

Business Plan – 2008



Platform Solutions strategic profile

Driving force

Market type

Driving force definition

Integrated control and power management of vehicles, vehicle subsystems, and **mission subsystems**

Business concept

We will serve and support the **current and emerging** controls and power management needs of the **global** aircraft, aircraft engine, military land vehicle, and heavy commercial land vehicle market segments.

We will be the **preferred** provider of integrated electronic and electromechanical systems and after market services for control of vehicles, vehicle subsystems, and mission subsystems for platform manufacturers and end users.

Value proposition

We are the most **dependable** provider, **anticipating** and **rapidly** delivering the innovative **cost-effective** solutions.

Platform Solutions

Platform Solutions serves the defense and aerospace communities with capabilities and products that improve operational safety and enhance mission effectiveness. The business supports a wide range of military and commercial platforms – including fixed and rotary-wing aircraft, and ground vehicles – with capabilities in vehicle management, human-machine interface, and power management. Platform Solutions designs and produces fly-by-wire flight controls; full-authority digital engine controls; cockpit, head-up, and helmet-mounted displays; autopilots, pilot sticks, and inceptors; hybrid electric propulsion systems; vehicle power management systems; and data distribution and flight-deck systems.



Locations, partners, and markets

Locations	Employees	Capabilities
Johnson City, NY	>1,500	Design, development, manufacturing and servicing
Rochester, UK	>1,500	Design, development, manufacturing and servicing
Ft Wayne, IN	<1,000	Manufacturing and servicing
Irving, TX	<1,000	Manufacturing and servicing
Ontario, CA	<500	Design, development and servicing
Redmond, WA	<50	Engineering support
Singapore	<50	Service center
Marlborough, MA	<50	Design engineering
Reading, UK	<50	Service center

Partners	Location	Capabilities
The Offshore Group	Guaymas, Mexico	Manufacturing
Wipro	Hyderabad, India	Design
Hispano-Suiza	Réau, France	Design, manufacturing and support

Markets	Current Markets	Growth Markets	Future Markets
Current Markets	1 Canada 2 United States 3 Brazil 4 United Kingdom 5 France 6 Sweden 7 Turkey 8 Egypt 9 Saudi Arabia 10 South Korea	1 Chile 2 Argentina 3 Spain 4 Norway 5 Germany 6 Italy 7 Greece 8 India 9 Taiwan 10 Australia 11 New Zealand	1 Portugal 2 Thailand 3 Japan

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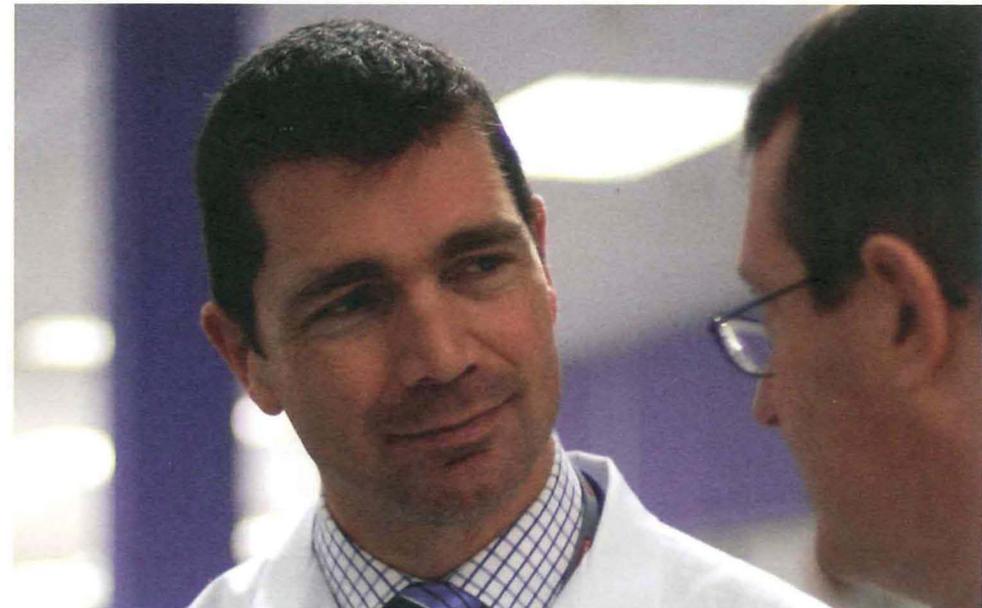
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Introduction from Sean Bond

The Business Plan you hold in your hands is a declaration of who we are as this entity called “Platform Solutions.” It reflects our values and priorities and relates where we’ve been and where we’re going. The world is different – safer, more secure, more accessible, and more sustainable – because of the things we do within Platform Solutions, and our “Global, Green, and Growing” mindset enables us to deliver more solutions to more people every day. The story of Platform Solutions is being written every moment by you, the reader, and my hope is that the words contained within this communication can help you recognize your role in the story and your obligation as an author of the story. As always, I welcome and seek your feedback, so please let me know your thoughts on what we’re doing well and what we can do better.

Sean M. Bond

President
Platform Solutions



Performance First and Strategic Thinking

2007 was a very successful year for Platform Solutions. We saw significant internal changes affecting leadership, organization, and mindset. At the outset of the year, we quickly identified “performance first” as a foundational value and capability upon which future success would depend. After an intensive strategic thinking process, we identified five actions that would transform and frame our initiatives for future growth and success.

Be bold

Proliferate a leadership culture at all levels that empowers people and enables them to achieve elevated levels of personal and business growth, and performance.

See and understand the market

Develop a leading capability to identify industry trends and emerging customer needs to deliver the right solutions at the right time.

Value-chain management

From our end users’ perspectives, implement effective value streams through horizontal and vertical partnering, both internally and externally.

Lean enterprise

Eliminate non-value-added tasks and infrastructure to realize productivity gains, allowing reinvestment in the business to generate sustained growth.

Customer affinity

Execute actions to enhance customer relationships at all levels throughout the opportunity life cycle.

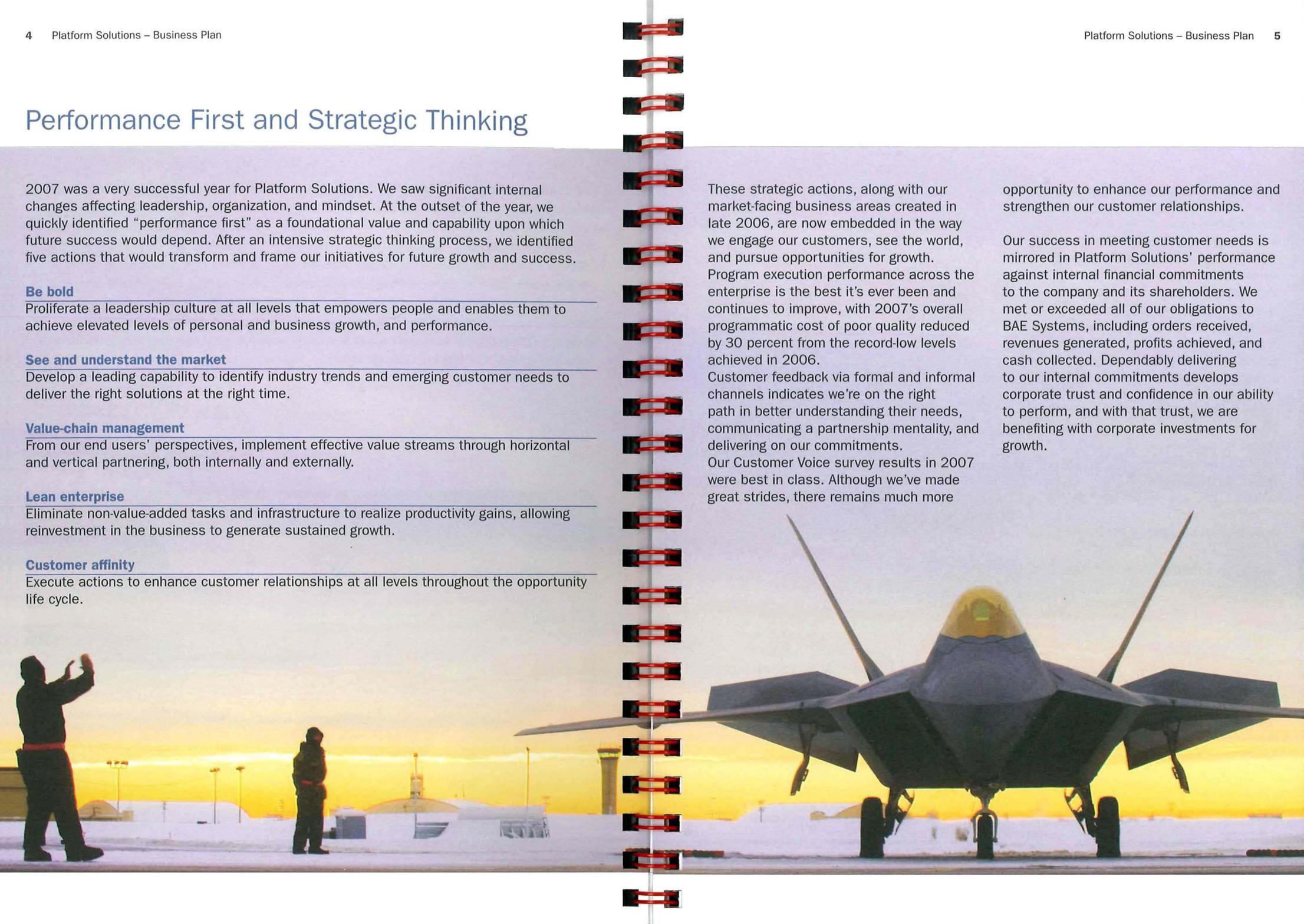
These strategic actions, along with our market-facing business areas created in late 2006, are now embedded in the way we engage our customers, see the world, and pursue opportunities for growth. Program execution performance across the enterprise is the best it’s ever been and continues to improve, with 2007’s overall programmatic cost of poor quality reduced by 30 percent from the record-low levels achieved in 2006.

