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**THE BAE SYSTEMS PLC ANNUAL GENERAL MEETING
WEDNESDAY 6 MAY 2009
SPEECH BY DICK OLVER, CHAIRMAN BAE SYSTEMS**

Good morning, ladies and gentlemen.

Let me start by welcoming you to the BAE Systems 2009 Annual General Meeting. It's good once again to see so many of you here and I thank you all for your continued investment and support for our business. I look forward to answering all your questions after this brief presentation.

As you will have noted from our 2008 Annual Report, it's been another very good year for the Company, with strong progress across all our businesses. Chief Executive Ian King has hit the ground running, and is working closely with our Executive team and all our employees, who now number 106,400.

Their combined efforts and commitment have sustained and indeed increased the momentum we have built up in recent years. As a result, 2008 saw us continue to execute our strategy successfully and to position your Company for the future.

During the year, we achieved a consistent and resilient performance in the face of a very challenging global economic environment. BAE Systems is not insulated from the difficult conditions facing both commercial organisations and governments worldwide. Also, we recognise that defence budgets are likely to come under further pressure at some stage in the future.

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With this in mind, we'll continue to use realistic assumptions in our planning and forecasting. I should add that our Group is well positioned to weather the downturn, given:

- our large forward order book;
- our good balance of market positions around the globe;
- our well-spread portfolio of programmes;
- and our strategy, focused on addressing our customers' anticipated spending priorities.

Against this background, I'm delighted to have the opportunity today to update you on your Company's performance in the past year; highlight the strategic themes that are guiding our thinking and actions; and demonstrate how our strategy will continue to generate value, both for you and for our customers. I'll then deal with the formal resolutions detailed in the notice to this meeting.

Finally, and most importantly, I'll listen to your views, and answer any questions you may have on how we are managing the business. One thing I would stress, is that I will take pains to hear everything you have to say, and I ask that you pay me the same courtesy. Similarly, please allow others to ask their own questions, and to have them answered without interruption.

I'll aim to finish at one o'clock, when you are all invited to join us for lunch and a glass of wine. That gives us ample time for questions and answers and if any of you have questions or observations still outstanding at the end of the session, I and the other directors will be available over lunch to continue our conversation outside.

In a few minutes, I'll invite our Chief Executive, Ian King, to give us a presentation on your Company's performance in 2008. But first I'd like to introduce Ian and the other members of the Board to you.

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On this platform last year, I described how our Board was focusing on the search for a new chief executive, following our announcement in October 2007 that Mike Turner would be retiring. We owe Mike a debt of thanks for his committed and dedicated work over four decades.

To find the best possible successor we conducted an international benchmarking succession process. This showed that the best candidate was Ian King, who was then excelling in the role of Chief Operating Officer for the UK and Rest of World businesses. In June 2008 we announced that Ian would take over as Chief Executive with effect from the 1st of September last year.

Ian is a highly experienced business leader with a proven track record in our key home markets and his elevation to Chief Executive marks the latest step in a long, and highly distinguished, career with the Company. In 1999, following the merger with Marconi that created BAE Systems, Ian was appointed Group Strategy and Planning Director, playing a pivotal role in developing the strategy that has proved so successful over the past decade. Ian was appointed to the post of Group Managing Director for Customer Solutions & Support at the start of 2001, responsible for growing a support and services business in the United Kingdom and in international markets. He was appointed to the main Board in January 2007 when he became Chief Operating Officer for the Group's UK and Rest of World businesses, and in September 2008 he moved smoothly into his current role as Chief Executive.

Ian's outstanding capabilities, and depth of knowledge of the global defence industry, have ensured the continued progression of our successful strategy and our performance. As you can see, Ian is seated to my immediate right.

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Another important change to the Board, also announced in June 2008, is the addition of Carl Symon, seated one place from the end on my far right. Carl has joined us as a non-executive director, bringing with him a wealth of knowledge and experience built up in the global technology industry.

