

Customer Keynote



John Kraynak

Director of Strategic Sourcing, BAE Systems

John Kraynak is the Director of Strategic Sourcing at BAE Systems Inc., Headquarters in Arlington, VA. Prior to that he served as a Supply Chain Director at BAE Systems USCS in York, PA with responsibilities for Purchasing, Supplier Management, and Supply Chain strategy.

John joined one of the original BAE Systems legacy companies, American Electronic Laboratories in Lansdale, PA, as a Manufacturing Engineer and has served in numerous leadership positions at BAE Systems over the years including positions in Operations, Manufacturing Program Management, Procurement, and Supply Chain.



BAE Systems, Inc. Corporate Overview



BAE Systems – A leading defense company with a commanding breadth of capabilities



One of the world's largest defense companies

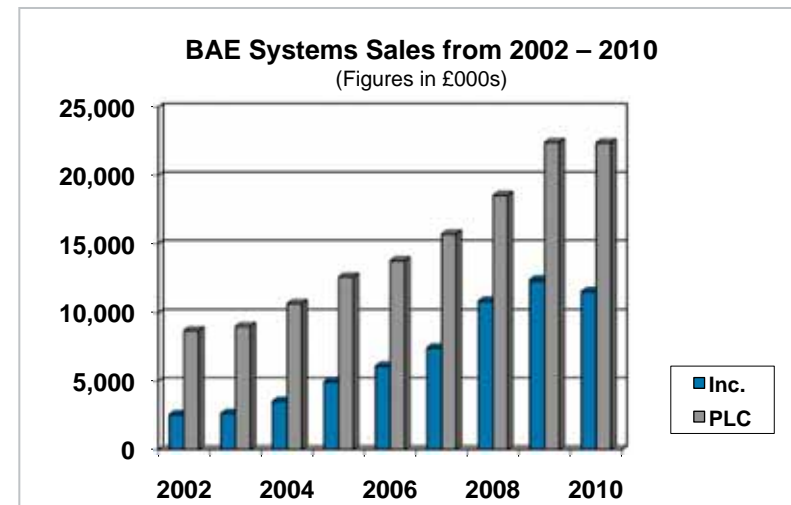
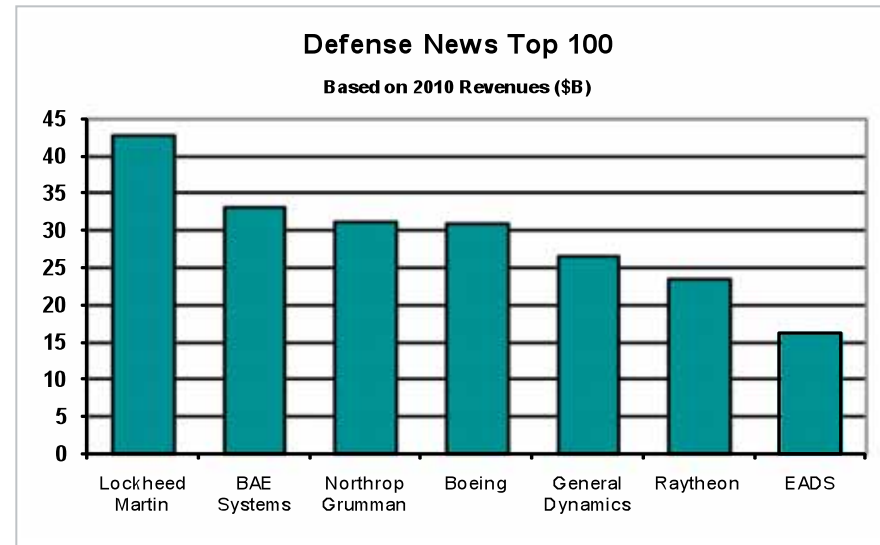
BAE Systems plc

- 100,000 employees
- 2010 sales of £22.4B (\$34.6B**)
- 2010 order book of \$61.3B**
- Second largest global defense company
- Top 10 U.S. prime contractor
- Five home markets
- Presence in more than 100 nations