Customer feedback via formal and informal channels indicates we’re on the right path in better understanding their needs, communicating a partnership mentality, and delivering on our commitments.

Our Customer Voice survey results in 2007 were best in class. Although we’ve made great strides, there remains much more

opportunity to enhance our performance and strengthen our customer relationships.

Our success in meeting customer needs is mirrored in Platform Solutions’ performance against internal financial commitments to the company and its shareholders. We met or exceeded all of our obligations to BAE Systems, including orders received, revenues generated, profits achieved, and cash collected. Dependably delivering to our internal commitments develops corporate trust and confidence in our ability to perform, and with that trust, we are benefiting with corporate investments for growth.



Global

As you probably know, Platform Solutions is a multinational business, with 10 sites across North America, the United Kingdom, and Asia. Recognizing the changes and opportunities associated with globalization, we are rapidly evolving our view of the world and how we want the world to see us. We span 16 time zones across the globe, from our service center in Singapore to our sites in western North America. In our evolving definition, being global is achieved by engaging and accessing worldwide markets beyond a traditional export model. At Platform Solutions, we're looking to build on our existing multinational and multi-cultural composition to develop strategic, in-region partnerships within targeted markets. In-region partnerships allow us to put forward a "local" face and culture while leveraging established relationships, infrastructure, and in some cases, investment risk-sharing.



We are establishing partnerships across the globe with industry leaders to enhance our competitiveness in traditional markets and gain entry into new ones. In addition to newly established agreements in 2007 with Wipro of India and Alexander Dennis Limited of the United Kingdom along with a successful existing partnership with the Offshore Group in Mexico, other partnerships

yet to be publicly announced are opening opportunities in areas that are growing faster than our traditional home markets in the United States and United Kingdom. As we're seeing across many industries and



within our company, businesses that can identify the right partners and drive mutual success have a clear competitive advantage over those that stand alone.

Similar to the company's six "home markets" in the United Kingdom, United States, Saudi Arabia, Australia, Sweden, and South Africa, we're deploying a "home-culture" approach for Platform Solutions via partnerships in the Middle East, India, South Korea, and Japan. We've targeted these places based on their strong economic growth and need for defense and aerospace infrastructure. We're also employing this home-culture concept within the places we already live. We're investing in HybriDrive® propulsion expertise and infrastructure in Rochester, U.K., to serve the emerging needs of the U.K. and European market versus simply "exporting" products from Johnson City, New York. Rochester is being redefined as the Electronics & Integrated Solutions operating group's "gateway to Europe." Similarly, we will adopt similar distinctive and innovative mindsets across all our sites. The opportunities that can result from an expanded perspective are endless.



First prototype Alexander-Dennis hybrid-electric bus ready for road tests

Green

Our success as a business can be measured in many ways – customer satisfaction, program performance, financial health, technology relevance, and growth. Across nearly every measure, we are “green” in meeting or exceeding business expectations. “Green” has other relevant interpretations for our business, too: the color of some end users’ uniforms, the ability to harvest investment for growth, the environmentally sustainable solutions we deliver. Platform Solutions’ robust portfolio of defense and civil customers and capabilities makes us unique within BAE Systems. Not many aerospace and defense companies can make a credible claim that they’re environmentally “green,” yet our hybrid electric technologies have prevented 50,000 tons of carbon emissions over the past decade, and we’re rapidly deploying these solutions in new markets around

the world. Our ability to apply technologies across defense and civil markets benefits us on all sides as we leverage different practices and business models, capitalizing on the typically counter-cyclical nature of the defense and civil markets (wherein one sector expands while the other contracts). Because we participate heavily in civil markets, systematic elimination of waste – “lean thinking” – has long been integral to our culture. BAE Systems rewarded our careful stewardship of resources by investing \$198 million (£97 million) in Platform Solutions in 2007 – 2½ times the 2006 figure. The company invested an additional \$53 million (£26.5 million) in capital and infrastructure improvements such as new laboratories, test facilities, and other facility upgrades.

Growing

Our focus on performance first, market understanding, and bold acting has made us one of the top performers across the company, with profitable double-digit growth that is nearly double our 2006 growth rate for the next five years. Sustained growth also requires a priority on developing and promoting leadership and talent throughout our population. Developing a leadership culture at all levels and across all roles enables agility, improves our effectiveness, and gives our business a competitive edge. In 2007 alone we invested about \$8.5 million (£4.25 million) in employee development, with an average of 40 hours of training per employee. Personal growth is as important as business growth in developing future opportunities. Therefore, learning and development will continue to be a major thrust for this business, with a broad range of opportunities including classroom instruction, experiential learning, eLearning, and tuition reimbursement.

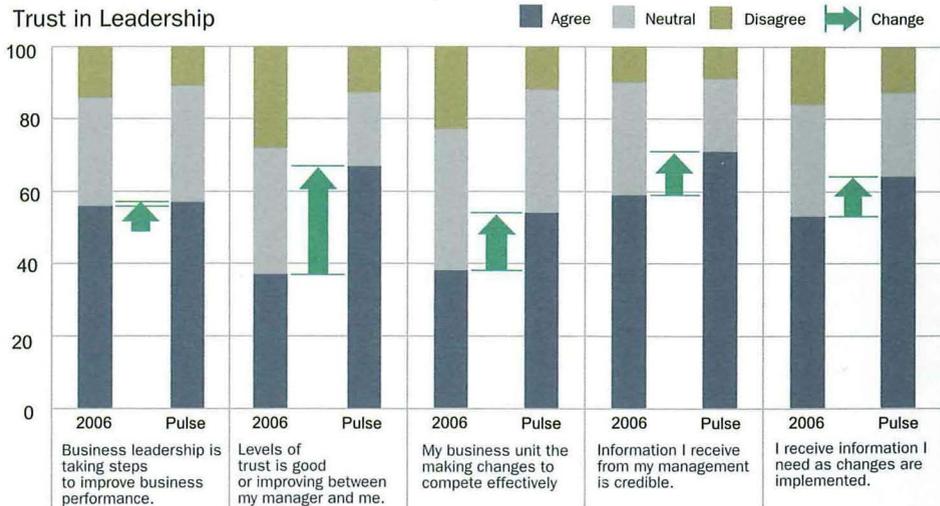
Some might wonder why so much emphasis on leadership and engagement. Employees who are fully engaged and know they can contribute effectively to the business are most successful at satisfying the customer. Today’s satisfied customers are likely tomorrow’s return customers; therefore, our growth depends on keeping current customers satisfied and ensuring you’re engaged. In addition to satisfied customers, the best ideas on how to grow and improve the business come from people inside the business. We have no “Department of Great Ideas” – history clearly shows that your ideas are the source of our greatest innovations. So please stay engaged, share your thoughts and ideas with others, and decide to be a leader in whatever role you fill.



Sean Bond engaging Irving leaders in a leadership dialogue

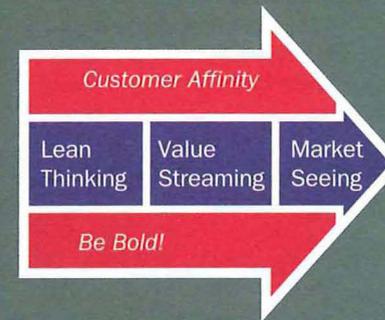
You can also help us via the Employee Opinion Survey. This survey is an important tool for gaining employee opinions and receiving feedback on various aspects of our business, our leadership, and our overall work environment. BAE Systems and Platform Solutions consistently rank in the upper tier among industry peers in employee satisfaction. Employee feedback in recent “pulse” surveys shows a notable increase in the level of trust between employees and their managers since 2006, and there is always room for improvement.

We have conducted the 2008 Employee Opinion Survey in April and will take actions in response to areas of concern and/or opportunity based on your feedback. Please take advantage of this opportunity to help us grow.



Concluding thoughts

2008 will build on our 2007 success and fall into five areas:



- Perform first to strengthen customer affinity.**
- Focus on creating a lean infrastructure to fuel growth and focus on value.**
- Invest strategically by being bold and seeing and understanding the market.**
- Innovate across the value stream to meet current and future customer needs.**
- Develop people and strengthen our already positive work environment.**

I hope you can see the opportunities these priorities will present to us as they did in 2007 and ask that you seek to determine how you can make a positive difference for yourself, for your colleagues, for our customers, and the end-users of our products and services. I appreciate your role and contribution in giving us a future of growth and success, and for making Platform Solutions a business in which we'd be proud for future generations to work. Thank you for a tremendous 2007, and I look forward to an even better 2008.

Our strategy

During 2007, we undertook a detailed analysis of our markets, our competitors, our supply chain, and ourselves to chart our future course and ensure that we sustain our growth while facing the possibility of declining budgets and a global recession. More than 40 leaders from across the business engaged in reflection, discussion, and debate that resulted in several refinements to our business concept:

Focus

We decided to focus on integrated vehicle control of vehicles, vehicle subsystems, and mission systems. This recognizes our objective to become a mission capability integrator. We have many discriminating elements, or “dots,” within our business that we can leverage to take on broader roles for the benefit of our customers.

