

NOTICE OF ANNUAL GENERAL MEETING 2013



**This year's Annual General Meeting
will be held at 11:00am on
Wednesday 8th May 2013 at
FIVE (Farnborough International
Venue & Events), Farnborough,
Hampshire GU14 6FD**

This Notice of Meeting 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.

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 2012 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. We will provide responses to frequently raised topics 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.

A sandwich lunch will be provided for shareholders attending the AGM.

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.

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

Please see the map on page 8 of this document.

By Road

FIVE is situated in Farnborough, Hampshire, to the south west of London, close to Junction 4 of the M3. Follow the Farnborough/FIVE signs on all major routes.

SatNav users should enter 'GU14 6AZ' for directions to the Queen's Roundabout. From the roundabout, take Government House Road (Aerospace Boulevard) and follow the signs to FIVE via Gate F.

Free parking is available at FIVE in the designated car park.

By Rail

The main train station in Farnborough is Farnborough Main. Other rail stations in the vicinity of FIVE include North Camp and Aldershot. Please visit www.nationalrail.co.uk or phone 08457 484950 for rail travel information.

A complimentary shuttle bus service will be provided between Farnborough Main train station and FIVE. A return service to Farnborough Main will be provided after the meeting.

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 FIVE (Farnborough International Venue & Events), Farnborough, Hampshire GU14 6FD on Wednesday 8 May 2013 at 11.00 am for the purpose of transacting the following business:

To consider, and if thought fit, to pass the following Resolutions 1-17, 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 2012 and the Directors' Report and Auditors' Report thereon now laid before this meeting be and are hereby received.

RESOLUTION 2 – Approval of the Directors' Remuneration Report

THAT the Directors' remuneration report for the year ended 31 December 2012 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 2012 of 11.7 pence per ordinary share be and is hereby declared payable on 3 June 2013 to Ordinary Shareholders whose names appeared on the Register of Members at the close of business on 19 April 2013.

RESOLUTION 4 – Re-election of director

THAT Paul Anderson be and is hereby re-elected a Director of the Company.

RESOLUTION 5 – Re-election of director

THAT Harriet Green be and is hereby re-elected a Director of the Company.

RESOLUTION 6 – Re-election of director

THAT Linda Hudson be and is hereby re-elected a Director of the Company.

RESOLUTION 7 – Re-election of director

THAT Ian King be and is hereby re-elected a Director of the Company.

RESOLUTION 8 – Re-election of director

THAT Peter Lynas be and is hereby re-elected a Director of the Company.

RESOLUTION 9 – Re-election of director

THAT Lee McIntire be and is hereby re-elected a Director of the Company.

RESOLUTION 10 – Re-election of director

THAT Richard Oliver be and is hereby re-elected a Director of the Company.

RESOLUTION 11 – Re-election of director

THAT Paula Rosput Reynolds be and is hereby re-elected a Director of the Company.

RESOLUTION 12 – Re-election of director

THAT Nicholas Rose be and is hereby re-elected a Director of the Company.

RESOLUTION 13 – Re-election of director

THAT Carl Symon be and is hereby re-elected a Director of the Company.

RESOLUTION 14 – 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 15 – 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 16 – Political Donations

THAT

- (i) 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 (the "2006 Act") 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 2014 or 30 June 2014:
- (a) to make political donations to political parties, and/or independent election candidates;
- (b) to make political donations to political organisations other than political parties; and
- (c) to incur political expenditure, up to an aggregate amount of £100,000, and the amount authorised under each of paragraphs (a) to (c) shall also be limited to such amount; and

- (ii) all existing authorisations and approvals relating to political donations or expenditure under Part 14 of the 2006 Act are hereby revoked without prejudice to any donation made or expenditure incurred prior to the date hereof pursuant to such authorisation or approval; and
- (iii) words and expressions defined for the purpose of the 2006 Act shall have same meaning in this resolution.

RESOLUTION 17 – Authority to allot new shares

THAT

- (i) the authority conferred on the Directors by Article 8(B)(i) of the Company's Articles of Association be renewed for the period ending at the conclusion of the Company's Annual General Meeting in 2014 or on 30 June 2014, whichever is the earlier, and for such period the Section 551 Amount shall be £27,047,828;
- (ii) the Directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with Section 551 of the 2006 Act to exercise all the powers of the Company to allot shares or grant rights to subscribe for or to convert any security into shares comprising equity securities (as defined in Section 560(1) of the 2006 Act) up to a further nominal amount of £27,047,828 in connection with an offer by way of a rights issue, such authority to expire at the conclusion of the Company's Annual General Meeting in 2014 or on 30 June 2014, 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 shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority ends.