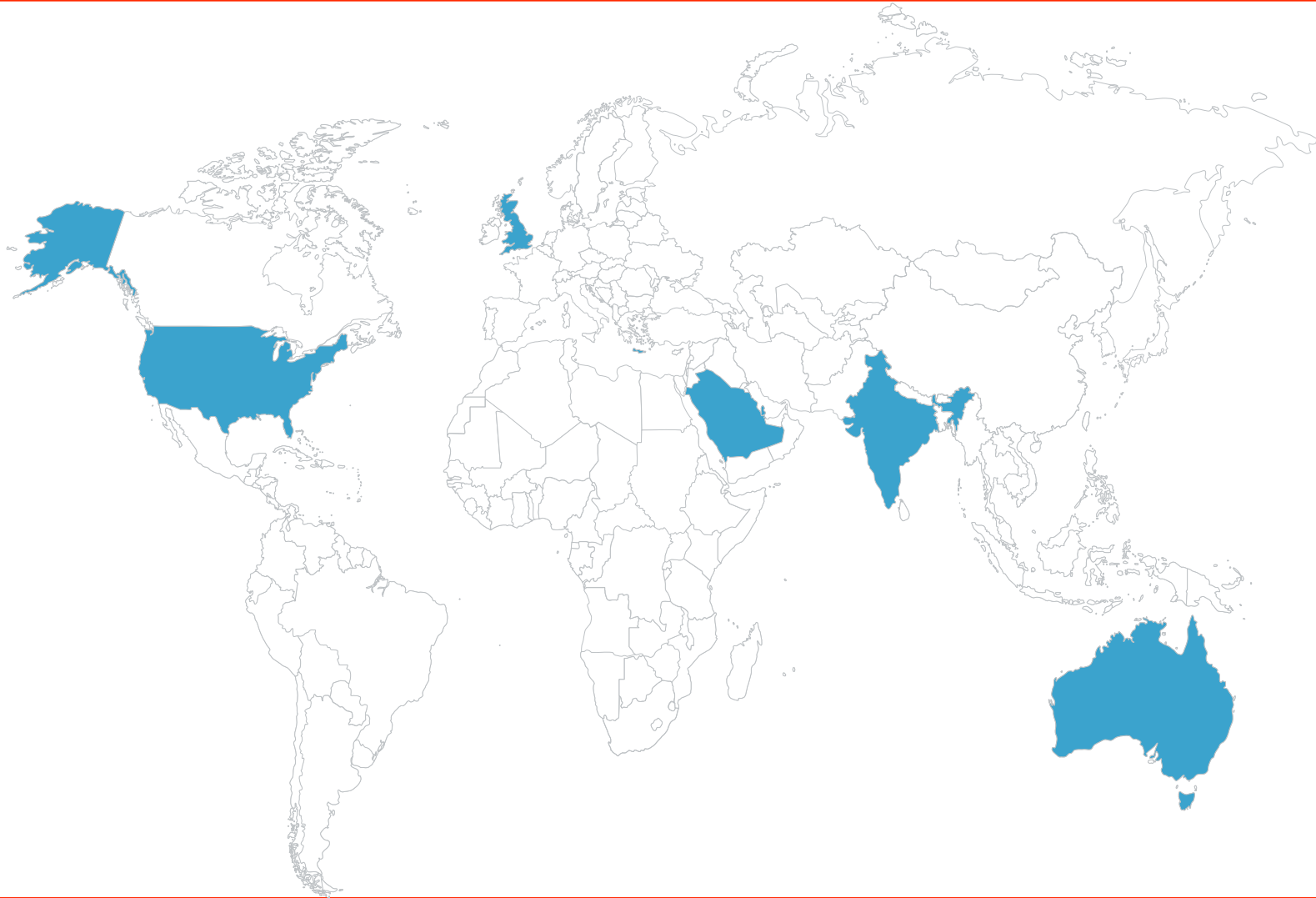
BAE Systems, Inc.

