

Welcome to Military Air Solutions

Nigel Whitehead

Group Managing Director – Military Air Solutions

UK/RoW



Executive Committee



Ian King
Chief Operating Officer,
UK/RoW

Sir John Day
Senior Military Adviser

Peter Fielder
Business Improvement
Director

Office of the COO

Fiona Davies
Chief of Staff

Nigel Bradley
Commercial Director

Peter Wilson
MD, CS&S
International

Chris Geoghegan
Group Executive
Director, Businesses

Alastair Imrie
Group HR Director

Alison Wood
Group Strategic
Development Director

Vic Emery
MD, Surface
Fleet Solutions

Murray Easton
MD, Submarine
Solutions

Charlotte Lambkin
Group
Communications
Director

Mike Rouse
Group Marketing
Director

Nigel Whitehead
Group MD,
Military Air Solutions

Peter Earl
Finance Director

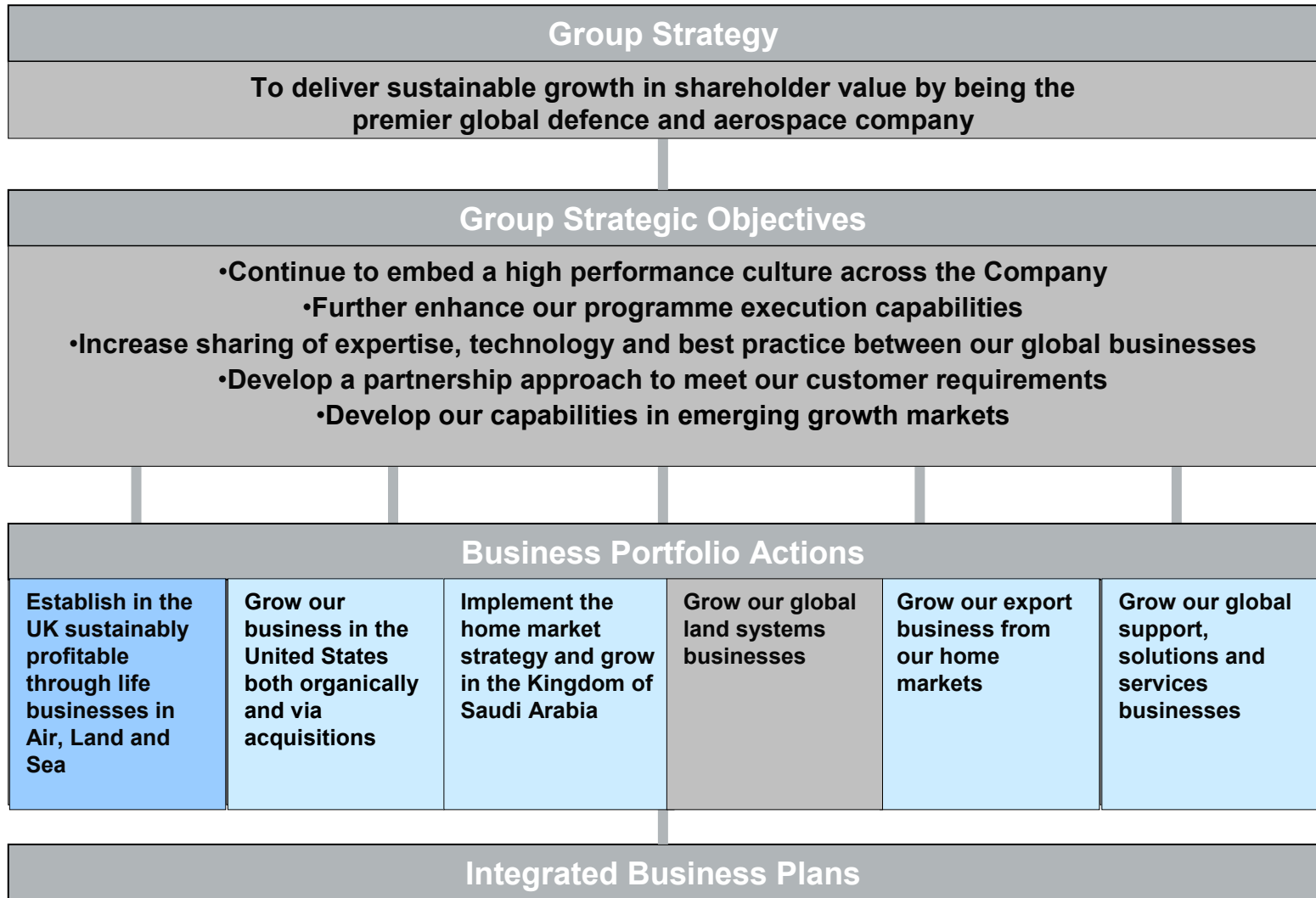
Philip Bramwell
Group Legal
Director

Kevin Taylor
MD, Air Support

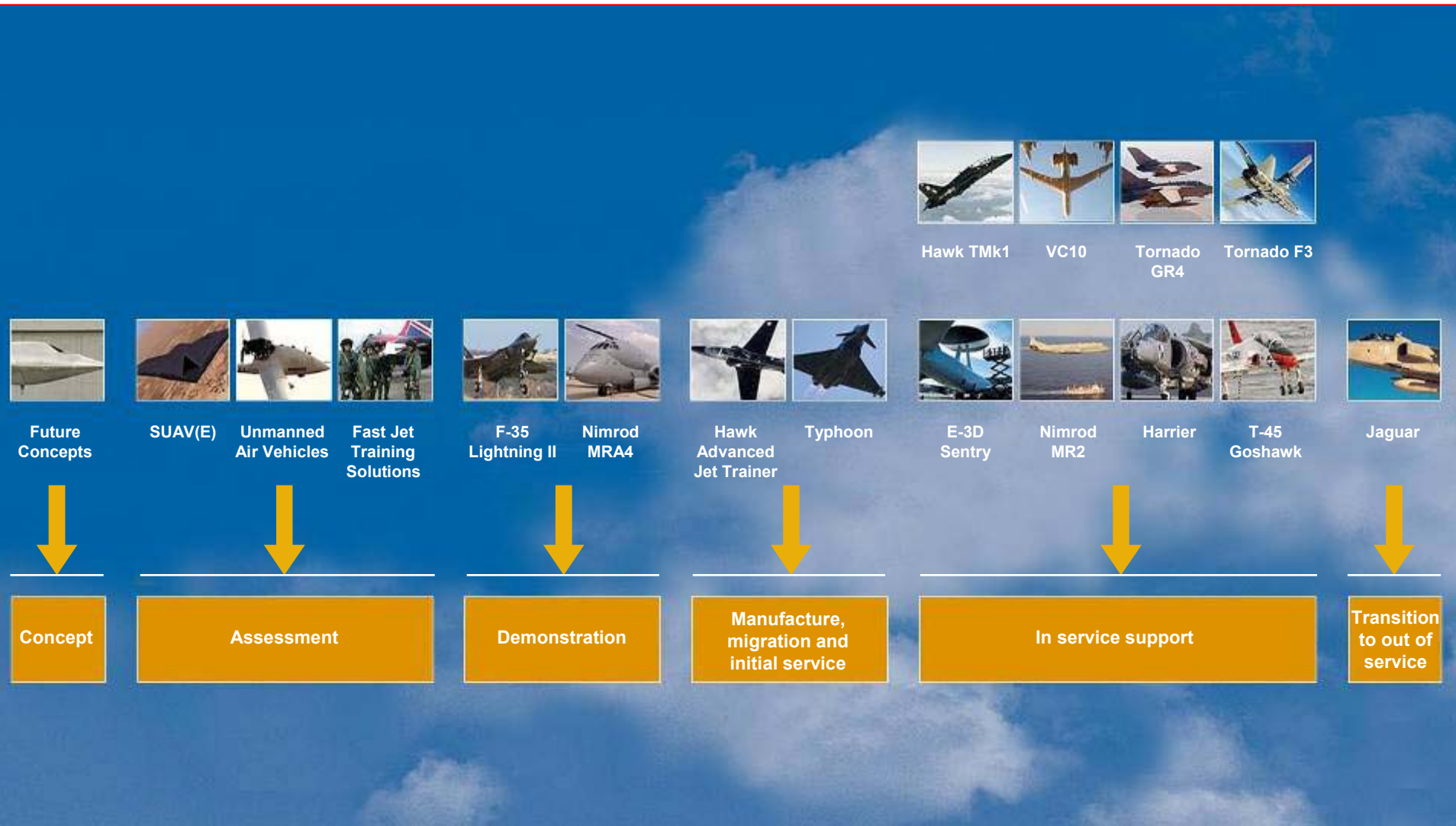
Chris Boardman
MD, Typhoon

NOTE: Andrew Davies, Managing Director – Land Systems, who reports to BAE Systems Inc. Land & Armaments, will participate as a member of the Management Board for UK/RoW.

