
QinetiQ secures £1.3bn LTPA amendment enabling military capability for the future

5 April 2019

QinetiQ has signed a ground-breaking agreement with the UK Ministry of Defence (MOD) to modernise 16 of the country's critical defence facilities, firmly positioning the UK as a world-leader in the generation and assurance of military capability.

This amendment to the Long Term Partnering Agreement (LTPA), a 25-year contract under which QinetiQ provides experimentation, test, evaluation and training support to the MOD, secures £1.3bn of revenue until 31 March 2028.

As global threats and adversaries become more sophisticated, UK armed forces require modern, advanced environments to create new military capabilities, test their effectiveness and train defence personnel to use them safely and successfully. This amendment creates highly efficient new ways of working, saving £85m of taxpayers' money, and enables QinetiQ and the MOD to invest £190m in modernising the infrastructure, equipment, and working practices across all 16 MOD-owned sites.

This contract amendment transforms QinetiQ's ability to enable the delivery of the MOD's future programmes, such as the Queen Elizabeth Class aircraft carrier, Dreadnought submarine and future combat aircraft. It will also drive international growth by attracting additional overseas customers. The investment projects include:

- noise and electromagnetic signature measurement to enhance the "stealth" performance of ships, submarines and aircraft, enabling them to better evade detection;
- ground-based evaluation of electronic warfare, communication and advanced weapon systems, to enable operational advantage; and
- a new digital test and evaluation 'backbone' to accelerate the processing of critical data and associated information, to enable simultaneous testing across multiple locations, essential for supporting new, complex defence capabilities.

The capital investment will be funded by QinetiQ and subsequently recovered from the MOD over the life of the contract using the same mechanism as the amendment signed in December 2016, ensuring appropriate rates of return for QinetiQ in line with its capital allocation policy. The level and phasing of this investment is consistent with the guidance given by QinetiQ at its Interim Results in November 2018.

Defence Secretary Gavin Williamson said:

"Ensuring our cutting-edge equipment is tried and tested before it is sent to the frontline is crucial to our military's capability.

"This £1.3bn investment will not only guarantee our Armed Forces' have the reliable, state-of-the-art weaponry they need, but will also support jobs across the nation."

Steve Wadey, QinetiQ Chief Executive, said:

"Today's agreement enhances our contribution to the safety and operational effectiveness of UK armed forces in an era when threats to our security remain acute and are changing rapidly. In line with our strategy, we are introducing innovative ways of working and making selective investments to reinforce the UK's position as a world-leader in the generation and assurance of military capability. This will enable us to support the MOD's future programmes and win more work from both UK and international customers."

Chief Executive Officer at DE&S, the MOD's procurement agency, Sir Simon Bollom said:

"This latest contract amendment under the LTPA demonstrates how we are continuing to support our key defence programmes by investing in essential test and evaluation services.

"This is another example of how DE&S is working collaboratively with industry and the Front Line Commands to ensure our Armed Forces have the best value equipment and training to meet the operational demand."

This announcement contains inside information and the person responsible for making this announcement is Jon Messent, Company Secretary.

There will be a call for QinetiQ analysts and investors at 0800 hours UK time on Monday 8 April 2019.

Dial in number: +44 (0) 20 3003 2666 Passcode: QinetiQ

A playback of the call will be available shortly afterwards by dialling +44 (0) 203 451 9993 and entering PIN number 9485756

QinetiQ will host a seminar for analysts and investors at 9:00am on 24 April 2019 covering its strategic priority to lead and modernise UK test and evaluation. The event will take place in London and will also be available via webcast. As space is limited, please register your interest in attending in person by emailing investors@qinetiq.com. Registration for the webcast will be made available on www.QinetiQ.com/investors in due course.

About the LTPA:

The Long Term Partnering Agreement (LTPA) is a 25 year contract with the MOD, established in 2003, for the provision of critical skills and facilities to generate and assure national defence capabilities through test, evaluation and training support services.

The LTPA is a key contract through which QinetiQ and the MOD develop technology into military capability and ensure it works when critically needed. Recent examples of capabilities that have been deployed more quickly and effectively as a result of work under the LTPA include the introduction of the Typhoon aircraft, and the entry into operational service of the Queen Elizabeth Class Aircraft Carrier.

The LTPA covers 16 primary MOD-owned sites and approximately 1,800 people across the country. Under the contract, QinetiQ generates revenue of approximately £220m a year for delivering core capabilities, such as the operation of sites, and approximately a further £100m a year for project tasks, such as conducting trials.

In December 2016, QinetiQ and the MOD signed the first contract amendment to modernise and operate world-class air ranges and test aircrew training. This amendment covered approximately £100m of revenue a year arising from the core capabilities needed by the MOD, and runs until 2028. The second amendment, subject of this announcement, covers approximately £120m of revenue a year, and also runs until 2028. Supported by these core capabilities, QinetiQ receives approximately a further £100m a year for project tasks resulting in total LTPA derived revenue in excess of £300m a year.

Improved ways of working and investment in modernisation will deliver a range of benefits to the MOD and QinetiQ, including:

- Securing critical test and evaluation infrastructure until at least 2028
- Delivering cost efficiencies, saving the UK taxpayer £85m
- Providing a platform for future growth, by giving QinetiQ greater operational freedom and financial incentives to the MOD to encourage use of the facilities by third-party commercial and international users

Amongst other improvements, the £190m investment will enable the following:

- Investment of £85m to modernise critical Test & Evaluation (T&E) infrastructure, previously used to support Astute & Vanguard class submarines and the Typhoon aircraft, to ensure that the noise and electro-magnetic signature performance of ships, aircraft and submarines is understood. This improves the operational performance of current ships, submarines and aircraft and supports the development of the next generation including the Dreadnought submarine, T45 destroyer and future combat aircraft.
- Investment of £50m to modernise a suite of ground-based test facilities, capable of full platform testing. These are used in the generation of essential safety and performance evidence to underpin the use of aircraft and land vehicles including their communication and electronic warfare installations. A broad set of platforms have and will continue to be assessed in this way including the Typhoon aircraft, Wildcat helicopter, Watchkeeper UAV and Ajax land vehicle.
- Investment of £55m into T&E capabilities covering all weapons systems to support qualification and acceptance, proofing and subsequent in-service surveillance to ensure through-life operational safety of weapons and munitions used by all services.

For further information please contact:

David Bishop, Group Director Investor Relations and Communications: +44 (0) 7920 108675
Ian Brown, Group Head of Investor Relations: +44 (0) 7908 251123
Jon Hay-Campbell, Group Head of Communications: +44 (0) 7500 856953

About QinetiQ:

QinetiQ (QQ.L) is a leading science and engineering company operating primarily in the defence, security and critical infrastructure markets. We work in partnership with our customers to solve real world problems through

innovative solutions delivering operational and competitive advantage. Visit our website www.QinetiQ.com. Follow us on LinkedIn and Twitter @QinetiQ. Visit our blog www.QinetiQ-blogs.com.

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Most of these factors are difficult to predict accurately and are generally beyond the control of the Company. Any forward-looking statements made by, or on behalf of, the Company speak only as of the date they are made. Save as required by law, the Company will not publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this document.