Fourth year of growth – well positioned for a new world

QinetiQ Group plc
Preliminary results for year ended
31 March 2020

21 May 2020

QINETIQ

Agenda

Fourth year of growth – well positioned for a new world

- Delivered fourth year of organic growth
  - Orders up 25%, maintained strong order book at £3.1bn
  - Revenue up 18%, 10% on an organic basis
  - Operating profit up 7%, 2% on an organic basis
  - 133% cash conversion pre-capex
  - EPS up 2%, dividend decision delayed to later in year

	FY20	FY19
Revenue[1]	**£1,072.9m**	£911.1m
Operating profit[2]	**£133.2m**	£124.9m
EPS[2]	**20.0p**	19.7p
Dividend[3]	**2.2p**	6.6p
Order backlog	**£3.1bn**	£3.1bn

[1] Excludes contribution from Joint Ventures of £3.3m
[2] Underlying performance, before specific adjusting items, as defined in appendix
[3] Due to COVID-19, the Board's decision on the dividend for 2020 postponed until later in the year

- Continued discipline in execution of growth strategy
  - Secured £168m Engineering Delivery Partner orders
  - Won four major long-term contracts in UK, US and Belgium
  - Completed acquisitions of NSC in UK and MTEQ in US
  - Grown international revenue from 21% to 31% in 4 years
  - Improved employee engagement by 10%

- Strategic response to COVID-19 crisis in coming year
  - Guidance for Group performance later in year
  - Robust actions to boost resilience to immediate challenges
  - Partnering with our customers to deliver evolving priorities
  - Engaging our employees to adapt our ways of working
  - Accelerating capabilities to meet needs of a new world

QINETIQ

FY20 Financial overview

David Smith
Chief Financial Officer

Strong financial performance - fourth year of growth*

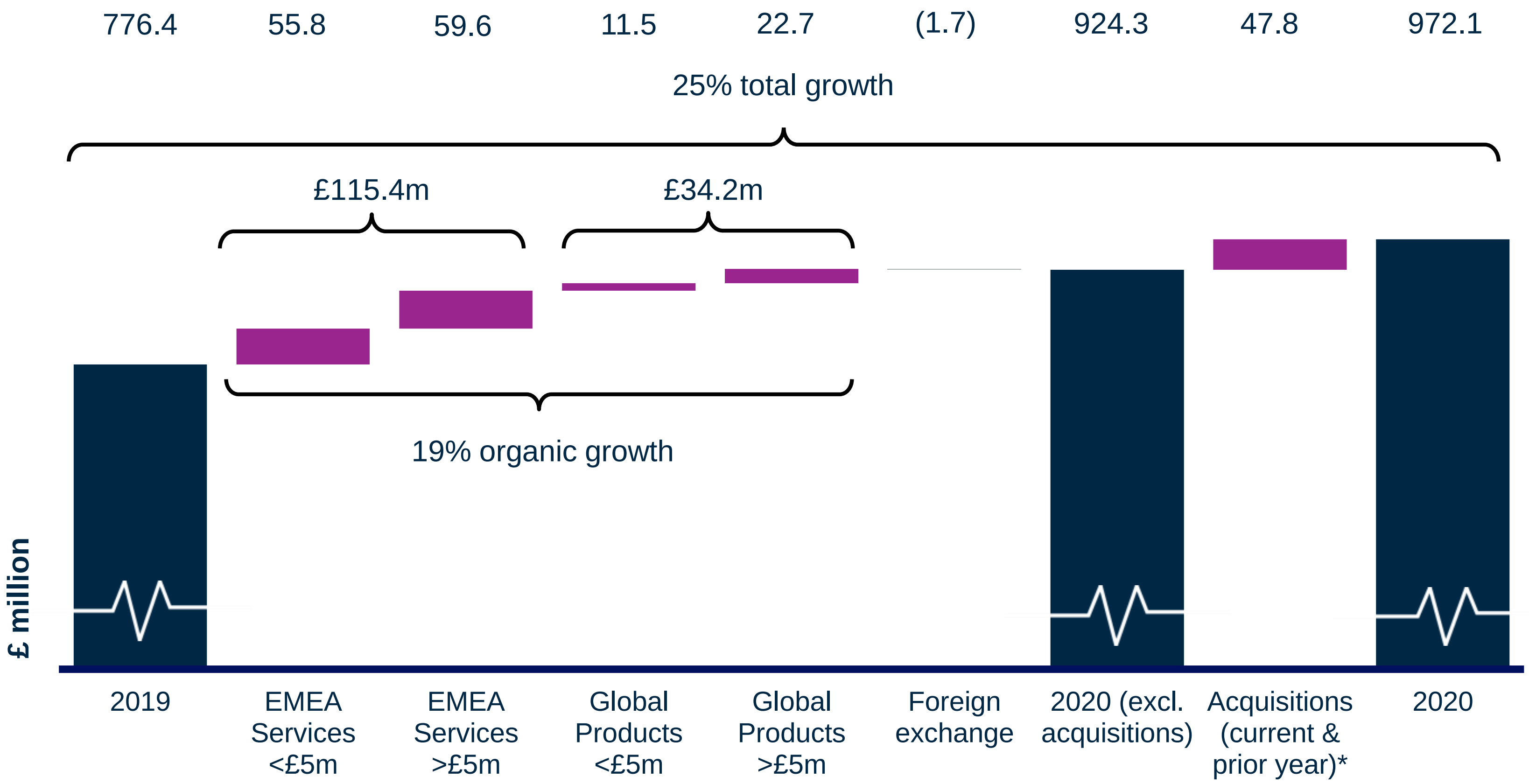
	2020 £m	2019^ £m
Revenue	**1,072.9**	911.1
Underlying operating profit	**133.2**	124.9
Underlying operating margin	**12.4%**	13.7%
Earnings per share (pence)	**20.0**	19.7
Dividend per share (pence)[1]	**2.2**	6.6
Total funded order backlog[2]	**3,104.9**	3,133.6
Total orders	**2,227.4**	776.4
Orders in the period (incl JVs / excl LTPA amendments)[3]	**972.1**	776.4
Net cash inflow from operations (pre-capex)	**177.8**	135.3
Cash conversion (pre-capex)	**133%**	108%
Net cash	**84.7**	160.5

*Underlying performance, before specific adjusting items, as defined in appendix. Backlog and FY20 total orders include LTPA amendment signed 5 April 2019
^ Restated due to the retrospective adoption of new accounting standard, IFRS 16, in respect of leases
[1] Due to COVID-19, the Board's decision on the final dividend for 2020 has been postponed until later in the year
[2] 2019 adjusted to include £1.3bn LTPA amendment signed 5 April 2019
[3] excludes £1.3bn LTPA contract amendment signed 5 April 2019

