

Measuring our progress

Key performance indicators (KPIs)

The objective of our Organic-Plus strategy is to deliver growing sustainable earnings by optimising our portfolio. Progress is measured through a range of financial and non-financial key performance indicators. Measurements of health and safety, customer satisfaction and employee engagement underpin sustainability. Measures such as order intake, organic revenue growth, profitability and cash flow track financial performance.

Similar indicators are used to review performance in each of the Group's businesses.

➔ P24 Responsible business

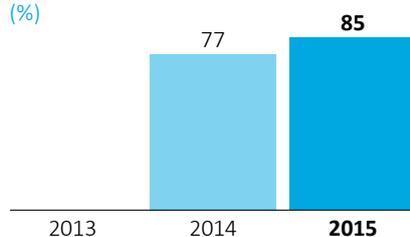
Continuing operations

All KPIs have been restated to reflect the continuing operations only.

Non-financial KPIs

Customer satisfaction

(%)



2015 performance

85%

Of our customers recognise us as a top three supplier

Description

QinetiQ's customer satisfaction survey was introduced in 2014, following suspension of the MOD survey, to ask all UK customers with contracts over £200,000 about QinetiQ's delivery, engagement and relationship. In the US, customer satisfaction metrics are reviewed on a contract-by-contract basis.

Rationale

Using an independent third party we annually survey around 100 of our largest projects to help us understand our performance and what we need to be doing to continuously improve. We also gather qualitative feedback through structured interviews.

Performance this year

Of those surveyed, 85% told us that QinetiQ is performing as a 'top three' supplier, up from 77% last year. We are moving in the right direction.

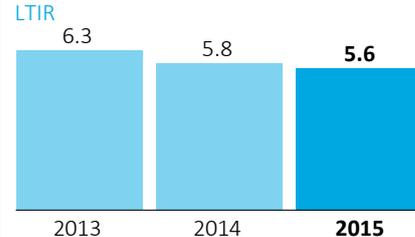
Link to strategy

Developing relationships with our customers that are built on mutual trust is a key strategic priority.

➔ P72 Directors' remuneration report

Health and safety

LTIR



2015 performance

5.6

Calculated on the lost time incident rate (LTIR)

Description

The LTIR is calculated using the total number of accidents resulting in at least one day taken off work, multiplied by 1,000 divided by the average number of employees in that year.

Rationale

Health and safety performance is monitored to drive continual improvement in minimising risks to employees and reducing harm.

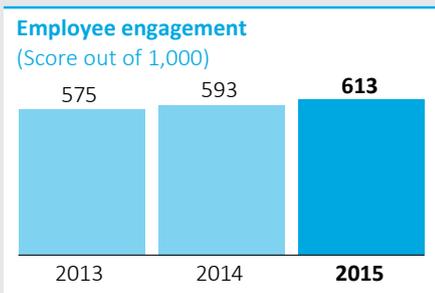
Performance this year

The LTIR has decreased slightly from previous year. The absolute number of lost time incidents, resulting in at least one day off work, is broadly similar to last year.

Link to strategy

The safety, health and wellbeing of our people are intrinsically linked to our strategic success.

➔ P24 Responsible business



2015 performance

613

Scale of 0–1,000 based on Best Companies Employee Survey

Description

A measure of employee engagement (in the UK) on a scale of 0–1,000, based on the Best Companies Employee Survey. Through this survey, employees share their views about working at QinetiQ under the headings of management, leadership, company, personal growth, my team, giving something back, fair deal and wellbeing.

Rationale

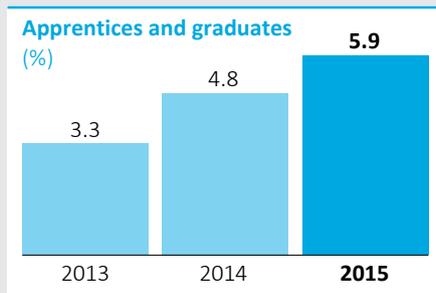
The annual survey enables comparison between QinetiQ and other UK companies.