Value proposition

We honed our value proposition. We seek to achieve customer loyalty by always delivering on our commitments and by providing solutions that best match their requirements. More important, we will “left-shift” our business acquisition process by understanding emerging requirements earlier and better than our customers and engaging them in the development of solutions. Over the year, we demonstrated

the power of “market-shaping” through strategic wins such as the Remote Guardian System™.

We looked at our current state to identify specific actions required to achieve our desired future state. This introspection allowed us to group our actions under five initiatives, each led by a senior member of our team. So how have we progressed during the past 12 months?



Remote Guardian System™

We are the most dependable provider, anticipating and rapidly delivering innovative cost-effective solutions

Lean enterprise – an initiative to eliminate non-value-added tasks and infrastructure to realize productivity gains for reinvestment in the business. We saw the need to right-size and shape our infrastructure in concert with our future profile of providing more integrated solutions. We also re-engineered our material logistics process and established supply-chain integration targets for 2008. We continue to look at our quality system and supporting business processes to improve speed and responsiveness.

Value-chain management – an initiative to implement effective and efficient value streams via horizontal and vertical partnering, both internally and externally. In addition to training our teams to conduct value-stream mapping, we developed infrastructure to transfer data safely and securely across our enterprise and with our global partners. We forged successful partnerships with Alexander Dennis in the United Kingdom for transit buses, and with Wipro in India for collaboration on avionics programs. The latter will help us access huge commercial market opportunities. We also opened an offshore development center in Hyderabad, India, to augment our in-house engineering capabilities. And in Guaymas, Mexico, we opened our low-cost, lean manufacturing facility in conjunction with our partner, the Offshore Group.

... enabling us to invest in our growth and make us more competitive

In 2008, we'll concentrate on establishing even more global partners.



Dave Herr plants a tree at the formal opening of the offshore development center in Hyderabad, India, to symbolize the growth of our relationship with Wipro.

Customer affinity – an initiative to enhance customer relationships at all levels, throughout the opportunity life cycle. We identified both internal and external behavior and skills critical to establishing and maintaining strong relationships with our customers. To foster these behaviors, we examined our internal policies and procedures and adjusted those that may have been inhibiting customer affinity. We also are implementing knowledge management tools to share customer information more effectively within our business and are rolling out a comprehensive business-wide training program to enhance customer relationships.

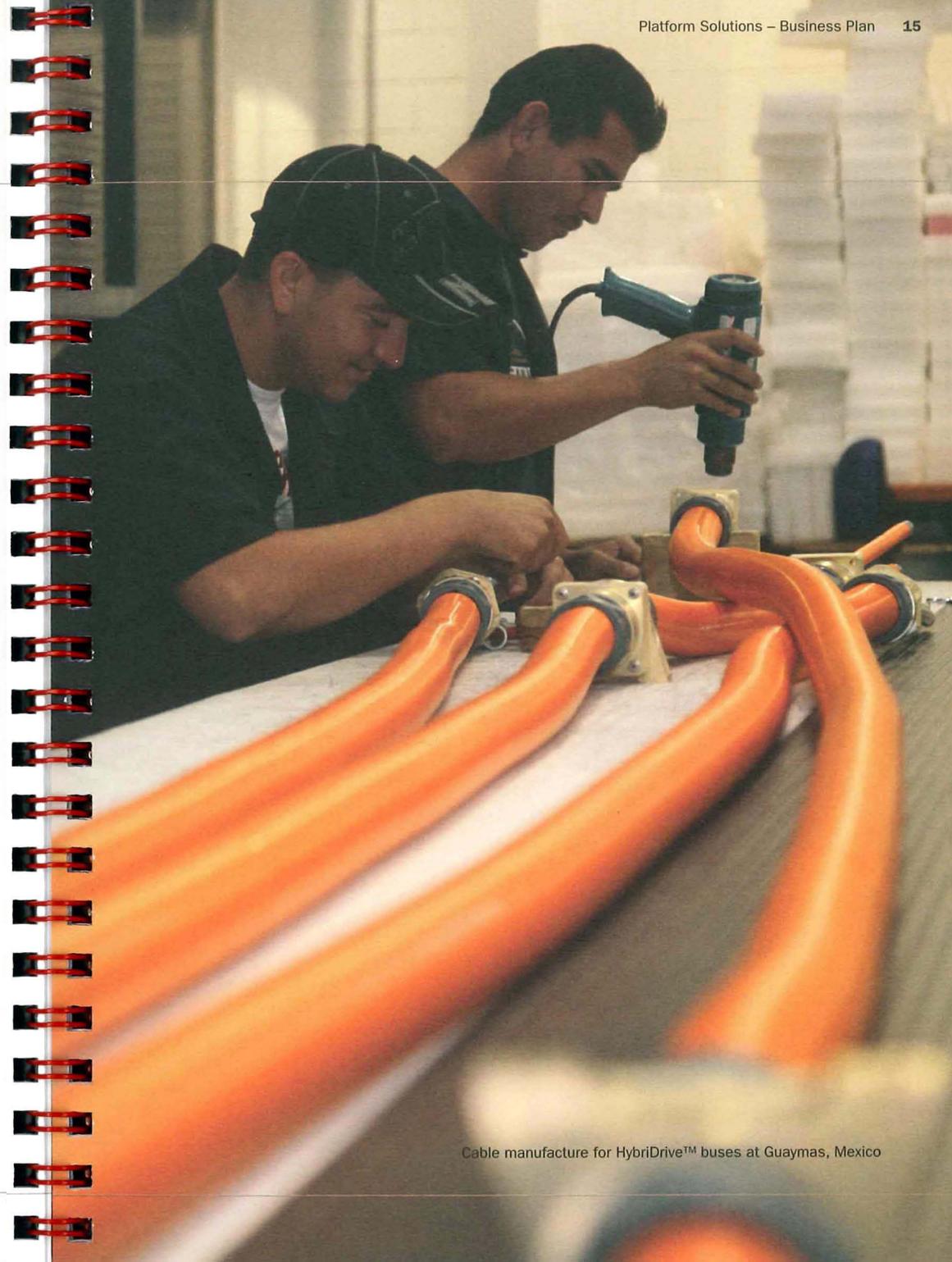
See and understand the market – an initiative that will develop a benchmark capability to identify industry trends and customer needs and formulate comprehensive market-area plans leading to customer-endorsed product-development roadmaps. This is the enabler for “left-shifting” our business and attaining a preferred partnership with our customers. We have kicked off studies to understand our key market segments that will form the basis of our strategies. Already we have identified opportunities that have the potential of raising our aggregate growth rate over the coming five years such as truck power management and engine controls for business jets.

Be bold – an initiative to promulgate a leadership culture at all levels of our organization to achieve elevated levels of personal and business growth. By

understanding how markets are developing, we took the bold step of investing about \$100 million (£50 million) to develop solutions for our hybrid bus segment and for advanced mission systems. We also established Rochester as the “gateway to Europe” for all capabilities that reside within Platform Solutions and across BAE Systems Inc. Already this is positioning us for new opportunities in our transit bus and military

... investing ~\$100 million to develop solutions for emerging needs

power management segments. The actions we have taken thus far have created an excitement within our enterprise and have put us on a trajectory for unprecedented growth.



Cable manufacture for HybriDrive™ buses at Guaymas, Mexico

Commercial Avionics

Introduction and market environment

The creation of Commercial Avionics in January 2007 brought together for the first time all of Platform Solutions' commercial interests in flight control systems, engine controls, active inceptor systems, head-up displays (HUDs), cabin systems, and equipment support services. The business serves passenger and freight transport markets that have grown steadily for decades, with even major events such as recessions and the 9/11 terrorist attacks only temporarily suppressing this growth. Current forecasts show commercial passenger traffic levels sustaining around 4.7 percent growth per year over the next 20 years, with freight traffic increasing 6 percent a year. The strong growth in the emerging economies of India and China is in large part responsible for the increasing demand for air travel.

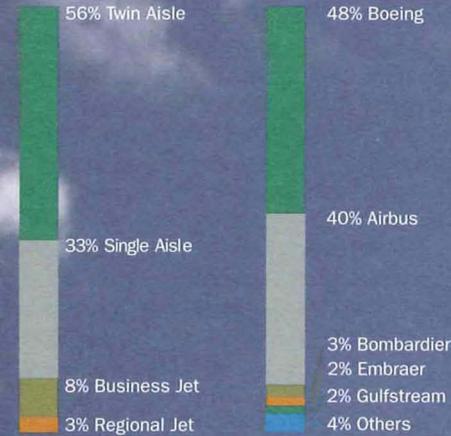
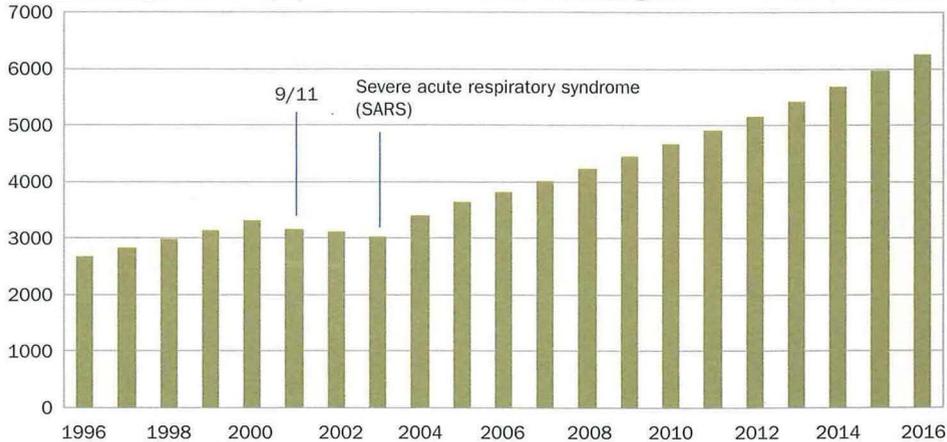
The commercial aircraft market is divided into the following sectors: air transport (100 seats or more, sold principally by Airbus and Boeing); regional aircraft (fewer than 100 seats, sold principally by Bombardier and Embraer, with emerging players such as Mitsubishi and Sukhoi); business jets; and general aviation. Air transport and regional aircraft together are forecast to account for 28,600 new aircraft sales valued at about \$2.8 trillion (£1.4 trillion) between 2007 and 2026.