QINETIQ

Strong order growth; £850m FY21 revenue under contract

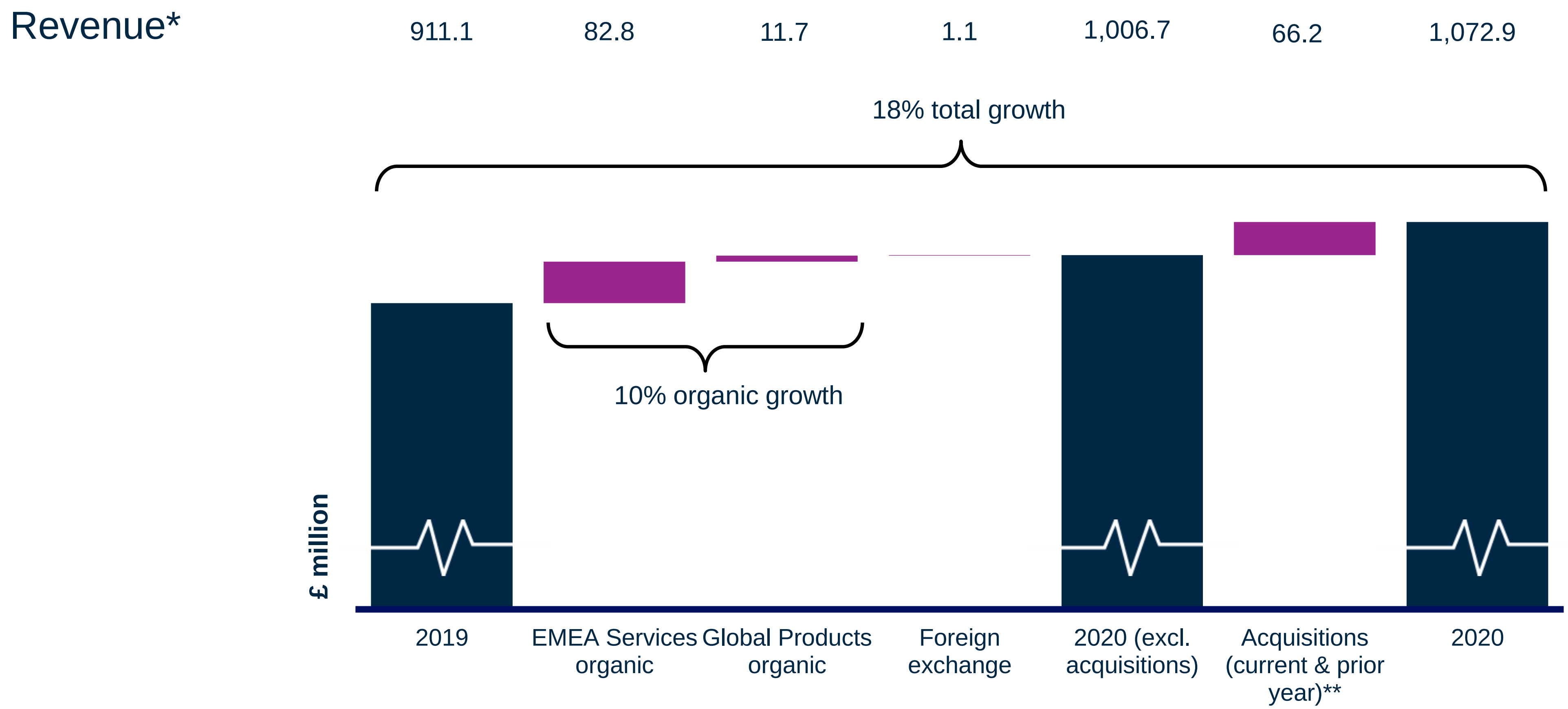
Orders



* Comprises £22.5m for Germany & Inzpire for period with no prior year comparator and £25.3m for MTEQ and NSC

QINETIQ

Strong organic revenue growth, complemented by acquisitions

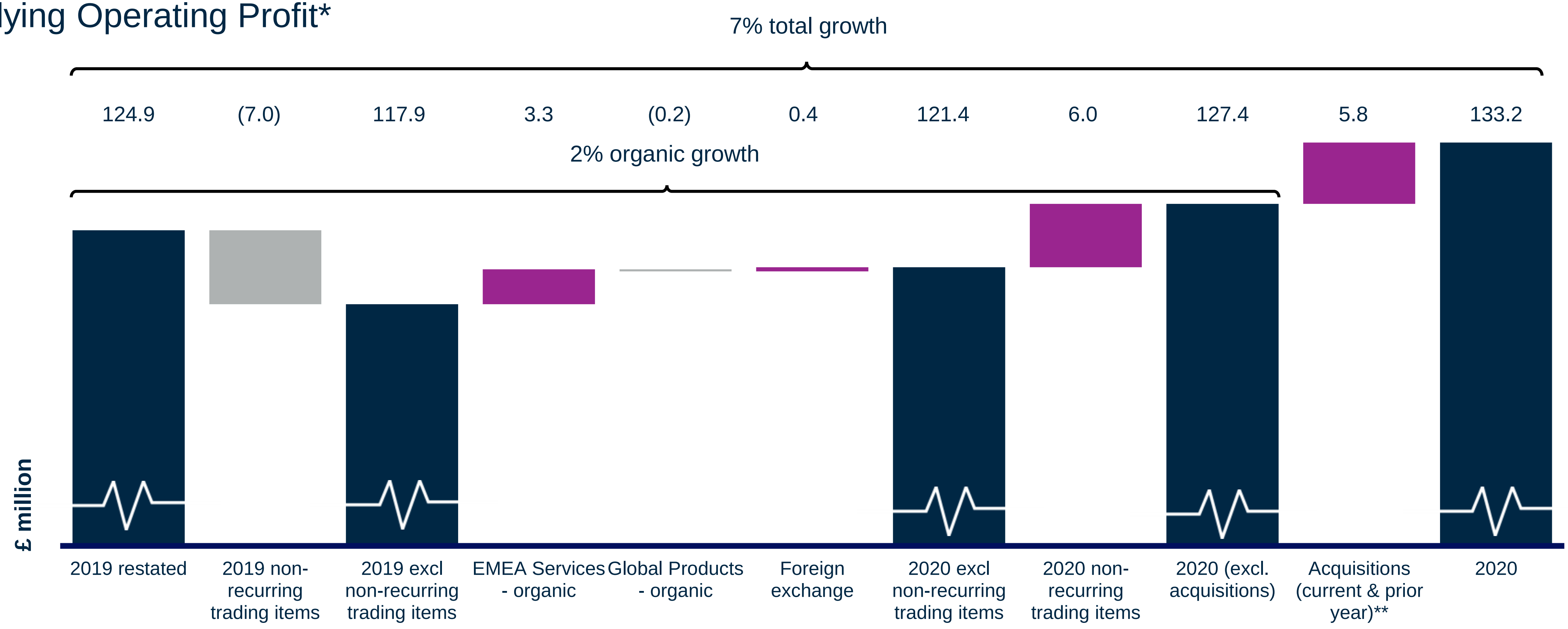


* Excludes contribution from JVs of £3.3m (2019: £1.9m)

** Comprises £26.5m for Germany & Inzpire for period with no prior year comparator and £39.7m for MTEQ and NSC

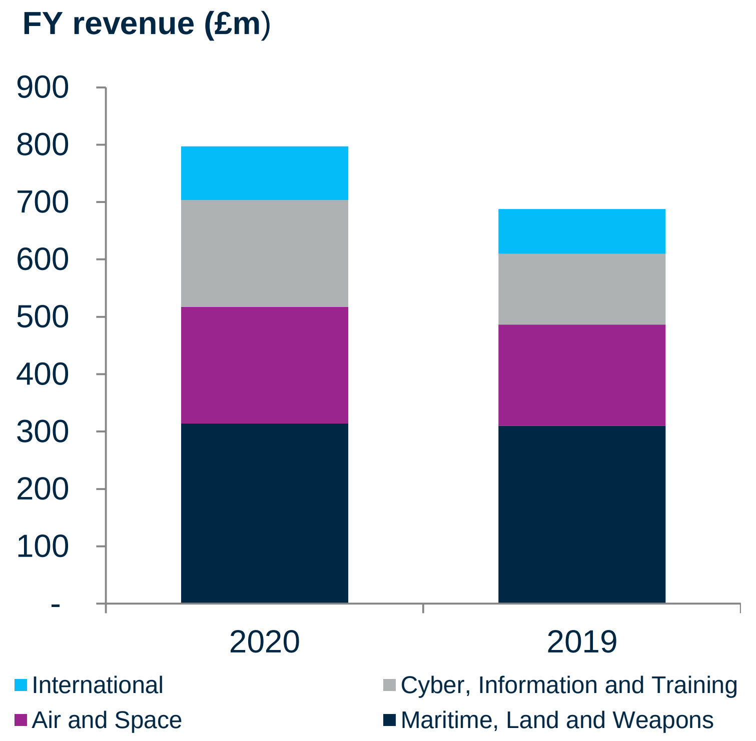
Delivering organic and inorganic profit growth

Underlying Operating Profit*



* Underlying performance, before specific adjusting items, as defined in appendix
** Comprises £2.4m for Germany & Inzpire for period with no prior year comparator and £3.4m for MTEQ and NSC

