

# 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 5 May 2004 at 10.30 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 2003 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 2003 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 2003 of 5.5 pence per ordinary share be and it is hereby declared payable on 1 June 2004 to Ordinary Shareholders whose names appeared on the Register of Members at the close of business on 23 April 2004.

**RESOLUTION 4 – Re-election of director**

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

**RESOLUTION 5 – Re-election of director**

THAT Lord Hesketh retiring pursuant to Article 85 be and he is hereby re-elected a Director of the Company.

**RESOLUTION 6 – Re-election of director**

THAT Steven Mogford retiring pursuant to Article 85 be and he is hereby re-elected a Director of the Company.

**RESOLUTION 7 – Re-election of director**

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

**RESOLUTION 8 – Election of director**

THAT Michael Hartnall retiring pursuant to Article 91 be and he 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 Directors be and are hereby authorised to agree the remuneration of the Auditors.

**RESOLUTION 11 – 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 5 May 2009 and that for such period the Section 80 Amount shall be £19,748,171.

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

**RESOLUTION 12 – Disapplication of pre-emption rights**

THAT the power conferred on the Directors by Article 12(B)(ii) of the Articles of Association of the Company be and is hereby renewed for the period ending on 5 May 2009 and that for the period the Section 89 amount shall be £3,825,091.

**RESOLUTION 13 – 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:

- (a) the maximum number of shares that may be purchased is 306,007,313;
- (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 2005 or, if earlier, 5 August 2005 (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;

and, where such shares are held in treasury, the Company may use them for the purposes of its employee share schemes.

#### **RESOLUTION 14 – Amendment to the Articles relating to treasury shares**

THAT the Articles of Association of the Company be and are hereby amended as detailed in the Appendix to the Notice of Annual General Meeting dated 31 March 2004 (a copy of which is presented to the meeting and signed by the Chairman for the purpose of identification).

By Order of the Board

David Parkes  
Company Secretary

6 Carlton Gardens  
London SW1Y 5AD

31 March 2004

#### **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](http://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 5 May 2004 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 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 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.

#### **1. Notes on the Resolutions**

##### **1.1 Resolution 2 – Approval of the Directors' Remuneration Report**

The Directors' Remuneration report has to be laid before shareholders at the AGM and voted on. The report can be found on pages 36 to 45 of the Annual Report 2003 and is summarised on pages 16 and 17 of the Annual Review 2003.

##### **1.2 Resolutions 4, 5 6 and 7 – Directors Standing For Re-election**

Paolo Scaroni is retiring pursuant to Article 85 of the Company's Articles of Association and is not seeking re-election.

The biographies of those directors retiring at the Annual General Meeting who wish to seek re-election are as follows:

**Dr Ulrich Cartellieri – Non-executive Director**

Ulrich Cartellieri, 66, is a member of the Supervisory Board of Deutsche Bank AG and Robert Bosch GmbH. He is a former non-executive director of Karstadt AG (Chairman), Siemens AG (Deputy Chairman), Thyssen AG and Henkel KGaA, and was a member of the board of DEG (the Federal Government owned German investment and development company). He is also a member of the International Advisory Committee of the Federal Reserve Bank of New York. He was appointed to the Board in 1999.

Dr Cartellieri is a member of the Remuneration and Nominations committees.

**Lord Hesketh – Non-executive Director**

Lord Hesketh, 53, joined the Board in 1994. Prior to that he held UK government ministerial positions in the Department of the Environment and the Department of Trade and Industry. He served as Government Chief Whip in the House of Lords between 1991 and 1994, during which time he was made a Privy Councillor. He has had a life long interest in the motor industry, which resulted in him being made an honorary Member of the Institute of Engineers. He is currently non-executive Deputy Chairman of Babcock International Group plc and Chairman of British Mediterranean Airways.

Lord Hesketh is a member of the Nominations Committee.

**Steven Mogford – Chief Operating Officer**

Steve Mogford, 47, joined the company in 1977. After a number of positions in procurement and commercial management he was appointed Managing Director of the Company's Systems and Services Division in 1995 and subsequently Managing Director of the Military Aircraft and Aerostructures business. He was appointed to the Board in 2000 as Chief Operating Officer with specific responsibility for the Company's major programmes. He is a director of the British Quality Foundation.

**George Rose – Group Finance Director**

George Rose, 52, was appointed to the Board as Group Finance Director in 1998 having previously been Director of Finance and Treasury. He is also a member of the shareholder committee of Airbus SAS. Prior to joining the Company he had held a number of finance positions in the motor industry with Ford, Leyland Vehicles, DAF NV in the

Netherlands and Rover Group. He is a non-executive director of Saab AB and National Grid Transco plc and a former non-executive director of Orange plc. He is a member of the Financial Reporting Review Panel and a Fellow of the Institute of Management Accountants.

**1.3 Resolution 8 – Election of Director**

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. Michael Hartnall is required to seek election at this year's meeting.

The Board supports the election of Mr Hartnall believing that the knowledge and experience he brings to the Board complements that of the other non-executive directors. In particular, when appointing Mr Hartnall the Board specifically wished to recruit an individual to chair the Audit Committee. For such an appointment recent and relevant financial experience is essential and the Board believes that, having until recently been the finance director of a FTSE 100 company, Mr Hartnall is ideally suited for this role.

Mr Hartnall's biography is as follows:

**Michael Hartnall**, 61, joined the Board in 2003 having retired as Finance Director of Rexam plc earlier in the year. He was a director of Rexam for 16 years, prior to which he held senior positions with a number of manufacturing companies. In 1998 he was a member of the Hampel Committee on corporate governance. He is a fellow of the Institute of Chartered Accountants in England and Wales.

