



Delivering real advantage

Message from the Chief Executive

Company Strategy 2006: Successful 2005

2005 was a good year for the Company. The business again delivered strong operating performance and progress against our strategic objectives. Our underlying performance drove a significant increase in our share price over the 12 months, and our steady progress included several significant strategic steps, the most important of which was the \$4.2 billion acquisition and integration of United Defense.

The acquisition of United Defense was a key step in our strategy to build BAE Systems' position as the premier transatlantic defense and aerospace company. The Company is now well placed to support the U.S. military's growing emphasis on interoperability, affordable transformation and force sustainment. In particular, the acquisition enables us to address the increasing emphasis on land systems in emerging customer requirements, including the refurbishment and upgrade of existing vehicles and equipment. With this acquisition, BAE Systems U.S. businesses in the United States will have 2005 proforma sales of approximately \$8.5 billion and a customer footprint covering air, naval, federal IT and now land systems.

Following the acquisition, we combined our existing land systems activities in the UK, Sweden and South Africa with United Defense to form the Land & Armaments Operating Group. This created one of the world's leading designers, manufacturers and support providers of land and armament systems. Less than two years ago, the Company had a small foothold in this sector: today we have the world's second largest global land and armaments business, with an annualized turnover of some \$2 billion.

Underlining the successful implementation of our land systems strategy, the business has seen a series of significant contract wins. These include a large contract to re-manufacture and upgrade Bradley Combat System vehicles for the U.S. Army and the sale of

CV90 armored vehicles to the Netherlands Army. In addition, the Company now has the full rate production contract for the M777 lightweight howitzer for the U.S. Marine Corps, and BAE Systems was awarded technology demonstration contracts on the UK's Future Rapid Effects Systems (FRES) program. BAE Systems has also entered into a long-term partnering arrangement with the Ministry of Defence (MoD) to support the UK Armored Fighting Vehicle fleet as part of the UK's Defence Industrial Strategy (DIS). Recognizing this progress in all our key markets, we have added a new Business Portfolio Action – "Grow our global land systems business" – to our Company Strategy to reflect the importance of this market to us.

The acquisition of United Defense also gave us the opportunity to reorganize our North American headquartered businesses into three discrete Operating Groups, each with a significant U.S. footprint. As part of this process, recognizing that over 10,000 employees of these businesses work outside the U.S., BAE Systems North America has been renamed BAE Systems, Inc. The new organization positions the Company to better serve our customers and partners by concentrating our capabilities and resources on our most important programs and opportunities.

Performance

In Europe, the restructuring of BAE Systems' activities continued with the completion of the Euro systems transaction. This involved: the sale of the majority share (75%) of the UK-based sensor systems and electronic warfare activities of the former Avionics business group to Finmeccanica; and the restructuring of the former AMS joint venture business to a wholly-owned UK-based activity, Integrated System Technologies (Insyte). This phase of the Finmeccanica transaction was completed for a consideration of \$622 million. The creation of Insyte brought together the capabilities of AMS UK with BAE Systems C4ISR Networked Systems & Solutions, and established a business with the right

scale and focus to pursue growth in integrated mission critical systems, both in UK and export markets.

In late December 2005, we announced the sale of ATLAS ELEKTRONIK to Thyssen Krupp and EADS for a cash consideration of \$173 million. At the start of the year, we also reduced our interest in Saab AB from 34.2% to 20.5% generating cash of \$218 million. These moves mean that the previous Business Portfolio Action of "Continue to optimize our European position through a rationalized portfolio of Joint Ventures" is complete.

In the UK, progress continues to be made across all major programs with the financial performance of the Programmes businesses benefiting from improved project execution. The first RAF Hawk Mk128 advanced jet trainer made its first flight ahead of schedule in July representing a major milestone in the UK Advance Jet Trainer program. 2005 also delivered significant performance improvements in both the Naval Ships and Submarines businesses.

Also in the UK, we have continued to deliver wide-ranging support activities in partnership with the UK MoD's Defence Logistics Organisation (DLO) and the armed forces. In particular, we made good progress on the future support model for Tornado while the introduction of the Typhoon to Royal Air Force service has been successfully achieved.

Building on the DLO/BAE Systems Partnering agreement for Logistics Transformation, led by CS&S, the development of our Support Council is a key example of the changing nature of the MoD-Industry relationship. We recognize that our UK customer is undergoing a transformation, driven by the need for greater agility, affordability and more effective technology exploitation. Fundamentally, this transformation is a shift toward a 'capability-centric' perspective – where capability is integrated and managed through-life, to deliver the required military effect.

It is now clear that this evolution, which will see the scope of industry's role change as the MoD seeks long-term partnering arrangements to deliver Through-Life Capability Management, will be central to the future of the UK business. This was emphasized in the recently published **MoD Defence Industrial Strategy (DIS)** (see next section) and 2006 will see BAE Systems address this on a sector-by-sector basis with the MoD. Consequently, we believe that the 2005 Business Portfolio Action "*Partner with MoD in the transformation of the UK's Armed Forces*" can now be removed as it is implicit in the action to "**Establish in the UK sustainably profitable through-life businesses in Air, Land and Sea.**"

In Saudi Arabia, the security of our employees remains our highest priority and significant investment is being made to increase their safety. We have also had success in increasing the local content of the support program. In late December 2005, the Governments of the Kingdom of Saudi Arabia and the UK signed an Understanding Document intended to establish a greater partnership in modernizing the Saudi Arabian Armed Forces. This will support the further development of a regional defense industrial center of excellence. In support of this, BAE Systems will invest in local Saudi companies, develop an industrial technology transfer plan, and provide suitable training for thousands of Saudi nationals providing through-life support for key in-service equipment. Under the arrangement, Typhoon aircraft will replace Tornado Air Defence Variant aircraft and others currently in service with the Royal Saudi Air Force.

The Airbus business continues to perform well with production deliveries rising to meet airline market demand and a successful first flight for the 550-seat Airbus A380 airliner being made in April 2005. Airbus also formally launched the development of the new long-range A350 aircraft in October 2005. We continue to focus on embedding a high performance culture and enhancing internal processes, with one particular objective being the rigorous application of our best practice controls, tools and processes. In April 2005, we established the **Centre for Performance Excellence (CfPE)** which will play a key role in accelerating the pace of performance improvement across the Company. The CfPE will achieve this through objective measurement, facilitating functional excellence and integration, and by being the custodian of key enterprise processes such as life cycle management.

Value for shareholders

Building on the positive progress in 2005, there remains more to be done to further enhance value for our shareholders.

For some time, it has been clear that we must make an acceptable return for our shareholders on UK MoD programs. Having made progress on achieving an appropriate balance between risk and reward for all our major UK programs, the emphasis must now be on maintaining this position both on all future UK programs such as the future aircraft carrier (CVF) and FRES, and when entering into fixed production prices on programs such as Nimrod, Hawk, Astute and Type 45.

The recently published MoD Defence Industrial Strategy is a welcome step in defining the future relationship between the MoD and industry to secure the best technologies available to meet the needs of the armed forces. Establishing acceptable long-term through-life partnering arrangements in air, land and maritime is a key objective for 2006.

Building on our progress in achieving an appropriate balance between risk and reward for all our major UK programs, and the other steps we have taken to put the business on a sound footing, we are now in a strong position to start to focus on growth. In 2006, we will increase our emphasis on securing new business opportunities both in our home and export markets. For that reason, we have amended our Group Strategic Objectives to emphasize our goals to "**Win profitable new business,**" while continuing to "**optimize value from our order book**" and to "**Grow our export business**" making the most of our "**strong transatlantic business base.**"

BAE Systems has a unique advantage over its competitors in that we are genuinely transatlantic with strong business bases on both sides of the Atlantic. We remain committed to continue to pursue growth organically and through acquisition and to progress U.S./UK technology transfer and sharing, both through the ongoing negotiations on the F-35 JSF project as well as on a wider U.S. and UK government level. We need to obtain a commitment from the UK government that when it acquires defense products from overseas, particularly from the U.S., it requires that the highest level of technology be shared with UK industry to ensure that such systems can be maintained, repaired and upgraded in the UK throughout their service lives.

Summary

We are the only defense company that can grow at the very highest level of capability in the U.S. and UK while also delivering value from our strong capabilities and market position and our other home markets of Sweden, Saudi Arabia, South Africa and Australia.

In 2005, we took significant steps in delivering solid operational performance and the implementation of our strategy. We grew our position in the U.S. and refocused our business interests in Europe. We were also successful in building our global support business. Underpinning all this was improved operational performance right across our Company.

In 2006, I see further opportunities to build our order book and to win new export business, and I believe we are now well positioned to deliver further growth in profitability from our current \$104.2 billion forward order book.

Impact of UK Defence Industrial Strategy

The publication of the UK Defence Industrial Strategy (DIS) by the MoD is a landmark for the UK defense industrial base. Recognizing the importance of DIS on all BAE Systems' UK businesses, this overview of the key implications of DIS is included as context for the Group Strategy Framework.

The UK MoD published its Defence Industrial Strategy on 15 December 2005, addressing a long-standing request by the Company (and the UK defense sector as a whole) for a more overt and transparent government approach to the maintenance of a sustainable and profitable UK defense industrial base. The Company has had significant interaction with Ministers and

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officials as DIS was being developed, and had sufficient visibility that enabled it to immediately and publicly welcome the new DIS and support the MoD Ministers.

Generally, DIS proposed a significant and welcome change of approach to the overall MoD relationship with UK industry and the defense acquisition system. There will be a new emphasis on partnership, with the MoD providing more transparency of its future plans, better demand management to prevent 'boom and bust,' and a wider range of procurement mechanisms to supplement the use of competitive tendering. DIS also provides more clarity on what industrial capabilities must be preserved onshore in the UK, with a strong emphasis on maintaining operational sovereignty. DIS also recognized the importance of maintaining a UK systems integration capability in each of the key sectors of air, land and maritime with specific emphasis on the MoD seeking to partner with defense contractors to deliver through-life capability management across its key platforms/weapon systems.