EMEA Services – contract wins driving growth



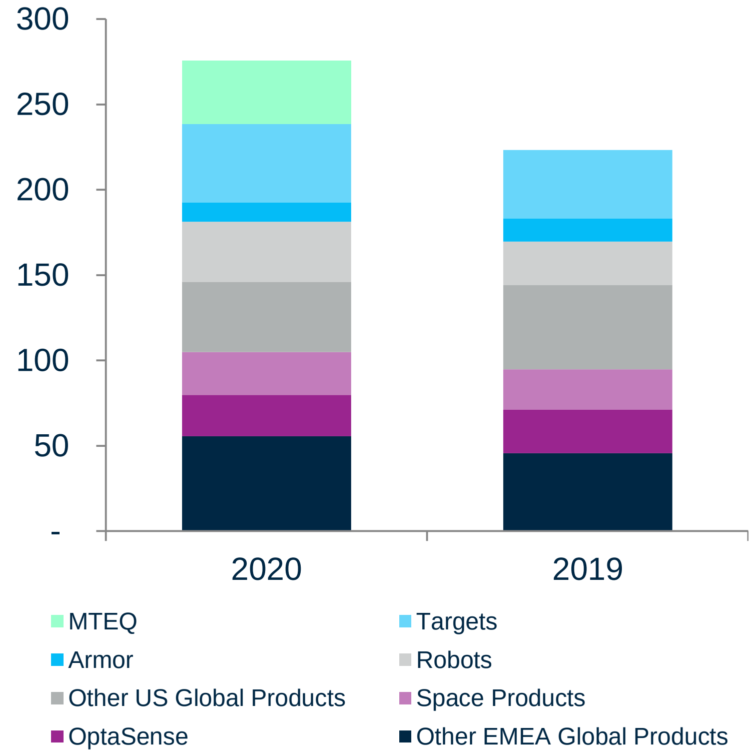
	2020 £m	2019^ £m
Total orders	**1,925.3**	534.6
Orders excl. LTPA amendments[1]	**670.0**	534.6
Revenue	**797.4**	687.7
Underlying operating profit*	**100.6**	96.8
Underlying operating profit margin*	**12.6%**	14.1%
Book to bill ratio*	**1.1x**	1.2x
Total funded order backlog[2]	**2,797.7**	2,916.8
Funded order backlog excl. LTPA amendments	**851.1**	784.2
Full year revenue under contract	**656.0**	565.2

- Strong orders performance driven by £67m UK Robust Global Navigation System (R-GNS) order and £168m under the EDP contract
- 16% revenue growth, 12% on an organic* basis as a result of new work under EDP and BATCIS contracts
- Profit assisted by a full year of trading from our 2019 acquisitions and non-recurring items ~£7m (2019: ~£9m)
- Excluding non-recurring trading items, acquisitions and foreign exchange, underlying operating profit grew by £3.3m (4%), driven by revenue growth offset by % margin dilution owing to an increasing proportion of EDP work.

* Group performance measures as defined in the appendix
^ Restated for new IFRS16 lease accounting standard
[1] excludes £1.3bn LTPA contract amendment signed 5 April 2019
[2] 2019 adjusted to include £1.3bn LTPA amendment signed 5 April 2019

Global Products – continued order growth

FY revenue (£m)

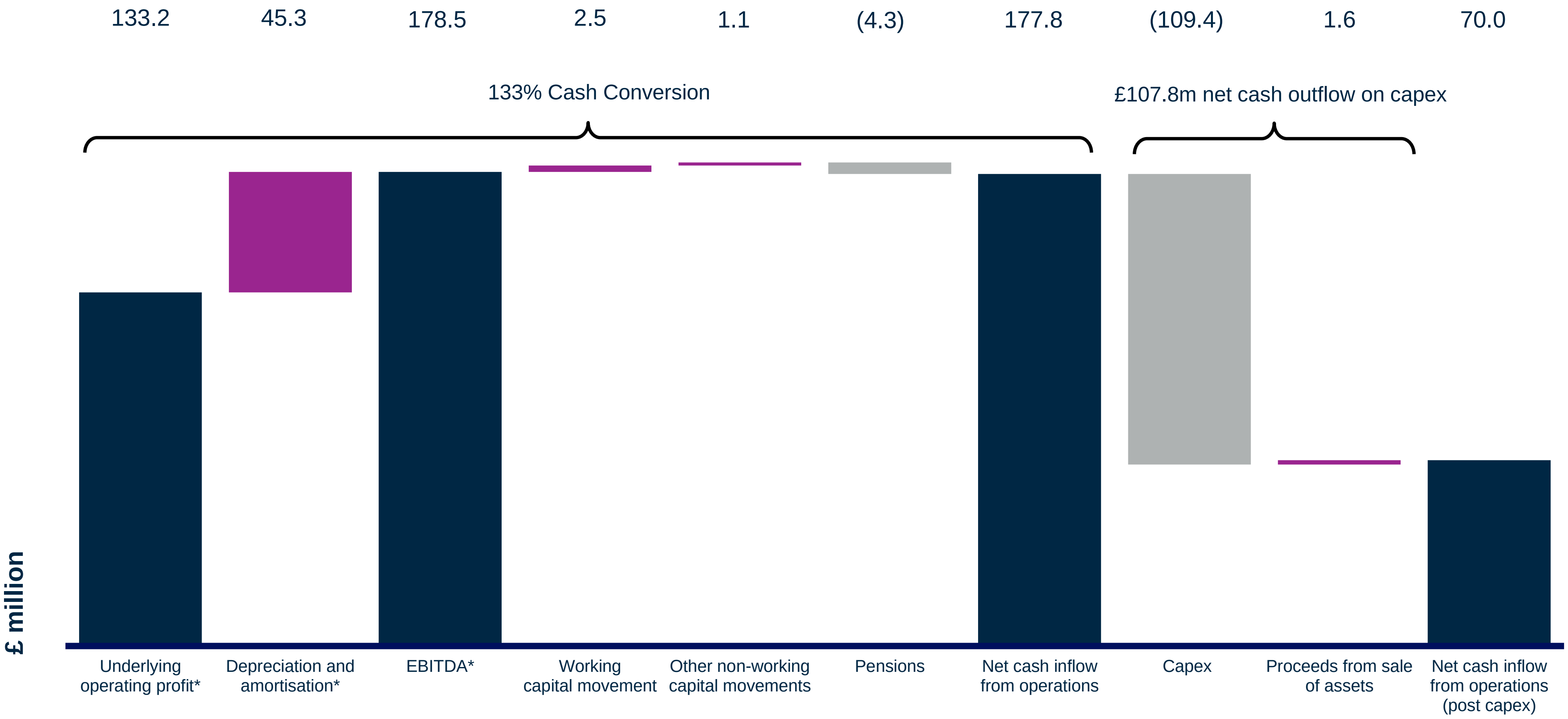


	2020 £m	2019^ £m
Orders	**302.1**	241.8
Revenue	**275.5**	223.4
Underlying operating profit*	**32.6**	28.1
Underlying operating profit margin*	**11.8%**	12.6%
Book to bill ratio	**1.1x**	1.1x
Funded order backlog	**307.2**	216.8
Full year revenue under contract	**193.3**	141.3

- Orders driven by €75m Altius contract for Space NV and £25m from MTEQ acquisition, offset by C$51m Canadian Armed Forces UAS contract in FY19
- 23% revenue growth, 5% organic*, driven by small robotics and upgrade kits in QNA, ongoing growth in QTS and CAF UAS delivery
- 16% profit growth assisted by £2.9m contribution from MTEQ acquisition and lower non-recurring trading charges of £0.5m (2019: £1.7m)
- Excluding non-recurring trading items, acquisitions and foreign exchange, Operating profit was down £0.2m (-1%), driven by a loss in Optasense due to a challenging trading environment.