Carl retired from IBM in 2001, having held a number of senior positions in the United States, Europe, Latin America and Asia, including Chairman and Chief Executive of IBM UK. He is a non-executive director of BT Group and Rexam, and a former non-executive director of Rolls-Royce Group. A warm welcome to Carl, who has already proved a valuable addition to our Board.

I'd like now to introduce the other directors, many of whom you'll have seen at our previous AGMs.

Next to Ian King is George Rose, the Group Finance Director. Next to him Michael Hartnall, Chairman of our Audit Committee. Then Sir Nigel Rudd, who chairs the Remuneration Committee. And at the end on my far right, next to Carl, is Ravi Uppal, another non-executive director.

Turning to my left we have the Company Secretary, David Parkes. Then Sir Peter Mason, who is the Senior Independent Director. Then Andy Inglis, a non-executive director who has taken up the role of Chairman of the Corporate Responsibility Committee during the past year. Walt Havenstein, COO as well as CEO and President of BAE Systems Inc in the United States. And then two more non-executives — Phil Carroll, and Roberto Quarta.

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Now, turning to the Company's strong financial results over the past year. Given the Group's continued successful bottom line performance in 2008, the Board have recommended a final dividend of 8.7 pence per share, up from 7.8 pence last year. If you approve the payment of this dividend later in the meeting, you will receive a total of 14.5 pence per share for the full year — and that will be an increase of 13.3% on the previous year. At this level, annual earnings per share are covered 2.6 times by underlying earnings. This is consistent with the Group's objective of growing the dividend, whilst maintaining a long-term sustainable earnings cover of approximately two times.

A brief word on our pension deficit. Inevitably, the difficult economic conditions, and in particular the falls in equity markets in 2008, have affected the Group's pension schemes. We continue to review our pension scheme funding on a regular basis with the Trustees of the schemes, and the agreed long-term funding plans are deemed to continue to be reasonable.

Shifting the focus forward to 2009, BAE Systems plc has today issued its interim management statement, in accordance with UK regulatory requirements. The statement relates to the period since the start of the 2009 financial year.

Alongside the information required under the regulations, the statement also includes an announcement that my term of office as Chairman of the Company has been extended until May 2013. In the statement, we report that — following consultation with members of the Board — the Nominations Committee, for this purpose led by Sir Peter Mason, our Senior Independent Director proposed such an extension, and that this was agreed by the Board.

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In agreeing this, the Board has asked that the Nominations Committee continues to develop succession plans for all Directors, including the timely identification and appointment well before 2013 of a suitable candidate to succeed myself. So, subject to your vote at next year's AGM, you will have to put up with me for a little while yet.

I'd now like to share with you the major overarching themes that are driving our thinking and our activities.

The dominant theme — the one that guides and underpins everything we do — is 'Total Performance'.

What do we mean by this? Essentially, Total Performance means a remorseless focus on embedding a high performance culture throughout our organisation. We aim to do this by demonstrating progress in five key areas.

- Firstly, a rigorous and sustained focus on financial and programme performance and service excellence across all our activities and programme delivery.
- Secondly, global leadership in standards of business conduct, an objective that I will return to later.
- Thirdly, a total commitment to safety, ensuring that all our employees everywhere have a safe and secure working environment.
- Fourthly, supporting skills_development through education initiatives, an area where we are still investing strongly, despite the economic downturn.
- And last, but by no means least, inclusiveness throughout our organisation, ensuring that our workforce reflects the various communities in which we operate.

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We combine and execute these five elements of Total Performance in every one of our businesses and markets. This involves sharing and transferring best practice between our home markets, and bringing to bear the right skills and expertise to meet our customers' challenging requirements.

We also apply this approach to our four key global initiatives. Ian will say more on these, but in short they are:

1. continuing to internationalise our well-established Land sector activities;
2. developing our Security business;
3. continuing to develop Readiness & Sustainment — sometimes described as through-life support;
4. and lastly ... by exploring worldwide opportunities in Unmanned Aircraft Systems.