On a sector-by-sector basis, the Company achieved its major aims:

- **Air.** DIS committed the MoD to work in a long-term partnership with BAE Systems to manage the rationalization of Air Systems and align it to meet future Typhoon/F-35 JSF support requirements. It also backed the launch of an Unmanned Air Vehicle Technology Demonstrator Program in 2006. The MoD identified the next steps as: "*working with [BAE Systems] during 2006 to agree the way ahead [on the business rationalization and transformation required] ...and to implement it from 2007.*"

- **Maritime.** DIS strongly supported industrial consolidation, as suggested by Industry in the Maritime Industrial Strategy (MIS) work earlier last year. It also promised more stable long-term workloads for our submarine and surface ship businesses. For surface ships, there will be a core workload on complex warships, although the MoD has indicated that some build of simpler ships could be placed offshore. In 2006, the MoD has undertaken to:

- "*immediately start negotiations with the... submarine supply chain to achieve a program level partnering agreement,*"
- within six months to "*arrive at a common understanding of the core [work]load*" required to sustain key surface ship design and build skills and
- to "*start immediate negotiations with the [surface ship support] industry with the aim of exploring alternative contracting arrangements.*"

The MoD, in the course of 2006, also "*expects industry to begin restructuring itself to improve its performance.*"

- **Land.** DIS confirmed a long-term partnering with BAE Systems to support the existing AFV fleet, and stated that success in this field would see BAE Systems "*well placed*" for the Future Rapid Effects System (FRES) program. The next steps will see the MoD and BAE Systems "*establish a joint partnering team*" early in 2006 and to "*establish a business transformation plan underpinned by a robust milestone and performance regime.*"

BAE Systems Group Strategy Framework

In the **C4ISTAR** sector, DIS recognized that there is healthy competition in the UK, with a range of companies able to sustain and develop capability both through civil opportunities and planned defense programs. Consequently, DIS concluded that *“competition by project seems sustainable for the foreseeable future.”*

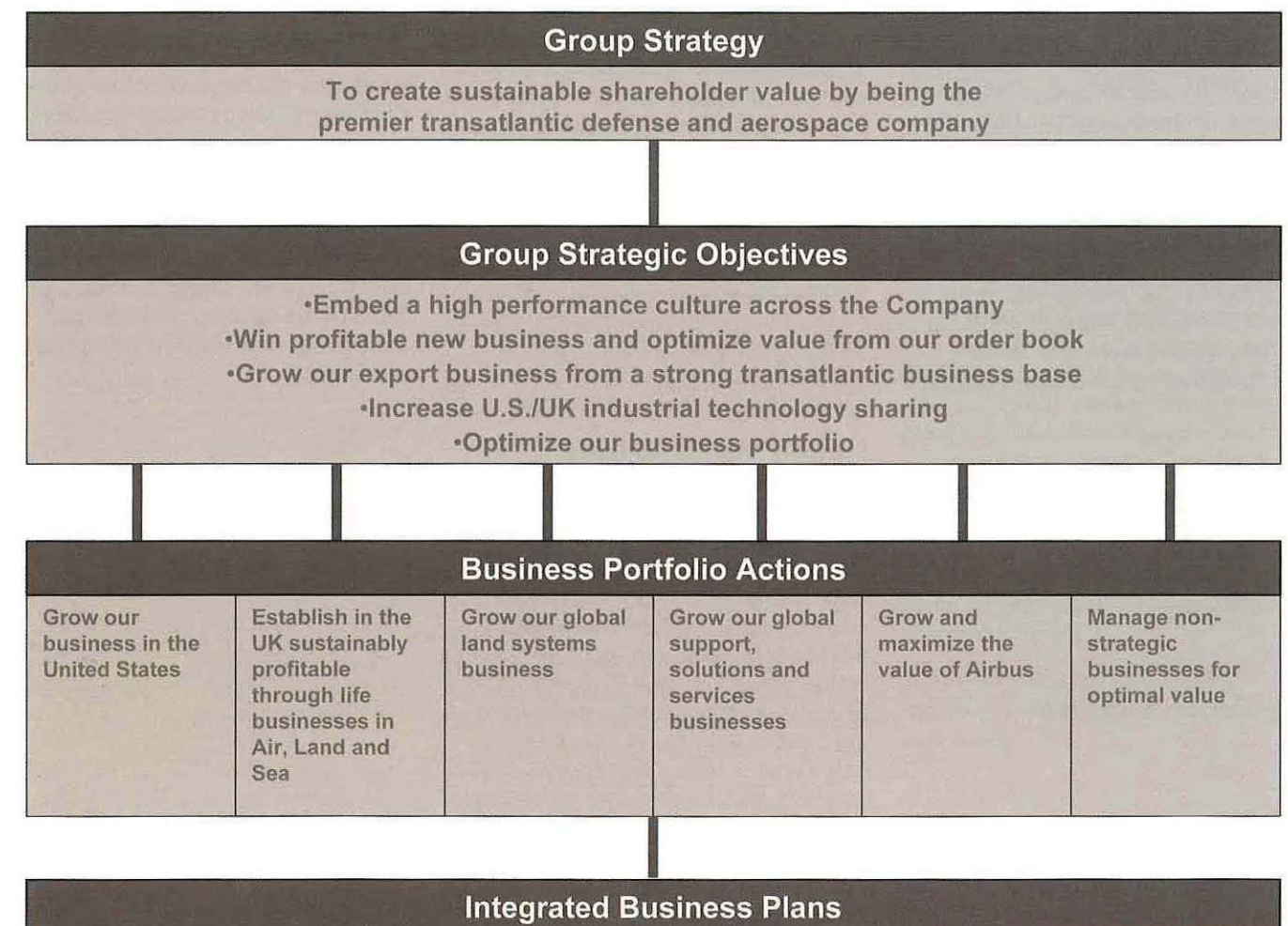
In the **Complex Weapons** sector, DIS recognized that in the UK there is *“little significant planned design and development work beyond the next two years”* and that the *“fragility of the... UK industrial base is such that open international competition could put the sustainability of key industrial capabilities at risk.”* MoD therefore intends to establish a multi-disciplinary team to assess how ongoing requirements can be met, and *“critical guided weapon technologies and through-life support capabilities”* are sustained, with the aim of identifying *“a clearer way ahead by mid-2006.”*

While welcoming the publication of DIS, BAE Systems recognizes that there are a number of challenges underlying the successful implementation of this for the Company, the defense supply chain and the MoD in 2006.

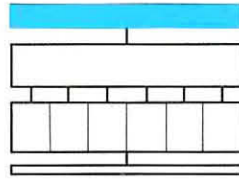
The primary challenge for the Company is to ensure it develops a consistent approach to Through-Life Capability Management that will underpin each of the sector long-term partnering agreements. This will require a greater degree of coordination between the UK businesses.

In addition, the DIS will require BAE Systems to revisit its UK technology strategy and spending to achieve a much greater alignment with the sector priorities and demonstrate a much greater participation from our supply-chain partners.

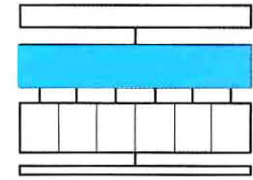
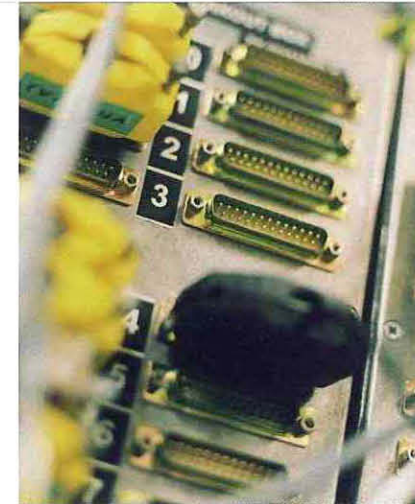
We have a single Group Strategy **“to create sustainable shareholder value by being the premier transatlantic defense and aerospace company.”** This is delivered through Group Strategic Objectives, Business Portfolio Actions, and Integrated Business Plans (IBPs). The five Group Strategic Objectives are owned by the Executive Committee and applied across the Group. The Business Portfolio Actions are championed by the relevant Executive Committee members and are delivered by the businesses either separately or jointly.



How we achieve our strategy



How we achieve our strategy



You will notice that for 2006 the alignment between the individual portfolio actions and the businesses has changed, so that many of our businesses now support more than one portfolio action (e.g., CS&S business unit will support both the second and fourth actions). This is a deliberate move: as the customer moves toward a more 'through-life' and 'capability' driven agenda, our Business Units and Operating Groups must find ways to work together across business boundaries to deliver the Portfolio Actions.

First, what do we mean when we say "sustainable shareholder value"? "Shareholder Value" means growth in our share price and dividends. While we cannot dictate our share price, it is influenced by delivering profitable growth through improved performance. It also reflects the long-term nature of our business and our drive to move toward mutually beneficial relationships with our customers.

"Sustainable" means building a consistent track record of delivery to our shareholders and investors. It also means continually improving our processes and skills of our people that will allow us to deliver on our commitments to customers and therefore shareholders.

Secondly, why "transatlantic"?

"Transatlantic" reflects our most important markets, which means having a presence in both the UK/Europe and in the United States. While the United States, by a very large margin, is the world's largest defense and aerospace market and investor in technology, and is the reason for our U.S. growth strategy, we must maximize the value from our existing leading UK/European position. This transatlantic base also both supports and draws on our strengths in our other important home markets of Sweden, Australia, Saudi Arabia and South Africa.

Thirdly, why "defense and aerospace"? While defense remains our core market, our historically strong presence in the aerospace sector is a major contributor to the value of the Company.

Across the business, over half of the Company's total sales are now from electronic systems, software and services. Defense platform programs contribute roughly a quarter and the balance comes from commercial aircraft (support to the regional aircraft market and Airbus). We recognize that, on both sides of the Atlantic, defense now increasingly includes Homeland Security markets.

Group Strategic Objectives

In order to achieve our strategy, we have five strategic objectives that apply across all of our businesses:

Embed a high performance culture across the Company

Having a high performance culture underpins our ability to achieve our strategy, and we all share the responsibility for delivering high performance. In 2005, we established the Centre for Performance Excellence (CfPE) as a key element to accelerate our progress on this journey. The CfPE will focus on driving predictable program execution, since delivery against our programs lies at the heart of consistent performance. It will simplify and clarify governance and core processes to reduce duplication and cost. A key focus for the CfPE in 2006 will be on bid management and business winning. Through the introduction of objective measurement across the Company, we will be able to share business data in a comparable and transparent way, which will support the faster delivery of our group strategic objectives.

Through the Performance Centered Leadership (PCL) framework, all of our business leaders should know what 'high performance' means for themselves and their people. Our challenge is to ensure that the principles of PCL are embedded throughout BAE Systems and that all of our people and our business partners understand what is expected of them and their contribution to adding value to the business.

Win profitable new business and optimize value from our order book

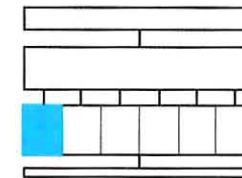
We have had considerable success in recent years in establishing a sound foundation for growth, moving toward an appropriate balance between risk and reward across the UK businesses. Our focus now, across the Group, should be on exploiting that foundation, and our breadth of capabilities, to win profitable new business. We have the opportunity, and the capability, to broaden our offering to our current customers and to address new markets, and hence deliver sustainable organic growth.