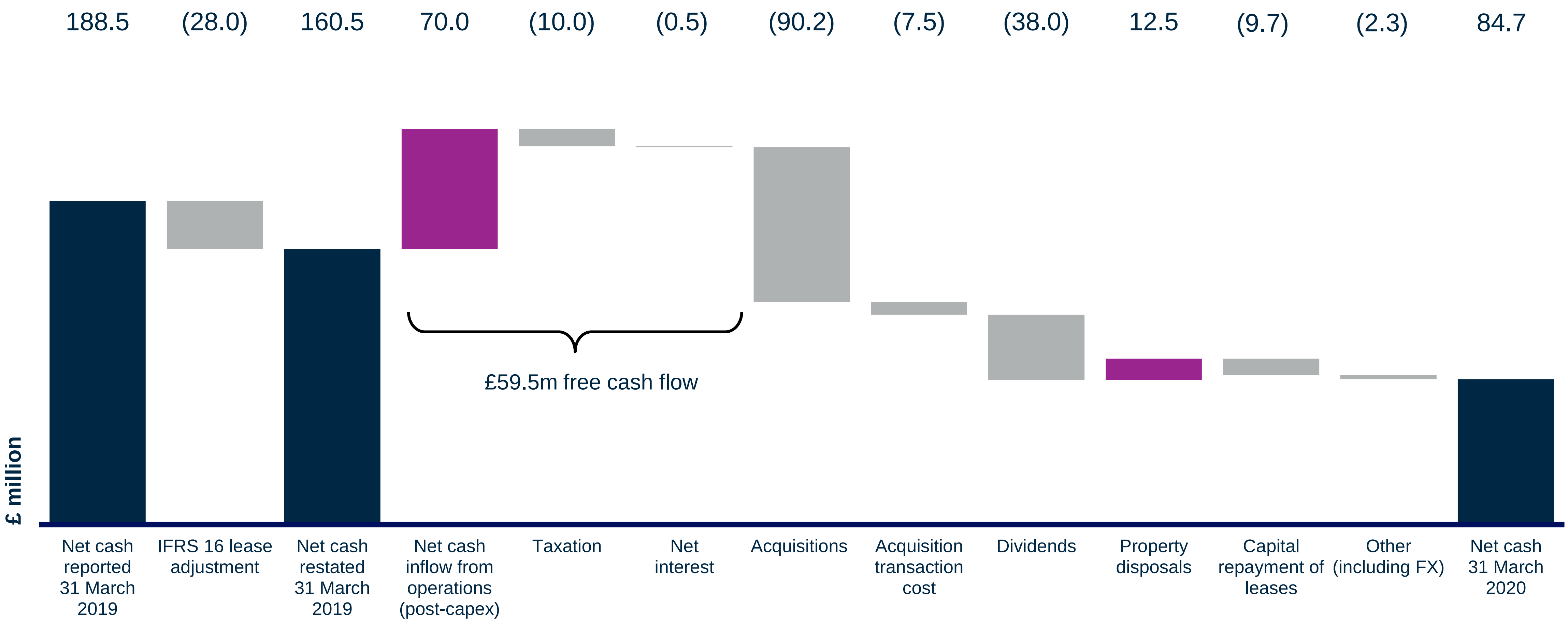
* Group performance measures as defined in the appendix
^ Restated for new IFRS16 lease accounting standard

Strong cash generation supporting ongoing investment for growth



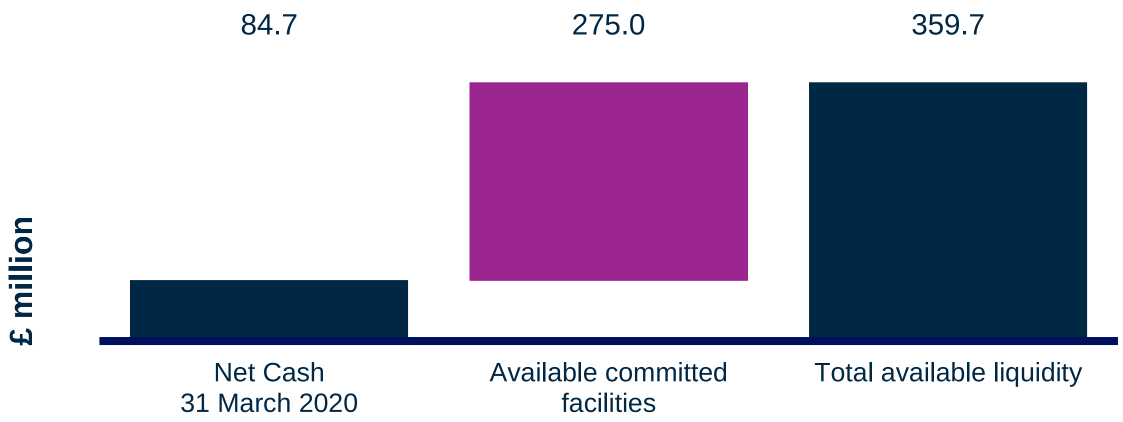
* Underlying performance, before specific adjusting items, as defined in appendix

Balance sheet strength to support our growth strategy



COVID-19: Strong liquidity position of £360m

- EMEA Services:
  - Some activity deferred or delayed due to difficulties traveling or impact of customers working from home
  - Business underpinned by long-term contracts and sustained demand for services
  - Potential risk around budget pressures
- Global Products:
  - Shorter-cycle business (typically <3 months) is more exposed to cancellation, delays and deferrals of customer trialling activity but effecting businesses differently
  - QTS seen slow-down due to reduced trial and training activity
  - United States continued demand and delivery against programs of record



- Significant net cash position of £85m
  - Supported by sustained negative working capital position
  - Taking prudent steps to minimise short-term cash outflows and strengthen liquidity
- Supported by £275m undrawn committed revolving credit facility
  - Initial term of five years and two one-year options final maturity September 2025
  - Accordion facility available up to a maximum of £400m

FY21 Outlook – technical factors

	FY20	FY21	
Net finance expense*	£1.0m	↗	Expect increased expense due to lower net cash
Effective tax rate*	14.0%	↗	Expected to increase with greater proportion of international profit
Tax cash outflow	£10.0m	↗	Cash tax is expected to be higher due to higher effective tax rate
Net working capital	£2.5m	↘	Potential for further outflow depending upon trading performance
DB pension contributions	£2.8m	→	Expected to be flat
Capital expenditure	£107.8m	→	Capex to remain stable at £70m - £100m

* Underlying performance, before specific adjusting items, as defined in appendix

QINETIQ

Outlook Statement

Outlook – FY21

- While we enter FY21 in a position of strength, it is too early to draw conclusions on the overall impact of COVID-19 to our business.
- At this stage we are planning for a range of outcomes depending upon the duration and extent of measures such as social distancing and budget cuts.
- We will provide further updates to the market as more clarity presents itself both in terms of near term trading and longer-term trends.

Outlook – Longer term

- With the continued implementation of our strategy and investment, we are well placed to respond to changing customer requirements delivering medium-to long-term, profitable growth.