Commercial Avionics is a "Tier 2" supplier to the aircraft industry, whose first tier consists of airframers and engine suppliers. The Tier 2 suppliers develop the majority of the technology required to make a new aircraft launch successful, providing avionics, electrical power and distribution systems, flight controls and actuators,

World traffic growth

Revenue Passenger Kilometers (Bn)

Source: IATA; Boeing/Airbus traffic forecast; PS forecast



community into more vertically integrated businesses that are capable of supplying broader-based, integrated, or "bundled" systems. There also is a move toward more-electric aircraft, with electrical systems replacing hydraulic equipment to reduce weight and maintenance costs and improve reliability. Meanwhile, environmental pressures are increasing the demand for high-efficiency, lightweight systems to reduce emissions.

environmental control systems, landing gear and braking systems, engine and fuel systems accessories, and cabin systems.

Within the market segments in which Commercial Avionics operates, the key competitors are:

Flight controls and actuation:
Moog, Honeywell, Rockwell Collins, Hamilton Sunstrand/Ratier, Thales, Parker, Goodrich, and Liebherr.

Engine controls and accessories:
Goodrich, Hamilton Sundstrand, Honeywell, Woodward Governor, Hispano-Suiza, and Crane Aerospace.

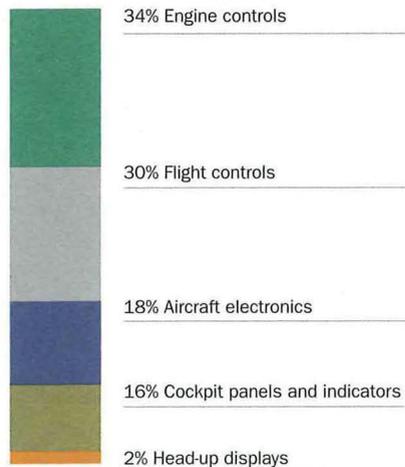
A major force shaping this business is an effort by prime contractors to reduce the number of Tier 2 suppliers. This initiative is driving the consolidation of the supplier



Vision and strategy

Engine controls comprised the largest share of Commercial Avionics sales in 2007, at 34 percent. Our principal engine control customer is GE. Flight controls, sold principally to Boeing, made up 30 percent of sales. Aircraft electronics (18 percent), cockpit panels and indicators (16 percent), and head-up displays (2 percent) make up the rest.

Commercial Avionics sales



While Platform Solutions enjoys a strong market position, we are vulnerable to attack from competitors offering integrated and bundled system offerings. Industry consolidation is creating broader-based, more capable competitors with more investment power. Our goal is to grow the business rapidly, with a focus on partnering, to access capabilities that complement existing competencies and to broaden our product offerings. At the core of this strategy is a move to establish Commercial Avionics as the premier supplier of:

- Stick-to-surface systems, comprising: active pilot inceptors, flight control computers, actuation control electronics, and actuators for aircraft control surfaces.
- Throttle-to-thrust systems – integrating all on-engine control, fuel-management, and sensor systems.
- Advanced situational awareness systems including high-integrity Quantum HUD technology.



Full-authority digital electronic control unit

While these initiatives give Platform Solutions unique advantages in system capabilities, customers will demand that these capabilities be provided at lower cost than existing systems. Key to reducing costs is our partnership with the Indian technical services company Wipro, an arrangement that will help lower development costs and offer access to technology and investment funds. Savings realized through this relationship will be channeled back into the R&D teams to create technology for next-generation products.

2007 achievements

In 2007 Commercial Avionics focused on developing a strategy to achieve sustainable, profitable growth while meeting the day-to-day operational challenges of running the business. Major achievements included:

- Exceeding all financial performance targets.
- Positioning the business for growth by winning critical new business.
- Achieving 100 percent of mission success critical events.
- Scoring 95 percent on-time delivery performance.
- Establishing an offshore development center with Wipro in Hyderabad, India.
- Winning the F-35 FADEC (full-authority digital electronic control).
- Demonstrating the Quantum HUD.
- Increasing production at the Guaymas operation by 70 percent from 2006 to 2007, with quality above 99.9 percent.



Dave Herr shown Boeing 777 primary flight control computer installation.



GE T700 turboshaft engine

2008 objectives

This year's business objectives reflect the Platform Solution strategic initiatives:

Perform first to strengthen customer affinity – continuously improve quality and delivery performance for our principal customers, Boeing and GE, and improve our ability to meet challenging schedule and cost commitments on new development programs. The latter goal is reflected in Commercial Avionics' 2008 mission success critical event: to enhance capabilities with our strategic partner, Wipro, engaging them for a minimum of 20 percent content on all strategic bids to achieve better than a 50 percent win rate.

Focus on value and fuel growth by creating an even more lean infrastructure – increase efficiency to reduce costs, and in turn invest more in new business. Specific goals include 95 percent on-time delivery performance and a 25 percent reduction in turnaround time on aftermarket repairs.

Invest strategically and be bold – harness the capabilities of our partners, including Wipro, to create winning teams. We must also extend existing agreements with key customers such as GE.

Innovate to meet current and future customer needs – create product roadmaps for the main areas of focus:

- Active inceptors
- Touch-screen panels
- Small-engine FADEC
- Electric actuation control
- Quantum HUD
- Flight control electronics
- Power systems

Develop our people and cultivate positive work environment. In 2007 we conducted a number of strategy workshops and presentations to engage with customers and communicate the Commercial Avionics strategy to employees. The top 40 leaders in the business attended a "See and Understand" strategic workshop with representatives from Boeing. This process was valuable in creating a one-team, one-culture environment, and linking our strategy with that of a customer.

Defense Avionics

Our Vision

Our goal in Defense Avionics is to be the preferred provider of integrated control solutions for military aircraft, vehicle subsystems, and mission subsystems. We target global market opportunities in which “man-in-the-loop,” or automated control of platforms or their mission subsystems are essential elements. Our excellence in integrated electronic, electro-mechanical, and electro-optical systems is part of our competitive advantage over our competition.

Over the next five years, our core strategic objective is to grow Defense Avionics by expanding our positions on manned military aircraft and vehicles, and by extending into unmanned-vehicle markets. We have a strong global position in equipment design and production, and in the United Kingdom and Middle East enjoy a significant presence in readiness and sustainment. We must now grow our support positions in the U.S. and the international markets we serve.

A critical goal is to grow our avionics supply and support positions on BAE Systems aircraft platforms. This includes establishing a strategic position to support Saudi Arabia’s new fleet of Eurofighter Typhoons.

We must also increase our proportion of international sales outside the United States, United Kingdom, and Europe from 10 percent in 2007 to more than 25 percent by 2013.

Building on a successful 2007

We are very proud of our team’s performance in 2007. Achievements in our U.S. Fixed-Wing Market Group, which serves Lockheed Martin and Boeing and directly supports the U.S. Department of Defense, included:

- 100 percent on-time delivery for F-22
- head-up displays and sticks.
- Delivery of F-35 sticks for initial flight trials.
- Delivery of the EA-6B digital flight control computer.
- Quick-turn C-17 software update to solve pilot-induced oscillation issues.
- Demonstration of the Autonomous Approach Landing Capability.

Our U.K. and Middle East Fixed-Wing Market Group serves BAE Systems’ Military Air Solutions business, Eurofighter, Panavia, Saab, and their U.K., European, and Middle East end-users. This group achieved 100 percent on-time delivery on the Typhoon head-up display, Tornado Stores Management System, and many support programs. We also completed development

on the Tornado Advanced Radar Display Information System and the spectacularly successful Nimrod Stability Augmentation System – which performed exactly as expected – and made great progress on the Typhoon and Saab Gripen helmet.

The Rotary Wing Avionics Group targets helicopter primes and their end users. Our largest single customer is Sikorsky, with the S-92, CH-53, and H-60 platforms. Others are Bell, Boeing, AgustaWestland, and the U.S. Special Operations Command. In 2007 this team achieved preliminary declaration of design performance for the Westland Helicopter Electronic Actuation Technology (Phase 1) program, won the CH-53 Active Inceptor System contract, and supported Sikorsky’s first flight of the S-92 fly-by-wire system.



Finally, our International Team seeks growth in export markets not covered by the other groups. Current customers are in Korea, Singapore, and India, and the team is pursuing opportunities in Taiwan and Australia, among other markets. In 2007 it achieved 100% on-time delivery for the T-50 HUD, secured the T-50 integrated mission display computer upgrade program, and positioned itself for growth in test equipment and through-life support.

In addition to these market-facing groups, our core Products Group ensures that we are investing research and development funds for maximum competitive advantage not only in the military avionics market, but also considering the adjacent advantages we can provide through our development efforts to the Commercial Avionics and Vehicle Systems business areas. A prime example is the Remote Guardian System™, a program under development for the past two years that the U.S. Special Operations Command selected as the interim all-



Special Operations Command selected the Remote Guardian System™ as interim all-quadrant defensive weapon system for the CV-22 Osprey aircraft.