We remain determined to build on our strong market positions and deliver greater value to our shareholders from our record order book. By applying our best practice controls, tools and processes in a consistently efficient manner throughout our Company, we will turn orders and then sales into profitable returns for our shareholders and secure our future.

In addition, we must continue to improve productivity and reduce our cost base.



Achieving our strategy through Business Portfolio Actions



Group Strategic Objectives

Grow our export business from a strong transatlantic business base

Transatlantic markets remain at the core of our strategy given our leading position in the UK/Europe and strong and growing presence in the U.S. The positive output from the UK Defence Industrial Strategy and a growing number of opportunities to export to and from the U.S. means that these markets will continue to shape our capabilities and our product and services portfolio.

From this strong base we will continue to export to, and work in, markets around the world where we can deliver shareholder returns. A recent study has allowed us to prioritize key export markets and identify potential products and services that will be better suited to those markets.

In addition, the expansion of existing home markets (locations where we own industrial assets) and identification of new ones will be the subject of study during this year.

Increase U.S./UK industrial technology sharing

Enhancing U.S./UK industrial technology sharing is crucial for the delivery of greater interoperability between the U.S. and UK armed forces, in both coalition operations and peace-keeping roles around the world.

Industrial technology sharing also enables us to realize the synergies between our transatlantic businesses, and capitalize on our combined strengths to deliver better value to our customers and our shareholders.

Optimize our business portfolio

We need to ensure we continue to focus on delivering long-term sustainable value to our shareholders. Each part of our business portfolio needs to be focused on where appropriate returns can be achieved. If that is not possible, a route to exit or to minimize exposure must be found.

Where markets do have attractive terms of trade, we must look to deliver the best possible returns. To do this, our cost base, productivity and business performance must be continually addressed.

Where businesses operate in markets considered non-strategic, they will be managed to optimize value. This could mean focusing on managing for cash or possibly, divesting.

Grow our business in the United States

The U.S. priority on national security and the Global War on Terror, coupled with a high level of investment in research and development and fair contracting terms, makes the U.S. an attractive market for BAE Systems. And although the growth in U.S. defense spending is expected to slow, we believe that we are well-placed to support the U.S. Department of Defense's (DoD) likely emphasis on Force Sustainment and Affordable Transformation.

The U.S. market currently accounts for around one-third of BAE Systems' overall sales, and the Company is currently one of the largest suppliers to the DoD. BAE Systems, Inc. employs 45,000 people in the U.S., UK, Sweden, Israel and South Africa and has annual sales in excess of \$10 billion. Our goal is to continue to grow the business in the United States through a combination of 10% annual organic growth and growth through acquisitions, consistent with corporate financial considerations. The DoD's trend toward awarding large, complex contracts supports this goal as it favors suppliers that provide a broad range of capabilities and high-level program management expertise.

In the summer of 2005, BAE Systems completed the acquisition of United Defense, growing the U.S. business base by \$2.3 billion in annual sales and 8,000 additional employees. This acquisition establishes BAE Systems as a major land systems prime contractor with a strong position in support of DoD's requirements for Force Sustainment and Affordable Transformation, and provides new opportunities in land vehicle and naval gun programs. It also broadens our access to platforms supporting our customers with enhanced solutions, including new target acquisition communications, and diversifies our business base with the U.S. Army.

To coincide with the United Defense acquisition, we reorganized our U.S. businesses into three discrete Operating Groups – an Electronics & Integrated Solutions group encompassing our already strong electronics and C4ISR capabilities; a Customer Solutions group that will deliver a broad spectrum of support and outsourcing services; and a Land & Armaments group consisting of the core elements of United Defense merged with BAE Systems' existing Land Systems business. The new organization enables us to: maximize our critical capabilities and resources toward our most important programs; more effectively compete to win new, larger business opportunities; anticipate and shape customer needs; and to outpace the competition.

In addition to the acquisition, the U.S. business achieved strong organic growth across its legacy businesses with key successes in electronic warfare, tactical communications, intelligence systems, information technology, and customer support.



Grow our business in the United States

The other key priorities for 2006 are to:

Meet our financial commitments and drive to achieve stretch targets

Through Operating Group agreement on Integrated Business Plans, develop and pursue challenging, achievable financial goals. Meet financial commitments and drive to achieve stretch targets.

Improve key performance/process metrics

Develop and focus on improving key performance metrics that reflect our high performance culture and create positive impact. Emphasize program performance, life cycle management, leadership development, and environmental safety and health. Maintain industry leadership positions in performance attributes measured by the 2006 Employee Opinion Survey.

Strengthen customer focus

Strengthen customer focus as measured by the Customer Perception Survey with emphasis on program cost and schedule performance, record for award fees, and by increasing the proportion of sales direct to government customers. Improve relationships with government and political constituencies throughout the global enterprise, increase impact and emphasize the importance of cooperation and collaboration with constituent groups.

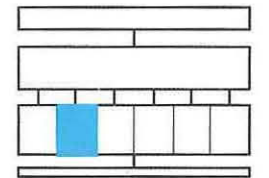
Improve profitability

Take steps to improve overall profitability to 10% over the planning horizon by reducing costs and at the same time maintaining our position as a competitive employer within the aerospace and defense industry.

Support Industrial U.S./UK technology sharing

Support U.S./UK technology sharing that leverages the transatlantic capabilities of BAE Systems and benefits interoperability and collaboration among coalition war fighters.

Achieving our strategy through Business Portfolio Actions



Establish in the UK sustainably profitable through-life businesses in Air, Land and Sea

Good progress continues to be made across all major platform programs. In 2005, the financial performance of the Programmes business benefited both from improved project execution and the improved terms of trade agreed with the MoD on Typhoon in December 2004.

In December 2005, the MoD published its Defence Industrial Strategy (DIS). This strategy will shape the future of the UK defense industrial base. Successful implementation of DIS will create a positive investment environment and we will work closely with the MoD to help them realize the DIS intent. The enduring requirement for retaining an on-shore, through-life, systems integration capability across Air, Land and Sea provides BAE Systems with a sustainable UK business base.

Air Systems continues to make good progress on its key programs. The introduction of the Typhoon to the Royal Air Force (RAF) was successfully implemented under the Case White initial support arrangement with the contracted flying hours completed ahead of schedule and the first two RAF squadrons have now been deployed to their operational base at RAF Coningsby.

Nimrod passed a number of key milestones in 2005 with three aircraft now flying in the development program, while the first RAF Hawk Mk128 made its first flight in July – ahead of schedule – representing a major milestone in the UK Advanced Jet Trainer program.

In the Naval sector, production of the first two Type 45 destroyers is now well under way in our Naval Ships business with the first of class launched in

February 2006. Naval Ships also continue to make good progress on the LSD(A) program, with RFA Mounts Bay on track to enter service on time and to budget in 2006. The Submarines business has also continued to make good progress: the Astute submarine program has been achieving milestones on or ahead of schedule with the pressure hull of the first of class now complete.

We continue to support the CVF future carrier project and welcomed the announcement in December 2005 that released funding of \$523 million to further mature the design, and agreed roles and responsibilities for the program. This will entail BAE Systems holding responsibility, within the Alliance structure, for: overarching leadership of the design team; leadership of the integration, testing and commissioning teams for the ships to coordinate build and assembly; design and build of two of the four lower blocks of the ship; and leadership of the Mission Systems team.

The formation of the Land & Armaments Operating Group following the acquisition of United Defense presented us with an opportunity to align our land businesses and better satisfy the requirements of our customers. In the UK, both the Panther command and liaison vehicle and Terrier combat engineer

Achieving our strategy through Business Portfolio Actions



Establish in the UK sustainably profitable through-life businesses in Air, Land and Sea

vehicles have now entered their trials phase, and we continue to develop our approach to the critically important Future Rapid Effects System (FRES).

We recognize that through the DIS the MoD is evolving toward a capability-centric approach. This shift of focus implies an increasing need within the MoD and Industry to understand the complexities of *integrating capability* elements *through-life* across the Lines of Development. In partnership with the MoD, the scope of industry's role will increasingly extend into non-equipment areas and span the boundary between

peace-time and deployed environments. To create a sustainable position in the UK, BAE Systems must respond proactively to this changing environment: the formation of the centrally-based Strategic Business Development early in 2005 was a key first step, focused on helping the customer to understand its options and priorities, and on leveraging the wider capabilities of BAE Systems to offer new solutions. The role of Strategic Business Development is to channel and focus the strengths and competencies of the global company and its supply chain toward strategic new business opportunities.



Grow a global land systems business

Following the successful completion of the acquisition of Alvis in 2004 and United Defense in 2005, BAE Systems has established a major land systems position, with home markets in the U.S., Sweden, South Africa and the UK. The formation of the Land & Armaments Operating Group in June 2005 brought BAE Systems' existing land systems activities together with those of United Defense to create a global leader in the design, development, production and service support of armored combat vehicles, major and minor caliber naval guns, missile launchers, canisters, artillery systems, survivability solutions and intelligent and insensitive munitions.

The 11,000 employees of Land & Armaments (L&A) are dedicated to providing excellent performance and meeting customer requirements with on-time, on-schedule delivery of advanced combat armament solutions and are at the forefront of research, development and design technologies necessary for advanced combat systems. These technologies have been instrumental in our selection as the prime developer, system integrator and producer for critical combat systems for our customers worldwide. We maintain industry leadership in advanced technologies that focus on enhancing survivability, lethality and mobility.

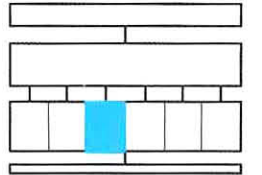
These integrated capabilities, our position on future programs and our extensive installed base of legacy systems provides BAE Systems with a platform from which it can continue to develop a global land systems business.

Our growth potential is focused in the following areas:

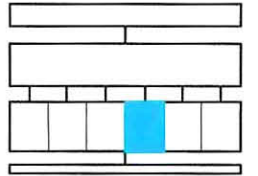
- With a large installed base of ground combat systems, being Original Equipment Manufacturer for 85% of the U.S. fleet and Design Authority for 95% of the UK fleet, we intend to take advantage of both opportunities to deliver through-life support/

upgrades and of the growing international demand for armored all-terrain vehicles and mine protected systems. As an immediate result of the UK DIS, BAE Systems has entered into a long-term partnering agreement with the MoD to support the existing and future armored fighting vehicle fleet.

- We will capitalize on the reset and modularity priorities of the U.S. Army to restore battle-worn equipment and to convert active and reserve units to standardized expeditionary organizations.
- The next generation of combat systems will be rapidly deployable, lethal, survivable and networked. We have an integral role in the UK's FRES program, the U.S. Army's FCS program and the Swedish SEP future ground systems programs.
- We have an established global presence with towed and self-propelled cannon artillery and mortar systems. Support agreements are in place for UK and U.S. systems. Other customers for the M777 are emerging. Bofors' self-propelled artillery system, Archer, is generating interest in Sweden, Denmark, Australia and elsewhere.



