Our strategy is delivering – third year of growth

QinetiQ Group plc
Preliminary results for year ended
31 March 2019

23 May 2019

Agenda

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Our strategy is delivering – third year of growth

- Delivered third year of organic growth
  - Orders up 32%, £3.1bn record high quality backlog
  - Revenue up 9%, 8% on an organic basis
  - Operating profit up 1%, 3% on an organic basis
  - 102% cash conversion pre-capex
  - EPS up 2%, 5% increase in full year dividend

	FY19	FY18
Revenue[1]	**£911.1m**	£833.0m
Operating profit[2]	**£123.9m**	£122.5m
EPS[2]	**19.7p**	19.3p
Dividend	**6.6p**	6.3p
Order backlog[3]	**£3.1bn**	£2.0bn

[1] Excludes contribution from Joint Ventures of £1.9m
[2] Underlying performance, before specific adjusting items, as defined in appendix
[3] FY19 includes LTPA amendment signed 5 April 2019

- Driving growth through disciplined strategy execution
  - Secured £1.3bn LTPA contract amendment with UK MOD
  - Won five competitive long-term contracts: UK, US & Canada
  - Completed two acquisitions to grow training offering
  - Grown international revenue from 21% to 30% in 3 years
  - Engaged employees in driving & sharing benefits of growth

- Priorities for the coming year
  - Operational performance, 74% revenue under contract
  - Deliver first year of amended LTPA contract
  - Win further competitions & pursue campaigns globally
  - Sustainable profitable growth through continued investment
  - Maintaining expectations for Group performance

FY19 Financial overview

David Smith

Chief Financial Officer

Strong financial performance*

	2019 £m	2018 £m
Revenue	**911.1**	833.0
Underlying operating profit	**123.9**	122.5
Underlying operating margin	**13.6%**	14.7%
Earnings per share (pence)	**19.7**	19.3
Dividend per share (pence)	**6.6**	6.3
Total funded order backlog	**3,133.6**	2,005.4
Total orders	**2,031.7**	687.4
Orders in the period (incl JVs / excl LTPA amendments)	**776.4**	587.2
Net cash inflow from operations (pre-capex)	**126.3**	126.5
Cash conversion (pre-capex)	**102%**	103%
Net cash	**188.5**	266.8

*Underlying performance, before specific adjusting items, as defined in appendix. Total orders and backlog include LTPA amendment signed 5 April 2019

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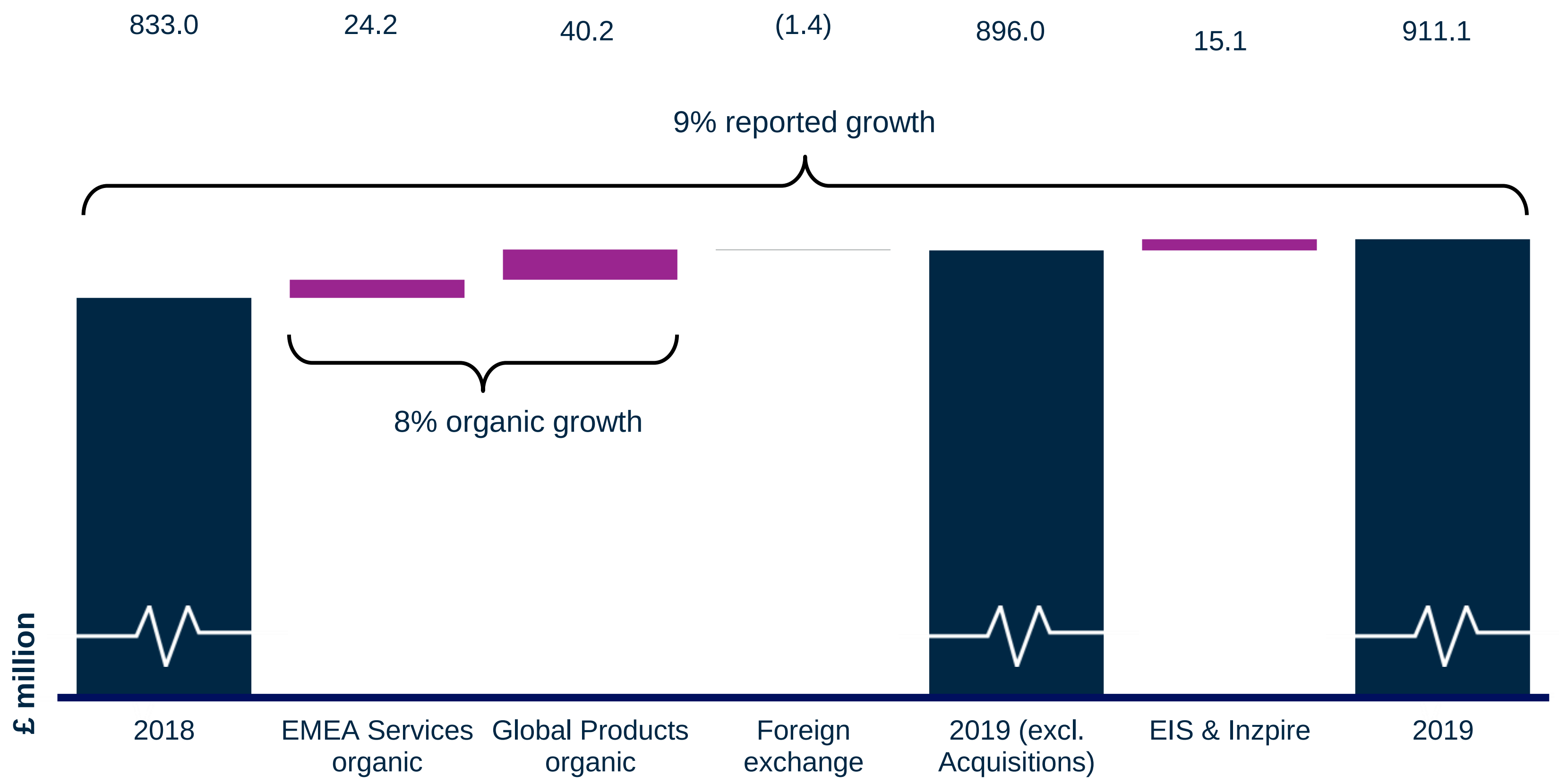
Organic revenue growth, complemented by acquisitions