The authorities in this Resolution apply in substitution for all previous authorities pursuant to Section 551 of the 2006 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 18 to 20 which will be proposed as SPECIAL RESOLUTIONS:

RESOLUTION 18 – Disapplication of pre-emption rights

THAT subject to the passing of Resolution 17 above,

- (i) the power conferred on the Directors by Article 8(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 561 Amount shall be £4,057,579. Such authority shall be in substitution for all previous powers pursuant to Section 561 of the 2006 Act; and
- (ii) the Directors be and are empowered to allot equity securities (as defined in Section 560(1) of the 2006 Act) wholly for cash pursuant to the authority given by paragraph (ii) of Resolution 17 above in connection with a rights issue, as if Section 561(1) of the 2006 Act did not apply to any such allotment, such power to expire at the conclusion of the Company's Annual General Meeting in 2014 or on 30 June 2014, 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.

For the purposes of this resolution "rights issue" has the same meaning as in Resolution 17 above.

NOTICE OF ANNUAL GENERAL MEETING (continued)

RESOLUTION 19 – Authority to purchase own shares

THAT the Company be and is hereby unconditionally and generally authorised for the purposes of Section 701 of the 2006 Act to make market purchases (as defined in Section 693 of the 2006 Act) of its 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 324,606,396;
- (b) the minimum price which may be paid for each share is 2.5p;
- (c) the maximum price which may be paid for each share is the higher of (i) 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 (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange as stipulated in Article 5(1) of the Buy-back and Stabilisation Regulation; and
- (d) this authority shall expire at the conclusion of the Annual General Meeting of the Company held in 2014 or, if earlier, 30 June 2014 (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 20 – 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

28 March 2013

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. Electronic proxy appointments must be received no later than 11.00 am UK time on 6 May 2013. CREST members who wish to appoint proxies through the CREST electronic appointment service should refer to paragraphs 12-15 below.
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, West Sussex BN99 6DA not later than 11.00 am UK time on 6 May 2013, 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 11.00 am UK time on 6 May 2013.
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.
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.

NOTICE OF ANNUAL GENERAL MEETING (continued)

10. Entitlement to attend and vote at the meeting, and the number of votes which may be cast at the meeting, will be determined by reference to the Company's Register of Members at 6.00 pm on 6 May 2013 or, if the meeting is adjourned, 6.00 pm two days before the time fixed for the adjourned meeting (as the case may be). 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 17 March 2013 (being the latest practicable business day prior to the publication of this Notice) the Company's issued share capital consisted of 3,581,622,855 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 335,558,888 as of 17 March 2013) 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 17 March 2013 is 3,246,063,967. 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 (unless the proxy is appointed by more than one shareholder in which case the proxy has one vote for and one vote against if (a) the proxy has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution; or if (b) the proxy has been instructed by one or more shareholders to vote either for or against the resolution and by one or more shareholders to use his discretion how to 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 (available via www.euroclear.com/CREST). 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 UK & Ireland Limited'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, Equiniti (ID RA19), no later than 11.00 am on 6 May 2013, 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 proxies 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 UK and Ireland Limited 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 system 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. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
17. Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company 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) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company 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.
18. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation of the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
19. A copy of this notice, and other information required by s311A of the Company's Act 2006, can be found at www.baesystems.com/reporting.
20. Shareholders may not use any electronic address provided in this Notice or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

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 93 to 113 of the Company's Annual Report 2012.

1.2 Resolutions 4-13 – 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, and that all Directors appointed by the Board should seek election at the Annual General Meeting immediately following their appointment. The UK Corporate Governance Code requires all directors of FTSE 350 companies to be subject to annual election by shareholders. The Board has agreed that all Directors, whether or not required by the Articles of Association to seek re-election at the 2013 Annual General Meeting, will be subject to re-election at the 2013 Annual General Meeting.

The Chairman has confirmed that each of the Non-executive directors who are seeking re-election (being Paul Anderson, Harriet Green, Lee McIntire, Paula Rosput Reynolds, Nick Rose and Carl Symon), 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 Chairman himself is also seeking re-election to the Board. On the basis of the feedback received through the Board's performance evaluation process, Nick Rose, in his capacity as Senior Independent Director, confirms that Dick Olver continues to be an effective Chairman and demonstrates commitment to his role as Chairman.