Achieving our strategy through Business Portfolio Actions



Grow a global land systems business

- There is a growing international customer interest in modern naval guns and launching systems. We have multi-year option contracts for U.S. gun and vertical launching systems canister work and have products on all future U.S. combatant ships.
- The premium that militaries are placing on accuracy and precision in both area and point target fires has raised the importance of intelligent munitions for artillery and mortar systems. Bofors has a leading role in the accelerated fielding of Excalibur to U.S. and Canadian forces in Iraq and Afghanistan. BONUS, a sensor fused 155mm munition fielded in Sweden and France, is being evaluated by the U.S. and UK.
- Our expertise in survivability systems, from body armor to add-on armor kits and active protection systems, meets the needs of the war fighter and opens new vistas for protecting the future force.

Orders since late spring worth \$1.5 billion for the refurbishment/upgrade of Bradley and M113 fighting vehicles and Hercules engineer vehicles have provided strong endorsement of the acquisition of United Defense and the growing importance of this sector in the U.S. With a global installed base of our military vehicles in service, there are promising global support and upgrade opportunities.

In the UK Land support arena, a \$105 million AS90 spares availability contract was secured which will save the UK MoD \$50 million. In addition, BAE Systems recently secured the power-train upgrade for the FV430 fleet. This is an excellent first step as we embark on the partnering agreement with the MoD in support of the UK Armored Fighting Vehicle fleet. Success on this will build customer confidence and our credibility in the land sector.

L&A will plan globally and execute locally in 2006. It will leverage the distinctive advantages it offers to the marketplace, including its global presence, the geopolitical support from which it benefits, the significant installed base in the U.S. and UK, its strong capability in guns and the strong public/private partnerships it has developed worldwide.

Grow a global support, solutions and services business

Strong progress has been made against this business portfolio action. Customer Solutions & Support has continued the evolution of its successful partnering relationship with the UK Defence Logistics Organisation (DLO) during 2005 and its international and Australian businesses continue to implement their growth strategies. In addition, restructuring in North America led to the creation of the Customer Solutions Operating Group. These structural changes position us strongly to address emerging support opportunities in the global market.

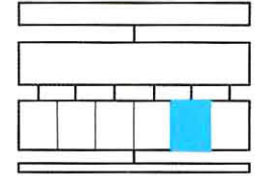
Key UK highlights include securing major orders on VC10, Harrier, a major third-party support contract on E3D Sentry and the sale of three ex-Royal Navy frigates to Chile. The latter follows the successful reactivation and upgrade of the two Type 22 frigates for Romania completed on schedule in April 2005.

A joint DLO/BAE Systems team gained, with government approval, for the next phase of Tornado support to deliver increased availability and operational flexibility at much reduced cost. This "ATTAC" program (Availability Transformation: Tornado Aircraft Contract) will integrate all non-engine Tornado support and upgrade activity into one incentivized arrangement. The information 'know-how' gathered from this proposal will be used to create an "integrated support business model" (ISBM) – a generic support template for major programs across BAE Systems, such as Typhoon, Wedgetail and Type 45.

For both BAE Systems and the MoD, the ATTAC program is particularly significant, as a pilot program for capability acquisition. The MoD is progressively moving toward an intelligent decider role, and – where appropriate – is establishing long-term partnerships with industry to deliver Through-Life Capability Management as announced in DIS.

Performance on the Al Yamamah program in Saudi Arabia remains on plan. The Company continues to develop a greater indigenous presence in Saudi and has made a number of investments in offset companies. The security of our employees is the highest of our priorities and a significant investment is being made in new compounds and increased security measures.

Achieving our strategy through Business Portfolio Actions



Grow a global support, solutions and services business

The Australian business has made considerable progress in realizing its strategy of becoming the Australian Defence Force's capability partner of choice in integrated military systems and support solutions. Important milestones are the wider industrial participation agreements with Boeing on the Wedgetail program and Lockheed Martin on JSF.

The U.S.-based solutions and services business is focused primarily in the areas of Systems Engineering and Technical Assistance (SETA), Information Technology (IT), and ship repair. While the U.S. services market is large, it is generally flat, resulting in a very competitive environment. However, customers are facing budgetary pressures encouraging them to be receptive to new solutions from new suppliers, and we must take these opportunities while also winning our re-compete contracts.

Additional future growth plans remain centered in the high growth Information Technology (IT) market. The Company plans to in-source its U.S. IT to our BAE Systems Information Technology unit providing critical mass to its enterprise-scale qualifications to significantly improve its market position for growth in a \$60 billion Federal IT market. The Company is positioning itself to maximize participation in higher-margin market areas by developing tools, processes, and organization to generate the most effective cost proposals, to mitigate any potential Organizational Conflict of Interest (OCI) issues and to best leverage its IDIQ (Indefinite Delivery/Indefinite Quantity) contracts.

BAE Systems is in an excellent position to assist customers with defense logistics transformation so that they increase operational effectiveness and reduce cost while we increase shareholder value. In 2006, through the Pan-BAE Systems Support Council, launched in the latter part of last year, we will continue to develop a consistent and cohesive approach to support processes across BAE Systems.

Grow and maximize the value of Airbus

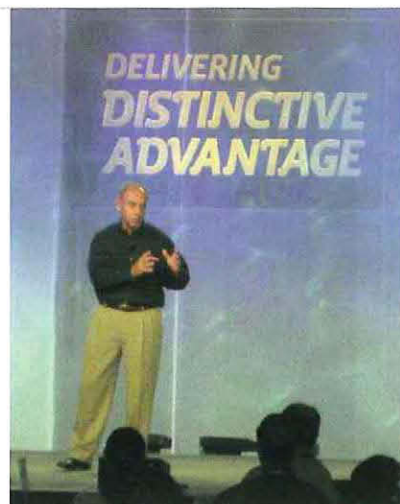
Airbus secured net new orders for 1,055 commercial aircraft in 2005 with significant firm orders received from Kingfisher Airlines, UPS, Virgin Atlantic and CASC.

For the 12 months ending December 2005, Airbus delivered 378 aircraft compared to 320 in 2004. The 2005 total comprised 289 single-aisle A320 Family aircraft and 89 wide-body long-range airliners (essentially A330s and A340s).

In April, the A380 successfully undertook its maiden flight, which lasted over four hours. The entry into service date for the A380 is now anticipated in late 2006. In addition, the A400M military transport aircraft development program is continuing on plan with the first export order for the aircraft achieved during 2005.

Following approval from its shareholders, EADS and BAE Systems, Airbus formally launched the new passenger long-range A350 aircraft in October 2005.

BAE Systems, Inc.



2005 Year in Review

For BAE Systems, Inc. and its 45,000 employees, 2005 was a very successful year, highlighted by the acquisition of United Defense Industries, Inc., and the concurrent reorganization of the former BAE Systems North America into three distinct, empowered Operating Groups. Each Operating Group is organized to better meet the needs of its respective markets and customers and is positioned to meet customer trends by providing a broad spectrum of integrated capabilities and services. The acquisition and reorganization also more effectively positions BAE Systems, Inc. to contribute to the achievement of BAE Systems plc's Group Strategic Objectives and the Business Portfolio Actions.

While proceeding with the acquisition and integration of United Defense, the establishment of the Land & Armaments Operating Group (including the UK-based Land Systems business), and implementing the reorganization of legacy BAE Systems businesses units and the former U.S. Marine Repair into the Electronics and Integrated Solutions and Customer Solutions Operating Groups, employees also remained focused on achieving business objectives that had been established for the year. BAE Systems, Inc. performed well regarding profit and cash during 2005, but for the first time, we

fell short on orders and just made sales projections. This is an indication of how tough it will be to achieve our future growth objectives, and we will re-double our efforts to focus on top-line growth in 2006. The acquisition of United Defense enabled BAE Systems, Inc. to grow its business by 39% during 2005, more than doubling its original growth through acquisition goal, while increasing its employee base by 15,000. The company also achieved its 2005 goals of 10% annual organic growth and improved profitability and is taking steps through the Integrated Business Planning Process to sustain organic and profitability growth goals across the planning horizon.

BAE Systems, Inc. continues to expand its involvement in BAE Systems plc Strategic Actions as a means of driving value across the entire enterprise. Throughout the year, BAE Systems, Inc. supported major phase reviews, continued to support technology sharing on the Joint Strike Fighter program, and played key roles on global councils and initiatives. The level of integration and collaboration across the enterprise is also evidenced by the integration of the UK-based Land Systems into the Land & Armaments Operating Group to create the second largest land systems business in the world. Finally, BAE Systems, Inc. continues to operate as a high per-

formance enterprise through expanded employee involvement and participation in Performance Centered Leadership, continued improvements in the Capability Maturity Model Integrated levels of its lines of business, and its continued record of maintaining award fee levels above 93 percent.

Finally, BAE Systems is recognized for its affinity for the war fighter and the communities it serves through both active employee participation and national recognition received during the year from its Charity Challenge Partners – the American Cancer Society, Stroke Association, and Chest, Heart & Stroke Scotland; the USO; the American Red Cross; and Employer Support of the Guard & Reserve.

Focus for 2006

Pressures on the U.S. and European defense budgets in 2006 will create challenges for aerospace and defense companies to achieve the sustained growth levels that have been experienced since 2001. BAE Systems, Inc. is focused on leveraging its capabilities and strengths and developing unique attributes and capabilities that will enable the company to deliver distinctive advantage to its customers. The ability to deliver distinctive advantage is based on our High Performance Culture and rooted in the common Strategy, Values,

Operating Principles and Objectives that are shared by all employees and embedded across the global enterprise. The High Performance Culture is reflected in the constant pursuit of the elements that define our culture:

Customers – Responsive to customer needs, trusted to perform, and committed to their success. Employees communicate honestly and effectively and adhere to the highest ethical standards.

Performance – Meet goals and commitments defined and measured by Integrated Business Plans, Life Cycle Management, the Customer Perception Survey, the Centre for Performance Excellence, and other industry standards and metrics.

Our People – Invest in employees through Performance Centered Leadership, leadership development and learning management programs. Our employees are aligned and engaged and actively support the communities where we live and work.

Innovation & Technology – Develop the most advanced technology to provide the best solutions to customers, invest in internal research and development to maintain our technological advantage, and recognize and reward innovation.

Partnering – Leverage the unmatched breadth and scope of our global enterprise toward meeting customer needs. Develop common goals and objectives, and share best practices.

We must ensure that each activity and project undertaken reflects our values and high performance culture, reinforces how this culture delivers distinctive advantage to customers, and ultimately enables BAE Systems, Inc. to meet a wider array of customer needs and expand market share.

