the amount authorised under each of paragraphs (i) to (iii) shall also be limited to such amount;

(b) all existing authorisations and approvals relating to political donations or expenditure under Part 14 of the Companies Act 2006 are hereby revoked without prejudice to any donation made or expenditure incurred prior to the date hereof pursuant to such authorisation or approval; and

(c) words and expressions defined for the purpose of the Companies Act 2006 shall have the same meaning in this resolution.

RESOLUTION 12 – Increase authorised share capital

THAT the share capital of the Company be increased from £188,750,001 to £218,750,001 by the creation of 1,200,000,000 ordinary shares of 2.5p each.

RESOLUTION 13 – Authority to allot new shares

THAT

- (i) the authority conferred on the Directors by Article 12 (B)(i) of the Company's Articles of Association be renewed for the period ending at the end of the Annual General Meeting in 2010 or on 30 June 2010, whichever is the earlier, and for such period the Section 80 Amount shall be £29,396,313; and
- (ii) the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 (the "1985 Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the 1985 Act) comprising equity securities (as defined in Section 94(2) of the 1985 Act) up to a further nominal amount of £29,396,313 in connection with an offer by way of a rights issue, such authority to expire at the end of the next Annual General Meeting or on 30 June 2010, whichever is the earlier but so that the Company may make offers and enter into agreements during the relevant period which would, or might, require relevant securities to be allotted after the authority ends.

The authorities in this Resolution apply in substitution for all previous authorities pursuant to Section 80 of the 1985 Act.

For the purposes of the authority in paragraph (ii) above "rights issue" means an offer to:

- (a) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (b) people who are holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities,

to subscribe further securities by means of the issue of a renounceable letter (or other negotiable document) which may be traded for a period before payment for the securities is due, but subject in both cases to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory.

To consider, and if thought fit, to pass the following Resolutions 14-17 which will be proposed as SPECIAL RESOLUTIONS:

RESOLUTION 14 – Disapplication of pre-emption rights

THAT subject to the passing of Resolution 13 above,

- (i) the power conferred on the Directors by Article 12 (B)(ii) of the Company's Articles of Association be renewed for the period referred to in such Resolution and for such period the Section 89 Amount shall be £4,409,888. Such authority shall be in substitution for all previous powers pursuant to Section 89 of the Companies Act 1985; and

- (ii) the Directors be empowered to allot equity securities (as defined in Section 94(2) of the 1985 Act) wholly for cash pursuant to the authority given by paragraph (ii) of Resolution 13 above in connection with a rights issue as if Section 89(1) of the 1985 Act did not apply to such allotment, such power to expire at the end of the next Annual General Meeting or on 30 June 2010, whichever is the earlier but so that the Company may make offers and enter into agreements during this period which would, or might, require equity securities to be allotted after the power ends and the Board may allot equity securities under any such offer or agreement as if the power had not ended.

For the purposes of this Resolution “**rights issue**” has the same meaning as that set out in Resolution 13 above.

RESOLUTION 15 – Authority to purchase own shares

THAT the Company be and is hereby unconditionally and generally authorised for the purposes of Section 166 of the 1985 Act 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:

- (a) the maximum number of shares that may be purchased is 352,791,045;
- (b) the minimum price which may be paid for each share is 2.5p;
- (c) the maximum price that may be paid for each 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 share is contracted to be purchased; and
- (d) this authority shall expire on the conclusion of the Annual General Meeting of the Company held in 2010 or, if earlier, 30 June 2010 (except in relation to the purchase of 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 16 – Amendments to the Articles of Association

THAT with effect from 00.01am on 1 October 2009:

- (i) the Articles of Association of the Company be and are hereby amended by deleting all the provisions of the Company’s Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company’s Articles of Association; and
- (ii) the Articles of Association be and are hereby amended so that they shall be in the form of the amended Articles of Association produced to the meeting and initialled by the Chairman of the Company for the purpose of identification.

RESOLUTION 17 – Notice of general meetings

THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days’ notice.

By Order of the Board

David Parkes
Company Secretary

30 March 2009

6 Carlton Gardens
London SW1Y 5AD

Notes

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A proxy need not be a member of the Company.
2. A proxy form which may be used to make such appointment and give proxy instructions has been sent to all shareholders (except those who have elected to receive notice via email who should refer to paragraph 7 below). If a shareholder wishes to appoint someone other than the Chairman of the meeting to act as the shareholder’s proxy, the shareholder should delete the reference to the Chairman in the proxy form, and insert in block letters the name of the person that the shareholder wishes to appoint in the space provided, and initial the alteration.

Shareholders who have received a proxy card may appoint a proxy or proxies electronically via the Company’s website at www.baesystems.com/reporting/ using the Voting ID, Task ID, and Shareholder Reference Number on the proxy card, or alternatively via www.sharevote.co.uk. Electronic proxy appointments must be received no later than 11.00am UK time on 4 May 2009.

3. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. If in such case a shareholder wishes to appoint more than one proxy, the shareholder should photocopy the proxy form and indicate in the box, next to the proxy holder’s name, the number of shares in relation to which the shareholder authorises them to act as the shareholder’s proxy. The shareholder should indicate by marking the relevant box on the proxy card if more than one proxy is being appointed.
4. In the case of joint holders the signature of any one of them will suffice. The vote of the senior party tendering the vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
5. To be valid any proxy form or other instrument appointing a proxy must be completed, signed and returned, together with the power of attorney or other authority (if any) under which it is signed, or a duly certified copy thereof, so as to be received by post or (during normal business hours only) by hand at the office of the Company’s Registrar, Equiniti, Aspect House, Spencer Road, Lancing BN99 6GT not later than 11.00am UK time on 4 May 2009, being not less than 48 hours before the time for which the meeting is convened.
6. The return of a completed proxy form, other such instrument or any CREST Proxy instruction (as described in paragraph 13 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
7. Shareholders who have elected to receive notice via email, and who have therefore not received a proxy card, may appoint a proxy or proxies electronically via the Company’s website at www.baesystems.com/reporting/ using their usual Shareview portfolio identification particulars. Electronic proxy appointments must be received no later than 11.00am UK time on 4 May 2009.
8. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a “**Nominated Person**”) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

Notice of Annual General Meeting (continued)

9. The statement of rights of shareholders in relation to the appointment of proxies in paragraphs 1 to 7 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
10. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6.00pm on 4 May 2009 (or, in the event of any adjournment, 6.00pm on the date which is two days before the date of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
11. As at 13 March 2009 (being the latest practicable business day prior to the publication of this Notice) the Company's issued share capital consisted of 3,582,508,154 ordinary shares and one special share. Holders of ordinary shares are entitled to attend and vote at general meetings of the Company. The voting rights of treasury shares (of which there were 54,597,701 as of 13 March 2009) are suspended. The holder of the special share is entitled to attend general meetings of the Company, but is not entitled to vote. Accordingly the total number of voting rights as of 13 March 2009 is 3,527,910,453. The consent of the holder of the special share is required in certain limited circumstances, as set out in the Company's Articles of Association. On a vote by a show of hands every ordinary shareholder who is present has one vote and every proxy present who has been duly appointed by a shareholder entitled to vote has one vote. On a vote by poll, every ordinary shareholder who is present in person or by proxy has one vote for every ordinary share of which he is the holder.
12. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so 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, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
13. 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 Euroclear's specifications, and must contain the information required for such instruction, 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 RA19) no later than 11.00am on 4 May 2009, being not less than 48 hours before the time for which the meeting is convened. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp 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 a proxy appointed through CREST should be communicated to the appointee through other means.
14. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. 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, to procure that his CREST sponsor or voting service provider takes) 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 systems and timings.
15. 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.
16. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in (i) above.
17. Shareholders should note that on a request made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) which are to be laid before the Annual General Meeting for the financial year beginning on 1 January 2009; or (ii) any circumstance connected with an auditor of the Company appointed for the financial year beginning on 1 January 2009 ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with section 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

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 75 to 93 of the Company's Annual Report 2008.

1.2 Resolutions 4, 5, 6 and 7 – 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 Philip Carroll, Ian King, Roberto Quarta and George Rose, who are seeking re-election, continue to be effective members of the Board and demonstrate their 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:

Philip Carroll – Non-executive director

Phil Carroll, 71, was appointed to the Board in 2005. He is a former chairman and chief executive of Fluor Corporation and a former president and chief executive of Shell Oil Company Inc. He served as the first Senior Adviser to the Iraqi Ministry of Oil having been appointed by the Department of Defense in 2003. He is a former non-executive director of Scottish Power plc.

Mr Carroll is a member of the Nominations Committee.

Ian King – Chief Executive

Ian King, 52, succeeded Mike Turner as Chief Executive on 1 September 2008. He was appointed to the Board on 1 January 2007 as Chief Operating Officer, UK & Rest of the World, and 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 in 1999 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. He is a member of the Non-executive Directors' Fees Committee.

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

Roberto Quarta – Non-executive director

Roberto Quarta, 59, is a partner in the private equity firm Clayton, Dubilier & Rice, in connection with which he serves as chairman of Rexel SA and Italtel. He was previously chairman and chief executive of BBA Group plc, an executive director of BTR plc and a non-executive director of PowerGen plc and Equant NV.

Mr Quarta is a member of the Audit Committee and the Remuneration Committee.

George Rose – Group Finance Director

George Rose, 57, 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 Industrial Development Advisory Board. 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 plc.