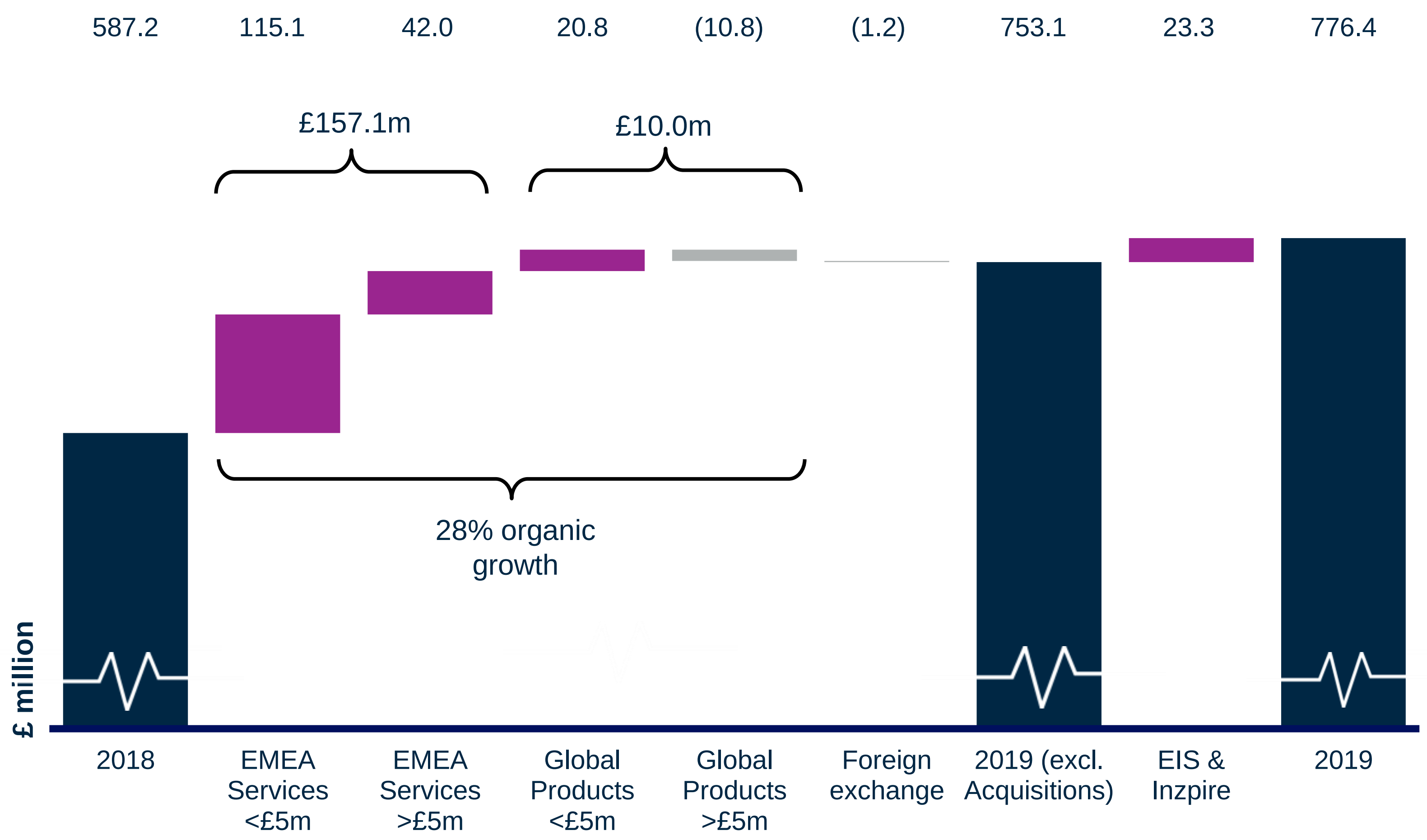
Revenue*



* Excludes contribution from JVs of £1.9m

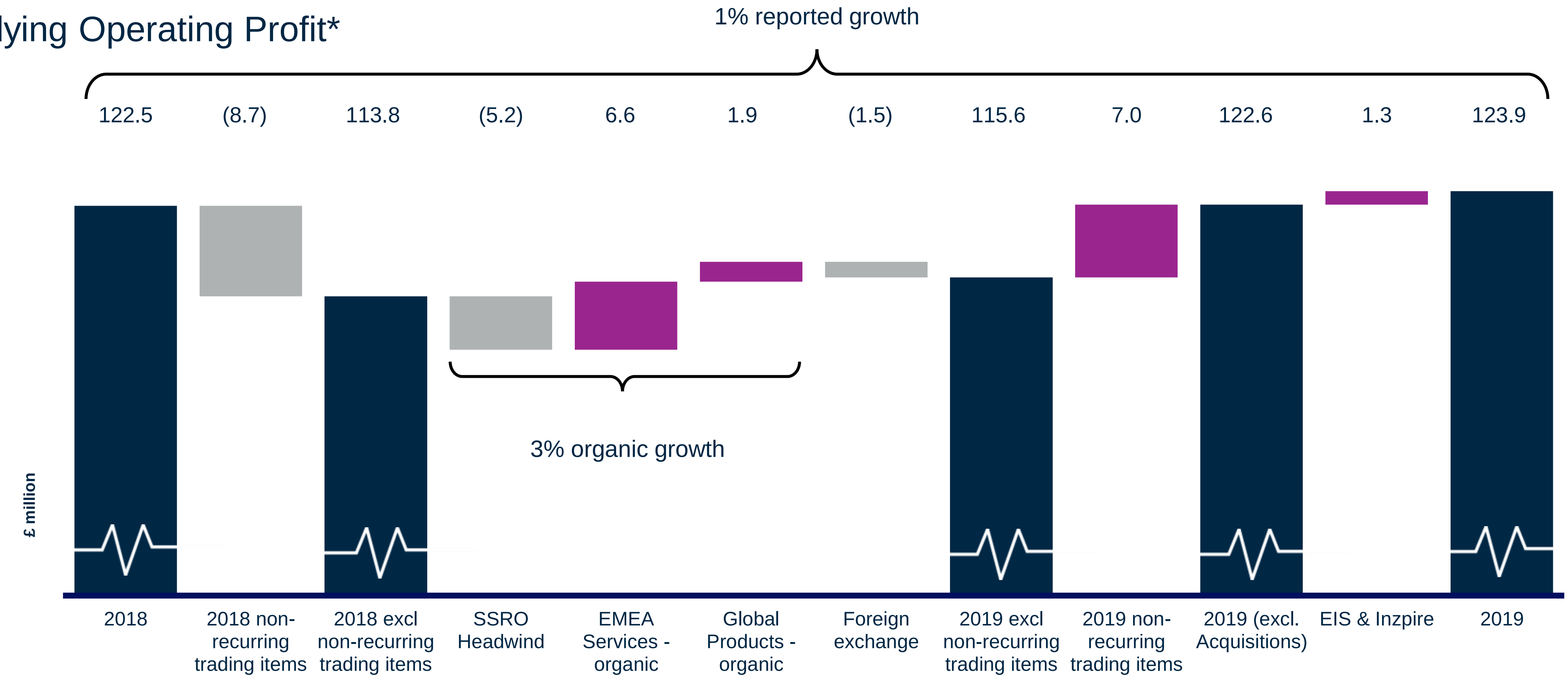
Strong order growth; 74% FY20 revenue under contract

Orders



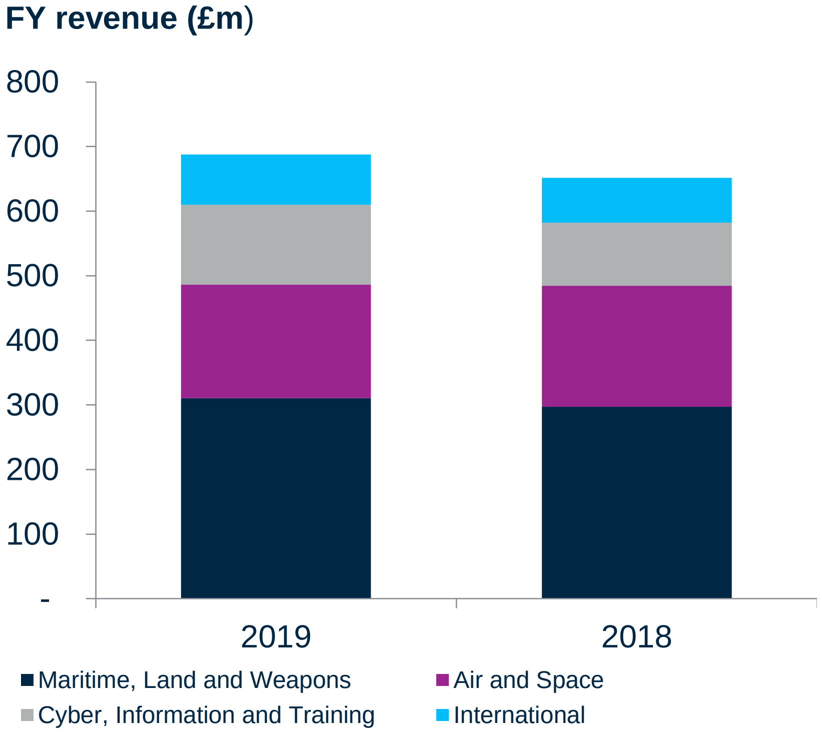
Organic profit growth, offsetting UK single source headwind