Priorities for 2006

Meet our financial commitments and drive to stretch targets

- Through Operating Group agreement on Integrated Business Plans, develop and pursue challenging, achievable financial goals. Meet financial commitments and drive to achieve stretch targets.

Improve key performance/process metrics

- Develop and focus on improving key performance metrics that reflect our high performance culture and create positive impact. Emphasize program performance, life cycle management, leadership development, and environ-

mental safety and health. Maintain industry leadership positions in performance attributes measured by the 2006 Employee Opinion Survey.

Strengthen customer focus

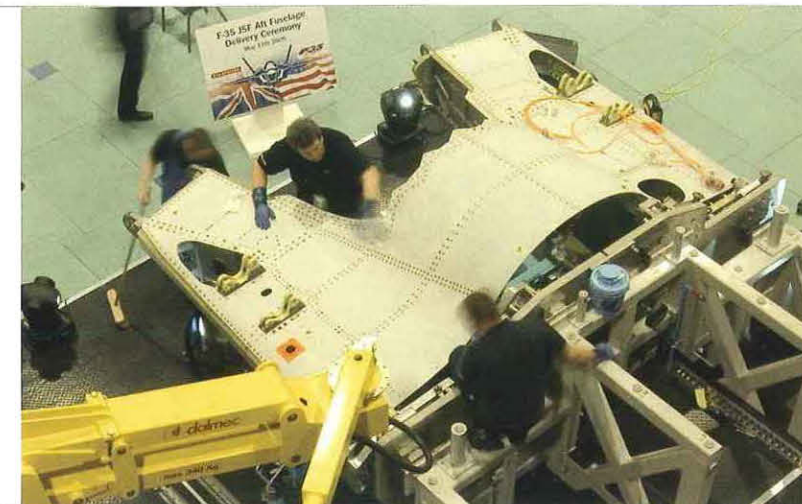
- Strengthen customer focus as measured by the Customer Perception Survey with emphasis on program cost and schedule performance, record for award fees, and by increasing the proportion of sales direct to government customers. Improve relationships with government and political constituencies throughout the global enterprise, increase impact and emphasize the importance of cooperation and collaboration with constituent groups.

Improve profitability

- Take steps to improve overall profitability over the planning horizon by reducing indirect costs and at the same time maintaining our position as a competitive employer within the aerospace and defense industry.

Grow organically by 10% in 2006

- Grow 10% organically which, in the environment of flat defense spending, requires expanding market share within existing and new programs.



Grow through acquisitions consistent with corporate financial considerations

- Grow through acquisition, focusing on businesses that meet financial criteria and at the same time operate within key market segments and programs, or provide key technologies.

Support U.S./UK technology sharing

- Support U.S./UK technology sharing that leverages the transatlantic capabilities of BAE Systems and benefits interoperability and collaboration among coalition war fighters.

Performance Excellence

One of our top strategic objectives is to embed a high performance culture across the company. The Centre for Performance Excellence (CfPE), headquartered in the UK, was formed to assist in delivering that objective. The CfPE works with Senior Management and the businesses to drive performance improvement through objective measurement, and the management and improvement of key enterprise processes, knowledge and capabilities.

As part of the restructuring of the U.S.-based businesses following the acquisition of United Defense, the Performance Excellence group was formed as part of

the U.S. Headquarters to assist in delivering enhanced business performance, operational and functional process integration, and governance oversight, and to provide an interface to the CfPE. The Performance Excellence group consists of Corporate Development (mergers & acquisitions), Strategy and Planning, Engineering, Mission Success (including Program Management), Integration, and Audit.

The Performance Excellence group is undertaking a number of activities that demonstrate the commitment to embedding a high performance culture within our business:

Performance Metrics

One of the major activities being led by the CfPE, and supported by Performance Excellence Mission Success for the U.S.-led businesses, is to develop and implement a set of performance metrics that provides a succinct and meaningful measurement system to assess enterprise performance and improvement.

Nine metrics have been developed. Divided into those that report on business performance and those that report on project performance, there is a mix of financial and non-financial metrics.

The metrics include:

Business Performance:

- Financial Salients
- Life Cycle Management (LCM) Application
- Environment, Safety, & Health
- Leadership Development
- Employee Engagement

Project Performance:

- Project Financial Salients
- Margin Variation
- Schedule Adherence
- Customer Satisfaction

These metrics will be collected and reported up through the Operating Groups, U.S. and UK Headquarters, and then to the Board.

BAE Systems, Inc. WAN Re-Architecture Initiative

Information Technology (IT) is the backbone of the infrastructure of the company. As such, IT policy and how IT is implemented across the business remains one of the few central functions retained at Headquarters and is maintained by the Performance Excellence

Integration Group. The integral nature of our IT systems to the ability of the company to conduct our business requires us to have a consistent and effective information technology architecture and operational philosophy.

As part of the Integrated Business Planning Process (IBPP), BAE Systems, Inc. embarked upon a comprehensive review of the existing Wide Area Network (WAN) during 2005. The review resulted in the re-architecture of the wide area network that fully exploits available and emerging networking technologies and enables the visions of "the boundary-less work environment" and "design anywhere, build anywhere, service anywhere." This initiative has been named I-06, "Information Highway 06 - Delivering Competitive Advantage."

The current network architecture relied on a 'hub and spoke' model where all sites connected through a central network operations center (NOC). The new architecture uses a 'mesh' architecture, where each site can talk directly to every other site. In addition, the technology used for the WAN has been updated from ATM (Asynchronous Transfer Mode) to MPLS (MultiProtocol Label Switching).

The key benefits this initiative delivers are:

- Designed to support our growth aspiration and future needs
- Supports "Borderless Connectivity" irrespective of Organization Structure
- Leverages new technology to lower our total cost of ownership
- Addresses our Security needs and potential emerging threats

The process of migrating sites to the new architecture started in 2005 (Phase I) and has successfully migrated 27 sites. In Phase II, the remaining 80+ sites will be migrated in 2006, including the Land & Armaments and Customer Solutions Ship Repair sites.

Project 06 and Project Genesis

After months of discussions and negotiations with Computer Sciences Corp. (CSC), the BAE Systems plc Executive Committee decided in late 2005 to continue the outsourcing relationship with CSC for five years. The new contract secures far better terms, services and prices than that of the current IT outsourcing arrangement.

However, in North America, BAE Systems, Inc. focused on a two-year deal with CSC, due to our approved business strategy to utilize BAE Systems Information Technology for the provision of some current and future internal IT services. This new agreement will enable the provision of IT services by CSC for the entire E&IS Operating Group, including those lines of business (such as Platform Solutions) that are currently out-of-scope in the existing CSC contract. Under this new arrangement, CSC will provide the full range of IT services, with the exception of networks and information assurance services.

BAE Systems Information Technology was selected for the provision of networks and information assurance services to all three Operating Groups in the U.S., as well as the full scope of IT services to its own Operating Group - Customer Solutions. Provided that BAE Systems Information Technology can develop and demonstrate acceptable capability and competitive pricing over the next two years, BAE Systems, Inc. will consider a further transition of some or all IT services from CSC.



Business Continuity Management

BAE Systems continually strives to build and maintain a superior reputation and to protect the interests of its employees and other stakeholders. Active protection of BAE Systems resources, including its people, infrastructure, intellectual property, engineering capability, and manufacturing capability, is vital to realizing that goal. Business Continuity Planning includes the identification of foreseeable risks, an assessment of the quantitative and qualitative impact of those risks on a prioritized basis, and the development of effective mitigation strategies/plans to ensure the protection of human health and safety, the environment, and the continuity of our business. Through the three phases of Business Continuity Planning – Emergency Response, Crisis Management, and Business Recovery Planning – BAE Systems is taking the steps necessary to ensure the continuity of its business in both the short and long term.

Leadership Development

Performance Centered Leadership (PCL) is a framework including processes and development programs designed to maximize performance and develop current and future leaders. In 2005, the PCL framework was expanded to include over 1,300 leaders within BAE Systems,

Inc. In 2006, PCL will apply to all directors and above and will be expanded to include recently acquired organizations.

In 2005, several new PCL courses were offered in the U.S.; Executive Coaching and Mentoring, Managing Adaptive Change, and Gateway to Strategic Leadership were introduced. In 2006, BAE Systems, Inc. courses will be expanded to include two new leadership seminars: Leading the Enterprise in a Challenging Environment and Growing the Enterprise in a Challenging Environment will be conducted by Duke Corporate Education. These seminars will focus on strategic, cultural and leadership alignment – critical elements to successfully execute our business objectives and achieve optimal performance in our markets.

In 2005, 20 future leaders from the U.S. and UK completed the North America Leadership Development Program (NALDP). The 20 participants enrolled in the 2006 course, since renamed LEAD (Leadership Enhancement and Development Program), represent the three Operating Groups and work locations across the U.S. and UK. They have a broad range of diverse experience, although the majority represent engineering and program management functions and have earned advanced degrees. Galen Ho, SVP for

Performance Excellence, will serve as executive champion during 2006 and the program curriculum will be updated to reflect our change to a global business and to align with a new global high potential program being developed by BAE Systems plc.

HRIS & Performance Management

Several new PeopleSoft applications, including Manager Direct Access, e-Compensation and e-Performance, designed to increase the efficiency of routine processes, were launched during 2005 and early 2006. Each launch was supported by comprehensive orientation and communication campaigns to facilitate the adoption of these new systems. The new e-Performance system, which is first being used to develop 2006 personal goals, provides a common approach to the Performance & Development Review process. During 2005, the online Learning Management System (L&D Net) hosted more than 20,000 users for e-learning and required courses such as Ethics and Export Compliance training, and also supported course registrations, evaluations and reporting.



Community Involvement

BAE Systems has continued to build on its reputation for community involvement and employee contribution. The high level of employee participation in sponsorship and charitable events effectively demonstrates our commitment to the communities in which we live and work.

Charity Challenge

Charity Challenge has continued to serve as the cornerstone of the company's community involvement, with employees raising money and donating their time for worthy causes. The current 18-month campaign, which extends through September 2006, supports employee-selected partner charities, including the American Cancer Society in the U.S. and the Stoke Association and Chest, Heart & Stroke Scotland in the UK.

BAE Systems also plays a major role in supporting community activities. BAE Systems' sponsorship of the Ornskoldsvik Ice Hockey Team in Sweden for many years benefits the local community. In South Africa, the company will sponsor the 2006 Peacekeeping, Reconstruction & Stability Operations in Africa Conference, scheduled for March 2006 near Johannesburg, South Africa.

USO World Partner

BAE Systems continues to be a proud World Partner with the United Service Organizations (USO) which supports allied military personnel and their families at home and abroad. BAE Systems has been a World Partner since 2000, and supports regional affiliates through programs such as Operation USO Care Package, Fleet Week activities, and the Annual Holiday Bike Drive. The USO continues to boost morale for allied service men and women worldwide, bringing to them a touch of home through music, laughter, and personal outreach.

