

Notification of BAE Systems plc Annual Report 2022 and AGM

This notice advises you that you can read the full BAE Systems plc Annual Report 2022 and Notice of Annual General Meeting online at: www.baesystems.com/reporting

It also provides a brief overview of our performance in 2022. For more information on e-communications, see the back page of this document.

Annual General Meeting – 4 May 2023

Dear Shareholder

I am writing to advise you that the Company's Annual Report for 2022 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, which you can access at: www.baesystems.com/reporting

This year's Annual General Meeting is to be held on Thursday 4 May 2023 at 11.30am.

The meeting will be held as a combined physical and electronic meeting, thereby enabling shareholders to attend at the physical meeting venue or 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 6TQ.

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

<https://web.lumiagm.com/104-892-396>

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: 104-892-396.

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 11.30am on Tuesday 2 May 2023.

Financial results

Opposite, you will see the top-level financial figures in respect of the Company's performance in 2022 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 16.6p per share, making a total of 27.0p per share in respect of the year ended 31 December 2022, an increase of 7.6% over the dividend in respect of the year ended 31 December 2021. Subject to shareholder approval at the 2023 AGM, the 2023 final dividend will be paid on 1 June 2023 to shareholders registered on 21 April 2023.

Yours sincerely



Sir Roger Carr
Chairman
29 March 2023

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 2022. 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

£23,256m 4.4%
(2021 £21,310m) growth²

Underlying EBIT³

£2,479m 5.5%
(2021 £2,205m) growth²

Underlying earnings per share⁴

55.5p 9.5%
(2021 47.8p) growth²
(2021 50.7p including one-off tax benefit)

Free cash flow⁵

£1,950m £86m
(2021 £1,864m) higher

Net debt (excluding lease liabilities)⁶

£(2,023)m £137m
(2021 £(2,160)m) decrease

Order intake⁷

£37,093m £15,635m
(2021 £21,458m) increase

Order backlog⁸

£58.9bn £14.9bn
(2021 £44.0bn) increase

Dividend per share

27.0p 7.6%
(2021 25.1p) growth

BAE SYSTEMS

2022 at a glance

Sales¹ increased by £2.0bn to £23.3bn (2021 £21.3bn), a 4% increase on a constant currency basis² or 9% on a reported basis.

Underlying EBIT³ increased to £2,479m (2021 £2,205m), giving a return on sales of 10.7% (2021 10.3%). Excluding the impact of exchange translation, the increase was 5%. On a reported basis this was 12%.

Underlying earnings per share⁴ for the year increased by 9%, excluding the impact of exchange translation, to 55.5p (2021 47.8p excluding the one-off tax benefit).

Free cash flow⁵ was £1,950m (2021 £1,864m), after shareholder returns of £1,590m (2021 £1,145m).

The Group's **net debt (excluding lease liabilities)⁶** at 31 December 2022 was £2,023m, a net decrease of £137m from the position at the start of the year. This is primarily a result of strong Free cash flow performance, partially offset by increased shareholder returns through dividends and share buybacks.

Order intake⁷ increased by £15,635m to £37,093m (2021 £21,458m). Our US-managed businesses had a book-to-bill⁹ ratio of more than one.

Order backlog⁸ increased by £14.9bn to £58.9bn (2021 £44.0bn).

Final dividend of 16.6p per share, making a total of 27.0p per share in respect of the year ended 31 December 2022.

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 pages 82 to 83 of the Annual Report 2022.

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 adjusting 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 adjusting 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

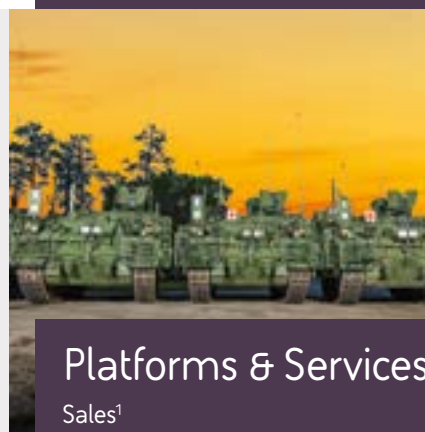
Sales¹

£5,057m

Electronic Systems, with 16,900¹⁰ 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

- Opened state-of-the-art facilities in Manchester, New Hampshire; Cedar Rapids, Iowa; and Austin, Texas.
- Cumulatively more than 1,200 electronic warfare systems delivered on F-35 programme.
- Deliveries continue of next-generation EW Eagle Passive Active Warning Survivability System to support upgrade of US Air Force F-15 platform and testing on F-15E and F-15EX test aircraft.
- Selected to design, test and supply energy management components for GE Aviation's megawatt class hybrid electric propulsion system supporting NASA's Electrified Powertrain Flight Demonstration project.
- The Long-Range Precision Guidance Kit programme reached a critical benchmark with the successful completion of its structural survivability test in the US Army's Extended Range Cannon Artillery.
- Delivered the 3,000th Multi-functional Information Distribution System Joint Tactical Radio System through our Data Link Solutions joint venture with Collins Aerospace.