Mr Hartnall is Chairman of the Audit Committee.

**1.4 Resolutions 11 and 12 – 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 £19,748,171 (the amount shown as the Section 80 Amount in Resolution 11) during the five years from the date of the Annual General Meeting. This amounts to 25.81 per cent of the issued ordinary share capital of the Company and 13.80 per cent of the total issued share capital, as at the date of this Notice. No treasury shares are held by the Company.

It is also proposed to renew, for the same five year 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 £3,825,091 of nominal capital (the amount shown as the Section 89 Amount in Resolution 12), being approximately 5 per cent of the issued ordinary share capital of the Company and 2.67 per cent of the total issued share capital, as at the date of this Notice. This authority will also apply to the sale of any shares held in treasury by the Company, should Resolutions 13 and 14 be passed.

### **1.5 Resolution 13 – 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 306,007,313 Ordinary Shares, this being approximately ten per cent of the issued Ordinary Share capital of the Company as at the date of this notice. There are currently outstanding 124,909,683 options to subscribe for shares, representing 4.08 per cent of the Company's current issued Ordinary Share capital. If the authority was exercised in full, the options would represent 4.53 per cent of the Company's issued Ordinary Share capital. 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.

Pursuant to the Companies Act 1985 (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. No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares. To the extent that any repurchased shares are held in treasury, earnings per share would only be increased until such time as the shares are re-sold or transferred out of treasury.

Authorisation is sought for the Company to use any shares repurchased and held in treasury for the purposes of its employee share schemes. If any treasury shares are used for the purposes of any of the Company's employee share schemes, the Company will, so long as is required under the guidelines of the Association of British Insurers Investment Committee, count them towards the limits contained in such schemes on the number of new shares that may be issued.

### **1.6 Resolution 14 – Amendments to Articles of Association**

This resolution proposes certain changes to the Articles of Association of the Company as more fully set out in the Appendix.

The proposed changes to Articles 2, 9, 12 and 65 insert provisions reflecting recent legislation allowing companies that purchase their own shares the option of holding them "in treasury" for sale at a later date or of transferring them for the purposes of, or pursuant to an employee share scheme. For the period that any shares are held in treasury, all dividend and voting rights will be suspended and, to the extent that shareholders approve any disapplication of pre-emption rights under Resolution 12 or any future similar resolution, such disapplication will also apply to the sale of treasury shares.

## **2. Documents for Inspection**

The Register of Directors' Interests in the share capital of the Company and copies of the executive Directors' service contracts and the non-executive Directors' letters of appointment will be available for inspection during normal business hours 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.

## **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 pm on 3 May 2004 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 pm on 3 May 2004 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

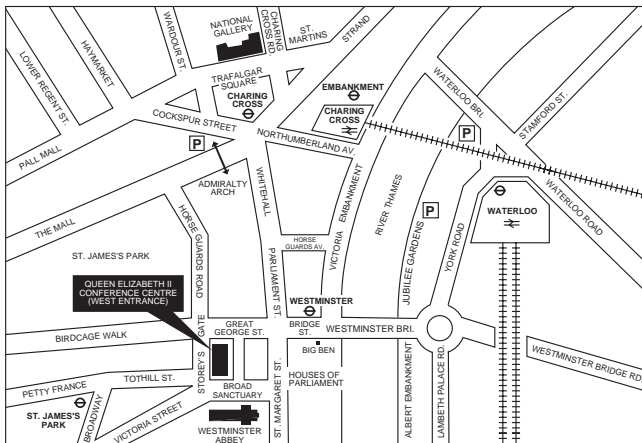
#### 4. Excluded Items

Certain items will not be permitted in the Annual General Meeting. These include bags, cameras, recording equipment, mobile telephones, 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 described above 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



# Appendix

## Amendments to Articles of Association

This is the appendix referred to in Resolution 14 of the Notice of Annual General Meeting dated 31 March 2004, and sets out amendments to be made to the Articles of Association of BAE Systems plc.

### 1. Article 2

1.1 In Article 2 following the paragraph “The expression “subsidiary undertaking” shall have the same meaning as in the Act,” insert the following new paragraph:

“Except where the context otherwise requires, any reference to issued shares of any class (whether of the Company or of any other company) shall not include any shares of that class held as treasury shares.”

### 2. Article 9 (Purchase of shares)

2.1 After the number “9.”, insert “(A)”

2.2 At the end of Article 9, insert the following new paragraph as Article 9 (B):

“(B) The Company may not exercise any right in respect of treasury shares held by it, including any right to attend or vote at meetings, to participate in any offer by the Company to shareholders or to receive any distribution (including in a winding – up), but without prejudice to its right to sell the treasury shares, to receive an allotment of shares as fully paid bonus shares in respect of the treasury shares or to receive any amount payable on redemption of any redeemable treasury shares.”

### 3. Article 12 (Directors’ power to allot)

3.1 In Article 12 (B)(ii), following the words “within the terms of the said authority”, insert the following words:

“and to sell treasury shares wholly for cash”

3.2 In Article 12 (B)(iii), following the words “might require the allotment” insert the following words:

“or sale”

3.3 In Article 12 (B)(iii), following the words “and may allot”, insert the following words:

“or sell”

3.4 In Article 12 (B)(iv)(a), following the words “fixed by the Directors to (i) holders” insert the following words:

“(other than the Company)”

3.5 In the margin reference to Article 12, following the words “Directors’ power to allot”, insert the following words “securities and to sell treasury shares”.

### 4. Article 65 (Suspension of voting etc. rights)

4.1 In Article 65 (C), following the words “issued share capital of the class of shares concerned”, insert the following words:

“(excluding any shares in the Company held as treasury shares)”.