Red Cross

In the aftermath of Hurricanes Rita and Katrina, BAE Systems matched more than \$1.16 million in donations from employees across the company for a total contribution of \$2,335,338 to the American Red Cross. Following the Southwest Asia tsunami, BAE Systems employees conducted a similar matching campaign, which resulted in a donation of more than \$520,000 to the American Red Cross. In December 2005, BAE Systems was honored with the Circle of Humanitarian Award by the Red Cross, the organization's highest honor for financial support.

Customer Solutions Operating Group



A message from Marshall Banker

The Customer Solutions (CS) Operating Group (OG) got off to a terrific start in 2005 and ended up having a very exciting and productive year. The Group exceeded its financial goals; set up a new Customer Solutions organization; and is in direct alignment with BAE Systems plc global strategy, particularly with regard to growing the support and solutions services business and growing the business in the U.S.

I am very proud of the employees in the Customer Solutions Operating Group for their accomplishments in 2005. They stepped up to the plate during the reorganization to make the necessary organizational adjustments, to find operational and program synergies, and to begin to work together as one Group. Our people even named the newsletter "CS Link" to illustrate our linking the businesses together.

In addition, CS employees responded to fellow co-workers during the Hurricane Katrina disaster to provide funding for the deployment of people, equipment, food, and other resources to aid those in need. Our people earned one of the coveted Gold Awards in the Chairman's Award for Innovation competition. And our employees displayed the highest degree of integrity, with yet another year to add to our excellent track record of ethical behavior. These are just a few of the accomplishments our people achieved. Our people are indeed our greatest asset.

I have had the pleasure of speaking to and meeting many of our employees since I started my President's Tour visits. During the tour, I announced our new strategy of "Delighting Our Customers" and explained my goals for the Customer Solutions Operating Group – perform and grow. Looking ahead, we will continue to maintain a high level of customer satisfaction through outstanding performance on all of our programs, because the best way to grow our business is with our current customers and

by building on our successes to reach new customers. Satisfied customers are those who know we will do what we say we will do, who know that their mission is our mission, who know they can count on BAE Systems, and who know they are our number one priority.

Growth is another of our priorities. We are developing the strategy and capability to enable us to pursue larger programs. We are doing this by taking advantage of the strengths of all the business units in the Group and by demonstrating that the whole is greater than the sum of the parts. We are beginning to identify some large opportunities that will enable us to maximize this Customer Solutions synergy. This is a very exciting period in our evolution, as we apply our new strengths toward opportunities now open to us as Customer Solutions. In addition, we will continue to pursue acquisitions as an important part of our growth strategy. The right acquisitions can provide further strength and fill gaps in our capabilities.

We believe that as a company we can build a discriminating advantage in the marketplace by having our customers' – internal and external – best interests at heart, listening to them, understanding their needs, working with them to provide solutions, and performing flawlessly to provide an extremely high quality of service. We intend to build on our strengths across the OG to become a recognized brand for delighting our customers in everything we do.

Internally, this means developing a common culture where everyone is involved in the Delighting Our Customers strategy. It means developing a workplace atmosphere of trust, respect, and collaboration – actually treating each other as customers. And, it means we will see our internal customers' missions as our own and be excited about helping to accomplish those missions.

Externally, this means we will build trusted partner relationships with all of our customers, at all levels, and we will strive to make our performance flawless. As a result, we will receive outstanding customer satisfaction scores and our past performance credentials for future competitions will be excellent. We will have improved win rates on re-competes and powerful endorsements will be shared with potential new customers about our company. We will be a high performing organization and we will be recognized by our customers as a high performing organization.

In order for the "Delighting Our Customers" value proposition to become a reality, we will be intently focusing on the internal cultural and operational aspects of our Group to determine what obstacles we have to doing our jobs better....and we will be fixing those obstacles.

I am depending on our people to continue the excellent work they are doing and to promote a high performance work culture that focuses on the customer to achieve the successful future, which I am confident we are creating. The power in our value proposition comes from the fact that we can all take part in it – whether we are delighting our external customers or our internal customers. I believe that if we all have this mindset, we will not only be successful, but our everyday work lives will improve as well. Customers. Performance. People: three words that tell the world what Customer Solutions is all about; three words that define our keys to success.

Marshall Banker, President
Customer Solutions Operating Group

Customer Solutions Operating Group



Organization

Customer Solutions, headquartered in Arlington, VA, is the U.S.-based solutions services business of BAE Systems employing nearly 14,000 people at more than 60 locations in the United States. It brings together three businesses – BAE Systems Information Technology, BAE Systems Technology Solutions & Services, and BAE Systems Ship Repair – making it a leading provider of integrated technical and professional service solutions for the U.S. national security and Federal civilian markets.

BAE Systems Information Technology employs over 4,200 skilled professionals, and is one of the largest IT providers to the U.S. Government. It is a leading provider of enterprise IT solutions which encompasses IT technology, infrastructure services, and applications that enable and facilitate mission performance through direct support to operations. It is also a principal supplier of information sharing & mission analysis solutions, providing enterprise architecture, networking technology, collaborative applications and security solutions to enable information sharing, analysis, and production across diverse business domains.

BAE Systems Technology Solutions & Services is one of DoD's largest providers of Systems Engineering and Technical Assistance (SETA) providing tailored, integrated service solutions. It is also a premier provider of subsystems integration per-

forming systems design, engineering, integration, and testing services. The business unit provides operations & maintenance solutions and mission support for ranges, bases, and facilities and is one of the largest explosive manufacturers in the world. The business employs approximately 7,000 people across the country.

BAE Systems Ship Repair, with 2,700 employees, is America's leading non-nuclear ship repair, modernization, and conversion company focused on dry dock and ship repair services for the U.S. Navy, other defense agencies, and commercial customers. Ship Repair has major dry dock locations in Norfolk, San Diego, San Francisco, and Hawaii.

To ensure that the business units are provided proactive, value-added support that enables them to deliver both their near-term goals and longer-term strategic objectives, the CSOG functional operations underwent significant restructuring. The Group is leveraging resources across CS to take advantage of the operational efficiencies gained in the restructuring. The depth and diversity of the functional staff's experience provides a great deal of strength to the OG. Each functional area is responsible for providing the most cost-effective support possible to the business units and for achieving excellence across the enterprise. The business is already seeing benefits achieved in Business Development,

Contracts, and Human Resources. For example, the Business Development organization is centralized for the ability to focus on large-scale captures, to implement unified processes, and to develop synergies between the business units. The Contracts and Pricing groups are organized to generate the most effective cost proposals, to mitigate any potential organizational conflicts of interests, and to best leverage Indefinite Delivery/Indefinite Quantity contracts. And Human Resources is organized to be able to develop people assets with increased attention to recruiting while continuing to focus on retention, leadership development, and training.

Major Programs & Successes

Throughout 2005, the business units have continued their history of contract successes. The Information Technology business continues its growth in both the Federal civilian and Department of Defense markets. Highlights include a three-year (with four one-year options) Defense Information Systems Agency I Assure contract with a \$1.5 billion ceiling to provide information assurance support services and implementation solutions to the entire DoD in support of a secure and interoperable Defense Information Infrastructure. The business was also successful in winning contracts totaling more than \$70 million for information technology services and support to the

Department of Justice, the United States Courts, and the Bureau of Labor Statistics. In addition, CS was successful in winning the \$54 million D3 contract to provide information technology support and analytical services and the \$40 million Taurus contract for operations and maintenance support to information technology systems.

BAE Systems, Inc. has given approval to in-source its U.S. IT to the BAE Systems Information Technology unit. This will provide critical mass to its enterprise-scale qualifications to significantly improve the Group's market position for growth in a \$60 billion Federal IT market.

Contract highlights in 2005 for Technology Solutions & Services include winning a new five-year, \$57.9 million Strategic Sourcing contract for the Naval Facilities Engineering Command. We were also successful on three major re-competes. The first was a five-year, \$58.6 million Security, Automation and Law Enforcement Technology Support Systems contract. The second was a Large Scale Vehicle contract for Naval Surface Warfare Center, Carderock, for \$17.7 million. The third major success was the Trident II (D5) Fleet Ballistic Missile Strategic Weapon System (SWS) programs, a contract the company has held for 49 years for the U.S. Navy's Strategic Systems Programs Office, with a value of \$65 million for 2005, a 15% increase from the previous year.

As part of the UDI acquisition, its highly successful ship repair business became part of Customer Solutions. The business performs ship repair, conversion and modernization and during 2005 received contracts for the fitting out availability of the USS SAN ANTONIO (LPD17) and for dry docking phase maintenance availabilities on the USS HURRICANE (PC3) and the USS SQUALL (PC7). An important addition to the business providing additional capability was the corrosion engineering services company acquired in mid-2005.

2006 Strategic Priorities

As we go into the future, Customer Solutions will be guided by its overarching vision –

To be recognized by its customers for its ability to ensure that their operational requirements are supported and maintained in the most cost-effective and efficient manner possible as evidenced by rankings in the Top Tier in both customer satisfaction and revenue for the markets it serves.

To achieve the Operating Group vision, the three businesses will together focus on the following priorities in 2006:

- Maximizing return on invested capital primarily through growth in the top line, and improving profitability wherever possible.

- Investing in the Information Technology business.
- Diversifying the professional services business to new customers in the areas of systems engineering and technical assistance, in subsystem integration, and in operations & maintenance.
- Continuing to operate the highly effective Ship Repair business to maximize shareholder return.
- Investing in acquisitions that supplement and strengthen the business portfolio in fast growing, higher margin business that have a strategic fit with the current business.

A Customer Solutions top strategic objective is to embed a high performance and results-based culture across the Operating Group. CS has adopted a "Fix, Focus, Grow" strategy framework borrowed from CS&S, its counterpart services organization in the U.K. The Group is implementing processes and metrics to "fix" some of its internal challenges so that employees can focus more easily in their jobs. By fixing what they need to be good at and focusing on what they need to be great at, Customer Solutions believes that growth will take care of itself.

Electronics & Integrated Solutions Operating Group



A message from Walt Havenstein

The creation of Electronics & Integrated Solutions in mid-2005 was a positive strategic inflection point for BAE Systems, our employees, and our customers. By melding a broad spectrum of capabilities from disparate businesses, E&IS has emerged as an organization of singular strength and diversity – an enterprise capable of "punching its weight" in the marketplace. The E&IS team is agile, increasingly borderless, and eager to anticipate and satisfy the needs of customers across our defense and commercial markets.

