OUR BUSINESS AND STRATEGY

Our strategy is to develop and build on our core competencies in energetic materials and electronics for sensors, electronic warfare and network protection.

Group strategy

The Group strategy is focused on our four market segments –Counter-IED, Countermeasures, Pyrotechnics and Munitions. With the growing importance of electronics throughout our business, our future vision statement includes a broader definition of "protection systems", including electronic countermeasures and IED detection systems.

Our core strategy over the next five years is to develop and build on our key core competencies:

- **Energetic materials** – We will focus on products where we can exploit our extensive knowledge and expertise in explosive, pyrotechnic and pyrophoric materials. We will address niche, highly profitable markets with significant value-added manufacture/assembly where barriers to entry are high. We will exploit the commonality of technology and design expertise to generate a broad centre-of-expertise that can be maintained over the long-term future.
- **Electronics for sensors, electronic warfare and network protection** – A growing proportion of our business will be based on high integrity, high-speed electronics for detecting and analysing threats as well as enabling a timely response. Many of these electronic systems will be network-based.

Organic strategy

Our organic growth strategy is based on two elements:

- **Geographic expansion outside NATO**
- **New product development**

Our geographic strategy is to establish a strong local manufacturing presence in the world's leading defence spending countries and to export vigorously around the world. We have businesses in the US and Europe's top five spending countries (UK, Germany, France, Italy and Spain), and export to over 80 countries around the world. As the emphasis of global defence spending migrates from NATO to the Middle East, Far East and South America, we will develop our presence in these regions. We are in the process of establishing joint ventures in India, Saudi Arabia and Brazil.

Secondly, we will maintain a strong focus on developing world-leading products. As a growing proportion of our business is based on advanced electronics, we have developed parallel energetics and electronics technology strategies.

Our energetics technology strategy is focused on materials technology and applications engineering in five key areas:

- Explosive materials – We will develop and optimise material formulations to improve their performance and safety.
- Warheads – We will build a lead in missile warheads and will offer insensitive munitions (IM) variants of our ammunition products.
- Propellants – We will develop a new generation of low vulnerability ammunition (LOVA) propellants and will build a capability in composite rocket motors.
- Pyrotechnic countermeasures and illumination – We will maintain our world lead in air countermeasures and will develop a full range of spectrally-optimised pyrotechnic payloads.
- Pyrotechnic obscurants – We will lead development of safer, multi-spectral smokes and less-lethal technologies.

Our electronics technology strategy builds on our leadership in key niches:

- Initiation – Is the interface to energetic products, and we will extend the application of electronics to improve the performance of our munitions and pyrotechnic products.

- Detection – We will maintain our lead in stand-off threat detection technologies and will enhance these with sensor fusion and advanced algorithm development.
- Electronic warfare (EW) – We will extend our lead in man-portable electronic intelligence equipment, and will develop vehicle-mounted variants of our products.
- Electronic countermeasures – We will establish a world lead in active off-board decoys, and will develop a step-change in portable counter-IED jammers.
- Network protection – We will apply our leading capability in fast electronic hardware to lawful intercept applications and the protection of wirelessly networked military systems.

We will maintain an underpinning technology base to enable a cycle of rapid product development and technology insertion through internal research and partnerships with universities, research institutions and technology companies. Where we cannot quickly develop critical capabilities and technologies organically, we will supplement this with targeted acquisitions.

Acquisition strategy

Acquisitions have been an important element of the recent growth of the business. The successful completion of eighteen acquisitions over the last six years has broadened our capabilities, diversified our segmental and geographic activities, and has directly contributed to the overall growth of the Group.

Our strategy for acquisitions is to continue to target opportunities which add capability, technology and market access. We will exploit synergies from such acquisitions by creating centres-of-excellence, investing in new products and selling our products though our worldwide channels to market.

We intend to maintain a balance of acquisition investment across all our segments, markets and technologies.