

Notification of BAE Systems plc Annual Report 2023 and AGM

This notice advises you that you can read the full BAE Systems plc Annual Report 2023 and Notice of Annual General Meeting online at: www.baesystems.com/reporting

It also provides a brief overview of our performance in 2023. For more information on e-communications, see the back page of this document.

Annual General Meeting – 9 May 2024

Dear Shareholder

I am writing to advise you that the Company's Annual Report for 2023 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 will be held on Thursday 9 May 2024 starting at 9.30am.

The 2024 AGM will look and feel a bit different than it has in the past. Alongside a growing number of other large FTSE companies, we are evolving our format to ease participation for our shareholders, regardless of where you live. By focusing our efforts on a more seamless digital experience, we can provide a more inclusive meeting for all of our shareholders.

I will be participating online, with my fellow Board members. We look forward to sharing an update on the Group's progress, answering your questions, and voting on the resolutions contained in this Notice of Meeting. As the meeting will be optimised for an online experience, we will not be present in person and we encourage you to join the meeting online as well.

You can access the meeting via the following link:
<https://web.lumiagm.com/186277489>

Please see the online guide on the reverse of the enclosed shareholder voting instruction card for further information about participating in the meeting online via the above electronic platform. As set out in the online guide, access to the Lumi platform will be available half an hour before the meeting starts. The meeting reference number is: 186277489.

If you choose to attend in person, we will have a room available in Farnborough, Hampshire (at Hall 5, Farnborough International Exhibition and Conference Centre, Farnborough, Hampshire GU14 6TQ), which will be connected electronically to the meeting.

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 2023. 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.

Please see the Notice of Meeting available at: www.baesystems.com/reporting for further details.

If you are unable to attend the meeting either electronically or in person, 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 9.30am on Tuesday 7 May 2024.

Financial results

Opposite, you will see the top-level financial figures in respect of the Company's performance in 2023 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 18.5p per share, making a total of 30.0p per share in respect of the year ended 31 December 2023, an increase of 11.1% over the dividend in respect of the year ended 31 December 2022. Subject to shareholder approval at the 2024 AGM, the 2023 final dividend will be paid on 3 June 2024 to shareholders registered on 19 April 2024.

Yours sincerely

Cressida Hogg CBE
Chair

11 April 2024

Financial highlights

Sales¹

£25,284m 9%
(2022 £23,256m) growth²

Underlying EBIT³

£2,682m 9%
(2022 £2,479m) growth²

Underlying earnings per share⁴

63.2p 14%
(2022 55.5p) growth²

Free cash flow⁵

£2,593m £643m
(2022 £1,950m) higher

Order intake⁶

£37.7bn £0.6bn
(2022 £37.1bn) increase

Order backlog⁷

£69.8bn £10.9bn
(2022 £58.9bn) increase

Dividend per share

30.0p 11.1%
(2022 27.0p) growth

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2023 at a glance

Sales¹ increased by £2.0bn to £25.3bn (2022 £23.3bn), a 9%² increase.

Underlying EBIT³ was £2,682m (2022 £2,479m), an increase of 9%², giving a return on sales of 10.6% (2022 10.7%).

Underlying earnings per share⁴ for the year increased by 14%², excluding the impact of exchange translation, to 63.2p (2022 55.5p).

Free cash flow⁵ was £2,593m (2022 £1,950m), after shareholder returns of £1,418m (2022 £1,590m).

The Group's **net debt (excluding lease liabilities)⁸** at 31 December 2023 was £1,022m, a net decrease of £1,001m from the position at the start of the year. This is primarily a result of strong Free cash flow performance, partially offset by shareholder returns through dividends and share buybacks.

Order intake⁶ increased by £0.6bn to £37.7bn (2022 £37.1bn).

Order backlog⁷ increased by £10.9bn to £69.8bn (2022 £58.9bn).

Final dividend of 18.5p per share, making a total of 30.0p per share in respect of the year ended 31 December 2023.

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 in the Alternative performance measures section on pages 227 to 231 of the Annual Report 2023.

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 earnings per share are on a constant currency basis (i.e. current year compared with prior year translated at current year exchange rates). The comparatives have not been restated. 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. Funded orders received from customers including the Group's share of order intake of equity accounted investments.
7. Funded and unfunded unexecuted customer orders including the Group's share of order backlog of equity accounted investments.
8. Cash and cash equivalents, less loans and overdrafts (including debt-related derivative financial instruments). Net debt does not include lease liabilities.
9. As at 31 December 2023 and including share of equity accounted investments.