- 46,200 employees (39,200 in the U.S.)
- 2010 sales of £11.6B (\$17.9B**)
- Major operations in 38 states, the UK, Sweden, Israel, Germany, Mexico and South Africa
- A U.S. company chartered in Delaware

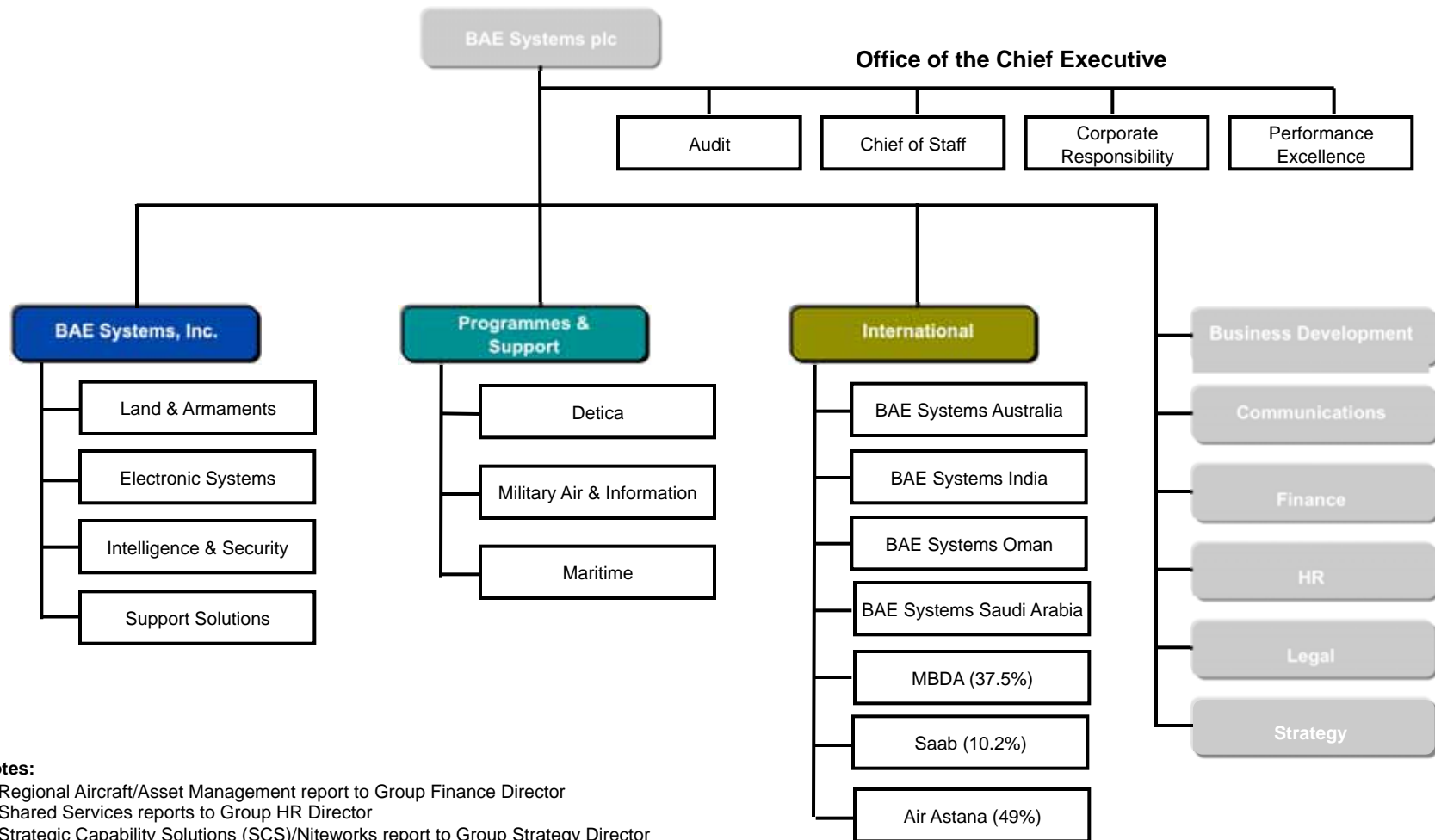
** US\$ equivalent calculated using the 2010 average exchange rate of \$/£ = 1.545, denoting sales and orders throughout the year