Company Strategic Framework 2007



A Through-Life Portfolio



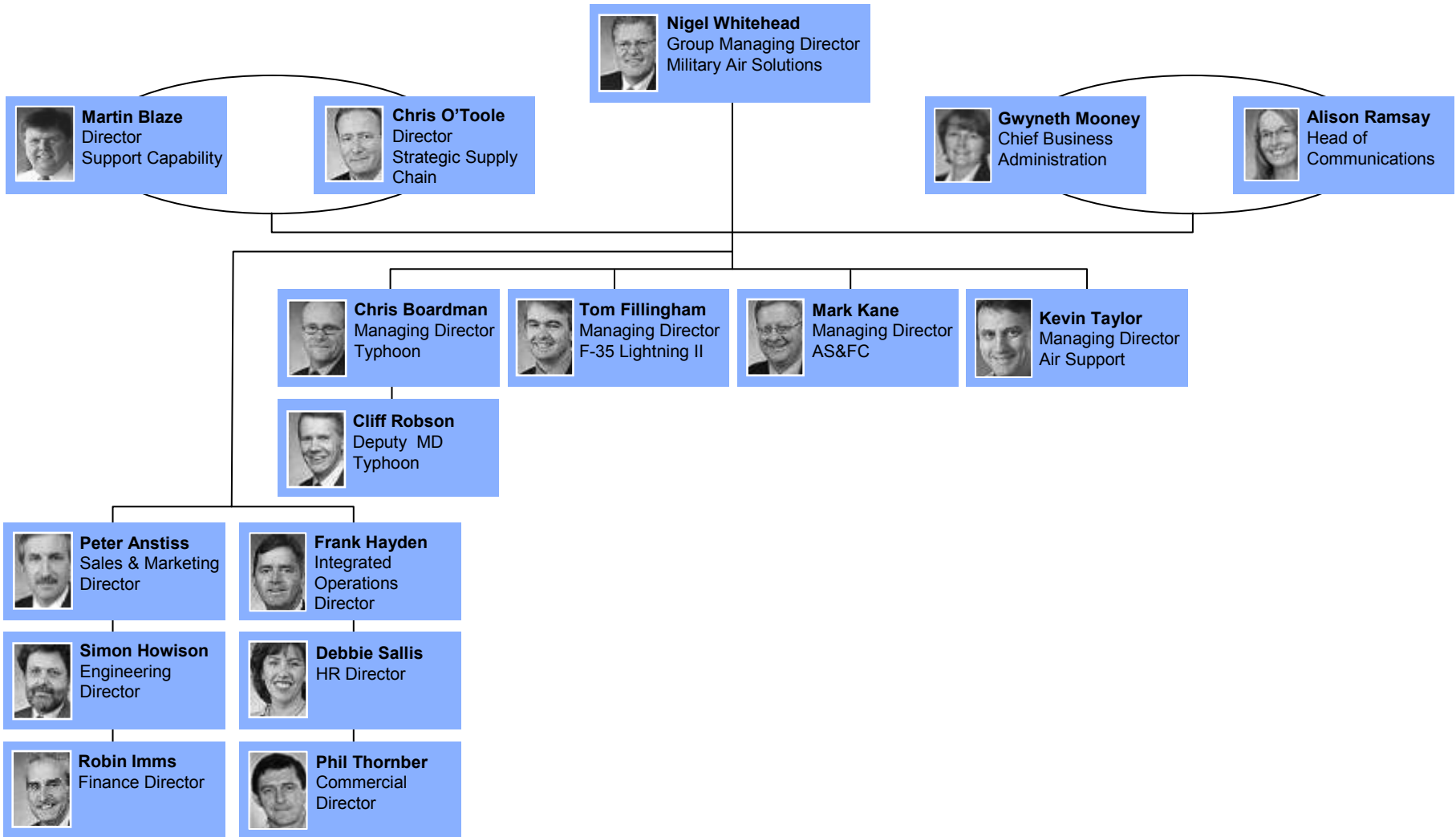
Military Air Solutions - Footprint



- Brough **1**
- Chadderton **2**
- Farnborough **3**
- Filton **4**
- Fort Worth **5**
- Malvern **6**
- Munich **7**
- Preston **8**
- RAF Coningsby **9**
- RAF Cottesmore **10**
- RAF Innsworth **11**
- RAF Kinloss **12**
- RAF Lossiemouth **13**
- RAF Lyneham **14**
- RAF Marham **15**
- RAF Valley **16**
- RAF Waddington **17**
- RAF Wyton **18**
- Samlesbury **19**
- St Athan **20**
- Warton **21**
- Woodford **22**
- Yeovil **23**



Military Air Solutions Organisation



MAS Strategic Context

The mission

“Together we must deliver effective support to the Armed Forces. We simply must remember that men and women’s lives are at risk. We have no option. We have got to get this right.”

