



BAE SYSTEMS

The Systems Company Innovating for a Safer World

DigitalNet Analysts Presentation

Transaction Summary

- **BAE Systems North America has signed a definitive agreement to acquire DigitalNet (NASDAQ:DNET) for \$595m, (£333m) – \$30.25 per share, plus assumption of DNET debt**
 - ⇒ Total outstanding shares of 16.6m
 - ⇒ Debt of approximately \$93.5m
- **BAE Systems plc will fund the acquisition from existing resources**

	DNET 2004E Consensus Estimates	Transaction Multiple
Revenue	\$376M	1.6X
EBITDA	\$51M	11.7X
EBIT	\$42M	14.2X

Transaction expected to be immediately accretive to earnings

DigitalNet Financial Summary

BAE SYSTEMS

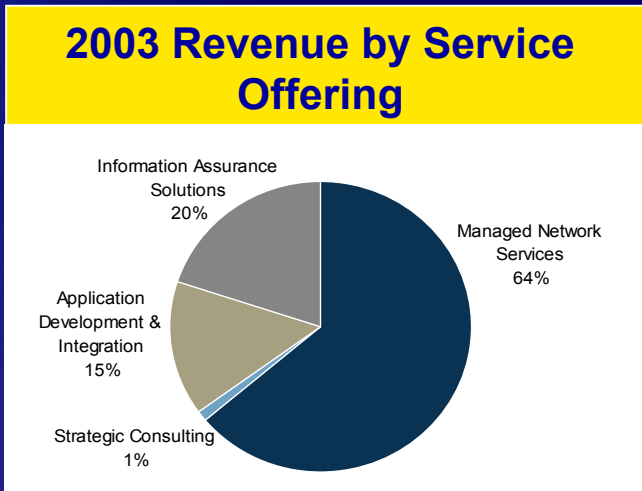
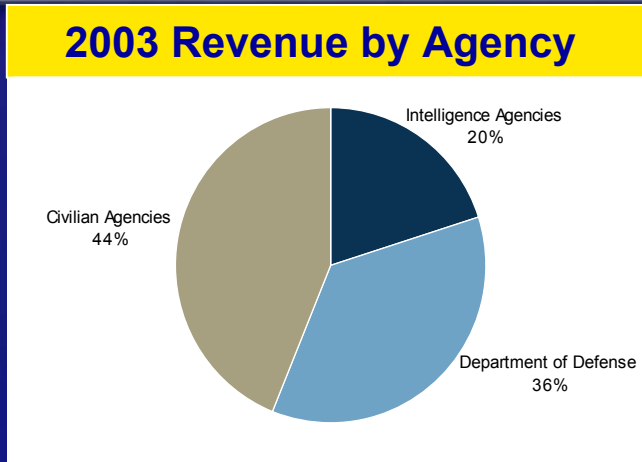
(\$ in Millions)	2001 ⁽¹⁾⁽²⁾	2002 ⁽²⁾⁽³⁾	2003 ⁽²⁾	2004(E) ⁽⁴⁾	2001 - 2004(E) CAGR
	Revenue	\$238	\$258	\$292	\$376
% Growth		8%	13%	29%	
EBITDA	\$28	\$37	\$44	\$51	22%
% Margin	12%	14%	15%	14%	

**Delivers strong financial performance
consistent with BAE Systems' objectives**

- (1) Results of predecessor, formerly known as Getronics Government Solutions, LLC
- (2) Adjusted for disposed activities
- (3) Pro forma for the acquisition of Getronics Government Solutions, LLC
- (4) Projections reflect consensus analyst estimates

DigitalNet Overview

- \$375M (2004E) provider of information technology (IT) systems engineering, integration and operations support to US government
 - ⇒ Prime contractor on 77% of revenues
- Services three primary end-markets: Department of Defense, Intelligence Agencies, and Federal Agencies
- Key competencies include:
 - ⇒ Network engineering and operations
 - ⇒ Managed IT infrastructure services
 - ⇒ Information assurance products and services



Customers

U.S. Departments & Agencies:

- Intelligence Community
- Homeland Security
- Justice
- Treasury
- State
- General Services Administration
- Air Force
- Army
- Navy
- Office of the Secretary of Defense
- Defense Logistics Agency
- Defense Information Systems Agency
- Defense Finance and Accounting Service

Strong presence in growing segments of the U.S. Federal IT market

Strategic Rationale

- **Enhanced ability to pursue larger attractive contract vehicles in priority areas**

- ⇒ Since 1990, contractor-addressable federal IT spending has more than doubled as number of annual contract awards has declined by more than half: combination of BAE Systems and DigitalNet creates a \$1.2 billion IT services enterprise capable of successfully competing for the largest program opportunities

- **Broad footprint and attractive performance in rapidly-growing U.S. Government IT services markets**

- ⇒ Complementary portfolio of contracts and capabilities in network engineering and operations, managed IT infrastructure services and information assurance products – a \$12B annual market with a 5-year projected annual growth rate of more than 8%

- **Strong functional synergies with BAE Systems' strategic growth areas**

- ⇒ Strengthens ability to provide network integration and operations services to U.S. defence, intelligence and federal agency customers
- ⇒ Expands BAE Systems' capability as architect-integrator-operator of evolving network-centric warfare enterprise systems

- **Expanded reach across strategically-important customers**

- ⇒ More than 80% of DigitalNet revenue derives from defence, intelligence or high-priority federal agency customers (e.g., Departments of Homeland Security, State and Justice, Federal Bureau of Investigation, etc.)
- ⇒ Enables BAE Systems to offer more responsive, integrated information-sharing and network-centric IT solutions to high priority military and federal agency customers

**Enhances existing capabilities to address
U.S. national security priority programs**

Investment Considerations

- **DigitalNet's capabilities expand BAE Systems' presence in two significant aspects:**

- ⇒ Managed information technology and information assurance
- ⇒ Network-centric infrastructure and information-sharing

Critical capabilities for network-centric warfare integration and operations

- **80% of business with High Priority Federal Agencies, Defence and Intelligence Communities**

- ⇒ 98% of revenue from U.S. Federal Government
- ⇒ Supports 65 federal agencies
- ⇒ Broad and diverse base of more than 170 contract engagements
- ⇒ 10 largest programs comprise only 38% of estimated 2004E revenue
- ⇒ More than 1,000 employees carry U.S. government security clearances

Complementary focus on customers and programs important to BAE Systems – without excessive concentration

- **Seasoned management team and knowledgeable sales force with solid track record**

- ⇒ Third-fastest growing federal IT services provider

- **Customer satisfaction index consistently averaging 95%**

- **Proprietary technology tailored for government applications**

Highly complementary with BAE Systems' customers and capabilities

Conclusion

- **Low risk, cash-funded acquisition**
 - ⇒ Expands business operations in strategically-important area of domain knowledge
- **Builds critical mass in high-growth Federal IT markets**
 - ⇒ Increases customer footprint in homeland security and priority national security programs
 - ⇒ Moves combined company to 10th largest Federal IT contractor
- **Consistent with U.S. growth strategy**
 - ⇒ Addresses priority U.S. security market sector
- **Attractive economics**
 - ⇒ Enhances revenue growth and margin performance of BAE Systems North America
 - ⇒ Earnings and [value] accretive in first full year

An important step in BAE Systems' transatlantic growth strategy

George Rose

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