Throughout today's presentations and question-and-answer session, you will find that the theme of Total Performance permeates everything we say about our strategy, our operations, our actions and our delivery. And importantly you will find that Ian and I are both passionate about each element of Total Performance.

Let me turn now briefly to our strategy, which Ian will describe in more detail.

Our strategy is both clear and consistent: to deliver sustainable growth in shareholder value by being the premier defence, security and aerospace company globally. In addition to driving Total Performance, we are executing our plan to deliver growth through our home markets strategy by continuing to develop an indigenous defence industrial presence in each of our six home markets in the United Kingdom, the United States, Australia, Saudi Arabia, South Africa, and Sweden.

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To help us execute our strategy more effectively, we have introduced some changes to the Group's organisational structure, which now provides complete clarity in the lines of responsibility for delivering operational performance.

With these enhancements in place, we have continued to make solid progress against our strategic objectives, including further developing the business through targeted, value-adding acquisitions. In seizing these opportunities, we have sustained the momentum of our business by maintaining our focus on existing defence capabilities, broadening into our other domains such as security and driving ongoing expansion of our footprint across our chosen markets.

Ian will provide more detail on our strategy execution in just a few minutes.

Overall, our global strategy is continuing to deliver returns to you, our shareholders, as we continue to build the Group's capabilities.

Ultimately, the success of our strategy — and of our business long-term — comes down to keeping our promises to our customers. We are demonstrably achieving this across our businesses, responding rapidly to urgent operational requirements, and supplying services and equipment that the men and women currently serving their countries depend upon to do their jobs. This is the core of what we do and our employees have excelled during the past year in delivering a first-rate operational and financial performance for you, the owners of our business.

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However, to create value over the long term, our business and its performance must be sustainable. True, BAE Systems' strategic momentum and financial strength are two important drivers of our business's long-term sustainability. But there is another that is equally crucial: our commitment to Corporate Responsibility and high standards of business conduct. Behaving responsibly is absolutely central to our concept of delivering Total Performance for our customers, our shareholders, our stakeholders and our employees. This is something that I know Ian and the executive are committed to wholeheartedly, and I'm sure Ian will talk about it. But because it's so important, I would also like to say a few words.

We are actively targeting and pursuing leadership in responsible business conduct. Doing business the right way is vitally important, for two reasons.

Firstly, high standards of business conduct are at the heart of a strong performance culture. A company's values, and the way it carries out its business dealings around the globe, are fundamental to the success of its business.

Secondly, we believe that behaving responsibly is the right thing to do. All companies — especially large companies — are now subject to a level of scrutiny and expectation that would have been unthinkable a generation ago. We welcome this, and the result of this scrutiny is that good business conduct is now widely acknowledged as an essential and indivisible part of good business.

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The sale of any defence equipment is governed by strict export controls and regulations. Like all companies, we have to prioritise where we do business and in setting these priorities, we take into account a wide range of commercial, legal and reputational factors. But let me make it perfectly clear that BAE Systems will only pursue business opportunities when we are completely satisfied that our strict policies and governance systems on business ethics can be complied with.

We look at each business opportunity as it arises, and we weigh up the various factors involved on a case-by-case basis. We turn business down, and will continue to do so, if we cannot satisfy ourselves that it complies with our standards of business conduct.

So, Ian will look more broadly across our Corporate Responsibility agenda, and describe the progress that we have made in 2008.

Now, a word on the ongoing investigations into BAE Systems. As everyone here knows, in recent years our reputation has been challenged — and undeniably damaged — by allegations resulting in investigations by the Serious Fraud Office in the United Kingdom and the Department of Justice in the United States.

Last year at our AGM, I urged the Director of the SFO to give a proper airing to the facts, by instigating a thorough review of all outstanding cases. I continue to hope that such a review will take place.

In the meantime, we continue to engage with both the remaining SFO and DoJ investigations. We wholeheartedly support a rigorous approach to help bring these to the earliest possible conclusion.