Electronic Systems



Electronic Systems, with 17,500⁹ employees, comprises the Group's US- and UK-based electronic solutions, 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.

Strategic and order highlights

- In addition to a successful test event, conducted in January 2023, of the Advanced Precision Kill Weapon System (APKWS[®]) that demonstrated new capabilities for critical mission sets in support of US and allied forces, the APKWS[®] laser-guidance kit programme continues to execute under an Indefinite Delivery, Indefinite Quantity contract with awards worth \$590m (£476m) in 2023, including international orders.
- Building on our position in energy and power management, we announced a collaboration with Heart Aerospace to define the battery system for Heart's ES-30 regional electric airplane, and Eve Air Mobility selected us to provide an advanced energy storage system for its electric vertical take-off and land aircraft.
- Our Power & Propulsion Solutions business was selected for North America's largest battery electric bus award, meaning our Gen3 system will power up to 1,229 Nova Bus battery electric buses in Quebec, Canada.
- Through our Data Link Solutions joint venture with Rockwell Collins, Inc. we were selected by the US Navy to provide our Firenet™ small form factor Multi-functional Information Distribution System Joint Tactical Radio which enables in-network communication for smaller platforms. This award continues to build on our portfolio of next-generation full-spectrum communication systems.
- The acquisition of Ball Aerospace, which completed in February 2024, will provide further access to the growing space domain, C4ISR and missile and munitions markets.

Platforms & Services



Platforms & Services, with 11,900⁹ employees, has operations in the US, Sweden and UK. It manufactures and upgrades combat vehicles, weapons and munitions, and delivers services and sustainment activities, including naval ship repair and the management and operation of two government-owned ammunition plants.

Strategic and order highlights

- We secured a ten-year contract, with a ceiling value of \$8.8bn (£7.1bn), to continue operating the US Army's Holston Army Ammunition Plant.
- We secured a \$797m (£641m) contract with the US army to continue production of the Armored Multi-Purpose Vehicle (AMPV), with additional options for a potential total contract amount of \$1.6bn (£1.3bn). This award brings the AMPV into full-rate production.
- We secured multiple contracts exceeding a total value of \$870m (£700m) for the continued production of the Bradley A4. These awards will move more than 270 vehicles through our production lines and extend production into 2026.
- The Czech Republic awarded Hägglunds a contract to produce 246 CV90 MkIV infantry fighting vehicles in seven different variants. The contract is valued at \$2.2bn (£1.8bn).
- Following the joint procurement agreement between Sweden, Germany and the UK, Germany purchased an additional 227 ultra-mobile, protected, all-terrain BvS10s valued at c.\$400m (£322m). This investment from Germany will extend deliveries through to 2030.
- Following M777 deployments to Ukraine and increased interest from armies around the world, Weapon Systems UK secured a contract from the US Army to produce M777 superstructures for spares and repairs through the foreign military sales (FMS) process. This effectively brings the M777 towed lightweight howitzer back into production.

Air



Sales¹

£8,058m

Air, with 26,000⁹ employees, comprises the Group's UK-based air build and support activities for European and international markets, US programmes, development of Future Combat Air Systems and FalconWorks®, alongside our business in the Kingdom of Saudi Arabia and interests in our European joint ventures: Eurofighter and MBDA.

Strategic and order highlights

- During 2023, we were awarded funding of c.£800m by the UK Ministry of Defence to advance the concepting and technology of the next-generation combat aircraft to 2025.
- On the Global Combat Air Programme (GCAP), a trilateral collaboration agreement between BAE Systems, Leonardo SpA (Italy) and Mitsubishi Heavy Industries (Japan) is now in place to enable collaboration and sharing of information towards the next phase of activities.
- We secured a further £535m of funding for European Common Radar System (ECRS) Mk2 Radar development for the Typhoon weapon system.
- We secured the Lightning Air System National Capability Enterprise (LANCE) contract in March, which extends our leadership of UK F-35 support at RAF Marham until the end of 2027.
- Following the completion of the previous five-year Salam Typhoon support contract on 31 December 2022, we reached an agreement with the Saudi Arabian Government to continue to provide these services for another five years through to the end of 2027, valued at £3.7bn.
- Through FalconWorks®, the Air sector continues to invest in promising new and innovative technologies for the future, including the development of electric aircraft products with a number of partners.
- MBDA secured significant orders through 2023, in particular in air defence, maritime and land domains in both the import and export markets.
- MBDA is also supporting GCAP and signed a collaboration agreement with Mitsubishi Electric to work towards a weapons and effectors solution in support of the design of the GCAP core platform.