General Sir Kevin O’Donoghue

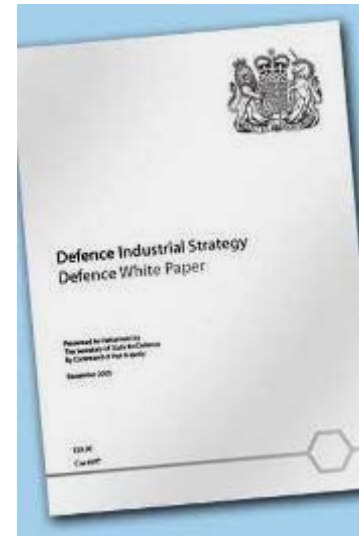
“Working as an integral part of the team delivering effective air power, our aim is to give real advantage to the men and women of the armed forces. Trusted to deliver - always.”

The MAS team



UK Defence Industrial Strategy (DIS)

- Published by MOD December 2005
- Sets out UK MOD strategy for longer term
 - Acknowledges MOD's role in setting a climate that attracts investment into the UK defence industry
- Fixed wing section
 - MOD and BAE Systems working together to sustain the capability needed to support and upgrade current and future aircraft
 - Current plans do not envisage the UK needing to design and build a future generation of manned fast jet aircraft
 - No sovereign requirement to sustain an indigenous capability in large aircraft and training aircraft
 - Commits to UAV experiment to help sustain capabilities
 - Calls for a Long term Partnering Agreement (LTPA)
- Greater military capability for less cost
- General emphasis on through life management of capability (TLCM)



So how will it benefit BAE Systems and the MOD?

BAE Systems

- Delivery of a profitable and sustainable business
- Cohesive business strategy
- Strategic forward planning
- Outstanding customer service
- Contribution towards restructuring

BAE Systems Objectives
“Establish in the UK sustainably Profitable through-life businesses in the Air, Land & Sea Sectors”

MOD

- Sustained industrial capability
- Cost effective
- Available
- Return

MOD Objectives
“To equip and support our Armed Forces for operations now and in the future”

Compatible objectives presenting an opportunity for mutual value

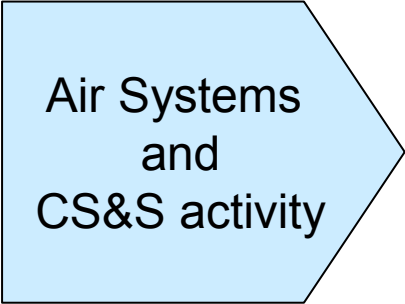
The journey so far.....

Air Systems

- Business Improvement & Transition Plan
 - Improved Schedule Adherence
 - Fulfilling Integrated Business Plan (IBP)
- Orchid
 - Joint Workload Assumptions
 - Recognition of Capability Issues
 - Informed Fixed Wing Section of DIS

