

Notification of BAE Systems Annual Report 2010 and AGM

Total Performance across our markets

This notice advises you that you can read the full BAE Systems Annual Report 2010 and Notice of Annual General Meeting online at: www.baesystems.com/reporting/ It also provides a brief overview of our performance in 2010.

For more information on the benefits of e-communications see BACK page

Dear Shareholder

I am writing to advise you that the Company's Annual Report for 2010 has been published together with the Notice of Annual General Meeting. These documents are available to be viewed on the Company's Shareholder Reporting website that you can access at:

www.baesystems.com/reporting/

You will see from the 2010 Annual Report that BAE Systems is performing well and the Group's strong position on programmes that provide key capability for customers, together with a large order book, provides good forward visibility.

The Board has recommended a final dividend of 10.5p making a total of 17.5p for the year, an increase of 9.4% over 2009. Subject to shareholder approval at the 2011 Annual General Meeting (AGM), the 2010 final dividend will be paid on 1 June 2011 to shareholders registered on 26 April 2011.

As was the case last year, the Company is utilising the electronic communications provisions that shareholders agreed several years ago which enable us to deliver documents to shareholders via our website. Over time, we believe that significant environmental and financial savings will result from this.

On the back of this document you will find a guide to the Shareholder Reporting website. The Annual Report 2010 is provided on this site in an easy to use format that we hope will help you access easily the information you require from the Report. You will also find the Notice of Annual General Meeting on the website. This year's meeting is to be held on 4 May 2011 at the Queen Elizabeth II Conference Centre, London starting at 11.00am. If you are unable to attend the meeting but wish to vote by proxy you can do so also via the Shareholder Reporting website. Simply click on the shareholder voting icon and use the numbers on the enclosed card to access the voting system – even if you will be attending the meeting you can still vote by proxy and, if you wish, change your vote during the meeting. Alternatively, you can vote by proxy using the enclosed card.

The AGM is an important part of the Company's governance that allows shareholders to understand more about BAE Systems and ask questions on the resolutions that are to be put to the meeting. If, ahead of the meeting, you would like to ask a question in relation to the business to be discussed at the AGM, you can do so online on the Shareholder Reporting website. We will provide written answers dealing with those topics that feature most frequently in your questions. These will be published on the day of the AGM and be available to everyone attending the meeting; they will also be posted on our website.

Overleaf you will see the top-level financial figures in respect of the Company's performance in 2010 and an overview of the different businesses within the BAE Systems Group. This is just a brief summary and is not a substitute for the full Report that can be accessed online.

Finally, I would like to highlight the importance I place on communications with our shareholders and the central role the AGM plays in this. I want attendance at our AGM to be an interesting and worthwhile experience, allowing directors to report on their stewardship of the Company and to answer shareholders' questions on this. I hope as many shareholders as possible are able to attend and participate in the meeting on 4 May.

Yours sincerely



Dick Oliver, Chairman
29 March 2011



It is recommended that you read the full Notice of Annual General Meeting before taking a decision on how to vote at the Annual General Meeting. It is also recommended that you read the full BAE Systems Annual Report 2010. This notice does not set out the matters on which shareholders are being asked to vote at the Annual General Meeting and is not a substitute for such documents.

If you have sold or otherwise transferred all your shares in BAE Systems plc, please forward this document at once 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. If you have sold or otherwise transferred only part of your holding of shares, you should retain this document.

BAE SYSTEMS

BAE Systems at a glance

BAE Systems is a global defence and security company with approximately 98,200 employees² worldwide. The Group delivers a full range of products and services for air, land and naval forces, as well as advanced electronics, security, information technology solutions and support services.

2010 performance summary

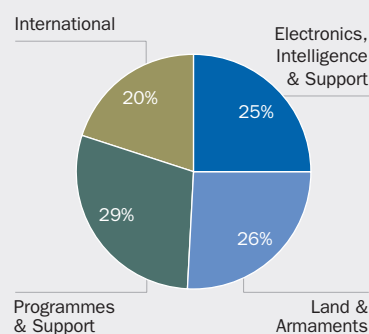
RESULTS IN BRIEF

Results from continuing operations	2010	Restated ¹ 2009
Sales ²	£22,392m	£21,990m
Underlying EBITA ³	£2,214m	£2,197m
Operating profit	£1,636m	£966m
Underlying earnings ⁴ per share	40.8p	40.1p
Basic earnings/(loss) per share ⁵	28.9p	(2.3)p
Order book ⁶	£39.7bn	£46.3bn
Other results including discontinued operations		
Dividend per share	17.5p	16.0p
Cash inflow from operating activities	£1,535m	£2,232m
Net (debt)/cash (as defined by the Group)	£(242)m	£403m