Maritime



Sales¹

£5,536m

Maritime, with 27,500⁹ employees, comprises the Group's UK-based maritime and land activities, including major submarine, ship build and support programmes, as well as our Australian business.

Strategic and order highlights

- We secured an order intake of £2.4bn for the continued Delivery Phase 3 activity on the Dreadnought Class submarine programme. Construction of the first three boats is underway at Barrow-in-Furness, Cumbria. A ceremony took place in February 2023 to mark the official steel cut on the third submarine, HMS Warspite.
- During the year, Australia, the UK, and the US announced the pathway for Australia to acquire nuclear-powered submarines as part of the AUKUS programme. The nations will deliver a trilaterally developed submarine based on the UK's next-generation Astute replacement design. Australia and the UK will operate SSN-AUKUS, as it will be known, incorporating technology from all three nations. Our submarines business has secured an order intake of £3.95bn to enable the programme to transition into the detailed design phase and commence procurement of long-lead items and supporting infrastructure.
- We continue investing in our people and facilities to better enable us to deliver on our customer commitments and secure the long-term future for complex shipbuilding in Glasgow. Construction of a new ship assembly hall in Govan is well underway, and the new Applied Shipbuilding Academy in Scotstoun is planned to open in 2024.
- In Australia, we continued to invest in new products and opportunities and unveiled Strix™, a vertical take-off and landing (VTOL) uncrewed aerial system, RAZER, a low-cost precision guided munition, and showcased the Guided Missile Frigate, an evolution of the Hunter Class.
- In June, we secured a ten-year contract worth £270m to support the Royal Navy's three main radar systems. Under the contract, our engineers will provide maintenance to existing radars, alongside technology upgrades to systems already in use, and those being installed on the new Type 26 frigates under construction in Glasgow, UK.

Cyber & Intelligence



Sales¹

£2,321m

Cyber & Intelligence, with 11,000⁹ employees, comprises the US-based Intelligence & Security business and UK-headquartered Digital Intelligence business, and covers the Group's cyber security activities for national security, central government and government enterprises.

Strategic and order highlights

- In Intelligence & Security, we secured task orders, in March, valued at \$457m (£367m) to support critical mission operations for a government customer.
- In December, Germany's Bundeswehr acquired a BISim VBS4 enterprise licence. The enterprise licence provides the Bundeswehr with full access to BISim's easy-to-use, whole-earth virtual and constructive desktop trainer and simulation.
- Through collaboration between the Air sector and the Intelligence & Security business, PHASA-35® successfully demonstrated its ability to achieve stratospheric flight, and Intelligence & Security was awarded a US Army Space and Missile Defense Command contract that provides opportunities over a five-year period to undertake military utility demonstrations through the integration of sensor payloads operating on board the PHASA-35® aircraft.
- In June 2022, the US Air Force awarded the Integration Support Contract (ISC) 2.0 re-compete to BAE Systems with an 18-year period of performance and \$12bn (£10bn) total contract ceiling. The ISC 2.0 contract award was protested, and the Government Accountability Office (GAO) sustained portions of the protest in October 2022. The Air Force is taking corrective action to address the GAO issues, and we continue to support the ISC programme under a \$652m (£524m) contract extension received in January 2023.
- In Digital Intelligence, we are making positive progress in expanding our multi-domain communications footprint in the UK defence sector. We have also secured a number of multi-year deals with Central Government and National Security customers.

BAE Systems

Who we are

At BAE Systems, we provide some of the world's most advanced, technology-led defence, aerospace and security solutions.

We are a workforce of 99,800¹ highly skilled people in more than 40 countries. Working with our customers and local partners, we develop, engineer, manufacture and support products and systems that deliver military capability, protect national security, and keep critical information and infrastructure secure.

We maintain leading positions in major defence and security markets around the world – including the US, UK the Kingdom of Saudi Arabia and Australia – as well as established positions in a number of other international markets.

1. As at 31 December 2023 and including share of equity accounted investments.

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

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Financial calendar

Financial year end	31 December
Annual General Meeting	9 May 2024
2023 final ordinary dividend payable	3 June 2024
2024 half-yearly results announcement	1 August 2024
2024 interim ordinary dividend payable	2 December 2024
2024 full-year results:	
– preliminary announcement	February 2025
– Annual Report	March 2025
2024 final ordinary dividend payable	June 2025

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www.baesystems.com
Registered in England and Wales,
No. 01470151
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Print product with financial
climate contribution
ClimatePartner.com/13766-2402-1011



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Designed and produced by Radley Yeldar.

Cautionary statement

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