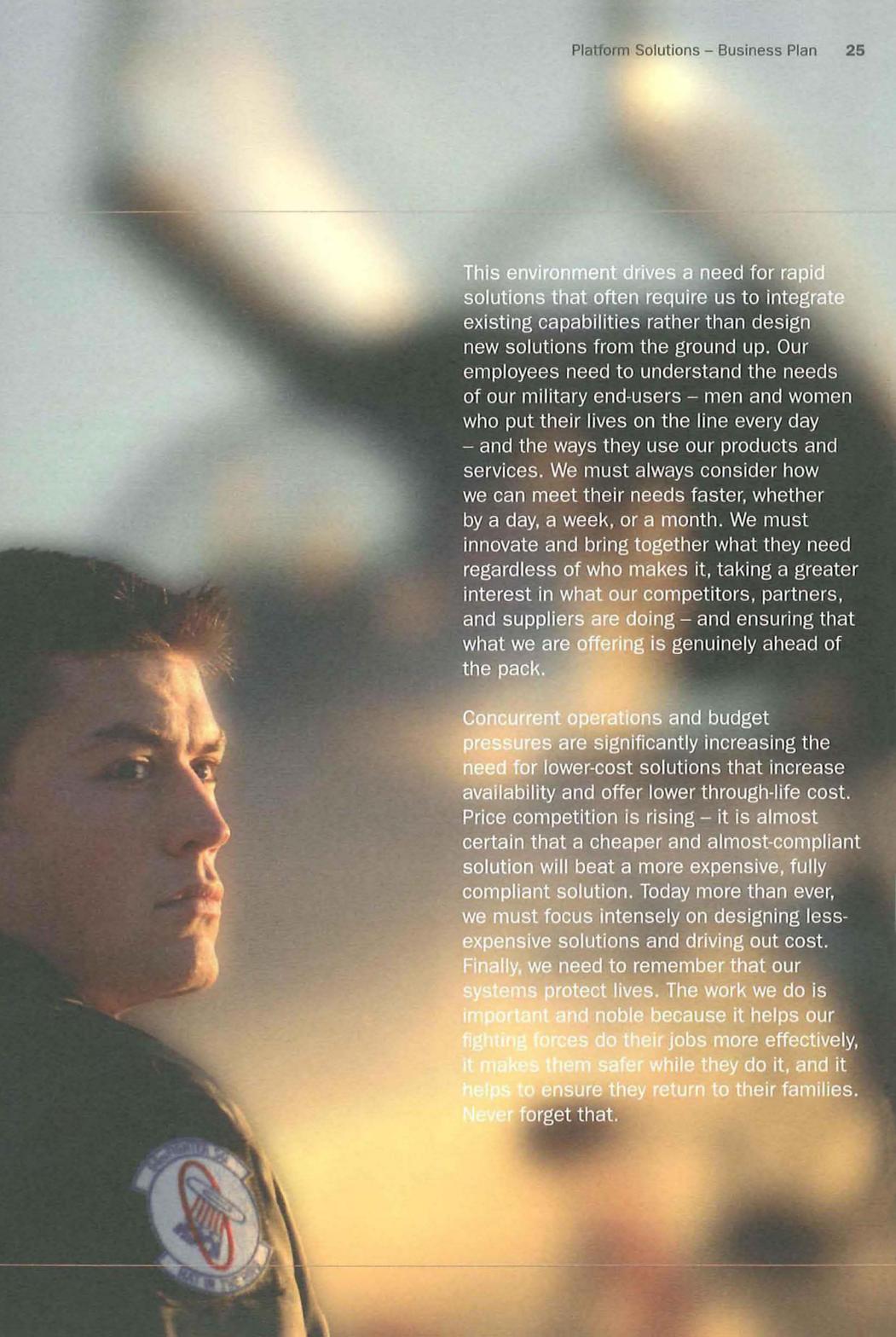
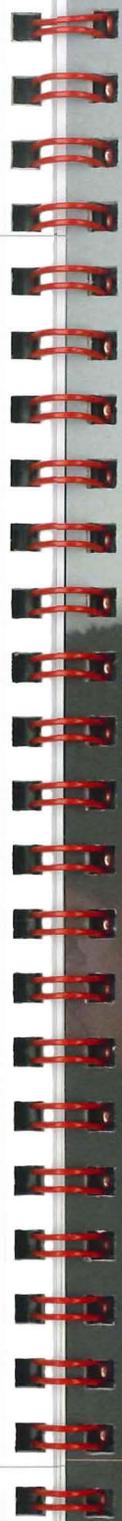


F-35 Active inceptor system customer visit

quadrant defensive weapon system for the CV-22 Osprey aircraft. While this system is unlikely to ever benefit Commercial Avionics customers, we have taken in the needs of the Vehicle Systems customers and have attempted to maximize our potential in that market space. This group also seeks to maximize commonality among products, speeding their development and reducing cost and delivery risk.

2008 challenges

The global defense market is under intense pressure. The global war on terrorism continues to stretch military capabilities, a fact most evident within the U.K. armed forces. As costs rise, U.K. defense spending is forecast to be flat or to decline – and the United States is not far behind. We already see real budget pressures on programs such as F-35, and reductions in supplemental budgets are anticipated.



This environment drives a need for rapid solutions that often require us to integrate existing capabilities rather than design new solutions from the ground up. Our employees need to understand the needs of our military end-users – men and women who put their lives on the line every day – and the ways they use our products and services. We must always consider how we can meet their needs faster, whether by a day, a week, or a month. We must innovate and bring together what they need regardless of who makes it, taking a greater interest in what our competitors, partners, and suppliers are doing – and ensuring that what we are offering is genuinely ahead of the pack.

Concurrent operations and budget pressures are significantly increasing the need for lower-cost solutions that increase availability and offer lower through-life cost. Price competition is rising – it is almost certain that a cheaper and almost-compliant solution will beat a more expensive, fully compliant solution. Today more than ever, we must focus intensely on designing less-expensive solutions and driving out cost. Finally, we need to remember that our systems protect lives. The work we do is important and noble because it helps our fighting forces do their jobs more effectively, it makes them safer while they do it, and it helps to ensure they return to their families. Never forget that.

Our priorities

Perform first to strengthen customer affinity
Nothing makes a customer look to our competition faster than missing a delivery. It is essential that we deliver on our commitments. In 2007 we improved our on-time delivery to 93 percent – short of our goal of 95 percent. We must meet that mark this year, with critical customer deliveries that include:

- In-station delivery of the F-35 active inceptor by July 1.
- Completion of preliminary declaration of design performance for the Typhoon helmet equipment assembly.
- First flight of the H-60 active inceptor.
- First flight of the Remote Guardian System.
- Capture of the Indigenous Defence Fighter remote flight control upgrade contract.

Lean infrastructure to fuel growth and focus on value

We must drive out unnecessary cost throughout the business. One way we are addressing this need is by leveraging our low-cost production locations in Fort Wayne, Indiana, and Guaymas, Mexico, and making full use of Wipro, our partner in India.

Seeing and understanding the market, and innovating to meet current and future customer needs

We will focus on understanding the future needs of the market, and will invest in developing innovative products that will take us ahead of the market. In 2008 we have committed to complete at least three product investments for new products and new customers – and to develop a competitive offering to the unmanned aerial vehicle prime contractors.



Inspecting a high-integrity active inceptor system



Production technicians at Guaymas, Mexico, assemble looms for FADECs

We seek to grow by 10 percent in 2008 and have set goals to:

- Establish a team in Saudi Arabia to secure a long-term support position.
- Capture a U.S. Marine Corps defensive weapons system program.
- Capture a program based on Quantum HUD technology.
- Define a U.S. readiness and sustainment strategy to capture a performance-based logistics position on the V-22, F-35, or C-17.
- Win a Korean support contract and a contract with Singapore or Taiwan.

Develop people and strengthen our already positive work environment.

We will continually work toward a borderless trans-Atlantic team and a positive work environment with a healthy state of mind. We will help all employees achieve their full potential in meeting the needs of our customers.

In 2008 we will build on the success of 2007 and accelerate the rate of change.



F-35 Lightning II



C-17A Globemaster III

Vehicle Systems

Introduction

Vehicle Systems serves and supports the global heavy commercial vehicle market and military land vehicle market. By leveraging our capabilities in systems integration, power electronics, integrated control and mission subsystems, and product support, we seek to enhance the mission effectiveness and productivity of our customers' fleets.

A key enabler of our strategy is our electrical power management capability for ground vehicles. In the commercial arena, green initiatives and downward pressure on operating costs are driving the operators of heavy commercial vehicles to find more fuel-efficient, lower-emission solutions through the electrification of propulsion and accessory systems.

In the military vehicle area, exponentially rising demand for electric power is creating the need for affordable, vehicle-mounted, high-power-density systems. In both cases, we provide highly integrated sub-systems composed of rotating machines, power and control electronics, and energy storage systems.