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And our ongoing and active engagement with regulators is mirrored in our relationships with other stakeholders. These include NGOs and intergovernmental organisations, with whom we seek — and maintain, where possible — an open and transparent dialogue.

All our efforts around Corporate Responsibility are led enthusiastically from the top by Ian and the Executive Committee, working closely with Andy Inglis, as chairman of the Corporate Responsibility Committee. I look forward to updating you at this time next year on our continuing implementation of the Woolf recommendations, and on our wider progress on Corporate Responsibility.

In a moment, Ian will provide you with more detail of our performance and progress against our strategic objectives during the year. Then we'll move on to the formal resolutions and question-and-answer session that will take us up to lunch.

But first, from long experience, we know that some of the questioning at today's event begins with a presumption on the part of some people that the very existence of a business such as ours is a bad thing.

To defend our borders effectively, our national armed forces need high-quality defence equipment. This means they need suppliers who understand the challenges they face, and are able to manufacture equipment that is fit for purpose and adheres to the relevant specifications.

We are proud to meet this need as an integral enabler and supporter of defence and security forces across the world, that keep all of us safe. In short, we protect those who protect you.

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Now, before we turn to our questions and observations, I will ask Ian to say a few words about the Company's performance in 2008 and its goals for 2009.

Ian, thank you very much indeed.

The Report and Accounts has been made available to all members, and the Directors have nothing to add to the documents so circulated.

It's time now to turn to the business of the meeting. You should all have a copy of the Notice of Meeting and I now formally propose all the resolutions as shown in the notice.

We will take questions on the resolutions shortly and, after those questions have been taken, I will ask you to vote on those resolutions.

Voting will be by a poll. For this you will need a poll card. For most of you this card was enclosed with the notification you received of this meeting. Otherwise you should have been given one when you registered here earlier today. If you do not have one, please inform one of the stewards and they will provide one to you.

At the end of the meeting I will ask you to vote on the resolutions. Simply put a cross in the 'For' or 'Against' box on your card. Once you have voted, please sign and date the card and, after the meeting has finished, deposit it in one of the ballot boxes that you will see just outside. If you wish to receive the results of the polls by post, please let the Shareholder Information Desk have your details. The results will also be posted on the Group's website.

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Before taking questions, I want to make sure you are aware of some of the issues raised by shareholders who are not able to be with us today. We asked all shareholders to let us know if they had any questions they wished to pose to us, and we said we would publicly answer the most frequently-asked questions. On your seat this morning you should have found details of these frequently-asked questions, and the answers we have given in response. We have also published all these questions, and the answers, on our website.

Of course, many of you wish to ask questions in person in today's open forum. A number of you registered to ask a question before the meeting started, and I'll take those questions first in just a moment.

If you did not register before the meeting, you can still ask a question. Simply go to one of the two positions, (A) or (B), which you can see in the middle of the room, and one of the stewards will let you know what to do. You can sit in the seats provided while awaiting your turn at the microphone.

That concludes the questions, and I will now deal with how to vote on the resolutions.

But first, it is best practice that shareholders are advised of the votes submitted by shareholders prior to the meeting.

These figures show a clear majority of votes in favour of all the resolutions. The lowest number of votes in favour have been cast for resolution 2, concerning the Remuneration Report, where 90.5% of the proxy vote was in favour.

On the screen you will see details of the votes cast by proxy.

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However, the proxy figures are not the final results, although they are a very good indicator. The final results will only be available after you have voted. If you sent a proxy card in ahead of the meeting you can, if you wish, vote again today, changing your original instructions. If you decide to do this, your original card will be disregarded.

If you wish to receive the result of the polls by post, please let the Shareholder Information Desk have your details.

Can I now ask you to vote on the resolutions by completing your poll cards. Once completed you should deposit them in the ballot boxes as you leave the meeting.

That concludes the business of the meeting. Therefore, I now declare the meeting closed.

Lunch will now be served next door.

Thank you all for attending.