QINETIQ

Strategic update

Steve Wadey
Chief Executive Officer

QINETIQ

Rapidly changing market environment accentuated by COVID-19 crisis

UK	- Changing defence and security priorities - Intensifying budgetary pressures
US	- Continued drive for technological advantage - Presidential election
Australia	- Focus on building indigenous capability - Maintaining budget outlook
ROW	- Significantly increased competition - Resurgence of national protectionism

Immediate challenges

- Protecting health
- Maintaining critical outputs
- Protecting industries
- Restarting economies

Dynamics of new world

- Recession & budget pressure
- Evolving threats
- Exploiting digitisation
- Need for agility and pace

Our inherent strengths and strategy enable us to be agile and proactive

QINETIQ

Strategic response to immediate challenges of COVID-19 crisis and beyond

	FY20	Now FY21	FY22 onwards
1. Employees	• National safeguarding measures • 80% home + 20% site working	• Establish our new normal • Accelerate digital transformation	• Flexible, agile, distributed teams
2. Customers	• Fight COVID-19 • Deliver national critical priorities	• Solutions to enable reprioritisation • Accelerate mission-led innovation	• New defence & security paradigm
3. Company & investors	• Strengthen sources of liquidity • Robust actions to boost resilience	• Investment in future capability • Accelerate global operating model	Integrated global defence & security company

Pandemic

1. Postpone dividend decision
2. Leadership salary reduction
3. Cost controls and savings
4. Release contractors
5. No salary increases
6. 40% holiday by June
7. Furlough staff use holiday
8. Incentives paid in shares

Fair, balanced and proportionate across stakeholders

Company mobilised to mitigate immediate challenges and pursue long-term growth opportunities

QINETIQ

Our vision and strategy is unchanged and has increasing relevance to customers

Vision

The chosen partner around the world for mission-critical solutions, innovating for our customers' advantage

Strategy

UK
Lead and modernise the UK Defence Test & Evaluation enterprise, by working in partnership with Government and prime contractors

International
Build an international company that delivers additional value to our customers by developing our home countries, creating new home countries and exporting

Innovation
Invest in and apply our inherent strengths for customer advantage in defence, security and critical infrastructure markets

Value proposition

Create it | Test it | Use it

High performance culture

Values
Integrity | Collaboration | Performance

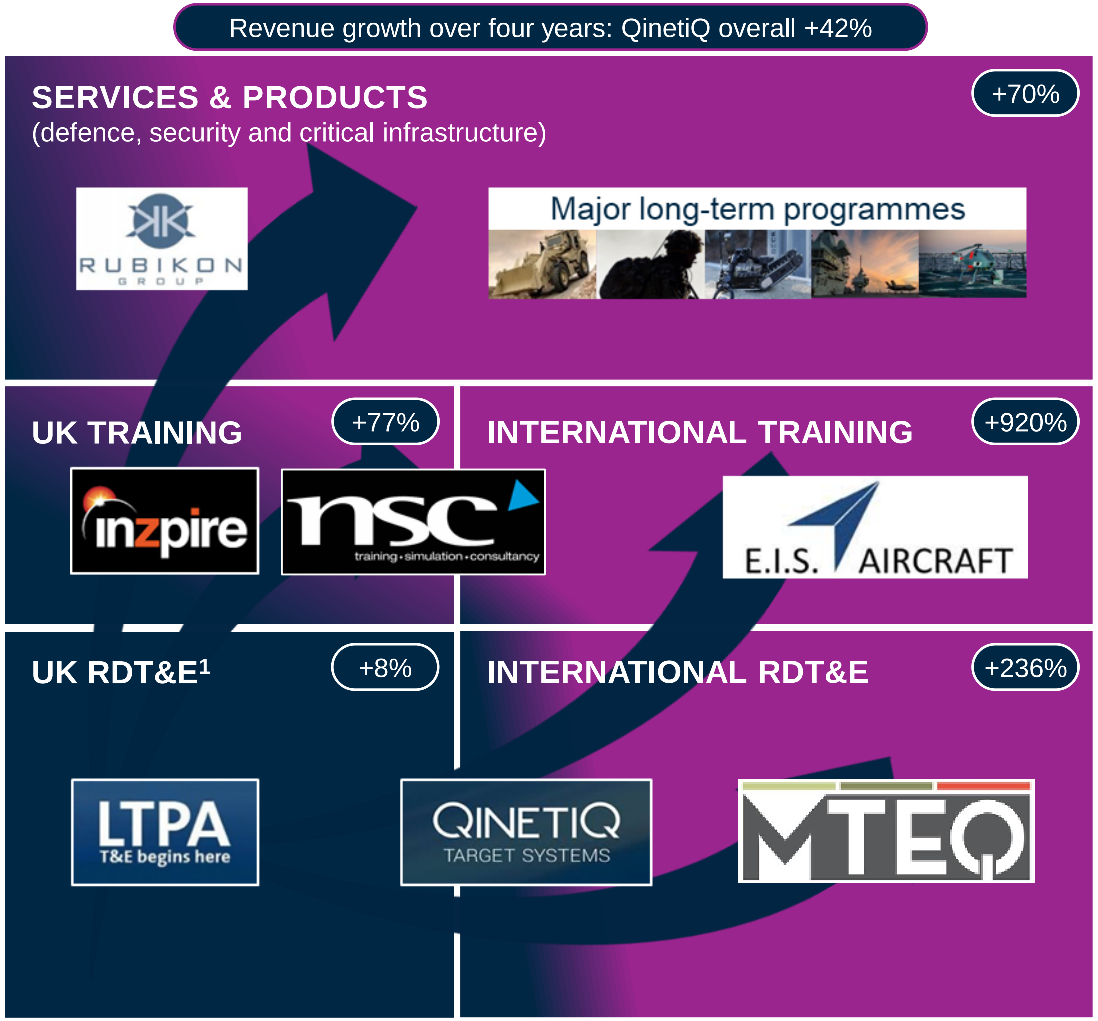
Behaviours
Listen | Focus | Keep my promises

QINETIQ

Four years into building an integrated global defence & security company

- Successfully expanding into >£8bn addressable market
  - Rapid generation & assurance of capability to counter threats
- Vision-based strategy driven growth, launched May 2016
  - Winning major long-term programmes through customer focus
  - Delivering mission-led innovation through partnering
  - Investing in six strategy-led acquisitions to strengthen offerings
  - Leveraging capabilities into attractive near-adjacent markets
  - Improving discipline in programme execution & efficiencies
- Maturing high performance culture to harness full potential
  - Engaging and incentivising our employees to deliver our strategy
  - Implementing truly integrated global operating model

Well positioned and increasingly relevant for the future



[1] RDT&E = Research & Development and Test & Evaluation

current market share | future market potential

QINETIQ

Delivering modern UK Defence Test & Evaluation

- Long Term Partnering Agreement (LTPA) contract, c. £320m p.a.
  - c.£220m p.a. core capabilities e.g. sites + c.£100m p.a. project tasks e.g. trials
  - 16 maritime, land, air and weapons T&E ranges and facilities across the UK
  - Adapted to maintain critical national defence outputs through COVID-19 crisis

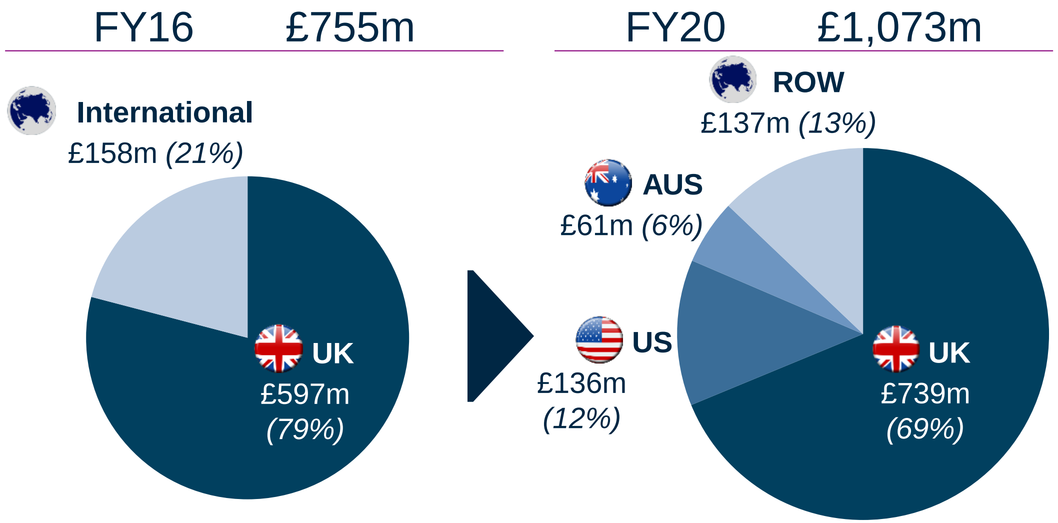
- Successfully modernising and driving greater relevance for customers
  - Investing in ways of working, infrastructure and equipment to attract new work