At all major facility locations following the creation of the operating group, I described to employees a future state in which E&IS would apply its varied talents seamlessly across lines of business, winning higher-value opportunities and providing a single point of customer contact. I am pleased to report that we are moving rapidly toward achieving that goal and have already begun to see the fruits of our efforts. We are delivering products and services that make our armed forces faster, safer, and more capable; safeguarding the flying public with highly reliable control electronics and demonstrated solutions to the threat of terrorist missile strikes; sup-

porting the geo-intelligence community and NASA with industry-leading services and equipment; and helping clean urban air with breakthrough hybrid electric propulsion technology.

Leaders from the company's three U.S.-based operating groups gathered in November under the theme of "Delivering Distinctive Advantage." We all recognized at that meeting that we are operating in a tough, competitive environment that holds fewer opportunities for traditional defense procurements and demands suppliers that understand and quickly adapt to changing priorities. To help answer that challenge, the E&IS group outlined three primary strategic initiatives for 2006:

Readiness and Sustainment – Recognizing that pressure on defense budgets will dictate fewer large-scale development programs in the coming years, we are increasing our focus on tip-to-tail product and logistics support.

Homeland Security – E&IS is leveraging its technology leadership to ensure the safety and security of the homeland.

Transatlantic C4ISR – As the lead for C4ISR within the company's U.S.-based businesses, E&IS is working to maximize BAE Systems' transatlantic presence and reach.

The scope and breadth of technology that resides within the E&IS portfolio is breathtaking in its own right. Even more important, I'm extremely proud of how our work benefits our service members, first responders, and those who support them and our citizens. Many of these are men and women who don helmets, flight suits, flak jackets, and bell-bottom trousers in their selfless devotion to protecting our way of life. I am proud to lead the team that does so much for the safety and effectiveness of our armed forces. In 2006, we'll support our customers even better, as we continue our drive to complete the integration of operating group elements, strategically orient to future customer needs and further hone our competitive position in the marketplace.

Walter P. Havenstein, President
Electronics & Integrated Solutions
Operating Group

Organization

Electronics & Integrated Solutions is the major aerospace and defense electronics arm of BAE Systems. The enterprise combines the company's unparalleled expertise in communications, electronic warfare, avionics and controls, sensors, information and intelligence support systems, and integrated systems into a single organization that more effectively meets the needs of its customers – the armed services, government agencies, allies, and civil and commercial aerospace communities.

E&IS has 19,000 employees located at some 50 major sites in the U.S. and overseas.

The operating group is structured around five central strategic capabilities:

- Communications – provider of tactical networking infrastructure
- Electronic warfare – including electronic protection and information warfare
- Avionics and controls – leading supplier of flight and engine controls for commercial and military aircraft
- Sensor systems – leader in remote sensing technology, mission subsystems, and missile seekers

- Intelligence systems – delivering end-to-end intelligence, surveillance and reconnaissance solutions

E&IS's central capabilities are supported by technology and fusion with robust research and development.

E&IS products can be found on many military and commercial aircraft, on most naval ships, and many Army platforms. Its products guide spacecraft and power energy-efficient vehicles. Its sensors and communication systems knit together and rapidly inform a vast network of users from forward-deployed soldiers to National Command Authorities. The group fields the world's most advanced electronic countermeasures and information warfare systems, protecting military and civilian lives and resources in harm's way anywhere in the world.

Major Programs and Successes

E&IS was formed in mid-2005, combining the capabilities and resources of two former BAE Systems North America sectors and a major part of a third. The operating group successfully concluded the business year with strong financial performance.

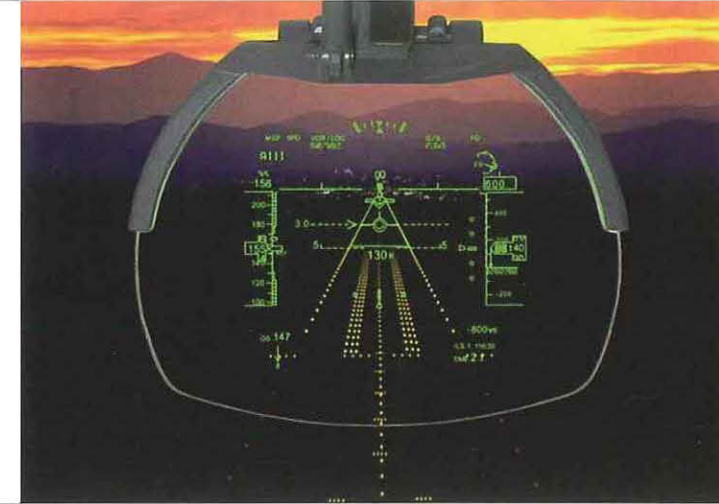
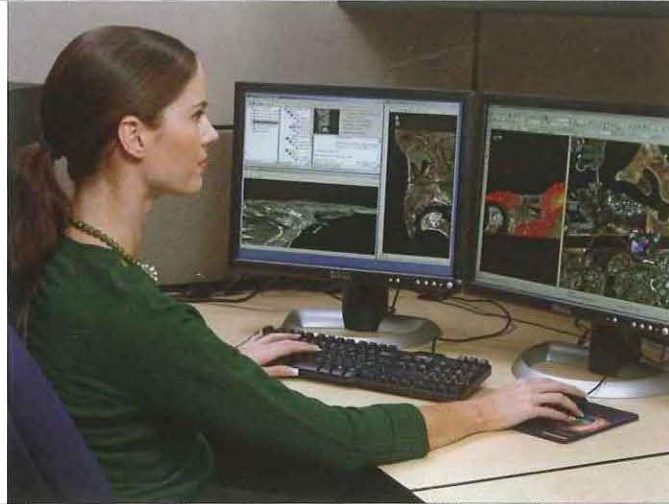
The breadth and scope of E&IS activities are suggested by these recent examples:

- Selected by the GE Rolls-Royce Fighter Engine Team (FET) to develop digital

electronic controls for its F136 engine, slated for the F-35 Joint Strike Fighter. Orders for the BAE Systems Full-Authority Digital Electronic Control (FADEC) could total as many as 5,000 units through 2030.

- Selected by GE Aircraft Engines to develop the full-authority digital electronic control for its new T700-701D engine. The U.S. Army has designated the T700-701D as the single-configuration engine for future rotorcraft, developed to power all UH-60M Black Hawk and AH-64 Apache helicopters produced after 2009.
- Won the U.S. Navy Tactical Aircraft Directable Countermeasures (TADIRCM) program. This program win has significant potential for future business with the U.S. armed forces and further validates our approach to commercial aircraft protection.
- Successfully flight tested the JET-EYE™ anti-missile system during Phase II of the Department of Homeland Security's Counter-MAN-PADS program.
- Began cooperative effort with BAE Systems Insyte on Shaman, a project to provide the next generation of maritime, intelligence, surveillance, target acquisition, and reconnaissance (ISTAR) sensors to the U.K. Royal Navy.

Electronics & Integrated Solutions Operating Group



- Selected to provide HybriDrive® propulsion systems for 500 New York City buses – with options for up to 389 more. The drive system improves fuel economy compared to conventional diesel buses and dramatically reduces emissions.
- Chosen by U.S. Army and U.S. Marine Corps to provide Thermal Weapon Sight II to aid in zero-visibility conditions.
- Exceeded customer expectations with SPIRITT hyper-spectral images.
- Conducted an Airborne Communication Extender/BAE Systems C4ISR On The Move Demonstration at the Naval Air Warfare Center in Lakehurst, NJ.
- Completed flight tests of digital electronic warfare system on F-22A.
- Selected by Sikorsky Aircraft to develop the active pilot inceptor system for U.S. Army UH-60M Black Hawks. The system will replace mechanical pilot controls on the current UH-60s with technology that saves weight and improves performance.
- Supplied radiation-hardened RAD750 microprocessors for NASA's Deep Impact Mission and Mars Reconnaissance Orbiter.

- Selected as one of the prime contractors for the U.S. Air Force's consolidation of mission planning contracts. This contract vehicle procures mission planning capabilities via delivery order awards.
- Selected by the U.S. Office of Naval Research to begin development of an on-board vehicle power system for the Marine Corps' High-Mobility Multipurpose Wheeled Vehicle, known commonly as the Humvee®.
- Awarded contract to supply thermal imaging module for the Stryker armored vehicle.
- Demonstrated Advanced Precision Kill Weapon System II and submitted bid to become APKWS II prime contractor.
- Selected to provide an integrated Global Positioning System/Inertial Navigation System for U.S. Army's Future Combat System. The GPS/INS will be used on the Non Line of Sight Launch System (NLOS-LS) and will provide precision navigation for the weapons.
- Entered into a strong cooperative agreement with Insyte (Integrated System Technologies) – our BAE Systems sister unit across the Atlantic – to grow our C4ISR business.

- Won DHS Safety Act Certification for the MATADOR counter-missile system – the only IR missile protection certified to date.

2006 Strategic Priorities

E&IS has identified three strategic priorities to position the company for continued growth and achievement in 2006:

- Readiness and Sustainment – Growing pressure on U.S. Department of Defense budgets strongly suggests fewer large-scale development programs in the coming years. Within this emerging environment, DoD is intent on transforming all aspects of its logistics support systems, from "tip-to-tail." These factors have created significant new opportunities for those companies willing to press forward toward innovative new models of operational support.

Electronics & Integrated Solutions has responded by creating a "Readiness and Sustainment" strategic initiative. The initiative will support all E&IS lines of business toward achieving unsurpassed levels of customer intimacy and substantially growing their operational support revenue streams. E&IS will accomplish this by capturing a growing number of performance-based support opportunities. Performance-based support provides opportunities for long-term cus-

tom relationships and important outlets for emerging new technologies through spiral upgrades and obsolescence management. The Readiness and Sustainment initiative will be a key contributor to optimizing value from BAE Systems' order book and embedding a high performance culture across the company.

- Support for Homeland Security – As a leading provider of technology to protect and assist those who put themselves in harm's way in the interest of national security, E&IS is leveraging that capability to enable the safety and security of the homeland and our citizens at large. The Department of Homeland Security has identified several priority mission areas, four of which – awareness, prevention, protection, and response – have direct relevance to E&IS. The operating group brings specific domain expertise to each of these – intelligence and surveillance (awareness), threat detection and protection (prevention), protection (integrated systems), and command, control, and communications (response).

In the intelligence and surveillance area, E&IS strives to apply time-tested ISR capability to the Border Patrol and Coast Guard. In the threat detection and protection realm, the capabilities include DHS's

Counter-MANPADS program, uncooled camera technology, intelligent video, and chemical, biological, radiological, nuclear, and explosive weapons detection. The group's integrated systems capability is typified by the networked sensors that are essential to border protection solutions, and the C3 domain includes first-responder interoperability solutions, incident command workstations, and advanced 3-D location technology.