Platforms & Services

Sales¹

£3,688m

Platforms & Services, with 12,200¹⁰ 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

- Significant increase in order intake, largely driven by the Hägglunds business.
- US Army selected the BAE Systems Beowulf for its Cold Weather All-Terrain Vehicle (CATV) programme to replace the Small Unit Support Vehicles, with a contract estimated to be worth up to \$278m (£231m) for 110 vehicles.
- Submitted a proposal for the design concept phase for the US Army's Optionally Manned Fighting Vehicle programme.
- Our US shipyards marked continued performance improvements and secured \$1.2bn (£1.0bn) in ship modernisation and repair orders.
- Received a five-year contract extension for Ordnance Systems Radford operations through to 2026 and a one-year extension through to 2024 for the Holston facility and supply contracts.
- Contract received worth \$1.4bn (£1.2bn) to supply 152 CV9035 infantry fighting vehicles to replace the Slovakian Army's infantry fighting vehicle fleet.
- Czech government selected CV90 to replace its infantry fighting vehicle fleet. Contract expected in first half of 2023.



Air

Sales¹

£7,698m

Air, with 24,400¹⁰ 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 business in the Kingdom of Saudi Arabia, together with its 37.5% interest in the European MBDA joint venture.

Operational and strategic key points

- Excellent progress on Tempest – the governments of the UK, Japan and Italy announced a new Global Combat Air Programme (GCAP), which will bring together the Tempest and F-X programmes.
- Qatar Typhoon and Hawk programme is progressing well, with all nine Hawk aircraft accepted by the customer and eight Typhoon aircraft now delivered and in service with the Qatar Emiri Air Force.
- Work continues on the Typhoon programme and the production programme has been extended further following the award of 20 further aircraft for Spain during the year, for which BAE Systems supplies major units.
- 11-year contract signed to continue to support the Royal Air Force's fleet of Hawk fast jet trainer and Royal Air Force Aerobatic Team aircraft.
- F-35 rear fuselage production continued at full-rate levels, with 150 assemblies completed in the year.
- During the year, the Saudi British Defence Co-operation Programme was renewed for another five-year term.
- All 22 Hawk aircraft have now been completed and have entered into service with the Royal Saudi Air Force.



Maritime

Sales¹

£4,598m

Maritime, with 24,200¹⁰ employees, comprises the Group's UK-based maritime and land activities, as well as the Group's Australian business.

Operational and strategic key points

- The UK Ministry of Defence awarded a £4.2bn contract to BAE Systems to manufacture the next five City Class Type 26 frigates for the Royal Navy in Glasgow.
- First City Class Type 26 Frigate entered the water and is being outfitted at Scotstoun shipyard in Glasgow.
- £3.4bn of further contract funding awarded as part of Delivery Phase 3 for the Dreadnought programme.
- The fifth Astute Class submarine, HMS Anson, exited our Barrow shipyard to commence sea trials in February 2023. The remaining two submarines, Agamemnon and Agincourt, are at advanced stages of construction.
- Construction of the first two Dreadnought Class submarines is well advanced and, in September 2022, build activities commenced on the third of class submarine. A formal steel cut ceremony for the third boat was held in Barrow on 9 February 2023.
- RBSL's multi-million pound investment in its Telford manufacturing site completed in 2022, with manufacturing activities due to commence in 2023.
- A \$1.5bn (£0.8bn) extended 'In Service Support' contract for the Hawk aircraft commenced in 2022 for the Royal Australian Air Force.



Cyber & Intelligence

Sales¹

£2,205m

Cyber & Intelligence, with 10,500¹⁰ employees, comprises the US-based Intelligence & Security business and UK-headquartered Digital Intelligence business, and covers the Group's cyber security, and secure government activities.

Operational and strategic key points

Intelligence & Security

- Won a \$699m (£581m) contract for operations, maintenance, and management services for the US Army's Defense Supercomputing Resources Center.
- Awarded one of the prime positions on a multi-award \$300m (£249m) Indefinite Delivery, Indefinite Quantity contract to support critical mission operations for a government customer.
- Multiple additional contract awards, including a \$143m (£119m) five-year contract from the US Navy to support the integration of mission equipment, combat systems, and computer programmes for the Surface Combat Systems Center.
- Completed the acquisition of Bohemia Interactive Simulations (BISim), which has been fully integrated into BAE Systems and continues to provide cutting-edge virtual training for allied militaries, including the \$9m (£7m) DVS2 contract from the UK Ministry of Defence.

Digital Intelligence

- Strong order intake and revenue growth.
- Continued integration and growth of the acquired In-Space Missions business.
- In October 2022, the business completed the sale of its financial crime detection business.


BAE Systems

Who we are

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

At BAE Systems, we provide some of the world's most advanced, technology-led defence, aerospace and security solutions. We employ a skilled workforce of 93,100¹ people in around 40 countries. Working with customers and local partners, we develop, engineer, manufacture, and support products and systems to deliver military capability, protect national security, and keep critical information and infrastructure secure.

1. Including share of equity accounted investments.

 Get the latest information online at www.baesystems.com

Use your laptop, tablet or phone to see information including:

- our Company;
- what we do;
- news and events; and
- investor resources.

You can also:

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- sign up for e-mail alerts;
- download our Investor Relations App; and
- stay connected with Twitter, Facebook, LinkedIn, Flickr and YouTube.



Financial calendar

Financial year end	31 December
Annual General Meeting	4 May 2023
2022 final ordinary dividend payable	1 June 2023
2023 half-yearly results announcement	2 August 2023
2023 interim ordinary dividend payable	30 November 2023
2023 full-year results:	
– preliminary announcement	February 2024
– Annual Report	March 2024
2023 final ordinary dividend payable	June 2024

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Designed and produced by Radley Yeldar.

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.