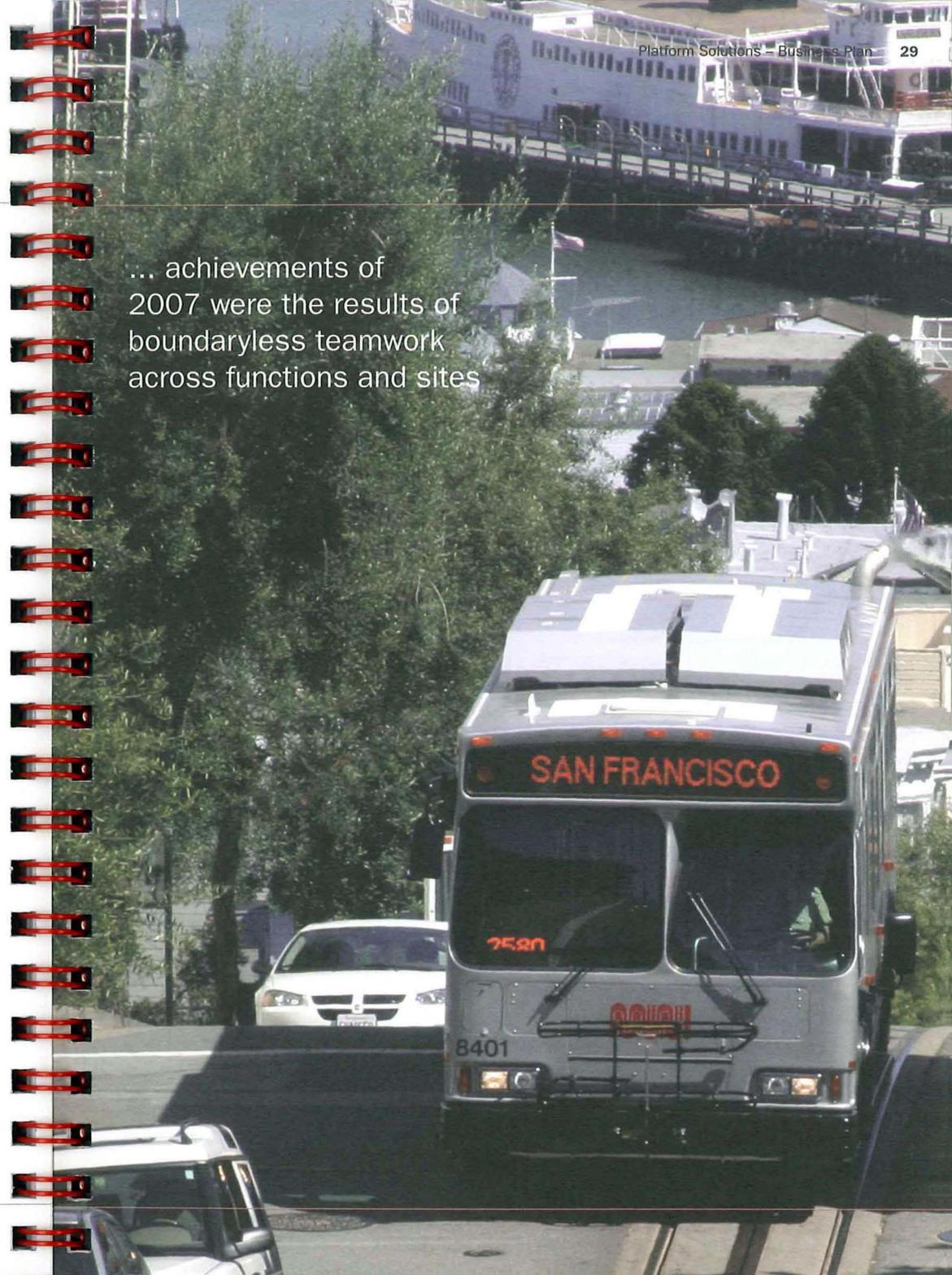
We work closely with our customers to integrate these systems into their vehicles to optimize performance, driveability, reliability, and supportability. In addition to power sub-systems, we provide offerings such as weapons systems and vehicle systems electronics (vetronics).

Major 2007 accomplishments

In the Commercial Vehicle area, we increased the backlog of our HybriDrive® Propulsion System, which is installed in the Daimler Orion VII transit bus, by more than 1,000 systems. The New York City Metropolitan Transit Authority converted 389 Orion VII Hybrid Bus options to 850 firm orders. This award is due to the fuel economy, reliability, and product support demonstrated on the more than 800 vehicles in revenue service in New York City. Two new customers, Houston and Ottawa, have followed suit based on the proven results of our HybriDrive propulsion system, as well as our innovation in lithium-ion energy storage systems. The performance of our equipment, and the customer affinity we have developed with New York City and other operators, has become a key discriminator that has enabled us to aggressively grow our business.

Daimler shipped the 1,000th Orion VII Hybrid Bus in September 2007. With the proven support and performance of our large North American fleet (with more than 50 million operating miles), we have been able to expand internationally. In 2007 we announced a teaming agreement with the largest bus manufacturer in the United Kingdom, Alexander Dennis Limited, that includes a 10-vehicle pilot fleet to be delivered to London in 2008. A real success story has been the teamwork between our sites to transfer our HybriDrive applications engineering knowledge from Johnson City to Rochester. This effort resulted in Alexander Dennis driving its first HybriDrive-powered

... achievements of 2007 were the results of boundaryless teamwork across functions and sites



chassis only six months after signing the agreement. We have embarked on a similar initiative with a large original equipment manufacturer in Asia, with our Ontario team standing up as the applications engineering center serving that customer.



Next-generation HybriDrive® propulsion system

Finally, we achieved a challenging critical mission success event this year – the road testing of our next-generation hybrid propulsion system. In early December 2006, the development team was challenged to move the first road test in from January 2009 to December 2007. Through an incredible effort from all of our organizations, including many of you, this challenge was met. A complete system of newly designed electric machines, power and control electronics, and energy storage was driven 12 miles from our Conklin garage to Johnson City on December 10. The bold move to accelerate this next-generation system coupled with the branding developed through our demonstrated fleet performance and support, has positioned us for further growth.

The Military Vehicle business segment exhibited strong growth in 2007 through strategic wins and program performance. A key accomplishment was integration of the Ontario-based Ground Support Equipment and Unmanned Air Vehicle programs into the Vehicle Systems business. The success of this integration is demonstrated through the continued solid performance of our Ontario team through the delivery of more than 60 Advanced Aviation Forward Area Refueling Systems (AAFARS) to the U.S. Army with a perfect customer satisfaction rating.



Advanced Aviation Forward Area Refueling Systems

Our Military Vehicle business has taken the term “borderless” to the next level through teaming across the E&IS operating group and with BAE Systems Land & Armaments (L&A). We are currently engaged with L&A on several programs such as the Future Combat Systems (FCS) Manned Ground Vehicle program. Our Johnson City team did a great job in delivering 40 common component controllers and eight DC-to-DC converters for the FCS Manned Ground Vehicle program. Combining our skills in

power management and systems integration with L&A's position as the largest supplier of armored vehicles in the world, we have won several additional programs. These wins include the FCS Manned Ground Vehicle Propulsion Power Electronics and the Paladin Improvement Management program. L&A also selected E&IS (with Vehicle Systems as the lead) to provide the power management, vetronics, sensors, and command-and-control subsystems for its Joint Light Tactical Vehicle proposal. This exciting opportunity has the potential to provide systems for over 50,000 vehicles and will be led by our Ontario team.

There are many other opportunities in the military market beyond L&A. We have received positive feedback from our senior DoD customers about the display and demonstration of the Common Modular Power System on the HMMWV in 2007.



Engineers test the first Lithium Ion energy storage system to arrive at the new application facility at Rochester UK



Multi-Function Logistics Equipment (MULE)

The propulsion and power subsystem we provided to Lockheed Martin was used in the successful demonstration of the Multi-Function Logistics Equipment (MULE) engineering evaluation unit for the U.S. Army's FCS program manager. Finally, we are continuing to work with the Stryker program management team to develop new concepts in managing electric power on the General Dynamics Land Systems-built Stryker vehicles.

Through successful program execution, we have demonstrated our ability to perform to BAE Systems Land & Armaments, Lockheed Martin, and the U.S. Army. This performance positions military business for the sustained future growth of Vehicle Systems.

Key 2008 objectives

We look forward to another challenging and exciting year. We will continue to grow the business into adjacent markets, while delivering quality products to our current customers.

The Vehicle Systems critical mission success event is to introduce the Lithium-ion energy storage system into revenue service. This advanced energy storage system offers significant benefit to our customers with its light weight, long life, and reduced maintenance requirements. As an added benefit, the advanced nanophosphate chemistry we have selected eliminates the safety hazards that have plagued other lithium-ion technologies.

We will focus on growing our business globally and into adjacent markets by exploiting our power management expertise. Significant investments in facilities and people will continue at the Rochester and Ontario sites to facilitate growth of Vehicle Systems in the commercial and military ground vehicle markets. We intend to expand our successes at Alexander Dennis to other European commercial heavy vehicle customers. In a similar manner we expect to see growth in Asia. We also are pursuing military land vehicle opportunities in the United Kingdom and Europe.

Performance will continue to be our focus as it becomes the ultimate discriminator. Our commercial and military ground vehicle customers are measured by the availability, reliability, and performance of their



Lithium-ion energy storage system

equipment. As our systems are mission- and dispatch-critical these measurements become ours. Production deliveries, program execution, field performance, and product support demonstrate our commitment to our customers.

Our global business will be local to our customers. We will bring our customers the best of our capabilities, wherever they are located. For power management, we have created a design center in Johnson City to develop core components and technology. We then use our people and facilities in Johnson City, Ontario, and Rochester to work closely with customers in their geographic regions to supply systems engineering, product support, and most importantly, to develop the high degree of customer affinity required to be successful in this market.

Customer affinity and market seeing – Our customers extend from the mechanic in the New York City bus depot and the warfighter operating armored vehicle in Iraq, to leaders in the commercial and military vehicle industries. We must continue to find ways to gain their trust and the knowledge of their needs. This mutually beneficial relationship



New York City hybrid electric bus

helps these customers provide superior fleet performance and product offerings while we gain a customer driven source of innovative ideas for new products and services.