Underlying Operating Profit*



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

EMEA Services – strong order growth

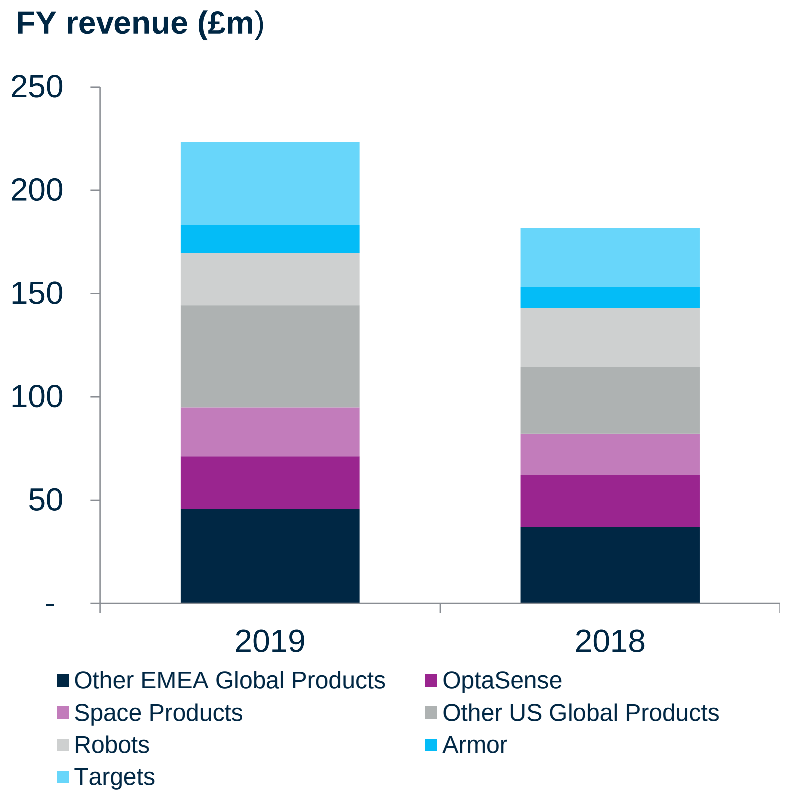


	2019 £m	2018 £m
Total orders	**1,789.9**	456.1
Orders excl. LTPA amendments	**534.6**	355.9
Revenue	**687.7**	651.4
Underlying operating profit*	**96.3**	94.3
Underlying operating profit margin*	**14.0%**	14.5%
Book to bill ratio*	**1.2x**	0.8x
Total funded order backlog	**2,916.8**	1,804.9
Funded order backlog excl. LTPA amendments	**784.2**	709.6
Full year revenue under contract	**79%**	75%

- Strong performance on both smaller contracts and key new contract wins including £69m for EDP and £41.2m for BATCIS driving order growth
- Revenue up 6%, 4% on an organic* basis
- Profit assisted by ~£9m (2018: ~£8m) of non-recurring trading items
- Excluding non-recurring trading items, acquisitions and foreign exchange, underlying operating profit grew by £1.4m (2%), driven by revenue growth offset by the lower baseline profit rate for single source contracts, in line with our expectations

* Group performance measures as defined in the appendix

Global Products – strong revenue performance



	2019 £m	2018 £m
Orders	**241.8**	231.3
Revenue	**223.4**	181.6
Underlying operating profit*	**27.6**	28.2
Underlying operating profit margin*	**12.4%**	15.5%
Book to bill ratio	**1.1x**	1.3x
Funded order backlog	**216.8**	200.5
Full year revenue under contract	**60%**	51%

- Orders driven by C$51m Canadian Armed Forces UAS contract, and supported by growth in smaller contracts, particularly in QTS
- 23% revenue growth, 22% organic*, driven by new survivability contracts and robotics research work won by QNA and new QTS sales to India
- Operating profit up £1.9m (7%), after adjusting for acquisitions, foreign exchange and ~£2m non-recurring trading items (2017: credit £1.0m), driven by increased revenue in QNA and QTS, offset by an adverse change in product mix and a lower volume of high-margin licence income in FY19