BAE Systems home markets



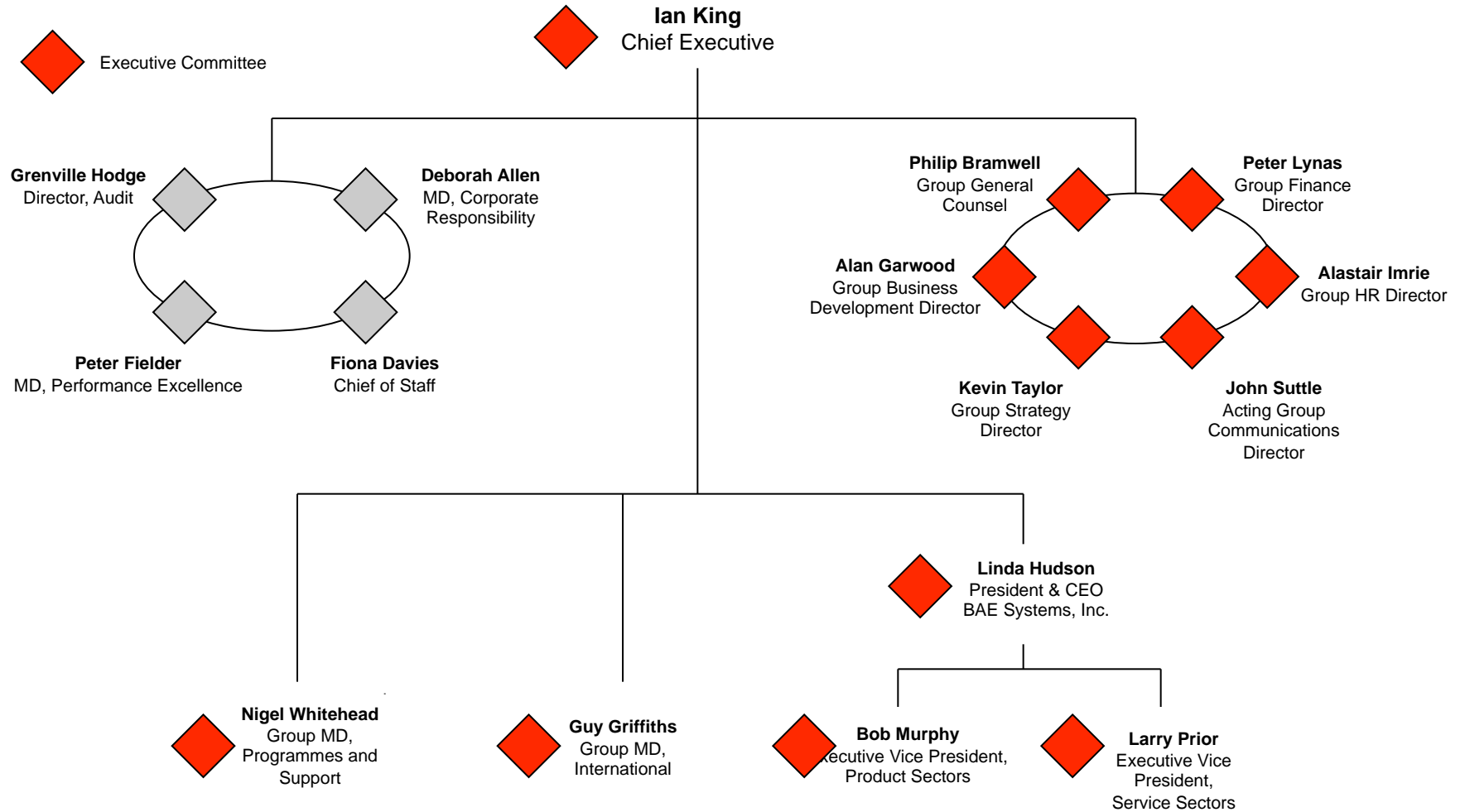
Group organization structure



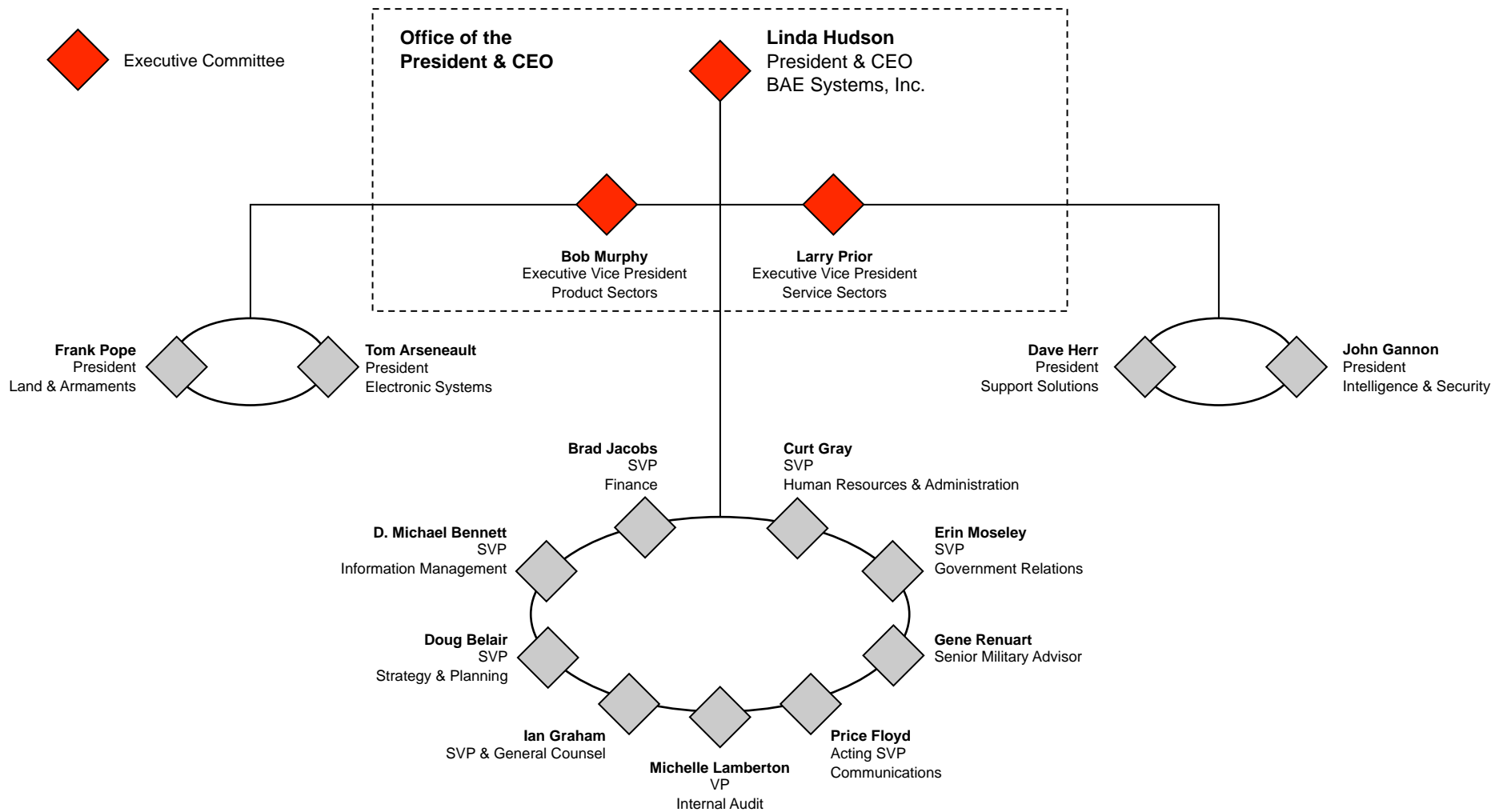
Notes:

- Regional Aircraft/Asset Management report to Group Finance Director
- Shared Services reports to Group HR Director
- Strategic Capability Solutions (SCS)/Niteworks report to Group Strategy Director

