

Notification of BAE Systems plc Annual Report 2021 and AGM

This notice advises you that you can read the full BAE Systems plc Annual Report 2021 and Notice of Annual General Meeting online at: www.baesystems.com/reporting

It also provides a brief overview of our performance in 2021. For more information on e-communications, see the back page of this document.

Annual General Meeting – 5 May 2022

Dear Shareholder

I am writing to advise you that the Company's Annual Report for 2021 has been published together with the Notice of Annual General Meeting. These documents are available to be viewed on the Company's AGM website page that you can access at: www.baesystems.com/reporting

This year's Annual General Meeting is to be held on Thursday 5 May 2022 at 11.00am.

The meeting will be held as a combined physical and electronic meeting, thereby enabling shareholders to attend at the physical meeting venue or to attend remotely via use of an electronic platform.

The physical meeting will be held at Hall 5, Farnborough International Exhibition and Conference Centre, Farnborough, Hampshire GU14 6QT. Physical attendance remains subject to any prevailing UK government regulations in respect of COVID-19 that may be in place at the time of the AGM.

Access to the meeting electronically will be via the following link:

<https://web.lumiagm.com/154-791-916>

Please see the online guide on the reverse of the enclosed shareholder voting instruction card for further information about participating in the meeting remotely via the above electronic platform. As set out in the online guide, access to the Lumi platform will be available an hour before the meeting starts. The meeting reference number is: 154-791-916.

If you are unable to attend the meeting, either in person or electronically, but wish to vote by proxy, you can do so via the AGM website page at www.baesystems.com/reporting. Simply click on the shareholder voting icon and use the IDs and shareholder reference number on the enclosed shareholder voting

instruction card to access the voting system. Please note that your votes must be registered by no later than 11.00am on Tuesday 3 May 2022.

Financial results

Opposite you will see the top-level financial figures in respect of the Company's performance in 2021 and, overleaf, 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 Annual Report that can be accessed online.

The Board has recommended a final dividend of 15.2p per share making a total of 25.1p per share in respect of the year ended 31 December 2021, an increase of 6% over the dividend in respect of the year ended 31 December 2020. Subject to shareholder approval at the 2022 AGM, the 2021 final dividend will be paid on 1 June 2022 to shareholders registered on 22 April 2022.

Yours sincerely



Sir Roger Carr
Chairman
30 March 2022

Important information

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 plc Annual Report 2021. 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.

Financial highlights

Sales¹

£21,310m (2020 £20,862m)
5% growth²

Underlying EBIT³

£2,205m (2020 £2,037m)
13% growth²

Underlying earnings per share excluding one-off tax benefit⁴

47.8p (2020 44.3p) 50.7p
12% growth² Including 2021
one-off tax benefit

Free cash flow⁵

£1,864m (2020 £1,367m)
£497m higher

Net debt (excluding lease liabilities)⁶

£(2,160)m (2020 £(2,718)m)
£558m decrease

Order intake⁷

£21,458m (2020 £20,915m)
£543m increase

Order backlog⁸

£44.0bn (2020 £45.2bn)
£1.2bn decrease

Dividend per share

25.1p (2020 23.7p)
6% growth

BAE SYSTEMS

Financial highlights

Sales¹ increased by £0.4bn to £21.3bn (2020 £20.9bn), a 5% increase on a constant currency basis².

Underlying EBIT³ increased to £2,205m (2020 £2,037m), giving a return on sales of 10.3% (2020 9.8%). Excluding the impact of exchange translation, the increase was 13%.

Underlying earnings per share⁴ for the year (excluding the one-off tax benefit) increased by 12%, excluding the impact of exchange translation, to 47.8p (2020 44.3p).

Free cash flow⁵ was £1,864m (2020 £367m, including the impact of the Group's £1bn contribution into the UK pension scheme).

The Group's **net debt (excluding lease liabilities)⁶** at 31 December 2021 is £2,160m, a net decrease of £558m from the position at the start of the year. This is primarily a result of the strong Free cash flow performance, partially offset by dividends paid and the share buyback.

Order intake⁷ increased by £543m to £21,458m (2020 £20,915m). Our US-managed businesses had a book-to-bill⁹ ratio of more than one.