- Enabling agile capability development with our customers to drive growth
  - Create it: experimentation with unmanned systems in Norway
  - Test it: international demand for second year of modernised test aircrew training
  - Use it: preparation for largest NATO ballistic missile defence exercise

Critical to delivering UK and international defence and security outputs

Building an international company

- Successfully building a mid-tier US defence business
  - Combined US operations continue to perform and grow
  - Secured special security agreement to enable global collaboration
- Australian business delivered fifth year of record growth
  - Grown provision of acquisition support services
  - Won first contract to design & construct an unmanned air test range
- Strategy on track to grow international business to 50%
  - More than doubled international revenue over past four years
  - Multi-domestic operating model to leverage capabilities globally
  - Continued focus on US, Australia, Canada, Germany & Belgium
  - COVID-19 resilience: 92% revenue within home & priority countries



Successfully becoming a truly integrated global defence and security company

Charts show revenue by Customer destination: UK, US, Australia and Rest of World (ROW) countries, where international covers US, Australia and ROW

QINETIQ

Innovating for our customers’ advantage

- Winning major programmes through commercial and technical innovation
  - Secured £168m new orders through Engineering Delivery Partner (EDP) in UK
  - Won Robotic Combat Vehicle Light (RCV-L) program of record in US
  - Won €75m order to design and build ALTIUS satellite for ESA

- Strategically shaping new market opportunities through global campaigns
  - Focus on test & evaluation, information advantage and training & rehearsal
  - Winning critical building-block opportunities e.g. synthetic training through Inzpire
  - Investing in new capabilities e.g. Land domain training through acquisition of NSC

- Need for mission-critical solutions accelerated by COVID-19 crisis
  - Connecting existing research, test and training framework contracts
  - Leveraging investments and capabilities across the Group

Driving greater pace and agility through mission-led innovation

QINETIQ

Strategic response to dynamics of new world

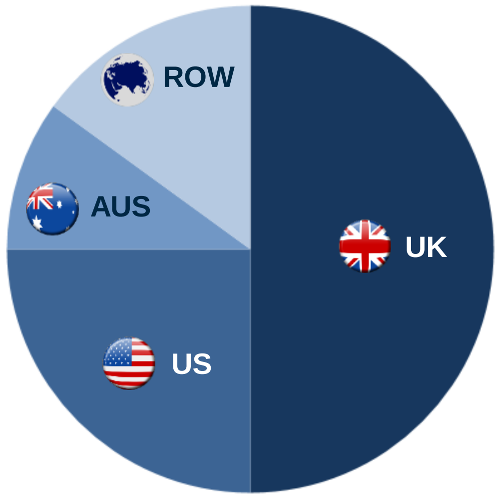
- Strategic shock of COVID-19 to financial and customer markets
  – Anticipating global recession and budget pressures in the short-term, but
  – Significant long-term growth opportunity in our >£8bn addressable market

- Our strategy remains unchanged and increasingly relevant
  – Evolving threats requiring integrated defence and 'more' security solutions
  – Opportunities to digitally transform our services for our customers
  – Delivering mission-led innovation with greater pace and agility

- Accelerating our transformation to enable our future growth
  – Developing agile ways of working enabled through digital transformation
  – Improving our skills & processes to enhance winning & delivery performance
  – Investing in our core capabilities and connecting our skills globally

FY24+

An integrated global defence and security company



Relevant to new world
- Solutions to increasing threats
- Delivering with agility and pace

Learning from our response to the pandemic to enable our next phase of sustainable growth

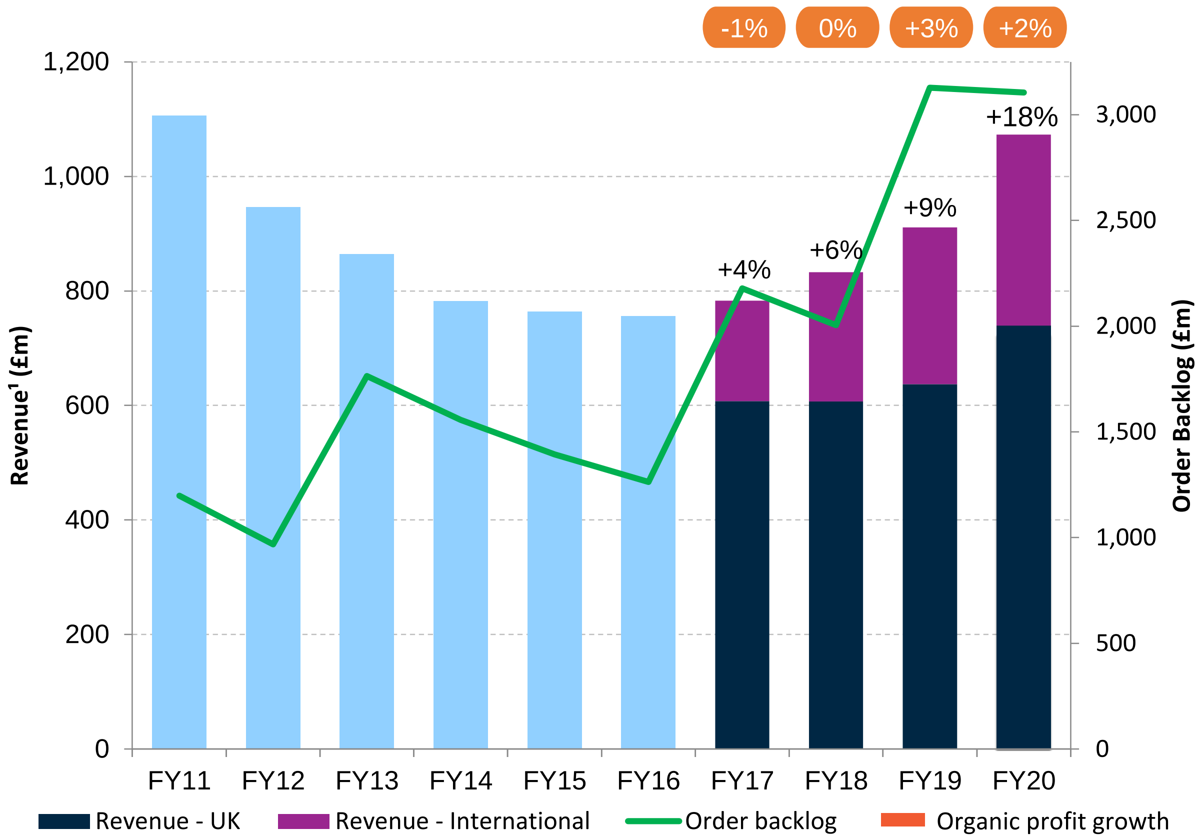
QINETIQ

Fourth year of growth – well positioned for a new world

- Delivered strong operational performance, with 18% revenue & 7% profit growth, 2% on an organic basis
  - Good revenue visibility with strong order backlog of £3.1bn

- Strong strategic response to COVID-19 crisis
  - Guidance for Group performance later in year
  - Robust actions to boost resilience to immediate challenges
  - Accelerating capabilities to meet needs of a new world
  - Emerging from the crisis as a stronger more agile company

- Strategy remains to drive mid- to long-term growth by continuing to build an integrated global company
  - Partnering with customers to deliver mission-led innovation



Protecting our people, delivering for our customers and sustaining our growing company

[1] Graph shows revenue based on continuing operations only and incremental growth on a reported basis

Questions?