Executive Committee and other direct reports to the Chief Executive



BAE Systems, Inc. Senior Leadership Team

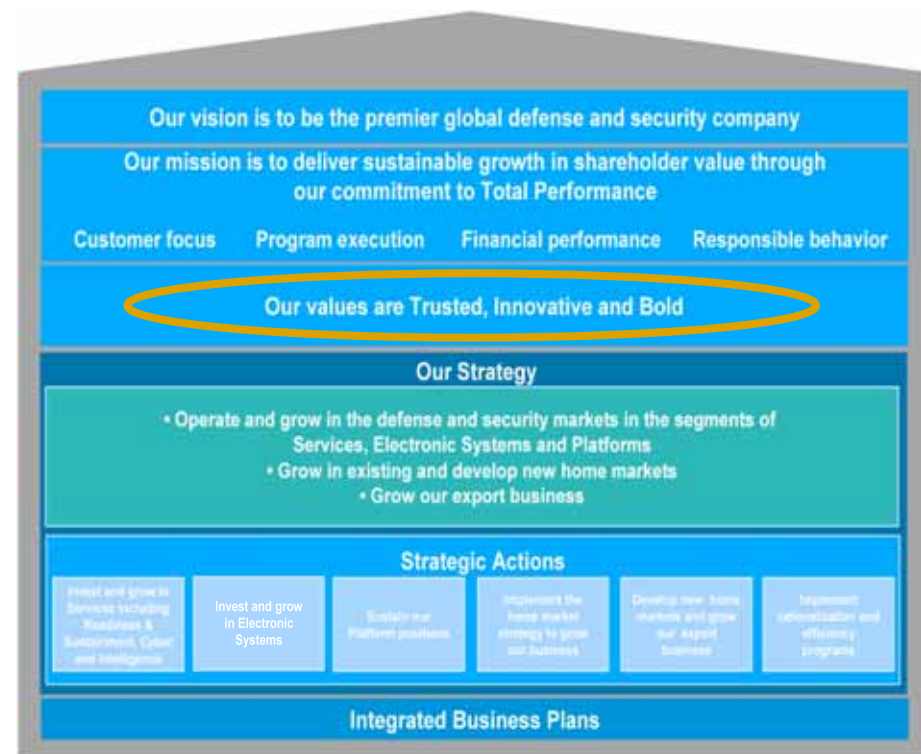


BAE Systems is committed to its values

- **Trusted – we deliver on our commitments**
 - We are honest and take responsibility
 - We can be relied upon
 - Everyone matters

- **Innovative – we create leading-edge solutions**
 - We value imagination and experience
 - We empower teams
 - Working together we turn our ideas and technologies into solutions

- **Bold – we constructively challenge and take the initiative**
 - We operate with tenacity and resolve
 - We accept challenges and manage risk
 - We set stretching goals