Order backlog⁸ decreased by £1.2bn to £44.0bn.

Final dividend of 15.2p per share making a total of 25.1p per share in respect of the year ended 31 December 2021.

We monitor the underlying financial performance of the Group using alternative performance measures. These measures are not defined in International Financial Reporting Standards (IFRS) and, therefore, are considered to be non-GAAP (Generally Accepted Accounting Principles) measures. The relevant IFRS measures are presented on page 79 of the Annual Report 2021.

1. Revenue plus the Group's share of revenue of equity accounted investments, excluding subsidiaries' revenue from equity accounted investments.
2. Growth rates for Sales, Underlying EBIT and Underlying EPS are on a constant currency basis (i.e. current year compared with prior year translated at current year exchange rates). All other growth rates and year-on-year movements are on a reported currency basis.
3. Operating profit excluding amortisation of programme, customer-related and other intangible assets, impairment of intangible assets, finance costs and taxation expense of equity accounted investments (EBIT) and non-recurring items.
4. Basic earnings per share excluding post-tax impact of amortisation of programme, customer-related and other intangibles, impairment of intangibles, non-cash finance movements on pensions and financial derivatives, and non-recurring items.
5. Net cash flow from operating activities, including net capital expenditure, lease principal and financial investment amounts, dividends from equity accounted investments and interest paid (net).
6. Cash and cash equivalents, less loans and overdrafts (including debt-related derivative financial instruments). Net debt does not include lease liabilities.
7. Funded orders received from customers including the Group's share of order intake of equity accounted investments.
8. Funded and unfunded unexecuted customer orders including the Group's share of order backlog of equity accounted investments.
9. Ratio of Order intake to Sales.
10. Including share of equity accounted investments.

Electronic Systems

Sales¹

£4,491m

Electronic Systems, with 16,400¹⁰ employees, comprises the US- and UK-based electronics activities, including electronic warfare systems, navigation systems, electro-optical sensors, military and commercial digital engine and flight controls, precision guidance and seeker solutions, next-generation military communications systems and data links, persistent surveillance capabilities, space electronics and electric drive propulsion systems.

Operational and strategic key points

- Cumulatively more than 1,000 electronic warfare systems delivered on F-35 programme.
- Limited Interim Missile Warning System indefinite delivery, indefinite quantity sustainment and support contract awarded worth \$872m (£644m) over ten years.
- EPAWSS testing underway on F-15E and F-15EX aircraft.
- Contract received from Defense Logistics Agency valued at more than \$640m (£473m) to deliver Increment 1 M-Code devices.
- Rising demand for low and zero emission vehicles in our Power & Propulsion Solutions business.
- Demand in our Controls & Avionics Solutions commercial markets starting to recover from pandemic impacts.

Platforms & Services (US)

Sales¹

£3,395m

Platforms & Services (US), with 12,300¹⁰ employees, has operations in the US, UK and Sweden, manufactures and upgrades combat vehicles, weapons and munitions, and delivers services and sustainment activities, including naval ship repair, and the management and operation of government-owned munitions facilities.

Operational and strategic key points

- Selected to participate in the design concept phase for the US Army's Optionally Manned Fighting Vehicle programme.
- Consistent deliveries of the M109A7 Self-Propelled Howitzer enabled the programme to surpass 350 cumulative system deliveries.
- Received a \$600m (£443m) sustainment and technical support services contract for Armored Multi-Purpose Vehicle, and AMPV deliveries continued against the rebaselined customer schedule.
- Amphibious Combat Vehicle deliveries against LRIP and design development have begun on mission variants.
- Contract received worth approximately \$200m (£148m) from Sweden for 127 BvS10s.
- Contract received exceeding \$500m (£369m) for mid-life upgrades of Dutch CV90s.
- US Ship Repair was significantly impacted by the pandemic, but has seen some recent signs of recovery.
- Ordnance Systems awarded additional contracts for modernisation projects at Holston.



Air

Sales¹

£8,321m

Air, with 29,700¹⁰ employees, comprises the Group's UK-based air activities for European and International Markets, US Programmes, and development of Future Combat Air Systems, alongside its businesses in Saudi Arabia and Australia, together with its 37.5% interest in the European MBDA joint venture.