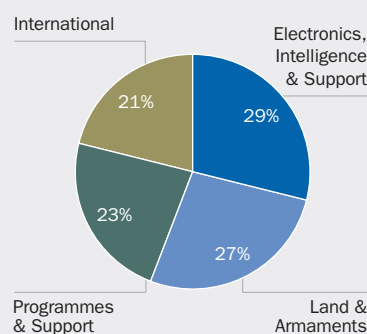
KEY POINTS – FINANCIAL

- Headline sales² growth of 1.8%
- Underlying EBITA³ up 0.8% to £2,214m (2009 £2,197m) after a charge of £100m taken in respect of the terminated Trinidad and Tobago ship contract
- Underlying earnings⁴ per share increased by 1.7% to 40.8p (2009 40.1p)
- The total dividend has increased by 9.4% to 17.5p (2009 16.0p)
- £500m market purchase of shares completed

SALES^{2,7,8} BY OPERATING GROUP (%)



UNDERLYING EBITA^{2,3,8} BY OPERATING GROUP (%)



For more information visit
www.baesystems.com

BAE Systems, Inc.

Electronics, Intelligence & Support (EI&S)

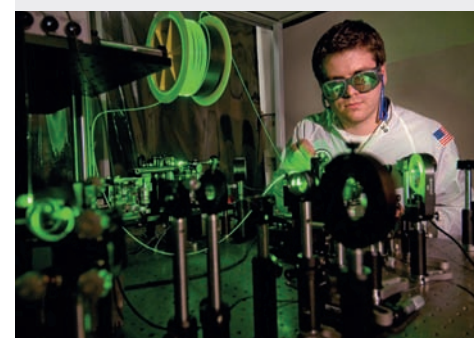
Principal operations

EI&S provides a wide range of electronic systems and subsystems for military and commercial applications, technical and professional services for US national security and federal markets, and ship repair and modernisation services.

Electronic Solutions
Intelligence & Security
Platform Solutions
Support Solutions

Main home markets

US
UK



Key points

- Acquisitions of Atlantic Marine and OASYS Technology completed
- Central operating group headquarters closed as part of the restructuring of BAE Systems, Inc.
- Continued to perform on legacy programmes and secured several strategic contract awards in new markets
- US Army qualified IMX-101 as a safer and effective alternative for the potential replacement of TNT in artillery
- Strong ship repair performance continued, with order intake totalling \$1bn (£0.6bn) in 2010

Sales^{2,7}

£5,653m

No. of employees²

30,800

For more information visit
www.baesystems.com/businesses/

1 Restated following the sale of half of the Group's 20.5% shareholding in Saab AB and subsequent classification as a discontinued operation.
2 Including share of equity accounted investments.
3 Earnings before amortisation and impairment of intangible assets, finance costs and taxation expense (EBITA) excluding non-recurring items.
4 Earnings excluding amortisation and impairment of intangible assets, non-cash finance movements on pensions and financial derivatives, and non-recurring items.

5 Basic earnings/(loss) per share in accordance with International Accounting Standard 33.
6 Including share of equity accounted investments' order books and after the elimination of intra-group orders of £1.5bn (2009 £1.7bn).
7 Before elimination of intra-group sales.
8 Excluding HQ & Other Businesses.

Land & Armaments

Principal operations

Land & Armaments designs, develops, produces, supports and upgrades armoured combat vehicles, tactical wheeled vehicles, naval guns, missile launchers, artillery systems, munitions and law enforcement products.

Global Combat Systems
Global Tactical Systems
Security & Survivability
US Combat Systems
Products Group

Main home markets

US
UK



Key points

- Restructured to create a leaner, more responsive business to meet customers' needs
- Net headcount reduced by 5,500 (including contractors)
- Demand continues for land vehicle Readiness & Sustainment
- Continued progress in pursuit of supply chain efficiencies
- Continued Mine Resistant Ambush Protected vehicle activity

Sales^{2,7}

£5,930m

No. of employees²

16,100

For more information visit
www.baesystems.com/businesses/landarmaments/

Programmes & Support

Principal operations

Programmes & Support primarily comprises the Group's UK-based air, maritime and Cyber & Intelligence activities.

Military Air Solutions
BAE Systems Surface Ships
Submarine Solutions
Detica
Integrated System Technologies

Main home markets

UK



Key points

- £537m Hawk India contract secured
- Third Type 45 destroyer accepted off contract and sixth launched
- HMS Astute acceptance completed and second boat, Ambush, launched
- Nimrod MRA4 programme terminated and Harrier to be taken out of service in 2011 following Strategic Defence and Security Review (SDSR)
- Continued rationalisation and efficiency activity across the operating group and alignment of cost base post SDSR

Sales^{2,7}

£6,680m

No. of employees²

31,600

For more information visit
www.baesystems.com/businesses/programmingsupport/

International

Principal operations

International comprises the Group's businesses in Australia, India and Saudi Arabia, together with interests in the pan-European MBDA joint venture and Air Astana.