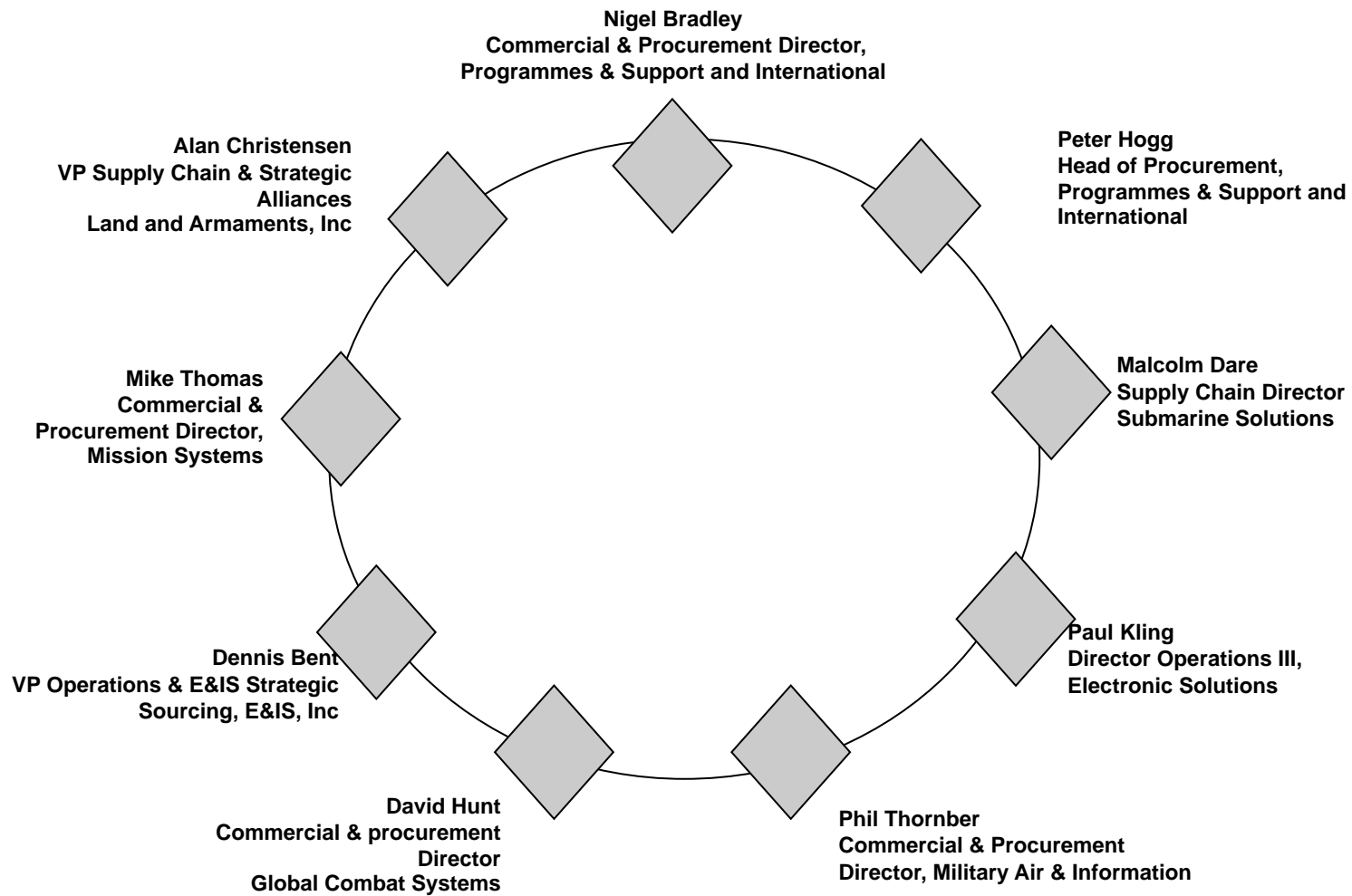
A leader in science, technology & performance excellence

- High technology work force
- Significant investment in R&D and high-tech facilities
- Productive partnerships with leading educational institutions in the U.S. and UK
- Established a Center for Performance Excellence
 - Focused on the development and sustainment of a high-performance culture throughout the company
 - Facilitates the transfer of best practices and innovative technology breakthroughs