Value streaming and lean thinking – We see our value stream extending from our global supply base to the technician diagnosing an out-of-service transit bus in Manhattan. Due to the nature of our sub-system offerings, we rely heavily on suppliers of large, complex equipment such as motors, generators, gearboxes, and energy storage systems. Key attributes of these suppliers will be cost-effectiveness, access to low-cost manufacturing, agility, willingness to partner, and quality. On the fleet side, we have key suppliers and distributors that provide our on-site support. Throughout this value stream, we will continue to strive to

“lean out” our processes and continuously improve our responsiveness to customer needs.

Be bold – Whether we are accelerating a large program to exploit an emerging market, or offering to integrate the complete electrical system of a vehicle, bold actions will propel us forward. We are fortunate in that we are facing into an evolving, emerging market, with a team that possesses the right mix of creativity, energy, and customer intimacy to succeed and grow.

Johnson City



Site overview

Johnson City, New York, the Platform Solutions headquarters, is situated in the picturesque Southern Tier of upstate New York. The 620,000-square-foot facility was built by the U.S. Air Force in 1943 and operated as a propeller factory during World War II. It is home to more than 1,450 employees, more than half engaged in engineering disciplines. Johnson City provides capabilities for all aspects of the product and system life cycle, from internally funded technology research and development through design and development, production, and life-cycle support.

The site's product-development capabilities are geared to solving complex customer needs with integrated control system solutions. Key technology areas are:

- Flight- and safety-critical hardware and software with exceptional redundancy management and suited to severe operating environments.
- Full-authority digital engine controls.
- Commercial avionics.
- Power management systems.
- Flight, mission, weapon, and fire-control systems.

Johnson City's low-volume, high-mix manufacturing operations employ world-class lean manufacturing methods, driving efficiency within the product development cycle and allowing a seamless transition to production.

A mainstay of the local economy, the Johnson City site provides significant support to the communities in the Southern Tier. We have been the largest corporate contributor to the local United Way for the past 10 years, and our Community Service Fund annually generates more than \$200,000 (£100,000) in employee contributions to local charities. We are major participants in numerous other local charitable activities and have launched a major initiative, under the Operation Noble Cause campaign, to support the U.S. Army's 10th Mountain Division in Fort Drum, New York.

Site transformation

Johnson City is led by a cross-functional leadership team charged with ensuring the site's smooth and efficient operation, providing positive visibility inside and outside the company, and enhancing communication and employee morale. Under the team's guidance, the site has:

- Improved the facility infrastructure, upgrading office areas and common areas throughout the facility.
- Invested in three new technology development and integration facilities: the Steinmetz Center for Innovation, the Remote Guardian System Lab, and most recently, the Hybrid Power Lab. These additions have significantly advanced our ability to rapidly develop and integrate capabilities to address customers' emerging needs.
- Expanded our lean manufacturing journey through continued upgrade of manufacturing equipment – most recently,

the addition of a plasma cleaning system for printed circuit boards.

- Increased emphasis on developing employees through heavy investment in training, augmented in 2007 by economic development funding provided by the state of New York. We also continue to strive to be a local employer of choice by providing focus on work-life balance, most recently transitioning to a 9/80 work schedule.

Site objectives for 2008

- Development of a long-range facility plan to better position Johnson City for future business in our ever-changing environment.
- Establish metrics to measure progress in meeting the needs of our customers and our community.
- Expand our significant position within the community by increasing our visibility, strengthening relationships, and increasing our support of charitable causes.
- Improve communication and employee focus through the BAE Systems Employee Opinion Survey, the local "Ask the Site Team" Web site, and other efforts to enhance employee morale.

Guaymas



Site overview

Located on northern Mexico's Pacific coast, 300 miles south of Tucson, Arizona, the Guaymas facility has been in place since 2003 as an extension of Fort Wayne. It is operated by the Offshore Group, a provider of outsourced manufacturing support services.

The 60 employees in Guaymas produce cables, harnesses, and panel assemblies in support of all three Platform Solutions business areas: Commercial Avionics, Defense Avionics, and Vehicle Systems. These skilled workers enjoy a clean and safe work environment, medical care, day care, transportation, and training provided by the Offshore Group.

The site's vision is to give Platform Solutions a competitive advantage by providing high-quality, on-time, cost-competitive assembly or sub-assembly of mature, basic, and stable designs.

Transformation goals

2008 is shaping up to be an exciting year in Guaymas. We plan to nearly double the production volume, introducing more than 20 new products, and implement lean supply-chain techniques – while maintaining a 99.9 percent quality rating and 100 percent on-time delivery record.

Our transformational initiatives for 2008 are to “lean out” the internal supply chain to increase speed, improve flexibility, and improve inventory turns; partner with local suppliers to eliminate transit times and reduce the cost of shipping and brokerage fees; establish real-time data-entry capability to eliminate non-value-added support processes; and identify, challenge, and change existing business procedures that don't add value.

Ontario

Site overview

The Ontario, California, site, situated 50 miles east of Los Angeles, is home to two E&IS lines of business – Platform Solutions and Electronic Warfare. Two hundred employees call the site home, with Platform Solutions accounting for 140 of them. A shared-services agreement between the LoBs minimizes expenses and maximizes sharing of resources. Approximately 25% of the work force telecommutes (working from home and using computers and telephones to communicate), an arrangement made in 2007 when Platform Solutions' Los Angeles facility closed and much of its activity moved to Ontario, putting some employees out of commuting range.

The Ontario site is a partner with the local United Services Organization and took the first-place team award in the 2007 Charity Challenge Alzheimer's Association Memory Walk. Employees at the site are also active in civic affairs through the Ontario Chamber of Commerce.

Capabilities

The Ontario site measures 130,000 square feet and is situated on nine acres. An additional acre and a half is available for expansion. The ISO 9001-2000-certified site has capabilities to perform Federal Aviation Administration depot repairs, vibration and thermal environmental testing, on-aircraft support and installation, embedded



electrical and software integration, laser development, testing, and mechanical integration within a certified Class 4 laser lab. It has high- and low-bay facilities for electro-mechanical assembly, fabrication and test of low-radar-observable and heat-resistant textile products, systems integration for air and land vehicles and infrared countermeasures products, testing of diesel engines and electric motors, and a machine shop for standard and refractory metals.

The facility hosts engineering development labs to support radar imaging, missile countermeasure lasers and infrared lamps, optical-mechanical design and integration, navigation controls, modeling and simulation for design and integration, and software development support. The site has a full spectrum of design engineering disciplines to support development and production programs.

Strategic location

Ontario is located strategically within the large Southern California aerospace market, home to a highly talented labor pool and to the major facilities of Lockheed Martin, Northrop Grumman, Boeing, and L-3. Because its location makes it a natural gateway to Pacific Rim markets, the site is home to Platform Solutions' Defense Avionics international market group. Ontario also has a large role in supporting the Vehicle Systems business area in the military and commercial markets. On the military side, it is leading Platform Solutions' electrical subsystems and integration effort

on the Joint Light Tactical Vehicle, the future replacement for the HMMWV – a combined effort with BAE Systems' Land & Armaments operating group.

Strategic growth

In 2008, Ontario will help expand the commercial vehicle business by becoming an application service and support center to support western U.S. and Pacific Rim customers. This will include new applications development with capabilities to support integration of fuel-cell buses, generator endurance testing, engine mapping, and general design, installation, and integration testing for new customers.

Fort Wayne



Site overview and capabilities

Fort Wayne employs more than 800 people in a 340,000-square-foot facility in northeast Indiana that supports Platform Solutions' Commercial Avionics and Defense Avionics business areas. The site has been providing high-reliability electronic engine controls, flight controls, and accessories to the aerospace industry since 1984. Fort Wayne started with a single customer, General Electric, and now serves 16 customers that include Boeing, Lockheed Martin, Bombardier, and Rolls Royce.

The site supports new products from initial engineering units through manufacturing technology development, business capture, design and development, production, and aftermarket service. Current new programs include F-35 FADEC, GENx FADEC, T700 FADEC, GE38, and CH-148 flight control. Its aftermarket service area is the hub of a worldwide network of commercial aircraft maintenance and service for more than 300 commercial airlines. The Platform Solutions Strategic Sourcing organization is also based here.

Fort Wayne is recognized by industry experts as a world-class manufacturing facility, named a "Best Plant" by Industry Week magazine and receiving the Shingo Prize for Excellence in Manufacturing. The site is an industry leader in the application of "lean enterprise" concepts that have transcended the manufacturing floor and have been applied throughout the operation's value stream, including the supply chain, business processes, and customer integration. Recognized for innovation, Fort Wayne employees support the rest of Platform Solutions and the broader E&IS operating group by teaching and sharing experiences on business transformation.

2008 actions

Fort Wayne will continue to become a leaner and more responsive organization through a number of efforts:

- Investment in manufacturing technology and equipment that will allow our designs to be more producible and more reliable. The launch of the Oracle eAM maintenance management system in early 2008 will enhance our ability to continue to exceed our customers' expectations.
- Facility investments to ensure that we are responsive and dependable in our commitments to our customers and the business. The commercial products area will be completely redesigned to improve product flow, minimize waste, maximize visual awareness, and further support lean manufacturing concepts.
- Emphasis on customer intimacy – treating all customers, external and internal, as if they are our only customer.
- Improving processes to achieve 14-day turnaround when servicing commercial products. This will strengthen relationships with current customers and capture new market share.
- Investing in employee development, providing an average of 40 hours of training per employee and identifying "critical experiences" for each employee.
- Responding to employee feedback and addressing concerns. Efforts will include a Web site tied to the BAE Systems Employee Opinion Survey.
- Engaging with suppliers and partners to deliver maximum value to our mutual customers.