Appendices

Delivering our vision and strategy

Vision

The chosen partner around the world for mission-critical solutions, innovating for our customers' advantage

Strategy

UK

Lead and modernise the UK Defence Test & Evaluation enterprise, by working in partnership with Government and prime contractors

International

Build an international company that delivers additional value to our customers by developing our home countries, creating new home countries and exporting

Innovation

Invest in and apply our inherent strengths for customer advantage in defence, security and critical infrastructure markets

Performance

Winning

– Improving customer & commercial focus
– Partnering to enable major competitive bids
– Leveraging Group-wide capabilities

Delivering

– Improving customer satisfaction
– Effective programme & risk management
– Focusing on efficiency & cost reduction

Investing

– Modernising our core capabilities
– Strategic bolt-on acquisitions
– Developing culture, people & technology

QINETIQ

How we create value

Generation After Next → Next Generation → Current Generation

Capability Generation & Assurance - *integrated*

Research & Experimentation | Test & Evaluation | Training & Rehearsal

Capability integration
Systems | Systems of systems

Threat representation
Live | Virtual | Cyber

Operational readiness
Team | Group | Joint

Services & Products - *distinctive*

e.g. advice, intelligence, information systems, protection, unmanned systems, space systems

Technology - *disruptive*

e.g. advanced materials, sensing, communications, cyber, analytics, autonomy, directed energy

Inherent Strengths

Academic & industrial partnerships

Science & engineering expertise

Domain knowledge & experience

Delivering operational advantage to defence, security and critical infrastructure customers

Understanding future needs

Example

Typhoon released to service

e.g. Test & Evaluation

Threat representation

e.g. Targets

Disruptive technology

e.g. Autonomy

Expanding into our addressable market

- Focus on core offerings
  - RDT&E[1] + Training: integrated capability generation & assurance
  - Services & Products: distinctive
  - Technology: disruptive

- Focus on target markets
  - Primary sectors: Defence, Security, Critical Infrastructure
  - Home countries: UK, US, Australia
  - Selected new countries in Europe, Middle East and Asia-Pacific

- Addressable market > £8bn pa: significant growth potential
  - Increasing share in existing markets
  - Leveraging strengths into attractive near-adjacent markets

Driving campaigns, joint ventures & acquisitions

Revenue growth over four years: QinetiQ overall +42%

SERVICES & PRODUCTS +70%
(defence, security and critical infrastructure)

Size	£££bn pa
Growth	+2-5% CAGR
Share	<1% (£408m)

UK TRAINING +77%

Size	£1bn pa
Growth	+1% CAGR
Share	~7% (£71m)

INTERNATIONAL TRAINING +920%

Size	££bn pa
Growth	+1-3% CAGR
Share	<1% (£51m)

UK RDT&E[1] +8%

Size	£1.5bn pa
Growth	+1% CAGR
Share	~30% (£459m[2])

INTERNATIONAL RDT&E +236%

Size	£6bn pa[3]
Growth	+4% CAGR
Share	<1% (£84m)

[1] RDT&E = Research & Development and Test & Evaluation.
[2] ~£320m pa via Long Term Partnering Agreement (LTPA) with UK MOD.
[3] Australia, Canada, New Zealand, France, Germany, Sweden, Saudi Arabia, UAE, Qatar, Turkey included. USA ($116bn pa) excluded above.

Sources: Jane's Market Forecast FY20 market sizing pre-Covid (USD/GBP exchange rate of 0.81), UK MOD. QinetiQ market share based on FY20 revenue. CAGR = compound annual growth rate (FY20-24)

current market share   future market potential

Definitions

- Underlying performance is stated before:
  - Amortisation of intangibles arising from acquisitions
  - Pension net finance income
  - Gains/losses on investments, property and intellectual property
  - Transaction and integration costs in respect of business acquisitions
  - Impairment of property and goodwill
  - Tax impacts of the above items
  - Significant non-recurring deferred tax movements
- Book to Bill:
  - Orders won divided by revenue recognised excluding the LTPA contract
- Organic revenue growth:
  - The level of year-on-year growth, expressed as a percentage, calculated at constant prior year foreign exchange rates, adjusting for business acquisitions and disposals to reflect equivalent composition of the Group
- Organic operating profit growth:
  - The level of year on year growth, expressed as a percentage, calculated at constant prior year foreign exchange rates, adjusted for business acquisitions and disposals to reflect equivalent composition of the Group

Revenue by customer and country

Revenue by customer (%)

2020

£1,072.9m

	%
MOD	57%
DoD	11%
Government agencies	16%
Commercial Defence	9%
Commercial	7%

2019

£911.1m

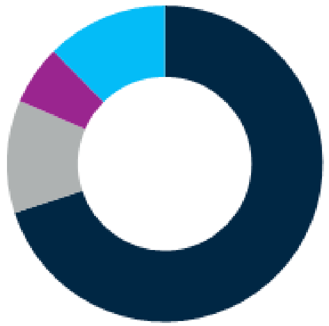
	%
MOD	57%
DoD	9%
Government agencies	17%
Commercial Defence	9%
Commercial	8%

Revenue by destination country (%)

2020

£1,072.9m

	%
UK	69%
US	12%
Australia	6%
Other	13%



2019

£911.1m

	%
UK	70%
US	12%
Australia	6%
Other	12%

A clear capital allocation policy

Priority 1	Priority 2	Priority 3	Priority 4
Invest in our organic capabilities, complemented by bolt-on acquisitions where there is a strong strategic fit	Maintain the necessary balance sheet strength	Provide a progressive dividend to shareholders	Return excess cash to shareholders

QINETIQ

Income statement including specific adjusting items*

	2020 £m	2019^ £m
Revenue	**1,072.9**	911.1
Underlying operating profit*	**133.2**	124.9
Underlying net finance expense*	**(1.0)**	(0.9)
Underlying profit before tax*	**132.2**	124.0
Gain on sale of property	**14.0**	0.2
Gain on sale of investment	**-**	1.1
Acquisition costs (including remuneration)	**(8.0)**	(2.0)
Amortisation of intangibles	**(7.5)**	(3.9)
Property Impairment	**-**	(3.7)
Impairment of goodwill	**(14.1)**	-
Pension past service cost in respect of GMP equalisation	**-**	(0.7)
Pension net finance income	**6.5**	8.2
Total specific adjusting items (pre-tax)	**(9.1)**	(0.8)
Profit before tax	**123.1**	123.2
Taxation	**(16.6)**	(9.3)
Profit after tax	**106.5**	113.9

* Underlying performance, before specific adjusting items, as defined in appendix
^ Restated due to the retrospective adoption of new accounting standard, IFRS 16, in respect of leases