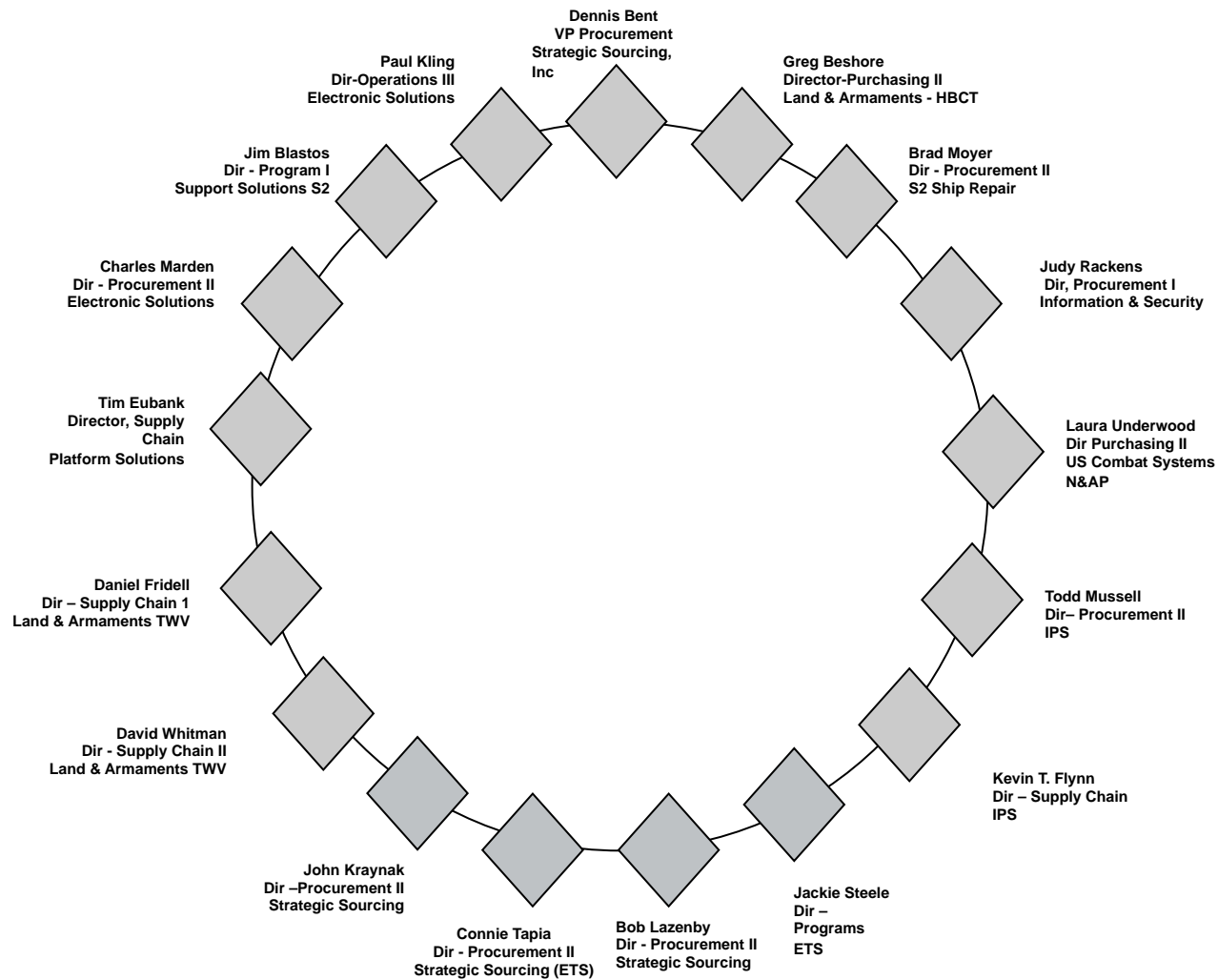


**A record of innovation and technological breakthroughs
from the dawn of flight and invention of the radio**

Global Procurement Council



BAE Systems Inc Procurement Council



Procurement Function Strategies

- Business Winning
- People and Organization
- Supplier and Relationship Management
- Category Management and Sourcing Strategy
- Policy and Process
- Procurement Information and Technology

Business Winning

- Concentrate as much on Opportunities as much as we do on Risks
- Early involvement
- Understand the suppliers' inputs and challenge them or find other cost effective ways of managing them.
- Learn and apply "Should Cost" and Price to Win techniques
- Understand the customer's selection criteria and weighting and reflect into the Supplier base.

People and Organization

- Learning and Development Strategy in place.
- Clear career paths.
- Formal training available in all Home Markets with local delivery / tailoring.
- Procurement staff accredited to MCIPS / ISM standard.

Supplier and Relationship Management

- Supplier management and segmentation based on strategic impact and risk.
- Long term partnering agreements with key suppliers
- Automated KPI-based performance measurement and management.
- Businesses include environmental sustainability impacts as part of supplier engagement.

Category Management and Sourcing Strategy

- Standard category sourcing process
- Category sourcing and cross functional teams in each business and Home Market.
- A robust make/buy decision process exists with full cross-functional participation.
- Total cost of ownership & through-life focus to support business winning and readiness & sustainment.

Policy and Process

- Minimal mandated policy.
- Life Cycle Management
- External and internal calibration for continuous improvement takes place.

Procurement Information Technology

- Automated global supplier information system available to all Businesses for analysis of spend, performance, intelligence, approvals, notifications, contract management.
- eSourcing tools, catalogue portals in place for efficient, leveraged purchasing and requisition.
- Electronic purchase orders and eInvoicing fully used.
- Leverage global spend where possible
- ERP systems fully leveraged

Summary

- Strong financial and program performance
- Leadership in science, technology and engineering
- Continued growth and investment in jobs and technology
- Skilled and innovative people, dedicated to our customers, national security and supporting men and women in uniform and their families
- Committed to ethics and integrity in everything we say and do