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

Paul Anderson – Non-executive director

Appointed to the Board: 2009

Nationality: US

Skills and experience: Paul Anderson has extensive global business experience in the energy and mining sectors. He spent more than 20 years in two spells at Duke Energy Corporation and its predecessor companies, culminating in his appointment as Chairman, President and Chief Executive Officer. He was subsequently Chairman of Spectra Energy Corporation until 2009 and in the intervening period he served as Managing Director and Chief Executive Officer of BHP and, subsequently, of the newly merged BHP Billiton.

Other appointments: Non-executive director of BP p.l.c.

Other past appointments: Non-executive director of BHP Billiton plc, Qantas Airways Limited and Spectra Energy Corporation

Committee membership: Chairman of the Corporate Responsibility Committee and member of the Nominations Committee

Harriet Green OBE – Non-executive director

Appointed to the Board: 2010

Nationality: British

Skills and experience: Appointed as Chief Executive Officer and executive director of Thomas Cook Group plc in July 2012. She was previously Chief Executive Officer and executive director of Premier Farnell plc, a leading, high service, multi-channel technology distribution group. Harriet Green has significant global business experience having run volume distribution businesses in four continents for Premier Farnell and volume distributor, Arrow Electronics, Inc.

Other appointments: Non-executive director of Emerson Electric Co.

Committee membership: Corporate Responsibility Committee

Linda Hudson – President and Chief Executive Officer of BAE Systems, Inc.

Appointed to the Board: 2009

Nationality: US

Skills and experience: Appointed to the Board as President and Chief Executive Officer of BAE Systems, Inc., Linda Hudson was previously President of the Company's US-based Land & Armaments business. She joined the Company in 2006 from General Dynamics where she had worked since 1992 in a variety of roles culminating in her appointment as Corporate Vice President and President, Armament and Technical Products.

Other appointments: Member of the Bank of America Board of Directors, the Smithsonian National Air and Space Museum Board of Directors, the Executive Committee of the Aerospace Industries Association, and the University of Florida Foundation Board. She also serves on advisory boards for the University of Florida's College of Engineering.

Committee membership: Non-Executive Directors' Fees Committee

Ian King – Chief Executive

Appointed to the Board: 2007

Nationality: British

Skills and experience: Appointed as Chief Executive in 2008 having been originally appointed to the Board as Chief Operating Officer, UK and Rest of the World. He was previously Group Managing Director of the Company's Customer Solutions & Support business and, prior to that, Group Strategy and Planning Director. Prior to the BAe/MES merger he was Chief Executive of Alenia Marconi Systems, having previously served as Finance Director of Marconi Electronic Systems.

Other appointments: Non-executive director and Senior Independent Director of Rotork plc

Committee membership: Non-Executive Directors' Fees Committee

Peter Lynas – Group Finance Director

Appointed to the Board: 2011

Nationality: British

Skills and experience: Peter Lynas, a qualified accountant, was appointed to the Board as Group Finance Director in April 2011. He previously served for a number of years as Director, Financial Control, Reporting & Treasury. He joined GEC-Marconi in 1985 having previously worked for other companies in the UK and Europe. After progressing through a number of positions he was appointed Finance Director of GEC's Marconi Electronic Systems business, which was subsequently acquired by British Aerospace in 1999 to become BAE Systems.

Lee McIntire – Non-executive director

Appointed to the Board: 2011

Nationality: US

Skills and experience: Lee McIntire is Chairman and Chief Executive of CH2M HILL, a leader in consulting, design, design-build, operations, risk management and programme management for public and private clients. Prior to joining CH2M HILL, he was an executive at Bechtel Group Inc., where he served on the board of directors and was Executive Vice President for the parent company.

Committee membership: Remuneration Committee

Dick Olver – Chairman

Appointed to the Board: 2004

Nationality: British

Skills and experience: A chartered civil engineer with extensive experience of managing complex international engineering projects, he held a variety of senior management positions in the oil industry culminating in his appointment to the board of BP p.l.c. as CEO of Exploration and Production in 1998. Subsequently appointed Deputy Group Chief Executive of BP in 2003, stepping down from that role when he assumed the chairmanship of BAE Systems.

Other appointments: Member of the Prime Minister's Business Advisory Group, Business Ambassador for UK Trade & Investment, and member of the Prime Minister's India/UK CEO Forum. Also a member of the Multinational Chairman's Group and the Trilateral Commission, a Fellow of the Royal Academy of Engineering, Chairman of the Education for Engineering (E4E) Policy Group, and adviser to HSBC and Clayton, Dubilier & Rice.

Other past appointments: Non-executive director of Thomson Reuters plc.