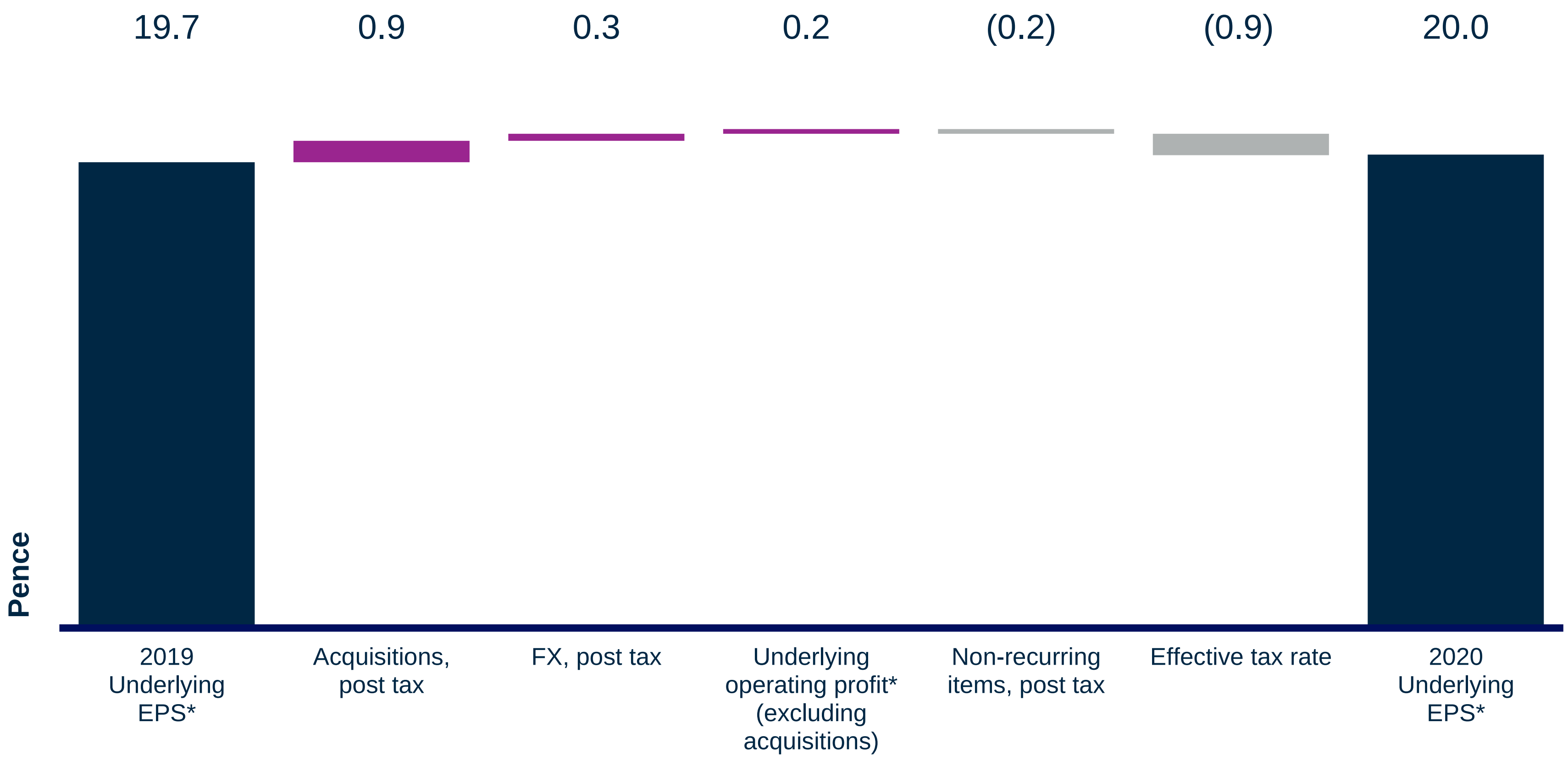
QINETIQ

Taxation

	2020 £m	2019 £m
Underlying tax charge*	**(18.5)**	(12.5)
Tax on specific adjusting items	**1.9**	3.2
Total tax charge	**(16.6)**	(9.3)
Underlying tax rate*	**14.0%**	10.1%

* Underlying performance, before specific adjusting items, as defined in appendix

Underlying earnings per share* (pence)



* Underlying performance, before specific adjusting items, as defined in appendix

Cash conversion

		2020 £m	2019^ £m
Underlying operating profit*		**133.2**	124.9
Depreciation and amortisation		**45.3**	43.3
Changes in working capital		**2.5**	(27.5)
Gain on disposal of PPE		**(1.6)**	(5.5)
Share-based payments charge	**1.1**	**7.4**	6.1
Share of post-tax profit of equity accounted entities		**0.7**	(0.6)
Net movement in provisions		**(5.4)**	(3.6)
Retirement benefit contributions in excess of income statement expense		**(4.3)**	(1.8)
Net cash inflow from operations*		**177.8**	135.3
Cash conversion %*		**133%**	108%
Net capex		**(109.4)**	(87.6)
Proceeds from disposal of plant and equipment		**1.6**	6.9
Net cash inflow from operations (post-capex)*		**70.0**	54.6
Net interest		**(0.5)**	(0.4)
Taxation		**(10.0)**	(10.7)
Free cash flow*		**59.5**	43.5

* Underlying performance, before specific adjusting items, as defined in appendix
^ Restated due to the retrospective adoption of new accounting standard, IFRS 16, in respect of leases

Movements in net cash

	2020 £m	2019^ £m
Free cash flow	**59.5**	43.5
Dividends	**(38.0)**	(35.7)
Acquisition of business	**(90.2)**	(61.2)
Repayment of external bank loan (recognised on acquisition of EIS)	**-**	(20.0)
Acquisition transaction costs	**(7.5)**	-
Capital repayment leases	**(9.7)**	(8.4)
Disposal of property	**12.5**	5.3
Disposal of investments	**-**	(1.6)
Purchase of own shares	**(0.7)**	(0.7)
Other (including FX)	**2.1**	1.3
Change in net cash	**(72.0)**	(77.5)
Opening net cash - 1 April	**160.5**	238.0
Closing net cash - 31 March	**88.5**	160.5

^ Restated due to the retrospective adoption of new accounting standard, IFRS 16, in respect of leases

QINETIQ

Balance sheet

	31 March 2020 £m	31 March 2019^ £m
Goodwill	**180.8**	148.6
Intangible assets	**138.9**	88.5
Property, plant and equipment	**375.6**	323.2
Working capital	**(77.5)**	(98.0)
Retirement benefit surplus (net of tax)	**245.9**	210.5
Other assets and liabilities	**(61.3)**	(54.3)
Net cash	**84.7**	160.5
Net assets	**887.1**	779.0

^ Restated due to the retrospective adoption of new accounting standard, IFRS 16, in respect of leases

QINETIQ

Confirmed pension surplus

	31 March 2020 £m	31 March 2019 £m
Market value of assets	**1,912.3**	1,963.6
Present value of scheme liabilities	**(1,602.6)**	(1,704.5)
Net pension asset before deferred tax	**309.7**	259.1
Deferred tax liability	**(63.8)**	(48.6)
Net pension asset	**245.9**	210.5

- Accounting net pension asset of £245.9m (after deferred tax)
- Increase in net pension asset is driven by gains due to changes in financial assumptions (primarily in respect of inflation), which decrease the present value of scheme liabilities, partially offset by deduction in value of scheme assets
- Scheme is hedged against ~90% of interest rate risk and 90% of the inflation rate risk, as measured on the Trustees' gilt-funded basis
- Following the triennial valuation and discussions with QinetiQ's pension scheme Trustees, the Company has a confirmed actuarial pension surplus of £139.7m as at 30 June 2017. The next triennial valuation will be performed as at 30 June 2020.
- Payments are made under an asset backed funding scheme of £2.7m per annum + CPI (FY20: £2.8m) until 2032

Defined benefit pension scheme – balance sheet position

	31 March 2020 £m	31 March 2019 £m
Equities	**160.8**	178.8
LDI investment	**347.5**	690.8
Asset backed security investments	**465.0**	-
Bonds	**215.3**	400.4
Property	**167.0**	145.6
Cash and cash equivalents	**15.8**	75.1
Derivatives	**(5.1)**	2.5
Insurance buy-in	**546.0**	470.4
Market value of assets	**1,912.3**	1,963.6
Present value of scheme liabilities	**(1,602.6)**	(1,704.5)
Net pension asset before deferred tax	**309.7**	259.1
Deferred tax liability	**(63.8)**	(48.6)
Net pension asset	**245.9**	210.5

QINETIQ

Defined benefit pension scheme – key assumptions

Assumptions	**31 March 2020 %**	31 March 2019 %
Discount rate	**2.30%**	2.45%
Inflation (CPI)	**1.90%**	2.35%
Future male pensioners (currently aged 60)	**87**	87
Future female pensioners (currently aged 60)	**90**	89
Future male pensioners (currently aged 40)	**89**	89
Future female pensioners (currently aged 40)	**91**	91

Sensitivity of Scheme liabilities to main assumptions:

Assumption	Change in assumption	Sensitivity*
Discount rate	Increase / decrease by 0.1%	Decrease / increase by £30m
Rate of inflation	Increase / decrease by 0.1%	Increase / decrease by £29m
Life expectancy	Increase by 1 year	Increase by £53m

* The impact of movements in Scheme liabilities will, to an extent, be offset by movements in the value of Scheme assets as the Scheme has assets invested in a Liability Driven Investment portfolio. As at 31 March 2020 this hedges against approximately 90% of the interest rate and 90% of the inflation rate risk, as measured on the Trustees' gilt-funded basis

Credit facilities

	Maturity date	Denomination	Value in denomination	Value £m
Revolving credit facility	September 2024	GBP	275.0	275.0
Total committed facilities			**275.0**	**275.0**

QINETIQ

QINETIQ