Operational and strategic key points

- Qatar Typhoon and Hawk programme is progressing well, with first Qatar Typhoon flight achieved in November and deliveries on schedule to commence in 2022.
- F-35 rear fuselage production reached full rate levels, with 151 assemblies completed in the year.
- Production progressing to plan on the German Typhoon programme.
- Initial entry into service of the future electronically scanned European Common Radar Solution was achieved in December.
- Tempest next-generation Future Combat Air System programme continues to progress well, with initial Concept & Assessment Phase contract secured.
- Air sector continues to work closely with industry partners and the UK government to continue to fulfil contractual support arrangements in Saudi Arabia.
- Australia Hunter Class Frigate programme continues through prototyping, with good engagement with the Commonwealth to agree revised schedule for production to commence.
- MBDA won several export orders on air platforms.



Maritime

Sales¹

£3,416m

Maritime, with 18,200¹⁰ employees, comprises the Group's UK-based maritime and land activities.

Operational and strategic key points

- Construction of first three City Class Type 26 frigates for the Royal Navy is now underway.
- Canadian Surface Combatant programme entered a key design milestone in December, ahead of moving into the next Functional Design phase.
- Fifth Astute Class submarine, Anson, launched in April, with final installation and commissioning activities continuing to ready her for scheduled exit in 2022.
- Construction of the first two Dreadnought Class submarines continues to advance.
- Contract awarded and early design and concept work underway on Royal Navy's next generation of submarines.
- Contracts worth more than £1bn received under UK Ministry of Defence's Future Maritime Support Programme.
- Maritime Services provided preparation and support capabilities to the UK's Carrier Strike Group ahead of, and during, its first operational deployment.
- RBSL secured the Challenger 3 Main Battle Tank upgrade contract.



Cyber & Intelligence

Sales¹

£1,752m

Cyber & Intelligence, with 9,600¹⁰ employees, comprises the US-based Intelligence & Security business and UK-headquartered Applied Intelligence business, and covers the Group's cyber security, secure government and commercial financial security activities.

Operational and strategic key points

Intelligence & Security

- US-based Intelligence & Security business continues to maintain its bid pipeline, perform on existing contracts and win new orders.
- Awarded a five-year, up to \$478m (£353m) Systems Engineering and Integration Support Services contract from the US Navy Strategic Systems Programs office.
- Awarded classified contracts from Department of Defense and Intelligence Community customers in excess of \$0.8bn (£0.6bn) to deliver mission-enabling engineering services.
- Agreement announced for the proposed acquisition of Bohemia Interactive Simulations, a global software developer of simulation and training solutions for allied military customers.

Applied Intelligence

- Strong order intake and revenue growth from the government- and defence-facing business units.
- Increasing profitability supported by strong programme execution, productivity and cost base optimisation. Financial Services' profitability benefited from restructuring in 2020.
- Acquisition of In-Space Missions, a UK-based satellite and satellite systems company, to accelerate our Space capabilities.

BAE Systems

Who we are

At BAE Systems we serve, supply and protect those who serve and protect us, in a corporate culture that is performance driven and values led.

BAE Systems plc

6 Carlton Gardens
London

SW1Y 5AD

United Kingdom

www.baesystems.com

Registered in England and Wales,
No. 1470151

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We employ a skilled workforce of 90,500¹ people in more than 40 countries. We help our customers to stay a step ahead when protecting people and national security, critical infrastructure and vital information. This is a long-term commitment involving significant investments in skills. We also work closely with local partners to support economic development through the transfer of knowledge, skills and technology.

1. Including share of equity accounted investments.

Financial calendar

Financial year end	31 December
Annual General Meeting	5 May 2022
2021 final ordinary dividend payable	1 June 2022
2022 half-yearly results announcement	28 July 2022
2022 interim ordinary dividend payable	30 November 2022
2022 full-year results: – preliminary announcement	February 2023
– Annual Report	March 2023
2022 final ordinary dividend payable	June 2023

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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. BAE Systems plc and its directors accept no liability to third parties in respect of this report save as would arise under English law.



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Designed and produced by Radley Yeldar.