Committee membership: Chairman of the Nominations Committee and of the Non-Executive Directors' Fees Committee

NOTES ON THE RESOLUTIONS (continued)

Paula Rosput Reynolds – Non-executive director Appointed to the Board: 2011

Nationality: US

Skills and experience: Paula Rosput Reynolds is Chief Executive Officer and President of the business advisory group, PreferWest, LLC. She had previously spent over 20 years in the energy sector in a variety of operational roles, culminating in her appointment as President and Chief Executive Officer of AGL Resources in 2002. She subsequently served as President and Chief Executive Officer of Safeco Corporation, an insurance company located in Seattle, Washington, until its acquisition by Liberty Mutual Group in 2008. She was then appointed as Vice Chairman and Chief Restructuring Officer of American International Group Inc. (AIG) from October 2008 to September 2009, overseeing AIG's divestiture of assets and serving as chief liaison with the Federal Reserve Bank of New York.

Other appointments: Non-executive director of Delta Air Lines, Inc., Anadarko Petroleum Corporation and TransCanada Corporation.

Other past appointments: Non-executive director of Coca-Cola Enterprises, Inc. and Air Products and Chemicals Inc.

Committee membership: Audit Committee

Nick Rose – Non-executive director and Senior Independent Director Appointed to the Board: 2010

Nationality: British

Skills and experience: Nick Rose held the position of Chief Financial Officer of Diageo plc for over ten years until October 2010 where, in addition to his finance responsibilities, he was also responsible for supply, procurement, strategy and IT on a global basis. His financial experience has encompassed a number of roles since joining Diageo's predecessor company, Grand Metropolitan, in 1992, including group treasurer and group controller, having spent his earlier career with Ford Finance. He assumed the chairmanship of the Company's Audit Committee in August 2011 and was appointed as the Company's Senior Independent Director on 21 January 2013.

Other appointments: Chairman of Williams Grand Prix Holdings plc and Edwards Group Limited. Non-executive director of BT Group plc

Other past appointments: Non-executive director of Moët Hennessy SNC and Scottish Power plc

Committee membership: Chairman of the Audit Committee and member of the Nominations and Remuneration Committees

Carl Symon – Non-executive director

Appointed to the Board: 2008

Nationality: US/British

Skills and experience: Carl Symon has an extensive background in global business operations and management, retiring in 2001 after a long career at IBM during which he held senior executive positions in the USA, Canada, Latin America, Asia and Europe, including that of Chairman and Chief Executive officer of IBM UK.

Other past appointments: Non-executive director of BT Group plc, Rexam PLC and Rolls-Royce Group plc, and Chairman of HMV Group plc

Committee membership: Chairman of the Remuneration Committee

1.3 Resolution 16 – 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 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 subsidiaries to make political donations and to incur political expenditure during the period from the date of the Annual General Meeting to the conclusion of next year's Annual General Meeting or 30 June 2014, whichever is earlier, up to a maximum aggregate amount of £100,000.

1.4 Resolutions 17 and 18 – Authority to issue shares

Resolution 17 – Authority to allot shares

The purpose of Resolution 17 is to renew the Directors' power to allot shares.

The authority in paragraph (i) will allow the Directors to allot new shares and grant rights to subscribe for or convert any securities into shares up to a nominal value of £27,047,828 which is equivalent to approximately 33 per cent of the total issued ordinary share capital of the Company, exclusive of treasury shares, as at 17 March 2013, the latest practicable date prior to publication of this Notice.

The authority in paragraph (ii) will allow the Directors to allot new shares and grant rights to subscribe for or convert any securities into shares in connection with a rights issue up to a further nominal value of £27,047,828. This amount is equivalent to approximately 33 per cent of the total issued ordinary share capital of the Company, exclusive of treasury shares, as at 17 March 2013, the latest practicable date prior to publication of this Notice, and is in addition to the amount detailed in paragraph (i) of the resolution. This is in line with corporate governance guidelines. In accordance with those guidelines, the Board would seek re-election at the next Annual General Meeting if the authority in paragraph (ii) was used.

At 17 March 2013, the Company held 335,558,888 treasury shares which represents 10.34 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 2014 and the end of the Annual General Meeting in 2014.