* Group performance measures as defined in appendix

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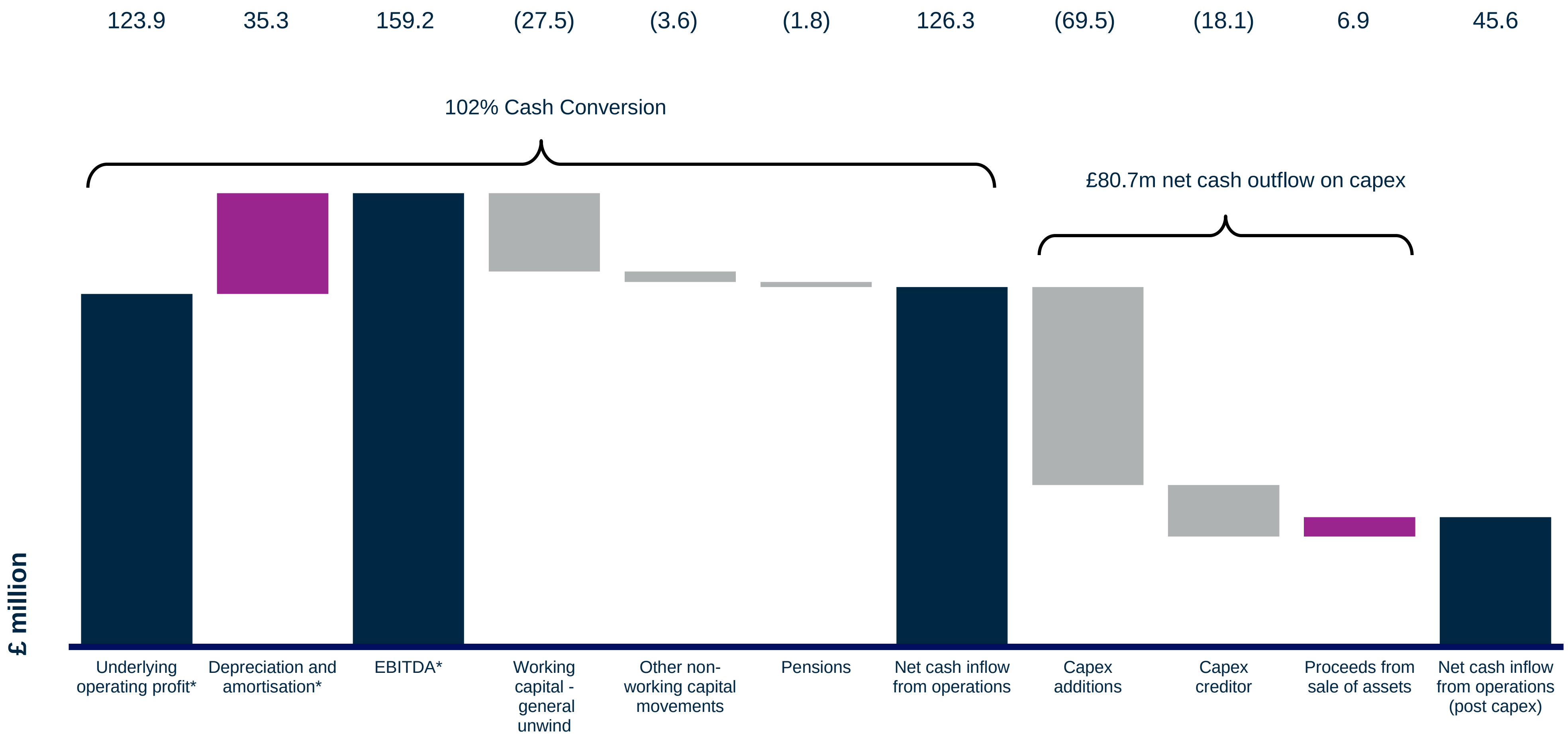
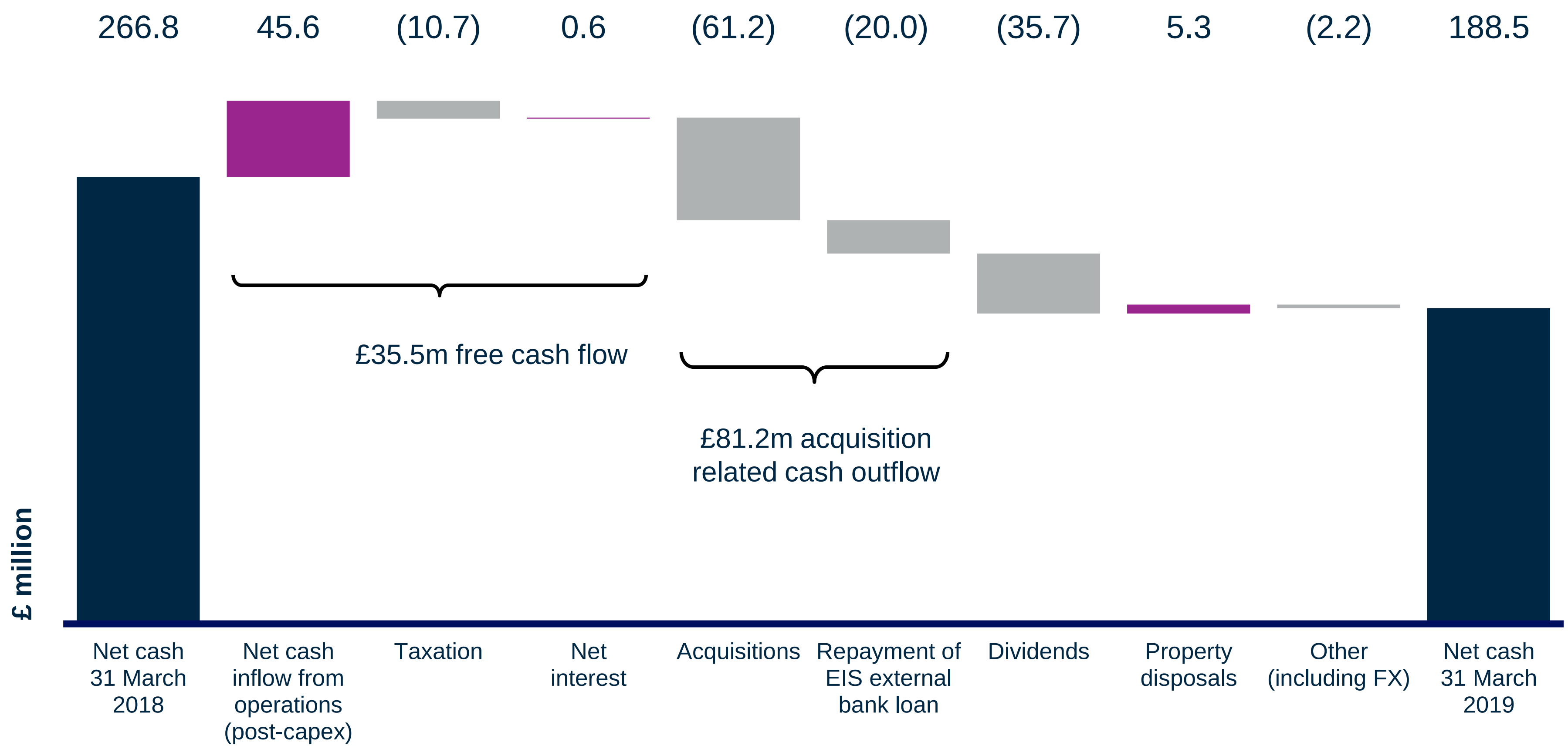
Strong cash generation, covering investment for growth



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

Balance sheet strength supports our growth strategy



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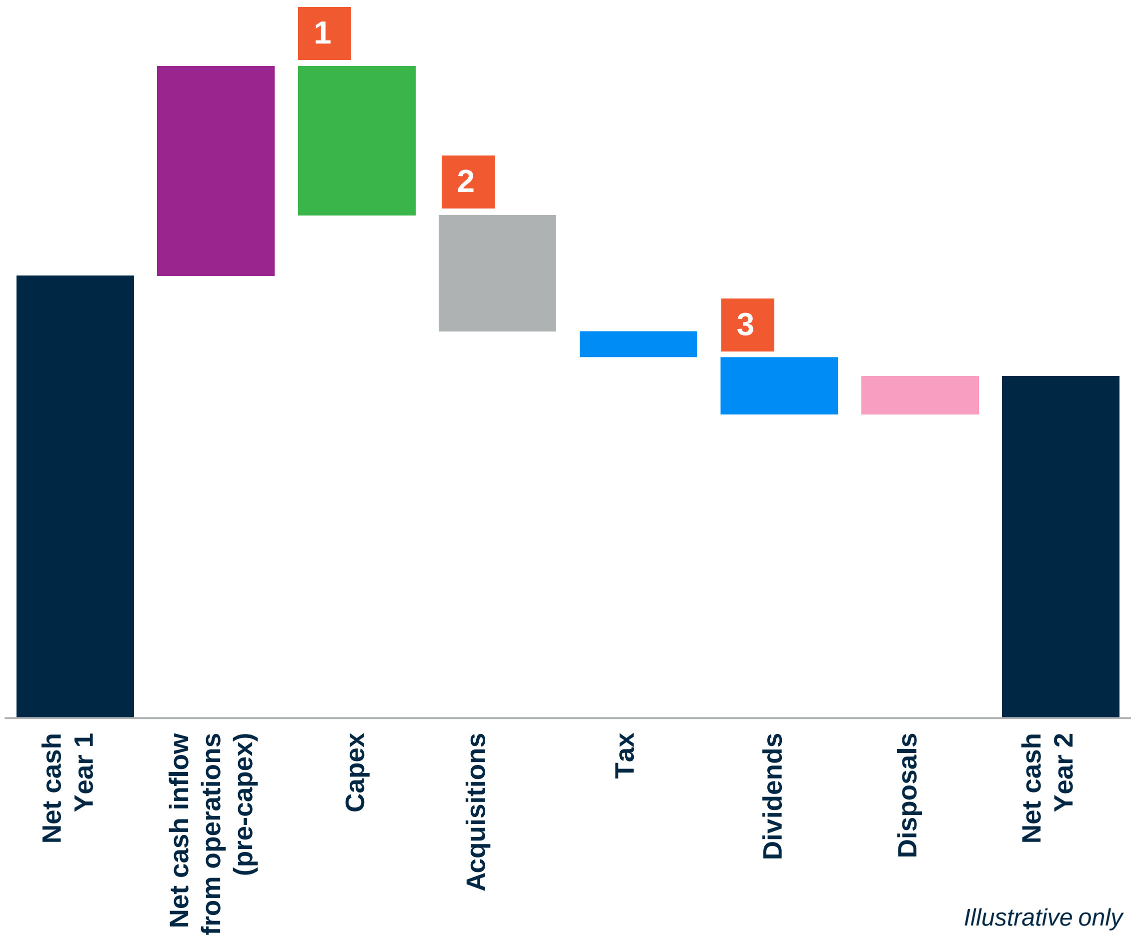
Financial strategy: demonstrating our capital allocation framework in practice



Illustrative only

Balance Sheet

- Strong position to execute strategy
  - Flexible position today
  - Ability to deploy capital over medium term

FCF

- Cash generation from business deployed to:

1 Capex

  - Increase levels of organic investment
  - LTPA for contracted returns
  - Commercial opportunities
  - Support acquired entities' growth

2 Acquisition

- Deployment for Inzpire, EIS in 2019
- Further bolt-ons consistent with strategy

3 Dividends

- Maintain progressive dividend policy

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Financial strategy: a rigorous appraisal process

Opportunity

Organic opportunities

Inorganic opportunities

Organic and inorganic opportunities evaluated with same rigour and approach

Project Assessment

Plan evaluation

- Market and pricing evaluated
- Cost plan assessed and risk-adjusted for execution risks
- Investment requirements assessed and risk-adjusted
- Broader factors considered, e.g. commercial terms, inflation, reputation, overall project risk

\+

Key metrics

NPV

IRR

ROA

Cash Profile

Evaluation

Overall assessment of risk and returns of project compared to risk-adjusted WACC prior to commitment

Monitoring

Follow-up and tracking during life of project

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Financial strategy: growing sustainably and profitably to drive shareholder value

1. Revenue Growth

- Selectively winning business in our key focus areas including International
- Higher value, longer-term contracts providing greater visibility and stability
- Creating incremental opportunities from carefully considered approach to risk
- Organic growth plus complementary and strategically aligned bolt-on acquisitions

2. Stable margins

- Abatement of SSRO profit headwind in EMEA Services
- Increasing product portfolio and longer-term contracts improving margin stability in Global Products
- Output based contracts provide greater flexibility and opportunities
- Continuing to invest in business to support growth
- Maintaining cost discipline

3. Appropriate Returns

- Clear framework for evaluating opportunities
- Thoughtful use of our balance sheet
- Ensuring returns commensurate with level of risk
- Delivering appropriate return on capital to shareholders

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FY20 Outlook – technical factors

	FY19	FY20	
Net finance income*	£0.1m		Expected to be flat subject to timing of capex spend and acquisitions
Effective tax rate*	10.1%		Expected to increase with greater proportion of international revenue
Tax cash outflow	£10.7m		Cash tax is expected to be higher
Net working capital unwind	£27.5m		Expect unwind of net working capital, excluding non-recurring items, of £20m-30m
Pension deficit repair	£2.7m		FY20 includes ~£2.7m + CPI in respect of asset backed funding scheme
Capital expenditure	£80.7m		Capex of £80m- £100m including LTPA and Canadian UAS contract investment

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

Outlook Statement

Outlook – FY20

- We enter FY20 with confidence having delivered a third successive year of organic revenue growth and an organic increase to operating profit.
  - As we build on our record order backlog and benefit from the full year contribution from our recent acquisition of E.I.S. Aircraft Operations and strategic investment into Inzpire, we anticipate delivering mid-single digit revenue growth including further organic revenue progression.
  - In EMEA Services, we expect divisional margins in FY20 to be consistent with FY19.
  - In Global Products, we also expect more stability in divisional margins due to the expansion of our product portfolio combined with our success in winning longer-term programmes.
  - We will continue to invest to drive future growth, including capex of £80-100m, the majority of which will be invested into the LTPA at an appropriate return. We expect working capital outflows of £20-30m and continued strong cash conversion pre-capex.
- Overall, we are maintaining expectations for Group performance in FY20, excluding non-recurring trading items, with revenue growth at stable margins resulting in continued operating profit progression.

Outlook – Longer Term

- We will continue to grow by implementing our strategy and investing in our people, technology, systems and infrastructure. By doing so, our objective is to deliver continued organic revenue growth, further supported by acquisitions, resulting in sustainable profitable growth at stable margins.

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Strategic update

Steve Wadey

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

Value proposition

Capability generation & assurance

Capability integration	Threat representation	Operational readiness
Create it	Test it	Use it

Three years building capability to drive sustainable growth

- Vision-based strategy to drive growth, launched May 2016
  - Reversed five years of decline, delivered 21% revenue growth and returned to organic profit growth, with £3.1bn order backlog
  - Increased international share of revenue from 21% to 30%

- Creating a high performance culture to embed and sustain our improving customer focus and competitiveness
  - Strategic business plan driving short- & long-term objectives
  - Investment choices underpinned by rigorous financial discipline
  - Stronger leadership & management capability
  - Business winning upskilled through training & 60% new hires
  - Greater discipline in programme execution & efficiencies
  - First year of all employee bonus to incentivise & reward growth

Enabling growth through engaging our people

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

current market share | future market potential

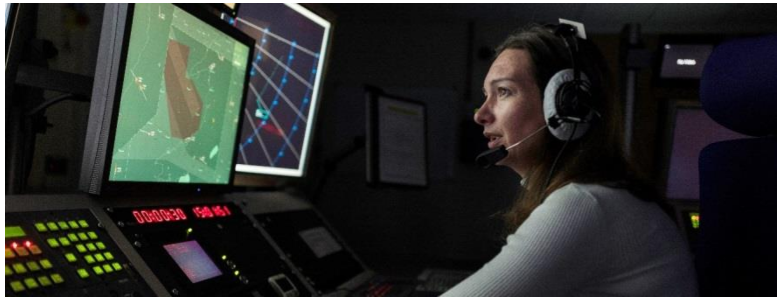
Delivering modern UK Defence Test & Evaluation (1/2)

- Long Term Partnering Agreement (LTPA) contract, c.£320m pa
  - c.£220m pa core capabilities e.g. sites + c.£100m pa project tasks e.g. trials
  - 16 maritime, land, air and weapons T&E ranges and facilities across the UK
  - Critical skills & facilities to generate & assure national defence capabilities

- £1bn amendment in 2016 to modernise & operate world-class air ranges and test aircrew training core capabilities to 2028, c.£100m pa
  - £180m investment funded by QinetiQ and generating appropriate returns

- £1.3bn amendment in 2019 for remaining capabilities, c.£120m pa
  - Change to output-based to drive efficiency and greater relevance
  - Further £190m investment into infrastructure, equipment & ways of working

Modernising enduring sovereign capabilities to meet future needs



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Delivering modern UK Defence Test & Evaluation (2/2)

- Strategy to drive growth opportunities into >£8bn addressable market
  - LTPA now positions QinetiQ as a world-leader in the generation & assurance of defence & security capability i.e. Create it, Test it & Use it

- Focus on UK Defence to increase share in UK RDT&E market
  - Enabling delivery of major UK Defence programmes using LTPA capability
  - Attracting further work from UK and industrial customers

- Leveraging LTPA into attractive near-adjacent UK & international markets
  - Attracting international customers to use our T&E capabilities
  - Expanding our T&E capabilities into training and mission rehearsal
  - Developing indigenous T&E capabilities for international customers

LTPA provides a strong platform for UK & international growth

Building an international company (1/2)

- United States business continues to perform and grow
  - Won $44m Route Clearance & Interrogation System (RCIS) program of record
  - Won $164m Common Robotics System Individual (CRS-I) program of record
  - New orders for survivability products and TALON robot support

- Australian business secured record order intake with >A$100m orders
  - Secured new engineering services work through Major Support Provider (MSP), in partnership with Nova Systems

- Canadian C$51m contract won to provide unmanned aircraft surveillance
  - Providing enhanced situational awareness for Canadian Armed Forces
  - Leveraging QinetiQ Target Systems in Canada with capabilities across the Group