1.3 Resolution 8 – Election of Director

Under the Combined Code on Corporate Governance the Board is required to set out the reasons for the election of non-executive directors. Carl Symon was appointed to the Board in a non-executive capacity in June 2008. The Board believes that Mr Symon will bring considerable experience and knowledge to the Board, particularly in the Company's pursuit of its global initiatives – one of its key objectives – given his management experience within a large technology-oriented corporation during a period in which it developed its business globally.

The Board recommends that shareholders vote in favour of Mr Symon's election to the Board. His biographical details are as follows:

Carl Symon – Non-executive director

Carl Symon, 62, was appointed to the Board on 11 June 2008. He retired from IBM in 2001 having held a number of senior positions in the US, Europe, Latin America and Asia, including Chairman and Chief Executive of IBM UK Limited. He is a non-executive director of BT Group plc and Rexam plc, a former non-executive director of Rolls-Royce Group plc and former chairman of HMV Group plc.

Mr Symon is a member of the Remuneration Committee.

1.4 Resolution 11 – Authority to incur political expenditure

Part 14 of the Companies Act 2006 requires companies to obtain shareholders' authority for donations to registered political parties and other political organisations totalling more than £5,000 in any twelve month period, and for any political expenditure, subject to limited exceptions. The definition of donation in this context is very wide and extends to bodies such as those concerned with policy review, law reform and the representation of the business community. It could also include special interest groups, such as those involved with the environment, which the Company and its subsidiaries might wish to support, even though these activities are not designed to support or influence support for a particular political party.

It remains the policy of the Company not to make political donations or incur political expenditure as those expressions are normally understood. However, the Directors consider that it is in the best interests of shareholders for the Company to participate in public debate and opinion-forming on matters which affect its business. To avoid inadvertent infringement of the Companies Act 2006, the Directors are seeking shareholders' authority for the Company and its UK subsidiaries to make political donations and to incur political expenditure during for the period from the date of the Annual General Meeting to the conclusion of next year's Annual General Meeting or 30 June 2010, whichever is earlier, up to a maximum aggregate amount of £100,000.

1.5 Resolution 12 – Increase of authorised share capital of the Company

It is proposed to increase the authorised share capital of the Company by the creation of 1,200,000,000 ordinary shares of 2.5p each (representing approximately a 25 per cent increase in the authorised ordinary share capital). This will result in the capital of the Company increasing from £188,750,001 divided into 4,800,000,000 ordinary shares of 2.5p each, 275,000,000 7.75p (net) Cumulative Redeemable Preference Shares of 25p each, and one special share of £1 to £218,750,001. This increase is being proposed to provide the Company with sufficient headroom up to the full amount allowed by the usual shareholder authorities for the issuing of new shares as set out in paragraph 1.6 below.

1.6 Resolutions 13 and 14 – Authority to issue shares Resolution 13 – Authority to allot shares

The purpose of Resolution 13 is to renew the Directors' power to allot shares.

The authority in paragraph (i) will allow the Directors to allot new shares and other 'relevant securities' up to a nominal value of £29,396,313, which is equivalent to approximately 33 per cent of the total issued ordinary share capital of the Company, exclusive of treasury shares, as at 13 March 2009.

The authority in paragraph (ii) will allow the Directors to allot new shares and other relevant securities only in connection with a rights issue up to a further nominal value of £29,396,313, which is equivalent to approximately 33 per cent of the total issued ordinary share capital of the Company, exclusive of treasury shares, as at 13 March 2009. This is in line with corporate governance guidelines.

Notes on the Resolutions (continued)

At 13 March 2009, the Company held 54,597,701 treasury shares which represents 1.55 per cent of the total number of Ordinary Shares in issue, excluding treasury shares, at that date.

There are no present plans to undertake a rights issue or to allot new shares other than in connection with employee share and incentive plans. The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities as they arise.

If the resolution is passed the authority will expire on the earlier of 30 June 2010 and the end of the Annual General Meeting in 2010.

Resolution 14 – Disapplication of pre-emption rights

If the directors wish to allot new shares and other equity securities, or sell treasury shares, for cash (other than in connection with an employee share scheme) company law requires that these shares are offered first to shareholders in proportion to their existing holdings.

The purpose of paragraph (i) of Resolution 14 is to authorise the Directors to allot new shares pursuant to the authority given by paragraph (i) of Resolution 13, or sell treasury shares, for cash (I) in connection with a pre-emptive offer or rights issue or (II) otherwise up to a nominal value of 2.5 pence, equivalent to five per cent of the total issued ordinary share capital of the Company as at 13 March 2009, in each case without the shares first being offered to existing shareholders in proportion to their existing holdings.