- Transatlantic C4ISR – In its role as the operating group's lead for Integrated C4ISR Solutions, the Center for Transformation is chartered with developing and executing the strategic initiative for expanding global market presence by leveraging and maximizing the opportunities afforded by BAE Systems' transatlantic presence. This strategy has been closely coordinated with UK Ministry of Defence and U.S. DoD officials, and features prominently as part of the UK/U.S. Government to Government Bilateral Defense Acquisition activities.

Other Strategic Elements

To embed a high-performance culture across the company, E&IS has instituted mission success events focusing on the most critical elements of the business, along with advanced education and ongoing training for program managers. Mission success objectives, closely tied to customer requirements, are among our best leading indicators of future success.

E&IS is optimizing value from the order book through better performance. The company opened the MicroIR® manufacturing facility in Lexington, MA, and the Faraday Test Center in Rochester, UK. In addition, the Steinmetz Center for Innovation in Johnson City, NY, provides pilots and others a hands-on environment to explore and test new technologies and capabilities. We will expand innovation centers into C4ISR areas in 2006.

To maintain a global presence from a strong transatlantic business base, E&IS is partnering with Insyte to develop cooperative global C4ISR solutions. The joint working group is developing a framework to enhance collaboration on both Insyte's U.S. government and industry intentions and E&IS's UK pursuits.

Land & Armaments Operating Group



A message from Tom Rabaut

We begin 2006 as a truly transatlantic operating group, firmly planted on both sides of the ocean – strategically, organizationally, and programmatically, with 3,000 UK employees, 5,300 U.S. employees, 1,600 Swedish employees, and 600 employees in South Africa.

In Land & Armaments, our business strategy is simple – plan globally, execute locally. To do this, we are focused, at all levels, on the programs and their customers that are critical to our corporate competitive success. We will bring winning solutions to our customers by drawing on capabilities and technologies from around the world.

Performance

First, we need to ensure that favorable profitability trends for each of our business units remain on a steady incline. We have tremendous capabilities and talent, and we will ensure that our contributions are adequately reflected on the bottom line. We must succeed in initiatives that will do this.

We have already taken important first steps toward that goal with the partnering agreement we signed with the Ministry of Defence in the UK in response to the Defence Industrial Strategy.

Execution on our current programs, including U.S. modularity and reset, and future programs in the UK, Sweden, and the U.S. are critical to our viability. Governmental support is subject to the fiscal pressures from competing priorities, defense reviews in the U.S., UK, and Sweden, a rising Federal deficit in the U.S., and declining military spending in the EU. The key to protecting our position is to demonstrate excellent program performance, while presenting convincing arguments in support of the essential nature of the products and services we provide.

Development

Often, our involvement on key programs began with a technology win; it is an essential element to our overall strategy. That is why it benefits us little to have cutting edge technologies suitable for global military requirements, but an inability to make those technologies as transatlantic as our Company is. We must succeed in transferring our capabilities and technology to the opportunities that present themselves, regardless of where they are geographically. That is how we will shape our global planning and local execution strategy.

This is not just a government technology transfer issue. Our program managers and division leaders must seek out and accept solutions that may come from other than their own organization.

Employees

Safety is an indispensable, non-negotiable hallmark of Land & Armaments. It is a part of our heritage. Safety and providing a safe work environment for every employee is how the leadership communicates to the employees that we respect them. No management is worth its salt if it cannot ensure a safe work environment for its employees. We will continue this mark of exceptional safety performance going forward.

Strategic Advantage

The greatest strategic advantage that we enjoy is our global presence. We are located where the business is. We have a presence with our broad customer base that facilitates responsiveness to their requirements. Hand-in-hand with our global presence is the geopolitical support that we enjoy from the governments of the countries where we do business. This support accrues, in part, because of our presence, but also in large measure to our reputation as a systems integrator and our ethical approach to our business.

We enjoy a substantial installed base of high quality products in our key markets. If you are program-focused, you will be customer-focused, as well. This can lead us to a close and profitable relationship to the service's industrial infrastructure. This "Public-Private Partnership" applies equally to Sweden, the U.S., and the United Kingdom where the Defence Industrial Strategy was recently announced. The mutual dependency emerging from this relationship provides an unparalleled strategic advantage for the sustaining and improving of our platforms, which are destined for several more decades of service.

We start 2006 with significant opportunities and challenges:

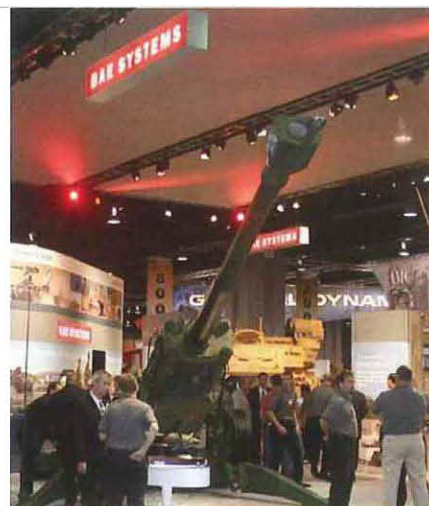
- The partnership agreement between Land Systems and the Ministry of Defence will enhance the effectiveness of through-life support for armored fighting vehicles and improve the delivery of military capability.

- Our business in South Africa, OMC, continues to ramp up in response to increased demand for its mine protected vehicles.
- The U.S. business, with its significant backlog, will grow as the Company provides vital products and services for the war on terrorism.
- Coming off significant successes in Holland, Denmark, and the U.S., our Swedish business tools up to address new vehicle platform and precision munitions challenges.

With these recent achievements and our continued strong performance on existing programs, I am confident we will have an excellent year and bring real advantage to our customers.

Tom Rabaut, President
Land & Armaments Operating Group

Land & Armaments Operating Group



Organization

Land & Armaments is a global leader in the design, development, production and service support of armored combat vehicles, major and minor caliber naval guns, missile launchers, canisters, artillery systems, survivability solutions and intelligent and insensitive munitions. Our transatlantic business has operations in the UK, South Africa, Sweden and the U.S., with markets in more than two dozen countries.

The 11,000 employees of Land & Armaments are dedicated to providing superb performance and meeting customer requirements with on-time, on-schedule delivery of advanced combat armament solutions and are at the forefront of research, development and design technologies necessary for advanced combat systems. These technologies have been instrumental in our selection as the sole-source prime developer, system integrator and producer for critical combat systems of our customers worldwide. We maintain industry leadership in advanced technologies that focus on enhancing survivability, lethality, and mobility.

Major Programs and Successes

L&A was formed in mid-2005, combining the recently created Land Systems business unit of BAE Systems plc with the newly acquired United Defense Industries. The new operating group is headquartered in Arlington, VA.

With a series of early contract wins for its newly established Land & Armaments business, today the BAE Systems global Land & Armaments business is number two in the world with an annualized turnover of some \$3.5 billion.

Recent contracts include:

- Remanufacture and upgrade to more than 500 Bradley Combat System vehicles, worth \$1.1 billion. This work and similar activity is expected to generate sales of over \$3.5 billion through 2011.
- A \$135 million order to remanufacture and upgrade 59 M88A2 HERCULES Improved Recovery vehicles, and provide system technical support and spares for the U.S. Army and the U.S. Marine Corps.
- A contract with the Netherlands Defence Material Organisation for 74 BvS10 All Terrain Vehicles for the Royal Netherlands Marines in four variants.
- A \$877 million order from the Netherlands for its CV90 armored vehicle. The Netherlands Army will see the delivery of 184 infantry fighting vehicles.
- The company now has the full rate production contract for the M777 lightweight howitzer for the U.S. Marine Corps.
- Selection by the U.S. Army's Future Combat Systems (FCS) One Team to develop the common Traction Drive Subsystem for FCS Manned Ground Vehicles.
- A contract modification worth a minimum of \$122.3 million for the transition effort for two Armed Robotic Vehicle (ARV) variants for the U.S. Army's Future Combat Systems.
- The sale of RG31 mine protected vehicles from OMC in South Africa to UAE and Canada.
- More than 1,000 Marine Corps Transparent Armor Gun Shields (MCTAGS) kits and spares to support U.S. Marine Corps vehicles under a contact modification worth up to \$39.9 million from the U.S. Marine Corps System Command.
- The production and installation of Up-arming kits for M113, Stryker and other combat systems.

2006 Strategic Priorities

L&A is pursuing a partnering arrangement with the UK Ministry of Defence for Armored Fighting Vehicles that includes through-life support, modernization and FRES.

L&A will capitalize on the reset and modularity priorities of the U.S. Army to restore battle worn equipment and to convert active and reserve units to standardized expeditionary organizations.

With a large installed base of ground combat systems, both domestic and international, L&A intends to take advantage of the growing international demand for armored all-terrain vehicles and mine protected systems and use its systems integrator capabilities to offer new technologies and platforms.

L&A has an established global preeminence with towed and self-propelled cannon artillery and mortar systems. Support agreements are in place for UK and U.S. systems. Other customers for the M777 are emerging. Bofors' self-propelled artillery system, Archer, is generating interest in Sweden, Denmark, Australia and elsewhere.

Fiscal realities dictate extended service life requirements for most existing ground combat systems. As the Original Equipment Manufacturer for 85% of the U.S. fleet and Design Authority for 95%

of the UK fleet, through-life, sustainment and engineering support agreement contracts present a significant growth opportunity.

The next generation of combat systems will be rapidly deployable, lethal, survivable and networked. L&A has an integral role in UK, U.S. and Swedish future ground systems programs.

There is a growing international customer interest in modern naval guns and launching systems. L&A has multi-year option contracts for U.S. gun and Vertical Launching Systems canister work and has products on all future U.S. combatant ships.

L&A is positioned with advanced gun capabilities and associated ammunition to offer unprecedented operational advantages for U.S. Navy, Coast Guard and international customers on medium caliber guns such as the 57mm Mk 110 Close-in Gun System and the Mk 38 Mod 2, 25mm Mounted Gun System.

The premium that militaries are placing on accuracy and precision in both area and point target fires has raised the importance of intelligent munitions for artillery and mortar systems. L&A has a leading role in the accelerated fielding of Excalibur to U.S. and Canadian forces in Iraq and Afghanistan. BONUS, a sensor fused 155mm munition fielded in

Sweden and France, is being evaluated by the U.S. and UK.

L&A's expertise in survivability systems, from body armor to add-on armor kits and active protection systems, meets the needs of the war fighter and opens new vistas for protecting the future force.

Strategic Goals

L&A will plan globally and execute locally. It will leverage the distinctive advantages it offers to the marketplace, including its global presence, the geopolitical support from which it benefits, the significant installed base in the U.S. and UK, its dominance in guns, and the strong public/private partnerships it has developed worldwide.

The goal is to:

- Provide investors a return in the top quartile of the industry.
- Be the supplier of choice to our customers
- Create a safe, challenging and rewarding work environment.

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