Growing our home countries & creating new home countries

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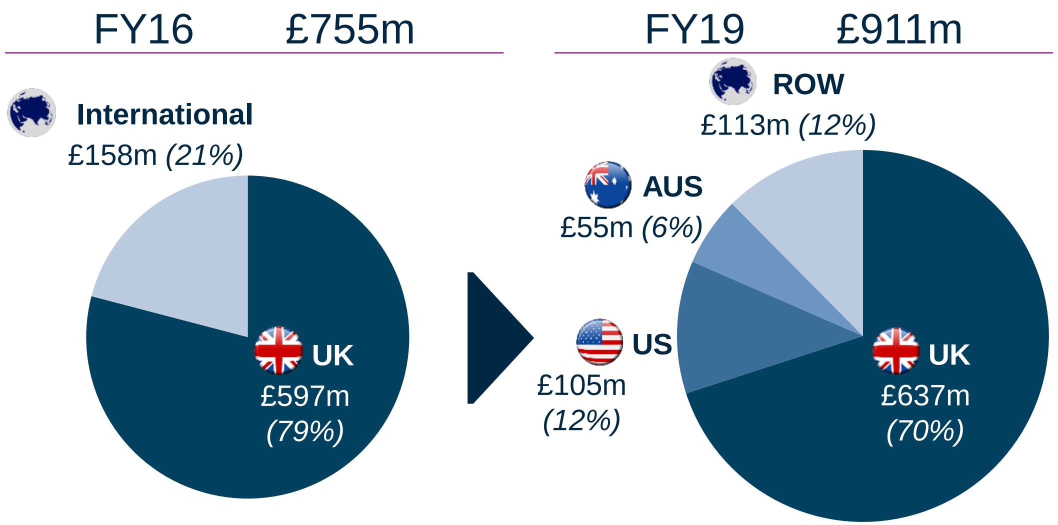
Building an international company (2/2)

- Grown international revenue from 21% to 30% over 3 years
  - Strong organic growth in US, Australia and Middle East
  - Strong export performance, driven by QinetiQ Target Systems
- Growing training capabilities through strategic acquisitions
  - Inzpire delivering mission data and training for Royal Air Force
  - QinetiQ Germany providing airborne training & special missions
- Long-term ambition to grow international business to 50%
  - Investing in home countries & selected priority countries
  - Leveraging our strategic acquisitions and the LTPA
  - Building pipeline of further complementary acquisitions



Accelerating international growth through campaigns, exports, joint ventures & acquisitions

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

Innovating for our customers' advantage (1/2)

- Major competitive campaign wins driving organic revenue growth
  - Based on major government funded programmes and strategic partnering

Programme[1]	Customer	Budget	FY	Duration
Engineering Delivery Partner (EDP) framework	UK	£1bn+	19	10 years
Defence Core Systems & Services (DCS&S)	UK	£75-120m	19	5 years
Battlefield & Tactical Communication Information Systems (BATCIS)	UK	£50-95m	19	5 years
Route Clearance and Interrogation System (RCIS)	US	$44m	19	7 years
Common Robotics System Individual (CRS-I)	US	$164m	19	7 years
Counter-Chemical, Biological, Radiological, Nuclear, & Explosive (C-CBRNE)	AUS	A$100m	19	5 years
~~Air Support Defence Operational Training (ASDOT)~~	~~UK~~	~~£500m~~	~~21~~	~~10 years~~

- Building on success to win further major programmes and follow-on sales through focus and disciplined bid execution
  - Learning from successes and losses to drive greater maturity and efficiency

Winning by leveraging commercial & technical innovation

[1] Customer published budget, financial year of decision and overall programme duration

Won
Lost
Cancelled

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Innovating for our customers' advantage (2/2)

- Won $164m Common Robotic System Individual program for US DOD
  - Back-packable with advanced sensors & mission modules for dismounted forces
  - $20m low rate initial production phase over next 1-2 years; $4m initial order
- Engineering Delivery Partner (EDP) mobilised and delivering outputs
  - 10-year framework as default provider for all UK MOD engineering services
  - Secured £69m initial contracts and engaged more than 120 suppliers
- Successful exploitation of Internal Research & Development investment
  - £26m pa underpinning competitive wins and next generation services & products
  - First contract awards for new products: Rattler supersonic target, Bracer secure satellite communication, Obsidian counter-UAV radar

Disrupting traditional approaches with new services & products

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Strengthening our strategy for profitable growth into >£8bn addressable market

- Pursue long-term opportunities to drive organic revenue growth in our home countries & selected priority countries
  - Evolve campaign-based approach to pursue global opportunities
  - Leverage our technical capabilities across the Group
- Disciplined execution to deliver growth at stable margins
  - Effective bidding, programme and risk management
  - Continued focus on productivity and efficiency improvements
- Focused investment choices, including complementary acquisitions, to integrate and strengthen value proposition
  - Underpinned by rigorous financial discipline

Converting revenue growth into profit growth

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

SERVICES & PRODUCTS

(defence, security and critical infrastructure)

Size	£££bn pa
Growth	+2-5% CAGR
Share	<1% (£325m)

UK TRAINING

Size	£1bn pa
Growth	+1% CAGR
Share	~5% (£60m)

INTERNATIONAL TRAINING

Size	££bn pa
Growth	+1-3% CAGR
Share	<1% (£30m)

UK RDT&E[1]

Size	£1.5bn pa
Growth	+1% CAGR
Share	~30% (£455m[2])

INTERNATIONAL RDT&E

Size	£6bn pa[3]
Growth	+4% CAGR
Share	<1% (£40m)

[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 ($79bn pa) excluded above.

Sources: Jane's Market Forecast FY19 market sizing (USD/GBP exchange rate of 0.77), UK MOD. QinetiQ market share based on FY19 revenue. CAGR = compound annual growth rate (FY19-23)

current market share   future market potential

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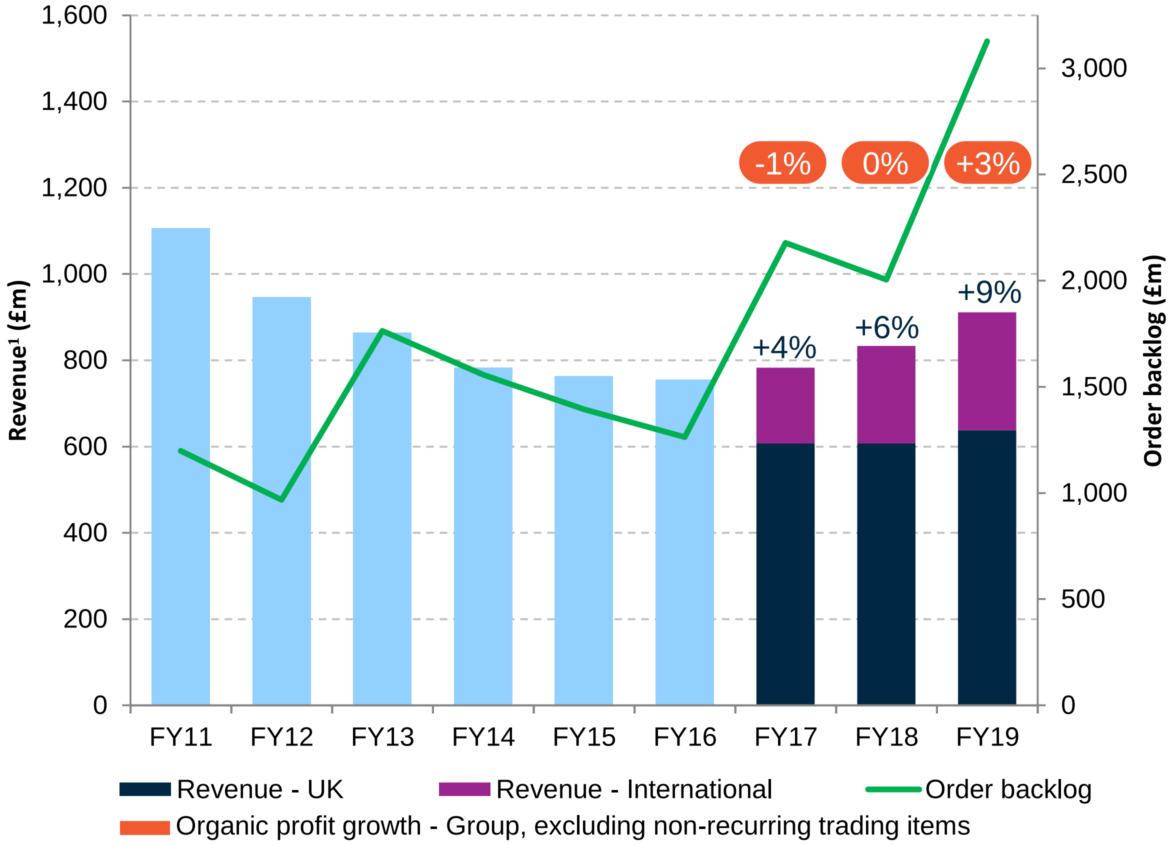
Our strategy is delivering – third year of growth