The purpose of paragraph (ii) of Resolution 14 is to authorise the Directors to allot new shares pursuant to the authority given by paragraph (ii) of Resolution 13, or sell treasury shares, for cash in connection with a rights issue without the shares first being offered to existing shareholders in proportion to their existing holdings. This is in line with corporate governance guidelines.

The Board considers the authority in Resolution 14 to be appropriate in order to allow the Company flexibility to finance business opportunities or to conduct a pre-emptive offer or rights issue without the need to comply with the strict requirements of the statutory pre-emption provisions.

1.7 Resolution 15 – 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 is 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 352,791,045 ordinary shares, this being approximately ten per cent of the issued ordinary share capital of the Company as of 13 March 2009. As at 13 March 2009 there were 27,207,148 options to subscribe for ordinary shares outstanding, representing 0.77 per cent of the Company's issued share capital (excluding treasury shares) at that date. If the authority was exercised in full, the options would represent 0.86 per cent of the Company's issued ordinary share capital (excluding treasury shares).

The authority will last until the earlier of the Company's Annual General Meeting in 2010, or 30 June 2010.

Pursuant to the 1985 Act (as amended), the Company can hold the shares which have been repurchased as treasury shares and either resell them for cash, cancel them, either immediately or at a point in

the future, or use them for the purposes of its employee share schemes. The Directors believe that it is desirable for the Company to have this choice and therefore intend to hold any shares purchased under this authority as treasury shares. Holding the repurchased shares as treasury shares will give the Company the ability to re-sell or transfer them in the future, and so provide the Company with additional flexibility in the management of its capital base. No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares.

The Company will only purchase ordinary shares if the Directors believe that it is in shareholders' best interests and will increase earnings per share. Although the Directors have no plans to exercise the authority at present, this position will be kept under review. No shares have been purchased since the authority was last renewed at the 2008 AGM.

1.8 Resolution 16 – Amendments to Articles of Association

It is proposed in Resolution 16 to amend the Company's Articles of Association (the "New Articles") in order to update the Company's current Articles of Association (the "Current Articles") primarily to take account of the implementation on 1 October 2009 of the last parts of the Companies Act 2006. The resolution adopting the New Articles will only become effective on 1 October 2009.

The principal changes introduced in the New Articles are summarised in the Appendix to this Notice. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 or conform to the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Enterprise and Regulatory Reform have not been noted in the Appendix. The New Articles showing all the changes to the Current Articles are available for inspection, as noted in paragraph 2 below.

1.9 Resolution 17 – Notice of general meetings

This resolution is required to reflect the proposed implementation in August 2009 of the Shareholder Rights Directive. The regulation implementing this Directive will increase the notice period for general meetings of the Company to 21 days unless certain requirements are satisfied. The Company is currently able to call general meetings (other than an AGM) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so after August 2009, shareholders must have approved the calling of meetings on 14 clear days' notice. Resolution 17 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 clear days' notice.

2. DOCUMENTS FOR INSPECTION

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, together with a copy of the New Articles of the Company, showing all the changes to the Current Articles as proposed in Resolution 16, will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the Company's registered office from the date of the Notice of Meeting to the close of the meeting and at the place of the meeting from 15 minutes prior to its commencement until its conclusion.

A copy of the New Articles of the Company, showing all the changes to the Current Articles as proposed in Resolution 16 will also be available for inspection at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ from the date of the Notice of Meeting to the close of the meeting.

3. EXCLUDED ITEMS

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

Appendix (for Article Amendments)

Explanatory notes of principal changes to the Company's Articles of Association

1. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are currently contained in a company's memorandum, for existing companies at 1 October 2009, will be deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its Memorandum which, by virtue of the Companies Act 2006, are to be treated as forming part of the Company's Articles of Association as of 1 October 2009. Resolution 16 (i) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's Memorandum of Association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of the shareholders.

2. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

3. Change of name

Currently, a company can only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision and to thereby increase flexibility, the New Articles enable the directors to pass a resolution to change the Company's name.

4. Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

5. Redeemable shares

At present if a company wishes to issue redeemable shares, it must include in its articles the terms and manner of redemption.

The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need sufficient authority to allot new shares under section 80 of the 1985 Act (or any replacement thereof).

6. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the law currently in force a company requires specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles except that reference to the statutory powers to reduce or cancel the Company's share capital, share premium account, capital redemption or redenomination of reserves, remains in the New Articles.

7. Provision for employees on cessation of business

The Companies Act 2006 provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

8. Use of seals and execution of documents

A company currently requires authority in its articles to have an official seal for use abroad. After 1 October 2009 such authority will no longer be required. Accordingly the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

9. Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of share transfers. Under the Companies Act 2006, share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

Recommendation

Your Directors consider that each of the proposals detailed in the Notice of Meeting is 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.