- Improving inventory management to free up cash that can be reinvested in the business. We will further refine business processes that anticipate customer needs, allowing us to be responsive and lean.
- Ensuring that 100 percent quality is built into our products. Reduce scrap and process variations, and work with suppliers to do the same.
- Continue our rich heritage of giving back to our neighbors and the community through Charity Challenge, Operation Noble Cause, Study Connection, and other activities.

With your help, Fort Wayne will continue to be a leader in the business and deliver world-class products that are the best value for our customers. We will forge ahead in our "lean" journey and continually find ways to improve in all our value streams.

Irving



Site overview

A critical cog in Platform Solutions' Commercial Avionics business, the Irving, Texas, site is situated in the heart of the Dallas/Fort Worth Metroplex – a hub of the U.S. defense and aerospace industry. It provides aircraft manufacturing and fleet support for many commercial airplane platforms including the Boeing 737, 747, 767, and 777 programs, and aftermarket repair and warranty support for these airplanes and out-of-production models such as the 707, 727, 757, MD80/90, MD10/11, and DC-10. The site produces more than 460 different commercial aircraft electronic products and 85,000 units annually, with major capabilities in flight-deck systems, flight control electronics,

detection and alerting systems, cabin systems, control and monitoring, and data and electrical distribution.

Irving also is home to the BAE Systems Dallas Service Center, which – along with satellite service facilities in London and Singapore – serves more than 250 airlines around the world. These facilities provide repairs and spare parts through the full aircraft life cycle, including complete piece-part inventories, on-site technical support, expedited repair service, and proprietary test systems.

Location is key to Irving's success. The site is located near the Dallas/Fort Worth Airport, the world's third-busiest, and home

to American Airlines, the world's largest commercial airline. This gives Platform Solutions an important competitive advantage in readiness and sustainment and aftermarket logistics, and positions the company for future airline partnerships in avionics and airline protection programs. This location also makes the site a convenient, secure meeting facility for BAE Systems executives and customers.

Site mission and vision

“We keep the world flying” is Irving's mission, with a focus on speed and responsiveness in support of global customers in the aftermarket and highly complex original equipment manufacturer markets. By aggressively applying lean principles to its day-to-day business, the site provides the highest-quality parts, short turnaround times, and agile, on-time delivery. Irving has set a goal to win the 2010 Shingo Prize for Operational Excellence, a top recognition of achievement in lean manufacturing.

Strategic actions in 2008 include:

- Employees – the “4 Es”: Hire and develop people with energy, who energize others, who have “edge,” and who execute.
- Customers: Create an outward-facing program-management mission to improve customer and engineering relationships and business execution.
- Financial performance: Focus on our core mission by transferring low-complexity, high-labor-content products to Guaymas.
- Learning: Replicate, then enhance, Platform Solutions' best practices to

accelerate our transformation and create competitive advantage.

- Operations: Reorganize by value streams to create cross-functional small-business teams that engage and empower all employees.
- Technology: Establish objective criteria for subjective customer requirements and unspecified parameters that influence customer system performance.

Supporting Platform Solutions

Every 1½ seconds a commercial aircraft equipped with BAE Systems electronics takes off somewhere in the world. With new airplane programs up for bid and older programs becoming obsolete, it is critical for Irving to improve its quality, delivery, and cost performance to become the supplier of choice for new business opportunities. The speed of Irving's lean enterprise transformation will be unprecedented, and achieving our vision requires every employee to be fully engaged. Here are some ways employees can help:

- Learn the Shingo Prize framework and educate everyone in its principles.
- Become cross-trained and flex across value streams to support our customers.
- Get involved by actively participating in Rapid Improvement Events.
- Recognize employee suggestions and continuous improvement achievements.
- Embrace best practices from other sites and be open to change.
- Use data and ask why; to create a data-driven “why culture.”

Rochester



Site overview

Rochester employs about 1,800 people at a 360,000-square-foot facility 45 minutes east of central London. The site provides two unique capabilities to Platform Solutions and E&IS:

- It is a product innovation and development centre with world-leading capabilities in electro optics, electromechanical systems, safety-critical software, and control systems. Rochester's products are helmets, head-up displays, passive and active interceptors, stability augmentation systems, control computing systems, and mission systems.
- It provides a gateway to markets in Europe and the Middle East, with its employees possessing the market knowledge to provide business development, sales, and product support in these regions.

Rochester represents all three Platform Solutions business areas and supports the entire product life cycle, spanning research, business development, bidding, design and development, production integration, and support. The site's production capabilities focus on high-value-added activities, with simpler production subcontracted to lower-cost manufacturing centres.

Site vision

Our five-year vision is to position the site as the E&IS gateway to Europe and the centre of an aerospace, defence, and homeland security technology park extending around the Rochester airfield. Our goal is for all E&IS lines of business to leverage Rochester to create value from the U.K., Europe, and Middle East markets. BAE Systems, partner companies, and suppliers together would employ about 3,000 people at this location, providing a vibrant and diverse set of career opportunities.

This vision is ambitious, but achievable if each employee embraces the radical transformation it will require.

Transformation goals

The Rochester site has undergone significant changes in the past few years, fuelled by significant investment – more than £1.4m (\$2.8m) in facilities and £900,000 (\$1.8m) spent in training in 2007 alone. In 2008 we will:

- Fix our remaining challenges in cost and schedule performance of development programmes.
- Focus our effort on the highest-value

activities desired by our customers and “lean out” those processes that do not add value or can be more efficiently done elsewhere – thereby increasing our competitiveness and releasing funds for investment.

- Grow our business by spending time to better understand the needs of our customers and end users, and developing new products to meet those needs.

A Transformation Board is leading these changes, which will be presented in detail to all employees. Involvement by employees is critical to the success of this endeavour, major elements of which will include:

- Improvement of speed and efficiency on development programmes. We will create a Development Zone to house integrated product teams that include all skill sets necessary to take products through low-rate initial production. These will include, for example, project management, design partners, capability, engineering, and operations.
- Maximizing use of high-value office space. Teams will be collocated and positioned strategically for improved performance.
- Rearrangement of the Main Hangar production floors for lean production, supported by the introduction of the Oracle Enterprise Resource Planning system.
- An increased Vehicle Systems footprint at Rochester. A new, purpose-built integration area will support integration work for hybrid propulsion technology.
- Changes to improve the site’s appearance, potentially including installation of new graphics in the reception area, and refurbishment of the Main Hangar.

In addition to these visible actions, there will be other significant changes to improve performance and efficiency. Employees will see increased emphasis on business-winning, with more money invested in new products, more aggressive marketing, and more bids; greater focus on shortening and improving delivery performance on development; and stronger efforts to involve our key partners and suppliers throughout the product life cycle.

How can you help?

First, by maintaining your absolute commitment to customer deliveries – critical to maintaining our reputation with our customers and to maintaining our future growth.

Second, by embracing the changes. They are for the benefit of the site’s competitiveness and growth, and directly affect the diversity of your career opportunities.

Finally, by actively engaging with your local team to identify activities that are ineffective, inefficient, or non-competitive – and recommending practical steps to make them better. We promise we will support you in implementing your ideas.

PLATFORM SOLUTIONS Contact details

BAE Systems, Johnson City
600 Main Street
Johnson City
New York 13790
United States
Telephone: +1 607 770 2000

Site Executive: Jim Garceau
jim.garceau1@baesystems.com

BAE Systems, Rochester
Airport Works
Marconi Way
Rochester
Kent ME1 2XX
United Kingdom
Telephone: + 44 1634 8444000

Site Executive: Andy Start
andy.start@baesystems.com

BAE Systems, Fort Wayne
2000 Taylor Street
Fort Wayne
Indiana 46802
United States
Telephone: +1 260 434 5000

Site Executive: Bob Hoffman
bob.hoffman@baesystems.com

BAE Systems, Irving
P.O. Box 167807
Irving
Texas 75016
United States
Telephone: +1 972 659 2600

Site Executive: Jeff Bartlett
jeffrey.bartlett@baesystems.com

BAE Systems, Ontario
1930 South Vineyard Avenue
Ontario
California 91761
United States
Telephone: +1 909 947 7600

Platform Solutions Site Lead: Mike Reader
mike.reader@baesystems.com
Site Executive: Cindy Carpenter
cindy.carpenter@baesystems.com

BAE Systems, Redmond
8510 154th Avenue NE
Redmond
Washington 98052
United States
Telephone: +1 425 883 2525

Site Executive: Duncan Craick
duncan.craick@baesystems.com

BAE Systems, Marlborough
Suite 1.1
34 St. Martin Drive
Marlborough
Massachusetts 01752
United States
Telephone: +1 607 770 3719

Site Lead: Tassie Freije
stephanie.i.freije@baesystems.com

BAE Systems, Reading, London Service Centre
Unit 21
Sutton Park Avenue
Sutton Business Park
Reading RG6 1LA
United Kingdom
Telephone: +44 118 966 4554

Site Lead: Derek Sanders
derek.sanders@baesystems.com

BAE Systems, Singapore
435 Orchard Road #21-04
Wisma Atria
Singapore 238877
Telephone: +65 6735 7507

Site Executive: Mark Wong-Li Choong
mark.wong@baesystems.com

BAE Systems, Guaymas
C/O Carretera Internacional KM
1.29 Salide Norte
Parque Industrial Roca Fuerte
Edificio 5, Guaymas
Sonora, CP 85401
Mexico
Telephone: +52 622 221 4227

Site Executive: Tom Dudark
thomas.dudark@baesystems.com

Notes

Platform

Platform capabilities, mission and command and control, and ground machine and production cockpit, interceptors systems;

BAE Systems
Electronics & Integrated Solutions
600 Main Street
Johnson City
New York
13790
USA
Telephone: +1 607-770-2000