Resolution 18 – Disapplication of pre-emption rights

If the Directors wish to allot new ordinary 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 18 is to authorise the Directors to allot new ordinary shares and other equity securities pursuant to the authority given by paragraph (i) of Resolution 17, or sell treasury shares, for cash (a) in connection with a pre-emptive offer and (b) otherwise up to a nominal value of £4,057,579, equivalent to approximately 4.53 per cent of the total issued ordinary share capital of the Company including treasury shares as at 17 March 2013, 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 18 is to authorise the Directors to allot new ordinary shares and other equity securities pursuant to the authority given by paragraph (ii) of Resolution 17, including the sale of 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 18 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 guidelines of the statutory pre-emption provisions.

1.5 Resolution 19 – 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.

NOTES ON THE RESOLUTIONS (continued)

Authority is sought for the Company to purchase up to 10 per cent of its issued ordinary shares (excluding treasury shares), renewing the authority granted by the shareholders at previous annual general meetings.

Ordinary shares purchased by the Company pursuant to this authority may be held in treasury or may be cancelled. The minimum price, exclusive of expenses, which may be paid for an ordinary share is 2.5p, being the par value of an ordinary share. The maximum price, exclusive of expenses, which may be paid for each share purchased in the market is the higher of (i) an amount equal to 105 per cent of the average market value for an ordinary share for the five business days immediately preceding the purchase, and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange.

The number of ordinary shares which may be acquired pursuant to the authority is up to an aggregate of 324,606,396 ordinary shares, this being approximately 10 per cent of the issued ordinary share capital of the Company (exclusive of treasury shares) as at 17 March 2013, the latest practicable date prior to the publication of this Notice. As at 17 March 2013 there were 40,546,916 options to subscribe for ordinary shares outstanding, representing 1.25 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 1.39 per cent of the Company's issued ordinary share capital (excluding treasury shares).

This authority will last until the earlier of the Company's Annual General Meeting in 2014 and 30 June 2014.

Pursuant to the Companies Act 2006, the Company can hold the shares which have been repurchased as treasury shares and either re-sell 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. This provides 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 has stated that, as part of the allocation of capital, it would expect to make accelerated returns of capital to shareholders when the balance sheet allows. Consistent with this approach, the Company announced on 21 February 2013 a three year on-market share repurchase programme of up to £1 billion. Full implementation of this programme is subject to satisfactory resolution of Salam Typhoon price escalation negotiations. Shares repurchased under this programme are being made pursuant to the share buy-back authority granted by shareholders at the 2012 AGM. Following the Annual General Meeting this year, the Directors intend to continue making share repurchases pursuant to this programme, subject to the passing of Resolution 19 by shareholders at the Annual General Meeting. The Directors currently intend that if any shares are bought back under this authority, they will be cancelled.

The Company will only purchase ordinary shares if the Directors believe that it is in the shareholders' best interests and will increase earnings per share.

1.6 Resolution 20 – Notice of general meetings

Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increase the notice period required for general meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. AGMs will continue to be held on at least 21 clear days' notice.

Before the coming into force of the Shareholders' Rights Regulations in August 2009, the Company was able to call general meetings other than an AGM on 14 clear days' notice without obtaining such shareholder approval. The Company has previously obtained shareholder approval to preserve the ability to call general meetings other than an AGM on 14 clear days' notice. Resolution 20 seeks approval of the renewal of this authority which will be effective until the Company's next Annual General Meeting in 2014, when it is intended that a similar resolution will be proposed.

The shorter notice period would not be used as a matter of routine for such meetings. However the flexibility offered by this resolution will be used where, taking into account all the circumstances, the Directors consider this appropriate in relation to the particular issues to be considered at the general meeting in question.

2. Documents for Inspection

The Register of Directors' Interests in the share capital of the Company, copies of the executive Directors' service contracts, the Chairman and non-executive Directors' letters of appointment, and the Directors' Indemnities, will be available for inspection during normal business hours on Monday to Friday each week (public holidays excepted) at the Company's registered office from the date of this 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. Excluded Items

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

GETTING TO FIVE

By Road

FIVE is situated in Farnborough, Hampshire, to the south west of London, close to Junction 4 of the M3. Follow the Farnborough/FIVE signs on all major routes.

SatNav users should enter 'GU14 6AZ' for directions to the Queen's Roundabout. From the roundabout, take Government House Road (Aerospace Boulevard) and follow the signs to FIVE via Gate F.

Free parking is available at FIVE in the designated car park.

By Rail

The main train station in Farnborough is Farnborough Main. Other rail stations in the vicinity of FIVE include North Camp and Aldershot. Please visit www.nationalrail.co.uk or phone 08457 484950 for rail travel information.

A complimentary shuttle bus service will be provided between Farnborough Main train station and FIVE. A return service to Farnborough Main will be provided after the meeting.

