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**THE BAE SYSTEMS PLC ANNUAL GENERAL MEETING
WEDNESDAY 6 MAY 2009
SPEECH BY IAN KING, CHIEF EXECUTIVE BAE SYSTEMS**

Thank you Dick. Good morning.

2008 was another good year for the company, both in the delivery of our financial results and implementation of our strategy. The results in February demonstrate that BAE Systems is performing well, building on the good, consistent, track record established over recent years.

- Sales of 18.5 billion pounds were up 18 percent.
- Our underlying earnings before interest, tax and amortisation increased 30.9 per cent to 1.9 billion pounds, and there was strong cash flow generation from operating activities totalling 2.0bn pounds.
- We closed the year with net cash of 39 million pounds and a healthy order book of 46.5 billion pounds.
- The total dividend for the year of 14.5 pence is an increase of 13.3 per cent compared to 2007.

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We are very aware of the difficult economic environment, but this is a long-term business with operations in several of the world's largest markets and with multiple long-term programmes comprising a stable core.

We have a well-defined strategy and the Groups progression has been achieved through focus on existing defence capabilities, the broadening to other domains such as the land systems sector and security, plus the expansion of the business footprint across its home markets.

I would now like to explain our strategy and focus for 2009 as we take the company forward.

None of our peer group of defence contractors operates within the same broad base of markets.

The company has established operations in many of the world's largest accessible defence markets and we are targeting others such as India where we identify the characteristics that enable the development of further home markets. Where we do not see the requisite characteristics in markets, we will not invest resources.

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The acquisition in June last year of the Australian based defence business, Tenix, is a good example of how we can develop in home markets, with business addressing multiple sectors. In Australia we now have activities and capabilities across air, land and sea. This acquisition is another step in progressing the Group's strategy to grow through the provision of through life capability in partnership with the armed forces in our home markets.

In the UK, we continue to make progress in supporting the UK armed forces through long term partnering agreements. We have recently signed a 15-year partnering agreement with the MoD for the supply of munitions, and continue to make progress in the air sector with recent contracts awarded for the support and maintenance of Typhoon and Harrier, with a combined value over £1bn. The formation of BVT in July of last year was also a key step in the consolidation of the UK naval sector.

The Group has continued to grow its US business from both acquisitions, including a first full year of sales from Armor holdings acquired in July 2007, and strong organic growth. The acquisition of MTC Technologies in June addresses the Group strategy to grow in readiness and sustainment activities in the US, and the recent announcement of our intention to acquire Advanced Ceramics Research in Arizona, supports our ongoing initiative to develop the Unmanned market.

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We continue to develop our presence in Saudi Arabia and remain committed to developing a greater indigenous capability in the Kingdom. Good progress has been made in establishing industrial capabilities to support the modernisation of the Saudi Armed forces as part of the Saudi-British defence co-operation agreement and we continue to increase the number of Saudi nationals employed in the business.

Activity is starting to increase in India as we commit more resources to developing that market. India has a strong and sustained commitment to defence and is developing its own domestic industrial capabilities. We are actively exploring co-operation with potential partners, in particular with Mahindra Mahindra in the Land Sector.

Through the establishment of local defence capabilities, BAE Systems operates as a major element of the industrial capability in each of our home markets, generating benefits to the local economies such as employment, technology and reinvestment.

This Home Market strategy is emerging as a key differentiator for BAE Systems and in 2008, 83% of the Group's sales came from our home markets.

In addition to this market diversity, BAE Systems has a broad base of large programmes.

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BAE Systems participates on some of the key programmes in the US and the UK. This often manifests in concerns about the ebb and flow of sentiment surrounding individual requirements, and in this climate we should expect that things will change. However, the reality is that we have a very broad spread of programmes that combine to create significant portfolio strength and planning consistency.

We take a realistic approach to the planning of forward requirements and the growth expectations in these programmes. We take a more conservative approach to anything not yet committed to contract.

This broad base of new programme activity also generates a stream of through-life support business, adding to the already substantial business sustaining the capability of legacy systems and platforms.

I mentioned earlier that we are benefiting from a well-defined and consistent strategy.

That strategy has evolved as the Group has progressed and for 2009 there are again further developments.

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The first development in our Group Strategy statement is the recognition that the Group now serves national security markets, alongside its established defence and aerospace activities. This is a reflection of the progress made to expand our business in the security sector. Acquiring Detica in September last year, means we are able to accelerate the implementation of this strategy to develop a world-class security business across our home markets.

The 2009 strategic framework also states our commitment to Corporate Responsibility as a key component of the Group's Total Performance culture.

As Dick noted, we are driving this principle of Total Performance at the heart of everything we do in our organisation. This is a commitment, not only in our programme execution and financial performance, but also business conduct and corporate responsibility.