CS&S

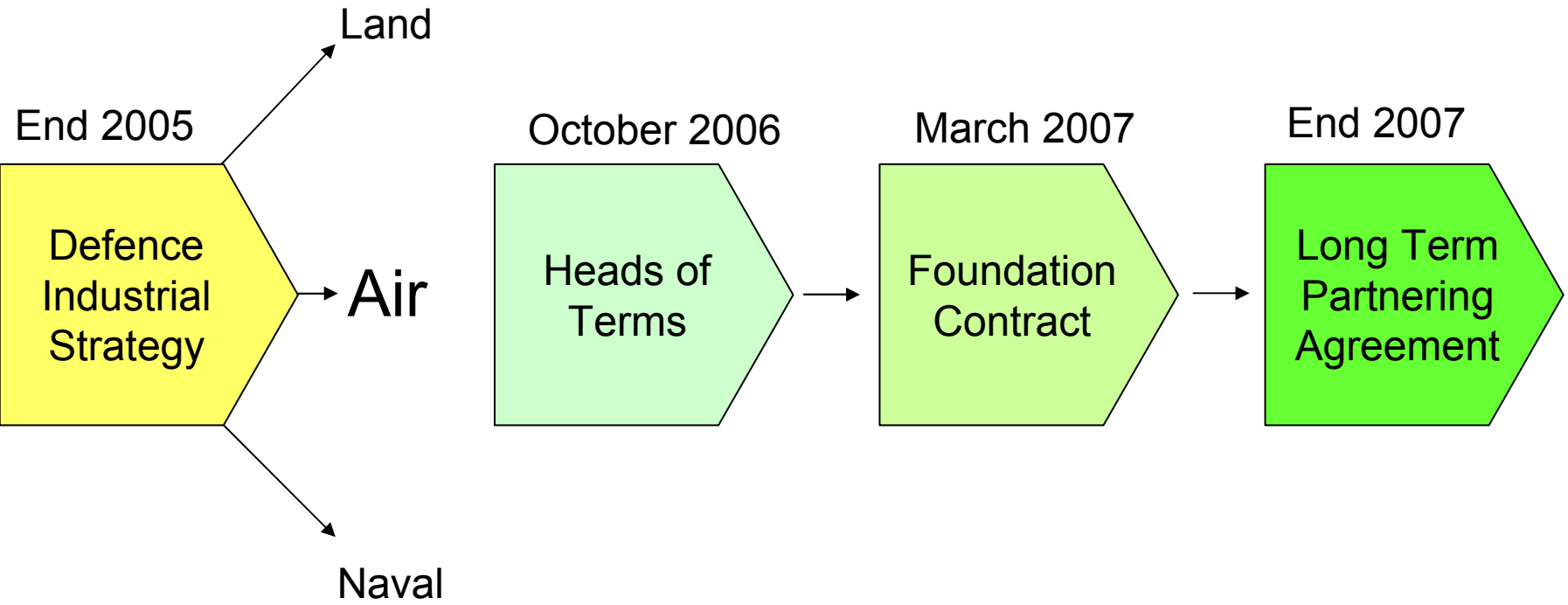
- Transformational Journey:
 - Affordability of Through Life Solutions
 - Joint Delivery Framework with the MoD Customer
 - Joint Strategic Intent
 - Partnering themes
 - Output focussed, joint delivery programmes
 - Supply innovation & teaming with the supply chain
 - Air Sector Transformation Programme



Air Systems
and
CS&S activity

BAE Systems' response

We are working with the UK MoD to agree the joint response (how to respond) to these challenges



Leads to an LTPA covering the Military (Fixed Wing) Air Sector

Examples of Transformation

- Optimising Through-life Capability
- Availability & capability contracting
- Sustaining industrial capability
- Deploying Rapid Engineering
- Responding to Urgent Operational Requirements (UORs)
- Creation and utilisation of Lean Learning Academy
 - Elimination of waste processes
- Embedding an environment of Continuous Improvement
- Stronger focus on:
 - Project Management
 - Systems Integration
 - Supply Chain
- Deploying Integrated Support Business Model
- Optimising footprint to match demand



Export Markets - Characteristics

- Close co-operation between Industry and Government(s) via MOD/DESO
- Products and Services from our Home Markets form the basis of export solutions
- In-country investments, offset and technology transfers accompany product sales
- In addition to existing platform sales, growth potential exists from support, upgrade and UAV programmes pioneered in the UK



Hawk

- UK AJT Programme the basis of Export offers
- Current prospects include:
 - UAE
 - Greece
 - KSA
 - Singapore
 - Bahrain
 - Qatar
- Worldwide market includes Eurotraining and USAF future requirements
- Early emerging position in market of Aermacchi 346 (Italy) and T-50 (Korea/US)
- Hawk continues to dominate the training market
 - 25 of the world's air forces fly Hawk



Typhoon

- 4-Nation Core Programme (Tr 2/3) the basis of Export offers
- European Government support and Industrial strength of BAE Systems, EADS and Finmeccanica a discriminator
- Austria (18 a/c) - 1st flight achieved March 2007 in Manching
- Saudi (72 a/c) – progressing to contract
- Prospects (not under contract):
 - Greece
 - India
 - Japan
 - Switzerland
 - Norway
 - Denmark
- Market window emerging prior to F35 Lightning II availability
 - other US offerings ageing and F-22 not exportable