- Delivered 9% revenue growth, 3% organic profit growth and good visibility with order backlog of £3.1bn
  - Securing LTPA provides platform for growth
- Building momentum towards an integrated global defence & security company to drive further growth
  - Business maturity resulting in five major competitive wins
  - Grown international share of revenue from 21% to 30%
- Converting growing revenue into profit growth
  - Leveraging strengths into >£8bn pa addressable market
  - Maintaining disciplined bid and programme execution
  - Continued investment driving medium-term growth



Delivering sustainable profitable growth

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

Questions?

Appendices

Our mission, vision, strategy and performance culture

Mission

QinetiQ is dedicated to defending sovereign capability, protecting lives and securing the vital interests of our 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

Performance Culture

Values

Integrity | Collaboration | Performance

Behaviours

Listen | Focus | Keep my promises

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

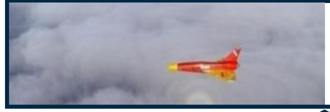
Understanding future needs

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

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

Revenue growth over three years: QinetiQ overall +21%

SERVICES & PRODUCTS +35%
(defence, security and critical infrastructure)

Size	£££bn pa
Growth	+2-5% CAGR
Share	<1% (£325m)

UK TRAINING +50%

Size	£1bn pa
Growth	+1% CAGR
Share	~5% (£60m)

INTERNATIONAL TRAINING +600%

Size	££bn pa
Growth	+1-3% CAGR
Share	<1% (£30m)

UK RDT&E[1] +2%

Size	£1.5bn pa
Growth	+1% CAGR
Share	~30% (£455m[2])

[2] ~£320m pa via Long Term Partnering Agreement (LTPA) with UK MOD.

INTERNATIONAL RDT&E +60%

Size	£6bn pa[3]
Growth	+4% CAGR
Share	<1% (£40m)

[3] Australia, Canada, New Zealand, France, Germany, Sweden, Saudi Arabia, UAE, Qatar, Turkey included. USA ($79bn pa) excluded above.

Sources: Jane's Market Forecast FY19 market sizing (USD/GBP exchange rate of 0.77), UK MOD. QinetiQ market share based on FY19 revenue. CAGR = compound annual growth rate (FY19-23)

current market share | future market potential

Revenue by customer and country

Revenue by customer (%)

2019

£911.1m

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

2018

£833.0m

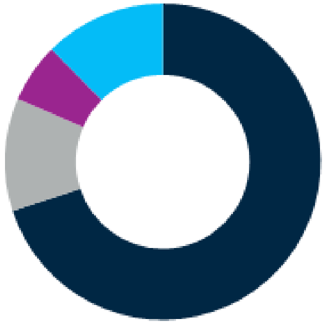
	%
MOD	62%
DoD	8%
Government agencies	16%
Commercial Defence	7%
Commercial	7%

Revenue by destination country (%)

2019

£911.1m

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



2018

£833.0m

	%
UK	73%
US	10%
Australia	7%
Other	10%

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

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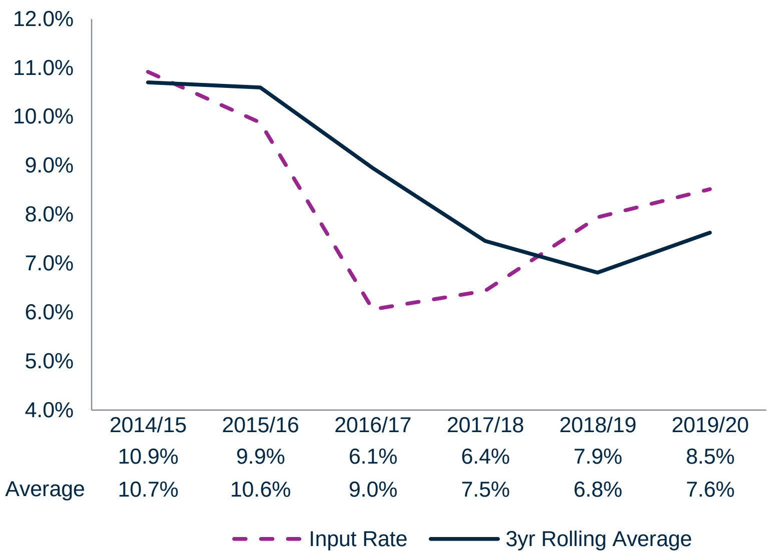
Stabilising operating profit margins

- FY19 EMEA Services margins impacted by ~£5-6m UK single source profit headwind; expected to abate in FY20 and beyond driven by:
  - Increasing proportion of revenue won competitively
  - Increasing proportion of SSRO-derived revenue on long-term contracts
  - Stabilisation in baseline profit rate
- FY19 Global Products margins impacted by change in product mix and reduction in license income; driving future stability through:
  - Expansion of product portfolio
  - Larger, longer-term programmes
- FY20 margin expectations reflect continued investment in growth
  - EMEA Services margins in FY20 to be consistent with FY19
  - More stability in Global Products margins due to the expansion of our product portfolio and success in winning longer-term programmes

SSRO baseline profit rate



	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Input Rate	10.9%	9.9%	6.1%	6.4%	7.9%	8.5%
3yr Rolling Average	10.7%	10.6%	9.0%	7.5%	6.8%	7.6%

Source: Single Source Regulations Office

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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
  - 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 and non-recurring items to reflect equivalent composition of the Group

Income statement including specific adjusting items*

	2019 £m	2018 £m
Revenue	**911.1**	833.0
Underlying operating profit*	**123.9**	122.5
Underlying net finance income/(expense)*	**0.1**	(0.4)
Underlying profit before tax*	**124.0**	122.1
Gain on sale of property	**0.2**	14.6
Gain on sale of investment	**1.1**	0.6
Gain on sale of intellectual property	**-**	5.9
Acquisition costs	**(2.0)**	-
Amortisation of intangibles	**(3.9)**	(2.6)
Property Impairment	**(3.7)**	-
Pension past service cost in respect of GMP equalisation	**(0.7)**	-
Pension net finance income	**8.2**	4.2
Total specific adjusting items (pre-tax)	**(0.8)**	22.7
Profit before tax	**123.2**	144.8
Taxation	**(9.3)**	(6.7)
Profit after tax	**113.9**	138.1