Performance this year

We have again seen an improvement in our overall engagement score, taking us into the Best Companies ‘ones to watch’ category.

Link to strategy

QinetiQ seeks to develop, engage and empower highly skilled employees who are passionate about customer service excellence, innovation and responsible business practice.



2015 performance

5.9%

Total percentage of our UK workforce

Description

The number shown is the total number of apprentices and graduates as a percentage of our UK workforce.

Rationale

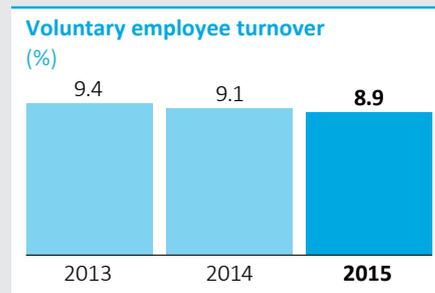
Provides a measure of QinetiQ’s ability to attract and develop new employees. It is also a measure of our commitment to The 5% Club, an industry-led initiative to grow the number of young people on apprenticeships and graduate programmes.

Performance this year

We have increased the percentage of our UK workforce who are on apprenticeships or graduate programmes to 5.9%, meeting the target we set last year.

Link to strategy

To deliver outstanding value for our stakeholders we need to source People Who Know How today and develop the pipeline for tomorrow. QinetiQ is seeking to inspire a new generation of engineers and scientists.



2015 performance

8.9%

Employees leaving not at QinetiQ’s instigation

Description

This is a measure of the number of employees leaving the Company not at QinetiQ’s instigation.

Rationale

Provides a measure of the Group’s ability to retain employees.

Performance this year

The trend of a reduction in voluntary employee turnover has continued this year, falling to 8.9%.

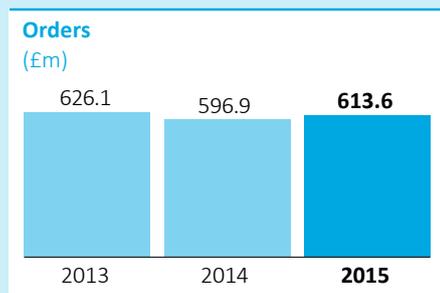
Link to strategy

Our employees are our principal source of competitive advantage, directly impacting our ability to win and retain business. As such, QinetiQ’s future success lies in its ability to create opportunities for our people to flourish and grow.

P72 Directors’ remuneration report

P24 Responsible business

Financial KPIs – continuing operations unless stated



2015 performance

£613.6m

Value of orders booked in the year

Description

The level of new orders (and amendments to existing orders) booked in the year.

Rationale

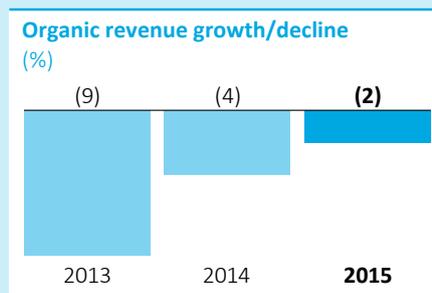
This provides a measure of the Group's ability to replace completed contracts/business with new contracts/business.

Performance this year

This year reflects a return to growth in orders for the continuing business.

Link to strategy

The level of orders reflects the Group's ability to listen to, and help shape the needs of, our customers.



2015 performance

(2)%

Organic decline in revenue

Description

The Group's organic revenue growth is calculated by taking the increase in revenue over prior year pro-forma revenue, at constant exchange rates. Prior year pro-forma revenue excludes the impact of acquisitions and disposals.

Rationale

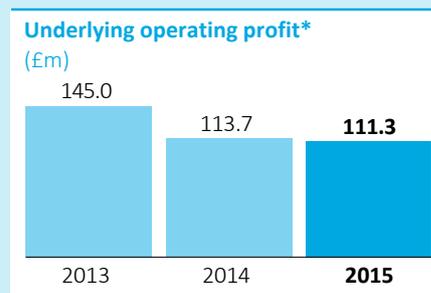
Organic revenue growth demonstrates the Group's capability to expand its operations within its chosen markets before the effect of acquisitions, disposals and currency translation.

