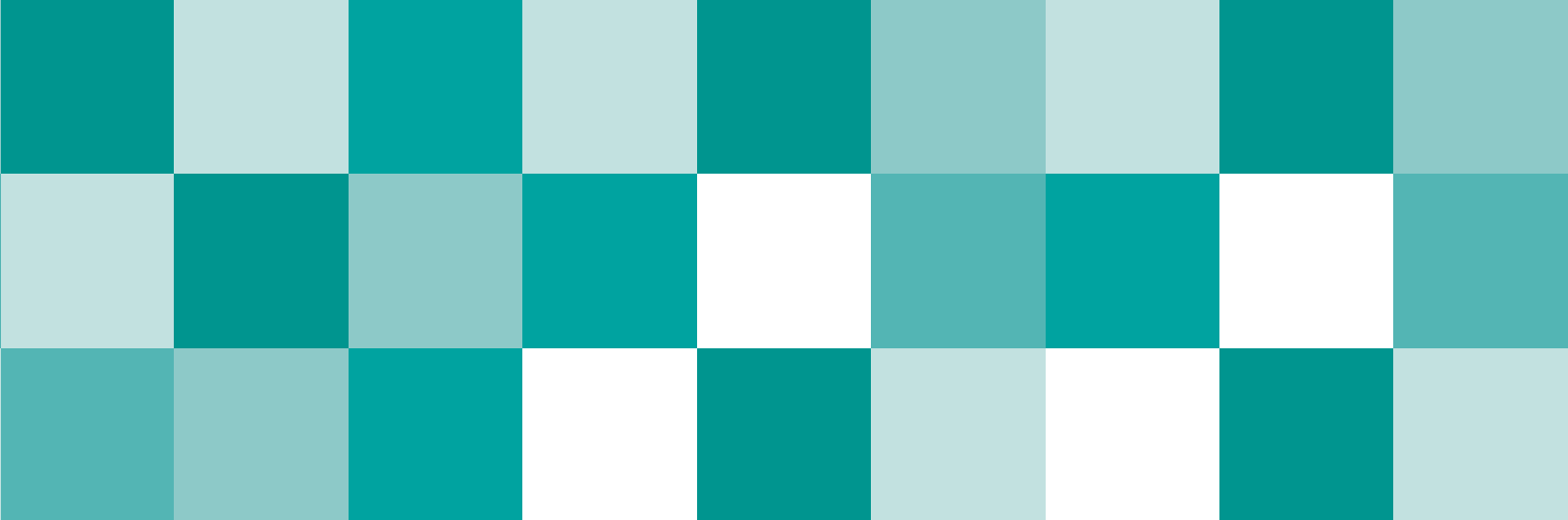


BAE SYSTEMS PLC
ANNUAL GENERAL MEETING
WEDNESDAY 8TH MAY 2013
FIVE, FARNBOROUGH, HAMPSHIRE



FAQS

INTRODUCTION

The Company has produced this information sheet to provide answers to some of the questions most frequently asked about its business.

- Q1** **Is the Company planning to merge with any other companies?** No, we remain focused on delivering sustainable growth in shareholder value from our position as a global defence, aerospace and security company.
- Q2** **Could you explain how a share buyback works and will someone be offering to buy my shares?** The share buyback programme involves the Company buying shares back in the open market. The Company does not approach individual shareholders, who may continue to buy or sell shares in the stock market as before. By buying back its own shares, the Company reduces the total number of shares in issue and correspondingly increases the amount of profits attributable to each share that remains in circulation.
- Q3** **Why has the Company announced a share buyback programme instead of investing the money in the Company itself?** BAE Systems is doing both. The share buyback programme is part of a balanced approach to capital allocation. Cash generated by the Group is also allocated to funding its pension obligations, investing in its existing businesses and paying dividends to shareholders. In addition to the share buyback, the Group also considers investment in value enhancing business acquisitions consistent with its strategy and where they offer greater value than repurchasing the Company's own shares.
- Q4** **What are the Company's plans for its UK shipyards?** In 2009 BAE Systems signed a Terms of Business Agreement with the Ministry of Defence which specified the industrial capabilities required in the UK to design, build, integrate and support complex warships. It also recognised the need for further restructuring of the sector to match future demand post the height of the Carrier programme. We are working closely with the Ministry of Defence to explore all possible options to determine how best to sustain the capability to deliver complex warships in the UK.
- Q5** **Why are you holding the AGM in Farnborough?** We have decided to move the AGM to Farnborough, a location which has strong ties to the Company, in order to obtain better value for our shareholders.
- Q6** **Why were the executive directors awarded bonuses for their performance in 2012 when both revenues and profits were down?** The annual incentive plan is intended to drive and recognise performance against stretching but achievable financial and non-financial targets. Whilst no element of the bonus was paid against the target which relates to EPS (Earnings per Share), the bonus awards for the executive directors in 2012 reflect strong performance against cash targets and against non-financial performance objectives.
- Q7** **What is the Company's current dividend policy?** The Company plans to continue to pay dividends in line with its policy of a long-term sustainable cover of around two times underlying earnings.
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Q8	What are you doing to address your pension deficits?	<p>We have agreed long-term funding plans with the Trustees of each of our pension schemes. These plans aim to eliminate the deficits as calculated at the last actuarial valuation for each scheme.</p> <p>In addition to this, the Company is engaged in a dialogue with the Trustees of our schemes to accelerate some of the deficit funding relating to our UK schemes in recognition of the share repurchase programme that the Company launched earlier this year.</p>
Q9	Are the Company's ethics policies inhibiting its growth in international markets?	<p>No. Exhibiting a consistently responsible approach to business ethics builds trust, transparency and a good reputation with all our stakeholders.</p> <p>Our strategic response to the budget pressures in the US and UK has been to target other international markets and we made excellent progress in 2012 with order intake of £11.2bn in those other markets, more than double the £4.8bn achieved in 2011.</p>
Q10	What is the current status of the price escalation discussions under the Typhoon Salam programme in the Kingdom of Saudi Arabia?	<p>Discussions to formalise Typhoon price escalation continue with our customer.</p>
Q11	Why have I been contacted by people offering to buy my BAE Systems shares at a price that is considerably higher than the current market value?	<p>Unfortunately, "boiler room" scams have affected a large number of listed companies in the last few years. These "scammers" target retail shareholders, cold-calling them by telephone, and typically:</p> <ul style="list-style-type: none">• Offer the shareholder the opportunity to buy shares or carbon credits which often turn out to be worthless or non-existent; <p>or</p> <ul style="list-style-type: none">• Advise the shareholder that the company in which he/she holds shares is about to be taken over, and offer to buy their shares in that company at an inflated price, which may result in shareholders disclosing personal information, surrendering share certificates, or making advance payments to "secure the deal". <p>The issue is being tackled by the UK Financial Conduct Authority, however such frauds are often perpetrated from overseas.</p> <p>The tactics employed by these criminals are constantly changing. Therefore awareness is the main way we can combat such scams and BAE Systems is repeatedly warning shareholders about the need for vigilance in this regard.</p>

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