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

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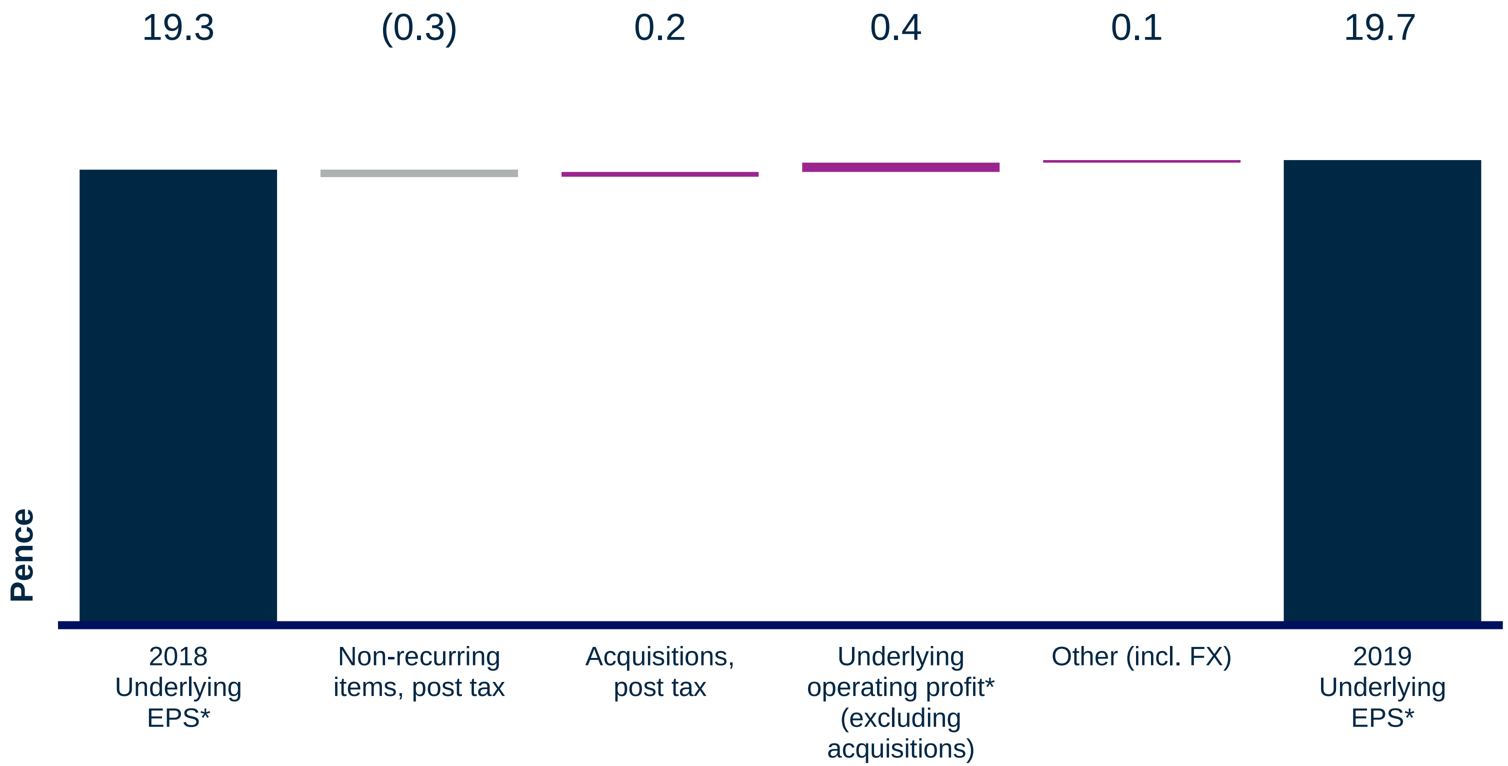
Taxation

	2019 £m	2018 £m
Underlying tax charge*	**(12.5)**	(13.1)
Tax on specific adjusting items	**3.2**	6.4
Total tax charge	**(9.3)**	(6.7)
Underlying tax rate*	**10.1%**	10.7%

* 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

		2019 £m	2018 £m
Underlying operating profit*		**123.9**	122.5
Depreciation and amortisation		**35.3**	29.3
Changes in working capital		**(27.5)**	(14.2)
Loss on disposal of PPE		**(5.5)**	2.9
Share-based payments charge		**6.1**	2.4
Share of post-tax profit of equity accounted entities	**(3.6)**	**(0.6)**	(0.3)
Net movement in provisions		**(3.6)**	(3.7)
Retirement benefit contributions in excess of income statement expense		**(1.8)**	(12.4)
Net cash inflow from operations*		**126.3**	126.5
Cash conversion %*		**102%**	103%
Net capex		**(87.6)**	(54.5)
Proceeds from disposal of plant and equipment		**6.9**	-
Net cash inflow from operations (post-capex)*		**45.6**	72.0
Net interest		**0.6**	-
Taxation		**(10.7)**	(15.7)
Free cash flow*		**35.5**	56.3

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

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Movements in net cash

	2019 £m	2018 £m
Free cash flow	**35.5**	56.3
Dividends	**(35.7)**	(34.5)
Acquisition of business (deferred consideration)	**(61.2)**	(1.6)
Repayment of external bank loan (recognised on acquisition of EIS)	**(20.0)**	
Disposal of property	**5.3**	23.1
Disposal of IP	**-**	5.9
Disposal of Investments	**(1.6)**	-
Purchase of own shares	**(0.7)**	(0.7)
Other (including FX)	**0.1**	(3.6)
Change in net cash	**(78.3)**	44.9
Opening net cash - 1 April	**266.8**	221.9
Closing net cash - 31 March	**188.5**	266.8

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Balance sheet

	31 March 2019 £m	31 March 2018 £m
Goodwill	**148.6**	101.5
Intangible assets	**88.5**	41.1
Property, plant and equipment	**298.0**	269.0
Working capital	**(98.0)**	(146.5)
Retirement benefit surplus (net of tax)	**210.5**	257.6
Other assets and liabilities	**(55.1)**	(45.2)
Net cash	**188.5**	266.8
Net assets	**781.0**	744.3

Confirmed pension surplus

	31 March 2019 £m	31 March 2018 £m
Market value of assets	**1,963.6**	1,990.5
Present value of scheme liabilities	**(1,704.5)**	(1,674.3)
Net pension asset before deferred tax	**259.1**	316.2
Deferred tax liability	**(48.6)**	(58.6)
Net pension asset	**210.5**	257.6

- Accounting net pension asset of £210.5m (after deferred tax)
- Decrease in net pension asset is driven by completion of a buy-in transaction of pension and liabilities and a change in mortality assumptions
- Actuarial study concluded that cost of equalising Guaranteed Minimum Pensions is c. £0.7m. This is much lower than previously estimated
- Scheme is hedged against ~93% of interest rate risk and 100% 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
- Payments are made under an asset backed funding scheme of £2.7m per annum + CPI (FY19: £2.7m) until 2032

Defined benefit pension scheme – balance sheet position

	31 March 2019 £m	31 March 2018 £m
Equities	**178.8**	174.7
LDI investment	**690.8**	1,050.9
Liquidity fund	**96.0**	311.3
Bonds	**304.4**	232.9
Property	**145.6**	138.7
Cash and cash equivalents	**75.1**	80.2
Derivatives	**2.5**	1.8
Insurance buy-in	**470.4**	-
Market value of assets	**1,963.6**	1,990.5
Present value of scheme liabilities	**(1,704.5)**	(1,674.3)
Net pension asset before deferred tax	**259.1**	316.2
Deferred tax liability	**(48.6)**	(58.6)
Net pension asset	**210.5**	257.6

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Defined benefit pension scheme – key assumptions

Assumptions	31 March 2019 %	31 March 2018 %
Discount rate	**2.45%**	2.60%
Inflation (CPI)	**2.35%**	2.25%
Future male pensioners (currently aged 60)	**87**	88
Future female pensioners (currently aged 60)	**89**	90
Future male pensioners (currently aged 40)	**89**	90
Future female pensioners (currently aged 40)	**91**	92

Sensitivity of Scheme liabilities to main assumptions:

Assumption	Change in assumption	Sensitivity*
Discount rate	Increase / decrease by 0.1%	Decrease / increase by £31m
Rate of inflation	Increase / decrease by 0.1%	Increase / decrease by £30m
Life expectancy	Increase by 1 year	Increase by £59m

* 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 2019 this hedges against approximately 93% of the interest rate and 100% 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 2023	GBP	275.0	275.0
Total committed facilities			**275.0**	**275.0**