Performance this year

Continuing operations in total recorded a 2% decline in revenue at constant currency. At a divisional level a 21% decline in Global Products masked a 3% growth in EMEA Services.

Link to strategy

Organic revenue growth reflects the Group's ability to work in partnership with our customers to understand and help meet their challenges.



2015 performance

£111.3m

Description

The earnings before interest and tax, excluding all specific adjusting items*.

Rationale

Underlying operating profit is used by the Group for performance analysis as a measure of operating profitability that is tracked over time. Specific adjusting items are excluded because their size and nature mask the true underlying performance year on year.

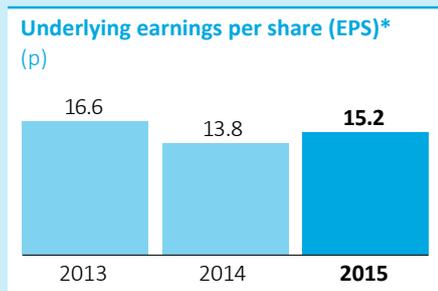
Performance this year

Underlying operating profit declined by 2% in the year. At a divisional level a 32% reduction in Global Products offset a 7% increase in EMEA Services.

Link to strategy

This measure is a reflection of the productivity of the Group's activities and is used for executive remuneration.

* Definitions of underlying measures of performance and specific adjusting items can be found in the glossary on page 141.



2015 performance

15.2p

Per share

Description

The underlying earnings, net of interest and tax, expressed in pence per share.

Rationale

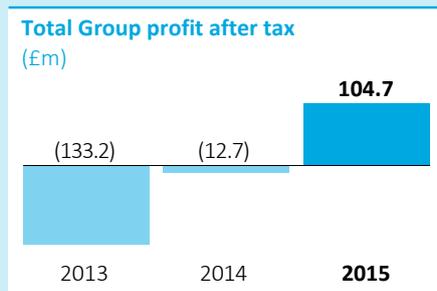
Underlying EPS provides a measure of the earnings generated by the Group after deducting tax and interest. Specific adjusting items are excluded because their size and nature mask the true underlying performance year on year.

Performance this year

Underlying EPS grew by 10%. A marginal decline in underlying operating profit was more than offset by a reduction in net finance expense (following repayment of private placement debt), a marginal reduction in the tax rate and a lower number of shares in issue.

Link to strategy

This is used for executive remuneration, determining the level of pay-out for certain of the Group's long-term incentive plans.



2015 performance

£104.7m

Description

This is the total Group profit/(loss), net of interest and tax, including all specific adjusting items and including discontinued items*.

Rationale

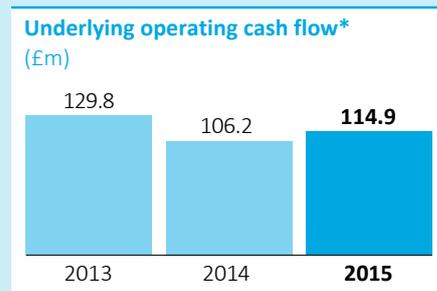
This shows the overall financial performance of the Group reflecting both underlying and specific adjusting items of income and expenditure. A key financial measure used to reflect overall financial performance for the year.

Performance this year

The significant step up in the total Group profit after tax primarily results from the absence of impairment charges in the year as the prior years both contained significant impairments of goodwill.

Link to strategy

This is a key financial measure of overall financial performance for the year.



2015 performance

£114.9m

Description

This represents net cash flow from operations before cash flows of specific adjusting items, less net cash outflows on the purchase/sale of intangible assets and property, plant and equipment.

Rationale

This provides a measure of the Group's ability to generate cash from its operations and gives an indication of its ability to service its debt, make discretionary investments and pay dividends to shareholders.

Performance this year

Underlying operating cash flow increased from the prior year and represents a cash conversion of more than 100%.

Link to strategy

This is a measure of the cash-generative characteristics of the Group and is a measure used for executive remuneration.

* Definitions of underlying measures of performance and specific adjusting items can be found in the glossary on page 141.