BAE Systems Saudi Arabia
BAE Systems Australia
BAeHAL Software (40% shareholding)
Defence Land Systems India (26% shareholding)
MBDA (37.5% interest)
Air Astana (49% shareholding)

Main home markets

Australia
India
Saudi Arabia



Key points

- A further ten Typhoon aircraft delivered under the Salam programme
- Typhoon operational capability being provided under the support contract
- 157 Tactica vehicles accepted by the Saudi Arabia National Guard
- BAE Systems Australia selected as Lockheed Martin's partner for maintenance and upgrade support on the Australian F-35 programme
- Defence Land Systems India Private Limited joint venture became operational

Sales^{2,7}

£4,534m

No. of employees²

17,200

For more information visit
www.baesystems.com/businesses/international/

Cautionary statement: All statements other than statements of historical fact included in this document, including, without limitation, those regarding the financial condition, results, operations and businesses of BAE Systems and its strategy, plans and objectives and the markets and economies in which it operates, are forward-looking statements. Such forward-looking statements which reflect management's assumptions made on the basis of information available to it at this time, involve known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of BAE Systems or the markets and economies in which BAE Systems operates to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Nothing in this document shall be regarded as a profit forecast. BAE Systems plc and its directors accept no liability to third parties in respect of this report save as would arise under English law.

BAE Systems online

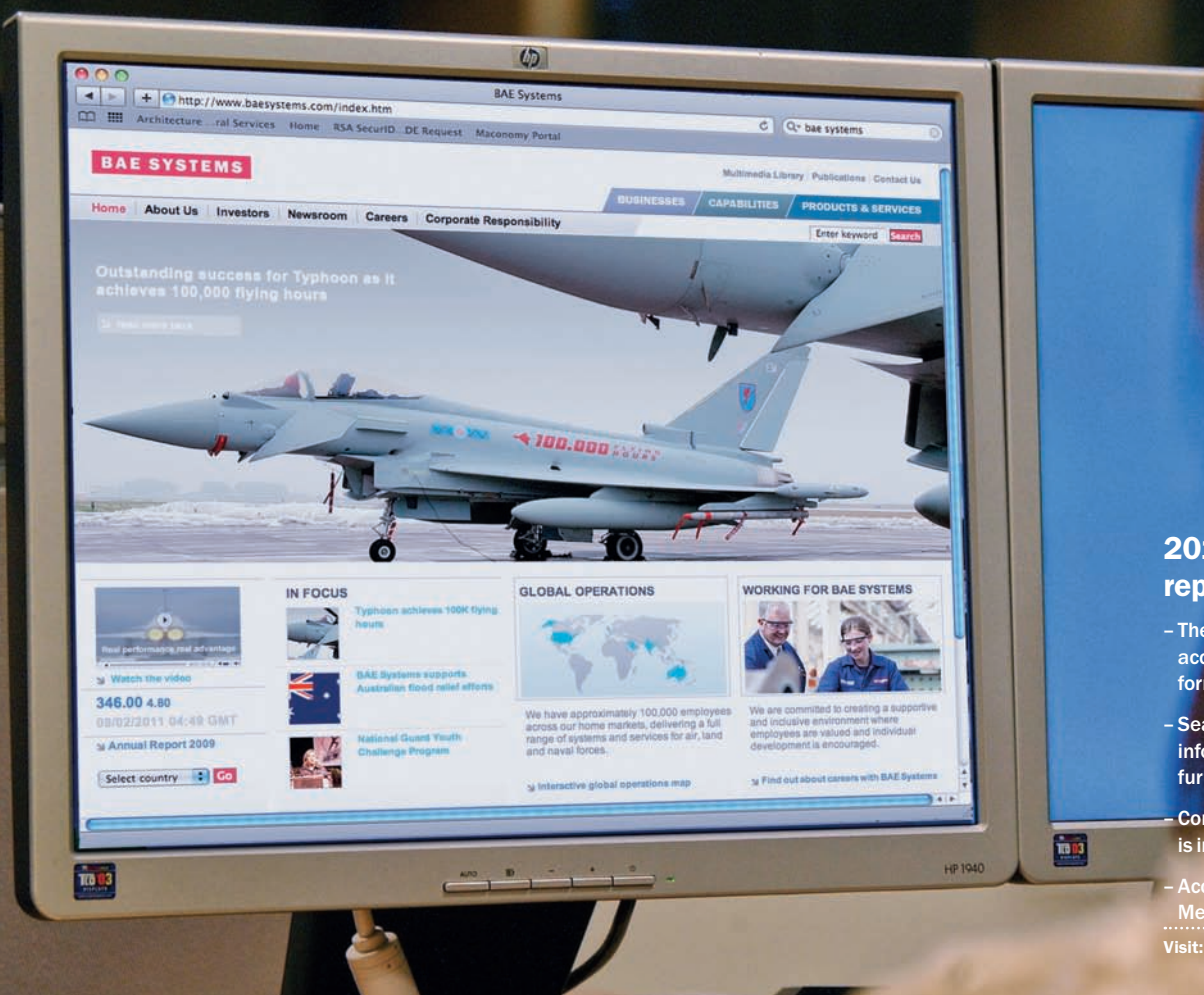
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- The Annual Report 2010 is accessible in pdf or interactive format
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 - Corporate responsibility information is integrated into the Annual Report
 - Access the Notice of Annual General Meeting and vote online
- Visit: www.baesystems.com/reporting/

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