You will know that in May last year we set up a committee under Lord Woolf to examine and recommend on our business conduct. The Committee published its findings, and in July we announced a three-year programme to implement and embed all of the 23 recommendations. This implementation programme is now well under way, and I am personally leading this on behalf of our Executive Committee and our employees.

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Delivery of this programme and ongoing compliance with the Woolf Committee's recommendations are being closely monitored by the Board's Corporate Responsibility Committee, chaired by Andy Inglis.

We have appointed Deloitte LLP, an independent external auditor, to conduct an annual assurance review of our publicly stated progress against this implementation programme. Deloitte's first report was published last month as part of the Group's Corporate Responsibility Report.

In October last year when I announced my new organisation, I appointed Raj Rajagopal, Managing Director of Corporate Responsibility. Raj reports directly to me and will lead a team responsible for developing and supporting implementation of our Corporate Responsibility programme.

On the 1st January this year, we launched our globally applicable Code of Conduct. This encapsulates the principles and standards of business conduct we expect of all our employees wherever they work in the world. As well as setting out our standards, the code provides all our employees with practical guidance on how to deal with ethical issues that may arise, and represents an unequivocal public statement of what we stand for, and how we do business.

This Total Performance Culture is fundamental to BAE Systems strategy development, and why it is led personally by me, as Chief Executive.

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We are now placing emphasis on maximising our business opportunities across multiple markets, taking capabilities developed in one territory and flowing them across all of our home markets.

We have identified four areas of focus for 2009 -

- Further globalisation of the now well established Land sector activities.
- Developing our Security business.
- Readiness & Sustainment.
- And unmanned air Systems

The Company's move into the Land Sector has been both well timed and well executed. BAE Systems is today a leader in land systems with operations in the US, UK, Sweden and South Africa. Consistent with this home market approach, we see opportunities to address land systems requirements in Saudi Arabia, India, and following the Tenix acquisition, in Australia.

BAE Systems sees the security market as an evolving and growing business that continues to benefit from increasing government attention. Our strategy is to target national security markets, where there are opportunities to leverage the Group's Systems integration capabilities into this adjacent sector. The acquisition of Detica in September 2008 accelerated the implementation of our strategy to develop a National Security and Resilience Business in the UK, and this has provided a catalyst for implementation across our home markets. Opportunities have already been identified to offer Detica capabilities into the US homeland security market and

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the Group's broad geographic footprint provides substantial opportunities to grow our security business across our other home markets.

Readiness and Sustainment continues to be a key capability, running through all our markets. Its roots lie in the Kingdom of Saudi Arabia where extensive support capabilities have been developed over several decades. In the UK we continue to support the UK Armed Forces through the joint partnering arrangements and the Group's involvement in the support of the Royal Air Force aircraft has been expanded into contracts to manage the maintenance and support of whole aircraft fleets.

This partnered support model is also being developed in Australia and the US where we see very substantial business opportunities in addressing the readiness and sustainment market.

The fourth of our global initiatives embraces our aspirations in unmanned systems. Whilst others have operated in the unmanned air sector for some time, our approach is focussed on fully autonomous unmanned air systems. Following a fast track development, the HERTI reconnaissance vehicle has already been usefully deployed in-theatre by the UK Armed Forces. The company is also assembling the first Taranis stealthy unmanned combat air vehicle and the first long endurance MANTIS technology demonstrator, both under joint MoD/Industry funding. We see interest in developing such UAS capabilities in each of our home markets around the globe

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I have spoken about our home market strategy, the broad base of our programme activity and the development of our four global initiatives.

BAE Systems has a wide range of capabilities to address a broad coverage of defence requirements. This will involve development of capabilities across multiple markets and will, at times, draw together the rich diversity of skills and activities of more than one business group.

BAE Systems has established capabilities and business in each of the targeted Land, Security, Readiness & Sustainment and UAS activities - but there remains much to do.

Despite the scale and range of business in the Group today, we believe the future opportunity is still target rich.

So to summarise, 2008 was a good year and the outlook for 2009 is for another year of good growth.

BAE Systems has consistently delivered progressive performance over recent years, and in this period of financial uncertainty, we will stay vigilant and remain focussed on delivering financial performance, consistent programme execution, and developing business in our defined home markets.

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With a well-laid strategy, good forward visibility, a strong balance of market positions around the globe and a well spread portfolio of programmes, we continue to see opportunities for growth.

My challenge, as we go forward is to further develop our company as a cohesive, inclusive organisation. The drive for TOTAL PERFORMANCE in all that we do, is creating an environment in which all employees can make a real contribution and be recognised for their part in BAE Systems drive for continuing success.

We believe we have the components to continue to do what we say on the tin. That is to deliver sustainable growth in shareholder value.